

U.S.\$750,000,000



Rumo Luxembourg S.à r.l.

*(a private limited liability company (société à responsabilité limitée)
organized under the laws of the Grand Duchy of Luxembourg)*

7.375% Notes due 2024

Unconditionally and irrevocably guaranteed by

Rumo S.A.

(Incorporated in the Federative Republic of Brazil)

Rumo Luxembourg S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized and established under the laws of the Grand Duchy of Luxembourg, having its registered office at 6, rue Eugène Ruppert, L-2453, Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*Registre de commerce et des sociétés, Luxembourg*) under number B 210069, or the Issuer, is offering U.S.\$750,000,000 aggregate principal amount of 7.375% notes due 2024, or the notes. Interest on the notes will accrue at a rate of 7.375% per year. The notes will mature on February 9, 2024. The Issuer will pay interest on the notes in arrears on February 9 and August 9 of each year, commencing on August 9, 2017.

The Issuer may, at its option, redeem the notes, in whole or in part, at any time prior to February 9, 2021, by paying 100% of the principal amount of the notes so redeemed plus the applicable "make-whole" amount and accrued and unpaid interest. The Issuer may, at its option, redeem the notes, in whole or in part, on February 9, 2021 or at any time thereafter, at the redemption prices (expressed as a percentage of the principal amount of the notes) set forth in this offering memorandum, plus accrued and unpaid interest. In addition, at any time prior to February 9, 2020, the Issuer may, on any one or more occasions, redeem up to 35% of the notes at a redemption price of 107.375% of their principal amount, plus accrued and unpaid interest, using the proceeds of certain equity offerings. The notes may also be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest, at any time upon the occurrence of specified events relating to tax law imposed by relevant jurisdictions, as set forth in this offering memorandum. See "Description of Notes—Redemption." In addition, upon the occurrence of a Change of Control that results in a Ratings Decline (each as defined in "Description of Notes"), the Issuer will be required to offer to purchase the notes at the price as set forth in this offering memorandum. See "Description of Notes—Certain Covenants—Repurchase of Notes upon a Change of Control."

Upon the consummation of this offering and pursuant to an escrow agreement between the Issuer and the escrow agent, we will deposit into an escrow account in the name of the Trustee for the benefit of the holders of the notes the proceeds of this offering. The notes will be subject to a Special Mandatory Redemption (as defined in "Description of Notes") in the event the Release Conditions (as defined in "Description of Notes") do not occur by on or before the Special Mandatory Redemption Date (as defined in "Description of Notes"). Upon the occurrence of a Special Mandatory Redemption, the Issuer will be required to redeem the notes, on the business day immediately following the Special Mandatory Redemption Date, at a redemption price equal to 101% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date.

As of the issue date, only Rumo S.A. will unconditionally and irrevocably guarantee, on an unsecured basis, all the obligations of the Issuer pursuant to the notes. Upon satisfaction of the Release Conditions, ALL – América Latina Logística Malha Norte S.A. will also unconditionally and irrevocably guarantee, on an unsecured basis, jointly and severally with Rumo S.A., all of the obligations of the Issuer pursuant to the notes. Each of Rumo S.A.'s and ALL – América Latina Logística Malha Norte S.A.'s, or the Guarantors, respective guarantees will rank equally in right of payment with the other unsecured unsubordinated indebtedness and guarantees of the Guarantors and effectively subordinated to the liabilities of the Guarantors' respective subsidiaries and jointly controlled companies. The guarantees will be effectively junior to the secured indebtedness of the Guarantors to the extent of such security and to the indebtedness of the Guarantors' non-guarantor subsidiaries and jointly controlled companies. For a detailed description of the notes, see "Description of Notes."

There is currently no trading market for the notes. We will apply to list the notes on the Official List of the Luxembourg Stock Exchange in its capacity as market operator of the Euro MTF market and to trade them on the Euro MTF market of that exchange. The Euro MTF market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). See "Listing and General Information." The notes will not be admitted to trading on the Euro MTF Market prior to or on the settlement date. This offering memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended (the "Prospectus Law").

Investing in the notes involves risks. See "Risk Factors" beginning on page 19.

Issue Price: 100.000% plus accrued interest, if any, from February 9, 2017

The notes (and the guarantees) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act, or Rule 144A, and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act, or Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information about restrictions on transfer of the notes, see "Transfer Restrictions."

The notes were delivered to purchasers in book-entry form through The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, *société anonyme*, or Clearstream, on February 9, 2017.

Joint Book-running Managers

BB Securities

Bradesco BBI

BTG Pactual

Itaú BBA

Morgan Stanley

Santander

The date of this offering memorandum is March 16, 2017.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to (1) “Rumo,” the “Company,” “we,” “our,” “ours,” “us” or similar terms refer to Rumo S.A. together with its consolidated subsidiaries (the successor entity of Rumo Logística (as defined below)); (2) “Rumo Logística” refers to Rumo Logística Operadora Multimodal S.A.; (3) “ALL” refers to ALL – América Latina Logística S.A.; (4) “Malha Norte” refers to ALL – America Latina Logística Malha Norte S.A.; (5) “Malha Oeste” refers to ALL – America Latina Logística Malha Oeste S.A.; (6) “Malha Paulista” refers to ALL – America Latina Logística Malha Paulista S.A.; (7) “Malha Sul” refers to ALL – America Latina Logística Malha Sul S.A.; (8) “ALL Intermodal” refers to ALL – America Latina Logística Intermodal S.A.; (9) “ALL Brasil” refers to ALL – America Latina Logística do Brasil S.A.; (10) “Brado Holding” refers to Brado Holding S.A.; (11) “Brado Logística” refers to Brado Logística e Participações S.A.; (12) “Cosan Limited” refers to Cosan Logística’s parent company, Cosan Limited, a holding company organized under the laws of Bermuda, together with its subsidiaries; (13) “Cosan Logística” refers to Cosan Logística S.A., together with its subsidiaries and jointly controlled entities; and (14) “Cosan S.A.” refers to Cosan S.A. Indústria e Comércio.

In this offering memorandum, references to the initial purchasers are to BB Securities Ltd., Banco Bradesco BBI S.A., Banco BTG Pactual S.A. — Cayman Branch, Itau BBA USA Securities, Inc., Morgan Stanley & Co. LLC, and Santander Investment Securities Inc.

In addition, the term “Brazil” refers to the Federative Republic of Brazil and the phrase “Brazilian government” refers to the federal government of Brazil. The term “Central Bank” refers to the Central Bank of Brazil (*Banco Central do Brasil*). All references to “*real*,” “*reais*” or “R\$” are to the Brazilian *real*, the official currency of Brazil and all references to “U.S. dollar,” “U.S. dollars” or “U.S.\$” are to U.S. dollars, the official currency of the United States of America. Unless otherwise stated, all numbers included in this offering memorandum are expressed in *reais*. This offering memorandum contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have converted the *real* amounts using a rate of R\$3.2462 to U.S.\$1.00, the U.S. dollar selling rate as of September 30, 2016 as reported by the Central Bank. For more information, see “Exchange Rates.”

We and the Issuer, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to them and us is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We and the Issuer accept responsibility accordingly.

We and the Issuer have not authorized anyone to provide any information other than that contained in this offering memorandum prepared by us and the Issuer or on our and the Issuer's behalf. We and the Issuer take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. None of us, the Issuer, or the initial purchasers are making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted.

The Issuer is relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes offered are subject to restrictions on transferability and resale and may not be transferred or resold in the United States, except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions." You should understand that you may be required to bear the financial risks of your investment in the notes for an indefinite period of time.

The Issuer will apply to admit the notes to listing on the Official List, and to trading on the Euro MTF market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

We and the Issuer have prepared this offering memorandum for use solely in connection with the proposed offering of the notes outside of Brazil.

Neither this offering memorandum nor any other information supplied in connection with the notes should be considered as a recommendation by us, the Issuer or any of the initial purchasers that any recipient of this offering memorandum or any other information supplied in connection with the notes should subscribe for or purchase any notes. Each investor contemplating subscribing for or purchasing any notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us and the Issuer. This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us, the Issuer, any initial purchaser or the Trustee (as defined herein) to subscribe or purchase, any of the notes in any jurisdiction where such offer is not permitted. The distribution of this offering memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us, the Issuer, each of the initial purchasers and the Trustee to inform themselves about and to observe any such restrictions. None of us, the Issuer, nor any initial purchaser represents that this offering memorandum may be lawfully distributed, or that any notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us, the Issuer or any initial purchaser that is intended to permit a public offering of any notes or distribution of this offering memorandum in any jurisdiction where action for that purpose is required. Accordingly, no notes may be offered or sold, directly or indirectly, and neither this offering memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Notwithstanding anything set forth herein or in any other document related to the notes, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that we have provided to you relating to such tax treatment and tax structure.

We and the Issuer have prepared this offering memorandum solely for use in connection with the proposed offering of the notes, and it may only be used for that purpose. The Issuer and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum.

This offering memorandum summarizes certain documents and other information and we and the Issuer refer you to them for a more complete understanding of what we and the Issuer discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our company and the terms of this offering and the notes, including the merits and risks involved.

Neither the Trustee nor the initial purchasers accepts any liability in relation to the information contained in this offering memorandum or any other information provided by us or the Issuer in connection with the Notes. In addition, no representation, warranty or undertaking, express or implied, is made by any initial purchaser or the Trustee as to the accuracy or completeness of the information contained or incorporated in this offering memorandum or any other information provided by us or the Issuer in connection with the notes, and nothing contained herein is or shall be relied upon as a promise or representation by any initial purchaser or the Trustee, whether as to the past or to the future.

We, the Issuer and the initial purchasers are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes under any investment law or similar laws or regulations. You should not consider any information in this offering memorandum to be advice whether legal, business, accounting or tax. You should consult your own attorney or other professional for any legal, business, accounting or tax advice regarding an investment in the notes.

The notes have not been and will not be issued or placed, distributed, offered or traded in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended (*Lei do Mercado de Capitais*), or the Capital Markets Law, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes will not be offered or sold in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation. Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Notice to Luxembourg Investors. This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg financial sector supervisory authority (*Commission de Surveillance du Secteur Financier*) (the “CSSF”) for purposes of public offering or sale in the Grand Duchy of Luxembourg (“Luxembourg”). Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other offering circular, form of application, advertisement or other material related to such notes may be distributed, or otherwise be made available in or from, or published in, Luxembourg except if a prospectus has been duly approved by the CSSF in accordance with the Prospectus Law or the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus for the purpose of the Prospectus Law.

Neither the U.S. Securities and Exchange Commission, or the SEC, nor any state securities’ commission has approved or disapproved of these securities or determined whether this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. None of us, the Issuer, the initial purchasers, or its affiliates will have any responsibility therefor.

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC, as amended (the “Prospectus Directive”) (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the notes. Accordingly any person making or intending to make an offer of the notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Initial Purchaser has authorized, nor do they authorize, the making of any offer of notes in any other circumstances.

Additional Information

While any notes remain outstanding, the Company will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144A(d)(4)(i) under the Securities Act, during any period in which the Company (1) is not subject to, and in compliance with, Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or (2) becomes exempt from such reporting requirements pursuant to, and comply with, Rule 12g3-2(b) of the Exchange Act (as amended from time to time and including any successor provision).

Application will be made to list the notes on the Official List, and to trading on the Euro MTF market of the Luxembourg Stock Exchange. See “Listing and General Information.” The Issuer will comply with (i) any undertakings that it gives from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to the Luxembourg Stock Exchange all such information required in connection with the listing of the notes and (ii) any obligations deriving from the application of Regulation (EC) 596/2014 on market abuse applicable to it.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

All references in this offering memorandum to “*real*,” “*reais*” or the symbol “R\$” are to the legal currency of Brazil, the Brazilian *real*. All references to “dollar,” “U.S. dollars” or the symbol “U.S.\$” are to the legal currency of the United States, the U.S. dollar.

Solely for your convenience, we have translated certain amounts included in “Summary,” “Summary Consolidated Financial and Other Information,” “Capitalization,” “Selected Consolidated Financial and Other Information” and elsewhere in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of September 30, 2016 of R\$3.2462 to U.S.\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate as of that or any other date.

Financial Statements

We have included in this offering memorandum (all of which are presented in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, and International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB):

- Rumo Logística’s unaudited individual and consolidated interim financial statements as of and for the nine-month period ended September 30, 2016, which comprise the balance sheet as of September 30, 2016 and the related statements of income and other comprehensive income for the three-month and nine-month periods then ended, and the related statements of changes in equity and cash flow for the nine-month period ended, and explanatory notes. On April 1, 2015, Rumo Logística consummated its acquisition of ALL, or the ALL Acquisition. As a result of the ALL Acquisition, the comparability of Rumo’s interim financial information for the nine-month period ended September 30, 2016 with Rumo’s interim financial information for the nine-month period ended September 30, 2015 is limited;
- Rumo Logística’s audited individual and consolidated financial statements as of and for the fiscal year ended December 31, 2015 (with the corresponding figures for the fiscal year ended December 31, 2014). On April 1, 2015, Rumo consummated the ALL Acquisition. As a result of the ALL Acquisition, the comparability of Rumo’s financial information as of and for the fiscal year ended December 31, 2014 with Rumo’s financial information as of and for the fiscal year ended December 31, 2015 is limited;
- Rumo Logística’s audited individual and consolidated financial statements as of and for the fiscal year ended December 31, 2014 (with the corresponding figures for the nine-month period ended December 31, 2013). On November 27, 2013, Rumo Logística changed the end of its fiscal year from March 31 to December 31. As a result, Rumo’s financial information for the period ended December 31, 2013 is based upon a nine-month period (beginning on April 1, 2013). Accordingly, the comparability of Rumo Logística’s financial information for the nine-month period ended December 31, 2013 with Rumo’s financial information for the fiscal years ended December 31, 2014 and 2015 is limited; and
- unaudited pro forma consolidated financial information for the fiscal year ended December 31, 2015 giving effect to the ALL Acquisition on April 1, 2015 as if it had occurred as of January 1, 2015. The unaudited pro forma consolidated financial information for the fiscal year ended December 31, 2015 was prepared by (1) combining Rumo Logística’s audited consolidated income statement for the fiscal year ended December 31, 2015 with ALL’s unaudited interim consolidated income statement for the three-month period ended March 31, 2015 and (2) performing certain eliminations and adjustments. As a result of the acquisition of ALL, Rumo Logística’s consolidated financial position and operating results for the ongoing fiscal year and fiscal years subsequent to such acquisition are not necessarily comparable with information provided in the preceding fiscal years.

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

See also “Independent Auditors” and “Index to Financial Statements.”

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Market Data

We obtained market and competitive position data, including market forecasts, used throughout this offering memorandum from market research, publicly available information and industry publications, as well as internal surveys. We include data from reports prepared by the Central Bank, the Brazilian Ministry of Development, Industry and Foreign Commerce (*Ministério do Desenvolvimento e do Comércio Exterior*), or MDIC, the Food and Agriculture Organization of the United Nations, or FAO, the Brazilian Ministry of Agriculture, Livestock, Supply (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA, the Brazilian Agricultural Research Corporation (*Empresa Brasileira de Pesquisa Agropecuária*), or Embrapa, the Brazilian Secretariat for Foreign Commerce (*Secretaria de Comércio Exterior*), or Secex, the National Supply Company (*Companhia Nacional de Abastecimento*), or Conab, which is a state owned company responsible for the management and control of the register of establishments that store agricultural products, the United States Department of Agriculture, or USDA, the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the São Paulo Stock, Commodities and Futures Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA, the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, and the Fundação Getúlio Vargas, or FGV. We believe that all market data in this offering memorandum is reliable, accurate and complete.

Special Note Regarding Non-GAAP Financial Measures

In this offering memorandum we present EBITDA and EBITDA Margin, which are non-GAAP financial measures. EBITDA measures our operating profitability and is calculated as profit (loss) plus current and deferred income tax and social contribution, financial results (net) and depreciation and amortization. We define EBITDA Margin as EBITDA divided by net operational revenue, expressed as a percentage. We also present Net Debt, which we calculate as gross debt, less (1) derivative financial instruments, net (to be received), (2) cash and cash equivalents and marketable securities, and (3) restricted cash from borrowings and financings. In addition, we present Net Adjusted Working Capital, which we define as current assets, except cash and cash equivalents and marketable securities minus current liabilities, except short-term loans and financing, finance leases, and real estate credit certificates. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The non-GAAP financial measures described in this offering memorandum are not a substitute for the GAAP measures of earnings, for which our management has responsibility.

Our management believes that EBITDA, EBITDA Margin, Net Debt and Net Adjusted Working Capital provide useful information to potential investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries. However, EBITDA, EBITDA Margin, Net Debt and Net Adjusted Working Capital are not measures under Brazilian GAAP and IFRS and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with Brazilian GAAP and IFRS. EBITDA, EBITDA Margin, Net Debt and Net Adjusted Working Capital are not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains estimates and forward-looking statements, principally under “Risk Factors,” “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Some of the matters discussed herein concerning our business and financial performance include estimates and forward-looking statements and, therefore, neither indicate nor guarantee future results.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and operating and financial trends, which affect or may affect our industry, market share, reputation, businesses, financial condition, results of operations, margins, and/or cash flow. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties, are made in light of information currently available to us and should not be considered a guarantee of the results of operations we may achieve.

Many significant factors in addition to those stated in this offering memorandum may adversely affect our current estimates and forward-looking statements, and whether these estimates or statements may be realized. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- our ability to successfully implement structural changes aimed at generating and maximizing profits and reducing our indebtedness;
- economic, political, social and business conditions in Brazil, particularly in the regions of the country in which we are active, notably with respect to inflation, exchange rate fluctuation of the *real*, interest rates fluctuation and the political environment in Brazil following the conclusion of the impeachment proceedings against former President Dilma Rousseff;
- our ability to successfully compete in all segments and geographical markets where we currently conduct business or may conduct businesses in the future;
- our ability to fulfill our financial obligations or obtain refinancing;
- our ability to sustain and improve our performance;
- the impact of legislation and new regulations on our business;
- government intervention resulting in changes in the economy, taxes and tariffs affecting the markets in which we operate;
- recruitment, remuneration and retention of our “key employees”;
- events and risk perception in relation to corruption allegations involving Petróleo Brasileiro S.A. – Petrobras (Brazil’s state-owned oil company, one of the country’s largest companies), or Petrobras, and the impacts of such investigation on the Brazilian economy and political outlook as a whole and, particularly, on our principal shareholder;
- the impact of the economic recession affecting Brazil and the possible fiscal adjustment process which may adversely affect the growth of demand in the Brazilian economy as a whole;
- our ability to obtain labor and supply services at reasonable prices without interruption;
- our capitalization and indebtedness level;
- unavailability of adequate financing to face our needs or inability to make the volume of investment as set out in our business plan within the expected time frame;
- our ability to identify, develop, plan and implement new projects;

- delays, excess or cost increases not foreseen in the implementation of our projects and other issues related to construction and development;
- factors or trends that may affect our business, market share, financial condition, liquidity and results of our operations;
- our capitalization and indebtedness level and our ability to arrange financing and to implement our capital expansion plan; and
- other risk factors discussed under “Risk Factors.”

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering memorandum might not occur, and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

SUMMARY

This summary highlights selected information about Rumo and the notes that are offered hereby. This summary does not contain all of the information that an investor should consider before investing in our notes. Before making an investment decision, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our financial statements and respective notes thereto, and the sections named “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We recommend that investors consult their legal and financial advisors before investing in the notes.

Overview

We believe that Rumo, the predecessor of which (Rumo Logística) completed the ALL Acquisition in April 2015, is Brazil’s largest railroad-based logistics operator in terms of total volume transported, providing rail transport logistics, port handling and warehousing services. We operate in the states of Mato Grosso and São Paulo as well as the southern region of Brazil. According to MDIC and IBGE data, our rail network extends over an area that accounts for approximately 80% of Brazil’s GDP, where four of the most active ports in the country are located and through which most of Brazil’s grain production is exported.

We own and operate a large asset base, including a rail network consisting of four concessions that extend over approximately 12,000 kilometers of railway lines, over 1,000 locomotives, over 30,000 rail cars, as well as distribution centers and warehousing facilities. We provide efficient and complete logistics services to our clients through our operation of 12 transshipment terminals, either directly or through partnerships, which have a static storage capacity of approximately 900,000 tons, and where we store grains, sugar and other commodities. At our most important terminal, the logistics complex of Rondonópolis (in the state of Mato Grosso), we have the capability to load over 1 million tons of grains per month. Moreover, we control two port terminals in Santos in the state of São Paulo, and hold equity interests in four other port terminals, three of which are in the port of Santos in the state of São Paulo and one in the state of Paraná, with a static storage capacity of approximately 1.3 million tons and a total loading capacity of approximately 29 million tons per year. The real estate we lease in connection with our concessions contains areas available for construction and development of warehouses and logistics terminals, which makes it possible for us to expand our operations and improve our logistics and other services. For example, the Grain Terminal of Guarujá (TGG) in the port terminal in Santos, in which we currently have a 10% equity interest, is a significant port project that has been constructed and has the capacity to handle approximately 8 million tons of grain per year.

The transportation of agricultural commodities, primarily for export, represented approximately 82%, 80% and 76% of our transported volume in the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015 and 2014, respectively, while transportation of industrial products represented approximately 18%, 20% and 24% of our transported volume in the same periods, respectively. In the nine-month period ended September 30, 2016 and in the fiscal years ended December 31, 2015 and 2014, approximately 70%, 68% and 62%, respectively, of our transported volume derived from the transportation of grains.

We believe that our asset base allows us to provide transportation services to various customers, mainly for agricultural commodities, which has made us one of the primary agricultural logistics service providers in the Brazilian agricultural industry. We believe that the services we provide are important to the development and growth of the country, as Brazil is one of the main producers and exporters of agricultural products in the world.

We also provide intermodal transportation logistics services, which is the movement of freight via container using two or more modes of transportation (generally rail and truck). We believe that these methods of transportation reduce the costs of cargo handling, because containers are typically consolidated from trucks onto trains or ships that can carry mass loads, allowing for fuel efficiency.

Our Operations

We organize our operations into three segments that correspond to the main markets in which we operate: (1) our north operations segment, or Northern Operations, comprising the Malha Norte and Malha Paulista rail concessions, our transshipment terminals located in the states of Mato Grosso and São Paulo, and our port operation in Santos, (2) our south operations business segment, or Southern Operations, comprising Malha Oeste and Malha Sul, as well as our transshipment terminals in the state of Paraná, and (3) our container operations business segment, or Container Operations, which comprise the operations of Brado Logística and other container operations.

Northern Operations

Our Northern Operations comprise the concessions held by our subsidiaries Malha Norte and Malha Paulista. Moreover, we have important transshipment terminals in the states of Mato Grosso and São Paulo, in addition to the T16 and T19 port terminals, which we fully own, and certain other terminals in which we hold equity interests together with strategic partners, namely Terminal XXXIX (49.6%), Terminal Marítimo do Guarujá S.A. – TERMAG (19.6%) and Terminal de Granéis do Guarujá S.A. – TGG (9.9%). Through our Northern Operations, we primarily transport agricultural commodities such as grains (soybean, soybean meal and corn), sugar, rice, wheat and fertilizers. We also transport industrial products such as fuels, paper and pulp. The network that comprises our Northern Operations extends over a large part of the agricultural production areas of Brazil located in the states of Mato Grosso and São Paulo, and is consequently our most important operation, accounting for approximately 67% and 64% of our rail transportation volume, respectively, in the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015.

In the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015, our Northern Operations generated net revenue from services of R\$2.9 billion and R\$2.9 billion, respectively, which accounted for 73.6% and 72.4%, respectively, of our total net revenue from services, and EBITDA of R\$1.6 billion and R\$1.5 billion, respectively. The income before financial results and income taxes of our Northern Operations was R\$1.2 billion in the nine-month period ended September 30, 2016 and R\$1.1 billion in the fiscal year ended December 31, 2015. In addition, our Northern Operations transported 22,119 million revenue ton kilometer, or RTK, in the nine-month period ended September 30, 2016, representing approximately 67% of the total volume transported by us in that period, and transported 28,666 million RTK in the fiscal year ended December 31, 2015, representing approximately 64% of the total volume transported by us in that year. In the nine-month period ended September 30, 2016, we increased port handling volumes by operations under our control at the port of Santos (Terminal 16 and Terminal 19) to approximately 10.5 million tons of agricultural commodities, 28.8% more than in the nine-month period ended September 30, 2015, primarily due to more favorable conditions for the sale and export of sugar, as well as an increase in grain handling. We believe our Northern Operations' main customers in the rail transportation segment are grain traders, including Bunge, Amaggi, Cargill, ADM and Louis Dreyfus, among others.

Southern Operations

Our Southern Operations comprise Malha Oeste and Malha Sul, whose railways encompass the states of Mato Grosso do Sul, Paraná, Santa Catarina and Rio Grande do Sul. In addition, we have important inland transshipment terminals in the states of Paraná and Rio Grande do Sul, and operate terminals at the ports of Paranaguá in the state of Paraná, São Francisco do Sul in the state of Santa Catarina and Rio Grande in the state of Rio Grande do Sul. Our Southern Operations primarily transport agricultural commodities such as grains (soybean, soybean meal and corn), sugar, rice, wheat and fertilizers, as well as certain industrial products such as fuels, and pulp and paper.

In the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015, our Southern Operations generated net revenue from services of R\$849.7 million and R\$888.5 million, respectively, which accounted for 21.2% and 22.0%, respectively, of our net total revenue from services, and EBITDA of R\$107.2 million and \$205.0 million, respectively. Our Southern Operations recorded a loss before financial results and income taxes of R\$74.9 million in the nine-month period ended September 30, 2016, primarily due to the shortfall in the second corn crop and the anticipation of soybean shipments in the first half of the year, and an income before financial results and income taxes of R\$55.3 million in the fiscal year ended December 31, 2015. In the nine-month period ended September 30, 2016, our Southern Operations transported 9,409 million RTK, representing 29% of the total volume transported by us in that period, and transported 14,072 million RTK in the

fiscal year ended December 31, 2015, representing 31% of the total volume transported by us in that year. Our Southern Operations' main customers include Santa Terezinha and Bunge.

Container Operations

Our Container Operations comprise our container operations and the operations of Brado Logística, in which we own an indirect equity interest of 62.22%. Our Container Operations transport agricultural products, in addition to industrial products. In the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015, our Container Operations generated net revenue from services of R\$204.8 million and R\$224.3 million, respectively, accounting for 5.1% and 5.6%, respectively, of our total net revenue from services, and EBITDA of R\$(23.2) million and R\$(51.6) million, respectively, in each case resulting from decrease in transported volumes and higher costs and increased maintenance and personnel expenses. Our Container Operations recorded a loss before financial results and income taxes of R\$62.5 million in the nine-month period ended September 30, 2016, primarily due to the shortfall in the second corn crop, especially in the states of Paraná and Mato Grosso, in 2016, and R\$97.3 million in the fiscal year ended December 31, 2015. In addition, our Container Operations transported 1,282 million RTK in the nine-month period ended September 30, 2016, representing approximately 4% of the total volume transported by us in that period, and 2,172 million RTK in the fiscal year ended December 31, 2015, representing 5% of the total volume transported by us in that year.

Competitive Strengths

We believe that, as a large-scale logistics provider with well-established integrated operations, we provide our customers with an efficient operation at attractive costs, as well as access to Brazil's main export hubs, such as the ports of Santos (in the state of São Paulo) and Paranaguá (in the state of Paraná), and that we are able to capitalize on favorable trends, particularly in light of the following competitive strengths:

Asset Base – Rail Network in Strategic Locations

We operate in three of the main export corridors for agricultural commodities in Brazil, which connect (1) our terminal in Rondonópolis in the state of Mato Grosso to the port of Santos in the state of São Paulo, (2) the terminals of Londrina and Maringá in the state of Paraná to the port of Paranaguá also in the state of Paraná, and (3) our terminal in Cruz Alta to the port of Rio Grande, both in the state of Rio Grande do Sul. The ports connecting these corridors to our inland terminals are the main ports responsible for 72% of Brazilian grain exports and 91% of Brazilian sugar exports in 2015, according to the MDIC. The states in which our rail network is located were responsible for 72% of Brazil's grain production (including soybean and corn) in 2015, according to Conab, and account for approximately 80% of Brazil's GDP.

Our railway network connects the ports of Santos in the state of São Paulo, Paranaguá in the state of Paraná, São Francisco do Sul in the state of Santa Catarina, and Rio Grande in the state of Rio Grande do Sul. These ports are among the most important in Brazil and account for a significant amount of container activity, according to MDIC.

We believe that the expansiveness, reach and importance of our assets are significant competitive advantages as they provide our customers with convenience, reach and access, as well as the ability to transport required volumes at lower costs.

Growth Potential in Volumes and Efficiency of Operations

Our investment plan seeks to significantly increase the market share of our freight transportation services in the market sectors in which we operate. We believe that as we invest in our rail network and rolling stock our competitive advantages become even more relevant, mainly in terms of cost and efficiency, especially for bulk freight traveling medium to long distances. This, coupled with the flexibility of our intermodal services, should attract more business from clients in Brazil for whom performing such services is currently not cost effective.

Strong Client Base

We believe that we maintain long-term relationships with our clients, which include: grain traders such as Bunge, Cargill, ADM and Amaggi; petroleum companies such as Petrobras, Raízen and Ipiranga; and industrial companies such as Votorantim, Eldorado, and Camargo Corrêa. We have developed favorable relationships with these clients in recent years by improving the reliability of our services. We believe that we have developed a reputation for efficient and strategic rail transport capabilities and an ability to work closely with clients to develop customized, highly specific logistics services to meet their unique transportation needs. For example, Terminal XXXIX was developed through a partnership between Malha Norte and its client Caramuru Alimentos, which resulted in the incorporation of a special purpose entity to build a port terminal on the right-bank of the port of Santos, located in the state of São Paulo. This terminal was established in 2001 and has been used for the transportation of bulk grains since then.

Strategy

We intend to expand our activities in the Brazilian logistics market in terms of volume transported by focusing on our primary business strategies:

Growth Where We Have a Distinct Competitive Advantage

Our transformation into a full service logistics company with the ability to provide formerly unavailable rail and intermodal services at a low cost to our clients is the cornerstone of our growth strategy. We plan to increase our transportation volumes and market share by providing service on routes where we have a clear competitive and/or economic advantage over alternative modes of transportation, usually trucking. We believe that our rail network in Brazil provides us a platform from which we can transport freight from point-to-point in a cost-effective manner. We further believe that the strategically located networks that comprise our rail network give us a sustainable competitive advantage to attract traditional rail clients, as well as the opportunity to improve our market share in the transport of industrial products through a combination of rail transport of freight over medium and long distances at low cost with the flexibility provided by truck transfers and connections. We intend to target the following markets:

- *Traditional rail clients, for whom our transportation services are the best alternative.* Traditional rail clients such as producers of agricultural commodities are typically those with heavy bulk shipments that are most efficiently transported by rail rather than in trucks along highways, but who may have used trucking as their primary mode of transportation in the past because of the limited availability of rail service in our markets; and
- *Industrial products clients, for whom intermodal services represent a more efficient mode of transportation than trucking alone.* We believe that we have the capacity to increase our participation in industries we already serve, such as steel products, fuel, and pulp and paper industries, as well as to enter into new markets. There are several industries that represent significant volume in Brazil's freight transportation industry and in which our market share is negligible, such as automotive and auto parts, refrigerated cargo, less-than-truckload, freight and others. According to Brazilian Ministry of Transport and EDLP, these industries are served mostly by trucks in Brazil, whereas in the United States they are primarily serviced by rail and intermodal services, which are generally of greater efficiency.

Investments Focused on Cost Controls

In 2015, we invested R\$1,405.5 million in the following capital expenditures: (1) investments in the rail network operated by us; (2) several initiatives implemented during the year to improve our permanent railways, such as overhauling 216 km of tracks; (3) purchase of 732 railcars and 43 new locomotives, as well as renovation of our current fleet, and (4) other initiatives.

In the nine-month period ended September 30, 2016, we invested a further R\$1,264.9 million in the aforementioned initiatives including overhauling 254 km of tracks, purchasing of 730 railcars and 52 new locomotives.

Our strategy is focused on investments in the renovation of assets, in particular our locomotives and railcar fleet, through the purchase of new rolling stock to replace assets in poor condition of use. The purpose of our investment in rail tracks is to reduce our operating costs and maximize our transported volume.

Maximize Asset Utilization and the Resulting Return on Invested Capital

In light of the asset-intensive nature of our business, high asset utilization is of paramount importance. The current levels of equipment downtime in our operations are not material in terms of availability of freight transport capacity. We intend to further minimize equipment downtime by:

- maximizing utilization of the equipment we own through the adoption of various asset utilization programs that monitor equipment location and transit timing within our rail network, as well as investing in new equipment to replace assets in poor condition in order to eliminate existing bottlenecks and increase average speed;
- entering into long-term contracts with our principal customers, thereby enabling us to provide for better adequacy and predictability of our capabilities; and
- tailoring acquisitions of new equipment to demand, through ongoing analysis of fleet levels versus requirements.

As a result of our ongoing efforts to improve asset utilization during 2015, we achieved reductions in transit time along some of our major routes: transit time between our transshipment terminal in Rondonópolis (state of Mato Grosso) and the port of Santos (in the state of São Paulo) has been reduced by 7%.

Investment in our Equipment and Network

Our rail concessions connect Brazil's traditional agricultural and industrial production hubs to its main ports. We believe that these concessions form a strong platform from which to leverage on the opportunities presented by Brazil's logistics industry. According to data from the National Transport Confederation, or CNT, rail accounted for less than 21% of Brazil's transportation system in 2015, but has the potential to increase the competitiveness of Brazilian businesses by providing an alternative to road transport as a means of shipping agricultural products. We believe we are well positioned to capture a significant share of the increase in the rail and intermodal transportation modes in the Brazilian logistics matrix.

In this context, we intend to significantly increase our rail transportation capacity over the next ten years. To achieve this goal, we plan to invest in the following areas by 2019:

- improving our network by:
 - improving access to strategic ports such as Paranaguá (in the state of Paraná), Santos (in the state of São Paulo), São Francisco do Sul (in the state of Santa Catarina) and Rio Grande (in the state of Rio Grande do Sul);
 - increasing the capacity of our transshipment terminal in Rondonópolis; and
 - regeneration of restricted sections, extension of rail yards and construction of new rail yards.
- replacement and renovation of our locomotives and freight cars, including the expansion of our fleet of 100-ton freight cars, in order to increase shipment capacity.

These investments are subject to the early renewal of certain of our concessions. For additional information see “—Recent Developments—Requests for Renewal of Certain Concessions” and “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may not obtain early renewals of the Malha Paulista and Malha Sul concession agreements, currently under review by the ANTT, which may have a material adverse effect on our investment plan and growth strategy.”

We intend to fund these investments through various sources including, but not limited to, BNDES credit facilities, capital markets and bilateral transactions. For further information, see “Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes.”

Recent Developments

Corporate Reorganization

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

In addition, as part of the aforementioned corporate reorganization, we (1) performed a capital increase at Malha Norte through a contribution of certain assets (wagons and locomotives) formerly held by Rumo Logística, and (2) performed a capital increase in a wholly-owned newly-established subsidiary of Rumo, Elevações Portuárias S.A., or Elevações Portuárias, through a contribution of port assets and debts formerly held by Rumo Logística, including 95 AC44i locomotives and 1,595 Hooper wagons, with a book value of R\$895.7 million. The reorganization was an internal corporate reorganization and did not affect Rumo on a consolidated basis.

Requests for Renewal of Certain Concessions

In September 2015, we filed formal requests with the ANTT for the renewal of the term of the Malha Sul and Malha Paulista concession contracts. Both of these requests are under review by the ANTT, with the request pertaining to Malha Paulista being at a more advanced stage, with completion of the review expected for the first quarter of 2017. The analysis of the request pertaining to Malha Sul should resume after completion of the request pertaining to Malha Paulista and certain other railroad concessions.

Additional Financings

Since September 30, 2016, we have borrowed an additional aggregate amount of R\$789.8 million (US\$243.3 million), of which R\$80.0 million (US\$ 24.6 million) is current debt, and R\$709.8 million (US\$ 218.7 million) is non-current debt. These additional loan and financings include borrowings under BNDES financings in the aggregate amount of R\$329.3 million (US\$101.4 million), NCE financings in the aggregate amount of R\$374.2 million (US\$115.3 million), and certain other debts incurred since September 30, 2016 in the aggregate amount of R\$86.3 million (US\$26.6 million). Since September 30, 2016, we have also made repayments in an aggregate amount of R\$756.2 million (US\$232.9 million) of our current debt as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Main Financing Agreements.”

Fourth Quarter Trends

We expect our net revenue from services and income (losses) for the fourth quarter of 2016 to be negatively impacted, when compared to the fourth quarter of 2015, as a result of an approximately 75% decrease in volume for corn transportation principally due to adverse climate conditions causing a 26% decrease in corn harvested in the State of Mato Grosso and other regions of Brazil. As disclosed in “Business—Seasonality,” approximately 75% of corn sales are concentrated in the second half of the year; therefore, corn transportation typically accounts for a significant portion of our net revenue from services during this period (including last quarter of the year). This decrease in corn transportation volume is expected to result in significantly higher losses for the fourth quarter of 2016 and the fiscal year ended December 31, 2016 compared to the fourth quarter of 2015 and the pro forma loss for the fiscal year ended December 31, 2015, respectively.

The Issuer

Rumo Luxembourg S.à r.l. is a wholly-owned subsidiary of Rumo and was incorporated under the laws of Luxembourg as a private limited liability company (*société à responsabilité limitée*) on October 25, 2016, and is registered with the Luxembourg Register of Commerce and Companies under number B 210069. The registered

office of the Issuer is at 6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg. See “The Issuer.”

Rumo S.A.

Rumo S.A. is a publicly-held company (*sociedade anônima*) organized and existing under the laws of Brazil (Brazilian Corporation Law (Law No. 6,404 of December 15, 1976)). It was incorporated on December 13, 2001, for an indefinite period. It is registered with the Commercial Registry of Paraná under number NIRE 41.300.019.886 and under Identification Number CNPJ: 02.387.241/0001-60 at the General Taxpayer’s Registry. Its registered office is at Rua Emilio Bertolini, No. 100, room 1, Vila Oficinas, City of Curitiba, State of Paraná.

Article 3 of the by-laws of Rumo S.A. provides that its corporate purpose is to, among other things, (i) provide services of cargo transportation by railway and highway systems, among others, separately or with each other, as an intermodal or multimodal system, including to act as a multimodal transport operator – OTM; (ii) exploit business activities, directly or indirectly, related to the cargo transportation systems set forth in the line above, such as the logistic planning, loading, unloading, transshipment, handling and storage of goods and containers, port operation, exploitation and administration of warehouses, general warehouses, and customs warehouses in the countryside; (iii) import, export, buy, sell, distribute, lease, rent, and lend containers, locomotives, wagons and other machinery, equipment and inputs related to the business activities set forth in the lines above; (iv) carry on trade, importation, exportation, and distribution operations of food products *in natura*, raw or industrialized, as well as the trade, importation, exportation and distribution of packages and recipients for the food products packaging products; (v) perform all activities related, incidental, or complementary to the business activities set forth in the lines above, in addition to the ones that make of the company’s structure; and (vi) participate, directly or indirectly, in the companies, enterprises and any other form of association whose purpose is related to any of the business activities set forth in the lines above .

Rumo S.A.’s capital stock is R\$7,014,897,097.82, divided into 1,339,015,898 common shares fully issued and paid-in, without nominal value.

ALL – América Latina Logística Malha Norte S.A.

ALL - América Latina Logística Malha Norte S.A. is a publicly-held company (*sociedade anônima*) organized and existing under the laws of Brazil (Brazilian Corporation Law (Law No. 6,404 of December 15, 1976)). It was incorporated on September 22, 1988, for an indefinite period. It is registered with the Commercial Registry of Mato Grosso under number NIRE 51.300.004.453 and under Identification Number CNPJ: 24.962.466/0001-36 at the General Taxpayer’s Registry. Its registered office is at Avenida Getulio Vargas, No. 1300, 2nd floor, City of Cuiabá, State of Mato Grosso.

Article 2 of the by-laws of ALL - América Latina Logística Malha Norte S.A. provides that its corporate purpose comprehends, among others, (i) the construction, operation, operation and maintenance of a railroad for the transportation of cargo between the cities of Aparecida do Taboado (MS), on the right bank of the Paraná River and Rondonópolis (MT), as well as the operation of loading, unloading, storage and transshipment services in stations, courtyards and land existing in the domain of the railway lines that are subject of the concession, the exploration of alternative, complementary, accessory and associated revenue sources, such as: (a) the use of a domain strip for the installation of lines connected to transmission systems of data, voice, text and image; (b) commercial exploitation, including advertising, of spaces available in real estate operations; (c) provision of technical consultancy services; (d) installation and operation of intermodal terminals; (e) exploitation of real estate projects with exploitation of operational properties; and (f) other projects or activities, directly or indirectly associated with the provision of the service.

ALL - América Latina Logística Malha Norte S.A.’s capital stock is R\$2,461,503,467.95, divided into 1,107,698,070 common shares and 81,714,293 preferred shares, subdivided into 76,088,610 Class “A” preferred shares and 5,625,683 Class “B” preferred shares, all fully issued and paid-in, without nominal value.

SUMMARY OF THE OFFERING

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing in the notes, including “Risk Factors” and our financial statements. Certain defined terms used in this summary are defined under “Description of Notes—Certain Definitions.”

Issuer	Rumo Luxembourg S.à r.l., a private limited liability company (<i>société à responsabilité limitée</i>), organized under the laws of the Grand Duchy of Luxembourg, having its registered office at 6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 210069.
Guarantors	As of the issue date, Rumo S.A. will unconditionally and irrevocably, guarantee, on an unsecured basis, all of Issuer’s obligations pursuant to the notes and the indenture under which they are issued. Upon satisfaction of the Release Conditions, ALL – América Latina Logística Malha Norte S.A. will also unconditionally and irrevocably guarantee, on an unsecured basis, jointly and severally with Rumo S.A., all of the obligations of the Issuer pursuant to the notes.
Initial Purchasers	BB Securities Ltd., Banco Bradesco BBI S.A., Banco BTG Pactual S.A. — Cayman Branch, Itau BBA USA Securities, Inc., Morgan Stanley & Co. LLC, and Santander Investment Securities Inc.
Notes Offered	U.S.\$750,000,000 aggregate principal amount of 7.375% notes due 2024.
Issue Price.....	100.000%.
Issue Date	February 9, 2017.
Maturity Date.....	February 9, 2024.
Interest	The notes bear interest from February 9, 2017 at the annual rate of 7.375%, payable semi-annually in arrears on each interest payment date.
Interest Payment Dates	February 9 and August 9 of each year, commencing on August 9, 2017.
Ranking of the Notes	The notes will be the Issuer’s senior unsecured and unsubordinated obligations and will rank equally in right of payment with the existing and future senior unsecured and unsubordinated indebtedness of the Issuer (except those obligations preferred by operation of law) and will be senior to any subordinated indebtedness of the Issuer. The notes will effectively rank junior to any and all secured indebtedness of the Issuer to the extent of the value of the assets securing such indebtedness.

Ranking of the Guarantees.....	As of the issue date, the notes will be guaranteed on an unsecured basis by Rumo S.A. Upon satisfaction of the Release Conditions, ALL – América Latina Logística Malha Norte S.A. will also unconditionally and irrevocably guarantee, jointly and severally with Rumo S.A. all of the obligations of the Issuer pursuant to the notes. The guarantees will be an unsecured obligation of the Guarantors and will rank equally in right of payment with the existing and future Guarantors' other unsecured and unsubordinated indebtedness and guarantees. The guarantee obligations in respect of the notes will be effectively junior to the Guarantors' secured indebtedness to the extent of such security and effectively subordinated to the liabilities of the Guarantors' respective subsidiaries and jointly controlled companies. Under Brazilian law, holders of the notes will not have any claim whatsoever against our non-guarantor subsidiaries.
Optional Redemption with a Make-Whole.....	Prior to February 9, 2021, the Issuer may, at its option, redeem all of the notes at any time or part of the notes from time to time, at a redemption price equal to 100% of the principal amount of the notes plus the applicable premium, as described in this offering memorandum, accrued and unpaid interest to, but excluding, the redemption date (subject to the right of holders of the notes on the relevant record date to receive interest due on the relevant interest payment date). In case of any partial redemption of notes pursuant to this provision, at least U.S.\$100.0 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by us or our affiliates).
Optional Redemption without a Make-Whole.....	On and after February 9, 2021, the Issuer may, at its option, redeem all of the notes at any time or part of the notes from time to time, at the redemption prices described in this offering memorandum (expressed as a percentage of principal amount), plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of holders of the notes on the relevant record date to receive interest due on the relevant interest payment date). In case of any partial redemption of notes pursuant to this provision, at least U.S.\$100 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by us or our affiliates).
Optional Redemption upon Eligible Equity Offering	At any time prior to February 9, 2020, the Issuer may, at its option, on one or more occasions redeem notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the outstanding notes (including any additional notes), at a redemption price (expressed as a percentage of principal amount) of 107.375%, plus accrued and unpaid interest to, but excluding, the redemption date, with the net cash proceeds from one or more equity offerings.

Tax Redemption	The notes may, at the option of the Issuer, be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest payable with respect thereto upon the occurrence of specified events relating to taxes imposed by Relevant Jurisdictions (as defined in “Description of Notes—Payment of Additional Amounts”) including Brazil and Luxembourg, as described under “Description of Notes—Redemption—Redemption for Taxation Reasons.”
Escrow of Proceeds	Upon the consummation of this offering, the proceeds of this offering will be placed into an escrow account in the name of the Trustee for the benefit of the holders of the notes, pending satisfaction of the Release Conditions (as defined in “Description of Notes”) pursuant to an escrow agreement.
Special Mandatory Redemption	In the event the Release Conditions do not occur by on or before the date that is 120 days after the Closing Date, or the Special Mandatory Redemption Date, the Issuer will be required to redeem the notes, on the business day immediately following the Special Mandatory Redemption Date, at a redemption price equal to 101% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date.
Additional Amounts	Payments of interest on the notes will be made after withholding and deduction for any taxes imposed by any Relevant Jurisdiction (as described under “Description of Notes—Payments of Additional Amounts”). The Issuer or the Guarantors will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set forth under “Description of Notes—Payment of Additional Amounts.”
Covenants	<p>The indenture governing the notes (including the guarantees) contains covenants that, among other things, will limit the ability of the Issuer, the Guarantors or the Guarantors’ restricted subsidiaries to:</p> <ul style="list-style-type: none"> • pay dividends on, redeem or repurchase capital stock; • incur additional indebtedness; • sell assets; • create certain liens; • enter into sale and leaseback transactions; • engage in transactions with affiliates; • enter into limitations on dividends and other payment restrictions affecting restricted

subsidiaries; and

- consolidate, merge, transfer or lease all or substantially all of their assets.

In addition, the issuer is subject to additional restrictive covenants pursuant to the indenture.

These covenants are subject to important exceptions and qualifications that are described under the heading “Description of Notes—Certain Covenants” in this offering memorandum. For a detailed description of the notes, see “Description of Notes.” See also “Risk Factors—Risks Relating to the Notes and the Guarantees.”

Change of Control Offer	Upon the occurrence of a change of control that results in a ratings decline, you will have the right, as a holder of the notes, subject to certain exceptions, to require the issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See “Description of Notes—Certain Covenants—Repurchase of Notes upon a Change of Control.”
Events of Default	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see “Description of Notes—Default and Remedies—Events of Default.”
Further Issuances	Subject to the limitation on indebtedness covenant in the indenture, the Issuer may from time to time without notice to or consent of the holders of notes create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering, having the same terms and conditions as the notes in all respects. Any further issue will be consolidated with, and form a single series, with the notes sold in this offering.
Use of Proceeds	We expect to use the net proceeds from this offering to repay certain short-term indebtedness and for general corporate purposes. See “Use of Proceeds.”
Form and Denomination; Settlement	<p>The notes will be issued with a minimum denomination of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof.</p> <p>Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S will be in fully registered form without interest coupons attached. Any notes sold pursuant to Rule 144A will be issued in fully registered form without interest coupons attached.</p> <p>The notes will be issued in book-entry form represented by global notes deposited with, or on behalf of and registered in the name of the nominee of DTC, for the</p>

	accounts of its participants, including indirectly Euroclear, as the operator of the Euroclear System, and Clearstream, and will trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of Notes—Depository Procedures."
Transfer Restrictions.....	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer, see "Transfer Restrictions."
Luxembourg Listing and Trading.....	There is currently no trading market for the notes. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market. We cannot assure you, however, that the notes will remain so listed. If the notes are delisted, Issuer will use reasonable efforts to list the notes in another comparable exchange. However, there can be no assurance that Issuer will obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union.
Ratings.....	The notes have been assigned a rating of BB- by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or S&P, and a rating of BB- by Fitch Ratings Inc., or Fitch. These ratings are not a recommendation to purchase, hold or sell notes, and they do not comment as to market price or suitability for a particular investor. These ratings are based upon current information furnished to S&P and Fitch's by the Issuer and information obtained by S&P and Fitch's from other sources. These ratings may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information.
Governing Law.....	The indenture, the notes and the guarantees are governed by and construed in accordance with, the laws of the State of New York.
Escrow Agent.....	Deutsche Bank Trust Company Americas
Trustee, Paying Agent, Registrar and Transfer Agent.....	Deutsche Bank Trust Company Americas
Luxembourg Listing Agent.....	Deutsche Bank Luxembourg S.A.
Selling Restrictions.....	There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in "Plan of Distribution."

Risk Factors You should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under “Risk Factors” for a discussion of principal risks and uncertainties relating to us, our subsidiaries, our business and an investment in the notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our historical financial and operating data derived from (1) Rumo Logística's unaudited consolidated interim financial statements as of and for the three-month and nine-month periods ended September 30, 2016, (2) Rumo Logística's audited consolidated financial statements as of and for the fiscal year ended December 31, 2015 (with the corresponding figures for the fiscal year ended December 31, 2014) and (3) Rumo Logística's audited consolidated financial statements as of and for the fiscal year ended December 31, 2014 (with the corresponding figures for the nine-month period ended December 31, 2013).

On November 27, 2013, Rumo Logística changed the end of its fiscal year from March 31 to December 31. As a result, Rumo Logística's financial information for the period ended December 31, 2013 includes only nine months (beginning on April 1, 2013). Accordingly, the comparability of Rumo Logística's financial information as of and for the nine-month period ended December 31, 2013 with Rumo Logística's financial information as of and for the fiscal years ended December 31, 2014 and 2015 is limited. In addition, Rumo Logística completed the ALL Acquisition on April 1, 2015. Accordingly, ALL's results of operations for the remainder of the nine-month period ended December 31, 2015 are fully consolidated into Rumo Logística's results of operations for the corresponding period. As a result of the ALL Acquisition, the comparability of Rumo Logística's financial information as of and for the year ended December 31, 2014 with Rumo Logística's financial information as of and for the year ended December 31, 2015 and of Rumo Logística's financial information as of and for the nine-month period ended September 30, 2015 with Rumo Logística's financial information as of and for the nine-month period ended September 30, 2016 is limited. See our unaudited pro forma consolidated financial information for the year ended December 31, 2015, included elsewhere in this offering memorandum, for a pro forma presentation of our results of operations giving effect to the ALL Acquisition as if it had occurred as of January 1, 2015.

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum, as well as the sections "Presentation of Financial and Certain Other Information," "Selected Consolidated Financial and Other Information," "Unaudited Pro Forma Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table sets forth certain of our income statement data for each of the periods presented:

	As of and for the Nine-Month Period Ended September 30,			As of and for the Fiscal Year Ended December 31,			
	2016(1)	2016	2015(2)	2015(1)(2)	2015(2)	2014	2013(3)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
	(in thousands, except as otherwise indicated)						
Net revenue from							
services	1,232,186	3,999,922	2,783,622	1,243,892	4,037,923	915,441	749,348
Cost of services	(837,170)	(2,717,621)	(1,833,763)	(853,885)	(2,771,881)	(610,361)	(447,444)
Gross profit	395,016	1,282,301	949,859	390,007	1,266,042	305,080	301,904
General and							
administrative	(79,766)	(258,937)	(203,430)	(88,111)	(286,026)	(87,645)	(57,588)
Other, net	(1,034)	(3,357)	50,572	18,575	60,297	(10,746)	(14,364)
Operating expenses	(80,800)	(262,294)	(152,858)	(69,536)	(225,729)	(98,391)	(71,952)
Profit before financial							
 results, profit on							
 equity accounted							
 investees net of tax,							
 and income tax	314,216	1,020,007	797,001	320,471	1,040,313	206,689	229,952
Profit on equity-							
 accounted investees,							
 net of tax	2,696	8,751	4,255	3,439	11,164	—	—
	2,696	8,751	4,255	3,439	11,164	—	—
Profit before financial							
 results and income							
 tax	316,911	1,028,758	801,256	323,910	1,051,477	206,689	229,952
Financial expenses	(445,052)	(1,444,728)	(755,547)	(388,434)	(1,260,933)	(70,701)	(33,904)
Financial income	63,309	205,514	97,673	44,880	145,691	35,717	47,221
Foreign exchange, net	24,371	79,112	(195,307)	(58,656)	(190,410)	1,313	372
Derivatives	(31,157)	(101,142)	96,350	37,162	120,634	—	—
Net financial result	(388,529)	(1,261,244)	(756,831)	(365,048)	(1,185,018)	(33,671)	13,689
Profit (loss) before							
 income tax	(71,618)	(232,486)	44,425	(41,138)	(133,541)	173,018	243,641
Income (expense) tax							
 and social							
 contribution							
Current	(10,741)	(34,867)	(26,920)	(6,310)	(20,482)	(35,585)	(5,617)
Deferred	(2,832)	(9,192)	(20,116)	(3,486)	(11,315)	(22,754)	(77,550)
	(13,572)	(44,059)	(47,036)	(9,795)	(31,797)	(58,339)	(83,167)
Profit (loss) for the							
 period	(85,190)	(276,545)	(2,611)	(50,933)	(165,338)	114,679	160,474
Profit (loss)							
 attributable to:							
Owners of the							
Company	(87,048)	(282,574)	(6,716)	(48,798)	(158,407)	114,527	161,092
Non-controlling							
interest	1,857	6,029	4,105	(2,135)	(6,931)	152	(618)
Basic income (loss)							
 earnings per share	—	(0.292)	(0.029)	—	(0.63)	0.112	0.157
Diluted income (loss)							
 earnings per share	—	(0.292)	(0.032)	—	(0.63)	0.112	0.157
Consolidated other							
 Financial Data:							
Depreciation and							
amortization	200,794	651,816	398,871	189,923	616,528	97,244	58,955
EBITDA(4)	517,705	1,680,574	1,200,127	513,833	1,668,005	303,933	288,907

	As of and for the Nine-Month Period Ended September 30,			As of and for the Fiscal Year Ended December 31,			
	2016(1)	2016	2015(2)	2015(1)(2)	2015(2)	2014	2013(3)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
(in thousands, except as otherwise indicated)							
Working capital(5)	(214,352)	(695,831)	(1,735,145)	(669,223)	(2,172,433)	(214,954)	189,540
Cash flow generated by (used in):							
Operating activities	443,020	1,438,130	1,098,547	463,113	1,503,356	73,141	231,847
Investing activities	(655,473)	(2,127,796)	(751,446)	(308,129)	(1,000,247)	(273,583)	(198,047)
Financing activities	202,832	658,432	(362,876)	(158,831)	(515,596)	(211,836)	(38,507)

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for *reais* into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (2) Rumo Logística completed the ALL Acquisition on April 1, 2015. Accordingly, ALL's results of operations for the remainder of the nine-month period ended December 31, 2015 are fully consolidated into Rumo Logística's results of operations for the corresponding period. As a result of the ALL Acquisition, the comparability of Rumo Logística's financial information as of and for the year ended December 31, 2014 with Rumo Logística's financial information as of and for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016 and September 30, 2015 is limited. For a pro forma presentation of results of operations giving effect to the ALL Acquisition as if it had occurred as of January 1, 2015, see Rumo Logística's unaudited pro forma consolidated financial information for the year ended December 31, 2015, included elsewhere in this offering memorandum.
- (3) On November 27, 2013, Rumo Logística changed the end of its fiscal year from March 31 to December 31. As a result, Rumo Logística's financial information for the period ended December 31, 2013 includes only nine months (beginning on April 1, 2013) of that fiscal year. Accordingly, the comparability of Rumo Logística's financial information as of and for the nine-month period ended December 31, 2013 with Rumo Logística's financial information as of and for the fiscal years ended December 31, 2014 and 2015 is limited.
- (4) EBITDA measures our operating profitability and is calculated as profit (loss) plus current and deferred income tax and social contribution, financial results (net) and depreciation and amortization. The table below sets forth a reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin.

	As of and for the Nine-Month Period Ended September 30,			As of and for the Fiscal Year Ended December 31,			
	2016(a)	2016	2015	2015(a)	2015	2014	2013(b)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
(in millions, except as otherwise indicated)							
Reconciliation of profit (loss) to EBITDA							
Profit (loss)	(85.2)	(276.5)	(2.6)	(50.9)	(165.3)	114.7	160.5
(+) Income tax and social contribution	13.6	44.1	47.0	9.8	31.8	58.3	83.2
(+) Financial results, net	388.5	1,261.2	756.8	365.0	1,185.0	33.7	(13.7)
(+) Depreciation and amortization	200.8	651.8	398.9	189.9	616.5	97.2	59.0
EBITDA	517.7	1,680.6	1,200.1	513.8	1,668.0	303.9	289.0
Net revenue from services	1,232.3	3,999.9	2,783.6	1,243.9	4,037.9	915.4	749.3
EBITDA Margin	—	42.02%	43.11%	—	41.31%	33.20%	38.57%

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for *reais* into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (b) See note (3) above.
- (5) Working capital consists of total current assets less total current liabilities.

The following table sets forth certain of our balance sheet assets and liabilities data as of each of the dates presented.

	As of September 30,		As of December 31,			
	2016(1)	2016	2015(1)(2)	2015(2)	2014	2013
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
	(in thousands)					
Assets						
Cash and cash equivalents.....	12,862	41,754	22,484	72,988	85,475	497,753
Marketable securities	426,691	1,385,123	156,573	508,268	—	—
Accounts receivable	84,061	272,880	44,524	144,535	42,685	32,506
Inventories	90,396	293,443	69,553	225,784	5,817	5,237
Related parties	11,924	38,709	10,342	33,572	12,692	12,144
Current income taxes.....	56,173	182,348	10,074	32,701	—	—
Other recoverable taxes.....	33,291	108,068	54,064	175,502	—	—
Advances to supplier and other credits	41,490	134,684	35,423	114,989	11,479	2,690
Current	756,888	2,457,009	403,037	1,308,339	158,148	550,330
Accounts receivable	6,480	21,036	6,511	21,136	446,693	225,401
Restricted cash.....	60,212	195,461	61,886	200,893	—	—
Deferred income tax	339,265	1,101,322	419,329	1,361,225	875	1,632
Related parties	—	—	—	—	—	945
Income taxes and social contribution.....	37,945	123,176	84,590	274,597	—	—
Other recoverable taxes.....	199,393	647,269	182,050	590,971	—	—
Judicial deposits	88,373	286,876	82,246	266,987	29,671	6,696
Derivative financial instruments	383	1,243	30,763	99,863	—	—
Other non-current assets.....	34,011	110,405	39,397	127,891	3,749	291
Equity method investments	14,498	47,062	13,629	44,241	—	—
Property and equipment	3,173,450	10,301,655	2,896,952	9,404,087	1,084,455	1,013,149
Intangible assets	2,407,788	7,816,161	2,422,038	7,862,420	860,253	755,635
Non-current	6,361,797	20,651,666	6,239,391	20,254,311	2,425,696	2,003,749
Total assets	7,118,685	23,108,675	6,642,428	21,562,650	2,583,844	2,554,079
Liabilities						
Current portion of long-term debt.....	353,765	1,148,391	444,847	1,444,063	127,425	107,200
Finance leases.....	167,407	543,438	166,230	539,615	—	—
Real estate credit certificates.....	31,281	101,545	27,136	88,089	—	—
Derivative financial instruments	2,710	8,797	160	521	—	—
Accounts payable – suppliers.....	162,624	527,910	129,119	419,147	141,289	82,872
Salaries payable	43,231	140,337	46,168	149,871	19,302	12,522
Current income tax	898	2,915	1,887	6,125	2,962	11,568
Other taxes payable	9,593	31,140	10,171	33,017	7,300	9,547
Dividends payable	2,352	7,634	2,548	8,270	28,003	99,038
Leases and concessions	8,495	27,575	6,224	20,205	—	—
Related parties	39,356	127,757	31,986	103,832	20,292	3,011
Deferred income	4,364	14,167	33,039	107,252	—	—
Other financial liabilities.....	69,641	226,070	72,915	236,698	—	—
Advances from customers and other current liabilities	75,523	245,164	99,830	324,067	26,529	35,032
Current	971,240	3,152,840	1,072,260	3,480,772	373,102	360,790
Long-term debt.....	2,126,832	6,904,122	2,199,838	7,141,113	657,284	598,774
Finance leases.....	305,181	990,680	370,306	1,202,086	—	—
Real estate credit certificates.....	36,668	119,031	60,661	196,917	—	—
Derivative financial instruments	3,002	9,744	388	1,259	—	—
Other taxes payable	5,344	17,347	8,039	26,097	—	—
Provision for judicial demands	156,771	508,911	151,126	490,584	13,378	11,239
Leases and concessions	765,076	2,483,589	678,960	2,204,039	—	—
Deferred income tax	764,217	2,480,801	836,170	2,714,374	196,598	174,600
Deferred revenue	19,975	64,844	29,490	95,730	—	—
Advances from customers and other non-current liabilities	82,332	267,266	50,976	165,478	11,874	12,782
Non-current	4,265,398	13,846,335	4,385,952	14,237,677	879,134	797,395
Total liabilities	5,236,638	16,999,175	5,458,212	17,718,449	1,252,236	1,158,185
Equity						
Common stock.....	2,460,051	7,985,816	1,679,345	5,451,490	1,099,746	1,099,746

	As of September 30,		As of December 31,			
	2016(1)	2016	2015(1)(2)	2015(2)	2014	2013
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
	(in thousands)					
Capital reserve.....	(548,079)	(1,779,174)	(548,696)	(1,781,177)	(137,601)	(137,601)
Other equity.....	5,307	17,228	3,994	12,966	—	—
Profit reserve.....	—	—	—	—	332,397	396,736
Accumulated losses.....	(117,486)	(381,383)	(30,439)	(98,810)	—	—
Equity attributable to:						
Owners of the Company.....	1,799,793	5,842,487	1,104,205	3,584,469	1,294,542	1,358,881
Non-controlling interests.....	82,254	267,013	80,011	259,732	37,066	37,013
Total equity.....	1,882,047	6,109,500	1,184,216	3,844,201	1,331,608	1,395,894
Total equity and liabilities.....	7,118,685	23,108,675	6,642,428	21,562,650	2,583,844	2,554,079

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for *reais* into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (2) Rumo Logística completed the ALL Acquisition on April 1, 2015. Accordingly, ALL's results of operations for the remainder of the nine-month period ended December 31, 2015 are fully consolidated into Rumo Logística's results of operations for the corresponding period. As a result of the ALL Acquisition, the comparability of Rumo Logística's financial information as of and for the year ended December 31, 2014 with Rumo Logística's financial information as of and for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016 and September 30, 2015 is limited. For a pro forma presentation of results of operations giving effect to the ALL Acquisition as if it had occurred as of January 1, 2015, see Rumo Logística's unaudited pro forma consolidated financial information for the year ended December 31, 2015, included elsewhere in this offering memorandum.

RISK FACTORS

An investment in our notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information contained in this offering memorandum before making any investment in our notes. The risks described below are not the only ones we face or to which investments in Brazil are subject. Our business, financial position or results of operations may be adversely and materially affected by any of these risks. Additional risks that are not currently known to us, or which we currently consider to be immaterial, may also affect our business. This offering memorandum also contains estimates and other disclosures that involve risks and uncertainties. Our results may differ significantly from those previously projected as a result of certain factors, including the risks faced by us, as described below and in other sections of this offering memorandum.

Risks Related to Our Business and Industries in which We Operate

Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes.

We have a significant amount of debt. As of September 30, 2016, our gross debt was R\$9.8 billion, of which R\$1.8 billion was short-term debt.

Our debt level and the composition of our debt could have important consequences to our business. For example, it could: (1) require us to reserve a substantial part of our operational cash flows to pay principal and interest on our debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments; (2) limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; (3) limit our ability to borrow additional funds, obtain bank guarantees or collateral insurance and generally increase our borrowing costs; and (4) place us at a competitive disadvantage compared to our competitors that have less debt.

See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk—Liquidity Risk.”

Significant deterioration in our short-term liquidity could materially affect our business, result of operations and financial condition.

We are currently facing challenges with respect to our short-term liquidity. Our Net Adjusted Working Capital was negative R\$329.3 million as of September 30, 2016 and negative R\$681.9 million as of December 31, 2015.

If we fail to improve our short-term liquidity, we may face difficulties in fulfilling our obligations relating to financing agreements, and agreements with suppliers and/or subcontractors, among others. For example, as of September 30, 2016, our material contractual financial obligations maturing in less than one year totaled R\$3,727.4 million (amortization and interest), while such obligations with maturities between one to two years totaled R\$2,392.5 million (based on our contracted undiscounted cash flow). See “Management Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments.” For a description of certain financial agreements between us, the initial purchasers and their affiliates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Main Financing Agreements.” Our failure to comply with these obligations and/or other undertakings may have a material adverse effect on our business, results of operations and financial conditions.

We may not have access to new financing on favorable conditions to meet our capital needs and fulfill our financial obligations.

We rely on obtaining financing and refinancing of existing loans, particularly from BNDES, in order to operate our business, implement our strategy and grow our business. We need bank guarantees to obtain credit facilities from both BNDES and financial institutions, and we typically need insurance guarantees in order to participate in court proceedings to which we are a party. See “—Unfavorable outcomes in litigation or our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.” Recent disruptions in the global credit markets and

their effect on the global and Brazilian economies could affect our ability to raise capital and materially and adversely affect our business.

Substantial volatility in the global capital markets, unavailability of financing in the global capital markets at reasonable rates and credit market disruptions have had a significant negative impact on financial markets, as well as on the global and domestic economies. In particular, the cost of financing in the global debt markets has increased substantially, greatly restricting the availability of funds in such markets. Further, volatility in the markets has led to increased costs for obtaining financing in the credit markets, as many creditors have raised interest rates, adopted more rigorous loan policies, reduced volume and, in some cases, ceased offering financing to borrowers on reasonable terms.

If we are unable to obtain new financing or to refinance existing loans when necessary, or obtain or renew insurance guarantees on reasonable terms or at all, we may not be able to comply with our financial obligations or explore business opportunities. This would have a material adverse effect on our business, financial condition and results of operations.

We may be unable to comply with restrictive covenants under our financing agreements.

We are subject to certain restrictive covenants based on certain financial and non-financial ratios which are set forth in the majority of the indebtedness and finance agreements to which we are a party. These financial ratios are: (1) net consolidated financial debt/EBITDA (earnings before interest, tax, depreciation and amortization) and (2) EBITDA/consolidated financial result (which takes into account only interest on debentures, loans/financing and derivative transactions).

In addition, certain of our financing agreements with BNDES require that we maintain bank guarantees in respect of our obligations under such agreements, with the failure to maintain any such bank guarantees constituting an event of default.

Therefore, any failure by us to (1) comply with the restrictive covenants in our credit agreements as a result of adverse conditions in our business environment, or (2) put in place bank guarantees for certain agreements with BNDES, may trigger the acceleration of part of our indebtedness, limit our access to new credit facilities on which we depend to implement our investment plan as well as adversely affect our business and results of operations.

For additional information see “Management Discussion and Analysis of Results of Operation and Financial Condition—Liquidity and Capital Resources.”

We may be unable to implement our growth strategy successfully.

Our future growth and financial performance will depend, in part, on the successful implementation of our business strategy, including: (a) our ability to attract new clients or increase volume from existing clients in specific markets and locations, (b) our capacity to finance investments (through indebtedness or otherwise), (c) our ability to increase our operational capacity and expand our current capacity to supply to new markets and (d) maintain and renew our existing concessions. We cannot assure you that we will be able to achieve these objectives successfully or at all. Our failure to achieve any of these objectives as a result of competitive difficulties, cost or restrictions on our ability to invest may limit our ability to implement our growth strategy successfully. We may need to incur additional indebtedness in order to finance new investments to implement our growth strategy. Unfavorable economic conditions in Brazil and in the global credit markets, such as high interest rates on new loans, reduced liquidity or reduced interest of financial institutions in granting loans, may limit our access to new credit.

Furthermore, failure to achieve our expected growth may have a material adverse effect on our business, financial conditions, results of operations and our ability to repay our debt obligations. See also “—We may not obtain early renewals of the Malha Paulista and Malha Sul concession agreements, currently under review by the ANTT, which may have a material adverse effect on our investment plan and growth strategy.”

Any failure relating to our strategic partnerships may result in additional financial or performance obligations by us, which would reduce our profitability.

We enter into strategic partnerships, joint ventures, combinations, alliances and collaborations, including, among other things, partnerships with our customers. The success of these and other partnerships depends, in part, on the satisfactory performance of our and our partners' obligations.

If we or our partners do not satisfactorily perform such obligations, our strategic partnerships may fail to perform as expected or to deliver the agreed services. Should this occur, we may be required to make additional investments and provide additional services to guarantee the adequate performance and delivery of the agreed services, or terminate such partnerships. The performance by us of additional obligations with respect to our strategic partnerships may result in the reduction of our profits and material losses to us.

Liabilities from partnerships into which we have entered in the past may also have an adverse effect on our business. For example, Vétria, a joint venture we incorporated in 2011 jointly with two other partners to develop integrated iron ore logistic activities from Corumbá (state of Mato Grosso) to Santos (state of São Paulo) is currently undergoing a winding-up process, but it continues to affect our results negatively because we remain liable for a portion of Vétria's indebtedness following its dissolution and we also guarantee certain indebtedness entered into on Vétria's behalf by our former partners.

We are also exposed to risk of non-payment of installment payments due to us by the acquirer of Ritmo Logística S.A., a joint venture incorporated to develop road transport (*ponta rodoviária*), given the payment schedule agreed in connection with the transaction.

Strategic partnerships are essential to the continuity of our operations and our growth. If we fail to maintain our existing partnerships or identify new partnerships, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to successfully integrate the operations of other companies we acquire or to achieve the benefits that we expect to result from such acquisitions.

Acquisitions, particularly those involving sizeable enterprises, may bring managerial and operational challenges, including the diversion of management's attention from existing operations and difficulties in integrating operations and personnel. Any material failure by us in integrating ALL or other new businesses or in managing any new alliances may adversely affect our business and financial performance.

Acquisitions also expose us to the risk of successor liability related actions involving any acquired entities, their respective management or contingent liabilities incurred before the acquisition. The due diligence investigation conducted in connection with an acquisition, and any contractual guarantees or indemnities that we may receive from sellers of acquired companies, may not be sufficient to protect us from, or compensate us for, actual liabilities. Material liabilities associated with an acquisition, such as labor or environmental liabilities, could materially and adversely affect our reputation, business, operating results, financial condition and reduce the benefits that we expect to result from such acquisition.

Additionally, some of our major competitors may pursue growth through acquisitions and alliances, which may reduce the likelihood that we will be successful in completing acquisitions and alliances.

We are exposed to the possibility of losses related to natural disasters, catastrophes, accidents, fire and other events not in our control, which may have a material adverse effect on our financial performance.

Our operations are subject to certain risks that affect our properties, facilities, permanent passageways, rail banks and inventory, including, among others, fire, which may destroy machinery, equipment and facilities, as well as client cargo being transported. Our transportation and handling of cargo exposes us to risks of catastrophes, mechanical and electrical failures, collisions and loss of assets. Fires, explosions, fuel leaks and other flammable products as well as other environmental events, cargo loss or damage, railroad, cargo loading and unloading terminal, accidents, business interruptions due to political events as well as labor claims, demonstrations by social and/or environmental groups or associations, strikes (of our own employees or of those linked to entities with which we have a relationship, such as port operators), adverse weather conditions and natural disasters, such as floods, may result in the loss of revenues, assumption of liabilities or cost increases. Moreover, our operations may be periodically affected by crop shortfalls, landslides and other natural disasters.

A portion of our freight activities involves petroleum products and other flammable materials, and the presence of such products may aggravate the effects of any catastrophe. Because our insurance does not cover all potential risks and losses we may incur, the occurrence of a natural disaster of large proportions, catastrophes, mechanical failures, loss of assets or any other of the events referred to above, and any resulting damage to our business, may have a material adverse effect on our business, operating results and financial condition, including as a result of

civil, administrative and/or criminal sanctions relating to environmental liability (including civil, administrative and/or criminal sanctions of such nature imposed on our management).

Our business may be materially adversely affected if operations at our cargo loading terminals or at facilities owned by our customers and suppliers experience significant interruptions.

Our operations depend on the uninterrupted operation of the terminals we operate (whether owned or through third parties), storage transportation and distribution facilities, as well as our rail network and assets. We also rely on the uninterrupted operation of certain facilities owned or operated by our suppliers and customers. Operations at our facilities and at the facilities owned or operated by our suppliers and customers could be partially or completely shut down, temporarily or permanently, as the result of various circumstances that are not within our control, such as:

- catastrophic events, such as floods and fire;
- environmental matters (including environmental licensing proceedings or environmental incidents, contamination, wildlife preservation obligations);
- labor issues (including work stoppages and strikes);
- disruptions in the supply of goods to our facilities or to the means of transportation we provide; and
- changes to legislation.

Any significant interruption at these facilities, in particular at the Rondonópolis (state of Mato Grosso) terminal and at the terminals in the port of Santos, or an inability to transport products to these facilities or to our customers' facilities for any reason may subject us to judicial, administrative or other proceedings, including for disruptions caused by events outside of our control. If we are held liable for such events, our business, financial condition and results of operations could be materially adversely affected.

The early termination of Brazilian railway concessions may have a material adverse effect on our business.

Brazilian railway concessions are subject to early termination in certain circumstances, including the Brazilian authorities reassuming control of the service pursuant to applicable law or by the termination of the relevant concession for breach of any underlying contractual agreements, in particular the inadequate provision of rail transportation services provided for in the concession agreements. Pursuant to Federal Law No. 8,987/1995, concession agreements may be terminated as a consequence of: (1) expiration of the contractual term; (2) expropriation of the port concessions in the public interest (i.e., *encampação*); (3) forfeiture (*caducidade*); (4) termination; (5) annulment; (6) bankruptcy; or (7) expiration of the concession-holding entity.

Encampação is the seizure of the service by the granting authority during the concession term to the benefit of public interest, by means of a specific authorizing law and after payment of an indemnity. The granting authority may, declare the forfeiture of the agreement in the cases that the concessionaire recurrently defaults on its obligations, or annulment in the cases that the bidding documents for the concession or the concession agreement are tainted by unlawful provisions, or declare penalties, due to total or partial non-performance of the agreement. The granting authority may forfeit the concession when, among other events: (1) the service is being rendered in an inadequate or insufficient manner, according to the norms, criteria, indicators and parameters defining the quality of the service; (2) the concessionaire breaches contractual, regulatory or legal provisions concerning the concession; (3) the concessionaire interrupts the service other than for acts of god or force majeure events; (4) the concessionaire no longer possesses the economic, technical or operational conditions required to adequately render the services under the concession; and (5) the concessionaire does not comply with the penalties imposed for breaches within the established deadlines.

Upon termination of a concession, the leased or operated assets revert to the granting authority, and the amount of compensation received may not be sufficient to cover the losses incurred by us as a result of such early termination. In addition, certain creditors may have priority with regards to such compensation.

We cannot guarantee that the Brazilian authorities will not terminate our railway concessions prior to their stated terms (i.e., apply *encampação* with respect to the concessions) in the future. Any such action by the Brazilian authorities would have a material adverse effect on our business, financial condition and results of operations.

We may also suffer a material adverse effect to our business, financial condition and results of operations because the networks for rendering railroad services are interconnected. Our concession agreements and the ANTT regulation, pursuant to Resolution No. 3,965/2011, provide for the creation of passage rights and mutual traffic. Passage rights are a transaction under which a concessionaire that needs to move cargo from one location within the federal railroad network to another may use (for a fee) the permanent railroad and train-licensing system of another concessionaire. Mutual traffic is a transaction in which a concessionaire shares a permanent railroad or operational resources with another concessionaire (for a fee), to render or cease rendering railroad transportation of cargo services. Accordingly, the early termination of a certain concession may adversely affect passage rights and/or mutual traffic transactions carried out by us and result in negotiations with other entities rendering railroad transport services through our rail network.

In addition, the breach of our contractual or regulatory obligations may lead to the forfeiture of certain concessions. Such obligations include, among others, all obligations set out in the granting documents, applicable law and, notably, in ANTT regulations. For example, the ANTT enacted Resolution No. 3,696/2011, which approved certain rules relating to safety and productivity thresholds for public rail cargo transportation services. As a result, concession holders are required to submit a proposal for safety and productivity thresholds to the ANTT by June 1 of the final year before the expiration of the term of the goals currently agreed with the ANTT. This proposal will cover the thresholds to be met in the following five years.

After the ANTT and the concession holders negotiate the thresholds, the agreed thresholds will be binding for the following year and indicative for the subsequent years. Compliance with such thresholds are tested by the ANTT annually. In this context, or inability to fulfill our contractual or regulatory obligations concerning the provision of our services may result in penalties ranging from fines to the filing of a proceeding for the forfeiture of the concession. Our activities may be adversely affected if we incur any of such penalties.

Our business may be materially adversely affected if we are fined due to the breach of contractual and legal obligations. The failure to comply with the obligations set forth in the concession agreements by entities controlled and related to us in the applicable laws and regulations may result, without prejudice of any other consequences provided for in applicable law, in civil liability and fines. The severity of the penalties to be imposed by the granting authority depends on the nature and seriousness of the actions of our controlled and related entities. If the granting authority imposes penalties due to infractions committed by our controlled and related entities, our reputation, business, financial condition and results of operations may be materially and adversely affected.

We may not obtain early renewals of the Malha Paulista and Malha Sul concession agreements, currently under review by the ANTT, which may have a material adverse effect on our investment plan and growth strategy.

The concession agreements for Malha Paulista and Malha Sul expire in 2028 and 2027, respectively. In September 2015, we filed formal requests with the ANTT for early renewals of such agreements.

Such requests are under review by the ANTT, with the Malha Paulista request expected to be finalized during the first quarter of 2017. We cannot guarantee, given that the decision relating to the renewals is a discretionary decision of the granting authority, that our request for renewal will be successful. The granting authority will review the renewal request relating to Malha Sul once it reaches a decision with respect to Malha Paulista. Furthermore, the new Brazilian government is also reviewing these matters and could make additional demands and requests (e.g. with regards to inventory) which may cause delays in the renewal process.

Malha Paulista is a pass-through network that is part of a larger system which includes Malha Norte (in relation to which the concession runs until 2079). Combined, these two concessions from our Northern Operations, which are responsible for a significant portion of our cash generation. If the formal requests for renewal of the Malha Sul concession agreements with the ANTT is not approved, we will not make the expected investments into the rail networks covered by such concession, although our investment plan will continue with regards to Malha Norte. Under this scenario, there is a risk that we would have to engage with a new operator of the Malha Paulista network from 2028 onwards that will be responsible for investments and will charge a fee to allow access to the network. See “Summary—Recent Developments— Requests for Renewal of Certain Concessions.”

We may incur additional liabilities if we obtain an early renewal of the Malha Paulista concession agreement, currently under review by the ANTT.

Malha Paulista's concession agreement is due to expire in 2028. In September 2015, we filed a formal request with the ANTT for early renewal of such concession agreement. Our extension request is currently under review by the ANTT. If the ANTT approves our extension request, we estimate that, in addition to the investment commitments provided for in our business plan, Malha Paulista may incur additional liabilities currently estimated by the ANTT to be in an amount of approximately R\$1 billion. Once the value of these liabilities has been confirmed, we may, pursuant to (i) article 9º, §1º and article 24, §1º of the Provisional Measure No. 752/2016 and (ii) clause 6.2 of the draft of the amendment to the Malha Paulista's concession agreement, which is currently subject to the public consultation procedure by the ANTT, enter into an agreement with the ANTT whereby instead of indemnifying the ANTT for such liabilities, we would be required to invest a substantial amount in our rail networks (both within Malha Paulista and in other parts of our logistics business).

We are not insured against all risks affecting our activities, and our insurance coverage may be inadequate to cover all losses and/or liabilities that may be incurred by our operations.

We are not insured against all risks of business interruption, such as the risk of business interruption at our warehouses and port facilities. We also do not maintain coverage for business interruptions caused by labor disruptions at any of our facilities. If our workers were to strike, the resulting work stoppages could have a material adverse effect on us. In addition, we do not insure any of our assets for losses due to war or terrorism. Therefore, damages and interruption of business caused by any such reasons could have a material adverse effect on our business, financial condition or results of operations.

Moreover, not all losses or liabilities that may arise from our operations are covered by insurance. For example, we may not be able to insure against price volatility. If we incur a material liability for which we are not insured or not fully insured, our business, financial condition and operating results may be materially and adversely affected.

Unfavorable outcomes in litigation or our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.

We are defendants in a significant number of judicial, administrative and arbitration proceedings, including indemnity, labor, tax, environmental and regulatory proceedings. We have recorded provisions in our financial statements as of September 30, 2016 of R\$508.9 million for the amounts under dispute in the proceedings in which we consider our chance of loss to be probable. We have not recorded any provisions with respect to our proceedings in which our chance of loss has been deemed possible. As of September 30, 2016, the amounts involved in these proceedings totaled R\$5,858.5 million. We cannot guarantee that such proceedings will have favorable outcomes for us or that the provisions made will be sufficient to pay any amounts due. Any proceedings that require us to make substantial payments, affect our reputation or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results.

Malha Paulista is party to a labor class action (*ação civil pública*) stemming from allegations by the Labor Prosecutor's Office that certain persons working for MS Teixeira (a subcontractor of Malha Paulista's contractor, Prumo Engenharia) were working in degrading conditions analogous to indentured servitude. Malha Paulista has been ordered by the courts to undertake (and/or refrain from undertaking) various actions with respect to the working environment and to pay an indemnity for collective moral damages, as well as fines of R\$100 thousand per breach or per worker in the event of future labor breaches. As of the date of this offering memorandum, we have not made provisions with respect to these proceedings. An adverse outcome in this lawsuit could result in losses of approximately R\$163.4 million, and adversely affect our reputation. Malha Paulista has appealed this decision. If Malha Paulista's appeal is rejected by the superior courts, the final outcome of the action may have a material adverse effect on our business, financial condition and results of operations—including as a result of the acceleration of certain financial agreements to which we are a party—and we may suffer damage to our reputation and a deterioration in the price of our shares.

Additionally, we may not have sufficient funds to post collateral or provide guarantees in judicial or administrative proceedings that claim substantial amounts. Even if we do not post such collateral or provide guarantees, we will be liable for paying any amounts due pursuant to any unfavorable outcomes in legal proceedings. We cannot assure you that, if we cannot make such payments, our assets, including financial assets,

will not be attached, or that we will be able to obtain tax good standing certificates, all of which may have a material adverse effect on our business, financial condition and results of operations.

Unfavorable decisions in criminal proceedings involving members of our management may have a material adverse effect on us.

Mr. Rubens Mello, Chairman of our board of directors, is a defendant in a criminal proceeding, in his capacity as an executive officer of another company, relating to alleged artificial price fixing of fuel and the formation of a cartel with the purpose of establishing control over the regional market. In addition, Mr. Julio Fontana, our Chief Executive Officer, is currently the subject of a police investigation in connection with an allegation that, during his time as an executive officer of MRS Logística S.A., funds from the Worker's Support Fund (*FAT – Fundo de Amparo ao Trabalhador*) were used by MRS Logística S.A. to pay employees under suspended work contracts without entering into a new collective bargaining agreement. In the event of a final non-appealable conviction, Mr. Mello or Mr. Fontana may be barred from holding executive positions within our Company, and depending on the development of the proceedings, our reputation in the opinion of our clients, suppliers and investors may be materially adversely affected. For additional information regarding these and other proceedings involving members of our management, please see "Management—Legal Proceedings."

We may be subject to more strict environmental requirements, which could have a material adverse effect on our business.

In September 2016, CETESB (*Companhia de Tecnologia de Saneamento Ambiental*), the environmental agency of the state of São Paulo, enacted a regulation (Board Decision No. 210/2016/I/C) requiring private ports in the state of São Paulo to comply with more stringent requirements with respect to environmental permits. As a result, we received notifications requiring us to present a regularization plan to CETESB, setting forth how we propose to comply with these more stringent requirements. This regularization plan will form the basis of a settlement agreement between us and CETESB. We are unable to estimate the amounts we may have to spend in order to fully comply with the settlement agreement. If these amounts are significant, our business, operating results and financial condition could be materially and adversely affected.

Volatility and uncertainty in fuel prices may affect our operating costs and competitive position, which could materially and adversely affect our results of operations, cash flows and financial condition.

All of the locomotives we operate are diesel-powered, and our fuel expenses are significant. If increases in fuel prices cannot be passed on to our customers through our tariffs, our operating margins could be materially and adversely affected.

Fuel prices have historically been volatile and may continue to be volatile in the future. Fuel prices are subject to a variety of factors that are beyond our control, including, but not limited to, consumer demand for, and the supply of, oil, processing, gathering and transportation availability, price and availability of alternative fuel sources, weather conditions, natural disasters and political conditions or hostilities in oil-producing regions, as well as political factors relating to the governmental price policies applied by Petrobras.

We may not be successful in reducing operating costs and increasing operating efficiencies.

We may not be able to achieve our expected cost savings, which rely on several factors such as rail track prices, railroad ties, fuel, iron, engineering and other resources required for our operations.

Given the competitive markets in which we operate, it is likely that we will not be able to pass increases in costs of materials onto the price of our services (including as a result of limits applying to our tariffs), which would materially and adversely affect our financial performance.

The pro forma financial information does not necessarily reflect what our actual financial results would have been had we consummated the ALL Acquisition during the presented periods and it may not be indicative of our future financial results.

This offering memorandum presents certain pro forma financial information to illustrate the effects of the ALL Acquisition and demonstrate how our historical accounting statements would have been affected if the ALL Acquisition had taken effect as of January 1, 2015. The pro forma financial information presented herein is based on

specific information on the ALL Acquisition transaction obtained from available historical data. The pro forma information does not consider the possible or expected impact of decisions taken by our current management as a result of the transaction (as if these had been taken in prior periods), and, therefore, may materially differ from actual amounts if the ALL Acquisition had been consummated during the periods presented and may not necessarily be indicative of our future performance.

We may not have sufficient funds to invest in technology, which may adversely affect our ability to increase our rail transportation capacity and reduce accidents.

The development and implementation of new technologies may result in a significant reduction in the cost of logistics services and a reduction in accidents. We cannot predict when new technologies may become available, the rate of acceptance of new technologies by our competitors or the costs associated with such new technologies. We may not have enough funds to keep up with advances in technology, which could reduce demand for the logistics services we provide and affect our capacity to reduce accidents in our activities.

Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business.

Several Brazilian companies active in the oil and gas, energy and infrastructure industries are facing investigations by the Brazilian Federal Police, the Brazilian Federal Prosecutor's Office, the CVM and the SEC in connection with allegations of corruption and diversion of public funds. These investigations are known as "Operação Lava Jato," or "Operation Car Wash." The Brazilian federal police is also investigating allegations of improper payments made by Brazilian companies to officials of the Board of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*), or CARF, a tax appeals tribunal. It is alleged that the purpose of such improper payments was to induce those officials to reduce or waive certain tax-related penalties imposed by the Brazilian federal revenue authority, which were under appeal in the CARF.

Depending on the duration and outcome of such investigations, the companies involved may face a reduction in their revenues, downgrades from rating agencies or funding restrictions, among other negative effects. Given the significance of the companies cited in these investigations in the Brazilian economy, the investigations and their fallout have had an adverse effect on Brazil's economic growth prospects in the near to medium term. According to data from the IBGE, the Brazilian economy's GDP shrank 3.8% in 2015. Furthermore, the negative effects on such companies may also impact investments in infrastructure in Brazil, which may lead to lower economic growth in the near to medium term.

Such investigations have recently extended to persons in high positions in the executive and legislative branches of the Brazilian government, which has caused considerable political instability. It is difficult to predict the effects of such political instability. Persistent economic hardship in Brazil resulting from, among other factors, such investigations, the developments arising therefrom and a scenario of high political instability may have a material adverse effect on us. Persistently poor economic conditions in Brazil resulting from, among other factors, such investigations and their fallout could have a material adverse effect on us.

We cannot predict the outcome of an investigation into the conduct of former employees of ALL prior to its acquisition by us.

During the course of 2016, we became aware of certain press reports alleging that improper payments to government officials were made by former employees of ALL (prior to being acquired by us) in connection with an investment by Fundo de Investimento do Fundo de Garantia do Tempo de Serviço, or FI-FGTS, in our indirect subsidiary Brado Logística and in ALL. As a result of these allegations, we have engaged external legal counsel and consultants to conduct an internal investigation. In connection with the investigation, we voluntarily sought out and provided information to local authorities. At this time, we can neither predict the outcome of the internal investigation, the consequences of any findings or any measures that may be taken by local authorities, any of which may have a material adverse effect on us, our reputation and the trading price of our securities, including the notes.

If we do not comply with laws and regulations designed to prevent governmental corruption in the countries in which we operate (notably Brazil), we may be subject to fines, penalties or other regulatory sanctions, which could cause our sales and profitability to be materially reduced.

Our anti-corruption policies and procedures designed to prevent governmental corruption violations may not prevent our management, employees or third parties acting on our behalf in the countries in which we operate from taking actions that violate applicable laws and regulations on improper payments to government officials for the purpose of obtaining or keeping business or business advantages. Laws prohibiting such behaviors include (but are not limited to) laws relating to the OECD's 1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, such as the U.S. Foreign Corrupt Practices Act and Brazilian Law No. 12,846/13, or the Anticorruption Act, which has been in effect since January 29, 2014. Any breach thereof may have a material adverse effect on our business, results of operations and financial condition, including the acceleration of loans and financing.

The Anticorruption Act imposes strict liability on companies for acts of corruption, fraud or manipulation of public tenders and government contracts, and interference with investigations or inspections by governmental authorities. Companies found liable under the Anticorruption Act face fines of up to 20% of their gross revenue in the immediately preceding year or, if such annual gross revenue cannot be estimated, such fines may range from R\$6 thousand to R\$60 million. Among other sanctions, the Anticorruption Act also provides for the seizure of assets or benefits obtained illegally, the suspension or partial prohibition of operations, the dissolution of the entity and/or the prohibition to receive incentives, subsidies, donations or financing from the government or from government-controlled entities for up to five years. In assessing penalties under the Anticorruption Act, Brazilian authorities may consider the adoption of an effective compliance program. Other relevant laws applicable to corruption-related violations, such as Law No. 8.492/92, or the Administrative Improbability Law, also provide for penalties that include the prohibition to enter into government contracts for up to ten years.

Consequently, if we, our management, employees or third parties acting on our behalf in the countries in which we operate become involved in any anti-corruption or criminal investigations or proceedings in connection to our business in Brazil or in any other jurisdiction, our business could be materially adversely affected.

We may be subject to subsidiary or joint liability for the labor obligations of our contractors.

A significant portion of our workforce consists of third-party contractors. If service providers do not comply with labor obligations, we may be subject to subsidiary or joint liability for such obligations. Additionally, we may be subject to assessments imposed by the Brazilian Ministry of Labor. We could also be party to administrative proceedings filed by the Labor Prosecutor's Office that may result in Conduct Adjustment Agreements (*Termos de Ajuste de Conduta*), or public civil actions imposing obligations or payments of collective damages. We cannot guarantee that any such fines, assessments or judicial and administrative proceedings will not affect us in the future or have a material adverse effect on our business, results of operations or financial condition.

We may not be able to obtain or renew all licenses and permits required for our business.

We are currently in the process of obtaining or renewing, as the case may be, certain licenses and permits (including real estate licenses and permits) required for the continuity of our activities. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to obtain or renew all licenses and permits (including real estate licenses and permits) required for our business and operations.

The interests of our controlling shareholders may conflict with the interests of our other shareholders.

We have a strong relationship with Cosan Logística, which holds 28.3% of our share capital and composes our controlling block jointly with TPG VI Fundo de Investimentos e Participações and a fund affiliated with TPG Capital, which collectively hold approximately 32.9% of our share capital. The controlling shareholders have the power to, among other things, appoint the majority of the members of our board of directors and determine the outcome of certain resolutions requiring approval from shareholders, including with regards to matters pertaining to related party transactions, corporate restructurings, disposal of assets, partnerships, and the timing, conditions and amounts of any future dividend payments. Our controlling shareholders may be interested in carrying out acquisitions, disposal of assets or partnerships, seek financing or enter into similar transactions that may conflict with the interests of our other shareholders. Furthermore, BNDES Participações S.A. – BNDESPAR, or

BNDESPAR, currently holds 8% of our share capital and is party to a shareholders' agreement pursuant to which it is entitled to provide its opinion in writing in relation to certain matters.

For further information on our group of controlling shareholders and on the aforementioned shareholders' agreement, please see "Principal Shareholders—Shareholders' Agreements."

The exercise of an option granted under the shareholders' agreement of one of our subsidiaries, Brado Logística, may have a material adverse effect on our financial condition or result in a dilution of our shareholders' equity interest.

FI-FGTS, Logística Brasil - Fundo de Investimento em Participações, or FIP – BRZ, Deminvest Empreendimentos e Participações S.A., or Deminvest, Markinvest Gestão de Participações Ltda., or Markinvest, referred to jointly with FIP – BRZ and Deminvest as the Original Shareholders, and Brado Holding S.A., referred to jointly with FI-FGTS and the Original Shareholders as the Brado Shareholders, are party to a shareholders' agreement governing the investment in Brado Logística, our subsidiary active in the intermodal container logistics sector, or the Brado Shareholders' Agreement.

The Brado Shareholders' Agreement provides that, to the extent the initial public offering of Brado LP has not occurred prior to March 31, 2014, the Brado Shareholders are entitled to swap the totality of their shares in Brado Logística for, at the discretion of the Brado Shareholders: (1) shares as provided for in the Brado Shareholders' Agreement, or (2) an amount corresponding to the market value of such shares. The exchange ratio would be based on fair market value. If the Brado Shareholders do not reach consensus on the appraisal thereof, the fair market value would be based on independent appraisals carried out as provided for in the Brado Shareholders' Agreement.

The option described above became exercisable on April 1, 2014 and was exercised on each of April 20 and 23, 2015. There is an ongoing confidential arbitration proceeding against ALL relating to the appraisal reports prepared by financial institutions appointed pursuant to the shareholders' agreement of Brado Logística and the type of consideration (money or shares) due as a result of the exercise of the option. Our external counsel estimates the chance of loss in such arbitration proceedings as possible and no provision has been made.

In addition, the exercise of the option by FI-FGTS may occur between the fifth and the seventh anniversary of the date of signing of the Brado Shareholders' Agreement (which was August 5, 2013). FI-FGTS will lose the right to exercise its option if the aforementioned initial public offering is undertaken (even if such initial public offering is undertaken after the aforementioned dates).

The exercise of the option may result in: (1) disbursement of material amounts by us, which may adversely affect our results of operations and financial condition (which we consider to be remote); or (2) the issuance of new shares by us in a quantity which may dilute the equity interests held by our shareholders (which we consider to be possible).

Significant increases in the cost of inputs required for our activities may adversely affect our results of operations.

We are subject to increases in the prices of inputs and services we acquire from suppliers and service providers to conduct our activities, such as fuel, machine parts or workforce. The cost and availability of our inputs depend on factors that are beyond our control, and we cannot predict when such costs may be readjusted. If we cannot pass on the increased costs of providing services onto our clients, including fuel, parts or workforce costs, this may materially and adversely affect our business, results of operations and financial condition.

We depend on a few major customers for a significant portion of our revenue.

The majority of cargo we transport is for the agricultural commodities industry. Our major clients are export companies participating in this market, such as Amaggi, ADM, Bunge, Cargill and Louis Dreyfus. In the nine-month period ended September 30, 2016, Bunge accounted for 16.8% of our total net revenue from services, while our five major clients accounted for 44.0% of our total net revenue from services. In 2015, Bunge accounted for 16.3% of our total net revenue from services, while our five major clients accounted for 41.2% of our total net revenue from services. Bunge is the principal customer of our Northern Operations and Southern Operations and is active in agricultural commodities, especially corn, soy and derivatives thereof, loading cargo in transshipment terminals destined for ports which we operate.

Our major clients in the rail sector are export companies such as Amaggi, ADM, Bunge, Cargill and Louis Dreyfus, which jointly accounted for 39.9% of our net revenue from services from the rail sector in 2015 and 43.0% in the nine-month period ended September 30, 2016. Bunge alone accounted for 15.4% and 16.1% of our net revenue from services from the rail sector in each of 2015 and the nine-month period ended September 30, 2016, respectively.

Our major clients in the port elevation sector include Bunge, BTG Pactual, Raizen, Noble and Sucden, which jointly accounted for 79.6% of our net revenue from services from the port elevation sector in 2015 and 68.2% in the nine-month period ended September 30, 2016. Raizen alone accounted for 20.0% of our net revenue from services in the port elevation sector in 2015 and 20.5% in the nine-month period ended September 30, 2016.

We cannot guarantee that we will obtain similar revenue from our major clients in the future. Any decline by our major clients in their demand for transportation services, including logistics services, may have a material adverse effect on our business, financial condition and results of operations. Moreover, our revenue predominantly derives from transportation agreements between us and our clients. We cannot guarantee that these transportation agreements will be renewed once they have expired, which may adversely affect our business, financial condition and results of operations. For further information, please see “Business—Operations—Major Clients.”

Downturns in certain cyclical market sectors in which our customers operate could have a material adverse effect on our business.

The transportation and logistics industries are highly cyclical, generally tracking the cycles of the world economy. Accordingly, the transportation industry is affected by macroeconomic conditions and by various factors within each particular industry that may influence operating results. Some of our customers do business in highly cyclical markets, including the oil and gas and agricultural sectors.

Soybean harvests generally occur between January and May, corn harvests (which is mainly for export) generally occur between April and July and sugar harvests generally occur between March and November. These oscillations have a significant impact on demand for transportation of these commodities. For this reason, we typically transport larger volumes of goods in the second and third quarters of each year and lower volumes in the “off season” (i.e., the first and fourth quarters of each year).

Any downturn in these industries may have a material adverse effect on our business, results of operations and financial condition. In addition, some of the products we transport have shown a historical pattern of price cyclicity, which has typically been influenced by the general economic environment, industry capacity and demand. We cannot assure you that prices and demand for these products will not decline in the future, adversely affecting those industries and, in turn, our business, results of operations and financial condition.

We are exposed to credit and other counterparty risks of our customers in the ordinary course of our business.

We extend credit to virtually all our customers. As such customers have varying degrees of creditworthiness, we are exposed to the risk of non-collection or default under our contracts and other arrangements with them. If a significant number of material customers default on their payment obligations to us, our financial condition, results of operations or cash flows may be materially and adversely affected.

We operate in a competitive industry, and if we are unable to adequately address factors that may adversely affect our revenue and costs, our business could suffer.

Competition in the transportation services industry is intense and includes:

- competition with other transportation modes, such as road freight;
- competition with alternative export options for agricultural products through other ports (particularly in the north region of Brazil) to the detriment of the ports of Santos (state of São Paulo) and Paranaguá (state of Paraná) and São Francisco do Sul (state of Santa Catarina);
- dependence on operating quality and port and terminal capacity;
- the limitations established by the maximum tariffs established by the ANTT;

- a reduction in road tariffs, particularly during times of declining growth rates in the economy or low demand from agricultural producers, which may limit our ability to maintain or increase rates, operating margins or growth of our business; and
- establishment of cooperative relationships by our competitors to increase their ability to address shipper needs.

Our main competitors are companies in the truck transportation business, which has historically been the main cargo transportation mode in Brazil. According to the CNT, in 2015 trucks transported 61% of Brazil's production, while only 21% of that production was transported by rail, and 14% on waterways and through coastal shipping. Although we plan to capture market share from the truck transportation business for medium- and long-distance transportation to further expand our intermodal services, any new measures by the Brazilian government that lower costs for road transportation, such as cheaper toll fares or permanent suspension of the toll-road concession program, may limit our growth prospects.

Increased competition may lead to decreases in our revenues, smaller profit margins or loss of market share. If, we are unable to compete adequately, this may adversely impact our business, financial condition and results of operations.

We are unable to estimate the impact of new regulations applicable to port operations in Brazil.

Until December 6, 2012, port operations in Brazil were governed by Federal Law No. 8,630/1993, or the Ports Modernization Law, which provided the legal framework applicable to the development and operation of ports and port facilities in Brazil. To improve the applicable legislation, the Brazilian government enacted Law No. 12,815/2013, or the "New Ports Law", which has been regulated by Decree No. 8,033/2013. Such law revoked the Ports Modernization Law and established a new legal framework for port operations in Brazil. As a result, public ports are governed by the New Ports Law and by specific complementary regulations enacted at the federal level, particularly by the *Agência Nacional de Transportes Aquaviários* and by the *Secretaria Especial de Portos da Presidência da República*, or SEP, which has integrated to the structure of the Ministry of Transportation since 2016).

Pursuant to the New Ports Law, there is no longer a distinction between third-party and own cargo handled at private port terminals, i.e., the activities carried out in private terminals will be identical to those performed at public terminals with respect to the rendering of services. As a result, public ports are expected to face higher competition from the potential increase in development of operations in private ports. Accordingly, new port lease grants may be carried out by the Federal Government, which may affect inter and intra-port competition. Finally, we may not be able to meet the minimum cargo volumes provided for in our port lease agreements, which may subject us to fines and, upon repeated violations, to the early termination of the relevant grants.

Although the New Ports Law does not retroactively adjust the terms of any concession agreement currently in effect, it is possible that the supplemental regulations provide for such retroactive adjustment (including by means of unilateral requirements from the granting authority). New regulations applicable to port operations in Brazil that modify the terms of our grant documents may materially and adversely affect our results of operations.

Our Brazilian rail tariffs are subject to a maximum rate established by the Brazilian government.

Under our rail network concession agreements, tariffs for our rail freight services are subject to a maximum rate. Maximum tariff rates we are allowed to charge are adjusted for inflation according to variations in the IGP-DI index (or a substitute index) in accordance with applicable Brazilian law or concession agreements. Currently, tariff adjustments are performed on an annual basis, at different months of the year, depending on the terms of each concession agreement. Additionally, the tariffs we charge for rail freight services on our rail network can be revised upwards or downwards if there is a justified, permanent market and/or costs change that may alter the rail network concession agreements' economic and financial balance, or as determined by the Brazilian government every five years. The mechanisms for restoring the financial balance are defined in Brazilian law or in the agreements and must be requested by the non-breaching party along with adequate economic evidence. Our tariffs are currently below the maximum tariff levels allowable under our concession agreements. In 2012, the ANTT implemented a review of reference rates that altered the original methodology for defining such rates. The use of revised rate charts could affect our capacity to generate revenues, as such review revised most rates downwards and established a cap for Malha Norte, which originally was not subject to a cap. Before the ALL Acquisition, ALL obtained an injunction

suspending the application of such revised rate charts by the ANTT and, therefore, is not subject to them. However, we cannot assure you that in the future tariffs will be set at a level that would permit us to continue to operate profitably.

Our concessions to operate port terminals are subject to expiration, limitation on renewal and early termination by the granting authority.

We lease 118,434.38 square meters of property located in the port of Santos (state of São Paulo), which has two docking cradles for loading sugar and solid agricultural bulk (corn and soy). We lease this property pursuant to lease agreement PRES-05/96, which matures on March 6, 2036. Pursuant to Article 57 of the Ports Modernization Law and Article 19 of Decree No. 8,033/2013, a renewal of the maturity for the Lease Agreement is not possible because the lease has already been renewed once. Pursuant to the lease agreement, we have an obligation to make investments totaling an estimated R\$308 million, of which we have already invested approximately 82% of the total. We estimate that the investments shall be completed by February 2019.

We also hold equity interests in: (1) Terminal XXXIX and the adjacent areas for moving agricultural products and bulk as well as other goods capable of being transported in those port installations, through a port lease agreement due to expire in 2022; (2) facilities, equipment and track for rail transport of goods and import/export through the right bank of the port of Santos, by means of a lease agreement with Portofer Transporte Ferroviário Ltda. due to expire in 2025; (3) Terminal de Granéis do Guarujá, or TGG located on the left bank of the port of Santos, for the transport of solid and liquid bulk, through an area used by Malha Norte via a leasing agreement due to expire in 2022; and (4) Terminal Marítimo do Guarujá, or TERMAG, located on the left bank of the port of Santos, mainly for the transport of solid and liquid bulk, through an area used by Malha Norte via a lease agreement due to expire in 2022.

