

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (i) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) (WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT, AS AMENDED (THE “SECURITIES ACT”)) OR (ii) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM WHO ARE “QUALIFIED INVESTORS” AS DEFINED IN THE PROSPECTUS REGULATION (REGULATION 2017/1129, AS AMENDED) (“QUALIFIED INVESTORS”). IN ADDITION, IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO (I) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLES 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”) AND (II) HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, AND (III) OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER REFERRED TO AS “RELEVANT PERSONS”). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS AND/OR QUALIFIED INVESTORS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY IN THE UNITED KINGDOM, WITHIN THE MEANING OF SECTION 21 OF THE UK FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO US.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the notes, investors must be either (i) QIBs or (ii) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. This offering memorandum is being sent at your request and by accepting the email and accessing this offering memorandum, you shall be deemed to have represented to us that (i) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) and that the electronic mail address that you gave us and to which this offering memorandum has been delivered is not located in the United States, and (ii) you consent to delivery of such offering memorandum by electronic transmission.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the Issuer, the Guarantor, the initial purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

OFFERING MEMORANDUM**CONFIDENTIAL****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))*

5.250% Senior Notes due 2028

Unconditionally and Irrevocably Guaranteed by

Rumo S.A.

(a corporation incorporated under the laws of 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 5.250% senior notes due 2028, or the notes. Interest on the notes will accrue at a rate of 5.250% per year. The Issuer will pay interest on the notes in arrears on January 10 and July 10 of each year, commencing on January 10, 2021. The notes will mature on January 10, 2028.

The Issuer may, at its option, redeem the notes, in whole or in part, at any time prior to January 10, 2024, 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 10, 2024 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 July 10, 2023, the Issuer may, on any one or more occasions, redeem up to 35% of the notes at a redemption price of 105.250% 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. The Issuer 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 II (Directive 2014/65/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 16, 2019 on prospectuses for securities, as amended (the “Prospectus Law”).

Investing in the notes involves risks. See “Risk Factors” beginning on page 22.

Issue Price: 100.000% plus accrued interest, if any, from July 10, 2020.

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.”

We expect to deliver the notes 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 or about July 10, 2020.

Global coordinators

Itaú BBA**Morgan Stanley****Santander**

Joint Bookrunners

Bradesco BBI**BTG Pactual****Citigroup****Goldman Sachs & Co. LLC****J.P. Morgan**

The date of this offering memorandum is June 30, 2020.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to: (i) the “Issuer” refers to Rumo Luxembourg S.à r.l.; (ii) “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; (iii) the “Guarantor” refers to Rumo S.A. on an individual and non-consolidated basis; (iv) “Rumo Logística” refers to Rumo Logística Operadora Multimodal S.A.; (v) “Rumo Luxembourg” refers to Rumo Luxembourg S.à r.l.; (vi) “ALL” refers to ALL – América Latina Logística S.A.; (vii) “Malha Norte” refers to Rumo Malha Norte S.A.; (viii) “Malha Oeste” refers to Rumo Malha Oeste S.A.; (ix) “Malha Paulista” refers to Rumo Malha Paulista S.A.; (x) “Malha Sul” refers to Rumo Malha Sul S.A.; (xi) “Malha Central” refers to Rumo Malha Central S.A.; (xii) “ALL Intermodal” refers to ALL – America Latina Logística Intermodal S.A.; (xiii) “ALL Brasil” refers to ALL – America Latina Logística do Brasil S.A.; (xiv) “Brado Holding” refers to Brado Holding S.A.; (xv) “Brado Logística” refers to Brado Logística e Participações S.A.; (xvi) “Cosan Limited” refers to Cosan Logística’s parent company, Cosan Limited, a holding company incorporated under the laws of Bermuda, together with its consolidated subsidiaries; (xvii) “Cosan Logística” refers to Cosan Logística S.A., together with its consolidated subsidiaries and jointly controlled entities; and (xviii) “Cosan S.A.” refers to Cosan S.A.

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\$5.199 per U.S.\$1.00, the U.S. dollar selling rate as of March 31, 2020 as reported by the Central Bank. For more information, see “Exchange Rates.”

In this offering memorandum, references to the initial purchasers are to Itau BBA USA Securities, Inc., Morgan Stanley & Co. LLC, Santander Investment Securities Inc., Banco Bradesco BBI S.A., Banco BTG Pactual S.A.—Cayman Branch, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC.

We and the Issuer, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to them and us is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of

which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We and the Issuer accept responsibility accordingly.

We, the Issuer and the initial purchasers 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, the Issuer and the initial purchasers 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. This offering memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to acquire the notes. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto, is unauthorized, and any disclosure of any of its contents without the prior written consent of us and the Issuer is prohibited. Each offeree, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum in whole or in part. The Issuer and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum.

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 U.S. Bank National Association, as trustee, or the Trustee, to subscribe or purchase, any of the notes in any jurisdiction where such offer is not permitted. The distribution of this offering memorandum and the offering of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us, the Issuer, each of the initial purchasers and the Trustee to inform themselves about and to observe any such restrictions. None of us, the Issuer, nor any initial purchaser represents that this offering memorandum may be lawfully distributed, or that any notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us, the Issuer or any initial purchaser that is intended to permit a public offering of any notes or distribution of this offering memorandum in any jurisdiction where action for that purpose is required. Accordingly, no notes may be offered or sold, directly or indirectly, and neither this offering memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Notwithstanding anything set forth herein or in any other document related to the notes, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the

tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that we have provided to you relating to such tax treatment and tax structure.

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

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

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

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 effect 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 effect 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.

Notice to Investors within Brazil

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, or CVM Instruction No. 400, 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*), or the "CSSF," for purposes of public offering or sale in the Grand Duchy of Luxembourg, or 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 where the offer benefits from an exemption to or constitutes a transaction not otherwise subject to the requirement to publish a prospectus in accordance with Regulation (EU) 2017/1129 and the Prospectus Law.

Notice to Investors within the European Economic Area and the United Kingdom

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area or the United Kingdom (a “Relevant State”) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. Accordingly, any person making or intending to make an offer in that Relevant State of notes, which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. None of us, the Issuer or the initial purchasers have authorized, nor do we, the Issuer or the initial purchasers authorize, the making of any offer of notes in circumstances in which an obligation arises for us, the Issuer or the initial purchaser to publish or supplement a prospectus for such offer. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded). For the purposes of this offering memorandum, all references to EU Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

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 or the United Kingdom. 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”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. 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 or the United Kingdom has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

In addition, this offering memorandum does not constitute an offer of notes to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the notes. Consequently, this offering memorandum is being distributed only to, and is directed only at (i) persons who are outside the United Kingdom; (ii) persons who have professional experiences in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”); or (iii) high net worth entities falling within Article 49(2) of the Order, and other persons to whom it may be lawfully be communicated (all such persons together being referred to as “relevant persons”). In addition, this offering memorandum is, in any event only directed at persons who are “qualified investors” (within the meaning of Section 86(7) of the Financial Services and Markets Act 2000, as amended (the “FSMA”)). In the United Kingdom, any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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 (i) 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 (ii) 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 March 31, 2020, R\$5.199 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

The Issuer

Rumo S.A. is the direct parent of the Issuer, which is a special purpose finance subsidiary. The Issuer does not publish financial statements (other than in accordance with the Luxembourg law on commercial companies of August 10, 1915, as amended, or the Luxembourg Companies Act) and we have not included any financial statements of the Issuer in this offering memorandum. In addition, the Issuer does not intend to furnish to the Trustee or the holders of the notes any of its financial statements otherwise as required under Luxembourg law. The Issuer’s obligations under the notes will be fully and unconditionally guaranteed by the Guarantor.

The Guarantor

We maintain our books and records in *reais*, our functional currency. We have included elsewhere in this offering memorandum the following financial statements, which have been filed with the Brazilian Securities and Exchange Commission (CVM):

- our consolidated interim unaudited financial information as of March 31, 2020 and for the three months ended March 31, 2020 and 2019 prepared in accordance with Accounting Pronouncement NBC TG 21 – Demonstrações Intermediárias, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR);
- our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019 and 2018, together with the notes thereto, prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB, and in accordance with accounting practices adopted in Brazil; and
- our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2018 and 2017, together with the notes thereto, prepared in accordance with IFRS, as issued by the IASB, and in accordance with accounting practices adopted in Brazil.

For purposes of this offering memorandum references to our audited consolidated financial statements mean collectively (i) our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019 and 2018, together with the notes thereto, and (ii) our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2018 and 2017, together with the notes thereto.

As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee accounting model for leases on the lessee’s balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases.

Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease payments are allocated to liability. The finance cost is charged to profit or loss over the lease term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term.

We opted to use the modified retrospective approach, in which the cumulative effect of the initial adoption is recognized as an adjustment to the opening balance of the accumulated results on January 1, 2019. Therefore, the comparative information as of December 31, 2018 and 2017, or our 2018 and 2017 comparative information, included in our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019, 2018 and 2017, has not been restated and is presented as previously reported in accordance with IAS 17 and IFRIC 4. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Presentation and Accounting Policies—Adoption of IFRS 16." In the transition to IFRS 16, we recognized additional rights-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. See Note 2.4(v) to the financial statements as of and for the years ended December 31, 2019 and 2018. The impact on the transition is summarized below:

Balance Sheet	As of January 1, 2019
	(in R\$ millions)
Noncurrent assets	
Right-of-use assets	954.6
Provision for impairment	(131.5)
Deferred income tax and social contribution	41.7
Total noncurrent assets	864.7
Total assets	864.7
Current liabilities	
Lease liabilities	59.3
Total current liabilities	59.3
Noncurrent liabilities	
Lease liabilities	1,332.4
Leasing and concession.....	(51.6)
Total noncurrent liabilities	1,280.8
Total liabilities	1,340.1
Equity	
Accumulated losses	(475.4)
Total equity	(475.4)
Total liabilities and equity	864.7

You should read and analyze our financial information included in this offering memorandum in conjunction with our audited consolidated financial statements included elsewhere in this offering memorandum, as well as the sections "Summary Consolidated Financial and Other Information," "Selected Consolidated Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Operating Segments

Our management evaluates the performance of our operations in four segments:

- *Our Northern Operations:* comprised of railway, highway, transshipment and port elevation operations in our concession areas of Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista.
- *Our Southern Operations:* comprised of railway operations and transshipment in the concession areas of Rumo Malha Sul and Rumo Malha Oeste.
- *Our Central Operations:* comprised of railway operations and transshipment in our new concession area of Rumo Malha Central. We were awarded this concession in March 2019.

- *Our Container Operations*: comprised of the operations of Brado Logística, which focuses on container logistics, whether by rail or road transport, and the results of container operations on the networks.

We prepare our segment information in accordance with the same accounting practices used in the preparation of our consolidated financial information. For additional information on our operating segments, see note 3.2 to our unaudited consolidated interim financial statements for March 31, 2020 and 2019 and audited consolidated financial statements included in this offering memorandum.

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 *Estação da Luz Participações*, or EDLP, 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), 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 (i) EBITDA, Adjusted EBITDA, Adjusted EBITDA per segment, EBITDA Margin, Adjusted EBITDA Margin, Adjusted EBITDA Margin per segment, Net Debt, Working Capital and Net Adjusted Working Capital, in each case, on a consolidated basis, and (ii) Adjusted EBITDA and Adjusted EBITDA Margin for each of our operating segments, all of which are non-GAAP financial measures.

EBITDA measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net) and depreciation and amortization, pursuant to the definition used in CVM Instruction No. 527/2012. Adjusted EBITDA also measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net), depreciation and amortization and impairment. Adjusted EBITDA per segment is our Adjusted EBITDA calculated for each of our operating segments: (a) Adjusted EBITDA of the Northern Operations is calculated as result before financial results and income tax and social contribution of the Northern Operations plus depreciation and amortization of the Northern Operations and impairment of the Northern Operations, (b) Adjusted EBITDA of the Southern Operations is calculated as result before financial results and income tax and social contribution of the Southern Operations plus depreciation and amortization of the Southern Operations and impairment of the Southern Operations, (c) Adjusted EBITDA of the Container Operations is calculated as result before financial results and income tax and social contribution of the Container Operations plus depreciation and amortization of the Container Operations and impairment of the Container Operations, and (d) Adjusted EBITDA of the Central Operations is calculated as result before financial results and income tax and social contribution of the Central Operations plus depreciation and amortization of the Central Operations and impairment of the Central Operations.

