

U.S.\$500,000,000



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)*

5.875% Notes due 2025

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.\$500,000,000 aggregate principal amount of 5.875% notes due 2025, or the notes. Interest on the notes will accrue at a rate of 5.875% per year. The notes will mature on January 18, 2025. The Issuer will pay interest on the notes in arrears on January 18 and July 18 of each year, commencing on July 18, 2018.

The Issuer may, at its option, redeem the notes, in whole or in part, at any time prior to January 18, 2022, 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 January 18, 2022 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 January 18, 2021, the Issuer may, on any one or more occasions, redeem up to 35% of the notes at a redemption price of 105.875% 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 and unpaid 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.”

Rumo S.A., or the Guarantor, will unconditionally and irrevocably guarantee, on an unsecured basis, all the obligations of the Issuer pursuant to the notes. The Guarantor’s guarantee will rank equally in right of payment with its other unsecured unsubordinated indebtedness and guarantees (except those obligations preferred by operation of law) and effectively subordinated to the liabilities of its subsidiaries and jointly controlled companies. The guarantee will be effectively junior to the secured indebtedness of the Guarantor to the extent of such security. 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 18.

Issue Price: 99.294% plus accrued interest, if any, from January 18, 2018

The notes and the guarantee 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 January 18, 2018.

Joint Book-Running Managers

BB Securities

BofA Merrill Lynch

Bradesco BBI

Citigroup

Itaú BBA

Santander

The date of this offering memorandum is March 5, 2018.

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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. (the successor entity of Rumo Logística (as defined below)) together with its consolidated subsidiaries; (2) the "Guarantor" refers to Rumo S.A. on an individual and non-consolidated basis; (3) "Rumo Logística" refers to Rumo Logística Operadora Multimodal S.A.; (4) "ALL" refers to ALL – América Latina Logística S.A.; (5) "Malha Norte" refers to Rumo Malha Norte S.A.; (6) "Malha Oeste" refers to Rumo Malha Oeste S.A.; (7) "Malha Paulista" refers to Rumo Malha Paulista S.A.; (8) "Malha Sul" refers to Rumo Malha Sul S.A.; (9) "ALL Intermodal" refers to ALL – America Latina Logística Intermodal S.A.; (10) "ALL Brasil" refers to ALL – America Latina Logística do Brasil S.A.; (11) "Brado Holding" refers to Brado Holding S.A.; (12) "Brado Logística" refers to Brado Logística e Participações S.A.; (13) "Cosan Limited" refers to Cosan Logística's parent company, Cosan Limited, a holding company organized under the laws of Bermuda, together with its subsidiaries; (14) "Cosan Logística" refers to Cosan Logística S.A., together with its subsidiaries and jointly controlled entities; and (15) "Cosan S.A." refers to Cosan S.A. Indústria e Comércio.

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\$3.168 per U.S.\$1.00, the U.S. dollar selling rate as of September 30, 2017 as reported by the Central Bank. For more information, see "Exchange Rates."

In this offering memorandum, references to the initial purchasers are to Banco Bradesco BBI S.A., BB Securities Limited, Citigroup Global Markets Inc., Itau BBA USA Securities, Inc., Merrill Lynch Pierce Fenner & Smith Incorporated and Santander Investment Securities Inc.

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.

You should only rely on the information contained in this offering memorandum. 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.

We and the Issuer are 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.

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.

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 in circumstances which do not constitute an offer of securities to the public, subject to the prospectus requirements, in accordance with 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, we and the Issuer 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 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. 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, 2017, R\$3.168 per 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. For more information, see “Exchange Rates.”

Financial Statements

Corporate Events

On April 1, 2015, Rumo Logística consummated the acquisition of ALL, or the ALL Acquisition. 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 fiscal year ended December 31, 2014 with Rumo Logística’s financial information as of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística’s financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group’s financial information for subsequent years is limited.

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 of this corporate reorganization, Rumo’s historical financial statements for any period prior to December 31, 2016 only reflect the results of operations of Rumo’s rail business (and excludes any results of operation derived from the port business, as such business was conducted by Rumo Logística separately from Rumo (its then subsidiary)) until the consummation of the merger of Rumo Logística into Rumo.

Financial Statements

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

- Rumo group consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017 and 2016;
- Rumo group consolidated audited financial statements as of and for the fiscal year ended December 31, 2016; and
- 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).

The Rumo group consolidated interim unaudited financial statements present the consolidated results of operations and cash flows of Rumo and Rumo Logística as of and for the nine months ended September 30, 2017 and 2016 on a consolidated basis, and the Rumo group consolidated audited financial statements present the results of operations and cash flows of Rumo and Rumo Logística as of and for the fiscal year ended December 31, 2016 on a consolidated basis. These consolidated financial statements of the Rumo group were prepared in order to provide comparable financial information regarding the Rumo group throughout the presented periods notwithstanding the corporate reorganization referred to above was undertaken on December 31, 2016.

Specifically, the merger of Rumo Logística into the Company impacted the comparability between the interim financial information as of and for the nine months ended September 30, 2016 and the interim financial information as of and for the nine months ended September 30, 2017. As a result of this corporate reorganization, the Company's historical financial statements as of and for the fiscal year ended December 31, 2016 do not reflect the results of operations of Rumo Logística (its then parent company). For comparability purposes, the Company's consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017 and 2016 present the consolidated results of operations of Rumo Logística (including any results of operations derived from the highway business, the rail business, the transshipment terminals and the port business) on a consolidated basis with the Company's rail business (including any results of operations derived from the rail business), as if such corporate reorganization had been consummated on January 1, 2016.

With respect to the Company's consolidated financial information discussed above, as of December 31, 2016, the Company's balance sheet reflected the assets and liabilities of both Rumo Logística and the Company, in light of the consummation of the merger of Rumo Logística into the Company on December 31, 2016. Accordingly, such financial information of Rumo Logística and the Company were presented on a consolidated basis so as to allow for comparability between the statements of income and cash flows for the periods.

The consolidated financial information included in this offering memorandum covers the following entities: Rumo S.A. and its subsidiaries and Rumo Logística Operadora Multimodal S.A. and its subsidiaries. As the incorporation of Rumo Logística by the Company occurred on December 31, 2016, the Company's results on September 30, 2016 did not include the operations of Rumo Logística, which were contributed directly into the Company on the date of the incorporation. Consequently, in order to prepare the income statement, cash flow statement, value added statement and operating results for the comparative period ended September 30, 2016, it was necessary to combine the results of the Company with those of Rumo Logística while also eliminating any transactions between the two. In practice, the result of this combination is the same financial information as was previously presented by Rumo Logística (when it was the parent company).

With respect to the balance sheet, the assets and liabilities were not combined given that as of September 30, 2017 and December 31, 2016, following the incorporation, the balance sheet already included the assets and liabilities of both companies.

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 Industry, Foreign Trade and Services (*Ministério da Indústria, Comércio Exterior e Serviços*), or MDIC, the Food and Agriculture Organization of the United Nations, or FAO, the Brazilian Ministry of Agriculture, Livestock and 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 Exchange (B3 S.A. – Brasil, Bolsa, Balcão (formerly *BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*)), or B3, 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, EBITDA Margin, Net Debt and Net Adjusted Working Capital, 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 revenue, expressed as a percentage. We also present Net Debt, which we calculate as our long-term debt, finance leases, real estate credit certificates (*Certificados de Recebíveis Imobiliários*), net of derivative financial instruments (current and non-current), less cash and cash equivalents and marketable securities, and restricted cash from borrowings and financings. In addition, we present Net Adjusted Working Capital, which we define as the sum as accounts receivable, derivative financial instruments, inventories, related parties, current income taxes, other recoverable taxes and other assets net of derivative financial instruments, accounts payable-suppliers, salaries payable, current income tax, other taxes payable, dividends payable, leases and concessions, related parties, deferred income, other financial liabilities and other current liabilities. 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 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 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.

Adjusted EBITDA and Adjusted Net Debt

The manner in which we calculate EBITDA and Net Debt, as set forth above, for the purposes of presenting such information in this offering memorandum differs from the manner in which Adjusted EBITDA and Adjusted Net Debt are defined under “Description of the Notes—Certain Definitions—Adjusted EBITDA” and “Description of the Notes—Certain Definitions—Adjusted Net Debt.”

The concepts of Adjusted EBITDA and Adjusted Net Debt serve solely as the basis for the calculation of certain covenants and certain other matters in connection with the notes as set forth in “Description of the Notes,” and, in summary, are defined as follows:

- Adjusted EBITDA, as defined by us, means, for any period, our net revenue for sales and services, *minus* our cost of goods sold and services rendered, *minus* our administrative and selling expenses, *minus* other operating expenses, *plus* other operating income, *plus* any depreciation or amortization included in any of the foregoing. Results from the sale or retirement of assets, provisions/reversals of contingencies, impairment charges, fair value gains or adjustments and extraordinary restructuring expenses are excluded from the calculation of Adjusted EBITDA; and
- Adjusted Net Debt, as defined by us, means, as of any date of determination, the aggregate amount of Debt (as defined in “Description of the Notes—Certain Definitions—Debt”) of the Issuer and its Restricted Subsidiaries (as defined in “Description of the Notes—Certain Definitions—Restricted Subsidiary”), *minus* the sum of consolidated cash and cash equivalents and marketable securities (excluding restricted cash, but including restricted cash pledged for or otherwise linked to the repayment of Debt) recorded as current assets.

Adjusted EBITDA and Adjusted Net Debt are non-GAAP measures.

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 capitalization and indebtedness level and our ability to arrange financing or refinancing and to implement our capital expansion plan;
- 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 impact of global macroeconomic conditions on Brazil;
- 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 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 several Brazilian companies, including Petróleo Brasileiro S.A. – Petrobras (Brazil’s state-owned oil company, one of the country’s largest companies), or Petrobras, and JBS S.A. and the impacts of such investigations on the Brazilian economy and political outlook as a whole and, particularly, on our principal shareholder;
- the impact of the persistent economic hardship in 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;
- 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; and
- other risk factors discussed under “Risk Factors.”

Words such as “believe,” “should,” “may,” “might,” “could,” “seek,” “aim,” “likely,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and other similar words used in this offering memorandum 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 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 is Brazil’s largest 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 in 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 25,000 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 83%, 83%, 80% and 76% of our transported volume in the nine months ended September 30, 2017 and in the fiscal years ended December 31, 2016, 2015 and 2014, respectively, while transportation of industrial products represented approximately 17%, 17%, 20% and 24% of our transported volume in the same periods, respectively. Our transported volume derived from the transportation of grains (soybean, corn and soybean meal) represented 74%, 73%, 68% and 62% in the nine months ended September 30, 2017 and in the fiscal year ended December 31, 2016, 2015 and 2014, respectively.

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 develop our operations through 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 located in the state of Paraná, and (3) our container operations business segment, or Container Operations, comprising the operations of Brado Logística.

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 (19.85%) 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 68% of our rail transportation volume in the nine months ended September 30, 2017 and approximately 67% in the nine months ended September 30, 2016.

In the nine months ended September 30, 2017 and 2016, our Northern Operations generated net revenue from services of R\$3,227.7 million and R\$2,945.4 million, respectively, which accounted, in each period, for 74% of our total net revenue from services, income before financial results and income taxes of R\$1,251.4 million and R\$1,166.1 million, respectively, and EBITDA of R\$1,820.3 million and R\$1,596.6 million, respectively. The gross profit of our Northern Operations was R\$1,394.0 million in the nine months ended September 30, 2017 and R\$1,335.1 million in the nine months ended September 30, 2016. In addition, our Northern Operations transported 24,595 million revenue ton kilometer, or RTK, in the nine months ended September 30, 2017, representing approximately 68% of the total volume transported by us in that period, and transported 22,119 million RTK in the nine months ended September 30, 2016, representing approximately 67% of the total volume transported by us in that period. In the nine months ended September 30, 2017, we decreased port handling volumes by operations under our control at the port of Santos (Terminal 16 and Terminal 19) to approximately 9.8 million tons of agricultural commodities, a decrease of 7.2% compared to the nine months ended September 30, 2016 primarily due to less favorable conditions for sugar trading. 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 months ended September 30, 2017 and 2016, our Southern Operations generated net revenue from services of R\$958.0 million and R\$849.7 million, respectively, which accounted for 22% and 21% of our net total revenue from services in the nine months ended September 30, 2017 and 2016 respectively, loss before financial results and income taxes of R\$45.4 million and R\$74.9 million, respectively, and EBITDA of R\$230.1 million and R\$107.2 million, respectively. Our Southern Operations recorded a gross profit of R\$9.3 million in the nine months ended September 30, 2017. The volume transported by our Southern Operations in the nine months ended September 30, 2017 and 2016 was 10,420 million RTK and 9,409 million RTK, respectively, which amounted to 29% and 29% of the total volume transported by us in such periods. 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 61.71%. Our Container Operations transport agricultural products, in addition to industrial products. In the nine months ended September 30, 2017 and 2016, our Container Operations generated net revenue from services of R\$168.6 million and R\$204.8 million, respectively, accounting for 4% and 5%, respectively, of our total net revenue from services, loss before financial results and income taxes of R\$72.7 million and R\$62.5 million, respectively, and negative EBITDA of R\$24.1 million and R\$23.2 million, respectively, in each case resulting from decreases in transported volumes and lower average yield. Our Container Operations recorded a gross loss of R\$59.7 million in the nine months ended September 30, 2017, primarily due to the lower volumes and higher depreciation and amortization. In addition, our Container Operations transported 1,325 million RTK in the nine months ended September 30, 2017 representing approximately 4% of the total volume transported by us in that period, and 1,282 million RTK in the nine months ended September 30, 2016, representing 4% of the total volume transported by us in that period.

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 69% of Brazilian grain exports and 95% of Brazilian sugar exports in the first nine months of 2017, according to the MDIC. The states in which our rail network is located were responsible for 74% of Brazil's grain production (including soybean and corn) in 2016, according to Conab, and accounted for approximately 80% of GDP generated in Brazil during 2016 according to data from IBGE. 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, Fibria and Klabin. 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 inaugurated 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 with 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 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 and others. According to the 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 the nine months ended September 30, 2017, we invested R\$1,423.8 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; (3) purchasing 461 railcars and 27 new locomotives; and (4) other initiatives.

In 2016, we invested R\$1,935.7 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 476 km of tracks; (3) purchase of 925 railcars and 65 new locomotives, as well as renovation of our current fleet; and (4) other initiatives.

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 2016 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.

Our strategy is focused on investments to renew our 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 freight services 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.

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 the opportunities presented by Brazil's logistics industry can be leveraged. According to data from the National Transport Confederation, or CNT, rail accounted for less than 21% of Brazil's transportation system in 2016, 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 during the course of the next five years:

- 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.

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 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 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, including 95 AC44i locomotives and 1,595 Hooper wagons, with a book value of R\$895.7 million, and (2) performed a capital increase in a wholly-owned newly-established subsidiary of Rumo, Elevações Portuárias S.A., or Elevações Portuárias, amounting R\$672.4 million, through a contribution of port assets and debts formerly held by Rumo Logística. 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 semester of 2018. 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.

Recent Developments

Capital Increase

On October 10, 2017, we completed a capital increase in an amount of R\$2,640 million, or U.S.\$833.3 million (based on an exchange rate of R\$3.168 to U.S.\$1.00 as of September 30, 2017), through a public offering of our common shares to investors in Brazil and abroad. We used the net proceeds from the offering to improve our leverage, reduce our net indebtedness and increase our cash reserves.

Additional Borrowings and Repayments of Existing Debt

Since September 30, 2017, we have issued debentures in an aggregate amount of R\$500 million (U.S.\$157.8 million). We have also borrowed an additional aggregate amount of R\$650 million (U.S.\$205 million) with Banco do Brasil under an export credit note. Since September 30, 2017, we have also made repayments in an aggregate amount of R\$1.6 billion (U.S.\$505 million) of our debt.

Fertilizer Terminal

We expect to install a fertilizer terminal at the logistics complex of Rondonópolis. The total initial investment will be R\$117 million. The discharge facility is expected to be completed in April 2018 and will have an area of 2,000 square meters and a capacity of up to 7.5 million tons per year.

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 .

As of September 30, 2017, Rumo S.A.'s capital stock was R\$7,014,897,097.82, divided into 1,339,015,898 common shares 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.
Guarantor	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.
Initial Purchasers	Banco Bradesco BBI S.A., BB Securities Limited, Citigroup Global Markets Inc., Itau BBA USA Securities, Inc., Merrill Lynch Pierce Fenner & Smith Incorporated and Santander Investment Securities Inc.
Notes Offered	U.S.\$500,000,000 aggregate principal amount of 5.875% notes due 2025.
Issue Price.....	99.294% plus accrued interest, if any, from January 18, 2018.
Issue Date	January 18, 2018.
Maturity Date.....	January 18, 2025.
Interest	The notes bear interest from January 18, 2018 at the annual rate of 5.875%, payable semi-annually in arrears on each interest payment date.
Interest Payment Dates	January 18 and July 18 of each year, commencing on July 18, 2018.
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 Guarantee	<p>The notes will be guaranteed on an unsecured basis by Rumo S.A. The guarantee will be an unsecured obligation of Rumo S.A. and will rank equally in right of payment with Rumo S.A.'s other unsecured and unsubordinated indebtedness and guarantees (except those obligations preferred by operation of law). The guarantee obligations in respect of the notes will be effectively junior to Rumo S.A.'s secured indebtedness to the extent of such security and effectively subordinated to the liabilities of the Rumo S.A.'s respective subsidiaries and jointly controlled companies. Under Brazilian law, holders of the notes will not have any claim whatsoever against our subsidiaries (except the Issuer as issuer of the notes).</p> <p>As of September 30, 2017, the Guarantor's unconsolidated loans, borrowings and financing amounted to R\$2,069.3 million, which represented 20.4% of our consolidated gross debt, and the Guarantor's unconsolidated loans, borrowings and financing with third parties (excluding intragroup indebtedness) amounted to R\$986.7 million, which represented 9.7% of our consolidated gross debt.</p>
Optional Redemption with a Make-Whole	<p>Prior to January 18, 2022, 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, 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.\$100.0 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by us or our affiliates).</p>
Optional Redemption without a Make-Whole	<p>On and after January 18, 2022, 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.\$100.0 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by us or our affiliates).</p>
Optional Redemption upon Eligible Equity Offering	<p>At any time prior to January 18, 2021, 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</p>

	<p>(expressed as a percentage of principal amount) of 105.875%, plus accrued and unpaid interest to, but excluding, the redemption date, with the net cash proceeds from one or more equity offerings.</p> <p>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.</p>
Tax Redemption	<p>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 and unpaid interest to, but excluding, the redemption date, 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."</p>
Additional Amounts	<p>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 Guarantor 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."</p>
Covenants	<p>The indenture governing the notes (including the guarantee) contains covenants that, among other things, will limit the ability of the Issuer, the Guarantor or the Guarantor's 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.

	<p>In addition, the Issuer is subject to additional restrictive covenants pursuant to the indenture.</p> <p>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 Guarantee.”</p>
Change of Control Offer	<p>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, to, but excluding, the repurchase date. In addition, the Issuer will have the right to redeem all of the notes at such price if holders representing at least 90% of the aggregate principal amount of the outstanding notes require the Issuer to repurchase their notes upon a change of control. See “Description of Notes—Certain Covenants—Repurchase of Notes upon a Change of Control.”</p>
Events of Default	<p>For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued and unpaid interest, see “Description of Notes—Default and Remedies—Events of Default.”</p>
Further Issuances	<p>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. 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. Any further issue will be consolidated with, and form a single series, with the notes sold in this offering.</p>
Use of Proceeds	<p>We expect to use the net proceeds from this offering to refinance debt and for general corporate purposes. See “Use of Proceeds.”</p>
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 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—Depositary Procedures."</p>
Transfer Restrictions.....	<p>The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer, see "Transfer Restrictions."</p>
Luxembourg Listing and Trading.....	<p>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, the Issuer will use reasonable efforts to list the notes in another comparable exchange. However, there can be no assurance that the 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.</p>
Ratings.....	<p>The notes have been assigned a rating of B+ 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 by us and information obtained by S&P and Fitch from other sources. These ratings may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information.</p>
Governing Law.....	<p>The indenture, the notes and the guarantee are governed by and construed in accordance with, the laws of the State of New York. For the avoidance of doubt, the provisions of articles 470-1 to 470-19 (included) of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, will not be applicable to the Notes.</p>
Trustee, Principal Paying Agent, Registrar and Transfer Agent	<p>U.S. Bank National Association</p>
Luxembourg Listing Agent.....	<p>Banque Internationale à Luxembourg, S.A.</p>
Selling Restrictions.....	<p>There are restrictions on persons to whom notes can be sold, and on the distribution of this offering</p>

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 and consolidated financial and operating information derived from (1) the Rumo group's consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017 and 2016, (2) the Rumo group's consolidated audited financial statements as of and for the fiscal year ended December 31, 2016 and (3) 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).

The Rumo group consolidated interim unaudited financial statements present the consolidated results of operations and cash flows of Rumo and Rumo Logística as of and for the nine months ended September 30, 2017 and 2016 on a consolidated basis, and the Rumo group consolidated audited financial statements present the consolidated results of operations and cash flows of Rumo and Rumo Logística as of and for the fiscal year ended December 31, 2016 on a consolidated basis. These consolidated financial statements of the Rumo group were prepared in order to provide comparable financial information regarding the Rumo group throughout the presented periods notwithstanding the corporate reorganization described in the paragraph below undertaken on December 31, 2016.

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.

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 fiscal year ended December 31, 2014 with Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group's financial information for subsequent years is limited.

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 Other Information," "Selected Consolidated Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Consolidated Income Statement Data

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

	As of and for the Nine Months Ended September 30,			As of and for the Fiscal Year Ended December 31,		
	2017(1)	2017	2016	2016	2015(2)	2014
	(in U.S.\$)					
	(in thousands, except as otherwise indicated)					
Net revenue from services.....	1,374,440	4,354,227	3,999,922	5,014,555	4,037,923	915,441
Cost of services	(950,303)	(3,010,559)	(2,717,621)	(3,769,147)	(2,771,881)	(610,361)
Gross profit.....	424,138	1,343,668	1,282,301	1,245,408	1,266,042	305,080
Selling, General and administrative	(66,641)	(211,118)	(258,937)	(344,378)	(286,026)	(87,645)
Other, net	(2,034)	(6,445)	(3,357)	(862)	60,297	(10,746)
Operating expenses	(68,675)	(217,563)	(262,294)	(345,240)	(225,729)	(98,391)
Result before equity income on investments, financial result, net and income taxes	355,462	1,126,105	1,020,007	900,168	1,040,313	206,689
Equity income on investments	2,273	7,200	8,751	8,381	11,164	—
Profit before financial results and income tax	357,735	1,133,305	1,028,758	908,549	1,051,477	206,689
Financial expenses	(454,732)	(1,440,590)	(1,444,728)	(1,947,537)	(1,260,933)	(70,701)
Financial income	58,585	185,598	205,514	295,199	145,691	35,717
Foreign exchange, net.....	(5,705)	(18,074)	79,112	76,049	(190,410)	1,313
Derivatives	138	436	(101,142)	(100,542)	120,634	—
Net financial result	(401,714)	(1,272,630)	(1,261,244)	(1,676,831)	(1,185,018)	(33,671)

	As of and for the Nine Months Ended September 30,			As of and for the Fiscal Year Ended December 31,		
	2017(1)	2017	2016	2016	2015(2)	2014
	(in U.S.\$)			(in R\$)		
	(in thousands, except as otherwise indicated)					
Result before income tax	(43,979)	(139,325)	(232,486)	(768,282)	(133,541)	173,018
Income (expense) tax and social contribution:						
Current	(10,393)	(32,926)	(34,867)	(76,708)	(20,482)	(35,585)
Deferred	(9,101)	(28,833)	(9,192)	111,503	(11,315)	(22,754)
	(19,495)	(61,759)	(44,059)	34,795	(31,797)	(58,339)
Profit (loss) for the period	(63,473)	(201,084)	(276,545)	(733,487)	(165,338)	114,679
Profit (loss) attributable to:						
Owners of the Company	(64,523)	(204,409)	(282,574)	(743,096)	(158,407)	114,527
Non-controlling interest	1,050	3,325	6,029	9,609	(6,931)	152
Basic income (loss) earnings per share ...	(0.048)	(0.153)	(0.292)	(0.699)	(0.630)	0.112
Diluted income (loss) earnings per share	(0.048)	(0.153)	(0.292)	(0.699)	(0.630)	0.112
Consolidated other Financial Data:						
Depreciation and amortization	281,862	892,940	651,816	1,120,019	616,528	97,244
EBITDA(3)	639,598	2,026,245	1,680,574	2,028,568	1,668,005	303,933
Working capital(4)	(166,962)	(528,937)	—	(1,092,589)	(2,172,433)	(214,954)
Cash flow generated by (used in):						
Operating activities	546,149	1,730,201	1,438,129	1,453,630	1,503,356	73,141
Investing activities	(602,179)	(1,907,702)	(2,127,796)	(1,949,948)	(1,000,247)	(273,583)
Financing activities	24,380	77,237	658,433	683,857	(515,596)	(211,836)
Impact of exchange variation on cash and cash equivalents	8,654	27,417	—	—	—	—

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- (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 fiscal year ended December 31, 2014 with Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group's financial information for subsequent years is limited. See "Presentation of Financial and Certain Other Information."
- (3) 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. A reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin is included under "—Other Financial Data."
- (4) Working capital consists of total current assets less total current liabilities.

Consolidated Balance Sheet Data

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

	As of September 30,		As of December 31		
	2017(1)	2017	2016	2015(2)	2014
	(in U.S.\$)		(in R\$)		
	(in thousands)				
Assets					
Cash and cash equivalents	59,242	187,680	260,527	72,988	85,475
Marketable securities	478,684	1,516,471	916,593	508,268	—
Accounts receivable	99,039	313,756	417,156	144,535	42,685
Inventories	81,626	258,591	284,579	225,784	5,817
Related parties	14,297	45,292	28,814	33,572	12,692
Current income taxes	6,594	20,891	165,956	32,701	—
Other recoverable taxes	56,080	177,662	84,009	175,502	—
Other assets	52,881	167,528	143,119	114,989	11,479
Current	848,444	2,687,871	2,300,753	1,308,339	158,148

	As of September 30,		As of December 31		
	2017(1)	2017	2016	2015(2)	2014
	(in U.S.\$)		(in R\$)		
Accounts receivable	3,997	12,661	14,305	21,136	446,693
Restricted cash	71,242	225,695	200,999	200,893	—
Deferred income tax	356,917	1,130,714	1,160,968	1,361,225	875
Current income taxes	78,585	248,958	121,376	274,597	—
Other recoverable taxes	227,403	720,414	660,805	590,971	—
Judicial deposits	103,018	326,362	299,876	266,987	29,671
Derivative financial instruments	12,123	38,406	786	99,863	—
Other non-current assets	30,515	96,670	106,191	127,891	3,749
Equity method investments	13,409	42,481	46,847	44,241	—
Property and equipment	3,455,106	10,945,776	10,337,119	9,404,087	1,084,455
Intangible assets	2,417,742	7,659,406	7,781,289	7,862,420	860,253
Non-current	6,770,058	21,447,543	20,730,561	20,254,311	2,425,696
Total assets	7,618,502	24,135,414	23,031,314	21,562,650	2,583,844
Liabilities					
Loans, borrowings and debentures	445,955	1,412,784	1,467,725	1,444,063	127,425
Finance leases	90,546	286,849	472,632	539,615	—
Real estate credit certificates	31,676	100,350	105,422	88,089	—
Derivative financial instruments	—	—	4,535	521	—
Accounts payable – suppliers	154,343	488,960	564,942	419,147	141,289
Salaries payable	49,755	157,624	117,150	149,871	19,302
Current income tax	1,189	3,767	35,990	6,125	2,962
Other taxes payable	12,523	39,672	32,757	33,017	7,300
Dividends payable	2,509	7,949	6,729	8,270	28,003
Leases and concessions	8,509	26,955	27,662	20,205	—
Related parties	48,847	154,746	106,710	103,832	20,292
Deferred income	4,033	12,775	14,167	107,252	—
Other financial liabilities	80,592	255,314	177,569	236,698	—
Other current liabilities	84,932	269,063	259,352	324,067	26,529
Current	1,015,407	3,216,808	3,393,342	3,480,772	373,102
Loans, borrowings and debentures	2,750,765	8,714,423	7,055,450	7,141,113	657,284
Finance leases	229,609	727,402	924,911	1,202,086	—
Real estate credit certificates	4,884	15,472	90,323	196,917	—
Derivative financial instruments	9,390	29,748	7,768	1,259	—
Current income tax	4,340	13,749	—	—	—
Other taxes payable	4,101	12,991	17,056	26,097	—
Provision for judicial demands	161,534	511,740	507,022	490,584	13,378
Leases and concessions	894,996	2,835,348	2,580,144	2,204,039	—
Deferred income tax	756,328	2,396,047	2,397,528	2,714,374	196,598
Deferred income	18,480	58,546	62,207	95,730	—
Other non-current liabilities	40,223	127,425	320,276	165,478	11,874
Non-current	4,874,650	15,442,891	13,962,685	14,237,677	879,134
Total liabilities	5,890,057	18,659,699	17,356,027	17,718,449	1,252,236
Equity					
Common stock	2,214,298	7,014,897	7,014,897	5,451,490	1,099,746
Capital reserve	788,375	2,497,573	2,493,670	(1,781,177)	(137,601)
Other equity	2,690	8,521	6,489	12,966	—
Profit reserve	80,050	253,599	253,599	—	332,397
Accumulated losses	(1,442,017)	(4,568,309)	(4,363,960)	(98,810)	—
Equity attributable to:					
Owners of the Company	1,643,397	5,206,281	5,404,695	3,584,469	1,294,542
Non-controlling interests	85,049	269,434	270,592	259,732	37,066
Total equity	1,728,445	5,475,715	5,675,287	3,844,201	1,331,608
Total equity and liabilities	7,618,502	24,135,414	23,031,314	21,562,650	2,583,844

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- (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 fiscal year ended December 31, 2014 with Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group's financial information for subsequent years is limited. See "Presentation of Financial and Certain Other Information."

Other Financial Data

Reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin

The table below sets forth a reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin.

	For the Nine Months Ended September 30,			For the Fiscal Year Ended December 31,		
	2017(a)	2017	2016	2016	2015	2014
	(in U.S.\$)			(in R\$)		
	(in millions, except as otherwise indicated)					
Reconciliation of profit (loss) to EBITDA						
Profit (loss).....	(63.5)	(201.1)	(276.5)	(733.5)	(165.3)	114.7
Income tax and social contribution.....	19.5	61.8	44.1	(34.8)	31.8	58.3
Financial results, net.....	401.7	1,272.6	1,261.2	1,676.8	1,185.0	33.7
Depreciation and amortization.....	281.9	892.9	651.8	1,120.0	616.5	97.2
EBITDA.....	639.6	2,026.2	1,680.6	2,028.6	1,668.0	303.9
Net revenue from services.....	1,374.4	4,354.2	3,999.9	5,014.6	4,037.9	915.4
EBITDA Margin.....	46.5%	46.5%	42.0%	40.5%	41.3%	33.2%

- (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, 2017 for *reais* into U.S. dollars of R\$3.168 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.

Reconciliation of Net Debt

The table below sets forth a reconciliation of our Net Debt to our gross debt.

	As of September 30,		As of December 31,		
	2017(1)	2017	2016	2015	2014
	(in U.S.\$)		(in R\$)		
	(in millions, except as otherwise indicated)				
Reconciliation of Net Debt to gross debt					
Long-term debt (current and non-current)	3,196.7	10,127.2	8,523.2	8,585.2	784.7
Derivative financial instruments	9.4	29.7	12.3	1.8	—
Finance leases.....	320.2	1,014.3	1,397.5	1,741.7	—
Real estate receivables certificates.....	36.6	115.8	195.7	285.0	—
Gross debt.....	3,562.8	11,287.0	10,128.7	10,613.6	784.7
Cash and cash equivalents.....	(59.2)	(187.7)	(260.5)	(73.0)	(85.5)
Marketable securities	(478.7)	(1,516.5)	(916.6)	(508.3)	—
Restricted cash.....	(29.0)	(91.8)	(63.5)	(77.3)	—
Derivative financial instruments	(12.6)	(40.0)	(3.7)	(99.9)	—
Total cash, cash equivalents and financial investments.....	(579.5)	(1,836.0)	(1,244.3)	(758.5)	(85.5)
Net Debt	2,983.3	9,451.0	8,884.5	9,855.3	699.2

- (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, 2017 for *reais* into U.S. dollars of R\$3.168 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.

Reconciliation of Net Adjusted Working Capital

The table below sets forth a reconciliation of our Net Adjusted Working Capital.

	As of September 30,		As of December 31,		
	2017(1)	2017	2016	2015	2014
	(in U.S.\$)		(in R\$)		
	(in millions, except as otherwise indicated)				
Reconciliation of Net Adjusted Working Capital(2)					
Working capital	(167.0)	(528.9)	(1,092.6)	(2,172.4)	(215.0)
Cash and cash equivalents.....	(59.2)	(187.7)	(260.5)	(73.0)	(85.5)
Marketable securities	(478.7)	(1,516.5)	(916.6)	(508.3)	—
Current portion of long-term debt.....	446.0	1,412.8	1,467.7	1,444.1	127.5
Finance leases.....	90.5	286.8	472.6	539.6	—
Real estate credit certificates.....	31.7	100.4	105.4	88.1	—
Net Adjusted Working Capital	(136.7)	(433.1)	(223.9)	(681.9)	(173.0)

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- (2) Working capital consists of total current assets less total current liabilities.

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.

As of September 30, 2017 and December 31, 2016, Rumo's gross debt (consisting of loans, borrowings and debentures) was R\$10,127.2 million and R\$8,523.2 million, respectively (of which R\$1,412.8 million and R\$1,467.7 million, respectively, were short-term debt). The increase in our gross indebtedness as of September 30, 2017 compared to December 31, 2016 is due to the fact that, on February 9, 2017, our subsidiary Rumo Luxembourg S.à r.l. issued notes due 2024 in an aggregate principal amount of U.S.\$750 million. Our indebtedness as of December 31, 2016 increased by 50.2% compared to our indebtedness as of December 31, 2015 due principally to the corporate reorganization undertaken on December 31, 2016 when Rumo Logística was incorporated into ALL.

Our debt level and the composition of our debt could have important consequences to our business. For example, it could, for example: (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.

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

We are currently facing challenges with respect to our short-term liquidity. 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, 2017, our material contractual financial liabilities maturing in less than one year totaled R\$3,655.8 million (amortization and interest), while such obligations with maturities between one to two years totaled R\$2,294.3 million (based on our contracted undiscounted cash flow). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments." For a description of certain financial agreements, 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.

Rumo's Net Adjusted Working Capital was negative R\$433.1 million as of September 30, 2017. 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. 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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 other financial institutions, and we typically need insurance guarantees in order to be part in court proceedings to which we are a party. 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 on standard market 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 face difficulties in complying with our financial obligations or explore business opportunities. This possible scenario 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 relating to leverage levels and debt service coverage ratios in certain of our agreements. The most restrictive provisions provide for annual verification and relate to Net Debt, which includes banking debt, debentures, certain leases, real estate credit receivables (*Certificado de Recebíveis Imobiliários*), derivative financial instruments linked to credit transactions, less securities and cash and cash equivalents. The covenants in place for the fiscal year ending December 31, 2017 provide for a maximum leverage ratio of 4.3x (Net Debt/EBITDA/LTM) and a debt service coverage ratio of at least 1.4x EBITDA/financial results.

We are also subject to quarterly compliance tests in relation to certain indices including: (1) net consolidated financial debt/EBITDA (earnings before interest, income tax (including social contribution on net profits (*Contribuição Social sobre o Lucro Líquido*)), depreciation and amortization) and (2) EBITDA/consolidated financial result (which takes into account only interest on debentures, loans/financing and derivative transactions). Net banking debt includes banking debt as well as securities and derivative financial instruments relating to credit transactions. The agreed ratio is of 5.5x net banking debt/EBITDA and the minimum debt service coverage ratio is 2.0x EBITDA/financial result. As of September 30, 2017, we were in compliance with these financial ratios.

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’s Discussion and Analysis of Results of Operations 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. 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.

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, Vértia Mineração S.A., or Vértia, 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) has been wound up, but we remain liable (jointly with our former partners) as guarantors of certain debts owed to FINEP (in an amount of R\$68.9 million) as well as for any liabilities which may arise regarding our time as partners in the joint venture.

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, or if our business or strategic partnerships are unsuccessful, 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.

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.

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.

We may need to raise additional capital in the future through strategic partnerships or by issuing securities, which may affect the price of our notes.

We may need to raise additional funds going forward through public or private issuances of shares or securities convertible into or exchangeable for our shares. Any fundraising through the issuance of shares or securities convertible into or exchangeable for shares may result in a change in the market price of our notes, and consequently in the value of our notes.

In light of the intensive capital needs of our operations, we continually analyze alternatives and consider the possibility of entering into strategic partnerships, disposing of assets, raising additional capital through a public or private issuance of shares and/or securities convertible into or exchangeable for shares.

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.

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 of our transportation, 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 obtain or maintain insurance of a nature and in an amount necessary at a reasonable cost. 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, 2017 of R\$511.7 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 in our financial statements with respect to proceedings in which our chance of loss is deemed possible. As of September 30, 2017, the amounts involved in these proceedings with a possible risk of loss totaled R\$6,631.2 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, impose administrative sanctions on us, or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results. See “Business—Legal and Administrative Proceedings.”

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 were working in degrading conditions analogous to indentured servitude. MS Teixeira was as a subcontractor by Malha Paulista’s contractor for certain services, Prumo Engenharia. 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 as the external counsel advising us on these proceedings have assessed the risk of loss as possible. An adverse outcome in this lawsuit could result in losses of approximately R\$27 million, and adversely affect our reputation. If Malha Paulista’s appeal is rejected by the superior courts or if the Labor Prosecutor’s Office’s allegation of degrading working conditions analogous to indentured servitude is confirmed, 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 notes.

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, and may have an adverse outcome on the business, financial condition and operational results of the Company. 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 the event of a final non-appealable conviction, Mr. Mello 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.

In addition, Mr. Júlio Fontana, 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 improperly. In the event of a final non-appealable conviction, Mr. Fontana may be barred from holding executive positions within public companies, and depending on the development of the proceedings, our reputation may be adversely affected. For additional information regarding these and other proceedings involving members of our management, please see "Management—Legal Proceedings."

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 (in which prices are often set by global market conditions), it is possible 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.

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 are facing investigations by the Brazilian Federal Police, the Brazilian Federal Prosecutor's Office, the CVM and the SEC and other relevant governmental authorities in connection with allegations of corruption and diversion of public funds, the largest of such is 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, 3.6% in 2016 and grew 0.6% in the first

nine months of 2017 compared to the equivalent period in 2016. 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.

In addition, 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.

The loss of our 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.

In addition, pursuant to the terms of our concession agreements, the granting authority may intervene in the concession to ensure that the relevant services are being provided as well as to ensure compliance with the applicable contractual clauses and legal and regulatory norms.

An early termination of our concession agreement, as well as the imposition upon us of penalties associated with such termination and interventions in our management may have a material impact on our operating results and affect our payment capacity and ability to meet our financial obligations.

We may not obtain early renewals of the Malha Paulista and Malha Sul concession agreements, 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.

In the meantime, Law No. 13,448/2017 was enacted following the conversion into law of Provisional Measure No. 752/2016 which defines the general rules governing extensions of concessions, including early renewals, as well as rebidding of partnership contracts of the federal public administration pursuant to the provisions of Law No. 13,334/2016 in the road, rail and airport sectors. Pursuant to the terms of the new law, the granting authority will perform re-bidding if there is a breach of contract or if the concession holders are no longer capable to fulfill the contractual and financial obligations originally undertaken. In the case of early renewals, rail concession holders must demonstrate provision of adequate services, including compliance with production and safety targets or of safety targets set forth in the applicable contracts, pursuant to the provisions of article 6, paragraph 2 of Law No.

13,448/2017. In addition, contract amendments must contain a timeline for required investments and include measures to disincentivize potential noncompliance or delay in complying with obligations (such as the annual rebalancing discount and the additional grant payment).

Lastly, early renewals and rebiddings must be submitted to a public consultation by the granting authority. Once the public consultation is completed, the relevant documentation must be deposited with the Brazilian federal accounting court (*Tribunal de Contas da União*), or TCU.

Following the enactment of Law No. 13,448/2017, the early renewal requests relating to Malha Paulista and Malha Sul which are currently being reviewed by the ANTT had to be complemented in order to comply with the newly-enacted rules (in particular as regards to the requirement under Article 6, paragraph 2 of Law No. 13,448/2017 to demonstrate adequate provision of the services). We currently fulfill these new obligations and expect to successfully complete the early renewal processes of our concessions.

We cannot guarantee our requests for renewals will be successful or that they will occur within the timeframe which we anticipate. In addition, any early renewal may be subject to certain conditions precedent or the applicable concessions may be renewed on terms less favorable than those currently in place. We may also face significant competition from third parties if the granting authority decides to subject our maturing concessions to a rebidding process.

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) applicable legislation and (ii) clause 6.2 of the draft of the amendment to the Malha Paulista's concession agreement (the public consultation procedure for which has already been completed 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). The abovementioned amount is currently under discussion with the TCU.

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 was submitted to CETESB on June 12, 2017 and we expect that it will form the basis of an agreement between us and CETESB. We are unable to estimate the amounts we may have to spend in order to fully implement the regularization plan to be presented to CETESB. If these amounts are significant, our business, operating results and financial condition could be materially and adversely affected.

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. The report of the investigation was submitted to the Federal Prosecutor's Office (without being made available to the Company, in accordance with the terms of the engagement). 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.

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 access to 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 additional liabilities, including for example subsidiary or joint liability for the labor obligations of our contractors.

We may incur liabilities if our Malha Paulista concession agreement, currently under review by the ANTT, is renewed early. We may be held jointly or severally liable for labor obligations of our contractors. Our concessions to operate terminals are subject to cancellation, limitation or early renewal or termination by the granting authority. If we do not comply with applicable anti-corruption laws in countries in which we market our products, we may be liable to fines or other regulatory sanctions, which may have an adverse effect on our sales and revenues, as well as on our ability to fulfill our financial obligations.

A significant portion of our workforce consists of third-party contractors. If our 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 or obligations to pay debts arising from labor proceedings decided upon by the labor courts. 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 the continuity of our activities.

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.

Certain of our assets are involved in the provision of public rail transport services and, as a result, would not be available to honor our obligations in the event of execution, liquidation or insolvency, which may have an adverse effect on our business.

A substantial part of our assets is involved in the provision of public services. Such assets will not be subject to liquidation in the case of our bankruptcy nor may they be the subject of an order to guarantee the execution of a judicial sentence. Pursuant to legislation currently in force and to the concession agreements to which we are parties, upon the maturity of the respective concession agreements or upon their early termination, our assets involved in the provisions of public rail transport services will revert to the granting authority free and clear of any liens or encumbrances and may not be subject to attachment or liquidation. Accordingly, if any indemnities to be paid by the granting authority to us for these reversions are lower than the market value of the reverted assets, the amounts available for distribution to our creditors may be significantly reduced.

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 28.47% of our share capital and composes our controlling block along with Julia Dora Antonia Koranyi Arduini, which collectively hold approximately 32.4% 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.

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. 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; or (2) the issuance of new shares by us in a quantity which may dilute the equity interests held by our shareholders.

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. Such increases depend on factors that are beyond our control, and we cannot predict when the prices of inputs and services may be readjusted. If we cannot pass on the increased costs of providing services onto our clients, 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, Louis Dreyfus and Raizen. In the nine months ended September 30, 2017, Bunge accounted for 15.5% of our total net revenue from services, while our six major clients accounted for 54.4% of our total net revenue from services. In the fiscal year ended December 31, 2016, Bunge accounted for 17.2% of our total net revenue from services, while our six major clients accounted for 53.4% of our total net revenue from services in the same period. 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, Louis Dreyfus and Raizen. In the nine months ended September 30, 2017, Bunge accounted for 16.8% of our net revenue from services in the rail sector, while our six major clients in the rail sector jointly accounted for 54.5% of our net revenue from services in that sector. In 2016, Bunge accounted for 18.5% of our net revenue from services in the rail sector, while our six major clients in the rail sector accounted for 54.8% of our net revenue from services in that sector.

Our largest clients in the port elevation sector include Bunge, Czarnikow, Cofco, Wilmar, Raizen and Sucden. In the nine months ended September 30, 2017, Raizen accounted for 23.8% of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector collectively accounted for 68.2% of our net revenue from services in that sector. On December 31, 2016, Raizen accounted for 20.8% of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector accounted collectively for 72.8% of our net revenue from services in that sector.

We cannot guarantee that we will obtain similar revenue from our major clients in the future. Any change 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.

In Brazil, soybean harvests generally occur between January and May, corn harvests (which are mainly for export) generally occur between April and July and sugar harvests generally occur between March and November. 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 extend credit with various maturities and our clients have varying degrees of solvency. This exposes us 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.

An increase in competition may reduce our revenues and result in smaller profit margins or the loss of market share. Our business, financial condition and results of operations may be adversely affected if we are not able to adequately compete in the market.

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 northern 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, trucks transported 61% of Brazil's production in 2016, while only 21% of that production was transported by rail and 14% was transported on waterways, which includes coastal shipping. Although we are expanding our intermodal services via truck transportation, 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.

New measures by the Brazilian government that benefit or reduce 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 address any of these 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 "Ports Law," which has been regulated by Decree No. 8,033/2013. Such law revoked the Ports Modernization Law and established a legal framework for port operations in Brazil. As a result, public ports are

governed by the 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 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 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 contracts 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 Price Index-Domestic Supply (*Índice Geral de Preços - Disponibilidade Interna*), or 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.

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 the Ports Modernization Law and Article 19 of Decree No. 9,048 /2017, successive renewals are possible to extend the validity up to a total of 70 years through new investments. Pursuant to the current 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) 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) 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, TGG and TERMAG 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:

- Rumo's lease expiration (currently in 2036, which can be legally extended up to 2066 through new investments),
- *encampação*, which is the possibility of expropriation of the port concessions (lease) by the granting authority during the contractual term. Such expropriation must be performed pursuant to applicable authorizing law and accompanied by the payment of an indemnity;
- 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. 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 legal, regulatory or contractual obligations applicable to the concession; (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;
- unilateral 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.

The rail services we provide are regulated and supervised by the Brazilian government and in particular by the Brazilian Ministry of Transportation, Ports and Civil Aviation as well as the ANTT. The ANTT regulates various aspects of the business of companies active in the Brazilian rail sector, including with regards to requirements for investments, expenses, determination of revenue, and the setting of tariffs in order to guarantee the regularity, continuity, efficiency, safety and affordability. These activities are intensely regulated through laws, decrees, provisional measures, ordinances, resolutions and other regulatory and legislative actions. Changes to legislation or regulation relating to the rail sector may adversely affect our business, financial results and operating results.

In addition, 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 highly regulated environment because concessions agreements are administrative contracts. Such contracts are therefore subject to public law, which gives the granting authority the right to: (1) amend the contracts unilaterally when in the public interest (while respecting the rights under the contract); (2) rescind the contracts unilaterally in the instances provided for in Law No. 8,666/1993; (3) supervise the execution of the contracts; and (4) impose sanctions in the case of partial or complete non-compliance with the adjustment (among other instances).

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; and (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.

We cannot predict which actions the Brazilian government will take in the future and how such actions will affect our operating results. If we are required to conduct our business in a manner substantially different from that contemplated in our business plan, our financial and operating results may be adversely affected.

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 also 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 (provided it is initiated above ground level and detected and controlled within 72 hours). 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 with environmental legislation, among other 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 may result in environmental damage, the extent and remediation costs of which may not be easily determined. In addition, we may be required to clean up contamination resulting from rail accidents and may 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 financial results, image and reputation.

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. 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, for example.

Article 4 of the Environmental Crimes Law provides that separate legal personality may be disregarded where it would otherwise prevent the repayment of environmental damages. In such a situation, shareholders may be held personally liable for environmental liabilities.

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 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, revocation of operating permits and/or shutdowns of our facilities.

Due to the possibility of changes to environmental regulations, 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 (*propter rem* liability). 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.

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. Rumo Logística is currently conducting five restoration programs for degraded areas (*Programas de Recuperação de Áreas Degradadas - PRADs*) and subject to three Conduct Adjustment Agreements (*Termos de Ajustamento de Conduta - TACs*) involving a total aggregate amount 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 measures relating to monetary policy, taxes, credit, tariffs and other means of influencing the Brazilian economy. The Brazilian government's actions to control inflation have often involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil.

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, including our own. We cannot fully predict what impact political events and global and Brazilian macroeconomic developments may have on our business. In addition, as a result of the current political instability, there is considerable uncertainty as to future economic policies and we cannot predict which policies will be adopted by the Brazilian government and if these policies will adversely affect the economy, our business or our financial condition. The current political and

economic instability has also led to a negative perception of the Brazilian economy and increased volatility in the Brazilian securities market, which may also have an adverse effect on our business and our notes. Any recurring economic instability and political uncertainty may adversely affect our business and 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, among other things, 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 May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against former President Dilma Rousseff, who was suspended from office. After the legal and administrative process for the impeachment, Brazil's Senate removed the former president 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. There was an ongoing proceeding before the Brazilian Higher Electoral Court (*Tribunal Superior Eleitoral*) alleging that the electoral alliance between Ms. Rousseff and Mr. Temer in the 2014 general election had violated campaign finance laws. On June 9, 2017, the Brazilian Higher Electoral Court absolved the electoral alliance, including President Temer of wrongdoing; however, he is still being subjected to heightened scrutiny due to the ongoing Lava Jato investigations. Despite this finding by the Brazilian Higher Electoral Court, President Temer is still subject to investigations being conducted by the Brazilian Federal Police and the Office of the Brazilian Federal Prosecutor and may be indicted in connection with certain allegations of corruption and ultimately subject to impeachment proceedings. The resolution of the political and economic crisis in Brazil still depends on the outcome of the "Lava Jato" investigations 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. However, 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. 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 (2.1)% and 6.5%, respectively, for the nine months ended September 30, 2017 and September 30, 2016, and 7.2%, 10.5% and 3.7%, respectively, for the fiscal years ended December 31, 2016, 2015 and 2014.