There are ongoing legal proceedings regarding whether the lease agreements (as amended) relating to Terminal XXXIX, Terminal de Granéis do Guarujá and Terminal Marítimo do Guarujá should be subject to the public procurement regime. These proceedings are currently under appeal in the Brazilian superior courts (*Superior Tribunal de Justiça* and *Supremo Tribunal Federal*). With regards to the Portofer lease agreement, there is an ongoing investigation by the Brazilian Federal Prosecutors' Office, of a non-criminal nature, to assess the legal validity of the agreement.

If we fail to comply with the applicable regulatory rules or contractual obligations, our lease may be terminated early pursuant to the Concessions Law (Law No. 8,987/1995), which applies to port leases. Below is a list of the termination events applicable to our port lease agreements:

- expiration (in 2036, the year of maturity);
- *encampação*, which is the possibility of expropriation of the port concessions by the granting authority during the contractual term. Such expropriation must be for public interest, performed pursuant to applicable authorizing law and accompanied by the payment of an indemnity for investments not yet depreciated, if applicable;
- a statement of forfeiture, which occurs, at the granting authority's sole discretion, in case of total or partial non-performance of the lease, without prejudice to the application of other contractual penalties. The forfeiture may be declared under the following circumstances: (1) the service is not being provided adequately (i.e., there has been a breach of the minimum transport requirements); (2) failure to undertake the investments stipulated in the agreement; (3) breach of contractual obligations; (4) transfer of the agreement without prior consent from the granting authority; (5) obstruction of audits carried out by the granting authority; (6) changes to the contractual objective; (7) failure to maintain or conserve the leased facilities; (8) default in financial obligations set out in the agreement; or (9) loss by us of the economic, technical and operating conditions required for the adequate provision of services set out in the agreement. The forfeiture must be preceded by the verification of the default in an administrative proceeding in connection with which we have a right of defense;
- termination by the lessee in the event of breach of contractual provisions or rules established by the granting authority by means of judicial action for this specific purpose;
- annulment; and

- bankruptcy or extinction of the lessee.

The lease agreements and applicable legislation confer several rights of the granting authority pursuant to the specific rules and regulations for the industry. Accordingly, there are contractual provisions that allow, among other things, amendments to the agreement, assignment and/or transfer of the lease agreement (the latter subject to prior consent from the granting authority), provided, however, that all amendments to the agreement must abide by the rules and proceedings set out in the specific law or regulation.

Termination of our port lease agreements may adversely impact our transportation costs and the turnaround time for the export of our products, as well as our revenues from service agreements related to our port facilities.

In addition, port assets deemed essential to the continuity of port operations will revert to the granting authority upon expiration of the concession. The reversion following expiration is subject to indemnification for investments in assets not yet amortized or depreciated which were undertaken to guarantee service continuity. Upon termination of the concession, it is possible that the investments made in those assets will have not been entirely amortized or depreciated. In this case, we and the granting authority will negotiate the amount of any indemnification for such investments, to the extent such investments have been previously approved by the granting authority. As the final decision on this amount will be made solely by the granting authority, our financial condition may be negatively impacted if indemnification eventually approved is not sufficient to compensate us for the investments made.

We operate in a regulated environment, and measures taken by public authorities may impact our activities.

Our railroad concession agreements have been entered into with the Brazilian Ministry of Transportation (acting as granting authority when the grants took place), later substituted by the ANTT after the enactment of Federal Law No. 10,233/2001. Our operations take place in a regulated environment because concessions agreements are administrative contracts (such that the public administration may determine the imposition of unilateral measures such as the modification of contractual matters). The ANTT has the legal authority to regulate rail activities in the country (by means of the enactment of applicable regulations).

Therefore, notwithstanding the concessionaire's right to maintain the financial balance of the concession agreement, actions taken by the public administration in general may affect the services rendered by us. For example, if (1) new obligations are imposed; (2) additional investments not originally provided for in the concession agreements are required as a result of unilateral measures provided for in the statute or through the creation of new regulations by the ANTT; (3) the scope of the concession agreements is reduced or certain actions taken by us are rejected or not given effect (such as anticipated concession renewals, extensions of grants in force or extensions under conditions not favorable to us), our economic-financial condition and operating results may be adversely affected.

Moreover, the ANTT carried out the *Tomada de Subsídios* 008/2015, seeking public proposals for plans regarding the early renewal of railroad concession agreements currently in effect. Such renewal has the following objectives: (1) obtaining new investments in rail networks aiming at: (a) an increase in transportation capacity; (b) an increase in safety of railroad transportation; and (c) improvements to the quality of rail infrastructure and to asset management efficiency; (2) conforming the concession agreements to the best regulation practices under the current legal framework; and (3) sharing railroad infrastructure and operational resources among concessionaires, authorized entities and transporters of cargo. Article 23, I and XII of Brazilian Federal Law No. 8,987/95 provides that concession agreements entered into by the granting authority and concession holders during the proceedings for the privatization of the federal railroad network in the 1990s must include clauses regarding the duration of the concession and the conditions applicable to any renewal thereof.

In order to commence the concession renewal process, the concession holder must express its interest in doing so and the ANTT, in its capacity as the granting authority, must analyze any renewal requests based on the guidelines set by the Brazilian Ministry of Transportation by means of Ruling No. 399/15.

Accordingly, transportation agreements currently in force, certain investments planned by us or by users of the railroad network, as well as the rendering of railroad services by us in the long term, may be adversely affected in the event the anticipated renewals are not granted by the ANTT or if requirements for renewals of the concessions are denied upon the expiration or the maturity of such concessions.

We may be held liable for environmental damage caused to communities located in proximity of our concession areas.

The Brazilian Federal Constitution of 1988 (Article 225, § 3rd) sets out three tiers of environmental liability: administrative, criminal, and civil. We may be held liable for damages caused to communities located in proximity to the concession areas whenever environmental damage occurs. In addition, especially as a result of the moving of hazardous materials by us, we may be held liable for the health and safety of our employees if we do not comply with work safety and environmental rules.

We are subject to extensive environmental regulation.

Our operations present a number of environmental risks and hazards, including the transportation, handling and use of diesel fuel, petroleum products and other flammable materials. Our insurance policies cover third-party damages relating to the foregoing, as well as remediation expenses resulting from sudden pollution. The remaining environmental risks, mainly those arising from gradual pollution, are not covered by insurance policies. We are subject to a wide variety of federal, state and local laws, regulations and permit requirements relating to the protection of the environment, thereby potentially exposing us to civil penalties, criminal sanctions and closure orders for noncompliance, among other administrative sanctions. We have made and will continue to make expenditures to comply with environmental laws. We cannot predict whether our future expenditures to comply with environmental laws will be significant. Further, spills and discharges from maintenance and service facilities on our rail network and from our other logistics operations have resulted in environmental damage, the extent, necessary investigations (Phase I and II) and remediation costs of which have not been fully determined. In addition, we are required to clean up contamination resulting from rail accidents and will be required to pay fines in connection with some of these accidents, as well as respond to any related lawsuits, which may materially and adversely affect our results.

Failure to comply with such laws and regulations (including a failure to obtain or maintain relevant environmental permits, as well as compliance with technical conditions imposed by environmental permits) may subject the violator to administrative fines, mandatory interruption of activities and criminal sanctions, in addition to the obligation to remedy and pay environmental and third-party damage compensation, without any caps. In addition, Brazilian environmental law adopts a strict liability system for environmental damages, in connection with which a polluter is liable irrespective of whether the polluter was at fault or engaged in intentional misconduct, resulting in our joint and several liability for the obligations of our suppliers or customers. If we become subject to environmental liability, any costs we may incur in connection with the indemnification against potential environmental damage would lead to a reduction in the financial resources that would otherwise remain at our disposal for current or future strategic investment, which may materially and adversely affect our business, results of operations or financial condition.

As environmental laws and their enforcement become increasingly stringent, our expenses for complying with environmental requirements are likely to increase in the future. Furthermore, the possible implementation of new regulations, changes in existing regulations or the adoption of other measures could cause the amount and frequency of our expenditures relating to environmental preservation to vary significantly compared to present estimates or historical costs. Any unplanned future expenses could force us to reduce or forego strategic investments and as a result could materially and adversely affect our business, results of operations or financial condition.

We incur substantial costs to comply with environmental regulations and may be exposed to liabilities if we fail to comply with these regulations or as result of our handling of hazardous materials.

We are subject to various Brazilian federal, state and municipal environmental laws and regulations, among other matters, regarding to:

- the issuance and renewal of valid environmental permits and authorizations;
- the generation, storage, handling, use and transportation of hazardous materials;
- the wildlife and natural resources preservation;
- the protection of cultural and historic sites;

- the emission and discharge of hazardous materials into the ground, air or water; and
- the health and safety of our employees.

We are also required to obtain environmental permits and/or authorizations (such as installation and operation permits as well as permits for vegetation suppression and the storage, use and transportation of hazardous products) from governmental authorities for certain aspects of our operations. Failure to obtain environmental permits or comply with the conditions under which such permits are issued could subject us to criminal, administrative and/or civil liabilities. These laws, regulations and permits often require us to purchase and install expensive pollution control equipment or to make operational changes to mitigate actual or potential impacts on the environment and/or health of our employees. In addition, Brazilian environmental laws restrict our ability to obtain financing from public entities in the event of a breach of certain environmental protection obligations. Any violations of these laws and regulations or permit conditions can result in substantial fines, criminal sanctions, and revocation of operating permits and/or shutdowns of our facilities.

Due to the possibility of changes to environmental regulations and other unanticipated developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. Under Brazilian environmental laws, we could be held strictly liable for all of the costs relating to any contamination at our or our predecessors' current and former facilities and at third-party waste disposal sites used by us or any of our predecessors. We could also be held responsible for any and all consequences arising out of human exposure to hazardous substances, such as pesticides, herbicides, soil or groundwater contamination or other kinds of environmental damage.

We are party to a number of administrative and judicial proceedings for alleged failure to comply with environmental laws, which may result in fines, suspension of activities or other adverse effects on our operations. Infractions that give rise to administrative proceedings may also lead to civil or criminal claims against us. Our costs of complying with current and future environmental and health and safety laws and our liabilities arising from past or future waste discharge, or from exposure to hazardous substances, could adversely affect our business or financial performance. We are currently conducting five restoration programs for degraded areas (*Programas de Recuperação de Áreas Degradadas - PRADs*) and are subject to three Conduct Adjustment Agreements (*Termos de Ajustamento de Conduta - TACs*) involving amounts estimated at R\$11.9 million and R\$1.7 million, respectively.

Risks Relating to Brazil

Risks related to Brazilian economic and political conditions may negatively affect our business.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil. For example, on October 26, 2014, President Dilma Rousseff was re-elected following a tightly contested presidential election campaign. President Dilma Rousseff's second term has been characterized by significant discontent among certain segments of the Brazilian population as evidenced by widespread protests. Such discontent is attributable to developments such as the worsening Brazilian economic scenario (including an increase in inflation and fuel prices as well as rising unemployment), the perception of widespread corruption (including accusations relating to the widely reported Petrobras corruption scandal) and water shortages in certain areas of Brazil as well as the potential for severe water and electricity rationing following a decrease in rainfall and water reservoir levels throughout Brazil. President Dilma Rousseff's administration has sought to enact measures to counteract these developments, including tax increases and cost-cutting measures, certain of which have been opposed by members of the principal opposition party and President Dilma Rousseff's own ruling party, among other political parties. On May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against President Dilma Rousseff, who was suspended from office. After the legal and administrative process for the impeachment, Brazil's Senate removed president Dilma Rousseff from office on August 31, 2016 for infringing budgetary laws. Michel Temer, the former vice president, who has run Brazil since Ms. Rousseff's suspension in May, was sworn in by Senate to serve out the remainder of the presidential term until 2018. However, the resolution of the political and economic crisis in Brazil still depends on the outcome of the "Lava Jato" investigation and approval of reforms that are expected to be promoted by the new president. We cannot predict which policies Mr. Temer may adopt or change during his mandate or the effect that any such policies might

have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on our business, results of operations and financial condition.

Our business, financial performance and results of operations may be adversely affected by changes in policy and regulations involving or affecting certain factors, such as:

- inflation;
- exchange rate movements;
- exchange rate control policies;
- interest rate fluctuations;
- liquidity available in the domestic capital, credit and financial markets;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in gross domestic product, or GDP;
- ports, customs and tax authorities' strikes;
- changes in transportation market regulations;
- price increases of oil and other inputs;
- price instabilities;
- fiscal policies; and
- other economic, political, diplomatic and social developments in or affecting Brazil.

Instability resulting from any changes by the Brazilian government to policies or regulations that may affect these or other factors in the future may contribute to economic uncertainty in Brazil and intensify the volatility of Brazilian securities markets and securities issued abroad by Brazilian companies. The President of Brazil has the power to define the policies and actions of the Brazilian government in relation to the Brazilian economy and thereby affect the operations and financial performance of Brazilian companies. The Brazilian government may be subject to internal pressure to indent the current macroeconomic policies in order to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government. Moreover, in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies. Any of the aforementioned developments may adversely affect our business, results of operations and financial condition, as well as on the price of our notes.

The ongoing economic and political crisis in Brazil may have a material adverse effect on our business, operations and financial condition.

The recent economic instability in Brazil caused by the rise of inflation, a slowdown in GDP growth, and uncertainty as to whether the Brazilian government will enact the necessary economic reforms to improve Brazil's deteriorating fiscal accounts and economy have led to a decline in market confidence in the Brazilian economy and a government crisis.

On October 26, 2014, President Dilma Rousseff was re-elected following a tightly contested presidential election campaign. President Dilma Rousseff's second term has been characterized by significant discontent among certain segments of the Brazilian population as evidenced by widespread protests. Such discontent is attributable to developments such as the worsening Brazilian economic scenario (including an increase in inflation and fuel prices as well as rising unemployment), the perception of widespread corruption (including accusations relating to the widely reported Petrobras corruption scandal), among other factors. Moreover, President Dilma Rousseff is

currently subject to impeachment proceedings. On May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against President Dilma Rousseff. President Dilma Rousseff was suspended from office pending the outcome of the Brazilian Senate's review, which must be completed within 180 days. After the legal and administrative process for the impeachment, Brazil's Senate removed president Dilma Rousseff from office on August 31, 2016 for infringing budgetary laws. Michel Temer, the former vice president, who has run Brazil since Ms. Rousseff's suspension in May, was sworn in by Senate to serve out the remainder of the presidential term until 2018. However, the resolution of the political and economic crisis in Brazil still depends on the outcome of the "Lava Jato" investigation and approval of reforms that are expected to be promoted by the new president. We cannot predict which policies Mr. Temer may adopt or change during his mandate or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on our business, results of operations and financial condition.

Moreover, the Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government. Moreover, as has happened in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies.

We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our business. In addition, due to the current political instability, there exists substantial uncertainty regarding future economic policies and we cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and our securities. Any continued economic instability and political uncertainty may materially adversely affect our business.

Inflation and government measures to curb inflation may adversely affect the Brazilian economy, the Brazilian securities market, our business and operations and the market prices of our notes.

Brazil has experienced extremely high rates of inflation in the past and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world. According to the IGP-M, a general price inflation index, the inflation rates in Brazil were, 5.1% in 2011, 7.8% in 2012, 5.5% in 2013, 3.7% in 2014 and 10.5% in 2015. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), published by the IBGE, the Brazilian price inflation rates were 6.1% in 2011, 6.2% in 2012, 5.6% in 2013 and 6.2% in 2014. Despite the Central Bank's repeated increases of interest rates during the period from 2013 to 2015, the Brazilian consumer price index, or IPCA, which measures price inflation, has continued to increase, reaching 10.7% in 2015 (the highest level recorded since 2003), and reaching 8.5% for the twelve-month period ending September 2016.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. The Brazilian government's measures to fight inflation, principally through the Central Bank, have had and may in the future have significant effects on the Brazilian economy and our business.

Brazil may experience high levels of inflation in future periods. If Brazil experiences high inflation rates, the Brazilian federal government may decide to intervene in the economy, including through the implementation of governmental policies that may have an adverse effect on us and our clients. In addition, if Brazil experiences high inflation rates, we may not be able to adjust the prices of our products in order to compensate for the effects of inflation in our costs structure, which may have an adverse effect on us. We also have operational lease agreements with adjustment directly linked to inflation which could be materially and adversely affected if the Brazilian federal government is unable to contain the rise inflation rates.

Significant volatility in the value of the real in relation to the U.S. dollar and other currencies could adversely affect the Brazilian economy.

Due to inflationary pressures and adjustments to economic policy, the Brazilian currency has historically volatility against the U.S. dollar and other foreign currencies. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, fluctuation band exchange rate systems, exchange controls and dual exchange rate markets.

There have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the Brazilian *real* depreciated 19.7% and 53.2% against the U.S. dollar in 2001 and 2002, respectively and appreciated 18.0%, 8.0%, 12.3%, 8.5% and 17.0% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively. In 2008, the *real* depreciated again approximately 31.9% against the U.S. dollar. In 2009, the *real* appreciated 25.3% against the U.S. dollar, while in December 31, 2010 the *real* to U.S. dollar exchange rate was R\$1.6662, according to the Central Bank. In 2011, the *real* depreciated by 13.6% against the U.S. dollar, from R\$1.6510 in the beginning of the period to R\$1.8758 by the end of the period, and in 2012 the *real* went from R\$1.8683 in the beginning of the year to R\$2.0435 by the end of the period, amounting to a 9.4% depreciation against the U.S. dollar. In 2013, the *real* went from R\$2.0415 in the beginning of the year to R\$2.3426 by the end of the period. In 2014, the *real* went from R\$2.3975 in the beginning of the year to R\$2.6562 by the end of the period, corresponding to a 10.8% depreciation against the U.S. dollar.

However, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* has devalued at a rate that is much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per U.S.\$1.00. In 2015, the *real* depreciated 45%, reaching R\$3.905 per U.S.\$1.00 on December 31, 2015. Conversely, in 2016, the *real* went from R\$4.0387 per U.S.\$1.00 at the beginning of the year to R\$3.2462 per U.S.\$1.00 on September 30, 2016, corresponding to a 20% appreciation against the U.S. dollar. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.

Depreciation of the *real* relative to the U.S. dollar could result in additional inflationary pressures in Brazil, thereby leading to an increase in interest rates, limiting our access to foreign financial markets and weakening investor confidence in Brazil and reducing the market price of our notes, and requiring the implementation of recessionary policies by the Brazilian federal government. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments and may dampen the country's exports. Any of these events may damage the Brazilian economy as a whole.

Further, our exposure to foreign exchange risk derives mainly from loans and financings in foreign currency, and derivative financial instruments for hedging of loans and financings in foreign currency. As of September 30, 2016, we had no exposure to bilateral loans in foreign currencies, compared to an exposure of R\$658.7 million on December 31, 2015. Our net exposure to derivative financial instruments transactions was R\$14.2 million in payables on September 30, 2016, compared to R\$98.1 million in receivables on December 31, 2015.

High interest rates may adversely affect our operations and financial condition.

The Brazilian government's measures to control inflation have frequently included maintaining a restrictive monetary policy with high interest rates, thereby limiting the availability of credit and reducing economic growth. As a consequence, official interest rates in Brazil on September 30, 2016 and at the end of 2015, 2014 and 2013 were 14.25%, 14.25%, 11.75% and 10.00% per year, respectively, as established by the monetary policy committee of the Central Bank (COPOM). Brazilian interest rates have remained high and any increase of such interest rates may negatively affect our profits and results of operations, thereby increasing the costs of financing our operations.

High interest rates may impact our cost of obtaining loans and also the cost of indebtedness, resulting in an increase in our financial expenses. This increase may adversely affect our ability to pay our financial obligations, as it reduces our cash availability. Mismatches between contracted indexes for assets versus liabilities and/or high volatilities in interest rates may result in financial losses for us.

As of September 30, 2016, our consolidated gross debt was either fixed or linked to interest rates based on the interbank deposit certificate rate, or CDI, the short-term interest rate (*Sistema Especial de Liquidação e Custódia*), or SELIC rate, the long-term interest rate, or TJLP, the IPCA and a mix of TJLP and IGP-M (20% IGP-M + 80%

TJLP). The aggregate amounts indexed are as follows: R\$4,147.8 million, R\$5.6 million, R\$2,560.0 million and R\$4.7 million, respectively. As of September 30, 2016, R\$1,334.5 million of our consolidated gross debt was based on fixed rates.

Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years, with growth of 1.8% in 2012, improving to 2.7% in 2013 but decreasing to 0.1% in 2014 and then to a contraction of 3.8% in 2015. Continued growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, the lack of a qualified labor force, and the lack of private and public investments in these areas, which limit productivity as well as efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth or result in contraction and ultimately have a material adverse effect on our business.

Developments and the perception of risk in other countries may adversely affect the Brazilian economy and market price of Brazilian issuers' securities.

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, European countries, as well as in other Latin American and emerging market countries. Although economic conditions in Europe and the United States may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Additionally, crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including our securities. This could adversely affect the market price of our securities, restrict our access to capital markets and compromise our ability to finance our operations in the future on favorable terms, or at all.

In 2013, 2014 and 2015, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries, and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities.

In addition, we continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment, particularly in Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability.

Disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on our business, results of operations and financial condition.

Future governmental policy and regulations may adversely affect our operations and profitability.

Trade flows are materially affected by policies and regulations from Brazilian and foreign federal, state and municipal government. Governmental policies affecting economic activity such as tariffs, taxes, subsidies and restrictions on the import and export of agricultural goods and commodities, which represent a substantial part of the cargo we transport, may influence the profitability of the industry as well as the volume and type of imports and exports.

Future Brazilian and foreign governmental policies may adversely affect the supply, demand and prices of our logistic services or otherwise restrict our capacity to operate in our current or prospective markets, potentially affecting our financial performance.

Changes in tax laws may increase our tax burden and, as a result, adversely affect our profitability.

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on us, our subsidiaries and jointly controlled entities and its customers. These changes include modifications in the rate of assessments and, on occasion, enactment of new or temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

In May 2014, Law 12,973, which converts into law the provisions provided for in Provisional Measure No. 627 of November 11, 2013, was enacted. Law 12,973 introduces changes to tax rules, revokes a temporary tax regime which had been in force between 2008 and 2014, and regulates the transition between the then-applicable Brazilian accounting practices and international IFRS standards. Among other things, Law 12,973 makes certain changes to the tax treatment of accounting income, the tax basis of goodwill on acquisition of shareholdings, the fiscal treatment of mergers and acquisitions, present value adjustments in the investee, pre-operational expenses and leases.

Law 12,973 came into effect on January 1, 2014, for entities which have voluntarily adopted the measures early, and in January 1, 2015 for entities which have not opted for early compliance. We and our subsidiaries have not opted for early compliance with the provisions of Law 12,973, and, consequently, we and our subsidiaries have only been subject to the provisions of Law 12,973 since January 1, 2015.

We carried out a full analysis of the provisions of Law 12,973, and concluded that there is no material impact on our 2015 financial statements as a result of the application of such law.

The ongoing investigations regarding corruption in Brazil may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business.

Petrobras (Brazil's state-owned oil company and one of the country's largest companies and a supplier of the Company) and certain Brazilian companies active in the oil and gas, energy, construction and infrastructure sectors are facing investigations by the CVM, the SEC, the Brazilian Federal Police and the Brazilian Federal Prosecutor's Office, the Comptroller General of Brazil and other relevant governmental authorities, in connection with corruption allegations (the so called "Lava Jato" investigations). In addition, elected officials and other public officials in Brazil are also being investigated for allegations of unethical and illegal conduct identified during the new phase of the *Lava Jato* investigations, which began in July 2015, as well as other investigations.

Depending on the duration and outcome of such investigations, the companies involved may face a reduction in their revenues, downgrades from rating agencies or funding restrictions, among other negative effects. These investigations have had and may continue to have an adverse effect on Brazil's growth prospects in the near to medium term given the relatively significant weight in relation to the Brazilian economy of the companies cited in the investigation. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, which may lead to lower economic growth in the near to medium term.

The allegations under the "Lava Jato" investigations along with the economic downturn resulted in Brazil being downgraded to non-investment grade status by S&P in September 2015, by Fitch Ratings in December 2015, and by Moody's in February 2016, as well as in the downgrade of various major Brazilian companies. Such downgrades have further worsened the conditions of the Brazilian economy and the condition of Brazilian companies, especially those relying on foreign investments.

Persistently poor macroeconomic conditions in Brazil resulting from, among other things, the "Lava Jato" investigations and their consequences could have a material adverse effect on us.

If we do not successfully comply with laws and regulations designed to prevent governmental corruption in countries in which we sell our products, we could become subject to fines, penalties or other regulatory sanctions and our sales and profitability could suffer.

Our anti-corruption policies and procedures designed to prevent governmental corruption violations may not prevent our management, employees or third parties acting on our behalf in the countries in which we operate from taking actions that violate applicable laws and regulations on improper payments to government officials for the purpose of obtaining or keeping business or business advantages. Laws prohibiting such behaviors include (but are not limited to) laws relating to the OECD's 1997 Convention on Combating Bribery of Foreign Public Officials in

International Business Transactions, such as the U.S. Foreign Corrupt Practices Act, and Brazilian Law No. 12,846/13, or the Anticorruption Act, which has been in effect since January 29, 2014. Any breach thereof may have a material adverse effect on our business, including the acceleration of loans and financing.

The Anticorruption Act imposes strict liability on companies for acts of corruption, fraud or manipulation of public tenders and government contracts; and interference with investigations or inspections by governmental authorities. Companies found liable under the Anticorruption Act face fines of up to 20% of their gross revenue in the immediately preceding year or, if such annual gross revenue cannot be estimated, such fines may range from R\$6 thousand to R\$60 million. Among other sanctions, the Anticorruption Act also provides for the seizure of assets or benefits obtained illegally, the suspension or partial prohibition of operations, the dissolution of the entity and/or the prohibition to receive incentives, subsidies, donations or financing from the government or from government-controlled entities for up to five years. In assessing penalties under the Anticorruption Act, Brazilian authorities may consider the adoption of an effective compliance program. Other relevant laws applicable to corruption-related violations, such as Law No. 8.492/92, or the Administrative Improbity Law, also provide for penalties that include the prohibition to enter into government contracts for up to ten years.

Consequently, if we, our management, employees or third parties acting on our behalf in the countries in which we sell our products become involved in any anti-corruption or criminal investigations or proceedings in connection to our business in Brazil or in any other jurisdiction, our business could be materially adversely affected.

Risks Relating to the Notes and the Guarantees

The notes may not be a suitable investment for all investors.

Each potential investor in the notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the notes, the merits and risks of investing in the notes and the information contained in this offering memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the notes and the impact the notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the notes;
- understand thoroughly the terms of the notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Payments on the notes and the guarantees will be junior to the Guarantors' secured debt obligations and effectively junior to debt obligations of subsidiaries.

The notes and the guarantees will constitute the Issuer's and the Guarantors' senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the Guarantors' other existing and future senior unsecured indebtedness. Although the holders of the notes will have a direct, but unsecured claim on our assets and property, payment by us in respect of the notes will be subordinated to any of our secured debt to the extent of the assets and property securing such debt, respectively. Payment by us in respect of the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our subsidiaries and jointly controlled companies. In addition, under Brazilian law, the Issuer's obligations under the notes and our obligations under the guarantees are subordinated to certain statutory preferences, including post-petition claims, claims for salaries, wages, secured obligations, social security, taxes, court fees and expenses, among other claims. In the event of our or the Issuer's liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

The Issuer does not have sufficient cash flow from operations to repay the notes.

The Issuer's principal business activity is to act as a financing company for our activities and operations. The Issuer has no material operational assets, and its only sources of cash flow are returns from its financing activities including any intercompany credit transactions and from capital contributions and other investments by us and our other subsidiaries. Accordingly, the Issuer does not have, and is not expected to have through the maturity date of the notes, sufficient cash flow from its operations to pay amounts due in connection with the notes, and the holders of the notes must rely predominantly on our operations and cash flow to repay amounts due under the notes. If the Issuer does not have sufficient cash flow from its financing activities, and if capital contributions and other investments in the Issuer are not made by us or our subsidiaries, then the holders of the notes would have to rely upon claims against us for payment under the guarantees. In addition, payments under the guarantees are subject to the risks and limitations described under "*—Payments on the notes and the guarantees will be junior to the Guarantors' secured debt obligations and effectively junior to debt obligations of subsidiaries.*"

Similarly, Rumo is a holding company with limited operations and depends to a significant extent on the cash flow and profits of its subsidiaries, distributed to Rumo in the form of dividends, in order to meet its financial obligations. Accordingly, the ability of Rumo to pay principal, interest and other amounts due on the notes and guarantees to us will depend upon the financial condition and results of operations of Rumo's subsidiaries. In the event of an adverse change in the financial condition or results of operations of Rumo's subsidiaries these entities may be unable to distribute dividends to the Rumo, which would result in the failure of Rumo to have sufficient funds to repay all amounts due on or with respect to the notes or the guarantees.

Changes in our credit ratings may adversely affect the value of the notes.

The credit ratings of the notes reflect certain analysis conducted by credit rating agencies and do not address all material risks relating to an investment in the notes. The ratings assigned to the notes could be lowered, suspended or withdrawn entirely by the rating agencies if, in each rating agency's judgment, circumstances warrant such action. We cannot assure you that such credit ratings will remain in effect for any given period of time. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes. In addition, during the period that the guarantees are outstanding, any actual or anticipated changes or downgrades in our credit ratings, including any announcement that its ratings are under further review for a downgrade, could affect the market value of the notes.

Restrictions on the movement of capital out of Brazil may impair the ability of holders of the notes to receive payments on the notes.

Brazilian law provides that whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. We cannot assure you that mechanisms for the transfer of *reais* and conversion into U.S. dollars will continue to be available at the time it is required to perform its obligations under the notes or the indenture or that a more restrictive control policy, which could affect our ability to make payments under the notes or the indenture in U.S. dollars, will not be instituted in the future. If such financial mechanisms are not available, the Guarantors may have to rely on a special authorization from the Central Bank to make payments under the notes in U.S. dollars or, alternatively, be required to make such payments with any funds that we hold outside Brazil. We cannot assure you that any such Central Bank approval would be obtained or that such approval would be obtained on a timely basis or that it will have such funds available.

Brazilian bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.

If we are unable to pay amounts due under our guarantee, then we may become subject to bankruptcy or judicial reorganization proceedings in Brazil. The bankruptcy law of Brazil currently in effect may be significantly different from, and many times less favorable to creditors than, those of certain other jurisdictions. Noteholders may have limited rights at creditors' meetings in the context of a court reorganization proceeding. In a judicial recovery the foreign currency amounts will be converted into Brazilian *reais* for purposes of voting in a creditors' meeting (at the foreign exchange rate of the day before the meeting). In this case, the foreign currency creditors will cast their votes pursuant to the Brazilian *reais* amounts calculated. The debt itself will remain in the currency set out in the corresponding agreement. The reorganization plan may set forth that payments will be made in local

currency, subject to the approval of the relevant creditor. However, the plan may provide for a debt restructuring (e.g. haircut, grace period). If the plan is rejected, the judicial recovery must be converted into a bankruptcy. In addition, in the event of our bankruptcy, all of our debt obligations, that are denominated in foreign currency, including the notes, will be converted into reais at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure you that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

Judgments of Brazilian courts enforcing our obligations under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would be required to discharge our obligations in *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of such payment at the exchange rate published by the Central Bank on (1) the date of actual payment, (2) the date on which such judgment is rendered or (3) the actual due date of the obligations, in which case the amount would be subject to a monetary adjustment as determined by the relevant court. There can be no assurance that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest. For further information, see “Enforceability of Civil Liabilities.”

We may not have the ability to raise the funds necessary to finance any change of control offer required by the indenture governing the notes.

Upon the occurrence of certain specific change of control events, we will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of any such change of control event to make the required repurchase of the notes. In addition, our existing and future indebtedness may contain prohibitions on the occurrence of events that would constitute a change of control or require such indebtedness to be repurchased upon a change of control. Moreover, the exercise of the right of the holders of the notes to require us to repurchase the notes upon a change of control event may cause a default under such indebtedness even if the change of control event itself does not. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under such indebtedness. The failure to repurchase the notes upon a change of control event would result in an event of default under the indenture governing the notes. In addition, certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness may not constitute a change of control event under the indenture governing the notes. Therefore, if an event occurs that does not constitute a change of control event under the indenture, we will not be required to make an offer to repurchase the notes and the holders may be required to continue to hold the notes despite such event.

No assurance can be given that a judgment of a court for liabilities under the securities laws of a jurisdiction outside Brazil would be enforceable in Brazil, or that an original action can be brought in Brazil against the Guarantors for liabilities under applicable securities laws.

We are incorporated under the laws of Brazil, and substantially all of our assets are located in Brazil. All or substantially all of our directors, executive officers and certain advisers named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon us or our respective directors, executive officers and advisers or to enforce against us in U.S. courts any judgments predicated upon the civil liability provisions of the applicable securities laws. For further information, see “Enforceability of Civil Liabilities.”

Luxembourg bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.

The issuer is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. For further information, see “Enforceability of Civil Liabilities—Insolvency Proceedings in Luxembourg.”

You may be unable to recover damages in civil proceedings for U.S. securities laws violations.

The Issuer is organized under the laws of Luxembourg and the Guarantors are organized under the laws of Brazil. Neither the Issuer nor the Guarantors have any assets in the United States. It is anticipated that some or all of the directors (such expression includes for the avoidance of doubt any *gérant* of the Issuer) and executive officers of the Issuer and the Guarantors will be nonresidents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws.

In addition, the Issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Luxembourg. See “Enforceability of Civil Liabilities—Enforcement of Judgments in Luxembourg.”

The Issuer is incorporated in Luxembourg, and Luxembourg law differs from U.S. law and may afford less protection to holders of the Notes.

Holders of the notes may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the United States. As a Luxembourg company, the Issuer is incorporated under and subject to the Luxembourg law on commercial companies of August 10, 1915 (as amended), or the “Luxembourg Companies Act,” and other provisions of Luxembourg law. The Luxembourg Companies Act differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

Under Luxembourg law, the duties of directors, managers and officers of a company are generally owed to the company only. Holders of notes issued by Luxembourg companies generally do not have rights to take action against directors, managers or officers of the company, except in limited circumstances. Directors, managers or officers of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director or officer of a Luxembourg company is found to have breached his or her duties to that company, he or she may be held personally liable to the company in respect of that breach of duty. A director or manager may be jointly and severally liable with other directors implicated in the same breach of duty.

We cannot assure you that an active trading market for the new notes will develop.

We have applied for admission of the new notes to list on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. Furthermore, no assurance can be provided regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price of the new notes depending on many factors, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, risks associated with Brazilian issuers of such type of securities and the market for similar securities. If an active market for the notes is interrupted, the market price and liquidity of the notes may be adversely affected.

Transfer of the notes will be restricted.

We have not registered and do not intend to register the offer and sale or resale of the notes under the Securities Act or the securities laws of any jurisdiction. The holders of the notes may not offer or sell the notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws. The holders of the notes should read the disclosures in the section “Transfer Restrictions” for further information about these and other transfer restrictions. It is the holder’s obligation to ensure that offers and sales of notes comply with applicable securities laws.

A finding that a guarantee of the notes was a fraudulent conveyance could result in noteholders losing their legal claim against the relevant Guarantors.

The Issuer's obligation to make payments on the notes is supported by the Guarantors' guarantees on such notes. In the event that Brazilian or U.S. fraudulent conveyance or similar laws are applied to the Guarantors' guarantees and at the time the Guarantors entered into such guarantee, we:

- were rendered insolvent by reason of our entering into such guarantee;
- were engaged in business or transactions for which the assets remaining with us constituted unreasonably low capital;
- intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they mature; or
- received less than reasonably equivalent value or fair consideration in exchange for such guarantee;

then the Guarantors' obligations under their respective guarantees could be voided, or claims in respect of the guarantees could be subordinated to the claims of other creditors. A legal challenge to a guarantee on fraudulent conveyance grounds may focus, among other claims, on the benefits, if any, realized by such guarantor as a result of the issuance of the notes so guaranteed. If a guarantee is held to be a fraudulent conveyance or unenforceable for any other reason, the holders of the notes would not have a claim against the Guarantors, under the applicable guarantee, or such claim could be subordinated to claims of other creditors of the Guarantors, as applicable, and would solely have a claim against the Issuer. Neither the Issuer nor the Guarantors can assure you that, after providing for all prior claims, there will be sufficient assets to satisfy the claims of the noteholders relating to any voided portion of the Guarantors' guarantee.

The proceeds from this offering will be deposited into an escrow account and the Issuer will be required to redeem the notes if certain Release Conditions are not satisfied in accordance with the terms described in this offering memorandum on or prior to the Special Mandatory Redemption Date.

This offering will be consummated prior to the satisfaction of certain Release Conditions as described in "Description of Notes —Escrow of Proceeds; Special Mandatory Redemption." The proceeds of this offering will be placed into an escrow account in the name of the Trustee for the benefit of the holders of the notes pending satisfaction of the Release Conditions. If the Release Conditions are not satisfied in accordance with the terms described in this offering memorandum by the Special Mandatory Redemption Date, the Issuer will be required to redeem all of the notes, on the Business Day immediately following the Special Mandatory Redemption Date, at a redemption price equal to 101% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. Although we currently believe that all Release Conditions will be satisfied prior to Special Mandatory Redemption Date, we cannot assure you that the conditions will be satisfied or that the notes will not have to be redeemed. The escrow amount will not consist of proceeds sufficient to pay the redemption price and there can be no assurance that the amounts held in escrow will be sufficient to fund the Special Mandatory Redemption of the notes. For more information see "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption."

In a bankruptcy proceeding, the escrow account funds might be judged to be property of the bankruptcy estate.

If the Issuer or the Guarantor commences a bankruptcy or reorganization case, or one is commenced against it, while the escrow account remains funded, a bankruptcy court judge may prevent the Trustee from using the escrow account funds to pay the Special Mandatory Redemption price or otherwise satisfy the Issuer or Guarantor's obligations under the Indenture. The bankruptcy court adjudicating that case might find that the escrow account is the property of the bankruptcy estate. If a court were to make such a determination, the holders of the notes would be prohibited from foreclosing upon or disposing of the Issuer or Guarantor's property for so long as a bankruptcy court order enforcing that determination remains in effect.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately U.S.\$740.0 million (or R\$ 2,402.2 million), after deducting estimated commissions and estimated offering expenses.

The proceeds of this offering will be placed into an escrow account in the name of the Trustee for the benefit of the holders of the notes pending the satisfaction of the Release Conditions. See “Description of Notes—Escrow of Proceeds; Special Mandatory Redemption.” If the Release Conditions are not satisfied in accordance with the terms described in this offering memorandum prior to the Special Mandatory Redemption Date, the Issuer will be required to redeem all of the notes, on the Business Day immediately following the Special Mandatory Redemption Date, at a redemption price equal to 101% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date.

We intend to use the net proceeds from this offering to repay certain short-term indebtedness and the remainder (if any) for general corporate purposes.

THE ISSUER

Rumo Luxembourg S.à r.l. is a wholly-owned subsidiary of Rumo and was incorporated under the laws of Luxembourg as a private limited liability company (*société à responsabilité limitée*) on October 25, 2016 and registered with the Luxembourg Register of Commerce and Companies under number B 210069. The registered office of the Issuer is 6, rue Eugène Ruppert, L-2453, Luxembourg, Grand Duchy of Luxembourg.

Rumo Luxembourg S.à r.l. has not published financial statements for any period, and will not publish any financial statements except as required under the Luxembourg Companies Act. Rumo Luxembourg S.à r.l. will prepare its annual financial statements in accordance with Luxembourg law but is currently not required to publish any such annual financial statements. The notes will be the only outstanding debt of the Issuer. The results of the Issuer are consolidated into the financial statements of Rumo S.A.

The Issuer is managed by a board of managers, currently consisting of six managers. The Issuer is unaware of any conflicts of interest between the duties that any manager owes to the Issuer and such manager's private interests or other duties. The managers of Rumo Luxembourg S.à r.l. are: Julio Fontana Neto, Daniel Rockenbach, José Cezário Menezes de Barros Sobrinho, Class A managers and Akiza Aramazani, Claudia Dinis and François-Xavier Goossens, Class B managers. The business addresses of the Issuer's managers is 1327 Avenue Presidente Juscelino Kubitschek, 04543-011 São Paulo, Brazil for the Class A managers and 6 rue Eugène Ruppert, L-2453 for the Class B managers.

The share capital of Rumo Luxembourg S.à r.l. is set at U.S.\$50,000, represented by 500,000 shares in registered form, having a nominal value of U.S.\$0.10 each. The share capital of the Issuer has been fully paid up and does not comprise different classes of shares.

The board of managers of Rumo Luxembourg S.à r.l. is authorized to record each share capital increase by way of a notarial deed and amend the share register accordingly.

The Issuer does not have subsidiaries or any equity investments. The Issuer may have subsidiaries and other equity investments in the future.

The articles of incorporation of the Issuer have been published in the *Recueil Electronique des Sociétés et Associations* number 138.766/2016 under publication reference RESA_2016_138.

The Issuer's objective and principal activity is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. The Issuer may in addition borrow in any form and issue notes, bonds or any other kind of debt and equity securities. It may also lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies. For a detailed description of the Issuer's corporate objects, see Article 3 of the Issuer's consolidated articles of association. See also "Description of Notes—Certain Covenants—Limitations and Restrictions on the Issuer."

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the *real*/ U.S. dollar exchange rate to float freely, which resulted in increasing exchange rate volatility. Until early 2003, the *real* declined against the U.S. dollar. Between 2006 and 2008, the *real* strengthened against the U.S. dollar, except in the most severe periods of the global economic crisis. Given the recent turmoil in international markets and the current Brazilian macroeconomic outlook, the *real* depreciated against the U.S. dollar from mid-2011 to early 2016. In particular, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* has devalued at a rate that is much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per U.S.\$1.00. Overall in 2015, the *real* depreciated 47%, reaching R\$3.901 per U.S.\$1.00 on December 31, 2015. In early 2016, the *real* has been facing continuing fluctuations, primarily as a result of Brazil's political instability, and has appreciated against the U.S. dollar since March 2016. On September 30, 2016, the exchange rate was R\$3.246 per U.S.\$1.00. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar. The Central Bank has intervened in the foreign exchange market to control unstable movements of exchange rates. The *real* may fluctuate against the U.S. dollar substantially in the future.

The Central Bank has intervened occasionally to attempt to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future.

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R\$/U.S.\$), for the periods indicated, as reported by the Central Bank:

Year	Period-end	Average(1)	Low	High
2011	1.876	1.675	1.535	1.902
2012	2.044	1.955	1.702	2.112
2013	2.343	2.161	1.953	2.446
2014	2.656	2.355	2.197	2.740
2015	3.905	3.339	2.575	4.195
2016	3.259	3.450	3.119	4.156
Month	Period-end	Average(2)	Low	High
July 2016	3.239	3.276	3.230	3.339
August 2016.....	3.240	3.210	3.130	3.273
September 2016	3.246	3.256	3.193	3.333
October 2016	3.181	3.186	3.119	3.236
November 2016	3.397	3.342	3.202	3.445
December 2016.....	3.259	3.356	3.259	3.465
January 2017.....	3.160	3.203	3.160	3.273
February 2017 (through February 1, 2017).....	3.148	3.148	3.148	3.148

Source: Central Bank.

- (1) Represents the average of the exchange rates on the closing of each day during the year.
- (2) Represents the average of the exchange rates on the closing of each day during the month.

CAPITALIZATION

The following table sets forth our shareholders' equity and total capitalization as of September 30, 2016 on an actual basis and (1) as adjusted to reflect the amount of R\$789.8 million (US\$ 243.3 million) in net proceeds from additional borrowings, and repayments of existing financings in the amount of R\$756.2 million (US\$232.9 million) since September 30, 2016 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Main Financing Agreements" and "Summary—Recent Developments—Additional Financings" for further information) and (2) as adjusted to reflect the amount of R\$2,402.2 million, or U.S.\$ 740.0 million (based on an exchange rate of R\$3.2462 to U.S.\$1.00 as of September 30, 2016) in estimated net proceeds from the sale of the notes, after deducting all estimated underwriting discounts and commissions and other expenses we must pay in connection with the offering, as described in "Use of Proceeds."

Consolidated	As of September 30, 2016					
	Actual		Pro Forma(2)		As Adjusted(3)	
	(in U.S.\$)(1)	(in R\$)	(in U.S.\$)(1)	(in R\$)	(in U.S.\$)(1)	(in R\$)
	(in millions)					
Current debt	(552.5)	(1,793.4)	(344.2)	(1,117.2)	(344.2)	(1,117.2)
Non-current debt.....	(2,468.7)	(8,013.8)	(2,687.3)	(8,723.6)	(3,427.3)	(11,125.8)
Shareholders' equity	(1,882.0)	(6,109.5)	(1,882.0)	(6,109.5)	(1,882.0)	(6,109.5)
Total capitalization(4).....	(4,903.2)	(15,916.7)	(4,913.5)	(15,950.3)	(5,653.5)	(18,352.5)

- (1) We have converted the amounts included in the tables above from *reais* into U.S. dollars using the exchange rate as of September 30, 2016 of R\$3.2462 to U.S.\$1.00, which was the commercial selling exchange rate reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (2) The numbers in the "Pro Forma" column are adjusted to reflect (i) additional borrowings in an aggregate amount of R\$789.8 million (US\$243.3 million), R\$80.0 million (US\$ 24.6 million) of which is current debt, and R\$709.8 million (US\$ 218.7) million of which as non-current debt, and (ii) repayments of an aggregate amount of R\$756.2 million (US\$232.9 million) of current debt as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Main Financing Agreements" and "Summary—Recent Developments—Additional Financings."
- (3) As adjusted to reflect net proceeds of R\$2,402.2 million (US\$740.0 million) from the offering, after deducting all estimated underwriting discounts and commissions and other expenses we must pay in connection with the offering, as described in "Use of Proceeds."
- (4) The total capitalization is the sum of total indebtedness, consisting of current and non-current debt plus shareholders' equity. This definition may differ from that used by other companies.

Other than as described above, there has been no material change in our capitalization since September 30, 2016.

You should read this table in conjunction with "Selected Consolidated Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this offering memorandum.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our historical financial and operating data derived from (1) Rumo Logística's unaudited consolidated interim financial statements as of and for the three-month and nine-month periods ended September 30, 2016, (2) Rumo Logística's audited consolidated financial statements as of and for the fiscal year ended December 31, 2015 (with the corresponding figures for the fiscal year ended December 31, 2014) and (3) Rumo Logística's audited consolidated financial statements as of and for the fiscal year ended December 31, 2014 (with the corresponding figures for the nine-month period ended December 31, 2013).

On November 27, 2013, Rumo Logística changed the end of its fiscal year from March 31 to December 31. As a result, Rumo Logística's financial information for the period ended December 31, 2013 includes only nine months (beginning on April 1, 2013). Accordingly, the comparability of Rumo Logística's financial information as of and for the nine-month period ended December 31, 2013 with Rumo Logística's financial information as of and for the fiscal years ended December 31, 2014 and 2015 is limited. In addition, Rumo Logística completed the ALL Acquisition on April 1, 2015. Accordingly, ALL's results of operations for the remainder of the nine-month period ended December 31, 2015 are fully consolidated into Rumo Logística's results of operations for the corresponding period. As a result of the ALL Acquisition, the comparability of Rumo Logística's financial information as of and for the year ended December 31, 2014 with Rumo Logística's financial information as of and for the year ended December 31, 2015 and of Rumo Logística's financial information as of and for the nine-month period ended September 30, 2015 with Rumo Logística's financial information as of and for the nine-month period ended September 30, 2016 is limited. See our unaudited pro forma consolidated financial information for the year ended December 31, 2015, included elsewhere in this offering memorandum, for a pro forma presentation of our results of operations giving effect to the ALL Acquisition as if it had occurred as of January 1, 2015.

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

You should read and analyze the information below in conjunction with our financial statements and related notes included elsewhere in this offering memorandum, as well as the sections "Presentation of Financial and Certain Other Information," "Unaudited Pro Forma Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table sets forth certain of our income statement data for each of the periods presented:

	As of and for the Nine-Month Period Ended September 30,			As of and for the Fiscal Year Ended December 31,			
	2016(1)	2016	2015(2)	2015(1)(2)	2015(2)	2014	2013(3)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
	(in thousands, except as otherwise indicated)						
Net revenue from							
services	1,232,186	3,999,922	2,783,622	1,243,892	4,037,923	915,441	749,348
Cost of services	(837,170)	(2,717,621)	(1,833,763)	(853,885)	(2,771,881)	(610,361)	(447,444)
Gross profit	395,016	1,282,301	949,859	390,007	1,266,042	305,080	301,904
General and							
administrative	(79,766)	(258,937)	(203,430)	(88,111)	(286,026)	(87,645)	(57,588)
Other, net	(1,034)	(3,357)	50,572	18,575	60,297	(10,746)	(14,364)
Operating expenses	(80,800)	(262,294)	(152,858)	(69,536)	(225,729)	(98,391)	(71,952)
Profit before financial results, profit on equity accounted investees net of tax, and income tax	314,216	1,020,007	797,001	320,471	1,040,313	206,689	229,952
Profit on equity-accounted investees, net of tax	2,696	8,751	4,255	3,439	11,164	—	—
	2,696	8,751	4,255	3,439	11,164	—	—
Profit before financial results and income tax	316,911	1,028,758	801,256	323,910	1,051,477	206,689	229,952
Financial expenses	(445,052)	(1,444,728)	(755,547)	(388,434)	(1,260,933)	(70,701)	(33,904)
Financial income	63,309	205,514	97,673	44,880	145,691	35,717	47,221
Foreign exchange, net	24,371	79,112	(195,307)	(58,656)	(190,410)	1,313	372
Derivatives	(31,157)	(101,142)	96,350	37,162	120,634	—	—
Net financial result	(388,529)	(1,261,244)	(756,831)	(365,048)	(1,185,018)	(33,671)	13,689
Profit (loss) before income tax	(71,618)	(232,486)	44,425	(41,138)	(133,541)	173,018	243,641
Income (expense) tax and social contribution							
Current	(10,741)	(34,867)	(26,920)	(6,310)	(20,482)	(35,585)	(5,617)
Deferred	(2,832)	(9,192)	(20,116)	(3,486)	(11,315)	(22,754)	(77,550)
	(13,572)	(44,059)	(47,036)	(9,795)	(31,797)	(58,339)	(83,167)
Profit (loss) for the period	(85,190)	(276,545)	(2,611)	(50,933)	(165,338)	114,679	160,474
Profit (loss) attributable to:							
Owners of the Company	(87,048)	(282,574)	(6,716)	(48,798)	(158,407)	114,527	161,092
Non-controlling interest	1,857	6,029	4,105	(2,135)	(6,931)	152	(618)
Basic income (loss) earnings per share	—	(0.292)	(0.029)	—	(0.63)	0.112	0.157
Diluted income (loss) earnings per share	—	(0.292)	(0.032)	—	(0.63)	0.112	0.157
Consolidated other Financial Data:							
Depreciation and amortization	200,794	651,816	398,871	189,923	616,528	97,244	58,955
EBITDA(4)	517,705	1,680,574	1,200,127	513,833	1,668,005	303,933	288,907
Working capital(5)	(214,352)	(695,831)	(1,735,145)	(669,223)	(2,172,433)	(214,954)	189,540
Cash flow generated by							

	As of and for the Nine-Month Period Ended September 30,			As of and for the Fiscal Year Ended December 31,			
	2016(1)	2016	2015(2)	2015(1)(2)	2015(2)	2014	2013(3)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
	(in thousands, except as otherwise indicated)						
(used in):							
Operating activities.....	443,020	1,438,130	1,098,547	463,113	1,503,356	73,141	231,847
Investing activities.....	(655,473)	(2,127,796)	(751,446)	(308,129)	(1,000,247)	(273,583)	(198,047)
Financing activities.....	202,832	658,432	(362,876)	(158,831)	(515,596)	(211,836)	(38,507)

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for *reais* into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (2) Rumo Logística completed the ALL Acquisition on April 1, 2015. Accordingly, ALL's results of operations for the remainder of the nine-month period ended December 31, 2015 are fully consolidated into Rumo Logística's results of operations for the corresponding period. As a result of the ALL Acquisition, the comparability of Rumo Logística's financial information as of and for the year ended December 31, 2014 with Rumo Logística's financial information as of and for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016 and September 30, 2015 is limited. For a pro forma presentation of results of operations giving effect to the ALL Acquisition as if it had occurred as of January 1, 2015, see Rumo Logística's unaudited pro forma consolidated financial information for the year ended December 31, 2015, included elsewhere in this offering memorandum.
- (3) On November 27, 2013, Rumo Logística changed the end of its fiscal year from March 31 to December 31. As a result, Rumo Logística's financial information for the period ended December 31, 2013 includes only nine months (beginning on April 1, 2013) of that fiscal year. Accordingly, the comparability of Rumo Logística's financial information as of and for the nine-month period ended December 31, 2013 with Rumo Logística's financial information as of and for the fiscal years ended December 31, 2014 and 2015 is limited.
- (4) EBITDA measures our operating profitability and is calculated as profit (loss) plus current and deferred income tax and social contribution, financial results (net) and depreciation and amortization. The table below sets forth a reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin.

	As of and for the Nine-Month Period Ended September 30,			As of and for the Fiscal Year Ended December 31,			
	2016(a)	2016	2015	2015(a)	2015	2014	2013(b)
	(in U.S.\$)	(in R\$)		(in U.S.\$)		(in R\$)	
	(in millions, except as otherwise indicated)						
Reconciliation of profit (loss) to EBITDA							
Profit (loss)	(85.2)	(276.5)	(2.6)	(50.9)	(165.3)	114.7	160.5
(+) Income tax and social contribution	13.6	44.1	47.0	9.8	31.8	58.3	83.2
(+) Financial results, net	388.5	1,261.2	756.8	365.0	1,185.0	33.7	(13.7)
(+) Depreciation and amortization	200.8	651.8	398.9	189.9	616.5	97.2	59.0
EBITDA	517.7	1,680.6	1,200.1	513.8	1,668.0	303.9	289.0
Net revenue from services	1,232.3	3,999.9	2,783.6	1,243.9	4,037.9	915.4	749.3
EBITDA Margin	—	42.02%	43.11%	—	41.31%	33.20%	38.57%

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for *reais* into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (b) See note (3) above.
- (5) Working capital consists of total current assets less total current liabilities.

The following table sets forth certain of our balance sheet assets and liabilities data as of each of the dates presented.

	As of September 30,		As of December 31,			
	2016(1)	2016	2015(1)(2)	2015(2)	2014	2013
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
	(in thousands)					
Assets						
Cash and cash equivalents.....	12,862	41,754	22,484	72,988	85,475	497,753
Marketable securities	426,691	1,385,123	156,573	508,268	—	—
Accounts receivable	84,061	272,880	44,524	144,535	42,685	32,506
Inventories	90,396	293,443	69,553	225,784	5,817	5,237
Related parties	11,924	38,709	10,342	33,572	12,692	12,144
Current income taxes.....	56,173	182,348	10,074	32,701	—	—
Other recoverable taxes.....	33,291	108,068	54,064	175,502	—	—
Advances to supplier and other credits	41,490	134,684	35,423	114,989	11,479	2,690
Current	756,888	2,457,009	403,037	1,308,339	158,148	550,330
Accounts receivable	6,480	21,036	6,511	21,136	446,693	225,401
Restricted cash	60,212	195,461	61,886	200,893	—	—
Deferred income tax	339,265	1,101,322	419,329	1,361,225	875	1,632
Related parties	—	—	—	—	—	945
Income taxes and social contribution.....	37,945	123,176	84,590	274,597	—	—
Other recoverable taxes.....	199,393	647,269	182,050	590,971	—	—
Judicial deposits	88,373	286,876	82,246	266,987	29,671	6,696
Derivative financial instruments	383	1,243	30,763	99,863	—	—
Other non-current assets.....	34,011	110,405	39,397	127,891	3,749	291
Equity method investments	14,498	47,062	13,629	44,241	—	—
Property and equipment	3,173,450	10,301,655	2,896,952	9,404,087	1,084,455	1,013,149
Intangible assets	2,407,788	7,816,161	2,422,038	7,862,420	860,253	755,635
Non-current	6,361,797	20,651,666	6,239,391	20,254,311	2,425,696	2,003,749
Total assets	7,118,685	23,108,675	6,642,428	21,562,650	2,583,844	2,554,079
Liabilities						
Current portion of long-term debt.....	353,765	1,148,391	444,847	1,444,063	127,425	107,200
Finance leases.....	167,407	543,438	166,230	539,615	—	—
Real estate credit certificates.....	31,281	101,545	27,136	88,089	—	—
Derivative financial instruments	2,710	8,797	160	521	—	—
Accounts payable – suppliers.....	162,624	527,910	129,119	419,147	141,289	82,872
Salaries payable	43,231	140,337	46,168	149,871	19,302	12,522
Current income tax	898	2,915	1,887	6,125	2,962	11,568
Other taxes payable	9,593	31,140	10,171	33,017	7,300	9,547
Dividends payable	2,352	7,634	2,548	8,270	28,003	99,038
Leases and concessions.....	8,495	27,575	6,224	20,205	—	—
Related parties	39,356	127,757	31,986	103,832	20,292	3,011
Deferred income	4,364	14,167	33,039	107,252	—	—
Other financial liabilities.....	69,641	226,070	72,915	236,698	—	—
Advances from customers and other current liabilities	75,523	245,164	99,830	324,067	26,529	35,032
Current	971,240	3,152,840	1,072,260	3,480,772	373,102	360,790
Long-term debt.....	2,126,832	6,904,122	2,199,838	7,141,113	657,284	598,774
Finance leases.....	305,181	990,680	370,306	1,202,086	—	—
Real estate credit certificates.....	36,668	119,031	60,661	196,917	—	—
Derivative financial instruments	3,002	9,744	388	1,259	—	—
Other taxes payable	5,344	17,347	8,039	26,097	—	—
Provision for judicial demands	156,771	508,911	151,126	490,584	13,378	11,239
Leases and concessions.....	765,076	2,483,589	678,960	2,204,039	—	—
Deferred income tax	764,217	2,480,801	836,170	2,714,374	196,598	174,600
Deferred revenue	19,975	64,844	29,490	95,730	—	—
Advances from customers and other non-current liabilities	82,332	267,266	50,976	165,478	11,874	12,782
Non-current	4,265,398	13,846,335	4,385,952	14,237,677	879,134	797,395
Total liabilities	5,236,638	16,999,175	5,458,212	17,718,449	1,252,236	1,158,185
Equity						
Common stock.....	2,460,051	7,985,816	1,679,345	5,451,490	1,099,746	1,099,746
Capital reserve	(548,079)	(1,779,174)	(548,696)	(1,781,177)	(137,601)	(137,601)
Other equity	5,307	17,228	3,994	12,966	—	—

	As of September 30,		As of December 31,			
	2016(1)	2016	2015(1)(2)	2015(2)	2014	2013
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
	(in thousands)					
Profit reserve	—	—	—	—	332,397	396,736
Accumulated losses	(117,486)	(381,383)	(30,439)	(98,810)	—	—
Equity attributable to:						
Owners of the Company	1,799,793	5,842,487	1,104,205	3,584,469	1,294,542	1,358,881
Non-controlling interests	82,254	267,013	80,011	259,732	37,066	37,013
Total equity	1,882,047	6,109,500	1,184,216	3,844,201	1,331,608	1,395,894
Total equity and liabilities	7,118,685	23,108,675	6,642,428	21,562,650	2,583,844	2,554,079

- (1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for *reais* into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (2) Rumo Logística completed the ALL Acquisition on April 1, 2015. Accordingly, ALL's results of operations for the remainder of the nine-month period ended December 31, 2015 are fully consolidated into Rumo Logística's results of operations for the corresponding period. As a result of the ALL Acquisition, the comparability of Rumo Logística's financial information as of and for the year ended December 31, 2014 with Rumo Logística's financial information as of and for the year ended December 31, 2015 and for the nine-month period ended September 30, 2016 and September 30, 2015 is limited. For a pro forma presentation of results of operations giving effect to the ALL Acquisition as if it had occurred as of January 1, 2015, see Rumo Logística's unaudited pro forma consolidated financial information for the year ended December 31, 2015, included elsewhere in this offering memorandum.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma consolidated financial information for the fiscal year ended December 31, 2015 is derived from (1) Rumo Logística's audited consolidated financial statements for the fiscal year ended December 31, 2015 and (2) ALL's unaudited interim consolidated financial statements for the three month period ended March 31, 2015.

On April 1, 2015, as further described in note 3 to our consolidated financial statements, following receipt of approvals from the relevant public authorities, ALL became a wholly-owned subsidiary of Rumo Logística (of which Rumo is the successor entity) pursuant to a share exchange transaction (*incorporação de ações*) and, through a shareholders' agreement, we obtained full control of ALL. Accordingly, we began consolidating ALL's results within our own as from that date. The unaudited pro forma financial information is based upon the historical audited consolidated financial statements mentioned above, adjusted to give effect to: (1) ALL's results of operations for the three-month period ended March 31, 2015; and (2) the acquisition of ALL and the share exchange transaction described above as if they had occurred on January 1, 2015. The historical financial information was adjusted to give pro forma effect to the events which are (1) directly attributable to the acquisition, (2) supported by fact, and (3) with regards to the income statement, expected to have a recurring impact on the combined results of operations. The pro forma assumptions and adjustments are described in the accompanying notes presented below.

The unaudited pro forma financial information below was prepared by using the business acquisition accounting method, with Rumo being the acquirer. Accordingly, the amount paid by Rumo, through the share exchange transaction (*incorporação de ações*), to complete the ALL Acquisition was allocated to the assets and liabilities of ALL based on the most recent fair value estimates available.

We did not present pro forma balance sheet information because the ALL Acquisition took place before December 31, 2015 and, therefore, Rumo Logística's balance sheet as of December 31, 2015 reflects the ALL Acquisition.

The unaudited pro forma financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Rumo Logística would have been had the ALL Acquisition occurred on January 1, 2015, nor is it necessarily indicative of the consolidated Rumo Logística's future consolidated results of operations or financial position. It is provided solely for the purpose of providing useful and representative information to its recipients so that Rumo's and its subsidiaries operations, management and financial position may be better understood.

The unaudited pro forma financial information does not include the anticipated realization of cost savings from any operating efficiencies, synergies or restructurings resulting from the integration of ALL and does not contemplate the liabilities that may be incurred in connection with the business combination and any related restructurings.

This unaudited pro forma financial information should be read in conjunction with the accompanying notes presented below and the historical consolidated financial statements and accompanying notes of Rumo included elsewhere in this offering memorandum, as well as the sections "Presentation of Financial and Certain Other Information," "Summary Consolidated Financial and Other Information," "Selected Consolidated Financial and Other Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." You should not rely on the unaudited pro forma financial information as an indication of either (1) the consolidated financial position that would have been achieved if the acquisition of ALL had taken place on the date assumed or (2) the consolidated financial position of Rumo after the completion of such transaction.

Unaudited Pro Forma Income Statement Data for the Fiscal Year Ended December 31, 2015

	Rumo Logística	ALL	Pro Forma Adjustments					Pro Forma	
	Historical Fiscal Year Ended December 31, 2015	Historical January 1, 2015 - March 31, 2015(1)	Incremental effect on amortization of concession rights(2)	Depreciation (3)	Adjustments on costs related to Rumo's Contract(4)	Sub total	Eliminations and re- classifications (5)	December 31, 2015	December 31, 2015(6)
									(in U.S.\$ thousands)
(in R\$ thousands)									
Net operating									
revenue	4,037,923	842,707					(78,180)	4,802,450	1,479,407
Cost of services	(2,771,881)	(629,285)	(15,307)	(54,461)	(5,160)	(74,928)	78,180	(3,397,914)	(1,046,736)
Gross profit	1,266,042	213,422	(15,307)	(54,461)	(5,160)	(74,928)	—	1,404,536	432,671
Operating income									
(expenses)	(214,565)	(103,990)	—	—	—	—	—	(318,555)	(98,132)
Selling expenses								—	—
General and									
administrative									
expenses	(286,026)	(74,691)	—	—	—	—	—	(360,717)	(111,120)
Equity pickup	11,164	(69)	—	—	—	—	—	11,095	3,418
Other operating									
income (expenses),									
net	60,297	(29,230)	—	—	—	—	—	31,067	9,570
Operating income									
before financial									
income (expenses)	1,051,477	109,432	(15,307)	(54,461)	(5,160)	(74,928)		1,085,981	334,539
Financial income	266,325	44,800	—	—	—	—		311,125	95,843
Financial expenses	(1,451,343)	(358,270)	—	—	—	—	(2,538)	(1,812,151)	(558,238)
									0
Income before taxes	(133,541)	(204,038)	(15,307)	(54,461)	(5,160)	(74,928)	(2,538)	(415,045)	(127,856)
Income and social									
contribution taxes	(31,797)	(22,397)	5,205	4,382	1,754	11,341	—	(42,853)	(13,201)
Net income (loss) for									
the year from									
continued operations	<u>(165,338)</u>	<u>(226,435)</u>	<u>(10,103)</u>	<u>(50,079)</u>	<u>(3,406)</u>	<u>(63,588)</u>	<u>(2,538)</u>	<u>(457,899)</u>	<u>(141,057)</u>
Loss of discontinued									
operations	—	(2,538)	—				2,538	—	—
Total net income									
(loss)	<u>(165,338)</u>	<u>(228,973)</u>	<u>(10,103)</u>	<u>(50,079)</u>	<u>(3,406)</u>	<u>(63,588)</u>	<u>—</u>	<u>(457,899)</u>	<u>(141,057)</u>
Depreciation and									
amortization	616,528	145,726	15,307	54,461		69,768		832,022	256,306
EBITDA (7)	1,668,005	255,158	—	—	(5,160)	(5,160)	—	1,918,003	590,846

(1) ALL Historical January 31, 2015 - March 31, 2015—Refers to the consolidated Statement of Income in ALL's interim consolidated financial statements for the three-month period ended March 31, 2015.

(2) Incremental effect of the amortization of concession rights—Since the acquisition date for ALL is considered to be January 1, 2015 for the purposes of this pro forma information, the concession rights relating to this acquisition have been allocated to January 1, 2015, generating an additional amortization during the period from January 1 to March 31, 2015 in the amount of R\$15,307.

(3) Depreciation—Since the acquisition date for ALL was presumed to be January 1, 2015 for the purposes of this pro forma information, the effect of the fair value determination of fixed assets recognized at April 1, 2015 was carried back to January 1, 2015, creating a new basis for fixed assets (and a corresponding change in the cost of the assets and their useful lives), which led to an incremental adjustment in depreciation in the period from January 1, 2015 through March 31, 2015 in the amount of R\$54,461.

(4) Adjustments in costs related to Rumo's contract—Refers to additional costs recognized in ALL's Statement of Income in order to conform to the accounting practices for the recognition of the contract between ALL and Rumo in the consolidation.

(5) Eliminations and reclassifications—Refers to the elimination of revenues and costs recognized in profit and loss of ALL and the Company from January 1, 2015 through March 31, 2015 and the reclassification of results from discontinued operations in ALL which are not relevant for the Company.

- (6) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from reais into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for reais into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in reais represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.
- (7) The table below sets forth a reconciliation of our consolidated net revenue from services to EBITDA and EBITDA Margin.

	As of and for the Fiscal Year Ended December 31,	
	2015(a)	2015
	(in U.S.\$)	(in R\$)
Reconciliation of income (loss) to EBITDA	(in thousands, except as otherwise indicated)	
Total net income (loss) pro forma	(141.1)	(457.9)
Income and social contribution taxes pro forma	13.2	42.9
Financial expenses net pro forma	462.4	1,501.0
Depreciation and amortization pro forma.....	256.3	832.0
EBITDA pro forma	590.8	1,918.0
Net operating revenue pro forma	1,479.4	4,802.4
EBITDA Margin pro forma.....	39.9%	39.9%

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for reais into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our individual and consolidated financial statements, our consolidated financial statements and our unaudited pro forma consolidated financial statements and the related notes included elsewhere in this offering memorandum. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this offering memorandum. You should read the following discussion in conjunction with "Forward-Looking Statements" and "Risk Factors."

Overview

We believe that Rumo, the predecessor of which (Rumo Logística) completed the ALL Acquisition in April 2015, is Brazil's largest railroad-based logistics operator in terms of total volume transported, providing rail transport logistics, port handling and warehousing services. We operate in the states of Mato Grosso and São Paulo as well as the southern region of Brazil. According to MDIC and IBGE data, our rail network extends over an area that accounts for approximately 80% of Brazil's GDP, where four of the most active ports in the country are located and through which most of Brazil's grain production is exported.

We own and operate a large asset base, including a rail network consisting of four concessions that extend over approximately 12,000 kilometers of railway lines, over 1,000 locomotives, over 30,000 rail cars, as well as distribution centers and warehousing facilities. We provide efficient and complete logistics services to our clients through our operation of 12 transshipment terminals, either directly or through partnerships, which have a static storage capacity of approximately 900,000 tons, and where we store grains, sugar and other commodities. At our most important terminal, the logistics complex of Rondonópolis (in the state of Mato Grosso), we have the capability to load over 1 million tons of grains per month. Moreover, we control two port terminals in Santos in the state of São Paulo, and hold equity interests in four other port terminals, three of which are in the port of Santos in the state of São Paulo and one in the state of Paraná, with a static storage capacity of approximately 1.3 million tons and a total loading capacity of approximately 29 million tons per year. The real estate we lease in connection with our concessions contains areas available for construction and development of warehouses and logistics terminals, which makes it possible for us to expand our operations and improve our logistics and other services. For example, the Grain Terminal of Guarujá (TGG) in the port terminal in Santos, in which we currently have a 10% equity interest, is a significant port project that has been constructed and has the capacity to handle approximately 8 million tons of grain per year.

The transportation of agricultural commodities, primarily for export, represented approximately 82%, 80% and 76% of our transported volume in the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015 and 2014, respectively, while transportation of industrial products represented approximately 18%, 20% and 24% of our transported volume in the same periods, respectively. In the nine-month period ended September 30, 2016 and in the fiscal years ended December 31, 2015 and 2014, approximately 70%, 68% and 62%, respectively, of our transported volume derived from the transportation of grains.

We believe that our asset base allows us to provide transportation services to various customers, mainly for agricultural commodities, which has made us one of the primary agricultural logistics service providers in the Brazilian agricultural industry. We believe that the services we provide are important to the development and growth of the country, as Brazil is one of the main producers and exporters of agricultural products in the world.

We also provide intermodal transportation logistics services, which is the movement of freight via container using two or more modes of transportation (generally rail and truck). We believe that these methods of transportation reduce the costs of cargo handling, because containers are typically consolidated from trucks onto trains or ships that can carry mass loads, allowing for fuel efficiency.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

The discussion in this section is based on (1) Rumo Logística's unaudited interim consolidated financial statements as of and for the nine-month period ended September 30, 2016 and 2015, (2) Rumo Logística's audited individual and consolidated financial statements as of and for the fiscal year ended December 31, 2015 and 2014, and (3) Rumo Logística's audited individual and consolidated financial statements as of and for the fiscal year ended December 31, 2014 (with the corresponding figures for the nine-month period ended December 31, 2013), in each case as prepared under Brazilian GAAP and IFRS as issued by the IASB.

Rumo Logística's financial position and results of operations as of and for the nine-month period ended December 31, 2013 are not fully comparable with Rumo Logística's financial information as of and for the fiscal year ended December 31, 2014, due to the different durations of the two periods. In addition, due to the ALL Acquisition, Rumo Logística's financial position and results of operations as of and for the year ended December 31, 2015 and for future years are not fully comparable with Rumo Logística's financial and results of operations for prior fiscal years.

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

Critical Accounting Policies and Estimates

The presentation of our financial condition and results of operations in accordance with Brazilian GAAP and IFRS requires us to make certain judgments and estimates regarding matters that are inherently uncertain and that impact the reported value of our assets and liabilities. Our actual results could differ from these estimates. In order to provide an understanding of how we form our judgments and estimates about certain future events, including the variables and assumptions underlying our estimates, and the sensitivity of those judgments to different variables and conditions, we describe below certain of our critical accounting policies under Brazilian GAAP and IFRS:

Property and Equipment and Intangible Assets. The calculation of depreciation and amortization of property and equipment and intangible assets includes estimates of useful lives. Moreover, the determination of fair value at the date of acquisition of property and equipment and intangible assets acquired in business combinations is a significant estimate. We perform an annual review of indicators of impairment of intangible assets and property and equipment. Furthermore, an impairment test is performed annually for intangible assets with indefinite lives and goodwill. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and its value in use.

Operating lease. We entered into leases of locomotives and rail cars. The lease classified as operating or finance is determined based on an evaluation of the terms and conditions of contracts. We have identified leases in which they assume substantially all the significant risks and rewards of ownership of such property, registering these leases as finance leases.

Deferred income tax and social contribution. Deferred tax assets are recognized for unused tax loss carry forwards and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be used. Significant judgment by management is required to determine the value of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of derivatives and other financial instruments. When the fair value of financial assets and liabilities presented in the balance sheet cannot be obtained in active markets, it is determined using valuation techniques, including a discounted cash flow model. The data for these methods are based on market conditions, when possible; however, when this is not feasible, a certain level of judgment is required to determine the fair value. The judgment includes considerations of the data used, such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provision for judicial demands. Provisions for judicial demands are recognized when: we have a legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle

the obligation; and the amount has been reliably estimated. The assessment of probability of loss includes assessing the available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of outside counsel. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statutes of limitation, conclusions of tax inspections or additional exposures identified based on new matters or court decisions

Principal Factors Affecting Our Results of Operations

Brazilian Economic Environment

The Brazilian economic environment has historically been characterized by significant variations in economic growth, inflation and currency exchange rates. Our results of operations and financial condition are influenced by these factors and the effect that these factors have on employment rates, the availability of credit and average wages in Brazil. The following table sets forth Brazilian inflation rates, interest rates, and exchange rates as of and for the nine-month period ended September 30, 2016, and as of and for the fiscal years ended December 31, 2015, 2014 and 2013:

	As of and for the nine-month period ended September 30,		As of and for the year ended December 31,		
	2016	2015	2014	2013	
GDP growth (reduction) ⁽¹⁾	(5.4)%	(3.8)%	0.1%	2.7%	
Inflation (IGP-M) ⁽²⁾	6.5%	10.5%	3.7%	5.5%	
Inflation (IPCA) ⁽³⁾	5.5%	10.7%	6.4%	5.9%	
CDI ⁽⁴⁾	14.1%	13.2%	10.8%	8.0%	
TJLP ⁽⁵⁾	7.5%	7.0%	5.0%	5.0%	
Appreciation (depreciation) of the real vs. U.S. dollar in the period.....	19.6%	(47.0)%	(13.4)%	(14.6)%	
Exchange rate at period end—U.S.\$1.00	R\$3.246	R\$3.905	R\$2.656	R\$2.343	
Average exchange rate—U.S.\$1.00 ⁽⁶⁾	R\$3.256	R\$3.340	R\$2.355	R\$2.161	

Sources: Central Bank, FGV, IBGE, or CETIP.

(1) Brazilian GDP according to *Sistema IBGE de Recuperação Automática*—SIDRA.

(2) The IGP-M is the general market price index measured by FGV.

(3) Inflation (IPCA) is the broad consumer price index as measured by IBGE (using year to date accumulated rate).

(4) The CDI rate is the average of the fixed rates of interbank deposits applicable in Brazil for one business day as registered with and settled by the CETIP S.A. (the Brazilian over-the-counter clearing house) system (using year to date accumulated rate).

(5) The TJLP rate is the long-term interest rate published every quarter by the Central Bank. The figures correspond to the average of the period indicated.

(6) Represents the daily average of the exchange rates during the period.

General economic stability in Brazil following the onset of the global financial crisis in 2009 allowed the Central Bank to continue its policy of reducing interest rates. This resulted in a reduction in the SELIC rate in annual terms to 10.91% at the end of 2011 and 7.29% at the end of 2012. However, due to inflation and other general macroeconomics concerns, the Central Bank began increasing interest rates, with the SELIC reaching 10.00% at the end of December 31, 2013, 11.75% at the end of December 31, 2014, 14.25% at the end of December 31, 2015 and 14.25% as of September 30, 2016.

The recent economic instability in Brazil caused by the rise of inflation, a slowdown in GDP growth, and uncertainty as to whether the Brazilian government will enact the necessary economic reforms in 2016 to improve Brazil's deteriorating fiscal accounts and economy have led to a decline in market confidence in the Brazilian economy and a government crisis. On May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against President Dilma Rousseff. After the legal and administrative process for the impeachment, Brazil's Senate removed president Dilma Rousseff from office on August 31, 2016 for infringing budgetary laws. Michel Temer, the former vice president, who has run Brazil since Ms. Rousseff's suspension in May, was sworn in by Senate to serve out the remainder of the presidential term until 2018. However, the resolution of the political and economic crisis in Brazil still depends on the outcome of the "Lava Jato" investigation and approval of reforms that are expected to be promoted by the new president. We cannot predict which policies Mr. Temer may adopt or change during his mandate or the effect that any such policies might have on our business and

on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on our business, results of operations and financial condition

Any deterioration in Brazil's rate of economic growth, changes in interest rates, the unemployment rate or price levels generally may limit the availability of credit, income and purchasing power of our customers, thereby adversely affecting demand for our products.

Adverse Developments Affecting Crop Harvests

Through our Northern and Southern Operations, we primarily transport agricultural commodities such as grains (soybean, soybean meal and corn), sugar, rice and wheat, among other products. Accordingly, in any given period the volume of agricultural commodities that we transport, and consequently our results of operations, is highly dependent upon the success of crop harvesting in Brazil, which can be materially adversely affected by factors such as climate conditions (including drought and excess rainfall). For example, we expect that our results of operations in the fourth quarter of 2016 will be materially adversely affected by a significant decrease in the volume of corn we transported during the period, principally due to adverse climate conditions that resulted in a 26% decrease in corn harvested in the State of Mato Grosso and other regions of Brazil. For additional information see "Summary—Recent Developments—Fourth Quarter Trends."

Other Factors

In addition, our results of operations have been influenced and will continue to be influenced by the following key factors:

- acquisitions, partnerships and corporate restructurings;
- demand for logistics services;
- seasonality;
- currency fluctuations;
- inflation;
- hedging transactions (as discussed under "—Quantitative and Qualitative Disclosures About Market Risk—Risk Management—Hedging Transactions and Exposures");
- trade barriers in U.S., European and other markets that currently limit access to their domestic sugar industry through quotas, subsidies and restrictions on imports;
- changes in international prices of oil (denominated in U.S. dollars) and related changes in the domestic prices of oil (denominated in *reais*), which impact our transportation costs;
- the growth rate of Brazil's GDP, which can impact the demand for our services and, consequently, our distributed volumes and sales in Brazil; and
- the tax policies adopted by the Brazilian government and the governments of the Brazilian states in which we operate and our resulting tax obligation.

Furthermore, inflation may impact our operating profit by (1) increasing our transport revenues given that our contracted tariffs are readjusted in accordance with the IGP-M inflation index (IGP-M); and (2) increasing certain operational costs and expenses such as personnel expenses, leases and concessions, maintenance and administrative expenses, which are also generally tied to inflation indexes. Inflation had a material impact on our operations for each of the last three fiscal years.

Operating Results

The following discussion of Rumo's results of operations is based on the financial information derived from Rumo's audited financial statements prepared in accordance with Brazilian GAAP and IFRS as issued by the IASB,

unless otherwise stated. In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, as applicable, except as the context otherwise indicates.

Overview

Until 2014, our net revenue consisted primarily of revenues related to the provision of logistics services for sugar transportation as well as for warehousing and port terminal loading of sugar and other grains. Transportation operations based principally on rail transportation were our primary source of revenue growth in recent years, together with additional revenue we generate through increased efficiency in our operations due to increased investment in improved infrastructure. The increase in our revenues for the fiscal year ended December 31, 2014 was due to a 21.1% increase in our port terminal loading volume in comparison to the fiscal year ended December 31, 2013, as well as to the increase in the volume of sugar transported and handled in port terminals. In addition, increases in our net revenue from services for the fiscal year ended December 31, 2014 as compared to the fiscal year ended December 31, 2013 were due to increased freight tariffs.

Since 2015, and following the ALL Acquisition, our net revenue from services consists primarily of revenues derived from (1) rail transportation of agricultural commodities, industrial products and containers, (2) port terminal loading of sugar and grains (soy, corn and soybean meal) and (3) other revenues including revenues relating to passage rights granted to other rail transportation operators and revenues from the transportation of sugar through other rail lines as well as via road transportation. The increase in our operating results for the fiscal year ended December 31, 2015 was primarily due to the ALL Acquisition and the resulting consolidation of rail transportation and passage rights revenues, as well as a 5.1% increase in port terminal loading volume of agricultural commodities, in each case in comparison to the fiscal year ended December 31, 2014.

Fourth Quarter Trends

We expect our net revenue from services and income (losses) for the fourth quarter of 2016 to be negatively impacted, when compared to the fourth quarter of 2015, as a result of an approximately 75% decrease in volume for corn transportation principally due to adverse climate conditions causing a 26% decrease in corn harvested in the State of Mato Grosso and other regions of Brazil. As disclosed in “Business—Seasonality,” approximately 75% of corn sales are concentrated in the second half of the year; therefore, corn transportation typically accounts for a significant portion of our net revenue from services during this period (including last quarter of the year). This decrease in corn transportation volume is expected to result in significantly higher losses for the fourth quarter of 2016 and the fiscal year ended December 31, 2016 compared to the fourth quarter of 2015 and the pro forma loss for the fiscal year ended December 31, 2015, respectively.

Results for Rumo for the Nine-Month Period Ended September 30, 2016 Compared to the Nine-Month Period Ended September 30, 2015

The following table sets forth consolidated interim financial information relating to Rumo for the nine-month period ended September 30, 2016 and 2015.

Income Statement Data	Nine-Month Period Ended September 30,		Variation
	2016	2015(1)	2016 / 2015
	(in thousands of reais)		(%)
Net revenue from services	3,999,922	2,783,622	43.7
Cost of services	(2,717,621)	(1,833,763)	48.2
Gross profit	1,282,301	949,859	35.0
Selling, general and administrative	(258,937)	(203,430)	27.3
Other, net	(3,357)	50,572	(106.6)
Operating expenses	(262,294)	(152,858)	71.6
Profit before financial results, profit on equity accounted investees net of tax, and income tax	1,020,007	797,001	28.0
Profit on equity-accounted investees, net of tax	8,751	4,255	105.7
	8,751	4,255	105.7

Income Statement Data	Nine-Month Period Ended September 30,		Variation
	2016	2015(1)	2016 / 2015
	(in thousands of reais)		(%)
Profit before financial results and income taxes	1,028,758	801,256	28.4
Net financial result.....	(1,261,244)	(756,831)	66.6
Profit (loss) before income tax	(232,486)	44,425	(623.3)
Income (expense) tax and social contribution			
Current.....	(34,867)	(26,920)	29.5
Deferred	(9,192)	(20,116)	(54.3)
	(44,059)	(47,036)	(6.3)
Profit (loss) for the period	(276,545)	(2,611)	10,491.5
Profit (loss) attributable to:			
Owners of the Company	(282,574)	(6,716)	4,107.5
Non-controlling interest.....	6,029	4,105	46.9

(1) Consolidates the results of operations of ALL as from its acquisition date (April 1, 2015).

Net revenue from services. Rumo's net revenue from services increased by R\$1,216.3 million or 43.7%, from R\$2,783.6 million in the nine-month period ended September 30, 2015 to R\$3,999.9 million in the nine-month period ended September 30, 2016, primarily due to the increase in the volume of Rumo's operations as a result of the ALL Acquisition. In addition, Rumo's port terminal loading volume increased in the nine-month period ended September 30, 2016 in comparison to 2015, with net revenue from services from port terminal loading increasing 49.0% to R\$246.2 million in the nine-month period ended September 30, 2016, compared to R\$165.3 million in the nine-month period ended September 30, 2015. Net revenue from transportation services totaled R\$3,256.7 million in the nine-month period ended September 30, 2016, compared to R\$2,384.8 million in the nine-month period ended September 30, 2015, primarily due to the ALL Acquisition and the addition of railway services in 2015. Finally, net revenue from services from other operations totaled R\$497.0 million in the nine-month period ended September 30, 2016, compared to R\$233.5 million in the nine-month period ended September 30, 2015, primarily due to the ALL Acquisition and related right-of-way rights charged to other rail transport operators.

Cost of services. Rumo's cost of services increased by R\$883.8 million, or 48.2%, from R\$1,833.8 million in the nine-month period ended September 30, 2015 to R\$2,717.6 million in the nine-month period ended September 30, 2016. Rumo's cost of services accounted for 67.9% and 65.9% of net revenue from services in the nine-month period ended September 30, 2016 and 2015, respectively. This increase was primarily due to the increase in the volume of Rumo's transportation services operations as result of the ALL acquisition.

Gross profit. As a result of the foregoing, Rumo's gross profit increased 35.0% from R\$949.9 million in the nine-month period ended September 30, 2015 to R\$1,282.3 million in the nine-month period ended September 30, 2016.

Selling, general and administrative expenses. Rumo's selling, general and administrative expenses increased by R\$55.5 million, or 27.3%, from R\$203.4 million in the nine-month period ended September 30, 2015 to R\$258.9 million in the nine-month period ended September 30, 2016. This variation was primarily due to the consolidation of ALL's full year of 2016.

To facilitate the analysis of variations in our cost of services and in general and administrative expenses, the costs and expenses described below have been aggregated. The principal costs and expenses are: (1) depreciation and amortization costs, which totaled R\$651.8 million in the nine-month period ended September 30, 2016 compared to R\$398.9 million in the nine-month period ended September 30, 2015, reflecting investment in capital intensive assets, such as rolling stock (locomotives and railcars) and permanent rail lines; (2) fuel cost, which increased 42.8% from R\$386.0 million to R\$551.2 million, reflecting an increase in the average cost of fuel during the period; (3) transportation and port terminal loading costs, which increased 14.3% to R\$430.0 million in the nine-month period ended September 30, 2016, compared to R\$376.0 million in the nine-month period ended September

30, 2015, primarily as a result of the ALL Acquisition; (4) personnel expenses totaling R\$476.4 million in the nine-month period ended September 30, 2016, compared to R\$357.4 million in the nine-month period ended September 30, 2015, resulting from a larger payroll, which increased from approximately 1,000 to 9,000 employees on April 1, 2015 increasing payroll expenses thereafter; and (5) leasing and concession costs, which amounted to R\$203.3 million in the nine-month period ended September 30, 2016, compared to R\$126.7 million in the nine-month period ended September 30, 2015, as these costs were incurred in connection with concessions Rumo obtained through the ALL Acquisition.

Financial results, net. Rumo's financial results, net increased from an expense of R\$756.8 million in the nine-month period ended September 30, 2015 to an expense of R\$1,261.2 million in the nine-month period ended September 30, 2016 (or 66.6%), primarily due to an increase in indebtedness assumed in connection with the ALL Acquisition. The proceeds of such indebtedness were invested primarily in rolling stock (locomotives and freight cars) and rail lines.

Income tax and social contribution. Rumo's income tax and social contribution expense decreased from R\$47.0 million in the nine-month period ended September 30, 2015 to R\$44.1 million in the nine-month period ended September 30, 2016. Our effective tax rate differs from 34%, primarily due to: (1) tax losses and temporary differences from our Southern and Western Operations, on which no deferred income tax is computed due to the absence of recovery conditions; (2) tax benefits from SUDAM (*Superintendência do Desenvolvimento da Amazônia*) relating to our Northern Operation.

Net income (loss) for the period. As a result of the foregoing, Rumo recorded a loss in the nine-month period ended September 30, 2016 of R\$276.5 million, compared to loss of R\$2.6 million in the nine-month period ended September 30, 2015, which represented an increase in losses of R\$273.9 million. A substantial portion of this increase in losses can be attributed to the increase in financial expenses due to the increase in the average balance of our indebtedness and in our aggregate indebtedness resulting from the consolidation of ALL's operations.

Results for Rumo for the Fiscal Year Ended December 31, 2015 Compared to the Fiscal Year Ended December 31, 2014

The following table sets forth consolidated financial information relating to Rumo for the fiscal years ended December 31, 2015 and 2014. As a result of the ALL Acquisition, Rumo's financial information as of and for the year ended December 31, 2014 and prior periods is not fully comparable with Rumo's financial information as of and for the year ended December 31, 2015. In the discussion that follows, unless stated otherwise, references to 2015 and 2014 are to the fiscal years ended December 31, 2015 and 2014, respectively.

Income Statement Data	Year Ended December 31,		Variation
	2015(1)	2014	2015 / 2014
	(in thousands of reais)		(%)
Net revenue from services	4,037,923	915,441	341.1
Cost of services.....	(2,771,881)	(610,361)	354.1
Gross profit	1,266,042	305,080	315.0
Selling, general and administrative	(286,026)	(87,645)	226.3
Other, net	60,297	(10,746)	(661.1)
Operating expenses	(225,729)	(98,391)	129.4
Profit before financial results, profit on equity accounted investees net of tax, and income tax	1,040,313	206,689	403.3
Profit on equity-accounted investees, net of tax	11,164	—	—
	11,164	—	—
Profit before financial results and income taxes	1,051,477	206,689	408.7
Net financial result	(1,185,018)	(33,671)	3,419.4
Profit (loss) before income tax.....	(133,541)	173,018	(177.2)
Income (expense) tax and social contribution			
Current.....	(20,482)	(35,585)	(42.4)
Deferred	(11,315)	(22,754)	(50.3)
	(31,797)	(58,339)	(45.5)
Profit (loss) for the period	(165,338)	114,679	(244.2)
Profit (loss) attributable to:			
Owners of the Company	(158,407)	114,527	(238.3)
Non-controlling interest.....	(6,931)	152	(4,659.9)

(1) Consolidates the results of operations of ALL as from its acquisition date (April 1, 2015).

Net revenue from services. Rumo's net revenue from services increased by R\$3,122.5 million or 341.1%, from R\$915.4 million in 2014 to R\$4,037.9 million in 2015, primarily due to the increase in the volume of Rumo's operations as a result of the ALL Acquisition. In addition, Rumo's port terminal loading volume increased in 2015 in comparison to 2014, with net revenue from services from port terminal loading increasing 8.4% to R\$239.1 million in 2015, compared to R\$220.5 million in 2014. Net revenue from services from transportation totaled R\$3,572.5 million in 2015, compared to R\$671.6 million in 2014, primarily due to the ALL Acquisition and the addition of railway services in 2015. Finally, net revenue from services from other operations totaled R\$226.3 million in 2015, compared to R\$23.3 million in 2014, primarily due to the ALL Acquisition and related right-of-way rights charged to other rail transport operators.

Cost of services. Rumo's cost of services increased by R\$2,161.5 million, or 354.1%, from R\$610.4 million in 2014 to R\$2,771.9 million in 2015. Rumo's cost of services accounted for 68.6% and 66.7% of net revenue from services in 2015 and 2014, respectively. This increase was primarily due to the increase in the volume of Rumo's operations as a result of the ALL Acquisition.

Gross profit. As a result of the foregoing, Rumo's gross profit increased 315.0% from R\$305.1 million in 2014 to R\$1,266.0 million in 2015.

Selling, general and administrative expenses. Rumo's selling, general and administrative expenses increased 226.3% from R\$87.6 million in 2014 to R\$286.0 million in 2015, primarily due to the increase in the volume of Rumo's operations resulting from the ALL Acquisition and a related increase in administrative functions.

To facilitate the analysis of variations in our cost of services and in general and administrative expenses, the costs and expenses described below have been aggregated. The principal costs and expenses are: (1) depreciation and amortization costs, which totaled R\$616.5 million in 2015 compared to R\$97.2 million in 2014, reflecting investment in capital intensive assets, such as rolling stock (locomotives and railcars) and permanent rail lines; (2) transportation and port terminal loading costs, which increased 124.7% to R\$914.4 million in 2015, compared to R\$406.9 million in 2014, primarily due to increased fuel costs and railway maintenance costs consolidated as a result of the ALL Acquisition; (3) personnel expenses totaling R\$537.8 million in 2015, compared to R\$98.6 million in 2014, resulting from a larger payroll, which increased from approximately 1,000 employees in 2014 to 10,000 employees in 2015; and (4) leasing and concession costs, which amounted to R\$141.0 million in 2015, compared to zero in 2014, as these costs were incurred in connection with concessions Rumo obtained through the ALL Acquisition.

Financial results, net. Rumo's financial results, net increased from an expense of R\$33.7 million in 2014 to an expense of R\$1,185.0 million in 2015 (or 3,419.4%), primarily due to an increase in indebtedness assumed in connection with the ALL Acquisition. The proceeds of such indebtedness were invested primarily in rolling stock (locomotives and freight cars) and rail lines.

Income tax and social contribution. Rumo's income tax and social contribution expense decreased from R\$58.3 million in 2014 to R\$31.8 million in 2015. Our effective tax rate for 2014 was 34%, which differs from our effective tax rate for 2015, which reflects the unrecognition of tax losses and temporary differences from our Southern Operations and Western Operations (due to there being no possibility of recovery) and tax benefits from SUDAM (*Superintendência do Desenvolvimento da Amazônia*) relating to our Northern Operations.

Net income (loss) for the period. As a result of the foregoing, Rumo recorded a loss in 2015 of R\$165.3 million, compared to net income of R\$114.7 million in 2014, which represented a decrease of R\$280 million. A substantial portion of this decrease can be attributed to the increase in average balance of our indebtedness and in our aggregate indebtedness resulting from the consolidation of ALL's operations.

Results for Rumo for the Fiscal Year Ended December 31, 2014 Compared to the Nine-Month Period Ended December 31, 2013

The following table sets forth consolidated financial information relating to Rumo for the fiscal year ended December 31, 2014, which includes the twelve-month period beginning January 1, 2014, and for the nine-month period from April 1, 2013 to December 31, 2013. Accordingly, Rumo's financial information as of and for the nine-

month period ended December 31, 2013 is not fully comparable with Rumo's financial information as of and for the fiscal year ended December 31, 2014.

Income Statement Data

	Year Ended December 31, 2014	Nine-Month Period Ended December 31, 2013	Variation 2014 / 2013
	(in thousands of reais)		(%)
Net revenue from services	915,441	749,348	22.2 %
Cost of services	(610,361)	(447,444)	36.4%
Gross profit	305,080	301,904	1.1 %
Operating expenses	(98,391)	(71,952)	36.7 %
General and administrative expenses	(87,645)	(57,588)	52.2%
Other, net.....	(10,746)	(14,364)	(25.2)%
Operating profit	206,689	229,952	(10.1) %
Financial results, net	(33,671)	13,689	(346.0%)
Financial expenses	(67,647)	(28,819)	134.7%
Financial income	33,976	42,508	(20.0)%
Profit (loss) before income tax and social contribution	173,018	243,641	(29.0) %
Income tax and social contribution.....	(58,339)	(83,167)	(29.9)%
Profit (loss) from continuing operations	114,679	160,474	(28.5)%
Net income for the period	114,679	160,474	(28.5) %

(1) Reflects only the nine-month period from April 1, 2013 until December 31, 2013.

Net revenue from services. Rumo's net revenue from services increased from R\$749.3 million in the nine-month period ended December 31, 2013 to R\$915.4 million in the year ended December 31, 2014. This increase is principally due to a 21.1% increase in port terminal loading volumes in the year ended December 31, 2014 compared to the nine-month period ended December 31, 2013 as a result of improved performance of the terminals.

Cost of services. Rumo's cost of services increased from R\$447.4 million in the nine-month period ended December 31, 2013 to R\$610.4 million in the year ended December 31, 2014. Rumo's cost of services accounted for 67% and 60% of net revenue from services for the year ended December 31, 2014 and the nine-month period ended December 31, 2013, respectively. This increase was primarily due to higher port terminal loading costs as a result of increased loading volumes, as well as due to increased transportation costs.

Gross profit. As a result of the foregoing, Rumo's gross profit increased from R\$301.9 million in the nine-month period ended December 31, 2013 to R\$305.1 million in the year ended December 31, 2014.

General and administrative expenses. Rumo's general and administrative expenses increased from R\$57.6 million in the nine-month period ended December 31, 2013 to R\$87.7 million in the fiscal year ended December 31, 2014, as a result of changes to Rumo's administrative structure in relation to new rail and port logistics projects.

Financial results, net. Rumo's financial results amounted to an expense of R\$33.7 million in the fiscal year ended December 31, 2014, compared to income of R\$13.7 million in the nine-month period ended December 31, 2013. This increase is primarily attributed to increased costs incurred in connection with the receipt of consents relating to Rumo's corporate restructuring in 2014.

Income tax and social contribution. Rumo's income tax and social contribution decreased from R\$83.2 million in the nine-month period ended December 31, 2013 to R\$58.3 million in the year ended December 31, 2014. The decrease was primarily due to a decrease in profits before income tax and social contribution taxes in the fiscal year ended December 31, 2014, as compared to the nine-month period ended December 31, 2013. Tax and social contribution expenses accounted for approximately 34% of profits before income tax and social contribution in both periods.

Net income for the period. As a result of the foregoing, Rumo's net income decreased from R\$160.5 million in the nine-month period ended December 2013 to R\$114.7 million in the year ended December 31, 2014. The decrease was primarily due to higher administrative and general expenses in the fiscal year ended December 31,

2014 of R\$87.6 million, compared to R\$57.6 million in the nine-month period ended December 31, 2013, as well net financial expenses in the fiscal year ended December 31, 2014 of R\$33.7 million, compared to net financial income of R\$13.7 million in the nine-month period ended December 31, 2013.

Liquidity and Capital Resources

Overview

Factors Affecting our Financial Condition and Liquidity

Our financial condition and liquidity are influenced by several factors, including:

- our ability to generate cash flow from our operations;
- the level of our outstanding indebtedness and related accrued interest, which affects our net finance expenses;
- prevailing Brazilian and international interest rates, which affect our debt service requirements;
- our ability to continue to borrow funds from Brazilian and international financial institutions and to obtain pre-export financing from certain customers;
- our capital expenditure requirements, which consist primarily of investments in facilities and the purchase of equipment; and
- credit ratings, including factors that may materially influence credit ratings, implications of potential changes in ratings and management's expectations; and covenant compliance, including the implications of a breach of financial or other covenants and the company's capacity for additional borrowing under its covenants.

Liquidity and Cash Position

Our cash needs have traditionally consisted of working capital requirements, the servicing of our indebtedness and capital expenditures related to investments in our operations. Our sources of liquidity have traditionally consisted of cash flows from our operations and short and long-term borrowings. In the first nine months of 2016, and in the years of 2015, 2014 and 2013, the cash flow used in our (and ALL's 2013) investing activities was funded mainly through borrowing and equity financing in 2016.

The table below provides an overview of our overall financial position and capitalization (including our liquidity) for each of the periods indicated:

	As of and for September 30		As of and for December 31,		
	2016	2015	2015	2014	2013
	(in thousands of reais)				
Net revenue from services	3,999,922	2,783,622	4,037,923	915,441	749,348
Gross profit	1,282,301	949,859	1,266,042	305,080	301,904
Profit (loss) for the period	(276,545)	(2,611)	(165,338)	114,679	160,474
Net cash from operating activities	1,438,130	1,098,547	1,503,356	73,141	231,847
Cash and cash equivalents and marketable securities	1,426,877	948,727	581,256	85,475	497,753
Restricted cash from borrowings and loans(1)	84,226	92,628	77,262	—	—
Debt (short-term and long-term)	9,807,207	10,441,444	10,611,883	784,709	705,974
Derivative financial instruments, net	(14,194)	68,737	98,083	—	—
Net Debt(2)	8,310,298	9,331,352	9,855,282	699,234	208,221
Total equity	6,109,500	4,004,837	3,844,201	1,331,608	1,395,894
Profitability					
Net income / Equity	(4.5)%	(0.1)%	(4.30)%	8.61%	11.50%
Current liquidity(3)	0.78	0.49	0.38	0.42	1.53

- (1) Restricted cash from BNDES and Caixa Econômica Federal financings.
- (2) Calculated as gross debt, *less* (1) derivative financial instruments, net (to be received), (2) cash and cash equivalents and marketable securities, and (3) restricted cash from borrowings and financings.
- (3) Current liquidity is calculated by dividing current assets by current liabilities.

The table below provides an overview of the composition of our debt and cash position for each of the periods indicated:

	As of September 30,		As of December 31,			
	2016(1)	2016	2015(1)	2015	2014	2013
	(in U.S.\$)	(in R\$)	(in U.S.\$)		(in R\$)	
	(in thousands)					
Current portion of long-term debt	552,453	1,793,374	638,213	2,071,767	127,425	107,200
Long-term debt	2,468,681	8,013,833	2,630,804	8,540,116	657,284	598,774
Total	3,021,135	9,807,207	3,269,017	10,611,883	784,709	705,974
Cash and cash equivalents	12,862	41,754	22,484	72,988	85,475	497,753
Restricted cash	60,212	195,461	61,886	200,893	—	—
Marketable securities	426,691	1,385,123	156,573	508,268	—	—
Total	499,765	1,622,338	240,943	782,149	85,475	497,753
Derivative financial instruments, net	(4,373)	(14,194)	30,215	98,083	—	—

- (a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from reais into U.S. dollars using the exchange rate as reported by the Central Bank as of September 30, 2016 for reais into U.S. dollars of R\$3.2462 per U.S.\$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in reais represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

Our liquidity and cash flow positions were positive in 2013. However, these positions deteriorated in 2014 as a result of R\$250.0 million payment of dividends, and deteriorated further in 2015 following the ALL Acquisition. During the nine-month period ended September 30, 2016, following the capitalization and debt re-profiling initiatives, our cash position increased R\$840.2 million. In addition, as of September 30, 2016, the material contractual financial obligations maturing in less than one year totaled R\$3,727.4 million. See “—Contractual Obligations and Commitments” for further information on our material financial contractual obligations.

Our management analyzes our current liquidity ratio (calculated as the ratio of total current assets to total current liabilities) in order to identify potential imbalances between our short-term debts and receivables. The purpose of this analysis is to identify potential needs for additional funding or cash available for future investments. Our management believes that we had a favorable current liquidity ratio in 2013, when our current assets exceeded our current liabilities, which deteriorated in 2014 for the reasons described above.

Capitalization and Debt Re-Profiling Initiatives

In the nine-month period ended September 30, 2016, we concluded certain measures which allowed us to balance our capital structure to be able to achieve our long-term business plan. These measures included: (1) the renegotiation of certain of our financial indebtedness maturing between 2016 and 2018 with certain financial institutions, which was prepaid with the proceeds of a public offerings of guaranteed debentures not convertible into shares (see the following paragraph for further details regarding such issuance of debentures) and (2) the extension of two export credit notes with Banco do Brasil under the same conditions as the aforementioned debentures. We are currently analyzing obtaining additional financing from BNDES. See “Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes” and “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may be unable to comply with restrictive covenants under our financing agreements.”

In addition, as part of our efforts to balance our capital structure, we restructured the profile of our and our subsidiaries’ indebtedness maturing between 2016 and 2018, which was prepaid with the proceeds of the public

offering with limited placement efforts of non-convertible junior debentures issued by Malha Norte and guaranteed by us and ALL. These debentures mature on June 13, 2023 and are amortized through the payment of eight equal six-monthly instalments (the first instalment due in December 2019, which is 42nd month following the date of the issuance). There is no initial grace period for the payment of interest.

Moreover, the maturities of Malha Norte's export credit notes subscribed to by Banco do Brasil in a principal amount of R\$550.0 million were extended (under the same conditions as New Debentures).

On September 27, 2016, BNDES informed us that it would be willing to provide financial support for our acquisition of 650 wagons for Malha Norte (in an amount of up to R\$152.1 million). This acquisition is intended to enhance our ability to transport soy, corn, sugar and other commodities. On October 4, 2016, BNDES informed us that it would be willing to provide financial support in connection with our investment plan for the period from 2015 to 2018 (in an amount of up to R\$3,300.5 million). As of the date of this offering memorandum, the terms and conditions of these financings are still under negotiation, but we expect to enter into a financing agreements with BNDES during the first quarter of 2017 for the 650 wagons and in the second quarter of 2017 for the financial support in an amount of up to R\$3,300.5 million. Our investment plan for the period from 2015 to 2019 contemplates investments in improvements to our permanent rail tracks, construction of rail crossings, duplication of rail network, restructuring and modernization of rolling stock, acquisitions of new locomotives and wagons, improvements to the use of IT and operational technologies in logistics, improvements to access to lines and port terminal, as well as the construction and enlargement of terminals.

In light of our debt profile, cash position and expected cash flow, our management believes that our capital structure is adequate to fulfill our short-, medium- and long-term obligations and to conduct our operations in connection with our current strategy, although we cannot guarantee that such conditions will be sustained throughout subsequent years. If it is necessary to incur additional indebtedness to finance our investments and acquisitions, our management believes that we will be capable of securing such indebtedness, in light of the measures we have taken above to improve our capital structure. Our management believes that while we do have access to diversified sources of financing, such as through the local and international capital markets, commercial and investment banks, development agencies, and we expect such access to be improved in light of the measures we have taken above, there can be no guarantee that we will be able to implement the measures described above or obtain additional financing. We may rely on a variety of methods of financing going forward, including but not limited to, equity and/or debt offerings in the international or local capital markets. See "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes" and "Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may be unable to comply with restrictive covenants under our financing agreements."