We define (i) EBITDA Margin as EBITDA divided by net revenue, expressed as a percentage, (ii) Adjusted EBITDA Margin as Adjusted EBITDA divided by net revenue, expressed as a percentage, and (iii) Adjusted

EBITDA Margin per segment as Adjusted EBITDA per segment divided by the net revenue of the respective segment, expressed as a percentage: (a) Adjusted EBITDA Margin of the Northern Operations is calculated as Adjusted EBITDA of the Northern Operations divided by net revenue of the Northern Operations, expressed as a percentage, (b) Adjusted EBITDA Margin of the Southern Operations is calculated as Adjusted EBITDA of the Southern Operations divided by net revenue of the Southern Operations, expressed as a percentage, and (c) Adjusted EBITDA Margin of the Container Operations is calculated as Adjusted EBITDA of the Container Operations divided by net revenue of the Container Operations.

Net Debt measures our liquidity and is calculated as the sum of current and noncurrent loans, financing and debentures net of current and noncurrent derivative financial instruments, less cash and cash equivalents and marketable securities and restricted cash from bank debts and financings.

Working Capital measures our ability to pay our current liabilities with current assets and is calculated as the sum of total current assets less total current liabilities. Net Adjusted Working Capital strips away the elements of the Working Capital calculation that do not relate directly to our operations, allowing us to see how well our short-term assets and liabilities are being utilized to run our operations and represents Working Capital less cash and cash equivalents and marketable securities, plus current loans, financing and debentures and current derivative financial instruments.

Our management believes that EBITDA, Adjusted EBITDA, Adjusted EBITDA per segment, EBITDA Margin, Adjusted EBITDA Margin, Adjusted EBITDA Margin per segment, Net Debt, Working Capital 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, Adjusted EBITDA, Adjusted EBITDA per segment, EBITDA Margin, Adjusted EBITDA Margin, Adjusted EBITDA Margin per segment, Net Debt, Working Capital 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. Other companies may calculate these measures differently than we do, and therefore, our presentation may not be comparable to similarly titled measures of other companies. EBITDA, Adjusted EBITDA, Adjusted EBITDA per segment, EBITDA Margin, Adjusted EBITDA Margin, Adjusted EBITDA Margin per segment, Net Debt, Working Capital 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 needs and other commitments and contingencies.

For more information on the non-GAAP measures presented in this offering memorandum, see “Summary Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures,” “Selected Consolidated Financial and Other Information—Note Regarding Non-GAAP Financial Measures” and “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.

For a reconciliation of our result of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result and income tax and social contribution of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations.”

For a reconciliation of our result of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result and income tax and social contribution of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations.”

For a reconciliation of our result of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result

and income tax and social contribution of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations.”

For a reconciliation of our result of the Central Operations to Adjusted EBITDA of the Central Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result and income tax and social contribution of the Central Operations to Adjusted EBITDA of the Central Operations.”

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:

- the economic, financial and other effects of the recent outbreak of the 2019 novel strain of coronavirus, or COVID-19, particularly as such factors impact Brazil and the other markets in which we operate and continue to cause severe ongoing negative macroeconomic effects and disruptions to financial markets and the global economy, with a significant impact on the ability of businesses, including ours, to operate normally, thus heightening many of the other risks described in the “Risk Factors” section of this offering memorandum (for additional information, see “Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our business, operations and results may be adversely impacted by the COVID-19 pandemic” and “Summary—Recent Developments—COVID-19 Pandemic”);
- 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, compensation and retention of our “key employees”;
- events and risk perception in relation to corruption allegations involving several Brazilian companies and the impacts of such investigations on the Brazilian economy and political outlook as a whole and, particularly, on our principal shareholder, as well as, infighting within the administration of President Bolsonaro, as well as policies and potential changes to address these matters or otherwise, including economic and fiscal reforms and in response to the ongoing effects of the COVID-19 pandemic, any of which may negatively affect growth prospects in the Brazilian economy as a whole;
- 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 the notes that are offered hereby. This summary does not contain all of the information that an investor should consider before investing in the 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 “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 we are 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 Tocantins, Goiás, Mato Grosso, Mato Grosso do Sul 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 53% of Brazil’s GDP.

We own and operate a large asset base, including a rail network consisting of five concessions that extend over approximately 13,500 kilometers of railway lines, over 1,200 locomotives, over 33,000 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 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, making it possible to expand our operations and improve our logistics and other services. For example, we currently have a 10% equity interest in the Grain Terminal of Guarujá (TGG) in the port terminal in Santos, which is a significant port project.

The transportation of agricultural commodities, primarily for export, represented approximately 80% of our transported volume in the three months ended March 31, 2020 and 82%, 82% and 83% in the fiscal years ended December 31, 2019, 2018 and 2017, respectively, while transportation of industrial products represented approximately 20%, 18%, 18% and 17% of our transported volume in the same periods, respectively. Our transported volume derived from the transportation of grains (soybean, corn and soybean meal) represented 69% in the three months ended March 31, 2020 and 71%, 72% and 74% in the fiscal years ended December 31, 2019, 2018 and 2017, 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 Brazil. 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 four segments that correspond to the main markets in which we operate: (i) our north operations business 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 (State of São Paulo), (ii) our south operations business segment, or Southern Operations, comprising the Malha Oeste and Malha Sul rail concessions and our transshipment terminals located in the State of Paraná, (iii) our container operations business segment, or Container Operations, comprising the operations of Brado

Logística, and (iv) our Central Operations, comprising railway operations and transshipment in our new concession area of Rumo Malha Central.

In the three months ended March 31, 2020, we transported 12.3 billion revenue ton kilometers, or RTK, (9.9 billion RTK in agricultural products and 2.4 billion RTK in industrial products) compared to 13.3 billion RTK (10.8 billion RTK in agricultural products and 2.5 billion RTK in industrial products) in the three months ended March 31, 2019. Our average transportation yield for the three months ended March 31, 2020 and 2019 was R\$99.1 and R\$103.9 per 1,000 RTK, respectively.

In the fiscal year ended December 31, 2019, we transported 60.09 billion RTK (49.33 billion RTK in agricultural products and 10.76 billion RTK in industrial products) compared to 56.36 billion RTK (46.45 billion RTK in agricultural products and 9.91 billion RTK in industrial products) and 49.69 billion RTK (41.44 billion RTK in agricultural products and 8.25 billion RTK in industrial products) in the fiscal years ended December 31, 2018 and 2017, respectively. Our average transportation yield for the fiscal years ended December 31, 2019, 2018 and 2017 was R\$101.6, R\$100.7 and R\$96.2 per 1,000 RTK, respectively.

Northern Operations

Our Northern Operations comprise the concessions held by our subsidiaries Malha Norte and Malha Paulista, which terminate in May 2079 and December 2058 (including extended period), respectively. 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 (19.8%) 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 74% of our rail transportation volume in the three months ended in March 31, 2020 and 71%, 70% and 68% in the fiscal years ended December 31, 2019, 2018 and 2017, respectively.

In the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, our Northern Operations generated (i) net revenue from services of R\$1,085.0 million, R\$5,313.7 million, R\$4,913.4 million and R\$4,439.7 million, respectively, which accounted, in each period, for 76%, 75%, 75% and 75% of our total net revenue from services, (ii) result before financial results and income tax and social contribution of R\$268.9 million, R\$2,247.6 million, R\$1,973.8 million and R\$1,656.4 million, respectively, and (iii) gross profit of R\$390.1 million, R\$2,463.0 million, R\$2,170.0 million and R\$1,881.6 million in the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, respectively. In addition, our Northern Operations transported 9,080 million RTK, 42,485 million RTK, 39,308 million RTK and 33,932 million RTK in the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, respectively, representing approximately 74%, 71%, 70% and 68%, respectively, of the total volume transported by us in such years. In the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, our Adjusted EBITDA of the Northern Operations was R\$526.2 million, R\$3,273.7 million, R\$2,921.5 million and R\$2,493.3 million, respectively. See “Summary Consolidated Financial and Other Information—Other Consolidated Financial Information—Reconciliation of our results before financial result and income tax and social contribution of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations.”

In the three months ended March 31, 2020, we decreased port handling volumes by operations under our control at the port of Santos (Terminal 16 and Terminal 19) to approximately 2.5 million tons of agricultural commodities, a decrease of 9.8% compared to the three months ended March 31, 2019, primarily due to operational constraints caused by above-average rainfall in Santos (SP) in March 2020. In the fiscal year ended December 31, 2019, we decreased port handling volumes by operations under our control at the port of Santos (Terminal 16 and Terminal 19) to approximately 11.2 million tons of agricultural commodities, a decrease of 1.6% compared to the fiscal year ended December 31, 2019, primarily due to an unfavorable scenario for sugar exports. In the fiscal year ended December 31, 2018, there was a reduction in port handling volumes by operations under our control at the port of

Santos (Terminal 16 and Terminal 19) to approximately 11.4 million tons of agricultural commodities, a decrease of 13% compared to the fiscal year ended December 31, 2017 primarily due to less favorable conditions for sugar trading. 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 the concessions held by our subsidiaries Malha Oeste and Malha Sul, whose railways encompass the States of Mato Grosso do Sul, Paraná, Santa Catarina and Rio Grande do Sul. These two concessions terminate on June 2026 and February 2027, respectively. 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 three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, our Southern Operations generated (i) net revenue from services of R\$267.9 million, R\$1,478.3 million, R\$1,412.3 million and R\$1,283.1 million, respectively, which accounted for 19%, 21%, 21% and 22% of our net total revenue from services in the fiscal years ended December 31, 2019, 2018 and 2017, respectively, (ii) negative result before financial results and income tax and social contribution of R\$61.1 million, R\$18.0 million, R\$168.1 million and R\$140.5 million, respectively, and (iii) gross loss of R\$35.5 million in the three months ended March 31, 2020, a gross profit of R\$36.0 million, gross loss of R\$8.7 million and gross loss of R\$73.6 million in the fiscal years ended December 31, 2019, 2018 and 2017, respectively. In the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, our Adjusted EBITDA for the Southern Operations was R\$58.7 million, R\$553.5 million, R\$319.6 million and R\$301.0 million, respectively. See "Summary Consolidated Financial and Other Information—Other Consolidated Financial Information—Reconciliation of our results before financial result and income tax and social contribution of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations."

The volume transported by our Southern Operations in the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017 was 2,530 million RTK, 14,483 million RTK, 14,752 million RTK and 13,994 million RTK, respectively, which amounted to 21%, 24%, 26% and 28% of the total volume transported by us in such periods. Our Southern Operations' main customers include Santa Terezinha and Bunge.

Central Operations

On March 28, 2019, we won the tender No. 02/2018 organized by ANTT to operate the railway network located between the cities of Porto Nacional, in the state of Tocantins, and Estrela d'Oeste, in the state of São Paulo, or the Ferrovia Norte Sul Tramo Central, for 30 years. Our bid was of R\$2,719.5 million. On July 31, 2019, we entered into a sub-concession agreement with ANTT and Valec Engenharia, Construções e Ferrovias S.A. allowing Malha Central to explore for 30 years the activities of rail freight transport and operate the Ferrovia Norte Sul Tramo Central. In the three months ended March 31, 2020, our Central Operations (i) did not generate net revenue from services, (ii) had negative result before financial results and income tax and social contribution of R\$36.2 million, mainly due to general and administrative expenses and depreciation, and (iii) had a negative Adjusted EBITDA of the Central Operations of R\$12.0 million. Our Central Operations (i) did not generate net revenue from services in 2019 as it is in its pre-operating phase, (ii) had negative result before financial results and income tax and social contribution of R\$67.9 million, mainly due to fixed costs, and (iii) had a negative Adjusted EBITDA of the Central Operations of R\$27.4 million. See "Summary Consolidated Financial and Other Information—Other Consolidated Financial Information—Reconciliation of our results before financial result and income tax and social contribution of the Central Operations to Adjusted EBITDA of the Central Operations."