In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA, published by the IBGE, the Brazilian price inflation rates were 1.78% and 5.5%, respectively, for the nine months ended September 30, 2017 and September 30, 2016, and 6.4%, 10.7% and 6.3%, respectively, for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014. Between January 2004 and December 2010, the SELIC rate varied between 8.64% per annum and 19.77% per annum. In 2011, the SELIC rate varied between 10.66% per annum and 12.42% per annum, in 2012 between 7.11% per annum and 10.90% per annum, in 2013 between 7.11% per annum and 9.90% per annum, in 2014 between 9.90%

per annum and 11.65% per annum, in 2015 between 11.65% per annum and 14.15% per annum and in 2016 between 14.15% per annum and 13.65% per annum.

Inflation and the Brazilian government's measures to control inflation, primarily through the Central Bank, have had and continue to have considerable effects on the Brazilian economy and on our business. Brazil may experience substantial increases in inflation rates in future periods. Inflationary pressures may lead the Brazilian federal government to intervene in the economy, including through the implementation of governmental policies that may have an adverse effect on us and our clients.

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* devalued at a rate that was 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. There was a depreciation of 32.0% of the Brazilian *real* against the U.S. dollar between the fiscal year ended December 31, 2014 and the fiscal year ended December 31, 2015, as compared to an appreciation of 11.8% between the fiscal years ended December 31, 2015 and 2014. In the fiscal year ended December 31, 2016, the *real* appreciated against the U.S. dollar by 16.5% as compared to the fiscal year ended December 31, 2015. The *real*/U.S. dollar exchange rate reported by the Central Bank was R\$3.168 and R\$3.251 per U.S. dollar as of September 30, 2017 and December 31, 2016, respectively, which reflects a 1.80% depreciation of the *real* against the U.S. dollar during that period.

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, 2017, we had exposure of R\$2,473.9 million to bilateral loans in foreign currencies, whereas on December 31, 2016

the amount was R\$86.1 million. Our net exposure to derivative financial instruments transactions was R\$2,487.2 million in receivables on September 30, 2017, compared to none on December 31, 2016.

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 as of September 30, 2017 and at the end of 2016, 2015, 2014 and 2013 were 8.25%, 13.75%, 14.25%, 11.75% and 10.00% per period, 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, 2017, our consolidated debt (banking debt, financial leases and real estate receivables certificates (*Certificados de Recebíveis Imobiliários*)) 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, an index composed of the TJLP and IGP-M or in U.S. dollars with a pre-fixed interest rate. The aggregate amounts indexed are as follows as of September 30, 2017: R\$1,561.5 million, R\$6,716.5 million, R\$4.3 million, R\$2,253.6 million, R\$275.1 million, R\$351.2 million, and R\$95.1 million, respectively.

As of December 31, 2016, our consolidated debt (banking debt, financial leases and real estate receivables certificates (*Certificados de Recebíveis Imobiliários*)) was either fixed or linked to interest rates based on the CDI, the SELIC rate, the TJLP, the IPCA, an index composed of the TJLP and IGP-M or in U.S. dollars with a pre-fixed interest rate. The aggregate amounts indexed are as follows as of December 31, 2016: R\$1,854.6 million, R\$4,924.0 million, R\$5.3 million, R\$2,663.5 million, R\$330.1 million, R\$252.8 million and R\$86.1 million, respectively.

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 grew by 1.9% in 2012, improving to 3.0% in 2013 but decreasing to 0.1% in 2014, then contracting by 3.8% and 3.6% in 2015 and 2016, respectively, and grew 0.6% in the first nine months of 2017 compared to the same period of 2016. 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 2014, 2015 and 2016, there was an increase in volatility in the main 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 currently 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.

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on us, our subsidiaries and jointly controlled entities and their respective customers. These changes include modifications in the rate of assessments and the enactment of new or temporary taxes, the proceeds of which are earmarked for designated governmental purposes. Future changes in tax policy laws may adversely affect our financial and operating results.

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 in the oil, gas, energy, construction and infrastructure sector) is 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 condition of Brazilian companies, especially those relying on foreign investments.

Risks Relating to the Notes and the Guarantee

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 advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Issuer and Rumo S.A. do not have sufficient cash flow from operations to repay the notes and their obligations under the guarantee, respectively.

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 guarantee. In addition, payments under the guarantee are subject to the risks and limitations described under "—Payments on the notes and the guarantee will be junior to the Guarantor's secured debt obligations and effectively junior to debt obligations of subsidiaries."

Similarly, Rumo is a holding company with limited operations and conducts its business through its subsidiaries that will not guarantee the notes. Rumo is substantially dependent 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 guarantee and any inter-company loans will depend upon the financial condition and results of operations of Rumo's subsidiaries. The financial condition and results of operations of Rumo's subsidiaries will be affected by, among other factors, the obligations of these entities to their

creditors, their operating and financial performance, including cash flow needs, requirements of the Brazilian Corporations Law and other applicable law, and restrictions contained in agreements entered into by or relating to these entities. 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 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 guarantee.

Payments on the notes and the guarantee will be junior to the Guarantor's secured debt obligations and effectively junior to debt obligations of subsidiaries.

The notes and the guarantee will constitute the Issuer's and the Guarantor's senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the Guarantor's other existing and future senior unsecured indebtedness (except those obligations preferred by operation of law). 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 guarantees of debt) and other creditors of our subsidiaries. The 7.375% Notes due 2024 in the aggregate principal amount of U.S.\$750 million issued by the Issuer are guaranteed by the Guarantor and Malha Norte. As of September 30, 2017, the Guarantor's unconsolidated loans, borrowings and financing amounted to R\$2,069.3 million, which represented 20.4% of our consolidated gross debt, and the Guarantor's unconsolidated loans, borrowings and financing with third parties (excluding intragroup indebtedness) amounted to R\$986.7 million, which represented 9.7% of our consolidated gross debt. Neither Malha Norte nor any other subsidiaries of Rumo guarantee the notes to be issued hereby and there is no obligation to obtain guarantees from any of Rumo's subsidiaries in the future. Accordingly, notes to be issued hereby are effectively subordinated to, among other obligations, the obligations under the 7.375% Notes due 2024.

In addition, under Brazilian law, the Issuer's obligations under the notes and our obligations under the guarantee 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.

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.

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 Guarantor 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 and unpaid interest. In addition, creditors of the Issuer and the Guarantor may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets of the Issuer and/or the Guarantor at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes.

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 and unpaid 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, but excluding, 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 Guarantor 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 Guarantor is organized under the laws of Brazil. Neither the Issuer nor the Guarantor 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 Guarantor 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 Guarantor 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 notes will develop.

We have applied for admission of the 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 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 Guarantor.

The Issuer’s obligation to make payments on the notes is supported by our guarantee of such notes. In the event that Brazilian or U.S. fraudulent conveyance or similar laws are applied to our guarantee and at the time we 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 our obligations under the guarantee could be voided, or claims in respect of the guarantee 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 a guarantor as a result of the issuance of the notes so guaranteed. If the 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 us, under the applicable guarantee, or such claim could be subordinated to claims of other creditors of ours, and holders would solely have a claim against the Issuer. Neither the Issuer nor the Guarantor 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 guarantee.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately U.S.\$488.4 million (or R\$1,547.0 million), after deducting estimated discounts and commissions and estimated offering expenses.

We intend to use the net proceeds from this offering to refinance debt and 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 yet published financial statements for any period. Rumo Luxembourg S.à r.l. will prepare its annual financial statements and will file such annual financial statements with the Luxembourg Register of Commerce and Companies in accordance with Luxembourg company law, which requires the annual financial statements to be approved within six months following the end of the financial year and filed with the Luxembourg Register of Commerce and Companies within one month upon such approval. Except for the 7.375% notes due 2024 issued on February 9, 2017, or the 7.375% Notes due 2024, 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, and Ricardo Lewin, Class A managers and Akiza Aramazani, Claudia Dinis and François-Xavier Goossens, Class B managers. The business addresses of the Issuer's managers is 100 Emilio Bertolini Street, Curitiba, Brazil, for Ricardo Lewin, and 1327 Avenue Presidente Juscelino Kubitschek, 04543-011 São Paulo, Brazil for the other 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 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 45.0%, reaching R\$3.905 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, 2017, the exchange rate was R\$3.168 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 exchange 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
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	3.483	3.119	4.156
2017	3.308	3.203	3.051	3.381

Month	Period-end	Average(2)	Low	High
January 2017	3.127	3.197	3.127	3.273
February 2017	3.099	3.104	3.051	3.148
March 2017	3.168	3.128	3.077	3.174
April 2017	3.198	3.136	3.092	3.198
May 2017	3.244	3.210	3.092	3.381
June 2017	3.308	3.295	3.231	3.336
July 2017	3.131	3.206	3.126	3.319
August 2017	3.147	3.151	3.116	3.198
September 2017	3.168	3.135	3.085	3.193
October 2017	3.277	3.142	2.200	3.280
November 2017	3.262	3.259	3.214	3.292
December 2017	3.308	3.292	3.232	3.333
January 2018	3.162	3.211	3.139	3.270
February 2018	3.245	3.242	3.173	3.282
March 2018 (through March 2, 2018)	3.261	3.262	3.261	3.262

Source: Brazilian 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 debt (loans, borrowings and debentures, finance leases and real state credit certificates), our shareholders' equity and total capitalization as of September 30, 2017:

- on an actual basis;
- pro forma to reflect the net proceeds from our offering of common shares undertaken on October 10, 2017 and the additional borrowings and repayments of existing debts undertaken since September 30, 2017, as disclosed in "Summary—Recent Developments—Capital Increase" and "Summary—Recent Developments—Additional Borrowings and Repayments of Existing Debt," respectively; and
- as adjusted to reflect the amount of R\$1,547.0 million, or U.S.\$488.4 million (based on an exchange rate of R\$3.168 per U.S.\$1.00 at September 30, 2017) in estimated net proceeds from the sale of the notes, after deducting all estimated underwriting discounts, commissions and expenses.

Consolidated	As of September 30, 2017					
	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.....	568.2	1,800.0	568.2	1,800.0	568.2	1,800.0
Non-current debt.....	2,985.3	9,457.3	2,843.2	9,007.3	3,331.5	10,554.3
Shareholders' equity	1,728.4	5,475.7	2,561.8	8,115.7	2,561.8	8,115.7
Total capitalization(4)	5,281.9	16,733.0	5,973.2	18,923.0	6,461.5	20,470.0

- (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, 2017 of R\$3.168 per 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) Pro forma to reflect the net proceeds from our offering of common shares undertaken on October 10, 2017 and the additional borrowings and repayments of existing debts undertaken since September 30, 2017, as disclosed in "Summary—Recent Developments—Capital Increase" and "Summary—Recent Developments—Additional Borrowings and Repayments of Existing Debt," respectively.
- (3) As adjusted to reflect the amount of R\$1,547.0 million, or U.S.\$ 488.4 million from the offering 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."
- (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 and in "Summary—Recent Development—Capital Increase," there has been no material change in our capitalization since September 30, 2017.

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 and consolidated financial and operating information derived from (1) the Rumo group's consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017 and 2016, (2) the Rumo group's consolidated audited financial statements as of and for the fiscal year ended December 31, 2016 and (3) 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).

The Rumo group consolidated interim unaudited financial statements present the consolidated results of operations and cash flows of Rumo and Rumo Logística as of and for the nine months ended September 30, 2017 and 2016 on a consolidated basis, and the Rumo group consolidated audited financial statements present the consolidated results of operations and cash flows of Rumo and Rumo Logística as of and for the fiscal year ended December 31, 2016 on a consolidated basis. These consolidated financial statements of the Rumo group were prepared in order to provide comparable financial information regarding the Rumo group throughout the presented periods notwithstanding the corporate reorganization described in the paragraph below undertaken on December 31, 2016.

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.

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 fiscal year ended December 31, 2014 with Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group's financial information for subsequent years is limited.

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 Other Information," "Summary Consolidated Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Consolidated Income Statement Data

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

	As of and for the Nine Months Ended September 30,			As of and for the Fiscal Year Ended December 31,		
	2017(1)	2017	2016	2016	2015(2)	2014
	(in U.S.\$)			(in R\$)		
	(in thousands, except as otherwise indicated)					
Net revenue from services.....	1,374,440	4,354,227	3,999,922	5,014,555	4,037,923	915,441
Cost of services	(950,303)	(3,010,559)	(2,717,621)	(3,769,147)	(2,771,881)	(610,361)
Gross profit.....	424,138	1,343,668	1,282,301	1,245,408	1,266,042	305,080
Selling, General and administrative	(66,641)	(211,118)	(258,937)	(344,378)	(286,026)	(87,645)
Other, net	(2,034)	(6,445)	(3,357)	(862)	60,297	(10,746)
Operating expenses	(68,675)	(217,563)	(262,294)	(345,240)	(225,729)	(98,391)
Result before equity income on investments, financial result, net and income taxes	355,462	1,126,105	1,020,007	900,168	1,040,313	206,689
Equity income on investments	2,273	7,200	8,751	8,381	11,164	—
Profit before financial results and income tax	357,735	1,133,305	1,028,758	908,549	1,051,477	206,689
Financial expenses	(454,732)	(1,440,590)	(1,444,728)	(1,947,537)	(1,260,933)	(70,701)
Financial income	58,585	185,598	205,514	295,199	145,691	35,717
Foreign exchange, net.....	(5,705)	(18,074)	79,112	76,049	(190,410)	1,313
Derivatives	138	436	(101,142)	(100,542)	120,634	—
Net financial result	(401,714)	(1,272,630)	(1,261,244)	(1,676,831)	(1,185,018)	(33,671)
Result before income tax	(43,979)	(139,325)	(232,486)	(768,282)	(133,541)	173,018

	As of and for the Nine Months Ended September 30,			As of and for the Fiscal Year Ended December 31,		
	2017(1)	2017	2016	2016	2015(2)	2014
	(in U.S.\$)			(in R\$)		
(in thousands, except as otherwise indicated)						
Income (expense) tax and social contribution:						
Current	(10,393)	(32,926)	(34,867)	(76,708)	(20,482)	(35,585)
Deferred	(9,101)	(28,833)	(9,192)	111,503	(11,315)	(22,754)
	(19,495)	(61,759)	(44,059)	34,795	(31,797)	(58,339)
Profit (loss) for the period	(63,473)	(201,084)	(276,545)	(733,487)	(165,338)	114,679
Profit (loss) attributable to:						
Owners of the Company	(64,523)	(204,409)	(282,574)	(743,096)	(158,407)	114,527
Non-controlling interest	1,050	3,325	6,029	9,609	(6,931)	152
Basic income (loss) earnings per share	(0.048)	(0.153)	(0.292)	(0.699)	(0.630)	0.112
Diluted income (loss) earnings per share	(0.048)	(0.153)	(0.292)	(0.699)	(0.630)	0.112
Consolidated other Financial Data:						
Depreciation and amortization	281,862	892,940	651,816	1,120,019	616,528	97,244
EBITDA(3)	639,598	2,026,245	1,680,574	2,028,568	1,668,005	303,933
Working capital(4)	(166,962)	(528,937)	—	(1,092,589)	(2,172,433)	(214,954)
Cash flow generated by (used in):						
Operating activities	546,149	1,730,201	1,438,129	1,453,630	1,503,356	73,141
Investing activities	(602,179)	(1,907,702)	(2,127,796)	(1,949,948)	(1,000,247)	(273,583)
Financing activities	24,380	77,237	658,433	683,857	(515,596)	(211,836)
Impact of exchange variation on cash and cash equivalents	8,654	27,417	—	—	—	—

- (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, 2017 for *reais* into U.S. dollars of R\$3.168 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 fiscal year ended December 31, 2014 with Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group's financial information for subsequent years is limited. See "Presentation of Financial and Certain Other Information."
- (3) 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. A reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin is included under "—Other Financial Data."
- (4) Working capital consists of total current assets less total current liabilities.

Consolidated Balance Sheet Data

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

	As of September 30,		As of December 31		
	2017(1)	2017	2016	2015(2)	2014
	(in U.S.\$)		(in R\$)		
			(in thousands)		
Assets					
Cash and cash equivalents.....	59,242	187,680	260,527	72,988	85,475
Marketable securities	478,684	1,516,471	916,593	508,268	—
Accounts receivable	99,039	313,756	417,156	144,535	42,685
Inventories	81,626	258,591	284,579	225,784	5,817
Related parties	14,297	45,292	28,814	33,572	12,692
Current income taxes.....	6,594	20,891	165,956	32,701	—
Other recoverable taxes.....	56,080	177,662	84,009	175,502	—
Other assets.....	52,881	167,528	143,119	114,989	11,479
Current	848,444	2,687,871	2,300,753	1,308,339	158,148
Accounts receivable	3,997	12,661	14,305	21,136	446,693

	As of September 30,		As of December 31		
	2017(1)	2017	2016	2015(2)	2014
	(in U.S.\$)		(in R\$)		
			(in thousands)		
Restricted cash	71,242	225,695	200,999	200,893	—
Deferred income tax	356,917	1,130,714	1,160,968	1,361,225	875
Current income taxes	78,585	248,958	121,376	274,597	—
Other recoverable taxes	227,403	720,414	660,805	590,971	—
Judicial deposits	103,018	326,362	299,876	266,987	29,671
Derivative financial instruments	12,123	38,406	786	99,863	—
Other non-current assets	30,515	96,670	106,191	127,891	3,749
Equity method investments	13,409	42,481	46,847	44,241	—
Property and equipment	3,455,106	10,945,776	10,337,119	9,404,087	1,084,455
Intangible assets	2,417,742	7,659,406	7,781,289	7,862,420	860,253
Non-current	6,770,058	21,447,543	20,730,561	20,254,311	2,425,696
Total assets	7,618,502	24,135,414	23,031,314	21,562,650	2,583,844
Liabilities					
Loans, borrowings and debentures	445,955	1,412,784	1,467,725	1,444,063	127,425
Finance leases	90,546	286,849	472,632	539,615	—
Real estate credit certificates	31,676	100,350	105,422	88,089	—
Derivative financial instruments	-	-	4,535	521	—
Accounts payable – suppliers	154,343	488,960	564,942	419,147	141,289
Salaries payable	49,755	157,624	117,150	149,871	19,302
Current income tax	1,189	3,767	35,990	6,125	2,962
Other taxes payable	12,523	39,672	32,757	33,017	7,300
Dividends payable	2,509	7,949	6,729	8,270	28,003
Leases and concessions	8,509	26,955	27,662	20,205	—
Related parties	48,847	154,746	106,710	103,832	20,292
Deferred income	4,033	12,775	14,167	107,252	—
Other financial liabilities	80,592	255,314	177,569	236,698	—
Other current liabilities	84,932	269,063	259,352	324,067	26,529
Current	1,015,407	3,216,808	3,393,342	3,480,772	373,102
Loans, borrowings and debentures	2,750,765	8,714,423	7,055,450	7,141,113	657,284
Finance leases	229,609	727,402	924,911	1,202,086	—
Real estate credit certificates	4,884	15,472	90,323	196,917	—
Derivative financial instruments	9,390	29,748	7,768	1,259	—
Current income tax	4,340	13,749	—	—	—
Other taxes payable	4,101	12,991	17,056	26,097	—
Provision for judicial demands	161,534	511,740	507,022	490,584	13,378
Leases and concessions	894,996	2,835,348	2,580,144	2,204,039	-
Deferred income tax	756,328	2,396,047	2,397,528	2,714,374	196,598
Deferred income	18,480	58,546	62,207	95,730	—
Other non-current liabilities	40,223	127,425	320,276	165,478	11,874
Non-current	4,874,650	15,442,891	13,962,685	14,237,677	879,134
Total liabilities	5,890,057	18,659,699	17,356,027	17,718,449	1,252,236
Equity					
Common stock	2,214,298	7,014,897	7,014,897	5,451,490	1,099,746
Capital reserve	788,375	2,497,573	2,493,670	(1,781,177)	(137,601)
Other equity	2,690	8,521	6,489	12,966	—
Profit reserve	80,050	253,599	253,599	—	332,397
Accumulated losses	(1,442,017)	(4,568,309)	(4,363,960)	(98,810)	—
Equity attributable to:					
Owners of the Company	1,643,397	5,206,281	5,404,695	3,584,469	1,294,542
Non-controlling interests	85,049	269,434	270,592	259,732	37,066
Total equity	1,728,445	5,475,715	5,675,287	3,844,201	1,331,608
Total equity and liabilities	7,618,502	24,135,414	23,031,314	21,562,650	2,583,844

- (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, 2017 for *reais* into U.S. dollars of R\$3.168 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 fiscal year ended December 31, 2014 with Rumo Logística's financial information as

of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group's financial information for subsequent years is limited. See "Presentation of Financial and Certain Other Information."

Other Financial Data

Reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin

The table below sets forth a reconciliation of our consolidated profit (loss) to EBITDA and EBITDA Margin.

	For the Nine Months Ended September 30,			For the Fiscal Year Ended December 31,		
	2017(a)	2017	2016	2016	2015	2014
	(in U.S.\$)			(in R\$)		
	(in millions, except as otherwise indicated)					
Reconciliation of profit (loss) to EBITDA						
Profit (loss).....	(63.5)	(201.1)	(276.5)	(733.5)	(165.3)	114.7
Income tax and social contribution.....	19.5	61.8	44.1	(34.8)	31.8	58.3
Financial results, net.....	401.7	1,272.6	1,261.2	1,676.8	1,185.0	33.7
Depreciation and amortization.....	281.9	892.9	651.8	1,120.0	616.5	97.2
EBITDA.....	639.6	2,026.2	1,680.6	2,028.6	1,668.0	303.9
Net revenue from services.....	1,374.4	4,354.2	3,999.9	5,014.6	4,037.9	915.4
EBITDA Margin.....	46.5%	46.5%	42.0%	40.5%	41.3%	33.2%

- (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, 2017 for *reais* into U.S. dollars of R\$3.168 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.

Reconciliation of Net Debt

The table below sets forth a reconciliation of our Net Debt to our gross debt.

	As of September 30,		As of December 31,		
	2017(1)	2017	2016	2015	2014
	(in U.S.\$)			(in R\$)	
	(in millions, except as otherwise indicated)				
Reconciliation of Net Debt to gross debt					
Long-term debt (current and non-current).....	3,196.7	10,127.2	8,523.2	8,585.2	784.7
Derivative financial instruments	9.4	29.7	12.3	1.8	—
Finance leases.....	320.2	1,014.3	1,397.5	1,741.7	—
Real estate receivables certificates.....	36.6	115.8	195.7	285.0	—
Gross debt.....	3,562.8	11,287.0	10,128.7	10,613.6	784.7
Cash and cash equivalents.....	(59.2)	(187.7)	(260.5)	(73.0)	(85.5)
Marketable securities	(478.7)	(1,516.5)	(916.6)	(508.3)	—
Restricted cash.....	(29.0)	(91.8)	(63.5)	(77.3)	—
Derivative financial instruments	(12.6)	(40.0)	(3.7)	(99.9)	—
Total cash, cash equivalents and financial investments.....	(579.5)	(1,836.0)	(1,244.3)	(758.5)	(85.5)
Net Debt	2,983.3	9,451.0	8,884.5	9,855.3	699.2

- (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, 2017 for *reais* into U.S. dollars of R\$3.168 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.

Reconciliation of Net Adjusted Working Capital

The table below sets forth a reconciliation of our Net Adjusted Working Capital.

	As of September 30,		As of December 31,		
	2017(1)	2017	2016	2015	2014
	(in U.S.\$)		(in R\$)		
	(in millions, except as otherwise indicated)				
Reconciliation of Net Adjusted Working Capital(2)					
Working capital	(167.0)	(528.9)	(1,092.6)	(2,172.4)	(215.0)
Cash and cash equivalents.....	(59.2)	(187.7)	(260.5)	(73.0)	(85.5)
Marketable securities	(478.7)	(1,516.5)	(916.6)	(508.3)	—
Current portion of long-term debt.....	446.0	1,412.8	1,467.7	1,444.1	127.5
Finance leases.....	90.5	286.8	472.6	539.6	—
Real estate credit certificates.....	31.7	100.4	105.4	88.1	—
Net Adjusted Working Capital	(136.7)	(433.1)	(223.9)	(681.9)	(173.0)

- (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, 2017 for *reais* into U.S. dollars of R\$3.168 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) Working capital consists of total current assets less total current liabilities.

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

The following discussion should be read in conjunction with our 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 is Brazil's largest 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 in 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 25,000 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 83%, 83%, 80% and 76% of our transported volume in the nine months ended September 30, 2017 and in the fiscal years ended December 31, 2016, 2015 and 2014, respectively, while transportation of industrial products represented approximately 17%, 17%, 20% and 24% of our transported volume in the same periods, respectively. Our transported volume derived from the transportation of grains (soybean, corn and soybean meal) represented 74%, 73%, 68% and 62% in the nine months ended September 30, 2017 and in the fiscal year ended December 31, 2016, 2015 and 2014, respectively.

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) the Rumo group consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017 and 2016, (2) the Rumo group consolidated audited financial statements as of and for the fiscal year ended December 31, 2016, and (3) Rumo Logística's

audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2015 (with corresponding figures for the fiscal year ended December 31, 2014), in each case as prepared under IFRS as issued by the IASB.

On April 1, 2015, Rumo Logística consummated the acquisition of ALL, or the ALL Acquisition. 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 fiscal year ended December 31, 2014 with Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 as well as the comparability of Rumo Logística's financial information as of and for the fiscal year ended December 31, 2015 with the Rumo group's financial information for subsequent years is limited.

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 Rumo group consolidated interim unaudited financial statements present the consolidated results of operations and cash flows of Rumo and Rumo Logística as of and for the nine months ended September 30, 2017 and 2016 on a consolidated basis, and the Rumo group consolidated audited financial statements present the consolidated results of operations and cash flows of Rumo and Rumo Logística as of and for the fiscal year ended December 31, 2016 on a consolidated basis. These consolidated financial statements of the Rumo group were prepared in order to provide comparable financial information regarding the Rumo group throughout the presented periods notwithstanding the corporate reorganization referred to above undertaken on December 31, 2016.

Critical Accounting Policies and Estimates

The presentation of our financial condition and results of operations in accordance with 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 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 enter into leases of locomotives and rail cars. The leases are classified as operating or finance, based on an evaluation of the terms and conditions of the contracts. We have identified leases in which we 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.

Stock option plan. The Company measures the cost of transactions settled with employee shares based on the fair value of the equity instruments on the issuance date. The estimation of the fair value of stock option plan requires the determination of the most appropriate valuation model for the conferment of equity instruments, which depends on the terms and conditions of the concession and also requires determining the most appropriate data for the valuation model, including the expected life of the option, volatility and dividend return and corresponding assumptions.

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 months ended September 30, 2017 and 2016, and the fiscal years ended December 31, 2016, 2015 and 2014:

	As of September 30,		As of and for the fiscal year ended December 31,		
	2017	2016	2016	2015	2014
GDP growth (reduction) ⁽¹⁾	0.6%	(4.0)%	(3.6)%	(3.8)%	0.1%
Inflation (IGP-M) ⁽²⁾	(2.1)%	6.5%	7.2%	10.5%	3.7%
Inflation (IPCA) ⁽³⁾	1.8%	5.5%	6.3%	10.7%	6.4%
CDI ⁽⁴⁾	8.1%	10.4%	14.0%	13.2%	10.8%
TJLP ⁽⁵⁾	7.2%	7.5%	7.5%	6.2%	5.0%
Appreciation (depreciation) of the <i>real</i> vs. U.S. dollar in the period	(2.8)%	(16.9)%	19.3%	(45.0)%	(10.8)%
Exchange rate at period end—U.S.\$1.00	R\$3.168	R\$3.246	R\$3.259	R\$3.905	R\$2.656
Average exchange rate—U.S.\$1.00 ⁽⁶⁾	R\$3.175	R\$3.545	R\$3.483	R\$3.339	R\$2.355

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. 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 and 14.25% at the end of December 31, 2015. The Central Bank has been reducing interest rates since then, with the SELIC reaching 13.75% as of December 31, 2016 and 7.50% as of October 25, 2017.

The recent economic instability in Brazil caused by, among other things, 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 May 12, 2016, the Brazilian Senate voted to begin its review of the impeachment proceedings against former President Dilma Rousseff, who was suspended from office. After the legal and administrative process for the impeachment, Brazil's Senate removed the former president 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. There was an ongoing proceeding before the Brazilian Higher Electoral Court (*Tribunal Superior Eleitoral*) alleging that the electoral alliance between Ms. Rousseff and Mr. Temer in the 2014 general election had violated campaign finance laws. On June 9, 2017, the Brazilian Higher Electoral Court absolved the electoral alliance, including President Temer of wrongdoing; however, he is still being subjected to heightened scrutiny due to the ongoing Lava Jato investigations. Despite this finding by the Brazilian Higher Electoral Court, President Temer is still subject to investigations being conducted by the Brazilian Federal Police and the Office of the Brazilian Federal Prosecutor and may be indicted in connection with certain allegations of corruption and ultimately subject to impeachment proceedings. The resolution of the political and economic crisis in Brazil still depends on the outcome of the "Lava Jato" investigations 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, in 2016 there was a disruption in the second corn crop that led to a fall of 16.5% on total corn production when compared to 2015.

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.

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 is based on (1) the Rumo group consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017 and 2016, (2) the Rumo group consolidated audited financial statements as of and for the fiscal year ended December 31, 2016, and (3) Rumo Logística's audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2015 (with corresponding figures for the fiscal year ended December 31, 2014), in each case as prepared under IFRS as issued by the IASB. 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.

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).

Results of Operations for the Nine Months Ended September 30, 2017 of Rumo and Rumo Logística Compared to the Nine Months Ended September 30, 2016 of Rumo and Rumo Logística

The following table sets forth consolidated financial information relating to Rumo and Rumo Logística for the nine months ended September 30, 2017 and 2016.

Income Statement Data	For the Nine Months Ended September 30,		Variation
	2017	2016	2017 / 2016
	(in R\$ thousands)		(%)
Net revenue from services.....	4,354,227	3,999,922	8.9
Cost of services.....	(3,010,559)	(2,717,621)	10.8
Gross profit.....	1,343,668	1,282,301	4.8
Selling, general and administrative.....	(211,118)	(258,937)	(18.5)
Other, net.....	(6,445)	(3,357)	92.0
Operating expenses.....	(217,563)	(262,294)	(17.1)
Profit before equity income on investments, financial result, net and income taxes.....	1,126,105	1,020,007	10.4
Equity income on investments.....	7,200	8,751	(17.7)
Profit before financial results and income taxes.....	1,133,305	1,028,758	10.2
Net financial result.....	(1,272,630)	(1,261,244)	0.9
Loss before income tax.....	(139,325)	(232,486)	(40.1)
Tax and social contribution.....	(61,759)	(44,059)	40.2
Current.....	(32,926)	(34,867)	(5.6)
Deferred.....	(28,833)	(9,192)	213.7
Loss for the period.....	(201,084)	(276,545)	(27.3)
Loss attributable to:			

Income Statement Data	For the Nine Months Ended September 30,		Variation
	2017	2016	2017 / 2016
	(in R\$ thousands)		(%)
Owners of the Company.....	(204,409)	(282,574)	(27.7)
Non-controlling interest	3,325	6,029	(44.8)

Net revenue from services. Rumo's net revenue from services increased by R\$354.3 million or 8.9% compared to Rumo's net revenue from services of R\$3,999.9 million in the nine months ended September 30, 2016 to R\$4,354.2 million in the nine months ended September 30, 2017, primarily due to the increase in the volume transported (in particular with regards to corn and soybean), due to higher investments made in rolling stock and permanent rail line combined with greater demand arising from the 2017 harvest when compared with the lower results from the 2016 harvest season. Rumo's port terminal loading volume decreased in the nine months ended September 30, 2017 in comparison to Rumo's port terminal loading volume in the nine months ended September 30, 2016, with net revenue from services from port terminal loading decreasing 1.4% to R\$242.8 million in the nine months ended September 30, 2017, compared to R\$246.2 million in the nine months ended September 30, 2016. This decrease was primarily due to lower levels of sugar sales. Net revenue from transportation services totaled R\$3,843.6 million in the nine months ended September 30, 2017, compared to R\$3,475.0 million in the nine months ended September 30, 2016, primarily due to higher volumes of grains transported, partially offset by decrease in industrial product transportation service prices. Finally, net revenue from services from other operations totaled R\$510.6 million in the nine months ended September 30, 2017, compared to R\$524.9 million in the nine months ended September 30, 2016, primarily due to the basis of comparison in the second quarter of 2016, which included amounts recognized as take or pay from clients who did not provide the volume contracted for.

Cost of services. Rumo's cost of services increased by R\$292.9 million, or 10.8% compared to Rumo's cost of services of R\$2,717.6 million in the nine months ended September 30, 2016 to R\$3,010.6 million in the nine months ended September 30, 2017. Rumo's cost of services accounted for 69.1% of net revenue from services in the nine months ended September 30, 2017 compared to 67.9% for Rumo in the nine months ended September 30, 2016. This percentage increase was primarily due to increased costs associated with higher utilization of third party transportation services for sugar since Rumo's own assets were moved to transporting grain, as well as the increase in depreciation cost due to the recent investments in fixed assets. These increased costs were partially offset by greater efficiency of new locomotives acquired, resulting in lower fuel consumption (a decrease of 7.5% in liters/GTK).

Gross profit. As a result of the foregoing, Rumo's gross profit for the nine months ended September 30, 2017 was R\$1,343.7 million, an increase of 4.8% compared to Rumo's gross profit of R\$1,282.3 million in the nine months ended September 30, 2016.

Selling, general and administrative expenses. Rumo's selling, general and administrative expenses decreased by R\$47.8 million, or 18.5%, compared to Rumo's R\$258.9 million in the nine months ended September 30, 2016 to R\$211.1 million in the nine months ended September 30, 2017.

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\$892.9 million in the nine months ended September 30, 2017 compared to R\$651.8 million in the nine months ended September 30, 2016, reflecting investment in capital-intensive assets, such as rolling stock (locomotives and railcars) and permanent rail lines; (2) fuel cost, which increased 2.4% from R\$551.2 million to R\$564.6 million, reflecting an increase in the average cost of fuel during the period; (3) transportation and port terminal loading costs, which increased 12.1% to R\$482.1 million in the nine months ended September 30, 2017, compared to R\$430.0 million in the nine months ended September 30, 2016, primarily as a result of the prioritization of grain transportation during the third quarter of 2017 (which resulted in higher margins), resulting in higher sugar volume transported via highway and other railways, which led to in higher third-party freight costs; (4) personnel expenses totaling R\$535.2 million in the nine months ended September 30, 2017, compared to R\$476.4 million in the nine months ended September 30, 2016, resulting from lower bonus expenses recorded in prior period due to the impact of the adverse harvest on the Company's prior year results, and (5) leasing and concession costs, which amounted to R\$149.3 million in the nine months ended September 30, 2017, compared to R\$152.0 million in the nine months ended September 30, 2016.

Financial results, net. Rumo's financial results, net amounted to an expense of R\$1,272.6 million in the nine months ended September 30, 2017, an increase of R\$11.4 million or 0.9% compared to an expense of R\$1,261.2 million for Rumo in the nine months ended September 30, 2016, primarily due to increase in the average balance and effective debt cost in the period. These increases were due to the debt rescheduling process concluded in the second quarter of 2016 coupled with the issuance of our 7.375% Notes due 2024. This increase was partially offset by the decline in CDI between the two periods. For additional information, see note 26 to the Rumo group consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017.

Income tax and social contribution. Rumo's income tax and social contribution amounted to an expense of R\$61.8 million in the nine months ended September 30, 2017, compared to an expense of R\$44.1 million in the nine months ended September 30, 2016 for Rumo. This change was primarily due to an increase in profits at Malha Norte and Elevações Portuárias. Our effective tax rate for the nine months ended September 30, 2017 was negative 44.33%, primarily due to (1) tax losses and temporary differences from our Southern Operations (including Malha Sul and Malha Oeste), on which no deferred income tax is computed due to the absence of recovery conditions; and (2) tax benefits from SUDAM (*Superintendência do Desenvolvimento da Amazônia*) relating to our Northern Operations.

Net loss for the period. As a result of the foregoing, Rumo recorded a loss in the nine months ended September 30, 2017 of R\$201.1 million, compared to a loss of R\$276.6 million in the nine months ended September 30, 2016 for Rumo, which represented a decrease in losses of R\$75.5 million. A substantial portion of this decrease in losses can be attributed to the increase in transported volumes.

Results of Operations for the Fiscal Year ended December 31, 2016 of Rumo and Rumo Logística Compared to the Fiscal Year ended December 31, 2015 of Rumo Logística

The following table sets forth consolidated financial information relating to Rumo and Rumo Logística for the fiscal year ended December 31, 2016 and individual and consolidated financial information relating to Rumo Logística for the fiscal year ended December 31, 2015. As a result of the ALL Acquisition, Rumo's financial information as of and for the fiscal year ended December 31, 2015 and prior periods is not fully comparable with Rumo's financial information as of and for the fiscal year ended December 31, 2016.

In the discussion that follows, unless stated otherwise, references to 2016 and 2015 are to the fiscal years ended December 31, 2016 and 2015, respectively.

Income Statement Data	For the Fiscal Year Ended December 31,		Variation
	2016	2015 ⁽¹⁾	2016 / 2015
	(in R\$ thousands)		(%)
Net revenue from services	5,014,555	4,037,923	24.2
Cost of services	(3,769,147)	(2,771,881)	36.0
Gross profit	1,245,408	1,266,042	(1.6)
Selling, general and administrative	(344,378)	(286,026)	20.4
Other, net	(862)	60,297	(101.4)
Operating expenses	(345,240)	(225,729)	52.9
Profit before financial results, profit on equity accounted investees net of tax, and income tax	900,168	1,040,313	(13.5)
Profit on equity-accounted investees, net of tax	8,381	11,164	(24.9)
Profit before financial results and income taxes	908,549	1,051,477	(13.6)
Net financial result	(1,676,831)	(1,185,018)	41.5
Profit (loss) before income tax	(768,282)	(133,541)	475.3
Income (expense) tax and social contribution	34,795	(31,797)	(209.4)
Current	(76,708)	(20,482)	274.5
Deferred	111,503	(11,315)	(1,085.4)
Loss for the period	(733,487)	(165,338)	343.6
Loss attributable to:			
Owners of the Company	(743,096)	(158,407)	369.1
Non-controlling interest	9,609	(6,931)	(238.6)

(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\$976.6 million, or 24.2% compared to Rumo Logística's net revenue from services of R\$4,037.9 million in the fiscal year ended December 31, 2015 to R\$5,014.6 million in the fiscal year ended December 31, 2016, primarily due to a 4% increase in the volume of our operations (tariffs increase, which was partially offset by a lower volume of operations) and the consolidation of a full year of net revenue from services of ALL in 2016 compared to only nine months in 2015. In addition, Rumo's port terminal loading volume increased in the fiscal year ended December 31, 2016 in comparison to 2015, with net revenue from services from port terminal loading increasing 29.0% to R\$308.3 million in the fiscal year ended December 31, 2016, compared to R\$239.1 million in the fiscal year ended December 31, 2015. Net revenue from transportation services totaled R\$4,448.4 million in the fiscal year ended December 31, 2016, compared to R\$3,572.5 million in the fiscal year ended December 31, 2015, primarily due to the consolidation of a full year of railway services in 2016 compared to 2015 due to the ALL Acquisition on April 1, 2015. Finally, net revenue from services from other operations totaled R\$257.5 million in the fiscal year ended December 31, 2016, compared to R\$226.3 million in the fiscal year ended December 31, 2015, primarily due to the ALL Acquisition and related right-of-way rights charged to other logistics operators.

Cost of services and selling, general and administrative expenses. Rumo's cost of services increased by R\$997.3 million, or 36.0%, compared to Rumo Logística's cost of services of R\$2,771.9 million in the fiscal year ended December 31, 2015 to R\$3,769.1 million in the fiscal year ended December 31, 2016, primarily due to the consolidation of a full year of railway services in 2016 compared to 2015 due to the ALL Acquisition on April 1, 2015. Rumo's cost of services accounted for 75.2% of net revenue from services in the fiscal year ended December 31, 2016 compared to and 68.6% for Rumo Logística in the fiscal year ended December 31, 2015. Rumo's selling, general and administrative expenses increased by R\$58.4 million, or 20.4%, compared to Rumo Logística's R\$286.0 million in the fiscal year ended December 31, 2015 to R\$344.4 million in the fiscal year ended December 31, 2016, primarily due to the consolidation of a full year of railway services in 2016 compared to 2015 due to the ALL Acquisition on April 1, 2015.

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\$1,120.0 million in the fiscal year ended December 31, 2016 compared to R\$616.5 million in the fiscal year ended December 31, 2015, reflecting investment in capital-intensive assets, such as rolling stock (locomotives and railcars) and permanent rail lines; (2) fuel cost, which increased 14.7% from R\$597.9 million to R\$686.0 million, reflecting an increase in the average cost of fuel during the period; (3) transportation and port terminal loading costs, which decreased 7.8% to R\$521.5 million in the fiscal year ended December 31, 2016, compared to R\$565.5 million in the fiscal year ended December 31, 2015, primarily as a result of the fiscal year ended December 31, 2015 including only nine months of ALL results; (4) personnel expenses totaling R\$628.1 million in the fiscal year ended December 31, 2016, compared to R\$491.2 million in the fiscal year ended December 31, 2015, primarily as a result of the fiscal year ended December 31, 2015 including only nine months of ALL results; and (5) leasing and concession costs, which amounted to R\$201.5 million in the fiscal year ended December 31, 2016, compared to R\$148.2 million in the fiscal year ended December 31, 2015, as these costs were incurred in connection with concessions Rumo Logística obtained through the ALL Acquisition, and as a result of the fiscal year ended December 31, 2015 including only nine months of ALL results.

Financial results, net. Rumo's financial results, net amounted to an expense of R\$1,676.8 million in the fiscal year ended December 31, 2016, an increase of R\$491.8 million (or 41.5%) compared to an expense of R\$1,185.0 million for Rumo Logística in the fiscal year ended December 31, 2015, primarily due to an increase in the cost of our debt as a result of the debt rescheduling process pertaining to our short-term debt for 2018. The proceeds of such indebtedness were invested primarily in rolling stock (locomotives and freight cars) and rail lines. For additional information, see note 26 to the Rumo group's consolidated audited financial statements as of and for the fiscal year ended December 31, 2016.

Income tax and social contribution. Rumo's income tax and social contribution benefit amounted to R\$34.7 million in the fiscal year ended December 31, 2016, compared to an expense of R\$31.7 million in the fiscal year ended December 31, 2015 for Rumo Logística, as a result of certain tax losses and temporary differences arising in connection with our corporate restructuring. Our effective tax rate for 2016 was 4.5%, 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; and (2) tax benefits from SUDAM relating to Malha Norte.

Net loss for the period. As a result of the foregoing, Rumo recorded a loss in the fiscal year ended December 31, 2016 of R\$733.5 million, compared to a loss of R\$165.3 million in the fiscal year ended December 31, 2015 for Rumo Logística, which represented an increase in losses of R\$568.2 million. A substantial portion of this increase in losses can be attributed to the increase in financial expenses as well as changes in income taxes and social contributions.

Results of Operations 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 Logística 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 fiscal year ended December 31, 2014 and prior periods is not fully comparable with Rumo's financial information as of and for the fiscal 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	For the Fiscal Year Ended December 31,		Variation
	2015 ⁽¹⁾	2014	2015 / 2014
	(in R\$ thousands)		(%)
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	—	—
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).
- (2) As a result of the ALL Acquisition, Rumo's financial information as of and for the fiscal year ended December 31, 2014 and prior periods is not fully comparable with Rumo's financial information as of and for the fiscal year ended December 31, 2015.

Net revenue from services. Rumo Logística'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 Logística's operations as a result of the ALL Acquisition. In addition, Rumo Logística'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 Logística'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 Logística'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 Logística'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 Logística'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 Logística'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 Logística obtained through the ALL Acquisition.

Financial results, net. Rumo Logística'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 permanent rail lines.

Income tax and social contribution. Rumo Logística's income tax and social contribution expense decreased from R\$58.3 million in 2014 to R\$31.8 million in 2015 as a result of the incorporation of loss from certain ALL operations. 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 relating to our Northern Operations.

Net income (loss) for the period. As a result of the foregoing, Rumo Logística recorded a loss in 2015 of R\$165.4 million, compared to net income of R\$114.7 million in 2014, which represented a decrease of R\$280.1 million. This change is principally due to the consolidation of ALL's operations.

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 and unpaid 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 half of 2017, and in 2016, 2015 and 2014, the cash flow used in our investing activities was funded mainly through borrowing and equity financing.

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

	As of September 30,		As of and for December 31,		
	2017	2016	2016	2015	2014
	(in R\$ thousands, except percentages)				
Net revenue from services.....	4,354,227	3,999,922	5,014,555	4,037,923	915,441
Gross profit.....	1,343,668	1,282,301	1,245,408	1,266,042	305,080
Profit (loss) for the period.....	(201,084)	(276,545)	(733,487)	(165,338)	114,679
Net cash from operating activities.....	1,730,201	1,438,129	1,453,630	1,503,356	73,141
Cash and cash equivalents and marketable securities.....	1,704,151	1,426,877	1,177,120	581,256	85,475
Restricted cash from borrowings and loans(1).....	91,811	84,226	63,474	77,262	—
Debt (short-term and long-term).....	11,257,280	9,807,207	10,116,463	10,611,883	784,709
Derivative financial instruments, net.....	10,231	(14,194)	(8,634)	98,083	—
Net Debt(2).....	9,451,087	8,310,298	8,884,503	9,855,282	699,234
Total equity.....	5,475,715	6,109,500	5,675,287	3,844,201	1,331,608
Net income (loss)/ Equity.....	(3.67)%	(4.53)%	(12.92)%	(4.30)%	8.61%
Current liquidity(3).....	0.84	0.78	0.68	0.38	0.42

(1) Restricted cash from BNDES and Caixa Econômica Federal financings.

(2) Calculated as gross debt, less (1) derivative financial instruments, (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,		
	2017(1)	2017	2016	2015	2014
	(in U.S.\$)		(in R\$)		
			(in thousands)		
Current portion of long-term debt.....	568,176	1,799,983	2,045,779	2,071,767	127,425
Long-term debt.....	2,985,258	9,457,297	8,070,684	8,540,116	657,284
Total(2)	3,553,434	11,257,280	10,116,463	10,611,883	784,709
Cash and cash equivalents.....	59,242	187,680	260,527	72,988	85,475
Restricted cash(3).....	28,981	91,811	63,474	77,262	—
Marketable securities.....	478,684	1,516,471	916,593	508,268	—
Total	566,907	1,795,962	1,240,594	658,518	85,475
Derivative financial instruments, net.....	3,229	10,231	(8,634)	98,083	—

(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, 2017 for *reais* into U.S. dollars of R\$3.168 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) Calculated as gross bank debt, plus (1) finance leases, (2) real estate credit certificates.

(3) Restricted cash linked to financial debt.

Our liquidity and cash flow positions deteriorated in 2014 as a result of a payment of dividends in an amount of R\$250.0 million, and deteriorated further in 2015 following the ALL Acquisition. During the fiscal year ended December 31, 2016, following the capitalization and debt re-profiling initiatives, our cash position increased to R\$582.1 million. In addition, as of September 30, 2017 and December 31, 2016, the material contractual financial obligations maturing in less than one year totaled R\$3,655.8 million and R\$3,941.3 million, respectively. 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.

Capitalization and Debt Re-Profiling Initiatives

In the fiscal year ended December 31, 2016, we concluded certain measures which allowed us to balance our capital structure. 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 offering 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\$550.1 million were extended (under the same conditions as the new debentures described above).

Our investment plan for the period from 2015 to 2018 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 modernization of terminals. In this regard, on July 6, 2017 we entered into a loan agreement with the BNDES in the amount of R\$154.3 million in order to provide financial support for our acquisition of 650 wagons for Malha Norte. The disbursement occurred in December 2017. This acquisition is intended to enhance our ability to transport soy, corn, sugar and other commodities.

BNDES has informed us that it would be willing to provide financial support in connection with our investment plan in an amount of up to R\$3 billion. 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 financing agreements with BNDES during the first half of 2018.