As of the date of this offering memorandum, we are not subject to any bankruptcy, judicial reorganization (*recuperação judicial*) or extrajudicial reorganization (*recuperação extrajudicial*) proceedings.

Cash Flows

The following table shows our consolidated cash flows for the periods indicated. In the discussion that follows references to 2015 and 2014 are to the fiscal years ended December 31, 2015 and 2014. We also present our consolidated cash flows for the nine-month period ended December 31, 2013, which are not fully comparable for our consolidated cash flows for the subsequent periods presented. Due to the ALL Acquisition, Rumo's financial position, results of operations and cash flows as of and for the nine-month period ended September 30, 2015 and the year ended December 31, 2015 and for future years are not fully comparable with Rumo's financial results of operations and cash flows for prior fiscal years.

	September 30,		December 31,		Nine-Month Period Ended December 31,	Variation		
	2016	2015	2015	2014	2013	9M2016/ 9M2015	2015 /2014	2014/ 2013
	(in thousands of reais)					(%)		
Net cash from								
operating activities.....	1,438,130	1,098,547	1,503,356	73,141	231,847	30.9%	1955.4%	(68.5)%
Net cash used in								
investment activities	(2,127,796)	(751,446)	(1,000,247)	(273,583)	(198,047)	183.2%	265.6%	38.1%

	September 30,		December 31,		Nine-Month Period Ended December 31, 2013	Variation		
	2016	2015	2015	2014		9M2016/ 9M2015	2015 /2014	2014/ 2013
	(in thousands of reais)					(%)		
Net cash used in financing activities.....	658,432	(362,876)	(515,596)	(211,836)	(38,507)	(281.5)%	143.4%	450.1%
Decrease in cash and cash equivalents, net	(31,234)	(15,775)	(12,487)	(412,278)	(4,707)	98.0%	(97.0)%	n.m.*
Cash and cash equivalents at the beginning of the period.....	72,988	85,475	85,475	497,753	502,460	(14.6)%	(82.8)%	(0.9)%
Cash and cash equivalents at the end of the period.....	41,754	69,700	72,988	85,475	497,753	(40.1)%	(14.6)%	(82.8)%

*n.m.: not meaningful

Net Cash Flow from Operating Activities

Net cash flow from operating activities increased to R\$1,438.1 million in the nine-month period ended September 30, 2016 from R\$1,098.5 million in the nine-month period ended September 30, 2015 as result primarily of the ALL Acquisition (the amount recorded in 2015 does not include cash generated by ALL in the first quarter, but also of residual variations due to increase in net revenue and depreciation).

Net cash flow from operating activities was R\$1,503.4 million in 2015 compared to R\$73.1 million in 2014, primarily due to the ALL Acquisition (2015 includes nine months of cash generation in respect of the businesses we acquired in the ALL Acquisition).

Net cash flow from operating activities was R\$73.1 million in 2014 compared to R\$231.8 million in the nine-month period ended December 31, 2013. This decrease was primarily attributable to the non-payment of accounts receivable under Rumo's contract with ALL given the fact that, in that period, the two companies commenced an arbitration proceeding during which payments were suspended and, following the ALL Acquisition, the arbitration was suspended.

Net Cash Used in Investing Activities

Net cash flow used in investing activities increased to R\$2,127.8 million in the nine-month period ended September 30, 2016 from R\$751.4 million in the nine-month period ended September 30, 2015. This change results mainly from R\$374.7 million increase in acquisition of fixed assets (due to the ALL Acquisition) and R\$714.9 million acquisition of financial investments (cash from capitalization to support future expansions in rail infrastructure).

Net cash flow used in investing activities was R\$1,000.2 million in 2015 compared to R\$273.6 million in 2014. This increase is primarily due to the effects of the ALL Acquisition (2015 includes nine months of investments relating to the acquired business).

Net cash flow used in investing activities increased principally due to acquisitions of fixed assets, software and other intangibles in an amount of R\$273.6 million in the fiscal year ended December 31, 2014, compared to R\$198 million in the nine-month period ended December 31, 2013. This increase is primarily attributable to investments in ports and our rail network.

Net Cash Used in Financing Activities

Net cash flow provided by financing activities increased to R\$658.4 million in the nine-month period ended September 30, 2016 from R\$362.9 million of used cash in the nine-month period ended September 30, 2015 as a result of the common shares offering performed in 2016, the net proceeds of which, in an amount of R\$2,534.3 million, were used for working capital and to finance investments.

Net cash flow used in financing activities was R\$515.6 million in 2015 compared to R\$211.8 million of net cash used in financing activities in the fiscal year ended December 31, 2014. This increase was primarily related to the ALL Acquisition and reflects financial transactions in 2015 in an aggregate amount of R\$3,085.9 million, followed by R\$2,418.9 million in repayment of principal, R\$786.1 million in payments of interest, R\$99.4 million in advances of real estate credits, R\$4.3 million in gains in respect of derivative financial instruments and R\$301.5 million in dividends paid. Those amounts are in contrast to financings in an amount of R\$187.2 million entered into in 2014, less principal amortization of R\$107.7 million, interest of R\$41.3 million and dividends of R\$250 million.

Net cash used in financing activities was R\$211.8 million in 2014 compared to R\$38.5 million in the nine-month period ended December 31, 2013, principally due to R\$250.0 million in dividends paid during 2014.

Capital Structure

Our management believes that our capital structure (the balance of our shareholders' equity to liabilities) was adequate in 2013 and 2014 and deteriorated in 2015 following the ALL Acquisition and as a result of poor macroeconomic conditions in Brazil. As described under "—Liquidity and Capital Resources" and "—Liquidity and Capital Resources—Indebtedness", we are taking measures to align our capital structure with our long-term business plan so as to enable us to obtain bank financing, thereby allowing us to address our current investment needs while simultaneously maintaining a favorable debt profile, which we believe should be composed primarily of long-term, low cost financing arrangements.

The table below presents our third-party financings and shareholders' equity as a percentage of our total third-party financings and shareholders' equity as of the dates indicated:

Capital Structure	As of September 30,		As of December 31,		
	2016	2015	2015	2014	2013
Third-party financing (total loans and financings)	61.6%	72.3%	73.4%	37.1%	33.6%
Shareholders' equity	38.4%	27.7%	26.6%	62.9%	66.4%

The following table presents our capital structure as of the dates indicated.

	As of September 30,		As of December 31,		
	2016	2015	2014	2013	
	(in millions of reais, except %)				
Shareholders' equity	6,109.5	3,844.2	1,331.6	1,395.9	
Gross financial indebtedness (1)	9,807.2	10,611.9	784.7	706.0	
Derivatives, net (receivable)	14.2	(98.1)	—	—	
Cash and cash equivalents and marketable securities	1,426.9	581.3	85.5	497.8	
Restricted cash loan and financings	84.2	77.2	—	—	
Net Debt(2)	8,310.3	9,855.3	699.2	208.2	
Ratio of net financial debt to shareholders' equity	136.0%	256.4%	52.5%	14.9%	

(1) Composed of borrowings, financings and debentures.

(2) Calculated as gross debt, less (1) derivative financial instruments, net (to be received), (2) cash and cash equivalents and marketable securities, and (3) restricted cash from borrowings and financings.

Our shareholders' equity amounted to R\$6,109.5 million as of September 30, 2016, an increase of R\$2,265.3 million from R\$3,844.2 million as of December 31, 2015, primarily due to our public offering of common shares in April 2016. As of December 31, 2015, shareholders' equity was of R\$3,844.2 million, a 188.7% increase compared to R\$1,331.6 million as of December 31, 2014, primarily due to the ALL Acquisition. Between the 2014 and 2013, our shareholders' equity did not change significantly.

Our cash and cash equivalents and marketable securities amounted to R\$1,426.9 million as of September 30, 2016, an increase of R\$845.6 million from R\$581.3 million as of December 31, 2015, primarily due to cash from our public offering of common shares in April 2016. Our cash and cash equivalents and marketable securities amounted to R\$581.3 million as of December 31, 2015, compared to R\$85.5 million as of December 31, 2014 and R\$497.8 million as of December 31, 2013.

Third-party financing is recorded as current and non-current loans and borrowings (i.e., gross financial indebtedness). We primarily use third-party financing to finance the expansion of our integrated logistics operations. As of September 30, 2016, our financial indebtedness was R\$9,807.2 million, a decrease of R\$804.7 million from R\$10,611.9 million as of December 31, 2015, primarily due to certain partial amortization payments of indebtedness with the BNDES. As of December 31, 2015, our financial indebtedness was R\$10,611.9 million, which was a significant increase from 2014 as a result of the ALL Acquisition. Between 2014 and 2013, our gross financial indebtedness did not change significantly.

Indebtedness

As of September 30, 2016, our outstanding gross indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES and debentures, totaled R\$9,807.2 million, of which R\$1,793.4 million was short-term debt. Our total debt as of September 30, 2016 decreased by R\$804.7 million as compared to our total debt as of December 31, 2015, primarily due to certain partial amortization payments of indebtedness with the BNDES. Our short-term debt, which includes the current portion of long-term gross indebtedness and interest accrued, represented 18.4% of our total indebtedness as of September 30, 2016. As of September 30, 2016, we did not have U.S. dollar-denominated debts.

As of December 31, 2015, our outstanding gross indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES and debentures, totaled R\$10,611.9 million, of which R\$2,071.8 million was short-term debt. Our total debt of R\$10,611.9 million as of December 31, 2015 increased by 1,252.4% as compared to our total debt of R\$784.7 million as of December 31, 2014, due to the ALL Acquisition and consolidation of its operations. Our short-term debt, which includes the current portion of long-term gross indebtedness and interest accrued, represented 19.5% of our total indebtedness as of December 31, 2015. As of December 31, 2015, our U.S. dollar-denominated debt represented 6.2% of our total indebtedness.

As of December 31, 2014, and 2013 our outstanding gross indebtedness, which was primarily composed of loans, financings and debentures, totaled R\$784.7 million and R\$706.0 million, respectively, of which R\$127.4 million and R\$107.2 million, respectively, corresponded to short-term debt. Between 2014 and 2013, our gross debt did not change significantly.

Our Net Debt decreased from R\$9,855.3 million as of December 31, 2015 to R\$8,310.3 million as of September 30, 2016, primarily due to our receipt of the net proceeds of our public offering of common shares in April 2016. Our Net Debt increased from R\$699.2 million as of December 31, 2014 to R\$9,855.3 million as of December 31, 2015, primarily due to the ALL Acquisition. Our Net Debt of R\$699.2 million as of December 31, 2014 differed materially from our Net Debt of R\$208.2 million as of December 31, 2013, primarily because of a R\$250.0 million dividend payment, new financing obtained with BNDES and a decrease in operating cash flows due to the non-payment of accounts receivable under the contract between Rumo and ALL before the ALL Acquisition. Prior to the ALL Acquisition, Rumo and ALL had entered into an arbitration proceeding with respect to this contract, and consequently payments under this contract were suspended until after the ALL Acquisition when the arbitration proceeding was terminated.

The table below shows the profile of our debt instruments as of September 30, 2016:

Description	Index	Principal amount (in thousands of reais)	Maturity Date
Commercial Banks	Pre-fixed	764	2016
	CDI + spread	180,212	2019
FINAME (BNDES)	Pre-fixed	1,160,480	2025
	URTJLP	24,511	2022
FINEM (BNDES)	Pre-fixed	4,112	2024
	URTJLP	2,535,451	2029
	IPCA	4,659	2021
	SELIC	5,586	2020
NCE (Export Credit Note)	% CDI	156,038	2018
	% CDI	573,403	2023
Non-convertible Debentures	% CDI	338,455	2018

Description	Index	Principal amount (in thousands of reais)	Maturity Date
	Pre-fixed	169,154	2020
	CDI + spread	311,999	2017
	CDI + spread	2,433,269	2023
	CDI + spread	154,420	2018

Certain of our loans and financing benefit from corporate guarantees or are secured by the assets financed by the proceeds therefrom, pledges of creditors' rights, pledges of revenues and pledges of shares in certain of our subsidiaries, among others.

Financial Position

In view of our indebtedness profile, cash position and expected cash flows, and considering the measures we have undertaken to improve our capital structure as described under “—Liquidity and Capital Resources”, our management we believes that our capital structure is adequate to fulfill all short-, medium- and long-term obligations and to conduct our operations in connection with our current strategy, although we cannot guarantee such situation will continue throughout subsequent years. We believe we will be able to refinance our existing debt, in light of measures we have taken to improve our capital structure mentioned above in “—Liquidity and Capital Resources.” There can be no guarantee that we will be able to implement such measures or obtain additional financing. See “Risk Factors—Risks Related to Our Business and Industries in which We Operate—*Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes*” and “Risk Factors—Risks Related to Our Business and Industries in which We Operate—*We may be unable to comply with restrictive covenants under our financing agreements.*”

The following table shows our consolidated Net Debt and Net Adjusted Working Capital as of the fiscal periods indicated.

R\$ (millions)	As of September 30,		As of December 31,	
	2016	2015	2014	2013
	Cash and cash equivalents and marketable securities			
	(-) loans and financing			
Current portion of long-term debt.....	(1,793.4)	(2,071.8)	(127.4)	(107.2)
Long term debt.....	(8,013.8)	(8,540.1)	(657.3)	(598.8)
Subtotal.....	(9,807.2)	(10,611.9)	(784.7)	(706.0)
Cash and cash equivalent.....	41.8	73.0	85.5	497.8
Restricted cash on long term debt.....	84.2	77.2	—	—
Marketable securities.....	1,385.1	508.3	—	—
Subtotal.....	1,511.1	658.5	—	—
Derivative financial instrument, net.....	(14.2)	98.1	—	—
Total Net Debt.....	(8,310.3)	(9,855.3)	(699.2)	(208.2)
Current assets, except cash, cash equivalents and marketable securities.....	1,030.1	727.1	72.7	52.6
Current liabilities, except loans and financings, leasing and real estate credit certificates.....	(1,359.5)	(1,409.0)	(245.7)	(253.6)
Net Adjusted Working Capital(1).....	(329.3)	(681.9)	(173.0)	(201.0)

(1) Current assets, except cash and cash equivalents, marketable securities *minus* current liabilities, except short-term loans and financing, leasing and real estate credit certificates.

As of September 30, 2016, our short-term debt (indebtedness which matures within one year) was R\$1,799.1 million, compared to gross cash (cash and cash equivalents and marketable securities) of R\$1,511.1 million. We had negative Net Adjusted Working Capital of R\$329.3 million and R\$681.9 million as of September 30, 2016 and December 31, 2015, respectively. See “Risk Factor—Risks Related to Our Business and Industries in which We Operate—Significant deterioration in our short-term liquidity could materially affect our business, result of operations and financial condition.”

Furthermore, we had negative Net Adjusted Working Capital of R\$173.0 million and R\$201.0 million as of December 31, 2014 and 2013, respectively. In addition, there are material deficiencies in our short-term liquidity given that our current assets are lower than our current liabilities (working capital), which were R\$(2,172.4) million as of December 31, 2015 and R\$215.0 million as of December 31, 2014. As of December 31, 2013, short-term receivables were higher than our short-term liabilities in the amount of R\$189.5 million on December 31, 2013). On December 31, 2015, we had a short-term debt (indebtedness that matures within one year) of R\$2,072.3 million, compared to gross cash (cash and cash equivalents, marketable securities and restricted cash on long term debt) of R\$658.5 million.

The measures that are being taken to remediate our capital structure are described under “—Liquidity and Capital Resources.”

Main Financing Agreements

Our principal financing agreements as of September 30, 2016 are described below:

Financing Agreements with BNDES (FINEM)

We and our subsidiaries are party to financing agreements with BNDES. The principal amount outstanding of all indebtedness under these financing agreements as of September 30, 2016 was R\$2.5 billion. These financing agreements are subject to interest based on a fixed interest rate plus TJLP and mature between 2020 and 2029.

Proceeds from our BNDES facilities are intended to be used to invest in specific projects that have received the prior approval of BNDES. These projects relate to the expansion, overhaul and modernization of our and our subsidiaries’ fixed assets, in particular railcars, locomotives and transshipment terminals.

The financing agreements we have entered into with BNDES are secured by guarantees from our subsidiaries and by bank guarantees. The amount guaranteed and conditions applicable to the guarantee reflect the total amount of each financing agreement. The bank guarantees have a maturity of at least two years. If these bank guarantees are not renewed, BNDES has the right to accelerate the maturity of the underlying indebtedness.

In addition, we provide certain collateral in connection with certain of our financing agreements with BNDES. Such collateral includes, among other things: (1) chattel mortgages (*propriedade fiduciária*) on the financed equipment, (2) pledges of certain credit rights arising from the operation of cargo handling and warehousing, (3) pledges of rights arising from the concession, (4) pledges of certain revenues, and (5) and mortgages on real estate.

Our financing agreements with BNDES are subject to certain legislation applicable to BNDES financings, i.e. the “Conditions Applicable to BNDES Agreements” (*Disposições Aplicáveis aos Contratos do BNDES*) and to the “Monitoring Rules and Instructions” (*Normas e Instruções de Acompanhamento*), or the BNDES Framework. The BNDES Framework sets forth certain general obligations applicable to these financing agreements, among others:

- an obligation to provide evidence of the proper use of proceeds set out in the project;
- a requirement to allow BNDES and its representatives to perform audits relating to the use of the proceeds;
- an obligation to keep BNDES informed of any internal resolution that may affect the revenue or price of the securities issued by the borrower and/or guarantor, as the case may be, or the profitability or productivity of the borrower;
- limitations on new liens and indebtedness, granting preference to other credits, restrictions on the amortization of shares, issuance of debentures or founder’s shares (*partes beneficiárias*), except for: (a) new indebtedness incurred in the ordinary course of business or incurred solely for the purpose of replacing specific assets, (b) commercial discounts resulting from the sale or provision of services;
- an obligation to comply with certain requirements of BNDES, federal, state or municipal authorities pertaining to environmental matters; and

- limitations on the disposal of, or creation of encumbrances over, certain fixed assets (*bens do ativo permanente*), except where prior BNDES consent is obtained or where the assets are: (a) unusable or obsolete, or (b) substituted for new assets with the same purpose.

Certain agreements with BNDES set out additional non-financial covenants in addition to those provided for in the BNDES Framework, such as the duty to refrain from further encumbering assets offered as collateral, requirements to keep BNDES informed of certain proceedings filed against us, our subsidiaries and managers, obligations to implement certain social projects and to adopt measures to mitigate the environmental impacts of our projects.

In addition to non-financial covenants, certain of our financing agreements with BNDES require us or ALL to comply with financial covenants. Up to 2015 (subject to amendments to the applicable documentation from December 31, 2016, as discussed below), compliance with these financial covenants was monitored through annual compliance tests based on the consolidated financial statements of the relevant beneficiary or guarantor, as the case may be:

- Adjusted net financial debt to EBITDA ratio not greater than 3.0x;
- Ratio of equity to adjusted total assets not inferior to 0.32x; and
- Debt service coverage ratio (*serviço de cobertura do serviço da dívida - ICSD*) not inferior to 1.2x.

On December 30, 2014, BNDES waived the requirement to maintain a debt service coverage ratio of at least 1.2x for an indeterminate period of time, provided that the indebtedness under the relevant agreements remains guaranteed. Further, at a meeting of its executive officers on December 29, 2015, BNDES waived the requirement to comply with the Net Debt /EBITDA and equity/Assets ratios for the purpose of the compliance tests based on our financial statements dated December 31, 2015. On October 11, 2016 we requested the substitution of the corporate guarantees, financial covenants and certain other obligations currently included in the financings we have entered into with the BNDES for bank guarantees. We received a formal approval of this proposal on December 21, 2016 and expect to enter into amendments to the applicable documents to formalize such changes during the first semester of 2017.

The BNDES Framework sets forth the following acceleration events:

- failure by the borrower or the guarantor to comply with their obligations under the relevant agreements;
- failure by the borrower and entities within its group to comply with certain others obligations undertaken before BNDES and its subsidiaries;
- change of control, whether direct or indirect (except where prior, express approval of BNDES has been obtained); or
- legal proceedings or any event that may affect the security granted in favor of BNDES.

In addition, the financing agreements we have entered into with BNDES also include certain non-financial covenants that, if breached, may result in the acceleration of the underlying indebtedness:

- unfavorable judgments in certain criminal lawsuits filed against us, our subsidiaries and managers;
- workforce reductions made without offering relocation opportunities to other jobs or training programs for other employment opportunities;
- amending the borrower's organizational documents to include supermajority voting provisions or restrict the controlling shareholders' ability to exercise control; and
- the issuance of non-appealable court orders relating to racial or gender discrimination or violations of child labor laws, slave labor laws or environmental laws.

As of the date of this offering memorandum, Malha Paulista is a defendant in a class action (ação civil pública) in which it is alleged to have maintained certain workers in indentured servitude. For further information see “Risk Factors—Risks Related to Our Business and Industries in which We Operate—Unfavorable outcomes in litigation or our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.”

BNDES — Program for Financing of Machinery and Equipment (Programa de Financiamento de Máquinas e Equipamentos — FINAME) and Investment Sustainability Program (Programa de Sustentação de Investimentos - PSI)

We and our subsidiaries have entered into several FINAME and PSI credit facilities with BNDES, which lending is financed through authorized financial institutions acting as intermediaries. These financing agreements are subject to interest based on fixed interest rates plus TJLP, and mature between 2022 and 2025. As of September 30, 2016, the principal outstanding amount under our FINAME and PSI credit facilities was R\$1.2 billion.

The proceeds from the FINAME agreements are intended to be used by us and our subsidiaries for investing in the production and acquisition of new machinery, equipment and computer as well as automation assets manufactured in Brazil. All FINAME agreements are guaranteed by chattel mortgages (*alienação fiduciária*) on the financed equipment. The majority of the FINAME agreements are further guaranteed by a corporate guarantees from ALL.

The FINAME agreements are subject to the BNDES Framework described above and the non-financial covenants and acceleration events set out therein. The FINAME agreements are not subject to any financial covenants.

Debentures

Our first issuance of debentures, which took place on April 16, 2015, was in an amount of R\$1.4 billion. These debentures will mature in 2018 and are guaranteed by a corporate guarantee from ALL. They accrue interest at a rate equal to 100% of the daily average interbank deposit rate (*Depósitos Interfinanceiros - Taxa DI*), or DI rate, published by CETIP, plus a spread of 0.05% per annum from April 24, 2015 (inclusive) until April 25, 2017 (exclusive), and 2.55% per annum from April 25, 2017 (inclusive) onwards. The financial covenants therein limit our Net Debt to EBITDA ratio to 5.5x. As part of our efforts to improve our capital structure, we repurchased and subsequently cancelled an aggregate R\$1.25 billion of these debentures on June 28, 2016.

The tenth issuance of debentures by ALL took place on September 25, 2012, in an amount of R\$750 million and matures in 2017. These debentures are guaranteed by corporate guarantees from our subsidiaries Malha Sul, Malha Oeste, Malha Paulista and Malha Norte and accrue interest at a rate equal to 100% of the DI rate, plus a spread of 1.30% per annum. These debentures include the following financial covenants: Net Debt to EBITDA ratio of 5.5x and EBITDA to financial results ratio not lower than 2.0x, assessed on a quarterly basis based on our consolidated financial statements. A significant part of these debentures were repurchased and canceled (R\$460 million), due to the re-profiling that was described above.

On August 15, 2008, Malha Sul carried out its third issuance of debentures and Malha Norte carried out its sixth issuance of debentures, while Malha Paulista issued its first debentures on March 9, 2012. Each issuance was in an aggregate principal amount of R\$166.7 million, matures in 2018, is guaranteed by a corporate guarantee from ALL and accrues interest at a rate equal to 108% of the DI rate published by CETIP. The financial covenants applicable to these debentures limit our Net Debt to EBITDA ratio to 5.5x as from June 30, 2015 (inclusive) quarterly financial statements, provided that 0.5 basis points will be deducted from this ratio for each year following the compliance tests as from December 31, 2017.

Malha Norte issued its eighth issuance of debentures on September 25, 2012, in an aggregate amount of R\$160 million, which matures in 2020. The debentures are guaranteed by a corporate guarantee from ALL, accrues interest at a fixed rate of 13.13% per annum. The financial covenants clause limits our net debt to EBITDA ratio to (1) 5.5x between March 2015 and November 2017, (2) 4.5x between December 2017 and November 2018, (3) 4.5x between December 2018 and November 2019, and (4) 4x from 2019 onward.

The debentures described above include certain non-financial covenants that, if breached, may result in the acceleration of the underlying indebtedness, such as:

- change of direct or indirect corporate control of the issuer or guarantor (unless acceptable security is provided to the debenture holders);
- spin-off, merger, combination of the issuer and/or the guarantor or any subsidiary thereof or any form of corporate restructuring involving the issuer and/or guarantor without the prior consent of the debenture holders;
- sale or transfer of material assets of the issuer or guarantor;
- incurring any indebtedness that is senior to the debentures, except if the guarantees and collateral applicable to such indebtedness are shared with the debenture holders or if the indebtedness is entered into with BNDES or another development agency;
- acceleration of other financial indebtedness in excess of R\$5 million;
- non-compliance with a judgment in excess of R\$50 million;
- default in the payment of any financial debt in excess of R\$5 million, to the extent not cured within 15 days; and
- non-compliance with labor or environmental law.

The ninth issuance of debentures of Malha Norte occurred on June 13, 2016, in an aggregate amount of R\$2,840 million and matures on June 13, 2023. The debentures are guaranteed by a corporate guarantee from us and ALL, accrue interest at a rate equal to 100% of the DI rate published by CETIP, plus a spread of 3.50% per annum. The financial covenants applicable to these debentures limits our Net Debt to EBITDA ratio to (1) 4.5x as of December 31, 2016, (2) 4.3x as of December 31, 2017, (3) 4.0x as of December 31, 2018, (4) 3.6x as of December 31, 2019, (5) 3.3x as of December 31, 2020, and (6) 3.0x as from December 31, 2021 onward. Additionally, pursuant to these debentures our EBITDA to financial results ratio must be greater than or equal to (1) 1.1x as of December 31, 2016, (2) 1.4x as of December 31, 2017, (3) 1.4x as of December 31, 2018, (4) 1.7x as of December 31, 2019 and (5) 2.0x as from December 31, 2020 onward.

The debentures described above include certain non-financial covenants that, if breached, may result in the acceleration of the underlying indebtedness, such as:

- change of direct or indirect corporate control of the issuer or guarantor (unless acceptable security is provided to the debenture holders);
- spin-off, merger, combination of the issuer and/or the guarantor or any subsidiary thereof or any form of corporate restructuring involving the issuer and/or guarantor without the prior consent of the debenture holders; and
- default in the payment of any financial transactions and/or local or international capital markets transactions, of the issuer or the guarantor, with an individual or aggregate value higher than R\$50 million, to the extent not cured within the period described in the respective agreements, if any;
- acceleration of other financial indebtedness in excess of R\$50 million;
- sale or transfer of material assets of the issuer or guarantor (subject to certain exceptions);
- non-compliance with a judgment in excess of R\$50 million; and
- non-compliance with labor, environmental law or the US Foreign Corrupt Practices Act and the UK Bribery Act, as applicable

The principal amount outstanding of all debentures issued by us and our subsidiaries as of September 30, 2016 was of R\$3.4 billion.

Banco do Brasil and Banco Votorantim - Export Credit Notes (Notas de Crédito à Exportação - NCE)

Malha Norte issued (1) export two credit notes with Banco do Brasil S.A. in the aggregate principal amount of R\$550 million, which accrue interest, after the renegotiation, at 129.62% of the DI rate, respectively, and (2) one credit note with Banco Votorantim S.A. in the principal amount of R\$150 million, which accrues interest at 112% of the DI rate. These export credit notes are guaranteed by ALL. The export credit notes mature from 2016 to 2019. The outstanding balance of these export credit notes as of September 30, 2016 was of R\$729.4 million.

The export credit notes have been issued with the specific purpose of financing agribusiness activities relating to the rendering of services to rural producers or their cooperatives in order to support exports by them.

The export credit notes entered into with Banco do Brasil S.A. are subject to certain financial covenants, which are substantively the same as those applicable to Malha Norte's ninth issuance of debentures. The credit note with Banco Votorantim does not contain financial covenants.

In addition, the export credit notes would permit acceleration for non-compliance of certain usual non-financial covenants such as:

- change of direct or indirect corporate control of the issuer or guarantor;
- spin-off, merger, combination of the issuer and/or the guarantor or any subsidiary thereof or any form of corporate restructuring involving the issuer and/or guarantor without the prior consent;
- default in the payment of any financial transactions and/or local or international capital markets transactions, of the issuer or the guarantor, with an individual or aggregate value higher than R\$50 million, to the extent not cured within the period described in the respective agreements, if any;
- acceleration of other financial indebtedness in excess of R\$50 million;
- sale or transfer of material assets of the issuer or guarantor;
- non-compliance with a judgment in excess of R\$50 million;
- non-compliance with labor, environmental law or the US Foreign Corrupt Practices Act and the UK Bribery Act, as applicable; and
- change of direct or indirect corporate control of the issuer or guarantor (unless acceptable security is provided to the debenture holders).

Caixa Econômica Federal – Bank Credit Note (Cédula de Crédito Bancário)

Malha Norte issued a bank credit note with Caixa Econômica Federal, in an aggregate principal amount of R\$200.0 million, accruing interest at a rate of 100% of the CDI rate plus a spread of 0.40% per month, guaranteed by the Company and maturing in 2019. The principal outstanding balance under this credit note as of September 30, 2016 was R\$180.2 million.

The export credit note contains certain financial covenants applicable to the guarantor, i.e. the Company, namely: (1) a requirement to maintain cash and cash equivalents in an amount equivalent to at least 10% of the value of the credit note, (2) that the monthly flow of receivables from certain logistics and port handling contracts not be less than R\$20 million per month (with quarterly testing based on the average of the three preceding months), and (3) that the Net Debt/EBITDA ratio of the Company not be less than 5.5x (tested on an annual basis).

In addition, the credit note is subject to certain non-financial covenants that would permit acceleration of the credit note, including:

- lack of sufficient funds in the accounts of the borrower or the guarantor with Caixa Econômica Federal to meet the payment obligations undertaken in connection with the credit note;
- rescission of the service contracts to which the financial covenant relates, except to the extent that such service contracts are replaced by other contracts meeting the minimum requirements defined by Caixa Econômica Federal;
- termination of the related concession agreement;
- if the activities of the borrower cause environmental damage, keep workers in conditions analogous to indentured servitude, use illegal child labor, exploit prostitution or engage in illegal activities; and
- breach of any financial and non-financial covenants.

Restrictive Covenants

As discussed above, our loan and financing agreements subject us and our subsidiaries to certain restrictive covenants and require that we comply with certain financial ratios. Our debentures also contain restrictive covenants, similar to those described in relation for our loan agreements. See “—Main Financing Agreements” for a detailed discussion of the specific ratios for each financial covenant with which we are required to comply.

As of September 30, 2016, we were in compliance with the financial ratio tests for our loans, financings and debentures.

Utilization Limits

On September 30, 2016 and December 31, 2015, 2014 and 2013, we and our subsidiaries had unused available credit lines with BNDES, in the amount of R\$858.8 million, R\$1.2 billion, R\$698.6 million and R\$385.9 million, respectively. The use of these credit lines is subject to certain contractual conditions.

Additional Financings

Since September 30, 2016, we have borrowed an additional aggregate amount of R\$789.8 million (US\$243.3 million), of which R\$80.0 million (US\$ 24.6 million) is current debt, and R\$709.8 million (US\$ 218.7 million) is non-current debt. These additional loan and financings include borrowings under BNDES financings in the aggregate amount of R\$329.3 million (US\$101.4 million), NCE financings in the aggregate amount of R\$374.2 million (US\$115.3 million), and certain other debts incurred since September 30, 2016 in the aggregate amount of R\$86.3 million (US\$26.6 million). Since September 30, 2016, we have also made repayments in an aggregate amount of R\$756.2 million (US\$232.9 million) of our current debt as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Main Financing Agreements.”

Capital Expenditures

In 2015, we invested R\$1,405.5 million in the following capital expenditures: (1) investments in the rail network operated by us; (2) several initiatives implemented during the year to improve our permanent railways, such as overhauling 216 km of tracks; (3) purchase of 732 railcars and 43 new locomotives, as well as renovation of our current fleet, and (4) other initiatives.

In the nine-month period ended September 30, 2016, we invested a further R\$1,264.9 million in the aforementioned initiatives including overhauling 254 km of tracks, purchasing of 730 railcars and 52 new locomotives.

The funds used by us for making capital expenditures are generated from our operating results and from financings and credit extended by private banks, as well as by publicly-owned banks such as BNDES. Since the beginning of our rail operations, BNDES has been an important partner in the development of our infrastructure, providing support through long-term credit lines in line with our investment plan published in April 2015.

Notably, we, together with certain third parties, have invested in the construction of a roof over one of our two port terminals in the port of Santos, in the state of São Paulo. This roof, which is still under construction, will make

it possible to conduct cargo loading onto ships on rainy days. Historically, the city of Santos has had 120 days of rain per year during which the loading of ships is usually not possible. The construction of the roof is scheduled for completion in 2018 and, together with other investments we are making in the port terminal, is expected to increase the loading capacity of our terminals to 19 million tons by the end of 2019.

Off-Balance Sheet Arrangements

As of the date of this offering memorandum, we have no off-balance sheet arrangements to finance our operations. We have no subsidiaries in which we hold a majority or minority stake that are not included in our consolidated financial statements, nor do we have any interests in or relationships with any special purpose companies that are not reflected in our consolidated financial statements.

Contractual Obligations and Commitments

The following table sets forth the maturity schedule of our material contractual financial obligations at September 30, 2016:

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	(in R\$ thousands)				
Borrowings and debentures.....	2,122,489	1,810,930	4,921,693	2,651,866	11,506,978
Trade payables	527,910	—	—	—	527,910
Other financial liabilities.....	226,070	—	—	—	226,070
Tax Amnesty and Refinancing					
Program – REFIS	6,838	6,613	9,050	2,843	25,344
Operating leases	693,539	451,726	667,636	380,936	2,193,837
Advances on real estate credits	138,824	121,371	18,150	—	278,345
Dividends payable.....	7,634	—	—	—	7,634
Derivative financial instruments	4,096	1,902	6,598	—	12,596
Total	3,727,400	2,392,542	5,623,127	3,035,645	14,778,714

Since September 30, 2016, there have been no material changes to the contractual financial obligations described above.

The table below sets forth our financial liabilities as of September 30, 2016 by maturity date:

		As of September 30, 2016(1)				
Type of Obligation	Type of Security	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
		(in R\$ thousands)				
BNDES.....	Collateral.....	680,768	1,258,448	1,012,869	782,714	3,734,799
Bank Debt.....	Junior.....	158,641	203,011	274,341	274,423	910,416
Debentures.....	Other security or privileges.....	308,373	588,931	1,331,542	1,178,451	3,407,297
Total		1,148,391	2,050,391	2,618,751	2,235,588	8,052,512

(1) The information presented in the table above is based on our consolidated financial statements.

Research and Development

Neither we nor ALL carried out any significant research and development activities during the nine-month period ended September 30, 2016 and the fiscal years ended December 31, 2015, 2014 and 2013.

Quantitative and Qualitative Disclosures about Market Risk

Overview

Our risk management policies and practices fit within the risk management framework of the Cosan group, which created a policy of internal audit and risk management approved by the Cosan group's corporate superintendent for audit and compliance on April 4, 2014. This policy applies to us and our subsidiaries.

The objective of our risk management policy is to protect us from any risks that may negatively affect our ability to fulfill the business plan established by our management.

Our board of directors periodically establishes exposure limits and coverage indices in order to optimize our operational financial controls. We have an internal department responsible for internal audit, risks and compliance, which reports to our audit committee and the chairman of our board of directors. Our internal department responsible for internal audit, risks and compliance has authority to revise internal controls relating to financial transactions. It is responsible for: (1) establishing and managing our Ethics Line and investigations into fraud, (2) creating and executing an internal audit plan with a focus on internal controls and compliance with law and internal policies, (3) monitoring the action plans of our internal audit function, (4) identifying potential savings and cost reductions, (4) creating controls and undertaking tests to ensure compliance with the U.S. Sarbanes-Oxley Act and the U.S. Foreign Corrupt Practices Act, (5) revising and publishing policies and procedures; (6) promoting our internal controls culture, (7) supervising the implementation and correction of procedures; (8) controlling and approving access profiles in the governance, risk and compliance software (SAP-GRC), (9) mapping out any risks that are inherent to our business; (10) assisting in the implementation of action plans, and (11) reporting any findings to our management. We believe that the operational structure of our internal controls is adequate to identify and protect against relevant risks.

Risk Management

Overview

We consider market risk to be the potential loss arising from adverse changes in market rates and prices. We and our subsidiaries and jointly controlled entities, including ALL, are exposed to market risks primarily: (1) credit risk; (2) liquidity risk; (3) interest rate risk; and (4) foreign currency exchange rate risk. In order to manage market risks, we have adopted policies and procedures that establish limits and monitor risk exposure, counterparties and approve financial instruments, which are reviewed by our senior management on a regular basis.

See also notes 13,18,20 and 27 to Rumo's unaudited consolidated interim financial statements as of September 30, 2016 and note 28 to Rumo's audited consolidated financial statements as of and for the fiscal year ended December 31, 2015 included herein.

Risk Management Policy

Our board of directors monitors risk management through reports prepared by our management, which is responsible for the development and monitoring of risk management policies. Our risk management policies are established for the purposes of identifying and analyzing the risks to which we are exposed, setting appropriate risk limits and controls, and monitoring risks and compliance with the applicable limits. Our risk management policies are reviewed regularly to reflect changes in market conditions and in our operations. Through its norms and procedures for training and risk management, our management seeks to maintain an atmosphere of discipline and control in which each employee is conscious of his or her duties and obligations. Our audit committee supervises our management in the monitoring of our compliance with our risk management policies and procedures, and reviews the adequacy of our risk management structure to the risks which we face. Our audit committee is supported in this task by our internal audit team. Our internal audit team undertakes regular and impromptu reviews of our risk management policies and procedures, and the result of these reviews is reported to the audit committee.

Our audit and compliance function, among other roles, undertakes the following tasks in order to ensure that our internal processes and practices comply with anticorruption laws and Cosan group's corporate anticorruption policy:

- internal audit work;
- e-learning and training;

- background checks for partners and suppliers;
- anticorruption provisions in contracts;
- Sarbanes-Oxley Act internal controls; and
- anticorruption policy certifications for key functions.

Hedging Transactions and Exposures

Our risk management in relation to financial operations is undertaken via the application of our Treasury Policy and through the strategies established by management. These rules provide for risk management, measurement of risks, the mitigation of market risks cash flow predictions and the implementation of exposure limits. Pursuant to these rules, all financial transactions undertaken must be evaluated as the best possible alternative available, from a financial and economic perspective and cannot be carried out for speculative purposes (i.e. there must be a specific exposure which justifies the transaction).

We use derivatives solely for hedging purposes. The main derivative instruments we use include:

- interest rate swaps;
- foreign currency exchange swaps; and
- non-deliverable forwards and forward rate agreements.

The effect of our interest rate swaps is to convert a liability at a pre-fixed rate into a liability indexed to the CDI rate. The swaps are over-the-counter transactions and no guarantee deposit is required as part of the transaction (i.e. they are considered to be cashless swaps).

The following table summarizes the key characteristics of our outstanding derivative financial instruments for hedging against interest rate risk as of September 30, 2016.

Description Interest Rate Risk	Counterparty	Original Currency	Asset	Liability	Maturity
Itaú – CRI	Itaú	BRL	12.38% per year	100% of CDI	March 2018
Debentures - 8th issuance Malha Norte	Santander	BRL	10.10% per year	109.85% of CDI	October 2020

The following table summarizes the key characteristics of our outstanding derivative financial instruments for hedging against exchange rate risk as of September 30, 2016 (and which were liquidated in October 2016).

Description - Exchange rate risk	Counterparty	Original Currency	Notional (R\$ thousands)	Maturity
NDF Contracts - Designed hedge - Cash Flows	Morgan Stanley	USD	12,863	October 2016

Credit Risk

We are subject to credit risks related to client receivables and our short-term investments held in accounts at financial institutions. Credit risk is managed through specific rules regarding client approval that require credit rating checks and limits for customer exposure, and that are applicable to all of our subsidiaries and jointly controlled entities. We do not believe that we are subject to any material credit risk, and we do not anticipate any material credit-related losses. Management believes that any credit risk to which we are exposed is covered by the allowance for doubtful accounts recorded in our balance sheet.

Liquidity Risk

Liquidity risk is the risk that we may encounter difficulties in meeting the obligations associated with our financial liabilities that are settled in cash or other financial assets. For an overview of our contractual commitments and liabilities, please See “—Contractual Obligations and Commitments.”

Despite our efforts to manage liquidity risk, we have incurred substantial indebtedness and are currently facing challenges relating to our liquidity. See “Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes” and “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may be unable to comply with restrictive covenants under our financing agreements.”

Interest Rate Risk

As of September 30, 2016, our consolidated gross debt was either fixed or linked to interest rates based on the CDI, the SELIC, the TJLP, the IPCA and a mix of TJLP and IGP-M (20% IGP-M + 80% TJLP). The aggregate amounts indexed are as follows: R\$4,147.8 million, R\$5.6 million, R\$2,560.0 million and R\$4.7 million, respectively. As of September 30, 2016, R\$1,334.5 million of our consolidated gross debt was based on fixed rates.

Foreign Currency Exchange Rate Risk

All of our net operating revenue is denominated in *reais*. Most of our costs are denominated in *reais* and, where costs are denominated in U.S. dollars, the exposure to such currency extends for only one or two days.

Supplemental Condensed Financial Information

The following table presents certain condensed financial information regarding Rumo and Malha Norte (in each case, on an unconsolidated basis). Separate financial statements and other disclosures concerning Malha Norte are not presented because our management believes that such information is not material to the note holders.

The condensed financial information presented in this section should be read in conjunction with the historical consolidated financial statements and accompanying notes of Rumo Logística included elsewhere in this offering memorandum, as well as the sections “Presentation of Financial and Certain Other Information,” “Summary Consolidated Financial and Other Information,” “Selected Consolidated Financial and Other Information,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	Rumo(1)		Malha Norte	
	As of and for the Nine Months Ended September 30, 2016	As of and for the Fiscal Year Ended December 31, 2015	As of and for the Nine Months Ended September 30, 2016	As of and for the Fiscal Year Ended December 31, 2015
	(in R\$ thousands)			
Net revenue.....	30,602	40,461	2,142,046	2,476,105
EBITDA(2).....	(404,081)	(856,668)	839,110	860,424
Net income	(648,223)	(1,176,643)	164,540	169,097
Cash and cash equivalents and marketable securities.....	1,623	5,789	1,032,637	199,994
Total assets	5,153,018	5,074,427	8,615,841	6,602,844
Intangible assets	4,761	5,259	2,303	2,668
Net Debt(3).....	1,313,457	1,772,357	4,902,800	3,818,086
Related parties, net.....	(746,442)	(567,703)	1,956,164	717,616
Total equity.....	2,216,580	2,039,028	2,166,844	2,038,761

(1) The numbers in these columns are derived from the financial statements of ALL - América Latina Logística S.A., now renamed Rumo S.A. On October 8, 2016, ALL – América Latina Logística S.A. which has changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística. See “Summary—Recent Developments—Corporate Reorganization.”

(2) EBITDA measures our operating profitability and is calculated as profit (loss) plus current and deferred income tax and social contribution, financial results (net) and depreciation and amortization. The table below sets forth a reconciliation of net income to EBITDA.

	Rumo		Malha Norte	
	As of and for the Nine Months Ended September 30, 2016	As of and for the Fiscal Year Ended December 31, 2015	As of and for the Nine Months Ended September 30, 2016	As of and for the Fiscal Year Ended December 31, 2015
	(in R\$ thousands)			
Reconciliation of profit (loss) to EBITDA				
Net income (loss).....	(648,223)	(1,176,643)	164,540	169,097
(+) Income tax and social contribution	—	—	26,744	24,529
(+) Financial results, net.....	206,351	318,542	351,510	338,690
(+) Depreciation and amortization	37,791	1,433	296,316	328,108
EBITDA	(404,081)	(856,668)	839,110	860,424

- (3) We calculate Net Debt as gross debt, less (1) derivative financial instruments, net (to be received), (2) cash and cash equivalents and marketable securities, and (3) restricted cash from borrowings and financings. The table below sets forth the calculation of Net Debt as presented above.

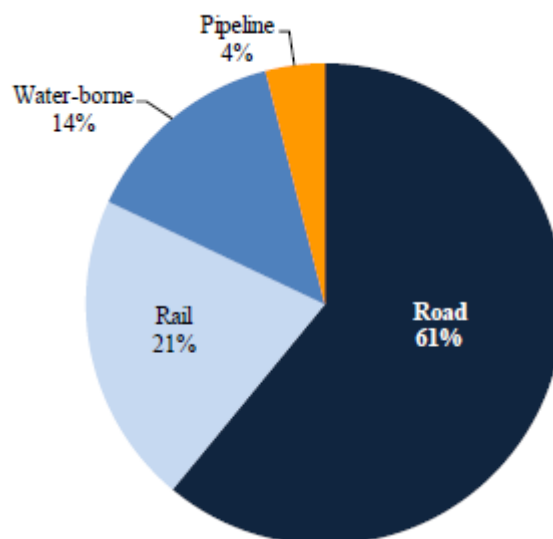
	Rumo		Malha Norte	
	As of and for the Nine Months Ended September 30, 2016	As of and for the Fiscal Year Ended December 31, 2015	As of and for the Nine Months Ended September 30, 2016	As of and for the Fiscal Year Ended December 31, 2015
	(in R\$ thousands)			
Current portion of long-term debt	58,025	57,608	929,632	1,009,191
Long-term debt	1,261,402	1,739,039	5,072,459	3,065,870
Total	1,319,427	1,796,647	6,002,091	4,075,061
Cash and cash equivalent.....	(802)	(3,523)	(29,117)	(25,103)
Restricted cash on long term debt	—	—	(83,597)	(77,262)
Marketable securities.....	(821)	(2,266)	(1,003,520)	(174,891)
Total	(1,623)	(5,789)	(1,116,234)	(277,256)
Derivative financial instrument, net	(4,347)	(18,501)	16,943	20,281
Net Debt	1,313,457	1,772,357	4,902,800	3,818,086

INDUSTRY

The Brazilian railway system became operational during the middle of the 19th century when concession-holders began building railways. Most of the network's expansion occurred in the middle of the 20th century, when there were over 40 companies operating in the railroad sector. However, since many of these operators were in financial distress, the railway system was nationalized and became controlled by the Rede Ferroviária Federal S.A., or RFFSA (a state-owned company which owned various railways in Brazil). Between 1950 and 1990, the level of investment in the railroad sector was low, resulting in a low railroad density in Brazil. This situation led to the privatization of the railroad system in the late 1990s, during which the government granted concessions for terms of 30 years (subject to renewal for an additional 30 years) to private operators. Since privatization, there has been a significant increase in investment in the railroad system as well as a significant increase in the volume of freight transported.

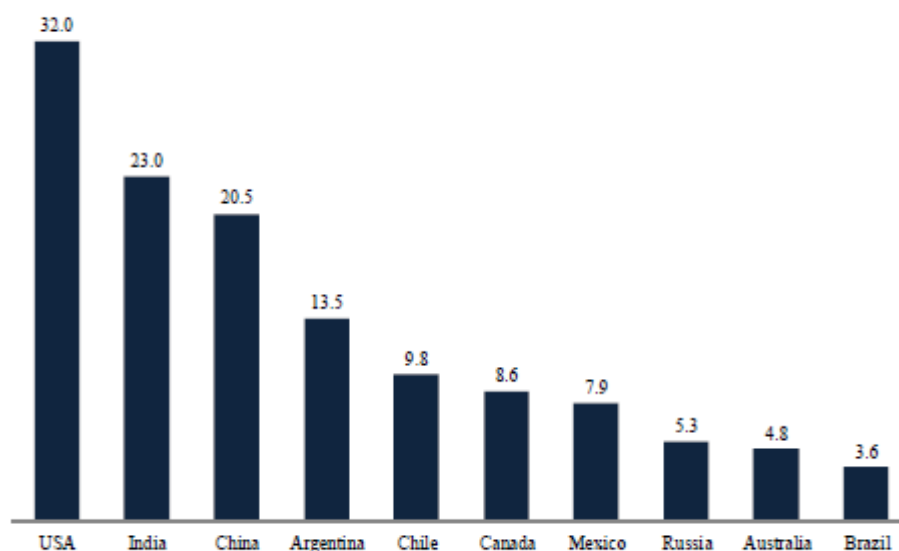
In 2015, railroad transportation accounted for approximately 21% of all freight transported in Brazil, according to the CNT. Additionally, the Brazilian railroad network has an extremely low density when compared to the networks of other countries.

The chart below shows the proportion of freight transported by each of the transport modalities in Brazil:



Source: CNT

The table below shows the density of the Brazilian railroad network in comparison to the railroad networks of other major economies (in kilometers of infrastructure per 1,000 square kilometers of land area):



Source: ANTT

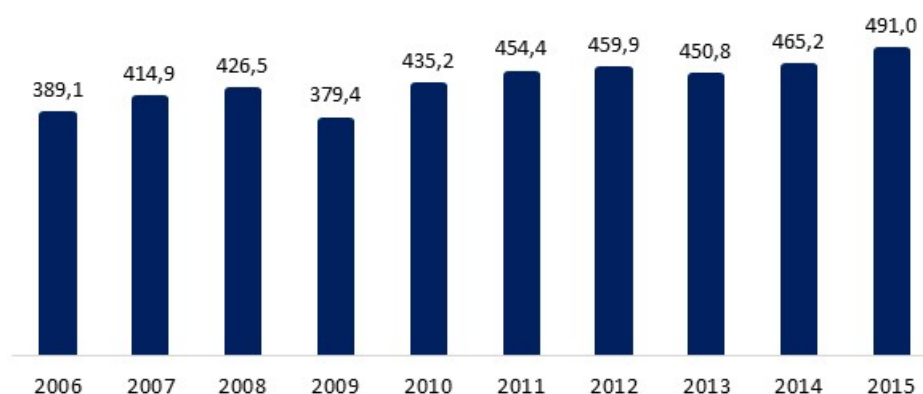
According to the ANTT, the Brazilian railroad system as of 2015 is 29,291 kilometers in length, spread along 16 railroad networks (when also taking into account railroads for urban or metropolitan transport, tourist trains and trains used for cultural activities, the total length is 30,402 kilometers according to the ANTT). Of these, 12 railroad networks comprise the principal parts of the national railroad system, given that the North-South Railroad (*Ferrovias Norte-Sul*) central span (comprising both a northern and southern section) is not effectively operational and the Trombetas, Jari and Amapá railways are isolated industrial tracks. These 12 railways networks together total 28,176 kilometers of railway lines serving the southern, southeastern, northeastern regions of Brazil and, to a lesser extent, the central-western and northern regions of the country.

The following map shows the Brazilian railroad system as of December 31, 2015.



Source: ANTT and CNT

With higher investments made throughout the years, the volume transported by railroad increased 19.6% in useful tons, or TU, between 2006 and 2014. In 2014, 465.2 million tons of freight were transported by railroads, while in 2006 the figure was 389.1 million. The chart below shows the evolution of freight transported by the Brazilian railroad system in millions of TUs from 2006 to 2015:



Source: ANTT

The main concession holders in Brazil's railroad system are:

- *Rumo*: We are the largest company in the sector in Brazil, operating approximately 12,000 kilometers of railways;
- *Valor da Logística Integrada S.A., or VLI*– controlled by Vale, Mitsui, FI-FGTS and Brookfield, which has the following concessions:
 - *Ferrovia Centro Atlântica (FCA)* – operates 7,041 kilometers of railways in the southeastern of Brazil, Goiás and Bahia;
 - *Estrada de Ferro Carajás (EFC)* – operates 997 kilometers in the states of Pará and Maranhão;
 - *Estrada de Ferro Vitória a Minas (EFVM)* – operates 888 kilometers in the states of Minas Gerais and Espírito Santo; and
 - *Ferrovia Norte-Sul (FNS)* – operates 745 kilometers in the states of Maranhão, Tocantins and Goiás;
- *Ferrovia Transnordestina Logística (FTL)* – operates 4,277 kilometers in the northeast of Brazil;
- *MRS Logística (MRS)* – owned by Vale and CSN, operates 1,799 kilometers of railways in the states of São Paulo, Rio de Janeiro and Minas Gerais;
- *Ferrovia Tereza Cristina S.A. (FTC)* – operates 163 kilometers in the state of Santa Catarina, mainly transporting coal to Imbituba.

The following table shows the main products transported for export for each of the aforementioned concession holders:

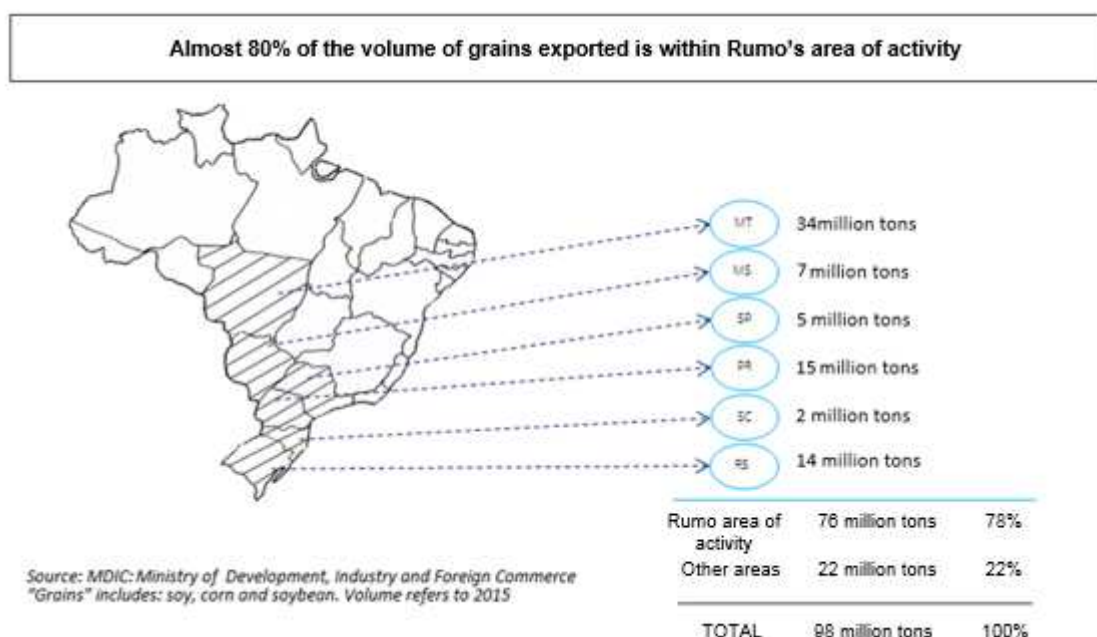
Concession Holders	Main Export Products
Rumo	Grains - Corn, Soybean, Soybean Meal, Pulp, Iron Ore, Steel Products, Pig Iron, Sugar, Diesel Fuel, Gas and Empty 40-Foot Container
VLI	Iron Ore, Manganese, Pig Iron, Fuel and Derivatives, Mineral Coal, Steel Products, Coke, Soy, Corn Grains, Sugar, Soybean Meal, Pulp and Diesel Fuel

Concession Holders	Main Export Products
FTC.....	Mineral Coal, Full 20-Foot Container, Empty 20-Foot Container and Empty 40-Foot Container
MRS.....	Iron Ore, Sugar, Bulk Cement and Steel Products
FTL.....	Diesel Fuel, Conditioned Cement, Gas, Steel Products and Iron Ore

In Brazil, railways are used mainly to transport iron ore and agricultural commodities. According to the ANTT, between 2011 and 2014, iron ore represented 76% of the cargo transported by railways which explains why most of the network railway is controlled by mining companies, such as Vale and CSN.

We believe that we are the largest independent railway operator in Brazil and Latin America, with a rail network that extends over an area that accounts for approximately 80% of the grain produced for export in Brazil. Our strong presence in this segment is due to the fact that (1) our four railway concessions (with a total length of approximately 12,000 kilometers) are located in the Southern, Southeastern and Center-West of Brazil and extend over the majority of the country's grain-producing areas, and (2) our concessions are connected to the main ports in Brazil (Santos in the state of São Paulo, Paranaguá in the state of Paraná, São Francisco do Sul in the state of Santa Catarina and Rio Grande in the state of Rio Grande do Sul), through which the majority of Brazilian agricultural commodities exported pass.

The following map shows the extent of our service area and its coverage of Brazil's key grain-producing regions:

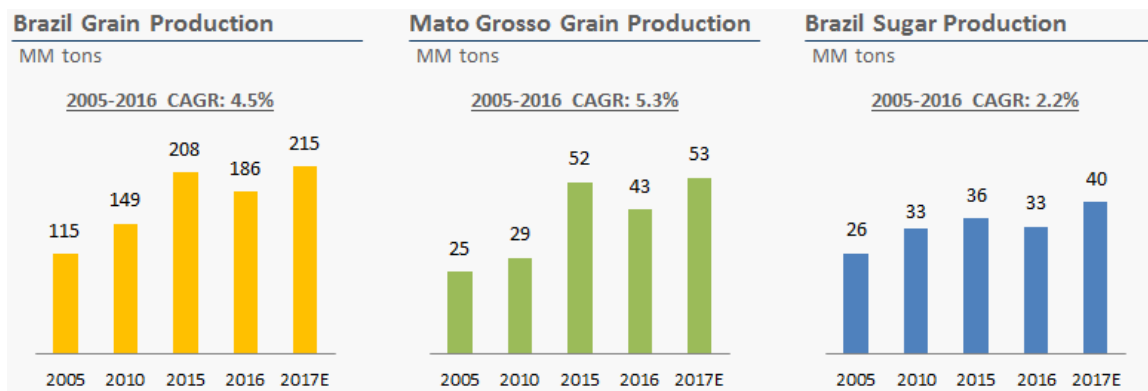


We believe that there is still significant potential to increase the transportation of agricultural commodities by rail. In particular, we believe that greater investment in equipment, with expected impacts on capacity, speed and efficiency (principally in relation to fuel consumption) and also greater investments in rail tracks will make the companies active in this sector more competitive, which we believe should lead to an increase in demand for rail transport.

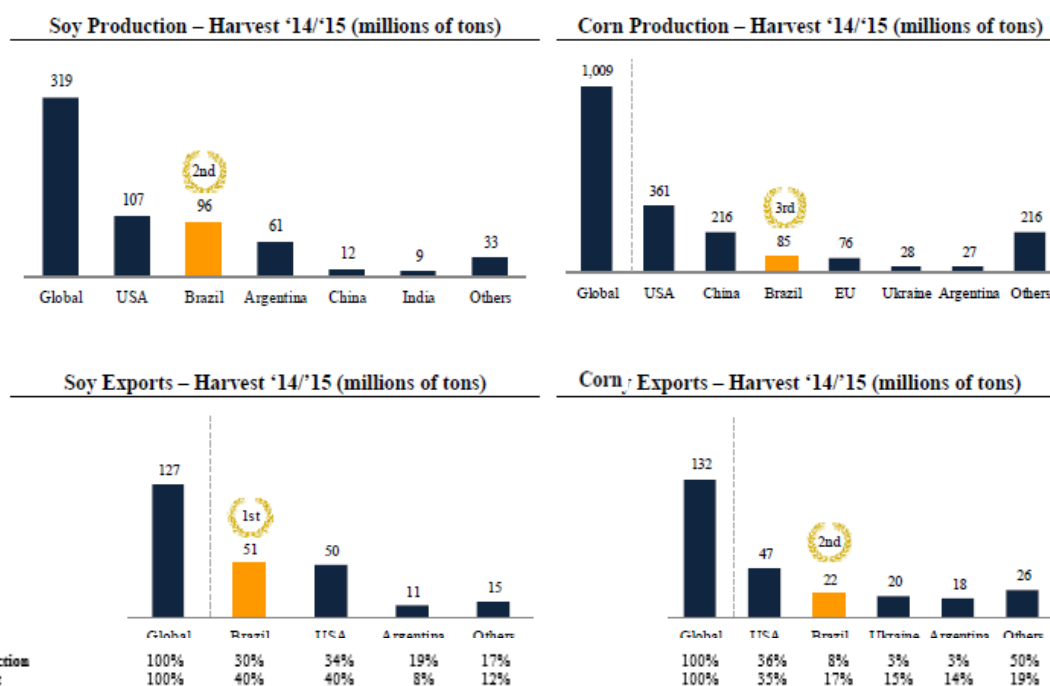
Overview of Agricultural Commodities in Brazil

In the past 20 years, Brazil has become one of the leaders in the agricultural sector as a result of the quality and availability of its land, appropriate climate and significant investments in technology in the sector. These factors, in addition to low production costs, high water availability, specialized manpower and an established regulatory regime led to a threefold increase in production during such periods.

The production of grains has grown significantly between 2010 and 2016, with an annual average growth of approximately 4.5% during this period, according to Conab, as illustrated by the following charts:

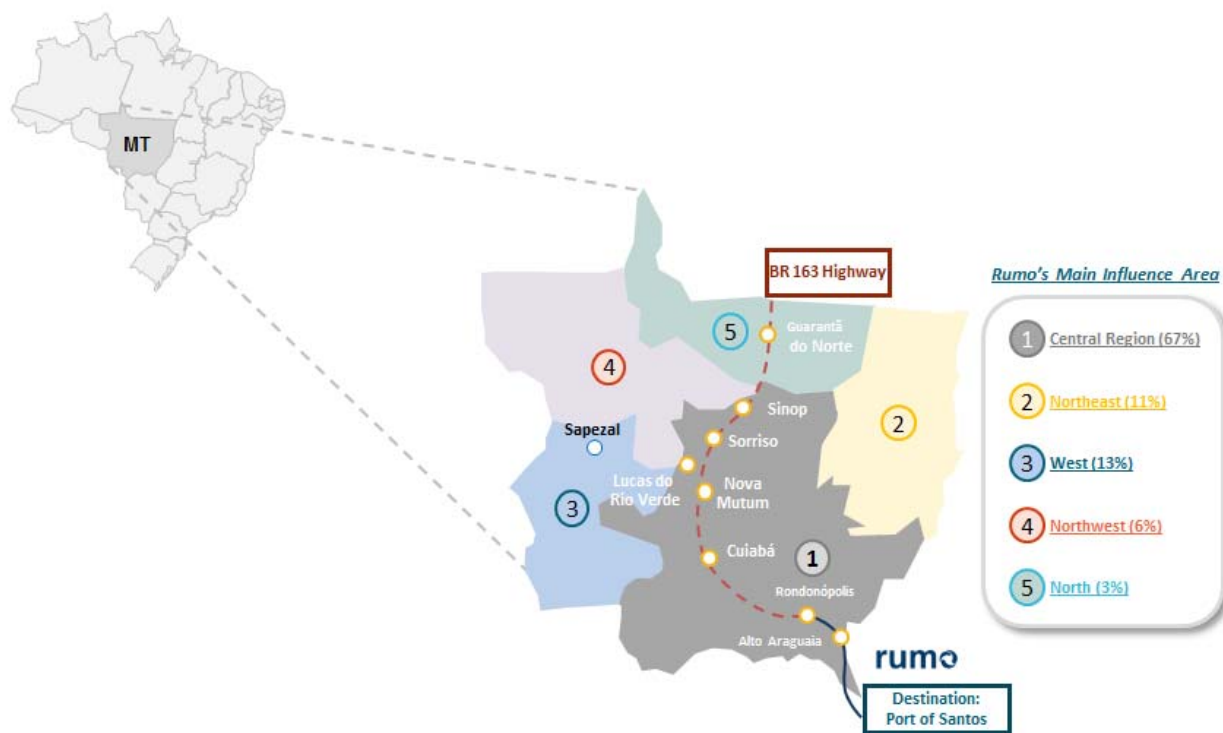


According to the USDA, in 2014 Brazil was one of the main global producers and was ranked the second exporter of agricultural products in terms of value, with a total exports value of U.S.\$97 billion, behind only the U.S. which exported U.S.\$152 billion. Specifically, in relation to grains, Brazil was ranked second in terms of soybeans produced and first in terms of soybeans exported (having produced approximately 40% of soybean exports) and ranked third in terms of corn produced and second in terms of corn exported (having produced approximately 17% of corn exports), as shown in the tables below.



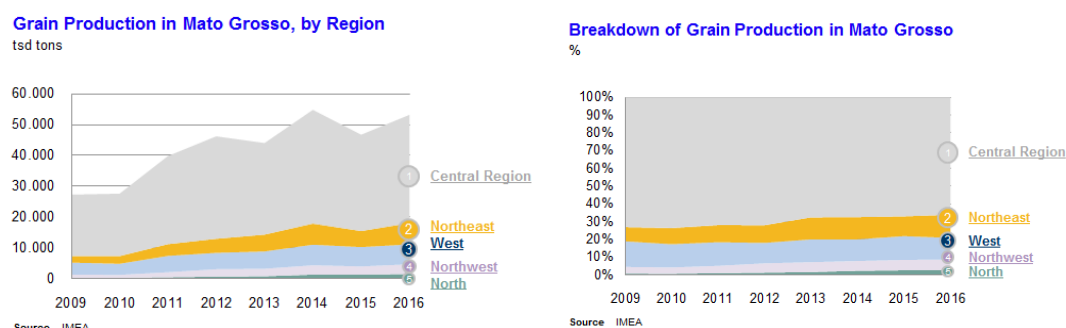
In Brazil, one of the most prominent states regarding the grain production is the State of Mato Grosso. From 2009 to 2014, while Brazil's soy and corn production increased by approximately 9% per year, Mato Grosso's soy and corn production increased by approximately 12% per year. Mato Grosso's outperformance was driven mainly by the growth in the state's corn production (approximately 21% per year).

The chart below shows the geographical distribution of grain production within Mato Grosso:

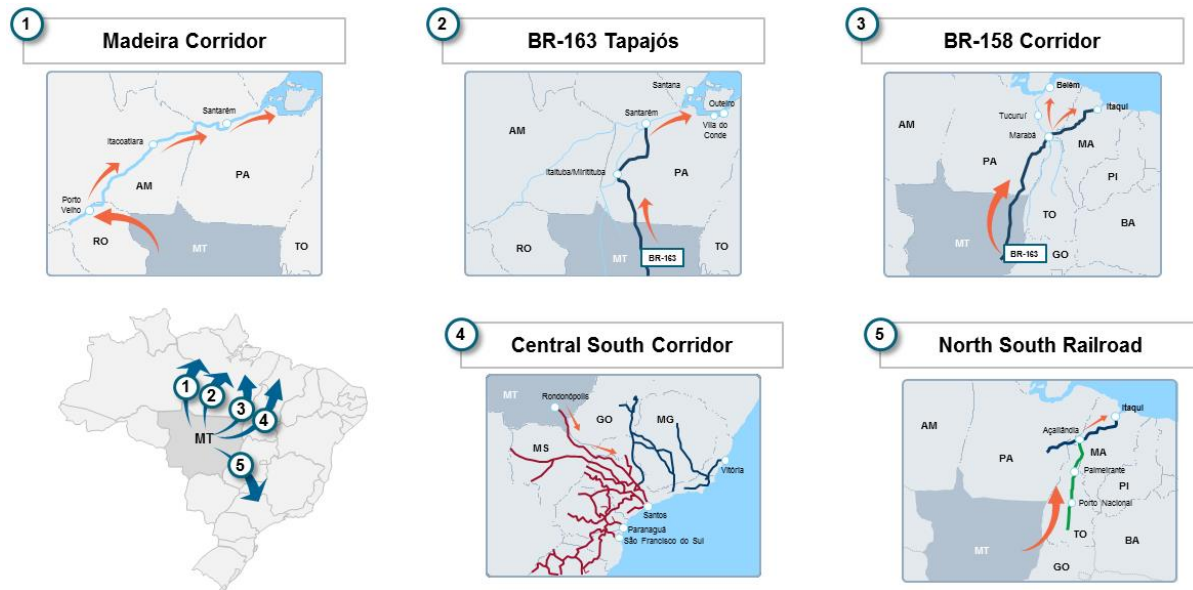


Within the State of Mato Grosso, a significant portion of grain production comes from the Central region, where the cities of Sorriso, Sinop, Rondonópolis, Lucas do Rio Verde, and Nova Mutum are located. Currently, part of the soy and corn volumes handled by Rumo at its transshipment terminal in Rondonópolis comes from this region by truck, covering a distance of approximately 450km (in the case of Nova Mutum) or 740km (in the case of Sinop). Yet, other production areas within the state, such as the northern region, have experienced a notable growth over the last years driven by continuous logistics developments that allow grain exports to have access the terminal ports located in the North of Brazil.

The charts below present the geographical distribution and overall breakdown of grain production within the State of Mato Grosso:

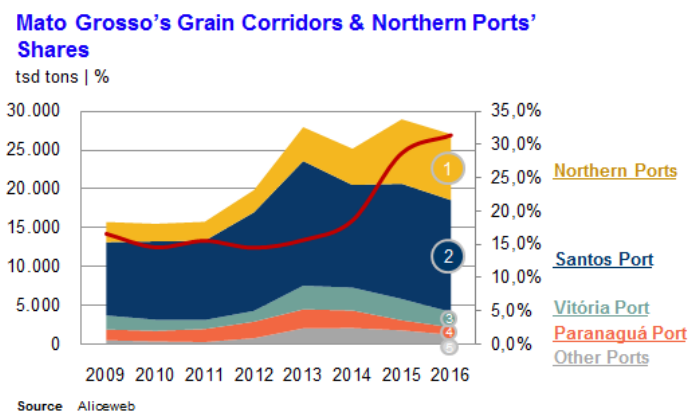


The export of Mato Grosso's grain (soybean, soymeal and corn) production relies on five main routes, four of which focus on channeling grains through ports in the north of Brazil. Combined, these four routes—namely (1) Madeira corridor, (2) BR-163 / Tapajós corridor, (3) BR-158 corridor, and (4) North-South railroad corridor—handle approximately 31% of the state's exports (approximately 8.5Mt). The remaining 69% of exports (approximately 18Mt) flow through the Central South corridor, which connects Mato Grosso to Rumo's addressable market (São Francisco do Sul, Paranaguá, Santos port) and Vitória port (FCA railroad), as illustrated below:



It is expected that grain production in Mato Grosso will grow at a fast pace over the coming years, increasing the volumes handled by the main export terminals in Brazil. Although large trading companies such as Cargill, Dreyfus, Caramuru, ADM, Bunge, and Amaggi manage port terminals at the ports in the Central South corridor, the capacity constraint at these ports make it unattractive for certain exporters in Mato Grosso. While there are projects to expand the capacity of these port terminals, mainly at Santos, this will probably not be sufficient to absorb 100% of the expected additional demand.

As an alternative, port terminals in the North of Brazil (i.e. Manaus, Barcarena, São Luís, etc.) have been used as gateways to access international markets. The increasing importance of these ports can be partially attributed to ongoing infrastructure improvements coupled with investments in multimodal transportation that mitigated infrastructure bottlenecks and eased the access to Northern export hubs. The chart below sets forth the export trend evolution:



We believe that Brazil is well positioned to become even more relevant in serving the growing global demand for food expected for the next years. We further believe that Brazil is one of the countries with the most potential to grow in this sector, given its substantial territory available for cultivation and new agricultural frontiers, in addition to favorable climatic conditions and new investments in infrastructure. As Brazil expands its agricultural production, we believe its importance in the world food market will also grow.

BUSINESS

Overview

We believe that Rumo, the predecessor of which (Rumo Logística) completed the ALL Acquisition in April 2015, is Brazil's largest railroad-based logistics operator in terms of total volume transported, providing rail transport logistics, port handling and warehousing services. We operate in the states of Mato Grosso and São Paulo as well as the southern region of Brazil. According to MDIC and IBGE data, our rail network extends over an area that accounts for approximately 80% of Brazil's GDP, where four of the most active ports in the country are located and through which most of Brazil's grain production is exported.

We own and operate a large asset base, including a rail network consisting of four concessions that extend over approximately 12,000 kilometers of railway lines, over 1,000 locomotives, over 30,000 rail cars, as well as distribution centers and warehousing facilities. We provide efficient and complete logistics services to our clients through our operation of 12 transshipment terminals, either directly or through partnerships, which have a static storage capacity of approximately 900,000 tons, and where we store grains, sugar and other commodities. At our most important terminal, the logistics complex of Rondonópolis (in the state of Mato Grosso), we have the capability to load over 1 million tons of grains per month. Moreover, we control two port terminals in Santos in the state of São Paulo, and hold equity interests in four other port terminals, three of which are in the port of Santos in the state of São Paulo and one in the state of Paraná, with a static storage capacity of approximately 1.3 million tons and a total loading capacity of approximately 29 million tons per year. The real estate we lease in connection with our concessions contains areas available for construction and development of warehouses and logistics terminals, which makes it possible for us to expand our operations and improve our logistics and other services. For example, the Grain Terminal of Guarujá (TGG) in the port terminal in Santos, in which we currently have a 10% equity interest, is a significant port project that has been constructed and has the capacity to handle approximately 8 million tons of grain per year.

The transportation of agricultural commodities, primarily for export, represented approximately 82%, 80% and 76% of our transported volume in the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015 and 2014, respectively, while transportation of industrial products represented approximately 18%, 20% and 24% of our transported volume in the same periods, respectively. In the nine-month period ended September 30, 2016 and in the fiscal years ended December 31, 2015 and 2014, approximately 70%, 68% and 62%, respectively, of our transported volume derived from the transportation of grains.

We believe that our asset base allows us to provide transportation services to various customers, mainly for agricultural commodities, which has made us one of the primary agricultural logistics service providers in the Brazilian agricultural industry. We believe that the services we provide are important to the development and growth of the country, as Brazil is one of the main producers and exporters of agricultural products in the world.

We also provide intermodal transportation logistics services, which is the movement of freight via container using two or more modes of transportation (generally rail and truck). We believe that these methods of transportation reduce the costs of cargo handling, because containers are typically consolidated from trucks onto trains or ships that can carry mass loads, allowing for fuel efficiency.

Competitive Strengths

We believe that, as a large-scale logistics provider with well-established integrated operations, we provide our customers with an efficient operation at attractive costs, as well as access to Brazil's main export hubs, such as the ports of Santos (in the state of São Paulo) and Paranaguá (in the state of Paraná), and that we are able to capitalize on favorable trends, particularly in light of the following competitive strengths:

Asset Base – Rail Network in Strategic Locations

We operate in three of the main export corridors for agricultural commodities in Brazil, which connect (1) our terminal in Rondonópolis in the state of Mato Grosso to the port of Santos in the state of São Paulo, (2) the terminals of Londrina and Maringá in the state of Paraná to the port of Paranaguá also in the state of Paraná, and (3) our terminal in Cruz Alta to the port of Rio Grande, both in the state of Rio Grande do Sul. The ports connecting these corridors to our inland terminals are the main ports responsible for 72% of Brazilian grain exports and 91% of Brazilian sugar exports in 2015, according to the MDIC. The states in which our rail network is located were

responsible for 72% of Brazil's grain production (including soybean and corn) in 2015, according to Conab, and account for approximately 80% of Brazil's GDP.

Our railway network connects the ports of Santos in the state of São Paulo, Paranaguá in the state of Paraná, São Francisco do Sul in the state of Santa Catarina, and Rio Grande in the state of Rio Grande do Sul. These ports are among the most important in Brazil and account for a significant amount of container activity, according to MDIC.

We believe that the expansiveness, reach and importance of our assets are significant competitive advantages as they provide our customers with convenience, reach and access, as well as the ability to transport required volumes at lower costs.

Growth Potential in Volumes and Efficiency of Operations

Our investment plan seeks to significantly increase the market share of our freight transportation services in the market sectors in which we operate. We believe that as we invest in our rail network and rolling stock our competitive advantages become even more relevant, mainly in terms of cost and efficiency, especially for bulk freight traveling medium to long distances. This, coupled with the flexibility of our intermodal services, should attract more business from clients in Brazil for whom performing such services is currently not cost effective.

Strong Client Base

We believe that we maintain long-term relationships with our clients, which include: grain traders such as Bunge, Cargill, ADM and Amaggi; petroleum companies such as Petrobras, Raízen and Ipiranga; and industrial companies such as Votorantim, Eldorado, and Camargo Corrêa. We have developed favorable relationships with these clients in recent years by improving the reliability of our services. We believe that we have developed a reputation for efficient and strategic rail transport capabilities and an ability to work closely with clients to develop customized, highly specific logistics services to meet their unique transportation needs. For example, Terminal XXXIX was developed through a partnership between Malha Norte and its client Caramuru Alimentos, which resulted in the incorporation of a special purpose entity to build a port terminal on the right-bank of the port of Santos, located in the state of São Paulo. This terminal was established in 2001 and has been used for the transportation of bulk grains since then.

Strategy

We intend to expand our activities in the Brazilian logistics market in terms of volume transported by focusing on our primary business strategies:

Growth Where We Have a Distinct Competitive Advantage

Our transformation into a full service logistics company with the ability to provide formerly unavailable rail and intermodal services at a low cost to our clients is the cornerstone of our growth strategy. We plan to increase our transportation volumes and market share by providing service on routes where we have a clear competitive and/or economic advantage over alternative modes of transportation, usually trucking. We believe that our rail network in Brazil provides us a platform from which we can transport freight from point-to-point in a cost-effective manner. We further believe that the strategically located networks that comprise our rail network give us a sustainable competitive advantage to attract traditional rail clients, as well as the opportunity to improve our market share in the transport of industrial products through a combination of rail transport of freight over medium and long distances at low cost with the flexibility provided by truck transfers and connections. We intend to target the following markets:

- *Traditional rail clients, for whom our transportation services are the best alternative.* Traditional rail clients such as producers of agricultural commodities are typically those with heavy bulk shipments that are most efficiently transported by rail rather than in trucks along highways, but who may have used trucking as their primary mode of transportation in the past because of the limited availability of rail service in our markets; and
- *Industrial products clients, for whom intermodal services represent a more efficient mode of transportation than trucking alone.* We believe that we have the capacity to increase our participation in industries we already serve, such as steel products, fuel, and pulp and paper industries, as well as to enter into new

markets. There are several industries that represent significant volume in Brazil's freight transportation industry and in which our market share is negligible, such as automotive and auto parts, refrigerated cargo, less-than-truckload, freight and others. According to Brazilian Ministry of Transport and EDLP, these industries are served mostly by trucks in Brazil, whereas in the United States they are primarily serviced by rail and intermodal services, which are generally of greater efficiency.

Investments Focused on Cost Controls

In 2015, we invested R\$1,405.5 million in the following capital expenditures: (1) investments in the rail network operated by us; (2) several initiatives implemented during the year to improve our permanent railways, such as overhauling 216 km of tracks; (3) purchase of 732 railcars and 43 new locomotives, as well as renovation of our current fleet, and (4) other initiatives.

In the nine-month period ended September 30, 2016, we invested a further R\$1,264.9 million in the aforementioned initiatives including overhauling 254 km of tracks, purchasing of 730 railcars and 52 new locomotives.

Our strategy is focused on investments in the renovation of assets, in particular our locomotives and railcar fleet, through the purchase of new rolling stock to replace assets in poor condition of use. The purpose of our investment in rail tracks is to reduce our operating costs and maximize our transported volume.

Maximize Asset Utilization and the Resulting Return on Invested Capital

In light of the asset-intensive nature of our business, high asset utilization is of paramount importance. The current levels of equipment downtime in our operations are not material in terms of availability of freight transport capacity. We intend to further minimize equipment downtime by:

- maximizing utilization of the equipment we own through the adoption of various asset utilization programs that monitor equipment location and transit timing within our rail network, as well as investing in new equipment to replace assets in poor condition in order to eliminate existing bottlenecks and increase average speed;
- entering into long-term contracts with our principal customers, thereby enabling us to provide for better adequacy and predictability of our capabilities; and
- tailoring acquisitions of new equipment to demand, through ongoing analysis of fleet levels versus requirements.

As a result of our ongoing efforts to improve asset utilization during 2015, we achieved reductions in transit time along some of our major routes: transit time between our transshipment terminal in Rondonópolis (state of Mato Grosso) and the port of Santos (in the state of São Paulo) has been reduced by 7%.

Investment in our Equipment and Network

Our rail concessions connect Brazil's traditional agricultural and industrial production hubs to its main ports. We believe that these concessions form a strong platform from which to leverage on the opportunities presented by Brazil's logistics industry. According to data from the National Transport Confederation, or CNT, rail accounted for less than 21% of Brazil's transportation system in 2015, but has the potential to increase the competitiveness of Brazilian businesses by providing an alternative to road transport as a means of shipping agricultural products. We believe we are well positioned to capture a significant share of the increase in the rail and intermodal transportation modes in the Brazilian logistics matrix.

In this context, we intend to significantly increase our rail transportation capacity over the next ten years. To achieve this goal, we plan to invest in the following areas by 2019:

- improving our network by:

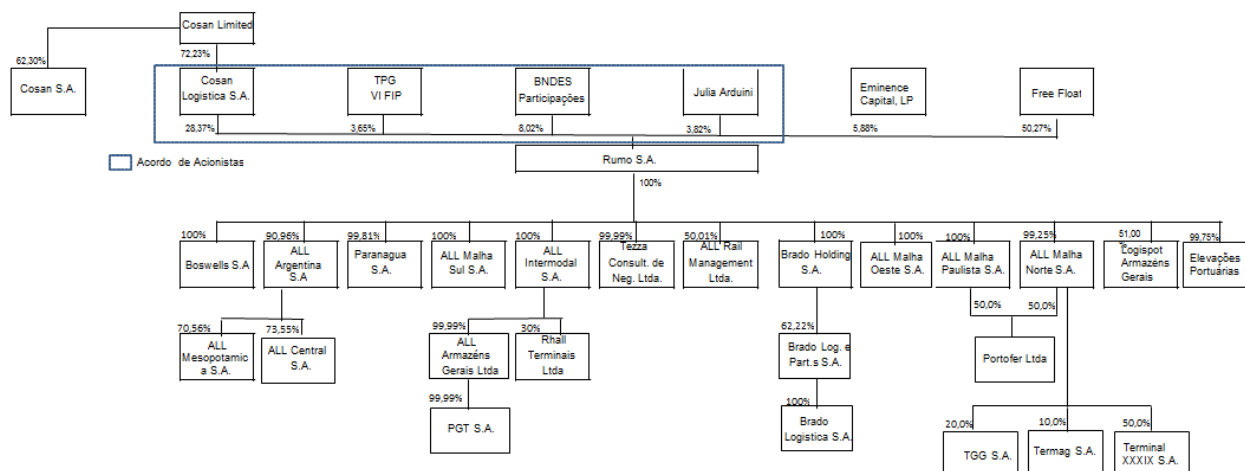
- improving access to strategic ports such as Paranaguá (in the state of Paraná), Santos (in the state of São Paulo), São Francisco do Sul (in the state of Santa Catarina) and Rio Grande (in the state of Rio Grande do Sul);
- increasing the capacity of our transshipment terminal in Rondonópolis; and
- regeneration of restricted sections, extension of rail yards and construction of new rail yards.
- replacement and renovation of our locomotives and freight cars, including the expansion of our fleet of 100-ton freight cars, in order to increase shipment capacity.

These investments are subject to the early renewal of certain of our concessions. For additional information see “—Recent Developments—Requests for Renewal of Certain Concessions” and “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may not obtain early renewals of the Malha Paulista and Malha Sul concession agreements, currently under review by the ANTT, which may have a material adverse effect on our investment plan and growth strategy.”

We intend to fund these investments through various sources including, but not limited to, BNDES credit facilities, capital markets and bilateral transactions. For further information, see “Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our significant debt could adversely affect our financial health and prevent us from fulfilling our debt obligations, which would reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes.”

Corporate Structure

The chart below sets forth a summary of our corporate structure as of the date of this offering memorandum:



A list of our direct and indirect subsidiaries is included in note 2.2 to our unaudited interim financial statements as of September 30, 2016.

History

Rumo

We resulted from Rumo Logística’s (our predecessor entity) acquisition of ALL in 2015. Our history dates back to December 13, 1993, when São Francisco Operadora Portuária de Granéis Ltda. was incorporated. São Francisco Operadora Portuária de Granéis Ltda. was subsequently granted a concession to operate the port terminal of Indústria Açucareira São Francisco S.A. and Santa Bárbara Agrícola S.A. On February 22, 1999, São Francisco Operadora Portuária de Granéis Ltda. became a corporation (*sociedade anônima*) and changed its name to São Francisco Operadora Portuária de Granéis S.A. On April 6, 1999, Indústria Açucareira São Francisco S.A. and Cia. Agrícola Queluz transferred 5,000 ordinary shares and 5,000 preferred shares of São Francisco Operadora Portuária de Granéis S.A. (equivalent to 10% of its outstanding shares) to Tate & Lyle Investments Limited. On March 28,

1999, São Francisco Operadora Portuária de Granéis S.A. changed its name to Cosan Operadora Portuária S.A., or Cosan Portuária, and, on April 30, 2004, Cosan S.A. acquired control of Rumo.

In 2008, Cosan and Rezende Barbosa S.A. Administração e Participações, or RB, entered into a memorandum of understanding through which they created Novo Rumo Logística S.A. and Rumo Logística S.A., or Rumo Logística, which became controlling shareholders of Cosan Portuária. On the same date, Cosan and RB entered into an agreement pursuant to which Cosan S.A. acquired 49% of Teaçú Armazéns Gerais S.A., or Teaçú, which owned a port terminal for the export of sugar in Santos and was owned by RB. This transaction was completed in April 2009.

In 2010, Novo Rumo Logística S.A., then controlled by Cosan, entered into an investment agreement with TPG VI Fundo de Investimentos e Participações, a fund associated with TPG Capital, a global private equity firm, and GIF Rumo Fundo de Investimentos em Participações, a fund associated with Gávea Investimentos, a Brazilian private equity firm, to fund a capital increase in Rumo Logística in the aggregate amount of R\$400 million. Following the capital contribution, Novo Rumo Logística S.A. held 75% of Rumo Logística's capital, TPG VI Fundo de Investimentos e Participações held 12.5% and GIF Rumo Fundo de Investimentos em Participações held 12.5%.

In June 2011, Cosan Portuária merged with its controlling shareholder Rumo Logística and became majority owned by Novo Rumo Logística S.A. (at 75%), GIF Rumo Fundo de Investimentos em Participações (at 12.5%), and TPG VI Fundo de Investimentos e Participações (at 12.5%). Upon the completion of this merger, Cosan Portuária became the owner of 51% of the shares of Logisport Armazéns Gerais S.A., which had previously been owned by Rumo Logística, a company which operates a multimodal terminal in Sumaré, in the state of São Paulo.

On November 1, 2011, Teaçú was merged into Cosan Portuária, unifying into a single company the operations of the two port terminals located in Santos in the state of São Paulo. On April 12, 2012, Cosan Portuária changed its name to Rumo Logística Operadora Multimodal S.A. On February 28, 2013, Nova Rumo Logística S.A. fully subscribed for 939,752,176 shares in Cosan Infraestrutura S.A., or Cosan Infraestrutura, in exchange for the transfer of 769,866,160 shares in the capital of Rumo to Cosan Infraestrutura. As a result, Cosan Infraestrutura became the direct controlling shareholder of Rumo. Novo Rumo Logística S.A. continued to own 100% of the shares of Cosan Infraestrutura following this transaction.

On August 5, 2013, Cosan Infraestrutura and Rumo incorporated two new entities: Rumo Um S.A. and Rumo Dois S.A., with a share capital of R\$5,000 each. Of the 5,000 common shares issued by each entity, Rumo subscribed for 4,999 shares while Cosan Infraestrutura subscribed for one share in each entity. Accordingly, Rumo became the owner of 99% of the share capital of each of Rumo Um S.A. and Rumo Dois S.A.

On February 24, 2014, Rumo presented a proposal for the acquisition of ALL, with the aim of capturing synergies and optimizing the utilization of rail and port assets of both companies. The proposal was approved at a meeting of Rumo's shareholders held on May 8, 2014, subject to certain conditions precedent, including, among others: (1) the listing of Rumo's common shares on the *Novo Mercado* segment of the BM&FBOVESPA; (2) the receipt of regulatory approvals from the Brazilian antitrust authority, or CADE, ANTT and the National Waterway Transportation Agency (*Agência Nacional de Transportes Aquaviários*—ANTAQ); and (3) the receipt of all necessary corporate and third-party approvals.

On October 1, 2014, with the spin-off of a portion of Cosan S.A. and the merger of the spun-off portion into Cosan Logística S.A., the shares of Cosan Logística S.A. owned by Cosan S.A. were canceled and Cosan Logística S.A. issued new shares to the shareholders of Cosan S.A. As a result, Cosan Limited became the direct controlling shareholder of Cosan Logística S.A. and, accordingly, the indirect controlling shareholder of Rumo. Subsequently, the shares in Rumo Um S.A. were transferred by Rumo to Cosan S.A. Indústria e Comércio for R\$5,000 and the shares in Rumo Dois S.A. were transferred by Rumo to Distribuidora de Gás S.A. for R\$5,000. As a result, Rumo Um S.A. came under the control of Cosan S.A. Indústria e Comércio and Rumo Dois S.A. came under the control of Distribuidora de Gás S.A.

Following receipt of the approvals from the ANTT (November 5, 2014), CADE (February 11, 2015) and ANTAQ (March 19, 2015), board meetings were held on March 23, 2015 at both Rumo and ALL which, among other things, approved the stock exchange ratio between Rumo and ALL shares (taking into account the dividends distributed by each of Rumo and ALL), corresponding to 2.879303067 common shares of Rumo for each common share of ALL. Subsequently, on April 1, 2015, we completed our acquisition of ALL pursuant to a stock exchange

based on a reference valuation of Rumo of R\$7.0 billion (corresponding to a price of R\$10.18 per share of our common equity) and a reference valuation of ALL of R\$4.0 billion (implying a price of R\$3.90 per share of ALL's common equity). As of April 1, 2015, trading of our shares (listed under the ticker symbol "RUMO3") on BM&FBOVESPA reflected the completion of the ALL acquisition. In connection with the acquisition process, ALL's shares (formerly under the ticker symbol "ALLL3") were delisted from BM&FBOVESPA as of March 31, 2015. CADE's approval took the form of a Concentration Control Agreement (*Acordo de Controle de Concentração*), entered into with the purpose of preserving the equal treatment of competitors with respect to the offering, contracting and provision of railroad transportation services and other vertically related activities affected by the merger of Rumo Logística and ALL.

We believe that the integration of ALL into Rumo's overall logistics infrastructure will further serve the interconnection between ALL's clients' main export hubs (particularly the port of Santos, in the state of São Paulo) and the point of origination for their goods and products.

On April 13, 2016, we completed a capital increase in an amount of R\$2,534.3 million through a public offering of our common shares to investors in Brazil and abroad. We used the net proceeds from the offering to strengthen our working capital and make investments.

On June 28, 2016, we extended the maturities of a portion of our indebtedness (which originally matured in 2016, 2017 and 2018) totaling R\$2,925.6 million. The process was concluded using proceeds from a public offerings of debentures amounting to R\$2,840.0 million and the execution of amendments to export credit notes with Banco do Brasil in an aggregate principal amount of R\$550.0 million. The debentures and credit notes now mature in 2023. The indebtedness rescheduling, along with the capital increase of R\$2,534.3 million concluded on April 7, 2016, is in line with our financial restructuring plan the aim of which is to ensure greater liquidity for our short-term commitments.

In the fourth quarter of 2016, we undertook a corporate reorganization by which (1) on October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. and, subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística, (2) we performed a capital increase at Malha Norte through a contribution of certain assets (wagons and locomotives) formerly held by Rumo Logística, and (3) we performed a capital increase in a wholly-owned newly-established subsidiary of Rumo, Elevações Portuárias, through a contribution of port assets and debts formerly held by Rumo Logística, including 95 AC44i locomotives and 1,595 Hooper wagons, with a book value of R\$895.7 million. The reorganization was an internal corporate reorganization and did not affect Rumo on a consolidated basis.

ALL

ALL began operations in 1997, upon being granted the Brazilian southern rail network concession by the Brazilian government in connection with the privatization of federal railroads. ALL was granted the exclusive right to exploit and operate the Brazilian southern rail network until 2027, renewable for 30 additional years by mutual agreement with the Brazilian government. ALL's rail network has expanded with the addition of three rail lines. In 1997, ALL succeeded to the operations of the southern part of the São Paulo rail network belonging to Ferrovia Bandeirantes S.A. (Ferroban), in connection with the privatization of that network. In 1998, ALL began to operate the southern portion of the São Paulo rail network belonging to Ferroban (and the assets and obligations relating to such portion of the São Paulo rail network were acquired by ALL in December 2000).

In 1999, ALL acquired from some of its shareholders the rights over two major rail networks in Argentina, which included the Buenos Aires Al Pacifico San Martin rail network and Ferrocarril Mesopotámico General Urquiza rail network. In July 2001, ALL acquired the right to operate the assets of Delara. Delara, one of the largest Brazilian trucking companies with operations in Brazil and Argentina, expanded its focus from being primarily a rail operation to establishing a solid platform from which to offer integrated logistics services to large and medium-sized clients. This expansion accelerated ALL's transformation into a full-service logistics operator by adding services such as warehouse management, dedicated fleet operations, extensive trucking capabilities and local pick-up and delivery services.

In December 2001, because of instability in the political, social and economic environment of Argentina, ALL sold its political and economic rights in its Argentine subsidiary, ALL Argentina, to Logispar, a company controlled

by some of its then-principal shareholders. In December 2003, in response to the relative improvements in these conditions in Argentina, ALL indirectly reacquired such rights.

In June 2004, ALL completed its initial public offering on the BM&FBOVESPA. Cementing its commitment to ethics and transparency in its corporate governance practices, ALL joined the *Nível 2* listing segment on BM&FBOVESPA. In 2010, ALL migrated its shares to the *Novo Mercado* segment, BM&FBOVESPA's listing segment with the most stringent corporate governance standards.

In May 2006, ALL acquired Brasil Ferrovias (Ferrobán and Ferronorte) and Novoeste, railway operators in the states of Mato Grosso, Mato Grosso do Sul and São Paulo, for an estimated R\$3.0 billion. The acquisition expanded its operations in Brazil's leading industrial region and gave it access to the port of Santos, connecting one of the country's main agricultural commodity productive regions with its main export corridor.

In July 2009, construction of the Rondonópolis Project began. This project consists of a 260 kilometer extension of ALL's rail network from Alto Araguaia toward Brazil's agricultural frontier, as well as the construction of a transshipment terminal in Rondonópolis. In December 2009, ALL entered into an agreement with Rumo Logística to double the length of the Itirapina-Santos railway in the state of São Paulo in order to expand its haul capacity for sugar transportation. In December 2012, the Rondonópolis project was completed on schedule and on time, following investments of over R\$700 million since 2009. The project was an important milestone in terms of ALL's cash generation, since investments in railway operations will now fall to organic growth levels and the new extension is expected to make a substantial contribution to operating results.

In June 2013, FI-FGTS made a R\$400.0 million investment in order to acquire a 22.22% stake in the capital of Brado Logística. This investment resulted in a post-equity investment valuation of R\$1.8 billion.

On February 24, 2014, ALL received a binding proposal from Rumo for the two companies to combine their activities, culminating in the merger of ALL into Rumo as described above.

In the fourth quarter of 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. and, subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística. See "Summary—Recent Developments—Corporate Reorganization."

Brado Logística

In 2010, ALL formed Brado Logística in association with BRZ Investimentos, Deminvest Participações and Markinvest Gestão de Participações (the relevant equity interest has been transferred to and is currently being held by Dimitrios Markakis), in order to develop an intermodal containerized logistics business. In 2013, by means of a R\$400 million investment, FI-FGTS became a shareholder of Brado Logística. Brado Logística focuses on rail transportation, storage, operation of terminals and retro areas of ports, handling and other logistics services. Brado Logística intends to change the container logistics market in Brazil by consolidating cargo in intermodal terminals and shipping by railroad, through a cost-effective model. We currently own an indirect 61.71% stake in Brado Logística.

Corporate Reorganization

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

In addition, as part of the aforementioned corporate reorganization, we (1) performed a capital increase at Malha Norte through a contribution of certain assets (wagons and locomotives) formerly held by Rumo Logística, and (2) performed a capital increase in a wholly-owned newly-established subsidiary of Rumo, Elevações Portuárias, through a contribution of port assets and debts formerly held by Rumo Logística, including 95 AC44i locomotives and 1,595 Hooper wagons, with a book value of R\$895.7 million. The reorganization was an internal corporate reorganization and did not affect Rumo on a consolidated basis.

Operations

We organize our operations into three segments that correspond to the main markets in which we operate: (1) our north operations segment, or Northern Operations, comprising the Malha Norte and Malha Paulista rail concessions, our transshipment terminals located in the states of Mato Grosso and São Paulo, and our port operation in Santos, (2) our south operations business segment, or Southern Operations, comprising Malha Oeste and Malha Sul, as well as our transshipment terminals in the state of Paraná, and (3) our container operations business segment, or Container Operations, which comprise the operations of Brado Logística and other container operations.

Northern Operations

Our Northern Operations comprise the concessions held by our subsidiaries Malha Norte and Malha Paulista. Moreover, we have important transshipment terminals in the states of Mato Grosso and São Paulo, in addition to the T16 and T19 port terminals, which we fully own, and certain other terminals in which we hold equity interests together with strategic partners, namely Terminal XXXIX (49.6%), Terminal Marítimo do Guarujá S.A. – TERMAG (19.6%) and Terminal de Granéis do Guarujá S.A. – TGG (9.9%). Through our Northern Operations, we primarily transport agricultural commodities such as grains (soybean, soybean meal and corn), sugar, rice, wheat and fertilizers. We also transport industrial products such as fuels, paper and pulp. The network that comprises our Northern Operations extends over a large part of the agricultural production areas of Brazil located in the states of Mato Grosso and São Paulo, and is consequently our most important operation, accounting for approximately 67% and 64% of our rail transportation volume, respectively, in the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015.

In the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015, our Northern Operations generated net revenue from services of R\$2.9 billion and R\$2.9 billion, respectively, which accounted for 73.6% and 72.4%, respectively, of our total net revenue from services, and EBITDA of R\$1.6 billion and R\$1.5 billion, respectively. The income before financial results and income taxes of our Northern Operations was R\$1.2 billion in the nine-month period ended September 30, 2016 and R\$1.1 billion in the fiscal year ended December 31, 2015. In addition, our Northern Operations transported 22,119 million revenue ton kilometer, or RTK, in the nine-month period ended September 30, 2016, representing approximately 67% of the total volume transported by us in that period, and transported 28,666 million RTK in the fiscal year ended December 31, 2015, representing approximately 64% of the total volume transported by us in that year. In the nine-month period ended September 30, 2016, we increased port handling volumes by operations under our control at the port of Santos (Terminal 16 and Terminal 19) to approximately 10.5 million tons of agricultural commodities, 28.8% more than in the nine-month period ended September 30, 2015, primarily due to more favorable conditions for the sale and export of sugar, as well as an increase in grain handling. We believe our Northern Operations' main customers in the rail transportation segment are grain traders, including Bunge, Amaggi, Cargill, ADM and Louis Dreyfus, among others.

Southern Operations

Our Southern Operations comprise Malha Oeste and Malha Sul, whose railways encompass the states of Mato Grosso do Sul, Paraná, Santa Catarina and Rio Grande do Sul. In addition, we have important inland transshipment terminals in the states of Paraná and Rio Grande do Sul, and operate terminals at the ports of Paranaguá in the state of Paraná, São Francisco do Sul in the state of Santa Catarina and Rio Grande in the state of Rio Grande do Sul. Our Southern Operations primarily transport agricultural commodities such as grains (soybean, soybean meal and corn), sugar, rice, wheat and fertilizers, as well as certain industrial products such as fuels, and pulp and paper.

In the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015, our Southern Operations generated net revenue from services of R\$849.7 million and R\$888.5 million, respectively, which accounted for 21.2% and 22.0%, respectively, of our net total revenue from services, and EBITDA of R\$107.2 million and \$205.0 million, respectively. Our Southern Operations recorded a loss before financial results and income taxes of R\$74.9 million in the nine-month period ended September 30, 2016, primarily due to the shortfall in the second corn crop and the anticipation of soybean shipments in the first half of the year, and an income before financial results and income taxes of R\$55.3 million in the fiscal year ended December 31, 2015. In the nine-month period ended September 30, 2016, our Southern Operations transported 9,409 million RTK, representing 29% of the total volume transported by us in that period, and transported 14,072 million RTK in the fiscal year ended December 31, 2015, representing 31% of the total volume transported by us in that year. Our Southern Operations' main customers include Santa Terezinha and Bunge.

Container Operations

Our Container Operations comprise our container operations and the operations of Brado Logística, in which we own an indirect equity interest of 62.22%. Our Container Operations transport agricultural products, in addition to industrial products. In the nine-month period ended September 30, 2016 and in the fiscal year ended December 31, 2015, our Container Operations generated net revenue from services of R\$204.8 million and R\$224.3 million, respectively, accounting for 5.1% and 5.6%, respectively, of our total net revenue from services, and EBITDA of R\$(23.2) million and R\$(51.6) million, respectively, in each case resulting from decrease in transported volumes and higher costs and increased maintenance and personnel expenses. Our Container Operations recorded a loss before financial results and income taxes of R\$62.5 million in the nine-month period ended September 30, 2016, primarily due to the shortfall in the second corn crop, especially in the states of Paraná and Mato Grosso, in 2016, and R\$97.3 million in the fiscal year ended December 31, 2015. In addition, our Container Operations transported 1,282 million RTK in the nine-month period ended September 30, 2016, representing approximately 4% of the total volume transported by us in that period, and 2,172 million RTK in the fiscal year ended December 31, 2015, representing 5% of the total volume transported by us in that year.

Revenues by Segment

The table below shows our net revenue from services by segment as well as a percentage of total net revenue from services for the periods indicated:

	Nine-Month Period Ended September 30, 2016		Fiscal Year Ended December 31, 2015	
	(in R\$ millions, except percentages)			
Northern Operations	2,945.4	74%	2,925.1	72%
Southern Operations	849.7	21%	888.5	22%
Container Operations	204.8	5%	224.3	6%
Net revenue from services	3,999.9	100%	4,037.9	100%

Port Handling

We provide export logistics services from the countryside to the port and then to the market. Other companies that have port terminals capable of handling agricultural commodities, transport and storing capabilities generally operate almost exclusively with their own cargo.

Notably, in 2015 we loaded 60% of all of the sugar exported through the port of Santos, according to the Williams agency.

Fixed Assets

The following table shows our fixed assets (both equipment and port terminals) by location and type of ownership interest.

Description of Asset	Location		Ownership Type
	Country	Municipality /State	
Port Terminal	Brazil	Santos, São Paulo	Leasehold
Teaçu Port Terminal	Brazil	Santos, São Paulo	Leasehold
Sumaré Transshipment Terminal	Brazil	Sumaré, São Paulo	Owned
Itirapina Transshipment Terminal	Brazil	Itirapina, São Paulo	Owned
Jaú Transshipment Terminal	Brazil	Jaú, São Paulo	Rented
Rondonópolis Cargo Logistics Terminal	Brazil	Rondonópolis, Mato Grosso	Rented
3,456 railcars	Brazil	Various	Owned
10,441 railcars	Brazil	Various	Rented
17,875 railcars	Brazil	Various	Leasehold
155 locomotives	Brazil	Various	Owned
467 locomotives	Brazil	Various	Rented
443 locomotives	Brazil	Various	Leasehold

Suppliers

The relationships between us and our suppliers are not subject to governmental supervision or regulation, except for contractual relationships we maintain with suppliers of rail-related services that are subject to regulation by the ANTT. Furthermore, we seek to enter into medium- and long-term contracts with suppliers in order to ensure that the goods and services that we require are adequately available. We believe we currently have a close relationship with our suppliers, which we seek to foster in order to maintain lasting long-term relationships characterized by trust.

Major Clients

The agriculture commodities sector is responsible for the majority of the cargo we transport, and we have a concentration of major clients in certain business segments.

In the nine-month period ended September 30, 2016, Bunge accounted for 16.8% of our total net revenue from services, while our five major clients accounted for 44.0% of our total net revenue from services. In 2015, Bunge accounted for 16.3% of our total net revenue from services, while our five major clients jointly accounted for 41.2% of our total net revenue from services. Bunge is the principal customer of our Northern Operations and Southern Operations and is active in agricultural commodities, especially corn, soy and derivatives thereof, loading cargo in transshipment terminals destined for ports which we operate.

The table below sets forth the percentage of our total net revenue from services generated by each of our five major clients for the periods indicated.

Client	Year ended December 31, 2015		Nine-month period ended September 30, 2016	
	(in millions of R\$, except percentages)			
ADM.....	253.0	6.3%	246.3	6.2%
AMAGGI.....	298.6	7.4%	273.0	6.8%
Bunge.....	657.2	16.3%	670.9	16.8%
Cargill.....	300.2	7.4%	380.5	9.5%
Louis Dreyfus.....	152.0	3.8%	189.9	4.7%
Total.....	1,661.0	41.2%	1,760.6	44.0%

In the nine-month period ended September 30, 2016, Bunge accounted for 16.1% of our net revenue from services in the rail sector, while our five major clients in the rail sector jointly accounted for 43.0% of our net revenue from services in that sector. In 2015, Bunge accounted for 15.4% of our net revenue from services in the rail sector, while our five major clients in the rail sector accounted for 39.9% of our net revenue from services in that sector.