Container Operations

Our Container Operations comprise our container operations and the operations of Brado Logística, in which we own an indirect equity interest of 62.22%. Our Container Operations transport agricultural products, in addition to industrial products. In the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019,

2018 and 2017, our Container Operations generated (i) net revenue from services of R\$70.7 million, R\$295.8 million, R\$259.2 million and R\$223.4 million, respectively, accounting for 5.0%, 4.2%, 3.9% and 3.8%, respectively, of our total net revenue from services, (ii) negative result before financial results and income tax and social contribution of R\$13.4 million, R\$48.5 million, R\$54.9 million and R\$100.6 million, respectively, and (iii) positive Adjusted EBITDA of the Container Operations was R\$4.4 million for the three months ended March 31, 2020 and R\$29.6 million and R\$0.9 million for the fiscal years ended December 31, 2019 and 2018, respectively, in each case resulting from increases in transported volumes. While in the fiscal year ended December 31, 2017, we recorded negative Adjusted EBITDA of the Container Operations of R\$37.3 million. See “Summary Consolidated Financial and Other Information—Other Consolidated Financial Information—Reconciliation of our results before financial result and income tax and social contribution of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations.”

Our Container Operations recorded a gross loss (sum of net revenue and cost of services) of R\$2.2 million in the three months ended March 31, 2020, a decrease of 85.4% in comparison to the three months ended March 31, 2019, reflecting our efforts to make this operation more profitable (compared to a gross loss of R\$20.0 million, R\$41.9 million and R\$82.6 million in the fiscal years ended December 31, 2019, 2018 and 2017, respectively). In addition, our Container Operations transported 687 million RTK in the three months ended March 31, 2020 and 2,766 million RTK, 2,303 million RTK and 1,764 million RTK in the fiscal years ended December 31, 2019, 2018 and 2017, representing 5.6%, 4.6%, 4.1% and 3.5% of the total volume transported by us in such periods, respectively.

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 (i) our terminal in Rondonópolis in the State of Mato Grosso to the port of Santos in the State of São Paulo, (ii) the terminals of Londrina and Maringá in the State of Paraná to the port of Paranaguá also in the State of Paraná, and (iii) 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 65% of Brazilian grain exports and 93% of Brazilian sugar exports in 2019, according to the MDIC. The states in which our rail network is located were responsible for 68% of Brazil’s grain production (including soybean and corn) in 2018, according to Conab, and accounted for approximately 53% of GDP generated in Brazil during 2018 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. We believe that 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 Transportation, Ports and Civil Aviation 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 more efficient due to lower yield that may be obtained due to larger transportation capacity.

Investments Focused on Cost Controls

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 old ones, which ultimately brings certain cost advantages such as reduced fuel consumption and maintenance costs. The purpose of our investment in rail tracks is to reduce our maintenance costs and maximize our transported volume.

In the three months ended March 31, 2020, we invested R\$561.1 million on the following: (i) investments to improve our permanent railways by replacing tracks and sleepers; (ii) expansion of yards for the 120-railcar train; and (iii) implementation of infrastructure improvements in the rail network operated by us.

In the fiscal year ended December 31, 2019, we invested R\$1,943.1 million on the following: (i) investments to improve our permanent railways by replacing tracks and sleepers; (ii) expansion of yards for the 120-railcar train; and (iii) implementation of infrastructure improvements in the rail network operated by us.

In the fiscal year ended December 31, 2018, we invested R\$1,996.7 million on the following: (i) investments to improve our permanent railways by replacing tracks and ties; (ii) investments in siding extensions preparing for 120-railcar trains; (iii) implementation of infrastructure improvements in the rail network operated by us; and (iv) expansion of yards and terminals to reduce train dwell time and increase operational productivity.

In the fiscal year ended December 31, 2017, we invested R\$2,045.4 million, respectively, on the following: (i) investments in the rail network operated by us; (ii) several initiatives implemented during the year to improve our permanent railways; (iii) acquisition of railcars and locomotives, as well as renovation of our fleet; and (iv) other initiatives.

The funds used by us for making capital expenditures are generated by our operating results and from financings and credit extended by private banks, as well as by government-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.

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 2019, 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 10 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;
- regeneration of restricted sections, extension of rail yards and construction of new rail yards; and
- 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 indebtedness could adversely affect our financial health and prevent us from fulfilling our indebtedness obligations, which would have a material adverse effect on us, our financial condition and reduce our ability to raise capital to finance our investments and operations and would adversely impact our ability to recover from economic changes.”

Recent Developments

2020 Cybersecurity Incident

Throughout March 2020, we suffered a ransomware cyberattack that caused a partial and temporary interruption of our operations. The affected entities within our group implemented their contingency plans, continued operating partially during the cyberattack, and progressively reconnected their operating systems following the attack.

Following the incident, we have taken certain additional preventative measures to reduce cyber risks, including engaging a company to carry out a forensic analysis of the cyberattack we suffered, which affected the data center located at our shared services center as well as user desktops and laptops connected to our network. Based on the experience and tools of the company we engaged, interviews with our information technology personnel and technical evidence present in the environment, we identified a number of servers to be examined in more detail. Although the entrance vector of the cyberattack could not be identified, the process and characteristics of the cyberattack could be satisfactorily identified. We believe this will assist us in reviewing our information technology systems to prevent further cyberattacks.

See also “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We were the target of a cybersecurity incident which disrupted our systems” and “Risk Factors—Risks Related to Our Business and Industries in which We Operate—We could be the target of attempted cyber threats in the future and they could adversely affect our business.”

Resignation of Director

On March 31, 2020, Sameh Fahmy resigned as a member of our board of directors and as an independent member of our audit committee, effective as of April 1, 2020. On April 20, 2020, Luis Henrique Cals de Beuclair Guimarães was elected as a member of our board of directors.

April Debentures

On April 15, 2020, we issued debentures due 2030 in the aggregate principal amount of R\$800.0 million, which accrue interest at the cumulative variations of the IPCA plus 6.7961% per year paid semiannually. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Material Financing Agreements—April Debentures.”

Malha Paulista Concession Agreement

On May 27, 2020, we entered into an amendment to the concession agreement relating to Malha Paulista with the ANTT. The amendment was reviewed and authorized by the TCU pursuant to a decision issued on May 20, 2020

(TC 009.032/2016-9). As a result, the term of the Malha Paulista concession was extended to 2058, provided that we comply with certain obligations. Furthermore, the new grant amount for the concession will be approximately R\$2.9 billion (as of December 2017) to be paid in quarterly installments over the course of the agreement's term (expiring on December 31, 2058), and investments to be made are estimated at R\$6.1 billion (as of December 2017) over the same period.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of a novel strain of coronavirus, COVID-19, a global pandemic. The COVID-19 pandemic and governmental responses to the pandemic have dramatically altered the global landscape and, in particular, have had since March 2020, and continue to have, a severe impact on global and Brazilian economic conditions, including:

- significant disruption and volatility in the financial markets;
- disruption of global supply chains;
- closures of many businesses, leading to loss of revenues and increased unemployment; and
- the institution of social distancing and sheltering-in-place requirements in Brazil, the United States and throughout Latin America and other countries.

If the pandemic is prolonged, the adverse impact on the Brazilian economy and worldwide could deepen.

We are closely monitoring the evolution of the COVID-19 pandemic in Brazil and globally, in order to take preventive measures to minimize the spread of the virus, ensure the continuity of operations and safeguard the health and safety of our personnel.

Based on the information available to us as of the date of this offering memorandum, we present below a summary of the main effects of the COVID-19 pandemic on our results of operations between March and June 2020 and measures taken by our crisis committee in response to such effects:

- Given that approximately 85% of our net revenue is generated by the transportation of cargo destined for export, we experienced an increase in the volume of soybeans transported following an increase in Brazilian grain exports that became more competitive due to the devaluation of the Brazilian *real*;
- Health and safety protocols have been improved and implemented with our employees and third parties as well as government authorities in our operation sites, providing protective equipment, food, and health staff to monitor and guide truckers, in a joint effort to minimize the spread of the pandemic;
- Our operations continued without interruption stemming from the restrictive measures imposed by the fight against the pandemic. The transport of products destined for export continues to register solid demand, while the portfolios with products associated with domestic consumption, mainly industrial products and fuels, registered a reduction in demand; and
- We continue to strengthen our cash position through new funding. Since March 31, 2020, we entered into financing agreements in an aggregate amount of R\$2,535.0 million. For further information on our new financing agreements, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Overview—Liquidity and Cash Position.”

See also “Risk Factors—Risks Related to Our Business and Industries in Which We Operate—Our business, operations and results may be adversely impacted by the COVID-19 pandemic.”

As of the date of this offering memorandum, our management expects that we will be able to comply with all of our financial commitments.

The Issuer

Rumo Luxembourg S.à r.l. is a wholly-owned subsidiary of Rumo and was incorporated under the laws of the Grand Duchy 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. See “The Issuer.”

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,” our consolidated interim unaudited financial information and our audited consolidated financial statements and related notes included elsewhere in this offering memorandum. 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 and registered with the Luxembourg Register of Commerce and Companies under number B 210069.
Guarantor.....	Rumo S.A. will fully, 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	Itau BBA USA Securities, Inc., Morgan Stanley & Co. LLC, Santander Investment Securities Inc., Banco Bradesco BBI S.A., Banco BTG Pactual S.A.—Cayman Branch, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC.
Notes Offered	U.S.\$500,000,000 aggregate principal amount of 5.250% senior notes.
Issue Price	100.000% of the aggregate principal amount plus accrued interest, if any, from July 10, 2020.
Issue Date	July 10, 2020.
Maturity Date	January 10, 2028.
Interest	The notes will bear interest from July 10, 2020 at the annual rate of 5.250%, payable semi-annually in arrears on each interest payment date.
Interest Payment Dates	Interest on the notes will be payable in arrears on January 10 and July 10 of each year, commencing on January 10, 2021.
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

The notes will be guaranteed on an unsecured basis by the Guarantor. The guarantee will be an unsecured obligation of the Guarantor and will rank equally in right of payment with the Guarantor'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 the Guarantor's secured indebtedness to the extent of such security and effectively subordinated to the liabilities of the Guarantor's 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).

As of March 31, 2020, our unconsolidated loans, bank debts and financing amounted to R\$3,444.7 million, which represented 23.2% of our consolidated indebtedness, and our unconsolidated loans, bank debts and financing with third parties (excluding intragroup indebtedness) amounted to R\$2,668.6 million, which represented 18.0% of our consolidated indebtedness. Indebtedness means the sum of current and noncurrent loans, financing and debentures and current and noncurrent derivative financial instruments (excluding leases).

Optional Redemption with a Make-Whole

Prior to January 10, 2024, 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 "make whole" premium, as described in this offering memorandum, plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of the holders of the notes on the relevant record date to receive interest due on the relevant interest payment date). In the case of any partial redemption of notes pursuant to this provision, at least U.S.\$100.0 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by us or our affiliates).

Optional Redemption without a Make-Whole

On and after January 10, 2024, 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).