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-term obligations, 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, such as in the case of the issuance of our 7.375% Senior Notes due 2024 (although we cannot guarantee that any such transactions will be available to us in the future). There can be no guarantee that we will be able to implement the measures described above or to obtain additional financing. Our management believes that we have access to diversified sources of financing, such as local and international capital markets, commercial and investment banks, development agencies, as was demonstrated by the issuance of our 7.375% Senior Notes due 2024 and our capital increase through an issuance of common shares undertaken in October 2017. 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 2016, 2015 and 2014 are to the fiscal years ended December 31, 2016, 2015 and 2014. Due to the ALL Acquisition, Rumo’s financial position, results of operations and cash flows as of and for the fiscal years ended December 31, 2016 and 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			Variation		
	2017	2016	2016	2015	2014	September 2016/2015	2016/2015	2015/2014
	(in R\$ thousands)					(%)		
Net cash from operating activities.....	1,730,201	1,438,129	1,453,630	1,503,356	73,141	20.3%	(3.3)%	1955.4%
Net cash used in investment activities.....	(1,907,702)	(2,127,796)	(1,949,948)	(1,000,247)	(273,583)	(10.3)%	94.9%	265.6%
Net cash from (used in) financing activities	77,237	658,433	683,857	(515,596)	(211,836)	(88.3)%	(232.6)%	143.4%
Impact of exchange variation on cash and cash equivalents	27,417	—	—	—	—	0.0%	0.0%	0.0%
Increase (Decrease) in cash and cash equivalents, net	(72,847)	(31,234)	187,539	(12,487)	(412,278)	133.2%	(1601.9)%	(97.0)%
Cash and cash equivalents at the beginning of the period.....	260,527	72,988	72,988	85,475	497,753	256.9%	(14.6)%	(82.8)%
Cash and cash equivalents at the end of the period.....	187,680	41,754	260,527	72,988	85,475	349.5%	256.9%	(14.6)%

Net Cash Flow from Operating Activities

Rumo’s net cash flow from operating activities increased to R\$1,730.2 million in the nine months ended September 30, 2017 compared to Rumo Logística’s net cash flow from operating activities of R\$1,438.1 million in the nine months ended September 30, 2016, as a result primarily of an increase in volume transported and, consequently, in our results. This increase was partially offset by lower cash proceeds resulting from the decrease of our accounts payable and increases in other recoverable taxes.

Rumo’s net cash flow from operating activities decreased to R\$1,453.6 million in 2016 compared to Rumo Logística’s net cash flow from operating activities of R\$1,503.4 million in 2015, as result primarily of a decrease in volume transported, partially offset by an increase in tariffs, the principal effect of which was to cause a decrease of R\$49.85 million in our net cash flow from operating activities.

Rumo Logística’s 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 Used in Investing Activities

Rumo's net cash flow used in investing activities decreased to R\$1,907.7 million in the nine months ended September 30, 2017 compared to Rumo's net cash used in investing activities of R\$2,127.8 million in the nine months ended September 30, 2016. This change results primarily from lower proceeds used in new investments in marketable securities (R\$471.2 million in the nine months period ended September 30, 2017 compared to investments of R\$876.3 million in same period of 2016), as well as an increase in investments in fixed assets, software and other intangibles (R\$1,423.8 million in the nine months period ended September 30, 2017 compared to R\$1,264.9 million in the same period of 2016).

Rumo's net cash flow used in investing activities increased to R\$1,949.9 million in 2016 compared to Rumo Logística's net cash used in investing activities of R\$1,000.2 million in 2015. This change results mainly from investments in fixed assets, software and other intangibles (R\$1,699.2 million in 2016 compared to R\$1,405.4 million in 2015) net of withdrawals in investment securities (R\$208.7 million in 2015 compared to investments of R\$258.7 million in 2016).

Rumo Logística's net cash flow used in investing activities was R\$1,000.2 million in 2015 compared to R\$273.6 million in 2014 (an increase of 265.6%). 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 From (Used in) Financing Activities

Rumo's net cash flow provided by financing activities decreased to R\$77.2 million in the nine months ended September 30, 2017 compared to Rumo's net cash provided by financing activities of R\$658.4 million in the nine months ended September 30, 2016 as a result of the capital increase we undertook in April 2016 and the additional funding obtained in such period (which served to increase cash flow provided by financing activities in the nine-month period ended September 30, 2016 as compared to the nine-month period ended September 30, 2017), which decrease in cash provided by financing activities was partially offset by the reduced amortization of principal and interest in the nine month-period ended September 30, 2017.

Rumo's net cash flow provided by financing activities increased to R\$683.9 million in 2016 compared to Rumo Logística's net cash used in financing activities of R\$515.6 million of used cash in 2015 as a result of the common shares offering performed in 2016, the net proceeds of which, in an amount of R\$2,533.6 million, were used for working capital and to finance investments.

Rumo Logística's 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, less R\$2,515.3 million in repayment of principal, R\$786.1 million in payments of interest and R\$301.5 million in dividends paid (among others). 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\$250.0 million.

Cash and Cash Equivalents at the End of the Period

As a result of the foregoing, Rumo's cash and cash equivalents amounted to R\$187.7 million as of September 30, 2017. A significant portion of the available funds of the Company is classified as marketable securities, which amounted to R\$1,516.5 million as of September 30, 2017. Cash and cash equivalents amounted to R\$260.5 million as of December 31, 2016, R\$72.9 million as of December 31, 2015 and R\$85.5 million as of December 31, 2014.

Capital Structure

The following tables presents our capital structure as of the dates indicated:

Capital Structure	As of September 30,	As of December 31,		
	2017	2016(1)	2015	2014
Third-party financing (total loans, borrowings and debentures).....	67.3%	64.1%	73.4%	37.1%
Shareholders' equity.....	32.7%	35.9%	26.6%	62.9%
	67			

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
	(in R\$\$ millions, except %)			
Shareholders' equity.....	5,475.7	5,675.3	3,844.2	1,331.6
Gross financial indebtedness(1)	11,257.3	10,116.5	10,611.9	784.7
Derivatives, net	(10.3)	8.6	(98.1)	—
Cash and cash equivalents and marketable securities	(1,704.2)	(1,177.1)	(581.3)	(85.5)
Restricted cash loan and financings	(91.8)	(63.5)	(77.3)	—
Net Debt(2)	9,451.0	8,884.5	9,855.3	699.2
Ratio of net financial debt to shareholders' equity	172.6%	156.55%	256.37%	52.51%

(1) Composed of loans, borrowings, and debentures, finance leases, and real estate credit certificates.

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

Rumo's consolidated shareholders' equity amounted to R\$5,475.7 million as of September 30, 2017, a decrease of R\$199.6 million compared to Rumo Logística shareholders' equity amount of R\$5,675.3 million as of December 31, 2016, primarily due to net income during the period. Rumo's consolidated shareholders' equity amounted to R\$5,675.3 million as of December 31, 2016, an increase of R\$1,831.1 million compared to Rumo Logística shareholders' equity amount of R\$3,844.2 million as of December 31, 2015. This variation is primarily due to our public offering of common shares in April 2016. As of December 31, 2015, Rumo Logística 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.

Rumo's cash and cash equivalents and marketable securities amounted to R\$1,704.2 million as of September 30, 2017, an increase of R\$527.0 million compared to Rumo Logística's cash and cash equivalents and marketable securities of R\$1,177.1 million as of December 31, 2016, primarily due to the issuance of our 7.375% Notes due 2024. Rumo's cash and cash equivalents and marketable securities amounted to R\$1,177.1 million as of December 31, 2016, a variation of R\$595.9 million compared to Rumo's cash and cash equivalents and marketable securities of R\$581.3 million as of December 31, 2015, primarily due to cash from our public offering of common shares in April 2016. Rumo's 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.

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, 2017, Rumo's financial indebtedness was R\$11,257.3 million, an increase of R\$1,140.8 million compared to Rumo Logística's financial indebtedness of R\$10,116.5 million as of December 31, 2016, primarily due to the issuance of our 7.375% Notes due 2024. As of December 31, 2016, Rumo's financial indebtedness was R\$10,116.5 million, a decrease of R\$495.4 million compared to Rumo Logística's financial indebtedness of 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, Rumo Logística's financial indebtedness was R\$10,611.9 million, which was a significant increase from 2014 as a result of the ALL Acquisition.

Indebtedness

As of September 30, 2017, Rumo's broad outstanding gross indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES, debentures, real state credit certificates and finance leases totaled R\$11,257.3 million, of which R\$1,800.0 million was short-term debt. Rumo's total debt as of September 30, 2017 increased by R\$1,140.8 million as compared to Rumo's total debt as of December 31, 2016, primarily due to the issuance of debt securities in the international market and our 7.375% Senior Notes due 2024 in the total amount of U.S.\$750 million. This was partially offset by the regular amortization payments made during the period. Rumo's short-term debt, which includes the current portion of long-term gross indebtedness and interest accrued, represented 16.0% of Rumo's total indebtedness as of September 30, 2017. As of September 30, 2017, Rumo's gross banking debt (loans, borrowings and debentures) amounted to R\$10,127.2 billion of which R\$1,412.8 billion was short-term debt. As of September 30, 2017, Rumo had R\$2,473.8 million in U.S. dollar-denominated debt.

As of December 31, 2016, Rumo's outstanding gross indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES and debentures, totaled R\$10,116.5 million, of which R\$2,045.8 million was short-term debt. Rumo's total debt as of December 31, 2016 decreased by R\$495.4 million as compared to Rumo Logística's total debt as of December 31, 2015, primarily due to certain partial amortization payments of indebtedness with the relevant creditors. Rumo's short-term debt, which includes the current portion of long-term gross indebtedness and interest accrued, represented 20.2% of Rumo's total indebtedness as of December 31, 2016. As of December 31, 2016, Rumo did not have U.S. dollar-denominated debts.

As of December 31, 2015, Rumo Logística's 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. Rumo Logística's 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. Rumo's short-term debt, which includes the current portion of long-term gross indebtedness and interest accrued, represented 19.5% of Rumo Logística's total indebtedness as of December 31, 2015. As of December 31, 2015, Rumo Logística's U.S. dollar-denominated debt represented 6.2% of our total indebtedness.

As of December 31, 2014, Rumo Logística's outstanding gross indebtedness, which was primarily composed of loans and financing agreements with BNDES, totaled R\$784.7 million, of which R\$127.4 million corresponded to short-term debt. As of December 31, 2014, Rumo Logística did not have any U.S. dollar-denominated debt.

Rumo's Net Debt increased from R\$8,884.5 million as of December 31, 2016 to R\$9,451.1 million as of September 30, 2017, primarily due to the execution of the capital expenditure plan, which consumed part of the cash position in the period. Rumo Logística's Net Debt decreased from R\$9,855.3 million as of December 31, 2015 to R\$8,884.5 million as of December 31, 2016, primarily due to our receipt of the net proceeds of our public offering of common shares in April 2016. Rumo Logística's 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.

The table below shows the profile of our debt instruments as of September 30, 2017:

Description	Index	Principal amount (in thousands of reais)	Maturity Date
Commercial Banks	Pre-fixed	95,072	2021
	CDI + spread	114,545	2019
FINAME (BNDES)	Pre-fixed	1,322,521	2025
FINEM (BNDES)	Pre-fixed	2,212	2024
	URTJLP	2,253,640	2029
	IPCA	3,721	2021
	SELIC	4,314	2020
Senior Notes	Pre-Fixed (U.S.\$)	2,381,777	2024
NCE (Export Credit Note)	% CDI	92,293	2018
	CDI + spread	81,272	2017
	CDI + spread	294,854	2018
	% CDI	567,657	2023
Non-convertible Debentures	% CDI	167,867	2018
	Pre-fixed	169,036	2020
	CDI + spread	2,423,240	2023
	CDI + spread	153,186	2018
Total		10,127,207	

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.

Maturity Profile

The table below sets forth our financial liabilities as of September 30, 2017 by maturity date:

		As of September 30, 2017				
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)						
Financing	Collateral	732,735	1,405,615	808,445	639,622	3,586,418
Debt instruments	Junior	413,101	578,942	1,332,948	588,337	2,913,329
	Other security or	625,113	953,064	442,463	355,125	2,375,765
Loans	privileges					
	Other security or	24,824	—	—	2,356,953	2,381,777
Debt instruments	privileges					
Total		1,795,773	2,937,622	2,583,856	3,940,038	11,257,289

- (1) The information in the table above is derived from our consolidated financial statements. The totals included in the table above include the balance of our loans, financings and debentures, leases and real estate receivables certificates (current and non-current).

The table below sets forth our financial liabilities as of December 31, 2016 by maturity date:

		As of December 31, 2016				
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)						
Financing.....	Collateral.....	691,084	757,540	326,197	706,801	2,517,622
Debt instruments	Junior.....	641,858	1,257,069	895,821	306,634	3,101,382
	Other security or	712,837	1,053,423	1,645,727	1,085,471	4,496,459
Loans	privileges.....					
		2,045,779	3,068,032	2,903,745	2,098,906	10,116,463
Total						

- (1) The information in the table above is derived from our consolidated financial statements. The totals included in the table above include the balance of our loans, financings, leases and real estate receivables certificates (current and non-current).

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 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 periods indicated.

	As of September 30,		As of December 31,	
	2017	2016	2015	2014
Cash and cash equivalents and marketable securities				
(-) loans and financing				
Current portion of long-term debt.....	(1,800.0)	(2,045.8)	(2,071.8)	(127.4)
Long term debt	(9,457.3)	(8,070.7)	(8,540.1)	(657.3)
Subtotal	(11,257.3)	(10,116.5)	(10,611.9)	(784.7)
Cash and cash equivalent	187.7	260.5	73.0	85.5
Restricted cash on long term debt(1)	91.8	63.5	77.3	—
Marketable securities	1,516.5	916.6	508.3	—

	As of September 30,	As of December 31,		
	2017	2016	2015	2014
Cash and cash equivalents and marketable securities				
(-) loans and financing				
		(in R\$ millions)		
Subtotal	1,796.0	1,240.6	658.5	85.5
Derivative financial instrument, net.....	10.3	(8.6)	98.1	—
Total Net Debt	(9,451.0)	(8,884.5)	(9,855.3)	(699.2)
Current assets, except cash, cash equivalents and marketable securities	983.7	1,123.6	727.1	72.7
Current liabilities, except loans and financings, leasing and real estate credit certificates	(1,416.8)	(1,347.6)	(1,409.0)	(245.7)
Net Adjusted Working Capital(2)	(433.1)	(223.9)	(681.9)	(173.0)

(1) Restricted cash linked to financial debt.

(2) 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, 2017, Rumo's short-term debt (indebtedness which matures within one year) was R\$1,800.0 million, compared to gross cash (cash and cash equivalents and marketable securities) of R\$1,796.0 million. Rumo had negative Net Adjusted Working Capital of R\$433.1 million as of September 30, 2017.

As of December 31, 2016, Rumo's short-term debt (indebtedness which matures within one year) was R\$2,045.8 million, compared to gross cash (cash and cash equivalents and marketable securities) of R\$1,240.6 million. As of December 31, 2015, Rumo Logística had a short-term debt (indebtedness that matures within one year) of R\$2,071.8 million, compared to gross cash (cash and cash equivalents, marketable securities and restricted cash on long-term debt) of R\$658.5 million. Rumo had negative Net Adjusted Working Capital of R\$223.9 million as of December 31, 2016 whereas Rumo Logística had negative Net Adjusted Working Capital of R\$681.9 million as of December 31, 2015. See "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Significant deterioration in our short-term liquidity could materially affect our business, results of operations and financial condition."

Furthermore, Rumo Logística had negative Net Adjusted Working Capital of R\$173.0 million as of December 31, 2014.

In addition, there are material deficiencies in Rumo's short-term liquidity given that our current assets are lower than our current liabilities (working capital), which were negative R\$528.9 million as of September 30, 2017 and negative R\$1,092.6 million as of December 31, 2016. Similarly, Rumo Logística's working capital was negative R\$2,172.4 million as of December 31, 2015 and R\$215.0 million as of December 31, 2014.

The measures that have been taken to remediate our capital structure are described under "—Liquidity and Capital Resources."

Main Financing Agreements

Our principal financing agreements as of September 30, 2017 are described below:

Senior Notes Due 2024

On February 9, 2017, our subsidiary Rumo Luxembourg S.à r.l. issued notes due 2024 in an aggregate principal amount of U.S.\$750 million, or the 7.375% Notes due 2024. The 7.375% Notes due 2024 bear interest from February 9, 2017 at the annual rate of 7.375%, payable semi-annually in arrears on February 9 and August 9 of each year, commencing on August 9, 2017. The 7.375% Notes due 2024 are guaranteed by Rumo and Malha Norte.

The aggregate principal amount outstanding of our 7.375% Notes due 2024 as of September 30, 2017 was U.S.\$ 751.8 million (consisting of a principal outstanding amount of U.S.\$750 million and accrued and unpaid interest of U.S.\$ 1.8 million).

The indenture governing the 7.375% Notes due 2024 (including the guarantees) contains covenants that, among other things, limit the ability of Rumo Luxembourg S.à r.l., the guarantors or the guarantors' restricted subsidiaries to: (i) pay dividends on, redeem or repurchase capital stock; (ii) incur additional indebtedness; (iii) sell assets; (iv)

create certain liens; (v) enter into sale and leaseback transactions; (vi) engage in transactions with affiliates; (vii) enter into limitations on dividends and other payment restrictions affecting restricted subsidiaries; and (viii) consolidate, merge, transfer or lease all or substantially all of their assets. In addition, Rumo Luxembourg S.à r.l. is subject to additional restrictive covenants pursuant to the indenture.

The indenture governing the 7.375% Notes due 2024 (including the guarantees) contains the following events of default:

- the issuer defaults in the payment of the principal;
- the issuer defaults in the payment of interest and the default continues for a period of 30 days;
- failure by the issuer, Rumo or certain of its subsidiaries, as the case may be, to perform their obligations under the notes or the indenture;
- a cross-default or a failure to repay principal occurs with respect to any debt of Rumo or certain of its subsidiaries having an outstanding principal amount of U.S.\$50.0 million;
- one or more final and non-appealable judgments or orders for the payment of money in an amount exceeding U.S.\$50.0 million (in excess of amounts which Rumo's insurance carriers have agreed to pay under applicable policies) are rendered against (a) the issuer, (b) Rumo or (c) any of Rumo's significant subsidiaries, and are not paid or discharged within the applicable grace period;
- bankruptcy, insolvency or similar proceedings are commenced by or against (a) the issuer, (b) Rumo or (c) any of Rumo's significant subsidiaries, and are not discharged within any applicable grace period;
- any guarantee ceases to be in full force and effect, other than in accordance with the terms of the indenture, or Rumo or any subsidiary guarantor denies or disaffirms its obligations under such guarantee;
- all or substantially all of the undertaking, assets and revenues of (a) the issuer, (b) Rumo or (c) any of Rumo'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 Rumo'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) Rumo or (c) any of Rumo's significant subsidiaries; or
- the issuer fails to redeem the notes to the extent required under the indenture.

In addition to the covenants and events of default listed above, the indenture governing the notes also provides for, among other matters, certain redemption provisions, and repurchase provisions.

Financing Agreements with BNDES

We and our subsidiaries are party to financing agreements with BNDES in connection with projects related to the expansion, overhaul and modernization of our and our subsidiaries' fixed and intangible assets. The amount outstanding of all indebtedness under these financing agreements as of September 30, 2017 was R\$3.6 billion. Most of these financing agreements are subject to interest based on a fixed interest rate plus TJLP and mature between 2020 and 2029.

On July 6, 2017, Malha Norte entered into a loan agreement with the BNDES in an amount of R\$154.3 million in order to provide financial support for our acquisition of 650 wagons, which are intended to enhance our ability to transport soy, corn, sugar and other commodities. The disbursement occurred in December 2017.

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, by bank guarantees and by chattel mortgages (*propriedade fiduciária*). 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) 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 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 for an indeterminate period. 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 in the first half of 2018.

The BNDES Framework sets forth the following acceleration events:

- failure by the borrower or the guarantor to comply with its 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 one 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 agreements with BNDES, which lending is financed through authorized financial institutions acting as intermediaries. Most of these financing agreements are subject to interest based on fixed interest rates, and mature between 2017 and 2025. As of September 30, 2017, the outstanding amount under these credit facilities was R\$1.3 billion.

The proceeds from the BNDES agreements are intended to be used by us and our subsidiaries for in the acquisition of new machinery, equipment and computer as well as automation assets manufactured in Brazil. One FINAME agreement is guaranteed by a chattel mortgage (*alienação fiduciária*) on the financed equipment. The remainder of the agreements are guaranteed by bank guarantees.

These agreements are subject to the BNDES Framework described above and the non-financial covenants and acceleration events set out therein.

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 the Company took place on September 25, 2012, in an amount of R\$750 million and matures on October 1, 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. As of September 30, 2017, the aggregate principal amount outstanding under the debentures was R\$2,913.3 million, including principal and accrued and unpaid interest.

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\$50 million;
- non-compliance with a judgment in excess of R\$50 million;
- default in the payment of any financial debt in excess of R\$50 million, to the extent not cured within 15 days; and
- non-compliance with labor or environmental law, including laws related to the National Environmental Policy, resolutions of the National Council for the Environment, without taking remedial measures to avoid or repair eventual damages to the environment or workers.

The ninth issuance of debentures of Malha Norte occurred on June 13, 2016, in an aggregate amount of R\$2,375.6 million, and matures on June 13, 2023. The debentures 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). The debentures are guaranteed by a corporate guarantee from us, 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;
- 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 amount outstanding of all debentures issued by us and our subsidiaries as of September 30, 2017 was of R\$2,913.3 billion.

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

The export credit notes are payable upon the verification of the shipment of export goods. We have issued one export credit note with Banco Votorantim S.A., six with Banco do Brasil S.A. and one with Itaú Unibanco S.A. in an aggregate amount, as of September 30, 2017, of R\$1,036.1 million.

Malha Norte issued (1) two export credit notes with Banco do Brasil S.A. in the aggregate principal amount of R\$551 million, which accrue interest, after the renegotiation, at 129.62% of the DI rate, respectively (interest on these is payable semiannually), (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 (interest on these is payable semiannually), (3) three export credit notes with Banco do Brasil S.A., in the aggregate principal amount of R\$295 million, which accrue interest at a rate of 100% of the CDI rate plus a spread of 3.50% per year (interest on these is payable quarterly), (4) one export credit note with Banco do Brasil S.A., in the principal amount of R\$81 million, which accrues interest at a rate of 100% of the CDI rate plus a spread of 3.47% per year (interest is payable quarterly), and one export credit note with Itaú Unibanco S.A. in the aggregate principal amount of U.S.\$750 million, which accrues interest, at the pre-fixed rate of 7.375% (interest is payable semiannually). These export credit notes are guaranteed by ALL. The export credit notes mature from November 2017 to 2024. The outstanding balance of these export credit notes as of September 30, 2017 was of R\$1,036.1 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. Principal and interest are paid monthly. The outstanding balance under this credit note as of September 30, 2017 was R\$114.5 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.

GE - Credit Agreement (Capital de Giro)

In December 2016, Malha Sul entered into a U.S. dollar-denominated credit agreement with GE Industrial Financing Solutions, LLC, in an aggregate principal amount of U.S.\$26.4 million, bearing interest at the rate of 6.33% per year and maturing in December 2021. Principal and interest are paid quarterly. The proceeds of this credit

agreement were used to purchase 16 GE Dash-9 BBW40 locomotives, which were also given as collateral for the credit agreement. The credit agreement is also guaranteed by Rumo S.A.

The credit agreement contains certain non-financial covenants that would permit acceleration of the credit agreement, including certain negative covenants, pursuant to which Malha Sul may not:

- merge or consolidate with or into any person or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any person, except that borrower may (A) merge into a company of the same economic group provided that (i) the lender is previously notified, and (ii) the merger would not have a material adverse effect; and (B) dispose of assets provided that (i) such assets do not include the equipment subject to this agreement, and (ii) such disposal will not have a material adverse effect; and
- terminate its concession agreement before the end of its term, to the extent such termination would reasonably be expected to have a material adverse effect.

In September 2017, Malha Norte entered into a U.S. dollar-denominated credit agreement with GE Industrial Financing Solutions, LLC, in an aggregate principal amount of U.S.\$4 million, bearing no interest rate. The loan matures in June 2019 and half of the repayment is due in December 2018 and the other half is due at maturity. The proceeds from this loan were used to purchase autopilot hardware to be used in locomotives in order to reduce diesel consumption.

The outstanding balance of our credit agreements with GE as of September 30, 2017 was of R\$95.1 million.

Other Long-Term Relationships with Financial Institutions

We maintain long-term relationships with a wide range of Brazilian financial institutions which have made our growth possible through loans and financings. The principal of these is the BNDES, which has disbursed R\$210.3 million to us in the nine months ended September 30, 2017 as well as amounts of R\$636.9 million, R\$829.1 million and R\$784.7 million during the fiscal years ended December 31, 2016, 2015 and 2014 respectively.

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.”

As of September 30, 2017, we were in compliance with the financial ratio tests for our loans, financings and debentures.

Utilization Limits

On September 30, 2017 and December 31, 2016, 2015 and 2014, we and our subsidiaries had unused available credit lines with BNDES, in the amount of R\$287.2 million, R\$541.6 million, R\$1.2 billion and R\$698.6 million, respectively. The use of these credit lines is subject to certain contractual conditions.

Subordinated Debt

There is no contractual subordination as between our indebtedness outstanding as of September 30, 2017 other than by operation of law. Certain of our loans and financings are secured by fiduciary assignments of certain assets, pledges of credit rights and pledges of revenues, among other things, and as such, any such secured financings will (to the extent of the value of the collateral) be effectively senior to unsecured indebtedness.

Capital Expenditures

Investments Made

In the nine months ended September 30, 2017, we invested R\$1,423.8 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; (3) purchasing 461 railcars and 27 new locomotives; and (4) other initiatives.

In 2016, we invested R\$1,935.7 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 476 km of tracks; (3) purchase of 925 railcars and 65 new locomotives, as well as renovation of our current fleet; and (4) other initiatives.

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 2016 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.

Current Investment Plan

Our current investment plan foresees approximately R\$9 billion of investments for the period from 2016 to 2020. The principal activities to be undertaken under our investment plan are as follows:

- During our first years of operation, we focused on increasing operational efficiencies and reducing costs through a plan for the substitution and refurbishment of locomotives and carts and recovery of permanent rail lines. This plan aims at reducing the use of diesel and lubricants, lower maintenance costs, increase operating levels, a decrease in accidents and efficiencies in the circulation of trains. Moreover, these operational improvements are expected to translate into operational efficiencies translating into increase in volumes and decrease in costs.
- Within this framework, our expansion projects are conditioned to amortization periods of our investments or the extension of our concession periods and are targeted at increasing our capacity and total transport volumes. Our main projects are related to the expansion and the improvement of critical sections of our network, such as between the cities of Itirapina, São Paulo and Campinas, São Paulo in order to increase the size of our trains and therefore increase transport volume capacity. Additionally, we expect to acquire locomotives and carts in order to increase our fleet and improve the access to ports and terminals in Santos, Paranaguá and São Francisco do Sul.

Our announced capital expenditure plan since 2015 contemplates approximately R\$10.8 billion in capital expenditure (R\$6.2 billion for expansion and R\$4.6 billion as recurring capital expenditures), of which R\$5.3 billion has been executed in the period from 2015 to the third quarter of 2017 (R\$1,951 million in 2015, R\$1,926 million in 2016 and R\$1,424 million in the nine months ended September 30, 2017) and a further R\$5.5 billion is to be expended (R\$2.9 billion for expansions and R\$2.6 billion as recurring capital expenditure).

We expect our capital expenditure to total R\$2.0 to R\$2.2 billion (63% of which would be destined for expansion and 37% for recurring capital expenditure) for year ended December 31, 2017, R\$1.9 billion to R\$2.2 billion (64% of which would be destined for expansion and 36% of which would be for recurring capital expenditure) for 2018, R\$1.5 billion to R\$1.8 billion (52% of which would be for expansion and 48% of which would be for recurring capital expenditure) for 2019, and R\$1.0 billion to R\$1.3 billion (30% of which would be for expansion and 70% of which would be for recurring capital expenditure) in 2020.

Source of funds

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. The main source of such funds is the 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.

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, 2017:

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	(in R\$ millions)				
Borrowings and debentures	(2,104.0)	(1,847.5)	(5,380.2)	(4,191.4)	(13,523.1)
Accounts payables - suppliers	(489.0)	—	—	—	(489.0)
Other financial liabilities	(255.3)	—	—	—	(255.3)
Debt payment on installments	(13.6)	(7.2)	(3.8)	(0.6)	(25.2)
Finance leases	(459.1)	(327.7)	(460.4)	(306.6)	(1,553.8)
Real estate credits	(101.7)	(23.8)	—	—	(125.6)
Related parties payables	(154.7)	—	—	—	(154.7)
Dividends payable	(7.9)	—	—	—	(7.9)
Derivative financial instruments	(70.4)	(88.0)	(319.3)	(70.7)	(548.5)
Total	(3,655.8)	(2,294.3)	(6,163.7)	(4,569.3)	(16,683.1)

Since September 30, 2017, there have been no material changes to the contractual financial obligations described above.

Quantitative and Qualitative Disclosures about Market Risk

Overview

Our board of directors is responsible for establishing our risk management policies and practices and monitoring our risk management. Our risk management policies and practices were approved by our board of directors on November 3, 2016. These policies apply 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 are exposed to market risks primarily: (1) inflation risk; (2) interest rate risk; and (3) 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 12, 17, 19 and 26 to the consolidated interim unaudited financial statements of Rumo Group for the nine months ended September 30, 2017 and 2016 and notes 13,18, 20 and 28 to the consolidated audited financial statements of Rumo Group as of and for the fiscal year ended December 31, 2016 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;
- anticorruption provisions in powers of attorney issued by us;
- 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 financial risks management 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 manage risk in relation to financial operations by, among other things, (i) monitoring our cash flow levels, (ii) having in place liquidity contingency plans, (iii) investing primarily in liquid financial instruments in Brazil and abroad that are considered low risk, and (iv) ensuring that all our financing contracts contain certain identical provisions (including with respect to cross default/cross acceleration, financial and non-financial covenants, ranking of obligations, material adverse effect clauses and representations and warranties), with any exceptions requiring the prior approval of our financial management committee.

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 foreign currency exchange swaps is to convert a foreign currency liability into a liability in *reais* indexed to the CDI rate, eliminating our exposure to foreign exchange and interest rate fluctuations. The notional value, interest rate and maturity of each foreign currency exchange swap are identical to those of the financing to which they are linked. 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 as of September 30, 2017.

Description	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
Locomotives - GE Capital	Fibra	USD	6.33% per year	135% of CDI	December 2021
NCE- BOND internalization	Morgan Stanley	USD	7.375% per year	147.39% of CDI	February 2024
NCE- BOND internalization	Morgan Stanley	USD	7.375% per year	145.83% of CDI	February 2024
NCE- BOND internalization	Morgan Stanley	USD	7.375% per year	146.68% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	141.24% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	142% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	144.90% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	145.45% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	145.95% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	145.73% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	145.10% of CDI	February 2024
NCE- BOND internalization	Goldman Sachs	USD	7.375% per year	145.50% of CDI	February 2024
NCE- BOND internalization	Santander	USD	7.375% per year	146.38% of CDI	February 2024
NCE- BOND internalization	Bradesco	USD	7.375% per year	146.53% of CDI	February 2024
NCE- BOND internalization	Bradesco	USD	7.375% per year	141.08% of CDI	February 2024
NCE- BOND internalization	Bradesco	USD	7.375% per year	143.03% of CDI	February 2024

Inflation Risk

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 (2.1)% and 6.5%, respectively, for the nine months ended September 30, 2017 and September 30, 2016, and 7.2%, 10.5% and 3.7%, respectively, for the fiscal years ended December 31, 2016, 2015 and 2014.

In addition, according to the IPCA, published by the IBGE, the Brazilian price inflation rates were 1.78% and 5.5%, respectively, for the nine months ended September 30, 2017 and September 30, 2016, and 6.4%, 10.7% and 6.3%, respectively, for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014. Between January 2004 and December 2010, the SELIC rate varied between 8.64% per annum and 19.77% per annum. In 2011, the SELIC rate varied between 10.66% per annum and 12.42% per annum, in 2012 between 7.11% per annum and 10.90% per annum, in 2013 between 7.11% per annum and 9.90% per annum, in 2014 between

9.90% per annum and 11.65% per annum, in 2015 between 11.65% per annum and 14.15% per annum and in 2016 between 14.15% per annum and 13.65% per annum.

Inflation and the Brazilian government's measures to control inflation, primarily through the Central Bank, have had and continue to have considerable effects on the Brazilian economy and on our business. Brazil may experience substantial increases in inflation rates in future periods. Inflationary pressures may lead the Brazilian federal government to intervene in the economy, including through the implementation of governmental policies that may have an adverse effect on us and our clients.

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.

Interest Rate Risk

As of September 30, 2017, our consolidated debt (banking debt, financial leases and real estate receivables certificates (*Certificados de Recebíveis Imobiliários*)) was either fixed or linked to interest rates based on the CDI, the SELIC rate, the TJLP, the IPCA, an index composed of the TJLP and IGP-M or in U.S. dollars with a pre-fixed interest rate. The aggregate amounts indexed are as follows as of September 30, 2017: R\$1,561.5 million, R\$6,716.5 million, R\$4.3 million, R\$2,253.6 million, R\$275.1 million, R\$351.2 million, and R\$95.1 million, respectively.

As of December 31, 2016, our consolidated debt (banking debt, financial leases and real estate receivables certificates (*Certificados de Recebíveis Imobiliários*)) was either fixed or linked to interest rates based on the CDI, the SELIC rate, the TJLP, the IPCA, an index composed of the TJLP and IGP-M or in U.S. dollars with a pre-fixed interest rate. The aggregate amounts indexed are as follows as of December 31, 2016: R\$1,854.6 million, R\$4,924.0 million, R\$5.3 million, R\$2,663.5 million, R\$330.1 million, R\$252.8 million and R\$86.1 million, respectively.

The following is a sensitivity analysis on interest rates for loans and financings and on the CDI of financial investments with increases and decreases of 25% and 50%:

Interest rate exposure(1)	As of September 30, 2017				
	Probable	25%	50%	-25%	-50%
	(in R\$ thousands)				
Financial investments, securities and restricted cash.....	35,277	8,819	17,639	(8,819)	(17,639)
Loans, financings and dentures.....	(392,142)	(97,983)	(196,031)	97,983	196,031
Derivative financial instruments.....	(21,043)	(403,098)	(753,066)	468,794	1,013,461
Real estate receivables certificates (<i>Certificado recebíveis imobiliários</i>).....	(6,236)	(1,559)	(3,118)	1,559	3,118
Leases.....	(29,891)	(7,473)	(14,945)	7,473	14,945
Impact on the results of the period.....	(414,035)	(501,294)	(949,521)	566,990	1,209,916

(1) The CDI and TJLP indices taken into account in the probable scenario are 6.0% per annum and 7.0% per annum, respectively. These were obtained through information available to the market (*Consultoria Tendencias*).

Interest rate exposure(1)	As of December 31, 2016				
	Probable	25%	50%	-25%	-50%
	(in R\$ thousands)				
Financial investments, securities and restricted cash.....	131,982	32,996	65,991	(32,996)	(65,991)
Loans, financings and dentures.....	(824,626)	(206,157)	(412,313)	206,157	412,313
Derivative financial instruments.....	(14,692)	(3,673)	(7,346)	3,673	7,346
Real estate receivables certificates (<i>Certificado recebíveis imobiliários</i>).....	(31,013)	(7,753)	(15,507)	7,753	15,507
Leases.....	(88,905)	(22,226)	(44,453)	22,226	44,453
Impact on the results of the period.....	(827,254)	(206,813)	(413,628)	206,813	413,628

(1) The CDI and TJLP indices taken into account in the probable scenario are 14.06% per annum and 7.5% per annum, respectively. These were obtained through information available to the market (*Consultoria Tendencias*).

Foreign Currency Exchange Rate Risk

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, 2017, we had exposure of R\$2,473.8 million to bilateral loans in foreign currencies, whereas on December 31, 2016 the amount was R\$86.1 million. Our net exposure to derivative financial instruments transactions was R\$2,487.2 million in receivables on September 30, 2017, compared to none on December 31, 2016 (hedge against foreign exchange variation for acquisition of assets in U.S. dollars).

As of September 30, 2017, December 31, 2016 and December 31, 2015, we and our subsidiaries had the following net exposure to exchange rate variations across our assets and liabilities denominated in U.S. dollars:

	September 30, 2017	December 31, 2016	December 31, 2015
	(in U.S.\$ thousands)		
Cash and cash equivalents.....	5,953	16	3,784
Accounts receivable	25,930	—	2,115
Advance to suppliers	12,672	58,627	85,155
Suppliers	(20,277)	(21,707)	(15,894)
Advances from customers	(6,603)	—	(1,701)
Long-term debts	(2,473,863)	(86,140)	(658,713)
Derivative financial instruments (Notional)	2,487,180	—	642,506
Exchange rate exposure, net.....	30,992	(49,204)	57,252

Based on our derivative financial instruments in U.S. dollars as of September 30, 2017 and December 31, 2016, we performed a sensitivity analysis with increases and decreases of exchange rates (R\$/U.S.\$) of 25% and 50%. In the probable scenario, we use the value of the U.S. dollar as of September 30, 2018 as estimated by a specialized consulting firm, as follows:

Foreign Exchange Rates Sensitivity Analysis (R\$/U.S.\$)						
	September 30, 2017	Scenarios				
		Probable	25%	50%	-25%	-50%
U.S. Dollar.....	3.168	3.3700	4.2125	5.0550	2.5275	1.6850

Foreign Exchange Rates Sensitivity Analysis (R\$/U.S.\$ and R\$/Euros)						
	December 31, 2016	Scenarios				
		Probable	25%	50%	-25%	-50%
U.S. Dollar.....	3.2591	3.600	4.5000	5.4000	2.7000	1.8000

The external source used by us for the estimates is Consultoria Tendencias.

Based on the above scenario and the exposure as of September 30, 2017, the gains and losses would be as follows for the twelve-months period ending September 30, 2018:

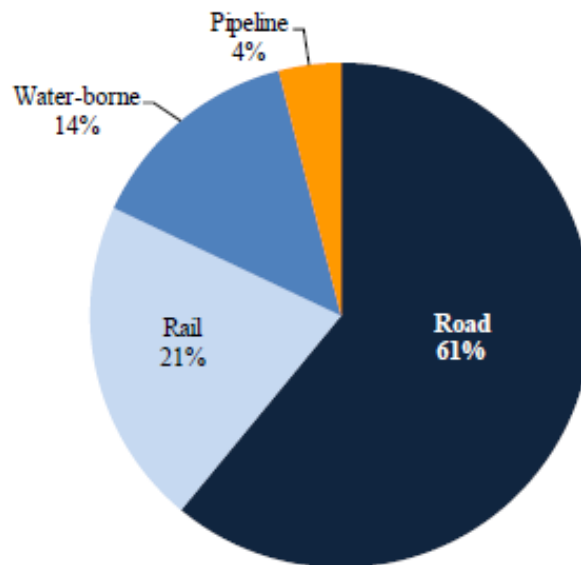
		Scenarios				
	Risk Factor	Probable	25%	50%	-25%	-50%
		(in R\$ thousands)				
Cash and cash equivalents.....	Decrease in USD	380	1,583	3,166	(1,583)	(3,166)
Accounts receivable from clients	Decrease in USD	1,818	6,937	13,874	(6,937)	(13,874)
Advance to suppliers	Increase in USD	808	3,370	6,740	(3,370)	(6,740)
Suppliers.....	Increase in USD	(1,996)	(5,568)	(11,136)	5,568	11,136
Advances from customers	Increase in USD	(421)	(1,756)	(3,512)	1,756	3,512
Derivative financial instruments	Decrease in USD	165,712	750,834	1,501,668	(750,834)	(1,501,668)
Loans, financings and debentures	Increase in USD	(157,740)	(657,901)	(1,315,802)	657,901	1,315,802
Impact on results for the period		8,561	97,499	194,998	97,499	(194,998)

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.

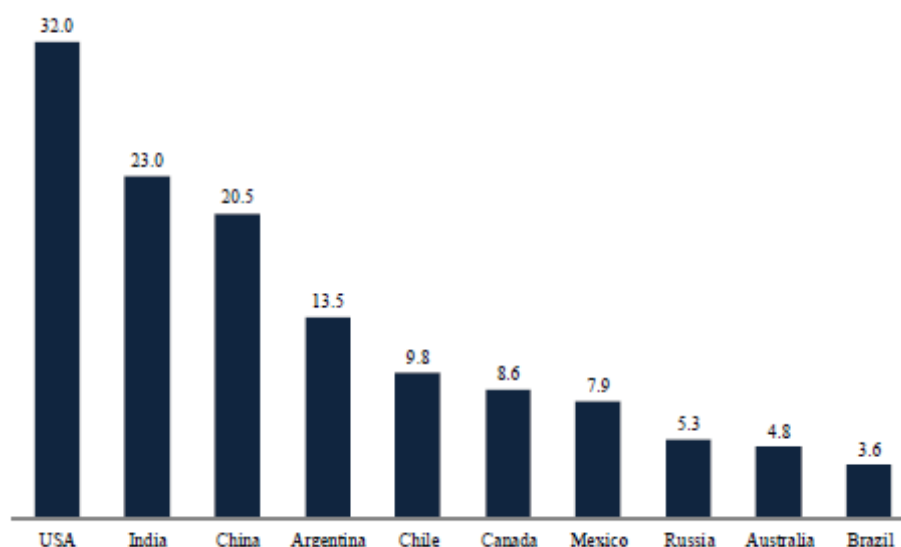
In 2016, railroad transportation accounted for approximately 21% of all freight transported in Brazil, according to the CNT. Additionally, the Brazilian railroad network has an extremely low density when compared to the networks of other countries.

The chart below shows the proportion of freight transported by each of the transport modalities in Brazil as of December 31, 2016:



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) as of December 31, 2016:



Source: ANTT

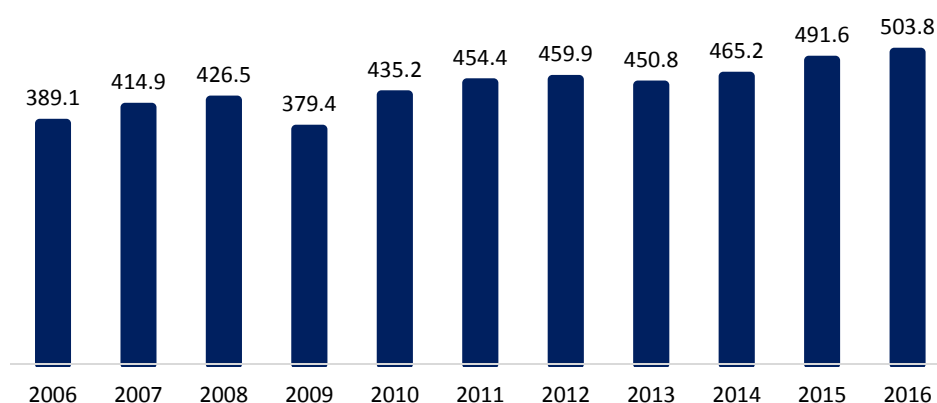
According to the ANTT, the Brazilian railroad system as of September 30, 2017 is 29,291 kilometers (when also taking into account railroads for urban or metropolitan transport, tourist trains and trains used for cultural activities, the total length is 30,402 kilometers according to the ANTT) in length, spread along 16 railroad networks (the North-South Railroad (*Ferrovía Norte-Sul*) is analyzed as two distinct networks, the northern and central ones). Of these, 12 railroad networks comprise the principal parts of the national railroad system, given that the North-South Railroad (*Ferrovía 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 September 30, 2017.



Source: ANTT and CNT

With higher investments made throughout the years, the volume transported by railroad increased 29.5% in useful tons, or TU, between 2006 and 2016. In 2016, 503.8 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 2016:



Source: ANTT

The main concession holders in Brazil's railroad system as of September 30, 2017 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; and
- *Ferrovia Tereza Cristina S.A. (FTC)* – operates 163 kilometers in the state of Santa Catarina, mainly transporting coal to Imbituba.

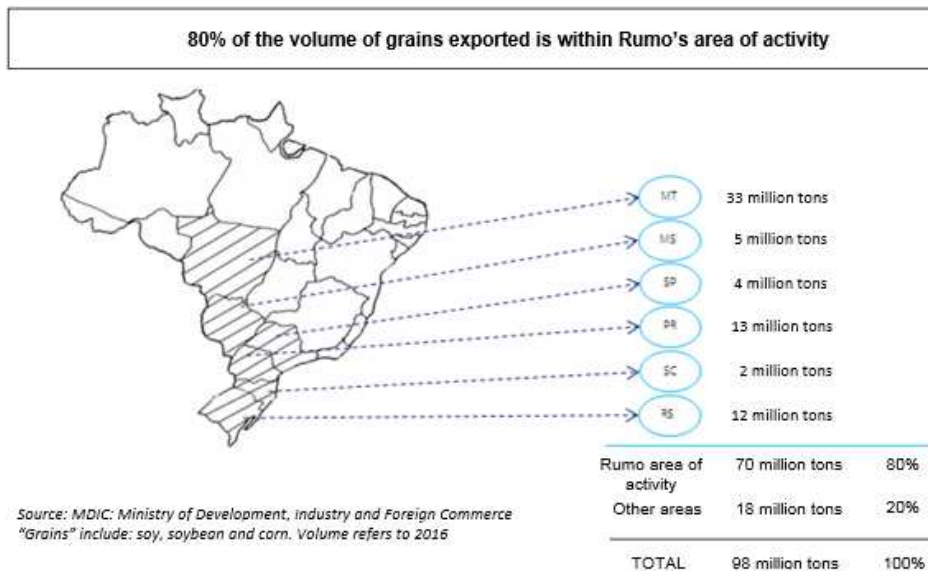
The following table shows the main products transported for export for each such concession holder:

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
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 2016, 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 75% 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 as of December 31, 2016:

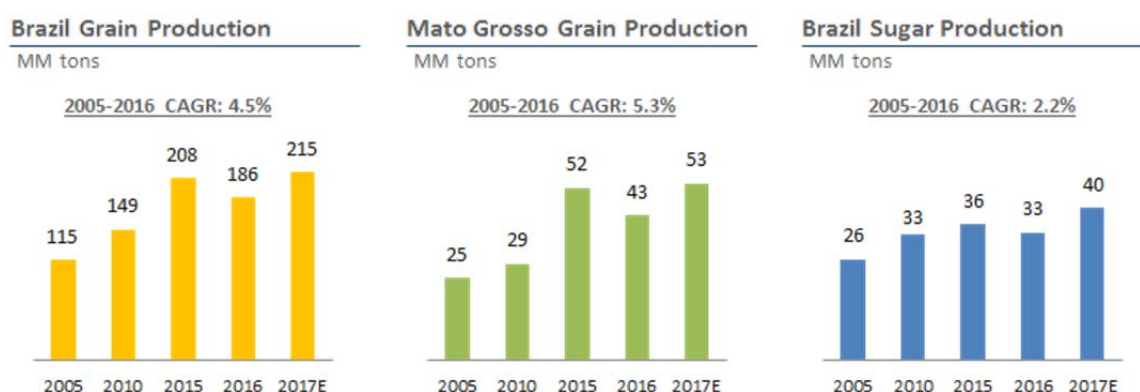


We believe that there is still significant potential to increase the transportation of agricultural commodities by rail. In particular, we believe that greater investment in equipment, with expected impacts on capacity, speed and efficiency (mainly in relation to fuel consumption) and also greater investments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

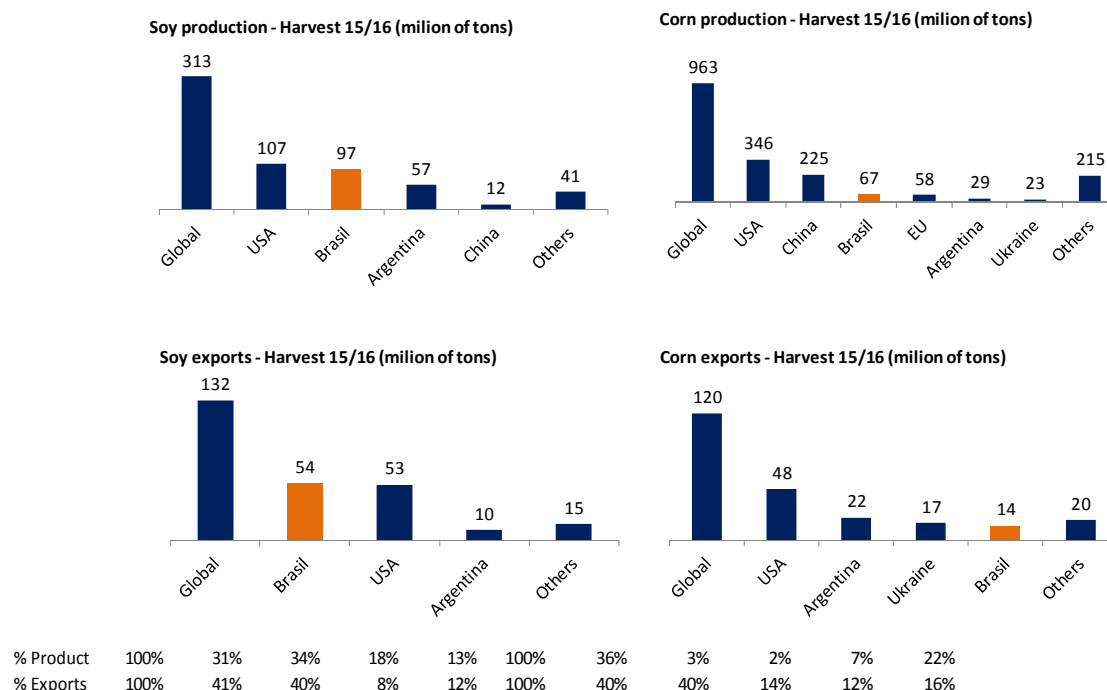
Overview of Agricultural Commodities in Brazil

In the past 20 years, Brazil has become one of the world 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:

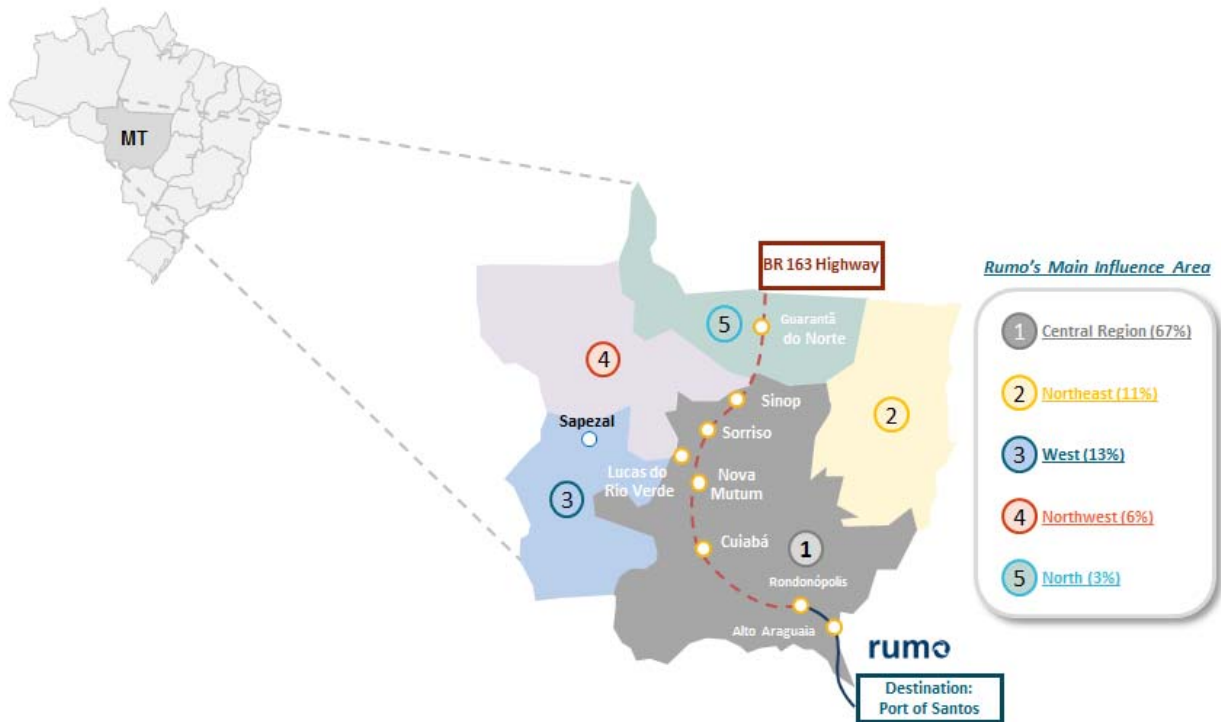


According to the USDA, in 2016 Brazil was one of the main global producers and was ranked the second exporter of agricultural products in terms of value, with a total exports value of U.S.\$38.7 billion, behind only the U.S. which exported U.S.\$134.9 billion. Specifically, in the grains segment, Brazil was ranked second in terms of soybeans produced and first in terms of soybeans exported (representing 41% of soybean's world exports) and ranked third in terms of corn produced and second in terms of corn exported (representing 12% of corn's world exports), as shown in the tables below.