The table below sets forth the percentage of our net revenue from services in the rail sector generated by each of our five major clients in that sector for the periods indicated.

Client	Year ended December 31, 2015		Nine-month period ended	
			September 30, 2016	
	(in millions of R\$, except percentages)			
ADM	245.9	6.1%	245.3	6.1%
AMAGGI	298.6	7.4%	273.0	6.8%
Bunge	623.1	15.4%	643.7	16.1%
Cargill	289.5	7.2%	372.9	9.3%
Louis Dreyfus	152.0	3.8%	189.9	4.7%
Total	1,609.1	39.9%	1,724.9	43.0%

In the nine-month period ended September 30, 2016, Raízen accounted for 20.5% of our net revenue from services in the port elevation sector, while our five major clients in the port elevation sector jointly accounted for 68.2% of our net revenue from services in that sector. In 2015, Raízen accounted for 20.0% of our net revenue from services in the port elevation sector, while our five major clients in the port elevation sector accounted jointly for 79.6% of our net revenue from services in that sector.

The table below sets forth the percentage of our net revenue from services in the port elevation sector generated by each of our five major clients in that line of activity for the periods indicated.

Client	Year ended December 31, 2015		Nine-month period ended September 30, 2016	
	(in millions of R\$, except percentages)			
BTG Pactual	44.0	18.4%	29.8	12.1%
Bunge	34.2	14.3%	27.2	11.0%
Noble	29.4	12.3%	30.3	12.3%
Raizen	47.8	20.0%	50.4	20.5%
Sucden	35.0	14.6%	30.4	12.3%
Total	190.4	79.6%	168.2	68.2%

We cannot guarantee that we will obtain similar revenue from our major clients in the future. Significant changes in the volume of business generated by our major customers may impact our revenue. See “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We depend on a few major customers for a significant portion of our revenue.”

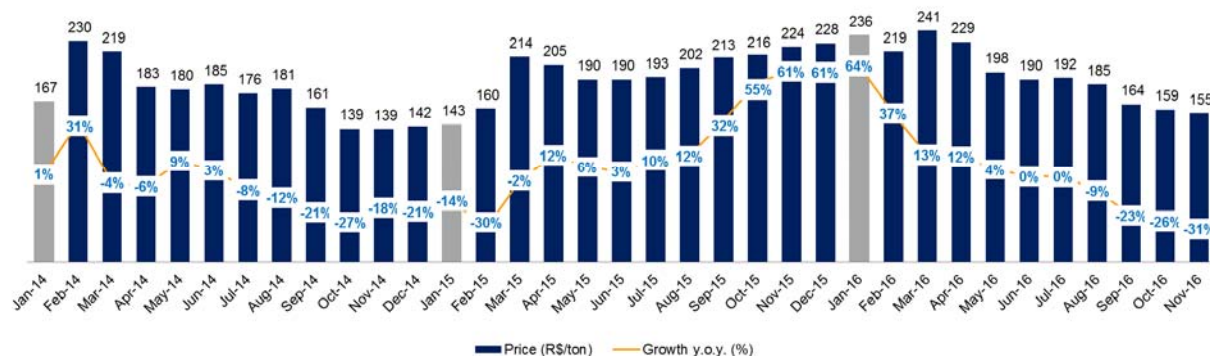
Pricing and Price Adjustments

Except for Malha Norte, the tariffs for the rail services we provide in our rail concessions are subject to a maximum tariff set by the Brazilian federal government. This maximum tariff cannot be lower than long-term variable costs. In addition, maximum tariff rates are adjusted for inflation pursuant to the General Price Index-Domestic Supply (*Índice Geral de Preços - Disponibilidade Interna*), or IGP-DI (or a substitute index in certain conditions) in accordance with applicable Brazilian law, which currently provides that such adjustments shall occur no more than once a year. The tariff adjustment is performed annually. Additionally, the tariffs can be increased or decreased, if there is a justified, permanent change in the market and/or costs that may change the rail network concession agreement’s economic and financial balance, or as determined by the Brazilian government every five years. Historically, the maximum tariff negotiated with the Brazilian federal government has been significantly above market prices, with the exception of Malha Sul, for which we have obtained an injunction that allows us to set tariffs above the regulatory cap. Tariff controls are not applicable to other unregulated complementary logistics services provided in conjunction with our rail freight transportation services.

Freight prices in Brazil are freely negotiated based on supply and demand. Freight prices, however, are influenced by variables such as distance traveled, operating costs, the possibility of backhauling, speed of loading and unloading, seasonality of demand for transportation, delivery time and some geographical aspects. The pricing of agricultural products is particularly sensitive to changes in transportation costs since these costs account for a significant portion of the final price.

Given the dynamics described above, there is no official benchmark price in the Brazilian market for road or railroad freights. The most important road routes are monitored by economic research institutes to check the behavior of market prices. The data collected can serve as the basis for negotiating freights prices for specific products and their respective destinations. The table below shows historical freight prices between Rondonópolis (state of Mato Grosso) and the Port of Santos (state of São Paulo). This route is responsible for a significant portion of the grains transported in Brazil according to Instituto Mato Grossense de Economia Agropecuária or IMEA.

Railroad Freight (Grains): Rondonópolis (MT) – Santos (SP)



Source: IMEA.

Note: Monthly moving average of freight figures published weekly by the IMEA.

The pricing of our transport services is based on Sifreca (*Sistema de Informações de Fretes*), which continuously conducts research on the transport of various types of cargo, and in particular agricultural cargo, from raw materials to products elaborated along the agro-industrial production chain. Through the collection of data and information relating to the transport of these products, the price of products is published on a monthly basis and may be subject to periodic fluctuations.

Regulation

Our activities are subject to extensive regulation by public authorities, especially by the ANTT and ANTAQ. With regards to storage of goods, we are duly authorized by Conab to store vegetal grains, and we fulfill all the requirements and regulations applicable to such activities.

Further, given the fact that they are active in the transport infrastructure sector, our subsidiaries and affiliates maintain a constant relationship with their respective granting authorities, whether in the context of participation in bidding processes to obtain new business (concessions) or in the context of inspections of their business by authorities responsible for the supervision of provision of services, in order to adapt their businesses to the demands of such authorities.

Rail Transportation Regulation

Rail transportation activities in Brazil are subject to a wide variety of laws and regulations. Rail transportation regulation in Brazil regulates (a) the relationship between the Brazilian government and the rail companies, (b) the relationship among the rail companies, including interchange and mutual transit rights, (c) the relationship between the rail companies and their customers and (d) rail safety. The rules also contain a number of provisions relating to a railroad operator's liability. According to Decree No. 1,832 of March 4, 1996, we will be relieved of liability for damage caused by our operations in the event of (a) inherent defects or causes inherent to the nature of the goods to be transported, (b) death or injury of animals as a consequence of the natural risk inherent to rail transportation, (c) lack of, latent defect in or fraudulent procedure for, the packaging of the product, (d) damage derived from the operations of loading, unloading or trans-loading by the sender, the addressee or their representatives or (e) damage to freight that has been packaged in sealed containers or sealed railroad cars but, after transportation, arrives damaged but still displaying a non-violated seal. We are otherwise liable for losses and damages. The liability is limited to the value declared by the sender, which must be stated on the bill of lading. In the event of fault of both us and the cargo owner, the responsibility is allocated proportionally based on relative fault. Total loss is assumed 30 days after the agreed date of delivery, except when due to force majeure.

Pursuant to Decree No. 2,681 dated December 7, 1912, the liability of the rail company for total or partial loss, damage or theft of transported freight is always assumed and the burden of proof of non-liability may only be deemed satisfied if the rail company is able to provide evidence of (a) an act of God or force majeure, (b) a loss caused by fault of the merchandise, (c) death or injury to a live animal resulting from an ordinary risk caused by the transportation, (d) defective packaging of the freight, (e) loss or damage caused by transportation in open cars, as required by regulation or resulting from the agreement with the customer, (f) loss or damage caused by loading and unloading by either the shipper or receiver or (g) loss or damage that could have been avoided by proper surveillance by the shipper of a freighted car. In the cases provided in (a), (b), (c), (e) and (f), whenever there is mutual fault of the rail company and the shipper and/or the receiver, the indemnification shall be apportioned based on relative fault. For a total loss of the merchandise, the amount of the indemnification is limited to the fair market price of the shipped goods. For damage to the merchandise, the indemnification is proportional to the damage caused. In both cases, recovery is reduced by the amount of expenses not incurred by the shipper as a result of the damage or loss. For willful misconduct, all direct damages are indemnifiable. Late deliveries also are indemnifiable under certain circumstances.

Indemnification is limited by a one-year statute of limitations, counted from the delivery date (in case of damage) or from the 31st day after the promised delivery (in case of loss or theft). Any agreement providing for the exemption of railway liability is null and void, except that the indemnification may be limited based on an agreed-upon tariff reduction.

If more than one rail company causes damage, any of them may be named as a sole defendant, although such named defendant will have recourse against the others. Death, disability or personal injuries are also indemnifiable and subject to this presumed liability rule, except when caused by force majeure or the injured party's sole liability, without fault of the rail company. Indemnification for personal injuries may include, in addition to medical expenses and loss of profits, other indemnification that may be granted. In addition, in 2001, the land transportation industry underwent reform with the enactment of Law 10,233, which created, among other agencies, the ANTT, an entity member of the indirect federal administration, submitted to the special administration system and linked to the Transportation Ministry, the responsibilities of which include, among others, (1) to publish the invitations to bid, judge the biddings and execute the rail transportation service concession agreements, (2) to administer concession agreements and rail network leases executed until the date of reform of the transportation market, according to Law 10,233/01, (3) to publish invitations to bid, to judge the biddings and to execute concession agreements for the construction and exploitation of new rail networks, (4) to inspect, through cooperation arrangements, compliance with contractual clauses for the provision of rail transportation services, as well as maintenance and replacement of the leased assets, and (5) to regulate and coordinate each concessionaire's operations.

Rail transportation services in Brazil can be provided by private parties under the concession regime regulated by Law 8,987 of February 13, 1995, or the Concession Law. The Concession Law requires that the granting authority and concession holder enter into a concession agreement regulating the terms of such exploration and setting forth the terms applicable to the performance of the services.

Examples of key clauses found in such concession agreements include those relating to its purpose, the concession area and the concession term; the manner, form and conditions for rendering the services; criteria, indicators, formulas and parameters defining the quality of services; the price of the services, criteria and proceedings for the readjustment and review of tariffs; and rights, warrants and obligations of each of the granting authority and the concession holder, including those related to predictable needs of future change and expansion and services and consequent modernization, improvement and expansion of equipment and installations. Further examples include clauses relating to customers' rights and obligations to have and use the services; contractual and administrative penalties to which the concession holder is subject and their application; concession termination events; revertible assets; criteria for the calculation and the payment conditions of indemnification owed to the concession holder; and conditions relating to the renewal of the concession agreement.

In addition, both the Concession Law and the concession agreements regulate the penalties applicable in case of breach of the concession agreement. Pursuant to the Concession Law, the granting authority is entitled to terminate the concession agreement if: (1) the services rendered by the concession holder fall below the standard agreed between the parties with regards to such services, (2) there is a breach of the provisions of the concession agreement by the concession holder, (3) the concession holder interrupts the provision of the services, unless such interruption is due to a force majeure event, (4) the concession holder does not have the financial resources necessary to render the services required under the concession agreement, (5) the concession holder does not comply with penalties

imposed by the granting authority, (6) the concession holder does not comply with requests from the granting authority intended to improve the services provided under the concession agreement or (7) the concession holder does not provide, within 180 days after a request by the granting authority to that effect, documents proving that it is in compliance with applicable tax law. In addition, the granting authority can also terminate the concession agreement when it considers that it is in the public interest to do so, in which case specific legislation must be enacted with regards to such termination and the concession holder must be duly indemnified for it.

Waterborne Transportation Regulation

Waterborne transportation services in Brazil are regulated by Law 12,815 of June 5, 2015, Decree 8,033 of June 27, 2013 and by the rules issued by ANTAQ and by Brazil's Special Ports Secretariat.

ANTAQ, which was created by Law 10,233, is linked to the Transportation Ministry. Among other things, ANTAQ is responsible for (1) publishing invitations to bid, executing concession agreements and issuing authorizations to exploit private port terminals and facilities, (2) inspecting compliance with contractual clauses for the provision of services in connection with public terminals and private ports facilities and (3) regulating and coordinating each concession holder's operations and companies authorized to exploit private ports facilities.

In Brazil, there are two main regulatory regimes affecting waterborne transportation: (1) the concession regime, which regulates the exploitation of publicly owned port terminals and the leasing of publicly owned terminals and (2) the authorization regime, relating to new private port terminals and facilities.

Examples of essential provisions in concession and lease agreements include those relating to their purpose, area and term; those relating to the manner, form and conditions for the exploration of organized ports and facilities; criteria, indicators, formulas and parameters defining the quality of activities performed, as well as goals and time frames for reaching certain service levels; the value of the contract, tariffs in place and criteria and procedure for their readjustment and review; and those relating to the contracting party's investment obligations. Other examples include clauses relating to customers' rights and obligations, including the related obligations of the contracted party and the respective sanctions; parties' responsibilities; assets reversal; contractor and contracting party's rights, obligations and warrants, including those related to future supplemental need, change and activities expansion and consequent modernization, improvement and expansion of facilities; inspection of facilities, equipment and of the methods and practices for the development of the activities, as well as the appointment of competent bodies and entities to perform it; guarantees for the adequate performance of the contract; clauses relating to the port owner's liability for non-performance or deficient performance of activities; contract termination events; and penalties and the application thereof.

Until December 6, 2012, port operations in Brazil were governed by Federal Law No. 8,630, dated February 25, 1993, or the Ports Modernization Law, which provided the legal framework applicable to the exploitation of the publicly owned port terminals and facilities in Brazil. In view of the need to improve the applicable legislation, the Brazilian government implemented Law 12,815 dated June 5, 2013, or the "New Ports Law, that expressly revoked the Ports Modernization Law and established a new legal framework with respect to port operations in Brazil. As a result, the public ports are governed by the New Ports Law and by specific complementing regulations, such as Decree 8,033 of June 27, 2013. According to the provisions of the New Ports Law, there are no more distinctions between third-party and own cargo handled at private port terminals. As a result, public ports are expected to face higher competition. Accordingly, it is possible that Rumo Logística may not be able to reach the minimum cargo movement provided for in its concession agreement for the exploitation of public port terminals, which may subject it to fines and, upon repeated violations, to the early termination of the concession. Even though the New Ports Law does not provide for the adjustments of the terms of any concession agreement currently in place, it is possible that new regulations may make such provision. New regulations applicable to port operations in Brazil that might cause an adjustment of the terms in our concession agreements may adversely affect our results of operations.

On January 8, 2014, ANTAQ published Resolution No. 3,220, which sets forth the process for requesting the economic and financial rebalancing of the concession agreements for the exploitation of publicly owned port terminals.

Environmental Regulation

Our operations are subject to a wide range of federal, state and local laws, in addition to regulations and permit requirements regarding environmental protection in Brazil.

Our rail operations are subject to potential environmental liabilities involving the use, handling and transportation of hazardous materials. We can also be held liable for damages resulting from the vegetation suppression in connection with railroad expansion and other works in the vicinity of our railroads. Locomotives are supplied with fossil fuel, which can be transported by wagon or truck, depending on the location. We have 18 active refueling stations, with a total storage capacity of over 3.2 million liters. In addition to these main refueling stations, we rely on nine refueling kits of 15 thousand liters each and four refueling points by fuel transporter-resellers (*Transportador Revendedor Retalhista*). The monthly volume is of approximately 34 million liters of fuel. Potential incidents and leaks that occur at those refueling stations may result in harm to the environment and often there is no knowledge of these occurrences that would allow us to mitigate the impact caused.

Legislation authorizes the use of herbicides throughout our rail system to control overgrown invasive vegetation, except in the urban perimeter and permanent preservation areas, where herbicides are prohibited. We are constantly researching alternatives to control invasive vegetation in partnership with environmental authorities.

We possess an interstate railroad network and the Brazilian Institute of Environment and Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*), or IBAMA, is the federal body competent for the licensing of these activities. We hold operating permits that allow us to operate in the railways in the states of Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Mato Grosso and Mato Grosso do Sul, pending the issuance of the operating permits for the south of the São Paulo and all operating units. The issuance of these licenses by IBAMA is pending, but we are currently standardizing our environmental licensing in accordance with applicable legislation. The performance of environmental programs is essential to guarantee the granting and renewal of rail network permits and the continuity of our operations. The following environmental programs are included as conditions in our permits:

- monitoring and mitigation of accidents involving wildlife;
- monitoring and displacement of wild animals;
- identification, control and correction of erosive processes;
- identification and correction of vegetation overgrowing on rail tracks;
- restoration of vegetation in permanent preservation areas;
- social communication;
- environmental education;
- risk analysis, risk management plan and emergency planning;
- prevention, monitoring and control of fires;
- reduction of bulk leakage during rail transportation;
- imaging and geographical information systems;
- environmental management and audit;
- diagnosis, monitoring and regularization of rights of way;
- gradual replacement of railroad ties;
- solid waste management;
- noise control;

- air emissions control;
- water pollution prevention; and
- identification, control and correction of environmental liabilities.

We currently have an environmental licensing timeline for the improvement and expansion of our rail operations. Compliance with environmental conditions imposed by the current permits is of great importance in obtaining new licensing from IBAMA and other environmental agencies.

We comply with several procedures to reduce the risks related to the transportation of hazardous materials, such as having an emergency service plan and a management risk plan, and undertaking periodical track maintenance. We also have an authorization to transport hazardous materials in the states where we operate. In addition, we have put in place certain procedures to reduce the risks of leakage of hazardous materials. For example, the recent installation of automatic shut-off valves and high-level alarms at our diesel storage areas are expected to help reduce the number of accidental discharges. Our investment program includes comprehensive upgrades to control systems that are expected to reduce the number and severity of hazardous materials leaks in cases of derailments. The environmental impact caused by the leakage of hazardous materials may vary in each case, so we perform quarterly internal audits to identify any noncompliance with the environmental standards. We have identified and are in the remediation and monitoring phase with respect to certain areas of soil and groundwater contamination resulting from inadequate operation of wastewater treatment systems associated with railcar maintenance and washing and contamination from the leakage of hazardous materials related to refueling operations. Our environmental liabilities consist of approximately 90 separate environmental proceedings, which relate to contaminated areas undergoing remediation, monitoring, fuel stations and workshops. We estimate that we will incur expenditures of approximately R\$20 million in connection with such liabilities during 2016. Other matters identified that require improvement include leakage prevention and leakage containment procedures particularly aiming at avoiding water and soil contamination.

Compliance with applicable legislation is essential in order to fulfill the terms of current environmental permits as well as to obtain permits for new projects. Due to the need to compete for new projects and perform operational enhancements, we try to enhance and improve our routine and operational procedures and it is likely that our environmental investments and costs associated with compliance with environmental legislation will increase with the passage of time.

We expect to improve our environmental operating standards in the future (eventually in accordance with ISO 14001).

Rail Concessions

We conduct our rail activities through the following concession agreements: (1) the concession agreement entered into on December 30, 1998 involving Malha Paulista, expiring in 2028 (which may be extended for a further 30 years); (2) the concession agreement entered into on May 19, 1989 involving Malha Norte, expiring in 2079; (3) the concession agreement entered into on July 7, 1996 involving Malha Oeste, expiring in 2026; and (4) the concession agreement entered into on February 27, 1997 involving Malha Sul, expiring in 2027 (which may be extended for a further 30 years).

In September 2015, we filed formal requests for the renewal of the Malha Sul and Malha Paulista concession agreements with the ANTT. Such requests are currently under review by the ANTT. The request relating to the Malha Paulista concession is in a more advanced stage of analysis by the ANTT and our expectation is that such review will be completed by the first quarter of 2017. The analysis of the Malha Sul renewal request should resume following the conclusion of the ANTT's analysis of the renewal request relating to Malha Paulista.

The granting authority may unilaterally rescind all of our rail concession agreements prior to their expiration in the following circumstances:

- *encampação*, which is the takeover of the provision of the services by the granting authority by means of specific legal order and prior payment of indemnity;

- forfeiture, which means the complete or partial non-performance of the concession agreement or failure to comply with the financial terms of the concession agreement and the lease agreement (when there is one force);
- bankruptcy or dissolution of the concession holder; or
- cancellation of the bidding process.

The enforcement of any of the unilateral termination provisions of the concession agreement must be preceded by the relevant administrative proceeding with ANTT and may result in indemnity to us for assets that revert to the granting authority. As of the date of this offering memorandum, there is no fact enabling the application of any of the unilateral termination events of the concessions.

See also “Risk Factors—Risks Related to Our Business and Industries in which We Operate—The early termination of Brazilian railway concessions may have a material adverse effect on our business” and “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may not obtain early renewals of the Malha Paulista and Malha Sul concession agreements, currently under review by the ANTT, which may have a material adverse effect on our investment plan and growth strategy.”

Port Lease Agreements

We lease 118,434.38 square meters of property located in the port of Santos (state of São Paulo), which has two docking cradles for loading sugar and solid agricultural bulk (corn and soy). We lease this property pursuant to lease agreement PRES-05/96, which matures on March 6, 2036. Pursuant to Article 57 of the Ports Modernization Law and Article 19 of Decree No. 8,033/2013, a renewal of the maturity for the Lease Agreement is not possible because the lease has already been renewed once. Pursuant to the lease agreement, we have an obligation to make investments totaling an estimated R\$308 million, which we estimate to complete by February 2019.

We also hold equity interests in: (1) Terminal XXXIX and the adjacent areas for moving agricultural products and bulk as well as other goods capable of being transported in those port installations, through a port lease agreement due to expire in 2022; (2) facilities, equipment and track for rail transport of goods and import/export through the right bank of the port of Santos, by means of a lease agreement with Portofer Transporte Ferroviário Ltda. due to expire in 2025; (3) Terminal de Granéis do Guarujá (TGG) located on the left bank of the port of Santos, for the transport of solid and liquid bulk, through an area used by Malha Norte via a leasing agreement due to expire in 2022; and (4) Terminal Marítimo do Guarujá (TMG), located on the left bank of the port of Santos, mainly for the transport of solid and liquid bulk, through an area used by Malha Norte via a lease agreement due to expire in 2022.

There are ongoing legal proceedings regarding whether the lease agreements relating to Terminal XXXIX, Terminal de Granéis do Guarujá and Terminal Marítimo do Guarujá should be subject to the public procurement regime. These proceedings are currently under appeal in the Brazilian superior courts (*Superior Tribunal de Justiça* and *Supremo Tribunal Federal*). With regards to the Portofer lease agreement, there is an ongoing investigation by the Brazilian Federal Prosecutors’ Office, of a non-criminal nature, to assess the legal validity of the agreement.

If we fail to comply with the applicable regulatory rules or contractual obligations, our lease may be terminated early pursuant to the Concessions Law (Law No. 8,987/1995), which applies to port leases. Below is a list of the termination events applicable to our port lease agreements:

- expiration (in 2036, the year of maturity);
- *encampação*, which is the possibility of expropriation of the port concessions by the granting authority during the contractual term. Such expropriation must be for public interest, performed pursuant to applicable authorizing law and accompanied by the payment of an indemnity for investments not yet depreciated, if applicable;
- a statement of *forfeiture*, which occurs, at the granting authority’s sole discretion, in case of total or partial non-performance of the lease, without prejudice to the application of other contractual penalties. The *forfeiture* may be declared under the following circumstances: (1) the service is not being provided adequately (i.e., there has been a breach of the minimum transport requirements); (2) failure to undertake

the investments stipulated in the agreement; (3) breach of contractual obligations; (4) transfer of the agreement without prior consent from the granting authority; (5) obstruction of audits carried out by the granting authority; (6) changes to the contractual objective; (7) failure to maintain or conserve the leased facilities; (8) default in financial obligations set out in the agreement; or (9) loss by us of the economic, technical and operating conditions required for the adequate provision of services set out in the agreement. The forfeiture must be preceded by the verification of the default in an administrative proceeding in connection with which we have a right of defense;

- termination by the lessee in the event of breach of contractual provisions or rules established by the granting authority by means of judicial action for this specific purpose;
- annulment; and
- bankruptcy or extinction of the lessee.

Any rescission of our port concession agreements may have a material adverse effect on our revenues.

Competition

Companies active in the Brazilian railroad transport market generally provide logistics services in their respective regions, with regions being allocated to various companies based on the public concessions granted by the ANTT. The necessity of obtaining a concession from the ANTT represents a barrier to the entry of new competitors into the market given that each concession area is granted to a single operator. As there are currently no parallel rail tracks in the Brazilian railway network, the competition in the market in which we operate primarily derives from truck transportation, which can compete for the same freight as rail operators. Clients generally select a mode of transportation based on the best terms and conditions offered to them in the market.

The main factors on which transport companies compete are the freight rates charged, efficiency and volume. Given our offering of advantageous prices coupled with our significant transport capacity and greater efficiency, we believe we have significant opportunities to increase our current market share within the areas in which we operate and that we are in a better strategic position than our competitors to seize the growth opportunities in these industries.

Historically, railroad freight prices have varied in conjunction with road freight prices. Freight prices in the road transportation market have increased significantly in the past years, as illustrated below. We expect this increase to also benefit railroad operators such as us, given the correlation between road and rail freight prices.

Intermodal Transportation

Each railway concession agreement grants the recipient concession holder an exclusive right to exploit the rail network infrastructure in a particular geographic area. Because each concessionaire operates in a separate geographic area, they do not compete directly with each other. Instead, the main competition to the various rail concessionaires is, in most cases, the truck transportation business, which has historically been the main cargo transportation mode in Brazil. According to the CNT, trucks transported 61% of Brazil's production in 2015, while only 21% of that production was transported by rail and 14% was transported on waterways, which includes coastal shipping.

The main competitive factors affecting the intermodal logistics operations include (1) rates charged, (2) haul time, (3) haul volume and (4) the quality and reliability of the service provided. We believe that we are in a strong position to compete effectively in the intermodal transportation sphere due to (1) the lower rates we can charge because of our relatively larger transportation capacity and (2) synergies that we believe our further integration with ALL will provide.

Storage and Port-Based Services

We also face competition from other port operators and storage services, particularly when these services are paired with value-added services, such as integrated logistics and strategic planning or other consulting services.

Information Technology, Communications and Operational Controls

Through the development and use of information technology, we have been able to significantly improve communications systems and operational controls. We have undertaken several projects to upgrade and enhance the communications systems we use in our rail network to improve operating efficiencies. Modernized transportation and traffic control systems have enabled us to more efficiently assign railcars, staff and locomotives, thereby increasing railcar and locomotive utilization and reducing both fuel consumption and labor costs. We also have an on-board computer for our locomotives to ensure that safety standards are observed and that fuel consumption is optimized. Our road operations benefit from an advanced tracking system that determines our trucks' geographical locations, increasing the security of our assets and our clients' freight. In order to further ensure the safety of our trucks, our clients' freight and our personnel, we also rely on convoy schemes and police patrol during our cargo transportation.

In addition to the foregoing efforts, we have initiated feasibility studies regarding the implementation of a private telecommunications network, which we believe will provide our railway operations with an enhanced information technology infrastructure, making it possible to further increase our operational safety while also minimizing the effects of congestion in certain locations where traffic density is high. We are evaluating the implementation of a Communications-Based Train Control system, or CBTC, based on a private network using radio frequency technology. We believe it may be possible to stream live video from a train to help with critical situations. The overall implementation of this strategy will also feature a redundant telecommunications network.

Seasonality

We are subject to the seasonality of agricultural commodities. The following table sets forth certain calendar information for the main agricultural commodities we transport.

PRIOR FISCAL YEAR						FISCAL YEAR											
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	3Q		4Q			1Q			2Q			3Q			4Q		
Soy	Planting		Treatment			Harvest											
						30% of sales			40% of sales			20% of sales			10% of sales		
	Export*					1.6%			13.7%			13.2%			5.9%		
Corn			Planting 1 st harvest			Planting 2 nd harvest											
			Treatment 1 st harvest			Treatment 2 nd harvest			Harvesting 1 st harvest			Harvesting 2 nd harvest					
						10% of sales			15% of sales			40% of sales			35% of sales		
	Export*					8.1%			4.6%			5.7%			11.9%		
Sugar			Planting			Treatment			Harvest								
						30% of sales			15% of sales			30% of sales			25% of sales		
	Exports*					5.7%			4.1%			11.1%			11.8%		

*Export information is the five-year average according to the Brazilian balance of trade.

Source: SLC Agrícola, Raízen, São Martinho, SECEX, Embrapa, BofA Merrill Lynch Global Research.

The soybean harvest generally occurs between January and May, while the corn harvest (mainly destined for export) generally occurs between April and July. These oscillations have a significant impact on demand for the transport of these commodities. For this reason, we usually have a higher transported volume in the second and third quarters of each year and a lower transported volume in the “off season” period (i.e., the first and fourth quarters of each year).

Local Revenue

All of our revenue for the nine months period ended September 30, 2016, and for the fiscal years ended December 31, 2015, 2014 and for the nine-month period ended December 31, 2013 were derived from clients in Brazil. Furthermore, our activities are not subject to foreign regulation.

Property, Plant & Equipment

For additional information related to property, plant and equipment see note 11 to Rumo’s unaudited consolidated interim financial statements as of September 30, 2016 and note 2.10 to Rumo’s audited consolidated financial statements as of and for the fiscal year ended December 31, 2015 included herein.

Capital Expenditures

For an overview of our historical capital expenditures, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures.”

Our capital expenditure program contemplates investments of approximately R\$6.7 billion between 2017 and 2019 and is focused on the following areas:

- replacing or upgrading locomotives and rail cars;
- acquisition of new locomotives and rail cars
- construction of new rail yards;
- enlargement of rail yards;
- development of access improvements to the ports of Santos (state of São Paulo), Paranaguá (state of Paraná) and São Francisco (state of Santa Catarina); and
- investments to increase capacity in operated terminals such as Rondonópolis (state of Mato Grosso).

Research and Development

As of the date of this offering memorandum, we are not engaged in material research and development activities.

Intellectual Property

We have one patent and trademark registration application pending with the Brazilian National Institute of Intellectual Property (*Instituto Nacional de Propriedade Intelectual*), or INPI, and three trademarks awaiting examination of appeals against INPI rejection, as well as certain trademarks already registered in Brazil, as set forth in the following table.

Type of Asset	Description of Asset	Status	Events that may result in loss of rights	Consequences of loss of rights
Patent	BR102013032606-2	Deposited	<ul style="list-style-type: none"> • The INPI may reject the proceeding due to failure to meet the patentability requirements • Abandonment by the Company 	Loss of exclusivity rights over the technology covered by this patent.
Patent	PCT/BR2014/000443	Inactive – International phased was	<ul style="list-style-type: none"> • Abandonment by the Company 	Loss of exclusivity rights over the technology covered by this patent.

Type of Asset	Description of Asset	Status	Events that may result in loss of rights	Consequences of loss of rights
		finish		
Patent	US 15/104.199	Deposited	• Abandonment by the Company	Loss of exclusivity rights over the technology covered by this patent.
Trademark	Class: NCL 35 / Case ref.: M249784 / Official No.: 830423745	Registered	• Abandonment by the Company	Loss of exclusivity over the trademark.
Trademark	Class: NCL 36 / Case ref.: M249786 / Official No.: 830423729	Registered	• Abandonment by the Company	Loss of exclusivity over the trademark.
Trademark	Class: NCL 39 / Case ref.: M249789 / Official No.: 830423680	Registered	• Abandonment by the Company	Loss of exclusivity over the trademark.
Trademark	Class: NCL (9) 36 / Case ref.: M249785 / Official No.: 830423737	Awaiting examination of appeal against INPI rejection	• Final rejection of the trademark use by the INPI	There is a risk that, after examination of all appeals, the INPI maintains its decision to reject the trademark request. In this case, the Company must cease use of the trademark.
Trademark	Class: NCL (9) 35/ Case ref.: M249787 / Official No.: 830423710	Awaiting examination of appeal against INPI rejection	• Final rejection of the trademark use by the INPI	There is a risk that, after examination of all appeals, the INPI maintains its decision to reject the trademark request. In this case, the Company must cease use of the trademark.
Trademark	Class: NCL (9) 39 / Case ref.: M249788 / Official No.: 830423702	Awaiting examination of appeal against INPI rejection	• Final rejection of the trademark use by the INPI	There is a risk that, after examination of all appeals, the INPI maintains its decision to reject the trademark request. In this case, the Company must cease use of the trademark.

We are not dependent on trademarks or patents for conducting our activities.

Employees and Union Relations

Employees

As of September 30, 2016, we had 9,620 employees, allocated across our administration, agriculture, commercial, financial, industrial and port business areas. The following table sets forth the total number of our employees by business area and geographic location as of the dates indicated:

Area	As of September 30,	As of December 31,		
	2016	2015	2014	2013
Administration	868	865	193	182
Operational	7892	8,447	—	—
Port	860	876	803	865
Total	9,620	10,188	996	1,047
Geographic Location				
Terminal Santos	900	902	922	970
Terminal Jaú	27	25	23	25
Terminal Itiparina	57	55	51	52
Terminal Sumaré	76	92	—	—
Southern Operations	4162	4,620	—	—
Northern Operations	3243	3,374	—	—
Holdings	282	303	—	—
Corporate	873	817	—	—
Total	9,620	10,188	996	1,047

In addition, in the ordinary course of our business we hire contractors to support our operations. The following table shows the number of contractors by geographic location as of the periods indicated:

Geographic Location	As of September 30,	As of December 31,		
	2016	2015	2014	2013
Terminal - Santos.....	297	343	336	314
Terminal Jaú.....	16	24	21	5
Terminal Itiparina.....	8	38	38	31
Terminal Sumaré.....	13	122	96	106
Southern Operations.....	2,349	1,771	N/A	N/A
Northern Operations.....	2,142	2,486	N/A	N/A
Total.....	4,825	4,784	491	456

Compensation and Benefits

We regard our human resources policy as an integral part of our business strategy. Our related goals include: (1) remuneration in line with market practices; (2) conditions in place to attract and retain professionals to and within the Company; and (3) an adequately defined structure of functions and salaries which is appropriate in the context of our organization and which clearly outlines proper conduct, so that employees may know what their attributions and responsibilities are.

We do not have a unified benefits policy and instead apply regional or local policies (as applicable), always in compliance with applicable legislation. Our employees are eligible for various benefits based on their role within the Company as well as on applicable legislation.

Retirement Plan

Our Company's retirement plan (*Plano de Aposentadoria Futura*) became effective on July 1, 2011 and is currently administered by Futura II – Entidade de Previdência Privada and sponsored by companies of the Cosan group, excluding Raízen. The plan is offered to all employees, irrespective of their salary level or position within our Company, and irrespective of the term of their employment by us. The plan was expanded to include the employees of ALL and its subsidiaries from February 2016.

This retirement plan is a variable contribution plan: the benefits which the beneficiary will receive upon retirement are directly dependent on the sums invested in the plan and capitalized. Participants in the plan may make either basic or voluntary contributions:

- **Basic Contributions:** In the case of basic contributions, the value of the contributions is calculated based on a full percentage to be selected by the participant, ranging between 0% to 11% of the portion of the relevant individual's salary exceeding ten URs, or reference units (R\$3,722.70 as of January 2016). The sponsoring entity contributes an amount equal to that contributed by the participant.
- **Voluntary Contributions:** Voluntary contributions are optional and may be equal to a full percentage, selected by the participant, of the participant's participation salary, bonus or profit-sharing. Participants may also contribute in *reais*.

Our retirement plan provides the following benefits: normal retirement, early retirement, retirement due to incapacitation, pension upon death of the beneficiary, deferred proportional benefit and minimum benefit. Plan funds are invested in fixed and variable income investments at the election, and under the responsibility, of the participant who must opt for one of three investment profiles: conservative, moderate or aggressive. If the participant leaves our Company, he may continue to participate in the plan, withdraw his funds, or transfer such funds to another retirement plan, in each case in accordance with the retirement plan's regulations.

Industrial Relations

We believe we maintain good relationships with the unions that represent our employees and recognize these unions as the legitimate and legal representatives to which our employees may express their grievances. We believe

that mutual respect between the parties and a good working relationship are fundamental to the development of healthy relationships with unions and allow us to maintain impartiality when interacting with unions. We further believe that the collective bargaining agreements that we enter into with the unions that represent our employees are important tools that enable us to manage our working relationships and to fully comply with our obligations under these agreements. We allow our employees to freely participate in unions, as provided for in the Brazilian constitution.

Our employees are represented by the following unions: SINDAPORT, SINTRAPORT, SINDOGESP, *Sindicato de Conferentes de Cargas*, SINTRACAMP, *Sindicato dos Trabalhadores e Empresas Ferroviárias de Bauru e MS*, *Sindicato dos Trabalhadores e Empresas Ferroviárias do PR e SC*, *Sindicato dos Trabalhadores e Empresas Ferroviárias do RS*, *Sindicato dos Trabalhadores e Empresas Ferroviárias da Zona Sorocabana*, *Sindicato dos Trabalhadores de Empresas Ferroviárias da Zona Araraquarense*, *Sindicato dos Trabalhadores e Empresas Ferroviárias da Zona Mogiana*, and *Sindicato dos Trabalhadores e Empresas Ferroviárias Paulistas*.

In the past three years, employees represented by SINTRAPORT were the only ones to go on strike. This strike took place in 2015 and lasted three days.

Legal and Administrative Proceedings

In the ordinary course of our business, we and our subsidiaries are parties to numerous judicial and administrative proceedings of a tax, civil, regulatory, environmental, criminal or labor nature, including proceedings with probable, possible and remote risks of loss. Our provisions are recorded pursuant to accounting rules, based on an individual analysis of each contingency by our internal and external counsel and we constitute provisions for proceedings evaluated by our external counsel as having a probable risk of loss.

As of September 30, 2016, we were party to proceedings with a probable risk of loss involving an aggregate amount of R\$508.9 million, for which we have recorded provisions in the same amount, and in proceedings with a possible risk of loss involving an aggregate amount of R\$5,858.5 million.

Civil, regulatory and environmental claims

On September 30, 2016, we and our subsidiaries were parties to civil, regulatory and environmental claims of an administrative or judicial nature with a probable risk of loss involving a total amount of R\$151.1 million, for which we have recorded provisions in the same amount, for contingencies and in proceedings with a possible risk of loss involving an aggregate amount of R\$2,178.7 million, for which no provision has been recorded.

The following is a description of the most relevant civil and environmental proceedings to which we and our subsidiaries are a party:

ALL and Malha Paulista – Public bidding

The Federal Prosecutor's Office filed public civil action against ALL and Malha Paulista, relating to irregularities in the public bidding of the railroad network of Porto de Santos. According to the Federal Prosecutor's Office, the government leased the railroad network to FERROBAN, FERRONORTE and FERROVIA NOVOESTE without having held prior bidding proceedings. ALL and Malha Paulista were included in this lawsuit as defendants because they are successors to these companies.

Certain allegations of anticompetitive practice have been made in connection with these proceedings, based on the fact that the concession agreement related to the railroad network within Porto de Santos was directly awarded to FERROBAN, FERRONORTE and FERROVIA NOVOESTE without holding a bidding process, which the Federal Prosecutor's Office believes should have been held. However, in the complaint, the Federal Prosecutor's Office did not allege that anticompetitive practices were committed by the defendants themselves. Accordingly, even if the outcome of the lawsuit is negative for the defendants, the defendants will still be able to enter into contracts with the Brazilian public sector, and, if the concession agreement is deemed void, the government will be required to indemnify the defendants for investments made unless the Federal Prosecutor's Office can prove that such persons acted in order to avoid a bidding procedure. In any event, it is likely that the renewal clause of the agreement will be deemed void.

An adverse outcome in this lawsuit could result in the loss of ALL's and Malha Paulista's concession, a new bidding process being held in relation to the railroad network of Porto de Santos and the restitution of any unamortized investment made by ALL in the network. The trial court dismissed the injunction request of the Federal Prosecutor's Office, pursuant to which the Federal Prosecutor's Office requested the commencement of a new bidding proceeding and that the Brazilian government be prevented from renewing the current concession contract. No defense has been filed yet. We estimate that the chance of loss is possible.

Lawsuits concerning the economic-financial balance of leasing and concession contracts

Malha Paulista and Malha Oeste are parties to several lawsuits with the Brazilian government relating to the restoration of the economic-financial balance of the contracts entered into by the parties under the concession for certain railroad networks and the leasing of the related equipment. The Brazilian government filed collection actions to collect unpaid installments of the leasing and concession contracts. Malha Paulista and Malha Oeste, in turn, filed their own lawsuits seeking the restoration of the economic-financial balance of the contracts, as described below:

- Malha Paulista maintains that the equipment leased to it by the Brazilian government was in a poor state of conservation. Malha Paulista also argues that it has been paying labor indemnification to former employees of RFFSA (the semi state-owned corporation responsible for the same railroad network in the past), which should be paid by the Brazilian government. Malha Paulista is seeking compensation for the difference between the costs it has incurred for the maintenance of the railroad network and the indemnification paid to former employees of RFFSA on the one hand and the installment payments owned by it under leasing and concession contracts on the other hand.
- Malha Oeste argues that it has been suffering significant losses since the Brazilian government changed the rules applicable to the transportation of alcohol and petroleum derivatives. The Brazilian government changed these rules immediately after the signing of the leasing and concession contracts of the railroad network for the benefit of road transport and to the detriment of rail transport. The transport of alcohol and petroleum constituted a significant source of revenue for the railroad network. Malha Oeste is seeking compensation for the difference between the losses it incurred on the one hand and the installment payments owned by it under leasing and concession contracts on the other hand. Malha Oeste is also seeking the modifications to the amount of installment payments.

In both lawsuits, the trial court rendered interlocutory decisions authorizing Malha Paulista and Malha Oeste to guarantee the maturing installments by letters of guarantee issued by financial institutions. The trial court ruled in Malha Oeste's favor on December 19, 2014, and partially in Malha Paulista's favor on October, 2015. The parties filed appeals against both decisions. As of the date of this offering memorandum, these appeals are still pending.

The aggregate payments alleged to be owed by Malha Paulista and Malha Oeste total R\$2,435.8 million. Accordingly, an adverse outcome in either of these lawsuits could result in significant losses to us. In particular, Malha Paulista and Malha Oeste would be required to pay the installments guaranteed by letters of guarantee. We estimate the risk of loss in these proceedings as possible.

Civil class actions relating to environmental and other matters

Certain civil class actions have been filed against certain of our subsidiaries in connection with environmental and other matters, specifically:

- *Malha Oeste – Fire in environmentally protected area.* The Mato Grosso do Sul State Public Prosecutor's Office has filed a civil class action against Malha Oeste due to a fire in an environmentally protected area in the city of Miranda (Mato Grosso do Sul). An adverse outcome in these proceedings could result in losses of approximately R\$1.2 million and an obligation to restore the areas environmentally damaged by the fire (which would result in a liability that cannot be estimated as of the date of this offering memorandum). We estimate the risk of loss in these proceedings as possible.

- *Malha Norte – Violation of environmental licensing.* The Federal Public Prosecutor's Office filed a class action against Malha Norte and IBAMA in order to investigate an alleged violation of the environmental licensing of Malha Norte's operation near the Emus National Park (*Parque Nacional das Emas*), in Aparecida do Taboado. An adverse outcome in this proceeding may result in losses estimated as possible in the amount of R\$1.9 million as of September 30, 2016, and an obligation to institute a degraded area recovery program at an estimated cost of R\$8.9 million.

Environmental Administrative Proceedings

Certain administrative proceedings have been established against certain of our subsidiaries in connection with notices of violation issued by environmental agencies in connection with environmental matters such as fuel leakage, ground and water pollution, and failure to adequately respond to notices requiring us to adopt measures to stop environmental degradation. We estimate the risk of loss in these proceedings as possible. In addition, an adverse outcome in this process could result in losses of approximately R\$206.7 million and daily fines.

Labor claims

We and our subsidiaries are also parties to a number of labor claims filed by former employees and service providers challenging, among other things, the payment of overtime, night shift premium and risk premium, recognition of employment relationships, and reimbursement of discounts from payroll, such as social contribution and trade union charges. Additionally, we are involved in several labor administrative and judicial proceedings such as labor investigations and class actions filed by the labor prosecutor's office regarding alleged non-compliance with certain labor regulations, including work and safety rules, labor conditions and work environment and social assistance plans. Moreover, we entered into certain consent orders (*Termos de Ajustamento de Conduta*) with Brazilian authorities and in the event we fail to comply with such consent orders, we could be subject to fines.

As of September 30, 2016, we and our subsidiaries were parties to several labor proceedings amounting to R\$285.4 million for contingencies with a probable risk of loss, for which we have recorded provisions in the same amount, and R\$624.1 million for contingencies with a possible risk of loss.

Malha Paulista – MS Teixeira Prumo Engenharia

We (specifically, Malha Paulista) are currently a party to a public civil action before the labor courts. This proceeding originated in an inspection of the company MS Teixeira, which was hired by the company Prumo Engenharia, our subcontractor at the time. The inspecting authority alleged that workers for MS Teixeira were working in conditions that were degrading and analogous to slavery. Prumo Engenharia fully assumed the responsibility for the condition of the employees, including labor and contractual liabilities and all losses resulting from the alleged unlawful working conditions maintained by its subcontractors, and the dismissal agreements of such employees were approved by the Ministry of Labor, without any participation by us. Moreover, a criminal investigation against us in the matter was filed. Notwithstanding the foregoing, the Labor Prosecutors' Office filed a public civil action solely against us, which we are fully contesting. We were ordered (in both the first instance and on initial appeal) to comply with several obligations relating to workplace conditions, and pay collective moral damages, as well as fines of R\$100 thousand per breach or per worker in the event of future labor breaches.

We appealed to the Regional Appeal Court, but our appeal was dismissed. We appealed again to the Superior Labor Court and our appeal is currently pending. In our assessment, an adverse outcome in this lawsuit could result in losses of approximately R\$163.4 million, and adversely affect our reputation. We estimate the risk of loss in this proceeding in the amount of R\$24.5 million as possible and the amount of R\$138.9 million as remote.

Claims for overtime, night shifts and certain improvements to working conditions

A labor union has filed a labor claim demanding that we pay (i) overtime, (ii) night shift, and (iii) break for rest and meals. The Labor Court ruled partially in favor of the labor union, requiring that overtime be paid. We appealed to the Regional Appeal Court and Superior Labor Court, but both appeals were dismissed. We appealed again to the Supreme Court and this appeal is pending. In our assessment, as of September 30, 2016, an adverse outcome in these proceedings could result in aggregated losses of approximately R\$83.2 million, for which we estimated risk of loss as probable and have recorded a provision in the amount of R\$67.8 million, as possible with regards to an amount of R\$12.0 million and as remote with regards to an amount of R\$3.4 million, for which no provision has been recorded in each case.

Claims for payment of a risk premium

A labor union filed a claim against us for the payment of a risk premium related to the exposure of workers, performing maintenance activities on permanent roads to flammable and explosive products, as well as electricity. The labor court ruled in favor of the labor union, requiring us to pay this risk premium to the employees represented in the lawsuit. The case is pending of the calculation of the amount due to be paid by us to the employees. In our assessment, as of September 30, 2016, an adverse outcome in these proceedings could result in aggregate losses of R\$50.0 million, for which we estimate the risk of loss as probable and have recorded provisions in the amount of R\$3.4 million, and as possible with regards to an amount of R\$46.6 million, for which no provision has been recorded.

Claims for collective moral damages

The Labor Prosecution Office filed a public civil action requesting (i) the prohibition of outsourcing services related to road freight transport, and (ii) compliance with working hours rules. In addition, the Labor Prosecution Office requested the payment of compensation for collective moral damages due to (i) noncompliance with outsourcing rules; (ii) severe extended working hours; (iii) working conditions analogous to slavery; (iv) suppression of legal breaks; (v) indirect promotion of illegal substance abuse by employees; (vi) enhancement of potential work-related accidents; and (vii) social dumping. We estimate the risk of loss in this proceeding as remote in the amount of R\$101.5 million as of September 30, 2016.

Claims relating to outsourcing and compliance with certain labor obligations

The Labor Prosecution Office filed a series of public civil actions relating to certain labor matters including (i) the prohibition of outsourcing of services related to the maintenance of permanent railroads, (ii) compliance with the obligation related to working hours, and (iii) compliance with obligations related to working conditions. In addition, the Labor Prosecution Office has requested the payment of compensation for moral damages. The labor court ruled in favor of the Labor Prosecution Office and prohibited us from outsourcing the core business. In addition, we were ordered to comply with various obligations related to working hours and working conditions.

We appealed to the Regional Appeal Court where the judgment relating to outsourcing was overturned. However, the Labor Prosecution Office was partially successful, as the court required us to pay moral damages in the amount of R\$50,000.00.

We appealed to the Superior Labor Court, the judgment of which is currently pending. We estimate the risk of loss in these proceedings as remote in the amount of R\$188.1 million as of September 30, 2016.

Tax

As of September 30, 2016, we and our subsidiaries were parties to administrative and judicial tax proceedings involving a total amount of R\$72.4 million, for contingencies with a probable risk of loss, for which we have recorded provisions in the same amount, and R\$3,055.7 million for contingencies with a possible risk of loss.

Judicial Deposits

In accordance with court orders concerning certain tax, civil and labor lawsuits, we had bank judicial deposits in an aggregate amount of R\$286.9 million as of September 30, 2016.

Arbitration

We are a party to four arbitration proceedings, in which the total aggregate amount involved is R\$1,052.5 million (subject to discovery proceedings within the arbitrations). Our counsel evaluated the risk of loss as possible in three cases, in which we are at risk of being required to make payments in the total aggregate amount of R\$581.7 million. The first arbitration case relates to breaches of a service contract we entered into with a third-party contractor and related damages, and the second arbitration relates to the termination of a service contract Malha Paulista entered into with a third-party contractor (for both of these cases the risk of loss is possible).

The third case is an arbitration relating to the Brado Shareholders' Agreement, in which our counsel assessed the risk of loss as possible. We may be required to either make payment of the amount under dispute (R\$470.7

million as of September 30, 2016), or issue new shares in an amount corresponding to the amount involved, which may result in the dilution of our existing shareholders. We estimate that the risk of us being required to make payment of the amount involved is remote, but that the risk of us being required to issue new shares is possible. FI-FGTS is also a signatory to Brado Shareholders' Agreement and, although it is not a party to the proceedings involving the shareholders of Brado, it has been granted the same option as was granted to other parties to the Brado Shareholders' Agreement. The exercise of the option by FI-FGTS may occur between the fifth and the seventh anniversary of the date of signing of the Brado Shareholders' Agreement (entered on August 5, 2013). For further information, please see "Risk Factors—Risks Related to our Business and Industries in Which We Operate—The exercise of an option granted under the shareholders' agreement of one of our subsidiaries, Brado Logística, may have a material adverse effect on our financial condition or result in a dilution of our shareholders' equity interest."

The fourth case is an arbitration in which indemnification claims in an amount of approximately R\$305.2 million have been made by the plaintiff (a sugar trading company). The arbitral award partially granted the plaintiff's claims, dismissing loss of profits and future damages. The arbitration proceeding is in the award calculation phase and we believe that the final amount due by us will be fixed around R\$120 to R\$150 million. The award also requires us to transport certain previously agreed volumes of sugar on behalf of the plaintiff until 2027. Our counsel assessed the risk of loss as probable and we have recorded provisions as of September 30, 2016 in the amount R\$130.0 million.

Criminal Proceedings

Certain members of our management are parties to criminal proceedings. For further information on such proceedings, please see "Management—Legal Proceedings."

Ongoing Investigations

We have recently become aware of certain press reports alleging that improper payments were made in connection with an investment made by Fundo de Investimento do Fundo de Garantia do Tempo de Serviço, or FI-FGTS, in our indirect subsidiary Brado Logística and in ALL. The alleged payments occurred prior to the ALL Acquisition and under different management. As a result of these allegations, we have engaged external legal counsel and consultants to conduct an internal investigation. Although the internal investigation is ongoing, we have been in contact with local authorities. At this time, we can neither predict the outcome of the internal investigation or the consequences of any findings. See "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business."

Social Responsibility

We regard sustainability as a strategic guiding principle generating growth and value through socio-environmental responsibility, transparency and good corporate governance and risk management practices. In 2012, as part of the Cosan group, we began to elaborate and consolidate our sustainability management model, which is structured into four phases: (1) diagnosis and evaluation, (2) guidelines and strategies, (3) implementation and monitoring, and (4) verification and reporting. In this manner, we follow a set of corporate and business indicators based on consultations, which are complementary to the materiality process undertaken in 2012, as per the annual reports published jointly with the Cosan group.

We are following the guidance of the Global Reporting Initiative with regards to the preparation of the aforementioned information, and the related indicators can be found in the Cosan group's annual reports. The financial information included in such annual reports derives from our annual financial statements, which are independently audited.

MANAGEMENT

Pursuant to our bylaws (*estatuto social*), which were last amended at the shareholders' meeting held on December 19, 2016, our board of directors and our executive officers are responsible for the operation of our business. Nevertheless, Mr. Rubens Ometto Silveira Mello, who controls our largest shareholder, Cosan Limited, has the power to exert significant influence over us, including over our management policies. The Company's bylaws also provide that it has a fiscal council on a permanent basis.

Board of Directors

Our board of directors is the decision-making body responsible for, among other things, determining policies and guidelines for our business. The board of directors also supervises our executive officers and monitors their implementation of policies and guidelines established from time to time by our board of directors.

In accordance with our bylaws, our board of directors must comprise between eleven and seventeen directors. Our board of directors currently comprises fourteen directors. The members of our board of directors are elected for two-year terms at general meetings and are eligible for reelection. Under the provisions of the *Novo Mercado*, at least 20% of the members of our board of directors must be independent directors, as defined under Brazilian law. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Our bylaws do not include any citizenship or residency requirements for members of our board of directors.

Our board of directors meets, ordinarily, every three months, dates determined during its first annual meeting. It also meets extraordinarily, whenever called by our Chairman, who is in charge of setting the agenda. If the Chairman is absent or otherwise unable to chair the meeting, the Vice-Chairman will have this duty and, if he is also absent or otherwise unable to undertake this role, then another board member appointed by the Chairman of our board of directors will assume these duties. In order to be valid, meetings must be called at least ten days in advance. The documents supporting the agenda for the ordinary or extraordinary meeting must be submitted together with the notice calling the meeting, subject to the internal regulations of our board of directors.

The following table sets forth certain information related to the current members of our board of directors:

Name	Date of Election	Position Held
Rubens Ometto Silveira Mello	April 10, 2015	Chairman
Marcos Marinho Lutz	April 10, 2015	Vice-Chairman
Julio Fontana Neto	April 10, 2015	Director
Marcelo de Souza Scarcela Portela.....	December 19, 2016	Director
Abel Gregorei Halpern	December 19, 2016	Director
Burkhard Otto Cordes.....	December 19, 2016	Director
Nelson Roseira Gomes Neto.....	December 19, 2016	Director
Marcelo Eduardo Martins	December 19, 2016	Director
Mailson Ferreira da Nóbrega*	December 19, 2016	Director
Riccardo Arduini*	December 19, 2016	Director
Wilson Ferro de Lara*	December 19, 2016	Director
Délvio Joaquim Lopes de Brito*	December 19, 2016	Director
Joilson Rodrigues Ferreira*	December 19, 2016	Director
Fabio Lopes Alves*	December 19, 2016	Director

(*) Denotes that the relevant director is independent.

The following is a summary of the business experience of our current directors. Unless otherwise indicated, the business address of our current directors is Av. Presidente Juscelino Kubitschek, 1327, 2nd floor, São Paulo, SP, Brazil.

Rubens Ometto Silveira Mello. Mr. Mello was born on February 24, 1950. He is the chairman of our board of directors. He is also the CEO and chairman of Cosan Limited. He holds a degree in mechanical engineering from the Escola Politécnica of the University of São Paulo (1972). Mr. Mello has more than 30 years of experience in the management of large companies. He has also served as general director and chairman of the board of directors of Costa Pinto S.A. since 1980, vice president of Pedro Ometto S.A. Administração e Participações since 1980, officer

of Cosan Portuária since 1998, chairman of the board of directors of FBA from 2001 until its merger into Corona and is currently the chairman of the boards of Cosan, Comgás and Raízen. He also holds the position of director of UNICA, the Sugarcane Agroindustry Association of the State of São Paulo (*UNICA—União da Agroindústria Canavieira do Estado de São Paulo*). Prior to joining Cosan, Mr. Mello worked from 1971 to 1973 as an advisor to the board of executive officers of UNIBANCO União de Bancos Brasileiros S.A., and from 1973 to 1980 as chief financial officer of Indústrias Votorantim S.A.

Marcos Marinho Lutz. Mr. Lutz was born on December 30, 1969. He is a member of our board of directors. He was our executive officer from November 2009 through April 2015. Mr. Lutz holds a naval engineering degree from Escola Politécnica of the University of São Paulo and a master's degree in business administration from Kellogg Graduate School of Management, Northwestern University. From 2002 to 2006, Mr. Lutz was the executive officer of infrastructure and energy at CSN (SID) and a board member of MRS Logística, CFN Railways and Itá Energética. Before that, Mr. Lutz was the chief operating officer at Ultracargo S.A., the logistics affiliate of the Ultra Group.

Julio Fontana Neto. Mr. Neto was born on April 16, 1955. He is our chief executive officer. He was formerly the chief executive officer of MRS Logística S.A. and has experience in logistics, railroad operations and infrastructure. He obtained bachelor's degrees in mechanical engineering in 1978 and business administration in 1981 from Mackenzie University and a master's degree in business administration from IESE Business school – University of Navarra, Spain (2002).

Marcelo de Souza Scarcela Portela. Mr. Portela was born on January 26, 1961. He is a member of our board of directors and our legal vice president and a member of the board of directors of Cosan Limited. He holds a law degree from Faculdade de Direito da Universidade de São Paulo (1983) and completed graduate studies in commercial law from Faculdade de Direito da Universidade de São Paulo (1988) and McGill University Law School (1990) in Montréal, QC, Canada.

Abel Gregorei Halpern. Mr. Halpern was born on September 26, 1967. He is a partner at TPG Capital, a global private equity fund. Mr. Halpern is responsible for TPG Capital's activities in Europe, Brazil, Latin America and Africa, as well as its activities in the fields of mining and agricultural commodities. Mr. Halpern was previously a strategic consultant for Bain & Company, among other positions. Mr. Halpern received a bachelor of arts degree (*magna cum laude*) from Yale University and a MBA from Harvard Business School. Mr. Halpern is a member of the consultative committee of the Jackson Institute for Global Affairs at the Yale University and of Yale School of Music, among other non-profit activities. Mr. Halpern lives in London.

Burkhard Otto Cordes. Mr. Cordes was born on May 9, 1975. He has been a member of our board of directors since 2005 and of Cosan Limited's board of directors since 2008. He graduated in business administration from Fundação Armando Álvares Penteado (1997) and he holds a master's degree in finance from IBMEC-SP (2001). Mr. Cordes has worked in financial markets for seven years. He worked at Banco BBM S.A., a company owned by Grupo Mariani, where he worked in its commercial division focusing on corporate and middle market segments. Before holding his current position, he had worked at IBM Brasil in its financial division. Mr. Cordes is Mr. Mello's son-in-law.

Nelson Roseira Gomes Neto. Mr. Gomes Neto was born on March 15, 1970. He is our executive officer and investor relations officer. He obtained both a bachelor's degree in engineering in 1992 and a master's degree in corporate finance in 1998 from PUC – IAG Master, and a master's degree in business administration from COPPEAD in 2001. He joined Exxon Mobil Corporation in 1991 as a trainee. Throughout the course of his career, he has served in positions of increasing managerial responsibility in several business lines, such as fuels marketing, convenience retailing, natural gas and, since 2001, the lubricants business. In February 2008, he was appointed Brazil Lubricants Officer at Esso Brasileira de Petróleo Limitada and, in December 2008, Vice President of Lubricants.

Marcelo Eduardo Martins. Mr. Martins was born on October 21, 1966. He has been a member of our board of directors since March 23, 2009. Mr. Martins also holds the position of chief financial and investor relations officer of Cosan Limited and serves on Cosan Limited's board of directors. His duties include identifying acquisition opportunities and implementing takeovers as well as business development activities for which the company may have strategic interest in the future. He has a degree in business administration from the FGV, majoring in finance. In July 2007, Mr. Martins was appointed an executive officer of Aguassanta Participações S.A. Prior to joining the

Cosan Group, Mr. Martins was the Chief Financial and Business Development Officer of Votorantim Cimentos between July 2003 and July 2007 and, prior to that, head of Latin American Fixed Income at Salomon Smith Barney (currently Citigroup) in New York. He has significant experience in capital markets, having worked at Citibank (where he began his career as a trainee in 1989), Unibanco, UBS and FleetBoston.

Mailson Ferreira da Nóbrega. Mr. Nóbrega was born on May 14, 1942. He has been a member of our board of directors and of Cosan S.A.'s board of directors since November 2007. He is an economist and was Brazil's Minister of Finance from 1988 to 1990. He was previously Technical Consultant and Chief of Project Analysis Department at Banco do Brasil; Coordination Chief of Economic Affairs of the Ministry of Industry and Commerce, and Secretary General of the Ministry of Finance. He was the chief executive officer of the European Brazilian Bank—EUROBRAZ, in London. Mr. Nóbrega is also member of the board of directors of the following companies: Abyara Planejamento Imobiliário, CSU Cardsystem S.A., Grendene S.A., Portobello S.A., Rodobens Negócios Imobiliários S.A., TIM Participações S.A. and Veracel Celulose S.A.

Riccardo Arduini. Mr. Arduini was born on September 26, 1948. He has been a member of our board of directors since April 1997. He is also a member of the board of São Carlos Empreendimentos e Participações S.A. (since 1999). In addition, he is a vice-president of CINPAL – Cia. Industrial de Peças Automóveis, a company active in the automotive sector. Mr. Arduini has a bachelor's degree in mechanical engineering, as well as a post-graduate degree in management from the FGV. Mr. Arduini is the father of Giancarlo Arduini, an alternate member of our board of directors.

Wilson Ferro de Lara. Mr. de Lara was born on July 25, 1955. He has been chairman of the board of ALL-América Latina Logística Malha Sul S.A. (from 2010 to 2015), chairman of the board of ALL-América Latina Logística Malha Norte S.A. (from 2007 to 2015), ALL-América Latina Logística Malha Paulista S.A. (from 2008 to 2015) and ALL-América Latina Logística Malha Oeste S.A. (from 2008 to 2015). He has a bachelor's degree in economics from the Federal University of Paraná (having graduated in 1979) and a master's degree in business administration from the Pontifical Catholic University of Paraná.

Délvio Joaquim Lopes de Brito. Mr. Lopes de Brito was born on March 27, 1961. Over the past five years, Mr. Lopes de Brito has worked as a senior auditor of Caixa Econômica Federal, and as a member of the board of ALL (from July 2014 to 2015). He is currently the benefits' officer of FUNCEF (a major Brazilian pension fund). Mr. Lopes de Brito has a bachelor's degree in law from the Federal University of Minas Gerais.

Joilson Rodrigues Ferreira. Mr. Ferreira was born on October 12, 1961. He has a bachelor's degree in law and economics from the University of São Paulo, a MBA in corporate management and finance from the FGV of Rio de Janeiro and a MBA in advanced business management from INEPAD/ Federal University of Mato Grosso. Over the last five years, he has served in a variety of positions including: as a member of the boards of CPFL Energia (2003 to 2005), Coelba – Companhia de Eletricidade do Estado da Bahia (since 2005), Celp – Companhia Energética de Pernambuco (since 2005) and Metalúrgica Turpy S.A. (since 2011), as well as an officer of Invepar (since 2012).

Fabio Lopes Alves. Mr. Lopes Alves was born on June 8, 1950. He has a bachelor's degree in electrical engineering from Escola de Engenharia da Universidade Federal de Pernambuco –EE/UFPE and a post-graduate degree in engineering from Universidade Federal de Pernambuco – UFPE. Between 1996 and 1998, Mr. Lopes Alves was the chief executive officer of Celpe - Companhia Energética de Pernambuco, while in 2003 he was the chief of staff to the Presidency Office of Chesf - Companhia Hidro Elétrica de São Francisco. In 2014, he was the finance director of Transporte Energia - TNE.

Executive Officers

Our board of executive officers serves as our executive management body. It is responsible for our internal organization and day-to-day operations and for the implementation of the general policies and guidelines established from time to time by our board of directors.

Pursuant to our bylaws, our board of executive officers must comprise a minimum of three and a maximum of nine officers, each responsible for a specific area of our business and each resident in Brazil. Our executive officers are elected for a term of two years, and are eligible for reelection.

The following table sets forth certain information related to our current executive officers:

Name	Date of Election	Position Held
Julio Fontana Neto.....	April 30, 2015	Chief Executive Officer
José Cezário Menezes de Barros Sobrinho.....	April 30, 2015	Chief Financial Officer and Officer for Investor Relations
Daniel Rockenbach.....	April 30, 2015	Executive Operation Officer for “Malha Norte” and “Malha Paulista”
Darlan Fábio de David.....	April 30, 2015	Executive Operation Officer for “Malha Oeste” and “Malha Sul”
Eduardo Pellegrina Filho	April 30, 2015	Executive Officer for Human Resources

The terms of the officers expire in April 2018.

The following is a summary of the business experience of our executive officers who are not directors. Unless otherwise indicated, the business address of the executive officers is Av. Presidente Juscelino Kubitschek, 1327, 4th floor, São Paulo, SP, Brazil.

Julio Fontana Neto. See “—Board of Directors.”

José Cezário Menezes de Barros Sobrinho. Mr. Menezes de Barros Sobrinho was born on May 7, 1971. He joined Cosan in October 2009 as a director of controllership and risk management. He has a bachelor’s degree in accounting from the University of Vila Velha and a master’s degree in management from the FGV in Rio de Janeiro. Mr. Menezes de Barros Sobrinho is qualified as an accountant in both Brazil (CRC) and the US (CPA). He has professional experience in other large corporations (Embraer, BR Foods and Coca-Cola FEMSA) as well as in audit firms (PwC and Deloitte).

Daniel Rockenbach. Mr. Rockenbach was born on July 19, 1966. He joined our Company four years ago. In 2011, he was appointed our officer of commercial and operational matters, a position that he occupied until July 2013 when he became chief executive officer of Rumo. Mr. Rockenbach has a bachelor’s degree in business administration from the Pontifical Catholic University of Rio Grande do Sul as well as a post-graduate degree in marketing from the Federal University of Rio Grande do Sul. During the course of his career, Mr. Rockenbach has worked at companies such as Ambev, ALL (as a corporate manager responsible for the mining, metallurgy and agriculture sectors) and MRS Logística (as an industrialized products manager).

Darlan Fabio de David. Mr. de David was born on July 19, 1974. He has more than fifteen years of experience in the rail sector, having begun his career as a trainee at ALL in 1998 and worked for six years at MRS Logística. He was also the chief executive officer of Rift Valley Railways and is currently our vice-president for operations at Malha Oeste and Malha Sul. Mr. de David has a bachelor’s degree in electrical engineering from the Federal University of Rio Grande do Sul, an MBA in logistics, operations and services from COPPEAD (the business school of the Federal University of Rio de Janeiro), an MBA in business management from the Dom Cabral Foundation and has completed an executive development program at IMD in Switzerland.

Eduardo Pellegrina Filho. Mr. Pellegrina Filho was born on May 12, 1956. He is our human resources officer since July 2014, having worked for approximately sixteen years in human resources. Mr. Pellegrina Filho has a bachelor’s degree in agricultural engineering from the State University of Campinas, which he received in 1982, as well a doctorate in information technology from the University of California, Davis.

Fiscal Council

Our fiscal council is a permanent body. Our bylaws require that it comprise between three and five members. It currently comprises three members, all of whom were elected in December 2016. Each of their terms expire in the ordinary general meeting scheduled to occur in 2017.

The Brazilian Corporations Law establishes the responsibilities, duties and powers of the fiscal council. Fiscal council resolutions are passed upon a majority of votes of members present at fiscal council meetings.

The role of our fiscal council is to: (1) supervise the actions of officers and directors, and their compliance with legal and statutory requirements; (2) voice its opinion regarding management’s annual report, and including in its report on such matter the additional information which it believes are necessary or useful to the deliberations of the

general meeting; (3) voice its opinion on the proposals of management bodies to be submitted to the general meeting in relation to changes to the capital, issuance of debentures or subscription bonuses, investment plans or capital budgets, distributions of dividends, transformations, incorporations, mergers or spin-off; (4) report on any mistakes, fraud, or crime which it uncovers to management, and if management does not take appropriate action to protect our interests, to the general meeting, and recommend useful steps we may take in this regard; (5) call an ordinary general meeting if management bodies delay the calling thereof for over a month, and extraordinary general meetings whenever serious or urgent events occur, and include in the agenda for such meetings the items which it considers necessary; (6) analyze, at least on a quarterly basis, our financial statements; (7) review our financial statements for each fiscal year and voice its opinion thereon; and (8) exercise the aforementioned functions during a liquidation, taking into account the specific provisions governing such a situation.

The following sets forth certain information related to the current members of our fiscal council:

Name	Date of Election	Position
Luiz Carlos Nannini.....	December 19, 2016	President
Paulo Henrique Wanick Mattos.....	December 19, 2016	Member
Ricardo Lerner Castro.....	December 19, 2016	Member

We present below a brief biographical description of each member of our fiscal council.

Luiz Carlos Nannini. Mr. Nannini was born on January 2, 1960. He is the co-author of the Manual de Normas Internacionais de Contabilidade (*Manual of International Accounting Norms*), written along with FIPECAF under the supervision of the CVM and published for the first time in 2009. Mr. Nannini has over 30 years of experience in independent auditing work, having worked at E&Y for 32 years, including 19 years as a partner engaged by large corporate financial, industrial, services and retail groups. Mr. Nannini has a degree in accounting and has undertaken various specializations courses in Brazil and abroad, including a leadership course at Harvard University.

Paulo Henrique Wanick Mattos. Mr. Mattos was born on March 5, 1968. He has significant professional experience in the auditing and controllership, having worked for 11 years at PricewaterhouseCoopers and having occupied management positions at ArcelorMittal since 2005. He is currently the chief executive officer of the Fundação de Seguridade Social dos Empregados da ArcelorMittal Tubarão (FUNSSEST) and also the control, risk and compliance officer at ArcelorMittal Brasil. Mr. Mattos has a degree in business administration and accounting from the Universidade de Vila Velha, a post-graduate degree in corporate finance from the FGV of Rio de Janeiro and a MBA from Ohio University.

Ricardo Lerner Castro. Mr. Castro was born on March 12, 1985. He is a vice-president at TPG Growth in São Paulo. Before joining TPG Growth in 2011, Mr. Castro was an associate in the Latin American group at J.P. Morgan in São Paulo and New York. He has a bachelor's degree in economics from the Universidade de São Paulo, having also studied for two years at the Pontifícia Universidade Católica de São Paulo (law). He is a member of the Chartered Financial Analyst Institute.

Committees of our Board of Directors

Audit Committee

Our audit committee is a statutory and permanent body, responsible for undertaking technical and/or consultancy functions. Our audit committee comprises three members elected by our board of directors for a renewable one-year term of office, all of whom are independent and will preferably have experience in compliance. Our audit committee was created on November 30, 2016 at a general meeting and its current members were elected to their respective positions on the same date by our board of directors. Our audit committee is governed by internal regulations that were approved by a meeting of our board of directors on November 30, 2016.

Our audit committee has the following responsibilities:

- voicing an opinion on retaining or discharging an independent auditor and supervising the activities of such auditor, as well as supervising our internal controls, internal audits and the team in charge of preparing our financial statements;

- monitoring the quality and integrity of internal control mechanisms and financial statements, including quarterly and interim financial information and statements;
- assessing and monitoring our risk exposure, with the power to require detailed information on policies and procedures in connection with management compensation and the use of company assets and expenses incurred on our behalf;
- assessing and monitoring, jointly with management and our internal audit area, the adequacy and respective outcome of our transactions with related parties; and
- preparing a summary of the annual report to be submitted with the financial statements, containing a description of:
 - the committee's activities, results, conclusions reached and recommendations made; and
 - any situations in which there may be an express difference among our management, our independent auditors and our audit committee regarding our financial statements.

The following table sets forth certain information related to the current members of our audit committee, all of whom are independent:

Name	Position Date of Election	Position
Mailson Ferreira da Nóbrega.....	November 30, 2016	Member
Felício Mascarenhas de Andrade.....	November 30, 2016	Member
João Ricardo Ducatti	November 30, 2016	Member

We present below a brief biographical description of each member of our audit committee.

Mailson Ferreira da Nóbrega. See “—Board of Directors.”

Felício Mascarenhas de Andrade. Mr. de Andrade is a founding partner of Vecte, which provides expert advice on good corporate governance practices. He spent his career in international consulting firms such as Arthur Andersen, Accenture, Ernst & Young and KPMG. Throughout his career he has advised dozens of large Brazilian companies on improving their financial management, governance mechanisms, financial risk management, preparation for IPO's, among other themes related to the growth and protection of shareholder value. Mr. de Andrade is member of the IBGC in São Paulo and teaches the subjects of Risk Management and Corporate Governance in MBA programs in São Paulo and Curitiba.

João Ricardo Ducatti. Mr. Ducatti is a business manager. He worked at Westinghouse of Brazil from 1973 to 1982 where he was Financial Resources Manager and Treasurer for Latin America, then as Business Manager of the Barbacena Mill, located in Ribeirão Preto, in 1982 and 1983. He was also Administrative and Financial Officer of Grupo Bom Jesus, which produces sugar and ethanol and is located in Piracicaba, from 1983 to 1991, and the Administrative and Financial Officer of within the sugar and ethanol operations Grupo Cosan from 1991 to 1995, also in the region of Piracicaba. He was also a Managing Officer of SUCRESP, a representative professional association of seventeen plants producing sugar and alcohol, from 1995 to 1999. From 1999 to date, he has focused on providing economic and financial advisory services, asset valuation, administration of corporate structuring, sales development of investments and other associated activities, through his company, RDR Consultores Associados Ltda.

Related Parties Committee

Our related parties committee was created on November 30, 2016 by our board of directors. It comprises at least three or, preferably, five members (a majority of whom must be independent), who were elected on the date our related parties committee was constituted and whose terms coincide with those of our board of directors. Accordingly, the terms of the members of our related parties committee will consequently expire at the 2017 general meeting of our shareholders. The related parties committee has internal regulations that were approved by a meeting of our board of directors on November 30, 2016.

The role of our related parties committee is to ensure the equal and non-discriminatory treatment of competitors as it relates to the contracting of, and the pricing and provision of, our services and also to ensure quality of service with regards to rail transport, transshipment, warehousing and port handling. Our related parties committee must recommend the approval of related party transactions to our board of directors or provide our board of directors an unfavorable opinion regarding transactions in which competitors are treated in a discriminatory manner, including without limitation with regards to prices, based on objective pricing criteria. See also “Related Parties Transactions” for more information on the role of our related parties committee.

The following table sets forth certain information related to the current members of our related parties committee:

Name	Position Date of Election	Position
Marcos Marinho Lutz.....	November 30, 2016	Member
Délvio Joaquim Lopes de Brito.....	November 30, 2016	Member
Joilson Rodrigues Ferreira.....	November 30, 2016	Member
Fabio Lopes Alves.....	November 30, 2016	Member

We present below a brief biographical description of each member of our related parties committee.

Marcos Marinho Lutz. See “—Board of Directors.”

Délvio Joaquim Lopes de Brito. See “—Board of Directors.”

Joilson Rodrigues Ferreira. See “—Board of Directors.”

Fabio Lopes Alves. See “—Board of Directors.”

Remuneration Committee

Our remuneration committee was established on November 30, 2016 by our board of directors. It comprises four members, who were elected on the date the remuneration committee was created and whose terms coincide with those of our board of directors. Accordingly, the terms of the members of our remuneration committee will expire at the 2017 general meeting of our shareholders. Our remuneration committee is governed by internal regulations that were approved by a meeting of our board of directors on November 30, 2016.

The role of our remuneration committee is to advise our board of directors on matters relating to the fixed and variable compensation of our directors, officers, members of our fiscal council and other employees, the definition and control of targets, as well as providing information to our board of directors.

The following table sets forth certain information related to the current members of our remuneration committee:

Name	Position Date of Election	Position
Marcos Marinho Lutz.....	November 30, 2016	Member
Mailson Ferreira da Nóbrega.....	November 30, 2016	Member
Abel Gregorei Halpern.....	November 30, 2016	Member
Marcelo Eduardo Martins.....	November 30, 2016	Member

We present below a brief biographical description of each member of our remuneration committee.

Marcos Marinho Lutz. See “—Board of Directors.”

Mailson Ferreira da Nóbrega. See “—Board of Directors.”

Marcelo Eduardo Martins. See “—Board of Directors.”

Abel Gregorei Halpern. See “—Board of Directors.”

Family Relationships

As of the date of this offering memorandum, the members of our board of directors and our executive officers do not have any family relationships among themselves, with the members of the boards of directors of our subsidiaries, with our controlling shareholder or with the boards of directors of our subsidiaries, other than the fact that (i) Mr. Cordes is Mr. Mello's son-in-law and (ii) Mr. Riccardo Arduini is the father of Mr. Giancarlo Arduini, an alternate member of our board of directors.

Compensation

Overview

Under our bylaws, our board of directors is responsible for establishing the annual aggregate compensation that we pay to the members of our board of directors and our executive officers. We currently have no employment agreements with our directors and executive officers providing for benefits upon the termination of employment. Our directors and executive officers who serve for both us and Cosan Limited will receive compensation from both companies.

Board of Directors

Members of our board of directors receive solely fixed compensation. We believe that the overall compensation of our directors reflects market practice, particularly practices of companies similar to our Company, while also taking into account the functions and responsibilities of such directors. While not all of our directors elect to receive compensation for undertaking their functions, the aggregate compensation of those that receive compensation is fixed by reference not only to the functions undertaken by such directors but also by the market practices in the locations in which the relevant directors are resident. The compensation of the chairman of our board of directors is greater than that of the remaining members of our board of directors. Directors are also entitled to reimbursement for reasonable travel expenses, accommodation and other expenses duly incurred in connection with our business or their obligations as directors.

Executive Officers

Our executive officers receive both fixed and variable compensation. The fixed portion of our executive officers' compensation is based on market standards for professionals with similar experience working in companies active in the same sectors as us and of comparable size and relevance in the market, with readjustments being based on such factors. The variable portion of our executive officers' compensation is determined so as to account for a significant proportion of the executive officers' total remuneration, and is directly linked to targets relating to us as a whole and individual targets for each executive officer, which are in turn linked to the budget and financial statements approved by our board of directors. The amount of variable compensation received by our executive officers depends on our results (70%) and the achievement of individual goals (30%). Our executive officers receive similar benefits to those generally provided to our employees (e.g., medical cover, dental cover, checkups, life insurance, assistance in vehicle purchases and, since 2011, a retirement plan).

Fiscal Council

Members of our fiscal council receive solely fixed compensation determined annually at the general meeting of our shareholders and based upon amounts required by applicable law.

Overall Compensation Received

The aggregate amount of compensation paid by Rumo Logística to members of the board of directors, executive officers and members of our fiscal council in the fiscal years ended December 31, 2016, 2015, 2014 and 2013 is as follows:

	Board of Directors	Statutory Board of Executive Officers	Fiscal Council	Total
	(in R\$)			
2013.....	—	2,594,440.14	—	2,594,440.14
2014.....	52,364.80	3,617,808.92	—	3,670,173.72
2015.....	2,137,338.50	11,266,496.83	161,632.00	13,565,467.33
2016.....	3,087,360.00	15,746,798.05	323,925.44	19,199,568.08

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

Share-based Remuneration

Stock Option Plan

Certain executive officers, managers and eligible employees may receive equity-based compensation pursuant to our stock option plan. The objective of our stock option plan is to attract and retain executives through the opportunity to own our common shares and to promote a greater alignment between the interests of these individuals and those of our shareholders.

The maximum dilution that may result from our stock option plan is equivalent to 5% of our total outstanding common shares. The board of directors is responsible for administering our stock option plan, including the number of common shares that may be granted in connection with each stock option program and stock option exercise schedule. See note 23 to our audited financial statements as of and for the fiscal year ended December 31, 2015 for more information.

Unless otherwise provided by the Board of Directors, if a holder of stock options ceases to be an executive officer, manager or eligible employee for any reason (other than death or permanent incapacitation), the options that have not yet been exercised by such holder will terminate as of the date that such holder ceases to be an executive officer, manager or eligible employee.

Our stock option plan was approved by Rumo Logística's shareholders at a general meeting held on April 24, 2015, and its succession and maintenance was approved by our shareholders at a general meeting held on December 19, 2016 (with the replacement of Rumo Logística options already granted for new stock options issued by Rumo).

Retirement Benefits

Currently, five of our executive officers (and none of our directors) participate in our retirement plan. For further information on our retirement plan, see "Business—Employees and Union Relations—Compensation and Benefits—Retirement Plan." During the year ended December 31, 2016, we contributed R\$295,073.33 to the retirement plan on these persons' behalf (excluding any amounts directly contributed by such persons).

Only one of these directors and executive officers is both (1) at least 55 years old and (2) has been employed by us for at least five years, and is therefore eligible for retirement. Certain of these directors and officers may be eligible for early withdrawal of funds from the retirement plan upon leaving our company. A participant that elects to withdrawing funds early may be entitled to: (1) 100% of the funds contributed by such person, in up to 12 instalments; and (2) a portion of the funds contributed by us, so long as such person has been employed by us for at least three years.

Share Ownership

The table below sets forth the beneficial ownership of Rumo Logística's board of directors, board of executive officers and fiscal council in Rumo Logística and Cosan Logística's share capital for the year ended September 30, 2016:

	Rumo Logística	Cosan Logística
Board of Directors.....	1,565,706	89,941
Board of Executive Officers.....	111,981	738
Fiscal Council.....	—	—
Total.....	<u>1,677,687</u>	<u>90,679</u>

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

Directors' and Officers' Insurance

The directors' and officers' liability insurance policy No. 23.10.0008464.28 was entered into with Corretora de Seguros Euroamerica, Financial Insurance and has ACE Seguradora S.A. as insurer. The aforementioned policy expires on April 30, 2017. It covers liability arising in connection with acts of directors and officers of any subsidiary entity belonging to our economic group, in Brazil and abroad, including statutory liability, liability for errors and omissions in the provision of professional services, property and personal damages, claims from the insured entities against the beneficiaries, among the beneficiaries and against shareholders or partners against the beneficiaries, environmental damages, barring for the exercise of director or officer functions, capital market transactions (including legal entities), extension of the coverage for retired insured parties, sureties, guarantees and/or escrow agents (*fiel depositário*), extension of the period for presentation of claims, liability of spouses or domestic partners, estates (*espólio*), heirs, successors and legal representatives, managers of third parties, limited extension of the coverage for judicial restriction for disposal of assets and online attachment (*indisponibilidade de bens e penhora-on-line*), marketing expenses, extension of the coverage for unlawful labor practices, and public offerings of securities (following special approval by the insurers) among others.

The coverage does not include losses from claims arising from: willful misconduct of the insured party, acts, omissions or facts that have already been previously presented against the insured party; filing for (in or out-of-court) debt reorganization, bankruptcy, intervention, winding up or breach of covenants; existing lawsuits against us that may adversely affect the insured party before the beginning of the insurance policy term and fines (only defense costs and court deposits are covered).

The policy operates based on claims, i.e., covers claims received by the insured party during its effective period (or during the supplementary/complementary period) even if based on prior facts (as long as unknown). Communications shall be made by a manager by means of notice to the insurance company during the effective period or supplementary/complementary period. The coverage cap is of R\$100 million (sublimited in R\$50 million for environmental damages and judicial restriction for disposal of assets and online attachment), which guarantees payment of financial losses relating to claims made against the insured party as a result of damaging acts for which the insured party may be held liable. The value of the net premium paid for this policy in 2016 (net of a 7.38% IOF tax) was R\$438,225.00.

Legal Proceedings

Proceedings Relating to the ALL Financial Statements

In 2015, ALL received correspondence from the CVM in which the CVM questioned the manner in which ALL accounted for its investment in Vétria Mineração S.A., or Vétria, a joint venture accounted for under the equity method. The Vétria joint venture was discontinued in 2014.

Pursuant to such CVM correspondence, the CVM alleged that ALL did not adequately account for its investment in Vétria in ALL's annual balance sheets as of December 31, 2012 and 2013 and in ALL's quarterly financial information for the quarters ended March 31, June 30 and September 30, 2013 and March 31, June 30 and September 30, 2014. As set forth in the CVM correspondence, the impact on ALL's financial statements for the year ended December 31, 2012 totaled R\$1.9 billion in both of the line items "investment in the jointly controlled entity Vétria" under non-current assets and "deferred revenue" under current liabilities, subsequently impacting the applicable financial statements through September 30, 2014.

ALL's management responded to the CVM's allegations, noting it believed that the investment in Vétria was correctly reflected in the applicable financial statements.

Despite the fact that the CVM did not order the restatement of the applicable financial statements on the basis that such an order would be untimely and overly burdensome at this time as set forth in CVM Ofício No. 0073119 dated January 29, 2016, it is not possible to guarantee that the CVM will not require us to restate and republish such financial statements.

In addition, the CVM, on February 17, 2016 summoned each of ALL's then-directors, executive officers and members of its fiscal council in connection with an administrative sanction proceeding (*Processo Administrativo Sancionador*). Certain members of our management, namely Carlos Fernando Vieira Gamboa (an alternate member of our board of directors), Joilson Rodrigues Ferreira (an independent member of our board of directors), Riccardo Arduini (an independent member of our board of directors) and Wilson Ferro de Lara (an independent member of our board of directors), are parties to such administrative proceedings.

In the event an adverse judgment is issued against any of these officers, these officers would be subject to the penalties established under Law No. 6,385/76 and other applicable legislation, including, among other penalties: (1) warnings; (2) fines; (3) a prohibition against serving as an executive or fiscal council member of companies registered with the CVM or other entities that are subject to CVM authorization or registration; (4) up to a 20 year suspension from serving as an executive or fiscal council member of a CVM-governed entity; and (5) up to a ten year suspension from participating, either directly or indirectly, in capital market transactions.

Accordingly, an adverse judgment against any of our officers in this proceeding may subject us to the loss of a key member of our management in addition to damage to our reputation, either of which may materially adversely affect us and the price of our common shares.

A settlement proposal presented to the CVM was approved on November 10, 2016, but its publication in the Federal Official Gazette is still pending.

Criminal Proceedings

Certain members of our management are parties to criminal proceedings, as follows:

Mr. Rubens Mello

Mr. Rubens Ometto Silveira Mello, in his capacity as a representative of Usina da Barra S.A. – Açúcar e Alcool (predecessor of Raizen Energia S.A., a company under common control with us), was named a defendant, together with Usina da Barra S.A. – Açúcar e Alcool, in a complaint filed on September 24, 2007 (3001555-17.2013.8.26.0302) alleging the crimes of disobedience and pollution in connection with the burning of sugarcane by the company in contravention of a judicial decision in a public civil class action. On motion, Mr. Mello pleaded (1) the illegitimacy of his status as a defendant given that he did not participate in the alleged conduct and was not the owner or lessor nor did he exercise control over the area in which the alleged conduct took place, (2) the failure of the alleged conduct to constitute a crime, given that the notice regarding the prohibition against the burning of sugarcane was not given by a competent authority, and (3) that the right to the controlled burning of sugarcane in the region was re-established in the context of the public civil class action. The motion was granted in part in relation to the suspension of the criminal proceeding until the rendering of a final judgment in the public civil action. While the statute of limitations with respect to the crime of pollution was tolled, the statute of limitations with respect to the crime of disobedience has expired. Accordingly, the complaint with respect to the crime of pollution was remanded to the state authorities in order for the investigations to continue. As of the date of this offering memorandum, this criminal proceeding remains suspended pending a final decision in the related public civil class action as to whether the crime of pollution was in fact committed. In the event the criminal proceeding is permitted to advance, Mr. Mello may be subject to criminal penalties, which may be substituted for community service and monetary fines. In the opinion of counsel responsible for Mr. Mello's defense, compelling legal arguments exist that would support dismissal of the charges against Mr. Mello.

In addition, Mr. Mello, while an executive officer of Cosan Centro-Oeste Açúcar e Alcool Ltda., was named a defendant, together with Cosan Centro-Oeste Açúcar e Alcool Ltda., in a complaint filed on July 20, 2011 (246996-26.2011.8.09.0175) alleging artificial price fixing of fuel and the formation of a cartel with the purpose of establishing regional market control. In his defense, Mr. Mello maintains that his status as a defendant in the

proceeding is not proper given the lack of proof of his involvement in the alleged illicit acts. Mr. Mello also maintains that the increase in the price of ethanol resulted solely from market forces (i.e., that the increase in the price of ethanol did not result from criminal conduct, but rather the lawful exercise of a recognized constitutional right). In the event the criminal proceeding is permitted to advance, Mr. Mello may be subject to criminal penalties, including the inability to serve as a director of our Company. Mr. Mello was summoned and presented his defense, which is awaiting review and analysis. In the opinion of counsel responsible for Mr. Mello's defense, the likelihood of a decision favorable to Mr. Mello is possible.

Mr. Rubens Mello, Mr. Marcos Lutz, Mr. Marcelo Portela and Mr. Marcelo Martins

Mr. Mello, Mr. Marcos Marinho Lutz, Mr. Marcelo de Souza Scarcela Portela and Mr. Marcelo Eduardo Martins, in their capacity as executive officers of Raízen Energia S.A. and Cosan S.A. Açúcar e Álcool (entities under common control with us), were named defendants, together with Raízen Energia S.A. and Cosan S.A. Açúcar e Álcool, in two criminal complaints that were filed on August 28, 2014 and October 29, 2014, to determine whether the companies (and its executive officers) committed tax evasion in connection with the alleged failure by those companies to adequately pay state value added taxes (ICMS). In addition, police inquiries have been initiated to investigate the alleged responsibility of certain of our executive officers in their capacity as officers of Raízen Energia S.A. and Cosan S.A. Açúcar e Álcool related to other proceedings regarding tax evasion.

The determination as to whether outstanding taxes are in fact due is at issue in a separate tax collection enforcement proceeding that is independent of the criminal proceeding and police inquiries. Bank letters of credit and insurance guarantees have been deposited with the relevant court in order to secure the amount in controversy. Such deposits have generally been interpreted by the Brazilian courts to eliminate criminal liability given that there would no longer exist a direct or indirect risk of harm to the public treasury and the allegedly illicit conduct of the defendants would no longer constitute a crime. In view of the foregoing, the defense filed a motion requesting that the criminal proceedings (which are currently suspended) be terminated for lack of cause.

The charges could subject the defendants to criminal penalties and monetary fines. In the opinion of counsel responsible for the defense, it is not possible to estimate the likelihood that the police inquiries will be suspended or terminated. Nevertheless, the presentation of certain defenses, such as a lack of intent or the failure to prove that the public treasury was harmed, may result in the suspension or termination of these inquiries and/or any resulting criminal proceeding. In any event, the payment of the amount in controversy would, at any time, terminate any criminal liability.

Mr. Julio Fontana

Mr. Julio Fontana is currently the subject of a police investigation that began on October 19, 2010 in connection with an allegation that, during his time as an executive officer of MRS Logística S.A., funds from the Worker's Support Fund (*FAT – Fundo de Amparo ao Trabalhador*) were fraudulently used by MRS Logística S.A. to pay employees under suspended work contracts in contravention of the requirement to have entered into a new collective bargaining agreement. The defense alleges that the work contracts in question were not suspended or interrupted and, therefore, there existed no legal obligation to enter into a new collective bargaining agreement. In the event the criminal investigation results in the filing of formal criminal charges, Mr. Fontana could be subject to criminal penalties, monetary fines and the inability to serve as an executive of our Company. In the opinion of counsel responsible for Mr. Fontana's defense, given that no evidence exists as to the identity of the alleged wrongdoers or the materiality of the alleged crime, it is possible that Mr. Fontana will be acquitted or the investigation terminated.

Mr. Marcos Lutz and Mr. Julio Fontana

Lawsuit No. 0195110-70.2016.8.19.0001 makes reference to an accusation made by the Public Prosecutor's Office of Rio de Janeiro (*Ministério Público do Rio de Janeiro*) against executives and former executives of MRS (Henrique Ache Pillar, Júlia Fontana Neto, Marcos Jurandir De Araújo Tambasco, Valter Luís De Souza, Davi Emery Cade, Alisson Barros Paolinelli, Marcelo Tertuliano Melo, Isaac Popoutchi, Marcelo Guimarães Fenelon, Marcos Marinho Lutz, Paulo Roberto Perlott Ramos, Wilfred Theodoor Bruijn, Delson De Miranda Tolentino, Juarez Saliba De Avelar, Fernando Sabato Claudio Moreira, Félix Lopez Cid, Luís Claudio Torelli, Carlos Eduardo Fontenele Carneiro, Eduardo De Sales Bartolomeo, Rogério Patrus Ananias De Sousa, Gabriel Stoliar and Juarez De Oliveira Rabello) in relation to alleged tax fraud (Law 8,137/90). The accusation maintains that the aforementioned individuals, in their capacity as directors of MRS Logística S.A., defrauded Brazilian tax authorities by entering

inaccurate amounts in tax records between the months of February 2007 and July 2009. The accusation was rejected by the judge. It is currently awaiting review of the appeal filed by the Public Prosecutor's Office of Rio de Janeiro (*Ministério Público do Rio de Janeiro*).

PRINCIPAL SHAREHOLDERS

Issuer

Rumo Luxembourg S.à r.l is a wholly-owned subsidiary of Rumo.

Rumo Logística

As of September 30, 2016, Rumo Logística's issued and outstanding share capital was R\$7,985,816 thousand, fully issued and paid-in comprising 1,339,015,898 common shares, nominative and without nominal value. There has been no change in Rumo Logística's share capital since September 30, 2016. In this section, unless otherwise stated, references to "we," "us," "our" or "the company" refer to Rumo Logística only and do not include its subsidiaries.

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística.

The following table sets forth information as of the date of this offering memorandum regarding Rumo S.A.'s principal shareholders:

Shareholders	Total Number of Common Shares	%
Cosan Logística S.A.(1)(2)(3)	379,859,291	28%
BNDES Participações – BNDESPAR(1)	106,228,505	8%
Eminence Capital L.P.	79,243,722	6%
Julia Arduini(3)	51,113,461	4%
TPG VI Fundo de Investimento em Participações(2)	48,845,285	4%
Others	673,725,634	50%
Total	1,339,015,898	100%

(1) Party to the BNDESPAR Shareholders' Agreement.

(2) Party to the Funds Shareholders' Agreement.

(3) Party to the Arduini Shareholders' Agreement.

Other than the entities and individuals mentioned below, no other single shareholder holds more than 5.0% of Rumo S.A.'s issued and outstanding total share capital.

Shareholders' Agreements

On October 8, 2016, ALL – América Latina Logística S.A. changed its corporate name to Rumo S.A. Subsequently, on December 31, 2016, Rumo Logística was merged into its wholly-owned subsidiary Rumo S.A., as a result of which Rumo S.A. is the successor entity to Rumo Logística. As a result, the following shareholders' agreements became applicable to Rumo S.A.: (1) the BNDESPAR Shareholders' Agreement, executed between Cosan Logística, Novo Rumo Logística S.A., Cosan S.A., Cosan Limited and BNDESPAR, dated April 30, 2014 (in force as of April 1, 2015); (2) the Funds Shareholders' Agreement, executed between Cosan Logística, Cosan S.A., Cosan Limited, TPG VI Fundo de Investimento em Participações (an investment fund), or TPG, and GIF Rumo Fundo de Investimento em Participações (also an investment fund), or GIF (and together with TPG, the "Funds"), dated September 5, 2014 (in force as of April 1, 2015); and (3) the Arduini Shareholders' Agreement, executed between Cosan Logística and Ms. Julia Dora Antonia Koranyi Arduini, dated November 28, 2016.

On April 22, 2016, GIF exercised its right pursuant to the Funds' Shareholders' Agreement to exchange its 12,831,102 shares issued by Rumo, which represented the entirety of its equity interest in Rumo, for shares issued by Cosan S.A. and shares issued by Cosan Logística. The exchange ratio established was of 19.246654 shares issued by Rumo for one share in each of Cosan S.A. and Cosan Logística.

The shareholders' agreements described in this section remain in force following the corporate reorganization undertaken in the last quarter of 2016. See "Summary—Recent Developments—Corporate Reorganization."

BNDESPAR Shareholders' Agreement

The BNDESPAR Shareholders' Agreement governs the relationship between the parties to the agreement, in particular with respect to: (1) the exercise of veto rights by BNDESPAR; (2) the election of a member of the board of directors and the related parties committee by BNDESPAR; (3) the restrictions on the sale and transfer of our common shares; (4) voting arrangements for the election of the board members nominated by Cosan Logística; and (5) non-compete arrangements between Cosan S.A., Cosan Logística and Cosan Limited on the one hand and us.

The BNDESPAR Shareholders' Agreement will remain in force for ten years as of April 1, 2015, or as long as BNDESPAR owns at least 5% of our share capital, whichever occurs first.

Following the expiration of the three-year lock-up period during which Cosan Logística, Cosan S.A. and Cosan Limited may not transfer any direct or indirect interest in our Company, the BNDES Shareholders' Agreement provides for tag along rights to BNDESPAR in the event Cosan Logística, Cosan S.A. and/or Cosan Limited receive(s) a proposal for the sale of our common shares that represents (1) less than 50% of our common shares, in which case BNDESPAR may sell its proportionally interest in our common shares at the same price per share and pursuant to the same conditions offered to Cosan Logística, Cosan S.A. and/or Cosan Limited; or (2) more than 50% of our common shares, in which case BNDES may sell the totality of its stake at the same price per share and pursuant to the same conditions offered to Cosan Logística, Cosan S.A. and/or Cosan Limited.

Currently, BNDESPAR may not assign shares equivalent to 3.85% of our share capital on April 1, 2015 for a three-year lock-up as of April 1, 2015. The rights of BNDESPAR in this shareholders' agreement cannot be assigned to any third-party. Without prejudice to the lock-up period and other provisions of the shareholders' agreement, BNDESPAR may not assign any of our shares without first offering them to Cosan Logística, under the same terms offered to a third-party. If Cosan does not acquire the shares, BNDESPAR will be free to sell them to a third-party as provided in the shareholders' agreement.

If Cosan Logística, Novo Rumo Logística S.A., Cosan S.A. and Cosan Limited determine to, directly or indirectly, acquire any of our shares in a transaction other than a transaction carried out through BM&FBOVESPA or through a tender offer or public offering carried out pursuant to CVM instructions 361/2002 or 400/2003, BNDESPAR will be entitled to include a proportional amount of its shares in the lot to be acquired, under the same terms and conditions.

In addition, BNDESPAR has the right to appoint one member to our board of directors and one member to our related parties committee. BNDESPAR must vote in favor of the election of persons nominated to our board of directors by Cosan Logística, so long as these individuals meet the requirements set forth in the BNDESPAR Shareholders' Agreement.

The matters which are subject to veto rights by BNDESPAR include, among others:

- our merger, spin-off or other corporate restructuring;
- our winding up or bankruptcy or judicial or extrajudicial restructuring request;
- any amendment of our bylaws with respect to: (1) our corporate purpose; (2) the authority of our board of directors' and shareholders' general meetings; (3) dispute resolutions provisions; (4) amendments that may contradict the BNDES Shareholders' Agreement; and (5) rules governing our related parties committee;
- the approval of, or any amendment to, our business plan;
- the sale or assignment of our fixed assets, not contemplated by our business plan, in an amount exceeding R\$750 million per fiscal year;
- the cancellation of our status as a public company or our delisting from the *Novo Mercado* segment of BM&FBOVESPA;
- the approval or amendment of our related parties transaction policy or the rules promulgated by our related parties committee;

- the granting of liens or guarantees by us;
- the granting of loans by us or by companies we control to third parties; and
- the consummation of acquisitions or investments not contemplated in our business plan that represent a fourfold increase or more in our net debt/EBITDA ratio.

Funds Shareholders' Agreement

The Funds Shareholders' Agreement defines the terms and conditions that govern the relationship between the parties to the agreement. The Funds Shareholders' Agreement will remain in force for ten years as of April 1, 2015.

The Funds are subject to a one-year lock-up period from April 1, 2015 on the transfer of our common shares held by them, which may be extended upon a determination of one or both Funds. Cosan Logística is subject to a three-year lock-up period from April 1, 2015 on the transfer of our shares held by it.

Following the expiration of Cosan Logística's three-year lock-up period, the Funds Shareholders' Agreement provides tag along rights to funds in the event that Cosan Logística receives a proposal for the sale of our common shares held by it representing (1) less than 50% of our common shares, in which case the Funds may sell their respective proportional interest in our common shares at the same price per share and pursuant to the same conditions offered to Cosan Logística; or (b) more than 50% of our common shares, in which case the Funds may sell the totality of their respective interest in our common shares at the same price per share and pursuant to the same conditions offered to Cosan Logística.

At any time, (1) after a change of control of Cosan S.A. that requires the acquirer to carry out a public offering pursuant to the Brazilian Corporations Law or the *Novo Mercado* rules, or (2) during the three-year period after April 1, 2015, which was the date of the ALL Acquisition, the Funds may request that their shares be substituted for or exchanged into shares of Cosan S.A. and Cosan Logística. The original exchange ratio was of 19.246654 shares for each share of Cosan S.A. The exchange ratio will be adjusted from time to time following the occurrence of certain corporate events relating to Cosan S.A. or to us, as described in the Funds' Shareholders' Agreement. Cosan S.A.'s partial spin-off of its logistics business, pursuant to which its stake in us was transferred to Cosan Logística, is one of such corporate events, and the Funds may therefore receive shares in Cosan Logística and Cosan S.A.

TPG has the right to appoint one member to our board of directors and any of our committees, except for the related parties' committee.

The shareholders' and board of directors' meetings of Rumo or its subsidiaries will be preceded by preliminary meetings between the parties to the Funds Shareholders' Agreement, which shall determine the voting instructions for their representatives therein, which shall vote together as a block.

The following matters are subject to the approval of TPG and Cosan Logística:

- until one year after the April 1, 2015, any merger, spin-off or other corporate restructuring, provided that the target company's value is equal or superior to 10% of our market value;
- until one year after the April 1, 2015, acquisitions or investments that represents, within the fiscal year, a deviation equal or greater than 5% of the current business plan;
- until one year after the April 1, 2015, any sale, lease or assignment of assets by us and/or our subsidiaries, in an amount exceeding 10% of Rumo's market value;
- our winding up or bankruptcy or judicial or extrajudicial restructuring request;
- cancellation of our status as a public company or our delisting from the *Novo Mercado* segment of BM&FBOVESPA;
- amendments to our corporate purpose; and

- the approval, amendment or rescission of transactions between us and/or our subsidiaries, on the one hand, and TPG's or Cosan Logística's related parties or our managers on the other.

The following matters are subject to the approval of Cosan Logística and one of the funds:

- approval or amendment of our and/or our subsidiaries' business plan; and
- execution of any joint-venture agreements by us and/or our subsidiaries or acquisition of equity interests by us and/or our subsidiaries.

Arduini Shareholders' Agreement

The Arduini Shareholders' Agreement defines the terms and conditions that govern the relationship between the parties to the agreement in particular with respect to: (1) the election of members of our board of directors; (2) the restrictions on the sale and transfer of our shares; (3) voting arrangements for our shareholders general meeting and board of directors meeting. The Arduini Shareholders' Agreement will remain in force for ten years from November 28, 2016 and may be early terminated if Mr. Rubens Mello leaves the position of chairman of our board of directors or if Julia Arduini's interest in our company decreases by 50% after the three-year lock-up period on the transfer of shares to which the parties are subject.

In addition, the Arduini Shareholders' Agreement states that our shareholders and board of directors' meetings will be preceded by preliminary meetings between the parties to the Arduini Shareholders' Agreement, which shall determine the voting instructions for their representatives at those meetings, who shall vote together as a block.

RELATED PARTY TRANSACTIONS

Policy Regarding Related Party Transactions

Our policy requires us to only enter into related party transactions in the ordinary course of our business on an arm's length basis and according to prevailing market terms.

Our procedures for analyzing potential transactions with related parties complies with the Brazilian Corporations Law, which prevents directors and officers from: (1) undertaking any gratuitous acts using our assets to our detriment; (2) receiving, due to their position, whether directly or indirectly, any benefits from third parties without being so authorized by the Company's bylaws or by shareholders' resolution taken at general meetings; and (3) intervening in any corporate transactions in which his or her interests conflict with those of the Company, or in deliberations among the directors with regards to such matters.

Role of Our Board of Directors and Related Parties Committee

Our board of directors must deliberate on any transactions between, on the one hand, the Company (or any of its subsidiaries) and, on the other hand, any of its direct or indirect controlling shareholders.