Optional Redemption upon Eligible Equity
Offering

At any time prior to July 10, 2023, the Issuer may, at its option, on one or more occasions redeem notes in an

	<p>aggregate principal amount not to exceed 35% of the aggregate principal amount of the outstanding notes (including any additional notes), at a redemption price (expressed as a percentage of principal amount) of 105.250%, plus accrued and unpaid interest to, but excluding, the redemption date, with the net cash proceeds from one or more equity offerings.</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 thereof, plus accrued and unpaid interest to, but excluding, the redemption date, and additional amounts, if any, 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. See “Description of Notes—Redemption—Optional Tax Redemption.”</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 Guarantor and its 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 as described elsewhere in this offering memorandum. For a detailed description of the notes and the exception and qualifications mentioned above, see “Description of Notes.”</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, and additional amounts, 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 in accordance with the Green Bond Framework as set forth in “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</p>

	Clearstream, and will trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of Notes—Depository Procedures."
Transfer Restrictions	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer, see "Transfer Restrictions."
Luxembourg Listing and Trading	There is currently no trading market for the notes. We will apply 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 this application will be accepted, or, if accepted, 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.
Ratings.....	The notes have been assigned a rating of BB- by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or S&P, and a rating of BB by Fitch Ratings Inc., or Fitch. These ratings are not a recommendation to purchase, hold or sell notes, and they do not comment as to market price or suitability for a particular investor. These ratings are based upon current information furnished to S&P and Fitch 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.
Governing Law	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.
Trustee, Principal Paying Agent, Registrar and Transfer Agent.....	U.S. Bank National Association
Selling Restrictions.....	There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in "Plan of Distribution."
Risk Factors	You should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under "Risk Factors" for a discussion of principal risks and uncertainties

relating to us, our subsidiaries, our business and an investment in the notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our consolidated financial information derived from (i) our consolidated interim unaudited financial information as of March 31, 2020 and for the three months ended March 31, 2020 and 2019, (ii) our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019 and 2018, together with the notes thereto, and (iii) our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2018 and 2017, together with the notes thereto, included elsewhere in this offering memorandum. You should read and analyze the information below in conjunction with our audited consolidated financial statements and related notes included elsewhere in this offering memorandum, as well as the sections “Presentation of Financial and Certain Other Information,” “Selected Consolidated Financial and Other Information” 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 Three Months Ended March 31,			As of and for the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)		(in R\$)		
	(in millions, except earnings per share or as otherwise indicated)					
Net revenue from services	273.8	1,423.6	1,634.9	7,087.8	6,584.9	5,946.3
Cost of services	(206.1)	(1,071.2)	(1,153.5)	(4,608.8)	(4,465.6)	(4,221.0)
Gross profit	67.8	352.4	481.5	2,479.0	2,119.3	1,725.4
Selling, General and Administrative	(20.2)	(104.8)	(85.5)	(363.6)	(313.4)	(311.0)
Other income (expenses), net	(17.7)	(91.9)	(21.5)	(24.1)	(65.3)	(3.3)
Operating expenses	(37.8)	(196.7)	(107.0)	(387.7)	(378.7)	(314.3)
Result before equity in earnings of investees and net financial result	29.9	155.7	374.4	2,091.3	1,740.6	1,411.1
Equity income on investments ...	0.5	2.4	4.8	21.9	10.2	4.2
Result before financial results and income tax and social contribution	30.4	158.1	379.2	2,113.2	1,750.7	1,415.3
Financial expenses	(87.9)	(456.8)	(343.4)	(1,871.2)	(1,518.1)	(1,896.3)
Financial income	7.0	36.4	41.8	202.5	224.0	258.9
Foreign exchange, net	(303.1)	(1,575.8)	(26.9)	(205.8)	(668.1)	(127.5)
Derivatives	281.9	1,465.5	4.0	676.4	752.9	100.1
Financial result, net	(102.1)	(530.7)	(324.5)	(1,198.1)	(1,209.3)	(1,664.9)
Result before income tax and social contribution	(71.7)	(372.6)	(54.7)	915.1	541.4	(249.5)
Income tax and social contribution	19.0	98.8	(27.8)	(129.3)	(268.4)	(8.9)
Current	(6.8)	(35.6)	(19.7)	(160.8)	(66.8)	(43.2)
Deferred	25.9	134.5	(8.1)	31.5	(201.6)	34.3
Result for the period/year	(52.7)	(273.8)	26.9	785.9	273.0	(258.4)
Total result attributable to:						
Owners of the Company	(52.4)	(272.6)	26.4	778.2	264.4	(260.8)
Noncontrolling interest	(0.2)	(1.2)	0.5	7.6	8.6	2.4
Basic income (loss) earnings per share	(0.034)	(0.175)	0.017	0.499	0.169	(0.188)
Diluted income (loss) earnings per share	(0.034)	(0.175)	0.017	0.498	0.169	(0.188)

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liability represent the future lease payments are allocated to the liability. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term. Given our option to use the initial application modified retrospective approach established in IFRS 16, our 2018 and 2017 comparative information has not been restated in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and, December 31, 2018 and 2017 and is reported under IAS 17 and IFRIC 4.

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 March 31,		As of December 31,		
	2020(1)	2020	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)	(in millions)		
Assets					
Current	932.1	4,846.0	4,949.6	4,074.0	4,406.7
Noncurrent	5,871.9	30,528.0	27,883.2	23,060.1	21,823.0
Total assets	6,803.5	35,374.1	32,832.8	27,134.1	26,229.5
Liabilities					
Current	634.7	3,299.9	3,037.2	2,473.3	3,511.9
Noncurrent	4,563.0	23,724.9	21,181.3	16,366.3	14,698.1
Total liabilities	5,197.7	27,024.8	24,218.5	18,839.5	18,210.3
Equity					
Share Capital	1,856.9	9,654.9	9,654.9	9,654.9	9,654.9
Capital reserve	476.2	2,475.9	2,472.6	2,462.0	2,459.9
Equity valuation adjustments	5.3	27.3	21.1	18.9	7.8
Profit reserve	58.8	305.7	305.7	266.8	253.6
Accumulated losses	(842.9)	(4,382.5)	(4,110.0)	(4,374.5)	(4,624.7)
Equity attributable to:					
Owners of the Company	1,554.3	8,081.2	8,344.3	8,028.1	7,751.5
Noncontrolling interests	51.6	268.1	270.0	266.4	267.9
Total equity	1,605.8	8,349.3	8,614.3	8,294.5	8,019.4
Total liabilities and equity	6,803.5	35,374.1	32,832.8	27,134.1	26,229.5

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset

and a corresponding liability at the date at which the leased asset is available for use. Lease liability represent the future lease payments are allocated to the liability. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term. Given our option to use the initial application modified retrospective approach established in IFRS 16, our 2018 and 2017 comparative information has not been restated in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and, December 31, 2018 and 2017 and is reported under IAS 17 and IFRIC 4.

Other Consolidated Financial Information

	As of March 31,		As of and for the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)		(in R\$)	
(in millions, except earnings per share or as otherwise indicated)					
Other Financial Data					
Depreciation and amortization.....	80.6	419.2	1,716.2	1,418.9	1,341.7
Adjusted EBITDA(3)	111.0	577.3	3,829.4	3,242.0	2,757.0
Working Capital(4).....	297.4	1,546.1	1,912.4	1,600.7	894.6
Cash Flow generated by (used in):					
Operating activities.....	4.9	25.4	3,524.8	2,704.7	2,311.2
Investing activities.....	170.9	888.3	(798.3)	(1,411.2)	(4,102.9)
Financing activities.....	57.5	298.8	(905.9)	(1,456.8)	(1,681.0)
Impact of exchange variation on cash and cash equivalents	0.3	1.4	0.9	126.8	28.1

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- (3) Adjusted EBITDA measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net) depreciation and amortization and impairment. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures." For a reconciliation of our consolidated result to Adjusted EBITDA, see "—Consolidated Non-GAAP Financial Measures—Reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin."
- (4) Working Capital measures our ability to pay our current liabilities with current assets and is calculated as the sum of total current assets less total current liabilities. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures."

Consolidated Non-GAAP Financial Measures

Reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin

The table below sets forth a reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin.

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				
Reconciliation of consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin(3)					
Result for the period/year	(52.7)	(273.8)	785.9	273.0	(258.4)
Income tax and social contribution...	(19.0)	(98.8)	129.2	268.4	8.9
Financial result, net	102.1	530.7	1,198.1	1,209.3	1,664.9
Depreciation and amortization.....	80.6	419.2	1,716.2	1,418.9	1,341.7
EBITDA(3)	111.0	577.3	3,829.4	3,169.6	2,757.0
Impairment	—	—	—	72.4	—
Adjusted EBITDA(3).....	111.0	577.3	3,829.4	3,242.0	2,757.0
Net revenue from services	273.8	1,423.6	7,087.8	6,584.9	5,946.3
EBITDA Margin(4)	40.55%	40.55%	54.03%	48.13%	46.37%
Adjusted EBITDA Margin(4).....	40.55%	40.55%	54.03%	49.23%	46.37%

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- (2) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liability represent the future lease payments are allocated to the liability. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term. Given our option to use the initial application modified retrospective approach established in IFRS 16, our 2018 and 2017 comparative information has not been restated in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and, December 31, 2018 and 2017 and is reported under IAS 17 and IFRIC 4.
- (3) EBITDA measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net) and depreciation and amortization. Adjusted EBITDA also measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net), depreciation and amortization and impairment. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures." For a reconciliation of our consolidated result to Adjusted EBITDA, see "—Consolidated Non-GAAP Financial Measures—Reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin."
- (4) We define (i) EBITDA Margin as EBITDA divided by net revenue, expressed as a percentage, and (ii) Adjusted EBITDA Margin as Adjusted EBITDA divided by net revenue, expressed as a percentage. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures."

Reconciliation of Net Debt

The table below sets forth a reconciliation of our Net Debt to our consolidated indebtedness.

	As of March 31,		As of December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)	(in millions)		
Reconciliation of Net Debt to indebtedness					
Loans, financing and debentures (current liabilities)	309.2	1,607.6	1,064.8	924.9	1,594.0
Loans, financing and debentures (noncurrent liabilities)	2,544.2	13,228.3	10,654.9	9,669.5	8,076.9
Derivative financial instruments (current and noncurrent liabilities).	—	—	0.5	—	—
Indebtedness(2)	2,853.4	14,835.9	11,720.2	10,594.4	9,670.9
Cash and cash equivalents	(611.1)	(3,176.9)	(1,963.0)	(141.5)	(178.0)
Marketable securities	(64.7)	(336.2)	(1,751.9)	(2,843.1)	(3,152.4)
Restricted cash(3)	(13.2)	(68.6)	(86.7)	(31.3)	(93.3)
Derivative financial instruments (current and noncurrent assets)	(763.9)	(3,971.9)	(1,624.0)	(892.5)	(110.1)
Total cash, cash equivalents and financial investments	(1,452.8)	(7,553.6)	(5,425.6)	(3,908.4)	(3,533.9)
Net Debt(4)	1,400.6	7,282.3	6,294.6	6,686.0	6,137.1

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- (2) Indebtedness means the sum of current and noncurrent loans, financing and debentures and current and noncurrent derivative financial instruments (excluding leases).
- (3) Investments linked to loans (restricted cash from bank debts).
- (4) Net Debt measures our liquidity and is calculated as the sum of current and noncurrent loans, financing and debentures, net of current and noncurrent derivative financial instruments, less cash and cash equivalents and marketable securities and restricted cash from bank debts and financings. See “Presentation of Financial and Certain Other Information.”

Reconciliation of Net Adjusted Working Capital

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

	As of March 31,		As of December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)	(in millions)		
Reconciliation of Net Adjusted Working Capital					
Current assets	932.1	4,846.0	4,949.6	4,074.0	4,406.7
Current liabilities	634.7	3,299.9	3,037.2	2,473.3	3,511.9
Working Capital(2)	297.4	1,546.1	1,912.4	1,600.7	894.8
Cash and cash equivalents	(611.1)	(3,176.9)	(1,963.0)	(141.5)	(178.0)
Marketable securities.....	64.7	(336.2)	(1,751.9)	(2,843.1)	(3,152.4)
Loans, financing and debentures (current liabilities)	309.2	1,607.6	1,064.8	924.9	1,594.0
Derivative financial instruments (current assets)	—	—	—	—	(0.7)

	As of March 31,		As of December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)	(in millions)	(in R\$)	
Net Adjusted Working Capital(3) ..	(69.2)	(359.4)	(737.7)	(459.0)	(842.3)

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- (2) Working Capital measures our ability to pay our current liabilities with current assets and is calculated as the sum of total current assets less total current liabilities. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”
- (3) Net Adjusted Working Capital strips away the elements of the Working Capital calculation that do not relate directly to our operations, allowing us to see how well our short-term assets and liabilities are being utilized to run our operations and represents Working Capital less cash and cash equivalents and marketable securities, plus current loans, financings and debentures and current derivative financial instruments, see “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”

For a reconciliation of our result per operating segment to Adjusted EBITDA and Adjusted EBITDA Margin, see “Selected Consolidated Financial and Other Information—Operating Segments Non-GAAP Financial Measures.”

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 business, operations and results may be adversely impacted by the COVID-19 pandemic.

The extent of the pandemic declared by the World Health Organization due to the spread of COVID-19, the perception of its effects, or the way in which the pandemic will impact our business depends on future developments, which are highly uncertain and unpredictable and could materially and adversely affect our business, financial condition, results of operations and cash flows. On March 11, 2020, the World Health Organization declared a pandemic due to the global spread of COVID-19, which was discovered in China in December 2019 and initially spread there. The spread of COVID-19 created macroeconomic uncertainties, volatility and significant disruptions on a world scale. In response, authorities around the world have implemented policies to prevent or delay the spread of the virus, such as temporary closings of a large number of corporate offices, retail stores, factories and other facilities, restrictions on the movement of goods and people, as well as social isolation, and these measures are currently in effect and may remain in effect for a significant period of time. These policies influenced the behavior of the population in general and our customers, in particular, resulting in a sharp drop or halt in the activities of companies in various sectors, including the sectors in which our principal customers operate. As a result, revenues from our operations may be negatively impacted for as long as the restrictions imposed in the jurisdictions in which we operate remain in effect.