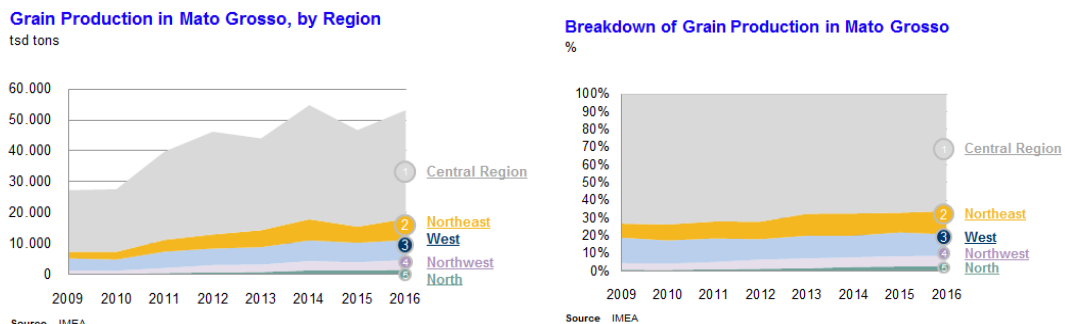
In Brazil, one of the most prominent states regarding the grain production is the state of Mato Grosso. From 2009 to 2016, while Brazil's soy and corn production increased by approximately 5% per year, Mato Grosso's soy and corn production increased by approximately 6% per year. Mato Grosso's outperformance was driven mainly by the growth in the state's corn production (approximately 9% per year).

The chart below shows the geographical distribution of grain production within Mato Grosso as of September 30, 2017:

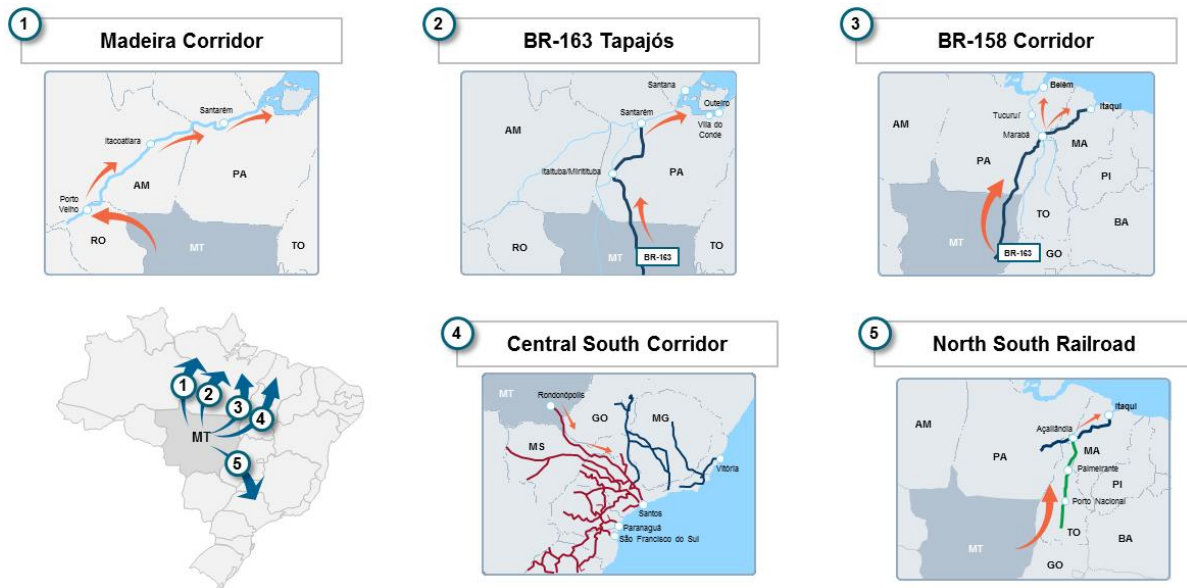


Within the state of Mato Grosso, a significant portion of grain production comes from the Central region, where the cities of Sorriso, Sinop, Rondonópolis, Lucas do Rio Verde, and Nova Mutum are located. Currently, part of the soy and corn volumes handled by Rumo at its transshipment terminal in Rondonópolis comes from this region by truck, covering a distance of approximately 450 km (in the case of Nova Mutum) or 691 km (in the case of Sinop). Yet, other production areas within the state, such as the northern region, have experienced a notable growth in recent years, driven by continuous logistics developments that allow grain exports to have access to 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:

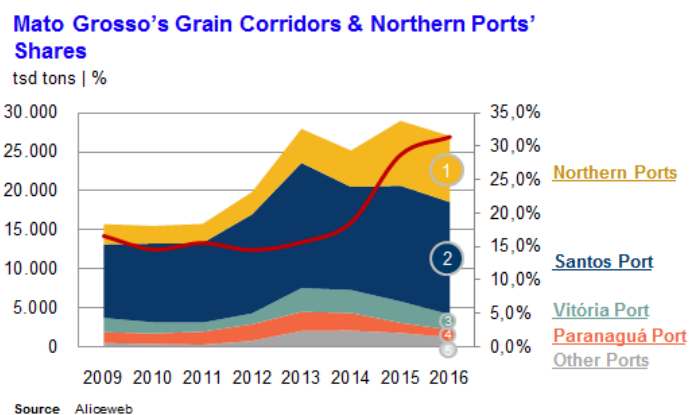


The export of Mato Grosso's grain (soybean, soymeal and corn) production relies on five main routes, four of which focus on channeling grains through ports in the north of Brazil. Combined, these four routes—namely (1) Madeira corridor, (2) BR-163 / Tapajós corridor, (3) BR-158 corridor, and (4) North-South railroad corridor—handled 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 and São Luís) 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 is Brazil's largest 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 in 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 25,000 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 83%, 83%, 80% and 76% of our transported volume in the nine months ended September 30, 2017 and in the fiscal years ended December 31, 2016, 2015 and 2014, respectively, while transportation of industrial products represented approximately 17%, 17%, 20% and 24% of our transported volume in the same periods, respectively. Our transported volume derived from the transportation of grains (soybean, corn and soybean meal) represented 74%, 73%, 68% and 62% in the nine months ended September 30, 2017 and in the fiscal year ended December 31, 2016, 2015 and 2014, respectively.

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 69% of Brazilian grain exports and 95% of Brazilian sugar exports in the first nine months of 2017, according to the MDIC. The states in which our rail

network is located were responsible for 74% of Brazil's grain production (including soybean and corn) in 2016, according to Conab, and accounted for approximately 80% of GDP generated in Brazil during 2016 according to data from IBGE. 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, Raizen and Ipiranga; and industrial companies such as Votorantim, Fibria and Klabin. 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 inaugurated 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 with 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 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 and others. According to the 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 the nine months ended September 30, 2017, we invested R\$1,423.8 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; (3) purchasing 461 railcars and 27 new locomotives; and (4) other initiatives.

In 2016, we invested R\$1,935.7 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 476 km of tracks; (3) purchase of 925 railcars and 65 new locomotives, as well as renovation of our current fleet; and (4) other initiatives.

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 2016 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.

Our strategy is focused on investments to renew our 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 freight services 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.

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 the opportunities presented by Brazil's logistics industry can be leveraged. According to data from the National Transport Confederation, or CNT, rail accounted for less than 21% of Brazil's transportation system in 2016, 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.

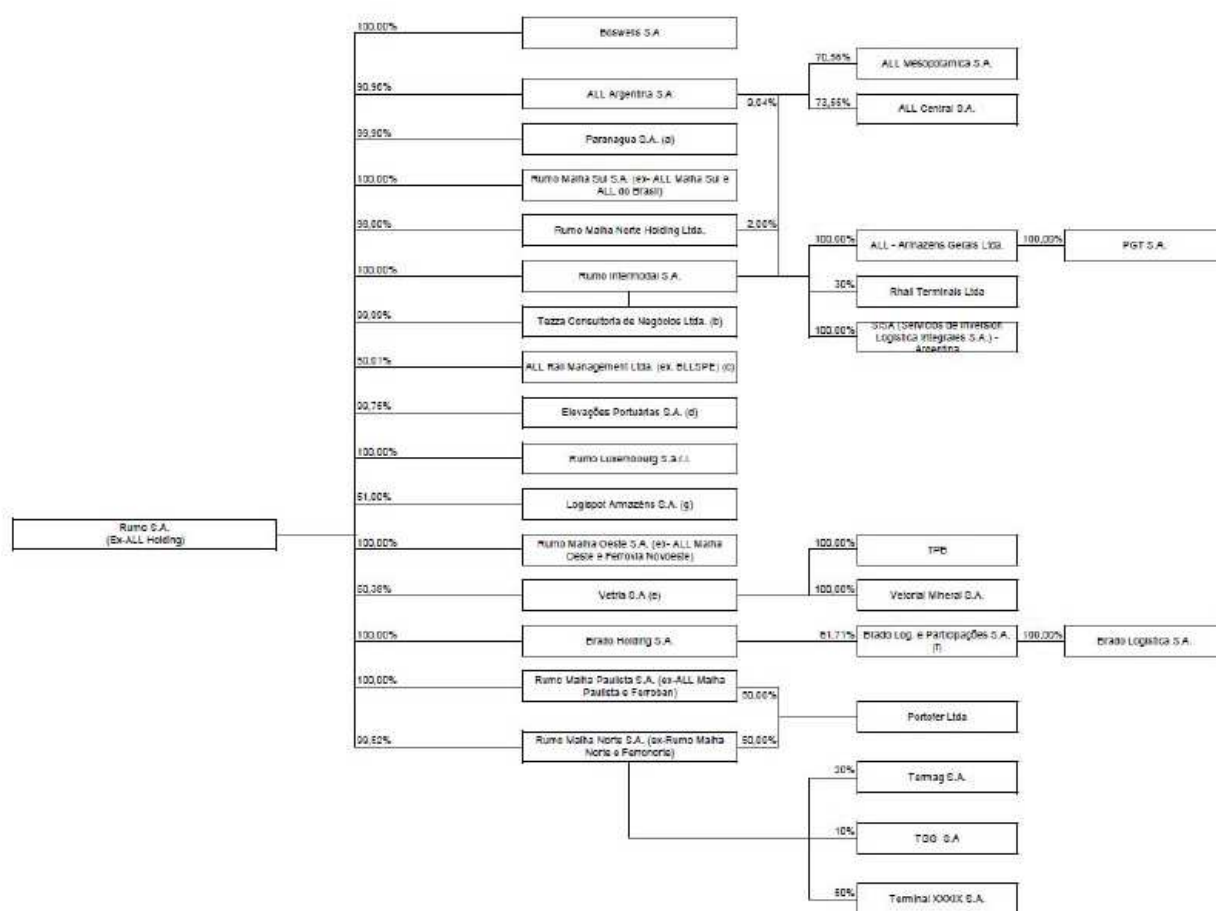
In this context, we intend to significantly increase our rail transportation capacity over the next ten years. To achieve this goal, we plan to invest in the following areas during the course of the next five years:

- 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.

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:



* Notes to the corporate structure above: (a) 0.1% is held by ALL Intermodal; (b) 0.01% is held by ALL Intermodal; (c) 49.99% of ALL RAIL MANAGEMENT is held by Qualytpar and Beaver; (d) 0.25% is held by ALL Intermodal; (e) 15.79% is held by TPI and 33.83% is held by Vetorial; (f) 22.85% is held by FI-FGTS and 15.44% by the Standard Shareholders; and (g) 49.99% is held by Impulso Empreendimentos e Participações.

A list of our direct and indirect subsidiaries is included in note 2.3 to the consolidated interim unaudited financial statements of Rumo and Rumo Logística as of and for the nine months ended September 30, 2017.

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 Teaçü Armazéns Gerais S.A., or Teaçü, 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, Teaçü 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 Logística 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 B3; (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 Rumo Logística's shares (listed under the ticker symbol "RUMO3") on B3 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 B3 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 has served 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\$2,600.0 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 offering 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\$2,600.0 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, including 95 AC44i locomotives and 1,595 Hooper wagons, with a book value of R\$895.7 million, 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. The reorganization was an internal corporate reorganization and did not affect Rumo on a consolidated basis.

On February 9, 2017, we issued the 7.375% Notes due 2024 in an aggregate principal amount of U.S.\$750 million. The proceeds of the offering of the 7.375% Notes due 2024 were used as part of our liability management

and liquidity increase plan, as well as of the constitution of guarantees necessary to access BNDES credit lines, for which Rumo's projects were previously classified as eligible.

On February 23, 2017, TPG, a shareholder of the Company, exercised its right to exchange 12,831,102 shares issued by Rumo (i.e., all the shares held by it and bound by 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)) for shares issued by Cosan and shares issued by Cosan Logística and the Funds Shareholder's Agreement was terminated.

On September 8, 2017, the BNDESPAR Shareholders' Agreement between Cosan Logística, Novo Rumo Logística S.A., Cosan S.A., Cosan Limited and BNDESPAR, dated April 30, 2014 was terminated and ceased to have effect as of that date.

On October 10, 2017, we completed a capital increase in an amount of R\$2,640 million, or U.S.\$833.3 million (based on an exchange rate of R\$3.168 to U.S.\$1.00 as of September 30, 2017), through a public offering of our common shares to investors in Brazil and abroad. We used the net proceeds from the offering to improve our leverage, reduce our net indebtedness and increase our cash reserves.

On November 10, 2017, our joint venture with Triunfo Participações e Investimentos S.A., or Triunfo, and another partner was terminated and as a result we ceased to be shareholders of Vétria. Vétria was a joint venture we incorporated in 2011 jointly with Triunfo and another partner to develop integrated iron ore logistic activities from Corumbá (state of Mato Grosso) to Santos (state of São Paulo). The discontinuation of Vétria joint venture was approved in 2014 and, in March 2015, we entered into a Dissociation Agreement with Triunfo, aiming to resolve the strategic partnership. The consummation of the Dissociation Agreement was subject to the fulfillment of certain conditions precedent, including approval by Brazil's Antitrust Authority, or CADE. On November 13, 2017, we announced the completion of such dissociation process. The discontinuation is not expected to have any financial impact in 2017, and did not have any financial impact in 2016 and 2015 as there have not been any operations of the joint venture since 2014. Although we have terminated the joint venture, we remain liable (jointly with our former partners) as guarantors of certain debts owed to FINEP (in an amount of R\$68.9 million) as well as for any liabilities which may arise regarding our time as partners in the joint venture.

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 ALL's 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 B3. Cementing its commitment to ethics and transparency in its corporate governance practices, ALL joined the *Nível 2* listing segment on the B3. In 2010, ALL

migrated its shares to the *Novo Mercado* segment, B3's listing segment with the most stringent corporate governance standards.

In May 2006, ALL acquired Brasil Ferrovias (Ferroban 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 kilometers 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 2013, the Rondonópolis project was completed on schedule and on time, following investments of over R\$700 million since 2009.

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—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 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, including 95 AC44i locomotives and 1,595 Hooper wagons, with a book value of R\$895.7 million, and (2) performed a capital increase in a wholly-owned newly-established subsidiary of Rumo, Elevações Portuárias, amounting R\$672.4 million, through a contribution of port assets and debts formerly held by Rumo Logística. The reorganization was an internal corporate reorganization and did not affect Rumo on a consolidated basis.

Operations

Since the incorporation of Rumo Logística by ALL, we have organized our operations into the three segments that correspond to business units previously used by Rumo Logística, namely: (1) our northern operations business segment, or Northern Operations, which comprises the Malha Norte and Malha Paulista rail concessions, as well as Elevações Portuárias, (2) our southern operations business segment, or Southern Operations, which comprises Malha Oeste and Malha Sul, and (3) our container operations segment, or Container Operations, which comprises the operations of Brado Logística and other container operations.

In the nine months ended September 30, 2017, we transported 36.34 billion RTK (30.33 billion RTK in agricultural products and 6.02 billion RTK in industrial products) compared to 32.81 billion RTK (27.06 billion RTK in agricultural products and 5.75 billion RTK in industrial products) in the nine months ended September 30, 2016 and 40.27 billion RTK (32.61 billion RTK in agricultural products and 7.66 billion RTK in industrial products) and 44.91 billion RTK (36.00 billion RTK in agricultural products and 8.91 million RTK in industrial products) in the fiscal years ended December 31, 2016 and 2015, respectively. Our average transportation yield for the nine months ended September 30, 2017 and 2016 and the fiscal years ended December 31, 2016 and 2015 was R\$99.2, R\$97.1, R\$96.0 and R\$84.6 per 1,000 RTK, respectively.

Northern Operations

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. Rail transport accounts for a significant proportion of the activities of our Northern Operations due to the fact that our rail network encompasses a significant part of Brazil's agricultural production areas (i.e., the states of Mato Grosso and São Paulo) and also due to the fact that the customers of our Northern Operations have the proper characteristics for rail transport, such as high volume and regularity. In addition, our Northern Operations also include Elevações Portuárias, which comprises our sugar and grain export terminal in the Port of Santos in the state of Sao Paulo.

Our Northern Operations generated net revenue of R\$3,227.7 million and R\$2,945.4 million in the nine months ended September 30, 2017 and the nine months ended September 30, 2016, respectively. The volume transported by our Northern Operations in the nine months ended September 30, 2017 and 2016 and the fiscal years ended December 31, 2016 and 2015 was 24.60 billion, 22.12 billion, 26.59 billion and 28.67 billion RTKs, respectively. The volume handled by operations under our control at the port of Santos (Terminal 16 and Terminal 19) was of approximately 9.8 million, 10.5 million, 13.0 million and 11.6 million tons of agricultural commodities in the nine months ended September 30, 2017 and 2016 and the fiscal years ended December 31, 2016 and 2015, respectively, and our average transportation yield for the nine months ended September 30, 2017 and 2016 and the fiscal years ended December 31, 2016 and 2015 was R\$24.9, R\$23.4, R\$23.5 and R\$20.5 per ton, respectively.

Southern Operations

Our Southern Operations comprise railways encompassing the states of Mato Grosso do Sul, Paraná, Santa Catarina and 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, pulp and paper.

Our Southern Operations generated net revenue of R\$958.0 million and R\$849.7 million in the nine months ended September 30, 2017 and the nine months ended September 30, 2016, respectively. The volume transported by our Southern Operations in the nine months ended September 30, 2017 and 2016 and the fiscal years ended December 31, 2016 and 2015 was 10.42 billion, 9.41 billion, 12.04 billion and 14.07 billion RTKs, respectively. The main customers of our Southern Operations include Santa Terezinha, Bunge, Petrobras and Ipiranga, among others.

Container Operations

Our Container Operations transport agricultural products, in addition to industrial products. Our Container Operations generated net revenue from services of R\$168.6 million and R\$265.4 million in the nine months ended September 30, 2017 and the fiscal year ended December 31, 2016, respectively. The volume transported by our Container Operations in the nine months ended September 30, 2017 and 2016 and in the fiscal years ended December 31, 2016 and 2015 amounted to 1.33 billion, 1.28 billion, 1.64 billion and 2.17 billion RTKs, respectively.

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:

	For the Nine Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016		For the Fiscal Year Ended December 31, 2016		For the Fiscal Year Ended December 31, 2015	
	(in R\$ millions, except percentages)							
Northern Operations	3,227.7	74.1%	2,945.4	73.6%	3,651.5	72.8%	2,925.1	72.4%
Southern Operations	958.0	22.0%	849.7	21.2%	1,097.7	21.9%	888.5	22.0%
Container Operations	168.6	3.9%	204.8	5.1%	265.4	5.3%	224.3	5.6%
Net revenue from services(1)	4,354.2	100%	3,999.9	100%	5,014.6	100%	4,037.9	100%

(1) Our current segmentation into Northern Operations, Southern Operations and Container Operations was adopted following the ALL Acquisition. The former business of Rumo Logística (loading and transport of sugar) currently forms part of our Northern Operations.

Profit (Loss) by Segment

The table below shows our gross profit (loss) by segment for the periods indicated:

	For the Nine Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016		For the Fiscal Year Ended December 31, 2016		For the Fiscal Year Ended December 31, 2015	
	(in R\$ millions, except percentages)							
Northern Operations	1,394.0	103.7%	1,335,1	104.1%	1,476.3	118%	1,236.4	98%
Southern Operations	9.3	0.7%	(16.7)	(1.3)%	(174.9)	(14)%	90.5	7%
Container Operations.....	(59.7)	(4.4)%	(36.1)	(2.8)%	(56.0)	(5)%	(60.8)	(5)%
Profit (loss) for the period	1,343.7	100%	1,282.3	100%	1,245.4	100%	1,266.0	100%

(1) Our current segmentation into Northern Operations, Southern Operations and Container Operations was adopted following the ALL Acquisition. The former business of Rumo Logística (loading and transport of sugar) currently forms part of our Northern Operations.

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
8,029 railcars	Brazil	Various	Owned
5,508 railcars	Brazil	Various	Rented
17,602 railcars	Brazil	Various	Leasehold
640 locomotives	Brazil	Various	Owned
107 locomotives	Brazil	Various	Rented
465 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 sound relationship with our suppliers, which we seek to foster in order to maintain lasting long-term relationships characterized by trust.

We are not dependent on a limited number of suppliers given that, as of December 31, 2016, we had approximately 3,300 entities in our supplier base across a wide range of sectors with whom we maintained an active relationship.

Major Clients

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, Louis Dreyfus and Raízen. In the

nine months ended September 30, 2017, Bunge accounted for 15.5% of our total net revenue from services, while our six major clients accounted for 54.4% of our total net revenue from services. In the fiscal year ended December 31, 2016, Bunge accounted for 17.2% of our total net revenue from services, while our six major clients accounted for 53.4% of our total net revenue from services in the same period. 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, Louis Dreyfus and Raízen. In the nine months ended September 30, 2017, Bunge accounted for 16.8% of our net revenue from services in the rail sector, while our six major clients in the rail sector jointly accounted for 54.5% of our net revenue from services in that sector. In 2016, Bunge accounted for 18.5% of our net revenue from services in the rail sector, while our six major clients in the rail sector accounted for 54.8% of our net revenue from services in that sector.

Our largest clients in the port elevation sector include Bunge, Czarnikow, Cofco, Wilmar, Raízen and Sucden. In the nine months ended September 30, 2017, Raízen accounted for 23.8% of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector collectively accounted for 68.2% of our net revenue from services in that sector. On December 31, 2016, Raízen accounted for 20.8% of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector accounted collectively for 72.8% of our net revenue from services in that sector.

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. Any major change in the volume of business from this customer may adversely affect our revenue, in particular with regards to export corridors.

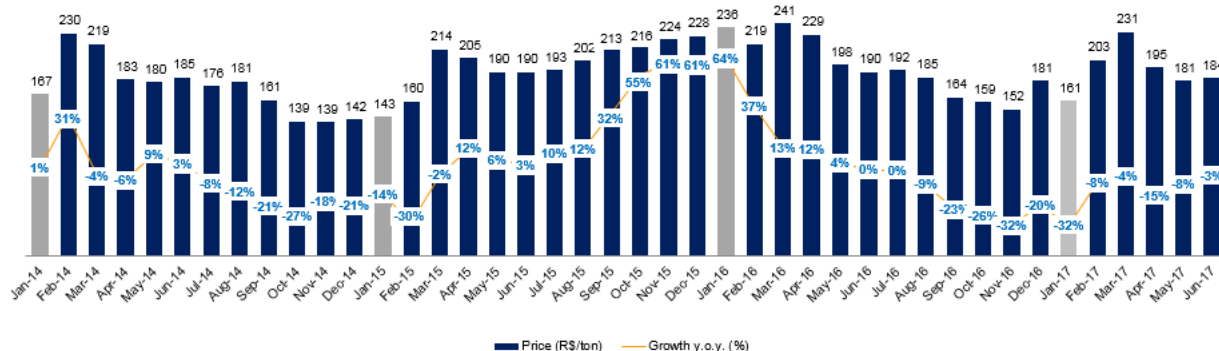
Pricing and Price Adjustments

Pursuant to the concession agreements for Malha Sul, Malha Oeste and Malha Paulista as well as the sub concession agreement with Ferrobán, the tariffs for the rail services we provide in our rail concessions are subject to a minimum tariff, which cannot be lower than long-term variable costs, as well as to a maximum tariff set by the concession agreements and adjusted annually for inflation pursuant to the 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. 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 has been significantly above market prices. 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 Brazilian Ministry of Transportation, Ports and Civil Aviation, 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 operate 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 the Brazilian Ministry of Transportation, Ports and Civil Aviation.

ANTAQ, which was created by Law 10,233/2001, 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.

Pursuant to Law No. 12,815/2015, the following provisions are essential to the concession and lease agreements: 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 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 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 Ports Law and by specific complementing regulations, such as Decree 8,033 of June 27, 2013. According to the provisions of the 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 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 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 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 approximately 34 million liters of fuel. Potential incidents and leaks at those refueling stations may result in harm to the environment.

Legislation authorizes the use of herbicides throughout our rail system to control overgrown invasive vegetation, except in 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, pursuant to the Complementary Federal Law No. 140 of December 8, 2011, the Brazilian Institute of Environment and Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*), or IBAMA, is the federal entity competent for the licensing of these activities. We hold operating permits that allow us to operate 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 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 critical drainage points;
- 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;
- 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; 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 environmental agencies.

We seek to 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. Our environmental liabilities consist of approximately 132 separate environmental proceedings, in addition to 11 new proceedings in 2016, including contaminated areas undergoing remediation, monitoring, supply posts and workshops. The expectation is that in 2017 approximately R\$6.5 million will be expended to address these liabilities. 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 in accordance with our need to undertake new projects and improve our operations.

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

Concession Agreements

We conduct our activities through the following concession agreements:

Company	End of the Concession	Area Covered
Subsidiary		
Malha Paulista	December 2028	State of São Paulo
Malha Sul	February 2027	South of Brazil and State of São Paulo
Malha Oeste	June 2026	Centre-West and State of São Paulo
Malha Norte	May 2079	Centre-West and State of São Paulo
Portofer	June 2025	Port of Santos— State of São Paulo
Elevações Portuárias	March 2036	Port of Santos— State of São Paulo
Affiliate		
Terminal XXXIX	October 2025	Port of Santos— State of São Paulo
TGG – Terminal de Granéis de Guarujá...	August 2027	Port of Santos— State of São Paulo
Termag – Terminal Marítimo de Guarujá.	August 2027	Port of Santos— State of São Paulo

Each of the concession agreements listed above contains contractual clauses allowing for renewal for a new term of a length equal to that of the original term. We may not be successful in renewing our concession agreements.

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 during the course 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 loss of our 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 and left banks 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.

See also "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our concessions to operate port terminals are subject to expiration, limitation on renewal and early termination by the granting authority."

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.



Source: IMEA and Aprosoja.

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 2016, 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 the lower rates we can charge because of our relatively larger transportation capacity and synergies arising from our integration with ALL.

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 are equipped with an advanced tracking system which determines the geographic location of trucks at our service, thereby increasing the safety of our assets and of our clients' freight. In order to further guarantee the safety of our trucks, our freight, our customers and our personnel, we also use train schemes and police patrols during cargo transport.

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.

In addition, we are currently in the process of developing a system to identify broken rails that can indicate the precise location of the broken rail (currently the system only indicates the section in which the blockage occurred). We are also conducting the following research and development activities, which are in early stages: real-time measuring of fuel in the locomotive's tank, new Ku band satellite antenna communications to be used in the train-land communications, indication of the position of the key directly to the current on board computer; and

development of a system to supervise field equipment with correlated treatment via BI with a collection of data through data linking.

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%	1.8%	8.1%	13.7%	15.0%	14.3%	13.2%	11.3%	9.5%	5.9%	3.1%	2.4%			
Corn			Planting 1 st harvest																	
						Planting 2 nd harv.														
			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%	7.5%	6.5%	4.6%	5.3%	4.9%	5.7%	9.6%	12.7%	11.9%	11.5%	11.9%			
Sugar			Planting																	
			Treatment																	
									Harvest											
						30% of sales			15% of sales			30% of sales			25% of sales					
Exports*						5.7%	5.1%	5.2%	4.1%	7.0%	9.0%	11.1%	12.5%	11.5%	11.8%	9.4%	7.5%			

*Export information is the five-year average according to the Brazilian balance of trade.

Source: SLC Agrícola, Raízen, São Martinho, SECEX, Embrapa, Bank of America 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).

Property, Plant & Equipment

For additional information related to property, plant and equipment see note 10 to the consolidated interim unaudited financial statements for the Rumo Group as of and for the nine months ended September 30, 2017 included herein and note 11 to the consolidated audited financial statements as of and for the fiscal year ended December 31, 2016 included herein.

Capital Expenditures

For an overview of our capital expenditures, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures.”

Intellectual Property

Trademarks

Registration of a brand with the National Institute of Intellectual Property (*Instituto Nacional de Propriedade Intelectual*), or INPI, grants the brand owner the exclusive right to use of the brand throughout Brazil for an initial 10-year period, which may be extended by successive 10-year periods. During the registration process, the petitioner only has an expectation of rights with respect to the use of the relevant brands for identification of its products or services.

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. We are not dependent on trademarks or patents for conducting our activities.

Domain names

We and our subsidiaries are the holders of several domain names in Brazil, including: “rumolog.com.br,” “rumolog.com,” “rumoall.com.br,” “rumologista.com,” “all-logistica.com,” “rumologista.com.br” and “rumoall.com.”

The information contained on our website, any website mentioned in this offering memorandum, or any website directly or indirectly linked to these websites, is not part of and is not incorporated by reference in, this offering memorandum, and investors should not rely on such information.

Employees and Union Relations

Employees

As of September 30, 2017, we had 9,254 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,		
	2017	2016	2015	2014
Administration.....	720	799	865	193
Operational.....	7,656	7,652	8,447	—
Port.....	878	944	876	803
Total.....	9,254	9,375	10,188	996
Geographic Location				
Terminal Santos.....	878	892	902	922
Terminal Jaú.....	25	25	25	23
Terminal Itaparina.....	55	54	55	51
Terminal Sumaré.....	61	72	92	—
Southern Operations.....	3,854	3,988	4,620	—
Northern Operations.....	3,117	3,068	3,374	—
Holdings.....	284	270	303	—
Corporate.....	980	1,006	817	—
Total.....	9,254	9,375	10,188	996

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,		
	2017	2016	2015 ⁽¹⁾	2014 ⁽¹⁾
Terminal Santos.....	487	183	—	—
Terminal Jaú.....	2	25	—	—
Terminal Itaparina.....	11	11	—	—
Terminal Sumaré.....	9	12	—	—

Geographic Location	As of September 30,	As of December 31,		
	2017	2016	2015 ⁽¹⁾	2014 ⁽¹⁾
Terminal Alto Araguaia	106	—	—	—
Terminal Alto Araguaia/Rondon	9	—	—	—
Terminal Itu	3	—	—	—
Terminal Rondonópolis.....	321	—	—	—
Southern Operations.....	2,216	2,071	—	—
Northern Operations.....	2,219	1,713	—	—
Total	5,383	4,015	—	—

(1) Our management began to track the number of contractors by geographic location in 2016.

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 (initially associated with Rumo Logística, which has now been incorporated into the Company) and is currently administered by Futura II – Entidade de Previdência Privada and sponsored by companies of the Cosan group, excluding Raizen. 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 in a long term provision. 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\$3,956.80 as of January 2017). 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 any amount expressed 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:

Union	Area	Base Date	Category
SINTRAPORT	Santos	February and March	Ports
SINDAPORT	Santos and Jaú	February	Ports
SINDOGESP	Santos	February	Ports
Sindicato de Conferentes de Cargas	Santos	March	Load Checkers
SINTRACAMP	Sumaré	February	Load Movers
SINTRAMEG	Itirapina	February	Load Movers
Sindicato dos Trabalhadores e Empresas Ferroviárias de Bauru e MS.....	Bauru to Corumbá	January	Rail
Sindicato dos Trabalhadores e Empresas Ferroviárias do PR e SC	Paraná and Santa Catarina	May	Rail
Sindicato dos Trabalhadores e Empresas Ferroviárias do RS	Rio Grande do Sul	May	Rail
Sind. Dos Trabalhadores e Empresas Ferroviárias da Zona Sorocabana.....	São Vicenteto Itu, Maringá to Bauru and Ourinhos	May	Rail
Sindicato dos Trabalhadores e Empresas Ferroviárias da Zona Araraquarense	Matão to Rondonópolis	January	Rail
Sindicato dos Trabalhadores e Empresas Ferroviárias da Zona Mogiana	Paulínia (Replan)	January	Rail
Sindicato dos Trabalhadores e Empresas Ferroviárias Paulistas.....	Campinas to Araraquara	January	Rail

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, 2017, we were party to proceedings with a probable risk of loss involving an aggregate amount of R\$511.7 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\$6,631.2 million.

Civil, regulatory and environmental claims

On September 30, 2017, 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\$160.8 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\$2,340.4 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. ALL and Malha Paulista presented a defense in connection to this case, arguing the maintenance of the current concession agreement. The court denied the injunction requested by the Federal Prosecutor's Office. 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 alleges 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 in 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\$2,747.6 million as of September 30, 2017. 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 this proceeding could result in losses of approximately R\$1.3 million as of September 30, 2017 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 has filed a class action against Malha Norte and IBAMA in order to investigate an alleged violation of the Malha Norte's operating permit near the Emus National Park (*Parque Nacional das Emas*), in Aparecida do Taboado. An adverse outcome in this proceeding may result in losses of approximately R\$2.8 million as of September 30, 2017, and an obligation to institute a degraded area recovery program at an estimated cost of R\$10 million. We estimate the risk of loss in these proceedings as possible.

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 these processes could result in losses of approximately R\$328.9 million and daily fines, as of September 30, 2017.

Criminal Environmental Proceedings

The Brazilian federal constitution and Federal Law No. 9,605/98 provide that legal persons may be subject to administrative and criminal sanctions as well as reparation of environmental damages. Pursuant to Article 21 of Federal Law No. 9,605/98, legal persons may be subject to the following sanctions: fines, restrictions of rights and community service.

As of September 30, 2017, the Company and certain of its subsidiaries were party to four environmental proceedings relating to alleged environmental crimes. So far, none of these proceedings have resulted in a conviction. These proceedings relate to noise pollution, failure to comply with certain cleaning and vegetation suppression obligations, and diesel spilling. The chance of loss in each case is estimated to be possible. These environmental proceedings may subject us to fines in an aggregate amount of up to approximately R\$14 million and other penalties, such as, partial or full suspension of activities; temporary shutdown of establishment, works or activity; prohibition to enter into contracts with the public authorities, as well as to obtain subsidies, subventions or donations therefrom; and provision of community service.

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, 2017, we and our subsidiaries were parties to several labor proceedings amounting to R\$280.8 million for contingencies with a probable risk of loss, for which we have recorded provisions in the same amount, and R\$793.1 million for contingencies with a possible risk of loss.

The following is a description of the most relevant labor proceedings to which we and our subsidiaries are a party:

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. 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, which was later dismissed with the acquittal for Malha Paulista. 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\$177.9 million, and adversely affect our reputation. We estimate, as of September 30, 2017, the risk of loss in this proceeding in the amount of R\$26.7 million as possible and the amount of R\$151.2 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, 2017, an adverse outcome in these proceedings could result in aggregated losses of approximately R\$89.6 million, for which we estimated risk of loss as probable and have recorded a provision in the amount of R\$63.6 million, as possible with regards to an amount of R\$22.4 million and as remote with regards to an amount of R\$3.6 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, 2017, an adverse outcome in these proceedings could result in aggregate losses of R\$38.8 million, for which we estimate the risk of loss as probable and have recorded provisions in the amount of R\$7.6 million, and as possible with regards to an amount of R\$31.2 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 hour 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. At first instance, the company was prohibited from outsourcing certain road transport activities and required to comply with certain working day and working intervals regulations. This proceeding is currently being appealed by us. An injunction was granted in favor of the company, suspending the prohibition of outsourcing the road transport of freight given by the regional labor court, as well as to suspend the company's obligation to comply with the legal working hours and intervals for drivers, granted by the

superior labor court. We estimate the risk of loss in this proceeding as remote in the amount of R\$113.9 million as of September 30, 2017.

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.

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\$242.9 million as of September 30, 2017.

Tax

As of September 30, 2017, we and our subsidiaries were parties to administrative and judicial tax proceedings with a probable or possible risk of loss involving a total amount of R\$3,567.8 million. Of those, R\$70.1 million have a probable risk of loss, for which we have recorded provisions in the same amount.

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\$326.3 million as of September 30, 2017.

Arbitration

We are a party to two relevant arbitration proceedings, in which the total aggregate amount involved is R\$955 million (subject to discovery proceedings within the arbitrations) as of September 30, 2017. Our counsel evaluated the risk of loss as possible in one case, in which we are at risk of being required to make payments in the total aggregate amount of R\$426 million as of September 30, 2017. In the other arbitration, the risk of loss is possible. Nevertheless, we consider the risk of payment as remote.

The first case is an arbitration which relates to the termination of a service contracted by a third-party with Malha Paulista in which a claim for indemnification in an amount of approximately R\$426 million (as of September 30, 2017) was made by the plaintiff (a sugar trading company). The parties are awaiting agreement on the terms governing the tribunal's proceedings.

The second 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\$529 million as of September 30, 2017, 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."

Administrative Proceedings

In September 2017, the Company was notified of the existence of preliminary investigations initiated by ANTT's Infrastructure and Rail Freight Transport Services Department (*Superintendência de Infraestrutura e Serviços de Transporte Ferroviário de Cargas*), in order to verify alleged non-compliance with obligations set forth in the concession agreements of Malha Sul and Malha Oeste. Such investigations are in an initial stage and the Company believes that the allegation of breach of contract will be considered inadmissible.

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

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. The report of the investigation was submitted to the Federal Prosecutor's Office (without being made available to the Company, in accordance with the terms of the engagement). 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. See "Risk Factors—Risks Related to Our Business and Industries in which We Operate—We cannot predict the outcome of an investigation into the conduct of former employees of ALL prior to its acquisition by us."

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 2017, we issued our Sustainability Report relating to the year 2016, prepared in accordance with the Global Reporting Initiative version G4. The preparation of this report took into account material and guiding themes of the Company while gathering the most relevant information with regards to our economic, environmental and social performance.

We do not currently have social responsibility, sponsorship or cultural patronage policies.

The information included in our Sustainability Report and Social Balance, which are available on our website, is independently audited.

MANAGEMENT

Pursuant to our bylaws (*estatuto social*), which were last amended at the shareholders' meeting held on April 26, 2017, 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 eleven 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 26, 2017	Chairman
Marcos Marinho Lutz	April 26, 2017	Vice Chairman
Julio Fontana Neto	April 26, 2017	Director
Marcelo de Souza Scarcela Portela.....	April 26, 2017	Director
Abel Gregorei Halpern	April 26, 2017	Director
Burkhard Otto Cordes.....	April 26, 2017	Director
Gustavo Diniz Junqueira*.....	April 26, 2017	Director
Marcelo Eduardo Martins.....	April 26, 2017	Director
Mailson Ferreira da Nóbrega*	April 26, 2017	Director
Riccardo Arduini*	April 26, 2017	Director
Sameh Fahmy*	August 31, 2017	Director

(*) Denotes that the relevant director is independent.

The terms of the current members of our board of directors expire at the ordinary general meeting to be held in 2019.

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. Brigadeiro Faria Lima, 4100, 15th floor, Zip Code 04538-132, 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, in both administrative and finance divisions. 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 and member of the board of directors of Cosan Operadora Portuária since 1998, chairman of the board of directors of FBA - Franco Brasileira de Cana de Açúcar e Alcool 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 the vice president 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 Ita Energética. Prior to 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 and also a member of our board of directors. He was formerly the chief executive officer of MRS Logística S.A. and has experience in logistics, railroad operations and infrastructure, with more than 25 years of experience in leadership roles and as the main executive of national and foreign middle- and large-size companies. He obtained bachelor's degrees in mechanical engineering in 1978 and business administration in 1981 from *Universidade Mackenzie* 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 in Montréal, QC, Canada (1990).

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 activities. 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.

Gustavo Diniz Junqueira. Mr. Junqueira was born on May 19, 1972. Mr. Diniz Junqueira holds a bachelor's degree in business administration, a master's degree in finances from the Thunderbird School of Management in the United States, and a solid career in the financial division. In the 1990s, he worked as a trading trader on the *Bolsa de Mercadorias & Futuros* (BM&F) in the area of agricultural commodities.

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 - *Fundação Getúlio Vargas*, majoring in finance. In July 2007, Mr. Martins entered the Cosan Group, being 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, headed

the department 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; Chief Coordinator of Economic Affairs of the Ministry of Industry and Commerce, and Secretary General of the Ministry of Finance. He was an executive officer of the *Banco Europeu Brasileiro - 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 directors of São Carlos Empreendimentos e Participações S.A. (since 1999). In addition, he is a vice-president of CINPAL – Cia. Industrial de Peças para 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 FGV - *Fundação Getúlio Vargas*. Mr. Arduini is the father of Giancarlo Arduini, an alternate member of our board of directors.

Sameh Fahmy. Mr. Fahmy has a master's degree in business administration from McGill University. He was previously a senior vice-president for engineering, mechanics and supply management and the Canadian National Railway Company (from June 2006 to March 31, 2013). He started at the Canadian National Railway Company as a technical systems and support manager in 1981 before becoming director for computing and telecommunications infrastructure, operations director, assistant vice-president for supply management, vice-president for supply management, and vice-president for engineering, mechanics and supply management. He has also worked for Amtrak and the Association of American Railroads. From 1985 to 1994 he had experience working for Travelers Insurance Company and La Confédération des Caisses Populaires et d'économie Desjardins.

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
Ricardo Lewin	August 31, 2017	Chief Financial and Investor Relations Officer
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	Vice President and Executive Officer for Human Resources

The terms of our current 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. Brigadeiro Faria Lima, 4100, 15th floor, Zip Code 04538-132, São Paulo, SP, Brazil.

Julio Fontana Neto. See “—Board of Directors.”

Ricardo Lewin. Mr. Lewin was born on August 30, 1974. He joined our Company in 2017. Previously, Mr. Lewin was head of mergers and acquisitions at Cosan S.A. Indústria e Comércio for nine years, prior to which he worked at Votorantim Cimentos, Banco BBV and Banco Itaú. Mr. Lewin has a bachelor's degree in engineering from the *Escola Politécnica* of the University of São Paulo and a master's degree in business administration from the University of California, Berkeley.

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 *Pontifícia Universidade Católica do Rio Grande do Sul - PUC-RS* as well as a post-graduate degree in marketing from the *Universidade Federal do Rio Grande do Sul (UFRGS)*. 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 15 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 production officer for operations at Malha Oeste and Malha Sul. Mr. de David has a bachelor's degree in electrical engineering from the *Universidade Federal do Rio Grande do Sul*, an MBA in logistics, operations and services from COPPEAD (the business school of the *Universidade Federal do 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 16 years in human resources. Mr. Pellegrina Filho has a bachelor's degree in agricultural engineering from the *Universidade Estadual de Campinas - UNICAMP*, 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 four members, all of whom were elected in April 2017. Each of their terms expire at the ordinary general meeting scheduled to be held on April 2018.

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. Our fiscal council has internal regulations which were approved at a meeting of the board of directors of Rumo Logística on May 22, 2015 (Rumo Logística was later incorporated by us on December 31, 2016).

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 is 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.....	April 26, 2017	President
Marcelo Curti.....	April 26, 2017	Member
Joel Benedito Junior	April 26, 2017	Member
Thiago Costa Jacinto	April 26, 2017	Member

The terms of the current members of our fiscal council expire at the ordinary general meeting to be held in 2018.

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 of International Accounting Norms (*Manual de Normas Internacionais de Contabilidade*), written along with FIDECAP 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 Ernst & Young 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.

Marcelo Curti. Mr. Curti was born on January 9, 1962. Mr. Curti has a bachelor's degree in economics from *Fundação Armando Álvares Penteado - São Paulo* (FAAP), obtained in 1985, a post-graduate degree in Business Administration from *Fundação Escola de Comércio Álvares Penteado* (FECAP), obtained in 1986, and was previously a Managing Partner of Rio Branco Consultores Associados Ltda. and of MAIOL Assessoria em Gestão Empresarial Ltda. He worked in the Safra Group from 1981 to 2008, when he was a statutory officer. He has also been a member of the fiscal council of Duke Energy S.A. and of Hypermarcas S.A.

Joel Benedito Junior. Mr. Benedito Junior was born on April 19, 1954. Mr. Benedito Junior holds a degree in accounting from the University of São Paulo (FEA-USP). He has been working in the petrochemical industry as a manager since 1986, mainly in the areas of accounting and tax. Prior to that, he worked as an accounting and tax manager at Socôco S/A Indústrias Alimentícias and Cia Ultragaz S/A. He participated in the administrative and corporate merger of CPC - Cia Petroquímica Camaçari and Salgema Indústrias Químicas S/A and of the corporate reorganization of companies in the petrochemical sector of the Odebrecht Group. He participated in the formation of Braskem S/A from its initial structuring in 2002, through subsequent operations involving the acquisitions and merger of Copesul and Ipiranga in 2008 and of the Quattor companies in 2010. Since 2012 he has been an officer of Nitroclor Produtos Petroquímicos Ltda. and was an effective member of the fiscal councils of Petroquímica Paulínia S.A., Braskem Petroquímica S.A. and Cetrel S.A. - Empresa de Proteção Ambiental and an alternate member of the fiscal councils of Copene - Petroquímica do Nordeste S.A. and of Petroflex Indústria e Comércio S.A. Currently, besides his executive activities, Mr. Benedito Junior has acted as a member of the fiscal council of Odeprev and Previnor.

Thiago Costa Jacinto. Mr. Costa Jacinto was born on September 8, 1985. Mr. Costa Jacinto is an entrepreneur, with a bachelor's degree in economics from *Fundação Armando Álvares Penteado - São Paulo* (FAAP) and has over three years of experience as a business administrator and variable income fund manager.

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 in April 2017. Each of their terms expire at the ordinary general meeting scheduled to be held in April 2018. 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	May 4, 2017	Member
Felício Mascarenhas de Andrade.....	May 4, 2017	Member
João Ricardo Ducatti.....	May 4, 2017	Member

The terms of the current members of our audit committee expire one year after their election date.