We also have a related parties committee, created on November 30, 2016 pursuant to our bylaws and governed by internal rules. The related parties committee is composed of four members with a term of office coinciding with that of our board of directors, and whose role is to monitor and approve transactions with our related parties. Our related parties committee must provide an opinion to the board of directors, within ten working days from the receipt of a proposal for a transaction with related parties or competitors sent by the executive officers of the Company.

In addition, pursuant to the Concentration Control Agreement (*Acordo de Controle de Concentração*) entered into with the CADE on February 11, 2015, our related parties committee must guarantee equal and nondiscriminatory treatment of competitors in the context of contracting, pricing and provision of rail transport, transshipment, warehousing and port handling services. With regards to (1) transportation of sugar in the Rondonópolis corridor to the port of Santos, and (2) fuel transportation from distribution centers, the related parties committee must also guarantee that contracts for sugar and fuel transport services are entered into on market terms by (a) recommending the approval of transactions to our board of directors, or (b) forwarding to the board of directors its negative opinion on the entering into of any transaction in which it believes there is discriminatory treatment of competitors, including (but not limited to) with regard to prices, in light of objective pricing criterion. Such analysis will be extended to other markets if our activities or those of related parties expand into the production or sale of other cargo which use transport services provided by us.

See "Management—Committees of our Board of Directors—Related Parties Committee" for additional information regarding our approval process for related party transactions.

Principal Related Party Transactions

Our related party transactions principally consist of intra-group agreements with members of the Cosan group. As of the date of this offering memorandum, we do not have any loans or other financing agreements with any of our directors or executive officers. For further information regarding our principal related party transactions please see note 9 to our unaudited financial statements for the nine-month period ended September 30, 2016 included elsewhere in this offering memorandum.

DESCRIPTION OF NOTES

In this Description of Notes, the term the “Company” refers to Rumo S.A., and its successor under the indenture, in each case excluding its Subsidiaries, and the term “Subsidiary Guarantors” refers to those Subsidiaries of the Company that are from time to time guarantors of the notes pursuant to the provisions described below in “—Guarantees of the Notes,” unless the context otherwise indicates. As of the Issue Date, the Company will be the only Guarantor of the notes. Rumo Luxembourg S.à r.l., or the “Issuer”, issued the notes under an indenture dated the Issue Date, among Rumo Luxembourg S.à r.l., the Company, in its capacity as Guarantor, and Deutsche Bank Trust Company Americas, as trustee, paying agent, transfer agent and registrar.

You can find the definitions of certain terms used in this description under “—Certain Definitions.” The terms of the notes include those stated in the indenture.

The following is a summary of the material provisions of the indenture. Because this is a summary, it may not contain all the information that is important to you. You should read the indenture in its entirety for more detailed information of the terms and conditions of the notes, including our obligations and your rights. Copies of the proposed form of the indenture are available as described under “Listing and General Information.”

Basic Terms of the Notes

The notes:

- are senior unsecured unsubordinated obligations of the Issuer, ranking equally in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuer;
- will be fully, unconditionally and irrevocably guaranteed by each Guarantor, which guarantee will rank equally in right of payment with all other existing and future unsecured and unsubordinated obligations of such Guarantor;
- are issued in an original aggregate principal amount of U.S.\$750,000,000 in this offering and in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof;
- bear interest commencing on the Issue Date at 7.375% per annum, payable semi-annually on February 9 and August 9 of each year, commencing on August 9, 2017 to holders of record on the February 7 or August 7 immediately preceding the corresponding interest payment date;
- bear interest on overdue principal, and pay interest on overdue interest, at 1% per annum higher than the per annum rate set forth on the cover of this offering memorandum;
- mature on February 9, 2024;
- provide that the Issuer may, at its option, redeem all or only some of the notes in accordance with the provisions described under “—Redemption;” and
- will be redeemed at par on the maturity date, such redemption price being payable in full in a single payment, unless redeemed or repurchased earlier pursuant to the terms of the indenture.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Notes

Subject to the covenants described below (including the covenant described under “—Certain Covenants—Limitation on Debt and Disqualified Stock,” the Issuer may, from time to time and without your consent as a holder of the notes, issue notes under the indenture having the same terms in all respects as the notes except that the issue date, the issue price and the first payment of interest thereon may differ, provided, however, that such additional notes will either be (i) fungible with the original notes for U.S. federal income tax purposes or (ii) have separate CUSIP and other identification numbers. The notes offered hereby and any additional notes will be treated as a single class for all purposes under the indenture and will vote together as one class on all matters with respect to the

notes. Unless the context otherwise requires, for all purposes under the indenture and this “Description of Notes,” references to the notes includes any additional notes actually issued.

Payment of Additional Amounts

All payments by the Issuer in respect of the notes or the Guarantors in respect of the Note Guarantees will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer or Guarantors are organized or are resident for tax purposes, or any other jurisdiction through which any payments under the notes are made by or on behalf of the Issuer, or any political subdivision thereof, having power to tax (a “Relevant Jurisdiction”), unless the Issuer or the Guarantors are required by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantors will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental or other authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction (“Additional Amounts”). No such Additional Amounts shall be payable:

- to, or to a third party on behalf of, a holder or beneficial owner who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder or a beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a partnership, a limited liability company or a corporation) and the Relevant Jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or enforcement of rights and the receipt of payments with respect to the note;
- in respect of notes presented (if presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of such note would have been entitled to such Additional Amounts, on surrender of such note for payment on the last day of such period of 30 days;
- in respect of any tax, duty, assessment or other governmental charge imposed on a note presented for payment by or on behalf of a holder or beneficial owner who would have been able to avoid that withholding or deduction by presenting the relevant note to another paying agent in a member state of the European Union;
- in relation with the application of Luxembourg law of 23 December 2005, as amended from time to time, introducing a 20% withholding tax on certain interest payments made for the immediate benefit of individuals resident in Luxembourg;
- in respect of any tax, duty, assessment or other governmental charge imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), as of the date of the indenture (or any amended or successor version), current or future U.S. Treasury Regulations issued thereunder or any official interpretation thereof, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code or any fiscal or governmental regulations, rules or practices adopted pursuant to such intergovernmental agreement;
- to, or to a third party on behalf of, a holder or beneficial owner who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder’s or a beneficial owner’s failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, if (1) compliance is required by the Relevant Jurisdiction as a precondition to exemption from, or reduction in the rate of, the tax, duty, assessment or other governmental charge and (2) the Issuer has given the holders at least 30 days’ notice that they will be required to comply with such certification, identification or other requirement;

- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, duty, assessment or governmental charge;
- in respect of any tax, duty, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note or by direct payment by the Issuer or the Guarantors in respect of claims made against the Issuer or the Guarantors; or
- in respect of any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

“Relevant Date” means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the trustee. The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, neither the Issuer nor the Guarantors shall be required to make a payment with respect to any tax, duty, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that Additional Amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder or a beneficial owner of such notes, and, as a result thereof such holder or beneficial owner is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder or beneficial owner shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer.

Any reference in this offering memorandum, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer or the guarantees by the Guarantors will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

Redemption

Optional Redemption with a Make-Whole Premium

Prior to February 9, 2021, the Company or the Issuer may, at its option, redeem all of the notes at any time or part of the notes from time to time at a redemption price equal to 100% of the principal amount of the notes plus the Applicable Premium as of, and accrued and unpaid interest to, but excluding, the redemption date (subject to the right of noteholders on the relevant Record Date to receive interest due on the relevant interest payment date).

“Applicable Premium” means with respect to a note at any redemption date, the greater of (1) 1.0% of the principal amount of such note on such redemption date and (2) the excess, if any, of (A) an amount equal to the present value at such redemption date of (i) the redemption price of such note on February 9, 2021 (such redemption price being described in the “—Optional Redemption without a Make-Whole Premium” section exclusive of any accrued interest) *plus* (ii) all required remaining scheduled interest payments due on such note (assuming that the interest rate per annum on the notes applicable on the date on which the notice of redemption was given was in effect for the entire period) through February 9, 2021 (but excluding accrued and unpaid interest to the redemption date), in each case, computed using a discount rate equal to the Adjusted Treasury Rate plus 0.50%, over (B) the principal amount of such note on such redemption date.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Comparable Treasury Issue” means, with respect to any redemption date, the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to February 9, 2021 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity comparable to February 9, 2021.

“Comparable Treasury Price” means, with respect to any redemption date, the average of three, or such lesser number as is obtained by the Quotation Agent, Reference Treasury Dealer Quotations for such redemption date.

“Quotation Agent” means the Reference Treasury Dealer selected by the Issuer.

“Reference Treasury Dealer” means Morgan Stanley & Co. LLC, its successors and assigns, and any three additional nationally recognized investment banking firms selected by the Issuer that are primary U.S. Government securities dealers.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as calculated by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

Optional Redemption without a Make-Whole Premium

On and after February 9, 2021, the Company or the Issuer may, at its option, redeem all of the notes at any time or part of the notes from time to time at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of noteholders on the relevant Record Date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on February 9 of the years set forth below:

Period	Redemption Price
2021	103.688%
2022	101.844%
2023 and thereafter	100.000%

Optional Redemption upon Sale of Equity Interests

At any time prior to February 9, 2020, the Company or the Issuer may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of notes issued under the indenture at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest to the redemption date, using cash in an amount up to the amount of the net cash proceeds of a sale of Equity Interests (other than Disqualified Stock) of the Company; provided that:

- (1) at least 65% of the aggregate principal amount of notes issued under the indenture (including any additional notes issued after the Issue Date but excluding notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of the closing of such sale of Equity Interests.

Notice of any redemption upon any sale of Equity Interests may be given prior to the completion thereof, and any such redemption or notice may, at the Company’s or the Issuer’s discretion (as applicable), be subject to one or more condition precedent, including, but not limited to, completion of the related sale.

Optional Redemption Procedures

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the trustee on a *pro rata* basis or by lot or, in the case of notes issued in global form, in accordance with the procedures of The Depository Trust Company (“DTC”) unless otherwise required by law. If notes are redeemed in part, the remaining outstanding principal amount (including any additional notes, but excluding any notes held by the Company or any of its Affiliates) must be at least equal to U.S.\$100.0 million.

Notice of any redemption will be mailed by the Company or the Issuer (as applicable) by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to holders of notes to be redeemed, at their respective registered addresses or otherwise in accordance with the procedures of DTC. At least 5 days prior to the date when the notice of redemption is sent to the noteholders (unless a shorter notice period shall be acceptable to the trustee), the Company or the Issuer (as applicable) shall notify the trustee in writing of such proposed redemption date and the principal amount of the notes to be redeemed. If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the EuroMTF Market and the rules of the exchange require, the Company or the Issuer (as applicable) will cause notices of redemption to also be published as described in “—Notices” below. A new note in a principal amount equal to the unredeemed portion thereof, if any, will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

Notes called for redemption will become due on the date fixed for redemption. The Company or the Issuer (as applicable) will pay the redemption price for any note together with accrued and unpaid interest thereon through, but excluding, the redemption date. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Company or the Issuer (as applicable) has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the indenture. Upon redemption of any notes by the Company or the Issuer (as applicable), such redeemed notes will be cancelled or remain outstanding as instructed in each case by the Company or the Issuer (as applicable).

Notice of any redemption of the notes may be given prior to such redemption, and any such redemption or notice may, at the Issuer’s or Company’s discretion, be subject to one or more conditions precedent. In addition, if such redemption is subject to satisfaction of one or more conditions precedent, such notice of redemption shall describe each such condition and, if applicable, shall state that, in the Issuer’s discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the redemption date as stated in such notice, or by the redemption date as so delayed. The Issuer may provide in such notice that payment of the redemption price and performance of the Issuer’s obligations with respect to such redemption may be performed by another Person.

Redemption for Taxation Reasons

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the later of the Issue Date or the date a Relevant Jurisdiction becomes a Relevant Jurisdiction, (i) the Issuer or any successor has or will become obligated to pay any Additional Amounts as described above under “—Payment of Additional Amounts” or (ii) any Guarantor or any successor has or will become obligated to pay Additional Amounts as described above under “—Payment of Additional Amounts” in excess of the Additional Amounts such Guarantor or any such successor would be obligated to pay if payments were subject to withholding or deduction at a rate of 15% or at a rate of 25% in case the holder of the notes is resident in a tax haven jurisdiction for Brazilian tax purposes (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 17% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) (the rates in (ii), the “Minimum Withholding Level”), the Issuer, such Guarantor or any such successor may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with interest accrued to the date fixed for redemption, upon publication of irrevocable notice of redemption not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which such Additional Amounts would first be paid were a payment then due. Notwithstanding the foregoing, the Issuer, a Guarantor or any successor shall not have the right to so redeem the notes unless: (i) it or the applicable Guarantor, as the case may be, has taken reasonable measures to avoid the obligation to pay Additional Amounts or, in the case of an applicable Guarantor, Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level (provided, however, for this purpose reasonable measures shall not include the Issuer, any Guarantor or any successor moving or changing jurisdiction); and (ii) it or such Guarantor, as the case may be, has complied with all necessary regulations to legally effect such redemption.

In the event that the Issuer, a Guarantor or any successor elects to so redeem the notes, it will deliver to the trustee:

(1) a certificate, signed in the name of the Issuer by two of its executive officers or by its attorney in fact in accordance with its bylaws or any successor, stating that the Issuer, a Guarantor or any successor, as the case may be, is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer or any successor to so redeem have occurred or been satisfied; and

(2) an opinion of counsel, who is reasonably acceptable to the trustee, to the effect that the Issuer or any successor has or will become obligated to pay Additional Amounts or, in the case of a Guarantor or any successor to such Guarantor, has or will become obligated to pay Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level, as a result of the change or amendment, that the Issuer, such Guarantor, or any successor, as the case may be, cannot avoid payment of such Additional Amounts or excess Additional Amounts by taking reasonable measures available to it and that all governmental requirements necessary for the Issuer, such Guarantor or any successor to effect the redemption have been complied with.

Escrow of Proceeds; Special Mandatory Redemption

The proceeds of this offering will be placed in escrow pending the satisfaction of the conditions set forth below.

The terms of the escrow will be set forth in an escrow agreement (the “Escrow Agreement”) among the Issuer, the Company, the trustee and Deutsche Bank Trust Company Americas, as escrow agent (the “Escrow Agent”).

Pursuant to the Escrow Agreement, the Issuer will deposit (or cause to be deposited) with the Escrow Agent in an escrow account in the name of the trustee for the benefit of the holders of the notes (the “Escrow Account”) the proceeds of the offering. Upon the occurrence of a Special Mandatory Redemption (as defined below), the Issuer will be required to redeem the notes, on the Business Day immediately following the Special Mandatory Redemption Date (as defined below), at a redemption price equal to 101% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date.

The notes will be subject to a special mandatory redemption (a “Special Mandatory Redemption”) in the event the following conditions (the “Release Conditions”) do not occur on or before the date that is 120 days after the Issue Date (the “Special Mandatory Redemption Date”):

- (1) Issuer will have delivered to the trustee an officers’ certificate that (x) confirms that the Brazilian Transportation Authority (*Agência Nacional de Transportes Terrestres*) (the “ANTT”) has approved the guarantee of the notes by ALL – América Latina Logística Malha Norte S.A. (“Malha Norte”) and (y) confirms that no Default or Event of Default has occurred and is continuing;
- (2) the Issuer, the Company and Malha Norte will have executed and delivered to the trustee a supplemental indenture in the form attached as an exhibit to the indenture pursuant to which Malha Norte shall unconditionally and jointly and severally guarantee the Issuer’s obligations under the notes and the indenture; and
- (3) counsel to the Company will have delivered to the trustee one or more opinions that such supplemental indenture (a) has been duly authorized, executed and delivered and (b) constitutes a valid and binding agreement of the Issuer, the Company and Malha Norte enforceable in accordance with its terms, subject to customary qualifications.

The Escrow Account will be established, and maintained at all times until the satisfaction of the Release Conditions, in the name of the trustee for the benefit of the holders of the notes. Neither the Issuer nor the Company will have any interest in the Escrow Account, prior to the distribution by the Escrow Agent of the funds in the Escrow Account to the Issuer (or at its direction) after satisfaction of the Release Conditions. The Escrow Agent will release the funds in the Escrow Account to the Issuer at its written direction on the date each of the Release Conditions are satisfied; provided, that if the Escrow Agent receives a written notice from the Trustee that a Default or Event of Default under the indenture has occurred and is continuing, the Escrow Agent will not release any funds on deposit with the Escrow Account unless and until the Escrow Agent receives a written notice from the trustee that such Default or Event of Default is not continuing.

Unless the Escrow Agent has disbursed the funds in accordance with the paragraph above on or prior to the Special Mandatory Redemption Date, then, on the Business Day immediately following the Special Mandatory Redemption Date, the Escrow Agent shall release the entire amount of the funds to the trustee for payment to the holders of the notes pursuant to the Special Mandatory Redemption and the Issuer will pay to the trustee such amounts in cash as are sufficient to redeem the notes at the applicable redemption price described above.

If the Escrow Agent receives written notice from the trustee that the principal amount of and accrued and unpaid interest on the notes has become immediately due and payable as a result of an acceleration (an “Acceleration Event”), the Escrow Agent will release to the trustee, for payment pursuant to the indenture to the holders of the notes, the entire amount of the funds in the Escrow Account.

Upon the occurrence of an Acceleration Event prior to the Special Mandatory Redemption Date, the Issuer shall direct the Escrow Agent in writing to release to the trustee the entire amount of the funds in the Escrow Account.

Guarantees of the Notes

As of the Issue Date, the Company will fully, unconditionally and irrevocably guarantee to each holder and the trustee all of the obligations of the Issuer pursuant to the notes (the “Note Guarantees”), including, the full and prompt payment of principal and interest on the notes, and all other payment obligations of the Issuer under the indenture, when and as the same become due and payable, whether at maturity, upon redemption or repurchase, by declaration of acceleration or otherwise, including any Additional Amounts required to be paid in connection with certain taxes. Any obligation of the Issuer to make a payment may be satisfied by causing the Company to make such payment. The Company will comply with all then-applicable Central Bank regulations to legally effect any payments under the Note Guarantees.

Upon satisfying the Release Conditions above, Malha Norte will become a Subsidiary Guarantor of the notes.

If, after the Issue Date, the Company acquires or creates a Significant Subsidiary, the Company will cause such Significant Subsidiary to:

(1) execute and deliver to the trustee a supplemental indenture in the form attached as an exhibit to the indenture pursuant to which such Significant Subsidiary shall unconditionally guarantee all of the Issuer’s obligations under the notes and the indenture; and

(2) deliver to the trustee one or more opinions of counsel that such supplemental indenture (a) has been duly authorized, executed and delivered by such Significant Subsidiary and (b) constitutes a valid and binding agreement of such Significant Subsidiary enforceable in accordance with its terms, subject to customary qualifications.

Notwithstanding the foregoing,

(A) such Significant Subsidiary will not be required to guarantee the Issuer’s obligations under the notes and the indenture to the extent the applicable governmental or regulatory authorities do not approve its guarantee of the notes; provided that the Company has used commercially reasonable efforts to obtain such approval; or

(B) (i) such Significant Subsidiary will not be required to guarantee the Issuer’s obligations under the notes and the indenture if the other Guarantors at the time of determination would directly (1) hold at least 75% of the Company’s total assets on a consolidated basis as of the most recent quarterly balance sheet and (2) generate revenues of at least 75% of the Company’s total revenues on a consolidated basis for the 12-month period ending on the date of the Company’s most recent quarterly consolidated statement of income; and

(ii) such Significant Subsidiary’s guarantee of the Issuer’s obligations under the notes and the indenture will be limited to the maximum amount that (1) would not render such Significant Subsidiary’s obligations subject to avoidance under applicable law, including applicable fraudulent conveyance laws, or (2) would not result in a breach or violation by such Significant Subsidiary of any then-existing agreement to which it is party.

The guarantee of a Subsidiary Guarantor may be terminated upon:

(1) a sale or other disposition (including by way of consolidation or merger) of such Subsidiary Guarantor, or the sale or disposition of all or substantially all the assets of such Subsidiary Guarantor (other than to the Company or a Restricted Subsidiary) in compliance with the indenture; or

(2) defeasance or discharge of the notes, as described under the caption “—Defeasance and Discharge.”

In addition, in the case of a guarantee of the notes required by the covenant described under “—Covenants—Guarantees of the Notes,” the Issuer may elect to release a Subsidiary Guarantor from its guarantee of the notes and its obligations under the indenture if such Subsidiary Guarantor ceases to be a Significant Subsidiary; *provided*, that, after such release, the remaining Guarantors would (1) hold at least 75% of the Company’s total assets on a consolidated basis as of the most recent quarterly balance sheet and (2) generate revenues of at least 75% of the Company’s total revenues on a consolidated basis for the 12-month period ending on the date of the Company’s most recent quarterly consolidated statement of income.

None of the Subsidiaries of the Subsidiary Guarantor will guarantee the notes. The notes and the Note Guarantees will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of the Subsidiaries of the Subsidiary Guarantor.

Ranking

The notes will be unsecured and unsubordinated obligations of the Issuer and will rank equally with any and all other existing and future unsecured and unsubordinated obligations of the Issuer. As of the Issue Date, the notes are the only indebtedness of the Issuer.

A Note Guarantee will be an unsecured, unsubordinated obligation of such Guarantor, ranking equally with all of its other existing and future unsecured and unsubordinated obligations. A Note Guarantee will effectively rank junior to all secured debt of such Guarantors, to the extent of the value of the assets securing that debt. Although the indenture contains limits on the ability of the Issuer and the Guarantors to Incur secured debt, the limitation is subject to a number of significant exceptions. If we become insolvent or are liquidated, or default in the payment of these obligations, our secured creditors will be entitled to exercise the remedies available to them under the law. These creditors will have a prior claim on our assets covered by their liens. See “Certain Covenants—Limitation on Liens.”

Under Brazilian law, as a general rule, noteholders and the Note Guarantees will not have any claim whatsoever against non-guarantor subsidiaries of the Guarantors. Although the indenture limits the incurrence of Debt and Disqualified Stock of Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the indenture does not impose any limitation on the incurrence by the Guarantors’ Subsidiaries of liabilities that are not considered Debt or Disqualified Stock under the indenture. See “—Certain Covenants—Limitation on Debt and Disqualified Stock.”

Open Market Purchases

The Issuer or its Affiliates may at any time purchase the notes in the open market or otherwise at any price; provided that any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Certain Covenants

The indenture contains covenants that impose limitations and restrictions on the Issuer and also sets forth covenants that will be applicable to the Company and its Subsidiaries, including, among others, the following:

Limitations and Restrictions on the Issuer

The indenture limits and restricts the Issuer from taking the following actions or engaging in the following activities or transactions:

- (a) engaging in any business or entering into, or being a party to, any transaction or agreement except for:
 - (1) the issuance, sale, redemption, repurchase or defeasance of the notes, additional notes, if any, and any other Debt not otherwise prohibited for the Issuer by the indenture and any activities incidentally related thereto;

- (2) entering into Affiliate loans and cash management transactions and any activities reasonably related thereto;
- (3) the entering into Hedging Agreements entered into in the ordinary course of business for the purpose of limiting risks associated with the business of the Issuer and not for speculation; and
- (4) as required by law;

(b) creating, assuming, incurring or suffering to exist any Lien upon any properties or assets whatsoever, except for any liens permitted under “—Limitation on Liens”; and

(c) entering into any consolidation, merger, amalgamation or other form of combination with any Person except for a Restricted Subsidiary (at least 75% of the Voting Stock of which is owned, directly or indirectly, by the Company) that assumes the obligations under the notes and the indenture (to the extent the Issuer is not the surviving entity).

In addition, the Company will covenant to own, at all times, directly or indirectly, at least 75% of the Voting Stock of the Issuer.

Limitation on Debt and Disqualified Stock

(a) The Company:

(1) will not, and will not permit any of its Restricted Subsidiaries to, Incur any Debt; and

(2) will not, and will not permit any Restricted Subsidiary to, Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Restricted Subsidiary, so long as it is so held),

provided that the Company or any of its Restricted Subsidiaries may Incur Debt and Disqualified Stock if, on the date of the Incurrence, after giving effect to the Incurrence and the receipt and the application of the proceeds therefrom, the Net Debt to EBITDA Ratio shall not exceed (i) 4.5 to 1.0 if such Incurrence occurs after the Issue Date and on or prior to December 31, 2017, (ii) 4.3 to 1.0 if such Incurrence occurs between January 1, 2018 and December 31, 2018, inclusive, (iii) 4.0 to 1.0 if such Incurrence occurs between January 1, 2019 and December 31, 2019, inclusive, (iv) 3.6 to 1.0 if such Incurrence occurs between January 1, 2020 and December 31, 2020, inclusive, (v) 3.3 to 1.0 if such Incurrence occurs between January 1, 2021 and December 31, 2021, inclusive and (vi) 3.0 to 1.0 if such Incurrence occurs on or after January 1, 2022.

(b) Notwithstanding the foregoing, the Company, and to the extent provided below, any Restricted Subsidiary may Incur the following (“Permitted Debt”):

(1) Debt of the Company or a Restricted Subsidiary so long as such Debt continues to be owed to the Company or a Restricted Subsidiary and which, if the obligor is the Company or a Subsidiary Guarantor, is subordinated in right of payment to the notes; provided that any Debt owed to the Company or a Subsidiary Guarantor pursuant to this clause will not be so subordinated;

(2) Debt of the Issuer pursuant to the notes (other than additional notes) and Debt of the Company and the Subsidiary Guarantor pursuant to the Note Guarantees (other than additional notes);

(3) Debt of the Company or any Restricted Subsidiary (“Permitted Refinancing Debt”) constituting an extension or renewal of, replacement of, or substitution for, or issued in exchange for, or the net proceeds of which are used to repay, redeem, repurchase, refinance or refund, including by way of defeasance (all of the above, for purposes of this clause, “refinance”) then outstanding Debt in an amount not to exceed the principal amount of the Debt so refinanced, plus premiums, fees and expenses; *provided* that:

(A) in case the Debt to be refinanced is subordinated in right of payment to the notes, the new Debt, by its terms or by the terms of any agreement or instrument pursuant to which it is outstanding, is expressly made subordinate in right of payment to the notes at least to the extent that the Debt to be refinanced is subordinated to the notes;

(B) the new Debt does not have a Stated Maturity prior to the Stated Maturity of the Debt to be refinanced, and the Average Life of the new Debt is at least equal to the remaining Average Life of the Debt to be refinanced; and

(C) Debt Incurred pursuant to clauses (1), (4), (5), (8), (9), (10), (11), (12), (13), (14) and (15) may not be refinanced pursuant to this clause;

(4) Hedging Agreements of the Company or any Restricted Subsidiary entered into in the ordinary course of business for the purpose of limiting risks associated with the business of the Company and its Restricted Subsidiaries and not for speculation;

(5) Debt of the Company or any Restricted Subsidiary with respect to letters of credit and bankers' acceptances, deposits, promissory notes, self-insurance obligations, performance, customs, bid, surety, appeal or similar bonds, completion guarantees, in each case issued in the ordinary course of business and not supporting Debt, including letters of credit supporting performance, surety or appeal bonds;

(6) Acquired Debt of the Company or any Restricted Subsidiary, *provided* that after giving effect to the Incurrence thereof, the Company (i) could Incur at least U.S.\$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in paragraph (a) of this covenant or (ii) would not have a greater Net Debt to EBITDA Ratio then immediately prior to giving effect to the Incurrence of such Acquired Debt;

(7) Debt of the Company or any Restricted Subsidiary outstanding on the Issue Date;

(8) Debt of the Company or any Restricted Subsidiary arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than Guarantees of Debt Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), so long as the amount does not exceed the gross proceeds actually received by the Company or any Restricted Subsidiary thereof in connection with such disposition, provided that such Debt is not reflected on the balance sheet of the Company or any Restricted Subsidiary;

(9) Debt of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided, however, that such Debt is extinguished within five Business Days of its Incurrence;

(10) Debt of the Company or any Restricted Subsidiary constituting letters of credit issued in the ordinary course of business or reimbursement obligations in respect thereof; provided that, upon the drawing upon such letters of credit, such obligations are reimbursed in full within 30 days following such drawing;

(11) Debt of the Company or any Restricted Subsidiary to the extent that the net proceeds thereof are promptly deposited to defease or to satisfy and discharge the notes in accordance with the indenture;

(12) Debt of the Company or any Restricted Subsidiary for taxes levied, assessments due and other governmental charges required to be paid as a matter of law or regulation in the ordinary course of business;

(13) Debt of the Company or any Restricted Subsidiary consisting of (A) the financing of insurance premiums or (B) take-or-pay obligations contained in supply agreements in the ordinary course of business;

(14) Debt of the Company or any Restricted Subsidiary with respect to reimbursement type obligations regarding workers' compensation claims and Debt and other obligations in respect of deferred compensation of employees Incurred in the ordinary course of business; and

(15) Debt of the Company or any Restricted Subsidiary Incurred on or after the Issue Date not otherwise permitted in an aggregate principal amount at any time outstanding (including any refinancing thereof) not to exceed the greater of (i) U.S.\$300.0 million (or the equivalent thereof at the time of determination) or (ii) 10.0% of Consolidated Net Tangible Assets.

(c) Notwithstanding anything to the contrary in this covenant, the maximum amount of Debt that the Company and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Debt, solely as a result of fluctuations in the exchange rate of currencies.

(d) For purposes of determining compliance with this covenant, in the event that any proposed Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (15) of paragraph (b) above, or is entitled to be Incurred pursuant to paragraph (a) above, the Company and its Restricted Subsidiaries will be permitted to classify such item of Debt at the time of its Incurrence in any manner that complies with this covenant or to later reclassify all or a portion of such item of Debt.

(e) The Company may not Incur any Debt that is subordinate in right of payment to other Debt of the Company unless such Debt is also subordinate in right of payment to the notes or the relevant Note Guarantees on substantially identical terms.

(f) The accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Debt of the same instrument or the payment of regularly scheduled dividends on Disqualified Equity Interests in the form of additional Disqualified Equity Interests with the same terms will not be deemed to be an Incurrence of Debt for purposes of this covenant; *provided* that any such outstanding additional Debt or Disqualified Equity Interests paid in respect of Debt Incurred pursuant to any provision of paragraph (b) above will be counted as Debt outstanding for purposes of any future Incurrence of Debt pursuant to paragraph (a) above.

(g) For the purposes of determining the Net Debt to EBITDA Ratio in paragraph (a) above, the U.S. dollar-equivalent principal amount of Debt denominated in a non-U.S. currency or the Brazilian-*reais* equivalent principal amount of Debt denominated in a non-Brazilian currency shall be calculated based on the relevant currency exchange rate determined on the date of Incurrence to the extent the Debt was hedged for foreign exchange rate fluctuations. For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Debt, the U.S. dollar-equivalent principal amount of Debt denominated in a non U.S. currency shall be calculated based on the relevant currency exchange rate determined on the date of Incurrence, in the case of term Debt, or first committed, in the case of revolving credit Debt; provided that if such Debt is Incurred to refinance other Debt denominated in a non U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Debt does not exceed the principal amount of such Debt being refinanced. The principal amount of any Debt Incurred to refinance other Debt, if Incurred in a different currency from the Debt being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Debt is denominated, calculated based on the relevant currency exchange rates as calculated in the first sentence of this paragraph.

Limitation on Restricted Payments

(a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments and other actions described in the following clauses being collectively “Restricted Payments”):

- declare or pay any dividend or make any distribution on its Equity Interests (other than dividends or distributions paid in the Company’s Qualified Equity Interests) held by Persons other than the Company or any of its Restricted Subsidiaries (and, if such Restricted Subsidiary has shareholders other than the Company or any other Restricted Subsidiary, to its shareholders on a *pro rata* basis);
- purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company held by Persons other than the Company or any of its Restricted Subsidiaries;
- repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt except a payment of interest or principal at Stated Maturity; or
- make any Investment (other than Permitted Investments);

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(1) no Event of Default has occurred and is continuing;

(2) the Company could Incur at least U.S.\$1.00 of Debt under the Net Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption “—Limitation on Debt and Disqualified Stock;” and

(3) the aggregate amount expended for all Restricted Payments made on or after the Issue Date would not, subject to paragraph (d), exceed the sum of:

(A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, *minus* 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning on first day of the full fiscal quarter in which the Issue Date occurs and ending on the last day of the Company’s most recently completed fiscal quarter for which financial statements have been provided (or if not timely provided, required to be provided) pursuant to the indenture; *plus*

(B) subject to paragraph (c), the aggregate net cash proceeds received by the Company (other than from a Restricted Subsidiary) after the Issue Date:

(i) from the issuance and sale of its Qualified Equity Interests of the Company, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into Qualified Equity Interests of the Company, or

(ii) as a contribution to its common equity, *plus*

(C) the cash return, after the Issue Date and prior to the date of such Restricted Payment, on any Investment (other than Permitted Investments) in an Unrestricted Subsidiary (or designation thereof) made after the Issue Date pursuant to this paragraph (a), as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization (not included in Consolidated Net Income), not to exceed the amount of such Investment so made; *plus*

(D) the amount by which Debt of the Company or any of its Restricted Subsidiaries is reduced on the Company’s balance sheet or the balance sheet of such Restricted Subsidiary, in each case, upon the conversion or exchange (including by means of a subscription) (other than by the Company or any of its Restricted Subsidiaries) subsequent to the Issue Date of any such Debt for Equity Interests (other than Disqualified Equity Interests) of the Company (less the amount of any cash or the fair market value of any other property distributed by the Company or any of its Restricted Subsidiaries upon such conversion or exchange).

The amount expended in any Restricted Payment, if other than in cash, will be deemed to be the fair market value of the relevant non-cash assets, as determined in good faith by the board of directors, whose determination will be conclusive and evidenced by a Board Resolution.

(b) The foregoing will not prohibit the declaration and payment of mandatory dividends, in an amount equivalent to not more than 25% of the Company’s adjusted Net Income (as defined under Brazilian corporate law and the Company’s bylaws), provided that the payment of such amounts is in compliance with the Brazilian corporate law and the Company’s bylaws and that the Company’s board of directors, with the approval of the fiscal council, if in existence at such time, has not reported to the general shareholders’ meeting that the distribution would not be advisable given the financial condition of the Company or its Restricted Subsidiary. Restricted Payments permitted pursuant to this paragraph (b) will be included in making the calculations of the amount of Restricted Payments under clause (3) of paragraph (a).

(c) The foregoing will not prohibit:

(1) the payment of any dividend after the date of declaration thereof if, at the date of declaration, such payment would comply with paragraph (a);

(2) dividends or distributions by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(3) the repayment, redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Debt with the proceeds of, or in exchange for, Permitted Refinancing Debt;

(4) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company in exchange for, or out of the proceeds of a substantially concurrent offering of, Qualified Equity Interests of the Company or of a cash contribution to the common equity of the Company;

(5) the repayment, redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Debt of the Company in exchange for, or out of the proceeds of, a substantially concurrent offering of, Qualified Equity Interests of the Company or of a cash contribution to the common equity of the Company;

(6) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company in connection with the Company's share repurchase for the repurchase of up to U.S.\$50.0 million (or the equivalent thereof at the time of determination) in shares of the Company's capital stock; and

(7) in addition to the foregoing Restricted Payments in clauses (1) through (7), Restricted Payments in an amount not to exceed the greater of (i) U.S.\$50.0 million (or the equivalent thereof at the time of determination) or (ii) 2.0% of Consolidated Net Tangible Assets;

provided that, in the case of clause (5), no Event of Default has occurred and is continuing or would occur as a result thereof.

(d) Restricted Payments permitted pursuant to clause (1), (5), (6) or (7) of paragraph (c) shall be included in making the calculations of the amount of Restricted Payments under clause (3) of paragraph (a).

(e) Not later than the date of making any Restricted Payment relying on clause (3) of paragraph (a), the Issuer will deliver to the trustee an Officers' Certificate stating that the Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant were calculated.

Ranking

Each of the Issuer and the Guarantors will ensure that its respective obligations under the indenture, the notes and the Note Guarantees will at all times constitute direct and unconditional obligations of the Issuer or the Guarantors, ranking at all times at least *pari passu* in priority of payment, in right of security and in all other respects among themselves and with all other Debt of such Person, except to the extent any such other Debt ranks above such obligations by reason of Liens permitted under the covenant described under "—Limitation on Liens."

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien of any nature whatsoever (other than Permitted Liens) on any of its properties or assets, whether owned at the Issue Date or thereafter acquired, in each case securing any Debt, without effectively providing that the notes are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the notes or the Note Guarantees, prior to) the obligations so secured for so long as such obligations are so secured, except that the foregoing will not apply to Liens which secure only Debt owing by a Restricted Subsidiary to the Issuer or a Guarantor.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any Property unless the Company or such Restricted Subsidiary would be entitled to:

(A) Incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction pursuant to the covenant described under the heading "—Limitation on Debt and Disqualified Stock," and

(B) create a Lien on such Property or asset securing such Attributable Debt without equally and ratably securing the notes pursuant to the covenant described under the heading "—Limitation on Liens,"

in which case, the corresponding Debt and Lien will be deemed Incurred pursuant to those provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b), the Company will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on any Equity Interests of the Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(2) pay any Debt or other obligation owed to the Company or any other Restricted Subsidiary;

(3) make loans or advances to the Company or any other Restricted Subsidiary; or

(4) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

(1) existing on the Issue Date as provided for in the indenture or any other agreements in effect on the Issue Date, and any extensions, renewals, replacements or refinancings of any of the foregoing; *provided* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(2) existing under or by reason of applicable law;

(3) existing with respect to any Person, or to the Property of any Person, at the time such Person or the Property is acquired by the Company or any Restricted Subsidiary, which encumbrances or restrictions: (i) are not applicable to any other Person or the Property of any other Person; and (ii) were not put in place in anticipation of such event, and any extensions, renewals, replacements or refinancings of any of the foregoing; *provided* the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(4) of the type described in clause (a)(4) arising or agreed to in the ordinary course of business (i) that restrict in a customary manner the subletting, assignment or transfer of any Property that is subject to a lease or license or (ii) by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any Property of, the Company or any Restricted Subsidiary;

(5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or Property of, the Restricted Subsidiary that is permitted by the covenant described under the heading “—Limitation on Asset Sales”;

(6) with respect to a Restricted Subsidiary and imposed by any agreement governing Debt of any Restricted Subsidiary that is permitted to be Incurred by the covenant described under “—Limitation on Debt and Disqualified Stock”; *provided* that the encumbrance or restriction is customary in comparable financings and will not materially affect the Issuer’s, the Company’s or the Subsidiary Guarantor’s ability to pay interest or principal, when due, on the notes;

(7) with respect to a Restricted Subsidiary and imposed pursuant to a customary provision in a joint venture, asset sale, or stock sale agreements or other similar agreement with respect to such Restricted Subsidiary that was entered into in the ordinary course of business;

(8) imposed by the standard loan documentation in connection with loans from (a) Banco Nacional de Desenvolvimento Econômico e Social—BNDES, or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank or government-sponsored agency, government-sponsored agency to any Restricted Subsidiary;

(9) with respect to a Restricted Subsidiary pursuant to an agreement effecting a refunding, replacement or refinancing of, or amendment or modification to, an agreement referred to in clauses (1) or (3) above (or Debt

Incurring pursuant to such agreement) or this clause (9), *provided, however*, that such encumbrances or restrictions are no less favorable, in any material respect, taken as a whole, to the noteholders than the encumbrances and restrictions contained in such agreements referred to in clauses (1) and (3) above on the Issue Date or the date of acquisition of such Person, property or assets, as applicable; or

(10) required pursuant to the indenture.

Repurchase of Notes upon a Change of Control

Not later than 30 days following a Change of Control that results in a Rating Decline, the Issuer shall make an Offer to Purchase all outstanding notes at a purchase price equal to 101% of the principal amount plus accrued interest to the date of purchase.

An “Offer to Purchase” must be made by written offer, which will specify the principal amount of notes subject to the offer and the purchase price. The offer must specify an expiration date (the “expiration date”) not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the “purchase date”) not more than five Business Days after the expiration date. The offer must include information concerning the business of the Company and its Restricted Subsidiaries which the Issuer in good faith believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the minimum denomination requirement and the requirement that any portion of a note tendered must be in a multiple of U.S.\$1,000 principal amount. Holders are entitled to withdraw notes tendered up to the close of business on the expiration date. On the purchase date, the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date, unless payment of the purchase price is not made (and the purchase does not take place) on that date.

The Issuer will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

The Issuer will agree in the indenture to obtain all necessary consents and regulatory approvals under the laws of the Grand Duchy of Luxembourg and Brazil prior to making any Offer to Purchase. Any failure to obtain such consents and approvals will constitute an Event of Default.

In the event that the holders of not less than 90% of the aggregate principal amount of the outstanding notes accept an Offer to Purchase and the Issuer or a third party purchases all the notes held by such holders, the Issuer will have the right, on not less than 30 nor more than 60 days’ prior notice, given not more than 30 days following the purchase pursuant to the Offer to Purchase described above, to redeem all of the notes that remain outstanding following such purchase at the purchase price equal to that in the Offer to Purchase plus, to the extent not included in the Offer to Purchase payment, accrued and unpaid interest and additional amounts, if any, on the notes that remain outstanding, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Future debt of the Issuer may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require the Issuer to purchase the notes could cause a default under other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer. In addition, any remittance of funds outside of Brazil to noteholders or the trustee may require the consent of the Central Bank of Brazil, which may not be granted. The Issuer’s ability to pay cash to the noteholders following the occurrence of a Change of Control may be limited by the Issuer’s then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See “Risk Factors—Certain Factors Relating to the Notes and the Guarantee—We may be unable to purchase the notes upon a change of control.”

The phrase “all or substantially all,” as used with respect to the assets of the Issuer in the definition of “Change of Control,” is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a

sale or transfer of “all or substantially all” the assets of the Issuer has occurred in a particular instance, in which case a holder’s ability to obtain the benefit of these provisions could be unclear.

In addition, pursuant to the terms of the indenture, the Issuer is only required to offer to repurchase the notes in the event that a Change of Control results in a Rating Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, the Issuer would not be required to offer to repurchase the notes.

Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holder of the notes to require that the Issuer purchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The provisions under the indenture relating to the Issuer’s obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or amended as described in “—Amendments and Waivers.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, make any Asset Sale unless the following conditions are met:

(1) The Asset Sale is for fair market value, as determined in good faith by the board of directors.

(2) At least 75% of the consideration consists of cash or Cash Equivalents. (For purposes of this clause (2), the assumption by the purchasers of Debt or other obligations (other than Subordinated Debt) of the Company or a Restricted Subsidiary pursuant to a customary novation agreement, and instruments or securities received from the purchasers that are promptly, but in any event within 90 days of the closing, converted by the Company to cash, to the extent of the cash actually so received, shall be considered cash received at closing.)

(3) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Net Cash Proceeds may be used (each, a “Permitted Reinvestment”):

(A) to permanently repay Debt other than Subordinated Debt of the Company or any Restricted Subsidiary (and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount), in each case owing to a Person other than the Company or any Restricted Subsidiary,

(B) to acquire or invest in (or within such 360-day period in this clause (3), the Company’s board of directors shall have made a good faith determination to acquire or invest, which acquisition or investment shall be consummated prior to the second anniversary of such Asset Sale) (i) all or substantially all of the assets of a Permitted Business or (ii) a majority of the Voting Stock of another Person that thereupon becomes a Restricted Subsidiary engaged in a Permitted Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Permitted Business; or

(C) to acquire Productive Assets for the Company or any of its Restricted Subsidiaries;

provided that pending the final application of any such Net Cash Proceeds in accordance with this clause (3), the Company or such Restricted Subsidiary may temporarily reduce Debt or otherwise invest such Net Cash Proceeds in any manner not prohibited by the indenture.

(4) Notwithstanding clauses (1) to (3) above, the Company and its Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with such clauses to the extent:

(A) at least 75% of the consideration for such Asset Sale constitutes Productive Assets, cash, Cash Equivalents and/or Marketable Securities; and

(B) the Asset Sale is for fair market value, as determined in good faith by the board of directors;

provided that any consideration not constituting Productive Assets received by the Company or any Restricted Subsidiary in connection with any Asset Sale permitted to be consummated under this clause shall be applied (in the case of cash, Cash Equivalents and Marketable Securities within 360 days after the receipt thereof) in accordance with the provisions of clause (3) above.

(5) The Net Cash Proceeds of an Asset Sale not applied pursuant to clause (3) within 360 days of the Asset Sale constitute “Excess Proceeds.” Excess Proceeds of less than U.S.\$50.0 million (or the equivalent thereof at the time of determination) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds such amount, the Company must, within 30 days, make an Offer to Purchase notes having a principal amount equal to:

(A) accumulated Excess Proceeds, multiplied by

(B) a fraction (x) the numerator of which is equal to the outstanding principal amount of the notes and (y) the denominator of which is equal to the outstanding principal amount of the notes and all *pari passu* Debt similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest U.S.\$1,000. The purchase price for the notes will be 100% of the principal amount plus accrued interest to the date of purchase. If the Offer to Purchase is for less than all of the outstanding notes and notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Company will purchase notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only notes in multiples of U.S.\$1,000 principal amount will be purchased, provided that after a purchase from a holder in part, such holder shall hold U.S.\$200,000 in principal amount of notes or a multiple of U.S.\$1,000 in excess thereof. The Company will agree in the indenture to obtain all necessary consents and approvals from the Central Bank of Brazil for the remittance of funds outside Brazil prior to making any Offer to Purchase. Any failure to obtain such consents and approvals will constitute an Event of Default. Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero.

Limitation on Transactions with Affiliates

(a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service with any Affiliate of the Company or any Restricted Subsidiary (a “Related Party Transaction”), except upon terms no less favorable to the Company or the Restricted Subsidiary than could be obtained in a comparable arm’s length transaction with a Person that is not an Affiliate of the Company.

(b) In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of U.S.\$20.0 million (or the equivalent thereof at the time of determination), the Company must first deliver to the trustee an Officers’ Certificate to the effect that such transaction or series of related transactions are on terms no less favorable to the Company or such Restricted Subsidiary than could be obtained in a comparable arm’s length transaction and is otherwise compliant with the terms of the indenture.

(c) The foregoing paragraphs do not apply to:

(1) any transaction between the Company and any Restricted Subsidiary or between Restricted Subsidiaries and the Company;

(2) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;

(3) any Restricted Payments of a type described in one of the first two bullet points in paragraph (a) under the caption “—Limitation on Restricted Payments” if permitted by that covenant and any Permitted Investments;

(4) any issuance or sale of Equity Interests (other than Disqualified Stock) by the Company;

(5) transactions or payments pursuant to any employee, officer or director compensation or benefit plans, customary indemnifications or arrangements entered into in the ordinary course of business;

(6) transactions pursuant to agreements in effect on the Issue Date and described in this offering memorandum, as amended, modified or replaced from time to time so long as the amended, modified or new agreements, taken as a whole, are no less favorable to the Company and its Restricted Subsidiaries than those in effect on the date of the indenture;

(7) any Sale Leaseback Transaction otherwise permitted under the caption “—Limitation on Sale and Leaseback Transactions” if such transaction is on market terms;

(8) any advance, loan or other extension of credit (or guarantee thereof) in connection with the use of the proceeds of the notes (including any additional notes) as well as additional loans outstanding from the Company or any of its Restricted Subsidiaries to an Affiliate to the extent that any such advance, loan or other extension of credit (i) has a Stated Maturity that is prior to the Stated Maturity of the notes and (ii) is on market terms;

(9) (A) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms, or (B) transactions with joint ventures or other similar arrangements entered into in the ordinary course of business, on market terms and consistent with past practice or industry norms; and

(10) the provision of administrative services to any joint venture or Unrestricted Subsidiary on substantially the same terms provided to or by Restricted Subsidiaries.

Line of Business

The Company will not, and will not permit any of its Restricted Subsidiaries, to engage in any business other than a Permitted Business, except to an extent that so doing would not be material to the Company and its Restricted Subsidiaries, taken as a whole.

Reporting Requirements

(a) The Company will provide the trustee with the following reports (and will also provide the trustee with sufficient copies, as required, of the following reports referred to in clauses (1), (2) and (4) below for distribution, at the expense of the Company, to all holders of notes at their request):

(1) an English language version of its annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(2) an English language version of its unaudited quarterly financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(3) simultaneously with the delivery of the financial statements referred to in clause (1) above, an Officers' Certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(4) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Company with the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil); and

(5) as soon as practicable and in any event within 30 calendar days after any director or executive officer of the Issuer or the Company becomes aware of the existence of a Default or Event of Default, an Officers' Certificate setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto.

If the Company makes available the reports described in clauses (1) or (2) or (4) on the Company's website and notifies the trustee in writing thereof, it will be deemed to have satisfied the reporting requirement set forth in such applicable clause.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any the Company's compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on Officers' Certificates), provided that the trustee shall have no obligation whatsoever to determine whether such information, documents or reports have been so made available.

(b) For so long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will furnish to any noteholder, or to any prospective purchasers designated by such

holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Issuer and the Company.

Consolidation, Merger or Transfer of Assets

The indenture further provides as follows regarding consolidation, merger or transfer of all or substantially all of the assets of the Company:

(a) The Company will not consolidate with or merge with or into, or sell, convey, transfer, or otherwise dispose of or lease all or substantially all of its assets in one transaction or a series of related transactions, to any person, unless:

(1) either: (x) the Company is the continuing Person; or (y) the resulting, surviving or transferee Person is a corporation organized and validly existing under the laws of the Federative Republic of Brazil or any political subdivision thereof, the United States of America, any State thereof or the District of Columbia, or any other country that is a member country of the European Union or of the Organization for Economic Co-operation and Development on the date of the indenture and expressly assumes by supplemental indenture all of the obligations of the Company under the indenture and the Note Guarantee;

(2) immediately after giving effect to the transaction, no Event of Default has occurred and is continuing;

(3) immediately after giving effect to the transaction on a *pro forma* basis, the Company or the resulting surviving or transferee Person (i) could Incur at least U.S.\$1.00 of Debt under the covenant described in the first paragraph under the caption “—Limitation on Debt and Disqualified Stock” or (ii) would not have a greater Net Debt to EBITDA Ratio set forth in the first paragraph of the covenant described above under the caption “—Limitation on Debt and Disqualified Stock” than immediately prior to giving effect to the transaction; and

(4) the Company, or the surviving entity, as the case may be, delivers to the trustee an Officers’ Certificate and an opinion of counsel, each stating that the consolidation, merger or transfer and the supplemental indenture (if any) comply with the indenture,

provided, that clause (2) and (3) shall not apply to the consolidation or merger of the Company with or into a Substantially Wholly-Owned Restricted Subsidiary or the consolidation or merger of a Substantially Wholly-Owned Restricted Subsidiary with or into the Company.

(b) The Company shall not lease all or substantially all of its assets, whether in one transaction or a series of transactions, to one or more other Persons, except to the extent permitted under “—Limitation on Sale and Leaseback Transactions.”

(c) Each Subsidiary Guarantor that is a Significant Subsidiary will not, and the Company will not cause or permit any Subsidiary Guarantor that is a Significant Subsidiary to, consolidate with or merge into, or sell or dispose of all or substantially all of its assets to, any Person (other than the Company) that is not a Subsidiary Guarantor unless such Person (if the surviving entity is not the Company or a Subsidiary Guarantor) assumes all of the obligations of such Subsidiary Guarantor in respect of its Subsidiary Guarantee by executing a supplemental indenture and providing the Trustee with an Officers’ Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the indenture; *provided, however*, that the provisions of this paragraph shall not apply if such Subsidiary Guarantor is released from its Subsidiary Guarantee pursuant to the penultimate paragraph set forth under the caption “—Guarantees of the Notes” as a result of such sale, disposition, consolidation or merger.

Other Covenants

In addition, the indenture will (subject to exceptions, qualifications and materiality thresholds, where appropriate) contain covenants regarding the performance of the Issuer’s, the Company’s and the Subsidiary Guarantor’s (upon the satisfaction of the Release Conditions) obligations under the notes, maintenance of corporate existence, maintenance of properties, compliance with applicable laws, payment of taxes and other claims, maintenance of books and records and further actions.

Covenant Suspension

From any date (the “Suspension Date”) and during any time that:

- (a) the notes have an Investment Grade rating from any two Rating Agencies, and
- (b) no Event of Default has occurred and is continuing, the Company and its Restricted Subsidiaries will not be subject to the following provisions of the indenture:

“—Limitation on Debt and Disqualified Stock;”

“—Limitation on Restricted Payments;”

“—Limitation on Sale and Leaseback Transactions;”

“—Limitation on Asset Sales;”

“—Limitation on Transactions with Affiliates;”

“—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;” and

“—Limitation on Line of Business;”

(collectively, the “Suspended Covenants”).

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the “Reversion Date”), the notes cease to have an Investment Grade Rating from any two Rating Agencies, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the “Suspension Period.” Notwithstanding that the Suspended Covenants may be reinstated, no Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period). During the Suspension Period, the Board of Directors of the Company may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the Indenture.

On the Reversion Date, all Debt Incurred during the Suspension Period will be classified to have been Incurred pursuant to paragraph (a) of “—Limitation on Debt and Disqualified Stock” or one of the clauses set forth in paragraphs (1) through (15) of paragraph (b) of “—Limitation on Debt and Disqualified Stock” (to the extent such Debt would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to the Debt Incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Debt would not be permitted to be Incurred pursuant to “—Limitation on Debt and Disqualified Stock,” such Debt will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (7) of paragraph (b) of “—Limitation on Debt and Disqualified Stock.” The Issuer or the Company will give the trustee prompt written notification upon the occurrence of a covenant suspension or any Reversion Date.

Substitution of the Issuer

The Issuer may, without the consent of any holder of the notes, be substituted by (a) the Company or (b) any Substantially Wholly-Owned Subsidiary of the Company as principal debtor in respect of the indenture and the notes (in that capacity, the “Substituted Issuer”); provided that the following conditions are satisfied:

(1) such documents will be executed by the Substituted Issuer, the Issuer, the Company, the Subsidiary Guarantor (if applicable) and the Trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Issuer assumes all of the Issuer’s obligations under the indenture and the notes (collectively, the “Issuer Substitution Documents”);

(2) if the Substituted Issuer is organized in a jurisdiction other than Luxembourg, the Issuer Substitution Documents will contain covenants (i) to ensure that each holder of the notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer in respect of the payment of Additional Amounts (but, if relevant,

replacing references to the jurisdictions in which the Issuer is organized or is resident for tax purposes with references to the other jurisdiction) and (ii) to indemnify the Trustee, any paying agent and each holder of the notes against all taxes and duties that (a) arise by reason of a law or regulation in effect or in reasonable contemplation on the effective date of the substitution that are incurred or levied against the Trustee, any paying agent or such holder of the notes as a result of the substitution and that would not have been so incurred or levied had the substitution not been made, and (b) are imposed on the Trustee, any paying agent or such holder of the notes by any political subdivision or taxing authority of any country in which the Trustee, any paying agent or such holder or Beneficial Owner of the notes resides or is subject to any such tax or duty and that would not have been so imposed had the substitution not been made;

(3) the Issuer will, subject to any applicable legal reservation, deliver, or cause the delivery, to the Trustee of an opinion of counsel in each of the jurisdictions of organization of the Substituted Issuer and the United States as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents and specified other legal matters and, where applicable, a capacity opinion as to Luxembourg law, as well as an Officers' Certificate as to compliance with the provisions described under this section;

(4) no Event of Default has occurred or is continuing; and

(5) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substituted Issuer, Luxembourg and Brazil.

Upon the execution of the Issuer Substitution Documents, any substitute guarantees and compliance with the other conditions set forth above, the Substituted Issuer will be deemed to be named in the indenture and the notes as the principal debtor in place of the Issuer and the Issuer, will be released from all of its obligations under the notes and the indenture.

Not later than 10 Business Days after the execution of the Issuer Substitution Documents, the Substituted Issuer will give notice thereof to the holders of the notes.

Notwithstanding any other provision of the indenture, the Company will do or cause to be done all acts and things and promptly execute and deliver any documents or instruments, including any substitute guarantees and a legal opinion of internationally recognized Brazilian counsel, that may be required, or that the Trustee may reasonably request, to ensure that its (unless it is the Substituted Issuer) and the Subsidiary Guarantor's Note Guarantee are in full force and effect for the benefit of the Trustee and the holders and Beneficial Owners of the notes following the substitution.

A notice to noteholders shall be published in compliance with applicable requirements of the Luxembourg Stock Exchange in the case of a Substitution of the Issuer.

Default and Remedies

Events of Default

An "Event of Default" occurs if:

(1) The Issuer defaults in the payment of the principal or any related Additional Amounts, if any, of any note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise;

(2) The Issuer defaults in the payment of interest or any related Additional Amounts, if any, on any note when the same becomes due and payable, and the default continues for a period of 30 days;

(3) The Issuer or the Company, as the case may be, defaults in the performance of or breaches, or fails to cause or any of their Significant Subsidiaries to not default in the performance of or breach, any other of their covenants or agreements in the indenture or the notes (other than those referred to in clause (1) and (2) above) and the default or breach continues for a period of 60 consecutive days after written notice to the Issuer and or the Company, as the case may be, by the trustee or to the Issuer, the Company and the trustee by the holders of 25% or more in aggregate principal amount of the outstanding notes;

(4) there occurs with respect to any Debt of the Company or any Restricted Subsidiary having an outstanding principal amount of U.S.\$50.0 million (or the equivalent thereof at the time of determination) or more in the aggregate for all such Debt of all such Persons (i) an event of default that results in such Debt being due and payable prior to its scheduled maturity or (ii) failure to make a principal payment when due and such defaulted payment is not made, waived or extended within the applicable grace period;

(5) one or more final and non-appealable judgments or orders for the payment of money are rendered against (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries, and are not paid or discharged, and either (i) an enforcement proceeding has been commenced by any creditor upon such judgment or order and is not dismissed within 30 days following commencement of such enforcement proceedings or (ii) there is a period of 60 consecutive days following entry of the final and non-appealable judgment or order during which such judgment or order is not discharged, waived or the execution thereof stayed, in either case that causes the aggregate amount for all such final and non-appealable judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.\$50.0 million (or the equivalent thereof at the time of determination) in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies;

(6) an involuntary case or other proceeding is commenced against (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries, with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, *administrador judicial*, liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or a final order for relief is entered against (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries, under relevant bankruptcy laws as now or hereafter in effect and such order is not being contested by (a) the Issuer, (b) the Company or (c) such Significant Subsidiary, as the case may be, in good faith or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made;

(7) (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries (i) commences a voluntary case or other proceeding seeking liquidation, reorganization, *recuperação judicial ou extrajudicial* or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, administrador judicial, liquidator, assignee, custodian, trustee, sequestrator or similar official of (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries or for all or substantially all of the Property of (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries or (iii) effects any general assignment for the benefit of creditors (an event of default specified in clause (6) or (7) a "bankruptcy default");

(8) any Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the indenture, or the Company or any Subsidiary Guarantor denies or disaffirms its obligations under such Note Guarantee;

(9) any event occurs that under the laws of the Grand Duchy of Luxembourg or Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (6) or (7);

(10) all or substantially all of the undertaking, assets and revenues of (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries, is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries is prevented by any such Person from exercising normal control over all or substantially all of the undertaking, assets and revenues of (a) the Issuer, (b) the Company or (c) any of the Company's Significant Subsidiaries; or

(11) the Issuer fails to redeem the notes to the extent required under "—Escrow of Proceeds; Special Mandatory Redemption."

Consequences of an Event of Default

If an Event of Default, other than a bankruptcy default with respect to the Issuer or the Company, occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by written notice to the Issuer and to the Company (and to the trustee if the notice is given by the

holders), may, and the trustee at the request of such holders shall, declare the unpaid principal of and accrued interest on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a bankruptcy default or an Event of Default described in clause (11) of the “—Events of Default” section above occurs, the unpaid principal of and accrued interest on the notes then outstanding will become immediately due and payable without any declaration or other act on the part of the trustee or any holder. In this case, the Company will be required, and will agree in the indenture, to duly comply with any and all then-applicable Central Bank regulations for remittance of funds outside of Brazil.

The holders of a majority in principal amount of the outstanding notes by written notice to the Issuer, the Company and to the trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by the declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Except as otherwise provided in “—Consequences of an Event of Default” or “—Amendments and Waivers—Amendments with Consent of Holders,” the holders of a majority in principal amount of the outstanding notes may, by written notice to the trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The holders of a majority in principal amount of the outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the indenture or the notes, or for the appointment of a receiver or trustee, or for any other remedy under the indenture or the notes, unless:

- (1) the holder has previously given to the trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in aggregate principal amount of outstanding notes have made written request to the trustee to institute proceedings in respect of the Event of Default in its own name as trustee under the indenture;
- (3) holders have offered to the trustee indemnity or security satisfactory to the trustee against any costs, liabilities or expenses to be Incurred in compliance with such request;
- (4) the trustee within 60 days after its receipt of such notice, request and offer of indemnity or security has failed to institute any such proceeding; and
- (5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding notes have not given the trustee a direction that is inconsistent with such written request.

The time of validity of a holder to claim to payment of interest and repayment of principal is six years.

If any Event of Default occurs and is continuing and is actually known to a responsible officer of the trustee, the trustee will send notice of the Event of Default to each holder within 90 days after it occurs, unless the Event of Default has been cured; *provided* that, except in the case of a default in the payment of the principal of or interest on any note, the trustee may withhold the notice if and so long as a committee of the trustee in good faith determines that withholding the notice is in the interest of the holders.

No Liability of Directors, Officers, Employees, Incorporators, Members and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Issuer or the Company, as such, will have any liability for any obligations of the Issuer or the Company under the notes, the Note Guarantees or the

indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. This waiver may not be effective to waive liabilities under U.S. securities laws and it is the view of the U.S. Securities and Exchange Commission that such a waiver is against public policy.

Amendments and Waivers

Amendments Without Consent of Holders. The Issuer, the Company and the trustee may amend or supplement the indenture or the notes without notice to or the consent of any noteholder:

- (1) to cure any ambiguity, defect or inconsistency in the indenture or the notes;
- (2) to comply with the covenant described under the caption “—Consolidation, Merger or Transfer of Assets”;
- (3) to comply with the covenant described under the caption “—Substitution of Issuer”;
- (4) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (5) to provide for uncertificated notes in addition to or in place of certificated notes;
- (6) to provide for any guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the indenture;
- (7) to provide for or confirm the issuance of additional notes; or
- (8) to make any other change that does not materially adversely affect the rights of any holder or to conform the indenture to this “Description of Notes.”

Amendments With Consent of Holders. (a) Except as otherwise provided in “—Default and Remedies—Consequences of an Event of Default” or paragraph (b), the Issuer, the Company and the trustee may amend the indenture and the notes with the written consent of the holders of a majority in principal amount of the outstanding notes and the holders of a majority in principal amount of the outstanding notes may waive future compliance by the Issuer or the Company with any provision of the indenture or the notes.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each holder affected, an amendment or waiver may not:

- (1) reduce the principal amount of or change the Stated Maturity of any installment of principal of any note;
- (2) reduce the rate of or change the Stated Maturity of any interest payment on any note;
- (3) reduce the amount payable upon the redemption of any note in respect of an optional redemption or Special Mandatory Redemption, the times at which any note may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed;
- (4) after the time an Offer to Purchase is required to have been made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder;
- (5) make any note payable in currency other than that stated in the note or at a place of payment other than that stated in the note;
- (6) impair the contractual right as expressly set forth in the indenture of any holder of notes to receive any principal payment or interest payment on such holder’s notes, on or after the Stated Maturity thereof, or to institute suit for the enforcement of any such payment;
- (7) make any change in the percentage of the principal amount of the notes required for amendments or waivers;

(8) modify or change any provision of the indenture affecting the ranking of the notes or the Note Guarantees in a manner adverse to the noteholders; or

(9) make any change in any Note Guarantee that would materially and adversely affect the holders of notes.

It is not necessary for noteholders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

Neither the Company nor any of its Restricted Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is offered to be paid or agreed to be paid to all noteholders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

Defeasance and Discharge

The Issuer may discharge its obligations under the notes and the indenture by irrevocably depositing in trust with the trustee U.S. dollars or U.S. Government Obligations sufficient to pay principal of and interest on the notes to maturity or redemption, subject to meeting certain other conditions.

The Issuer may also elect to:

(1) discharge most of its obligations in respect of the notes and the indenture, not including obligations related to the defeasance trust, the payment of Additional Amounts or to the replacement of notes or its obligations to the trustee (“legal defeasance”); or

(2) discharge its obligations under most of the covenants and under clauses (2) and (3) of the covenant described under the caption “—Consolidation, Merger and Sale of Assets” (and the failure to comply with such obligations shall not constitute an Event of Default) (“covenant defeasance”) by irrevocably depositing in trust with the trustee U.S. dollars or U.S. Government Obligations sufficient, in the opinion of an independent public accounting firm (which opinion shall be given to the trustee) to pay principal of and interest on the notes to maturity or redemption and by meeting certain other conditions, including delivery to the trustee of either a ruling received from the Internal Revenue Service or an opinion of counsel to the effect that the beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case. In the case of legal defeasance or discharge, such opinion should state that it is based on a change of law after the date of the indenture or a ruling addressed to the Issuer. In addition, the Issuer must deliver to the trustee an opinion of counsel in each of the Grand Duchy of Luxembourg, the Federative Republic of Brazil, any other jurisdiction in which the Issuer or the Company is organized or is resident for tax purposes, and any other jurisdiction in which the Issuer or the Company is conducting business in a manner which causes the noteholders to be liable for taxes on payments under the notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, to the effect that holders of the applicable notes will not recognize income, gain or loss in the relevant jurisdiction (as applicable) as a result of such deposit and defeasance and will be subject to taxes in the relevant jurisdiction (including withholding taxes) (as applicable) on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. The defeasance would in each case be effective when 123 days have passed since the date of the deposit in trust.

In the case of either discharge or defeasance, the Note Guarantee will terminate.

Concerning the Trustee

Deutsche Bank Trust Company Americas is the trustee under the indenture, with an office at 60 Wall Street, MS: NYC60-1630, New York, New York 10005.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a

prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity or security satisfactory to it against any loss, liability or expense.

The holders may have access to the indenture and other agreements related at the office of the trustee as mentioned above.

Replacement of Trustee

The trustee may resign at any time by written notice to the Issuer and the Company.

The holders of a majority in principal amount of the outstanding notes may remove the trustee by written notice to the trustee.

If the trustee is no longer eligible pursuant to the Trust indenture Act, any holder may petition any court of competent jurisdiction for the removal of the trustee and the appointment of a successor trustee.

The Issuer shall remove the trustee if: (i) the trustee is no longer eligible pursuant to the Trust indenture Act; (ii) the trustee is adjudged a bankrupt or an insolvent; (iii) a receiver or other public officer takes charge of the trustee or its property; or (iv) the trustee becomes incapable of acting. In addition, the Issuer may remove the trustee at any time for any reason to the extent the Issuer has given the trustee at least 30 days' written notice and as long as no Default or Event of Default has occurred and is continuing.

A resignation or removal of the trustee and appointment of a successor trustee will become effective only upon the successor trustee's acceptance of appointment as provided in this Section.

If the trustee has been removed by the holders, holders of a majority in principal amount of the notes may appoint a successor trustee with the consent of the Issuer. Otherwise, if the trustee resigns or is removed, or if a vacancy exists in the office of trustee for any reason, the Issuer will promptly appoint a successor trustee. If the successor trustee does not deliver its written acceptance within 60 days after the retiring trustee resigns or is removed, the retiring trustee, the Issuer or the holders of a majority in principal amount of the outstanding notes may at the cost of the Issuer petition any court of competent jurisdiction for the appointment of a successor trustee.

Upon delivery by the successor trustee of a written acceptance of its appointment to the retiring trustee and to the Issuer, (i) the retiring trustee will, upon payment of all amounts owed to it under the indenture, transfer all property held by it as trustee to the successor trustee, (ii) the resignation or removal of the retiring trustee will become effective, and (iii) the successor trustee will have all the rights, powers and duties of the trustee under the indenture. Upon request of any successor trustee, the Issuer will execute any and all instruments for fully vesting in and confirming to the successor trustee all such rights, powers and trusts. The Issuer will give notice of any resignation and any removal of the trustee and each appointment of a successor trustee to all holders, and include in the notice the name of the successor trustee and the address of its designated corporate trust office.

Paying Agent

Deutsche Bank Trust Company Americas will act as the paying agent for the notes. The Issuer may appoint other paying agents in addition to the paying agent. So long as any notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, the Issuer will maintain a paying agent in Luxembourg. Upon any change in the paying agent or in the Luxembourg Paying Agent, the Issuer will publish a notice in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxembourg Wort*, or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Transfer and Exchange

The trustee will initially act as the transfer agent and registrar for the notes. A holder may transfer or exchange notes at the office designated by the Issuer for such purposes, which initially will be the corporate trust office of the trustee in New York, New York. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, a holder will also be able to transfer or exchange notes at the

offices of the paying agent in Luxembourg. The registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents in the form provided and as specified in the indenture. See “Book Entry, Delivery and Form—Global Notes” and “—Certificated Notes” for a description of additional transfer restrictions applicable to the notes. Upon any change in the registrar, the Issuer will publish a notice in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxembourg Wort*, or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (www.bourse.lu).

No service charge will be imposed in connection with any transfer or exchange of any note, but the Issuer may in general require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

Upon written request from the Issuer, the trustee shall provide the Issuer with a copy of the register to enable it to maintain a register of the notes at its registered office.

Notices

As long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable procedures as in effect from time to time. If the Issuer issues notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the registrar’s records, and will be deemed given when mailed. For so long as any notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, and in accordance with the rules and regulations of the Luxembourg Stock Exchange, the Issuer will publish all notices to holders in a newspaper with general circulation in Luxembourg, which is expected to be the *Luxembourg Wort*, or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law

The indenture, the notes and the Note Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York. The application of the provisions set out in articles 86 to 94-8 of the Luxembourg law on commercial companies dated August 10, 1915, as amended, is excluded.

Consent to Jurisdiction

Each of the parties to the indenture and the noteholders will irrevocably submit to the jurisdiction of any New York State or United States Federal court sitting in the City of New York in respect of any suit, action or proceeding arising out of or relating to the indenture or any note or Note Guarantee. Each of the parties to the indenture will irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such courts and any claim that any such suit, action or proceeding brought in such courts, has been brought in an inconvenient forum and any right to which it may be entitled on account of place of residence or domicile. To the extent that the Issuer or the Company have or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, each of the Issuer and the Company have irrevocably waived such immunity in respect of (i) its obligations under the indenture and (ii) any note or Note Guarantee. Each of the parties to the indenture will agree that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding on them and may be enforced in any court to the jurisdiction of which each of them is subject by a suit upon such judgment, provided, that service of process is effected upon the Issuer in the manner specified in the following paragraph or as otherwise permitted by law.

As long as any of the notes remain outstanding, the Issuer and the Company will at all times have an authorized agent in the City of New York, upon whom process may be served in any legal action or proceeding arising out of or relating to the indenture or any note or Note Guarantee. Service of process upon such agent and written notice of such service mailed or delivered to the Issuer shall to the extent permitted by law be deemed in every respect effective service of process upon the Issuer or the Company in any such legal action or proceeding. Each of the Issuer and the Company will appoint National Corporate Research, Ltd. as their agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of

such agent at 10 E. 40th Street, 10th Floor, New York, New York 10016 (or at such other address or at the office of such other authorized agent as the Issuer or the Company may designate by written notice to the trustee).

Judgment Currency

U.S. dollars are the sole currency of account and payment for all sums due and payable by the Issuer and the Company under the indenture, the notes and the Note Guarantee. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, the Issuer and the Company will agree, to the fullest extent that they may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the trustee determines a Person could purchase U.S. dollars with such other currency in New York, New York, on the business day immediately preceding the day on which final judgment is given.

The obligation of each of the Issuer and the Company in respect of any sum due to any noteholder or the trustee in U.S. dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than U.S. dollars, be discharged only to the extent that on the business day following receipt of any sum adjudged to be so due in the judgment currency such noteholder or trustee may in accordance with normal banking procedures purchase U.S. dollars in the amount originally due to such Person with the judgment currency. If the amount of U.S. dollars so purchased is less than the sum originally due to such Person, each of the Issuer and the Company agrees, jointly and severally, as a separate obligation and notwithstanding any such judgment, to indemnify such Person against the resulting loss; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such Person, such Person will, by accepting a note, be deemed to have agreed to repay such excess.

Certain Definitions

“Acquired Debt” means Debt of a Person existing at the time the Person merges with or into or becomes a Subsidiary and not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Subsidiary.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Asset Sale” means any sale, lease, transfer or other disposition of any assets by the Company or any Restricted Subsidiary, including by means of a merger, consolidation or similar transaction and including any sale or issuance of the Equity Interests of any Restricted Subsidiary (each of the above referred to as a “disposition”), provided that the following are not included in the definition of “Asset Sale”:

- (1) a disposition, including the sale or issuance of any Equity Interests, by a Restricted Subsidiary to the Company or another Restricted Subsidiary or by the Company to a Restricted Subsidiary;
- (2) the sale, lease, transfer or other disposition by the Company or any Restricted Subsidiary in the ordinary course of business of (i) cash and Cash Equivalents, (ii) inventory, (iii) damaged, worn out or obsolete equipment or other assets, or (iv) rights granted to others pursuant to leases or licenses;
- (3) the lease of assets by the Company or any of its Subsidiaries in the ordinary course of business;
- (4) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;
- (5) a transaction covered by the covenant described under the caption “—Certain Covenants—Consolidation, Merger or Transfer of Assets;”
- (6) a Restricted Payment permitted under the covenant described under the caption “—Certain Covenants—Limitation on Restricted Payments” or Permitted Investments;

(7) a Sale and Leaseback Transaction otherwise permitted under “—Limitation on Sale and Leaseback Transactions;”

(8) any issuance of Disqualified Stock otherwise permitted under “—Limitation on Debt and Disqualified Stock;”

(9) the creation of a Lien not prohibited by the indenture (but not the sale or disposition of the property subject to such Lien);

(10) any surrender or waiver of contract rights pursuant to a settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(11) the transfer or other disposition of any concession required by law, including by means of Equity Interests of any Restricted Subsidiary holding such concession, to the governmental or regulatory authority;

(12) any disposition of assets in any fiscal year with an aggregate fair market value, taken together with all other dispositions made in reliance on this clause, not to exceed U.S.\$25.0 million (or the equivalent thereof at the time of determination); and

(13) the disposition of any shares of Capital Stock of an Unrestricted Subsidiary.

“Attributable Debt” means, in respect of a Sale and Leaseback Transaction the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (x) the number of years from the date of determination to the dates of each successive scheduled principal payment of such Debt and (y) the amount of such principal payment by (ii) the sum of all such principal payments.

“Business Day” means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in the City of New York, São Paulo, Luxembourg or (for so long as the Issuer is organized in the Grand Duchy of Luxembourg) Luxembourg.

“Capital Lease” means, with respect to any Person, any lease of any Property which, in conformity with IFRS, is required to be capitalized on the balance sheet of such Person. Notwithstanding the foregoing, leases that are deemed operating leases under IFRS in effect on the Issue Date will continue to be treated as such for purposes of determining a “Capital Lease” and accounting pronouncement IFRS 16 – Leases effective January 1, 2019 will not apply for such purposes.

“Capital Stock” means, with respect to any Person, any and all shares of stock of a corporation, partnership interests or other equivalent interests (however designated, whether voting or non-voting) in such Person’s equity, entitling the holder to receive a share of the profits and losses, and a distribution of assets, after liabilities, of such Person.

“Cash Equivalents” means:

(1) Brazilian *reais*, United States dollars, or money in other currencies received in the ordinary course of business that are readily convertible into United States dollars;

(2) any evidence of Debt with a maturity of 180 days or less issued or directly and fully guaranteed or insured by the Federative Republic of Brazil or the United States of America or any agency or instrumentality thereof, provided that the full faith and credit of the Federative Republic of Brazil or the United States of America is pledged in support thereof;

(3) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers’ acceptances with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of the Federative Republic of Brazil or any political subdivision thereof or the United States or any

state thereof having capital, surplus and undivided profits in excess of U.S.\$500.0 million whose short-term debt is rated “A-2” or higher by S&P or “P-2” or higher by Moody’s;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at least P-1 by Moody’s or A-1 by S&P and maturing within six months after the date of acquisition; and

(6) money market funds at least 95% of the assets of which consist of investments of the type described in clauses (1) through (5) above.

“Change of Control” means:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the Exchange Act)), other than to one or more of the Permitted Holders and other than pursuant to (i) any such transaction in which immediately after the consummation thereof, the voting power of the Company’s outstanding Voting Stock immediately prior to such consummation constitutes or is converted into or exchanged for more than 50% of the voting power of the outstanding Voting Stock of such Person or (ii) any such sale, lease, transfer or conveyance to one or more Permitted Holders or a Subsidiary of a Permitted Holder, in each case, if immediately after such transaction no “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is the “beneficial owner” (as defined in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the voting power of the outstanding Voting Stock of such Permitted Holder; or

(2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any Person (including any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders) is or becomes the “beneficial owner” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company.

“Consolidated Net Income” means, for any period, the aggregate net income (or loss) of the Company for such period determined on a consolidated basis in conformity with IFRS.

“Consolidated Net Tangible Assets” means Total Consolidated Assets (less applicable depreciation, amortization and other valuation reserves), after deducting therefrom (i) all current liabilities of the Company and the Restricted Subsidiaries on a consolidated basis and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles of the Company and the Restricted Subsidiaries on a consolidated basis as set forth on the most recent consolidated financial statements which are publicly available, in each case in accordance with IFRS.

“Debt” means, with respect to any Person, without duplication,

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers’ acceptances issued in respect of trade accounts payables to the extent not drawn upon or presented, or, if drawn upon or presented, to the extent the resulting obligation of the Person is paid within 10 Business Days;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, all conditional sale obligations and all obligations of such person under any title retention agreement, excluding accounts payable arising in the ordinary course of business;

- (5) all obligations of such Person as lessee under Capital Leases;
- (6) all Debt of other Persons guaranteed by such Person to the extent so guaranteed;
- (7) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; and
- (8) all obligations of such Person under Hedging Agreements.

The amount of Debt of any Person will be deemed to be:

(A) with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation;

(B) with respect to Debt secured by a Lien on an asset of such Person but not otherwise the obligation, contingent or otherwise, of such Person, the lesser of (x) the fair market value of such asset on the date the Lien attached and (y) the amount of such Debt;

(C) with respect to any Debt issued with original issue discount, the face amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt;

(D) with respect to any Hedging Agreement, the net amount payable if such Hedging Agreement terminated at that time due to default by such Person; and

(E) otherwise, the outstanding principal amount thereof.

The principal amount of any Debt or other obligation that is denominated in any currency other than United States dollars (after giving effect to any Hedging Agreement in respect thereof) shall be the amount thereof, as determined pursuant to the foregoing sentence, converted into United States dollars at the Spot Rate in effect on the date of determination.

For the avoidance of doubt, the term “Debt” shall not include trade accounts payable or short-term obligations to customers, suppliers or service providers in the ordinary course of business.

In addition, leases that are deemed operating leases under IFRS in effect on the Issue Date will not be deemed “Debt” and accounting pronouncement IFRS 16 – Leases effective January 1, 2019 will not apply.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Equity Interests” means Equity Interests that by their terms or upon the happening of any event are:

(1) required to be redeemed or redeemable at the option of the holder prior to the Stated Maturity of the notes for consideration other than Qualified Equity Interests, or

(2) convertible at the option of the holder into Disqualified Equity Interests or exchangeable for Debt;

provided that Equity Interests will not constitute Disqualified Equity Interests solely because of provisions giving holders thereof the right to require repurchase or redemption upon an “asset sale” or “change of control” occurring prior to the Stated Maturity of the notes if those provisions

(A) are no more favorable to the holders than the covenants described under the captions “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes Upon a Change of Control,” and

(B) specifically state that repurchase or redemption pursuant thereto will not be required prior to the Issuer’s repurchase of the notes as required by the indenture.

“Disqualified Stock” means Capital Stock constituting Disqualified Equity Interests.

“EBITDA” means, for any period:

- (1) consolidated net revenue for sales and services *minus*;
- (2) consolidated costs of goods sold and services rendered *minus*;
- (3) consolidated administrative and selling expenses *minus*;
- (4) consolidated other operating expenses *plus*;
- (5) consolidated other operating income *plus*;
- (6) any depreciation or amortization included in any of the foregoing;

as each such item is reported on the most recent consolidated financial statements delivered by the Company to the trustee and prepared in accordance with IFRS. Notwithstanding the foregoing, EBITDA shall not include results from the sale or retirement of assets, provisions/reversals of contingencies, impairment charges, fair value gains or adjustments and extraordinary restructuring expenses.

“Equity Interests” means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Debt convertible into equity.

“Fitch” means Fitch Ratings Inc. and its successors.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; provided that the term “Guarantee” does not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Guarantors” means each of (i) the Company and (ii) any other party (including Malha Norte upon satisfaction of the Release Conditions) that executes a supplemental indenture in the form of an exhibit to the indenture providing for the guarantee of the payment of the notes, or any successor obligor under its Note Guarantee pursuant to the covenant described under the caption “— Certain Covenants—Consolidation, Merger or Transfer of Assets,” in each case unless and until such Guarantor is released from its Note Guarantee pursuant to the indenture.

“Hedging Agreement” means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“Incur” means, with respect to any Debt or Capital Stock, to incur, create, issue, assume or guarantee such Debt or Capital Stock. If any Person becomes a Subsidiary on any date after the date of the indenture, the Debt and Capital Stock of such Person outstanding on such date will be deemed to have been Incurred by such Person on such date for purposes of the covenant described under the caption “—Certain Covenants—Limitation on Debt and Disqualified Stock,” but will not be considered the sale or issuance of Equity Interests for purposes of the covenants described under the captions “—Certain Covenants—Limitation on Restricted Payments” or “Limitation on Asset Sales.” The accretion of original issue discount or payment of interest in kind will not be considered an Incurrence of Debt.

“Investment” means:

(1) any direct or indirect advance, loan or other extension of credit to another Person, but excluding any such advance, loan or extension of credit having a term not exceeding 180 days arising in connection with the sale of inventory, equipment or supplies by that Person in the ordinary course of business;

(2) any capital contribution to another Person, by means of any transfer of cash or other property or in any other form;

(3) any purchase or acquisition of Equity Interests, bonds, notes or other Debt, or other instruments or securities issued by another Person, any acquisitions of assets or substantially all the assets of a Person, including the receipt of any of the above as consideration for the disposition of assets or rendering of services; or

(4) any guarantee of any obligation of another Person.

For purposes of this definition, the term “Person” shall not include the Company or any Subsidiary or any Person who would become a Subsidiary as a result of any Investment. If the Company or any Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary so that, after giving effect to that sale or disposition, such Person is no longer a Subsidiary of the Company, all remaining Investments of the Company and the Subsidiaries in such Person shall be deemed to have been made at such time.

For purposes of the definition of “Unrestricted Subsidiary” and the covenant described under “Certain Covenants—Limitation on Restricted Payments”:

(1) Investment shall include the portion (proportionate to the Company’s equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that, upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to:

(A) the Company’s Investment in such Subsidiary at the time of such redesignation; *minus*

(B) the portion (proportionate to the Company’s equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer.

“Investment Grade” means BBB- or higher by S&P, Baa3 or higher by Moody’s or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody’s or Fitch.

“Investment Grade Rating” means a rating equal to or higher than Investment Grade.

“Issue Date” means February 9, 2017.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or Capital Lease).

“Marketable Securities” means publicly traded debt or equity securities that are listed for trading on a national securities exchange and that were issued by a corporation with debt securities rated at least “AA-” from S&P or “Aa3” from Moody’s.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means, with respect to:

(a) any Asset Sale, the proceeds of such Asset Sale in the form of cash or Cash Equivalents (including (i) payments in respect of deferred payment obligations to the extent corresponding to principal, but not interest, when received in the form of cash, and (ii) proceeds from the conversion of other consideration received when converted to cash), net of

(1) brokerage commissions and other fees and expenses related to such Asset Sale, including fees and expenses of counsel, accountants and investment bankers;

(2) provisions for taxes as a result of such Asset Sale taking into account the consolidated results of operations of the Company and its Subsidiaries;

(3) payments required to be made to repay Debt (other than revolving credit borrowings) outstanding at the time of such Asset Sale that is secured by a Lien on the property or assets sold; and

(4) appropriate amounts to be provided as a reserve against liabilities associated with such Asset Sale, including pension and other post-employment benefit liabilities, liabilities related to environmental matters and indemnification obligations associated with such Asset Sale, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash, with any subsequent reduction of the reserve other than by payments made and charged against the reserved amount to be deemed a receipt of cash.

“Net Debt” means, as of any date of determination, the aggregate amount of Debt of the Company and its Restricted Subsidiaries less the sum of consolidated cash and cash equivalents and marketable securities (excluding restricted cash, but including restricted cash pledged as collateral for or linked to Debt) recorded as current assets in accordance with IFRS and as set forth in the most recent consolidated balance sheet of the Company.

“Net Debt to EBITDA Ratio” means, on any date (the “transaction date”), the ratio of:

(x) the aggregate amount of Net Debt at that time to

(y) EBITDA for the four fiscal quarters immediately prior to the transaction date for which internal financial statements are available (the “reference period”).

In making the foregoing calculation:

(1) *pro forma* effect will be given to any Debt Incurred during or after the reference period to the extent the Debt is outstanding or is to be Incurred on the transaction date as if the Debt had been Incurred on the first day of the reference period; and

(2) *pro forma* effect will be given to:

(A) the acquisition or disposition of companies, divisions or lines of businesses by the Company and its Restricted Subsidiaries, including any acquisition or disposition of a company, division or line of business since the beginning of the reference period by a Person that became a Restricted Subsidiary after the beginning of the reference period; and

(B) the discontinuation of any discontinued operations

that have occurred since the beginning of the reference period as if such events had occurred, and, in the case of any disposition, the proceeds thereof applied, on the first day of the reference period. To the extent that *pro forma* effect is to be given to an acquisition or disposition of a company, division or line of business, the *pro forma* calculation will be based upon the most recent four full fiscal quarters for which the relevant financial information is available.

“Note Guarantees” means the guarantees of the notes by the Company and the Subsidiary Guarantor (upon satisfaction of the Release Conditions) pursuant to the indenture.

“Officers’ Certificate” means a certificate signed by any two of the chief executive officer, the chief operating officer, the chief financial officer, the chief accounting officer, a director or the general counsel of the Issuer or any of its Subsidiaries, or a certificate of the Company signed in the name of the Company by the chairman of the board of directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer or the secretary or any assistant secretary, as the case may be.

“Permitted Business” means (i) any of the businesses in which the Company and its Subsidiaries are engaged on the Issue Date, (ii) any business reasonably related, incidental, complementary or ancillary thereto, (iii) any business

permitted under the Company's organizational documents, or (iv) any business determined in good faith by its board of directors to be in the interest of the Company.

"Permitted Holders" means (i) Mr. Rubens Ometto Silveira Mello and/or any immediate family members and any Person, directly or indirectly, controlled by any of them, (ii) Cosan S.A. Indústria e Comércio, Cosan Logística S.A. and any Affiliate thereof, (iii) BNDES Participações S.A. – BNDESPAR and any Affiliate thereof and (iv) TPG VI Fundo de Investimentos em Participações and any Affiliate thereof; *provided* that any portfolio company that is an Affiliate of the foregoing Permitted Holders (other than Permitted Holders in item (i) and (ii)) shall not be included in the term "Permitted Holder."

"Permitted Investments" means:

- (1) an Investment by the Company or any Restricted Subsidiary in the Company or any Restricted Subsidiary;
- (2) an Investment by the Company or any Restricted Subsidiary in another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary or becomes a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents or marketable securities as determined in accordance with IFRS;
- (4) any Investment acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Investment of any Person existing at the time such Person becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction;
- (5) stocks, obligations or securities received in settlement of (or foreclosure with respect to) debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;
- (6) any Investment existing on, or made pursuant to written agreements existing on, the Issue Date;
- (7) any extension, modification or renewal of any Investments existing on, or made pursuant to written agreements existing on, the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);
- (8) Hedging Obligations permitted under clause (b)(4) of the covenant described under "—Certain Covenants—Limitation on Debt and Disqualified Equity Interests";
- (9) Guarantees of Debt of Persons in which the Company or a Restricted Subsidiary holds an Equity Interest to the extent such Guarantee is permitted under the covenant described under "—Limitation on Debt and Disqualified Stock";
- (10) Investments which are made exclusively with Capital Stock of the Company (other than Disqualified Equity Interests);
- (11) Investments made pursuant to a commitment that, when entered into, would have complied with the provisions of the indenture; provided, however, that to the extent relying on this clause such Investments shall be deemed outstanding for purposes of determining Investments available clause (3) of paragraph (a) of the covenant described under the caption "—Covenants—Limitation on Restricted Payments" or under clause (21) below, as applicable.
- (12) any acquisition and holding of (a) Brazilian federal and state tax credits acquired solely to pay amounts owed by the Company to Brazilian tax authorities and (b) discounted obligations of any Brazilian governmental authority acquired solely to pay tax amounts owed by the Company to such Brazilian governmental authority;

- (13) Investments made as a result of the receipt of non-cash consideration from an Asset Sale that was made in compliance with the covenant described in “—Certain Covenants—Limitation on Asset Sales”;
- (14) receivables owing to the Company or any of its Restricted Subsidiaries, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided that such trade terms may include such trade terms as the Company or such Restricted Subsidiary deems reasonable under the circumstances;
- (15) prepayments and other credits to suppliers, customers, utility providers, licensees, franchisees and other trade creditors made in the ordinary course of business;
- (16) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (17) loans and advances pursuant to any employee, officer or director compensation or benefit plans, customary indemnifications or arrangements entered into in the ordinary course of business; provided, however, that such loans and advances do not exceed U.S.\$5.0 million in one or a series of related transactions;
- (18) Investments in connection with pledges, deposits, payments or performance bonds made or given in the ordinary course of business in connection with or to secure statutory, regulatory or similar obligations, including obligations under health, safety or environmental obligations;
- (19) repurchases of the notes, Note Guarantee and other pari passu Debt of the Company or any Restricted Subsidiary;
- (20) Investments in the Capital Stock of any Person engaged in a Permitted Business having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value) that are at the time outstanding, that do not exceed the greater of (i) U.S.\$200.0 million (or equivalent in other currencies) and (ii) 5.0% of the Company’s Consolidated Net Tangible Assets; *provided* that any cash return on capital in any such Permitted Investment (including through any dividend, distribution, repayment, redemption, payment of interest or other transfer) made pursuant to this clause (20) will reduce the amount of any such Permitted Investment for purposes of calculating the amount of Permitted Investments under this clause (20) and will be excluded from clause (3) of paragraph (a) of the covenant described under the caption “—Covenants—Limitation on Restricted Payments”; and
- (21) additional Investments by the Company or any of its Restricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (21) that are at the time outstanding, not to exceed the greater of (i) U.S.\$200.0 million (or equivalent in other currencies) and (ii) 5% of Consolidated Net Tangible Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

“Permitted Liens” means:

- (1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clause (2), (3) or (4) below; provided, however, that the total amount of Debt so secured is not increased;
- (2) any Lien on any property or assets (including Capital Stock of any person) securing Debt Incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; provided that (a) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is Incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of the Company or any Subsidiary; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(3) any Lien securing Debt for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; provided that the Liens in respect of such Debt are limited to assets (including Capital Stock of the project entity) and/or revenues of such project; and provided, further, that the Lien is Incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of the Company or any Subsidiary;

(4) any Lien existing on any property or assets of any person before that person's acquisition (in whole or in part) by, merger into or consolidation with the Company or any Subsidiary after the date of the indenture; provided that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation;

(5) any Lien imposed by law that was Incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(6) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which the Company or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which the Company or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(7) any Lien in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of the Company or any Subsidiary in the ordinary course of business;

(8) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by IFRS;

(9) minor defects, easements, rights-of-way, restrictions and other similar encumbrances Incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(10) any rights of set-off of any person with respect to any deposit account of the Company or any Subsidiary arising in the ordinary course of business;

(11) any Liens granted to secure borrowings from, directly or indirectly, (a) Banco Nacional de Desenvolvimento Econômico e Social, or BNDES, or any other Brazilian governmental development bank or credit agency (including from any financial institutions involved in such financing from BNDES or such agency) or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;

(12) any Liens on the inventory and receivables of the Company or any Subsidiary securing the obligations of such person under any lines of credit or working capital facility; provided that the aggregate amount of inventory and receivables securing Debt shall not exceed 80% of the Company's aggregate outstanding inventory and receivables from time to time;

(13) any Lien securing Hedging Agreements so long as such Hedging Agreements are entered into for bona fide, non-speculative purposes; and

(14) in addition to the foregoing Liens set forth in clauses (1) through (13) above, Liens securing Debt of the Company or any Subsidiary (including, without limitation, guarantees of the Company or any Subsidiary) which in aggregate principal amount, at any time of determination, do not exceed 20% of the Consolidated Net Tangible Assets.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

“Productive Assets” means assets or property (including capital stock or its substantial equivalent or other Investments or any rights or services) that are used or usable by the Company and its Subsidiaries in Permitted Businesses (or in the case of capital stock or its substantial equivalent or other Investments that represent direct, or indirect (via a holding company), ownership or other interests held by the Company or any Subsidiary in entities engaged in Permitted Businesses).

“Property” means (i) any land, buildings, machinery and other improvements and equipment located therein, and (ii) any intangible assets, including, without limitation, any brand names, trademarks, copyrights and patents and similar rights and any income (licensing or otherwise), proceeds of sale or other revenues therefrom.

“Qualified Equity Interests” means all Equity Interests of a Person other than Disqualified Equity Interests. “Qualified Stock” means all Capital Stock of a Person other than Disqualified Stock.

“Rating Agency” means S&P, Fitch or Moody’s; or if S&P, Fitch or Moody’s are not making ratings of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Issuer, which will be substituted for S&P, Fitch or Moody’s, as the case may be.

“Rating Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible down grade by either Rating Agency) after the date of public notice of a Change of Control, or of the Issuer’s or the Company’s intention, or that of any Person, to effect a Change of Control (i) in the event the notes are assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be below an Investment Grade Rating; (ii) in the event the notes are assigned an Investment Grade Rating by one Rating Agency and rated below an Investment Grade Rating by at least one other Rating Agency, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more categories and both be below an Investment Grade Rating; or (iii) in the event the notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more categories; provided that any such Rating Decline is in whole or in part in connection with a Change in Control.

“Restricted Subsidiary” means the Issuer and any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Group, a division of McGraw Hill, Inc. and its successors.

“Sale and Leaseback Transaction” means, with respect to any Person, an arrangement whereby such Person enters into a lease of property previously transferred by such Person to the lessor.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Significant Subsidiary” of any Person means any Subsidiary that represents more than 10% (positive) of the EBITDA of such Person for the immediately preceding four fiscal quarters for which financial statements are available; provided that solely for purposes of section “—Guarantee of the Notes,” the term “Significant Subsidiary” shall mean any Subsidiary that represents more than 20% (positive) of the EBITDA of such Person for the immediately preceding four fiscal quarters for which financial statements are available.

“Spot Rate” means, for any currency, the spot rate at which that currency is offered for sale against United States dollars as published in The Wall Street Journal on the Business Day immediately preceding the date of determination or, if that rate is not available in that publication, as determined in any publicly available source of similar market data.

“Stated Maturity” means (i) with respect to any Debt, the date specified as the fixed date on which the final installment of principal of such Debt is due and payable or (ii) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt, not including any contingent obligation to repay, redeem or repurchase prior to the regularly scheduled date for payment.

“Subordinated Debt” means any Debt of the Company which is subordinated in right of payment to the notes or the Note Guarantee, as applicable, pursuant to a written agreement to that effect.

“Subsidiary” means with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person.

“Substantially Wholly-Owned” means, with respect to any Subsidiary, a Subsidiary of at least 90% of the outstanding Capital Stock of which (other than director’s or other similar qualifying shares) is owned by the Company or one or more Wholly-Owned Subsidiaries (or a combination thereof) of the Company.

“Total Consolidated Assets” means the total amount of the consolidated assets of the Company and its Restricted Subsidiaries determined in accordance with IFRS and as set forth in the most recent consolidated balance sheet of the Company.

“Unrestricted Subsidiary” means:

(1) any Subsidiary of the Company (other than the Issuer) that at the time of determination shall be designated an Unrestricted Subsidiary by the management of the Company in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The management of the Company may designate any Restricted Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company) to be an Unrestricted Subsidiary pursuant to clause (1) above unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Debt of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either:

(a) the Subsidiary to be so designated has total consolidated assets of U.S.\$1,000 or less; or

(b) if such Subsidiary has consolidated assets greater than U.S.\$1,000, then such designation and Investment (treating (i) such designation as an Investment in an Unrestricted Subsidiary at the time of designation and (ii) such designation and Investment as a Restricted Payment) would be permitted under “—Certain Covenants—Limitation on Restricted Payments”; in which case, such designation and Investment will be deemed to be a Restricted Payment pursuant to those provisions.

The management of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that immediately after giving effect to such designation:

(i) such designation shall be deemed an Incurrence of Debt by a Restricted Subsidiary and such designation shall only be permitted if such Debt is permitted under “—Certain Covenants—Limitation on Debt and Disqualified Stock”; and

(ii) no Event of Default shall have occurred and be continuing.

Any such designation of a Subsidiary as a Restricted Subsidiary, and any such designation of a Subsidiary as an Unrestricted Subsidiary pursuant to clause (1) above, by the management of the Company shall be evidenced to the trustee by promptly filing with the trustee an Officers’ Certificate certifying that such designation complied with the foregoing provisions. On the Closing Date, there will be no Unrestricted Subsidiary of the Guarantor.

“U.S. Government Obligations” means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly-Owned” means, with respect to any Subsidiary, a Subsidiary all of the outstanding Capital Stock of which (other than any director’s or other similar qualifying shares) is owned by the Company and one or more Wholly-Owned Subsidiaries (or a combination thereof).

Book Entry, Delivery and Form

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A (“Rule 144A notes”). Notes also may be offered and sold in offshore transactions in reliance on Regulation S (“Regulation S notes”). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “Rule 144A global notes”). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “Regulation S global notes” and, together with the Rule 144A global notes, the “global notes”).

The global notes will be deposited upon issuance with the trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “restricted period”), beneficial interests in the Regulation S global notes may be transferred to a person that takes delivery through a Rule 144A global note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See “—Exchanges Between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions.” Regulation S notes will also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of the Euroclear System (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) (as indirect participants in DTC), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the “participants”) and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the “indirect participants”). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Issuer and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the trustee, the transfer agent, registrar, the paying agent nor any agent of the Issuer, nor the trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the trustee. Neither the Issuer nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the Issuer and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the

relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form (“certificated notes”) if:

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for the global notes and DTC fails to appoint a successor depository or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) the Issuer, at its option, notifies the trustee in writing that it has elected to cause the issuance of the certificated notes; or
- (3) there has occurred and is continuing a default or event of default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Transfer Restrictions.”

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

- (1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:
 - (A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (B) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
 - (C) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the trustee through the DTC Deposit/ Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S global note prior to the expiration of the restricted period.

Same Day Settlement and Payment

The indenture will require that payments in respect of the notes represented by the global notes (including principal, interest and Additional Amounts, if any) be made by wire transfer of immediately available funds in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts, to the accounts specified by holders of the global notes. With respect to notes in certificated form, the Issuer will make all payments by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each holder's registered address.

The notes represented by the global notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement process (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Clearstream as a result of sales of interest in a global note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

TAXATION

The following discussion contains a description of certain material Luxembourg, Brazilian and United States federal tax considerations that may be relevant to you of the purchase, ownership and disposition of notes. This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your own tax advisers about the tax consequences of investing in and holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of any state, local and other tax laws.

This summary is based upon tax laws of Luxembourg, Brazil and the United States as in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations. You should consult your own tax advisers as to the Luxembourg, Brazilian, the United States or other tax consequences of the purchase, ownership and disposition of notes.

Luxembourg Tax Considerations

Luxembourg Income Tax Consequences

The following overview gives a summary of certain important Luxembourg taxation principles that may be or become relevant with respect to the noteholders and is presented by way of guidance only. It is based on laws, regulations and practice currently applicable in the Grand Duchy of Luxembourg at the date of this Offering Memorandum and is subject to changes therein, possibly with retroactive effect.

This summary does not purport to be a complete summary of tax law and practice currently applicable in Luxembourg and does not contain any statement with respect to the tax treatment of an investment in the notes in any other jurisdiction. The Issuer reserves the right to disclose the names of the noteholders, if applicable, or any other relevant information relating to the noteholders, to any tax authority where required by applicable law. If a noteholder does not provide the required information, the Issuer may be required to levy withholding tax on payments made to such noteholder.

This summary does not describe all of the Luxembourg tax considerations that may be relevant to the situation of each noteholder, particularly if they are subject to special tax rules. Each noteholder should consult its tax advisers about the tax consequences of the investment in the notes including the relevance to each noteholder's particular situation of the considerations discussed below, as well as of any applicable state, local and other tax laws.

Withholding Tax

Except as provided by the Luxembourg law of 23 December 2005 (the "Law of 23 December 2005") as amended by the Luxembourg law of 23 December 2016 introducing a domestic withholding tax on certain interest payments to Luxembourg resident individuals, under the existing laws of Luxembourg there is no withholding tax on payments of principal, premium or interest, or on accrued but unpaid interest, in respect of the notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the notes.

According to the Law of 23 December 2005:

- interest payments on the notes paid by a paying agent established in Luxembourg would be subject to a compulsory withholding tax of 20% (the "20% withholding tax") if such payments are made for the immediate benefit of individuals resident in Luxembourg. Responsibility for the 20% withholding tax lies with such Luxembourg paying agent; and
- interest payments on the notes paid by a paying agent established in a Member State (other than Luxembourg) or in a Member State of the EEA may be subject to an optional (the "20% tax"). Responsibility for the 20% withholding tax lies with the Luxembourg resident holder of the notes.

The 20% withholding tax and the 20% tax operate a full discharge of income tax for Luxembourg resident individuals acting in the context of the management of their private wealth.

Income Taxation

Non-Resident noteholders

Non-resident noteholders, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the notes nor on capital gains realized on the disposal or redemption of the notes. Non-residents noteholders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the notes and on any gains realized upon the sale or disposal of the notes.

Resident noteholders

Individuals

A resident individual acting in the course of the management of a professional or business undertaking must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes. The 20% withholding tax is credited against their final tax liability.

A resident holder of notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the notes, at the ordinary progressive rates, except if the 20% withholding tax or the 20% were levied.

A gain realized by an individual holder of notes (not including accrued but unpaid interest), acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than 6 months after the notes were acquired.

Corporations

A resident holder of notes (which is not exempt) from income taxation must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes.

A holder of the notes that is governed by the law of May 11, 2007 on family estate management companies (as amended), or by the law of December 17, 2010 on undertakings for collective investment (amending the law of December 20, 2002), or the law of February 13, 2007 on specialized investment funds (as amended) is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium, nor on gains realized on the sale or disposal, in any form whatsoever, of the notes.

Net Wealth Taxation

An individual holder of notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such notes.

A resident corporate holder of notes or non-resident corporate holder of notes that maintains a permanent establishment, permanent representative or a fixed place of business in Luxembourg to which such notes are attributable, is subject to Luxembourg wealth tax on such notes, except if such holder is a private wealth management company ("*société de gestion de patrimoine familial*") introduced by the law of 11 May 2007 (as amended), an undertaking for collective investment governed by the law of 17 December 2010 (amending the law of 20 December 2002), a securitization vehicle governed by and compliant with the law of 22 March 2004 on securitization (as amended), a company governed by and compliant with the law of 15 June 2004 (as amended) on venture capital vehicles, a specialized investment fund governed by the law of 13 February 2007 (as amended) or a reserved alternative investment fund governed by the law of 23 July 2016, in which case the annual minimum net wealth may still apply.

Other Taxes

Neither the issuance nor the transfer of notes will give rise to any Luxembourg stamp duty, value-added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, provided that the relevant issue or transfer agreement is not registered in Luxembourg. A fixed or ad valorem registration duty may however apply (i) upon voluntary registration of the notes in Luxembourg (there is in principle no obligation to register debt instruments in Luxembourg), (ii) in case of legal proceedings before a Luxembourg court, or (iii) in case the documents relating to the notes must be produced before an official Luxembourg authority (*autorité constituée*).

Where a holder of notes is a resident of Luxembourg for tax purposes at the time of his/her death, the notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of notes if embodied in a Luxembourg deed or registered in Luxembourg.

FATCA

The Foreign Account Tax Compliance Act (“FATCA”) was enacted into U.S. law in March 2010 as part of the Hiring Incentives to Restore Employment Act. FATCA aims at reducing tax evasion by U.S. citizens and requires, among other things, foreign financial institutions outside the U.S. (“FFIs”) to spontaneously provide information about financial accounts held, directly or indirectly, by specified U.S. persons or face a 30% U.S. federal withholding tax imposed on certain U.S.-source payment (“FATCA Withholding”).

To implement FATCA in Luxembourg, Luxembourg entered into a so-called Model 1 Intergovernmental Agreement (the “IGA”) with the U.S., and a memorandum of understanding in respect thereof, on 28 March 2014. The IGA was implemented under Luxembourg domestic law by Law of 24 July 2015 (the “Luxembourg FATCA Law”). Luxembourg FFIs that comply with the requirements of the IGA and the Luxembourg FATCA Law will not be subject to FATCA Withholding.