In response to the COVID-19 pandemic, we have implemented several measures aimed at safeguarding the health of our employees and the stability of our operations and financial condition, including: (1) having our employees work remotely if able to do so, (2) following health and safety guidelines to protect employees in our essential operations who need to work onsite and (3) optimizing the use of contractors and employee hours.

The COVID-19 pandemic and associated impacts on economic activity had an adverse effect on our results of operations and financial condition since social distancing (staying home, avoiding going out on the streets, avoiding crowds, avoiding physical contact with other people, etc.) and related measures were issued in March 2020.

Despite the measures adopted to contain the spread of COVID-19 and aid measures announced by governments around the world, including the Brazilian government, as of the date of this offering memorandum, we cannot predict the extent, duration and impacts of such containment measures, or the results of aid measures in the countries that acquire products and agricultural commodities from Brazil. Accordingly, we cannot predict the direct and indirect effects of the COVID-19 pandemic and governments' responses to it on our financial condition, business, results of operations and financial condition, including: (1) trends and the overall economic outlook, capital, investments and financial resources or liquidity position; (2) how future operations could be impacted; (3) the impact on our costs or access to capital and funding resources; (4) whether we incur any material COVID-19-related contingencies; (5) how the COVID-19 pandemic could affect assets on our balance sheet and our ability to timely record those assets; (6) the anticipation of any material impairments, increases in allowances for credit losses, restructuring charges or other expenses; (7) any changes in accounting judgements that have had or are reasonably likely to have a material impact on our financial statements; (8) the total amount of the decline in demand for services (such as reduced demand for fuels and transportation of industrial products as a result of reduced economic activity); (9) the impact on our supply chain; (10) the impact on the relationship between costs and revenues; (11) general economic and social uncertainty, including increases in interest rates, variations in foreign exchange

rates, inflation (including potential deflation) and unemployment; (12) the impact of the COVID-19 pandemic on our ability to comply with the covenants under our indebtedness; and (13) other unforeseen impacts and consequences.

The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our clients, suppliers and employees, all of which are uncertain and cannot be predicted. The COVID-19 pandemic also poses risks that our employees, contractors, suppliers, customers and other business partners may be prevented from conducting business activities for an indefinite period of time, including shutdowns that may be requested or mandated by governmental authorities and could have a material adverse effect on our results of operations, financial condition and liquidity. Furthermore, to the extent the COVID-19 pandemic adversely affects our business, results of operations, financial condition and liquidity, it may also have the effect of heightening many of the other risks to which we are exposed, such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

The Brazilian federal government's response to the pandemic has been sharply criticized both within Brazil and internationally, with the destabilizing effects of the COVID-19 pandemic enhancing political uncertainty and stability in Brazil, particularly following the departure of several high profile federal ministers and corruption allegations against President Bolsonaro. For additional information, see "Risks Related to Brazil—Political instability in Brazil may adversely affect Brazil's economy and investment levels, and have a material adverse effect on us."

If the pandemic or the resulting economic downturn continues to worsen, we could experience loss of clients and higher levels of impairment of our financial and non-financial assets, which could have a material adverse effect on our balance sheet, results of operations and cash flows. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, clients, suppliers and shareholders.

See also "Summary—Recent Developments—COVID-19 Pandemic."

Our significant indebtedness could adversely affect our financial health and prevent us from fulfilling our indebtedness obligations, which would have a material adverse effect on us, our financial condition and 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 March 31, 2020, our indebtedness was R\$14,835.9 million (of which R\$1,607.6 million were short-term indebtedness). The increase in our indebtedness as of March 31, 2020 compared to December 31, 2019 is due to our crisis committee's response to COVID-19, through which we implemented measures to maintain our liquidity and financial health, by reinforcing our cash and reaching a comfortable position to overcome the challenges presented by this critical economic scenario. As of December 31, 2019 and 2018, our indebtedness was R\$11,720.2 million and R\$10,594.4 million, respectively (of which R\$1,064.8 million and R\$924.9 million, respectively, were short-term indebtedness). The increase in our indebtedness as of December 31, 2019 compared to December 31, 2018 is due to the fact that, on (i) March 19, 2019, we issued debentures due 2029 in an aggregate principal amount of R\$600 million, (ii) February 22, 2019, we issued debentures due 2029 in an aggregate principal amount of R\$500 million, and (iii) October 15, 2019, we issued debentures due 2029 in an aggregate principal amount of R\$1,129.1 million. Our indebtedness as of December 31, 2018 increased by 9.55% compared to our indebtedness as of December 31, 2017, due principally to the fact that, on January 18, 2018, Rumo Luxembourg issued 5.875% notes due 2025 in an aggregate principal amount of U.S.\$500 million.

Our indebtedness level and the composition of our indebtedness could have important consequences to our business. For example, it could: (i) require us to reserve a substantial part of our operational cash flows to pay principal and interest on our indebtedness, which will reduce the availability of our cash flow to fund Working Capital, capital expenditures, acquisitions and investments; (ii) limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; (iii) limit our ability to borrow additional funds, obtain bank guarantees or collateral insurance and generally increase our borrowing costs; and (iv) place us at a

competitive disadvantage compared to our competitors that have less indebtedness. Any of the aforementioned developments could have a material adverse effect on us, our financial condition and results of operations.

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

Our Net Adjusted Working Capital was negative R\$359.4 million as of March 31, 2020, negative R\$737.5 million as of December 31, 2019, negative R\$459.0 million as of December 31, 2018 and negative R\$842.3 million as of December 31, 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. For example, as of March 31, 2020 and December 31, 2019, our material contractual financial liabilities maturing in less than one year totaled R\$3,060.7 million (amortization and interest) and R\$3,379.1 million (amortization and interest), respectively, while such obligations with maturities between one to two years totaled R\$2,246.6 million and R\$2,027.7 million, respectively, based on our contracted undiscounted cash flow. 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 condition. 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—Material 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 condition.

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 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 participate 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, including as a result of the COVID-19 pandemic, could affect our ability to raise capital and materially and adversely affect our business.

Substantial volatility in the global capital markets, unavailability of financing in the global capital markets at reasonable rates and credit market disruptions have had a significant negative impact on financial markets, as well as on the global and domestic economies. In particular, the cost of financing in the global debt markets has increased substantially, greatly restricting the availability of funds in such markets. Further, volatility in the markets has led to increased costs for obtaining financing in the credit markets, as many creditors have raised interest rates, adopted more rigorous loan policies, reduced volume and, in some cases, ceased offering financing to borrowers on reasonable terms. If we are unable to obtain new financing or to refinance existing loans when necessary, or obtain or renew insurance guarantees on reasonable terms or at all, we may not be able to comply with our financial obligations or explore business opportunities. This would have a material adverse effect on our business, financial condition and results of operations.

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

We are subject to certain restrictive covenants relating to leverage levels and debt service coverage ratios in certain of our agreements. The most restrictive covenants provide for a (i) maximum leverage ratio of 3.6x (Net Debt/EBITDA/LTM) and (ii) debt service coverage ratio of at least 1.7x (EBITDA/financial result), which were the ratios in place for the fiscal year 2019. These ratios are further restricted annually reaching 3.0x (Net Debt/EBITDA/LTM) and least 2.0x (EBITDA/financial result) in 2021. For the purpose of these covenants, EBITDA and Net Debt are calculated as defined in the respective agreement, which definitions may differ from those included in “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.” As of March 31, 2020, we were in compliance with all these covenants.

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 (i) comply with the restrictive covenants in our credit agreements as a result of adverse conditions in our business environment, or (ii) 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 Financial Condition and Results of Operations—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: (i) our ability to attract new clients or increase volume from existing clients in specific markets and locations, (ii) our capacity to finance investments, (iii) our ability to increase our operational capacity and expand our current capacity to supply to new markets, and (iv) our ability to maintain and renew our existing concessions. In addition, the success of our business strategy is subject to factors outside of our control, including the risk of (i) crop failure, mainly due to climatic conditions; (ii) lack of farmers’ interest in planting, mainly related to exchange and international prices; and (iii) lack of railroad attractiveness versus other transportation modes. 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, including as a result of the COVID-19 pandemic, 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 condition, 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, Vétria Mineração S.A., or “Vétria,” a joint venture we incorporated in 2011 jointly with two other partners to develop integrated iron ore logistic activities from Corumbá (State of Mato Grosso) to Santos (State of São Paulo) has been wound up, but we remain liable (jointly with our former partners) as guarantors of certain debts owed to FINEP in connection with Vétria, as well as for any liabilities, which may arise regarding our time as partners in such 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, epidemics, 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), disease outbreaks, such as the COVID-19 pandemic, adverse weather conditions and natural disasters, such as floods, may result in the loss of revenues, assumption of liabilities or cost increases. We are also subject to stoppages and blockades of highways and other public roads, such as the truckers' strike in May 2018, when the Brazilian truck drivers started a national strike to claim reduction of taxes levied on diesel and changes in the fuel price policy in Brazil. Stoppages and blockages of highways and other public roads may adversely affect our business and results. 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.

Our assets may be encumbered if we are unable to comply with certain conditions related to the concession agreement of Ferrovia Norte Sul Tramo Central.

On March 28, 2019, we won the tender No. 02/2018 organized by ANTT to operate the railway network located between the cities of Porto Nacional, in the state of Tocantins, and Estrela d'Oeste, in the state of São Paulo, or the Ferrovia Norte Sul Tramo Central, for 30 years. On July 31, 2019, we entered into a sub-concession agreement with ANTT and Valec Engenharia, Construções e Ferrovias S.A. allowing Malha Central to explore for 30 years the activities of rail freight transport and operate the Ferrovia Norte Sul Tramo Central. If we are unable to comply with the obligations detailed in the tender notice for the Ferrovia Norte Sul Tramo Central our assets may be encumbered, which may adversely affect our financial condition and results of operations.

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 March 31, 2020 of R\$480.1 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 March 31, 2020, the amounts involved in these proceedings with a possible risk of loss totaled R\$6,997.2 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 public civil 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 to Malha Paulista’s contractor services, Prumo Engenharia. Prumo Engenharia assumed all labor and contractual liabilities and losses resulting from the alleged unlawful working conditions maintained by its subcontractors. Nonetheless, the Brazilian Ministry of Labor has imposed a fine and served an infraction notice on Malha Paulista in connection with the abovementioned allegations. Furthermore, Malha Paulista has been included in a list of employers that employ workers in a condition analogous to indentured servitude by the Brazilian Ministry of Labor, which was subjected to an injunction until a final and unappealable decision is issued. We estimate that the risk of loss in this proceeding is possible. An adverse outcome in this proceeding could result in losses of approximately R\$31.2 million, and adversely affect our business, financial condition and results of operations, including (i) the early repayment of amounts due under certain financial agreements to which we are a party, (ii) damages to our reputation and (iii) deterioration of the market price of the securities issued by us. For further information on this proceeding, see “Business—Legal and Administrative Proceedings—Labor Claims.”

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 our business, financial condition and operational results. 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 Ometto Silveira Mello, Chairman of our board of directors, is a defendant in criminal proceedings, in his capacity as an executive officer of other companies, relating to (i) pollution, in connection with the alleged burning of sugarcane in contravention of a judicial decision in a public civil class action and (ii) tax evasion, in connection with the alleged failure to adequately pay state value-added taxes (ICMS). 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 may be materially adversely affected. For additional information regarding these and other proceedings involving members of our management, see “Management—Legal Proceedings.”

Possible unfavorable developments or decisions in administrative proceedings conducted by ANTT may adversely affect our financial condition, results of operations and our reputation.

In September 2017, we were notified of the existence of preliminary investigations initiated by ANTT to verify alleged noncompliance with certain obligations set forth in the concession agreements of Malha Sul and Malha

Oeste. As a result of these investigations, ANTT established a deadline for Malha Sul and Malha Oeste to comply with their obligations set forth in the respective concession agreements.

On January 21, 2020, ANTT issued Ruling No. 38/2020 by means of which it started a formal administrative proceeding against Malha Oeste for alleged noncompliance with remedial measures previously imposed by ANTT in April 2019.