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. Mascarenhas 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 Andersen, Accenture, EY and KPMG. Throughout his career he has advised tens of large Brazilian companies on improving their financial management, governance mechanisms, financial risk management, preparation for IPOs, among other themes related to the growth and protection of shareholder value. Mr. Mascarenhas de Andrade is a member of the IBGC in São Paulo and teaches Risk Management and Corporate Governance classes 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 a Financial Resources Manager and a Treasurer for Latin America, then as Business Manager of Usina Barbacena, located in Ribeirão Preto, in 1982 and 1983. He was also an Administrative and Financial Officer of Grupo Bom Jesus, which produces sugar and ethanol and is located in Piracicaba, from 1983 to 1991, and an Administrative and Financial Officer of Cosan Group, which produces sugar and ethanol and is also located in Piracicaba, from 1991 to 1995. He was also a Managing Officer of SUCRESP, a professional association representing 17 mills producing sugar and alcohol, from 1995 to 1999. From 1999 to date, he has focused on providing economic and financial advisory services, asset valuation, management of corporate structuring, sales development of equity and other associated activities, through his company, RDR Consultores Associados Ltda.

Related Parties Committee

Our related parties committee was established on May 22, 2015. It comprises at least three or, preferably, five members (a majority of whom must be independent), who were elected on May 4, 2017 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 ordinary general meeting scheduled to be held in April 2019. 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 Party 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.....	May 4, 2017	Member
Gustavo Diniz Junqueira	May 4, 2017	Member
Mailson Ferreira da Nóbrega.....	May 4, 2017	Member

The terms of the current members of our related parties committee expire at the ordinary general meeting to be held on 2019.

We present below a brief biographical description of each member of our related parties committee.

Marcos Marinho Lutz. See “—Board of Directors.”

Gustavo Diniz Junqueira. See “—Board of Directors.”

Mailson Ferreira da Nóbrega. See “—Board of Directors.”

Remuneration Committee

Our remuneration committee was established on November 30, 2016. It comprises four members (but can comprise up to five, and must have a minimum of three members), who were elected on May 4, 2017 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 ordinary general meeting scheduled to be held in April 2019. 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.....	May 4, 2017	Member
Mailson Ferreira da Nóbrega.....	May 4, 2017	Member
Abel Gregorei Halpern	May 4, 2017	Member
Marcelo Eduardo Martins.....	May 4, 2017	Member

The terms of the current members of our remuneration committee expire at the ordinary general meeting to be held on 2019.

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.”

Disclosure and Trading Committee

Our disclosure and trading committee was established on May 4, 2017. It comprises two members (but can comprise up to five), who were elected on May 4, 2017. These members must necessarily include our investor relations officer (who is to chair the committee) and our chief executive officer, each of whom may appoint additional members for a term of two years (with re-appointments being permitted). Our disclosure and trading committee is governed by internal regulations which were approved by our board of directors on May 4, 2017 and shall meet whenever a meeting is called by one of its members.

The role of our disclosure and trading committee is to, among other matters, advise our officer for investor relations with regards to disclosure of information regarding the Company to the market, assist our officer investor relations with regards to matters attributed to him pursuant to related rules and policies, assist our officer for investor relations in determining whether certain specific events are sufficiently material to warrant disclosure to the market, and advise our investor relations officer regarding certain securities trading matters.

The following table sets forth certain information related to the current members of our disclosure and trading committee:

Name	Position Date of Election	Position
Julio Fontana Neto.....	May 4, 2017	Member
Ricardo Lewin.....	August 31, 2017	Member

The terms of the current members of our disclosure and trading committee expire at the ordinary general meeting to be held in 2018.

We present below a brief biographical description of each member of our disclosure and trading committee.

Julio Fontana Neto. See “—Board of Directors.”

Ricardo Lewin. See “—Executive Officers.”

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

Board of Directors

Members of our board of directors receive solely fixed compensation. This compensation consists of the payment of fees to each member of our board of directors in equal amounts, with the exception that the compensation of the chairman of our board 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. 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. Not all of our directors elect to receive compensation for undertaking their functions. The 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.

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 purpose of this is to align the interests of our executive officers with those of our shareholders, in order to incentivize our directors to fulfill the Company's objectives. Our variable remuneration is based on certain key performance indicators determined through financial metrics and projects to be undertaken within each fiscal year. Each goal includes an individual performance indicator pursuant to which the executive officer's individual and specific contribution to the Company will be assessed. Indicators may be direct (i.e., linked to one particular aspect of our results, our costs and expenses) or indirect (i.e., linked to an operational and productivity measure of the Company). The amount of variable compensation received by our executive officers is equal to a multiple of the recipient's monthly salary. The Company determines a target value which each executive officer may receive, which may be exceeded if the individual and the Company's performances are above the predetermined targets. Our executive officers only receive variable remuneration as profit-sharing. Our executive officers receive certain benefits such as medical coverage, dental coverage, checkups, life insurance, assistance in vehicle purchases and, since 2011, a retirement plan. Certain of our executive officers receive compensation directly from our subsidiaries.

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 and 2014 and expected to be paid by Rumo in the fiscal year ending December 31, 2017 is as follows:

	Board of Directors	Statutory Board of Executive Officers	Fiscal Council	Total
	(in R\$)			
2014	4,378,560.00	8,750,436.00	396,360.00	13,525,356.00
2015	1,381,000.00	3,606,135.81	—	4,987,135.81
2016	3,078,000.00	13,937,679.30	391,149.44	17,406,828.74
2017(1)	2,815,000.00	14,800,000.00	700,000.00	18,315,000.00

(1) Expected.

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

Until December 31, 2016, Rumo's stock option plan in force was the Stock Option Plan as a Long-Term Incentive for executives. On December 19, 2016, our general shareholders' meeting approved a new model of equity remuneration based on a stock-based compensation plan, which is commonly used by foreign subsidiaries. This new model came into force on January 2, 2017.

The Stock-Based Compensation Plan provides for the distribution of shares in our Company to our executives and managers and those of our subsidiaries.

Our board of directors is responsible for administering the plan and may do so either directly or through committee. From time to time, the board of directors or the committee, if established, will create restricted stock unit programs pursuant to which it will determine the beneficiaries of the program, the number of shares distributed, the division of the grants in batches, restrictions on the grants and provisions regarding penalties.

The beneficiaries of each program are determined by the board of directors or by the Committee. It is not required that all employees and executives of the Company be participants, nor is there a requirement to distribute a same amount of shares to the beneficiaries which are at the same professional level.

The shares delivered to the participants will have the rights established by the stock-based compensation plan and in the respective programs and individual contracts entered into with the recipients (it being understood that no shareholder rights shall accrue to the beneficiaries before they receive shares, in particular, to the receipt of dividends and interest on shareholders' equity related to the shares, up to the effective date of transfer of the shares to the participants).

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 nine months ended September 30, 2017 and the year ended December 31, 2016, we contributed R\$221.0 thousand and R\$295.0 thousand, respectively, 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 installments; 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's board of directors, board of executive officers and fiscal council in Rumo and Cosan Logística's share capital for the nine months ended September 30, 2017:

	Rumo S.A.	Cosan Logística
Board of Directors	1,565,708	472,598
Board of Executive Officers	76,500	—
Fiscal Council	23	—
Total	1,642,231	472,598

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. 23.10.0010399.28 was entered into with Corretora de Seguros Euroamerica, Financial Insurance with Chubb Brasil Seguros S.A. as insurer. The policy expires on April 30, 2018. 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, and extension of the coverage for unlawful labor practices, 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; and fines (only defense costs and appeal 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 R\$100 million (sub limited to R\$70 million for environmental damages), which guarantees payment of financial losses relating to, among others, claims made against the insured party as a result of damaging acts for which the insured party may be held liable.

Legal Proceedings

Criminal Proceedings

Under Brazilian law, criminal proceedings in connection with crimes against intellectual property, tax and the economic order may only be filed against individuals, as legal entities may not be held responsible for crimes other than environmental crimes. Certain members of our management are parties to criminal proceedings, as described below. In addition, any police investigation that may involve the Company, its subsidiaries or members of its management are not described in this offering memorandum in light of the preliminary nature of any such investigations.

Economic Order and the Formation of a Cartel

Mr. Mello, while an executive officer of Cosan Centro-Oeste Açúcar e Alcool Ltda., was named a defendant, together with other ten individuals, in a complaint filed on July 20, 2011 alleging the commission of crimes against the economic order, as set forth in Article 4, item II “A” of Law No. 8,137/90, relating to alleged 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’s defense 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, free enterprise). The proceeding is currently in the instruction phase. A *habeas corpus* motion was filed on behalf of Mr. Mello. This motion was denied by the Court of Appeals of the State of Goiás and Mr. Mello filed an appeal against this decision. The appeal is awaiting processing. 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 pursuant to Art. 147, paragraph 1 of Law No. 6,404/76. In the opinion of counsel responsible for Mr. Mello’s defense, the likelihood of a decision favorable to Mr. Mello is probable.

Pollution

Mr. Mello, while serving as the chief executive officer of the Cosan S.A. Indústria e Comércio group was named, on September 24, 2007, as a defendant together with Usina da Barra S.A. – Açúcar e Alcool (predecessor of Raízen Energia S.A., a company under common control with us) and Mr. Emilio Francisco Veguin, the administrative coordinator of Usina da Barra S.A. – Açúcar e Alcool, for the alleged commission of the crimes provided for in Article 330, *caput*, of the Criminal Code (disobedience), and in Article 54 of Law No. 9,605/98 (pollution), in connection with the burning of sugarcane in contravention of a judicial decision in a public civil class action.

In a *habeas corpus* 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. In the event the criminal proceeding is permitted to advance, Mr. Mello may be subject to criminal penalties. 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.

The criminal proceedings relating to pollution developed from charges brought against two natural persons and a legal entity, Usina da Barra S.A. – Açúcar e Alcool (currently known as Raízen Energia S.A., one of our affiliates). In the event of an adverse result in the criminal proceeding against this company, it may face the total or partial suspension of its activities, a temporary prohibition of carrying out its operations in its facilities or sites, prohibition of entering into agreements with public entities, as well as from receiving subsidies or donations and obligations to carry out services to the community and fines between R\$126.66 and R\$2,052,000.

Tax Claims

Mr. Mello and Mr. Lutz, in their capacities as executive officers of Raízen Energia S.A. and Cosan S.A. Açúcar e Alcool, currently known as Cosan S/A Indústria e Comércio (entities under common control with us), were named, together with another five executive officers, defendants in a criminal complaint filed to determine whether tax evasion (Article 1, of Law No. 8,137/91) was committed in connection with the alleged failure to adequately pay state value added taxes (ICMS).

The determination as to whether outstanding taxes are in fact due is at issue in a separate tax collection proceeding that is independent of the criminal proceeding. 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 (although different judges may have different interpretations). In view of the foregoing, the defense filed a *habeas corpus* motion for lack of cause. The motion was not granted by the Fifth Class of the Superior Justice Court (*Quinta Turma do Superior Tribunal de Justiça*) and this decision was appealed. The appeal is being processed by the Federal Supreme Court. The criminal proceeding is currently suspended.

In case the criminal proceedings is permitted to advance, Messrs. Mello and Lutz as well as the other five defendants may be subject to criminal penalties.

In the opinion of counsel responsible for the defense, it is not possible to definitively determine whether the proceedings will be suspended or terminated. Nevertheless, the presentation of certain defenses, such as a lack of intent or the failure to prove damages, may result in the suspension or termination of these inquiries and/or any resulting proceedings. In any event, the payment of the amount in controversy would terminate any criminal liability.

Mr. Martins, together with other individuals are named defendants in their capacities as executive officers and accountants of Votorantim Cimentos N/NE S/A, in certain criminal complaints filed by the prosecutors of the states of Bahia and Ceará in connection with the alleged commission of crimes against the tax order related to the alleged failure to adequately pay state value added taxes (ICMS) by Votorantim Cimentos. Mr. Martins and the other defendants were summoned and presented their defenses, which are awaiting review and analysis. Bank letters of credit under the relevant separate tax collection enforcement proceedings have been deposited.

Fundo de Amparo ao Trabalhador

Mr. Fontana Neto 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 inappropriately used. In the event of a conviction, Mr. Fontana Neto may be barred from holding positions in the management of public companies and, depending on the developments in the case, an adverse sentence may have an adverse effect on our reputation.

PRINCIPAL SHAREHOLDERS

Issuer

Rumo Luxembourg S.à r.l is a wholly-owned subsidiary of Rumo.

Rumo

As of September 30, 2017 and after giving effect to the capital increase undertaken in October 2017 (see “Summary—Recent Development—Capital Increase”), Rumo S.A.’s issued and outstanding share capital was R\$9,654.9 million, fully issued and paid-in comprising 1,559,015,898 common shares, nominative and without nominal value. Other than as described above and in “Summary—Recent Development—Capital Increase,” there has been no change in Rumo S.A.’s share capital since September 30, 2017. In this section, unless otherwise stated, references to “we,” “us,” “our” or “the company” refer to Rumo 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.

Other than the entities and individuals mentioned below, no other single shareholder holds more than 5.0% of Rumo’s issued and outstanding total share capital.

The following table sets forth our principal holders of issued and outstanding share capital (i.e., holders of more than 5% of our common shares) and their respective shareholdings as of the date hereof:

Shareholders	Total Number of Common Shares	%
Cosan Logística S.A.(1).....	443,843,194	28.47%
Julia Dora Antonia Koranyi Arduini(1).....	61,334,354	3.93%
Cartica Management, LLC	78,019,900	5.00%
Others	975,818,450	62.60%
Total	1,559,015,898	100.00%

(1) Party to the Arduini Shareholders’ Agreement.

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, and therefore is subject to the Arduini Shareholders’ Agreement, executed between Cosan Logística and Ms. Julia Dora Antonia Koranyi Arduini, dated November 28, 2016, and which is applicable to Rumo S.A.

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 Dora Antonia Koranyi Arduini’s interest in our company decrease 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 as contemplated by our by-laws. Our related parties committee was created on May 22, 2015 and is governed by internal rules. The related parties committee is composed of five 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.

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) submitting 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.

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.

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 8 to the Rumo group consolidated interim unaudited financial statements for the nine months ended September 30, 2017 and note 9 to the Rumo group consolidated audited financial statements for the fiscal year ended December 31, 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, unless the context otherwise indicates. 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, U.S. Bank National Association, 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 the Guarantor, which guarantee will rank equally in right of payment with all other existing and future unsecured and unsubordinated obligations of the Guarantor;
- are issued in an original aggregate principal amount of U.S.\$500,000,000 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 5.875% per annum, payable semi-annually on January 18 and July 18 of each year, commencing on July 18, 2018 to holders of record on the January 16 or July 16 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 January 18, 2025;
- 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 Guarantor in respect of the Note Guarantee 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 Guarantor is 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 Guarantor is required by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantor 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 Guarantor in respect of claims made against the Issuer or the Guarantor; 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 Guarantor 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 Guarantor 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 January 18, 2022, 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 January 18, 2022 (such redemption price being described in the “—Optional Redemption without a Make-Whole Premium” section exclusive of any accrued and unpaid 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 January 18, 2022 (but excluding accrued and unpaid interest to, but excluding, 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 January 18, 2022 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 January 18, 2022.

“Comparable Treasury Price” means, with respect to any redemption date, the average of four, 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 Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, their respective successors and assigns, and any two 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 January 18, 2022, 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 January 18 of the years set forth below:

Period	Redemption Price
2022	102.938%
2023	101.469%
2024 and thereafter	100.000%

Optional Redemption upon Sale of Equity Interests

At any time prior to January 18, 2021, 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 105.875% of the principal amount, plus accrued and unpaid interest to, but excluding, 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 delivered by the Company or the Issuer (as applicable) by electronic delivery or 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.

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) but no longer than 60 days from the date the notice of redemption is delivered, 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) the 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 the Guarantor or any 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 20% (or 17%, provided certain requirements set forth in the Brazilian tax regulations are met) 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, the Guarantor or any 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 accrued and unpaid interest 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, the Guarantor or any successor shall not have the right to so redeem the notes unless: (i) it or the Guarantor, as the case may be, has taken reasonable measures to avoid the obligation to pay Additional Amounts or, in the case of the 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, the Guarantor or any successor moving or changing jurisdiction); and (ii) it or the Guarantor, as the case may be, has complied with all necessary regulations to legally effect such redemption.

In the event that the Issuer, the 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, the 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, that 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 the Guarantor or any successor to the Guarantor, to the effect that it 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.

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 Guarantee”), 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 Guarantee.

None of the Subsidiaries (other than the Issuer) of the Company will guarantee the notes. The notes and the Note Guarantee will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of the Subsidiaries (other than the Issuer) of the Company.

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.

The Note Guarantee will be an unsecured, unsubordinated obligation of the Guarantor, ranking equally with all of its other existing and future unsecured and unsubordinated obligations. The Note Guarantee will effectively rank junior to all secured debt of the Guarantor, 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 Guarantor 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 Guarantee will not have any claim whatsoever against Subsidiaries of the Company (other than the Issuer as issuer of the notes). 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 Company’s 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 on the Issuer

The indenture limits the Issuer from taking the following actions:

- (a) engaging in any business 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 related thereto;
- (2) entering into Affiliate loans and cash management transactions and any activities 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 Adjusted Net Debt to Adjusted 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, is subordinated in right of payment to the notes; *provided* that any Debt owed to the Company 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 pursuant to the Note Guarantee (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 Adjusted Net Debt to Adjusted EBITDA Ratio test set forth in paragraph (a) of this covenant or (ii) would not have a greater Adjusted Net Debt to Adjusted 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 Note Guarantee 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 Adjusted Net Debt to Adjusted 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 Adjusted Net Debt to Adjusted 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 January 1, 2017 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 (6), 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 Guarantor will ensure that its respective obligations under the indenture, the notes and the Note Guarantee will at all times constitute direct and unconditional obligations of the Issuer or the Guarantor, 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 Guarantee, 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 the 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 or the Company’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 (“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 Incurred 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 and unpaid interest to, but excluding, 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 and unpaid 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 any 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 Adjusted Net Debt to Adjusted 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.”

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 and the Company’s obligations under the notes, maintenance of corporate existence, maintenance of properties, compliance with applicable laws, payment of taxes and maintenance of books and records.

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 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) Note Guarantee is 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) the Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the indenture, or the Company denies or disaffirms its obligations under the 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); or

(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.

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 and unpaid 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 Guarantee 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, 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 Guarantee in a manner adverse to the noteholders; or

(9) make any change in the 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 or Transfer of Assets” (and the failure to comply with such obligations shall not constitute an Event of Default) (“covenant defeasance”),

in each case 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, 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 defeasance, the Note Guarantee will terminate.

Concerning the Trustee

U.S. Bank National Association is the trustee under the indenture, with an office at 100 Wall Street, Suite 1600, New York, NY 10005, United States of America.

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

U.S. Bank National Association will act as the paying agent for the notes. The Issuer may appoint other paying agents in addition to the paying agent.

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.

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 Luxemburger 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 470-1 to 470-19 (included) 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 the 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 the 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 the 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 Cogency Global Inc. 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, NY 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.

“Adjusted 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.

“Adjusted 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 for or otherwise linked to the repayment of Debt) recorded as current assets in accordance with IFRS and as set forth in the most recent consolidated balance sheet of the Company.

“Adjusted Net Debt to Adjusted EBITDA Ratio” means, on any date (the “transaction date”), the ratio of:

- (x) the aggregate amount of Adjusted Net Debt at that time to
- (y) Adjusted 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.

“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 this 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 other 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.

“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.

“Guarantor” means each of (i) the Company and (ii) any other party 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 the 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 January 18, 2018.

“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.

“Note Guarantee” means the guarantee of the notes by the Company 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, a manager or the general counsel of the Issuer or any of its Subsidiaries, or a certificate signed by any two managers or authorized signatories of the Issuer, 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 the 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) 5.0% 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 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) 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, (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 Adjusted 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 Adjusted 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 depository; 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 depository 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 depositary (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 purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
 - (B) 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-resident 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), or (ii) in case the notes (and any document in connection therewith) are (a) enclosed to a compulsorily registrable deed (*acte obligatoirement enregistrable*) or are (b) deposited with the official records of a notary (*déposé au rang des minutes d'un notaire*).

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 income tax.

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 notes are deemed to be assets located in Brazil, the gains may be subject to income tax in Brazil at progressive rates, as provided for by Law No. 13,259, applicable as from January 1, 2017, that may vary from 15% to 22.5% depending on the amount of the gain: (i) 15% for the part of the gains up to R\$5 million, (ii) 17.5% for the part of the gain that exceeds R\$5 million but does not exceed R\$ 10 million, (iii) 20% for the part of the gain that exceeds R\$ 10 million but does not exceed R\$ 30 million, and (iv) 22.5% for the part of the gain that exceeds R\$ 30 million.

If the 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% (or 17% as applicable) (“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 the income tax rate that may be applicable to such gains is 25%.

Payments Made by the Guarantor

If the 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, once there is no specific legal provision regarding the imposition of withholding income tax on payments made by Brazilian sources to non-resident beneficiaries under guarantees and no uniform decision from the Brazilian courts.

Should the Brazilian Guarantor 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).. However, there are arguments to support that (a) payments made under the guarantee structure should not be subject to imposition of withholding income tax according to the nature of the guaranteed payment, in which case only interest and fees should be subject to taxation at the rates of 15% or 25%, in cases of beneficiaries located in Low or Nil Tax Jurisdiction, as defined by the Brazilian legislation; or (b) that payments made under guarantee by Brazilian sources to non-resident

beneficiaries should not be subject to the imposition of withholding income tax, to the extent that they should qualify as a credit transaction by the Brazilian party to the borrower. The imposition of withholding income tax under these circumstances has not been settled by the Brazilian courts.

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 23, 2008, Law No. 11,727 enlarged the concept of a Low or Nil Tax Jurisdiction and introduced the concept of “Privileged Tax Regime,” which is considered to be a regime that (i) does not tax income or taxes income at a maximum rate lower than 20%, or 17%, as applicable; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or dependency, or (b) conditioned on the non-exercise of a substantial economic activity in the country or dependency; (iii) does not tax income generated outside the jurisdiction, or that taxes such income at a maximum rate lower than 20%, or 17%, as applicable; or (iv) does not provide access to information related to shareholding composition, ownership of goods and rights or the economic transactions carried out.

In addition, on June 4, 2010, Brazilian tax authorities enacted Normative Instruction No. 1,037 listing (1) the countries and jurisdictions considered as Low or Nil Taxation Jurisdiction or where the local legislation does not allow access to information related to the shareholding composition of legal entities, to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents and (2) the Privileged Tax Regimes.

On December 12, 2014, the Brazilian Revenue Service issued Rule 488 narrowing the concept of Tax Favorable Jurisdictions for certain specific cases. The regulation decreased the threshold referred to in Law No 11,727 from 20% to 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. Nevertheless, as of the date of this offering memorandum, there has been no amendment to Normative Ruling No. 1,037 in order to reflect the threshold change in these cases.

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 haven 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 the 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 the Guarantor to Non-Resident Holders.

According to Section 15-B of the Decree No. 6,306, the settlement of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, is subject to IOF/Exchange at a zero percent rate. However, in the case of the settlement of agreed foreign exchange transactions (including

simultaneous foreign exchange transactions), in connection with the inflow of proceeds to Brazil deriving from foreign loans, including those obtained through the issuance of notes in the international market, with the minimum average term not exceeding 180 days, the IOF/Exchange tax rate is 6% (this rate of 6% will be levied with penalties and interest in the case of financings or international notes with a minimum average term longer than 180 days in which an early redemption occurs in the first 180 days).

In addition, the Brazilian tax authorities could argue that a tax on loan transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários*, or “IOF/Loan”), due on loan transactions could be imposed upon any amount paid in respect of the notes by the guarantor under the guarantee given at a rate of up to 1.88% of the total amount paid.

Despite the above, in any case, the Brazilian federal 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 the U.S. Holders described 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.

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.” 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 January 10, 2018 among the Issuer, Rumo and Banco Bradesco BBI S.A., BB Securities Limited, Citigroup Global Markets Inc., Itau BBA USA Securities, Inc., Merrill Lynch Pierce Fenner & Smith Incorporated 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
Banco Bradesco BBI S.A.	U.S.\$83,333,000
BB Securities Limited	83,333,000
Citigroup Global Markets Inc.	83,333,000
Itau BBA USA Securities, Inc.	83,333,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	83,335,000
Santander Investment Securities Inc.	83,333,000
Total	U.S.\$500,000,000

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States of America. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

BB Securities Limited is not broker-dealer 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 BB Securities Limited intends to effect sales of the notes in the United States, BB Securities Limited 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.

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 30 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 the 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 January 18, 2018.

Affiliates, including directors and officers, of Rumo 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 offering memorandum (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*, or the NI 33-105, the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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, 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 the Guarantor 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.

Prohibition of Sales to EEA Retail Investors

The notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"), or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II Product Governance

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

This offering memorandum has not been approved by and will not be submitted for approval to the CSSF for purposes of public offering or sale in 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 in circumstances which do not constitute an offer of securities to the public, subject to the prospectus requirements, in accordance with 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

The offer of the notes is subject to General Rule No. 336 issued by the *Superintendencia de Valores y Seguros de Chile* (Chilean Securities and Insurance Superintendency, or SVS). The commencement date of this offering is the one contained in the cover page of this offering memorandum. The notes will not be registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS and will not be subject to the supervision of the SVS. As unregistered securities, the Company has no obligation to deliver/disclose public information about the notes in Chile. The notes cannot and will not be publicly offered in Chile unless registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS. If the notes are offered within Chile, they will be offered and sold only pursuant to General Rule 336 of the SVS, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities under Chilean law.

La oferta de los valores se acoge a la Norma de Carácter General N°336 de la Superintendencia de Valores y Seguros, o SVS. La fecha de inicio de la presente oferta es la indicada en la portada de este offering memorandum. Los valores no estarán inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, y tales valores no estarán sujetos a la fiscalización de la SVS. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores o el Registro de Valores Extranjeros que lleva la SVS. Si los valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General N°336 de la SVS, una excepción a la obligación de inscripción, o en circunstancias que no constituyan una oferta pública de valores en Chile de conformidad a la ley chilena.

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 and the guarantee 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 guarantee 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, 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 guarantee 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 guarantee) 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 Guarantor 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 (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 Skadden, Arps, Slate, Meagher and Flom LLP. Certain Brazilian legal matters relating to the notes and the guarantee will be passed upon for us and the Issuer by Lefosse Advogados and for the initial purchasers by Pinheiro Neto Advogados. Certain Luxembourg legal matters relating to the notes and the guarantee 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 have been accepted for clearance through DTC, and its direct and indirect participants, including Clearstream and Euroclear. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	Rule 144A Global Note	Regulation S Global Note
CUSIP	781467 AB1	L79090 AB9
ISIN	US781467AB16	USL79090AB95
Common Code	175374493	175374558

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 the indenture (including forms of notes) and the contracts of the guarantee, 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, 2017 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 offering was authorized by the board of managers of the Issuer on January 17, 2018. The issuance of the guarantee by Rumo was authorized by its board of directors on January 10, 2018.

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

The consolidated financial statements of the Rumo Group as of and for the fiscal year ended December 31, 2016, included elsewhere in this offering memorandum, have been audited by KPMG Auditores Independentes, or KPMG, as stated in their report addressed to Rumo S.A. appearing herein. KPMG is registered of the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the state of São Paulo.

Rumo Logística'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, 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 years ended December 31, 2015.

Rumo Logística's financial statements as of and for the fiscal year ended December 31, 2014, have been audited by PricewaterhouseCoopers Auditores Independentes, or PwC, as stated in their report. PwC is registered with the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the state of São Paulo.

With respect to the Rumo Group's consolidated interim unaudited financial statements as of and for the nine months ended September 30, 2017, 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, addressed to Rumo S.A., 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 Registration and Estates Department (*Administration de l'enregistrement et des domaines*) in Luxembourg may be required if such the notes, the indenture, the guarantees and the transaction documents (and any document in connection therewith) are (i) enclosed to a compulsorily registrable deed (*acte obligatoirement enregistrable*) or are (ii) deposited with the official records of a notary (*déposé au rang des minutes d'un notaire*). A registration duty may also apply upon voluntary registration (*présentation à l'enregistrement*) of the notes, the indenture, the guarantees and the transaction documents (and any document in connection therewith) in Luxembourg.

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 Article 3(1) of Regulation (EU) 2015/848 on insolvency proceedings (recast) (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. Article 3(1) of the EU Regulation states that the centre of main interests "shall be the place where the debtor conducts the administration of its interests on a regular basis and which is therefore ascertainable by third parties."

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 paiements*). 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 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 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 Lefosse 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 apostilled by a competent authority of the State from which the document emanates according to the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents or, if such State is not signatory of the Hague Convention, it must be duly authenticated by a competent Brazilian consulate and be accompanied by a certified sworn translation into Portuguese of such award; and
- is not contrary to Brazilian public policy.

We have been further advised by Lefosse 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 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, 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 Group

**Consolidated interim financial
statements
September 30, 2017**

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Independent auditor's report on review of consolidated interim financial information

To the
Management, Board of Directors and Shareholders of
Rumo S.A.
Curitiba - PR

Introduction

We have reviewed the accompanying consolidated interim financial information of Rumo S.A. ("Company"), for the quarter ended September 30, 2017, which comprise the consolidated balance sheet as of September 30, 2017 and the related consolidated statements of profit and loss and comprehensive income for the three and nine-month periods then ended and changes in shareholders' equity and cash flows for the nine-month period then ended, including the notes.

Company's management is responsible for the preparation of these consolidated interim financial information in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International standards on review of interim financial information ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion on the consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with IAS 34 issued by IASB, applicable to the preparation of the Quarterly Information.

São Paulo, December 01, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6

A handwritten signature in black ink, appearing to read 'Rogério Hernández Garcia', with a long horizontal flourish extending to the right.

Rogério Hernández Garcia
Accountant CRC 1SP213431/O-5

Rumo Group

Consolidated balance sheets

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Note	September 30, 2017	December 31, 2016
Assets			
Cash and cash equivalents	3	187,680	260,527
Marketable securities	4	1,516,471	916,593
Accounts receivable	5	313,756	417,156
Derivative financial instruments	26	1,573	2,883
Inventories	6	258,591	284,579
Related parties	8	45,292	28,814
Current income taxes		20,891	165,956
Other recoverable taxes	7	177,662	84,009
Dividends receivable		245	1,304
Other assets		165,710	138,932
Current		2,687,871	2,300,753
Accounts receivable	5	12,661	14,305
Restricted cash	4	225,695	200,999
Deferred income tax	14	1,130,714	1,160,968
Current income taxes		248,958	121,376
Other recoverable taxes	7	720,414	660,805
Judicial deposits	16	326,362	299,876
Derivative financial instruments	26	38,406	786
Other non-current assets		96,670	106,191
Equity method investments	9	42,481	46,847
Property and equipment	10	10,945,776	10,337,119
Intangible assets	11	7,659,406	7,781,289
Non-current		21,447,543	20,730,561
Total Assets		24,135,414	23,031,314

The accompanying notes are an integral part of these consolidated interim financial statements.

Rumo Group

Consolidated balance sheets

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Note	September 30, 2017	December 31, 2016
Liabilities			
Loans, borrowings and debentures	12	1,412,784	1,467,725
Finance leases	17	286,849	472,632
Real estate credit certificates	19	100,350	105,422
Derivative financial instruments	26	-	4,535
Accounts payable - suppliers	15	488,960	564,942
Salaries payable		157,624	117,150
Current income tax		3,767	35,990
Other taxes payable	13	39,672	32,757
Dividends payable		7,949	6,729
Leases and concessions	18	26,955	27,662
Related parties	8	154,746	106,710
Deferred income		12,775	14,167
Other financial liabilities	26.b	255,314	177,569
Other current liabilities		<u>269,063</u>	<u>259,352</u>
Current		<u>3,216,808</u>	<u>3,393,342</u>
Loans, borrowings and debentures	12	8,714,423	7,055,450
Finance leases	17	727,402	924,911
Real estate credit certificates	19	15,472	90,323
Derivative financial instruments	26	29,748	7,768
Current income tax		13,749	-
Other taxes payable	13	12,991	17,056
Provision for judicial demands	16	511,740	507,022
Leases and concessions	18	2,835,348	2,580,144
Deferred income tax	14	2,396,047	2,397,528
Deferred income		58,546	62,207
Other non-current liabilities		<u>127,425</u>	<u>320,276</u>
Non-current		<u>15,442,891</u>	<u>13,962,685</u>
Total liabilities		<u>18,659,699</u>	<u>17,356,027</u>
Equity	20		
Common stock		7,014,897	7,014,897
Capital reserve		2,497,573	2,493,670
Other equity		8,521	6,489
Profit reserve		253,599	253,599
Accumulated losses		<u>(4,568,309)</u>	<u>(4,363,960)</u>
Equity attributable to:			
Owners of the Company		5,206,281	5,404,695
Non-controlling interests		<u>269,434</u>	<u>270,592</u>
Total equity		<u>5,475,715</u>	<u>5,675,287</u>
Total liabilities and equity		<u>24,135,414</u>	<u>23,031,314</u>

The accompanying notes are an integral part of these consolidated interim financial statements.

Rumo Group

Consolidated statements of income

(In thousands of Brazilian Reais – R\$, except earnings per share)

	Note	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Net revenue from services	23	1,648,910	4,354,227	1,437,783	3,999,922
Cost of services		(1,090,373)	(3,010,559)	(939,010)	(2,717,621)
Gross profit		558,537	1,343,668	498,773	1,282,301
Selling, general and administrative		(63,905)	(211,118)	(88,706)	(258,937)
Other, net	25	(2,040)	(6,445)	3,858	(3,357)
Operating expenses		(65,945)	(217,563)	(84,848)	(262,294)
Result before equity income on investments, financial result, net and income taxes		492,592	1,126,105	413,925	1,020,007
Equity income on investments					
Equity income on investments	9	4,043	7,200	2,628	8,751
		4,043	7,200	2,628	8,751
Financial expenses		(492,639)	(1,440,590)	(501,171)	(1,444,728)
Financial income		63,393	185,598	76,930	205,514
Foreign exchange, net		110,390	(18,074)	(2,914)	79,112
Derivatives		(69,350)	436	3,172	(101,142)
Financial result, net	24	(388,206)	(1,272,630)	(423,983)	(1,261,244)
Result before income taxes		108,429	(139,325)	(7,430)	(232,486)
Tax and social contribution	14				
Current		(16,590)	(32,926)	(8,348)	(34,867)
Deferred		(14,165)	(28,833)	(43,053)	(9,192)
		(30,755)	(61,759)	(51,401)	(44,059)
Result for the period		77,674	(201,084)	(58,831)	(276,545)
Result attributable to:					
Owners of the Company		76,208	(204,409)	(61,532)	(282,574)
Non-controlling interest		1,466	3,325	2,701	6,029
Earnings per share:	21				
Basic		R\$0.05691	(R\$0.15266)	(R\$0.04595)	(R\$0.29154)
Diluted		R\$0.05660	(R\$0.15266)	(R\$0.04595)	(R\$0.29154)

The accompanying notes are an integral part of these consolidated interim financial statements.

Rumo Group

Consolidated statements of comprehensive income

(In thousands of Brazilian Reais – R\$, except earnings per share)

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Result for the period	77,674	(201,084)	(58,831)	(276,545)
Items that can be subsequently reclassified to result				
Currency translation adjustment	1,371	2,092	2,860	6,667
Cash flow hedge accounting result	-	-	1,261	(1,598)
Deferred tax	-	-	(429)	543
Other comprehensive income net of tax and social contribution	1,371	2,092	3,692	5,612
Total comprehensive result	79,045	(198,992)	(55,139)	(270,933)
Comprehensive result attributable to:				
Owners of the Company	77,579	(202,317)	(57,646)	(278,312)
Non-controlling interest	1,466	3,325	2,507	7,379

The accompanying notes are an integral part of these consolidated interim financial statements.

Rumo Group

Consolidated statements of changes in equity (In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Group					
	Common stock	Capital reserve	Profit reserve	Other equity	Accumulated losses	Owners of the Group
At January 1, 2017	7,014,897	2,493,670	253,599	6,489	(4,363,960)	5,404,695
Result for the period	-	-	-	-	(204,409)	(204,409)
Currency translation adjustment	-	-	-	2,092	-	2,092
Attributable cost reflection adjustment of associates	-	-	-	(60)	60	-
Total other comprehensive income, net of taxes	-	-	-	2,032	(204,349)	(202,317)
Stock option plan	-	3,903	-	-	-	3,903
Dividends	-	-	-	-	-	-
Total transactions with owners of the Group	-	3,903	-	-	-	3,903
At September 30, 2017	7,014,897	2,497,573	253,599	8,521	(4,568,309)	5,206,281

The accompanying notes are an integral part of these consolidated interim financial statements.

Rumo Group

Consolidated statements of changes in equity (In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Group				
	Common stock	Capital reserve	Accumulated losses	Other equity	Owners of the Group
At January 1, 2016	5,451,490	(1,781,177)	(98,809)	12,966	3,584,470
Result for the period	-	-	(282,574)	-	(282,574)
Result from hedge accounting cash flow net of taxes	-	-	-	(1,055)	(1,055)
Currency translation adjustment	-	-	-	5,317	5,317
Total other comprehensive income, net of taxes	-	-	(282,574)	4,262	(278,312)
Capital increase	2,600,000	-	-	-	2,600,000
Transaction costs related to the capital increase	(65,674)	-	-	-	(65,674)
Stock option plan	-	1,905	-	-	1,905
Variation in the interest in subsidiary	-	98	-	-	98
Total transactions with owners of the Group	2,534,326	2,003	-	-	2,536,329
At September 30, 2016	7,985,816	(1,779,174)	(381,383)	17,228	5,842,487

The accompanying notes are an integral part of these consolidated interim financial statements.

Rumo Group

Consolidated statements of cash flows

(In thousands of Brazilian Reais - R\$)

	January 1, 2017 to September 30, 2017	January 1, 2016 to September 30, 2016
Cash flows from operating activities		
Result before income taxes	(139,325)	(232,486)
Adjustments to:		
Depreciation and amortization	892,940	651,816
Equity pick-up	(7,200)	(8,751)
Provision for profit sharing	54,888	31,295
Result on disposal of fixed assets and intangible assets	(1,125)	6,491
Provision for judicial demands	47,372	18,181
Provision for losses on doubtful accounts	11,095	452
Stock option plan	3,903	1,905
Lease and concessions	143,277	148,449
Deferred revenue	(12,735)	(13,574)
Take or pay	(4,567)	(107,488)
Interest, indexation charges and exchange variations, net	1,164,633	1,271,415
Other	(18,061)	(10,161)
	<u>2,135,095</u>	<u>1,757,544</u>
Changes in:		
Accounts receivable	31,236	(11,266)
Judicial deposits	(33,897)	(12,941)
Net, related parties	34,797	14,831
Other recoverable taxes	(79,754)	75,191
Other payable taxes	(68,491)	(75,006)
Inventories	26,082	(67,362)
Salaries payable	(20,589)	(40,596)
Accounts payable	(86,042)	92,924
Lease and concessions payable	(84,039)	(80,714)
Provision for judicial demands	(54,374)	(57,410)
Other financial liabilities	45,372	(41,562)
Other asset and liabilities, net	(115,195)	(115,504)
	<u>(404,894)</u>	<u>(319,415)</u>
Net cash generated from operating activities	<u>1,730,201</u>	<u>1,438,129</u>
Cash flow from investing activities		
Capital increase in subsidiary	-	(190)
Marketable securities	(471,235)	(876,279)
Restricted cash	(24,696)	5,432
Dividends received	5,064	8,193
Purchase of property and equipment, intangible assets and investments	(1,423,835)	(1,264,952)
Cash received on disposal of other fixed assets	7,000	-
Net cash used in investing activities	<u>(1,907,702)</u>	<u>(2,127,796)</u>
Cash flow from financing activities		
Proceeds from debt	2,490,166	2,926,981
Repayments of principal	(1,482,608)	(3,809,034)
Payments of interest	(910,166)	(998,328)
Capital increase	-	2,534,326
Derivative financial instruments	(18,086)	5,265
Dividends paid	(2,069)	(777)
Net cash generated from financing activities	<u>77,237</u>	<u>658,433</u>
Impact of exchange variation on cash and cash equivalents	27,417	-
Decrease in cash and cash equivalents	<u>(72,847)</u>	<u>(31,234)</u>
Cash and cash equivalents at beginning of period	<u>260,527</u>	<u>72,988</u>
Cash and cash equivalents at end of period	<u>187,680</u>	<u>41,754</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	12,446	4,138

The accompanying notes are an integral part of these consolidated interim financial statements.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

1 Operations

RUMO Group

The activities of the RUMO Group ("Group") comprise substantially the following operations and companies:

a) Rumo S.A. and its subsidiaries ("Rumo"):

On April 1, 2015, Rumo Logística Operadora Multimodal S.A. ("Rumo Logística") acquired ALL - América Latina Logística S.A. ("ALL"). On December 31, 2016, Rumo Logística merged into ALL who changed its name to Rumo S.A. Rumo is a publicly traded company with its shares traded on the São Paulo stock exchange, B3 S.A. - Brasil, Bolsa, Balcão ("B3") under the code RAIL3, and has its headquarters in the city of Curitiba, State of Paraná, Brazil. Rumo is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística"), which owns 28.47% of its capital.

Rumo is a service provider in the logistics sector, mainly destined to the export of commodities, offering an integrated solution of rail transportation and movement from the producing centers to the main ports of the south and southeast of Brazil, besides participating in other companies and enterprises, whose object is related to infrastructure.

Rumo operates in the rail transportation segment in Southern Brazil through its subsidiary Rumo Malha Sul S.A. ("Rumo Malha Sul"), and the Midwest region and State of São Paulo through subsidiaries Rumo Malha Paulista S.A. ("Rumo Malha Paulista"), Rumo Malha Norte S.A. ("Rumo Malha Norte") and Rumo Malha Oeste S.A. ("Rumo Malha Oeste"). In addition, the subsidiary Brado Logística e Participações S.A. ("Brado") operates in the container segment.

b) Rumo Logística Operadora Multimodal S.A. and its subsidiaries ("Rumo Logística"):

Rumo Logística was a public company with its shares traded on B3 under the code RUMO3, and had its headquarters in the city of Santos, State of São Paulo, Brazil. Rumo Logística was a directly subsidiary of Cosan Logística, which owned 28.37% of its capital. Until December 30, 2016, Rumo Logística was Rumo's parent company. On December 31, 2016 Rumo Logística was incorporated into Rumo.

Rumo Logística was a service provider in the logistics sector, mainly destined to the export of commodities, offering an integrated solution of road transportation, rail transportation, handling, storage and shipment from the producing centers to the Port of Santos.

Rumo Logística operated in the segment of rail and road transportation in the State of São Paulo and had terminals for transshipment and terminals for export of sugar and grain in the Port of Santos. In addition, the subsidiary Logispot Armazéns Gerais S.A. ("Logispot") operates in the warehousing segment.

Group Rumo

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

c) Merger of Rumo Logística by Rumo:

On December 19, 2016, the merger of Rumo Logística by Rumo ("Merger") was approved, pursuant to the "Protocol and Justification of Merger". The accounting operation incurred on December 31, 2016 and consisted of the corporate reorganization through the reverse merger of Rumo Logística by Rumo and consequent extinction of the first, with succession of all its assets, rights and obligations by Rumo, under the terms of Articles 224 to 227 of 6,404/76 ("Brazilian Corporation Law"). In addition, following the event described in the previous paragraph, Rumo contributed the assets and liabilities related to the port operations that previously occurred in the direct subsidiary Rumo Logística into the new indirect subsidiary of the segment, Elevações Portuárias through capital increase amounting R\$672,396. Additionally, Rumo contributed assets (rail cars and locomotives) amounting R\$895,727 in the indirect subsidiary Rumo Malha Norte.

On March 7, 2017, Rumo, in compliance with the Instruction of the Securities Commission no. 358 of January 3, 2002, and in conclusion of the merger of Rumo Logística by Rumo, which was approved at the Extraordinary General Meeting of December 19, 2016, due to this merger, each common share issued by Rumo Logística was replaced by one share issued by Rumo. As of March 13, 2017, the Group started trading with the common shares issued by Rumo under the RAIL3 code (previously, RUMO3 at Rumo Logística) and the name of the RUMO S.A. trading session, with a view to deferring the listing of the Group by B3.

As a result, the Rumo is the continuing reporting entity and the successor company after of the reverse merger mentioned above.

In relation to the consolidated financial information mentioned above, Rumo's balance sheet as of December 31, 2016 already contemplated the assets and liabilities of both companies (Rumo Logística and Rumo), since the date of the corporate reorganization, as the reverse merger was as of December 31, 2016. This transaction represented the merger of companies under common control. As such, the results of operations and cash flows are presented on consolidated basis.

d) Other information:

On April 7, 2016, Rumo Logística completed the capitalization process through a public offering of R\$2,600,000 with the issuance of 1,040,000,000 common shares, all registered shares, without par value, with restricted placement pursuant to CVM Instruction 476 ("Restricted Offering") and Regulation "S" for foreign investors.

On June 28, 2016, were completed the re-profiling process of Rumo Logística, Rumo and Rumo Malha Norte debts maturing in 2016, 2017 and 2018, amounting R\$2,925,647 ("Debt re-profiled"), and ensuring greater liquidity for short-term commitments and in line with initiatives for its financial restructuring. The re-profiled debts has a maturity of 7 (seven) years, on June 13, 2023.

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), Rumo Logística received correspondence from the Framework, Credit and Market Committee informing the framework of the projects submitted for funding

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

feasibility analysis in a total amount of approximately R\$3,500,000. 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.

On November 30, 2016 was approved the change of the name of Rumo previously called ALL - América Latina Logística S.A. to Rumo S.A..

On February 2, 2017, through the subsidiary Rumo Luxembourg Sarl ("Rumo Luxembourg"), the Group issued debt securities in the international market, Senior Notes due 2024 ("Notes 2024"), in the total amount of US\$750,000, due in February 2024 and interest of 7.375% per annum, paid semi-annually. The Notes 2024 were rated BB- by the rating agencies Standard & Poor's and Fitch Ratings. The Group will use the net proceeds from this funding for early settlement of debt as part of the Group's capital structure management process, with the diversification of the sources of financing of the Group's investment plan as one of its objectives.

On February 23, 2017 TPG VI Fundo de Investimento em Participações ("TPG"), shareholder of Rumo, exercised its right to substitute 12,831,102 shares issued by Rumo - all of its shares related to Rumo's shareholders' agreement, signed by Cosan S.A. Indústria e Comércio ("Cosan"), Cosan Logística, GIF Rumo Fundo de Investimento em Participações ("GIF"), TPG and Cosan Limited ("CZZ"), in 2010, as amended ("Shareholders' Agreement"), for shares issued by Cosan and shares issued by Cosan Logística, with settlement as agreed between the shareholders. After settlement of the substitution obligations, the Shareholders' Agreement will automatically terminate.

On the Extraordinary General Meeting held September 21, 2017, an amendment to Rumo's authorized capital limit was approved, so that the common capital can be increased by up to R\$3,000,000 through resolution of the Board of Directors, regardless of statutory amendment.

In addition, on September 21, 2017, a public offering for the primary distribution of 220,000,000 (two hundred and twenty million) common shares, registered, with no par value, free and clear of any liens or to be issued by Rumo, with restricted placement efforts, under the terms of CVM Instruction 476 was approved. The transaction was settled on October 10, 2017 (see note 28), improving Rumo's capital structure, particularly net working capital.

e) The concession of railway operation and port terminal:

The Group holds, through subsidiaries or affiliates, concession of railway services and port terminals, whose scope and concession terms are as follows:

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Companies	Concession end	Coverage areas
Subsidiaries		
Elevações Portuárias	March 2036	Port of Santos-SP
Rumo Malha Paulista	December 2028	São Paulo State
Rumo Malha Sul	February 2027	South and São Paulo State
Rumo Malha Oeste	June 2026	Midwest and São Paulo State
Rumo 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 Group and therefore the assets acquired by it are treated under IAS 17 / 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.

2 Basis of preparation and significant accounting policies

2.1 Statement of compliance

The consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (IASB), applicable to the preparation of the Quarterly Information and do not include all the information required in the complete annual consolidated financial statements.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

These consolidated interim financial information were prepared based on the preparation basis and accounting policies consistent with those adopted in the preparation of consolidated financial statements as of December 31, 2016 and should be read together. The information in the notes to the consolidated financial statements that did not change significantly was not fully restated in this quarterly information. The entire relevant information specific to these consolidated interim financial statements of the RUMO Group, and only them, are being evidenced, and these correspond to those used by Management in its management.

On December 01, 2017, the Board of Directors authorized the issuance of the consolidated interim financial statements of the Rumo Group.

2.2 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 Group.

The Management are structured on two vice presidents, the first focused on South operations (comprised of railway and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Oeste) and the second focused on the North operations (composed by railway operations, transshipment and port elevation in the areas of the concession of Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista). A third segment includes Brado, Rumo'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.

2.3 Basis of consolidation

These consolidated interim financial statements include the interim financial statements of Rumo and its subsidiaries listed below:

	<u>Directly and indirectly</u>	
	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Subsidiaries		
Logisport Armazéns Gerais S.A.	51.00 %	51.00%
Elevações Portuárias S.A.	100.00 %	100.00%
Rumo Luxembourg Sarl	100.00 %	100.00%
Rumo Intermodal S.A.	100.00 %	100.00%
Rumo Malha Oeste S.A.	100.00 %	100.00%
Rumo Malha Paulista S.A.	100.00 %	100.00%
Rumo Malha Sul S.A.	100.00 %	100.00%
Rumo Malha Norte S.A.	99.52 %	99.48%
Boswells S.A.	100.00 %	100.00%
Brado Holding S.A.	100.00 %	100.00%
ALL Serviços Ltda.	99.99 %	99.99%
ALL Argentina S.A.	100.00 %	100.00%
Paranaguá S.A.	100.00 %	100.00%
ALL Rail Management Ltda.	50.01 %	50.01%
ALL Armazéns Gerais Ltda.	100.00 %	100.00%

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Portofer Ltda.	100.00 %	100.00%
Brado Logística e Participações S.A.	62.22 %	62.22%
Brado Logística S.A.	62.22 %	62.22%
ALL Mesopotâmica S.A.	70.56 %	70.56%
ALL Central S.A.	73.55 %	73.55%
PGT S.A.	100.00 %	100.00%

- **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.