Under the IGA and the Luxembourg FATCA Law, Luxembourg FFIs are required to perform certain necessary due diligence and monitoring of investors, and to report to the Luxembourg tax authorities on an annual basis information about financial accounts held by (a) specified U.S. investors, (b) certain U.S.-controlled entity investors and (c) non-U.S. financial institution investors that do not comply with FATCA. Such information will subsequently be remitted by the Luxembourg tax authorities to the U.S. Internal Revenue Service.

Noteholders may be required to provide information to the Issuer to ensure the Issuer’s compliance with the IGA and the Luxembourg FATCA Law. In the event that a noteholder does not provide the required information, the Issuer may need to report financial account information of such noteholder to Luxembourg tax authorities.

Noteholders should consult with their own tax advisers regarding the effects of the IGA and the Luxembourg FATCA Law on their investment in the notes.

Brazilian Taxation

The following discussion is a summary of the Brazilian tax considerations relating to the ownership and disposition of the notes by an investor resident or domiciled outside of Brazil (“Non-Resident Holder”). The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in the Brazilian law that may come into effect after such date as well as to the possibility that the effect of such change in the Brazilian law may be retroactive and apply to rights created on or prior to the date hereof. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes and is not applicable to all categories of investors, some of which may be subject to special rules. The discussion below does not address any tax consequences under the tax laws of any state or locality of Brazil.

THE INFORMATION SET FORTH BELOW IS INTENDED TO BE A GENERAL DISCUSSION ONLY AND DOES NOT ADDRESS ALL POSSIBLE TAX CONSEQUENCES RELATING TO THE NOTES. HOLDERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE

CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

Interest or principal payments

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, as the Issuer should not be considered as resident or domiciled in Brazil for tax purposes, any income (including the accrued interest, fees, commissions, expenses, and any other income) payable by the Issuer in respect of the notes in favor of Non-Resident Holders generally should not be subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by the Issuer outside of Brazil and a Guarantor is not required to pay any amount in respect of the notes.

Gains realized from sale or disposition of the notes

Capital Gains realized on the disposition of assets located in Brazil by a Non-Resident Holder to another non-resident are subject to taxation in Brazil, according to Section 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are issued and registered abroad, they should not fall within the definition of assets located in Brazil for purposes of Law No. 10,833. Hence, gains arising from the sale or disposition of the notes (which for the purposes of this paragraph includes any deemed income on the difference between the issue price of the notes and the price at which the notes are redeemed, or “original discount”) made outside Brazil by a Non-Resident Holder to another non-Brazilian resident should not be subject to Brazilian taxes.

However, considering the general and unclear scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

If the income tax is deemed to be due, the gains may be subject to income tax in Brazil at a rate of 15%, or 25% if such Non-Resident Holder is located in a jurisdiction that does not impose any income tax or which imposes it at a maximum rate lower than 20% (“Low or Nil Tax Jurisdiction”) or in a country or location where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the beneficial owner of income attributed to non-residents (“Tax Favorable Jurisdiction”). For Non-Resident Holders that are not in Tax Favorable Jurisdictions, as from January 1, 2017, the 15% rate will be replaced by progressive rates ranging from 15% to 22.5%, depending on the amount of the gain. A rate lower than 15% may be provided for in an applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled. On December 12, 2014, the Brazilian Revenue Service issued Rule 488 narrowing the concept of Tax Favorable Jurisdictions to those that impose taxation on income at a maximum rate lower than 17% if the relevant jurisdiction is committed to adopt international standards on tax transparency. Under Brazilian law, such commitment is present if the relevant jurisdiction (i) has entered into (or concluded the negotiation of) an agreement or convention authorizing the exchange of information for tax purposes with Brazil and (ii) is committed to the actions discussed in international forums on tax evasion in which Brazil has been participating, such as the Global Forum on Transparency and Exchange of Information. Under certain circumstances, if income tax is not paid, the amount of tax charged could be subject to an upward adjustment, as if the amount received by a Non-Resident Holder was net of taxes in Brazil (gross-up).

Payments Made by the Brazilian Guarantors

If a Brazilian Guarantor pays any amount in connection with the notes to a Non-Resident Holder (including principal and interest or any other amount that may be due and payable in respect of the notes), Brazilian tax authorities could attempt to impose withholding income tax on such payments.

Should the Brazilian Guarantors be obliged to pay interest to a Non-Resident Holder in connection with the notes, withholding income tax at a rate of 15% may apply (or 25% if the Non-Resident Holder is located in a Tax Favorable Jurisdiction. See “—Discussion on Low or Nil Tax Jurisdiction,” below). There is some uncertainty regarding the applicable tax treatment of payments of the principal amount by the Brazilian Guarantors to a Non-Resident Holder. However, there are arguments to support the conclusion that payments made under the guarantee should be subject to the Brazilian income tax in the same manner as the underlying guaranteed payment, in which case only interest paid by the Guarantors should be subject to withholding income tax at a rate of 15% (or 25% if the

Non-Resident Holder is located in a Tax Favorable Jurisdiction). However, there are no precedents from Brazilian courts endorsing that position and it is not possible to assure that such argument would prevail in court.

Please note that different rates may be applicable if an applicable tax treaty between the country of residence of the Non-Resident Holder and Brazil sets forth a lower withholding income tax rate.

Discussion on Low or Nil Tax Jurisdiction

On June 4, 2010, Brazilian tax authorities enacted Normative Instruction No. 1,037 listing (1) Tax Favorable Jurisdictions and (2) the Privileged Tax Regimes, which definition is provided by Law No. 11,727, of June 23, 2008. As mentioned above, on December 12, 2014, the Brazilian Revenue Service issued Rule 488 narrowing the concept of Tax Favorable Jurisdictions to those that impose taxation on income at a maximum rate lower than 17%, provided that the two conditions described above are met. Nevertheless, as of the date of this offering memorandum, there has been no amendment to Normative Ruling No. 1,037.

Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned Privileged Tax Regime concept should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a Privileged Tax Regime provided by Law No. 11,727 will also apply for purposes of the imposition of Brazilian withholding income tax on payments of interest to a Non-Resident Holder. If Brazilian tax authorities determine that payments made to a Non-Resident Holder under a Privileged Tax Regime are subject to the same rules applicable to payments made to non-residents located in a Tax Favorable Jurisdiction, the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

We recommend that prospective investors consult their own tax advisers from time to time to verify any possible tax consequences arising under Normative Ruling No. 1,037 and Law No. 11,727.

Other Brazilian Tax Considerations

Pursuant to Decree No. 6,306, of December 14, 2007, as amended, conversions of foreign currency into Brazilian currency or vice versa are subject to the tax on foreign exchange transactions ("IOF/Exchange"), including foreign exchange transactions in connection with payments made by a Brazilian Guarantor under the guarantee to Non-Resident Holders. Currently, the IOF/Exchange rate is 0.38% for most foreign exchange transactions, including foreign exchange transactions in connection with payments under the guarantee by a Brazilian Guarantor to Non-Resident Holders.

Despite the above, in any case, the Brazilian Government can reduce the IOF/Exchange rate at any time down to 0% or increase the IOF/Exchange rate at any time up to 25%, but only with respect to future foreign exchange transactions.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by a Non-Resident Holder to individuals or entities domiciled or residing within such state.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership and disposition of notes. Prospective investors should consult their own tax advisers concerning the tax consequences of their particular situations.

Certain U.S. Federal Income Tax Consequences

The following summary describes certain U.S. federal income tax consequences to U.S. Holders (as defined below) of owning and disposing of the notes purchased in this offering at the "issue price," which is the first price at which a substantial amount of the notes is sold to the public, and held as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your individual circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences that may apply to you if you are, for instance:

- a financial institution;
- an insurance company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- a person holding notes as part of a “straddle” or other integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- an entity treated as a partnership for U.S. federal income tax purposes or an investor therein;
- a person holding notes in connection with a trade or business conducted outside the United States;
- a tax-exempt entity; or
- a U.S. expatriate.

If an entity treated as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding notes, you should consult your tax adviser.

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as in effect as of the date hereof, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary is for general information only and is not tax advice for any particular U.S. Holder. Additionally, this summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax adviser concerning the U.S. federal income tax consequences in light of your particular situation, as well as any consequences arising under other U.S. federal tax laws or the laws of any state, local, non-U.S. or other taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Characterization of the Notes. To the extent that it is required to take a position for U.S. federal income tax purposes, the Issuer intends to take the position that the notes constitute debt for U.S. federal income tax purposes. However, no ruling will be obtained from the U.S. Internal Revenue Service (the “IRS”) with respect to the characterization of the notes, and there can be no assurance that the IRS or a court would agree with this characterization of the notes. If the notes were treated as equity for U.S. federal income tax purposes, it may affect the timing, character and amount of income inclusion. The discussion below assumes that the notes will be treated as debt for U.S. federal income tax purposes.

Potential Contingent Payment Debt Treatment. There are circumstances in which you may receive payments on the notes other than on scheduled interest payment dates and at maturity that would increase the yield of the notes, for instance, as described under “Description of Notes—Certain Covenants—Repurchase of Notes upon a Change of Control” and “Description of Notes—Escrow of Proceeds; Special Mandatory Redemption.” The obligation to make these payments may implicate the provisions of the Treasury regulations relating to “contingent payment debt instruments.” The Issuer intends to take the position, and the remainder of this discussion assumes,

that the notes will not be treated as “contingent payment debt instruments.” The Issuer’s determination is not, however, binding on the IRS, which could challenge this position. If such a challenge were successful, you might be required to accrue income on the notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a note. The discussion below assumes that the notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes.

Payments of Interest. Stated interest paid on a note will be taxable as ordinary interest income at the time it accrues or is received by you, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes. Interest income with respect to a note generally will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant in calculating your foreign tax credit limitation. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Sale or Other Taxable Disposition of the Notes. Upon the sale, exchange, retirement or other taxable disposition of a note, you generally will recognize capital gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition and your tax basis in the note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest, which will be treated as interest as described above under “—Payments of Interest.” Your adjusted tax basis in a note will generally equal the cost of the note.

Gain or loss, if any, realized on the sale, exchange, retirement or other taxable disposition of a note generally will be long-term capital gain or loss if at the time of the sale, exchange, retirement or other taxable disposition the note has been held for more than one year. Long-term capital gain recognized by non-corporate U.S. Holders is subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Substitution of the Issuer. An assumption of the obligations of the Issuer under the notes by a Substituted Issuer as described under “Description of Notes—Substitution of the Issuer” might be deemed for U.S. federal income tax purposes to be an exchange of the notes for new notes by each beneficial owner, resulting in a recognition of taxable gain or loss for U.S. federal income tax purposes and possibly certain other adverse tax consequences. U.S. Holders should consult their tax advisers regarding the U.S. federal, state and local income tax consequences of a substitution of the Issuer.

Information Reporting and Backup Withholding. Payments of interest and proceeds from the sale of a note that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS. You should consult your tax adviser concerning the application of information reporting and backup withholding rules.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, dated February 2, 2017 among the Issuer, Rumo and BB Securities Ltd., Banco Bradesco BBI S.A., Banco BTG Pactual S.A. — Cayman Branch, Itau BBA USA Securities, Inc., Morgan Stanley & Co. LLC, and Santander Investment Securities Inc., as the initial purchasers, the Issuer has agreed to sell, and the initial purchasers have agreed, severally and not jointly, subject to certain conditions, to purchase, the following principal amount of notes.

Initial Purchaser	Principal Amount of Notes
BB Securities Ltd.....	U.S.\$125,000,000
Banco Bradesco BBI S.A.	U.S.\$125,000,000
Banco BTG Pactual S.A. — Cayman Branch.....	U.S.\$125,000,000
Itau BBA USA Securities, Inc.	U.S.\$125,000,000
Morgan Stanley & Co. LLC.	U.S.\$125,000,000
Santander Investment Securities Inc.....	U.S.\$125,000,000
Total	U.S.\$750,000,000

Banco Bradesco BBI S.A., BB Securities Ltd. and Banco BTG Pactual S.A. — Cayman Branch are not broker-dealers registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Bradesco BBI S.A. intends to effect sales of the notes in the United States, Banco Bradesco BBI S.A. will do so only through Bradesco Securities Inc., its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A. To the extent that BB Securities Ltd. intends to effect sales of the notes in the United States, BB Securities Ltd. will do so only through Banco do Brasil Securities LLC, its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. To the extent that Banco BTG Pactual S.A. — Cayman Branch intends to effect sales of the new notes in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if an initial purchaser defaults, the purchase commitments of the non-defaulting initial purchasers may be increased or the offering may be terminated.

The notes were initially offered at the price indicated on the cover page of this offering memorandum. The Issuer and Rumo have been advised by the initial purchasers that they may allow a further discount on sales to certain dealers. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the initial purchasers. The purchase agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the notes is subject to, among other conditions, the delivery of certain legal opinions of their counsel.

The Issuer and Rumo have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The Issuer and Rumo will agree in the purchase agreement that, for a period of 60 days from the date of this offering memorandum, they will not, without the prior written consent of the initial purchasers, offer, sell, or contract to sell or announce the offering of any similar U.S. dollar-denominated debt securities in the international capital markets issued or guaranteed by the Issuer or any Guarantor (other than the notes and any additional notes issued pursuant to the Indenture).

The initial purchasers are not obligated to make a market in the notes. Accordingly, the Issuer and Rumo cannot assure you as to the liquidity of, or trading markets for, the notes.

To facilitate the offering of the notes, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may overallocate in connection with this offering, creating a short position in the notes for its own account. In addition, to cover overallocations or to

stabilize the price of the notes, the initial purchasers may bid for, and purchase, notes on the open market. Finally, the initial purchasers may reclaim selling concessions allowed to a dealer for distributing the notes in this offering, if the initial purchasers repurchase previously distributed notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The initial purchasers are not required to engage in these activities, and may end any of these activities at any time.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and/or their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and may actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Rumo and/or their affiliates. If the initial purchasers or their affiliates have a lending relationship with the Issuer or Rumo, they routinely hedge their credit exposure to the Issuer and Rumo consistent with their customary risk management policies. Typically, the initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Securities offered hereby. Any such short positions could adversely affect future trading prices of the Securities offered hereby.

The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with sales of the notes outside the United States, each initial purchaser has agreed that it will not offer, sell or deliver the notes to, or for the account or benefit of, U.S. persons (1) as a part of its distribution at any time or (2) otherwise prior to 40 days after the later of the commencement of the offering and the closing of the offering, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and it will send to each dealer to whom it sells notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of Securities within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Resales of the notes are restricted as described below under “Transfer Restrictions.”

The notes were delivered to purchasers in book-entry form through DTC, and its participants, including Euroclear Bank and Clearstream on February 9, 2017.

Affiliates, including directors and officers, of the Guarantor may purchase notes in the offering.

Selling Restrictions

No action has been taken in any jurisdiction by us or the initial purchasers that would permit a public offering of the notes offered hereby in any jurisdiction where action for that purpose is required. The notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes and the distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the initial purchasers and their respective affiliates are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Clients in Canada

BTG Pactual US Capital, LLC ("BTG US")

To the extent that Banco BTG Pactual S.A. – Cayman Branch intends to effect sales of the notes in Canada, it will do so only through BTG Pactual US Capital, LLC only in the provinces of Ontario, Quebec, Alberta and British Columbia. With respect to BTG US please note the following for the purposes of the international dealer exemption that is available to broker-dealers registered in a foreign jurisdiction pursuant to section 8.18(2) of NI 31-103:

1. BTG US is not registered in any jurisdiction for which it has listed an agent for service of process below in respect of activities for which the international dealer exemption is being relied upon;
2. BTG US's head office and principal place of business is located in the State of New York in the United States of America;
3. all or substantially all of the assets of BTG US may be situated outside of Canada;
4. there may be difficulty enforcing legal rights against BTG US because of the above; and
5. BTG US's agent for service of legal proceedings in the provinces of Alberta, British Columbia, Ontario and Québec, respectively, for which it is relying on the international dealer exemption in NI 31-103 are:

Alberta

McCarthy Tétrault LLP
Suite 4000
421 - 7th Avenue SW
Calgary AB T2P 4K9
Attention: John Osler

British Columbia

McCarthy Tétrault LLP
Suite 2400
745 Thurlow Street
Vancouver BC V6E 0C5
Attention: Robin Mahood

Ontario
Cartan Limited
Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6
Attention: Andrew Parker

Québec
McCarthy Tétrault LLP
1000 De La Gauchetière St. W.
Montréal QC H3B 0A2
Attention: Sonia Struthers

European Economic Area

In relation to each Member State of the European Economic Area (each, a “Member State”), there shall be no offer of notes to the public in that Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Directive (as defined below), except that, with effect from and including the Relevant Implementation Date, an offer of notes may be made to the public in that Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the joint book-running managers for any such offer; or
- in any other circumstances which do not require the publication by the Issuer or any Guarantors of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, (a) the expression an “offer of notes to the public” in relation to any of the notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (b) the expression “Prospectus Directive” means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in each Member State.

United Kingdom

Each of the initial purchasers, severally and not jointly, has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Securities in, from or otherwise involving the United Kingdom.

In addition, in the United Kingdom, this offering memorandum is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This offering memorandum must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this offering memorandum relates is only available to, and will be engaged in with, relevant persons.

Grand Duchy of Luxembourg

The notes may not be offered or sold within the territory of the Grand Duchy of Luxembourg unless:

- (a) a prospectus has been duly approved by the *Commission de Surveillance du Secteur Financier* in accordance with the Prospectus Law as amended from time to time; or
- (b) if Luxembourg is not the home member State, the *Commission de Surveillance du Secteur Financier* has been notified by the competent authority in the home member state that the prospectus has been duly approved in accordance with the Prospectus Directive as amended; or
- (c) the offer is made to “qualified investors” as described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or
- (d) the offer benefits from any other exemption to, or constitutes a transaction otherwise not subject to, the requirement to publish a prospectus pursuant to the Prospectus Law.

France

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with this offering of the notes that has been approved by the *Autorité des Marchés Financiers* or by the competent authority of another state that is a contracting party to the Agreement on the EEA and notified to the *Autorité des Marchés Financiers*; no notes have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors (“Permitted Investors”) consisting of persons licensed to provide the investment service of portfolio management for the account of third-parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French Code *Monétaire et Financier* and belonging to a limited circle of investors (*cercle restreint d’investisseurs*) acting for their own account, with “qualified investors” and “limited circle of investors” having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code *Monétaire et Financier*; none of this offering memorandum or any other materials related to the offer or information contained therein relating to the notes has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any notes acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code *Monétaire et Financier* and applicable regulations thereunder.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The notes will not be listed on the SIX Swiss Exchange and, therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the notes with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Republic of Ireland

The notes are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering memorandum may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Italy

The offering of the notes has not been registered pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of the Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the “Banking Act”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Brazil

The notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76 and CVM Instruction No. 400. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. Therefore, each of the initial purchasers has, severally and note jointly, represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation or an unauthorized distribution of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Chile

Neither the issuer nor the notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*), or SVS, or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

La oferta de los valores comienza el 26 de enero del 2017 y está acogida a la NCG 336 de la superintendencia de Valores y Seguros de Chile (la “SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de

dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Peru

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*) nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

Mexico

The notes have not been, and will not be, registered with the National Securities Registry maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), or the CNBV, and, therefore the notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that the notes may be offered in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law.

Colombia

The notes have not been offered or sold, and will not be offered or sold, in Colombia other than in compliance with applicable laws.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Securities.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and each initial purchaser has represented and agreed that it will not offer or sell any note, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each initial purchaser has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”); (2) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 of the SFA except:

- i. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- ii. where no consideration is or will be given for the transfer;
- iii. where the transfer is by operation of law;
- iv. as specified in Section 276(7) of the SFA;
- v. or as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

United Arab Emirates

The notes may not be, have not been and are not being sold, subscribed for, transferred or delivered in the UAE other than in compliance with the laws of the UAE governing the sale, subscription for, transfer and delivery of securities.

Dubai International Financial Centre

The notes may not be, are not and will not be sold, subscribed for, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Centre who is not a client within the meaning of the Conduct of Business Module of the Rules of the Dubai Financial Services Authority or a qualified investor within the meaning of the Offered Securities Rules of the Dubai Financial Services Authority.

TRANSFER RESTRICTIONS

The notes (including the guarantees) have not been registered under the Securities Act or any other U.S. securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable U.S. securities laws. Accordingly, the notes and the guarantees are being offered and sold only:

- (1) to qualified institutional buyers in compliance with Rule 144A under the Securities Act; or
- (2) outside the United States to persons other than U.S. persons, in an offshore transaction in compliance with Regulation S under the Securities Act.

The terms “United States,” “U.S. persons,” and “offshore transaction” used in this section have the meanings given to them under Regulation S. The term “qualified institutional buyer” used in this section has the meaning given to it under Rule 144A.

Each purchaser of the notes offered, or the Restricted Notes, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

- (1) The purchaser is either:
 - (A) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and such qualified institutional buyer is acquiring such notes for its own account or for the account of another qualified institutional buyer; or
 - (B) not a U.S. person (as defined in Regulation S under the Securities Act), and is purchasing the notes in accordance with Regulation S under the Securities Act. The purchaser acknowledges that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or other exemptions under the Securities Act.
- (2) The purchaser understands that the notes and the guarantees are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been registered under the Securities Act or any U.S. securities laws and that (A) the notes (including the guarantees) may be reoffered, resold, pledged or otherwise transferred only (1) (a) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) outside the United States to a person that is not a U.S. person (as defined in Regulation S under the Securities Act) in an offshore transaction meeting the requirements of Regulation S under the Securities Act or (c) pursuant to another available exemption under the Securities Act; (2) to us or any of our consolidated subsidiaries or (3) under an effective registration statement and, in each case, in compliance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent holder is required to, notify any later purchaser from it of the resale restrictions described in (A) above.
- (3) The purchaser confirms that (A) it has requisite knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of purchasing notes, and the purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment, including a complete loss of the investment, (B) it is not acquiring notes with a view to any distribution of the notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or another applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which the purchaser is acting as fiduciary shall remain at all times within its control and (C) it has received a copy of this offering memorandum and acknowledges that the purchaser has had access to the financial and other information, and has been afforded the opportunity to ask questions of our representatives and receive answers to those questions, as it deemed necessary in connection with its decision to purchase notes.
- (4) The purchaser acknowledges that we and the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the foregoing acknowledgments, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify the Issuer and the Guarantors of the notes and the initial purchasers. If such purchaser is acquiring

any notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S, any offer or sale of the notes shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act, except to a qualified institutional buyer in compliance with Rule 144A under the Securities Act in a transaction meeting the requirements of the indenture.

(6) The purchaser understands that the Restricted Notes will bear a legend substantially to the following effect, or the Restricted Notes Legend:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND THIS NOTE MAY NOT BE REOFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER OR ANY SUBSIDIARY THAT (A) THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO ANOTHER AVAILABLE EXEMPTION UNDER THE SECURITIES ACT, (IV) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES; AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

Each purchaser of the notes offered in reliance on Regulation S will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such notes in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such notes will bear a legend substantially to the following effect, or the Regulation S Legend:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Notes Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the indenture that the transfer of any such Restricted Notes has been made in accordance with Rule 904 under the Securities Act.

LEGAL MATTERS

The validity of the notes will be passed upon for us and the Issuer by Davis Polk & Wardwell LLP and for the initial purchasers by White & Case LLP. Certain Brazilian legal matters relating to the notes and the guarantees will be passed upon for us and the Issuer by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados and for the initial purchasers by Lefosse Advogados. Certain Luxembourg legal matters relating to the notes and the guarantees will be passed upon for the Issuer by Loyens & Loeff Luxembourg S.à r.l., Avocats à la Cour.

LISTING AND GENERAL INFORMATION

1. The notes were delivered in book-entry form through DTC, and its direct and indirect participants, including Clearstream and Euroclear, on February 9, 2017. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	781467 AA3	L79090 AA1
ISIN	US781467AA33	USL79090AA13
Common Code	156354864	156354902

2. Copies of the latest audited annual financial statements and unaudited quarterly financial information of Rumo, copies of the Issuer's articles of association and by-laws, of Rumo's *estatuto social* (by-laws), and of Malha Norte's *estatuto social* (by-laws), as well as the indenture (including forms of notes) and the contracts of the guarantees, will be available (free of charge) at the offices of any paying agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in Rumo's financial position since September 30, 2016 the date our latest unaudited financial statements included in this offering memorandum.

4. There has been no material adverse change in the Issuer's financial position since the date of its incorporation.

5. Application has been made to list the notes offered pursuant to this offering memorandum on the Official List of the Luxembourg Stock Exchange and to have them traded on the Euro MTF market.

6. The issuance of the notes in connection with this offer was authorized by the board of managers of the Issuer on February 2, 2017. The issuance of the guarantee by Rumo was authorized by its board of directors on February 2, 2017.

7. We are not involved in any legal, administrative or arbitration proceeding that is material in the context of the issuance of the notes. We are not aware of any material legal, administrative or arbitration proceeding that is pending or threatened against us except as disclosed in this offering memorandum.

INDEPENDENT AUDITORS

Rumo's financial statements as of and for the fiscal year ended December 31, 2014 (with the corresponding figures for the nine-month period ended December 31, 2013), included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers Auditores Independentes, or PwC, as stated in their report appearing herein. PwC is registered with the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the State of São Paulo.

Rumo's financial statements as of and for the fiscal year ended December 31, 2015, included elsewhere in this offering memorandum, have been audited by KPMG Auditores Independentes, or KPMG, as stated in their report appearing herein which contains an "other matters" paragraph that states they also audited the value added statements for the fiscal year ended December 31, 2015. KPMG is a member of the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the State of São Paulo.

With respect to Rumo's unaudited interim financial statements as of and for the nine-month period ended September 30, 2016, included elsewhere in this offering memorandum, KPMG Auditores Independentes reported that they have applied limited procedures in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively) for a review of such information. However, their separate report included elsewhere in this offering memorandum states that they did not audit and they do not express an audit opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

ENFORCEABILITY OF CIVIL LIABILITIES

Enforcement of Judgments in Luxembourg

The Issuer is a company incorporated and established under the laws of Luxembourg under the form of a private limited liability company (*société à responsabilité limitée*) and it may be difficult for you to obtain or enforce judgments against it or its managers in the United States.

The Issuer is organized under the laws of Luxembourg. Most of its assets are located outside the United States. Furthermore none of the Issuer's managers resides in the United States. As a result, investors may find it difficult to effect service of process within the United States upon the Issuer or these persons (the appointment of an agent for the service of process against the Issuer could be overridden by Luxembourg statutory provisions allowing the valid service of process against the Issuer in accordance with applicable laws at its registered office) or to enforce outside the United States judgments obtained against the Issuer or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against the Issuer or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the Issuer or these persons. Luxembourg law, furthermore, does not recognize a shareholder's right to bring a derivative action on behalf of the Issuer. It may be possible for investors to effect service of process within Luxembourg upon the Issuer provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

As there is no treaty in force governing the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid final, non-appealable and conclusive judgment against an Issuer incorporated in Luxembourg with respect to the notes obtained from a court of competent jurisdiction in the United States remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) set out in the relevant provisions of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case-law, being:

- the judgment of the U.S. court is enforceable (*exécutoire*) in the United States;
- the U.S. court had full jurisdiction over the subject matter leading to the judgment (that is, its jurisdiction was in compliance both with Luxembourg private international law rules and with the applicable domestic U.S. federal or state jurisdictional rules);
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts or, at least, the order must not contravene the principles underlying those rules (based on case law and legal doctrine, it is not certain that this condition would still be required for an *exequatur* to be granted by a Luxembourg court);
- the judgment must not have been obtained subsequent to a breach of Luxembourg law (*fraude à la loi*) and must have been granted in compliance with the rights of the defendant to appear, and if the defendant appeared, to present its defense;
- the U.S. court has acted in accordance with its own procedural laws; and
- the considerations of the foreign order, as well as the judgment, do not contravene international public policy as understood under the laws of Luxembourg or have been given proceedings of a penal, criminal or tax nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty).

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made bona fide or (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law as contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages.

In practice, Luxembourg courts now tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Luxembourg would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

Subject to the foregoing, purchasers of the notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Luxembourg. We cannot, however, assure you that attempts to enforce judgments in Luxembourg will be successful.

Registration in Luxembourg

The registration of the notes, the indenture, the guarantees and the transaction documents (and any document in connection therewith) with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or in the case that the notes, the indenture, the guarantees and the transaction documents (and any document in connection therewith) must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered.

The Luxembourg courts or the official Luxembourg authority may require that the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

Insolvency Proceedings in Luxembourg

The Issuer is incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such companies are in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Luxembourg. In the event that the Issuer incorporated under the laws of Luxembourg experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

The Issuer is incorporated under the laws of Luxembourg and has its registered office in Luxembourg. Accordingly, Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to the Issuer, as entity having its registered office and central administration (*administration centrale*) and centre of main interest (“COMI”), as used in the EC Regulation 1346/2000 of 29 May 2000 on insolvency proceedings (the “EU Regulation”), in Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to the EU Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has the place of its registered office. As a result, there is a rebuttable presumption that the COMI of the Issuer is in Luxembourg and consequently that any “main insolvency proceedings” (as defined in the EU Regulation) would be opened by a Luxembourg court and be governed by Luxembourg law.

However, the determination of where the Issuer has its COMI is a question of fact, which may change from time to time. Preamble 13 of the EU Regulation states that the COMI of a debtor should correspond to the place

where the debtor conducts the administration of its interests on a regular basis and “is therefore ascertainable by third parties.”

On May 20, 2015, the European Parliament adopted the regulation of the Council of the European Union amending the EU Regulation. The text of the regulation appeared in the Official Journal on June 5, 2015 (OJ L 141/19) and the amended EU Regulation (the “Recast Regulation”) entered into force on June 26, 2015. The Recast Regulation will only apply (except for certain provisions) to insolvency proceedings opened from the second anniversary of its entry into force (i.e., June 26, 2017). In the interim, the provisions of the existing EU Regulation shall continue to apply. The Recast Regulation will have direct effect in each Member State (except for Denmark) without the need for separate enactment at a national level. Prospective investors should consult their own legal advisors with respect to the potential impact of the Recast Regulation on any investment in this transaction (without limitation to their need to seek legal advice on this transaction more broadly). In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

Under Luxembourg insolvency laws, the following types of proceedings (the “Insolvency Proceedings”) may be opened against the Issuer:

- bankruptcy proceedings (*faillite*), the opening of which is initiated by the Issuer, by any of its creditors or by Luxembourg courts *ex officio*. The managers of the Issuer have the obligation to file for bankruptcy within one month in case it is in a state of cessation of payment (*cessation de paiement*). Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings, if the Issuer (i) is in default of payment (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may also open *ex officio* bankruptcy proceedings, absent a request made by such Issuer. The main effects of such proceedings are (i) the suspension of all measures of enforcement against the Issuer, except, subject to certain limited exceptions, for secured creditors and (ii) the payment of the Issuer’s creditors in accordance with their ranking upon the realization of its assets;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors; and
- composition proceedings (*concordat préventif de la faillite*), the obtaining of which is requested by the Issuer only after having received a prior consent from a majority of its creditors holding 75% at least of the claims against the Issuer. The obtaining of such composition proceedings will trigger a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, the ability of the holders of notes to receive payment on the notes may be affected by a decision of a Court to grant a stay on payments (*sursis de paiement*) or to put the relevant guarantor into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the Luxembourg Companies Act. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The Issuer’s liabilities in respect of the notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the concerned obligor’s debts that are entitled to priority under Luxembourg law. For example, preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg tax authorities;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and

- remuneration owed to employees.

For the avoidance of doubt, the above list is not exhaustive.

Assets in the form of shares or receivables over which a security interest has been granted and perfected will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized), and subject to application of the relevant priority rule and liens and privileges arising mandatorily by law.

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. In the event of controlled management proceedings, the ability of secured creditors to enforce their security interest may also be limited, automatically causing the rights of secured creditors to be frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the relevant Luxembourg court subject to the exceptions under the Luxembourg law of August 5, 2005 on financial collateral arrangements (the “Luxembourg Collateral Law”). A reorganization order requires the prior approval of more than 50% of the creditors representing more than 50% of the relevant guarantor’s liabilities in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the period before bankruptcy, the so-called “suspect period” (*période suspecte*), which is a maximum of six months, as from the date on which the Commercial Court formally adjudicates a person bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, if the bankruptcy judgment was preceded by another insolvency proceedings (e.g., a suspension of payments or controlled management proceedings) under Luxembourg law.

In particular:

- pursuant to article 445 of the Luxembourg code of commerce, specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets or entering into transactions generally without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) will be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts for considerations, as well as other transactions concluded during the suspect period, are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt’s cessation of payments;
- regardless of the suspect period, article 448 of the Luxembourg code of commerce and article 1167 of the Luxembourg Civil Code (*action paulienne*) give any creditor the right to challenge any fraudulent payments and transactions made prior to the bankruptcy.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate.

The bankruptcy receiver also decides whether or not to continue performance under on-going contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the bankruptcy receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae contracts* are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not require specific performance of the contract.

After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale to the creditors further to their priority ranking as set forth by law, after deduction of the receiver fees and the bankruptcy administration costs.

Any international aspects of Luxembourg bankruptcy, controlled management and composition proceedings may be subject to the EU Regulation. Insolvency proceedings may hence have a material adverse effect on the Issuer's obligations under the notes.

Brazil

We have been advised by Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados, our Brazilian counsel, that a final conclusive judgment of non-Brazilian courts for the payment of money rendered thereby, subject to certain requirements described below, may be enforced in Brazil. A judgment against either us our Directors, our Officers or the issuer obtained outside Brazil would be enforceable in Brazil against us, our Directors, our Officers or the issuer without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), or STJ. That confirmation, generally, will occur if the foreign judgment:

- is issued by a court of competent jurisdiction after proper service of process is made in accordance with Brazilian law or after sufficient evidence of our absence has been given, as requested by applicable law;
- is not rendered in an action upon which Brazilian courts have exclusive jurisdiction, pursuant to the provisions of art. 23 of the Brazilian Code of Civil Procedure (Law No. 13,105/2015, as amended);
- is final and, therefore, not subject to appeal (*res judicata*);
- there is no conflict between the foreign judgment and a previous final and binding (*res judicata*) judgment on the same matter and involving the same parties issued in Brazil;
- is authenticated by a Brazilian diplomatic office and is accompanied by a sworn translation into Portuguese. If such decision was authenticated in a country that is signatory of the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated as of October 5, 1961 ("Apostille Convention"), authentication by a Brazilian Diplomatic Office or Consulate is not required; and
- is not contrary to Brazilian public policy.
- We have been further advised by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados that:
 - original actions may be brought in connection with this offering memorandum predicated solely on the federal securities laws of the United States in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce liabilities in such actions against us, our selling shareholder or the directors and officers and certain advisors named herein (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty, and provided further that Brazilian courts can assert jurisdiction over the particular action); and

- the ability of a creditor or other persons named above to satisfy a judgment by attaching certain assets of ours or any selling shareholder's, respectively, is limited by provisions of Brazilian law.

In addition, a plaintiff (whether Brazilian or non-Brazilian) that resides outside Brazil during the course of litigation in Brazil and who does not own real property in Brazil must post a bond to guarantee the payment of the defendant's legal fees and court expenses, including attorney's fees, except in the case of (i) enforcement on an instrument (a title that shall be enforced in Brazilian courts without a review on the merits, or *título executivo extrajudicial*); (ii) enforcement of a judgment, including foreign judgments; (iii) counterclaims; and (iv) when some international agreement signed by Brazil dismisses the obligation to post a bond (Superior Tribunal of Justice).

If proceedings are brought in the courts of Brazil seeking to enforce our obligations under the notes, payment shall be made in Brazilian Reais. Any judgment rendered in Brazilian courts in respect of any payment obligations under the notes would be expressed in Brazilian Reais.

Notwithstanding the foregoing, we cannot assure you that enforcement of any judgment will be successful, or that the process described above can be conducted in a timely manner.

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Rumo Logística Operadora Multimodal S.A.

**Interim financial statements
September 30, 2016 and review
report of the Independent auditors
thereon**

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Independent auditor's report on review of interim financial statements

To the Board of Directors and Shareholders Rumo Logística Operadora Multimodal S.A.
São Paulo-SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial statements of Rumo Logística Operadora Multimodal S.A. ("the Company") in the Quarterly Information Form - ITR for the quarter ended September 30, 2016, which comprise the balance sheet as at September 30, 2016 and the related statements of income and other comprehensive income for the three-month and nine-month periods then ended, and the related statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes to the interim financial statements.

Management is responsible for the preparation and fair presentation of these individual and consolidated interim financial statements in accordance with Technical Pronouncement CPC 21(R1) and IAS 34, 'Interim Financial Reporting' as issued by the International Accounting Standards Board - IASB, as well as the presentation of the information in accordance with Comissão de Valores Mobiliários ("CVM") regulations applicable to the Quarterly Information Form - ITR. Our responsibility is to express a conclusion on these individual and consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Brazilian and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial statements included in the Quarterly Information Form - ITR referred above were not prepared, in all material respects, in accordance with CPC21 (R1) and IAS 34 issued by IASB, applicable to the preparation of the Quarterly Information Form - ITR and presented in accordance with the CVM regulations.



Other matters

Statement of value added

We have also reviewed the Statements of value added (DVA), individual and consolidated, for the nine-month period ended September 30, 2016, prepared under Management's responsibility, whose presentation in interim financial information is required by CVM regulation applicable to the Quarterly Information Form - ITR and is presented as supplementary information for IFRS, that does not require the presentation of DVA. These statements were subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial statements as a whole.

São Paulo, November 09, 2016

KPMG Auditores Independentes
CRC 2SP014428/O-6

João Alberto Dias Panceri
Accountant CRC PR-048555/O-2

Rumo Logística Operadora Multimodal S.A.

Balance sheets

(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Assets					
Cash and cash equivalents	4	9,697	29,332	41,754	72,988
Marketable securities	5	77,539	-	1,385,123	508,268
Accounts receivable	6	55,939	41,181	272,880	144,535
Derivative financial instruments	27	-	-	3,104	-
Inventories	7	6,837	6,276	293,443	225,784
Related parties	9	27,443	29,914	38,709	33,572
Current income taxes		15,997	4,205	182,348	32,701
Other recoverable taxes	8	4,098	6,341	108,068	175,502
Prepaid expenses		6,240	2,802	37,098	26,246
Other assets		7,374	3,830	94,482	88,743
Current		211,164	123,881	2,457,009	1,308,339
Accounts receivable	6	-	-	21,036	21,136
Restricted cash	5	3,149	-	195,461	200,893
Deferred income tax	15	-	-	1,101,322	1,361,225
Related parties	9	679,115	480,761	-	-
Current income taxes		-	-	123,176	274,597
Other recoverable taxes	8	-	-	647,269	590,971
Judicial deposits	17	12,231	11,982	286,876	266,987
Derivative financial instruments	27	-	99,863	1,243	99,863
Other non-current assets		96	4,091	110,405	127,891
Equity method investments	10	4,492,527	3,997,197	47,062	44,241
Property and equipment	11	1,502,516	1,377,755	10,301,655	9,404,087
Intangible assets	12	767,595	776,280	7,816,161	7,862,420
Non-current		7,457,229	6,747,929	20,651,666	20,254,311
Total Assets		7,668,393	6,871,810	23,108,675	21,562,650

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Balance sheets

(In thousands of Brazilian Reals - R\$)

	Note	Parent Company		Consolidated	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Liabilities					
Current portion of long-term debt	13	192,555	185,067	1,148,391	1,444,063
Finance leases	18	-	-	543,438	539,615
Real estate credit certificates	20	-	-	101,545	88,089
Derivative financial instruments	27	-	-	8,797	521
Accounts payable - suppliers	16	84,281	50,395	527,910	419,147
Salaries payable		25,342	30,454	140,337	149,871
Current income tax		-	2	2,915	6,125
Other taxes payable	14	7,111	4,812	31,140	33,017
Dividends payable		-	-	7,634	8,270
Leases and concessions	19	-	-	27,575	20,205
Related parties	9	120,372	100,299	127,757	103,832
Deferred income		-	-	14,167	107,252
Other financial liabilities	27.b	-	-	226,070	236,697
Other current liabilities		50,588	48,479	245,164	324,068
Current		480,249	419,508	3,152,840	3,480,772
Long-term debt	13	1,062,277	2,703,183	6,904,122	7,141,113
Finance leases	18	-	-	990,680	1,202,086
Real estate credit certificates	20	-	-	119,031	196,917
Derivative financial instruments	27	-	-	9,744	1,259
Other taxes payable	14	-	-	17,347	26,097
Provision for judicial demands	17	20,104	18,349	508,911	490,584
Leases and concessions	19	-	-	2,483,589	2,204,039
Related parties	9	126,781	-	-	-
Deferred income tax	15	136,396	146,189	2,480,801	2,714,374
Deferred income		-	-	64,844	95,730
Other current liabilities		99	111	267,266	165,477
Non-current		1,345,657	2,867,832	13,846,335	14,237,676
Total liabilities		1,825,906	3,287,340	16,999,175	17,718,448
Equity	21				
Common stock		7,985,816	5,451,490	7,985,816	5,451,490
Capital reserve		(1,779,174)	(1,781,177)	(1,779,174)	(1,781,177)
Other equity		17,228	12,966	17,228	12,966
Accumulated losses		(381,383)	(98,809)	(381,383)	(98,809)
Equity attributable to:					
Owners of the Company		5,842,487	3,584,470	5,842,487	3,584,470
Non-controlling interests		-	-	267,013	259,732
Total equity		5,842,487	3,584,470	6,109,500	3,844,202
Total liabilities and equity		7,668,393	6,871,810	23,108,675	21,562,650

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of income

(In thousands of Brazilian Reais – R\$, except earnings per share)

	Note	Parent Company			
		July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Net revenue from services	24	353,589	860,524	274,784	625,268
Cost of services		(218,822)	(571,002)	(182,588)	(431,629)
Gross profit		134,767	289,522	92,196	193,639
Selling, general and administrative		(22,014)	(65,590)	(31,799)	(77,606)
Other, net	26	522	(1,200)	5,099	6,903
Operating expenses		(21,492)	(66,790)	(26,700)	(70,703)
Income before financial results, equity income on investments and income taxes		113,275	222,732	65,496	122,936
Equity income (loss) on investments					
Equity income (loss) on investments	10	(110,542)	(330,618)	(33,137)	20,219
		(110,542)	(330,618)	(33,137)	20,219
Income (loss) before financial results and income taxes		2,733	(107,886)	32,359	143,155
Financial expenses		(43,169)	(211,322)	(50,274)	(120,918)
Financial income		3,015	53,179	1,693	6,788
Foreign exchange, net		119	58,682	(94,814)	(139,101)
Derivatives		(6)	(85,023)	60,623	86,535
Financial result, net	25	(40,041)	(184,484)	(82,772)	(166,696)
Loss before income taxes		(37,308)	(292,370)	(50,413)	(23,541)
Income (expense) tax and social contribution benefit	15				
Current		1	3	-	99
Deferred		(24,225)	9,793	5,856	16,726
		(24,224)	9,796	5,856	16,825
Loss for the period		(61,532)	(282,574)	(44,557)	(6,716)
Loss attributable to:					
Owners of the Company		(61,532)	(282,574)	(44,557)	(6,716)

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of income

(In thousands of Brazilian Reais – R\$, except earnings per share)

	Note	Consolidated			
		July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Net revenue from services	24	1,437,783	3,999,922	1,357,726	2,783,622
Cost of services		(939,010)	(2,717,621)	(921,415)	(1,833,763)
Gross profit		498,773	1,282,301	436,311	949,859
Selling, general and administrative		(88,706)	(258,937)	(95,225)	(203,430)
Other, net	26	3,858	(3,357)	11,202	50,572
Operating expenses		(84,848)	(262,294)	(84,023)	(152,858)
Income before financial results, equity income on investments and income taxes		413,925	1,020,007	352,288	797,001
Equity income on investments					
Equity income on investments	10	2,628	8,751	4,074	4,255
		2,628	8,751	4,074	4,255
Income before financial results and income taxes		416,553	1,028,758	356,362	801,256
Financial expenses		(501,171)	(1,444,728)	(386,672)	(755,547)
Financial income		76,930	205,514	51,946	97,673
Foreign exchange, net		(2,914)	79,112	(139,032)	(195,307)
Derivatives		3,172	(101,142)	71,733	96,350
Financial result, net	25	(423,983)	(1,261,244)	(402,025)	(756,831)
Net income (loss) before income taxes		(7,430)	(232,486)	(45,663)	44,425
Income (expense) tax and social contribution benefit	15				
Current		(8,348)	(34,867)	(16,196)	(26,920)
Deferred		(43,053)	(9,192)	18,112	(20,116)
		(51,401)	(44,059)	1,916	(47,036)
Loss for the period		(58,831)	(276,545)	(43,747)	(2,611)
Net income (loss) attributable to:					
Owners of the Company		(61,532)	(282,574)	(44,557)	(6,716)
Non-controlling interest		2,701	6,029	810	4,105
Basic and diluted loss per share:	22				
Basic		(R\$0.046)	(R\$0.292)	(R\$0.149)	(R\$0.029)
Diluted		(R\$0.046)	(R\$0.292)	(R\$0.158)	(R\$0.032)

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of comprehensive income

(In thousands of Brazilian Reais - R\$)

	Parent Company			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Loss for the period	(61,532)	(282,574)	(44,557)	(6,716)
Other comprehensive income - items that are subsequently reclassified to profit				
Currency translation adjustment	3,054	5,317	(750)	3,738
Income from hedge instruments (NDF)	1,804	(1,055)	-	-
Deferred tax	(972)	-	-	-
Other comprehensive income net of income tax and social contribution	3,886	4,262	(750)	3,738
Total comprehensive loss	(57,646)	(278,312)	(45,307)	(2,978)

	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Loss for the period	(58,831)	(276,545)	(43,747)	(2,611)
Other comprehensive income - items that are subsequently reclassified to profit				
Currency translation adjustment	2,860	6,667	(752)	3,717
Income from hedge instruments (NDF)	1,261	(1,598)	-	-
Deferred tax	(429)	543	-	-
Other comprehensive income net of income tax and social contribution	3,692	5,612	(752)	3,717
Total comprehensive income (loss)	(55,139)	(270,933)	(44,499)	1,106
Comprehensive income (loss) attributable to:				
Owners of the Company	(57,646)	(278,312)	(45,307)	(2,978)
Non-controlling interest	2,507	7,379	808	4,084

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of changes in equity

(In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Company			
	Common stock	Capital reserve	Loss for the period	Other equity
At January 1, 2016	5,451,490	(1,781,177)	(98,809)	12,534,326
Net income (loss) for the period	-	-	(282,574)	-
Income from hedge instruments (NDF) net of taxes	-	-	-	(1,905)
Currency translation adjustment	-	-	-	5,451
Total comprehensive income for the period	-	-	(282,574)	4,546
Capital increase	2,600,000	-	-	-
Transaction costs related to the capital increase	(65,674)	-	-	-
Stock option plan	-	1,905	-	-
Change in interest in subsidiary	-	98	-	-
Total transactions with owners of the Company	2,534,326	2,003	-	-
At September 30, 2016	7,985,816	(1,779,174)	(381,383)	17,085,382

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of changes in equity

(In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Company				
				Profit reserve	
	Common stock	Capital reserve	Legal	Retained earnings	Loss for the period
At January 1, 2015	1,099,746	(137,601)	30,212	302,185	-
Net income (loss) for the period	-	-	-	-	(6,716)
Currency translation adjustment	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(6,716)
Capital increase by ALL acquisition	4,351,744	(1,644,210)	-	-	-
Dividends	-	-	-	(272,800)	-
Total transactions with owners of the Company	4,351,744	(1,644,210)	-	(272,800)	-
At September 30, 2015	5,451,490	(1,781,811)	30,212	29,385	(6,716)

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of cash flows

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015
Cash flows from operating activities				
Net income (loss) before income taxes and social contribution	(292,370)	(23,541)	(232,486)	44,425
Adjustments to:				
Depreciation and amortization	99,340	83,529	651,816	398,871
Equity pick-up	330,618	(20,219)	(8,751)	(4,255)
Provision for profit sharing	11,045	14,415	31,295	44,993
Loss on disposal of fixed assets and intangible	1	526	6,491	3,463
Provision for losses on judicial demands	5,347	2,133	18,181	4,801
Provision for losses on doubtful accounts	1,399	-	452	386
Stock option plan	1,905	-	1,905	-
Lease and concessions	-	-	148,449	-
Deferred revenue	-	-	(13,574)	-
Interest, indexation charges and exchange variations, net	209,276	164,729	1,271,415	774,095
Take or pay	(743)	-	(107,488)	-
Other	(900)	-	(10,161)	52,102
	364,918	221,572	1,757,544	1,318,881
Changes in:				
Accounts receivable	(16,931)	(57,069)	(11,266)	(39,676)
Advances from customers	5,331	(4,751)	(60,028)	(13,745)
Judicial deposits	(431)	19,000	(12,941)	(2,687)
Net, related parties	(175,808)	(41,516)	14,831	150,831
Other recoverable taxes	(9,201)	(13,506)	75,191	656
Taxes payable	(2,585)	(5,829)	(75,006)	(43,309)
Inventories	(561)	(1,117)	(67,362)	(81,068)
Salaries payable	(16,157)	(4,489)	(40,596)	7,817
Accounts payable	25,826	73,490	92,924	(82,234)
Advances to suppliers	(208)	(2,337)	(2,651)	(34,116)
Lease and concessions payable	-	-	(80,714)	-
Judicial demands	(4,284)	(1,106)	(57,410)	(13,855)
Other financial liabilities	-	-	(41,562)	-
Other asset and liabilities, net	(2,458)	10,143	(52,825)	(68,948)
	(197,467)	(29,087)	(319,415)	(220,334)
Net cash generated from operating activities	167,451	192,485	1,438,129	1,098,547
Cash flow from investing activities				
Net cash acquired in business acquisition	-	-	-	169,703
Capital increase in subsidiary	(821,588)	(1,320,111)	(190)	-
Marketable securities	(77,539)	-	(876,279)	(161,405)
Restricted cash	(3,149)	-	5,432	130,440
Dividends received	-	-	8,193	-
Purchase of property, plant and equipment and intangible assets	(206,962)	(400,319)	(1,264,952)	(890,184)
Net cash used in investing activities	(1,109,238)	(1,720,430)	(2,127,796)	(751,446)
Cash flow from financing activities				
Proceeds from debt	352,964	1,950,847	2,926,981	2,537,908
Repayments of principal	(1,892,155)	(92,973)	(3,809,034)	(1,987,126)
Payments of interest	(208,801)	(92,936)	(902,589)	(553,403)
Capital increase	2,534,326	-	2,534,326	-
Repayments advance of real estate credits	-	-	(95,739)	(66,482)
Derivative financial instruments	11,828	7,727	5,265	7,727
Related parties - Mutual	123,990	-	-	-
Dividends paid	-	(300,000)	(777)	(301,500)
Net cash generated from (used in) financing activities	922,152	1,472,665	658,433	(362,876)
Decrease in cash and cash equivalents	(19,635)	(55,280)	(31,234)	(15,775)
Cash and cash equivalents at beginning of year	29,332	74,826	72,988	85,475
Cash and cash equivalents at end of year	9,697	19,546	41,754	69,700
Supplemental disclosure of cash flow information:				
Income taxes paid	61	2,241	4,138	6,431

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of value added

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015
Revenue				
Sale of services	914,227	671,800	4,346,568	3,032,180
Other operating revenue	8,994	16,122	59,489	493,690
Allowance for doubtful accounts	(1,399)	-	(452)	(386)
	<u>921,822</u>	<u>687,922</u>	<u>4,405,605</u>	<u>3,525,484</u>
Raw materials acquired from third parties				
Cost of services rendered	(356,725)	(241,867)	(1,069,694)	(804,967)
Materials, energy, third party services, other	(85,564)	(97,217)	(576,556)	(764,738)
	<u>(442,289)</u>	<u>(339,084)</u>	<u>(1,646,250)</u>	<u>(1,569,705)</u>
Gross value added	<u>479,533</u>	<u>348,838</u>	<u>2,759,355</u>	<u>1,955,779</u>
	-	-	-	-
Retention				
Depreciation and amortization	(99,340)	(83,529)	(651,816)	(398,871)
	<u>(99,340)</u>	<u>(83,529)</u>	<u>(651,816)</u>	<u>(398,871)</u>
Net value added	<u>380,193</u>	<u>265,309</u>	<u>2,107,539</u>	<u>1,556,908</u>
Value added transferred in				
Equity pick-up in investees	(330,618)	20,219	8,751	4,255
Financial income	53,179	6,788	205,514	97,673
	<u>(277,439)</u>	<u>27,007</u>	<u>214,265</u>	<u>101,928</u>
Value added to be distributed	<u>102,754</u>	<u>292,316</u>	<u>2,321,804</u>	<u>1,658,836</u>
Distribution of value added				
Personnel	<u>68,294</u>	<u>71,733</u>	<u>476,037</u>	<u>305,842</u>
Direct remuneration	52,023	55,265	373,137	273,345
Benefits	12,873	13,099	80,021	17,366
FGTS	3,398	3,369	22,879	15,131
Taxes and contributions	<u>63,067</u>	<u>41,381</u>	<u>383,533</u>	<u>291,800</u>
Federal	47,969	28,164	318,325	243,383
State	382	7,010	43,781	38,769
City	14,716	6,207	21,427	9,648
Third party capital remuneration	<u>253,967</u>	<u>185,918</u>	<u>1,738,779</u>	<u>1,063,805</u>
Interest	237,663	173,484	1,466,758	854,504
Leasing	16,304	12,434	272,021	209,301
Equity capital remuneration	<u>(282,574)</u>	<u>(6,716)</u>	<u>(276,545)</u>	<u>(2,611)</u>
Non-controlling interests	-	-	6,029	4,105
Losses	(282,574)	(6,716)	(282,574)	(6,716)
	<u>102,754</u>	<u>292,316</u>	<u>2,321,804</u>	<u>1,658,836</u>

The accompanying notes are an integral part of these interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

1 Operations

Rumo Logística Operadora Multimodal S.A. ("Company" or "Rumo") is a publicly traded company with its shares traded on the São Paulo Stock Exchange ("BM&FBOVESPA") under the code RUMO3, and has its headquarters in the city of São Paulo, State of São Paulo, Brazil. The Company is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística"), having as its ultimate parent company Cosan Ltd. ("CZZ"). On April 1, 2015 the Company acquired full control of ALL - América Latina Logística S.A. ("ALL").

The Company is a service provider in the logistics sector (transport and elevation), principally for export commodities, providing an integrated transport solution, handling, storage and shipment from the production centers to the main southern and southeast ports, and also holds interests in other companies and ventures related to infrastructure.

The Company operates in the rail transportation segment in Southern Brazil through its subsidiary ALL - América Latina Logística Malha Sul S.A. ("ALL Malha Sul"), and the Midwest region and State of São Paulo through subsidiaries ALL - América Latina Logística Malha Paulista S.A. ("ALL Malha Paulista"), ALL - América Latina Logística Malha Norte S.A. ("ALL Malha Norte") and ALL - América Latina Logística Malha Oeste S.A. ("ALL Malha Oeste"). In addition, the subsidiary Brado Logística e Participações S.A. ("Brado") operates in the container segment. Additionally, the Company has terminals for transshipment and terminals for export of sugar and grains in the Port of Santos.

Management has made an assessment of the entity's ability to continue operating in the foreseeable future. As of September 30, 2016, the Company had a negative consolidated working capital of R\$695,831 and a consolidated loss for the period of R\$276,545. Conversely, its generated consolidated operating cash flows of R\$1,438,129 and made investments in modernizing its rolling stock and improving the railway network of R\$1,264,952, in line with its business plan.

On June 28, 2016, the Company completed the reprofiling process of the Company and its subsidiary debts maturing in the years 2016, 2017 and 2018, amounting R\$2,925,647 ("Debt reprofiled"), and ensuring greater liquidity for short-term commitments and in line with the initiatives for its financial restructuring. The reprofiled debt has a maturity of seven (7) years, on June 13, 2023.

The capital increase plus the aforementioned debt reprofiling fully equated the risk of the Company's operational continuity.

On October 10, 2016, in response to the consultation process on the Investment Plan 2015-2018 made to the Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Company received correspondence from the Framework, Credit and Capital Markets Committee informing the framework of the projects submitted for funding feasibility analysis in a total amount of approximately R\$3.5 billion. The framework is one of the main steps of the BNDES financing concession process. Management is working on other regulatory procedures with the appropriate areas of the bank.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

With the acquisition of ALL on April 1, 2015, the consolidated results of operations and cash flows for the current period are not comparable with information presented for the nine-months ended September 30, 2015.

a) The concession of railway operation and port terminal

The Company holds, through subsidiaries or affiliates, concession of railway services and port terminals, whose scope and concession terms are as follows:

Companies	Concession end	Coverage areas
Subsidiaries		
Terminais Portuários Rumo	March 2036	Port of Santos-SP
ALL Malha Paulista	December 2028	São Paulo State
ALL Malha Sul	February 2027	South and São Paulo State
ALL Malha Oeste	June 2026	Midwest and São Paulo State
ALL Malha Norte	May 2079	Midwest and São Paulo State
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2025	Port of Santos-SP
TGG - Terminal de Granéis do Guarujá	August 2027	Port of Santos-SP
Termag - Terminal Marítimo de Guarujá	August 2027	Port of Santos-SP

The subsidiaries and associates above are subject to compliance with certain conditions set out in the privatization bids and the concession contracts of railway networks and port terminals. To the extent that there is no substantive control to which the service should be provided and as there is no substantive pricing control, IFRIC 12 / ICPC 01 is not applicable to the Company and therefore the assets acquired by it are treated under IAS 16 / CPC 27 – Property and Equipment.

b) Liquidity rights exercised at Brado

On June 3, 2015 the Company, through its direct subsidiary ALL, informed that Brado's non-controlling shareholders exercised their liquidity right provided in the shareholder's agreement, which enables the exit of Brado's original shareholders via a share exchange. As a result, the Company and Brado's original shareholders prepared appraisal reports, based on the economic value of the companies, to establish an exchange ratio, which has not yet been concluded since non-controlling shareholders established an arbitration procedure.

2 Basis of preparation and significant accounting policies

2.1 Statement of compliance

The individual and consolidated interim financial statements have been prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and the International Accounting Standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), and are presented in accordance with the rules of the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly information (ITR) and do not include all the information required in the annual financial statements.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

These interim financial statements have been prepared following the basis of preparation and accounting policies consistent with those adopted in the preparation of the financial statements of December 31, 2015 and should be read together. The information notes that no significant changes were not repeated in full in these financial statements. Relevant information of these interim financial statements, and only them, are being highlighted and these correspond to those used by Management.

The issuance of these interim financial statements was authorized by the Board of Directors on November 3, 2016.

2.2 Basis of consolidation

The consolidated interim financial statements include the interim financial statements of the Company and its subsidiaries listed below:

	<u>Directly and indirectly</u>	
	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Subsidiaries		
<i>Direct</i>		
ALL - América Latina Logística S.A.	100.00%	100.00%
Logisport Armazéns Gerais S.A.	51.00%	51.00%
<i>Indirect</i>		
ALL Intermodal S.A.	100.00%	100.00%
ALL Malha Oeste S.A.	100.00%	100.00%
ALL Malha Paulista S.A.	100.00%	100.00%
ALL Malha Sul S.A.	100.00%	100.00%
ALL Malha Norte S.A.	99.25%	99.24%
ALL Participações S.A. (i)	-	100.00%
ALL Armazéns Gerais Ltda.	100.00%	100.00%
Portofer Ltda.	100.00%	100.00%
Boswells S.A.	100.00%	100.00%
Brado Holding S.A.	100.00%	100.00%
Brado Logística e Participações S.A.	62.22%	62.22%
Brado Logística S.A.	62.22%	62.22%
ALL Serviços Ltda.	99.99%	99.99%
ALL Equipamentos Ltda. (i)	-	99.99%
ALL Argentina S.A.	90.96%	90.96%
ALL Mesopotâmica S.A.	70.56%	70.56%
ALL Central S.A.	73.55%	73.55%
Paranaguá S.A.	99.83%	99.83%
ALL Rail Management Ltda.	50.01%	50.01%
PGT S.A.	100.00%	100.00%

(i) Companies incorporated on March 1, 2016 by ALL Intermodal S.A.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Investment in affiliates (equity of investees)

The following associates are accounted for under the equity method:

	<u>Directly and indirectly</u>	
	<u>September 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
Associates (Equity)		
Rhall Terminais Ltda.	30.00%	30.00%
Termag S.A. (i)	19.85%	19.85%
TGG S.A. (i)	9.92%	9.92%
Terminal XXXIX S.A.	49.62%	49.62%

- (i) For these associates a conclusion about the existence of significant influence arises from the Company's representative participating in the investee's board.

Investments in associates are accounted for using the equity method and are initially recorded at cost. The investment costs include the costs of transaction.

2.3 Cash Flow – non cash transactions

The Company presents its statement of cash flows using the indirect method.

During the period ended September 30, 2016, the Company made the following transactions not involving cash and therefore is not reflected in the consolidated statement of cash flows:

- Rental of locomotives, rail cars and other operating assets accounted as finance leases in the amount of R\$199,284.

2.4 Financial derivative instruments – Hedge accounting

The Company has financial hedge derivative instruments to hedge its exposures to foreign currency variation and interest rate.

At the time of initial designation of the hedge, the Company formally documents the relationship between hedging instruments and hedged items, including the risk management objectives and strategy in driving the hedge transaction, together with the methods that will be used to evaluate the effectiveness of the hedging relationship. The Company assesses, both at the beginning of the hedge relationship, when continuously if there is an expectation that the hedging instruments are "highly effective" in offsetting changes in fair value or cash flows of the respective hedged items during the year for which the hedge is designated, and the actual results of each hedge are within the range of 80% - 125%. For a hedge of a forecast transaction cash flow, the transaction must have their occurrence as highly probable and must present an exposure to variations in cash flows that ultimately could affect reported net income.

Derivatives are initially recognized at fair value; attributable transaction costs are recognized in income when incurred. After initial recognition, derivatives are measured at fair value and changes in fair value are recorded as described below:

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Hedges of cash flow:

When a derivative is designated as a cash flow hedging instrument, the effective portion changes in the fair value of the derivative is recognized in other comprehensive income and presented in the asset valuation reserve in equity. Any ineffective portion of changes in fair value of the derivative is recognized immediately in income. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which hedge forecast cash flows affects profit or loss or the hedged item affects profit or loss.

2.5 New standards and interpretations not yet adopted

The following new standards and interpretations to existing standards were issued by the IASB but are not effective for the year 2016. Early adoption of standards, although encouraged by IASB, is not permitted in Brazil by the Brazilian Accounting Pronouncements Committee (“CPC”), which has not yet issued its version of these standards.

- IFRS 9 - Financial Instruments, published in July 2014, replacing the existing guidance in IAS 39 - Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new model of expected credit loss for the calculation of the impairment of financial assets, and new requirements for hedge accounting. The standard retains the existing guidance on the recognition and derecognition of financial instruments IAS 39.

IFRS 9 is effective for the fiscal year starting on January 1, 2018. Management is still evaluating its impact.

- IFRS 15 – Revenue from Contracts with Customers requires the recognition of revenue reflecting the expected consideration receivable in exchange for control of the goods and services. It supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations. IFRS 15 is effective for the year beginning on January 1, 2018. Management is still evaluating its impact.
- IFRS 16 - Leases was issued on January 13, 2016. A significant impact on the Company's financial statements is expected as all leases in which the Company is a lessee should be recognized in the balance sheet. It is effective on January 1, 2019 and supersedes IAS 17 - Leases. Management is still measuring its impact.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

3 Business combination

As described in Note 1, on April 1, 2015, after the necessary approvals of the competent bodies, the Company acquired 100% of the common shares of ALL and through the shareholders' agreement, obtained its control and consolidates its results.

The acquisition took place by an exchange of shares, with the issuance by the Company of 1,963,670,770 registered common shares with no par value, representing 65.67% of its equity in exchange for 100% of the share capital of ALL, represented by 681,995,165 common shares.

As a result of the acquisition, the Company consolidates its participation strategy in the logistics and infrastructure business in Brazil, by adding approximately 12,000 km of existing rail tracks in ALL concessions.

a) Consideration transferred

As a basis for measuring the fair value of the consideration transferred, the share price of ALL ("ALLL3") on the BM&FBOVESPA at the close of business on March 31, 2015 was used, at the price of R\$3.97 per share. Additionally, the value was adjusted for the settlement of pre-existing relationship, as follows:

Acquired common shares (681,995,165) at R\$3.97	2,707,534
Pre-existing relationship settlement	29,838
Total consideration transferred	<u>2,737,372</u>

Settlement of pre-existing relationship

In March 2009, the Company and ALL signed an operating agreement (pre-existing relationship) for the supply of sugar and other grains transportation logistics from the western state of Sao Paulo to the Port of Santos, in which the Company has port concessions for elevation services.

According to the terms of the existing agreement, the Company invested in the construction and improvement of permanent tracks under concession of ALL and acquired rolling stock for use in the transport of products in ALL's rail network, in order to increase ALL's rail freight transport capacity. In exchange for the Company's investments, the agreement stipulated that ALL would provide a certain capacity of rail transport services, as well as compensate the Company through the payment of a contractually fixed fee per ton of product transported by ALL using the rail network and / or by the use of the rolling stock provided by the Company to ALL.

This preexisting relationship was settled when the Company acquired ALL. The Company recognized a gain of R\$29,838 as a result of this settlement and this amount was recognized in the income statement as "other operating income".

The fair value measurement of the pre-existing relationship was based on the difference between the value of the investment made by the Company and the discounted cash flow return on this investment, considering the contractually agreed volume and rate.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Identifiable assets acquired and liabilities assumed

The fair value of assets acquired assets and liabilities assumed are as follows:

Fair value of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	169,703
Marketable securities	940,689
Accounts receivable	382,576
Inventories	79,115
Other assets	1,517,924
Property and plant	7,206,290
Intangible assets	7,641,865
Loans and financing	(3,782,919)
Debentures	(2,856,304)
Finance lease	(1,857,947)
Real estate credit certificates	(340,255)
Suppliers payable	(915,213)
Lease and concession	(1,974,280)
Provision for judicial demands	(458,575)
Other liabilities	(1,619,106)
Deferred income and social contribution taxes	(1,164,510)
Non-controlling interest	(231,681)
Total net identifiable assets	<u><u>2,737,372</u></u>

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

4 Cash and cash equivalent

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Reais				
Cash and bank accounts	9,697	7,319	10,736	12,221
Financial investments	-	22,013	31,018	60,767
	<u>9,697</u>	<u>29,332</u>	<u>41,754</u>	<u>72,988</u>

The financial investments were as below:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Exclusive funds				
Repurchase transactions	-	3,246	-	3,246
Bank deposit certificates - CDB	-	18,767	-	26,379
	-	22,013	-	29,625
Bank investments				
Bank deposit certificates - CDB	-	-	3,114	25,728
Repurchase transactions	-	-	27,904	4,242
Investment funds	-	-	-	1,172
	-	-	31,018	31,142
	<u>-</u>	<u>22,013</u>	<u>31,018</u>	<u>60,767</u>

5 Marketable securities and restricted cash

<u>Marketable securities</u>	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
CDB investments linked to BNDES loans	-	-	-	234,764
Government bonds	77,539	-	1,385,123	273,504
	<u>77,539</u>	<u>-</u>	<u>1,385,123</u>	<u>508,268</u>

<u>Restricted cash</u>	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Investments linked to loans	3,149	-	84,226	77,262
Securities pledged as collateral	-	-	107,107	123,631
Other	-	-	4,128	-
	<u>3,149</u>	<u>-</u>	<u>195,461</u>	<u>200,893</u>

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

6 Accounts receivable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Domestic – Brazilian Reais	48,902	34,656	293,490	169,095
Export – Foreign currency	9,603	7,692	16,113	13,290
Allowance for doubtful accounts	(2,566)	(1,167)	(15,687)	(16,714)
	55,939	41,181	293,916	165,671
Current	55,939	41,181	272,880	144,535
Non-current	-	-	21,036	21,136

7 Inventories

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Parts and accessories	6,131	5,552	245,894	203,579
Fuels and lubricants	150	129	34,207	10,000
Other	556	595	13,342	12,205
	6,837	6,276	293,443	225,784

8 Other recoverable taxes

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Contribution to social security financing ("COFINS")	3,292	5,032	192,123	218,120
Social Integration program ("PIS")	806	1,309	59,083	67,670
Tax on circulation of goods, transport services and communication ("ICMS") (i)	-	-	328,198	310,769
ICMS - CIAP (ii)	-	-	170,988	164,500
Other	-	-	4,945	5,414
	4,098	6,341	755,337	766,473
Current	4,098	6,341	108,068	175,502
Non-Current	-	-	647,269	590,971
	4,098	6,341	755,337	766,473

(i) ICMS credit on the acquisition of inputs and diesel used in transport.

(ii) ICMS credit arising from acquisition of fixed assets.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

9 Related parties

a) Summary of the main balance and transactions with related parties:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current asset				
Commercial operations				
Cosan S.A. Indústria e Comércio	1,530	1,480	1,715	1,558
Raízen Energia S.A.	25,652	28,083	25,815	29,508
Raízen Combustíveis S.A.	149	165	11,089	2,343
Other	112	186	90	163
	<u>27,443</u>	<u>29,914</u>	<u>38,709</u>	<u>33,572</u>
Non-current assets				
Commercial operations				
ALL - América Latina Logística S.A.	679,080	480,718	-	-
Brado Logística S.A.	35	43	-	-
	<u>679,115</u>	<u>480,761</u>	<u>-</u>	<u>-</u>
Total	<u>706,558</u>	<u>510,675</u>	<u>38,709</u>	<u>33,572</u>

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current liabilities				
Commercial operations				
ALL - América Latina Logística S.A.	89,199	72,954	-	-
Raízen Energia S.A.	13,712	16,162	20,463	21,258
Cosan S.A. Indústria e Comércio	16,118	8,794	16,154	8,812
Cosan Lubrificantes e Especialidades	390	368	3,222	3,910
Raízen Combustíveis S.A.	-	-	87,918	69,852
Other	953	2,021	-	-
	<u>120,372</u>	<u>100,299</u>	<u>127,757</u>	<u>103,832</u>
Current liabilities				
Commercial operations				
ALL - América Latina Logística S.A.	126,781	-	-	-
	<u>126,781</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>247,153</u>	<u>100,299</u>	<u>127,757</u>	<u>103,832</u>

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Summary of transactions with related parties:

	Parent Company			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Operating income				
Raízen Energia S.A. and subsidiaries	102,218	291,758	98,094	224,140
ALL - América Latina Logística S.A.	100,262	225,117	67,441	110,578
	<u>202,480</u>	<u>516,875</u>	<u>165,535</u>	<u>334,718</u>
Purchases of products / inputs				
Raízen Combustíveis S.A.	-	-	-	(12)
Logisport Armazéns Gerais S.A.	(2,324)	(5,744)	(1,572)	(6,444)
ALL - América Latina Logística S.A.	(36,118)	(142,024)	(59,342)	(63,318)
Cosan Lubrificantes e Especialidades S.A.	(41)	(209)	(51)	(154)
Raízen Energia S.A.	-	-	(3)	(3)
Brado Logística S.A.	-	-	-	(14,682)
	<u>(38,483)</u>	<u>(147,977)</u>	<u>(60,968)</u>	<u>(84,613)</u>
Shared (expenses) income				
Cosan S.A. Indústria e Comércio	(2,467)	(7,402)	(3,908)	(6,621)
ALL - América Latina Logística S.A.	4,150	8,957	-	-
Raízen Energia S.A.	(1,207)	(3,498)	(1,229)	(3,571)
	<u>476</u>	<u>(1,943)</u>	<u>(5,137)</u>	<u>(10,192)</u>
Financial result				
ALL - América Latina Logística S.A.	(2,733)	(2,791)	-	-
Other	-	2	-	1
	<u>(2,733)</u>	<u>(2,789)</u>	<u>-</u>	<u>1</u>

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Operating income				
Raízen Energia S.A. and subsidiaries	105,851	304,836	99,658	229,998
Raízen Combustíveis S.A.	34,708	90,441	28,155	55,518
	140,559	395,277	127,813	285,516
Purchases of products / inputs				
Raízen Combustíveis S.A.	(235,842)	(662,891)	(200,570)	(202,334)
Cosan Lubrificantes e Especialidades S.A.	(7,775)	(32,983)	(11,793)	(20,546)
Raízen Energia S.A.	-	-	(3)	(3)
	(243,617)	(695,874)	(212,366)	(222,883)
Shared expenses				
Cosan S.A. Indústria e Comércio	(2,467)	(7,402)	(3,908)	(6,621)
Raízen Energia S.A.	(8,721)	(21,347)	(2,313)	(4,857)
	(11,188)	(28,749)	(6,221)	(11,478)
Financial result				
Other	-	2	(9)	1
	-	2	(9)	1

c) Officers and directors remuneration

Fixed and variable remuneration of key personnel, including directors and board members, were recognized in the consolidated results for the period, as follows:

	January 1, 2016 to September 30, 2016	January 1, 2015 to September 30, 2015
Regular remuneration	15,565	5,363
Stock option recognized (Note 23)	1,905	-
Bonus and other variable remuneration	6,161	2,774
	23,631	8,137

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

10 Equity method investments

a) Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2016	Equity pick- up	Comprehensive income	Capital increase
Subsidiaries							
Logisport Armazéns Gerais S.A.	2,040,816	1,040,816	51%	75,869	(913)	-	
América Latina Logística S.A.	2,616,038,002	2,616,038,002	100%	3,921,328	(329,705)	4,262	821,5
Total				3,997,197	(330,618)	4,262	821,5

b) Consolidated

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2016	Equity pick-up	Dividends	At Sep 30, 2
Affiliates							
Rhall Terminais	28,580	8,574	30.00%	3,844	(199)	-	
Termag S.A.	500,000	99,246	19.85%	5,137	1,914	-	
TGG S.A.	79,747,000	7,914,609	9.92%	19,702	3,626	(3,752)	
Terminal XXXIX	200,000	99,246	49.62%	15,558	3,410	(2,178)	
Total				44,241	8,751	(5,930)	

c) Non-controlling interest

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2016	Equity pick-up	Comprehensive income	
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49.00%	36,836	(877)	-	
América Latina Logística S.A. (subsidiaries)				222,896	6,906	1,350	
Total				259,732	6,029	1,350	

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

11 Property and equipment

	Consolidated					
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Construction in progress	Track structure (i)	Other
Cost:						
At December 31, 2015	627,342	500,269	4,235,038	765,286	3,568,597	412,110
Additions	-	6,814	18,309	1,394,740	42,386	1,110
Disposals	-	(97)	(823)	(202)	(7,409)	(24,110)
Transfers	110,040	56,018	738,620	(1,022,829)	171,576	(46,110)
At September 30, 2016	737,382	563,004	4,991,144	1,136,995	3,775,150	344,110
Depreciation:						
At December 31, 2015	(86,651)	(176,121)	(248,686)	-	(209,308)	15,110
Additions	(26,316)	(42,969)	(201,271)	-	(225,653)	(52,110)
Disposals	-	97	440	-	3,048	15,110
Transfers	4,251	1,159	3,052	-	(7,342)	(12,410)
At September 30, 2016	(108,716)	(217,834)	(446,465)	-	(439,255)	(33,710)
At December 31, 2015	540,691	324,148	3,986,352	765,286	3,359,289	428,110
At September 30, 2016	628,666	345,170	4,544,679	1,136,995	3,335,895	310,110

(i) Leasehold improvements and finance leases included.

Capitalization of borrowing costs

During the period ended September 30, 2016, borrowing costs capitalized amounted to R\$2,227 and average rate of 6.51% p.a.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

12 Intangible assets

	Consolidated					Parent Company
	Goodwill (i)	Concession Rights (ii)	Right of way and operating license	Other	Total	Total
Cost:						
At December 31, 2015	100,451	7,504,935	399,350	117,336	8,122,072	937,492
Additions	-	-	26,552	645	27,197	26,634
ALL acquisition	-	57,217	-	-	57,217	-
Disposals	-	-	-	(272)	(272)	(237)
Transfers	-	-	(26,552)	7,065	(19,487)	616
At September 30, 2016	100,451	7,562,152	399,350	124,774	8,186,727	964,505
Amortization						
At December 31, 2015	-	(90,072)	(159,004)	(10,576)	(259,652)	(161,212)
Additions	-	(90,203)	(8,806)	(11,916)	(110,925)	(35,698)
Disposals	-	-	-	18	18	-
Transfers	-	-	-	(7)	(7)	-
At September 30, 2016	-	(180,275)	(167,810)	(22,481)	(370,566)	(196,910)
At December 31, 2015	100,451	7,414,863	240,346	106,760	7,862,420	776,280
At September 30, 2016	100,451	7,381,877	231,540	102,293	7,816,161	767,595

(i) Goodwill arising from business combination, of which R\$62,922 of previously direct subsidiary Teaçú Armazéns Gerais S.A., merged by the Company, and R\$37,529 of direct subsidiary Logispot presented only in consolidated balances.

(ii) The expense is recognized in the income statement in cost of services, as depreciation and amortization.

Intangible (other than goodwill)	Annual rate of amortization - %	September 30, 2016	December 31, 2015
Software	20%	17,146	13,900
Operating license and customer base	3.70%	229,905	238,710
Concession rights	1.59%	7,381,877	7,414,863
Other		86,782	94,496
Total		7,715,710	7,761,969

The Company annually tests the recoverable amounts of goodwill arising from business combinations operations. Property and equipment and intangible assets with definite lives subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

13 Loans and borrowings

	Financial charges		Parent Company		Consolidated		
Description	Index	Average interest rate	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	M
Loans and borrowings							
Commercial banks	Pre-fixed	20.98%	-	-	764	3,898	
	CDI + 3.50% p.a.	18.12%	-	-	-	205,781	
	CDI + 4.91% p.a.	19.73%	-	-	180,212	195,632	
Finame (BNDES)	Pre-fixed	5.02%	682,370	601,955	1,160,480	1,016,060	
	URTJLP	10.13%	24,444	-	24,511	217	
Finem (BNDES)	Pre-fixed	3.94%	-	-	4,112	4,684	
	URTJLP	9.33%	393,598	413,328	2,535,451	2,851,793	
	IPCA	15.52%	-	-	4,659	4,152	
	Selic	14.15%	-	-	5,586	5,595	
FRN	Dollar (US\$)	2.63%	-	216,134	-	216,134	
Loan 4131	Dollar (US\$)	3.13%	-	225,226	-	315,910	
NCE	Dollar (US\$)	3.79%	-	-	-	126,669	
	112% of CDI	15.95%	-	-	156,038	406,805	
	129.62% of CDI	18.69%	-	-	573,403	304,644	
			1,100,412	1,456,643	4,645,216	5,657,974	
Debentures							
Convertible debentures	URTJLP	9.01%	-	-	-	2,592	
Non-convertible debentures	108% of CDI	15.34%	-	-	338,455	526,285	
	Pre-fixed	13.13%	-	-	169,154	161,175	
	% Net revenue	-	-	-	-	30,315	
	CDI + 1.30% p.a.	15.61%	-	-	311,999	775,228	
	CDI + 3.50% p.a.	18.12%	-	-	2,433,269	-	
	CDI + 2.05% p.a	16.47%	154,420	1,431,607	154,420	1,431,607	
			154,420	1,431,607	3,407,297	2,927,202	
Total			1,254,832	2,888,250	8,052,513	8,585,176	
Current			192,555	185,067	1,148,391	1,444,063	
Non-current			1,062,277	2,703,183	6,904,122	7,141,113	

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Debentures

On June 28, 2016, the subsidiary ALL Malha Norte performed the Ninth issuance of debentures, not convertible into shares, unsecured, single series, totaling R\$2,433,269, maturing in June 2023. The debentures have personal guarantees provided by the subsidiaries ALL Holding and ALL Malha Norte. The proceeds were used in the process of reprofiling of part of the debts of the Company and its subsidiaries, maturing in the years 2016, 2017 and 2018.

Unused credit lines

At September 30, 2016, the Company and its subsidiaries had lines of credit for financing from BNDES, which were not used, totaling of R\$858,818.

Covenants

The Company and its subsidiaries are subject to certain restrictive covenants on most loans and financing agreements, based on certain financial and non-financial indicators. The financial indicators are: (i) Comprehensive consolidated net debt (bank debt, bonds, leases, real estate certificate deducted from cash and cash equivalents, marketable securities and derivative instruments) / EBITDA (earnings before interest, taxes, depreciation and amortization); (ii) EBITDA / consolidated financial results (are considered only interest on debentures, loans / financing and derivative transactions). In some operations the calculation is quarterly and annual in others, on the date of the financial statements, using the consolidated results.

The more restrictive ratio in these contracts is up to 4.5x comprehensive net debt / EBITDA, limit that was being serviced by the Company in the quarter ended September 30, 2016.

For some debt with BNDES, amounting to R\$68,376 on September 30, 2016, we are subject to comprehensive net debt ratios / EBITDA and interest coverage ratios defined prior to the merger of ALL by the Company and therefore still calculable annually considering more restrictive ratios than those mentioned in the paragraph above, measurable on the Parent Company information of ALL group (ALL Holding). The Company is negotiating the possible replacement of these covenants with BNDES by other bank guarantees, so that such covenants are no longer applicable.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

14 Other taxes payable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Tax on circulation of goods, transport services and communication ("ICMS")	155	399	2,992	2,254
National social security institute ("INSS")	1,700	1,800	5,226	6,701
Social integration program ("PIS")	369	-	919	201
Contribution to social security financing ("COFINS")	2,274	-	4,872	2,040
Tax amnesty and refinancing program ("Refis")	902	902	23,471	25,252
Tax on services	1,478	1,263	5,076	11,270
Financial transaction tax	-	-	2,713	6,567
Other	233	448	3,217	4,829
	<u>7,111</u>	<u>4,812</u>	<u>48,487</u>	<u>59,114</u>
Current	<u>7,111</u>	<u>4,812</u>	<u>31,140</u>	<u>33,017</u>
Non-current	<u>-</u>	<u>-</u>	<u>17,347</u>	<u>26,097</u>

15 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses

	Parent Company			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Loss before income taxes	(37,308)	(292,370)	(50,413)	(23,541)
Income tax and social contribution expense at nominal rate (34%)	12,685	99,406	17,140	8,004
<i>Adjustments to determine the effective rate</i>				
Equity pick-up	(37,584)	(112,410)	(11,267)	6,875
Spending on share issues	1,022	22,329	-	-
Other	(347)	471	(17)	1,946
Income (expense) tax and social contribution	<u>(24,224)</u>	<u>9,796</u>	<u>5,856</u>	<u>16,825</u>
Effective rate - %	<u>-64.93%</u>	<u>3.35%</u>	<u>11.62%</u>	<u>71.47%</u>

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Consolidated			
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Income (loss) before income taxes	(7,430)	(232,486)	(45,663)	44,425
Income tax and social contribution expense at nominal rate (34%)	2,526	79,045	15,525	(15,105)
<i>Adjustments to determine the effective rate</i>				
Equity pick-up	894	2,975	1,385	1,446
Spending on share issues	1,022	22,329	-	-
Unrecognized NOLs and temporary differences (i)	(64,587)	(176,128)	(26,618)	(53,903)
Exploration profit - tax incentive	10,221	27,473	11,850	20,946
Other	(1,477)	247	(226)	(420)
Income (expense) tax and social contribution	(51,401)	(44,059)	1,916	(47,036)
Effective rate - %	-691.80%	-18.95%	4.20%	105.88%

- (i) Refers mainly to tax losses and temporary differences of the Company and the subsidiaries ALL Malha Sul and ALL Malha Oeste that under current conditions do not have predictability of generating taxable income to justify the accounting of deferred tax assets.

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Deferred corporate income tax (IRPJ) and social contribution (CSLL) assets and liabilities

	Parent Company				
	September 30, 2016				December 2016
	Basis	IRPJ	CSLL	Total	
Tax losses:					
Tax losses carry forwards - income tax	99,188	24,797	-	24,797	
Tax losses of social contribution	142,524	-	12,827	12,827	
Temporary differences:					
Exchange variation - Cash basis	(576)	(144)	(52)	(196)	
Derivatives	(3,013)	(753)	(271)	(1,024)	
Accelerated depreciation	(216,741)	(54,185)	-	(54,185)	
Tax goodwill amortized	(50,226)	(12,557)	(4,520)	(17,077)	
Review of useful life	(146,545)	(36,636)	(13,189)	(49,825)	
Business combination - Fixed assets	1,270	317	114	431	
Business combination - Intangible assets	(229,905)	(57,476)	(20,691)	(78,167)	
Provision for judicial demands	20,104	5,026	1,809	6,835	
Provision for profit sharing	11,104	2,776	999	3,775	
Allowance for doubtful accounts	2,566	641	231	872	
Other	42,765	10,692	3,849	14,541	
Total deferred liabilities taxes	(327,485)	(117,502)	(18,894)	(136,396)	

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Consolidated				December 2016
	Basis	September 30, 2016	September 30, 2016	Total	
		IRPJ	CSLL		
Tax losses:					
Tax losses carry forwards - income tax	5,950,032	1,487,508	-	1,487,508	1,487,508
Tax losses of social contribution	6,071,463	-	546,432	546,432	546,432
Temporary differences:					
Exchange variation - Cash basis	659	165	59	224	224
Derivatives	(3,013)	(753)	(271)	(1,024)	(1,024)
Accelerated depreciation	(283,229)	(70,807)	(5,984)	(76,791)	(76,791)
Tax goodwill amortized	58,485	14,621	5,264	19,885	19,885
Review of useful life	542,545	135,636	48,829	184,465	184,465
Business combination - Fixed assets	(124,543)	(31,136)	(11,209)	(42,345)	(42,345)
Business combination - Intangible assets	(6,999,400)	(1,749,850)	(629,946)	(2,379,796)	(2,379,796)
Impairment provision	918,856	229,714	82,697	312,411	312,411
Provision for judicial demands	594,452	148,613	53,501	202,114	202,114
Provision for non-performing tax	65,061	16,265	5,856	22,121	22,121
Provision for profit sharing	43,835	10,959	3,945	14,904	14,904
Capitalization of interest on loans	(979)	(245)	(88)	(333)	(333)
Allowance for doubtful accounts	50,257	12,564	4,523	17,087	17,087
(-) Unrecognized credits	(8,357,586)	(1,296,602)	(466,810)	(1,763,412)	(1,763,412)
Other	226,682	56,670	20,401	77,071	77,071
Total net liability	(1,246,423)	(1,036,678)	(342,801)	(1,379,479)	(1,379,479)
Deferred income tax – Assets				1,101,322	1,101,322
Deferred income tax – Liabilities				(2,480,801)	(2,480,801)
Total net deferred taxes				(1,379,479)	(1,379,479)

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

c) Changes in deferred taxes (net)

	Parent Company	Consolidated
At December 31, 2015	(146,189)	(1,353,149)
Income statement	9,793	(9,192)
Business combination ALL	-	(19,454)
Other comprehensive income	-	543
Other	-	1,773
At September 30, 2016	(136,396)	(1,379,479)

16 Accounts payable - suppliers

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Material and services	84,281	50,395	461,788	276,821
Fuels and lubricants	-	-	536	3,535
Other	-	-	66,403	139,822
Total	84,281	50,395	528,727	420,178
Current	84,281	50,395	527,910	419,147
Non-current (i)	-	-	817	1,031

(i) Presented in the balance sheet under "other accounts payables" in non-current liabilities.

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

17 Provision for judicial demands and judicial deposits

	Provision for judicial demands			
	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Taxes	1,468	3,075	72,358	65,142
Civil, regulatory and environmental	576	-	151,145	122,604
Labor	18,060	15,274	285,408	302,838
	20,104	18,349	508,911	490,584

	Judicial deposits			
	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Tax	4,409	5,334	23,286	23,304
Civil, regulatory and environmental	539	535	167,202	161,715
Labor	7,283	6,113	96,388	81,968
	12,231	11,982	286,876	266,987

Changes in the provision were:

	Parent Company			
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2016	3,075	-	15,274	18,349
Additions	97	332	4,295	4,724
Settlement / Write-offs	(1,806)	-	(4,732)	(6,538)
Monetary restatement	102	244	3,223	3,569
At September 30, 2016	1,468	576	18,060	20,104

	Consolidated			
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2016	65,142	122,604	302,838	490,584
Additions	3,651	13,195	57,648	74,494
Settlement / Write-offs	(4,260)	(6,914)	(90,466)	(101,640)
Monetary restatement	7,825	22,260	15,388	45,473
At September 30, 2016	72,358	151,145	285,408	508,911

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

a) Tax

Judicial claims deemed as probable losses:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
ICMS - Credit materials	-	-	52,485	50,169
Compensation of PIS and COFINS	293	1,084	2,083	2,781
Other	1,175	1,991	17,790	12,192
	1,468	3,075	72,358	65,142

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Foreign financial operations	-	-	968,237	911,942
Capital gain ALL S.A.	-	-	474,735	446,535
Isolated fine federal tax (i)	387,373	258,391	387,373	258,391
ICMS - Export	-	-	186,952	134,732
MP 470 installment debts	-	-	118,605	113,814
PIS/COFINS Mutual Traffic	-	-	37,761	92,680
Intermodal	-	-	79,838	76,914
PIS and COFINS	-	-	3,162	2,925
Withholding income tax ("IRRF") Swap	-	-	67,089	63,034
Stock option plan	-	-	61,089	57,554
PIS/COFINS Malha Sul	-	-	-	50,265
Social Security Contributions	-	-	43,061	40,855
ICMS Armazéns Gerais	-	-	58,441	53,713
IOF on loan	-	-	53,675	49,844
IRPJ and CSLL (ii)	72,381	18,435	222,959	65,206
ICMS TAD	-	-	57,218	102,878
Compensation with credit award	-	-	37,604	-
Other	27,035	22,932	197,947	118,362
	486,789	299,758	3,055,746	2,639,644

- i) The Company was assessed due to the disregard of tax REPORTE benefits (PIS and COFINS suspension), based on the fact that the locomotives and cars purchased in the years 2010 to 2012 were used outside the limits of the port area. Therefore, they were required PIS and COFINS, in addition to the corresponding separate fine of 50% of the value of goods purchased.
- ii) Addition referring to administrative process from infringement notices issued for the collection of Income Tax ("IRPJ") and Social Contribution on Net Income ("CSLL"), for the years-base 2011, 2012 and 2013, combined with interest on late payments and qualified and isolated fines.

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Civil, regulatory and environmental

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Civil	25,572	29,871	1,465,881	1,252,681
Regulatory	-	-	374,116	339,267
Environmental	832	810	338,688	295,984
	26,404	30,681	2,178,685	1,887,932

c) Labor

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Labor	78,459	75,800	624,066	562,204
	78,459	75,800	624,066	562,204

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18 Leases

Finance leases

The Company and its subsidiaries have lease agreements, mainly for railcars and locomotives classified as finance leases.

	September 30, 2016				December 31, 2015
	Less than a year	Between one and five years	More than five years	Total	Total
<u>Future minimum lease payments</u>	700,173	960,867	365,519	2,026,559	2,196,200
Rolling stock	669,698	870,194	260,298	1,800,190	1,953,414
Terminal	23,664	85,123	105,221	214,008	232,148
Other	6,811	5,550	-	12,361	10,638
<u>Interest in the installment</u>	(156,735)	(252,684)	(83,022)	(492,441)	(454,499)
Rolling stock	(140,087)	(208,506)	(58,241)	(406,834)	(357,416)
Terminal	(15,435)	(43,361)	(24,781)	(83,577)	(96,069)
Other	(1,213)	(817)	-	(2,030)	(1,014)
Present value of minimum payments	543,438	708,183	282,497	1,534,118	1,741,701
Current liabilities				543,438	539,615
Non-current liabilities				990,680	1,202,086

Lease agreements have varying expirations, the last due to expire in June 2043. The amounts are adjusted annually for inflation rates (as IGP-M and IPCA) or may incur interest based on the TJLP or CDI and some contracts have renewal or purchase options that were considered in determining the classification as financial lease.

Operating leases

	September 30, 2016				December 31, 2015
	Total future minimum lease payments				Total
Assets	Up to 1 year	From 1 to 5 years	Over 5 years	Total	Total
Locomotives	1,848	1,733	-	3,581	14,890
Rail cars	6,897	28,984	11,796	47,677	39,410
Total	8,745	30,717	11,796	51,258	54,300

Operating lease payments (rentals) are recognized as expenses on a straight line basis over the term of the contracts.

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

19 Lease and concessions

	September 30, 2016			December 31, 2015
	Leases	Concessions	Total	Total
<u>Amounts payables:</u>				
Malha Sul	43,952	31,385	75,337	65,906
Malha Paulista	-	24,935	24,935	24,944
	43,952	56,320	100,272	90,850
<u>Amounts under judicial discussions:</u>				
Malha Paulista	1,319,228	-	1,319,228	1,175,697
Malha Oeste	1,025,180	66,484	1,091,664	957,697
	2,344,408	66,484	2,410,892	2,133,394
Total	2,388,360	122,804	2,511,164	2,224,244
Current liabilities			27,575	20,205
Non-current liabilities			2,483,589	2,204,039
			2,511,164	2,224,244

Amounts under judicial discussion

The Company is challenging in court the economic and financial unbalance of certain leases and concession contracts.

In April 2004, ALL Malha Paulista filed an interlocutory injunction and subsequently a Declaratory Action before the 21th Federal Court of Rio de Janeiro questioning the economic and financial unbalance of the Lease and Concession Agreements, due to the high disbursement incurred by the Company for the payment of labor judicial proceedings and other expenses involved, which are the responsibility of Rede Ferroviária Federal S.A., as expressed in the bidding documents.

ALL Malha Paulista required an injunction to suspend payment of installments of the concession and lease agreements, due and falling, and to offset the credit balance resulting from labor amounts paid by ALL with the amount charged by the Union. In April 2005, the injunction was granted, suspending the enforceability of installments for 90 days by determining the completion of expertise. In July 2005, the suspension was extended for another 90 days. In September 2005, the injunction was overturned by the Federal Court of Rio de Janeiro. In January 2006, the suspension of payment of installments was granted, by means of judicial deposit. The amount related to the lease installments was being deposited in court until October 2007, when the Company obtained a court order to replace the judicial deposits for bank guarantee. In October 2015 decision was handed down that partially upheld the action recognizing the occurrence of economic and financial unbalance of the agreements, allowing the Company to perform the part of compensation of the amounts claimed in the match against presented debt. Nevertheless, the Company believes that all amounts discussed shall be offset against payables based in clauses 7 and 10 of the bidding documents.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable, but the financial liability remains recognized as it is a contractual obligation not yet discharged and still pends offsetting with the Company's reimbursement rights.

ALL Malha Oeste also claims the reestablishment of the economic-financial balance, lost by the cancellation of transportation contracts existing at the time of privatization, change in the regulatory environment and conditions set forth in the Privatization Tender; additionally, the growth forecasts that defined the value of

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the business did not materialize. The lawsuit is filed with the 16th Federal Court of Rio de Janeiro. To proceed with the legal discussion the Company offered government securities (Treasury Bills - LFT) as an execution guarantee. In March 2008, the Company was authorized to replace the guarantee with a bank guarantee and in May 2008 the Company redeemed the treasury bills. In December 2014, a decision was handed down that upheld the action recognizing the occurrence of economic and financial balance of the contracts, pending now the expert measurement of the amount of balance and related aspects. In December 2015 the claim for replacement of guarantee letters presented by ALL with an insurance policy was accepted.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable, but the financial liability remains recognized as it is a contractual obligation not yet discharged and still pends offsetting with the Company's reimbursement rights.

Judicial deposits at September 30, 2016 concerning the above claims totaled:

	September 30, 2016
Malha Paulista	117,533
Malha Oeste	19,096
	136,629

Judicial deposits are recorded in the line "regulatory" under Note 17.

20 Real estate credit certificates

The Company and its subsidiaries entered into rental contracts of terminals that have been securitized and transferred the rights of these credits, the balance of which is:

September 30, 2016				December 31, 2015	
Terminal	Rate	Maturity	Start date	Total	Total
Terminal Intermodal de Tatuí-SP	12.38% p.a.	March 31, 2018	February 29, 2008	38,091	55,753
Terminal de Alto Araguaia-MT	CDI + 2.6%	November 30, 2018	November 28, 2008	182,485	229,253
				220,576	285,006
Current liabilities				101,545	88,089
Non-current liabilities				119,031	196,917

Non-current mortgage-backed securities have the following maturities:

	Consolidated Total
13 to 24 months	94,074
25 to 36 months	24,957
	119,031

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21 Equity

a. Common stock

The subscribed and fully paid-in capital on September 30, 2016 is R\$8,051,490 (R\$7,985,816 net of expenditure shares) and is represented by 1,339,015,898 common shares nominative, without nominal value.

As mentioned in note 1, on April 7, 2016 the Company completed the capitalization process through a public offering in the amount of R\$2,600,000 (cash received, net of issuance costs, totaled R\$2,534,326) with the issuance of 1,040,000,000 common shares, all registered shares, without par value, with restricted placement efforts, pursuant to CVM Instruction 476 ("Restricted Offering") and Regulation "S" for foreign investors.

b. Other equity

	December 31, 2015	Comprehensive income		Net	September 30, 2016
		Base	Deferred tax		
Foreign currency translation differences - equity - accounted investee	12,966	5,317	-	5,317	18,283
Hedge accounting	-	(1,598)	543	(1,055)	(1,055)
Total	12,966	3,719	543	4,262	17,228

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22 Earnings per share

Basic earnings per share are calculated by dividing the profit (loss) by the weighted average number of common shares outstanding during the period. Diluted Earnings per share are calculated by adjusting the income and the number of shares by the impact of potentially dilutive instruments.

The table below shows the calculation of earnings per share (in thousands, except per share amounts) for the periods ended September 30, 2016 and 2015:

Basic and diluted

	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015
Numerator				
Loss from operations attributable to controlling shareholders	(61,532)	(282,574)	(44,557)	(6,716)
Denominator				
Weighted average number of common share	1,339,015,898	969,238,120	299,015,898	233,560,206
Basic loss per share	<u>(R\$0.046)</u>	<u>(R\$0.292)</u>	<u>(R\$0.149)</u>	<u>(R\$0.029)</u>
Dilutive effect - Brado Logística	-	-	(R\$0.009)	-
Dilutive effect - BNDES Participações	-	-	(R\$0.000)	(R\$0.003)
Diluted loss per share	<u>(R\$0.046)</u>	<u>(R\$0.292)</u>	<u>(R\$0.158)</u>	<u>(R\$0.032)</u>

Antidilutive instruments

The non-controlling interest of the indirect subsidiary Brado have the right to exercise a Liquidity option provided for in the shareholders' agreement signed on August 05, 2013. This option would exchange all Brado shares held by such minority shareholders by shares of ALL. The exchange ratio shall take into account the economic value for both Brado and ALL shares. At the Company's exclusive discretion, an equivalent cash payment is also possible.

The stock option plan is out of money, so, the exercise price of the options granted is much higher than the average stock price during the period. These financial instruments have antidilutive effects in the periods presented.

ALL Malha Norte issued for BNDES Participações S.A., bonds convertible into shares, remunerated at market rates, amounting of R\$2,539 on September 30, 2015, whose maturity was June 2016. The conversion if it were performed on July 1, 2015, would result in the issuance of 13,890 new shares by ALL Malha Norte.

23 Stock option plan

On September 30, 2016, R\$1,905 were recognized as an expense. There were no cancellations and exercises in the period.

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Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

24 Gross revenue

	Parent Company				
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015	July 1, 2016 to September 30, 2016
Gross revenue from sales of services	376,239	914,227	292,753	671,800	1,588,359
Taxes and deductions over sales of services	(22,650)	(53,703)	(17,969)	(46,532)	(150,576)
Net revenue	<u>353,589</u>	<u>860,524</u>	<u>274,784</u>	<u>625,268</u>	<u>1,437,783</u>

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25 Financial result

	Parent Company					
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Cost of gross debt						
Interest on debts	(28,581)	(172,862)	(46,413)	(109,627)	(272,451)	(74,100)
Net exchange rate changes on debts	119	58,682	(94,814)	(139,101)	(2,914)	(2,914)
Gain (losses) from derivatives on debts	(6)	(85,023)	60,623	86,535	3,172	(10,000)
	(28,468)	(199,203)	(80,604)	(162,193)	(272,193)	(77,014)
Cash investment income	2,721	50,810	1,409	6,012	60,187	1,409
	2,721	50,810	1,409	6,012	60,187	1,409
Cost of debt, net	(25,747)	(148,393)	(79,195)	(156,181)	(212,006)	(66,605)
Other charges and monetary variations						
Interest on other receivables	294	2,369	285	776	16,743	(2,369)
Lease and concessions	-	-	-	-	(76,089)	(2,369)
Finance leases	-	-	-	-	(55,981)	(1,375)
Banking expenses and other	(6,432)	(23,286)	(5,748)	(16,005)	(43,443)	(1,375)
Real credit certificate	-	-	-	-	(9,372)	(3,750)
Other charges and monetary variations	(8,156)	(15,174)	1,886	4,714	(43,835)	(1,375)
	(14,294)	(36,091)	(3,577)	(10,515)	(211,977)	(6,000)
Finance result, net	(40,041)	(184,484)	(82,772)	(166,696)	(423,983)	(1,200)
Financial expenses	(43,169)	(211,322)	(50,274)	(120,918)	(501,171)	(1,400)
Financial income	3,015	53,179	1,693	6,788	76,930	2,800
Foreign exchange, net	119	58,682	(94,814)	(139,101)	(2,914)	(2,914)
Derivatives	(6)	(85,023)	60,623	86,535	3,172	(10,000)
Finance result, net	(40,041)	(184,484)	(82,772)	(166,696)	(423,983)	(1,200)

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

26 Other income (expenses), net

	Parent Company				
	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015	January 1, 2015 to September 30, 2015	July 1, 2016 to September 30, 2016
Provision for judicial demand	(1,224)	(5,347)	(803)	(2,133)	(911)
Rental and leases revenue	-	-	-	-	80
Result on disposals of fixed assets and intangible assets	-	(1)	-	-	(2,540)
Gain on settlement of pre-existing relationship	-	-	-	-	-
Expenses on acquiring new business	-	-	119	(5,176)	-
Insurance claims recovery	3,118	7,511	5,633	14,044	3,240
Provision for losses on receivables	(796)	(1,399)	-	-	(828)
Other income (expenses), net	(576)	(1,964)	170	168	4,097
	<u>522</u>	<u>(1,200)</u>	<u>5,099</u>	<u>6,903</u>	<u>3,859</u>

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27 Financial instruments

Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- (a) Credit risk;
- (b) Liquidity risk; and
- (c) Market risk

This note presents information about the Company's and its subsidiaries exposure, to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The carrying amounts and the separation by category of financial assets and liabilities are as follows:

	September 30, 2016	December 31, 2015
Assets		
Available for sale		
Marketable securities	1,385,123	508,268
Fair value through profit or loss		
Cash and cash equivalents (Exclusive funds)	-	29,625
Derivate financial instruments	4,347	99,863
	4,347	129,488
Loans and receivables		
Cash and cash equivalents	41,754	43,363
Accounts receivable	293,916	165,671
Related parties	38,709	33,572
Restricted cash	195,461	200,893
	569,840	443,499
Total	1,959,310	1,081,255
Liabilities		
Liabilities from amortized cost		
Long-term debts	8,052,513	8,053,132
Finance leases	1,534,118	1,741,701
Real estate credit certificates	220,576	285,006
Accounts payable - suppliers	527,910	419,147
Other financial liabilities	226,070	236,697
Related parties	127,757	103,832
Dividends payable	7,634	8,270
Debt payment in installments - REFIS	23,471	25,252

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	<u>10,720,049</u>	<u>10,873,037</u>
Fair value through profit or loss		
Long-term debts	-	532,044
Derivative financial instruments	<u>18,541</u>	<u>1,780</u>
	18,541	533,824
Total	<u>10,738,590</u>	<u>11,406,861</u>

During the year, there was no reclassification between the categories listed above.

Structure of risk management

On September 30, 2016 and December 31, 2015, the fair values related to transactions involving derivative financial instruments to hedge interest and exchange risk exposure of the Company were using observable inputs such as quoted prices in active markets or flows discounted based on market curves and are presented next:

	Notional		Fair value	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Exchange rate risk				
NDF Contracts - Designed hedge - Cash Flows	12,863	-	(1,597)	-
Interest rate risk				
Swap contracts (interest / FX)	-	642,506	-	135,349
Swap contracts (interest)	<u>174,309</u>	<u>182,892</u>	<u>(12,597)</u>	<u>(37,266)</u>
	174,309	825,398	(12,597)	98,083
Total financial instruments	<u>187,172</u>	<u>825,398</u>	<u>(14,194)</u>	<u>98,083</u>
Assets			<u>4,347</u>	99,863
Liabilities			<u>(18,541)</u>	<u>(1,780)</u>

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instruments fails to meet its contractual obligations, and arises principally from Company's receivables from customers and investments in securities.