Any unfavorable final decision in these administrative proceedings may bring negative effects to us, including the potential declaration of forfeiture and/or the application of a penalty that may adversely affect our financial condition, results of operations and our reputation.

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.

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 Law No. 8,987 of February 13, 1995, or the “Concession Law,” concession agreements may be terminated as a consequence of: (i) expiration of the contractual term; (ii) expropriation of the port concessions in the public interest (i.e., *encampação*); (iii) forfeiture (*caducidade*); (iv) termination; (v) annulment; (vi) bankruptcy; or (vii) 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 in which 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: (i) 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; (ii) the concessionaire breaches contractual, regulatory or legal provisions concerning the concession; (iii) the concessionaire interrupts the service other than for acts of god or force majeure events; (iv) the concessionaire no longer possesses the economic, technical or operational conditions required to adequately render the services under the concession; and (v) 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 regard 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 Sul and Malha Oeste concession agreements, currently under review by the Brazilian Transportation Authority (Agência Nacional de Transporte Terrestre), or ANTT, which may have a material adverse effect on our investment plan and growth strategy.

The concession agreements for Malha Sul and Malha Oeste expire in 2027 and 2026, respectively.

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 rebidding if there is a breach of contract or if the concession holders are no longer capable of fulfilling 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 discourage potential noncompliance or delay in complying with obligations (such as the annual rebalancing discount and the additional grant payment).

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. For further information, see “Business—Rail Concession Agreements.”

We will incur additional liabilities due to the extension of the Malha Paulista concession agreement.

On May 27, 2020, we entered into an amendment to the concession agreement relating to Malha Paulista with the ANTT. The amendment was reviewed and authorized by the TCU pursuant to a decision issued on May 20, 2020 (TC 009.032/2016-9). As a result, the term of the Malha Paulista concession was extended to 2058, provided that we comply with certain obligations. Furthermore, the new grant amount for the concession will be approximately R\$2.9 billion (as of December 2017) to be paid in quarterly installments over the course of the agreement’s term (expiring on December 31, 2058), and investments to be made are estimated at R\$6.1 billion (as of December 2017) over the same period.

We expect to account for the concession extension under the guidance of IFRS 16, which is the standard we currently apply to account for the Malha Paulista concession. Under the provisions of IFRS 16 we expect to record a lease liability for the extended term of the concession and a corresponding right-of-use asset. In addition, future investments related to the concession agreement will be recorded as incurred.

We may be subject to stricter environmental requirements, which could have an adverse effect on our business.

In September 2016, the environmental agency of the State of São Paulo (*Companhia de Tecnologia de Saneamento Ambiental* or “CETESB”) 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. Our 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 our regularization plan presented to CETESB. If these amounts are significant, our business, operating results and financial condition could be materially and adversely affected.

We were granted a license waiver for the Santos Terminal. Before the publication of the Board Decision No. 210/2016/I/C, it had been determined that terminal licenses would be carried out by IBAMA. On August, 28, 2017, we filed with IBAMA all documentation necessary for the environmental characterization protocol, aiming for the regularization of the project. An inspection had been carried out and the terms of reference for the environmental regularization report draft, or RRA, and for risk management studies inherent to the activities developed by the enterprise had been issued. These documents were filed on December 21, 2018, and the environmental agency requested their complementation, which is in progress as of the date hereof. As of the date of this offering memorandum, the RRA is still waiting for the agency’s technical opinion.

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. At this time, we can neither predict the outcome of the criminal 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. The Federal Accounting Court (*Tribunal de Contas da União*), or the TCU, is also reviewing the investments made by FI-FGTS, in our subsidiary Brado Logística and in ALL. We have filed our counter argument, highlighting that the investment had a financial return that can justify it. As of the date of this offering memorandum, the TCU has not issued any decision on this investigation.

We may be subject to additional liabilities, including for example subsidiary or joint liability for the labor obligations of our contractors.

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 are also a 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. Rumo entered into 13 Conduct Adjustment Agreements and one settlement imposing obligations, such as certain conditions to be complied with in case of outsourcing activities in Malha Paulista, Malha Oeste and Malha Sul, including safety and working environment rules and standards issued by the Ministry of Economy, working hours, quota of handicapped workers and prevent hiring of underage workers. If we or our subsidiaries do not comply with those conditions, we may be held liable

and subject to fines. 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.

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 noteholders.

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 regard 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 noteholders.

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.

Fundo de Investimento do Fundo de Garantia do Tempo de Serviço, or "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., or "Brado Holding," 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 Holding: (i) shares as provided for in the Brado Shareholders' Agreement, or (ii) an amount corresponding to the market value of such shares. The exchange ratio would be based on the 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 us 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 the 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: (i) disbursement of material amounts by us, which may adversely affect our results of operations and financial condition; or (ii) 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 Bunge, Cargill, ADM, COFCO, ECTP and Amaggi. In the three months ended March 31, 2020, Bunge accounted for 11.8% of our total net revenue from services, while our six major clients accounted for 44.6% of our total net revenue from services. In the fiscal year ended December 31, 2019, Bunge accounted for 10.9% (13.9% in 2018) of our total net revenue from services, while our six major clients accounted for 45% (48% in 2018) of our total net revenue from services in the same period.

Our major clients in the rail sector are export companies such as Bunge, Cargill, ADM, ECTP, COFCO and Amaggi. In the three months ended March 31, 2020, Bunge accounted for 12.4% of our net revenue from services in the rail sector, while our six major clients in the rail sector jointly accounted for 46.3% of our net revenue from services in that sector. In the fiscal year ended December 31, 2019, Bunge accounted for 12.3% (15.6% in 2018) of our net revenue from services in the rail sector, while our six major clients in the rail sector accounted for 51.1% (53.9% in 2018) of our net revenue from services in that sector.

Our largest clients in the port elevation sector include Raízen, Engelhart, Sucre, COFCO, Czarnikow and Wilmar. In the three months ended March 31, 2020, Raízen and Engelhart accounted for 25.9% and 23.9%, respectively, of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector collectively accounted for 82.5% of our net revenue from services in that sector. In the fiscal year ended December 31, 2019, Engelhart and Raízen accounted for 22.8% and 13.6%, respectively, of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector accounted collectively for 70.0% 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 regard to export corridors.

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. Failure to renew or otherwise extend these agreements may adversely affect our business, financial condition and results of operations. For further information, see “Business—Operations—Major Clients.”

Downturns in certain cyclical market sectors in which our customers operate and seasonal trends 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 as a result of harvest seasonality), including the oil and gas and agricultural sectors.

Soybean harvests generally occur between January and May, corn harvests (mainly for export) generally occur between April and July and sugar harvests generally begin in April or May and end in November or December. 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 are also subject to the risk that sugarcane mills may change their production mix in favor of ethanol if the relative prices of the two products swing that way. This could reduce the demand for sugar logistics and transport.

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

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

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), 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 61.1% of Brazil’s production in 2018, while only 20.7% of that production was transported by rail and 13.6% 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.

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 upward or downward if there is a justified, permanent market and/or costs change that may alter the rail network concession agreements’ economic and financial balance, or as determined by the Brazilian government every five years. The mechanisms for restoring the financial balance are defined in Brazilian law or in the agreements and must be requested by the non-breaching party along with adequate economic evidence. Our tariffs are currently below the maximum tariff levels allowable under our concession agreements.

In 2012, the ANTT implemented a review of reference rates that altered the original methodology for defining such rates. The use of revised rate charts could affect our capacity to generate revenues, as such review revised most rates downward and established a cap for Malha Norte, which originally was not subject to a cap.

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

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

We lease 118,434.38 square meters of property located in the port of Santos (State of São Paulo), which has two docking cradles for loading sugar and solid agricultural bulk (corn and soy). We lease this property pursuant to lease agreement PRES-05/96, which matures on March 6, 2036. Pursuant to Article 57 of the Ports Modernization Law (Law No. 12,815/2013) and Article 19 of Decree No. 8,033/2013, recently amended by Decree No. 9,048/2017, lease agreements may be extended up to the limit of 70 years. Pursuant to the lease agreement, we have an obligation to make investments totaling an estimated amount of R\$308 million, of which approximately 92% has already been invested by us and/or our subsidiaries as of March 31, 2020.

We also hold equity interests in: (i) 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 2050; (ii) 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; (iii) 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 2027; and (iv) Terminal Marítimo do Guarujá (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 2027.

There is an ongoing legal proceeding regarding whether the lease agreements (as amended) relating to Terminal XXXIX, TGG and TERMAG should be subject to the public binding procedures. This proceeding is currently under appeal in the Brazilian superior courts (*Superior Tribunal de Justiça* and *Supremo Tribunal Federal*). With regard to

the Portofer lease agreement, there is a public civil action filed by the Brazilian Federal Prosecutors' Office, to challenge the legal validity of the agreement. See "Business—Legal and Administrative Proceedings—Civil, Regulatory and Environmental Claims."

If we fail to comply with the applicable regulatory rules or contractual obligations relating to Terminals 16 and 19, our lease may be terminated early pursuant to the Concession Law, 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 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: (i) the service is not being provided adequately (i.e., there has been a breach of the minimum transport requirements); (ii) failure to undertake the investments stipulated in the agreement; (iii) breach of contractual obligations; (iv) transfer of the agreement without prior consent from the granting authority; (v) obstruction of audits carried out by the granting authority; (vi) changes to the contractual objective; (vii) failure to maintain or conserve the leased facilities; (viii) default in financial obligations set out in the agreement; or (ix) loss by us of the economic, technical and operating conditions required for the adequate provision of services set out in the agreement. The forfeiture must be preceded by the verification of the default in an administrative proceeding in connection with which we have a right of defense;
- termination by the lessee in the event of breach of contractual provisions or rules established by the granting authority by means of judicial action for this specific purpose;
- annulment; and
- bankruptcy or extinction of the lessee.

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

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

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

Any of the aforementioned developments could have a material adverse effect on us, our financial condition and results of operations.

Lease Agreements with Expired Term and Undetermined Term

We lease a 47,011.60 square meters warehouse in Sumaré, State of São Paulo. Currently, the term of the lease agreement is expired but remain in force tacitly for an undetermined term. We cannot assure that these agreement will be renewed or that such renewal will be on favorable terms. Under Brazilian lease law, whenever a lease agreement is in force for an undetermined term or its term expired and remained in force tacitly for an undefined period, any party can terminate the lease agreement, upon a 30-day prior notice to the other party. Termination of such lease agreement would incur in relocation costs and loss of revenue during relocation. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to negotiate the renewal of the lease agreements.

Failure to comply with, obtain or renew the licenses and permits required for our business may have a material adverse effect on us.

We are required to obtain specific licenses with respect to our terminals from environmental authorities, which are required in connection with the emission, ejection and emanation of products and by-products resulting from distribution activities. The laws and regulations, which govern these licenses, may occasionally require us to purchase and install costly pollution-control equipment or to make operational changes to limit our impact on the environment and/or the health of our employees. Any failure to comply with the terms of such laws, regulations and licenses and permits may result in significant financial penalties, criminal sanctions, revocation of operating licenses and permits and/or the prohibition of certain of our activities.

In addition, we are currently in the process of obtaining or renewing, as the case may be, certain licenses and permits (including real estate and environmental 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 required for our business and operations.

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 regard to requirements for investments, expenses, determination of revenue, and the setting of tariffs in order to guarantee 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, Ports and Civil Aviation (currently known as the Brazilian Ministry of Infrastructure and acting as granting authority when the grants took place), later substituted by the ANTT after the enactment of 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: (i) amend the contracts unilaterally when in the public interest (while respecting the rights under the contract); (ii) unilaterally terminate the contracts in the instances provided for in Law No. 8,666/1993; (iii) supervise the execution of the contracts; and (iv) impose sanctions in the case of partial or complete noncompliance 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 (i) new obligations are imposed; (ii) 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 (iii) 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 and 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 condition, operational results 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 (up to the amount of R\$50 million), 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 three 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\$3.0 million and R\$2.2 million, respectively.

We depend on our information technology systems, and any failure of these systems could adversely affect our business.

We depend on information technology systems for significant elements of our operations, including the storage of data and retrieval of critical business information. Our information technology systems are vulnerable to damage from a variety of sources, including network failures, malicious human acts, natural disasters, sabotage, vandalism, terrorist attacks, software errors, malfunctions and/or physical or electronic intrusions, viruses, and malicious human acts generated by cyber criminals, which can result in fraud, theft and/or destruction of information in our systems. Although we have security measures in place to ensure the protection of our systems to the extent possible, they may not be effective in protecting against cyber-attacks and other breaches related to information technology systems.