- **Non-controlling interest**

For each business combination, the Group chooses to measure any non-controlling interest in the acquire, based on:

- fair value; or
- the proportionate share of the identifiable net assets acquired.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

- **Subsidiaries**

Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that the Group ceases to have control.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

- **Investments in associates (equity of investees)**

Associates are those entities in which the Group has significant influence but not control or joint control over their financial and operating policies. Significant influence supposedly occurs when the Group, directly or indirectly, holds between 20% and 50% of the voting power of the entity.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

The following associates are accounted for under the equity method:

	<u>Directly and indirectly</u>	
	September 30, 2017	December 31, 2016
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 Rumo'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.

Under the equity method, the portion attributable to the Group on the net income or loss for the year of these investments is recorded in the statement of income under "Equity in subsidiaries and associates". All intra-group balances, revenues and expenses and unrealized gains and losses arising from intra-group transactions are fully eliminated. Other comprehensive income of subsidiaries is recorded directly in the Group's equity under "Other comprehensive income".

- **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 Group's interest in the investee. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of loss by impairment.

2.4 Cash Flow - non cash transactions

The Group presents its statement of cash flows using the indirect method.

During the period ended September 30, 2017, the Group made the following transaction not involving cash and therefore is not reflected in the consolidated statement of cash flows:

- Lease of locomotives, rail cars and other assets through operation accounted characterized as capital leases in the amount of R\$4,813 (R\$264,026 on December 31, 2016).

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

2.5 New standards and interpretations not yet effective

- *IFRS 9 Financial Instruments*

We have identified a change in the policy for the provision for doubtful accounts and we have started a study on the possible impacts, without conclusion to date.

- *IFRS 15 Revenue from Contracts with Customers*

This rule combines, enhances, and replaces specific revenue recognition guidelines into a single standard. It defines a new five-step model for recognizing revenue from customer contracts. We continue to evaluate possible impacts of IFRS 15 in the disclosures in explanatory notes and in the policies applied in the control of revenue. The standard is applicable for years beginning on or after January 1, 2018.

- *IFRS 16 Leasing (Leases)*

The Group began an initial assessment of the potential impact on its financial statements. The most significant impact identified will result from the recording of new assets and liabilities for their operating leases of assets linked to the concessions.

The Group has not yet quantified the impact of adopting IFRS 16 on its assets and liabilities. The quantitative effect of the adoption of IFRS 16 will depend specifically on the transition method chosen, the use of practical files and recognition exemptions, and any additional leases that the Group will enter into. The Group expects to disclose its transition approach and quantitative information prior to adoption.

- *Amendments to IAS 7 Statement of Cash Flows*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, the Group is not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

- *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how the Group should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

The Group is required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. The Group is not required to provide additional disclosures in its interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

There are no other IFRS standards or IFRIC interpretations that have not come into effect and are expected to have a material impact on the Group.

3 Cash and cash equivalent

	September 30, 2017	December 31, 2016
Cash and bank accounts	29,072	85,107
Financial investments	158,608	175,420
	<u>187,680</u>	<u>260,527</u>

The financial investments were as below:

	September 30, 2017	December 31, 2016
Exclusive funds		
Other investments	54	-
	<u>54</u>	<u>-</u>
Bank investments		
Bank deposit certificates - CDB	150,416	145,348
Repurchase transactions	8,138	26,719
Other investments	-	3,353
	<u>158,554</u>	<u>175,420</u>
	<u>158,608</u>	<u>175,420</u>

4 Marketable securities and restricted cash

<u>Marketable securities</u>	September 30, 2017	December 31, 2016
CDB investments linked to BNDES loans (ii)	221,806	283,372
Government bonds (i)	1,294,665	633,221
	<u>1,516,471</u>	<u>916,593</u>

(i) Government bonds classified as held for trading have interest rates pegged to SELIC and maturing between two and five years.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

(ii) CDB investments linked to BNDES loans were classified as fair value through profit and loss and have an interest rate pegged to CDI and maturing between two and five years.

Restricted cash

	September 30, 2017	December 31, 2016
Investments linked to loans	91,811	63,474
Securities pledged as collateral	131,730	137,525
Government bonds	2,154	-
	225,695	200,999

5 Accounts receivable

	September 30, 2017	December 31, 2016
Domestic - Brazilian Reais	307,655	434,543
Export - Foreign currency	47,926	15,504
Allowance for doubtful accounts	(29,164)	(18,586)
	326,417	431,461
Current	313,756	417,156
Non-current	12,661	14,305
	326,417	431,461

6 Inventories

	September 30, 2017	December 31, 2016
Parts and accessories	228,489	244,453
Fuels and lubricants	6,881	7,397
Warehouse and other	23,221	32,729
	258,591	284,579

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

7 Other recoverable taxes

	September 30, 2017	December 31, 2016
Contribution to social security financing ("COFINS")	261,208	188,824
Social Integration program ("PIS")	66,293	45,425
Tax on circulation of goods, transport services and communication ("ICMS") (i)	366,658	331,960
ICMS - CIAP (ii)	194,346	174,221
Other	9,571	4,384
	898,076	744,814
Current	177,662	84,009
Non-current	720,414	660,805
	898,076	744,814

(i) ICMS credit on the acquisition of inputs and diesel used in transport.

(ii) ICMS credit arising from acquisition of fixed assets.

8 Related parties

a) Summary of the main balance and transactions with related parties:

	September 30, 2017	December 31, 2016
Current asset		
Commercial operations		
Cosan S.A. Indústria e Comércio	389	440
Raízen Energia S.A.	20,833	14,261
Raízen Combustíveis S.A.	21,667	12,412
Other	2,403	1,701
Total	45,292	28,814
	September 30, 2017	December 31, 2016
Current liabilities		
Commercial operations		
Raízen Energia S.A.	29,248	18,431
Cosan S.A. Indústria e Comércio	2,022	17,407
Cosan Lubrificantes e Especialidades S.A.	2,846	1,854
Raízen Combustíveis S.A.	119,483	68,151
Other	1,147	867
Total	154,746	106,710

Group Rumo

Notes to the consolidated interim financial statements

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b) Summary of transactions with related parties:

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Operating revenue				
Raízen Energia S.A. and subsidiaries	121,366	288,956	105,851	304,836
Raízen Combustíveis S.A.	37,477	99,921	34,708	90,441
Other	1,416	-	-	-
	<u>160,259</u>	<u>388,877</u>	<u>140,559</u>	<u>395,277</u>
Purchases of products / inputs				
Raízen Combustíveis S.A.	(276,155)	(718,440)	(235,842)	(662,891)
Cosan Lubrificantes e Especialidades S.A.	(9,246)	(24,748)	(7,775)	(32,983)
	<u>(285,401)</u>	<u>(743,188)</u>	<u>(243,617)</u>	<u>(695,874)</u>
Shared expenses				
Cosan S.A. Indústria e Comércio	(2,449)	(7,599)	(2,467)	(7,402)
Raízen Energia S.A.	(6,112)	(19,712)	(8,721)	(21,347)
	<u>(8,561)</u>	<u>(27,311)</u>	<u>(11,188)</u>	<u>(28,749)</u>
Financial result				
Other	-	-	-	2
		-	-	<u>2</u>

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 period, as follows:

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Short-term benefits to employees and managers	3,555	13,758	8,137	21,726
Stock option recognized (Note 22)	1,368	3,903	635	1,905
	<u>4,923</u>	<u>17,661</u>	<u>8,772</u>	<u>23,631</u>

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

9 Equity method investments

a) Consolidated

<u>Affiliates</u>	Total shares of investee	Shares held by the Group	Percentage of interest (%)	Balance at January 1°, 2017	Equity pick-up	Dividends
Rhall Terminais	28,580	8,574	30.00%	3,645	366	-
Termag S.A.	500,000	99,246	19.85%	7,669	1,747	(4,713)
TGG S.A.	79,747,000	7,914,609	9.92%	18,535	3,251	(4,000)
Terminal XXXIX	200,000	99,246	49.62%	16,998	1,836	(2,853)
Total				46,847	7,200	(11,566)

	Total shares of investee	Shares held by the Group	Percentage of interest (%)	Balance at January 1°, 2016	Equity pick-up	Dividends
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)

b) Non-controlling interests

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1°, 2017	Equity pick-up	Dividends
Logisport	2,040,816	1,000,000	49.00%	36,089	(684)	-
Brado Participações	12,962,963	4,963,519	38.29%	218,637	2,553	(2,402)
Rumo Malha Norte	1,189,412,363	5,709,179	0.48%	15,770	1,796	(2,081)
Rail Management	20,000	9,999	49.99%	96	(340)	-
Total				270,592	3,325	(4,483)

Group Rumo

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1º, 2016	Equity pick-up	Other comprehensive income
Logisport	2,040,816	1,000,000	49.00%	36,836	(877)	-
Brado Participações	12,962,963	4,897,407	37.78%	208,843	6,345	-
ALL Malha Norte	2,707,643	20,578	0.76%	13,674	844	1,350
Rail Management	20,000	9,999	49.99%	379	(283)	-
Total				<u>259,732</u>	<u>6,029</u>	<u>1,350</u>

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

10 Property and equipment

	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Construction in progress	Track structure (i)	Other
Cost:						
At January 1, 2017	866,974	553,889	7,478,023	668,562	6,353,604	767,111
Additions	-	-	14,965	1,392,489	3,729	6,353
Disposals	(2,239)	(1,926)	-	-	(3,695)	(35,711)
Transfers	7,610	315,621	737,421	(1,331,188)	363,076	(106,511)
At September 30, 2017	872,345	867,584	8,230,409	729,863	6,716,714	632,265
Depreciation:						
At January 1, 2017	(280,141)	(237,086)	(2,975,976)	-	(2,396,583)	(462,111)
Additions	(22,517)	(40,466)	(372,138)	-	(302,109)	(49,611)
Disposals	234	471	-	-	749	21,111
Transfers	(599)	(1)	40,575	-	(12,621)	(15,211)
At September 30, 2017	(303,023)	(277,082)	(3,307,539)	-	(2,710,564)	(505,111)
At January 1, 2017	586,833	316,803	4,502,047	668,562	3,957,021	305,000
At September 30, 2017	569,322	590,502	4,922,870	729,863	4,006,150	127,154

Group Rumo

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Construction in progress	Track structure (i)	Other
Cost:						
At January 1, 2016	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	344,000
Depreciation:						
At January 1, 2016	(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 January 1, 2016	540,691	324,148	3,986,352	765,286	3,359,289	428,220
At September 30, 2016	628,666	345,170	4,544,679	1,136,995	3,335,895	310,290

(i) Leasehold improvements and finance leases included.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

11 Intangible assets

	Goodwill (i)	Concession Rights (ii)	Operating license	Other	Total
Cost:					
At January 1, 2017	100,451	7,662,964	343,177	196,336	8,302,928
Additions	-	-	-	1,380	1,380
Disposals	-	-	-	(4,220)	(4,220)
Transfers	-	337,736	-	(16,206)	321,530
At September 30, 2017	100,451	8,000,700	343,177	177,290	8,621,618
Amortization:					
At January 1, 2017	-	(310,958)	(108,429)	(102,252)	(521,639)
Additions	-	(37,035)	(62,442)	(6,543)	(106,020)
Disposals	-	-	-	4,218	4,218
Transfers	-	(337,735)	-	(1,036)	(338,771)
At September 30, 2017	-	(685,728)	(170,871)	(105,613)	(962,212)
At January 1, 2017	100,451	7,352,006	234,748	94,084	7,781,289
At September 30, 2017	100,451	7,314,972	172,306	71,677	7,659,406

	Goodwill (i)	Concession Rights (ii)	Operating license	Other	Total
Cost:					
At January 1, 2016	100,451	7,504,935	399,350	117,336	8,122,072
Additions	-	-	26,552	645	27,197
Business combination	-	57,217	-	-	57,217
Disposals / Other	-	-	-	(272)	(272)
Transfers	-	-	(26,552)	7,065	(19,487)
At September 30, 2016	100,451	7,562,152	399,350	124,774	8,186,727
Amortization:					
At January 1, 2016	-	(90,072)	(159,004)	(10,576)	(259,652)
Additions	-	(90,203)	(8,806)	(11,916)	(110,925)
Other	-	-	-	18	18
Transfers	-	-	-	(7)	(7)
At September 30, 2016	-	(180,275)	(167,810)	(22,481)	(370,566)
At January 1, 2016	100,451	7,414,863	240,346	106,760	7,862,420
At September 30, 2016	100,451	7,381,877	231,540	102,293	7,816,161

- (i) Goodwill arising from business combination, of which R\$62,922 of previously direct subsidiary Teaçú Armazéns Gerais S.A., incorporated by the Rumo Logística, and R\$37,529 of direct subsidiary Logispot.
- (ii) The amortization is recognized in the income statement in cost of services, as depreciation and amortization.

Intangible (other than goodwill)	Annual rate of amortization - %	September 30, 2017	December 31, 2016
Software	20.00%	34,946	27,158
Operating license and customer base	3.70%	172,306	234,748
Concession rights	1.59%	7,314,972	7,352,006
Other		36,731	66,926
Total		7,558,955	7,680,838

The Group 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. In the period ended September 30, 2017, no indicators for impairment were identified.

Group Rumo

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

12 Loans, borrowings and debentures

	Financial charges				
Description	Index	Average interest rate	September 30, 2017	December 31, 2016	Maturity date
Loans and borrowings					
Commercial banks	Pre-fixed (US\$)	5.49%	95,072	86,140	December-21
	CDI + 4.91% p.a.	13.45%	114,545	163,815	June-19
Finame (BNDES)	Pre-fixed	5.24%	1,322,521	1,232,984	February-25
	URTJLP	8.79%	-	17	January-17
Finem (BNDES)	Pre-fixed	3.93%	2,212	3,930	January-24
	URTJLP	8.8%	2,253,640	2,663,459	June-29
	IPCA	10.91%	3,721	3,453	November-21
	Selic	13.65%	4,314	5,277	September-20
Senior Notes	Pre-fixed (US\$)	7.38%	2,381,777	-	February-24
NCE	CDI + 3.50% p.a.	11.92%	294,854	294,516	December-18
	CDI + 3.47% p.a.	11.89%	81,272	80,486	November-17
	112% of CDI	9.16%	92,293	120,069	December-18
	129.62% of CDI	10.68%	567,657	552,576	June-23
			7,213,878	5,206,722	
Debentures					
Non-convertible debentures	108% of CDI	8.82%	167,867	350,852	July-18
	Pre-fixed	13.13%	169,036	163,862	October-20
	CDI + 1.30% p.a.	11.57%	-	300,183	September-17
	CDI + 3.50% p.a.	11.92%	2,423,240	2,347,271	June-23
	CDI + 2.05% p.a.	10.36%	153,186	154,285	April-18
			2,913,329	3,316,453	
Total			10,127,207	8,523,175	
Current			1,412,784	1,467,725	
Non-current			8,714,423	7,055,450	

Senior Notes 2024

On February 9, 2017, through its subsidiary, Rumo Luxembourg Sarl ("Rumo Luxembourg"), the Group issued debt securities in the international market, Senior Notes due 2024 ("Notes 2024") in the total amount of US\$750,000, with maturity in February 2024 and interest of 7.375% per annum, paid semi-annually. This debt is protected by foreign exchange and interest rate swaps.

Unused credit lines

At September 30, 2017, the Group had lines of credit for financing from BNDES, which were not used, totaling of R\$287,170 (R\$541,639 on December 31, 2016).

Covenants

The Group is subject to certain restrictive clauses in most of the loan and financing agreements, based on certain financial and non-financial indicators. The Group evaluates the conditions of the restrictive clauses annually.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Below are the changes occurred for the nine-month period ended September 30, 2017:

Balance at January 1, 2017	<u>8,523,175</u>
Additions	2,490,166
Payments	(1,725,417)
Monetary variation, exchange variations and fair value	<u>839,283</u>
Balance at September 30, 2017	10,127,207

13 Other taxes payable

	September 30, 2017	December 31, 2016
Tax on circulation of goods, transport services and communication ("ICMS")	3,258	2,407
National social security institute ("INSS")	5,285	5,930
Social integration program ("PIS")	1,515	988
Contribution to social security financing ("COFINS")	7,190	5,293
Tax amnesty and refinancing program	23,655	23,709
Tax on services	6,294	3,364
Financial transaction tax	2,085	2,992
Other	3,381	5,130
	<u>52,663</u>	<u>49,813</u>
Current	<u>39,672</u>	<u>32,757</u>
Non-current	<u>12,991</u>	<u>17,056</u>

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

14 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses.

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Result before income taxes	108,429	(139,325)	(7,430)	(232,486)
Income tax and social contribution expense at nominal rate (34%)	(36,866)	47,371	2,526	79,045
<i>Adjustments to determine the effective rate</i>				
Equity pick-up	1,375	2,448	894	2,975
Spending on share issues	-	-	1,022	22,329
Unrecognized NOLs and temporary differences (i)	(29,444)	(148,850)	(64,587)	(176,128)
Exploration profit - tax incentive	31,347	46,312	10,221	27,473
Result of companies abroad	(909)	(12,892)	-	-
Other	3,742	3,852	(1,477)	247
Tax and social contribution (current and deferred)	(30,755)	(61,759)	(51,401)	(44,059)
Effective rate - %	28.36%	-44.33%	-691.80%	-18.95%

- (i) Refers mainly to tax losses and temporary differences of Rumo, Rumo Malha Sul and Rumo Malha Oeste which do not meet the requirements for accounting of deferred income tax and social contribution assets due to the lack of predictability of generation of taxable income.

Group Rumo

Notes to the consolidated 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

	September 30, 2017			December 31, 2016	
	Basis	IRPJ	CSLL	Total	
Tax losses:					
Tax losses carry forwards - income tax	6,704,736	1,676,184	-	1,676,184	1,503,707
Tax losses of social contribution	6,817,734	-	613,596	613,596	560,005
Temporary differences:					
Tax goodwill amortized	(63,006)	(15,752)	(5,671)	(21,423)	(19,715)
Lease	(747,880)	(186,970)	(67,309)	(254,279)	(138,511)
Review of useful life	1,144,475	286,119	103,003	389,122	296,430
Business combination - Fixed assets	409,646	102,411	36,868	139,279	172,769
Business combination - Intangible assets	(7,588,656)	(1,897,164)	(682,979)	(2,580,143)	(2,579,247)
Impairment provision	826,890	206,722	74,420	281,142	319,070
Provision for judicial demands	614,768	153,692	55,329	209,021	212,068
Provision for non-performing tax	84,910	21,227	7,642	28,869	22,274
Provision for profit sharing	59,070	14,767	5,316	20,083	17,401
Capitalization of interest on loans	(5,190)	(1,298)	(467)	(1,765)	(325)
Allowance for doubtful accounts	64,359	16,090	5,792	21,882	18,123
(-) Unrecognized credits	(8,277,189)	(1,419,480)	(511,040)	(1,930,520)	(1,781,670)
Other	422,194	105,602	38,017	143,619	161,061
Total	466,861	(937,850)	(327,483)	(1,265,333)	(1,236,560)
Deferred income tax - Assets				1,130,714	1,160,968
Deferred income tax - Liabilities				(2,396,047)	(2,397,528)
Total net deferred taxes				(1,265,333)	(1,236,560)

c) Changes in deferred taxes (net)

	January 1, 2017 to September 30, 2017	January 1, 2016 to September 30, 2016
At January 1	(1,236,560)	(1,353,149)
Income statement	(28,833)	(9,192)
Business combination	-	(19,454)
Other comprehensive income	-	543
Other	60	1,773
At September 30	(1,265,333)	(1,379,479)

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

15 Accounts payable - suppliers

	September 30, 2017	December 31, 2016
Material and services suppliers	391,529	404,657
Fuels and lubricants suppliers	737	706
Other	96,694	160,147
Total	488,960	565,510
Current	488,960	564,942
Non-current (i)	-	568

(i) Presented in the balance sheet under "other liabilities" in non-current liabilities.

16 Provision for judicial demands and judicial deposits

	Provision for judicial demands	
	September 30, 2017	December 31, 2016
Taxes	70,116	74,472
Civil, regulatory and environmental	160,774	154,187
Labor	280,850	278,363
	511,740	507,022

	Judicial deposits	
	September 30, 2017	December 31, 2016
Tax	18,888	25,115
Civil, regulatory and environmental	159,852	154,035
Labor	147,622	120,726
	326,362	299,876

Changes in the provision were:

	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2017	74,472	154,187	278,363	507,022
Additions	1,528	8,090	52,476	62,094
Settlement / Write-offs	(3,459)	(8,848)	(65,522)	(77,829)
Monetary restatement / reversal (i)	(2,425)	7,345	15,533	20,453
At September 30, 2017	70,116	160,774	280,850	511,740

(i) Write-off interest expense included.

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

(a) Tax

Judicial claims deemed as probable losses:

	September 30, 2017	December 31, 2016
ICMS credit	55,429	53,261
PIS and COFINS	2,135	2,115
Other	12,552	19,096
	70,116	74,472

Judicial claims deemed as possible losses:

	September 30, 2017	December 31, 2016
Foreign financial operations	1,032,493	986,179
Capital gain Rumo S.A.	506,924	483,723
Isolated fine federal tax	423,738	397,441
ICMS Rumo Malha Paulista (i)	304,730	-
IRPJ and CSLL	298,178	283,678
ICMS - Export	219,030	189,313
MP 470 installment debts	109,342	120,132
Rumo Intermodal (ii)	-	81,247
Withholding income tax ("IRRF") Swap	71,718	68,382
Stock option plan	65,124	62,216
ICMS TAD	63,089	58,236
IOF on loan	50,961	54,896
Social security contributions	45,578	43,764
PIS/COFINS Mutual traffic	41,526	38,285
Compensation with credit award	40,830	38,505
PIS and COFINS	7,016	3,280
ICMS Armazéns Gerais	6,131	60,029
Other	211,323	202,292
	3,497,731	3,171,598

- (i) Tax assessment notice issued by the São Paulo State Treasury Department, against Rumo Malha Paulista S.A., covering the period from February 2011 to July 2015, with the indication of infractions for alleged lack of Payment of ICMS on railroad services for export; Undue credit of ICMS for alleged bookkeeping in the Book of Entries of amounts higher than those found in the Tax Books; Undue crediting of ICMS for acquisitions supposedly framed as use and consumption. Also included were fines of 50% of the value of the tax and 100% of the amount of the credit considered undue.
- (ii) Reduction derives from favorable administrative decisions (Administrative Council of Tax Appeals "CARF" and Court of Taxes and Fees "TIT").

Group Rumo

Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

(b) Civil, regulatory and environmental

Judicial claims deemed as possible losses:

	September 30, 2017	December 31, 2016
Civil	1,476,196	1,513,003
Regulatory (i)	486,217	397,414
Environmental	377,949	351,915
	<u>2,340,362</u>	<u>2,262,332</u>

- (i) Refer to the collection of National Land Transport Agency “ANTT” fines and contractual requirements with relevant amounts.

(c) Labor

Judicial claims deemed as possible losses:

	September 30, 2017	December 31, 2016
Labor	793,141	712,973
	<u>793,141</u>	<u>712,973</u>

Group Rumo

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

17 Leases

Finance leases

The Group have lease agreements, mainly for railcars and locomotives classified as finance leases.

	September 30, 2017				December 31, 2016
	Less than a year	Between one and five years	More than five years	Total	Total
<u>Future minimum lease payments</u>	380,181	694,481	271,525	1,346,187	1,837,441
Rolling stock	352,970	610,838	184,603	1,148,411	1,616,719
Terminal	23,400	80,022	86,922	190,344	207,950
Other	3,811	3,621	-	7,432	12,772
<u>Interest in the installment</u>	(93,332)	(184,951)	(53,653)	(331,936)	(439,898)
Rolling stock	(78,961)	(147,758)	(36,180)	(262,899)	(358,158)
Terminal	(13,834)	(36,835)	(17,473)	(68,142)	(79,611)
Other	(537)	(358)	-	(895)	(2,129)
<u>Present value of minimum</u>	286,849	509,530	217,872	1,014,251	1,397,543
Current liabilities				286,849	472,632
Non-current liabilities				727,402	924,911

Lease agreements have varying expirations, the last due to expire in June 2043. The amounts are adjusted annually for inflation rates (as IGPM 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, 2017				December 31, 2016
	Total future minimum lease payments				Total
Assets	Up to 1 year	From 1 to 5 years	Over 5 years	Total	Total
Locomotives	573	1,303	-	1,876	2,346
Rail cars	6,875	26,619	6,915	40,409	47,120
Total	7,448	27,922	6,915	42,285	49,466

Operating lease payments (rentals) are recognized as expenses on a straight line basis over the term of the contracts.

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18 Lease and concessions

	September 30, 2017			December 31, 2016
	Leases	Concessions	Total	Total
<u>Amounts payables:</u>				
Rumo Malha Sul	37,027	29,290	66,317	73,707
Rumo Malha Paulista	29,148	19,268	48,416	52,979
	66,175	48,558	114,733	126,686
<u>Amounts under judicial discussions:</u>				
Rumo Malha Paulista	1,375,430	119,694	1,495,124	1,345,722
Rumo Malha Oeste	1,178,768	73,678	1,252,446	1,135,398
	2,554,198	193,372	2,747,570	2,481,120
Total	2,620,373	241,930	2,862,303	2,607,806
Current liabilities			26,955	27,662
Non-current liabilities			2,835,348	2,580,144
			2,862,303	2,607,806

Amounts under judicial discussion

The Group is challenging in court the economic and financial unbalance of certain leases and concession contracts.

In April 2004, Rumo 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 Rumo 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.

Rumo 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 Rumo 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 Rumo 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 Rumo to perform the part of compensation of the amounts claimed in the match against presented debt. Nevertheless, Rumo 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 regarding the value of the award granted and as possible in relation to the severance payments, but maintains the registration of the debt because it is a contractual obligation.

Rumo 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

Group Rumo

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(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

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 Rumo offered government securities (Treasury Bills - LFT) as an execution guarantee. In March 2008, Rumo was authorized to replace the guarantee with a bank guarantee and in May 2008 Rumo 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 Rumo 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 because the balance still pends calculating with Rumo's reimbursement rights.

Judicial deposits at September 30, 2017 concerning the above claims totaled:

	September 30, 2017	December 31, 2016
Rumo Malha Paulista	119,694	118,820
Rumo Malha Oeste	20,137	19,464
	<u>139,831</u>	<u>138,284</u>

Judicial deposits are recorded in the line "regulatory" under Note 16.

19 Real estate credit certificates

The Group entered into rental contracts of terminals that have been securitized and transferred the rights of these credits, the balance of which is:

Terminal	Rate	Maturity	Start date	September 30, 2017	December 31, 2016
Terminal Intermodal de Tatuí-SP	12.38% p.a.	March 31, 2018	February 29, 2008	11,883	31,805
Terminal de Alto Araguaia-MT	CDI + 2.6% p.a.	November 30, 2018	November 28, 2008	103,939	163,940
				<u>115,822</u>	<u>195,745</u>
Current liabilities				<u>100,350</u>	<u>105,422</u>
Non-current liabilities				<u>15,472</u>	<u>90,323</u>

Non-current real estate credit securities have the following maturities:

	September 30, 2017	December 31, 2016
13 to 24 months	15,472	90,323
	<u>15,472</u>	<u>90,323</u>

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Notes to the consolidated interim financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

20 Equity

a. Common stock

As mentioned in note 1, on September 21, 2017, a change in Rumo S.A.'s authorized capital limit was approved, so that the common stock can be increased by up to R\$3,000,000 by resolution of the Board of Directors, regardless of statutory reform. Additionally, on the same date, a public offering for the primary distribution of 220,000,000 (two hundred and twenty million) common shares, registered, with no par value was approved, free and clear of any liens or encumbrances to be issued by Rumo, with restricted placement efforts, pursuant to CVM Instruction 476.

The subscribed and fully paid-in capital on September 30, 2017 is R\$7,014,897 and is represented by 1,339,015,898 common shares nominative, without nominal value.

b. Other equity

	December 31, 2016	Comprehensive income		September 30, 2017
		Base	Net	
Foreign currency translation differences - equity - accounted investee	4,116	2,092	2,092	6,208
Defined benefit plan actuarial loss	(1,154)	-	-	(1,154)
Attributed cost	3,527	(60)	(60)	3,467
Total	6,489	2,032	2,032	8,521

c. Tax incentives - SUDAM

Rumo Malha Norte obtained through the Superintendence of the Development of the Amazon - SUDAM the right to the reduction of income tax on corporate entities - IRPJ and additional non-refundable income, as it is located in the area covered by the Legal Amazon and since it is the transport sector considered a priority project for regional development.

The tax benefit includes a reduction of 75% on IRPJ and additional non-refundable income on operating profit up to 2024. The effect of the reduction of 75% on IRPJ and additional non-refundable calculated up to September 30, 2017 on the operating profit was R\$46,312 (R\$27,473 on September 30, 2016), recorded as a reduction of the Income Tax and Social Contribution expense of the subsidiary Rumo Malha Norte.

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21 Earnings per share

Basic earnings per share are calculated by dividing the result by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the income and number of shares for the impacts 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, 2017 and 2016:

Basic and diluted

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Result for the period	76,208	(204,409)	(61,532)	(282,574)
Weighted average number of common share - basic	1,339,016	1,339,016	1,339,016	969,238
Diluted effects:				
Dilutive effect - Brado Logística (1)	22,123	-	-	-
Dilutive effect - Stock option plan (2)	3,390	-	-	-
Weighted average number of common share - diluted	1,364,529	1,339,016	1,339,016	969,238
Basic earnings per common share	<u>R\$0.05691</u>	<u>(R\$0.15266)</u>	<u>(R\$0.04595)</u>	<u>(R\$0.29154)</u>
Diluted earnings per common share	<u>R\$0.05660</u>	<u>(R\$0.15266)</u>	<u>(R\$0.04595)</u>	<u>(R\$0.29154)</u>

(1) 28,109 and 59,274 shares for the nine-month period ended September 30, 2017 and 2016, and 42,187 shares for the quarter ended September 30, 2016 have an antidilutive effect, and therefore were not considered in the diluted earnings per share analysis.

(2) 3,390 shares have an antidilutive effect for the nine-month period ended September 30, 2017 and therefore were not considered in the diluted earnings per share analysis.

Dilutive 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 the Group. The exchange ratio shall take into account the economic value for both Brado and the Group shares. At the Group's exclusive discretion, an equivalent cash payment is also possible.

The Group has stock-based compensation plans, as detailed in note 22, whose instruments (options or restricted shares) would reduce the loss per share in the periods presented.

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22 Stock option plan

On December 21, 2016, a new Stock-Based Remuneration Plan was approved at the Shareholders' Meeting, which began to be applied in the grants from then on.

2017 Grant

On September 1, 2017, 691,900 shares of the Stock-Based Remuneration Plan were granted, which will be transferred in full and free of charge after 5 years, from the approval of the grant, in a quantity adjusted by the number proportional to the dividends paid in the period, conditioned to the exercise of the functions of the beneficiary in Rumo, under the terms of each Share granting Program.

The Black and Scholes methodology was used to calculate the fair value of the shares granted under the terms of the Stock-Based Compensation Plan. Given the characteristics of the Plan, the fair value on the grant date is equivalent to R\$10.42.

2016 Program

On January 2, 2017, 1,513,180 shares (balance of 1,374,000 shares on September 30, 2017) of the Stock-Based Remuneration Plan were granted, which will be transferred in full and free of charge after 5 years, from the approval of the grant, in a quantity adjusted by the number proportional to the dividends paid in the period, conditioned to the exercise of the functions of the beneficiary in Rumo, under the terms of each Share granting Program.

The Black and Scholes methodology was used to calculate the fair value of the shares granted under the terms of the Stock-Based Compensation Plan. Given the characteristics of the Plan, the fair value on the grant date is equivalent to R\$6.10.

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 only 5 years and can exercise the options be done between October 1, 2020 and 2022. The fair value of the options was estimated at R\$2.83 using the Black and Scholes model.

The Options under the Stock Option Plan granted in 2015 were replaced by 1,517,143 shares (balance of 1,324,300 shares on September 30, 2017) based on the Stock-Based Remuneration Program (additional to the 2016 program), granted on January 2, 2017, which will be delivered to the end of the original program (September 2020).

Previous plan (ALL old plan)

With the acquisition of Rumo by Rumo Logística, the stock option plan based on their existing stock was canceled and assumed by Rumo Logística. With that the fair value of the existing options assumed by Rumo was recalculated on the date of the acquisition on April 1, 2015. The total of 1,478,659 options were assumed by Rumo to fair value per option R\$0.18 calculated by the binomial method.

In the nine-months period ended on September 30, 2017, R\$3,903 was recognized as expenses related to the appropriation of the Plans from 2015 to 2017. In addition, in the same period, there were

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cancellations of shares in the 2015 Replacement Plan (197,920 shares) and in the 2016 Plan (139,180 shares).

23 Net operating revenue

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Gross revenue from sales of services	1,749,755	4,640,180	1,588,359	4,346,568
Taxes and deductions over sales of services	(100,845)	(285,953)	(150,576)	(346,646)
Net revenue	1,648,910	4,354,227	1,437,783	3,999,922

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24 Financial result

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Cost of gross debt				
Monetary variation and interest	(283,521)	(824,286)	(272,451)	
Net exchange rate changes on debts	109,588	(24,386)	(2,914)	
Result from derivatives and fair value	(69,350)	(2,067)	3,172	
Amortization of expense in proceeds from debts	(4,819)	(12,327)	(12,360)	
	<u>(248,102)</u>	<u>(863,066)</u>	<u>(284,553)</u>	
Income from financial investments	52,996	155,374	60,187	
	<u>52,996</u>	<u>155,374</u>	<u>60,187</u>	
Cost of debt, net	<u>(195,106)</u>	<u>(707,692)</u>	<u>(224,366)</u>	
Other charges and monetary variations				
Interest on other receivables	10,397	30,224	16,743	
Lease and concessions	(60,267)	(195,259)	(76,089)	
Finance leases	(32,086)	(98,626)	(55,981)	
Banking expenses and other	(44,881)	(151,362)	(43,443)	
Real credit certificate	(4,441)	(17,069)	(9,372)	
Interest on contingencies and commercial contracts	(18,456)	(54,374)	(27,862)	
Foreign exchange, net	802	6,312	19	
Other interest on liabilities	(44,168)	(84,784)	(3,632)	
	<u>(193,100)</u>	<u>(564,938)</u>	<u>(199,617)</u>	
Finance result, net	<u>(388,206)</u>	<u>(1,272,630)</u>	<u>(423,983)</u>	
Financial expenses	(492,639)	(1,440,590)	(501,171)	
Financial income	63,393	185,598	76,930	
Foreign exchange, net	110,390	(18,074)	(2,914)	
Derivatives	(69,350)	436	3,172	
Finance result, net	<u>(388,206)</u>	<u>(1,272,630)</u>	<u>(423,983)</u>	

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25 Other income (expenses), net

	July 1, 2017 to September 30, 2017	January 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016	January 1, 2016 to September 30, 2016
Net effect of judicial demands and tax installment	(15,062)	(47,372)	(911)	(18,111)
Rental and leases revenue	-	-	800	2,000
Result on sale of scrap / eventual	9,097	29,267	-	-
Result on disposals of fixed assets and intangible assets	(2,507)	3,449	(2,540)	(9,111)
Insurance claims recovery	12,745	13,926	3,240	10,800
Other income (expense), net	(6,313)	(5,715)	3,269	11,111
	<u>(2,040)</u>	<u>(6,445)</u>	<u>3,858</u>	<u>(3,351)</u>

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26 Financial instruments

Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Group's and its subsidiaries exposure, to each of the above risks, the Group'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, 2017	December 31, 2016
Assets		
Available for sale		
Marketable securities	-	283,372
Fair value through profit or loss		
Investments funds	54	-
Marketable securities	1,516,471	633,221
Derivate financial instruments	39,979	3,669
	<u>1,556,504</u>	<u>636,890</u>
Loans and receivables		
Cash and cash equivalents	187,626	260,527
Accounts receivable	326,417	431,461
Related parties	45,292	28,814
Restricted cash	225,695	200,999
	<u>785,030</u>	<u>921,801</u>
Total	<u>2,341,534</u>	<u>1,842,063</u>
Liabilities		
Liabilities from amortized cost		
Long-term debts	7,650,358	8,523,175
Finance leases	1,014,251	1,397,543
Real estate credit certificates	115,822	195,745
Accounts payable - suppliers	488,960	564,942
Other financial liabilities	255,314	177,569
Related parties	154,746	106,710
Dividends payable	7,949	6,729
Debt payment on installments	23,655	23,709
	<u>9,711,055</u>	<u>10,996,122</u>
Fair value through profit or loss		
Long-term debts	2,476,849	-
Derivative financial instruments	29,748	12,303
	<u>2,506,597</u>	<u>12,303</u>
Total	<u>12,217,652</u>	<u>11,008,425</u>

During the period, there was no reclassification between the categories listed above.

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Structure of risk management

Management is responsible for establishing and overseeing the Group's risk management framework. The Board of Directors follows the Risk Management through the Group'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 Group 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 Group'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 Group 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 Group'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 September 30, 2017 and December 31, 2016, the fair values related to transactions involving derivative financial instruments to hedge risk exposure of the Group are presented as follows:

	Notional		Fair value	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Interest rate risk				
Swap contracts (interest / FX)	2,485,138	-	5,609	-
Swap contracts (interest)	163,968	171,606	4,622	(8,634)
	2,649,106	171,606	10,231	(8,634)
Total financial instruments	2,649,106	171,606	10,231	(8,634)
Assets			39,979	3,669
Liabilities			(29,748)	(12,303)

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(a) Credit risk

	September 30, 2017	December 31, 2016
Cash and cash equivalents (i)	187,680	260,527
Marketable securities (i)	1,516,471	916,593
Restricted cash (i)	225,695	200,999
Account receivables (ii)	326,417	431,461
Related parties (ii)	45,292	28,814
Derivative financial instruments (i)	39,979	3,669
	<u>2,341,534</u>	<u>1,842,063</u>

- (i) The risk of credit balances with banks and financial institutions is managed by the Group'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 Group's exposure to credit risk in relation to the balance sheet components as of September 30, 2017 and December 31, 2016 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.
- (ii) The risk of customer credit is managed centrally by each business segment, subject to the procedures, controls and policy established by the Group 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 credit risk on cash and cash equivalents, marketable securities are determined by rating instruments widely accrued by the market and are arranged as follows:

	September 30, 2017
AA	480,471
AAA	1,484,232
B	3,869
BB+	1,253
Total	<u>1,969,825</u>

(b) Liquidity risk

Liquidity risk is the risk that the Group encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Group's approach 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 Group.

Financial liabilities of the Company sorted by due dates (based on undiscounted cash flows contracted) are as follows:

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	September 30, 2017					December 31, 2016
	Up to 1 year	1 to 2 years	3 to 5 years	Over 5 years	Total	Total
Long-term debt	(2,103,953)	(1,847,533)	(5,380,161)	(4,191,436)	(13,523,083)	(11,975,013)
Accounts payable - suppliers	(488,960)	-	-	-	(488,960)	(564,942)
Other financial liabilities (i)	(255,314)	-	-	-	(255,314)	(177,569)
Debt payment on installments	(13,561)	(7,224)	(3,813)	(603)	(25,201)	(25,083)
Finance leases	(459,132)	(327,678)	(460,402)	(306,562)	(1,553,774)	(1,824,890)
Real estate credit certificates	(101,732)	(23,847)	-	-	(125,579)	(243,628)
Related parties payable	(154,746)	-	-	-	(154,746)	(106,710)
Dividends payable	(7,949)	-	-	-	(7,949)	(6,729)
Derivate financial instruments	(70,413)	(88,041)	(319,326)	(70,689)	(548,469)	(21,289)
	(3,655,760)	(2,294,323)	(6,163,702)	(4,569,290)	(16,683,075)	(14,945,853)

- (i) As of September 30, 2017, the consolidated balance anticipated by our suppliers with financial institutions was R\$255,314 (R\$177,569 on December 31, 2016). All these operations were with Banco Itaú at an average interest rate of 10.30%. 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 Group'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 Group uses derivatives to manage market risks. All these operations are conducted within the guidelines established by the risk management policy. Generally, the Group seeks to apply hedge accounting to manage the volatility in the result.

• **Foreign exchange risk**

On September 30, 2017 and December 31, 2016, the Group had the following net exposure to exchange rates on assets and liabilities denominated in US Dollars:

	September 30, 2017	December 31, 2016
Cash and cash equivalents	5,953	16
Account receivables	25,930	-
Advance to suppliers	12,672	58,627
Accounts payable - suppliers	(20,277)	(21,707)
Advances from customers	(6,603)	-
Long-term debts	(2,473,863)	(86,140)
Exchange rate derivatives (notional) (i)	2,487,180	-
Foreign exchange exposure, net	30,992	(49,204)

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Sensitivity analysis of changes in exchange rates:

Based on the financial instruments denominated in U.S. Dollars at September 30, 2017, the Group performed a sensitivity analysis by increasing and decreasing the exchange rate for R\$/US\$ by 25% and 50%. The probable scenario considers the estimated exchange rates projected for the coming year for the companies with functional currency Real (positive and negative, before tax effects), as follows:

	Exchange rate sensitivity analysis (R\$/US\$)					
	September 30, 2017	Probable	25%	50%	-25%	-50%
US Dollars	3.1680	3.3700	4.2125	5.0550	2.5275	1.6850

In the probable scenario, the Group uses the U.S. Dollar projected by specialized consulting for September 30, 2018.

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	380	1,583	3,166	(1,583)	(3,166)
Accounts receivable	USD fluctuation	1,818	6,937	13,874	(6,937)	(13,874)
Advance to suppliers	USD fluctuation	808	3,370	6,740	(3,370)	(6,740)
Accounts payable - suppliers	USD fluctuation	(1,996)	(5,568)	(11,136)	5,568	11,136
Advances from customers	USD fluctuation	(421)	(1,756)	(3,512)	1,756	3,512
Exchange rate derivatives (notional)	USD fluctuation	165,712	750,834	1,501,668	(750,834)	(1,501,668)
Long-term debt	USD fluctuation	(157,740)	(657,901)	(1,315,802)	657,901	1,315,802
Impacts on profit or loss		8,561	97,499	194,998	(97,499)	(194,998)

- **Interest rate risk**

The Group 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:

Exposure interest rate ⁽ⁱ⁾	September 30, 2017				
	Balance	25%	50%	-25%	-50%
Cash and cash equivalents, Marketable securities and restricted cash	35,277	8,819	17,639	(8,819)	(17,639)
Long-term debt	(392,142)	(97,983)	(196,031)	97,983	196,031
Interest rate derivatives	(21,043)	(403,098)	(753,066)	468,794	1,013,461
Real estate credit certificates	(6,236)	(1,559)	(3,118)	1,559	3,118
Finance leases	(29,891)	(7,473)	(14,945)	7,473	14,945
Impacts on profit or loss	(414,035)	(501,294)	(949,521)	566,990	1,209,916

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(i) The rates of CDI and TJLP considered: 6.00% p.a. and 7.00% p.a., respectively, were obtained from information provided by the market.

The external source used by the Group for the sensitivity analysis is Consultoria Tendências.

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 bonds and marketable 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 market value of the Senior Notes Due 2024 is listed on the Luxembourg Stock Exchange is based on their quoted market price as of September 30, 2017, of 108.81% of the face nominal value. 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 12.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings.

The fair value of derivative financial instruments is determined using valuation techniques and observable market data such as quoted prices in active markets or discounted flows based on market curves. The most commonly used valuation techniques include fixed rate pricing models and swaps, with present value calculations. The models consider various data, including counterparty credit quality, spot and forward exchange rates, interest rate curves.

The carrying amounts and fair values of financial assets and liabilities are as follows:

	Book value		Assets and liabilities measured at fair value					
			September 30, 2017			December 31, 2016		
	September 30, 2017	December 31, 2016	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets								
Investments funds	54	-	-	54	-	-	-	-
Marketable securities	1,516,471	633,221	-	1,516,471	-	-	633,221	-
Derivative financial instruments	39,979	3,669	-	39,979	-	-	3,669	-
Total	1,556,504	636,890	-	1,556,504	-	-	636,890	-
Liabilities								
Long-term debts	(2,476,849)	-	-	(2,476,849)	-	-	-	-
Derivative financial instruments	(29,748)	(12,303)	-	(29,748)	-	-	(12,303)	-
Total	(2,506,597)	(12,303)	-	(2,506,597)	-	-	(12,303)	-

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Hedge accounting - Fair value

Currently, the Group adopts a fair value hedge for some of its operations that both (hedge instruments and hedged items) are accounted for at fair value through profit or loss. Operations and accounting effects of this adoption are as follows:

	<u>Debt</u>	<u>Derivatives</u>	<u>Total</u>
Balance on January 1, 2017	-	-	-
Initial measurement	2,461,836	-	2,461,836
Amortization of interest	(87,037)	(16,551)	(103,588)
Fair value	<u>6,978</u>	<u>5,937</u>	<u>12,915</u>
Balance on September 30, 2017	<u>2,381,777</u>	<u>(10,614)</u>	<u>2,371,163</u>

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27 Operating segment information

Management evaluates the performance of its operating segments based on EBITDA (earnings before income tax, depreciation and amortization).

Operational segments

- (i) North Operations: comprised of the railway operations, road operations, transshipment and port elevation operations in the concession area of Rumo Malha Norte and Rumo Malha Paulista concession.
- (ii) South Operations: comprised of the railway and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Paulista concession.
- (iii) Container Operations: comprised by the group company that focuses on container logistics either by rail or by road.

The segment information has been prepared in accordance with the same accounting policies used in preparing the consolidated financial statements.

Period:	July 1, 2017 to September 30, 2017				January 1, 2017 to September 30, 2017
	North Operations	South Operations	Container Operations	Consolidated	North Operations
Results by segment					
Net revenue	1,197,157	387,921	63,832	1,648,910	3,227,690
Cost of services	(677,153)	(331,304)	(81,916)	(1,090,373)	(1,833,643)
Gross profit	520,004	56,617	(18,084)	558,537	1,394,047
Gross margin (%)	43.4%	14.6%	-28.3%	33.9%	43.2%
Selling, general and administrative	(43,727)	(14,656)	(5,522)	(63,905)	(146,462)
Other income and equity	4,992	(3,134)	145	2,003	3,800
Depreciation and amortization	194,365	93,713	16,162	304,240	568,880
EBITDA	675,634	132,540	(7,299)	800,875	1,820,270
Margin EBITDA (%)	56.4%	34.2%	-11.4%	48.6%	56.4%

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Period:	July 1, 2016 to September 30, 2016				July 1, 2015 to September 30, 2015
Results by segment	North Operations	South Operations	Container Operations	Consolidated	North Operations
Net revenue	1,051,377	322,391	64,015	1,437,783	2,945,355
Cost of services	(574,353)	(290,950)	(73,707)	(939,010)	(1,610,227)
Gross profit	477,024	31,441	(9,692)	498,773	1,335,128
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	6,800
Depreciation and amortization	151,951	62,695	11,738	226,384	430,420
EBITDA	573,311	73,198	(3,572)	642,937	1,596,555
Margin EBITDA (%)	54.5%	22.7%	-5.6%	44.7%	54.2%

28 Subsequent events

On October 4, 2017, Rumo's capital increase was approved in the total amount of R\$2,640,000, as well as its ratification of the offering of 220,000,000 common shares, registered and with no par value, issued by Rumo, all free and clear of any liens, pursuant to the terms of CVM Instruction 476. Due to the increase in Rumo's share capital under the offering, Rumo will be R\$9,654,897, divided into 1,559,015,898 common shares, all registered, with no par value. The shares are being traded on October 6, 2017 at B3, and the physical and financial settlement of the shares occurred on October 10, 2017.

On November 10, 2017, we definitively terminated our joint venture with Triunfo Participações e Investimentos S.A. ("Triunfo") to be shareholders of Véttria Mineração S.A. ("Véttria"), a joint venture we incorporated in 2011 jointly with Triunfo. Véttria integrated iron ore logistic activities from Corumbá (state of Mato Grosso) to Santos (state of São Paulo). The dissolution was approved in 2014 and, in March 2015, we entered into a Dissociation Agreement with Triunfo, aiming to reschedule the consummation of the Dissociation Agreement was subject to the fulfillment of certain conditions precedent, including the approval of the Brazilian Regulatory Authority (CADE). On November 13, 2017, we announced the completion of such dissociation process, which had no material impact on our financial positions.

* * *

RUMO Group

**Consolidated financial statements
December 31, 2016**

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Independent auditor's report on consolidated financial statements

To Management and the Shareholders of
Rumo S.A.
Curitiba - PR

Opinion

We have audited the consolidated financial statements of Rumo S.A. (Company) and its subsidiaries, which comprise the balance sheet as at December 31, 2016 and the respective statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries, in accordance with the relevant ethical principles set in the Accountant's Professional Ethics Code and with the professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion on the consolidated financial statements.



Recoverability of deferred income social contribution taxes (Notes 2.19 and 15) - Consolidated

The Company's subsidiaries recognized deferred tax assets, related to temporary differences and unused tax loss, which are considered recoverable based on the availability of future taxable profits.