The carrying amount of financial assets represents the maximum credit exposure as follows:

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	September 30, 2016	December 31, 2015
Cash and cash equivalents (ii)	41,754	72,988
Marketable securities (ii)	1,385,123	508,268
Restricted cash (ii)	195,461	200,893
Account receivables (i)	293,916	165,671
Related parties (i)	38,709	33,572
Derivative financial instruments (ii)	4,347	99,863
	1,959,310	1,081,255

- (i) The risk of customer credit is managed centrally by each business segment, subject to the procedures, controls and policy established by the Company in relation to this risk. Credit limits are established for all customers based on internal rating criteria. Customer credit quality is evaluated based on an internal procedure of extensive credit rating. The outstanding customer receivables are monitored frequently.

The need for a valuation allowance for impairment is analyzed at each reporting date on an individual basis for major clients. In addition, a large number of receivables with smaller balances are grouped into homogenous groups and in such cases; the recoverable loss is assessed collectively. The calculations are based on actual historical data.

The maximum exposure to credit risk at the reporting date is the recorded value of each class of financial assets.

- (ii) The risk of credit balances with banks and financial institutions is managed by the Company's treasury in accordance with the policy established by. Excess funds are invested only with approved counterparties and within the limits assigned to each. The counterparty credit limit is reviewed annually and may be updated throughout the year. These limits are designed to minimize the concentration of risks and therefore mitigate financial loss in the event of a potential failure of counterparty. The maximum the Company's exposure to credit risk in relation to the balance sheet components as of September 30, 2016 and December 31, 2015 is the value recorded, as shown in Note 13 except for financial guarantees and derivative financial instruments. The maximum exposure with respect to financial guarantees and derivative financial instruments is presented in the liquidity table below.

The credit risk on cash and cash equivalents, marketable securities are determined by rating instruments widely accepted by the market and are arranged as follows:

	September 30, 2016
AA-	1,447,653
BBB-	136,292
A+	42,740
At September 30, 2016	1,626,685

(b) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Company's approach and its subsidiaries to managing liquidity is to ensure, as much as possible, there is always a sufficient liquidity to meet the obligations falling due under normal and stress conditions, without causing unacceptable losses or risk damaging the reputation of the Company and its subsidiaries.

The non-derivative financial liabilities of the Company sorted by due dates (based on undiscounted cash flows contracted) are as follows:

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	September 30, 2016					December 31, 2015
	Up to 1 year	1 to 2 years	3 to 5 years	Over 5 years	Total	Total
Long-term debt	(2,122,489)	(1,810,930)	(4,921,693)	(2,651,866)	(11,506,978)	(10,836,875)
Accounts payable - suppliers	(527,910)	-	-	-	(527,910)	(419,147)
Other financial liabilities (i)	(226,070)	-	-	-	(226,070)	(236,697)
Debt payment in installments - REFIS	(6,838)	(6,613)	(9,050)	(2,843)	(25,344)	(30,026)
Finance leases	(693,539)	(451,726)	(667,636)	(380,936)	(2,193,837)	(2,132,455)
Real estate credit certificates	(138,824)	(121,371)	(18,150)	-	(278,345)	(382,559)
Dividends payable	(7,634)	-	-	-	(7,634)	(8,270)
Derivate financial instruments	(4,096)	(1,902)	(6,598)	-	(12,596)	(1,780)
	(3,727,400)	(2,392,542)	(5,623,127)	(3,035,645)	(14,778,714)	(14,047,809)

- (i) As of September 30, 2016, the consolidated balance anticipated by our suppliers with financial institutions was R\$226,070 (R\$236,697 on December 31, 2015). All these operations were with Banco Itaú at an average interest rate of 15.96%. The average term of these operations, which are recorded at their present values at the interest rate previously mentioned, is three months.

(c) Market risk

Market risk is the risk that changes in market prices - such as exchange rates and interest rates - will affect the Company's earnings or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, while improving the return.

I. Foreign exchange risk

On September 30, 2016 and December 31, 2015, the Company and its subsidiaries had the following net exposure to exchange rates on assets and liabilities denominated in US Dollars (US\$) and Euro (€):

	September 30, 2016	December 31, 2015
Cash and cash equivalents	1,122	3,784
Account receivables	17,232	2,115
Advance to suppliers	67,102	85,155
Accounts payable - suppliers	(68,924)	(15,894)
Advances from customers	-	(1,701)
Long-term debts	-	(658,713)
Derivative financial instruments (notional)	12,863	642,506
Foreign exchange exposure, net	29,395	57,252

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Sensitivity analysis of changes in exchange rates:

The probable scenario was defined based on US Dollar | Euro market rates on September 30, 2016. Stressed scenarios (positive and negative effects, pre-tax) were defined based on adverse impacts of 25% and 50% in the US Dollar | Euro exchange rate used in the probable scenario.

Based on financial instruments denominated in US Dollars | Euro as of September 30, 2016, the Company conducted a sensitivity analysis to increase and decrease in the exchange rate (R\$/US\$) | (R\$/€) of 25% and 50%. The probable scenario considers the Company's projections for exchange rates at maturity of operations to companies with Real as functional currency (positive and negative, pre-tax), as follows:

Exchange rate sensitivity analysis (R\$/US\$) (R\$/€)						
	September 30, 2016	Probable	25%	50%	-25%	-50%
US Dollars	3.2462	3.3325	4.1656	4.9987	2.4994	1.6662
Euro	3.6484	3.7563	4.6954	5.6345	2.8173	1.8782

Given the above scenario, the gains and losses would be affected as follows:

Instrument	Risk factor	Scenarios				
		Probable	25%	50%	-25%	-50%
Cash and cash equivalents	USD fluctuation	30	318	606	(258)	(546)
Accounts receivable	USD fluctuation	458	4,881	9,303	(3,964)	(8,387)
Advance to suppliers	USD EUR fluctuation	1,822	19,171	36,521	(15,538)	(32,877)
Accounts payable - suppliers	USD fluctuation	(1,832)	(19,521)	(37,210)	15,857	33,546
Derivative financial instruments (notional)	USD fluctuation	342	3,643	6,944	(2,959)	(6,261)
Impacts on profit or loss		820	8,492	16,164	(6,862)	(14,525)

II. Risk of interest rate

The Company and its subsidiaries monitor fluctuations in variable interest rates tied to some debts, mainly those linked to the risk of CDI/TJLP, and makes use of derivative instruments in order to minimize these risks.

Sensitivity analysis of changes in interest rates:

The sensitivity analysis on interest rates on loans and financing and compensation for CDI of financial investments increase and decrease of 25% and 50% is as follows:

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

Exposure interest rate⁽ⁱ⁾	September 30, 2016				
	Balance	25%	50%	-25%	-50%
Cash and cash equivalents, Marketable securities and Restricted cash	180,570	45,142	90,285	(45,142)	(90,285)
Long-term debt	(778,968)	(194,742)	(389,484)	194,742	389,484
Derivative financial instruments	(14,692)	(3,673)	(7,346)	3,673	7,346
Real estate credit certificates	(31,168)	(7,792)	(15,584)	7,792	15,584
Finance leases	(97,923)	(24,481)	(35,418)	24,481	35,418
Impacts on profit or loss		(185,546)	(357,547)	185,546	357,547

- (i) The rates of CDI and TJLP considered: 14.13% p.a. and 7.5% p.a., respectively, were obtained from information provided by the market.

The external source used for the sensitivity analysis is the BM&FBOVESPA.

Fair value of financial instruments

The fair value of financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, and not in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair value:

- The Cash and cash equivalents, accounts receivable, accounts payable and other short-term liabilities approximate their carrying amount largely due to the short-term maturity of these instruments.
- The fair value of shares is based on price quotations at the balance sheet date. The fair value of non-negotiable instruments, bank loans and other financial debts, obligations under finance leases as well as other non-current financial liabilities is estimated by means of future cash flows discounted using rates currently available for debt or deadlines and the like remaining.
- The fair value of other loans and financing, the respective market values substantially approximate the amounts recorded due to the fact that these financial instruments are subject to variable interest rates, see details in note 13.

The Company and its subsidiaries enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with observable market data refer mainly to interest rate swaps and foreign exchange forward contracts.

The fair value of derivative financial instruments is determined using valuation techniques and observable market data. The valuation techniques applied more often include pricing models and swaps contracts, with a present value calculation. The models consider various data, including counterparty credit quality, spot exchange rates and forward curves of interest rates.

Financial assets of R\$4,347 and liabilities of R\$18,541 are measured at fair value according to Level 2, with no measurement at Level 3. Further Company's financial instruments are measured at amortized cost which approximates fair values at the reporting date.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Hedge accounting of cash flow

The Company formally designates its subject to hedge accounting operations, which have the purpose of cash flow protection of capex purchases in US Dollars, mainly related to the acquisition of wagons and locomotives, documented: (i) the hedge ratio, (ii) the purpose and the Company's risk management strategy to adopt the hedge, (iii) identification of the financial instrument, (iv) the object or hedged transaction, (v) the nature of the risk being hedged, (vi) the description coverage ratio, (vii) the demonstration of correlation between the hedge and the hedged item, and (viii) the retrospective and prospective effectiveness of the hedge.

On September 30, 2016, the amounts booked in equity of the Company and the achievements of the estimated results are as follows:

<u>Derivative</u>	<u>Market</u>	<u>Risk</u>	<u>September 30, 2016</u>
NDF Contracts - Designed hedge - Cash Flows	Loan	Exchange rate	<u>(1,598)</u>
			(1,598)
(-) Deferred income taxes			<u>543</u>
Equity effects			<u>(1,055)</u>

Below shows the changes of balances in other comprehensive income for the period ended September 30, 2016:

	<u>September 30, 2016</u>
At the beginning of the year	<u>-</u>
Gain (losses) incurred on period:	-
Exchange rates losses on loan contract's designed by hedge accounting	<u>(1,598)</u>
	-
Total movement incurred on period	(1,598)
	-
Deferred income taxes effects on other equity	<u>543</u>
	<u>(1,055)</u>
At the end of the period	<u>(1,055)</u>

Capital management

The administration's policy is to maintain a strong capital base to keep the confidence of investors, creditors and the market and the future development of the business. Management monitors the return on adequate capital to each of its businesses, which the Company defines as result from operating activities divided by total shareholders' equity.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

28 Operating segment information

Management evaluates the performance of its operating segments based on EBITDA (earnings before income tax and social contribution, interest, depreciation and amortization).

Operational segments

- (i) North Operations: comprised of the railway operations, transshipment and port elevation in the areas of the Company's concession of ALL Malha Norte and ALL Malha Paulista.
- (ii) South Operations: comprised of the railway and transshipment in the concession area of ALL Malha Sul and ALL Malha Oeste.
- (iii) Container Operations: comprised by the group company that focuses on container logistics either by rail or road transport and other container operations results.

The segment information has been prepared in accordance with the same accounting policies used in preparing the consolidated information.

As the acquisition of ALL occurred on April 1, 2015, the result of information with new segments are presented only from this date, as for all prior periods, the Company had only one reportable segment, coinciding with the results consolidated, as shown below.

Rumo Logística Operadora Multimodal S.A.

Notes to the interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Period:	July 1, 2016 to September 30, 2016				Jan
	North Operations	South Operations	Container Operations	Consolidated	North Operations
Results by segment					
Net revenue	1,051,377	322,391	64,015	1,437,783	2,945,356
Cost of services	(574,353)	(290,950)	(73,707)	(939,010)	(1,610,227)
Gross profit	477,024	31,441	(9,692)	498,773	1,335,129
Gross margin (%)	45.4%	9.8%	-15.1%	34.7%	45.3%
Selling, general and administrative	(61,459)	(17,826)	(9,421)	(88,706)	(175,800)
Other income and equity	5,795	(3,112)	3,803	6,486	6,802
Depreciation and amortization	151,951	62,695	11,738	226,384	430,420
EBITDA	573,311	73,198	(3,572)	642,937	1,596,551
Margin EBITDA (%)	54.5%	22.7%	-5.6%	44.7%	54.2%
Period:	July 1, 2015 to September 30, 2015				Jan
	North Operations	South Operations	Container Operations	Consolidated	North Operations
Results by segment					
Net revenue	972,369	317,885	67,472	1,357,726	1,995,330
Cost of services	(558,499)	(272,570)	(90,346)	(921,415)	(1,130,044)
Gross profit	413,870	45,315	(22,874)	436,311	865,286
Gross margin (%)	42.6%	14.3%	-33.9%	32.1%	43.4%
Selling, general and administrative	(65,721)	(14,323)	(15,181)	(95,225)	(142,996)
Other income and equity	11,653	3,588	35	15,276	48,671
Depreciation and amortization	130,429	50,429	14,474	195,332	272,339
EBITDA	490,231	85,009	(23,546)	551,694	1,043,300
Margin EBITDA (%)	50.4%	26.7%	-34.9%	40.6%	52.3%

Main customers

North Operations

In the nine-month period ended September 30, 2016, 16.7% of net operating revenue of this segment was to Bunge Alimentos client and 10.4% was to the Cargill customer, and no other client exceeded 10%. In the nine-month period ended September 30, 2015, 16.8% of net operating revenue of this segment was for the Bunge Alimentos client, and no other client exceeded 10%.

South Operations

In the nine-month period ended September 30, 2016, 16.46% of net operating revenue of this segment was to Bunge Alimentos client, and no other client exceeded 10%. In the nine-month period ended September 30, 2015, 14.9% of net operating revenue of this segment was to Bunge Alimentos and 11.4% for Usina de Açúcar Santa Terezinha, and no other client exceeded 10%.

Container Operations

In the nine-month period ended September 30, 2016, 15% of net operating revenues of this segment were to JBS and 11% of COFCO. In the nine-month period ended September 30, 2015, 12.3% of net operating revenues of this segment were to JBS and 10.3% of ADM Brazil.

Rumo Logística Operadora Multimodal S.A.

Financial statements
December 31, 2015 and
report of the independent auditors thereon

Rumo Logística Operadora Multimodal S.A.

Financial statements

December 31, 2015

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To the Board of Directors and Shareholders
Rumo Logística Operadora Multimodal S.A.
Santos - SP

Report on the Individual and Consolidated Financial Statements

We have audited the accompanying individual and consolidated financial statements of Rumo Logística Operadora Multimodal S.A. ("the Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2015 and the related statements of income, of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information..

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and in accordance with 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 individual and consolidated financial statements, that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these individual and consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the individual and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the individual and consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as of December 31, 2015, and of its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

Other matters**Statements of value added**

We have also audited the Statements of value added (DVA), individual and consolidated, for the year ended December 31, 2015, prepared under management's responsibility, whose presentation is required by Brazilian corporate law for listed companies, and presented as supplementary information for IFRS that does not require the presentation of DVA. These statements were submitted to the same audit procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the individual and consolidated financial statements taken as a whole.

Corresponding figures

The individual and consolidated financial statements and the statements of value added of the Company as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on these statements on March 3, 2015.

Curitiba, February 25, 2016.

KPMG Auditores Independentes
CRC SP-014428/O-6 F-PR

João Alberto Dias Panceri
Accountant CRC PR-048555/O-2

Rumo Logística Operadora Multimodal S.A.

Statement of Financial Position (In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Assets					
Cash and cash equivalents	4	29,332	74,826	72,988	85,475
Marketable securities	5	-	-	508,268	-
Accounts receivable	6	41,181	40,663	144,535	42,685
Inventories	7	6,276	5,549	225,784	5,817
Related parties	9	29,914	12,612	33,572	12,692
Current income taxes		4,205	-	32,701	-
Other recoverable taxes	8	6,341	-	175,502	-
Other credits		6,632	11,561	114,989	11,479
Current		123,881	145,211	1,308,339	158,148
Accounts receivable	6	-	446,693	21,136	446,693
Restricted cash	5	-	-	200,893	-
Deferred income taxes	15	-	-	1,361,225	875
Related parties	9	480,761	-	-	-
Current income taxes		-	-	274,597	-
Other recoverable taxes	8	-	-	590,971	-
Judicial deposits	17	11,982	29,647	266,987	29,671
Derivative financial instruments	28	99,863	-	99,863	-
Other non-current assets		4,091	3,716	127,891	3,749
Equity method investments	10	3,997,197	76,118	44,241	-
Property and equipment	11	1,377,755	958,867	9,404,087	1,084,455
Intangible assets	12	776,280	822,717	7,862,420	860,253
Non-current		6,747,929	2,337,758	20,254,311	2,425,696
Total Assets		6,871,810	2,482,969	21,562,650	2,583,844

The notes are an integral part of these financial statements.

Rumo Logística Operadora Multimodal S.A.

Statement of Financial Position

(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Liabilities					
Current portion of long-term debt	13	185,067	125,893	1,444,063	127,425
Finance leases	18	-	-	539,615	-
Real estate credit certificates	20	-	-	88,089	-
Derivative financial instruments	28	-	-	521	-
Accounts payable - suppliers	16	50,395	140,489	419,147	141,289
Salaries payable		30,454	18,346	149,871	19,302
Current income tax		2	3,020	6,125	2,962
Other taxes payable	14	4,812	6,959	33,017	7,300
Dividends payable		-	27,200	8,270	28,003
Leases and concessions	19	-	-	20,205	-
Related parties	9	100,299	21,064	103,832	20,292
Deferred income		-	-	107,252	-
Other financial liabilities	28.b	-	-	236,698	-
Other current liabilities		48,479	25,430	324,067	26,529
Current		419,508	368,401	3,480,772	373,102
Long-term debt	13	2,703,183	636,895	7,141,113	657,284
Finance leases	18	-	-	1,202,086	-
Real estate credit certificates	20	-	-	196,917	-
Derivative financial instruments	28	-	-	1,259	-
Other taxes payable	14	-	-	26,097	-
Provision for judicial demands	17	18,349	13,198	490,584	13,378
Leases and concessions	19	-	-	2,204,039	-
Deferred income taxes	15	146,189	169,847	2,714,374	196,598
Deferred income		-	-	95,730	-
Other current liabilities		112	86	165,478	11,874
Non-current		2,867,833	820,026	14,237,677	879,134
Total liabilities		3,287,341	1,188,427	17,718,449	1,252,236
Equity	21				
Common stock		5,451,490	1,099,746	5,451,490	1,099,746
Capital reserve		(1,781,177)	(137,601)	(1,781,177)	(137,601)
Other equity		12,966	-	12,966	-
Profit reserve		-	332,397	-	332,397
Accumulated losses		(98,810)	-	(98,810)	-
Equity attributable to:					
Owners of the Company		3,584,469	1,294,542	3,584,469	1,294,542
Non-controlling interests		-	-	259,732	37,066
Total equity		3,584,469	1,294,542	3,844,201	1,331,608
Total liabilities and equity		6,871,810	2,482,969	21,562,650	2,583,844

The notes are an integral part of these financial

Rumo Logística Operadora Multimodal S.A.

Statement of profit or loss for the periods ended

(In thousands of Brazilian Reais – R\$, except earnings per share)

		Parent Company		Consolidated	
	Note	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Net revenue from services	24	903,930	905,449	4,037,923	915,441
Cost of services	25	(616,296)	(605,292)	(2,771,881)	(610,361)
Gross profit		287,634	300,157	1,266,042	305,080
Selling, general and administrative	25	(108,835)	(82,775)	(286,026)	(87,645)
Other, net	27	16,709	(11,390)	60,297	(10,746)
Operating expenses		(92,126)	(94,165)	(225,729)	(98,391)
Profit before financial results, profit on equity-accounted investees net of tax, and income taxes		195,508	205,992	1,040,313	206,689
Profit on equity-accounted investees, net of tax	10	(119,422)	158	11,164	-
		(119,422)	158	11,164	-
Profit before financial results and income taxes		76,086	206,150	1,051,477	206,689
Financial expenses		(241,985)	(65,606)	(1,260,933)	(66,114)
Financial income		8,539	30,835	145,691	31,131
Foreign exchange, net		(132,394)	1,299	(190,410)	1,312
Derivatives		107,590	-	120,634	-
Net financial result	26	(258,250)	(33,472)	(1,185,018)	(33,671)
Profit (loss) before income taxes		(182,164)	172,678	(133,541)	173,018
Income (expense) tax and social contribution	15				
Current		99	(35,585)	(20,482)	(35,585)
Deferred		23,658	(22,566)	(11,315)	(22,754)
		23,757	(58,151)	(31,797)	(58,339)
Profit (loss) for the period		(158,407)	114,527	(165,338)	114,679
Profit (loss) attributable to:					
Owners of the Company	22	(158,407)	114,527	(158,407)	114,527
Non-controlling interests		-	-	(6,931)	152
Basic and diluted (loss) earnings per share:	22			(R\$0.63)	R\$1.12

The notes are an integral part of these financial statements.

Rumo Logística Operadora Multimodal S.A.

Statement of comprehensive income for the periods ended

(In thousands of Brazilian Reais – R\$, except earnings per share)

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Profit (loss) for the period	(158,407)	114,527	(165,338)	114,679
Other comprehensive income - items that are or may be subsequently reclassified to profit or loss				
Foreign currency translation differences	12,966	-	14,489	-
	12,966	-	14,489	-
Other comprehensive income net of income tax and social contribution	12,966	-	14,489	-
Total comprehensive income (loss)	(145,441)	114,527	(150,849)	114,679
Comprehensive income attributable to:				
Owners of the Company	(145,441)	114,527	(145,441)	114,527
Non-controlling interest	-	-	(5,408)	152

The notes are an integral part of these financial statements.

Rumo Logística Operadora Multimodal S.A.

Statement of changes in equity

(In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Company						Non-controlling interests
	Common stock	Capital reserve	Legal	Retained earnings	Profit for the period	Total	
Balance at January 1, 2014	1,099,746	(137,601)	24,486	372,250	-	1,358,881	37,011
Profit for the period	-	-	-	-	114,527	114,527	15,127
Total comprehensive income for the period	-	-	-	-	114,527	114,527	15,127
Dividends write-off	-	-	-	98,334	-	98,334	-
Dividends	-	-	-	(250,000)	(27,200)	(277,200)	(99,000)
Legal reserve	-	-	5,726	-	(5,726)	-	-
Retained earnings reserve	-	-	-	81,601	(81,601)	-	-
Total transactions with owners of the Company	-	-	5,726	(70,065)	(114,527)	(178,866)	(99,000)
Balance at December 31, 2014	1,099,746	(137,601)	30,212	302,185	-	1,294,542	37,066

The notes are an integral part of these financial statements.

Rumo Logística Operadora Multimodal S.A.

Statement of changes in equity

(In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Company					
	Common stock	Capital reserve	Other equity	Profit reserve		Loss per share
				Legal	Retained earnings	
Balance at January 1, 2015	1,099,746	(137,601)	-	30,212	302,185	-
Loss for the period	-	-	-	-	-	(1,000)
Foreign currency translation differences	-	-	12,966	-	-	-
Total comprehensive income for the period	-	-	12,966	-	-	(1,000)
Capital increase (ALL acquisition)	4,351,744	(1,644,210)	-	-	-	-
Stock option plan	-	634	-	-	-	-
Absorption of accumulated losses with reserves	-	-	-	(30,212)	(29,385)	-
Dividends	-	-	-	-	(272,800)	-
Total transactions with owners of the Company	4,351,744	(1,643,576)	-	(30,212)	(302,185)	-
Balance at December 31, 2015	5,451,490	(1,781,177)	12,966	-	-	-

The notes are an integral part of these financial statements.

Rumo Logística Operadora Multimodal S.A.

Statement of cash flows for the periods ended

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Cash flows from operating activities				
Profit (loss) before income taxes and social contribution	(182,164)	172,678	(133,541)	173,018
Adjustments to:				
Depreciation and amortization	118,736	93,181	616,528	97,244
Share of profit in equity-accounted investees, net of tax	119,422	(158)	(11,164)	-
Loss on disposal of property and equipment and intangible	526	412	3,536	415
Provision for losses on judicial demands	5,798	1,802	16,401	1,855
Provision (reversal) for losses on doubtful accounts	52	(702)	(3,733)	(703)
Stock option plan	634	-	634	-
Lease and concessions	-	-	124,376	-
Other	20,481	(4,425)	54,275	(4,092)
Interest, indexation charges and exchange variations, net	247,837	40,603	1,190,669	41,211
	331,322	303,391	1,857,981	308,948
Changes in:				
Accounts receivable	(67,377)	(228,004)	(11,414)	(228,758)
Advances from customers	5,724	5,053	70,261	4,135
Judicial deposits	18,407	(22,469)	(13,866)	(22,493)
Net, related parties	(44,327)	18,197	153,159	18,099
Other recoverable taxes	(10,212)	2,949	(28,198)	2,881
Taxes payable	(5,275)	(49,257)	(49,932)	(49,633)
Inventories	(727)	(554)	(125,555)	(580)
Salaries payable	(8,373)	(3,213)	(17,759)	(3,339)
Accounts payable	48,420	58,679	(219,713)	58,007
Advances to suppliers	583	(286)	(20,783)	(253)
Lease and concessions payable	-	-	(68,212)	-
Judicial demands	(3,216)	(1,036)	43,731	(1,018)
Other financial liabilities	-	-	63,152	-
Other asset and liabilities, net	15,441	(12,399)	(129,496)	(12,855)
	(50,932)	(232,340)	(354,625)	(235,807)
Net cash from operating activities	280,390	71,051	1,503,356	73,141
Cash flow from investing activities				
Net cash acquired in business acquisition	-	-	169,703	-
Capital increase in subsidiary	(1,320,111)	-	-	-
Marketable securities	-	-	208,775	-
Restricted cash	-	-	22,753	-
Dividends received	-	-	4,000	-
Purchase of property, plant and equipment and intangible assets	(486,275)	(262,876)	(1,405,478)	(273,583)
Net cash used in investing activities	(1,806,386)	(262,876)	(1,000,247)	(273,583)
Cash flow from financing activities				
Proceeds from debt	2,060,949	167,182	3,085,971	187,166
Repayments of principal	(125,780)	(106,649)	(2,418,909)	(107,731)
Payments of interest	(162,394)	(40,825)	(786,052)	(41,271)
Advance of real estate credits	-	-	(99,381)	-
Derivative financial instruments	7,727	-	4,275	-
Dividends paid	(300,000)	(250,000)	(301,500)	(250,000)
Net cash from (used in) financing activities	1,480,502	(230,292)	(515,596)	(211,836)
Decrease in cash and cash equivalents	(45,494)	(422,117)	(12,487)	(412,278)
Cash and cash equivalents at beginning of year	74,826	496,943	85,475	497,753
Cash and cash equivalents at end of year	29,332	74,826	72,988	85,475
Supplemental disclosure of cash flow information:				
Income taxes paid	2,241	34,789	2,244	35,077

The notes are an integral part of these financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of value added for the period ended

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Revenue				
Sale of services	968,881	988,629	4,382,881	1,000,065
Other operating revenue	29,411	12,286	66,685	12,287
Allowance for doubtful accounts	(52)	702	3,733	703
	<u>998,240</u>	<u>1,001,617</u>	<u>4,453,299</u>	<u>1,013,055</u>
Raw materials acquired from third parties				
Cost of services rendered	(350,040)	(374,262)	(1,206,019)	(365,891)
Materials, energy, third party services, other	(137,036)	(120,255)	(465,350)	(125,185)
	<u>(487,076)</u>	<u>(494,517)</u>	<u>(1,671,369)</u>	<u>(491,076)</u>
Gross value added	<u>511,164</u>	<u>507,100</u>	<u>2,781,930</u>	<u>521,979</u>
Retention				
Depreciation and amortization	(118,736)	(93,181)	(616,528)	(97,244)
	<u>(118,736)</u>	<u>(93,181)</u>	<u>(616,528)</u>	<u>(97,244)</u>
Net value added	<u>392,428</u>	<u>413,919</u>	<u>2,165,402</u>	<u>424,735</u>
Value added transferred in				
Share of profit on equity-accounted investees	(119,422)	158	11,164	-
Financial income	8,539	30,835	145,691	31,131
	<u>(110,883)</u>	<u>30,993</u>	<u>156,855</u>	<u>31,131</u>
Value added to be distributed	<u>281,545</u>	<u>444,912</u>	<u>2,322,257</u>	<u>455,866</u>
Distribution of value added				
Personnel	<u>98,199</u>	<u>78,812</u>	<u>477,961</u>	<u>84,471</u>
Direct remuneration	75,884	58,913	412,384	62,948
Benefits	17,812	16,132	42,957	17,416
FGTS	4,503	3,767	22,620	4,107
Taxes and contributions	<u>56,538</u>	<u>171,841</u>	<u>367,825</u>	<u>174,802</u>
Federal	40,349	127,282	300,934	129,500
State	7,438	20,017	52,823	20,018
City	8,751	24,542	14,068	25,284
Third party capital remuneration	<u>285,215</u>	<u>79,732</u>	<u>1,641,809</u>	<u>81,914</u>
Interest	266,789	64,307	1,320,386	64,802
Leasing	18,426	15,425	321,423	17,112
Equity capital remuneration	<u>(158,407)</u>	<u>114,527</u>	<u>(165,338)</u>	<u>114,679</u>
Non-controlling interests	-	-	(6,931)	152
Dividends	-	27,200	-	27,200
Retained earnings (losses)	<u>(158,407)</u>	<u>87,327</u>	<u>(158,407)</u>	<u>87,327</u>
	<u>281,545</u>	<u>444,912</u>	<u>2,322,257</u>	<u>455,866</u>

The notes are an integral part of these financial statements.

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

1 Operations

Rumo Logística Operadora Multimodal S.A. ("The Company" or "Rumo"), is a publicly traded company with its shares traded on the São Paulo stock exchange ("BM&FBOVESPA") under the ticker RUMO3, and has its headquarters in the city of Santos, State of São Paulo, Brazil. The Company is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística") which owns 26.26% of its capital, whose parent company is Cosan Ltd. ("CZZ"). On April 1, 2015 the Company acquired control of ALL - América Latina Logística S.A. ("ALL").

The Company is a service provider in the logistics sector (transport and elevation), principally for export commodities, providing an integrated transport solution, handling, storage and shipment from the production centers to the main southern and southeast ports, and also holds interests in other companies, ventures and consortia related to infrastructure.

The Company also operates in the rail transportation segment in Southern Brazil through its subsidiary ALL - América Latina Logística Malha Sul S.A. ("ALL Malha Sul"), and the Midwest region and State of São Paulo through subsidiaries ALL - América Latina Logística Malha Paulista S.A. ("ALL Malha Paulista"), ALL - América Latina Logística Malha Norte S.A. ("ALL Malha Norte") and ALL - América Latina Logística Malha Oeste S.A. ("ALL Malha Oeste"). In addition, the subsidiary Brado Logística e Participações S.A. ("Brado") operates in the container segment.

Additionally, the Company has terminals for transshipment and terminals for export of sugar and grains at the Port of Santos.

In preparing the individual and consolidated financial statements, management has made an assessment of the entity's ability to continue operating in the foreseeable future. As of December 31, 2015, the Company had a negative consolidated working capital of R\$2,172,433 and a consolidated loss for the year of R\$165,338. Conversely, it generated consolidated operating cash flows of R\$1,503,356 and made investments in modernizing its rolling stock and improving the railway network of R\$1,405,478, in line with its business plan.

Despite the positive and growing operating results in line with estimates and management's business plan, the distress of the Brazilian economy and current political tension have influenced the timing for the Company to access the capital markets or renegotiate current debt. Amounts of up to R\$2,000,000 under the existing debt, leases and real estate credit certificates become due in 2016 and, although part of them are subject to current negotiation with the respective lenders, no agreement to modify the repayment terms has been finalized as of the date of approval of these financial statements.

The current forecast of operating, investing, and financing cash flows in 2016, together with the controlling shareholder commitment to provide up to R\$750,000 in cash either as debt or equity financing to the Company, mitigates any significant uncertainty over the Company's ability to continue operating in the foreseeable future.

Management continues to pursue alternatives to enable the Company to present an enhanced capital structure in order to fully meet its long-term business plan. These alternatives consider, among others, a potential capital increase and an amended schedule of debt maturities with financial institutions.

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

a) **ALL acquisition**

On May 8, 2014, the shareholders approved at the Extraordinary General Meeting the acquisition of ALL's shares by the Company, pending the approval of the Merger of Shares by the Conselho Administrativo de Defesa Econômica ("CADE") by Agência Nacional de Transportes Terrestres ("ANTT") as well as from any other public administration bodies from which prior authorizations are necessary and verification (or waiver by the applicable part) of any other conditions precedent set forth in the proposal sent by the Company to ALL on February 24, 2014, to the effectiveness of the acquisition.

On February 11, 2015, in response to the provisions of article 2 of CVM Instruction 358/2002, the Company announced the unanimous approval by CADE, pursuant to art. 61 of Law No. 12.529/2011, of the merger of ALL shares issued by the Company upon the conclusion of an Agreement in concentration control ("ACC").

As required by ACC, the new company started to adopt certain processes aimed to eliminate the competition concerns identified in the report of the General Superintendence of CADE.

These obligations remain in force for a period of seven (7) years (from the publication of its approval in the Diário Oficial da União) and are meant primarily to ensure isonomic attendance by the users of railway services charges, primarily through strengthening the governance rules, the adoption of transparent mechanisms in pricing parameters, service attendance control and limitation of the use of rail transport by related parties.

On March 19, 2015 Agência Nacional de Transportes Aquaviários ("ANTAQ") approved the change of control, which was the last condition precedent to the effectiveness of the merger.

On March 23, 2015 ALL's Board of Directors approved the merger, and from April 1, 2015, the Company's shares, already reflecting the effects of the Share Exchange, began trading on the BM&FBOVESPA. As a result of this process the ALL's shares (Bovespa: ALLL3) ceased to be traded on the BM&FBOVESPA on March 31, 2015. As a result, on April 1, 2015, ALL became a wholly-owned subsidiary of the Company.

The accounting effects of the acquisition of ALL are presented in note 3. The financial position and consolidated results of operations for the periods subsequent to the acquisition are not necessarily comparable with information presented for prior periods.

b) **The concession of railway operation and port terminal**

The Company holds, through subsidiaries or affiliates, concessions of railway services and port terminals, whose scope and concession terms are as follows:

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Companies	Concession end	Coverage areas
Subsidiaries		
Terminais Portuários Rumo	March 2036	Port of Santos-SP
ALL Malha Oeste	June 2026	Midwest and São Paulo State
ALL Malha Norte	May 2079	Midwest and São Paulo State
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2025	Port of Santos-SP
TGG - Terminal de Granéis do Guarujá	August 2027	Port of Santos-SP
Termag - Terminal Marítimo do Guarujá	August 2027	Port of Santos-SP

The subsidiaries and associates above are subject to compliance with certain conditions set out in the privatization bids and the concession contracts of railway networks and port terminals. To the extent that there is no substantive control to whom the service should be provided and as there is no substantive pricing control, IFRIC 12/ICPC 01 is not applicable to the Company and therefore the assets acquired by it are treated under IAS 16/CPC 27 - Property and Equipment.

The concession agreements of these subsidiaries and associates shall be terminated by: expiration of the contractual term; expropriation; forfeiture; termination; annulment and bankruptcy; or termination of the concessionaire.

In the event of termination of any of the concessions, the main effects would be as follows:

- Return to the government all the rights and privileges transferred to the subsidiaries, together with leased assets and those resulting from investments that are considered reversible by the Federal Government as being necessary to the continuous provision of the granted service.
- The reversible assets would be indemnified by the Federal Government at the residual cost, calculated based on the accounting records of the subsidiaries, considering depreciation; such costs would be subject to technical and financial analysis by the Federal Government. Any and all improvements made to the permanent track superstructure would not be considered as investments for indemnification purposes.

c) Liquidity rights exercised at Brado

On June 3, 2015 the Company, through its direct subsidiary ALL, informed that Brado's non-controlling shareholders exercised their liquidity right provided in the shareholders' agreement, which enables the exit of Brado's original shareholders via a share exchange. As a result, the Company and Brado's original shareholders prepared appraisal reports, based on the economic value of the companies, to establish an exchange ratio, which has not yet been concluded.

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

2 Basis of preparation and significant accounting policies

2.1 Statement of compliance

The individual and consolidated financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the corporate law, the rules of the Brazilian Securities and Exchange Commission (CVM) and the pronouncements issued by the Accounting Pronouncements Committee (CPC), which are in line with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All relevant information from financial statements is being evidenced, and these correspond to those used by the Board in its management.

On February 25, 2016, the Board of Directors authorized the issuance of the financial statements.

2.2 Functional and presentation currency

The financial statements are presented in Brazilian Reais (R\$), which is also the Company's and its Brazilian subsidiaries functional currency, since it is the currency of the primary economic environment in which they operate, generate and consume cash. For foreign subsidiaries whose functional currency differs from the R\$, its assets and liabilities were translated into Brazilian Reais at the exchange rate at the reporting date and the results were translated at the average monthly rate. The effects of translation are recognized in other comprehensive income and in equity.

2.3 Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about critical judgments and uncertainties regarding the accounting policies adopted which impact the amounts recognized in the consolidated financial statements are included in the following notes:

- **Note 11 and 12 – Property and Equipment and Intangible Assets**

The calculation of depreciation and amortization of property and equipment and intangible assets includes estimates of useful lives. Moreover, the determination of fair value at the date of acquisition of property and equipment and intangible assets acquired in business combinations is a significant estimate.

The Company performs an annual review of indicators of impairment of intangible assets and property and equipment. Furthermore, an impairment test is performed annually for intangible assets with indefinite lives and goodwill. Impairment exists when the carrying amount of an asset or cash-generating unit

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

exceeds its recoverable amount, which is the higher of fair value less costs to sell and its value in use.

- **Note 18 - Operating lease**

The Company entered into leases of locomotives and rail cars. The lease classified as operating or finance is determined based on an evaluation of the terms and conditions of contracts. The Company has identified leases in which they assume substantially all the significant risks and rewards of ownership of such property, registering these leases as finance leases.

- **Note 15 – Deferred income tax and social contribution**

Deferred tax assets are recognized for unused tax loss carry forwards and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be used. Significant judgment by management is required to determine the value of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

- **Note 28 - Fair value of derivatives and other financial instruments**

When the fair value of financial assets and liabilities presented in the balance sheet cannot be obtained in active markets, it is determined using valuation techniques, including a discounted cash flow model. The data for these methods are based on market conditions, when possible; however, when this is not feasible, a certain level of judgment is required to determine the fair value. The judgment includes considerations of the data used, such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

- **Note 17 - Provision for judicial demands**

Provisions for judicial demands are recognized when: the Company has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The assessment of probability of loss includes assessing the available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of outside counsel. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statutes of limitation, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

Fair value measurement

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

A number of the Company's accounting policies and disclosures require the measurement of fair value for financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable data and valuation adjustments. If third-party information such as quotes from brokers or pricing services is used to measure fair value, management reviews the evidence obtained to support the conclusion that such assessments meet the accounting requirements, including the hierarchy level of fair value in such assessments should be classified.

In measuring the fair value of an asset or a liability, the Company uses observable market data whenever possible. The fair values are classified into different levels in a hierarchy based on the information (inputs) used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.4 Measurement basis

The financial statements have been prepared on the historical cost basis except for the following material items recognized in the balance sheets:

- (a) derivative financial instruments measured at fair value;
- (b) financial instruments measured at fair value through profit or loss;

2.5 Presentation of Information by segment

Operating segment information is presented consistently with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments is the Executive Board, also responsible for making the strategic decisions of the Company and its subsidiaries.

With the acquisition of ALL, management initiated an internal restructuring that led to the creation of two vice presidents, the first focused on South operations (comprised of railway and transshipment in the concession area of ALL Malha Sul and ALL Malha Oeste) and the second focused on the North operations (composed by railway operations, transshipment and port elevation in the areas of the Company's concession of ALL Malha Norte and ALL Malha Paulista). A third segment includes Brado, the Company's indirect subsidiary, focused on container operations and the container operations of other group companies. Therefore, the Company now discloses three segments: (i) Northern Operations, (ii) South Operations, and (iii) Container Operations.

2.6 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below:

Directly and indirectly controlled

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	December 31, 2015	December 31, 2014
Subsidiaries		
Direct		
Logisport Armazéns Gerais S.A.	51.00%	51.00%
Rumo Um S.A.	-	100.00%
Rumo Dois S.A.	-	100.00%
ALL – América Latina Logística S.A.	100.00%	-
Indirect		
ALL Intermodal S.A.	100.00%	-
ALL Malha Oeste S.A.	100.00%	-
ALL Malha Paulista S.A.	100.00%	-
ALL Malha Sul S.A.	100.00%	-
ALL Malha Norte S.A.	99.24%	-
ALL Participações S.A.	100.00%	-
ALL Armazéns Gerais Ltda.	100.00%	-
Portofer Ltda.	100.00%	-
Boswells S.A.	100.00%	-
Brado Holding S.A.	100.00%	-
Brado Logística e Participações S.A.	62.22%	-
Brado Logística S.A.	62.22%	-
ALL Serviços Ltda.	99.99%	-
ALL Equipamentos Ltda.	99.99%	-
ALL Argentina S.A.	90.96%	-
ALL Mesopotâmica S.A.	70.56%	-
ALL Central S.A.	73.55%	-
Paranaguá S.A.	99.83%	-
ALL Rail Management Ltda.	50.01%	-
PGT S.A.	100.00%	-

a) Business combination

Business combinations are recorded using the acquisition method. The transferred consideration is generally measured at fair value, as well as the identifiable net assets acquired and liabilities assumed. Any resulting goodwill is tested annually for impairment. Transaction costs are charged to income as incurred, except for costs related to the issuance of debt instruments or equity.

The consideration transferred does not include amounts related to pre-existing relationships payments. These amounts are generally recorded in the income statement.

b) Non-controlling interest

For each business combination, the Company chooses to measure any non-controlling interest in the acquiree, based on:

- fair value; or
- the proportionate share of the identifiable net assets acquired.

Changes in the Company's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

c) Subsidiaries

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. It is deconsolidated from the date that the Company ceases to have control.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

In the individual financial statements of the Parent Company, subsidiaries are accounted for using the equity method.

d) Investment in associates (equity of investees)

Associates are those entities in which the Company has significant influence but not control or joint control over their financial and operating policies. Significant influence supposedly occurs when the Company, directly or indirectly, holds between 20% and 50% of the voting power of the entity.

The following associates are accounted for under the equity method:

	<u>Directly and indirectly controlled</u>	
	December 31, 2015	December 31, 2014
Associates (Equity)		
Rhall Terminais Ltda.	30.00%	-
Termag S.A. (i)	19.85%	-
TGG S.A. (i)	9.92%	-
Terminal XXXIX S.A.	49.62%	-

- (i) For these associates a conclusion about the existence of significant influence arises from the Company's representative to participate in the affiliate's board.

Investments in associates are accounted for using the equity method and are initially recorded at cost. The investment costs include the costs of transaction.

The financial statements include revenue and expenses and equity of related variations in the proportion of the Company's share, after making adjustments to align their accounting policies with those of the Company.

e) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from unrealized intercompany transactions, are eliminated in preparing the financial statements.

Unrealized gains arising from transactions with investees recorded by the equity method are eliminated against the investment in proportion to the Company's interest in the investee. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of loss by impairment.

2.7 Foreign currency transactions

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Transactions in foreign currencies are translated to the functional currency of each subsidiary using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

2.8 Financial instruments

a) Non derivative financial assets

The Company recognizes loans and receivables on the date that they are originated. All other financial assets are initially recorded on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, or loans and receivables.

- **Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair values in accordance with a documented risk management and the Company's investment strategy. Transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value of these assets, which take into account any gains from dividends, are recognized in the income statement.

Financial assets classified as held for trading include repurchase of debentures actively managed by the Company's treasury department to ensure short-term liquidity required.

- **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any loss due to impairment.

Loans and receivables comprise cash and cash equivalents, accounts receivable, related party receivables and restricted cash.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and redeemable financial investments with a short maturity of three months or less from the date of acquisition. Cash equivalents must be readily convertible to a known amount of cash and be subject to an insignificant risk of change in value, and are used in short-term obligations of the management.

- **Derecognition (write-off)**

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A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset expire;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the cash flows received without significant delay to a third party under an agreement of "transfer"; and (a) the Company has transferred substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company's continuing involvement with the asset.

In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured based on the rights and obligations that the Company maintained.

b) Non-derivative financial liabilities

The Company recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value recorded in income) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are withdrawn, canceled or expired.

The Company generally classifies non-derivative financial liabilities in the category of other financial liabilities. Such financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities include loans, financing and debentures, leasing, real estate receivables certificate, suppliers, payable to related parties, dividends payable and installment debt - REFIS.

A financial liability is derecognized when the obligation is discharged, canceled or expires.

When an existing financial liability is replaced by another of the same amount with substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in corresponding carrying amounts is recognized in the income statement.

c) Derivative financial instruments

The Company has financial hedge derivative instruments to hedge its exposures to foreign

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currency variation and interest rate.

Derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit or loss when incurred. As the Company does not use hedge accounting, after initial recognition, derivatives are measured at fair value and changes in fair value are recognized immediately in profit or loss.

d) Financial liabilities designated at fair value through profit or loss

The Company has entered into bilateral loans denominated in US dollars through Resolution 4131/62 denominated in US\$ equivalent to R\$ 532,044. The currency exposure in US\$ of these transactions was protected with swap transactions resulting in index trading mitigating the risk of foreign currency fluctuations. The fair value of the contracted derivative fluctuations are recorded in profit or loss.

The Company has designated these loan agreements as liabilities measured at fair value through profit or loss in order to eliminate or at least significantly reduce the measurement inconsistency that would otherwise arise from measuring and recognition of gains and losses on loans and derivatives on different bases. As a result, the fair value fluctuations of the contracted loans are also accounted for in profit or loss.

2.9 Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on a weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, adjusted based on obsolescence and losses since the stock of the Company is for own consumption in the form of fuel or spare parts. Provisions for slow-moving or obsolete inventories are recorded when considered necessary by management.

2.10 Property and equipment

a) Recognition and measurement

Asset items are measured at historical cost of acquisition or construction, less accumulated depreciation and reduced impairment losses accumulated.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets constructed by the company includes:

- the cost of materials and direct labor;
- any other costs to bring the asset to the location and condition necessary for them to be able to operate as intended;
- an estimate of decommissioning costs and removal of equipment and restoring the site on which they are located, when the Company is required to remove the asset or restore the site; and
- borrowing costs on qualifying assets.

When parts of an item of assets have different useful lives, they are accounted for as separate items (major components) of property.

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Gains and losses on disposal of an asset (calculated as the difference between the proceeds from disposal and the carrying amount of the asset) are recognized in other operating income / expenses in profit or loss.

b) Subsequent expenditure

Subsequent expenditure is capitalized to the extent that it is probable that future benefits associated with the expenditure will flow to the Company. Upkeep and recurrent repairs are charged to profit or loss as incurred.

c) Depreciation

Property and equipment are depreciated from the moment they become available for use or, in the case of built assets, from the date the asset is completed and ready for use.

Depreciation is calculated to write off the cost of fixed assets less their estimated residual values using the straight-line method over their estimated useful lives. Depreciation is usually recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation is calculated using the straight-line method based on the average useful life of each asset, following useful lives (in years) shown below:

Building and improvements	10 - 25
Machinery, equipment and installations	4 - 10
Other	5 - 10
Freight cars	
Improvements	1 - 27
Own	30 - 35
Locomotives	
Improvements	1 - 23
Own	25 - 30
Track structure	
Improvements	2 - 23
Own	2 - 97
Furniture and fixture	4 - 10
Computer equipment	4 - 10

Costs of normal periodic maintenance are charged to expense as incurred since the components will not improve the productive capacity or introduce improvements to equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any adjustments are recognized as changes in accounting estimates, if appropriate.

2.11 Intangibles and goodwill

a) Concession rights

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Concession rights generated in the business combination of ALL was fully allocated to the ALL Malha Norte concession and amortized on a straight-line basis.

b) Goodwill

Goodwill is measured at cost, net of losses due to accumulated impairment. Goodwill in investees recorded by the equity method in the parent company is included in the carrying value of the investment.

c) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and losses due to accumulated impairment.

d) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recorded in profit or loss as incurred.

e) Amortization

Except for goodwill, amortization is recognized on the straight-line method based on estimated useful lives of intangible assets, from the date on which these are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.12 Impairment

- **Financial assets not measured at fair value through profit or loss**

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. An asset is considered impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows that can be estimated in a reliable manner.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. When a subsequent event indicates a reversal of the impairment, the decrease in impairment loss is reversed and recorded in profit or loss.

- **Non-financial assets**

The carrying amounts of non-financial assets of the Company, other than inventories and

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deferred income tax and social contribution, are reviewed at each reporting date to determine whether there is indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful life, the recoverable amount is estimated each year. A loss for impairment is recognized if the carrying amount of the asset or cash generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of value in use and fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value based on a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates continuous use cash inflows that are largely independent of cash flows of other assets or groups of assets. For purposes of testing the recoverable amount of goodwill, the amount of goodwill in a business combination is allocated to the CGU or group of CGUs to which the benefit from the synergies of the combination is expected.

Losses from impairment are recognized in profit or loss. recognized losses relating to cash generating units are initially allocated to reduce any goodwill allocated to this CGU (or group of CGUs), and subsequently the reduction in other assets of this CGU (or group of CGU).

A loss for impairment related to goodwill is not reversed. For other assets, impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

2.13 Provisions

A provision is recognized, due to a past event, if the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that economic benefits will be required to settle the obligation. Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects current assessments of the market about the value of money over time and risks specific to the liability. The financial costs incurred are recorded in profit or loss.

2.14 Employee benefits

- **Short-term benefits to employees**

Short-term employee benefits obligations are measured on an undiscounted basis are recorded as the related service is provided. A liability is recognized for the amount expected to be paid in bonuses in short-term money plans or profit sharing if the group has a present legal or constructive obligation to pay this amount for past service provided by the employee and the obligation can be estimated reliably.

- **Share-based payment arrangements**

The fair value of benefit payments based on shares on the grant date is recognized as personnel expenses, with a corresponding increase in equity, over the service period. The

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amount recognized as an expense is adjusted to reflect the number of shares for which there is an expectation that the service conditions will be met, such that the amount ultimately recognized as an expense is based on the number of shares that actually meet the service on the vesting date.

- **Defined contribution plans**

A defined contribution plan is a plan for post-employment benefit plan under which an entity pays fixed contributions into a separate entity (pension fund) and has no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution pension plans are recognized as expenses in profit or loss for the years during which services are rendered by employees. The expense for defined contribution plans amounted to R\$ 1,306 for the year ended December 31, 2015 (R\$949 in 2014).

2.15 Revenue

- a) **Revenue from services**

Revenues from services are recognized when a service has been provided and it is probable that economic benefits associated with the transaction will flow to the Company, and when its value and related costs incurred can be measured reliably. Services prices are set based on service contracts or orders. The Company's revenue consists primarily of rail freight services, road freight, transport containers, storage and transshipment and port lifting, which is why the above criteria are usually met by the time the logistics service, is provided.

- b) **Deferred revenue**

The Company has deferred revenue consists of advances received from clients seeking investment in property and equipment in return for a rail service contract requiring future performance of services by the Company.

2.16 Leases

The characterization of a contract as a lease is based on substantive aspects related to the use of an asset or specific assets, or even the right to use a particular asset on the date of the start of its implementation.

- a) **Leased assets**

Assets held by the Company under leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of fair value and the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leased assets are depreciated over their useful life. However, when there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over its estimated useful life or the lease term, whichever is shorter.

Assets held under other leases are classified as operating leases and are not recognized in

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the balance sheet of the Company.

b) Lease payments

Payments made under operating leases are recognized on a straight-line basis over the lease term. The Lease incentives received are recognized linearly as an integral part of the total lease expense, over the lease term.

Minimum lease payments made under finance leases are recognized in profit or loss between interest expense and reduction of the outstanding liability. Financial expenses are allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

The amounts paid in advance by the Company are recorded as assets and allocated in income linearly during the term of the contract. The expenses incurred in the exercise of grace are recorded in income and maintained as payables, being written off in proportion to the payment of current installments.

2.17 Financial income and expenses

For all financial instruments measured at amortized cost and financial assets that earn interest, income or expense is recorded using the effective interest rate that exactly discounts estimated future payments or cash receipts over the estimated life of the instrument financial or in a shorter period of time, where applicable, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Financial expenses include interest on loans, discounting to present value of provisions and changes in fair value of financial assets measured at fair value through profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign exchange gains and losses on financial assets and liabilities are reported on a net basis or as financial income or expense, depending on the movements in foreign currency is in a position of net loss or net gain.

2.18 Taxes and contributions

Income tax includes income tax and social contribution at the rate of 34% with tax expenses include current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it comes to a business combination, or items recognized directly in equity or in other comprehensive income.

In addition, for certain subsidiaries income tax and social contribution are calculated by applying the percentage of 32% profit presumption on earned revenues focusing rate of 15% plus a surcharge of 10% on revenues taxable surplus of R\$240 for income tax and 9% on taxable income earned for social contribution.

a) Current income tax and social contribution

Current tax is the tax payable or receivable on the taxable income or loss for the year, current tax rates on the reporting date, and any adjustment to tax payable in respect of

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previous years.

b) Deferred income tax and social contribution

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on initial recognition of an asset or liability in a transaction other than a business combination and that affects neither the accounting profit nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of reversal of temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates expected to apply to temporary differences in its reversal, using the enacted tax rates at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets, are taxes related to the same taxable entity.

A deferred tax asset is recognized for tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realized.

c) Indirect taxes

Net revenue is recognized net of discounts and service taxes.

d) Fiscal risks

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and the tax and additional interest may be due. This review is based on estimates and assumptions and may involve a series of judgments about future events. New information may become available which could cause the Company to change its decision on the adequacy of existing tax liabilities; such changes will impact tax expense in the period in which such determination is made.

2.19 Government subsidies and assistance

Government grants and assistance are recognized when there is reasonable assurance that the

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grant will be received and that all the relevant conditions are met. The subsidiary ALL Malha Norte has a fiscal incentive whose benefit includes a reduction of 75% on income tax based on operating profit beginning in 2008 until 2024.

2.20 Statement of value added

The Company prepared statements of value added (DVA) in accordance with CPC 09 - Statement of Added Value, which are presented as an integral part of these financial statements in accordance with accounting practices adopted in Brazil applicable to public companies, while for IFRS they represent supplementary financial information.

2.21 Cash Flow – non cash transactions

The Company presents its statement of cash flows using the indirect method.

During the year ended December 31, 2015, the Company made the following transactions not involving cash and therefore is not reflected in the consolidated statement of cash flows:

- Acquisition of net assets of ALL in the amount of R\$2,567,669 through the issuance of equity instruments, except for the cash acquired in the transaction of R\$169,703 (Note 3).
- Gain on settlement of pre-existing relationship in business combinations in the amount of R\$29,838 (Note 3).
- Non-controlling interest arising from business combinations in the amount of R\$231,681 (Note 3).
- Rental of locomotives, wagons and other assets through operation accounted characterized as capital leases in the amount of R\$250,954.

2.22 New standards and interpretations not yet adopted

The following new standards and interpretations to existing standards were issued by the IASB but are not effective for the year 2015. Early adoption of standards, although encouraged by IASB, is not permitted in Brazil by the Brazilian Accounting Pronouncements Committee (“CPC”), which has not yet issued its version of these standards.

- IFRS 9 - Financial Instruments, published in July 2014, replacing the existing guidance in IAS 39 - Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new model of expected credit loss for the calculation of the impairment of financial assets, and new requirements for hedge accounting. The standard retains the existing guidance on the recognition and derecognition of financial instruments IAS 39.

IFRS 9 is effective for the fiscal year starting on January 1, 2018, with earlier application permitted.

- IFRS 15 - Customer Contract Revenue requires the recognition of revenue reflecting the expected consideration receivable in exchange for control of these goods and services. It shall enter into force on January 1, 2018 and supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations. IFRS 15 is effective for the year beginning on January 1, 2018.

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- IFRS 16 - Leases was issued on January 13, 2016. It is expected a significant impact on the financial statements of the Company for all leases in which the Company leases should be recognized in the statement of financial position. It is effective on January 1, 2019 and supersedes IAS 17 - Leases.

Management is still evaluating the impact of these standards.

There are no other IFRS or IFRIC interpretations that are not yet effective and that are expected to have a significant impact on the Company.

3 Business combination

As described in Note 1, on April 1, 2015, after the necessary approvals of the competent bodies, the Company acquired 100% of the common shares of ALL and through the shareholders' agreement, obtained its control and consolidates its results.

The acquisition took place by an exchange of shares, with the issuance by the Company of 1,963,670,770 registered common shares with no par value, representing 65.67% of its equity in exchange for 100% of the share capital of ALL, represented by 681,995,165 common shares.

As a result of the acquisition, the Company consolidates its participation strategy in the logistics and infrastructure business in Brazil, by adding approximately 12,000 km of existing rail tracks in ALL concessions.

a) Consideration transferred

As a basis for measuring the fair value of the consideration transferred, the share price of ALL ("ALLL3") on the BM&FBOVESPA at the close of business on March 31, 2015 was used, at the price of R\$3.97 per share. Additionally, the value was adjusted for the settlement of pre-existing relationship, as follows:

Acquired common shares (681,995,165) at R\$3.97	2,707,534
Pre-existing relationship settlement	29,838
Total consideration transferred	<u>2,737,372</u>

Settlement of pre-existing relationship

In March 2009, the Company and ALL signed an operating agreement (pre-existing relationship) for the supply of sugar and other grains transportation logistics from the western state of Sao Paulo to the Port of Santos, in which the Company has port concessions for elevation services.

According to the terms of the existing agreement, the Company invested in the construction and improvement of permanent tracks under concession of ALL and acquired rolling stock for use in the transport of products in ALL's rail network, in order to increase ALL's rail freight transport capacity. In exchange for the Company's investments, the agreement stipulated that ALL would provide a certain capacity of rail transport services, as well as compensate the Company through the payment of a contractually fixed fee per ton of product transported by ALL using the rail network and / or by the use of the rolling stock provided by the Company to ALL.

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This preexisting relationship was settled when the Company acquired ALL. The Company recognized a gain of R\$29,838 as a result of this settlement and this amount was recognized in the income statement as "other operating income".

The fair value measurement of the pre-existing relationship was based on the difference between the value of the investment made by the Company and the discounted cash flow return on this investment, considering the contractually agreed volume and rate.

b) Identifiable assets acquired and liabilities assumed

The fair value of assets acquired assets and liabilities assumed are as follows:

Fair value of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	169,703
Marketable securities	940,689
Accounts receivable	382,576
Inventories	79,115
Other assets	1,525,389
Property and plant	7,206,290
Intangible assets	7,584,648
Loans and financing	(3,782,919)
Debentures	(2,856,304)
Finance lease	(1,857,947)
Real estate credit certificates	(340,255)
Suppliers payable	(915,213)
Lease and concession	(1,974,280)
Provision for judicial demands	(458,575)
Other liabilities	(1,588,808)
Deferred income and social contribution taxes	(1,145,056)
Non-controlling interest	(231,681)
Total net identifiable assets	<u>2,737,372</u>

Measurement of fair values

In measuring fair values management used valuation techniques considering market prices for similar items, replacement costs, discounted cash flow, among others.

Since this is a preliminary measure of fair value, if new information obtained within one year from the date of purchase, on facts and circumstances that existed at the acquisition date, indicate adjustments to the amounts mentioned above, or any additional liability that existed at the acquisition date, the purchase price will be revised. Management expects that only provisions could still have some kind of impact in relation to this preliminary assessment.

The Company has elected to measure the non-controlling interest on Brado - indirect subsidiary controlled by ALL – based on the proportionate interest in the recognized amount of fair value of identifiable net assets of Brado.

Accounts receivables fair value of R\$382,576 is net of an allowance of R\$52,453.

The acquisition-related costs were recorded in "other operating expenses" in the income statement in the amount of R\$5,681.

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The consolidated income statement includes, from the acquisition date - April 1, 2015, net revenues of R\$3,327,246 and a loss of R\$119,130, generated by ALL and its subsidiaries.

If ALL had been consolidated from January 1, 2015, the consolidated income statement for the year ended December 31, 2015 present a net revenue of R\$4,802,450 and a loss of R\$457,899.

4 Cash and cash equivalent

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Reais				
Cash and bank accounts	7,319	5,857	12,221	6,097
Financial investments	22,013	68,969	60,767	79,378
	29,332	74,826	72,988	85,475

The financial investments were as below:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Exclusive funds				
Repurchase transactions	3,246	54,674	3,246	63,298
Bank deposit certificates - CDB	18,767	11,314	26,379	13,099
Investment funds	-	-	1,172	-
	22,013	65,988	30,797	76,397
Bank investments				
Bank deposit certificates - CDB	-	-	25,728	-
Repurchase transactions	-	2,981	4,242	2,981
	-	2,981	29,970	2,981
	22,013	68,969	60,767	79,378

5 Marketable securities

	Consolidated	
	December 31, 2015	December 31, 2014
CDB investments linked to BNDES loans	234,764	-

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Government bonds	273,504	-
	508,268	-

The restricted cash presented in non-current assets are represented by financial investments that are linked to loans from BNDES and Caixa Econômica Federal (R\$77,262) as well as escrow to support bank guarantees (R\$123,631).

6 Accounts receivable

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Domestic – Brazilian Reais	34,656	504,715	169,095	506,792
Export – Foreign currency	7,692	4,706	13,290	4,708
Allowance for doubtful accounts	(1,167)	(22,065)	(16,714)	(22,122)
	41,181	487,356	165,671	489,378
Current	41,181	40,663	144,535	42,685
Non-current	-	446,693	21,136	446,693

The reduction in the consolidated balance refers mainly to the elimination of accounts receivable of ALL due to its consolidation with the acquisition of control on April 1, 2015. Regarding the Parent Company, balances receivable from ALL were reclassified to related parties.

The analysis of the maturity of accounts receivable are as follows:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Not overdue	5,242	20,633	99,496	22,655
Overdue:				
From 1 to 30 days	21,625	48,838	39,616	48,838
From 31 to 60 days	8,876	25,555	11,557	25,555
From 61 to 90 days	2,961	31,732	6,134	31,732
More than 90 days	2,477	360,598	8,868	360,598
	41,181	487,356	165,671	489,378

Changes in the estimated allowance for doubtful accounts are as follows:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
At the beginning of the year	(22,065)	(22,779)	(22,122)	(22,840)
Provision	(52)	(646)	(27,565)	(646)
Reversal of provision	-	1,348	31,298	1,349

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Losses	20,950	12	1,675	15
At the end of the year	(1,167)	(22,065)	(16,714)	(22,122)

The Company's provision policy includes the provision of overdue receivables more than 90 days, except when there is objective evidence or charges on balances.

7 Inventories

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Parts and accessories	5,552	5,009	203,579	5,266
Fuels and lubricants	129	129	10,000	133
Other	595	411	12,205	418
	6,276	5,549	225,784	5,817

8 Other recoverable taxes

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Contribution to social security financing ("COFINS")	5,032	-	218,120	-
Social Integration program ("PIS")	1,309	-	67,670	-
Tax on circulation of goods, transport services and communication ("ICMS") (i)	-	-	310,769	-
ICMS - CIAP (ii)	-	-	164,500	-
Other	-	-	5,414	-
	6,341	-	766,473	-
Current	-	-	590,971	-
Non-Current	6,341	-	766,473	-

(i) ICMS credit on the acquisition of inputs and diesel used in transport services.

(ii) ICMS credit arising from acquisition of fixed assets.

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9 Related parties

a) Summary of the main balance and transactions with related parties:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Current Asset				
Commercial operations				
Cosan S.A. Indústria e Comércio	1,480	1,486	1,558	1,564
Raízen Energia S.A.	28,083	9,921	29,508	9,947
Other	351	228	2,506	204
	<u>29,914</u>	<u>11,635</u>	<u>33,572</u>	<u>11,715</u>
Corporate operation / agreements				
Rezende Barbosa S.A. Adm. e Participações	-	977	-	977
	<u>-</u>	<u>977</u>	<u>-</u>	<u>977</u>
	<u>29,914</u>	<u>12,612</u>	<u>33,572</u>	<u>12,692</u>
Non-current assets				
Commercial operations				
ALL - América Latina Logística S.A. (i)	480,718	-	-	-
Brado Logística S.A	43	-	-	-
	<u>480,761</u>	<u>-</u>	<u>-</u>	<u>-</u>

(i) The balance receivable on December 31, 2015 from ALL refers mainly to leases signed prior to the acquisition in 2014 and classified as accounts receivable (Note 6).

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Current liabilities				
Commercial operations				
ALL - América Latina Logística S.A. (ii)	72,954	-	-	-
Raízen Energia S.A.	16,162	16,441	21,258	16,542
Cosan S.A. Indústria e Comércio	8,794	3,342	8,812	3,342
Cosan Lubrificantes e Especialidades	368	363	3,910	363
Raízen Combustíveis S.A. (iii)	-	45	69,852	45
Other	2,021	873	-	-
Total	<u>100,299</u>	<u>21,064</u>	<u>103,832</u>	<u>20,292</u>

(ii) The balance payable on December 31, 2015 to ALL refers to rail transport services provided prior to the acquisition of ALL by the Company.

(iii) The balance payable on December 31, 2015 to Raízen Combustíveis refers to purchase of fuel according to the agreement signed between the parties.

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Summary of transactions with related parties:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Services				
Raízen Energia S.A. and subsidiaries (i)	322,462	281,462	334,166	285,212
Raízen Combustíveis S.A. (ii)	-	-	83,569	-
ALL - América Latina Logística S.A. (iii)	190,687	-	-	-
Other	-	2,796	-	2,796
	513,149	284,258	417,735	288,008
Purchases				
Raízen Combustíveis S.A. (iv)	(12)	(741)	(445,004)	(741)
Logisport Armazéns Gerais S.A.	(9,167)	(13,611)	-	-
ALL - América Latina Logística S.A. (v)	(67,068)	-	-	-
Raízen Energia S.A.	(165)	-	(165)	-
Brado Logística S.A.	(14,682)	-	-	-
Cosan Lubrificantes e Especialidades (vi)	(203)	-	(31,096)	-
	(91,297)	(14,352)	(476,265)	(741)
Shared expenses (vii)				
Cosan S.A. Indústria e Comércio	(10,221)	(9,454)	(10,221)	(9,454)
Raízen Energia S.A.	(4,807)	(5,033)	(9,050)	(5,453)
	(15,028)	(14,487)	(19,271)	(14,907)
Financial result				
Rezende Barbosa S.A. Adm. e Participações	10	421	10	421
Raízen Energia S.A. and subsidiaries	(3)	15	(3)	15
	7	436	7	436

(i) The services provided for the year ended December 31, 2015 with Raízen Energia and its subsidiaries refers mainly to transport, storage and port elevation services.

(ii) The services provided for the year ended December 31, 2015 with Raízen Combustíveis and its subsidiaries refer mainly to fuel transportation services.

(iii) It refers mainly to the fee of the service delivery agreement entered into prior to the acquisition of ALL.

(iv) Purchases for the year ended December 31, 2015 with Raízen Combustíveis and its subsidiaries relate to the purchase of fuel.

(v) The purchases from ALL refer to transportation services as previous contract for the acquisition of ALL by the Company.

(vi) Purchases for the year ended December 31, 2015 with Cosan Lubrificantes refer to the purchase of lubricants.

(vii) It refers to apportionment corporate and shared services center of Cosan.

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

c) Officers and directors remuneration

Fixed and variable remuneration of key personnel, including directors and board members, are recognized in the consolidated results for the year, as follows:

	December 31, 2015	December 31, 2014
Regular remuneration	9,532	3,081
Stock option recognized (Note 23)	634	-
Bonus and other variable remuneration	3,399	2,308
	13,565	5,389

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

10 Equity method investments

a) Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	Balance at December 31, 2014	Equity pick-up	Business Combination	Comprehensive income	Dividends
<u>Subsidiaries</u>								
Logisport Armazéns Gerais S.A.	2,040,816	1,040,816	51%	76,108	(139)	-	-	-
Rumo Um S.A.	5,000	5,000	-	5	-	-	-	-
Rumo Dois S.A.	5,000	5,000	-	5	-	-	-	-
América Latina Logística S.A.	681,998,165	681,998,165	100%	-	(119,283)	2,707,534	12,966	-
Total				76,118	(119,422)	2,707,534	12,966	

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	Balance at December 31, 2013	Equity pick- up	Dividends	Balance at December 31, 2014
<u>Subsidiaries</u>							
Logisport Armazéns Gerais S.A.	2,040,816	1,040,816	51%	76,122	158	(172)	76,108
Rumo Um S.A.	5,000	5,000	100%	5	-	-	5
Rumo Dois S.A.	5,000	5,000	100%	5	-	-	5
Total				76,132	158	(172)	76,118

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Consolidated

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at December 31, 2014	Equity pick-up	Business Combination	Dividends
Rhall Terminais	28,580	8,574	30.00%	-	352	3,492	
Termag S.A.	500,000	99,246	19.85%	-	250	6,175	
TGG S.A.	79,747,000	7,914,609	9.92%	-	3,427	16,275	
Terminal XXXIX	200,000	99,246	49.62%	-	7,135	12,188	(4,000)
Total				-	11,164	38,130	(4,000)

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Information of the associates:

	December 31, 2015			
	Rhall Terminais Ltda.	Terminal XXXIX	Termag S.A.	TGG S.A.
Current				
Assets	7,482	11,049	26,533	66,152
Liabilities	652	6,719	17,668	41,299
Net current assets	6,830	4,330	8,865	24,853
Non-current				
Assets	6,747	33,450	151,287	189,875
Liabilities	762	6,665	134,459	17,717
Net non-current assets	5,985	26,785	16,828	172,158
Equity	12,815	31,115	25,693	197,011
Net revenue from services	5,428	56,863	51,265	145,469
Gross profit	5,428	19,010	51,265	145,469
Selling, general and administrative	(3,904)	(10,581)	(38,574)	(87,574)
Other and equity income of associates	-	-	64	671
Financial result	377	-	(10,711)	(6,571)
Income before income tax and social contribution	1,901	8,429	2,044	51,995
Profit	1,175	8,429	1,249	34,267

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

c) Non-controlling interests

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at December 31, 2014	Equity pick- up	Comprehensive income	Dividends
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49.00%	37,066	(134)	-	-
América Latina Logística S.A (subsidiaries)	-	-	-	-	(6,797)	1,523	-
Total				37,066	(6,931)	1,523	

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at December 31, 2013	Equity pick- up	Dividends	Balance at December 31, 2013
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49.00%	37,013	152	(99)	-
Total				37,013	152	(99)	

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

11 Property and equipment

	Consolidated					
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i) / (ii)	Construction in progress	Track structure (i)	Other
Cost:						
At December 31, 2014	343,727	374,067	519,993	99,135	-	5,0
Additions	23,896	8,942	246,652	1,357,399	665	18,2
Business combination ALL	252,671	82,664	2,900,978	993,476	2,562,561	413,9
Disposals	-	(1,961)	(3,338)	-	(7,584)	(28,76
Transfers	7,048	36,557	570,753	(1,684,724)	1,012,955	4,4
At December 31, 2015	627,342	500,269	4,235,038	765,286	3,568,597	412,9
Depreciation:						
At December 31, 2014	(68,207)	(131,081)	(55,688)	-	-	(2,53
Additions	(22,370)	(59,339)	(149,211)	-	(227,466)	(39,91
Disposals	-	1,270	781	-	280	8
Transfers	3,926	13,029	(44,568)	-	17,878	56,9
At December 31, 2015	(86,651)	(176,121)	(248,686)	-	(209,308)	15,4
At December 31, 2014	275,520	242,986	464,305	99,135	-	2,5
At December 31, 2015	540,691	324,148	3,986,352	765,286	3,359,289	428,3
(i)	leased estate improvements included;					
(ii)	finance leases included.					

December 31, 2015, bank loans were secured by railcars and locomotives in the amount of R\$605,821 (R\$464,305 December 31, 2014). Commitments to purchase (railcars and locomotives) in the amount of R\$871,878.

Capitalization of borrowing costs

During the year ended December 31, 2015, borrowing costs capitalized amounted to R\$3,726 (on December 31, 2014 were R\$5,779).

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

12 Intangible assets

	Consolidated					Parent Company
	Goodwill (i)	Concession Rights (iii)	Right of way and operating license	Other	Total	Total
Cost:						
At December 31, 2014	100,451	-	870,755	3,741	974,947	937,404
Additions	-	-	-	658	658	376
ALL acquisition	-	7,504,935	-	79,713	7,584,648	-
Disposals (ii)	-	-	(470,970)	-	(470,970)	-
Transfers	-	-	(435)	33,224	32,789	(288)
At December 31, 2015	100,451	7,504,935	399,350	117,336	8,122,072	937,492
Amortization						
At December 31, 2014	-	-	(113,433)	(1,261)	(114,694)	(114,687)
Additions	-	(90,072)	(45,571)	(9,315)	(144,958)	(46,525)
At December 31, 2015	-	(90,072)	(159,004)	(10,576)	(259,652)	(161,212)
At December 31, 2014	100,451	-	757,322	2,480	860,253	822,717
At December 31, 2015	100,451	7,414,863	240,346	106,760	7,862,420	776,280

(i) Goodwill arising from business combination, of which R\$62,922 of previously direct subsidiary Teaçu Armazéns Gerais S.A., of direct subsidiary Logispot presented only in consolidated.

(ii) Refers to the elimination of intangible assets related to the investment in the network of ALL since it was acquired by the Company.

(iii) The expense is recognized in the income statement in cost of services, depreciation and amortization in the group, as described in the notes.

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Intangible (other than goodwill)	Annual rate of amortization - %	December 31, 2015	December 31, 2014
Software (a)	20%	13,900	2,480
Operating license and customer base (b)	3.70%	238,710	250,825
Right of way on public concessions (c)	5.93%	-	506,497
Concession rights (d)	1.56%	7,414,863	-
Other		94,496	-
Total		7,761,969	759,802

a) Refers mainly to the business management system – ERP of the Company.

b) Port operation license and relationships with the Company's customers, from the Teaçu business combination.

c) Refers to the improvements made to the railways under concession and operated by ALL until March 31, 2015, when ALL was acquired by the Company.

d) Refers to the concession right acquired, allocated to Malha Norte concession upon the business combination of ALL, which will be amortized in line with the term of this concession in 2079.

Impairment analysis

The Company annually tests the recoverable amounts of goodwill arising from business combinations operations. Property and equipment and intangible assets with definite lives are subject to depreciation and amortization is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

During the year ended December 31, 2015 identified external indicators of impairment, such as increasing the basic interest rate and reduction in the market value of the Company's shares that led to conducting impairment testing. They did not identify any internal factors that could lead to a test since the Company (i) has reached the operating results of its business plan, (ii) did not change in the use of assets (ii) did not show obsolescence or physical damage to its assets and also (iii) showed no performance decline in assets. The Company's cash generating units coincide with its segments (i) Northern Operations, (ii) South Operations, and (iii) Container Operations.

The recoverable amount was determined using the discounted cash flow determined by management based on estimates that take into account assumptions related to each CGU, using available market information, budget assumptions and past performance. Management understands uses periods longer than 5 years in the preparation of the discounted cash flows in order to reflect the use of the assets during the entire concession period. In that context, two scenarios have been considered: (i) cash flows for the current concession period and (ii) cash flows considering the concessions renewal as contractually provided for. Management has initiated discussions with the granting authority for the renewal of Malha Paulista and Malha Sul, and considers the renewals to be highly probable. This assumption has been considered in the probability allocation for each scenario. If this assumption changes in the future as a consequence of a higher non-renewal probability, the carrying amount of the CGU South Operations may exceed its recoverable amount in the coming years.

The main assumptions used were (i) expectations of the Brazilian market of production of sugar, soybean meal and corn, destined mainly to the export volume, (ii) expectations related to rail freight rates, (iii) the ability to availability transport and port, and (iv) macro-economic conditions.

All these future cash flows were discounted at rates between 8-10% post tax (weighted average cost of capital) that reflect specific risks related to the relevant assets in its cash-generating unit. A change of 0.5 percentage point in the discount rate has an impact of about 7% on the estimated segments. The dollar has no significant impact on the projections and therefore the fluctuation of the exchange would have no significant effect on the estimated segments.

The result of the impairment test for each CGU is shown below:

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	<u>Book value (a)</u>	<u>Recoverable amount</u>
North operations	14,884,189	19,691,061
South operations	1,944,938	2,138,587
Container operations	437,380	504,089

(a) Includes property and equipment and intangible assets.

On December 31, 2015 no expense for impairment of assets and goodwill was recognized. The determination of the recoverability of assets depends on certain key assumptions as described above which are influenced by market conditions, technological, prevailing at the time economic conditions in which that recovery is tested and thus cannot determine if further losses due to recovery will occur in the future, and if so, whether these could be material.

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

13 Loans and borrowings

Description	Financial charges		Parent Company		Consolidated	
	Index ⁽ⁱ⁾	Average interest rate	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Loans and borrowings						
Commercial banks	Pre-fixed	20.98%	-	-	3,898	-
	CDI + 3.50% p.a.	18.13%	-	-	205,781	-
	CDI + 4.91% p.a.	19.74%	-	-	195,632	-
Finame (BNDES)	Pre-fixed	4.63%	601,955	305,218	1,016,060	307,005
	URTJLP	10.85%	-	457,570	217	457,570
Finem (BNDES)	Pre-fixed	4.00%	-	-	4,684	3,420
	URTJLP	8.75%	413,328	-	2,851,793	13,231
	IPCA	19.25%	-	-	4,152	3,483
	Selic	15.75%	-	-	5,595	-
FRN	Dollar (US\$) (ii)	15.54%	216,134	-	216,134	-
Loan 4131	Dollar (US\$) (ii)	17.95%	225,226	-	315,910	-
NCE	Dollar (US\$) (ii)	16.47%	-	-	126,669	-
	112% of CDI	15.97%	-	-	406,805	-
	109% of CDI	15.51%	-	-	304,644	-
			1,456,643	762,788	5,657,974	784,709
Debentures						
Convertible debentures	URTJLP	8.58%	-	-	2,592	-
Non-convertible debentures	108% of CDI	15.35%	-	-	526,285	-
	Pre-fixed (ii)	15.53%	-	-	161,175	-
	% Net revenue	-	-	-	30,315	-
	CDI + 1.30 p.a.	15.62%	-	-	-	-
	CDI + 2.05% p.a.	16.48%	1,431,607	-	1,431,607	-
			1,431,607	-	2,927,202	-
Total			2,888,250	762,788	8,585,176	784,709
Current			185,067	125,893	1,444,063	127,425
Non-current			2,703,183	636,895	7,141,113	657,284

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

- (i) TJLP refers to the long-term interest rate, defined as the basic cost of financing from the BNDES (Banco Nacional de Desenvolvimento Econômico e Social). SELIC refers to the overnight rate from Sistema Especial de Liquidação e Custódia. It is the weighted average rate for the volume of financing operations for a day, backed by federal government securities in the form of repurchase agreements. The CDI or Over DI Rate (CDI Over) is obtained by calculating the weighted average of all transactions made at Cetip rates between different financial institutions. IPCA is the Price Index Broad Consumer and aims to measure inflation of a set of goods and services.
- (ii) There are swap agreements for such debt and annual interest average rates include the effects of these instruments (see Note 28).

All loans and borrowings are secured by guarantees of the Company and its subsidiaries, in the same amounts and condition of the debt funded. For financing of locomotives and freight cars, the financed assets are pledged as collateral.

Some financing agreements with the BNDES are also guaranteed, according to each contract, by a bank guarantee, with the average cost of 1.96% p.a. or by collateral (assets) and an escrow account. On December 31, 2015 the balance of bank guarantees contracted was R\$3,006,201.

To calculate the average rates, average annual CDI of 14.14% and TJLP 7.0% were used.

Non-current loans have the following maturities:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
13 to 24 months	610,281	136,234	2,392,568	140,050
25 to 36 months	1,569,912	136,234	2,447,577	139,336
37 to 48 months	166,229	136,224	688,328	139,326
49 to 60 months	115,728	125,531	663,209	128,633
61 to 72 months	88,600	60,520	344,371	63,622
73 to 84 months	57,789	35,505	168,713	38,607
85 to 96 months	51,774	6,647	115,589	7,247
Thereafter	42,870	-	320,758	463
	2,703,183	636,895	7,141,113	657,284

The carrying amounts of loans and financing of the Company are denominated in these currencies:

	Consolidated	
	December 31, 2015	December 31, 2014
Brazilian Real	7,926,463	784,709
US Dollar	658,713	-
	-	-
Total	8,585,176	784,709

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Unused credit lines

At December 31, 2015, the Company and its subsidiaries had lines of credit for financing from BNDES, which were unused, totaling of R\$1,163,486.

Financial covenants

The Company and its subsidiaries are subject to certain financial covenants in most loans and financing agreements, based on certain financial and non-financial ratios. Financial ratios are: (i) consolidated net debt / EBITDA; (ii) EBITDA / consolidated financial results (considers only interest on debentures, loans / financing and derivative activities); (iii) equity / net assets, being item (iii) applicable only to BNDES. Except for BNDES, whose measurement is required annually, a quarterly measurement is required on the reporting date, using the consolidated financial statements.

With the acquisition of ALL the Company initiated a process of discussion with the banks by setting new standards for the covenants. Except for BNDES, whose new net debt indicators / EBITDA and ICD are yet to be set, all other creditors have agreed to a ratio of up to 5.5x net debt / EBITDA. If the negotiations with BNDES require a lower leverage ratio, such ratio will be extended to all other creditors with equivalent covenants conditions. On December 31, 2015, quarterly financial covenants were met within the new established standards.

Debentures have covenants in similar conditions to those described and also had their covenant net debt /EBITDA ratio adjusted to 5.5x.

At December 31, 2015, the Company and its subsidiaries have no indications of non-compliance with the covenants that have been renegotiated.

As BNDES has not set what will be the new metrics for the covenants, the Company obtained a waiver of this institution as the declaration of early maturity.

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

14 Other taxes payable

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Tax on circulation of goods, transport services and communication ("ICMS")	399	1,025	2,254	1,025
National social security institute ("INSS")	1,800	1,508	6,701	1,687
Social integration program ("PIS")	-	375	201	390
Contribution to social security financing ("COFINS")	-	1,846	2,040	1,919
Tax amnesty and refinancing program ("Refis") (i)	902	902	25,252	902
Social Contribution, COFINS and PIS withholding	410	68	2,411	70
Financial transaction tax	67	67	6,567	67
Other	1,234	1,169	13,688	1,240
	4,812	6,959	59,114	7,300
Current	4,812	6,959	33,017	7,300
Non-current	-	-	26,097	-

(i) Includes share of R\$24,350 from the ALL Business Combinations.

The maturing amounts in non-current liabilities have the following scheduled maturities:

	Consolidated	
	December 31, 2015	December 31, 2014
13 to 24 months	5,639	-
25 to 36 months	5,417	-
37 to 48 months	4,660	-
49 to 60 months	845	-
61 to 72 months	293	-
73 to 84 months	293	-
85 to 96 months	293	-
Thereafter	8,657	-
	26,097	-

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

15 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Profit (loss) before income taxes	(182,164)	172,678	(133,541)	173,018
Income tax and social contribution expense at nominal rate (34%)	61,936	(58,711)	45,404	(58,826)
<i>Adjustments to determine the effective rate</i>				
Equity pick-up	(40,603)	54	4,097	-
Losses of investee tax free	-	-	(301)	-
Permanent differences (donations, gifts, etc.)	(77)	(247)	(1,645)	(266)
Unrecognized NOLs and temporary differences (i)	-	-	(97,339)	-
Exploration profit - tax incentive	-	-	20,219	-
Other	2,501	753	(2,232)	753
Income (expense) tax and social contribution	23,757	(58,151)	(31,797)	(58,339)
Effective rate - %	13,04%	33,68%	-23,81%	33,72%

- (i) Refers mainly to tax losses and temporary differences of Malha Sul and Malha Oeste that under current conditions do not have predictability of generating taxable income to justify the accounting of assets referred to income tax and social contribution.

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Deferred corporate income tax (IRPJ) and social contribution (CSLL) assets and liabilities

	Parent Company				December 31, 2015
	Basis	IRPJ	CSLL	Total	
Tax losses:					
Tax losses carry forwards - income tax	25,390	6,348	-	6,348	
Tax losses of social contribution	61,506	-	5,536	5,536	
Temporary differences:					
Exchange variation - Cash basis	133,198	33,300	11,988	45,288	
Derivatives	(99,863)	(24,966)	(8,988)	(33,954)	
Accelerated depreciation	(223,962)	(55,990)	-	(55,990)	
Tax goodwill amortized	(26,214)	(6,654)	(2,395)	(9,049)	
Review of useful life	(139,987)	(34,997)	(12,599)	(47,596)	
Business combination - Fixed assets	215	54	19	73	
Business combination - Intangible assets	(238,710)	(59,678)	(21,484)	(81,162)	
Provision for judicial demands	18,349	4,587	1,651	6,238	
Provision for profit sharing	20,506	5,126	1,846	6,972	
Allowance for doubtful accounts	1,167	292	105	397	
Other	31,503	7,876	2,834	10,710	
Total deferred tax liabilities	(436,902)	(124,702)	(21,487)	(146,189)	

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Consolidated				December 2015
	Basis	IRPJ	CSLL	Total	
Tax losses:					
Tax losses carry forwards - income tax	5,146,230	1,286,558	-	1,286,558	
Tax losses of social contribution	5,184,235	-	466,581	466,581	
Temporary differences:					
Exchange variation - Cash basis	135,326	33,831	12,179	46,010	
Derivatives	(99,863)	(24,966)	(8,988)	(33,954)	
Accelerated depreciation	(283,350)	(70,837)	(5,345)	(76,182)	
Tax goodwill amortized	82,097	20,524	7,389	27,913	
Review of useful life	(139,987)	(34,996)	(12,599)	(47,595)	
Business combination - Fixed assets	725,755	181,439	65,318	246,757	
Business combination - Intangible assets	(7,662,438)	(1,915,610)	(689,619)	(2,605,229)	
Impairment provision	1,030,367	257,592	92,733	350,325	
Provision for judicial demands	560,449	140,112	50,440	190,552	
Provision for non-performing tax	52,358	13,089	4,712	17,801	
Provision for profit sharing	75,108	18,777	6,760	25,537	
Allowance for doubtful accounts	49,956	12,489	4,496	16,985	
(-) Unrecognized credits	(7,054,097)	(1,122,506)	(404,133)	(1,526,639)	
Other	768,916	192,227	69,204	261,431	
Total net liability	(1,428,938)	(1,012,278)	(340,872)	(1,353,149)	
Deferred income tax – Assets				1,361,225	
Deferred income tax – Liabilities				(2,714,374)	
Total net deferred taxes				(1,353,149)	

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c) Tax realization on deferred income and social contribution

In assessing the recoverability of deferred taxes, management considers the projections of future taxable income and the changes in temporary differences. When it is more likely that some or all of the tax will not be realized it consists of a provision for non-realization. There is no expiration date for use of the balances of tax losses and negative bases, but the use of these accumulated losses from previous years is limited to 30% of annual taxable income.

On December 31, 2015, the Company has the following expected realization of deferred taxes on tax losses, negative base of social contribution and temporary differences:

	Consolidated
	December 31,
	2015
No later than 1 year	180,251
Later than 1 year and no later than 5 years	487,159
Later than 5 years	693,815
Total	1,361,225

d) Changes in deferred taxes (net)

	Parent Company	Consolidated
At December 31, 2014	(169,847)	(195,723)
Income statement	23,658	(11,315)
Business combination ALL	-	(1,145,056)
Other	-	(1,055)
At December 31, 2015	(146,189)	(1,353,149)

16 Accounts payable - suppliers

The balance of the Company and its subsidiaries' account payable consists of:

	Parent company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Material and services	50,395	140,489	276,821	141,289
Fuels and lubricants	-	-	3,535	-
Other	-	-	139,822	-
Total	50,395	140,489	420,178	141,289
Current	50,395	140,489	419,147	141,289
Non-current (i)	-	-	1,031	-

(i) Presented in the balance sheet under "other accounts payables" in non-current liabilities.

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Notes to the financial statements

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17 Provision for judicial demands

	Provision for judicial demands			
	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Taxes	3,075	1,765	65,142	1,825
Civil, regulatory and environmental	-	12	122,604	12
Labor	15,274	11,421	302,838	11,541
	18,349	13,198	490,584	13,378

	Judicial deposits			
	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Tax	5,334	5,123	23,304	5,123
Civil, regulatory and environmental	535	20,321	161,715	20,321
Labor	6,113	4,203	81,968	4,227
	11,982	29,647	266,987	29,671

Changes in the provision were:

	Parent Company			
	Taxes	Civil, regulatory and environmental	Labor	Total
At the beginning of the year	1,765	12	11,421	13,198
Additions	1,209	-	2,915	4,124
Settlement / Write-offs	(518)	(7)	(1,017)	(1,542)
Monetary adjustment	619	(5)	1,955	2,569
At the end of the year	3,075	-	15,274	18,349

	Consolidated			
	Taxes	Civil, regulatory and environmental	Labor	Total
At the beginning of the year	1,825	12	11,541	13,378
Additions	11,574	9,100	13,427	34,101
Settlement / Write-offs	(24,772)	(4,054)	(19,578)	(48,404)
Business combination ALL	72,449	105,496	280,630	458,575
Monetary adjustment	4,066	12,050	16,818	32,934
At the end of the year	65,142	122,604	302,838	490,584

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a) Tax

Judicial claims deemed as probable losses:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
ICMS - Credit on materials (i)	-	-	50,169	-
Compensation of PIS and COFINS	1,084	1,036	2,781	1,037
Other	1,991	729	12,192	788
	3,075	1,765	65,142	1,825

- (i) The accrued amounts refer to essentially the disallowance of ICMS credits on the acquisition of production inputs. In the opinion of the tax authorities, such inputs would be classified as consumable materials, not entitled to VAT credits.

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Financial operations abroad (i)	-	-	911,942	-
Gain of capital ALL S.A. (ii)	-	-	446,535	-
Isolated fine federal tax (xii)	258,391	-	258,391	-
ICMS - Export (vi)	-	-	134,732	-
MP 470 installment debts (iii)	-	-	113,814	-
PIS/COFINS Mutual Traffic (iv)	-	-	92,680	-
Intermodal (v)	-	-	76,914	-
PIS and COFINS	-	-	2,925	-
Withholding income tax ("IRRF") Swap (vii)	-	-	63,034	-
Stock option plan (viii)	-	-	57,554	-
PIS/COFINS Malha Sul (ix)	-	-	50,265	-
Social Security Contributions (xi)	-	-	40,855	-
ICMS Armazéns Gerais (x)	-	-	53,713	-
IOF on loan (xiii)	-	-	49,844	-
IRPJ and CSLL (xiv)	18,435	-	65,206	-
ICMS TAD (xv)	-	-	102,878	-
Other	22,932	18,215	118,362	18,215
	299,758	18,215	2,639,644	18,215

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

- (i) Financial operations abroad: Tax assessment notices issued to require additional income tax, social contribution, PIS and COFINS, for the calendar years 2005 to 2008 as a result of the following alleged violations: (a) improper deduction from taxable income and CSL calculation basis of financial costs arising from loans with foreign financial institutions, (b) improper exclusion from taxable income and CSL calculation basis of financial income from securities issued by the Government of Austria and the Government of Spain (c) no inclusion, in the income tax and CSL calculation basis, of gains earned in swap operations, and non-taxation of financial income resulting from these contracts by PIS and COFINS, (d) improper exclusion from taxable income and the CSL calculation basis, using PIS and COFINS credits, (e) improper exclusion from taxable income and CSL calculation using deferred CSL.
- (ii) Gain capital ALL S.A.: Tax assessment notices issued by the tax authorities in 2011 and 2013 against ALL Holding concerning: a) disallowance of amortization expense deduction based on future profitability as well as financial expenses; and b) non-taxation of supposed capital gain on disposal of equity interests in a company of the group.
- (iii) MP 470 installment payment of debts: The tax authorities rejected partially the installment requests for federal tax debts made by Malha Sul and Intermodal, arguing that the NOLs offered by the companies were not sufficient to discharge their existing debts. The probability of loss is considered possible, since the NOLs existed and were available for such use.
- (iv) PIS / COFINS Mutual Traffic: Tax authorities assessed the ALL Malha Paulista for non-taxation of PIS and COFINS on revenues from mutual traffic and rite of passage billed against ALL Malha Norte. The chance of loss is considered possible as tax already has been collected by the concessionaire responsible for transporting from origin.
- (v) Intermodal: Tax assessment against ALL Intermodal issued by the tax authorities concerning the disallowance of expenses relating to the payment of variable lease installments. The chance of loss is considered possible, since the expense is ordinary and necessary to the company's operations.
- (vi) ICMS - Export: The state tax authorities assessed the rail concessions for non-taxation of VAT (ICMS) on invoices for the provision of rail freight services for export. All assessments were contested, since there is a favorable position for taxpayers in the higher courts, based on the Federal Constitution and Complementary Law 87/1996.
- (vii) IRRF Swap: ALL Malha Paulista had part of its credit balance used to offset income tax partly disallowed by the tax authorities on the grounds that the Company would not be entitled to offset withholding tax on swap operations.
- (viii) Stock option plan: Tax assessment notice issued by the federal tax authorities not paying social security contribution on the Company's stock option plans offered to its employees, based on the understanding that they had compensation nature for services rendered.
- (ix) PIS / COFINS Malha Sul: In 2012, ALL filed an application for refund of PIS / COFINS on fuels on the grounds that the amounts charged in the price exceeds the value of the actual credit. It turns out that tax authorities did not recognize the request for refund and imposed a fine for what they consider an improper request. ALL appealed and is awaiting an administrative decision on the issue.
- (x) ICMS Armazéns Gerais: In 2013, ALL Armazéns Gerais São Paulo branch received a tax assessment from State of São Paulo tax authorities on the grounds that the company was not authorized to operate as a general warehouse in that state. The company appealed at the administrative level. The company is duly registered with the commercial registry with the corporate purpose of general warehouse, as well as being registered in the Federal Revenue Service and state tax authorities. At the time of the release of the state registration, the tax authorities allowed the company's activities, including issuance of invoices.

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Notes to the financial statements

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- (xi) Social Security Contributions: The federal tax authorities assessed the ALL Malha Paulista for the nonpayment of social security contributions on certain indemnification labor payments. The probability of loss is considered possible due to the nature of the funds and their not recurring characteristic.
- (xii) Isolated fine / PIS / COFINS / REPORTO: The Company was assessed due to the disregard of the tax benefits of REPORTO (PIS and COFINS suspension), on the grounds that the locomotives and freight cars purchased in 2010 were used outside the limits area of the port. Therefore, the Company was assessed to pay PIS and COFINS, as well as an isolated fine corresponding to 50% of the value of acquired assets.
- (xiii) IOF on loan: Federal tax authorities intend to enforce the incidence of IOF on current accounts held by the parent company with subsidiaries / affiliates (most of the assessment amount). In the opinion of the tax authorities, the use of a general ledger account named advances to related parties without formal agreement characterizes the existence of a current account, that should be charged IOF due according to revolving credit operations regulations. The tax assessments are still being challenged at the administrative level.
- (xiv) Income tax / social contribution - Labor provisions: Notice of violation requiring income tax and social contribution for the year 2009 on the grounds that ALL would have excluded labor provision from taxable income. Tax authorities understand labor provisions charges were made by ALL without individualization processes (provisions and reversals), which would impact the tax calculation. The loss is possible, considering the statute of limitation and that ALL complied with all tax rules relating to the addition and exclusion of provisions in the calculation of income tax and social contribution.
- (xv) ICMS TAD: Tax authorities of Mato Grosso State issued several terms of seizure and deposit (TADs) for the recovery of ICMS and a fine of 50% over the value of the assessed operations based on their misinterpretation that the expedition of products for export had their DACTEs (Auxiliary Electronic Document for Transport Acknowledgement) canceled, with supposedly unappropriated documentation pursuant to articles 35 and 35-B of State Law 7098/98. As demonstrated by the Company, the products transported were properly supported by legal documents; therefore the assessments should not have occurred.

b) Civil, regulatory and environmental

Judicial claims deemed as probable losses:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Civil (i), regulatory (ii) and environmental (iii)	-	12	122,604	12
	-	12	122,604	12

Judicial claims deemed as possible losses:

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Civil (i)	29,871	17,539	1,252,681	17,539
Regulatory (ii)	-	-	339,267	-
Environmental (iii)	810	-	295,984	-
	30,681	17,539	1,887,932	17,539

- (i) Civil: The subsidiaries are parties to various civil lawsuits involving discussions for damages in general, such as collisions in road crossings, rail crossings, traffic accidents, possessory actions, extrajudicial collections and contractual rights and obligations with customers. For the civil claims, management based on the opinion of its legal counsel, assessed the circumstances and recognized provisions for probable losses in amounts deemed sufficient and appropriate, representing at the reporting date, its best estimate of disbursement that may be required to settle the disputes.
- (ii) Regulatory: Refers mainly to fines and discussions with ANTT.
- (iii) Environmental: These amounts arise from assessments made by CETESB (SP), IBAMA and Municipal Environmental authorities mostly due to soil and water contamination due to the overflow of products and non-compliance with conditions imposed by operation licenses. Measures are being adopted to reduce the existing liabilities, as well as repairing and prevention measures related to the environment.

c) Labor

Judicial claims deemed as probable losses:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Labor (i)	15,274	11,421	302,838	11,541
	15,274	11,421	302,838	11,541

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Labor (i)	75,800	61,678	562,204	61,915
	75,800	61,678	562,204	61,915

- (i) The Company and its subsidiaries discuss several labor claims filed by former employees and employees of service providers to cover losses that are considered probable. The actions in progress, mostly claims for overtime, night shift, unsanitary and dangerous conditions, any breach of regulatory MTE standards, job reinstatement, compensation for work accidents and reimbursement of payroll discounts, such as confederation dues, union dues and other, recognition of nonstop work shift, standby compensation, salary differences and others.

18 Leases

Finance leases

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Notes to the financial statements

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The Company and its subsidiaries have lease agreements, mainly for railcars and locomotives classified as finance leases.

Balance of liabilities relating to contracts of finance leases at December 31, 2015 is:

	Consolidated			Total
	Less than a year	Between one and five years	More than five years	
<u>Future minimum lease payments</u>	715,517	1,192,763	287,920	2,196,200
Rolling stock	686,433	1,099,532	167,449	1,953,414
Terminal	24,197	87,480	120,471	232,148
Other	4,887	5,751	-	10,638
<u>Interest in the parcel</u>	(175,902)	(226,959)	(51,638)	(454,499)
Rolling stock	(158,505)	(178,914)	(19,997)	(357,416)
Terminal	(16,458)	(47,970)	(31,641)	(96,069)
Other	(939)	(75)	-	(1,014)
Present value of minimum payments	539,615	965,804	236,282	1,741,701
Current liabilities				539,615
Non-current liabilities				1,202,086

Lease agreements have varying expirations, the last due to expire in June 2022. The amounts are adjusted annually for inflation rates (as IGP-M and IPCA) or may incur interest based on the TJLP or CDI and some the contracts have renewals or call options that were considered in determining the classification as financial lease.

Operating leases

	Total future minimum lease payments			
	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Assets				
Locomotives	12,776	2,114	-	14,890
Rail cars	6,469	19,413	13,528	39,410
Total	19,245	21,527	13,528	54,300

Operating lease payments (rentals) are recognized as expenses (Note 25) on a straight line basis over the term of the contracts.

19 Lease and concessions

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The Company and its subsidiaries recognize expenses related to operating leases arising from the concession and concession liability on a straight line basis over the term of the contracts.

The lease and concession liabilities represent the updated value of the grants acquired, net of payments made by the reporting date, as follows:

	Leases	Concessions	Total
<u>Amounts payables:</u>			
Malha Sul	39,157	26,749	65,906
Malha Paulista	-	24,944	24,944
	39,157	51,693	90,850
<u>Amounts under judicial discussions:</u>			
Malha Paulista	1,174,138	1,559	1,175,697
Malha Oeste	899,369	58,328	957,697
	2,073,507	59,887	2,133,394
Total	2,112,664	111,580	2,224,244
Current liabilities			20,205
Non-current liabilities			2,204,039
			2,224,244

Amounts under judicial discussion

The Company is challenging in court the economic and financial unbalance of certain leases and concession contracts.

In April 2004, ALL Malha Paulista filed an interlocutory injunction and subsequently a Declaratory Action before the 21th Federal Court of Rio de Janeiro questioning the economic and financial unbalance of the Lease and Concession Agreements, due to the high disbursement incurred by the Company for the payment of labor judicial proceedings and other expenses involved, which are the responsibility of Rede Ferroviária Federal S.A., as expressed in the bidding documents.

ALL Malha Paulista required an injunction to suspend payment of installments of the concession and lease agreements, due and falling, and to offset the credit balance resulting from labor amounts paid by ALL with the amount charged by the Union. In April 2005, the injunction was granted, suspending the enforceability of installments for 90 days by determining the completion of expertise. In July 2005, the suspension was extended for another 90 days. In September 2005, the injunction was overturned by the Federal Court of Rio de Janeiro. In January 2006, the suspension of payment of installments was granted, by means of judicial deposit. The amount related to the lease installments was being deposited in court until October 2007, when the Company obtained a court order to replace the judicial deposits for bank guarantee. In October 2015 decision was handed down that partially upheld the action recognizing the occurrence of economic and financial unbalance of the agreements, allowing the Company to perform the part of compensation of the amounts claimed in the match against presented debt. Nevertheless, the Company believes that all amounts discussed shall be offset against payables based in clauses 7 and 10 of the bidding documents.

Management, supported by the opinion of its legal counsel, assess the chances of success as probable, but the financial liability remains recognized as it is a contractual obligation not yet discharged and still pends offsetting with the Company's reimbursement rights.

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ALL Malha Oeste also claiming the reestablishment of the economic-financial balance, lost by the cancellation of transportation contracts at the time of privatization, change in the regulatory environment and conditions set forth in the Privatization Tender - additionally, the growth forecasts that defined the value of the business did not materialize. The lawsuit is filed with the 16th Federal Court of Rio de Janeiro. To proceed with the legal discussion the Company offered government securities (Treasury Bills - LFT) as an execution guarantee. In March 2008, the Company was authorized to replace the guarantee with a bank guarantee and in May 2008 the Company redeemed the treasury bills. In December 2014 decision was handed down that upheld the action recognizing the occurrence of economic and financial imbalance of the contracts, leaving now the expertise of definition to determine the amount of imbalance and related aspects. In December 2015 the replacement of guarantee letters presented by ALL with an insurance policy.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable, but the financial liability remains recognized as it is a contractual obligation not yet discharged and still pends offsetting with the Company's reimbursement rights.

Judicial deposits at December 31, 2015 concerning the above claims totaled:

	<u>December 31, 2015</u>
Malha Paulista	116,510
Malha Oeste	18,060
	<u>134,570</u>

Judicial deposits are recorded in the line "regulatory" under Note 17.

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20 Real estate credit certificates

The Company and its subsidiaries entered into rental contracts of terminals that have been securitized objects that resulted in the transfer of the rights of these credits, the balance of which is:

Terminal	Rate	Maturity	Start date	<u>Consolidated</u> <u>December 31,</u> <u>2015</u>
Terminal Intermodal de Tatuí-SP	12.38% p.a.	March 31, 2018	February 29, 2008	55,753
Terminal de Alto Araguaia-MT	CDI + 2.6% p.a.	November 30, 2018	November 28, 2008	229,253
				<u>285,006</u>
Current liabilities				<u>88,089</u>
Non-current liabilities				<u>196,917</u>

Non-current mortgage-backed securities have the following maturities:

	<u>Consolidated</u> <u>December 31,</u> <u>2015</u>
13 to 24 months	114,323
25 to 36 months	82,594
	<u>196,917</u>

21 Equity

a. Common stock

The authorized capital share may be increased by up to 150 million of new shares, regardless of statutory amendment, by resolution of the Board of Directors, which has the power to fix the number of shares to be issued, the issue price and the other conditions subscription and payment of shares within the authorized capital.

The subscribed and fully paid-in capital on December 31, 2015 is R\$5,451,490 (R\$1,099,746 at December 31, 2014) and is represented by 299,015,898 (1,026,488,214 on December 31, 2014) common shares nominative, without nominal value.