We also have backup processes, business continuity plans and disaster recovery plans, but they may not cover all of these events and the systems used. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses, and similar disruptive problems. Failures or significant disruptions to our information technology systems or those used by our third-party service providers could prevent us from conducting our general business operations. Any disruption or loss of information technology systems on which critical aspects of our operations depend could have an adverse effect on our business, results of operations, and financial condition.

Further, we store highly confidential information on our information technology systems, including information related to our products, suppliers, employees and clients. If our servers or the servers of the third party on which our data is stored are attacked by a physical or electronic break-in, computer virus or any other malicious human action, our confidential information could be stolen or destroyed. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of third-party confidential information of our suppliers, customers, or others, whether by us or a third party, could (1) subject us to administrative, civil and criminal penalties, (2) have a negative impact on our reputation, or (3) expose us to liability to our suppliers, customers, other third parties or government authorities. Any of these developments could have an adverse impact on our business, financial condition and results of operations.

In addition, any failure of our information technology systems to operate effectively or integrate with other systems, or inadequate performance of, or breaches of security regarding, such systems could result in interruptions in the availability of our online resources, delays in delivering products or services and reduced efficiency in our operations. Each of these factors may adversely affect our businesses as well as their financial condition, results of operations and reputation. We also hold certain highly confidential personal and financial data relating to our customers in our information technology systems. Any failures in the information technology systems on which we depend or any breaches resulting in the unauthorized disclosure of the personal or financial data of our customers may adversely affect our business, financial condition, results of operation and reputation.

See also “—We were the target of a cybersecurity incident which disrupted our systems” and “—We could be the target of attempted cyber threats in the future and they could adversely affect our business.”

We were the target of a cybersecurity incident which disrupted our systems.

During the course of March 2020, we were subject to a ransomware cyberattack, which caused a partial and temporary interruption of our operations. The affected entities within our group implemented their contingency plans, continued operating partially during the cyberattack, and progressively reconnected their operating systems following the attack.

As a result of the incident, we may incur losses associated with anticipated claims by third parties, as well as fines, penalties and other sanctions imposed by regulators relating to or arising from the incident. We are not able to reliably forecast all of the losses that may occur as a result of the incident, and such excess losses could have a material adverse effect on our financial condition or results of operations in future periods.

Following the incident, we have taken certain additional preventative measures to reduce cyber risks. However, we cannot provide assurance that our security frameworks and measures will be successful in preventing future cyberattacks. In addition, we expect that the cost to obtain cyber liability insurance in the future should we wish to do so (we do not currently have cyber liability insurance) will be adversely affected by the incident.

Further, the incident may have a negative impact on our reputation and cause customers, suppliers and other third parties with whom we maintain relationships to lose confidence in us. We are unable to definitively determine the impact to these relationships and whether we will need to engage in any activities to rebuild them. The incident may also result in (i) administrative sanctions; (ii) contractual sanctions; and/or (iii) indemnities to the parties whose data was possibly involved in the incident, depending on the nature of the data affected by the incident.

See “Summary—Recent Developments—2020 Cybersecurity Incident” for further information.

We could be the target of attempted cyber-attacks in the future and they could adversely affect our business.

We face various cybersecurity risks, including but not limited to penetration of our information technology systems and platforms by ill-intentioned third parties, infiltration of malware (such as computer viruses) into our systems, contamination (whether intentional or accidental) of our networks and systems by third parties with whom we exchange data, unauthorized access to confidential customer and/or proprietary data by persons inside or outside our organization and cyberattacks causing systems degradation or service unavailability that may result in business losses.

We may be subject to potential fraud and theft by cyber criminals, who are becoming increasingly sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in our systems. We continuously monitor and develop our information technology networks and infrastructure. We also conduct annual tests to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact on us. However, we cannot assure you that these measures will be effective in protecting us against cyber-attacks and other related breaches of our information technology systems. The techniques used to obtain unauthorized, improper or illegal access to our systems, our data or our customers' data, to disable or degrade service, or to sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until used against a target. Unauthorized parties may attempt to gain access to our systems or facilities through various means, including, among others, hacking into our systems or those of our customers, partners or vendors, or attempting to fraudulently induce our employees, customers, partners, vendors or other users of our systems to disclose user names, passwords, financial information or other sensitive information, which may in turn be used to access our information technology systems. Certain third-party efforts to access our information technology systems may be supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. We have seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. Cyberattacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyberattacks could give rise to the disablement of our information technology systems, including systems used to service our customers. Any of these developments could have an adverse effect on our business, results of operations and financial condition.

Further, we store highly confidential information on our information technology systems, including personal data, financial information, and other types of information related to our products and customers. If our servers or the servers of the third parties on which our data is stored are the subject of a physical or electronic break-in, computer virus or other cyber risks, our confidential information could be stolen, rendered unavailable, devalued or destroyed. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our suppliers, customers, or others, whether by us or a third party, could (1) subject us to administrative, civil and criminal penalties, (2) have a negative impact on our reputation or (3) expose us to liability to our suppliers, customers, other third parties or government authorities.

If we fail to effectively manage our cybersecurity risk, for example, by failing to update our systems and processes in response to new threats, this could harm our reputation and adversely affect our operating results, financial condition and prospects through the payment of customer compensation, regulatory penalties and fines and/or the loss of assets. Furthermore, upon a failure to comply with applicable laws and regulations, we may be ordered to change our business practices, policies or systems in a manner that adversely impacts our operating results.

We may also be subject to the effects of cyberattacks against critical infrastructures of Brazil and the other countries in which we operate. Our information technology systems are dependent on such critical infrastructure, and any cyberattack against such critical infrastructure could negatively affect our ability to service our customers. As we do not operate such critical infrastructure, we have limited ability to protect our information technology systems from the adverse effects of cyberattacks.

We have recently conducted a cybersecurity-focused review of our information technology systems with the assistance of external consultants. In the course of this review, a number of vulnerabilities and opportunities for enhancement were identified with respect to our information technology systems, including vulnerabilities that, if left unresolved, have the potential to increase both the frequency and severity of losses and disruptions due to

cyberattacks. Although, as of the date of this offering memorandum, the majority of the vulnerabilities identified in our review have been addressed, our work is ongoing, and we face increased risks until we are able to resolve or mitigate the remaining vulnerabilities.

We cannot assure you that our information technology systems will not suffer attacks in the future or that we will be able to adequately safeguard the confidential information which we hold. If we fall victim to successful cyberattacks or experience cybersecurity incidents in the future, we may incur substantial costs and suffer other negative consequences, such as remediation costs (liabilities for stolen assets or information, or repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorized use of proprietary information or the failure to retain or attract customers following an attack, as already mentioned, litigation and legal risks, increased insurance premiums, reputational damage affecting our customers' and investors' confidence, as well as damage to our competitiveness, stock price and long-term shareholder value. Any failure by us to adequately protect our information technology systems and the confidential data which we hold could have a material adverse effect on our business, financial condition and results of operations.

It is important to highlight that even when a failure of or interruption in our systems or facilities is resolved in a timely manner or an attempted cyber incident or other security breach is successfully avoided or thwarted, substantial resources are normally expended in doing so, and we may be required to take actions that could adversely affect customer satisfaction or behavior, and that may also represent a threat to our reputation.

We are subject to the application of data protection laws. Compliance with such data protection laws could require changes to certain of our business practices, thereby increasing our costs, and noncompliance with the terms of such laws could adversely affect our business. In addition, we may be subject to penalties if we fail to comply with data protection rules.

We operate in a complex regulatory and legal environment that exposes us to compliance and litigation risks that could materially affect our business, financial condition and results of operations. These laws may change, sometimes significantly, as a result of political, economic or social events.

The European Union has adopted a comprehensive overhaul of its data protection regime from the current national legislative approach to a single European Economic Area Privacy Regulation, the General Data Protection Regulation, or the "GDPR," which came into effect in 2018, and some aspects of our operations or business are subject to the GDPR's privacy and personal data protection provisions. The EU data protection regime extends the scope of the EU data protection law to all foreign companies processing data of EU residents and imposes heightened requirements on controllers that engage in activities that are within the scope of this regulation. It imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide turnover or €20 million and, in the case of a data breach, the organization may be required to notify potentially affected individuals.

In addition, on August 14, 2018, the President of Brazil approved Law No. 13,709/2018, a comprehensive data protection law establishing general principles and obligations that apply across multiple economic sectors and contractual relationships (*Lei Geral de Proteção de Dados*), or the "LGPD." The LGPD establishes detailed rules for the collection, use, processing and storage of personal data and will affect all economic sectors, including the relationship between customers and suppliers of goods and services, employees and employers and other relationships in which personal data is collected, whether in a digital or physical environment. The data protection regime imposes more stringent data protection standards on Brazilian residents. Any breaches of the LGPD may subject us to penalties of up to R\$50 million and a requirement to notify parties whose data has been affected.

The obligations established by the LGPD would initially become effective in August 2020 (24 months from the date of its publication in August 2018), by which date all legal entities would be required to adapt their data processing activities to these new rules.

However, due to the recent developments of the COVID-19 pandemic, the president of Brazil issued Provisional Measure No. 959/2020 which postponed the effectiveness date of the LGPD to May 3, 2021. This provisional measure is effective for 60 days, extendable for an additional period of a single equal term. It is expected that the Brazilian congress will vote on this provisional measure to turn into a law. The administrative sanctions,

though, will only become enforceable as of August 1, 2021, since the president of Brazil approved, on June 10, 2020, the Law No. 14,010/2020, which among other measures, postpones the enforceability of the LGPD's administrative sanctions to August 1, 2021.

We are currently evaluating the GDPR, the LGPD, their requirements and their potential effect on our business. Implementation of the GDPR and the LGPD could require changes to certain of our business practices, thereby increasing our costs, and noncompliance with their terms could adversely affect our business. Moreover, additional data protection laws may be enacted in Brazil or in other jurisdictions in which we operate. Any such additional laws may require us to make additional changes to our business practices and may expose us to additional penalties for noncompliance. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

We are highly dependent on members of our management to develop and implement our strategy and to oversee our operations.

We are dependent upon our controlling shareholder, members of our senior management and certain members of our board of directors, especially with respect to business planning, strategy and operations. If any of these key members of our management leaves our Company, our business and financial performance may be negatively affected.

Risks Related to Brazil

Historically, the Brazilian government has influenced and continues to influence the economy in the country, which may negatively affect our business and financial performance.

Political and economic conditions directly affect our business and can result in a material adverse effect on our operations and financial condition. Macroeconomic policies imposed by the government can have significant impacts on Brazilian companies, including Cosan, Rumo and Comgás, as well as market conditions and securities prices in Brazil.

We conduct most of our operations in Brazil. The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil.

In recent years, there has been significant political turmoil in connection with the impeachment of Dilma Rousseff, the former president (who was removed from office in August 2016), and ongoing investigations of her successor, Michel Temer (who left office in January 2019), as part of the ongoing "Lava Jato" investigations. Presidential elections were held in Brazil in October 2018. 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, Jair Bolsonaro. We cannot predict which policies Jair Bolsonaro, who assumed office on January 1, 2019, 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 us. The political uncertainty resulting from the presidential elections and the transition to a new government may have an adverse effect on our business, results of operations and financial condition.

Our business, financial performance and prospects, as well as the market prices of our shares, may be adversely affected by, among others, the following factors:

- 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;
- oil and gas sector regulations, including price policies;
- ports, customs and tax authorities' strikes;
- changes in transportation market regulations;
- energy and water shortages and rationing;
- price increases of oil and other inputs;
- price instabilities;
- economic, political and social instability, including general strikes and mass demonstrations;
- disease outbreaks, such as the COVID-19 pandemic;
- fiscal policies; and
- other economic, political, diplomatic and social developments in or affecting Brazil.

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

These factors, as well as uncertainty as to whether the Brazilian government will apply changes to its policy or regulations that may affect any of the above mentioned factors or other factors in the future, can lead to economic uncertainty and increase the volatility of the capital markets and the securities issued by Brazilian companies. Changes in such policies and regulations may have a negative impact on our operating results and financial position and the price of the shares.

The levels of economic activity, reflected in Brazilian GDP, can influence our distributed volumes. The growth rates in natural gas consumption may occur primarily by substituting other resources, notably fuel oil, gasoline and to a lesser extent other products derived from oil, depending on the prices of each kind of fuel.