The estimated availability of future taxable profits requires judgment and interpretation of tax laws. The recoverable amount of the deferred tax assets recognized may vary significantly if different assumptions are applied to the projection of future taxable profits and to the capacity to use of tax losses, which may impact the amount of deferred tax assets recognized in the financial statements and in the effective tax rate of the period. For these reasons, this matter was considered significant for our audit.

How our audit addressed this matter

We evaluated the design, implementation and operational effectiveness of internal controls related to the preparation and review of the projection of future taxable profits, specifically the business plan and budget. We compared the budget approved in previous year with the actual results incurred in order to verify the Company's ability to project future results. With the assistance of our corporate finance specialists, we evaluated the reasonableness of the main assumptions used to Support the projection of future taxable income, including: (i) production expectation of the Brazilian sugar market, soybean, bran and corn, mainly destined to export; (ii) expectation of future freight prices; (iii) availability of transport and port capacity; and (iv) other macroeconomic conditions. Additionally, with the assistance of our tax specialists, we considered the appropriateness of applying tax laws and tax deductions. We also assessed whether the Company's projections indicated sufficient future taxable profits against which unused tax losses and deductible temporary differences could be used, as well as the adequacy of the disclosures made in the financial statements.

Evaluation of the recoverable amount of fixed assets and intangible assets with definite useful life (Notes 11 and 12) - Consolidated

The Company's subsidiaries have significant investments in fixed assets and intangible assets with definite useful life required to conduct their operations. Due to the losses incurred in the previous years and economic retraction, there is a risk of not recovering the total amount of these assets.

The evaluation of the recoverable amount of the Company's cash generating units involves significant judgment on the assumptions used in determining cash flow projections, including growth and discount rates, and may result in material impacts on fixed assets and intangible assets with definite useful life. For these reasons, this matter was considered significant for our audit.

How our audit addressed this matter

We evaluated the assumptions used by the Company to determine the existence of indicators that the assets of the Company and its subsidiaries may be impaired and to determine their cash generating units, as well as evaluating the internal controls related to the identification and measurement of the recoverable amount of the cash generating units. With the assistance of our corporate finance specialists, we have evaluated the key assumptions used in the cash flow projections, including (i) discount rate; (ii) production expectations of the Brazilian sugar market, soybean, bran and corn, mainly destined to export; (iii) expectation of future freight prices; (iv) availability of transport and port capacity; and (v) other macroeconomic conditions. We evaluated the sensitivity of the results considering changes reasonably possible in the key assumptions and compared the



approved budgets in previous year with the actual results incurred in order to verify the Company's ability to project future results. Additionally, we compared the recoverable amount calculated based on discounted cash flows per cash generating unit with the respective carrying amount of the cash generating units and we assessed the adequacy of the disclosures made in the financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and, we remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, September 21, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6

Rogério Hernandez Garcia
Accountant CRC 1SP213431/O-5

RUMO Group

Consolidated balance sheets

(In thousands of Brazilian Reals - R\$)

	Note	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	4	260,527	72,988
Marketable securities	5	916,593	508,268
Accounts receivable	6	417,156	144,535
Derivative financial instruments	28	2,883	-
Inventories	7	284,579	225,784
Related parties	9	28,814	33,572
Current income taxes		165,956	32,701
Other recoverable taxes	8	84,009	175,502
Other assets		140,236	114,989
Current		2,300,753	1,308,339
Accounts receivable	6	14,305	21,136
Restricted cash	5	200,999	200,893
Deferred income tax	15	1,160,968	1,361,225
Current income taxes		121,376	274,597
Other recoverable taxes	8	660,805	590,971
Judicial deposits	17	299,876	266,987
Derivative financial instruments	28	786	99,863
Other non-current assets		106,191	127,891
Equity method investments	10	46,847	44,241
Property and equipment	11	10,337,119	9,404,087
Intangible assets	12	7,781,289	7,862,420
Non-current		20,730,561	20,254,311
Total Assets		23,031,314	21,562,650

The accompanying notes are an integral part of these consolidated financial statements.

RUMO Group

Consolidated balance sheets

(In thousands of Brazilian Reals - R\$)

	Note	December 31, 2016	December 31, 2015
Liabilities			
Current portion of long-term debt	13	1,467,725	1,444,063
Finance leases	18	472,632	539,615
Real estate credit certificates	20	105,422	88,089
Derivative financial instruments	28	4,535	521
Accounts payable - suppliers	16	564,942	419,147
Salaries payable		117,150	149,871
Current income tax		35,990	6,125
Other taxes payable	14	32,757	33,017
Dividends payable		6,729	8,270
Leases and concessions	19	27,662	20,205
Related parties	9	106,710	103,832
Deferred income		14,167	107,252
Other financial liabilities	28.b	177,569	236,698
Other current liabilities		259,352	324,067
Current		3,393,342	3,480,772
Long-term debt	13	7,055,450	7,141,113
Finance leases	18	924,911	1,202,086
Real estate credit certificates	20	90,323	196,917
Derivative financial instruments	28	7,768	1,259
Other taxes payable	14	17,056	26,097
Provision for judicial demands	17	507,022	490,584
Leases and concessions	19	2,580,144	2,204,039
Deferred income tax	15	2,397,528	2,714,374
Deferred income		62,207	95,730
Other current liabilities		320,276	165,478
Non-current		13,962,685	14,237,677
Total liabilities		17,356,027	17,718,449
Equity	21		
Common stock		7,014,897	5,451,490
Capital reserve		2,493,670	(1,781,177)
Other equity		6,489	12,966
Profit reserve		253,599	-
Accumulated losses		(4,363,960)	(98,810)
Equity attributable to:			
Owners of the Company		5,404,695	3,584,469
Non-controlling interests		270,592	259,732
Total equity		5,675,287	3,844,201
Total liabilities and equity		23,031,314	21,562,650

The accompanying notes are an integral part of these consolidated financial statements.

RUMO Group

Consolidated statements of income

(In thousands of Brazilian Reals – R\$, except earnings per share)

	Note	December 31, 2016	December 31, 2015
Net revenue from services	24	5,014,555	4,037,923
Cost of services	25	(3,769,147)	(2,771,881)
Gross profit		1,245,408	1,266,042
Selling, general and administrative	25	(344,378)	(286,026)
Other, net	27	(862)	60,297
Operating expenses		(345,240)	(225,729)
Income before financial results, equity income on investments and income taxes		900,168	1,040,313
Equity income on investments			
Equity income on investments	10	8,381	11,164
		8,381	11,164
Income before financial results and income taxes		908,549	1,051,477
Financial expenses		(1,947,537)	(1,260,933)
Financial income		295,199	145,691
Foreign exchange, net		76,049	(190,410)
Derivatives		(100,542)	120,634
Financial result, net	26	(1,676,831)	(1,185,018)
Loss before income taxes		(768,282)	(133,541)
Income (expense) tax and social contribution benefit	15		
Current		(76,708)	(20,482)
Deferred		111,503	(11,315)
		34,795	(31,797)
Loss for the period		(733,487)	(165,338)
Income (loss) attributable to:			
Owners of the Company		(743,096)	(158,407)
Non-controlling interest		9,609	(6,931)
Diluted loss earning per share:			
Basic	22	(R\$0.699)	(R\$0.632)
Diluted		(R\$0.699)	(R\$0.632)

The accompanying notes are an integral part of these consolidated financial statements.

RUMO Group

Consolidated statement of comprehensive income

(In thousands of Brazilian Reais - R\$)

	December 31, 2016	December 31, 2015
Loss for the period	(733,487)	(165,338)
Other comprehensive income - items that are subsequently reclassified to profit		
Actuarial losses with pension plan	(1,154)	-
Currency translation adjustment	5,900	14,489
Other comprehensive income net of income tax and social contribution	4,746	14,489
Total comprehensive loss	(728,741)	(150,849)
Comprehensive income (loss) attributable to:		
Owners of the Company	(738,350)	(145,441)
Non-controlling interest	9,609	(5,408)

The accompanying notes are an integral part of these consolidated financial statements.

RUMO Group

Consolidated statements of changes in equity

(In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Group							
	Capital reserve					Profit reserve		Other equity
	Common stock	Capital reserve	Transaction cost related to the capital increase	Options granted recognized	Non-controlling transaction results and goodwill	Tax incentives	Loss for the period	
At January 1, 2016	5,451,490	-	(1,781,811)	634	-	-	(98,810)	12,345
Loss for the period	-	-	-	-	-	-	(743,096)	-
Currency translation adjustment	-	-	-	-	-	-	-	5,123
Actuarial losses with pension plan	-	-	-	-	-	-	-	(1,234)
Reflex Adjustment from subsidiary	-	-	-	-	-	-	269	(2,345)
Total comprehensive income for the period	-	-	-	-	-	-	(742,827)	4,144
Capital increase	2,600,000	-	-	-	-	-	-	-
Effect of corporate reorganization	(1,036,593)	2,177,550	1,806,434	50,311	281,976	253,599	(3,522,323)	(10,987)
Transaction costs related to the capital increase	-	-	(44,062)	-	-	-	-	-
Stock option plan	-	-	-	2,540	-	-	-	-
Change in interest in subsidiary	-	-	-	-	98	-	-	-
Dividends	-	-	-	-	-	-	-	-
Total transactions with owners of the Group	1,563,407	2,177,550	1,762,372	52,851	282,074	253,599	(3,522,323)	(10,987)
At December 31, 2016	7,014,897	2,177,550	(19,439)	53,485	282,074	253,599	(4,363,960)	6,502

The accompanying notes are an integral part of these consolidated financial statements.

RUMO Group

Consolidated statements of changes in equity

(In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Group							
	Capital reserve			Profit reserve				Total
	Common stock	Transaction costs related to the capital increase	Options granted recognized	Legal	Retained earnings	Loss for the period	Other equity	
At January 1, 2015	1,099,746	(137,601)	-	30,212	302,185	-	-	1,294,542
Loss for the period	-	-	-	-	-	(158,407)	-	(158,407)
Currency translation adjustment	-	-	-	-	-	-	12,966	12,966
Total comprehensive income for the period	-	-	-	-	-	(158,407)	12,966	(145,441)
Capital increase (Rumo S.A.'s acquisition)	4,351,744	(1,644,210)	-	-	-	-	-	2,707,534
Stock option plan	-	-	634	-	-	-	-	634
Absorption of accumulated losses with reserves	-	-	-	(30,212)	(29,385)	59,597	-	-
Dividends	-	-	-	-	(272,800)	-	-	(272,800)
Total transactions with owners of the Group	4,351,744	(1,644,210)	634	(30,212)	(302,185)	59,597	-	2,435,378
At December 31, 2015	5,451,490	(1,781,811)	634	-	-	(98,810)	12,966	3,682,469

The accompanying notes are an integral part of these consolidated financial statements.

RUMO Group

Consolidated statements of cash flows

(In thousands of Brazilian Reais - R\$)

	December 31, 2016	December 31, 2015
Cash flows from operating activities		
Loss before income taxes and social contribution	(768.282)	(133.541)
Adjustments to:		
Depreciation and amortization	1.120.019	616.528
Equity pick-up	(8.381)	(11.164)
Loss on disposal of fixed assets and intangible	9.182	3.536
Provision for losses on judicial demands	19.482	16.401
Provision for losses on doubtful accounts	1.872	(3.733)
Lease and concessions	193.637	124.376
Take or pay	(283.401)	59.310
Interest, indexation charges and exchange variations, net	1.523.611	1.190.669
Other	11.479	(4.401)
	1.819.218	1.857.981
Changes in:		
Accounts receivable	15.478	(11.414)
Advances from customers	49.095	70.261
Net, related parties	3.031	153.159
Other recoverable taxes	124.373	(28.198)
Taxes payable	(96.980)	(49.932)
Inventories	(49.226)	(125.555)
Salaries payable	(70.209)	(17.759)
Accounts payable	(22.437)	(219.713)
Advances to suppliers	4.648	(20.783)
Lease and concessions payable	(107.729)	(68.212)
Judicial demands	(82.961)	29.865
Other financial liabilities	(50.665)	63.152
Other asset and liabilities, net	(82.006)	(129.496)
	(365.588)	(354.625)
Net cash generated from operating activities	1.453.630	1.503.356
Cash flow from investing activities		
Capital increase in subsidiary	(157)	169.703
Marketable securities	(258.652)	208.775
Restricted cash	(106)	22.753
Dividends received	8.193	4.000
Purchase of property, plant and equipment and intangible assets	(1.699.226)	(1.405.478)
Net cash used in investing activities	(1,949,948)	(1,000,247)
Cash flow from financing activities		
Proceeds from debt	3.715.216	3.085.971
Repayments of principal	(4.390.879)	(2.518.290)
Payments of interest	(1.172.660)	(786.052)
Capital increase	2.533.605	-
Derivative financial instruments	251	4.275
Dividends paid	(1.676)	(301.500)
Net cash generated from (used in) financing activities	683,857	(515,596)
Increase (decrease) in cash and cash equivalents	187.539	(12.487)
Cash and cash equivalents at beginning of year	72,988	85,475
Cash and cash equivalents at end of year	260,527	72,988
Supplemental disclosure of cash flow information:		
Income taxes paid	6.885	2.244

The accompanying notes are an integral part of these consolidated financial statements.

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

1 Operations

RUMO Group

The activities of the RUMO Group ("Group") comprise substantially the following operations and companies:

(a) Rumo S.A. and its subsidiaries ("Rumo"):

On April 1, 2015, Rumo Logística Operadora Multimodal S.A. ("Rumo Logística") acquired ALL - América Latina Logística S.A. ("ALL"). On December 31, 2016, Rumo Logística merged into ALL who changed its name to Rumo S.A. Rumo is a publicly traded company with its shares traded on the São Paulo stock exchange ("BM&FBOVESPA") under the code RAIL3, and has its headquarters in the city of Curitiba, State of Paraná, Brazil. Rumo is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística"), which owns 28.47% of its capital.

Rumo is a service provider in the logistics sector, mainly destined to the export of commodities, offering an integrated solution of rail transportation and movement from the producing centers to the main ports of the south and southeast of Brazil, besides participating in other companies and enterprises, whose object is related to infrastructure.

Rumo operates in the rail transportation segment in Southern Brazil through its subsidiary Rumo Malha Sul S.A. ("Rumo Malha Sul"), and the Midwest region and State of São Paulo through subsidiaries Rumo Malha Paulista S.A. ("Rumo Malha Paulista"), Rumo Malha Norte S.A. ("Rumo Malha Norte") and Rumo Malha Oeste S.A. ("Rumo Malha Oeste"). In addition, the subsidiary Brado Logística e Participações S.A. ("Brado") operates in the container segment.

(b) Rumo Logística Operadora Multimodal S.A. and its subsidiaries ("Rumo Logística"):

Rumo Logística was a public company with its shares traded on the São Paulo stock exchange ("BM&FBOVESPA") under the code RUMO3, and had its headquarters in the city of Santos, State of São Paulo, Brazil. Rumo Logística was a directly subsidiary of Cosan Logística, which owned 28.37% of its capital. Until December 30, 2016, Rumo Logística was Rumo's parent company. On December 31, 2016 Rumo Logística was incorporated into Rumo.

Rumo Logística was a service provider in the logistics sector, mainly destined to the export of commodities, offering an integrated solution of road transportation, rail transportation, handling, storage and shipment from the producing centers to the Port of Santos.

Rumo Logística operated in the segment of rail and road transport in the State of São Paulo. In addition, the subsidiary Logisport Armazéns Gerais S.A. ("Logisport") operates in the warehousing segment, while Elevações Portuárias S.A. ("Elevações Portuárias") has terminals for transshipment and terminals for export of sugar and grains in the Port of Santos.

(c) Merger of Rumo Logística by Rumo:

On December 19, 2016, the merger of Rumo Logística by Rumo ("Merger") was approved, pursuant to the "Protocol and Justification of Merger". The accounting operation incurred on December 31, 2016 and consisted of the corporate reorganization through the reverse merger of Rumo Logística by Rumo and consequent extinction of the first, with succession of all its assets, rights and obligations by Rumo, under the terms of Articles 224 to 227 of 6,404/76 ("Brazilian Corporation Law"). In addition, following the event described in the

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

previous paragraph, Rumo contributed the assets and liabilities related to the port operations that previously occurred in the direct subsidiary Rumo Logística into the new indirect subsidiary of the segment, Elevações Portuárias through capital increase amounting R\$672,396. Additionally, Rumo contributed assets (rail cars and locomotives) amounting R\$895,727 in the indirect subsidiary Rumo Malha Norte.

On March 7, 2017, Rumo, in compliance with the Instruction of the Securities Commission no. 358 of January 3, 2002, and in conclusion of the merger of Rumo Logística by Rumo, which was approved at the Extraordinary General Meeting of December 19, 2016, due to this merger, each common share issued by Rumo Logística was replaced by one share issued by Rumo. As of March 13, 2017, the Group started trading with the common shares issued by Rumo under the RAIL3 code (previously, RUMO3 at Rumo Logística) and the name of the RUMO S.A. trading session, with a view to deferring the listing of the Group by BMF&BOVESPA in its special segment of the New Market.

As a result, the Rumo is the continuing reporting entity and the successor company after of the reverse merger mentioned above.

In relation to the consolidated financial information mentioned above, Rumo's balance sheet as of December 31, 2016 already contemplated the assets and liabilities of both companies (Rumo Logística and Rumo), since the date of the corporate reorganization, as the reverse merger was as of December 31, 2016. This transaction represented the merger of companies under common control. As such, the results of operations and cash flows and valued added are presented on the consolidated basis.

(d) Other information:

On April 7, 2016, Rumo Logística completed the capitalization process through a public offering of R\$2,600,000 with the issuance of 1,040,000,000 common shares, all registered shares, without par value, with restricted placement pursuant to CVM Instruction 476 ("Restricted Offering") and Regulation "S" for foreign investors.

On June 28, 2016, were completed the reprofiling process of Rumo Logística, Rumo and Rumo Malha Norte debts maturing in 2016, 2017 and 2018, amounting R\$2,925,647 ("Debt re-profiled"), and ensuring greater liquidity for short-term commitments and in line with initiatives for its financial restructuring. The re-profiled debts has a maturity of 7 (seven) years, on June 13, 2023.

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), Rumo Logística received correspondence from the Framework, Credit and Market Committee informing the framework of the projects submitted for funding feasibility analysis in a total amount of approximately R\$3,500,000. 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.

On November 30, 2016 was approved the change of the name of Rumo previously called ALL - América Latina Logística S.A. to Rumo S.A..

On February 2, 2017, through the subsidiary Rumo Luxembourg Sarl ("Rumo Luxembourg"), the Group issued debt securities in the international market, Senior Notes due 2024 ("Notes 2024"), in the total amount of US\$750,000, due in February 2024 and interest of 7.375% per annum, paid semi-annually. The Notes 2024 were rated BB- by the rating agencies Standard & Poor's and Fitch Ratings. The Group will use the net proceeds from this funding for early settlement of debt as part of the Group's capital structure management process, with the diversification of the sources of financing of the Group's investment plan as one of its objectives.

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On February 23, 2017 TPG VI Fundo de Investimento em Participações (“TPG”), shareholder of Rumo, exercised its right to substitute 12,831,102 shares issued by Rumo - all of its shares related to Rumo's shareholders' agreement, signed by Cosan S.A. Indústria e Comércio (“Cosan”), Cosan Logística, GIF Rumo Fundo de Investimento em Participações (“GIF”), TPG and Cosan Limited (“CZZ”), in 2010, as amended (“Shareholders' Agreement”), for shares issued by Cosan and shares issued by Cosan Logística, with settlement as agreed between the shareholders. After settlement of the substitution obligations, the Shareholders' Agreement will automatically terminate.

Management has made an assessment of the entity's ability to continue operating in the foreseeable future. On December 31, 2016, the Group had a negative consolidated working capital of R\$1,092,589 and a consolidated loss of R\$733,487. Conversely, its generated consolidated operating cash flow of R\$1,453,630 and made investments in modernizing its rolling stock and improving the railway network of R\$1,699,226, in line with its business plan.

The capital increase plus the aforementioned debt re-profiling and the senior note issuance fully equated the risk of the Group's operational continuity.

(e) The concession of railway operation and port terminal

The Group 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		
Elevações Portuárias	March 2036	Port of Santos-SP
Rumo Malha Paulista	December 2028	São Paulo State
Rumo Malha Sul	February 2027	South and São Paulo State
Rumo Malha Oeste	June 2026	Midwest and São Paulo State
Rumo 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 is not applicable to the Group and therefore the assets acquired by it are treated under IAS 17-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.

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- 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.

2 Basis of preparation and significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All relevant information from consolidated financial statements of Rumo Group is being evidenced, and these correspond to those used by the Board in its management.

On September 21, 2017, the Board of Directors authorized the issuance of the consolidated financial statements of the Rumo Group.

2.2 Consolidation criterion

These consolidated financial statements include the following companies:

- Rumo S.A. and its subsidiaries
- Rumo Logística Operadora Multimodal S.A. and its subsidiaries

As the merger of Rumo Logística by Rumo occurred only in December 2016, Rumo's result on December 31, 2016 did not include Rumo Logística's operations. These results were added directly to Rumo's equity on the merger date. This transaction represented the merger of companies under common control. As such, the results of operations and cash flows and valued added are presented on the consolidated basis.

For the balance sheet no consolidation was made in the assets and liabilities accounts, since on December 31, 2016, after merger (see note 1 (c)), the balance sheet already contemplated the assets and liabilities of the two companies. In this case, the balance sheet used in these consolidated financial statements is the same as that of Rumo of December 31, 2016.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Brazilian Real (R\$), which is also the functional currency of the Group companies domiciled in Brazil, 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 Real 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.

2.4 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.

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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 Group 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 exceeds its recoverable amount, which is the higher of fair value less costs to sell and its value in use. The main assumptions used to determine the recoverable amount in the different cash-generating units for which the goodwill is allocated are explained in note 12.

• **Note 18 - Operating lease**

The Group 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 Group 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 23 - Stock option plan**

The Group measures the cost of transactions settled with employee shares based on the fair value of the equity instruments on the issuance date. The estimation of the fair value of stock option plan requires the determination of the most appropriate valuation model for the conferment of equity instruments, which depends on the terms and conditions of the concession. Also requires determining the most appropriate data for the valuation model, including the expected life of the option, volatility and dividend return and corresponding assumptions. The assumptions and models used to estimate the fair value of stock option plan are disclosed in note 23.

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• Note 17 - Provision for judicial demands

Provisions for judicial demands are recognized when: the Group 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.

Provision for judicial demands arising from a business combination is measured at fair value at the acquisition date as part of the business combination.

Fair value measurement

A number of the Group'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 Group 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).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the financial statements in which the changes occurred.

2.5 Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for the following material items recognized in the consolidated balance sheets:

- derivative financial instruments measured at fair value;
- financial instruments measured at fair value through profit or loss;
- defined benefit plan are stated at the present value of the actuarial obligation net of the fair value of plan assets;
- stock option plan.

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2.6 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 Group.

The Management are structured on two vice presidents, the first focused on South operations (comprised of railway and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Oeste) and the second focused on the North operations (composed by railway operations, transshipment and port elevation in the areas of the concession of Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista). A third segment includes Brado, Rumo'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.

2.7 Basis of combination and consolidation

The consolidated financial statements include the financial statements of Rumo listed below:

	<u>Directly and indirectly</u>	
	December 31, 2016	December 31, 2015
Subsidiaries		
Direct		
Logisport Armazéns Gerais S.A.	51.00%	51.00%
Elevações Portuárias S.A. (i)	100.00%	-
Rumo Luxembourg Sarl (ii)	100.00%	-
Rumo Intermodal S.A.	100.00%	100.00%
Rumo Malha Oeste S.A.	100.00%	100.00%
Rumo Malha Paulista S.A.	100.00%	100.00%
Rumo Malha Sul S.A.	100.00%	100.00%
Rumo Malha Norte S.A. (iii)	99.48%	99.24%
ALL Participações S.A. (iv)	-	100.00%
Boswells S.A.	100.00%	100.00%
Brado Holding S.A.	100.00%	100.00%
ALL Serviços Ltda.	99.99%	99.99%
ALL Equipamentos Ltda. (iv)	-	99.99%
ALL Argentina S.A.	90.96%	90.96%
Paranaguá S.A.	99.83%	99.83%
ALL Rail Management Ltda.	50.01%	50.01%
Indirect		
ALL Armazéns Gerais Ltda.	100.00%	100.00%
Portofer Ltda.	100.00%	100.00%
Brado Logística e Participações S.A.	62.22%	62.22%
Brado Logística S.A.	62.22%	62.22%
ALL Mesopotâmica S.A.	70.56%	70.56%
ALL Central S.A.	73.55%	73.55%
PGT S.A.	100.00%	100.00%

- (i) Company incorporated on February 18, 2016, direct subsidiary of Rumo, received the contribution of the elevation operation on December 31.
- (ii) Offshore incorporated on October 25, 2016, direct subsidiary of Rumo.
- (iii) Rumo Malha Norte received a capital contribution of R\$897,899 on December 31, 2016 from Rumo.
- (iv) Companies incorporated on March 1, 2016 by the direct subsidiary Rumo Intermodal S.A.

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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 Group chooses to measure any non-controlling interest in the acquire, based on:

- fair value; or
- the proportionate share of the identifiable net assets acquired.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

c) Subsidiaries

Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that the Group ceases to have control.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d) Investments in associates (equity of investees)

Associates are those entities in which the Group has significant influence but not control or joint control over their financial and operating policies. Significant influence supposedly occurs when the Group, 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</u>	
	<u>December 31, 2016</u>	<u>December 31, 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 Rumo's representative to participate in the affiliate's board.

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Investments in associates are accounted for using the equity method and are initially recorded at cost. The investment costs include the costs of transaction.

Under the equity method, the portion attributable to the Group on the net income or loss for the year of these investments is recorded in the statement of income under "Equity in subsidiaries and associates". All intra-group balances, revenues and expenses and unrealized gains and losses arising from intra-group transactions are fully eliminated. Other comprehensive income of subsidiaries is recorded directly in the Group's equity under "Other comprehensive income".

e) Transactions eliminated on consolidation

The elimination criteria in the consolidation are the same in accordance with and IFRS 10, applicable to the preparation of consolidated financial statements and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission.

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 Group's interest in the investee. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of loss by impairment.

2.8 Foreign currency transactions

• Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency of each Group company 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.

• Subsidiaries' financial statements conversion

These consolidated financial statements were translated into the Brazilian Real using the following criteria:

- assets and liabilities were translated at the exchange rate at the balance sheet date;
- the result, comprehensive income and cash flows were translated at the average monthly exchange rate; and
- the equity was converted using the historical exchange rate.

Exchange differences resulting from the conversion are recognized in the equity under "Currency translation adjustments".

The financial statements of each subsidiary included in these consolidated financial statements and investments under the equity method were prepared based on the respective functional currency.

The conversion rates from the Real (R\$) to the US\$ were R\$ 3.2591 = US\$ 1.00 at December 31, 2016, R\$ 3.9048 = US\$ 1.00 at December 31, 2015.

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2.9 Financial instruments

a) Non derivative financial assets

The Group 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 Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held for sales, 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 Group manages such investments and makes purchase and sale decisions based on their fair values in accordance with a documented risk management and the 's investment strategy. Transaction costs are recognized in profit or loss when 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.

- **Held for sales**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity, when the Group has the positive intention and ability to hold to maturity. Interests, exchange rate, net of impairment losses, when applicable, are recognized in the income statement when incurred in the line of financial income and expenses.

After initial recognition, financial assets held to maturity are measured at amortized cost.

- **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)**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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- a) The rights to receive cash flows from the asset expire;
- b) The Group 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 the Group has transferred substantially all risks and rewards of the asset.

When the Group 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 Group's continuing involvement with the asset.

In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured based on the rights and obligations that the Group maintained.

b) Non-derivative financial liabilities

The Group 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 Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are withdrawn, canceled or expired.

A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading or designated as such at the time of initial recognition. Transaction costs are recognized in profit or loss as incurred. These financial liabilities are measured at fair value and changes in fair value, including interest and dividends, are recognized in income for the year.

The Group 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.

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 de-recognition 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) Common stock

• Ordinary shares

Additional costs directly attributable to the issuance of shares and stock options are recognized as a reduction of equity. Tax effects related to the costs of these transactions are accounted for in accordance with IAS 12.

d) Derivative financial instruments, including hedge accounting

The Group maintains financial hedge derivative instruments to hedge its exposure to foreign currency and interest rate risk. Embedded derivatives are separated from their contracts and individually recorded if:

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- the economic characteristics and risks of the main contract and the embedded derivative are not intrinsically related;
- an individual instrument with the same conditions as the embedded derivative satisfies the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

At the time of initial designation of the hedge, the Group 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 Group 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:

i) Hedges of cash flows:

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.

When the hedged item is a non-financial asset, the amount accumulated in equity is maintained in other comprehensive income and reclassified to income in the same period or periods in which the non-financial item affects the result. If the planned transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

e) Financial liabilities designated at fair value through profit or loss

The Group settled contracts of 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 Group 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.

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2.10 Inventories

Inventories are measured at the lower of average acquisition cost and at net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions for low turnover or obsolete inventories are recognized when deemed necessary by Management. The cost of finished and pre-prepared products comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), excluding borrowing costs.

2.11 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.

The cost of a property and equipment may include reclassifications of other comprehensive income from instruments of protection of qualifying cash flows from purchase of fixed assets in foreign currency. Purchased software that is an integral part of the functionality of equipment is capitalized as part of that equipment.

When parts of an item of assets have different useful lives, they are accounted for as separate items (major components) of property.

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 Group. 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

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the lease term and their useful lives unless it is reasonably certain that the Group 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 the annual percentage rate shown below:

Building and improvements	4% - 5%
Machinery, equipment and installations	8% - 11%
Other	10% - 20%
Freight cars	2.9% - 6%
Locomotives	3.3% - 8%
Track structure	4%
Furniture and fixture	10% - 15%
Computer equipment	20%

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.

2.12 Intangible and goodwill

- **Concession rights**

Concession rights generated in the business combination of Rumo was fully allocated to the Rumo Malha Norte concession and amortized on a straight-line basis.

- **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.

- **Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and losses due to accumulated impairment.

- **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.

- **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.

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2.13 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. 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 Group, other than inventories and 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 annually. 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.

2.14 Provisions

A provision is recognized, due to a past event, if the Group 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.

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2.15 Employee benefits

- **Short-term benefits to employees**

Short-term employee benefits obligations are measured on an undiscounted basis are recorded as the related services are 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.

- **Benefit payments based on stock option plan**

The fair value of benefit payment based on stock option plan on the grant date is recognized as personnel expenses, with a corresponding increase in equity, over the service period. The 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. For non-vesting date, the fair value on the grant date is measured to reflect such conditions and there is no change to the difference between the expected and actual benefits.

The fair value of the amount payable to employees with respect to the rights to the valuation of shares, which are payable in cash, is recognized as an expense with the corresponding increase in liabilities, for the period in which the employees unconditionally acquire the right to payment. The liability is remeasured at each reporting date and on the settlement date. Any changes in the fair value of the liability are recognized as expenses with personnel in the result.

- **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. Prepaid contributions are recognized as an asset on condition that there are cash reimbursement or reduction in future payments is available. Contributions to a defined contribution plan whose maturity is expected to be 12 months after the end of the period in which the employee provides the service are discounted to their present values.

The Group's pension plan, even though it is substantially defined contribution, has a variable component, whose risk is linked to the payment of minimum benefit and to the increase of the future contributions of the sponsors in the benefits in the event of pension by death of the active contributor, as well as in disability retirement, limited to three salaries. Any actuarial liability calculated is recorded by the Group.

2.16 Revenue

- **Revenue from services**

Revenues from services are recognized when services have been provided and it is probable that economic benefits associated with the transaction will flow to the Group, and when its value and related costs incurred can be measured reliably. Services prices are set based on service contracts or orders. The Group'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.

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- **Deferred revenue**

The Group 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 Group.

2.17 Government subsidies and assistance

Government subsidies and assistance are recognized when there is reasonable assurance that the benefit will be received and that all the relevant conditions are met. The subsidiary Rumo 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.

2.18 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 Group 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 Group 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 the balance sheet of the Group.

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 Group 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.

2.19 Financial income and expenses

Financial income includes interest income on invested funds (including available-for-sale financial assets), dividend income (except for dividends received from investments by equity in parent company), gains on disposal of available-for-sale financial assets, fair value of financial assets measured at fair value through profit or loss, gains on hedging instruments that are recognized in profit or loss and profit reclassifications previously recognized in other comprehensive income. Interest income is recognized in income, using the effective interest

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method. Dividend income is recognized in income on the date that the Group's right to receive payment is established.

Financial expenses include interest expenses on loans, discount adjustments to present value of provisions and contingent consideration, losses on disposal of available-for-sale assets, changes in the fair value of financial assets measured at fair value through profit or loss, impairment recognized in financial assets (except receivables), and losses on hedge instruments that are recognized in the income statement.

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.

2.20 Taxes and contributions

Income and social contribution taxes for the current and deferred fiscal year are calculated based on the rates of 15%, plus an additional of 10% on taxable income in excess of R\$240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of the net income for the year.

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.

- **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 previous years.

- **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 Group 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 Group 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.

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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.

- **Indirect taxes**

Net revenue is recognized net of discounts and service taxes.

- **Fiscal risks**

In determining the amount of current and deferred tax, the Group 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 Group 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.

2.21 Cash Flow - non cash transactions

The Group presents its statement of cash flows using the indirect method.

During the year ended December 31, 2016, the Group made the following transaction not involving cash and therefore is not reflected in the consolidated statement of cash flows:

- Rental of locomotives, rail cars and other assets through operation accounted characterized as capital leases in the amount of R\$264,026.
- Deferred income and social contribution taxes on the cost of funding related to the capital increase in the amount of R\$22,333.

2.22 New standards and interpretations not yet effective

A number of new standards and amendments to standards will be effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

In order to attend the new disclosure requirements, the Group intends to present reconciliation between the opening and closing balances of liabilities with changes resulting from financing activities.

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Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

IFRS 15 - Revenue from contracts with customers

It introduces a comprehensive framework to determine if and when revenue should be recognized, and how revenue is measured. IFRS 15 replaces current revenue recognition standards, including IAS 8 - Revenue, IAS 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programs.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted only for financial statements in accordance with IFRSs.

The Group is evaluating the potential impact of the adoption of IFRS 15 in its financial statements.

- **Product revenue:** revenues are currently recognized when goods are delivered at the customer's location, considered as the time when the customer accepts the goods and the risks and benefits related to the property are transferred. Revenue is recognized at this time as long as revenue and costs can be measured reliably, receipt of the consideration is probable and there is no continuous involvement of management with the products. As a result, we have not identified any material adjustments in the recognition of this revenue so far.
- **Service Revenue:** Separate performance obligations will have to be identified in connection with the provision of transportation services.

The Group will adopt IFRS 15 in its financial statements for the year ended December 31, 2018 and intends to use the retrospective approach. As a result, the Group will apply all the requirements of IFRS 15 for each comparative period presented adjusting the previously presented financial statements.

The Group plans to use the practical dossiers for completed contracts. This means that completed contracts that have commenced and ended in the same comparative presentation period, as well as contracts that are contracts concluded at the beginning of the earliest period presented, will not be resubmitted.

The Group is currently conducting a detailed impact assessment resulting from the application of IFRS 15 and expects to disclose additional quantitative information prior to the adoption of the standard.

IFRS 9 - Financial instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes new models for classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard maintains the existing guidance on the recognition and de-recognition of financial instruments in IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted only for financial statements in accordance with IFRSs.

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The effective impact of the adoption of IFRS 9 in the Group's financial statements in 2018 can not be estimated with confidence as it will depend on the financial instruments held by the Group and the economic conditions in 2018, as well as on the accounting decisions and judgments that the Group will make in future. The new standard will require the Group to review its accounting and internal control processes related to the classification and measurement of financial instruments and these changes are not yet finalized.

IFRS 9 will require extensive new disclosures, specifically on hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify deficiencies in relation to required information and current processes and the Group plans to implement changes in its systems and controls to meet the new requirements.

Changes in the accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except for the changes described below:

- The Group intends to take advantage of the exemption that allows it not to restate comparative information from prior periods arising from changes in the classification and measurement of financial instruments (including expected credit losses). Differences in the accounting balances of financial assets and liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as of January 1, 2018.
- New hedge accounting requirements should be applied prospectively. However, the Group may choose to apply the expected change in the accounting for changes in the fair value of the forward term of the exchange contracts retroactively. The Group has not taken any decision on this option.

The following assessments should be made based on facts and circumstances existing on the date of initial adoption:

- Determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and liabilities measured at fair value.
- The designation of certain equity instruments not held for renewal at fair value in other comprehensive income.

IFRS 16 Leases

It introduces a single model for the accounting of leases in the balance sheet for tenants. A lessee recognizes a right of use asset that represents his right to use the leased asset and a lease liability that represents his obligation to make lease payments. Optional exemptions are available for short-term leases and low value items. The lessor's accounting remains similar to the current standard, that is, the lessors continue to classify the leases as financial or operating.

IFRS 16 replaces existing lease standards, including IAS 17 Leasing Operations and IFRIC 4, SIC 15 and SIC 27 Complementary Aspects of Leasing Operations.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted only for financial statements in accordance with IFRSs and only for entities that apply IFRS 15 Revenue from Contracts with Customers, or before, from the date of initial application of IFRS 16.

The Group has begun an assessment of the potential impact on its financial statements. So far, the most significant impact identified would be the recognition of assets and liabilities for its operating leases of rolling stock and permanent tracks of the Group. The nature of the expenses related to these leases will be changed, since IFRS 16 replaces the line operating lease expense due to depreciation of the right of use and interest on the lease liabilities. The Group has not yet decided whether to use the optional exemptions.

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As a lessee, the Group may apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical dossiers.

The lessee will apply this choice consistently to all of his leases. The Group should apply IFRS 16 initially on January 1, 2019. The Group has not yet determined which transition approach it will apply.

The Group has not yet quantified the impact of adopting IFRS 16 on its assets and liabilities. The quantitative effect of the adoption of IFRS 16 will depend specifically on the method of transition chosen, the use of practical arrangements and exemptions from recognition, and any additional leases that the Group will enter into. The Group hopes to disclose its transition approach and quantitative information prior to adoption.

There are no other IFRS standards or IFRIC interpretations that have not come into effect and are expected to have a material impact on the Group.

The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or amendment to the current pronouncements corresponding to all new IFRS. Therefore, the early adoption of these IFRSs is not permitted for entities that disclose their financial statements in accordance with accounting practices adopted in Brazil.

3 Business combination and corporate reorganization

a) Business combination

As described in Note 1, on April 1, 2015, after the necessary approvals of the competent bodies, Rumo Logística acquired 100% of the common shares of Rumo, through the shareholders' agreement, obtained its control and consolidates its results.

The acquisition took place by an exchange of shares, with the issuance by Rumo Logística 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 Rumo, represented by 681,995,165 common shares.

As a result of the acquisition, Rumo Logística consolidated its participation strategy in the logistics and infrastructure business in Brazil, by adding approximately 12,000 km of existing rail tracks in Rumo's concessions.

Consideration transferred

As a basis for measuring the fair value of the consideration transferred, the share price of Rumo ("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>

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Settlement of pre-existing relationship

In March 2009, Rumo Logística and Rumo 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 Rumo Logística had port concessions for elevation services through its direct subsidiary Elevações Portuárias.

According to the terms of the existing agreement, Rumo Logística invested in the construction and improvement of permanent tracks under concession of Rumo and acquired rolling stock for use in the transport of products in Rumo's rail network, in order to increase Rumo's rail freight transport capacity. In exchange for Rumo Logística's investments, the agreement stipulated that Rumo would provide a certain capacity of rail transport services, as well as compensate Rumo Logística through the payment of a contractually fixed fee per ton of product transported by Rumo using the rail network and / or by the use of the rolling stock provided by Rumo Logística to Rumo.

This preexisting relationship was settled when Rumo Logística acquired Rumo. Rumo Logística 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 Rumo Logística and the discounted cash flow return on this investment, considering the contractually agreed volume and rate.

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>2,737,372</u>

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4 Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash and bank accounts	85,107	12,221
Financial investments	175,420	60,767
	<u>260,527</u>	<u>72,988</u>

The financial investments were as below:

	December 31, 2016	December 31, 2015
Exclusive funds		
Repurchase transactions	-	3,246
Bank deposit certificates - CDB	-	26,379
	-	29,625
Bank investments		
Bank deposit certificates - CDB	145,348	25,728
Repurchase transactions	26,719	4,242
Investment funds	-	1,172
Other investments	3,353	-
	<u>175,420</u>	<u>31,142</u>
	<u>175,420</u>	<u>60,767</u>

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5 Marketable securities and restricted cash

Marketable securities

	December 31, 2016	December 31, 2015
CDB investments linked to BNDES loans	283,372	234,764
Government bonds	633,221	273,504
	<u>916,593</u>	<u>508,268</u>

Restricted cash

	December 31, 2016	December 31, 2015
Investments linked to loans	63,474	77,262
Securities pledged as collateral	137,525	123,631
	<u>200,999</u>	<u>200,893</u>

6 Accounts receivable

	December 31, 2016	December 31, 2015
Domestic - Brazilian Reais	434,543	169,095
Export - Foreign currency	15,504	13,290
Allowance for doubtful accounts	(18,586)	(16,714)
	<u>431,461</u>	<u>165,671</u>
Current	<u>417,156</u>	<u>144,535</u>
Non-current	<u>14,305</u>	<u>21,136</u>

The analysis of the maturity of accounts receivable are as follows:

	December 31, 2016	December 31, 2015
Not overdue	370,249	99,496
Overdue:		
From 1 to 30 days	36,919	39,616
From 31 to 60 days	6,330	11,557
From 61 to 90 days	3,568	6,134
More than 90 days	14,395	8,868
	<u>431,461</u>	<u>165,671</u>

Changes in the estimated allowance for doubtful accounts are as follows:

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	31/12/2016	31/12/2015
Balance at January 1	(16.714)	(22.122)
Provision	(4.063)	(27.565)
Reversal of provision	2.191	31.298
Losses	-	1.675
Balance at December 31	(18.586)	(16.714)

The Group'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

	December 31, 2016	December 31, 2015
Parts and accessories	244,453	203,579
Fuels and lubricants	7,397	10,000
Other	32,729	12,205
	284,579	225,784

8 Other recoverable taxes

	December 31, 2016	December 31, 2015
Contribution to social security financing ("COFINS")	188,824	218,120
Social Integration program ("PIS")	45,425	67,670
Tax on circulation of goods, transport services and communication ("ICMS") (i)	331,960	310,769
ICMS - CIAP (ii)	174,221	164,500
Other	4,384	5,414
	744,814	766,473
Current	84,009	175,502
Non-current	660,805	590,971
	744,814	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:

	December 31, 2016	December 31, 2015
Current asset		
Commercial operations		
Cosan S.A. Indústria e Comércio	440	1,558
Raízen Energia S.A.	14,261	29,508
Raízen Combustíveis S.A.	12,412	-
Other	1,701	2,506
	<u>28,814</u>	<u>33,572</u>
Total	<u>28,814</u>	<u>33,572</u>
	December 31, 2016	December 31, 2015
Current liabilities		
Commercial operations		
Raízen Energia S.A.	18,431	21,258
Cosan S.A. Indústria e Comércio	17,407	8,812
Cosan Lubrificantes e Especialidades	1,854	3,910
Raízen Combustíveis S.A.	68,151	69,852
Other	867	-
	<u>106,710</u>	<u>103,832</u>
Total	<u>106,710</u>	<u>103,832</u>

b) Summary of transactions with related parties:

	December 31, 2016	December 31, 2015
Operating income		
Raízen Energia S.A. and subsidiaries (i)	17,445	334,166
Raízen Combustíveis S.A. (ii)	122,848	83,569
Other	3,999	-
	<u>144,292</u>	<u>417,735</u>
Purchases of products / inputs		
Raízen Combustíveis S.A. (iii)	(817,174)	(445,004)
Cosan Lubrificantes e Especialidades S.A. (iv)	(37,939)	(31,096)
Other	(183)	(165)
	<u>(855,296)</u>	<u>(476,265)</u>
Shared expenses (v)		
Cosan S.A. Indústria e Comércio	(9,870)	(10,221)
Raízen Energia S.A.	(26,431)	(9,050)
	<u>(36,301)</u>	<u>(19,271)</u>
Financial result		
Rezende Barbosa S.A. Adm. e Participações	-	10
Raízen Energia S.A. and subsidiaries	-	(3)
	<u>-</u>	<u>7</u>

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- (i) The services provided for the year ended December 31, 2016 and 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, 2016 and 2015 with Raízen Combustíveis and its subsidiaries refer mainly to fuel transportation services.
- (iii) Purchases for the year ended December 31, 2016 and 2015 with Raízen Combustíveis and its subsidiaries relate to the purchase of fuel.
- (iv) Purchases for the year ended December 31, 2016 and 2015 with Cosan Lubrificantes refer to the purchase of lubricants.
- (v) It refers to corporate apportionment and shared services center of Cosan.

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, 2016	December 31, 2015
Regular remuneration	20,794	9,532
Stock option recognized (Note 23)	2,540	634
Bonus and other variable remuneration	11,147	3,399
	34,481	13,565

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10 Equity method investments

a) Consolidated

<u>Affiliates</u>	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1, 2016	Equity pick-up	Dividends	Other	Balance at December 31, 2016
Rhall Terminais	28,580	8,574	30.00%	3,844	(200)	-	-	-
Termag S.A.	500,000	99,246	19.85%	6,425	2,531	-	-	-
TGG S.A.	79,747,000	7,914,609	9.92%	19,702	2,429	(3,753)	158	-
Terminal XXXIX	200,000	99,246	49.62%	14,270	3,621	(2,180)	-	-
Total				44,241	8,381	(5,933)	158	

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1, 2015	Equity pick-up	Dividends	Business combination	Balance at December 31, 2015
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	(4,000)	12,188	-
Total				-	11,164	(4,000)	38,130	

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Non-controlling interests

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1, 2016	Equity pick-up	Dividends	Other	Balance at December 31, 2016
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49.00%	36,836	(747)	-	-	36,089
Brado Participações	12,962,963	8,000,000	37.78%	208,843	9,794	-	-	218,637
ALL Malha Norte	1,189,412,363	6,419,174	0.54%	13,674	845	1,349	(98)	15,770
Rail Management	20,000	9,999	49.99%	379	(283)	-	-	96
Total				259,732	9,609	1,349	(98)	270,592

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1, 2015	Equity pick-up	Ritmo's sale	Other comprehensive income	Dividends
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49.00%	37,066	(134)	-	-	(968)
Brado Participações	12,962,963	8,000,000	37.78%	-	(7,350)	-	1,523	(3,517)
Ritmo Logística S.A.	55,496,019	19,423,607	35.00%	-	375	(32,845)	-	-
ALL Malha Norte	1,189,412,363	6,419,174	0.54%	-	911	-	-	-
Rail Management	20,000	9,999	49.99%	-	(733)	-	-	-
Total				37,066	(6,931)	(32,845)	1,523	(3,600)

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

11 Property and equipment

	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Construction in progress	Track structure (i)
Cost:					
At December 31, 2015	627,342	500,269	4,235,038	765,286	3,568,597
Additions	-	1,950	23,965	1,824,445	46,010
Disposals	(3,322)	-	(823)	(3,698)	(7,409)
Transfers	177,713	44,364	986,164	(1,917,471)	892,051
At December 31, 2016	801,733	546,583	5,244,344	668,562	4,499,249
Depreciation:					
At December 31, 2015	(86,651)	(176,121)	(248,686)	-	(209,308)
Additions	(33,701)	(50,597)	(498,764)	-	(328,856)
Disposals	431	-	440	-	3,048
Transfers	(94,979)	(3,062)	4,713	-	(7,112)
At December 31, 2016	(214,900)	(229,780)	(742,297)	-	(542,228)
At December 31, 2015	540,691	324,148	3,986,352	765,286	3,359,289
At December 31, 2016	586,833	316,803	4,502,047	668,562	3,957,021

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Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Construction in progress	Track structure (i)
Cost:					
At December 31, 2014	343,727	374,067	519,993	99,135	-
Additions	23,896	8,942	246,652	1,357,399	665
Effect of corporate reorganization	252,671	82,664	2,900,978	993,476	2,562,561
Disposals	-	(1,961)	(3,338)	-	(7,584)
Transfers	7,048	36,557	570,753	(1,684,724)	1,012,955
At December 31, 2015	627,342	500,269	4,235,038	765,286	3,568,597
Depreciation:					
At December 31, 2014	(68,207)	(131,081)	(55,688)	-	-
Additions	(22,370)	(59,339)	(149,211)	-	(227,466)
Disposals	-	1,270	781	-	280
Transfers	3,926	13,029	(44,568)	-	17,878
At December 31, 2015	(86,651)	(176,121)	(248,686)	-	(209,308)
At December 31, 2014	275,520	242,986	464,305	99,135	-
At December 31, 2015	540,691	324,148	3,986,352	765,286	3,359,289

(i) Leasehold improvements and finance leases included.