Changes in capital and shares are as follows:

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	<u>Common stock</u>	<u>Ordinary shares</u>
Balance at December 31, 2014	1,099,746	1,026,488,214
Capital increase (i)	<u>4,351,744</u>	<u>1,963,670,770</u>
Subtotal	5,451,490	2,990,158,984
Reverse stock split (ii)	<u>-</u>	<u>(10:1)</u>
Balance at December 31, 2015	5,451,490	299,015,898

- (i) The Board of Directors during its meeting held on March 23, 2015, approved the conclusion of the ALL Shares Exchange with effect from April 1, 2015.
- (ii) On August 3, 2015, the Company effected a reverse stock split of all of its shares in the ratio of 10 to 1. Thus, the Company's common stock was represented by 299,015,898 common shares. There was no change in the total amount of the share capital or the rights conferred by these shares to their holders. The capital and earnings per share came to be shown in the new proportion retrospectively in these financial statements.

b. Capital reserve

The Company has a negative capital reserve at December 31, 2015 of R\$1,781,177 due to the difference between the capital increase at book value at the time of the acquisition of ALL in the amount of R\$4,351,744 and the market value of the shares issued considered as consideration transferred in the amount of R\$2,707,534 (Note 3), added to the existing opening balance as of December 31, 2014 amounting to R\$137,601.

c. Legal reserve

For the year ended December 31, 2015, the Company reported a loss and therefore not allocated 5% of net income as legal reserve (R\$5,726 at December 31, 2014), in accordance with its Bylaws and in compliance the Law of Corporations. Additionally, the loss for the year was absorbed by the mandatory legal reserve in the amount of R\$30,212, given the single paragraph of Article 189 of Law 6,404/76.

d. Retained earnings

For the year ended December 31, 2015, the Company reported a loss and therefore not allocated retention of retained earnings (R\$81,601 at December 31, 2014), as set forth in Law 6,404/76, with a view to implementing their plans investment and modernization. Additionally, the loss for the year was necessarily absorbed by retained earnings reserve of R\$29,385, given the single paragraph of Article 189 of Law 6,404/76.

e. Dividends

The Board of Directors' Meeting held on February 6, 2015, shareholders approved by unanimous vote and without reservations, the payment of dividends totaling R\$300,000, consisting of the following amounts: (i) R\$220,584 from the retained earnings reserve account relating to prior fiscal years, and (ii) R\$79,416 corresponding to the portion of net income for the fiscal year 2014, of which R\$27,200 was allocated to the mandatory minimum dividends account and R\$52,216 allocated in the Company's retained earnings reserve account.

f. Other equity

Represented by the conversion effect of foreign currency overseas subsidiary with the acquisition of ALL.

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Notes to the financial statements

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22 Earnings per share

Basic earnings per share are calculated by dividing the profit (loss) by the weighted average number of common shares outstanding during the year. Diluted Earnings per share are calculated by adjusting the income and the number of shares by the impact of potentially dilutive instruments.

The table below shows the calculation of earnings per share (in thousands, except per share amounts) for the years ended December 31, 2015 and 2014:

Basic and diluted

	December 31, 2015	December 31, 2014
Numerator		
Income (loss) from operations attributable to controlling shareholders	(158,407)	114,527
Denominator		
Weighted average number of common share - considers reverse stock split	250,463,599	102,648,821
Income (loss) basic earnings per share	(R\$0.63)	R\$1.12
Income (loss) diluted earnings per share	(R\$0.63)	R\$1.12

Antidilutive instruments

The minority shareholders of the indirect subsidiary Brado have the right to exercise a Liquidity option provided for in the shareholders' agreement signed on August 05, 2013. This option would exchange all Brado shares held by such minority shareholders by shares of ALL. The exchange ratio shall take into account the economic value for both Brado and ALL shares. At the Company's exclusion discretion, an equivalent cash payment is also possible.

ALL Malha Norte issued to BNDES Participações S.A., bonds convertible in to shares, remunerated at market rates, amounting to R\$2,592 on December 31, 2015, whose maturity date is June 2016. The conversion, if performed on July 1, 2015, would result in the issuance of 13,890 new shares by ALL Malha Norte.

The stock option plan (see Note 23) is out of money, so, the exercise price of the options granted is much higher than the average stock price during the period. These financial instruments have antidilutive effects in the periods presented.

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23 Stock option plan

2015 Program

On October 2, 2015, the Board of Directors approved the creation of the Stock Option Plan or Share Subscription - Year 2015 Calendar.

A total of 4,485,238 options were granted at an exercise price of R\$6.30 (to be corrected by the IPCA until the exercise date). This plan has a vesting period of 5 years and exercise the options shall occur between October 1, 2020 and 2022.

The options may be exercised through the issue of new shares or treasury shares that the Company may have.

The fair value of the compensation plan in shares was estimated by adopting the Black and Scholes model with the following assumptions:

	October 2, 2015
Market value of the shares on the grant date – R\$	6.30
Exercise expectancy (in years)	5
Interest rate	15.66%
Volatility	62.94%
Weighted average fair value at grant date – R\$	2.83

Exercise expectation - The scheduled date for the Company for the exercise of the options was determined based on the assumption that executives exercise their options shortly after the grace period.

Expected volatility - The Company elected to use the historical volatility of its shares adjusted by the recent volatility of some competitors who work in branches of similar businesses, given the new capital structure and model of the Company's business.

Free interest rate risk - The Company considered the free DI interest rate risks traded on the BM&FBOVESPA at the time of grant of the options and for a period equivalent to the term of the options granted.

On December 31, 2015, R\$635 were recognized as an expense. The expense to be recognized in the coming years amounted to R\$12,062 at December 31, 2015.

The plan of movement for the year was:

	Total number of shares	Weighted average exercise price
October 2, 2015 awards	4,485,238	7.31
Options canceled	(280,000)	7.31
December 31, 2015	4,205,238	7.31

Previous plan (ALL old plan)

With the acquisition of ALL by the Company, the stock option plan based on their existing stock was canceled and assumed by the Company. With that the fair value of the options and assumed by the Company was recalculated on the date of the acquisition on April 1, 2015.

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The total of 1,478,659 options were assumed by the Company to fair value per option R\$0.18 calculated by the binomial method. The average exercise price is R\$5.03. This measurement generated total spending on the R\$264 plan in future years.

24 Gross revenue

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Gross revenue from sales of services	968,881	988,630	4,402,867	1,000,065
Taxes and deductions over sales of services	(64,951)	(83,181)	(364,944)	(84,624)
Net revenue	903,930	905,449	4,037,923	915,441

Breakdown of net revenue by service:

	Consolidated	
	December 31, 2015	December 31, 2014
Elevation	239,115	220,543
Transport	3,572,524	671,600
Other	226,284	23,298
	4,037,923	915,441

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25 Expenses by nature

The group of expenses is shown in the income statement by function. The reconciliation of income by nature / purpose is detailed as follows:

	Parent company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Material used in providing service	16,804	34,979	232,942	35,504
Hired labor	51,582	21,523	412,527	23,081
Employee benefit expense	115,684	91,926	537,861	98,641
Transportation expenses	392,448	406,963	914,388	406,979
Depreciation and amortization	118,736	93,181	616,528	97,244
Lease and concessions	-	-	141,010	-
Operational lease	-	-	18,135	-
Other expenses	29,877	39,495	184,516	36,557
	725,131	688,067	3,057,907	698,006
Cost of services sold	616,296	605,292	2,771,881	610,361
Selling, general and administrative expenses	108,835	82,775	286,026	87,645
	725,131	688,067	3,057,907	698,006

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26 Financial result

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Cost of gross debt				
Interest on debts	(218,546)	(39,993)	(680,723)	(40,571)
Net exchange rate changes on debts	(132,394)	1,299	(190,410)	1,312
Gain from derivatives on debts	107,590	-	120,634	-
	(243,350)	(38,694)	(750,499)	(39,259)
Cash investment income	7,280	29,578	93,888	29,873
	7,280	29,578	93,888	29,873
Cost of debt, net	(236,070)	(9,116)	(656,611)	(9,386)
Other charges and monetary variations				
Lease and concessions	-	-	(180,311)	-
Finance leases	-	-	(117,589)	-
Banking expenses and other	(22,020)	(28,836)	(92,313)	(29,015)
Other charges and monetary variations	(160)	4,480	(138,194)	4,730
	(22,180)	(24,356)	(528,407)	(24,285)
(=) Finance, net	(258,250)	(33,472)	(1,185,018)	(33,671)
Financial expenses	(241,985)	(65,606)	(1,260,933)	(66,114)
Financial income	8,539	30,835	145,691	31,131
Exchange variation	(132,394)	1,299	(190,410)	1,312
Derivatives	107,590	-	120,634	-
(=) Finance, net	(258,250)	(33,472)	(1,185,018)	(33,671)

- (i) At December 31, 2015 there recorded the amount of R\$18,430 related financial liabilities measured at fair value through profit or loss.

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27 Other income (expenses), net

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Provision for judicial demand	(5,798)	(1,802)	(16,401)	(1,855)
Income of port operations	-	9,628	-	9,628
Rental and leases revenue	-	-	2,760	769
Result on disposals of fixed assets and intangible assets	(526)	(412)	(3,536)	(415)
Gain on settlement of pre-existing relationship	-	-	29,838	-
Spending on acquiring new business (i)	(5,681)	(19,125)	(5,681)	(19,125)
Insurance claims recovery	28,943	1,254	28,776	1,254
Other income (expenses), net	(229)	(933)	24,541	(1,002)
	16,709	(11,390)	60,297	(10,746)

- (i) These costs relate mainly to transactions related to the acquisition ALL control by the Company.

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28 Financial instruments

Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- (a) Credit risk;
- (b) Liquidity risk; and
- (c) Market risk

This note presents information about the Company's and its subsidiaries exposure, to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The carrying amounts and the separation by category of financial assets and liabilities are as follows:

	December 31, 2015	December 31, 2014
Assets		
Fair value through profit or loss		
Marketable securities	508,268	-
Cash and cash equivalents (Exclusive funds)	30,797	76,397
Derivate financial instruments	99,863	-
	638,928	76,397
Loans and receivables		
Cash and cash equivalents	42,191	9,078
Accounts receivable	165,671	489,378
Related parties	33,572	12,692
Restricted cash	200,893	-
	442,327	511,148
Total	1,081,255	587,545
Liabilities		
Liabilities from amortized cost		
Long-term debts	8,053,132	784,709
Finance leases	1,741,701	-
Real estate credit certificates	285,006	-
Accounts payable - suppliers	419,147	141,289
Other financial liabilities	236,698	-
Related parties	103,832	20,292
Dividends payable	8,270	28,003
Debt payment in installments - REFIS	25,252	902
	10,873,038	975,195

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Fair value through profit or loss

Long-term debts	532,044	-
Derivative financial instruments	<u>1,780</u>	<u>-</u>
	533,824	-
Total	<u>11,406,862</u>	<u>975,195</u>

During the year, there was no reclassification between the categories listed above.

Structure of risk management

Management is responsible for establishing and overseeing the Company's risk management framework. The Board of Directors follows the Risk Management through the Company's senior management reporting, which is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyze the risks to which the Company is exposed to define limits of appropriate risks and controls, and to monitor risks and adherence to defined limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Management through its standards and training procedures and management seek to maintain a discipline and control environment in which all employees are aware of their duties and obligations.

The Audit Committee oversees how management monitors compliance with policies and risk management procedures and reviews the adequacy of the risk management framework in relation to the risks to which the Company is exposed. The Audit Committee is supported by the internal audit team in carrying out its functions. The internal audit performs regular and sporadic revisions in policies and risk management procedures and the result of the following is reported to the Audit Committee.

All derivative activities for risk management purposes are carried out by specialized teams with the skills, experience and appropriate supervision. It is the Company's policy not to engage in any derivative transactions for speculative purposes.

The use of financial instruments for the purpose of protection is done through an analysis of the risk exposure that management intends to cover.

On December 31, 2015 and 2014, the fair values related to transactions involving derivative financial instruments to hedge risk exposure of the Company were using observable inputs such as quoted prices in active markets or flows discounted based on market curves and are presented next:

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	Notional		Fair value	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Exchange rate risk				
Swap contracts (interest)	182,892	-	(37,266)	-
Swap contracts (interest / FX)	642,506	-	135,349	-
Total financial instruments			98,083	-
Assets			99,863	-
Liabilities			(1,780)	-

(a) Credit risk

	December 31, 2015	December 31, 2014
Cash and cash equivalents (ii)	72,988	85,475
Marketable securities (ii)	508,268	-
Restricted cash (ii)	200,893	-
Account receivables (i)	165,671	489,378
Derivative financial instruments (ii)	99,863	-
Related parties	33,572	12,692
	1,081,255	587,545

- (i) The risk of customer credit is managed centrally by each business segment, subject to the procedures, controls and policy established by the Company in relation to this risk. Credit limits are established for all customers based on internal rating criteria. Customer credit quality is evaluated based on an internal procedure of extensive credit rating. The outstanding customer receivables are monitored frequently.

The need for a valuation allowance for impairment is analyzed at each reporting date on an individual basis for major clients. In addition, a large number of receivables with smaller balances are grouped into homogenous groups and in such cases; the recoverable loss is assessed collectively. The calculations are based on actual historical data.

The maximum exposure to credit risk at the reporting date is the recorded value of each class of financial assets.

- (ii) The risk of credit balances with banks and financial institutions is managed by the Company's treasury in accordance with the policy established by. Excess funds are invested only with approved counterparties and within the limits assigned to each. The counterparty credit limit is reviewed annually and may be updated throughout the year. These limits are designed to minimize the concentration of risks and therefore mitigate financial loss in the event of a potential failure of counterparty. The maximum the Company's exposure to credit risk in relation to the balance sheet components as of December 31, 2015 and 2014 is the value recorded, as shown in Note 12 except for financial guarantees and derivative financial instruments. The maximum exposure with respect to financial guarantees and derivative financial instruments is presented in the liquidity table below.

The credit risk on cash and cash equivalents, marketable securities are determined by rating instruments widely accepted by the market and are arranged as follows:

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	December 31, 2015
AAA	356,253
AA+	62,016
AA	130,482
A-	26,301
BB+	207,097
At December 31, 2015	782,149

(b) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Company's approach and its subsidiaries to managing liquidity is to ensure, as much as possible, there is always a sufficient liquidity to meet the obligations falling due under normal and stress conditions, without causing unacceptable losses or risk damaging the reputation of the Company and its subsidiaries.

The non-derivative financial liabilities of the Company sorted by due dates (based on undiscounted cash flows contracted) are as follows:

	December 31, 2015					December 31, 2014
	Up to 1 year	1 to 2 years	3 to 5 years	Over 5 years	Total	Total
Long-term of debts	(2,184,753)	(3,093,656)	(4,407,888)	(1,150,578)	(10,836,875)	(955,981)
Accounts payable - suppliers	(419,147)	-	-	-	(419,147)	(141,289)
Other financial liabilities	(236,698)	-	-	-	(236,698)	-
Debt payment in installments - REFIS	(6,408)	(6,107)	(14,155)	(3,356)	(30,026)	-
Finance leases	(715,517)	(551,209)	(642,599)	(223,130)	(2,132,455)	-
Real estate credit certificates	(138,869)	(138,869)	(104,821)	-	(382,559)	-
Related parties	(103,832)	-	-	-	(103,832)	-
Dividends payable	(8,270)	-	-	-	(8,270)	-
Derivate financial instruments	7,232	12,979	(15,926)	(6,065)	(1,780)	-
	(3,806,262)	(3,776,862)	(5,185,389)	(1,383,129)	(14,151,642)	(1,097,270)

The balances of leases and concessions were not considered in the analysis of liquidity risk due to the values in legal discussions, as mentioned in Note 19 - Lease and concessions.

As mentioned in Note 1, Management has been working on measures to enable the Company to honor its commitments, and one of the pillars is the renegotiation of debt maturing between 2016 and 2018 that helps mitigate liquidity risk.

The Company has entered into an agreement with financial institutions that allow certain of its suppliers to anticipate payment of their receivables against the Company. Such operations are also known in the market as confirming or forfeiting. As of December 31, 2015, the consolidated balance anticipated by our suppliers with financial institutions was R\$236,698 (R\$0 in 2014). All these operations were with Banco Itaú at an average interest rate of 15.96%. The average term of these operations, which are recorded at their present values at the interest rate previously mentioned, is three months.

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(c) Market risk

Market risk is the risk that changes in market prices - such as exchange rates and interest rates - will affect the Company's earnings or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, while improving the return.

The Company uses derivatives to manage market risks. All these operations are conducted within the guidelines established by the risk management policy.

I. **Foreign exchange risk**

On December 31, 2015 and 2014, the Company and its subsidiaries had the following net exposure to exchange rates on assets and liabilities denominated in US Dollars (US\$):

	December 31, 2015	December 31, 2014
Cash and cash equivalents	3,784	-
Account receivables	2,115	1,772
Advance to suppliers	85,155	-
Accounts payable - suppliers	(15,894)	-
Advances from customers	(1,701)	-
Long-term debts	(658,713)	-
Derivative financial instruments (notional)	642,506	-
Foreign exchange exposure, net	57,252	1,772

Sensitivity analysis of changes in exchange rates:

The probable scenario was defined based on market rates US Dollar on December 31, 2015. Stressed scenarios (positive and negative effects, pre-tax) were defined based on adverse impacts of 25% and 50% in fees exchange rate US Dollar used in the probable scenario.

Based on financial instruments denominated in US dollars as of December 31, 2015, the Company conducted a sensitivity analysis to increase and decrease in the exchange rate (R\$ / US\$) of 25% and 50%. The probable scenario considers the Company's projections for exchange rates at maturity of operations to companies with real functional currency (positive and negative pre-tax), as follows:

Exchange rate sensitivity analysis (R\$/US\$)						
	December 31, 2015	Scenarios				
		Probable	25%	50%	-25%	-50%
At December 31, 2015	3.9048	3.9048	4.8810	5.8572	2.9286	1.9524

Given the above scenario, the gains and losses would be affected as follows:

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Instrument	Risk factor	Scenarios				
		Probable	25%	50%	-25%	-50%
Cash and cash equivalents	USD fluctuation	3,784	946	1,892	(946)	(1,892)
Accounts receivable	USD fluctuation	2,115	529	1,058	(529)	(1,058)
Advance to suppliers	USD fluctuation	85,155	21,289	42,577	(21,289)	(42,577)
Accounts payable - suppliers	USD fluctuation	(15,894)	(3,973)	(7,947)	3,973	7,947
Advances from customers	USD fluctuation	(1,701)	(425)	(851)	425	851
Derivative financial instruments (notional)	USD fluctuation	642,506	160,626	321,253	(160,626)	(321,253)
Long-term debts	USD fluctuation	(658,713)	(164,678)	(329,356)	164,678	329,356
Impacts on profit or loss		57,252	14,314	28,626	(14,314)	(28,626)

II. Risk of interest rate

The Company and its subsidiaries monitor fluctuations in variable interest rates tied to some debts, mainly those linked to the risk of LIBOR, and makes use of derivative instruments in order to minimize these risks.

Sensitivity analysis of changes in interest rates:

The sensitivity analysis on interest rates on loans and financing and compensation for CDI of financial investments increase and decrease of 25% and 50% is as follows:

Exposure interest rate ⁽ⁱ⁾	December 31, 2015				
	Balance	25%	50%	-25%	-50%
Cash and cash equivalents	36,683	9,171	18,341	(9,171)	(18,341)
Marketable securities	71,689	17,967	35,935	(17,967)	(35,935)
Long-term debts	(748,936)	(187,234)	(374,468)	187,234	374,468
Real estate credit certificates	(40,300)	(10,075)	(20,150)	10,075	20,150
Finance leases	(246,276)	(61,569)	(123,138)	61,569	123,138
Derivative financial instruments	98,084	24,521	49,042	(24,521)	(49,042)
Impacts on profit or loss		(207,219)	(414,438)	207,219	414,438

- (i) The rates of CDI and TJLP considered: 14.14% p.a. and 7% p.a., respectively, were obtained from information provided by the market.

Fair value of financial instruments

The fair value of financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, and not in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair value:

- The Cash and cash equivalents, accounts receivable, accounts payable and other short-term liabilities approximate their carrying amount largely due to the short-term maturity of these instruments.

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- The fair value of bonds is based on price quotations at the balance sheet date. The fair value of non-negotiable instruments, bank loans and other financial debts, obligations under finance leases as well as other non-current financial liabilities is estimated by means of future cash flows discounted using rates currently available for debt or deadlines and the like remaining.
- The fair value of other loans and financing, the respective market values substantially approximate the amounts recorded due to the fact that these financial instruments are subject to variable interest rates, see details in Note 13.

The Company and its subsidiaries enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with observable market data refer mainly to interest rate swaps and foreign exchange forward contracts.

The fair value of derivative financial instruments is determined using valuation techniques and observable market data. The valuation techniques applied more often include pricing models and swaps contracts, with a present value calculation. The models consider various data, including counterparty credit quality, spot exchange rates and forward curves of interest rates.

Financial assets of R\$646,431 and liabilities of R\$818,830 are measured at fair value according to Level 2, with no measurement at Level 3. Further Company's financial instruments are measured at amortized cost which approximates fair values at the reporting date.

Capital management

The administration's policy is to maintain a strong capital base to keep the confidence of investors, creditors and the market and the future development of the business. Management monitors the return on adequate capital to each of its businesses, which the Company defines as result from operating activities divided by total shareholders' equity.

29 Operating segment information

Management evaluates the performance of its operating segments based on EBITDA (earnings before income tax and social contribution, interest, depreciation and amortization).

As mentioned in note 1, with the acquisition of ALL, operating segments have been revised and became defined as follows:

Operational segments

- a) North Operations: comprised of the railway operations, transshipment and port elevation in the areas of the Company's concession of ALL Malha Norte and ALL Malha Paulista.
- b) South Operations: comprised of the railway and transshipment in the concession area of ALL Malha Sul and ALL Malha Oeste.
- c) Container Operations: comprised by Group Company this focuses on container logistics either by rail or road transport and other container operations result.

The segment information has been prepared in accordance with the same accounting policies used in preparing

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the consolidated information.

As the acquisition of ALL occurred on April 1, 2015, the result of information with new segments are presented only for 2015, as for all prior periods, the Company had only one reportable segment, coinciding with the results consolidated, as shown below.

Year ended December 31, 2015 and 2014:

	December 31, 2015 (i)			
	North Operations	South Operations	Container Operations	Consolidated
Results by segment				
Net revenue	2,925,114	888,502	224,307	4,037,923
Cost of services	(1,688,737)	(797,984)	(285,160)	(2,771,881)
Gross profit	1,236,377	90,518	(60,853)	1,266,042
Gross margin (%)	42.3%	10.2%	-271.0%	31.4%
Selling, general and administrative	(202,227)	(42,673)	(41,126)	(286,026)
Other income and equity	59,387	7,444	4,630	71,461
Depreciation and amortization	421,130	149,685	45,713	616,528
EBITDA	1,514,667	204,974	(51,636)	1,668,005
Margin EBITDA (%)	51.8%	23.1%	-23.0%	41.3%

(i) 12 month results of Rumo included and 9 months results of ALL (after acquisition).

	December 31, 2014	
	North Operations	Consolidated
Results by segment		
Net revenue	915,441	915,441
Cost of services	(610,361)	(610,361)
Gross profit	305,080	305,080
Gross margin (%)	33.3%	33.3%
Selling, general and administrative	(87,645)	(87,645)
Other income and equity	(10,746)	(10,746)
Depreciation and amortization	97,244	97,244
EBITDA	303,933	303,933
Margin EBITDA (%)	33.2%	33.2%

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Main customers

North Operations

In 2015, 16.8% of net operating revenue of this segment was to Bunge Alimentos client, and no other clients exceeded 10%. In 2014, 31% of net operating revenue of this segment was for the related party Raízen Energia.

South Operations

In 2015, 14.9% of net operating revenue of this segment was to Bunge Alimentos and 11.4% for Usina de Açúcar Santa Terezinha, and no other clients exceeded 10%.

Container Operations

In 2015, 12.3% of net operating revenue of this segment was to JBS, 10.3% of ADM do Brasil.

* * *

Rumo Logística Operadora Multimodal S.A.
Individual and consolidated
financial statements, at December 31, 2014,
presented in accordance with Brazilian
and IFRS accounting practices

Rumo Logística Operadora Multimodal S.A.

Financial statements

December 31, 2014

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To the Board of Directors and Shareholders
Rumo Logística Operadora Multimodal S.A.

We have audited the accompanying financial statements of Rumo Logística Operadora Multimodal S.A. ("Parent Company"), which comprise the balance sheet as at December 31, 2014 and the statements of income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Rumo Logística Operadora Multimodal S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rumo Logística Operadora Multimodal S.A. and of Rumo Logística Operadora Multimodal S.A. and its subsidiaries as at December 31, 2014, and the parent company and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters

Supplementary information - statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2014, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Campinas, March 3, 2015

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F"

Marcos Roberto Sponchiado
Contador CRC 1SP175536/O-5

Rumo Logística Operadora Multimodal S.A.

Balance Sheet

At December 31, 2014 and December 31, 2013

(Amounts in thousands of Brazilian Reais, R\$)

	Note	Parent Company		Consolidated	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Assets					
Current					
Cash and cash equivalents	3	74,826	496,943	85,475	497,753
Accounts receivable	4	40,663	31,233	42,685	32,506
Inventories		5,549	4,995	5,817	5,237
Related parties	5	12,612	19,499	12,692	12,144
Advances to suppliers		483	197	557	304
Dividends receivable	6	836	664	-	-
Other credits		10,242	2,130	10,922	2,386
		145,211	555,661	158,148	550,330
Non-current					
Accounts receivable	4	446,693	225,401	446,693	225,401
Deferred income tax and social contribution	11	-	-	875	1,632
Related parties	5	-	945	-	945
Judicial deposits	12	29,647	6,696	29,671	6,696
Other non-current asset		3,716	258	3,749	291
Investments	6	76,118	76,132	-	-
Property, plant and equipment	7	958,867	894,199	1,084,455	1,013,149
Intangible assets	8	822,717	718,102	860,253	755,635
		2,337,758	1,921,733	2,425,696	2,003,749
Total Assets		2,482,969	2,477,394	2,583,844	2,554,079

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Balance Sheet

At December 31, 2014 and December 31, 2013

(Amounts in thousands of Brazilian Reais, R\$)

		Parent Company		Consolidated	
	Note	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Liabilities					
Current					
Current portion of long-term debt	9	125,893	106,111	127,425	107,200
Accounts payable		140,489	81,407	141,289	82,872
Salaries payable		18,346	11,726	19,302	12,522
Income tax payable	10	3,020	11,270	2,962	11,568
Taxes payable	10	6,959	9,112	7,300	9,547
Dividends payable	14	27,200	98,333	28,003	99,038
Related parties	5	21,064	11,120	20,292	3,011
Advances from customers		14,343	7,774	15,008	8,440
Other current liabilities		11,087	26,184	11,521	26,592
		368,401	363,037	373,102	360,790
Non-current					
Long-term debt	9	636,895	596,976	657,284	598,774
Provision for judicial demands	12	13,198	11,144	13,378	11,239
Pension	21	86	74	86	74
Deferred income taxes	11	169,847	147,282	196,598	174,600
Advances from customers		-	-	11,788	12,708
		820,026	755,476	879,134	797,395
Equity					
	14				
Common stock		1,099,746	1,099,746	1,099,746	1,099,746
Capital reserve		(137,601)	(137,601)	(137,601)	(137,601)
Profit reserve		332,397	396,736	332,397	396,736
Equity attributable to owners of the Company		1,294,542	1,358,881	1,294,542	1,358,881
Equity attributable to non-controlling interests		-	-	37,066	37,013
Total equity		1,294,542	1,358,881	1,331,608	1,395,894
Total liabilities and equity		2,482,969	2,477,394	2,583,844	2,554,079

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of income

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013
(nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, except earnings per share)

	Note	Parent Company	
		December 31, 2014	December 31, 2013
Net sales	16	905,449	742,962
Cost of sales	17	(605,292)	(445,292)
Gross profit		300,157	297,670
General and administrative	17	(82,775)	(54,126)
Other, net	19	(11,390)	(15,555)
Operating expenses		(94,165)	(69,681)
Income before financial results, equity income of associates and income taxes		205,992	227,989
Equity income of associates	6	158	2,705
Financial income	18	33,670	41,227
Financial expense	18	(67,142)	(28,719)
		(33,314)	15,213
Income before income tax		172,678	243,202
Current	11	(35,585)	(4,492)
Deferred	11	(22,566)	(77,618)
		(58,151)	(82,110)
Net income		114,527	161,092
Other comprehensive income		-	-
Total other comprehensive income		114,527	161,092
Net income attributable to:			
Owners of the Company	14	114,527	161,092
Earnings per share:	15		
Basic and diluted		0.112	0.157

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of income

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, except earnings per share)

	Note	Consolidated	
		December 31, 2014	December 31, 2013
Net sales	16	915,441	749,348
Cost of sales	17	(610,361)	(447,444)
Gross profit		305,080	301,904
General and administrative	17	(87,645)	(57,588)
Other, net	19	(10,746)	(14,364)
Operating income (expenses)		(98,391)	(71,952)
Income before financial results and income taxes		206,689	229,952
Financial income	18	33,976	42,508
Financial expense	18	(67,647)	(28,819)
		(33,671)	13,689
Income before income tax		173,018	243,641
Current	11	(35,585)	(5,617)
Deferred	11	(22,754)	(77,550)
		(58,339)	(83,167)
Net income		114,679	160,474
Other comprehensive income		-	-
Total other comprehensive income		114,679	160,474
Net income attributable to:			
Net income attributable to non-controlling interests		152	(618)
Net income attributable to owners of the Company	14	114,527	161,092
Basic earnings per share	15		
Basic		0.112	0.157

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of changes in equity

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1,
(Amounts in thousands of Brazilian Reais, R\$)

	Profit reserve				
	Common stock	Capital reserve	Legal	Retained earnings	Accumulated losses
Balance at March 31, 2013	1,099,746	(137,601)	16,431	257,472	-
Profit for the year	-	-	-	-	161,092
Total comprehensive income for the year	-	-	-	-	161,092
Legal reserve (Note 14 b)	-	-	8,055	-	(8,055)
Retained earnings (Note 14 c)	-	-	-	114,778	(114,778)
Dividends (Note 14 d)	-	-	-	-	(38,259)
Total contributions or distributions to shareholders, recognized directly in equity	-	-	8,055	114,778	(161,092)
Balance at December 31, 2013	1,099,746	(137,601)	24,486	372,250	-

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of changes in equity

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1,
(Amounts in thousands of Brazilian Reais, R\$)

				<u>Profit reserve</u>	
	Common stock	Capital reserve	Legal	Retained earnings	Accumulated losses
Balance at December 31, 2013	1,099,746	(137,601)	24,486	372,250	-
Profit for the year	-	-	-	-	114,527
Total comprehensive income for the year	-	-	-	-	114,527
Formation by write-off of dividends (Note 14 d)	-	-	-	98,334	-
Legal reserve (Note 14 b)	-	-	5,726	-	(5,726)
Retained earnings (Note 14 c)	-	-	-	81,601	(81,601)
Dividends (Note 14 d)	-	-	-	(250,000)	(27,200)
Total contributions or distributions to shareholders, recognized directly in equity	-	-	5,726	(70,065)	(114,527)
Balance at December 31, 2014	1,099,746	(137,601)	30,212	302,185	-

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of cash flows

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(Amounts in thousands of Brazilian Reais, R\$)

	Parent Company	
	December 31, 2014	December 31, 2013
Operating activities cash flow		
Income before income tax	172,678	243,202
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization (Notes 7 and 8)	93,181	58,329
Equity pick-up of investees / associates (Note 6)	(158)	(2,705)
Provision for profit sharing	9,832	5,816
Provision (reversal) from accounts payable	(14,257)	6,332
Loss on disposal of fixed assets and intangible (Notes 7 and 8)	412	-
Provision for losses on judicial demands (Nota 19)	1,802	906
Provision for losses on doubtful accounts (Note 19)	(702)	22,225
Indexation charges and exchange variations, net	40,603	26,085
	303,391	360,190
Assets and liabilities variations:		
Accounts receivable	(228,004)	(211,558)
Advances from customers	5,053	9,829
Securities	-	17,643
Judicial deposits	(22,469)	(69)
Related parties	18,197	9,046
Recoverable taxes	2,949	7,752
Payable taxes	(49,257)	6,514
Inventory	(554)	924
Salaries payable	(3,213)	(7,240)
Accounts payable	58,679	35,443
Advances to suppliers	(286)	5,120
Contingencies	(1,036)	(2,640)
Other asset and liabilities, net	(12,399)	(3,307)
Cash generated from operations	71,051	227,647
Investing activities cash flow		
Purchase of property, plant and equipment, software and intangible assets (Notes 7 and 8)	(262,876)	(187,596)
Acquisitions, net of cash acquired	-	(10)
Net cash flow used in investing activities	(262,876)	(187,606)
Cash flow from financing activities		
New loans and financings	167,182	51,942
Payments of loans and financings	(147,474)	(89,575)
Dividends paid (Note 14)	(250,000)	-
Net cash used in financing activities	(230,292)	(37,633)
Increase (decrease) in cash and cash equivalents	(422,117)	2,408
Cash and cash equivalents at beginning of year	496,943	494,535
Cash and cash equivalents at end of year	74,826	496,943
Supplemental disclosure of cash flow information		
Financial interest expenses paid	40,825	31,539
Income taxes paid	34,789	2,064

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of cash flows

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(Amounts in thousands of Brazilian Reais, R\$)

	Consolidated	
	December 31, 2014	December 31, 2013
Operating activities cash flow		
Income before income tax	173,018	243,641
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization (Notes 7 and 8)	97,244	58,955
Provision for profit sharing	10,119	6,066
Provision (reversal) from accounts payable	(14,211)	6,448
Loss on disposal of fixed assets and intangible (Notes 7 and 8)	415	13
Provision for losses on judicial demands (Note 19)	1,855	909
Provision for losses on doubtful accounts (Note 19)	(703)	22,211
Indexation charges and exchange variations, net	41,211	25,325
	308,948	363,568
Assets and liabilities variations:		
Accounts receivable	(228,758)	(211,322)
Advances from customers	4,135	9,811
Securities	-	17,643
Judicial deposits	(22,493)	(4,588)
Related parties	18,099	12,786
Recoverable taxes	2,881	8,545
Payable taxes	(49,633)	5,079
Inventory	(580)	916
Salaries payable	(3,339)	(7,874)
Accounts payable	58,007	36,539
Advances to suppliers	(253)	5,028
Contingencies	(1,018)	(947)
Other asset and liabilities, net	(12,855)	(3,337)
Cash generated from operations	73,141	231,847
Investing activities cash flow		
Purchase of property, plant and equipment, software and intangible assets (Notes 7 and 8)	(273,583)	(198,047)
Net cash flow used in investing activities	(273,583)	(198,047)
Cash flow from financing activities		
New loans and financings	187,166	51,942
Payments of loans and financings	(149,002)	(90,449)
Dividends paid (Note 14)	(250,000)	-
Net cash used in financing activities	(211,836)	(38,507)
Decrease in cash and cash equivalents	(412,278)	(4,707)
Cash and cash equivalents at beginning of year	497,753	502,460
Cash and cash equivalents at end of year	85,475	497,753
Supplemental disclosure of cash flow information		
Financial interest expenses paid	41,271	31,669
Income taxes paid	35,077	3,248

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of value added

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(Amounts in thousands of Brazilian Reais, R\$)

	Parent Company	
	December 31, 2014	December 31, 2013
Revenues		
Sale of services and products, net	988,629	837,697
Other operational revenues, net	12,286	8,399
Allowance for doubtful accounts (Note 19)	702	(22,225)
	1,001,617	823,871
Raw materials acquired from third parties		
Cost of sales and services rendered	(374,262)	(304,174)
Materials, energy, third party services, others	(120,255)	(66,748)
	(494,517)	(370,922)
Gross value added	507,100	452,949
Retention		
Depreciation and amortization (Notes 7 and 8)	(93,181)	(58,329)
	(93,181)	(58,329)
Net value added	413,919	394,620
Value added received in transfer		
Equity pick-up in investees (Note 6)	158	2,705
Financial revenue (Note 18)	33,670	41,227
	33,828	43,932
Value added to be distributed	447,747	438,552
Distribution of value added		
Salaries	78,812	51,762
Taxes and contributions	171,841	186,802
Financial expenses (Note 18)	67,142	28,719
Rentals and leasing	15,425	10,177
Dividends (Note 14)	27,200	38,259
Net income from continuing operations	87,327	122,833
	447,747	438,552

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Statements of value added

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(Amounts in thousands of Brazilian Reals, R\$)

	Consolidated	
	December 31, 2014	December 31, 2013
Revenues		
Sale of services and products, net	1,000,065	845,100
Other operational revenues, net	12,287	9,216
Allowance for doubtful accounts (Note 19)	703	(22,211)
	1,013,055	832,105
Raw materials acquired from third parties		
Cost of sales and services rendered	(365,891)	(298,945)
Materials, energy, third party services, others	(125,185)	(70,338)
	(491,076)	(369,283)
Gross value added	521,979	462,822
Retention		
Depreciation and amortization (Notes 7 and 8)	(97,244)	(58,955)
	(97,244)	(58,955)
Net value added	424,735	403,867
Value added received in transfer		
Financial revenue (Note 18)	33,976	42,508
	33,976	42,508
Value added to be distributed	458,711	446,375
Distribution of value added		
Salaries	84,471	55,565
Taxes and contributions	174,802	189,801
Financial expenses (Note 18)	67,647	28,819
Rentals and leasing	17,112	11,716
Non-controlling interests (Note 6)	152	(618)
Dividends (Note 14)	27,200	38,259
Net income from continuing operations	87,327	122,833
	458,711	446,375

The notes to the financial statements are an integral part of these consolidated interim financial statements.

Rumo Logística Operadora Multimodal S.A.

Notes to the consolidated financial statements

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, unless otherwise stated)

1. Operations

Rumo Logística Operadora Multimodal S.A. ("The Company" or "Rumo") is a company registered with the Brazil Securities Commission ("CVM") and is headquartered in the city of Santos, State of São Paulo, Brazil. The Company is a direct subsidiary of Cosan Logistics S.A. ("Cosan Logística") which owns 75% of its capital, and its Parent Company is Cosan Ltd. ("CZZ").

The Company provides logistics services for the export of sugar and other dry bulk cargoes, offering an integrated solution for transportation, storage and shipment from producing centers in the State of São Paulo to Santos Port and port-lifting for commodities, mainly sugar.

Currently, the Company has seven multimodal terminals, including the most modern in the city of Itirapina and the largest sugar-exporting terminal in the Port of Santos, which has the largest rail receiving capacity and the largest draft bulk terminals of the Port of Santos. They are placed in strategic locations for the Company's operations, in close proximity to its customers and to highways and railroads.

The Annual General Shareholders' Meeting held on July 31, 2013 approved a fiscal year-end change from March 31 to December 31. With this change, the Company's fiscal year begins on January 1 and end December 31 each year. Accordingly, these financial statements are for 12 months and its comparative exercise is exceptionally nine months (started on April 1 and ended on December 31, 2013); therefore, they are not comparable.

On May 8, 2014, at the Extraordinary General Meeting, the incorporation of the shares off America Latina Logística S.A. ("ALL") by the Company was approved, which was effectively suspended until obtaining the approval from the Brazilian Administrative Council for Economic Defense ("CADE"), from the Brazilian National Transportation Agency ("ANTT"), as well as any other public administration bodies whose prior authorizations are necessary and verification (or waiver by the applicable part) of the other conditions precedent set in the proposal sent from the Company to ALL on February 24, 2014, for the consummation of the merger.

On December 31, 2014, the Company had negative working capital of R\$ 214,954, mainly due to the dividend distribution in the amount of R\$ 250,000. Despite this event, the Company recorded net operating cash flow of R\$ 73,141, net for the increase in accounts receivable with ALL of R\$ 221,292 which ended the year at R\$ 446,693 consisting of receivables related to the compensation provided for by contract (Note 4) periods already incurred. In addition, there were also investments in modernization and expansion of the logistics system of R\$ 273,583 to meet the Company's business plan. Therefore, the Company's plans indicate that the commitments will be honored.

On February 11, 2015, in response to the provisions of Article 2 of CVM Instruction 358/2002, the act of concentration of the incorporation of ALL shares issued by the Company was approved by CADE unanimously pursuant to art. 61 of Law No. 12,529/2011, upon the Conclusion of an Agreement in Concentration Control ("ACC").

Rumo Logística Operadora Multimodal S.A.

Notes to the consolidated financial statements

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reals – R\$, unless otherwise stated)

1. Operations -- Continued

a) Concession for operating the port terminal

The Company holds the concession to operate two port terminals located in the Port of Santos, and operates nine warehouses in São Paulo for the storage of products. The concession granted to operate port terminals terminates in 2036, as provided in the contract and the contract amendment concession signed with the Port Authority of the State of São Paulo, with no additional costs, but with new investment commitments.

b) Operating Agreement between Rumo and ALL

On March 5, 2009, the former direct Parent Company Rumo Logística (later merged into the Company) and ALL, announced expansion of their rail transport capacity through investments to be made by the Company. These investments were of approximate R\$ 1.2 billion, which would be invested in the purchase of locomotives and wagons and in replication and improvements of infrastructure, under an award from ALL, which are located in the State of São Paulo to Santos Port. Under the contract with ALL, if the minimum volumes of sugar predetermined contractually are not transported, the Company is entitled to charge compensation according to the contractual terms entered by the parties. The operating agreement took effect from January 2010 with a number of amendments since, the last being in May 2013.

Rumo Logística Operadora Multimodal S.A.

Notes to the consolidated financial statements

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, unless otherwise stated)

2. Summary of annual financial statements and significant accounting policies

2.1. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with accounting practices adopted in Brazil including the pronouncements issued by the Accounting Pronouncements Committee (“CPC”) and the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The presentation of the Statement of Value Added (“DVA”), for both the individual and consolidated statements, is required by Brazilian corporate law and the Brazilian accounting practices applicable to public companies. IFRS does not require the presentation of this statement. As a result, under IFRS, this statement is presented as supplementary information, subject to the set of financial statements.

On March 3, 2015, the Board of Directors approved the issuance of the financial statements and authorized disclosure.

Basis of measurement

The financial statements have been prepared using the historical cost convention, except for the following material items recognized in the balance sheets:

- Derivative financial instruments measured at fair value;
- The actuarial defined benefit liability is recognized as the net total of plan assets, plus any past service cost not yet recognized and less the present of the defined benefit obligation, which is of limited value.

Functional and presentation currency

These individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiary.

Rumo Logística Operadora Multimodal S.A.

Notes to the consolidated financial statements

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, unless otherwise stated)

2. Summary of annual financial statements and significant accounting policies -- Continued

2.1. Basis of preparation -- Continued

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS and CPC standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments relating to accounting policies which have an impact on the amounts recognized in the financial statements is included in the following notes:

- Note 4 - Accounts receivable

The provision for doubtful accounts is made when there is no receipt of accounts receivable within less than 90 days. The allowance for doubtful accounts should be accounted for in an amount equal to the loss that these values may cause, regardless of the adoption of criteria and limits established by tax legislation. The rationale for this procedure is that the credits must appear in the balance sheet by their likely net realizable value, regardless of their origin, type of operation or debtor. The conservatism may even justify the adoption of fiscal limits, provided that the difference between this value and the probable loss estimate is not relevant.

The loans covered by collateral cannot be included among those considered as the basis for calculating the allowance for doubtful accounts, but if the guarantee is insufficient to show full coverage of the updated credit, the difference should be considered.

- Notes 7 and 8 – Property, plant and equipment and intangible assets

The calculation of depreciation and amortization of intangible and fixed assets includes estimates of useful lives. Furthermore, the determination of fair value at the date of acquisition of fixed assets and intangible assets acquired in business combinations is a significant estimate.

The Company performs an annual review of indicators of impairment of intangible and fixed assets. In 2014 there were no indications of impairment. Furthermore, an impairment test is performed for intangible assets with indefinite lives and goodwill. The key assumptions used to determine the recoverable amounts in different Cash Generating Units ("CGUs") to which goodwill is allocated are presented in Note 8.

Rumo Logística Operadora Multimodal S.A.

Notes to the consolidated financial statements

At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, unless otherwise stated)

2. Summary of annual financial statements and significant accounting policies -- Continued

2.1. Basis of preparation -- Continued

Use of estimates and judgments -- Continued

- Note 11 – Deferred income tax and social contribution

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required to determine the value of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

- Note 20 – Fair value of financial instruments

When the fair value of financial assets and liabilities recorded in the financial statement value cannot be derived from active markets, fair value is determined using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but if this is not feasible, a degree of judgment is required in establishing fair values. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Segment information

The Company's management assesses the operating performance of the Company and makes decision of the allocation of financial resources; however, it does not produce segmental information divided according to income and assets. Operating revenue classes by service type presented in Note 16.

2.2. Significant accounting policies

The accounting policies described in detail below have been applied consistently to all periods presented in these financial statements, by all group entities, unless otherwise stated.

2.2.1. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, which are listed below:

<u>Subsidiary</u>	Directly controlled	Directly controlled
	December 31, 2014	December 31, 2013
Logisport Armazéns Gerais S.A.	51%	51%
Rumo Um S.A.	100%	100%
Rumo Dois S.A.	100%	100%

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At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, unless otherwise stated)

2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.1. Basis of consolidation -- Continued

(a) Business combinations

Business combinations are recorded at the acquisition date, that is, the date on which control is transferred to the Company using the acquisition method. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. When determining the existence of control, the Company takes into consideration potential voting rights that are currently exercisable.

The Company measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interest in the acquired company; plus
- If the acquisition is achieved in stages, the fair value of any previously held equity interest at acquisition; less
- The net amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the value generates a negative amount, the gain on a bargain purchase is recognized directly in the income statement.

The consideration transferred does not include amounts related to the termination of pre-existing relationships. These amounts are generally recognized in the income statement.

Transaction costs, and other costs related to the issuance of debt instruments or equity, which the Company incurs in connection with a business combination are recorded in income as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as an equity instrument, then it is not premeasured and settlement is recorded within equity. For other considerations, subsequent changes in fair value are recorded in income.

(b) Non-controlling interests

For each business combination, the Company chooses to measure any non-controlling interest in the acquired company either:

- at fair value; or
- by its proportionate share of the identifiable net assets acquired, which are generally measured at fair value.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with the owners in their capacity as shareholders. Adjustments to minority interests are based on a proportionate amount of the net assets of the subsidiary. Adjustments to goodwill are not made and no gain or loss is recognized in income.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.1. Basis of consolidation -- Continued

(c) Subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the Company has the power to manage the financial and operating policies generally accompanying a shareholding of more than half of the voting rights, either directly or indirectly. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also evaluates the existence of control, when it does not hold more than 50% of the voting power, but is able to govern the financial and operating policies by de facto control.

De facto control may arise when the extent of the voting rights of the Company in relation to the extent and dispersion of those of the controlling shareholders grant the Company the power to manage the financial and operating policies, among other things.

Subsidiaries are fully consolidated from the date of acquisition of control, and continue to be consolidated until the date that control ceases.

All remaining balance maintained between the subsidiary, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated. The financial statements of the subsidiary are prepared for the same reporting period as those of the Parent Company, using consistent accounting policies.

(d) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the financial statements.

Unrealized gains arising from recorded transactions with equity accounted investees are eliminated against their respective investments to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of loss due to impairment.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.2. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at year-end.

Translation differences on non-monetary assets and liabilities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in income.

2.2.3. Financial instruments

(a) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they arise. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Loans and receivables are initially measured at fair value. Subsequently these instruments are measured at amortized cost.

The Company recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and benefits of ownership the financial asset are transferred. An interest is created or retained by the Company in financial assets is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when the Company has the legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets in the following categories: financial assets at fair value through profit or loss, held to maturity investments, loans and receivables and financial assets available for sale.

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Notes to the consolidated financial statements

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.3. Financial instruments -- Continued

(a) Non-derivative financial assets -- Continued

(i) Financial assets at fair value through profit

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages them and makes purchase and sale decisions based on their fair values in accordance with the documented risk management and investment strategy. Transaction costs are recognized in income as they are incurred. Financial assets at fair value through profit or loss are measured at fair value and changes in the fair value of these assets are recognized in the income statement.

(ii) Financial assets held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intent and ability to hold them to maturity. Interest rates, and exchange rates, net of losses due to impairment, when applicable, are recognized in income when incurred in the line of financial income and expenses.

After initial recognition, financial assets held to maturity are measured at amortized cost.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss on impairment.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

(iv) Financial assets available for sale

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. Available for sale financial assets are initially recognized at fair value plus any directly attributable transaction cost.

After initial recognition, these are measured at fair value and changes therein, other than losses due to impairment and foreign currency differences on debt instruments available for sale, are recognized in other comprehensive income and presented within equity. When an investment is derecognized, the accumulated loss in other comprehensive income is transferred to profit.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.3. *Financial instruments* -- Continued

(b) Cash and equivalents

Cash and cash equivalents comprise cash balances and investments which have original maturities of three months or less from the acquisition date and are subject to an insignificant risk of changes in their fair value.

(c) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date they initially arise. All other financial liabilities (including liabilities designated at fair value or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company writes a financial liability when its contractual obligations are canceled or expired.

The Company classifies non-derivative financial liabilities as other financial liabilities. They are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method cost. Other financial liabilities comprise loans and borrowings, debt securities issued (including certain preference shares) and trade and other payables.

Interest payments are reported as financing activities in the statements of cash flows.

2.2.4. *Inventories*

Inventories are stated at average acquisition cost, which is not to exceed net realizable value.

Provision for inventories of slow-moving or obsolete inventories is recorded when deemed necessary by management.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.5. Property, plant and equipment

(a) Recognition and measurement

Items of property and equipment are measured at historical cost of acquisition or construction, less accumulated depreciation and accumulated impairment in value (impairment).

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets constructed by the Company itself includes:

- The cost of materials and direct labor;
- Any other costs to bring the asset to the location and condition necessary for them to be able to operate as intended;
- The costs of dismantling and restoring the site where they are located; and
- Borrowing costs on qualifying assets.

The cost of a fixed asset may include reclassifications of other comprehensive income of hedging instruments in qualifying cash flow to purchase fixed assets in foreign currency. Purchased software that is integral to the functionality of equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property (calculated as the difference between the proceeds from sale and the book value of fixed assets) are recognized in other operating income/expenses in income.

(b) Subsequent costs

Subsequent expenditure is capitalized to the extent that it is probable that future economic benefits associated with the expenditure will flow to the Company. Upkeep and recurring repairs are charged to income when incurred.

(c) Depreciation

Items of fixed assets are depreciated from the time they are available for use or, in the case of constructed assets, from the date when the asset is completed and ready for use.

Depreciation is calculated by writing off the cost of fixed assets less their estimated residual values using the straight-line method over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.5. Property, plant and equipment -- Continued

(c) Depreciation -- Continued

Depreciation is calculated using the straight-line method over the useful life of each asset, with the following depreciation rates shown below:

Building and Improvements	4%
Machinery, Equipment and Facilities	10%
Vehicle	20%
Wagons	2.9%
Locomotives	3.3%
Furniture and Fixtures	10%
Computer Equipment	20%

The cost of normal periodic maintenance is charged to expense as incurred since the parts replaced do not improve the productive capacity or introduce improvements to the equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any adjustments are recognized as changes in accounting estimates, if appropriate.

2.2.6. Intangible assets and goodwill

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries is included in intangible assets in the financial statements.

(i) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. With respect to equity method investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity method investee as a whole.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.6. Intangible assets and goodwill -- Continued

(b) Research and development

Expenditures on research activities, undertaken to gain knowledge and scientific and technological understanding, are recognized in income as incurred.

Development activities involve a plan or project for the production of new or substantially improved products or equipments. Development expenditures are capitalized only if development costs can be measured reliably, if the product or process is technically and commercially feasible, if the future economic benefits are probable, and if the Company has the intent and sufficient resources to complete the development and to use or sell the asset. Capitalized costs include the cost of materials and direct labor, manufacturing costs that are directly attributable to preparing the asset for its intended use, and borrowing costs. Other development costs are recognized in income as incurred.

Capitalized development expenditures are stated at cost less accumulated amortization and impairment.

(c) Other intangible assets

Other intangible assets that are acquired by the Company and which have finite useful lives are measured at cost less accumulated amortization and accumulated losses due to impairment.

(d) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the relevant asset. All other expenditures are recognized in income as it is incurred.

(e) Amortization

Except for goodwill, amortization is recognized in income based on the estimated useful lives of intangible assets from the date in which these are available for use, using the straight-line method.

Amortization methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate.

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.7. Impairment

(a) Non-derivative financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that there has been loss in its recoverable amount. A loss is recognized if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on future cash flows that can be estimated in a reliable manner.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future estimated cash flows discounted at the original effective interest rate of the asset. Losses are recognized in profit or loss and reflected in an allowance account against receivables or held-to-maturity. Interest on the impaired asset continues to be recognized. When a subsequent event indicates a reversal of an impairment loss, the decrease in impairment loss is reversed and recorded in income.

(ii) Assets available for sale

Losses from impairment of financial assets available for sale are recognized by reclassifying the cumulative loss recognized in other comprehensive income in shareholders' equity for the result. The cumulative loss that is reclassified from other comprehensive income to the income statement is the difference between the acquisition cost, net of any principal repayment and amortization of the principal amount, and the current fair value, less any reduction for impairment loss previously recognized in income.

(b) Non-financial assets

The carrying amounts of the Company, other than inventories and deferred income and social contribution tax, are reviewed at each reporting date to determine whether there is indication of impairment loss on non-financial assets. If such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated each year. A loss on impairment is recognized if the carrying amount of the asset or CGU exceeds its recoverable amount.

The recoverable amount is the fair value method, using as a basis the price that would be received to sell an asset or that would be paid by transferring a liability in an orderly transaction between market participants at the measurement date.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.7. Impairment -- Continued

(b) Non-financial assets -- Continued

Losses from impairment are recognized in income. A loss on impairment related to goodwill is not reversed. For other assets, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had not been recognized.

2.2.8. Provision

A provision is recognized if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that economic benefits will be required to settle the obligation. Provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The financial costs incurred are recorded in income.

2.2.9. Employees benefits

Defined contribution plan

A defined contribution plan is a plan for post-employment benefit under which an entity pays fixed contributions into a separate entity (a provident fund) and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as pension expenses for employee benefit in income in the years during which services are rendered by employees. Prepaid contributions are recognized as an asset if there is a cash reimbursement or if a reduction in future payments is available.

2.2.10. Revenue

Sales of services

Revenues from services rendered is recognized when the entity transfers to the buyer the significant risks and rewards incidental to the provision of services, when it is probable that economic benefits associated with the transaction will flow to the Company, and when their value and related costs can be measured reliably.

Prices for services are set based on service orders or contracts. Services for which payment is made in advance are recorded as deferred revenue in the form of advances from customers and recorded as revenue by providing effective services.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.11. Leases

Leases assets

Assets held by the Company under leases which transfer substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of fair value and the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2.2.12. Financial income and expense

Financial income comprises interest income on funds invested, gains on disposal of financial assets available for sale, and changes in fair value of financial assets measured at fair value through profit or loss. Interest income is recognized in income using the effective interest method. Dividend income is recognized in income on the date that the Company's right to receive payment is established. Distributions received from investees are recorded by reducing the value of the investment.

Financial expenses comprise interest expenses on borrowings, losses on disposal of assets available for sale, changes in fair value of financial assets measured at fair value through profit and loss by reducing the recoverable value (impairment) recognized as (excluding receivables) financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are measured in income using the effective interest method.

Foreign exchange gains and losses on financial assets and liabilities are reported on a net basis or as financial income or expense, depending on whether foreign currency movements show a net gain or net loss.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.13. Tax and contribution

Income tax comprises the income tax and social contribution at 34%. Expenditure tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it comes to a business combination or items recognized directly in equity.

(a) Current income tax and social contribution

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, the tax rates prevailing at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(b) Deferred income tax and social contribution

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that will follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates expected to apply to temporary differences reversed, using the tax rates approved at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets, if taxes are related to the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or if their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and tax credits, and is deductible to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realized.

(c) Indirect taxes

Net revenue is recognized net of discount and sales taxes.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.2. Significant accounting policies -- Continued

2.2.13. Taxes and contribution -- Continued

(d) Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of tax positions which are uncertain and additional taxes and interest which may be due. This review is based on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liability will have an impact on tax expense in the period that such a determination is made.

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2. Summary of annual financial statements and significant accounting policies -- Continued

2.3. New standards and interpretations not yet adopted

The following new standards and interpretations to existing standards were issued by the IASB, but are not effective for the financial year 2014. Early adoption of standards, although encouraged by the IASB, is not permitted in Brazil by the CPC.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The standard is applicable from January 1, 2018.

On May 28, 2014, the IASB issued the IFRS 15 – Revenue from Contracts with Customers, which outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, which is found currently across several standards and interpretations within IFRSs. The core principle is that an entity recognizes revenue to reflect the transfer of goods or services, measured as the amount to which the entity expects to be entitled in exchange for those goods or services. However, the new standard does not apply to transactions that are instead within the scope of the leasing standard. The new standard is effective for reporting periods beginning on or after January 1, 2017, with earlier application permitted. Entities can choose to apply the standard retrospectively or use a modified approach in the year of application. The Company is evaluating the impact of this new standard on the financial statements.

On December 22, 2014, the CPC issued the document "Review of Technical Pronouncements No. 07/2014", approved by CVM through Resolution No. 733, of December 23, 2014, changing the wording of CPC 35 - "Separate Financial Statements" to incorporate changes made by the IASB in IAS 27 - Separate Financial Statements, which will enable the use of the equity method in subsidiaries in separate financial statements. This change enables the dual compliance (CPC and IFRS) is also achieved in the individual financial statements of the Company, on the assumption that there is no difference between the two accounting practices. Company has reviewed and there is no impact of this new standard.

There are no other IFRSs or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on the Company.

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3. Cash and cash equivalent

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cash and bank accounts	5,857	5,220	6,097	5,447
Financial investments	68,969	491,723	79,378	492,306
	74,826	496,943	85,475	497,753

(i) The financial investments were as below:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<u>Exclusive funds</u>				
Commitment transactions	54,674	388,429	63,298	388,429
Bank deposit certificates - CDBs	11,314	103,259	13,099	103,259
	65,988	491,688	76,397	491,688
<u>Bank investments</u>				
Commitment transactions	2,981	35	2,981	618
	2,981	35	2,981	618
	68,969	491,723	79,378	492,306

4. Trade receivables

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Domestic	504,715	273,365	506,792	274,680
Foreign	4,706	6,048	4,708	6,067
Allowance of doubtful accounts	(22,065)	(22,779)	(22,122)	(22,840)
	487,356	256,634	489,378	257,907
Current	40,663	31,233	42,685	32,506
Non-current (ALL)	446,693	225,401	446,693	225,401

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4. Trade receivables - Continued

The aging of trade receivables, net of allowance for doubtful accounts, was as follows:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Not overdue	20,633	26,843	22,655	27,612
Overdue:				
Overdue 1-30 days	48,838	30,405	48,838	30,905
Overdue 31-60 days	25,555	30,799	25,555	30,803
Overdue 61-90 days	31,732	54,268	31,732	54,268
Overdue more than 90 days	360,598	114,319	360,598	114,319
	466,723	229,791	466,723	230,295
	487,356	256,634	489,378	257,907

Changes in the allowance for doubtful accounts were as follows:

	Parent Company	Consolidated
On March 31, 2013	(554)	(629)
Provision	(22,676)	(22,695)
Reversal of provision	451	484
On December 31, 2013	(22,779)	(22,840)
Additions	(646)	(646)
Provision	1,348	1,349
Losses	12	15
On December 31, 2014	(22,065)	(22,122)

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4. Trade receivables - Continued

On October 10, 2013, ALL issued a press release announcing that it has initiated legal actions in relation to the contracts entered with the Company. The Company then filed a request for arbitration against ALL, among other administrative and judicial measures to enforce its contractual rights and to require ALL to comply with the terms of the agreement signed in 2009, as amend, including the Fourth and Fifth Amendment's signed on May 31, 2013. There are no judicial decisions suspending the validity of the contracts signed between ALL and the Company, or agreements which should be observed by the parties, and ALL continues to provide rail transport sugar, although in lower volumes for contracted services.

On May 12, 2014, the Company and ALL together requested the suspension of all court proceedings related the performance of the agreements in accordance with Article 265, item II of CPC – Civil Process Code, as well as any resources or incident thereto, for a period of six months, without prejudice to the parties upon the eventual resumption of its course. Therefore, the outstanding balance with ALL is not part of the calculation of the allowance for losses.

As at December 31, 2014, the Company had recorded accounts receivable from ALL amounting to R\$ 446,693 (R\$ 225,401 on December 31, 2013), net of allowance for doubtful accounts in the amount of R\$ 20,950, arising from services provided under the agreements with ALL in accordance with IAS 18 – Revenue and net of allowance for losses due to contractual services of R\$ 25,057. Additionally, revenue totaling R\$ 183,144, including penalties and interest, was not recorded because not all the criteria for revenue recognition had been met. The revenue recognized in the fiscal 12 months ended on December 31, 2014 was R\$ 264,180, representing 29% of net operating revenues (nine-month period ended on December 31, 2013 it was R\$ 291,857, representing 39%).

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

5. Related parties

a) Summary of the main balances and transactions with related parties

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current assets				
Commercial operations				
Cosan S.A. Indústria e Comércio (i)	1,486	1,474	1,564	1,551
Raízen Energia S.A. and subsidiaries (ii)	9,921	10,334	9,947	3,370
Logisport Armazéns Gerais S.A. (iii)	23	432	-	-
Radar Propriedades Agrícolas S.A.	55	-	55	-
Raízen Combustíveis S.A.	143	-	143	-
Other	7	8	6	-
	11,635	12,248	11,715	4,921
Corporate operations / agreements				
Rezende Barbosa S.A. Administrações e Participações (iv)	949	7,223	949	7,223
Cosan Lubrificantes e Especialidades	28	28	28	-
	977	7,251	977	7,223
	12,612	19,499	12,692	12,144

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Non-current assets				
Corporate operations / agreements				
Rezende Barbosa S.A. Administração e Participações (iii)	-	945	-	945
	-	945	-	945
	-	945	-	945

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At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning April 1, 2013)

(In thousands of Brazilian Reais – R\$, unless otherwise stated)

5. Related parties -- Continued

a) Summary of the main balances and transactions with related parties -- Continued

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current liabilities				
Commercial operations				
Cosan S.A. Comércio e Indústria (i)	3,342	1,851	3,342	1,851
Raízen Energia S.A. and subsidiaries (ii)	16,441	7,817	16,542	722
Cosan Lubrificantes e Especialidades S.A.	363	383	363	356
Raízen Combustíveis S.A.	45	91	45	52
Logisport Armazéns Gerais S.A. (iii)	873	978	-	-
Other	-	-	-	30
	<u>21,064</u>	<u>11,120</u>	<u>20,292</u>	<u>3,011</u>
	<u>21,064</u>	<u>11,120</u>	<u>20,292</u>	<u>3,011</u>

b) Summary of transactions with related parties

	Parent Company	
	Period ended on December 31, 2014	Nine-months period ended on December 31, 2013
Services		
Raízen Energia S.A. and subsidiaries (ii)	281,462	278,512
Logisport Armazéns Gerais S.A. (iii)	-	131
Other	2,796	203
	<u>284,258</u>	<u>278,846</u>
Shared expenses		
Cosan S.A. Indústria e Comércio (i)	(9,454)	(5,910)
Raízen Energia S.A. (ii)	(5,033)	(3,881)
	<u>(14,487)</u>	<u>(9,791)</u>
Purchases		
Raízen Combustíveis S.A.	(741)	(990)
Logisport Armazéns Gerais S.A. (iii)	(13,611)	(6,576)
	<u>(14,352)</u>	<u>(7,566)</u>
Financial results		
Rezende Barbosa S.A. Administração e Participações (iv)	421	804
Raízen Energia S.A. (ii)	15	-
	<u>436</u>	<u>804</u>

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

5. Related parties -- Continued

b) Summary of the transactions with related parties -- Continued

	Consolidated	
	Period ended on December 31, 2014	Nine-months period ended on December 31, 2013
Services		
Raízen Energia S.A. and subsidiaries (ii)	285,212	279,185
Other	2,796	203
	288,008	279,388
Shared expenses		
Cosan S.A. Indústria e Comércio (i)	(9,454)	(5,910)
Raízen Energia S.A. (ii)	(5,453)	(4,280)
	(14,907)	(10,190)
Purchases		
Raízen Combustíveis S.A.	(741)	(990)
	(741)	(990)
Financial results		
Rezende Barbosa S.A. Administração e Participações (iv)	421	804
Raízen Energia S.A. (ii)	15	-
	436	804

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

5. Related parties – Continued

(i) Cosan S.A. Indústria e Comércio

The balances receivable at December 31, 2014 and December 31, 2013 mainly related to reimbursements of administrative expenses.

The balance payable at December 31, 2014 and December 31, 2013 mainly related to reimbursement for shared corporate expenses.

(ii) Raízen Energia S.A. and subsidiaries

The balances receivable at December 31, 2014 and December 31, 2013 related to the provision of logistics services performed under conditions agreed between the parties, using an index based on the Information System for Freight.

The balance payable at December 31, 2014 and December 31, 2013 mainly related to reimbursements of administrative expenses shared with the Raízen Energia S.A.

At December 31, 2014, 31% of net operating revenue was provided by Raízen Energia S.A. customer and its subsidiaries (at December 31, 2013 this represented 30%), an entity jointly controlled by Cosan and Shell.

(iii) Logispot Armazéns Gerais S.A.

The balance at December 31, 2014 and December 31, 2013 related to advances and warehousing services provided under conditions agreed between the parties.

(iv) Rezende Barbosa S.A. Administração e Participações

The balances receivable related to a loan bearing interest of 9.60% per annum, as from the date of receipt, and payable monthly until May 15, 2015.

c) Officers and directors remuneration

The fixed and variable remuneration of key management people are recorded in income and amounted to R\$ 5,389 on December 31, 2014 (R\$ 2,594 on December 31, 2013), with all remuneration classified as short-term benefits.

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At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning January 1, 2013)

(In thousands of Brazilian Reals – R\$, unless otherwise stated)

6. Investments

Subsidiaries	Issued shares of the investee	Number of shares held by the investor	Percentage of interest (%)	Balance at December 31, 2013	Equity pick- up	Dividends
Logisport Armazéns Gerais S.A. (a)	2,040,816	1,040,816	51%	76,122	158	(158)
Rumo Um S.A.	5,000	5,000	100%	5	-	-
Rumo Dois S.A.	5,000	5,000	100%	5	-	-
				<u>76,132</u>	<u>158</u>	<u>(158)</u>

a) The investments includes the business combination with Logisport R\$ 26,483 and goodwill of R\$ 37,530, reclassified to intangible assets (goodwill) of R\$ 37,530.

Subsidiaries	Issued shares of the investee	Number of shares held by the investor	Percentage of interest (%)	Balance at March 31, 2013	Equity pick-up	Dividends
Logisport Armazéns Gerais S.A.	2,040,816	1,040,816	51%	76,979	2,705	(2,705)
Rumo Um S.A.	5,000	5,000	100%	-	-	-
Rumo Dois S.A.	5,000	5,000	100%	-	-	-
				<u>76,979</u>	<u>2,705</u>	<u>(2,705)</u>

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(In thousands of Brazilian Reals – R\$, unless otherwise stated)

6. Investments -- Continued

Information of the subsidiaries:

	Balance at December 31, 2014		
	Logisport Armazéns Gerais S.A.	Rumo Um S.A.	Rumo Dois S.A.
Current			
Assets	14,717	5	5
Liabilities	6,492	-	-
Net current assets	8,225	5	5
Non-current			
Assets	47,850	-	-
Liabilities	32,357	-	-
Net non-current assets	15,493	-	-
Equity	23,718	5	5
Result	1,412	-	-

	Balance at December 31, 2013		
	Logisport Armazéns Gerais S.A.	Rumo Um S.A.	Rumo Dois S.A.
Current			
Assets	3,969	5	5
Liabilities	6,997	-	-
Net current liabilities	(3,028)	5	5
Non-current			
Assets	40,270	-	-
Liabilities	14,601	-	-
Net non-current assets	25,669	-	-
Equity	22,641	5	5
Result	1,208	-	-

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

6. Investments -- Continued

Non-controlling:

	Issued shares of the investee	Number of shares held by non-controlling	Percentage of interest by non- controlling (%)	December 31, 2013	Equity by non- controlling
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49,00%	37,013	
Rumo Um S.A.	5,000	-	0,00%	-	
Rumo Dois S.A.	5,000	-	0,00%	-	
Total				37,013	

	Issued shares of the investee	Number of shares held by non-controlling	Percentage of interest by non- controlling (%)	March 31, 2013	Equity by non- controlling
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49,00%	37,902	
Rumo Um S.A.	5,000	-	0,00%	-	
Rumo Dois S.A.	5,000	-	0,00%	-	
Total				37,902	

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At December 31, 2014 (twelve-month period beginning January 1, 2014) and December 31, 2013 (nine-month period beginning January 1, 2013)

(In thousands of Brazilian Reais – R\$, unless otherwise stated)

7. Property, plant and equipment

	Consolidated				
	Land, buildings and improvements	Machinery, equipment and facilities	Rail cars and locomotives	Construction in progress (ii)	O
Cost:					
At December 31, 2013	285,690	286,687	436,064	219,146	
Additions	(1,510)	4,760	-	270,333	
Disposals	(1,715)	(15,185)	-	-	
Transfers (i)	61,262	97,805	83,928	(390,345)	
At December 31, 2014	343,727	374,067	519,992	99,134	
Depreciation:					
At December 31, 2013	(51,284)	(123,344)	(41,584)	-	
Additions	(9,522)	(31,646)	(14,104)	-	
Disposals	1,377	15,156	-	-	
Transfers (i)	(8,778)	8,754	-	-	
At December 31, 2014	(68,207)	(131,080)	(55,688)	-	
At December 31, 2013	234,406	163,343	394,480	219,146	
At December 31, 2014	275,520	242,987	464,304	99,134	

(i) Refers to intangible transfers due to the capitalization of these assets and definitive transfers due the fixed assets group.

(ii) Construction in progress refers mainly to improvements in railway stretch mesh under the grant by ALL, which are reclassified (from grants) to the extent that projects are completed, suffering periodic amortization as a result.

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

7. Property, plant and equipment --

Continued

	Consolidated				
	Land, buildings and improvements	Machinery, equipment and facilities	Rail cars and locomotives	Construction in progress (ii)	
Cost:					
At March 31, 2013	284,111	254,611	433,158	162,539	
Additions	-	6,053	-	191,994	
Disposals	-	(1,236)	-	-	
Transfers (i)	1,579	27,259	2,906	(135,387)	
At December 31, 2013	285,690	286,687	436,064	219,146	
Depreciation:					
At March 31, 2013	(45,006)	(106,778)	(31,361)	-	
Additions	(6,278)	(16,722)	(10,223)	-	
Disposals	-	156	-	-	
Transfers (i)	-	-	-	-	
At December 31, 2013	(51,284)	(123,344)	(41,584)	-	
At March 31, 2013	239,105	147,833	401,797	162,539	
At December 31, 2013	234,406	163,343	394,480	219,146	

(i) Refers to intangible transfers due to the capitalization of these assets and definitive transfers due the fixed assets group.

(ii) Construction in progress refers mainly to improvements in railway stretch mesh under the grant by ALL, which are reclassified to the extent that projects are completed, suffering periodic amortization as a result.

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7. Property, plant and equipment -- Continued

At December 31, 2014, the bank loans were secured by wagons and locomotives for an amount of R\$ 464,304 (R\$ 394,480 at December 31, 2013).

The Company did not identify any indicators of impairment loss on fixed assets for the years ended December 31, 2014 and December 31, 2013.

Capitalization of borrowing costs

During the year ended December 31, 2014, borrowing costs capitalized amounted to R\$ 5,779 (R\$ 6,019 at December 31, 2013). The weighted average rate of financial charges or borrowings, used for capitalization of interest on the balance of construction in progress, was 5.16% p.a until December 31, 2014 (5.96% p.a for the year ended December 31, 2013).

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8. Intangible assets

	Consolidated			
	Goodwill	Improvements in public concessions and operation licenses (ii)	Others	Total
Cost:				
At December 31, 2013	100,451	726,838	1,559	828,848
Disposals	-	-	(11)	(11)
Transfers (i)	-	143,917	2,193	146,110
At December 31, 2014	100,451	870,755	3,741	974,947
Amortization				
At December 31, 2013	-	(72,520)	(693)	(73,213)
Additions	-	(40,923)	(579)	(41,502)
Disposals	-	-	11	11
Transfers (i)	-	10	-	10
At December 31, 2014	-	(113,433)	(1,261)	(114,694)
At December 31, 2013	100,451	654,318	866	755,635
At December 31, 2014	100,451	757,322	2,480	860,253

(i) Refers to transfers to intangible assets as a result of the conclusion of such assets.

(ii) Improvements in public grants and operating license refer mainly to improvements in railway stretch mesh under the grant by

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

8. Intangible assets

-- Continued

	Consolidated			
	Goodwill	Improvements in public concessions and operation licenses (ii)	Others	Total
Cost:				
At March 31, 2013	100,451	624,292	803	725,546
Transfers (i)	-	102,546	756	103,302
At December 31, 2013	100,451	726,838	1,559	828,848
Amortization				
At March 31, 2013	-	(47,276)	(410)	(47,686)
Additions	-	(25,244)	(283)	(25,527)
At December 31, 2013	-	(72,520)	(693)	(73,213)
At March 31, 2013	100,451	577,016	393	677,860
At December 31, 2013	100,451	654,318	866	755,635

(i) Refers to transfers to intangible assets as a result of the conclusion of such assets.

(ii) Improvements in public grants and operating license refer mainly to improvements in railway stretch mesh under the grant by

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8. Intangible assets -- Continued

Intangibles (except goodwill)	Annual rate of amortization	December 31, 2014	December 31, 2013
Software (a)	20%	2,480	866
Operating license and customer base (b)	3.7%	250,826	262,775
Public concession (c)	5.93%	506,496	391,543
Total		759,802	655,184

a) Refers mainly to the business management system – ERP of the Company

b) License for port operations and relationship with the Company's customers, from business combination.

c) Refers to improvements made to the railways operated by ALL in relation to the transport contract with the Company. These are amortized according to the remaining term of the concession with ALL, which continues through 2029. These improvements ensure the Company can execute the contract since it now has transport rights to the railway, as well as a minimum guarantee of available cargo capacity.

As defined by IAS 36 / CPC01, the Company must annually tests the recoverable amounts of intangible assets with indefinite useful lives, consisting mainly of goodwill, based on expected future earnings from business combination. Assets subject to depreciation and amortization are tested for impairment whenever there are indicators that the carrying amount may not be recoverable.

The goodwill acquired through business combinations was allocated to the Rumo CGU, as shown below:

	Consolidated	
	December 31, 2014	December 31, 2013
Rumo CGU	100,451	100,451
Total goodwill	100,451	100,451

On November 30, 2014, the impairment test was performed only for goodwill as a result of failing to identify predictors of test for non-financial assets (fixed and intangible assets with finite useful lives).

The recoverable amount was determined by the fair value method, using as a basis the price that would be received to sell an asset or that would be paid by transferring a liability in an orderly transaction between market participants at the measurement date.

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8. Intangible assets -- Continued

Based on the particular valuation at fair value of the Company's investments, obtained in tests performed in association context with ALL demonstrated below is the impairment test of the Company's assets:

Base date: November / 2014

PP&E	Cost	Depreciation	Net
Land and farms	58,612		58,612
Building and improvements	284,110	(66,704)	217,405
Machinery and Equipments and installations	374,804	(128,982)	245,822
Wagons and locomotives	498,742	(54,349)	444,392
Vessels and vehicles	250,000	(222,000)	28,000
Furniture and fixture and computer equipment	4,806	(2,289)	
Construction in progress	117,662		117,662
Advances for fixed assets	(21,024)		(21,024)
Total	1,317,961	(252,546)	1,065,415

Intangible	Cost	Amortization	Net
Goodwill	100,451		100,451
Operating license	322,379	(70,558)	251,821
Software and other	3,288	(996,000)	2,291
Improvements in third party properties	569,519	(73,483)	496,036
Construction in progress	1,248		1,248
Total	996,885	(145,038)	851,848

Working capital	(161,545)
Cash	109,257
Working capital net of cash	(52,289)

Contingencies	(12,752)
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Net assets of working capital and contingencies - Equity adjusted	1,852,221
Fair value of investments	4,000,000
Space (Impairment)	2,147,779

Based on of test impairment at fair value, the Company's CGU assets showed no need for a provision for reduction in their recoverable amount for the year ended December 31, 2014.

As a result of the impairment tests performed, no expense for impairment of assets or goodwill was recognized. The determination of the recoverability of assets depends on certain key assumptions as described above, and these are influenced by current market, technological and economical conditions. Accordingly these tests cannot determine future impairment losses and/or their materiality.

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9. Loans and borrowings

Description	Index	Nominal interest rate	Financial charges (a)		Parent Company		Consolidated	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
FINAME	Pré-fixed	4.03%	305,218	274,171	307,005		277,059	
FINAME	Long-term interest rate reference unit("URTJLP")	6.93%	457,570	428,916	457,570		428,915	
FINEM	Pré-fixed	3.50%	-	-	3,420		-	
FINEM	Long-term interest rate ("TJLP")	6.66%	-	-	13,231		-	
FINEM	Consumer price index ("IPCA")	14.60%	-	-	3,483		-	
			762,788	703,087	784,709		705,974	
Current			125,893	106,111	127,425		107,200	
Non-current			636,895	596,976	657,284		598,774	

a) Financial charges at December 31, 2014, unless otherwise indicated.

Warranties and guarantees

	December 31, 2014	December 31, 2013
Chattel mortgage		
Wagons and locomotives	464,304	394,480
Mortgage		
Land, buildings and improvements	191,660	191,660
Guarantees	817,697	-
Endorsements / promissory notes	-	119,834
Total	1,473,661	705,974

Machinery and Equipment Financing ("FINAME"), intermediated by financial institutions, and used for investments in fixed assets. These loans are subject to interest payable monthly and are secured by liens on the assets financed.

Business Finance ("FINEM"), intermediated by financial institutions, and intended for implementation, expansion, recovery and modernization of fixed assets. These loans are subject to interest payable monthly and are secured by liens on the assets financed.

Unused credit lines

At December 31, 2014, the Company had available lines of credit for financing from the National Bank for Economic and Social Development ("BNDES"), which were unused. These totaled R\$ 698,664 (R\$ 385,999 at December 31, 2013).

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9. Loans and borrowings -- Continued

Covenants

The Company and its subsidiaries are subject to certain market restrictive financial covenants set forth in existing loans and financing agreements based on certain financial indicators, where the debt coverage ratio cannot be less than 1.2 (one and two tenths), calculated at the end of each year. For the period ended December 31, 2014, the Company and its subsidiaries have not provided indications of unmet covenants.

The non-current borrowings are scheduled to fall due as follows as from the balance sheet date:

	<u>Parent Company</u>		<u>Consolidated</u>	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
13 to 24 months	136,234	107,177	140,050	108,227
25 to 36 months	136,234	106,215	139,336	106,964
37 to 48 months	136,224	106,215	139,326	106,215
49 to 60 months	125,531	106,204	128,633	106,204
61 to 72 months	60,520	94,867	63,622	94,867
73 to 84 months	35,505	44,486	38,607	44,486
85 to 96 months	6,647	26,992	7,247	26,991
Thereafter	-	4,820	463	4,820
	<u>636,895</u>	<u>596,976</u>	<u>657,284</u>	<u>598,774</u>

On December 31, 2014 and 2013, the carrying value approximates fair value.

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10. Income tax and other taxes payable

Description	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Income tax payable	3,020	11,270	2,962	11,568
Contribution to social security financing ("COFINS")	1,846	3,291	1,919	3,400
Social integration program ("PIS")	375	714	390	738
National social security institute ("INSS")	1,508	1,862	1,687	2,026
Tax on circulation of goods, transport services and communication ("ICMS")	1,025	1,830	1,025	1,835
Recovery program ("Refis") (i)	902	-	902	-
Others	1,303	1,415	1,377	1,548
	6,959	9,112	7,300	9,547
	9,979	20,382	10,262	21,115
Current	9,979	20,382	10,262	21,115

(i) Accession period has reopened to Refis IV by General Attorney Treasury ("PGFN") and Brazil Federal Revenue ("RFB"). Taxpayers have rules to be observed for membership and stay in installments established by Law 11,941 / 2009, with the accession of opportunity created by Law No. 12,996 / 2014.

11. Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses:

Description	Parent Company	
	December 31, 2014	December 31, 2013
Profit before tax	172,678	243,202
Income tax and social contribution at nominal rate (34%)	(58,711)	(82,689)
Adjustments to determine the effective rate:		
Equity pick-up	54	920
Permanent differences (donations, gifts, etc)	(247)	(520)
Worker food program (PAT) - Deduction	682	55
Tax breaks	47	61
Others	24	63
Income tax and social contribution expense (current and deferred)	(58,151)	(82,110)
Effective rate %	33.68%	33.76%

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(In thousands of Brazilian Reals – R\$, unless otherwise stated)

11. Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses: -- Continued

Description	Consolidated	
	December 31, 2014	December 31, 2013
Profit before tax	173,018	243,641
Income tax and social contribution at nominal rate (34%)	(58,826)	(82,838)
Adjustments to determine the effective rate:		
Permanent differences (donations, gifts, etc)	(266)	(527)
Worker food program (PAT) - Deduction	682	55
Tax breaks	47	61
Other	24	82
Income tax and social contribution expense (current and deferred)	(58,339)	(83,167)
Effective rate %	33.72 %	34.14%

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(In thousands of Brazilian Reais – R\$, unless otherwise stated)

11. Income tax and social contribution -- Continued

b) Deferred corporate income tax (IRPJ) and social contribution (CSLL) assets and liabilities:

Description	Parent Company			
	December 31, 2014			Total
	Basis	IRPJ 25%	CSLL 9%	
Temporary differences:				
Accelerated depreciation	(260,078)	(65,020)	-	(65,020)
Goodwill amortized tax	24,698	6,175	2,223	8,398
Review of useful life	(122,557)	(30,639)	(11,030)	(41,669)
Business combination - Fixed assets	(1,192)	(298)	(107)	(405)
Business combination - Intangible assets	(250,450)	(62,613)	(22,541)	(85,154)
Provision for judicial demands	13,198	3,300	1,188	4,488
Provision for profit sharing	9,847	2,462	886	3,348
Allowance for doubtful accounts	22,065	5,516	1,986	7,502
Other	(3,929)	(982)	(354)	(1,335)
Total	(568,398)	(142,099)	(27,749)	(169,847)
Deferred income tax - liabilities				(169,847)
Total deferred taxes				(169,847)

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11. Income tax and social contribution -- Continued

b) IRPJ and CSLL assets and liabilities: -- Continued

Description	Consolidated			
	December 31, 2014			
	Basis	IRPJ 25%	CSLL 9%	Total
Taxes losses:				
Taxes losses	2,290	572	-	572
Tax losses of social contribution	2,290	-	206	206
Temporary differences:				
Accelerated depreciation	(260,078)	(65,020)	-	(65,020)
Goodwill amortized tax	24,698	6,175	2,223	8,398
Review of useful life	(122,558)	(30,640)	(11,030)	(41,670)
Business combination - Fixed assets	(79,870)	(19,968)	(7,188)	(27,156)
Business combination - Intangible assets	(250,450)	(62,613)	(22,541)	(85,154)
Provision for judicial demands	13,378	3,345	1,204	4,549
Provision for profit sharing	10,138	2,535	912	3,447
Allowance for doubtful	22,122	5,531	1,991	7,522
Other	(4,171)	(1,043)	(375)	(1,417)
Total	(642,211)	(161,126)	(34,598)	(195,723)
Deferred income tax - Assets				875
Deferred income tax - Liabilities				(196,598)
Total deferred taxes				(195,723)

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11. Income tax and social contribution -- Continued

c) Recovery of income tax and social contribution:

In assessing the recoverability of deferred tax assets, management considers the projections future taxable income and the movement of temporary differences. When it is more likely that a part or all of the taxes may not be recovered, a provision is made. There is no expiration date for the use of income tax and social contribution losses, but the use of these accumulated losses from previous years is limited to 30% of annual taxable income.

d) Changes in deferred taxes (net):

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2013	December 31, 2013
Deferred tax at the beginning of the year	(147,282)	(67,940)	(172,968)	(95,418)
Income	(22,565)	(77,618)	(22,755)	(77,550)
Business combination	-	(1,724)	-	-
Deferred tax at the end of the year	(169,847)	(147,282)	(195,723)	(172,968)

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12. Provision for judicial demands

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Tax	1,765	1,773	1,825	1,774
Civil	12	-	12	-
Labor	11,421	9,371	11,541	9,465
	13,198	11,144	13,378	11,239

Judicial deposits at December 31, 2014 and December 31, 2013, were as follows:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Tax	5,123	4,701	5,123	4,701
Civil	20,321	527	20,321	527
Labor	4,203	1,468	4,227	1,468
	29,647	6,696	29,671	6,696

Changes in the provision for litigation were:

	Parent Company			
	Tax	Civil	Labor	Total
Balance at December 31, 2013	1,773	-	9,371	11,144
Write-offs / payments	(1,212)	-	(2,922)	(4,134)
Write-off interest	(4)	-	(360)	(364)
Additions	1,125	7	3,769	4,901
Monetary variation	83	5	1,563	1,651
Balance at December 31, 2014	1,765	12	11,421	13,198

	Consolidated			
	Tax	Civil	Labor	Total
Balance at December 31, 2013	1,774	-	9,465	11,239
Write-offs / payments	(1,213)	-	(2,927)	(4,140)
Write-off interest	(4)	-	(359)	(363)
Additions	1,182	7	3,786	4,975
Monetary variation	86	5	1,576	1,667
Balance at December 31, 2014	1,825	12	11,541	13,378

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12. Provision for judicial demands -- Continued

Judicial claims deemed as probable losses:

a) Tax

The main tax claims at December 31, 2014 and December 31, 2013, were as follows:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Compensation of PIS and COFINS	1,036	1,007	1,037	1,008
Urban building and land tax ("IPTU")	-	15	-	15
INSS (i)	729	751	788	751
	1,765	1,773	1,825	1,774

(i) Accident Prevention Factor and additional holidays.

b) Civil and labor

The main civil and labor at December 31, 2014 and December 31, 2013, were as follows:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Labor (i)	11,421	9,371	11,541	9,465
Other	12	-	12	-
	11,433	9,371	11,553	9,465

(i) The Company is party to labor lawsuits filed by former employees and employees of service providers that question, among others, the payment of overtime, night and hazard pay, job reinstatement, compensation for accidents at work and the return made on the discounts payroll, such as confederation dues, union dues and other.

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12. Provision for judicial demands -- Continued

Judicial claims deemed as possible losses:

a) Tax

The main taxes claims for which unfavorable outcomes were deemed possible and for which, therefore, no provision was recorded, and those which were of a similar nature, at December 31, 2014 and December 31, 2013, were as follows:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Compensation of negative balance of IRPJ / CSLL	5,721	3,368	5,721	3,368
INSS (i)	460	876	460	876
IR/CSLL - Tax assessment (ii)	996	922	996	922
IPTU (iii)	9,995	5,871	9,995	5,871
Other	1,043	1,265	1,043	1,265
	18,215	12,302	18,215	12,302

i) INSS: Refers to the amounts objected to and being defended at the administrative level, especially on the requirement of the social security on sales in retail materials to the same economic group companies and suppliers.

ii) IR/CSLL – Assessment Notice: Refers to amounts related to income tax and social contribution offset by negative credit balance of social contribution. Questions the restriction resulting from item IX of paragraph 3 of Article 74 of Law No. 9,430/96, inserted by Law No. 11,941/09.

iii) Refers to demand for payment of IPTU for the warehouses of the port terminal. Since the properties are owned by the Federal Government, the Company believes that the demand of the Municipality of Santos is unwarranted, given the existence of reciprocal immunity. Moreover, as the Company does not own the property, but is a mere lessee (there is no "animus domini"), the legal requirements of Articles 32 and 34 of the Internal Revenue Code do not exist, and the demand is therefore illegal, in accordance with precedents of the Superior Court of Justice.

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12. Provision for judicial demands -- Continued

Judicial claims deemed as possible losses:

b) Civil and labor

At December 31, 2014 and December 31, 2013, the main civil and labor claims for which an unfavorable outcome was deemed possible and for which, therefore, no provision was recorded, and those of a similar nature, were as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Civil (i)	17,539	9,757	17,539	9,757
Labor (ii)	44,139	102,723	44,376	106,502
	<u>61,678</u>	<u>112,480</u>	<u>61,915</u>	<u>116,259</u>

i) Filing of new demands of a collection nature or damages and reclassification of the probability of loss of a remote demand to possible.

ii) Decrease from the previous period due to changes and procedural drives with their case reviews, which eventually modify the probability, from possible to remote.

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13. Commitments

Purchases

The Company has signed commitments for improvements in the railway network of ALL to be honored in future years, as follows:

	Parent Company and Consolidated
Period	December 31, 2014
2015	22,000
Total	22,000

Lease agreements

Operating leases

The future minimum rental payments under non-cancelable operating leases at December 31, 2014 and December 31, 2013, were as follows:

	Parent Company and Consolidated	
	December 31, 2014	December 31, 2013
Within one year	45,573	52,173
Over one year, less than five years	222,504	263,642
Total	268,077	315,815

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14. Equity

a. Common stock

The fully paid capital at December 31, 2014 and December 31, 2013 was R\$ 1,099,746 and was represented by 1,026,488,214 common shares, without par value.

b. Legal reserve

At December 31, 2014, the Company allocated to its legal reserve 5% of the profit for the year, equivalent to R\$ 5,726 (R\$ 8,055 at December 31, 2013), in accordance with the bylaws and in compliance with Brazilian corporate law.

c. Reserve for retained earnings

In accordance with Law 6,404/76, management will propose to the next Annual General Meeting the retention of a portion of the profit for the year through the presentation of a capital budget of R\$ 81,601 at December 31, 2014 (R\$ 114,778 at December 31, 2013), for financing the Company's investment plans and modernization.

d. Dividends

At the Annual and Extraordinary General Meeting of January 16, 2014, the shareholders approved by unanimous vote and without reservations, the reversal of dividends declared for the years ended March 31, 2013 and 2012, amounting to R\$ 35,289 and R\$ 22,543 respectively for the allocation to the profit reserve account, as the capital budget presented by management, as provided in Article 196 of Law 6,404/76.

At the Annual General Meeting of April 30, 2014, the shareholders approved by unanimous vote and without qualification, the reversal of declared dividends for the year ended December 31, 2013 of R\$ 38,259 for allocation to reserve account earnings, as the capital budget presented by management, as provided in Article 196 of Law 6,404/76.

In addition, dividends declared and now prescribed for the year ended March 31, 2009 of R\$ 2,243 were reversed for allocation to the profits reserve account, as the capital budget presented by management, as provided in Article 196 of Law 6,404/76.

At the Extraordinary General Meeting on January 27, 2014, shareholders approved by unanimous vote and without qualification, payment of dividends in the amount of R\$ 250,000, an amount allocated in the Company's retained earnings reserve account, pursuant to Article 32, paragraph 1 of the Bylaws. The total dividends have already been paid, with R\$ 125,000 during the quarter ended June 30, 2014 and the rest during the quarter ended September 30, 2014.

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14. Equity – Continued

d. Dividends -- Continued

Bylaws stipulate the distribution of a minimum dividend of 25% of the profit for the year after allocation of 5% to the legal reserve. The amount of the dividend which management proposed to put forward for ratification at the Annual General Meeting was R\$ 27,200 at December 31, 2014 (R\$ 38,259 at December 31, 2013).

The determination of dividends, as well as the allocation of net income from the year of 2014 will be determined at the next Annual General Meeting.

	Parent Company	
	December 31, 2014	December 31, 2013
Income of the year	114,527	161,092
Legal reserve - 5%	(5,726)	(8,055)
Calculation basis for the dividend distribution	108,801	153,037
Mandatory minimum dividend - 25%	(27,200)	(38,259)
Dividends from prior years	(98,333)	(60,074)
Reversion of dividends from prior years	98,333	-
Interim dividends	(250,000)	-
Dividends paid	250,000	-
Total dividends payable	(27,200)	(98,333)

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15. Earnings per share

Earnings per share are computed by dividing net income by the weighted average ordinary shares outstanding during the year. Diluted earnings per share are calculated by adjusting average shares outstanding and reflect the conversion of all potentially dilutive options.

The following table sets forth the computation of earnings per share for the periods ended at December 31, 2014 and December 31, 2013 (in thousands, except per share amounts):

Basic and diluted

	December 31, 2014	December 31, 2013
Numerator		
Income from operations attributable to controlling shareholders	114,527	161,092
Denominator		
Weighted average number of common share	1,026,488,214	1,026,488,214
Denominator for basic and diluted earnings per share	1,026,488,214	1,026,488,214
Income basic and diluted earnings per share	R\$ 0.112	R\$ 0.157

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16. Gross sales

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2014
Taxable gross revenue from sales of products and services	988,629	837,697	1,000,065	845,100
Taxes and deduction over sales	(83,181)	(94,735)	(84,624)	(95,752)
Net revenue	905,449	742,962	915,441	749,348

Opening of net sales:

	Consolidated	
	December 31, 2014	December 31, 2013
Elevation	220,543	138,236
Transport	671,600	597,476
Other	23,298	13,636
	915,441	749,348

Breakdown of net revenue by region:

	Consolidated	
	December 31, 2014	December 31, 2013
Domestic market	758,456	676,922
Foreign market	156,985	72,426
	915,441	749,348

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17. Expenses by nature

The expenses are presented in the statement of income by function. The reconciliation by nature/purpose for the year ended at December 31, 2014 and December 31, 2013, as required by IAS 1, was as follows:

a) Expenses by nature:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Material usage and consumption	(34,979)	(29,574)	(35,504)	(29,891)
Hired labor	(21,523)	(14,774)	(23,081)	(15,805)
Employee benefit expense	(91,926)	(61,293)	(98,641)	(65,941)
Transport and elevation expenses	(406,963)	(313,650)	(406,979)	(313,666)
Rental of machinery and equipments	(15,474)	(10,189)	(17,161)	(11,729)
Depreciation and amortization	(93,181)	(58,329)	(97,244)	(58,955)
Other expenses	(24,021)	(11,609)	(19,396)	(9,045)
	<u>(688,067)</u>	<u>(499,418)</u>	<u>(698,006)</u>	<u>(505,032)</u>

b) Classified as:

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cost of goods and services sold	(605,292)	(445,292)	(610,361)	(447,444)
General and administrative	(82,775)	(54,126)	(87,645)	(57,588)
	<u>(688,067)</u>	<u>(499,418)</u>	<u>(698,006)</u>	<u>(505,032)</u>

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18. Financial result

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<u>Financial expenses</u>				
Interest on loans	(39,993)	(31,404)	(40,571)	(31,532)
Interest on other financial liabilities	(1,099)	(1,672)	(1,115)	(1,688)
Bank fees (a)	(28,836)	(605)	(29,015)	(678)
Other	-	(7)	-	(6)
	(69,928)	(33,688)	(70,701)	(33,904)
<u>Financial income</u>				
Income from investments	29,578	33,097	29,873	33,462
Interest on other financial assets	5,570	12,752	5,835	13,759
Other	9	-	9	-
	35,157	45,849	35,717	47,221
Monetary variations (b)	1,299	347	1,313	372
	1,299	347	1,313	372
Financial income	33,670	41,227	33,976	42,508
Financial expenses	(67,142)	(28,719)	(67,647)	(28,819)
	(33,472)	12,508	(33,671)	13,689

a) Includes commission expenses corresponded to operations related to the incorporation of ALL shares issued by the Company.

b) Includes gains on foreign currency assets and liabilities denominated in foreign currency.

19. Other income (expenses), net

	Parent Company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Reversal (provision) for judicial demand	(1,802)	(906)	(1,855)	(909)
Income from port operations (a)	9,628	5,687	9,628	5,687
Revenue from rents and leases	-	-	769	492
Costs with corporate transactions (b)	(19,125)	-	(19,125)	-
Expenses claim	1,254	1,647	1,254	2,266
Reversal (provision) for losses on receivables	702	(22,225)	703	(22,211)
Other income (expenses), net	(2,047)	242	(2,120)	311
	(11,390)	(15,555)	(10,746)	(14,364)

a) These gain (losses) corresponded to operations related to Despatch / (Demurrage) and take or pay, and were linked to port activity performance.

b) These costs relate mainly to operations related to the incorporation of ALL shares issued by the Company.

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20. Financial instruments

(a) Overview

With regard to its financial instruments, the Company is exposed to risks related to the following:

1. Foreign exchange rates
2. Interest rates
3. Credit
4. Liquidity

This Note presents information about the exposure of the Company and its subsidiaries to these risks, as well as the objectives of the Company's risk management policies, and the policies and processes for the measurement and management of risk, and for capital management.

(b) Foreign exchange risks

The risk arises from the possibility of fluctuations in exchange rates contracted for the revenue from export services of port lifting and storage and other assets and liabilities in foreign currency. The Company has no derivative instruments to hedge this exposure.

In December 31, 2014 and December 31, 2013, the Company and its subsidiaries had the following net exposure to exchange rate changes in assets and liabilities denominated in US Dollars:

	Consolidated			
	December 31, 2014		December 31, 2013	
	R\$	US\$	R\$	US\$
Accounts receivable	4,708	1,772	6,067	2,590
Net exchange exposure	4,708	1,772	6,067	2,590

(c) Interest rate risk

The Company's financial investments are usually based on floating interest rates linked to the Interbank Deposit Certificate ("CDI") interest rate. Loans are based on composite rates of interest for fixed interest rate and partly by TJLP. The Company monitors these fluctuations in interest rates and may, if it is necessary enter into derivative contracts to minimize these risks. In December 31, 2014 and December 31, 2013, the Company had no derivative contracts in interest rates.

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20. Financial instruments -- Continued

(d) Credit risks

The contracts for the Company's port lifting services generally provide for receipt prior to the effective realization of services. Thus, the Company significantly reduces its exposure to credit risk. Historically, the Company has not recorded significant losses on accounts receivable.

The credit risk on cash and cash equivalents, and bank deposits in national and foreign financial institutions are determined using rating instruments accepted by the market, and were as follows:

Bank deposits	6,094
Financial investments	79,378
AAA	39,929
AA	39,449
December 31, 2014	85,464
Bank deposits	5,442
Financial investments	492,306
AAA	492,306
December 31, 2013	497,748

(e) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries encounter difficulties meeting the obligations associated with their financial liabilities that are to be settled with cash or other financial assets. The approach of the Company and its subsidiaries to liquidity management is to ensure, as much as possible, that it always has sufficient liquidity to meet its obligations due, under normal and stress situations, without causing unacceptable losses or risking damage to the reputation of the Company and its subsidiaries.

The table below presents the non-derivative financial liabilities classified by due date at December 31, 2014.

	December 31, 2014				December 31, 2013
	Up to one year	One to two years	Three to five years	More than five years	Total
Loans and borrowings	131,696	153,676	503,701	166,907	955,981
Trade payables	141,289	-	-	-	141,289
Total	272,985	153,676	503,701	166,907	1,097,270

Financial guarantee are presented for the maximum amounts and are used to ensure payment of debts of its subsidiaries. There is no expectation of loss arising from these contracts.

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20. Financial instruments -- Continued

(f) Fair value

The fair value of financial assets or liabilities is the price at which the instrument could be exchanged in a current transaction between parties willing to negotiate, and not in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair value.

Cash and cash equivalents, trade accounts receivable and payable, and other short-term liabilities approximate their respective carrying values due largely to the short-term maturities of these instruments.

The fair value of non-negotiable instruments, bank loans and other debts, obligations under finance leases, as well as other non-current financial liabilities, are estimated using discounted future cash flows at rates currently available for debt with similar remaining maturities.

The market values of other borrowings approximate their carrying values due to the fact that these financial instruments are subject to variable interest rates. For details see Note 9.

The Company has no derivative financial instruments to hedge this exposure.

(g) Sensitivity analysis

Below is a sensitivity analysis of the fair value of the financial instruments, in accordance with the types of risks deemed to be significant by the Company:

Assumptions for sensitivity analysis

For the analysis, the Company adopted three scenarios, one of which is probable and two of which may impair the fair value of financial instruments. The probable scenario was defined based on US Dollar market curves as at December 31, 2014, which determine the fair value of the derivatives at that date. Stress scenarios were defined based on adverse impacts of 25% and 50% on the US Dollar price curves defined in the probable scenario.

Sensitivity table

Based on assets and liabilities denominated in US Dollars, as at December 31, 2014, the Company conducted simulations by increasing and decreasing the exchange rate (R\$ / US\$) by 25% and 50%. The likely scenario considers the Company's projections for the exchange rates at maturity of operations as follows:

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20. Financial instruments -- Continued

(g) Sensitivity analysis – Continued

Sensitivity table - Continued

		Exchange rate simulations (R\$/US\$)				
		Scenarios				
	2014	Probable	25 %	50 %	-25 %	-50 %
December 31, 2014	2.6562	2.6562	3.3203	3.9843	1.9922	1.3281
		Exchange rate simulations (R\$/US\$)				
		Scenarios				
	2013	Probable	25 %	50 %	-25 %	-50 %
December 31, 2013	2.3426	2.3426	2.9282	3.5139	1.7569	1.1713

Considering the above scenario, the profit and loss would be affected as follows:

	December 31, 2014					
	Balance	Probable	25%	50%	-25%	-50%
Trade receivables in foreign currency	4,708	4,708	1,177	2,354	(1,177)	(2,354)
	December 31, 2013					
	Balance	Probable	25%	50%	-25%	-50%
Trade receivables in foreign currency	2,590	2,590	648	1,295	(648)	(1,295)

The Company performed a sensitivity analysis on interest rates on loans and financing and financial remuneration for CDI applications with increases and decreases of 25% and 50%, the results of which are presented below:

	December 31, 2014					
	2014	Probable	25%	50%	-25%	-50%
Cash and cash equivalents	85,475	85,475	12,527	15,035	7,514	5,008
Loans and borrowings	(786,037)	(786,037)	(43,483)	(51,946)	(26,331)	(17,637)
		(700,562)	(30,956)	(36,912)	(18,817)	(12,629)

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20. Financial instruments -- Continued

(g) Sensitivity analysis – Continued

Sensitivity table - Continued

The categories of financial instruments were:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	<u>Loans and receivables</u>	<u>Loans and receivables</u>
Assets		
Cash and cash equivalents	85,475	497,753
Trade receivables	489,378	257,907
Judicial deposits	29,671	6,696
	<u>604,524</u>	<u>762,356</u>
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	<u>Other financial liabilities</u>	<u>Other financial liabilities</u>
Liabilities		
Loans and borrowings	784,709	705,974
Trade payables	141,289	82,872
Dividends payable	28,003	99,038
	<u>954,001</u>	<u>887,884</u>

(h) Capital management

The Company's policy is to maintain a solid capital base to maintain the confidence of investors, creditors and the market, and to ensure the future development of the business. Management monitors the return on capital, which the Company defines as the result of operating activities divided by total net equity, Leverage ratios, involving cash generation (EBITDA), short-term debt and total debt.

On December 31, 2014, the Company had negative working capital of R\$ 214,954, mainly due to the dividend distribution in the amount of R\$ 250,000. Despite this event, the Company recorded net operating cash flow of R\$ 73,141, net for the increase in accounts receivable with ALL R\$ 221,292 which ended the year at R\$ 446,693 consisting of receivables related to the compensation provided for by contract (Note 4) periods already incurred. In addition, there were also investments in modernization and expansion of the logistics system in R\$ 273,583 to meet the Company's business plan. Therefore, the Company's plans indicate that the commitments will be honored.

(i) The fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments based on the evaluation methodology.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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20. Financial instruments -- Continued

(i) The fair value hierarchy -- Continued

The fair value of assets and liabilities traded in active markets is based on the quoted market value at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, group industries, pricing, service or regulatory agency, and those prices represent actual transactions regularly occurring under normal market conditions.

Level 2: other techniques for which all data that have significant effect on the value just registered are observable, either directly or indirectly;

The fair value of assets and liabilities that are not quoted in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific inputs. If all relevant information required to measure the fair value of an instrument is observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on market data, the asset or liability is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of future cash flows estimated based on observable yield curves;
- Other techniques, such as analysis of discounted cash flows, are used to determine fair value for the remaining financial instruments.

Level 3: inputs for the instrument that are not based on observable market data (or are, unobservable inputs).

On December 31, 2014 and December 31, 2013 there were no financial instruments measured at fair value.

The disclosure of the fair value of loans disclosed in Note 9 has been established using an evaluation methodology classified as Level 2.

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21. Pension and post-employment benefit plans

Pension plan

Defined contribution

Since June 1, 2011, the Company and its subsidiaries have sponsored a defined contribution plan for all employees (“Futura II”). The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all of the benefits owed. During the year ended December 31, 2014 the amount of contributions totaled R\$ 64 (R\$ 98 on December 31, 2013).

22. Subsequent events

Approved the merger of ALL shares by CADE:

On February 11, 2015, in response to the provisions of Article 2 of CVM Instruction 358/2002, the act of concentration on the incorporation of ALL shares issued by the Company was approved by CADE unanimously pursuant to Article 61 of Law No. 12,529/2011, upon the conclusion of an ACC.

For the ACC force, the Company will adopt certain behaviors aimed to eliminate the competition concerns identified in the opinion of the General Superintendent of CADE.

These behavioral obligations remain in force for a period of seven years and are aimed mainly at ensuring compliance of isonomic users of rail freight loads, mainly through strengthening governance rules, and transparency mechanisms to adopt the parameters of pricing, call control services and limiting the use of rail transport by related parties.

Considering the obtained approval, the Company will proceed with the necessary steps to effect the merger process, as the Merger Protocol.

Payment of interim dividends:

On February 24, 2015, the Board of Directors Meeting Minutes, was approved by unanimous vote and without any restrictions the payment of the Company's interim dividends in the amount of R\$ 300,000.

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