Capitalization of borrowing costs

During the period ended December 31, 2016, borrowing costs capitalized amounted to R\$2,354 (R\$3,726 on December 31, 2015) and av

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Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

12 Intangible assets

	Goodwill (i)	Concession Rights (ii)	Operating license	Other	Total
Cost:					
At December 31, 2015	100,451	7,504,935	399,350	117,336	8,122,072
Additions	-	-	26,552	955	27,507
Business combination	-	57,217	-	-	57,217
Disposals	-	-	-	(35)	(35)
Transfers	-	535	9,722	6,522	16,779
At December 31, 2016	100,451	7,562,687	435,624	124,778	8,223,540
Amortization					
At December 31, 2015	-	(90,072)	(159,004)	(10,576)	(259,652)
Additions	-	(120,609)	(11,743)	(16,022)	(148,374)
Disposals	-	-	-	18	18
Transfers	-	-	(30,129)	(4,114)	(34,243)
At December 31, 2016	-	(210,681)	(200,876)	(30,694)	(442,251)
At December 31, 2015	100,451	7,414,863	240,346	106,760	7,862,420
At December 31, 2016	100,451	7,352,006	234,748	94,084	7,781,289

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Goodwill (i)	Concession Rights (ii)	Operating license	Other	Total
Cost:					
At December 31, 2014	100,451	-	870,755	3,741	974,947
Additions	-	-	-	658	658
Business combination	-	7,504,935	-	79,713	7,584,648
Disposals (iii)	-	-	(470,970)	-	(470,970)
Transfers	-	-	(435)	33,224	32,789
At December 31, 2015	100,451	7,504,935	399,350	117,336	8,122,072
Amortization					
At December 31, 2014	-	-	(113,433)	(1,261)	(114,694)
Additions	-	(90,072)	(45,571)	(9,315)	(144,958)
At December 31, 2015	-	(90,072)	(159,004)	(10,576)	(259,652)
At December 31, 2014	100,451	-	757,322	2,480	860,253
At December 31, 2015	100,451	7,414,863	240,346	106,760	7,862,420

- (i) Goodwill arising from business combination, of which R\$62,922 of previously direct subsidiary Teaçu Armazéns Gerais S.A., incorporated of direct subsidiary Logisport.
- (ii) The expense of amortization is recognized in the income statement in cost of services, as depreciation and amortization.
- (iii) Refers to the elimination of the intangible assets related to the investment in Rumo Malha Paulista by Rumo Logística since it was incorporated in 2016.

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Intangible (other than goodwill)	Annual rate of amortization - %	December 31, 2016	December 31, 2015
Software (a)	20.00%	27,158	13,900
Operating license and customer base (b)	3.70%	234,748	238,710
Concession rights (c)	1.59%	7,352,006	7,414,863
Other		66,926	94,496
Total		7,680,838	7,761,969

a) Refers mainly to the business management system - ERP of the Group.

b) Port operation license and relationships with Elevações Portuárias' customers, from the Teaçú business combination.

c) Refers to the concession right acquired, allocated to Rumo Malha Norte concession upon the business combination of Rumo, which will be amortized in line with the term of this concession in 2079.

Impairment analysis

The Group 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, 2016, management identified external indicators of impairment, such as increase of the basic interest rate and reduction of the market value of the Group's shares that led to the performance of impairment test. Management did not identify any internal factors that could lead to a test since the Group (i) has reached the operating results of its business plan, (ii) there was no change in the use of assets (iii) did not identify obsolescence or physical damage to its assets or (iv) did not present performance decline in assets. The Group'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 Rumo Malha Paulista and Rumo 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 11 to 15% post taxes (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.

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

The result of the impairment test for each CGU is shown below:

	<u>Book value (a)</u>	<u>Recoverable amount</u>
North operations	15,300,645	26,159,997
South operations	2,404,578	2,795,083
Container operations	413,185	n/a (b)

(a) Includes property and equipment and intangible assets.

(b) The Container Operation did not present impairment indicators.

During the year ended December 31, 2016, none assets and goodwill had their consolidated value reduced by impairment. The determination of the recoverability of the assets depends on certain key assumptions as described above that are influenced by the market, technological, and economic conditions in force at the time that such recovery is tested and, therefore, it is not possible to determine whether new reduction losses recovery will occur in the future and, if they occur, whether these would be material.

13 Loans and borrowings

Description	Financial charges		Consolidated		Maturity date
	Index (i)	Average interest rate	December 31, 2016	December 31, 2015	
Loans and borrowings					
Commercial banks	Pre-fixed (US\$)	6.33%	86,140	3,898	2021
	CDI + 3.50% p.a.	18.12%	-	205,781	2016
	CDI + 4.91% p.a.	19.21%	163,815	195,632	2019
Finame (BNDES)	Pre-fixed	5.05%	1,232,984	1,016,060	2025
	URTJLP	11.40%	17	217	2017
Finem (BNDES)	Pre-fixed	3.52%	3,930	4,684	2024
	URTJLP	9.33%	2,663,459	2,851,793	2029
	IPCA	14.60%	3,453	4,152	2021
	Selic	13.65%	5,277	5,595	2020
FRN	Dollar (US\$) (ii)	2.63%	-	216,134	2016
Loan 4131	Dollar (US\$) (ii)	3.13%	-	315,910	2016
NCE	Dollar (US\$) (ii)	3.79%	-	126,669	2016
	CDI + 3.50% p.a.	17.61%	294,516	-	2018
	CDI + 3.47% p.a.	17.57%	80,486	-	2017
	112% of CDI	15.39%	120,069	406,805	2018
	129.62% of CDI	18.01%	552,576	304,644	2023
			5,206,722	5,657,974	
Debentures					
Convertible debentures	TJLP + 1.5%	9.01%	-	2,592	2016
Non-convertible debentures	108% of CDI	14.80%	350,852	526,285	2018
	Pre-fixed	13.13%	163,862	161,175	2020
	% Net revenue	-	-	30,315	2016
	CDI + 1.30% p.a.	15.11%	300,183	775,228	2017
	CDI + 3.50% p.a.	17.61%	2,347,271	-	2023
	CDI + 2.05% p.a	15.96%	154,285	1,431,607	2018
			3,316,453	2,927,202	
Total			8,523,175	8,585,176	
Current			1,467,725	1,444,063	
Non-current			7,055,450	7,141,113	

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- (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.

All loans and borrowings are secured by guarantees of the Group, 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 2.7% p.a. or by collateral (assets) and an escrow account. On December 31, 2016 the balance of bank guarantees contracted was R\$3,197,176 (R\$3,006,201 on December 31, 2015).

To calculate the average rates, average annual CDI of 14.06% and TJLP 7.5% were used.

Non-current loans have the following maturities:

	December 31, 2016	December 31, 2015
13 a 24 months	1,444,347	2,392,568
25 a 36 months	1,100,804	2,447,577
37 a 48 months	1,514,292	688,328
49 a 60 months	1,164,566	663,209
61 a 72 months	945,894	344,371
73 a 84 months	518,839	168,713
85 a 96 months	139,007	115,589
Thereafter	227,701	320,758
	7,055,450	7,141,113

The carrying amounts of loans and financing of the Group are denominated in these currencies:

	December 31, 2016	December 31, 2015
Brazilian Real	8,437,035	7,926,463
US Dollar	86,140	658,713
Total	8,523,175	8,585,176

Banco Nacional de Desenvolvimento Econômico e Social (“BNDES”)

Correspond to funds raised by the Group for the financing of expansion projects in the logistics segment and are allocated to investments in property and equipment and intangible assets. The agreements entered into have the Group's sureties, bank guarantees and the transfer of fiduciary ownership of the assets described in the respective contracts.

- **FINAME** - Financing of machinery and equipment, intermediated by several financial institutions, destined to investments in property and equipment. These loans are subject to interest payable monthly and are guaranteed by fiduciary disposal of the financed assets.

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

- **FINEM** - Financing of enterprises, intermediated by several financial institutions, destined to implantation, expansion, recovery and modernization of fixed assets. These loans are subject to interest payable monthly and are guaranteed by fiduciary disposal of the financed assets.

Floating Rate Note

Loan with variable interest rate related to a reference point, such as the rate of US Treasury Bonds, LIBOR, Fed Funds or the basic interest rate. They are issued primarily by financial institutions and governments and usually have two to five years to maturity.

4.131 Loan

Loan under Law No. 4131/62, related to funds raised abroad with several financial institutions, maturing until 2016, in order to finance the cash flow of the Group and its subsidiaries. To mitigate exchange rate risk and interest rate, derivative instruments were contracted whose interest rate changed to 84.3% of CDI.

The Group's contracts had financial restrictive clauses, net debt amounts divided by EBITDA, as well as the short-term indebtedness divided by total indebtedness.

Export Credit Note - ("NCE")

The credit notes were settled through export, by proving of transportation of the export product realized. As a contracting in the amount of US\$126,669, which included exchange variation of the US dollar and annual fixed interest of 3.40%, with final maturity in July 2016.

Debentures

On June 30, 2016, the subsidiary Rumo Malha Norte performed the Ninth issuance of debentures, not convertible into shares, unsecured, single series, totaling R\$2,433,269, maturing in June 2023. Debentures have personal guarantees provided by Rumo's subsidiaries. The proceeds were used in the process of re-profiling of part of the debts of the Group, maturing in the years 2016, 2017 and 2018.

Unused credit lines

At December 31, 2016, the Group had lines of credit for financing from BNDES, which were not used, totaling of R\$541,639 (R\$1,163,486 on December 31, 2015).

Covenants

The Group is 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 ratio in these contracts is up to 4.5x net comprehensive debt / EBITDA and minimum interest coverage ratio of 1.1x EBITDA / financial result, limits that were being serviced by the Group in the period ended on December 31, 2016. The limit reduces annually until it reaches 3.0x by 2021.

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On December 31, 2016, the Group did not have loans with the BNDES subject to covenants. This requirement has been replaced by bank guarantees.

14 Other taxes payable

	December 31, 2016	December 31, 2015
Tax on circulation of goods, transport services and communication ("ICMS")	2,407	2,254
National social security institute ("INSS")	5,930	6,701
Social integration program ("PIS")	988	201
Contribution to social security financing ("COFINS")	5,293	2,040
Tax amnesty and refinancing program ("Refis") (i)	23,709	25,252
Tax on services	3,364	9,756
Financial transaction tax	2,992	6,567
Other	5,131	6,343
	49,813	59,114
Current	32,757	33,017
Non-current	17,056	26,097

The maturing amounts in non-current liabilities have the following scheduled maturities:

	December 31, 2016	December 31, 2015
13 a 24 months	7,617	5,639
25 a 36 months	6,042	5,417
37 a 48 months	1,015	4,660
49 a 60 months	694	845
61 a 72 months	521	293
73 a 84 months	521	293
85 a 96 months	442	293
Thereafter	204	8,657
	17,056	26,097

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(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.

	Consolidated	
	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
Loss before income taxes	(768,282)	(133,541)
Income tax and social contribution expense at nominal rate (34%)	261,216	45,404
<i>Adjustments to determine the effective rate</i>		
Equity pick-up	2,850	3,796
Tax breaks	10,092	20,219
Unrecognized NOLs and temporary differences (i)	(225,484)	(97,339)
Other	(13,879)	(3,877)
Income (expense) tax and social contribution	34,795	(31,797)
Effective rate - %	4.53%	-23.81%

- (i) Refers mainly to tax losses and temporary differences of Rumo Malha Sul and Rumo 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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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

b) Deferred corporate income tax (IRPJ) and social contribution (CSLL) assets and liabilities

	December 31, 2016			December 31, 2015
	Basis	IRPJ	CSLL	
Tax losses:				
Tax losses carry forwards - income tax	6,014,829	1,503,707	-	1,286,558
Tax losses of social contribution	6,222,283	-	560,005	466,581
Temporary differences:				
Exchange variation - Cash basis	1,384	346	125	46,010
Derivatives	(3,013)	(753)	(271)	(33,954)
Accelerated depreciation	(68,495)	(17,124)	(6,165)	(76,182)
Tax goodwill amortized	(57,983)	(14,496)	(5,219)	27,913
Review of useful life	871,854	217,963	78,467	(47,595)
Business combination - Fixed assets	508,143	127,036	45,733	246,757
Business combination - Intangible assets	(7,586,019)	(1,896,505)	(682,742)	(2,605,229)
Impairment provision	854,324	213,581	76,889	350,325
Provision for judicial demands	623,730	155,932	56,136	190,552
Provision for non-performing tax	65,512	16,378	5,896	17,801
Provision for profit sharing	51,182	12,795	4,606	25,537
Capitalization of interest on loans	(955)	(239)	(86)	-
Allowance for doubtful accounts	53,305	13,326	4,797	16,985
(-) Unrecognized credits	(8,408,285)	(1,281,036)	(472,034)	(1,526,639)
Other	136,437	34,112	12,280	261,431
Total net liability	(721,767)	(914,977)	(321,583)	(1,353,149)
Deferred income tax - Assets			1,160,968	1,361,225
Deferred income tax - Liabilities			(2,397,528)	(2,714,374)
Total net deferred taxes			(1,236,560)	(1,353,149)

c) Changes in deferred taxes (net)

	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
At January 1	(1,353,149)	(1,340,779)
Income statement	111,503	(11,315)
Other	5,086	(1,055)
At December 31	(1,236,560)	(1,353,149)

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

16 Accounts payable - suppliers

	December 31, 2016	December 31, 2015
Material and services	404,657	276,821
Fuels and lubricants	706	3,535
Other	160,147	139,822
Total	565,510	420,178
Current	564,942	419,147
Non-current (i)	568	1,031

(i) Presented in the balance sheet under "other liabilities" in non-current liabilities.

17 Provision for judicial demands and judicial deposits

	Provision for judicial demands	
	December 31, 2016	December 31, 2015
Taxes	74,472	65,142
Civil, regulatory and environmental	154,187	122,604
Labor	278,363	302,838
	507,022	490,584

	Judicial deposits	
	December 31, 2016	December 31, 2015
Tax	25,115	23,304
Civil, regulatory and environmental	154,035	161,715
Labor	120,726	81,968
	299,876	266,987

Changes in the provision were:

	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2016	65,142	122,604	302,838	490,584
Additions	4,551	15,072	84,331	103,954
Settlement / Write-offs	(4,109)	(8,698)	(131,632)	(144,439)
Monetary restatement	8,888	25,209	22,826	56,923
At December 31, 2016	74,472	154,187	278,363	507,022

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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

a) Tax

Judicial claims deemed as probable losses:

	December 31, 2016	December 31, 2015
ICMS - Credit materials (i)	53,261	50,169
Compensation of PIS and COFINS	2,115	2,781
Other	19,096	12,192
	74,472	65,142

- (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:

	December 31, 2016	December 31, 2015
Foreign financial operations (i)	986,179	911,942
Capital gain Rumo (ii)	483,723	446,535
Isolated fine federal tax (iii)	397,441	258,391
ICMS - Export (iv)	189,313	134,732
MP 470 installment debts (v)	120,132	113,814
PIS/COFINS Mutual Traffic (vi)	38,285	92,680
Rumo Intermodal (vii)	81,247	76,914
PIS and COFINS	3,280	2,925
Withholding income tax ("IRRF") Swap (viii)	68,382	63,034
Stock option plan (ix)	62,216	57,554
PIS/COFINS Rumo Malha Sul (x)	-	50,265
Social Security Contributions (xi)	43,764	40,855
ICMS ALL Armazéns Gerais (xii)	60,029	53,713
IOF on loan (xiii)	54,896	49,844
IRPJ and CSLL (xiv)	283,678	65,206
ICMS TAD (xv)	58,236	102,878
Compensation with credit award (xvi)	38,505	-
Other	202,292	118,362
	3,171,598	2,639,644

- (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 CSLL calculation basis, using PIS and COFINS credits, (e) improper exclusion from taxable income and CSL calculation using deferred CSL.

- (ii) Gain capital Rumo: Tax assessment notices issued by the tax authorities in 2011 and 2013 against Rumo

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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) Isolated fine / PIS / COFINS / REPORTO: The Group was assessed due to the disregard of tax REPORTO 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.
- (iv) 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.
- (v) MP 470 installment payment of debts: The tax authorities rejected partially the installment requests for federal tax debts made by Rumo 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.
- (vi) PIS / COFINS Mutual Traffic: Tax authorities assessed the Rumo Malha Paulista for non-taxation of PIS and COFINS on revenues from mutual traffic and rite of passage billed against Rumo Malha Norte. The chance of loss is considered possible as tax already has been collected by the concessionaire responsible for transporting from origin.
- (vii) Rumo Intermodal: Tax assessment against Rumo 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.
- (viii) IRRF Swap: Rumo Malha Paulista had part of its credit balance used to offset income tax partly disallowed by the tax authorities on the grounds that the Group would not be entitled to offset withholding tax on swap operations.
- (ix) Stock option plan: Tax assessment notice issued by the federal tax authorities not paying social security contribution on the Group's stock option plans offered to its employees, based on the understanding that they had compensation nature for services rendered.
- (x) PIS / COFINS Rumo Malha Sul: In 2012, Rumo Malha Sul 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. Rumo Malha Sul appealed and is awaiting an administrative decision on the issue.
- (xi) Social Security Contributions: The federal tax authorities assessed the Rumo 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) ICMS ALL 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.
- (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.

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- (xiv) Income tax / social contribution - Labor provisions: Notice of violation requiring income tax and social contribution for the year 2009 on the grounds that Rumo would have excluded labor provisions from taxable income. Tax authorities understand labor provisions charges were made by Rumo without individualization processes (provisions and reversals), which would impact the tax calculation. The loss is possible, considering the statute of limitations and that Rumo complied with all tax rules relating to the addition and exclusion of provisions in the calculation of income tax and social contribution.

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.

- (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 Group, the products transported were properly supported by legal documents; therefore the assessments should not have occurred.

- (xvi) Compensation with premium credit: Rumo Malha Sul transmitted nineteen declarations of compensation ("DCOMP") through electronic system PERD/COMP, referring to "premium credit", using credit acquired from third parties (Fibra S.A. Indústria e Comércio and others). These DCOMPs because refer to third party credit and also to "premium credit", according to current legislation, were considered as not declared in a decision making process in the administrative process, with knowledge to the taxpayer on 09/24/2013. So the application of a fine of 75% in compliance with article 18, §4 of Law 10,833/2003. A Tax Enforcement Judgment is awaited (pre-judicial phase).

b) Civil, regulatory and environmental

Judicial claims deemed as possible losses:

	December 31, 2016	December 31, 2015
Civil (i)	1,513,003	1,252,681
Regulatory (ii)	397,414	339,267
Environmental (iii)	351,915	295,984
	2,262,332	1,887,932

- (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.

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c) Labor

Judicial claims deemed as possible losses:

	December 31, 2016	December 31, 2015
Labor (i)	<u>712,973</u>	<u>562,204</u>
	<u>712,973</u>	<u>562,204</u>

- (i) The Group 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

The Group has lease agreements, mainly for railcars and locomotives classified as finance leases.

	December 31, 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>	604,494	891,699	341,248	1,837,441	2,196,200
Rolling stock	573,809	802,308	240,602	1,616,719	1,953,414
Terminal	23,467	83,837	100,646	207,950	232,148
Other	7,218	5,554	-	12,772	10,638
<u>Interest in the installment</u>	(131,862)	(233,124)	(74,912)	(439,898)	(454,499)
Rolling stock	(115,582)	(190,524)	(52,052)	(358,158)	(357,416)
Terminal	(15,083)	(41,668)	(22,860)	(79,611)	(96,069)
Other	(1,197)	(932)	-	(2,129)	(1,014)
Present value of minimum payments	472,632	658,575	266,336	1,397,543	1,741,701
Current liabilities				472,632	539,615
Non-current liabilities				924,911	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 IGPM 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.

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Operating leases

	December 31, 2016				
	Total future minimum lease payments				December 31, 2015
Assets	Up to 1 year	From 1 to 5 years	Over 5 years	Total	Total
Locomotives	573	1,773	-	2,346	14,890
Rail cars	8,174	28,370	10,576	47,120	39,410
Total	8,747	30,143	10,576	49,466	54,300

Operating lease payments (rentals) are recognized as expenses on a straight line basis over the term of the contracts.

19 Lease and concessions

	December 31, 2016			December 31, 2015
	Leases	Concessions	Total	Total
<u>Amounts payables:</u>				
Rumo Malha Sul	42,582	31,125	73,707	65,905
Rumo Malha Paulista	32,684	20,295	52,979	24,944
	75,266	51,420	126,686	90,849
<u>Amounts under judicial discussions:</u>				
Rumo Malha Paulista	1,226,902	118,820	1,345,722	1,175,698
Rumo Malha Oeste	1,066,842	68,556	1,135,398	957,697
	2,293,744	187,376	2,481,120	2,133,395
Total	2,369,010	238,796	2,607,806	2,224,244
Current liabilities			27,662	20,205
Non-current liabilities			2,580,144	2,204,039
			2,607,806	2,224,244

Amounts under judicial discussion

The Group is challenging in court the economic and financial unbalance of certain leases and concession contracts.

In April 2004, Rumo 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 Group 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.

Rumo 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 Rumo. 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.

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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 Group 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 Group to perform the part of compensation of the amounts claimed in the match against presented debt. Nevertheless, the Group 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 Group's reimbursement rights.

Rumo 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 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 Group offered government securities (Treasury Bills - LFT) as an execution guarantee. In March 2008, the Group was authorized to replace the guarantee with a bank guarantee and in May 2008 the Group 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 Rumo 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 Group's reimbursement rights.

Judicial deposits at December 31, 2016 concerning the above claims totaled:

	December 31, 2016
Rumo Malha Paulista	118,820
Rumo Malha Oeste	19,464
	138,284

Judicial deposits are recorded in the line "regulatory" under Note 17.

20 Real estate credit certificates

The Group entered into rental contracts of terminals that have been securitized and transferred the rights of these credits, the balance of which is:

Terminal	Rate	Maturity	Start date	December 31, 2016	December 31, 2015
Terminal Intermodal de Tatui-SP	12.38% p.a.	March 31, 2018	February 29, 2008	31,805	55,753
Terminal de Alto Araguaia-MT	CDI + 2.6% p.a.	November 30, 2018	November 28, 2008	163,940	229,253
				195,745	285,006
Current liabilities				105,422	88,089
Non-current liabilities				90,323	196,917

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Non-current mortgage-backed securities have the following maturities:

	December 31, 2016	December 31, 2015
13 to 24 months	90,323	114,323
25 to 36 months	-	82,594
	90,323	196,917

21 Equity

a. Common stock

The common stock may be increased by up to 7,000,000,000 new shares, regardless of statutory reform, by resolution of the Board of Directors, which has the power to determine the number of shares to be issued, the issue price and other subscription and payment conditions of the shares within the authorized capital.

The subscribed and fully paid-in capital on December 31, 2016 is R\$7,014,897 and is represented by 1,339,015,898 common shares nominative, without nominal value.

Changes in share capital and the shares are as follows:

	Common stock	Ordinary shares
Balance at December 31, 2015	5,451,490	299,015,898
Capital increase (i)	2,600,000	1,040,000,000
Balance at December 30, 2016	8,051,490	1,339,015,898
Effect of corporate reorganization (ii)	(1,036,593)	-
Balance at December 31, 2016	7,014,897	1,339,015,898

- (i) Capital increase amounting R\$2,600,000 by the direct parent company Cosan Logística.
- (ii) Effect of corporate reorganization resulting from the merger of Rumo Logística by Rumo, as mentioned in note 1.

b. Other equity

	December 31, 2015	Comprehensive income		December 31, 2016
		Base	Net	
Foreign currency translation differences - equity - accounted investee	12,966	5,900	5,900	18,866
Defined benefit plan actuarial loss	-	(1,154)	(1,154)	(1,154)
Effect of corporate reorganization	-	(10,954)	(10,954)	(10,954)
Attributed cost	-	(269)	(269)	(269)
Total	12,966	(6,477)	(6,477)	6,489

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22 Earnings per share

Basic loss per share is calculated by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the income and number of shares for the impacts 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, 2016 and 2015:

Basic and diluted

	December 31, 2016	December 31, 2015
Numerator		
Net loss from the year	(743,096)	(158,407)
Denominator		
Weighted average number of common share	1,062,632	250,464
Basic loss per ordinary share	<u>(R\$0.699)</u>	<u>(R\$0.632)</u>
Diluted loss per ordinary share	<u>(R\$0.699)</u>	<u>(R\$0.632)</u>

Antidilutive instruments

The non-controlling interest of the direct 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 Rumo. The exchange ratio shall take into account the economic value for both Brado and Rumo shares. At the Group'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.

23 Stock option plan

2016 Plan

On December 21, 2016, a new Rumo's stock option plan model was approved at the Shareholders' Meeting, which became effective as of the granting, on January 2, 2017.

1,513,180 shares of the stock-based remuneration plan were issued, which will be transferred in full and free of charge after 5 years, from the approval of the grant, in a quantity adjusted by the number proportional to the dividends paid in the period, conditioned to the exercise of the functions of the beneficiary in Rumo, under the terms of each share granting program.

The Black and Scholes methodology was used to calculate the fair value of the shares granted under the terms of the stock-based remuneration plan, reflecting the determination of IFRS 2 - share-based payment. Given the characteristics of the plan, the fair value is equivalent to the value of the share on the grant date (R\$6.10).

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2015 Plan

On October 2, 2015, the Board of Directors of the Group 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 only 5 years and can exercise the options be done between October 1, 2020 and 2022.

The options may be exercised through the issue of new shares or treasury shares that Rumo 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 Group to exercise the options was determined based on the assumption that executives exercise their options shortly after the grace period.

Expected volatility - The Group 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 Group's business.

Free interest rate risk - The Group 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, 2016, R\$3.889 were recognized as an expenses (R\$635 on December 31, 2015). The expense to be recognized in the coming years amounting R\$8,808 at December 31, 2016 (R\$12.062 on 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	8.00
Options canceled	(325,000)	8.00
December 31, 2016	4,160,238	8.00

With the merger of Rumo Logística by Rumo, the shares of Rumo Logística were exchanged for shares of Rumo, that is, the beneficiaries of the shares of Rumo Logística became beneficiaries of Rumo.

Previous plan (Rumo old plan)

With the acquisition of Rumo (former ALL) by Rumo Logística, the stock option plan based on their existing stock was canceled and assumed by Rumo. With that the fair value of the options and assumed by Rumo was recalculated on the date of the acquisition on April 1, 2015. The total of 1,478,659 options were assumed by

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Rumo 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.

24 Operating net revenue

	December 31, 2016	December 31, 2015
Gross revenue from sales of services	5,496,948	4,402,867
Taxes and deductions over sales of services	(482,393)	(364,944)
Net revenue	5,014,555	4,037,923

Breakdown of net revenue by service:

	December 31, 2016	December 31, 2015
Elevation	308,589	239,115
Transport	4,448,420	3,572,524
Other	257,546	226,284
	5,014,555	4,037,923

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:

	December 31, 2016	December 31, 2015
Material use in providing service	(175,787)	(232,942)
Hired labor	(329,239)	(412,527)
Employee benefit expense	(705,672)	(537,861)
Transportation and elevation expenses	(1,317,073)	(914,388)
Depreciation and amortization	(1,120,019)	(616,528)
Lease and concessions	(201,553)	(141,010)
Operational lease	(43,046)	(18,135)
Other expenses	(221,136)	(184,516)
	(4,113,525)	(3,057,907)

b) Classified as:

Cost of services sold	(3,769,147)	(2,771,881)
Selling, general and administrative expenses	(344,378)	(286,026)
	(4,113,525)	(3,057,907)

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26 Financial result

	December 31, 2016	December 31, 2015
Cost of gross debt		
Interest on debts	(1,000,443)	(680,723)
Net exchange rate changes on debts	76,199	(190,410)
Gain (loss) from derivatives on debts	(100,536)	120,634
	(1,024,780)	(750,499)
Cash investment income	191,313	93,888
	191,313	93,888
Cost of debt, net	(833,467)	(656,611)
Other charges and monetary variations		
Interest on other receivables	81,659	50,716
Lease and concessions	(296,118)	(180,311)
Finance leases	(207,687)	(117,589)
Banking expenses and other	(190,537)	(92,313)
Real estate credit certificates	(39,671)	(52,494)
Interest on contingencies and commercial contracts	(117,806)	(98,817)
Other charges and monetary variations	(73,204)	(37,599)
	(843,364)	(528,407)
Finance result, net	(1,676,831)	(1,185,018)
Financial expenses	(1,947,537)	(1,260,933)
Financial income	295,199	145,691
Foreign exchange, net	76,049	(190,410)
Derivatives	(100,542)	120,634
Finance result, net	(1,676,831)	(1,185,018)

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27 Other income (expenses), net

	December 31, 2016	December 31, 2015
Provision for judicial demand	(19,483)	(16,401)
Revenue from rents and leases	2,889	2,760
Result on disposals of fixed assets and intangible assets	(11,796)	(3,536)
Expenses on acquiring new business (i)	-	(5,681)
Insurance claims recovery	12,794	28,776
Gain with pre-existing relationship settlement	-	29,838
Other income, net	14,734	24,541
	<u>(862)</u>	<u>60,297</u>

(i) The corresponding expenses correspond mainly to the operations related to the acquisition of control of Rumo (former ALL) by Rumo Logística.

28 Financial instruments

Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Group's exposure, to each of the above risks, the Group'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, 2016	December 31, 2015
Assets		
Available for sale		
Marketable securities	916,593	508,268
Fair value through profit or loss		
Cash and cash equivalents (Exclusive funds)	-	1,172
Derivate financial instruments	3,669	99,863
	<u>3,669</u>	<u>101,035</u>
Loans and receivables		
Cash and cash equivalents	260,527	71,816
Accounts receivable	431,461	165,671
Related parties	28,814	33,572
Restricted cash	200,999	200,893
	<u>921,801</u>	<u>471,952</u>
Total	<u>1,842,063</u>	<u>1,081,255</u>

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	December 31, 2016	December 31, 2015
Liabilities		
Liabilities from amortized cost		
Long-term debts	8,437,035	7,922,565
Finance leases	1,397,543	1,741,701
Real estate credit certificates	195,745	285,006
Accounts payable - suppliers	564,942	419,147
Other financial liabilities	177,569	236,698
Related parties	106,710	103,832
Dividends payable	6,729	8,270
Debt payment in installments - REFIS	23,709	25,252
	10,909,982	10,742,471
Fair value through profit or loss		
Long-term debts	86,140	662,611
Derivative financial instruments	12,303	1,780
	98,443	664,391
Total	11,008,425	11,406,862

During the year, there was no reclassification between the categories listed above.

Structure of risk management

Management is responsible for establishing and overseeing the Group's risk management framework. The Board of Directors follows the Risk Management through the Group'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 Group 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 Group'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 Group are 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 Group'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, 2016 and 2015, the fair values related to transactions involving derivative financial instruments to hedge risk exposure of the Group were using observable inputs such as quoted prices in active markets or flows discounted based on market curves and are presented next:

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Notional		Fair value	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Interest rate risk				
Swap contracts (interest / FX)	-	642,506	-	135,349
Swap contracts (interest)	171,606	182,892	(8,634)	(37,266)
	171,606	825,398	(8,634)	98,083
Total financial instruments	171,606	825,398	(8,634)	98,083
Assets			3,669	99,863
Liabilities			(12,303)	(1,780)

(a) Credit risk

	December 31, 2016	December 31, 2015
Cash and cash equivalents (ii)	260,527	72,988
Marketable securities (ii)	916,593	508,268
Restricted cash (ii)	200,999	200,893
Account receivables (i)	431,461	165,671
Related parties (i)	28,814	33,572
Derivative financial instruments (ii)	3,669	99,863
	1,842,063	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 Group 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 Group'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 Group's exposure to credit risk in relation to the balance sheet components as of December 31, 2016 and 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 accrued by the market and are arranged as follows:

	December 31, 2016
AA+	74,533
A+	20,964
AA-	1,286,291
At December 31, 2016	1,381,788

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

(b) Liquidity risk

Liquidity risk is the risk that the Group encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Group'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 Group.

The non-derivative financial liabilities of the Group sorted by due dates (based on undiscounted cash flows contracted) are as follows:

	December 31, 2016					December 31, 2015
	Up to 1 year	1 to 2 years	3 to 5 years	Over 5 years	Total	Total
Long-term debt	(2,339,995)	(2,236,226)	(5,195,933)	(2,202,859)	(11,975,013)	(10,836,875)
Accounts payable - suppliers	(564,942)	-	-	-	(564,942)	(419,147)
Other financial liabilities (i)	(177,569)	-	-	-	(177,569)	(236,698)
Debt payment in installments - REFIS	(7,515)	(7,237)	(7,727)	(2,604)	(25,083)	(30,026)
Finance leases	(588,428)	(349,744)	(563,007)	(323,711)	(1,824,890)	(2,132,455)
Real estate credit certificates	(138,824)	(104,804)	-	-	(243,628)	(382,559)
Payable to related parties	(106,710)	-	-	-	(106,710)	(103,832)
Dividends payable	(6,729)	-	-	-	(6,729)	(8,270)
Derivate financial instruments	(10,303)	(4,388)	(6,598)	-	(21,289)	(1,780)
	(3,941,015)	(2,702,399)	(5,773,265)	(2,529,174)	(14,945,853)	(14,151,642)

- (i) As of December 31, 2016, the consolidated balance anticipated by our suppliers with financial institutions was R\$177,569 (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 Group'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 Group uses derivatives to manage market risks. All these operations are conducted within the guidelines established by the risk management policy. Generally, the Group seeks to apply hedge accounting to manage the volatility in the result.

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

• Foreign exchange risk

On December 31, 2016 and 2015, the Company and its subsidiaries had the following net exposure to exchange rates on assets and liabilities denominated in US Dollars:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	16	3,784
Account receivables	-	2,115
Advance to suppliers	58,627	85,155
Accounts payable - suppliers	(21,707)	(15,894)
Advances from customers	-	(1,701)
Long-term debts	(86,140)	(658,713)
Derivative financial instruments (notional)	-	642,506
Foreign exchange exposure, net	(49,204)	57,252

Sensitivity analysis of changes in exchange rates:

The probable scenario was defined based on the U.S. Dollar market rates as at December 31, 2016, which determines the fair values of the derivatives at that date. Stressed scenarios (positive and negative effects, before tax effects) were defined based on changes of a 25% and 50% to the U.S. Dollar exchange rates used in the probable scenario.

Based on the financial instruments denominated in U.S. Dollars at December 31, 2016, the Group performed a sensitivity analysis by increasing and decreasing the exchange rate for R\$/US\$ by 25% and 50%. The probable scenario considers the estimated exchange rates at the due date of the transactions for the companies with functional currency Real (positive and negative, before tax effects), as follows:

Exchange rate sensitivity analysis (R\$/US\$) (R\$/€)						
	December 31, 2016	Scenarios				
		Probable	25%	50%	-25%	-50%
US Dollars	3.2591	3.6000	4.5000	5.4000	2.7000	1.8000

The external source used by the Group for market projections is Consultoria Tendências.

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	2	4	9	(4)	(9)
Advance to suppliers	USD fluctuation	6,132	16,190	32,380	(16,190)	(32,380)
Accounts payable - suppliers	USD fluctuation	(2,271)	(5,994)	(11,989)	5,994	11,989
Long-term debt	USD fluctuation	(9,010)	(23,788)	(47,575)	23,788	47,575
Impacts on profit or loss		(5,147)	(13,588)	(27,175)	13,588	27,175

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

• Interest rate risk

The Group 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:

Exposure interest rate ⁽ⁱ⁾	December 31, 2016				
	Probable	25%	50%	-25%	-50%
Cash and cash equivalents, Marketable securities and Restricted cash	131,982	32,996	65,991	(32,996)	(65,991)
Long-term debt	(824,626)	(206,157)	(412,313)	206,157	412,313
Derivative financial instruments	(14,692)	(3,673)	(7,346)	3,673	7,346
Real estate credit certificates	(31,013)	(7,753)	(15,507)	7,753	15,507
Finance leases	(88,905)	(22,226)	(44,453)	22,226	44,453
Impacts on profit or loss	(827,254)	(206,813)	(413,628)	206,813	413,628

(i) The rates of CDI and TJLP considered: 14.06% p.a. and 7.5% p.a., respectively, were obtained from information provided by the market.

The external source used by the Company for the sensitivity analysis is Consultoria Tendências.

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 Group enters 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.

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Financial assets of R\$3,669 and liabilities of R\$98,443 are measured at fair value according to Level 2, with no measurement at Level 3. Further Group's financial instruments are measured at amortized cost which approximates fair values at the reporting date.

The carrying amounts and fair values of financial assets and liabilities are as follows:

	Book value		Assets and liabilities measured at fair value					
			December 31, 2016			December 31, 2015		
	December 31, 2016	December 31, 2015	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents (Exclusive funds)	-	1,172	-	-	-	-	1,172	-
Derivative financial instruments	3,669	99,863	-	3,669	-	-	99,863	-
Total	3,669	101,035	-	3,669	-	-	101,035	-
Liabilities								
Long-term debts	-	(532,044)	-	-	-	-	(532,044)	-
Derivative financial instruments	(12,303)	(1,780)	-	(12,303)	-	-	(1,780)	-
Total	(12,303)	(533,824)	-	(12,303)	-	-	(533,824)	-

Hedge accounting of cash flow

The Group 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 Group'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 December 31, 2016 there are no transactions with derivative financial instruments designated in hedge accounting operations.

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 Group defines as result from operating activities divided by total shareholders' equity.

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

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).

Operational segments

- (i) North Operations: comprised of the railway operations, transshipment and port elevation in the areas of the Group's concession of Rumo, Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista.
- (ii) South Operations: comprised of the railway and transshipment in the concession area of Rumo Malha Sul and Rumo 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.

Results by segment	December 31, 2016			
	North Operations	South Operations	Container Operations	Consolidated
Net revenue	3,651,455	1,097,700	265,400	5,014,555
Cost of services	(2,175,147)	(1,272,600)	(321,400)	(3,769,147)
Gross profit	1,476,308	(174,900)	(56,000)	1,245,408
Gross margin (%)	40.4%	-15.9%	-21.1%	24.8%
Selling, general and administrative	(237,778)	(63,700)	(42,900)	(344,378)
Other income and equity	(1,081)	(7,100)	15,700	7,519
Depreciation and amortization	688,552	379,030	52,437	1,120,019
EBITDA	1,926,001	133,330	(30,763)	2,028,568
Margin EBITDA (%)	52.8%	12.1%	-11.6%	40.5%

Results by segment	December 31, 2015			
	North Operations	South Operations	Container Operations	Consolidated
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%	-27.1%	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%

RUMO Group

Notes to the consolidated financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

Main customers

North Operations

In the period ended on December 31, 2016, 16% of net operating revenue of this segment was to Bunge Alimentos client and no other client exceeded 10%. In the period ended on December 31, 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 period ended on December 31, 2016, 15.8% of net operating revenue of this segment was to Bunge Alimentos client and no other client exceeded 10%. In period ended on December 31, 2015, 14.9% of net operating revenue of this segment was to Bunge Alimentos client and 11.4% to Usina de Açúcar Santa Terezinha client and no other client exceeded 10%.

Container Operations

In the period ended on December 31, 2016, 13.9% of net operating revenues of this segment were to JBS, 9.6% to COFCO, 7.9% to ADM do Brasil and 6.7% to Eldorado client. In the period ended on December 31, 2015, 12.3% of net operating revenues of this segment were to JBS and 10.3% of ADM do Brasil.

30 Subsequent events

On February 2, 2017, through its subsidiary Rumo Luxembourg Sarl ("Rumo Luxembourg"), the Group issued debt securities in the international market, Senior Notes due 2024 ("2024 Notes") amounting US\$750,000, with maturity in February 2024 and interest of 7.375% per annum, payable semiannually.

The 2024 Notes were rated BB- by the rating agencies Standard & Poor's and Fitch Ratings. The Group will use the net proceeds from this funding for early settlement of debt as part of the Group's capital structure management process, with one of the objectives being to diversify the sources of financing of the Group's investment plan.

* * *

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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Independent auditors' report

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 Reals - 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					
Common stock	21	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 Reals – R\$, except earnings per share)

	Note	Parent Company		Consolidated	
		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	Total equity
	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	37,013	1,395,894
Profit for the period	-	-	-	-	114,527	114,527	152	114,679
Total comprehensive income for the period	-	-	-	-	114,527	114,527	152	114,679
Dividends write-off	-	-	-	98,334	-	98,334	-	98,334
Dividends	-	-	-	(250,000)	(27,200)	(277,200)	(99)	(277,299)
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)	(178,866)
Balance at December 31, 2014	1,099,746	(137,601)	30,212	302,185	-	1,294,542	37,066	1,331,608

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 for the period
				Legal	Retained earnings	
Balance at January 1, 2015	1,099,746	(137,601)	-	30,212	302,185	-
Loss for the period	-	-	-	-	-	(158,407)
Foreign currency translation differences	-	-	12,966	-	-	-
Total comprehensive income for the period	-	-	12,966	-	-	(158,407)
Capital increase (ALL acquisition)	4,351,744	(1,644,210)	-	-	-	-
Stock option plan	-	634	-	-	-	-
Absorption of accumulated losses with reserves	-	-	-	(30,212)	(29,385)	59,597
Dividends	-	-	-	-	(272,800)	-
Total transactions with owners of the Company	4,351,744	(1,643,576)	-	(30,212)	(302,185)	59,597
Balance at December 31, 2015	5,451,490	(1,781,177)	12,966	-	-	(98,810)

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 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 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		
<i>Direct</i>		
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%	-
<i>Indirect</i>		
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

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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>	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
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

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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
	<u>29,332</u>	<u>74,826</u>	<u>72,988</u>	<u>85,475</u>

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	-
	<u>22,013</u>	<u>65,988</u>	<u>30,797</u>	<u>76,397</u>
Bank investments				
Bank deposit certificates - CDB	-	-	25,728	-
Repurchase transactions	-	2,981	4,242	2,981
	-	2,981	29,970	2,981
	<u>22,013</u>	<u>68,969</u>	<u>60,767</u>	<u>79,378</u>

5 Marketable securities

	Consolidated	
	December 31, 2015	December 31, 2014
CDB investments linked to BNDES loans	234,764	-

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Government bonds	<u>273,504</u>	<u>-</u>
	<u>508,268</u>	<u>-</u>

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)
	<u>41,181</u>	<u>487,356</u>	<u>165,671</u>	<u>489,378</u>
Current	<u>41,181</u>	<u>40,663</u>	<u>144,535</u>	<u>42,685</u>
Non-current	<u>-</u>	<u>446,693</u>	<u>21,136</u>	<u>446,693</u>

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
	<u>41,181</u>	<u>487,356</u>	<u>165,671</u>	<u>489,378</u>

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

Rumo Logística Operadora Multimodal S.A.

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(Amounts in thousands of Brazilian Reals – R\$, unless otherwise stated)

Losses	<u>20,950</u>	<u>12</u>	<u>1,675</u>	<u>15</u>
At the end of the year	<u>(1,167)</u>	<u>(22,065)</u>	<u>(16,714)</u>	<u>(22,122)</u>

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
	<u>6,276</u>	<u>5,549</u>	<u>225,784</u>	<u>5,817</u>

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	-
	<u>6,341</u>	<u>-</u>	<u>766,473</u>	<u>-</u>
Current	<u>-</u>	<u>-</u>	<u>590,971</u>	<u>-</u>
Non-Current	<u>6,341</u>	<u>-</u>	<u>766,473</u>	<u>-</u>

(i) ICMS credit on the acquisition of inputs and diesel used in transport services.

(ii) ICMS credit arising from acquisition of fixed assets.

Rumo Logística Operadora Multimodal S.A.

Notes to the 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	
	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
	<u>513,149</u>	<u>284,258</u>	<u>417,735</u>	<u>288,008</u>
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)	-
	<u>(91,297)</u>	<u>(14,352)</u>	<u>(476,265)</u>	<u>(741)</u>
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)
	<u>(15,028)</u>	<u>(14,487)</u>	<u>(19,271)</u>	<u>(14,907)</u>
Financial result				
Rezende Barbosa S.A. Adm. e Participações	10	421	10	421
Raízen Energia S.A. and subsidiaries	(3)	15	(3)	15
	<u>7</u>	<u>436</u>	<u>7</u>	<u>436</u>

(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	
Subsidiaries									
Logispot Armazéns Gerais S.A.	2,040,816	1,040,816	51%	76,108	(139)	-	-	(100)	
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	(100)	

	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
Subsidiaries							
Logispot 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

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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)	-	(96)
América Latina Logística S.A (subsidiaries)	-	-	-	-	(6,797)	1,523	(3,511)
Total				37,066	(6,931)	1,523	(3,607)

	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, 2014
Logisport Armazéns Gerais S.A.	2,040,816	1,000,000	49.00%	37,013	152	(99)	37,066
Total				37,013	152	(99)	37,066

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Notes to the 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) / (ii)	Construction in progress	Track structure (i)	Other
Cost:						
At December 31, 2014	343,727	374,067	519,993	99,135	-	5,046
Additions	23,896	8,942	246,652	1,357,399	665	18,220
Business combination ALL	252,671	82,664	2,900,978	993,476	2,562,561	413,940
Disposals	-	(1,961)	(3,338)	-	(7,584)	(28,760)
Transfers	7,048	36,557	570,753	(1,684,724)	1,012,955	4,466
At December 31, 2015	627,342	500,269	4,235,038	765,286	3,568,597	412,912
Depreciation:						
At December 31, 2014	(68,207)	(131,081)	(55,688)	-	-	(2,537)
Additions	(22,370)	(59,339)	(149,211)	-	(227,466)	(39,913)
Disposals	-	1,270	781	-	280	872
Transfers	3,926	13,029	(44,568)	-	17,878	56,987
At December 31, 2015	(86,651)	(176,121)	(248,686)	-	(209,308)	15,409
At December 31, 2014	275,520	242,986	464,305	99,135	-	2,509
At December 31, 2015	540,691	324,148	3,986,352	765,286	3,359,289	428,321

- (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). Additions to 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 Teacú Armazéns Gerais S.A., merged b of direct subsidiary Logisport 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 on A

(iii) The expense is recognized in the income statement in cost of services, depreciation and amortization in the group, as described in Note 2

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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 Teagü 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:

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(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

	Financial charges		Parent Company		Consolidated		
Description	Index ⁽ⁱ⁾	Average interest rate	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	Maturity
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	

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Notes to the financial statements

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- (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.

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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
	<u>4,812</u>	<u>6,959</u>	<u>59,114</u>	<u>7,300</u>
Current	<u>4,812</u>	<u>6,959</u>	<u>33,017</u>	<u>7,300</u>
Non-current	<u>-</u>	<u>-</u>	<u>26,097</u>	<u>-</u>

(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	-
	<u>26,097</u>	<u>-</u>

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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.

Rumo Logística Operadora Multimodal S.A.

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				December 31,
	Basis	IRPJ	CSLL	Total	2014
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)	(65,020)
Tax goodwill amortized	(26,214)	(6,654)	(2,395)	(9,049)	8,398
Review of useful life	(139,987)	(34,997)	(12,599)	(47,596)	(41,669)
Business combination - Fixed assets	215	54	19	73	(405)
Business combination - Intangible assets	(238,710)	(59,678)	(21,484)	(81,162)	(85,154)
Provision for judicial demands	18,349	4,587	1,651	6,238	4,488
Provision for profit sharing	20,506	5,126	1,846	6,972	3,348
Allowance for doubtful accounts	1,167	292	105	397	7,502
Other	31,503	7,876	2,834	10,710	(1,335)
Total deferred tax liabilities	(436,902)	(124,702)	(21,487)	(146,189)	(169,847)

Rumo Logística Operadora Multimodal S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

	Consolidated				December 31, 2014
		December 31, 2015			
	Basis	IRPJ	CSLL	Total	
Tax losses:					
Tax losses carry forwards - income tax	5,146,230	1,286,558	-	1,286,558	572
Tax losses of social contribution	5,184,235	-	466,581	466,581	206
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)	(65,020)
Tax goodwill amortized	82,097	20,524	7,389	27,913	8,398
Review of useful life	(139,987)	(34,996)	(12,599)	(47,595)	(41,670)
Business combination - Fixed assets	725,755	181,439	65,318	246,757	(27,156)
Business combination - Intangible assets	(7,662,438)	(1,915,610)	(689,619)	(2,605,229)	(85,154)
Impairment provision	1,030,367	257,592	92,733	350,325	-
Provision for judicial demands	560,449	140,112	50,440	190,552	4,549
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	3,447
Allowance for doubtful accounts	49,956	12,489	4,496	16,985	7,522
(-) Unrecognized credits	(7,054,097)	(1,122,506)	(404,133)	(1,526,639)	-
Other	768,916	192,227	69,204	261,431	(1,417)
Total net liability	(1,428,938)	(1,012,278)	(340,872)	(1,353,149)	(195,723)
Deferred income tax – Assets				1,361,225	875
Deferred income tax – Liabilities				(2,714,374)	(196,598)
Total net deferred taxes				(1,353,149)	(195,723)

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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

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

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

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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Notes to the financial statements

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

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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(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

- (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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Notes to the financial statements

(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

(Amounts in thousands of Brazilian Reais – R\$, unless otherwise stated)

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

Assets	Total future minimum lease payments			
	Up to 1 year	From 1 to 5 years	Over 5 years	Total
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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	<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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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	-
	<u>(243,350)</u>	<u>(38,694)</u>	<u>(750,499)</u>	<u>(39,259)</u>
Cash investment income	7,280	29,578	93,888	29,873
	<u>7,280</u>	<u>29,578</u>	<u>93,888</u>	<u>29,873</u>
Cost of debt, net	<u>(236,070)</u>	<u>(9,116)</u>	<u>(656,611)</u>	<u>(9,386)</u>
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
	<u>(22,180)</u>	<u>(24,356)</u>	<u>(528,407)</u>	<u>(24,285)</u>
(=) Finance, net	<u>(258,250)</u>	<u>(33,472)</u>	<u>(1,185,018)</u>	<u>(33,671)</u>
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	<u>(258,250)</u>	<u>(33,472)</u>	<u>(1,185,018)</u>	<u>(33,671)</u>

- (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	1,780	-
	533,824	-
Total	11,406,862	975,195

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
	<u>1,081,255</u>	<u>587,545</u>

- (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\$)						
	Scenarios					
	December 31, 2015	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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Notes to the financial statements

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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.

* * *

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