We, our subsidiaries and jointly controlled entities generally invoice our sales in *reais*, but a substantial portion of our, our subsidiaries' and jointly controlled entities' net sales is from export sales that are billed in U.S. dollars. At the same time, the majority of our, our subsidiaries' and jointly controlled entities' costs are denominated in *reais*. As a result, our operating margins are negatively affected when there is an appreciation of the *real* to the U.S. dollar. Additionally, we have indebtedness with fixed and floating rates, and we are thus exposed to the risk of fluctuations in interest rates. If there is an increase in interest rates, our financial results may be affected.

Political instability in Brazil may adversely affect Brazil's economy and investment levels, and have a material adverse effect on us.

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected and continue to affect the confidence of investors and the general public and have historically resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

The recent political and economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. Weak macroeconomic conditions in Brazil are expected to continue throughout 2020. In addition, various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigations known as "*Lava Jato*," "*Operação Zelotes*," "*Operação Greenfield*," "*Operação Eficiência*," have negatively impacted the Brazilian economy and political environment. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy.

Additionally, during the months of April and May 2020, the current president of Brazil became involved in controversial political discussions that culminated in the dismissal of the then Minister of Health, Luiz Henrique Mandetta and the resignation of the Minister of Justice, Sergio Moro. Such former ministers were considered important figures within the current Federal Government and the circumstances in which ministerial changes have occurred caused even more instability in the Brazilian economy and capital markets.

As of the date of this offering memorandum, President Jair Bolsonaro was being investigated by the Brazilian Supreme Federal Court (*Supremo Tribunal Federal*) for alleged improper acts disclosed by the former Minister of Justice, Mr. Sergio Moro. According to the former minister, the President sought the appointment of certain staff within the Brazilian federal police. If the President is found to have committed the alleged acts, any consequences arising from such investigation, including the initiation of a potential impeachment proceeding, may have material adverse effects on the political and economic environment in Brazil, as well as on Brazilian companies, including some of our subsidiaries.

We cannot predict whether the ongoing investigations will result in further political and economic instability, or if new allegations against government officials and/or executives of private companies will arise in the future.

A failure by the Brazilian government to implement necessary reforms may result in diminished confidence in the Brazilian government's budgetary condition and fiscal stance, which could result in downgrades of Brazil's sovereign foreign credit rating by credit rating agencies, negatively impact Brazil's economy, and lead to further depreciation of the *real* and an increase in inflation and interest rates, adversely affecting our business, financial condition and results of operations.

Any of the aforementioned developments may adversely affect our business, results of operations and financial condition, as well as on the price of our notes.

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

The recent economic and political instability in Brazil caused by the COVID-19 pandemic, a slowdown in GDP growth, uncertainty as to whether the Brazilian government will enact the necessary economic reforms to improve Brazil's deteriorating fiscal accounts and economy, and the COVID-19 pandemic has led to a decline in market confidence in the Brazilian economy and a government crisis, including B3's circuit breaker being triggered eight times in the month of March 2020 and the negative impact on assets valuation.

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. As has happened in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely

affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies.

We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our business. In addition, due to the current political instability, there exists substantial uncertainty regarding future economic policies and we cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and our securities. Any continued economic instability and political uncertainty may have a material adverse effect on 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, Brazil recorded deflation of 0.5% in 2017 and inflation of 7.5% and 7.3% in 2018 and 2019, respectively. 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 3.0% in 2017, 3.8% in 2018 and 4.3% in 2019.

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

Brazil may experience high levels of inflation in future periods. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which could lead to reduced demand for our products in Brazil and decreased net sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net revenue. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing any floating-rate *real*-denominated debt may increase, resulting in lower net revenue. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could affect our ability to refinance our indebtedness in those markets. Future Brazilian governmental actions, including interest rate decreases, intervention in the foreign exchange market and actions to adjust or fix the value of the *real*, may trigger increases in inflation and adversely affect the performance of the Brazilian economy as a whole. Any of the aforementioned developments may adversely affect the Brazilian economy as a whole, as well as our financial condition, operations and profits. Any decline in our net sales or net revenue and any deterioration in our financial performance would also likely lead to a decline in the market price of our shares.

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. Official interest rates in Brazil at the end of 2019, 2018 and 2017 were 4.5%, 6.5% and 7.0% per year, respectively, as established by the monetary policy committee of the Central Bank (*Comitê de Política Monetária*), or COPOM. As of the date of this offering memorandum, the official interest rate in Brazil was 3.00%. 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 March 31, 2020, our consolidated indebtedness was either fixed or linked to interest rates based on the Interbank Deposit Certificate rate, or CDI, the Long-Term Interest Rate, or TJLP, and IPCA. We enter into certain financial instruments to mitigate our exposure to interest rate fluctuations.

Significant volatility in the value of the real in relation to the U.S. dollar could harm our ability to meet our U.S. dollar-denominated liabilities.

Due to inflationary pressures and adjustments to economic policy, the Brazilian currency has historically experienced 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\$1.666, according to the Central Bank. In 2011, the *real* depreciated by 13.6% against the U.S. dollar, from R\$1.651 in the beginning of the period to R\$1.876 by the end of the period, and in 2012 the *real* went from R\$1.868 in the beginning of the year to R\$2.044 by the end of the period, amounting to a 9.4% depreciation against the U.S. dollar. In 2013, the *real* went from R\$2.042 in the beginning of the year to R\$2.343 by the end of the period. In 2014, the *real* went from R\$2.398 in the beginning of the year to R\$2.656 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. In 2015, the *real* depreciated 45%, reaching R\$3.905 per U.S.\$1.00 on December 31, 2015. Conversely, in 2016, the *real* went from R\$4.039 per U.S.\$1.00 at the beginning of the year to R\$3.259 per U.S.\$1.00 on December 31, 2016, corresponding to a 19.3% appreciation against the U.S. dollar. In 2017, the *real* went from R\$3.273 per U.S.\$1.00 at the beginning of the year to R\$3.381 per U.S.\$1.00 on December 31, 2017, corresponding to a 1% depreciation against the U.S. dollar. In 2018, the *real* went from R\$3.267 per U.S.\$1.00 at the beginning of the year to R\$3.875 per U.S.\$1.00 on December 31, 2018, corresponding to a 18.6% depreciation against the U.S. dollar. In 2019, the *real* went from R\$3.860 per U.S.\$1.00 at the beginning of the year to R\$4.031 per U.S.\$1.00 on December 31, 2019, corresponding to a 4.4% depreciation against the U.S. dollar. The *real*/U.S. dollar exchange rate reported by the Central Bank was R\$5.199 per US\$1.00 on March 31, 2020, which reflected a 29.0% depreciation in the *real* against the U.S. dollar during the first three months of 2020. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.

Because Cosan, its subsidiaries and jointly controlled entities generally invoice their sales in *reais*, devaluation of the *real* against foreign currencies may generate losses from our foreign currency-denominated liabilities, as well as an increase in our funding costs with a negative impact on our ability to finance our operations through access to the international capital markets and on the market value of the shares. A strengthening of the *real* in relation to the U.S. dollar generally has the opposite effect. Further devaluations of the Brazilian currency may occur and impact our business in the future. These foreign exchange and monetary gains or losses can be substantial, which can significantly impact our earnings from one period to the next. In addition, depreciation of the *real* relative to the U.S. dollar could (i) result in additional inflationary pressures in Brazil by generally increasing the price of imported products and services and requiring recessionary government policies to curb demand and (ii) weaken investor confidence in Brazil and reduce the market price of the shares. On the other hand, further 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 export-driven growth.

In addition, we are active in the credit market, obtaining funds denominated in national and foreign currencies to finance our investments and Working Capital. Our indebtedness in foreign currency as of March 31, 2020, December 31, 2019, December 31, 2018 and December 31, 2017 was R\$8,432.7 million, R\$5,798.0 million, R\$5,178.4 million and R\$2,665.7 million, respectively. We manage a portion of our exchange rate risk through foreign currency derivative instruments, but our foregoing currency debt obligations are not completely hedged. As a result, the possible depreciation of the *real* against the U.S. dollar could increase the cost of our obligations in foreign currency, and therefore significantly affect our liquidity and our cash flows in the short term. The depreciation of the *real* may limit our access to international capital markets and may favor state intervention in the economy, including the imposition of potentially recessionary policies.

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

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years, with an increase of 1.3% in 2017, an increase of 1.3% in 2018 and an increase of 1.1% in 2019 and a decrease of 0.3% in the first quarter of 2020. 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.

Furthermore, deficiencies in the road, rail or waterway network of the areas in which we operate, such as unpaved or maintenance-free roads and lack of railroads, especially in regions farthest from the ports, result in high logistics costs and, consequently, reduce the profitability of our sugarcane operations. Likewise, failure or malpractice in transportation handling, whether on trains, trucks or vessels, may lead to loss of production, waste of quantities or damage to sugarcane. Constant climate change, such as excessive rainfall, has led to a worsening of the conditions of the roads, which may lead to an increase in over-production losses. The aforementioned infrastructure deficiencies may make it more difficult for us to conduct our business in the areas in which we operate and thereby adversely affect us.

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, and 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, as well as adversely affect the availability of credit to Brazilian companies in the international markets, with a significant outflow of capital from Brazil and a decrease in the amount of foreign currency invested in Brazil. In addition, negative events in the Brazilian financial and capital markets, any news or evidence of corruption in publicly traded companies and other issuers of securities, and the lack of rigorous application of investor protection rules or lack of transparency of information or eventual crisis situations in the Brazilian economy and in other economies may influence the Brazilian capital markets and negatively impact the securities issued in Brazil. 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 recent years, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities.

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

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

Events in other countries may have a negative impact on the Brazilian economy.

Global economic conditions may affect the Brazilian economy, as well as the demand for our products (including ethanol). For example, a global recession may lead to a reduction in global demand for our products, either through lower consumption or via measures to protect local production. In both cases, the consequence would be to reduce prices for our products in the foreign market, affecting our financial performance. In addition, as a portion of our net operating revenues is generated from export activities and normally billed in U.S. dollars and, at the same time, most of our costs are denominated in *reais*, our operating margins may be adversely affected when the *real* appreciates against the U.S. dollar. In addition, we have indebtedness at pre- and post-fixed rates and, therefore, we are exposed to the risk of interest rate variations. If there is an increase in interest rates, our financial results may be affected.

On January 20, 2017, Donald Trump became the president of the United States. Certain of Donald Trump's economic and trade policies, in particular the ongoing trade disputes with China, have generated volatility in the global capital markets. Such volatility and uncertainty, as well as changes in administrative and governmental policies of the administration may have a material adverse effect on global economic conditions and the stability of global financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. We have no control over and cannot predict the effects arising from the new United States administration or its policies. Any disruption to global economic conditions and the stability of global financial markets could have a material adverse effect on us and the market value of our securities.

On January 31, 2020, the United Kingdom ceased to be a member of the European Union under withdrawal terms that established a transition period until December 31, 2020, during which the United Kingdom is to be treated as if it were still a member of the European Union. Although the withdrawal agreement foresees the possibility of extending the transition period for one or two years after the December 31, 2020 date, this is not automatic, and the United Kingdom has enshrined the December 31, 2020 date as the end of the transition period in the domestic legislation that passed the withdrawal agreement, signaling a current desire not to extend it. The ongoing process of negotiations between the United Kingdom and the European Union will determine the future terms of the United Kingdom's relationship with the European Union at the end of the transition period, including access to European Union markets. Brexit could lead to potentially divergent laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Furthermore, if the transition period were to end without a comprehensive trade agreement, the United Kingdom's and Europe's economic growth may be negatively impacted. The uncertainty regarding the terms of the United Kingdom's future relationship with the European Union, as well as any adverse effect which it may have on the United Kingdom, the European Union and the wider global economy, could adversely affect global economic or market conditions and investor confidence. This could, in turn, have a material adverse effect on our operations, financial condition and prospects and/or the market value of our securities.

The recent COVID-19 pandemic is spreading quickly and is expected to have a significant effect on demand in 2020. Business operations across Asia, Europe and the United States are being affected by factory disruptions and closures, quarantined workers and shortages of components, with a direct impact on the availability of goods and services. These disruptions to global supply chains could impact businesses generally and weaken demand from consumers. The effects cannot be foreseen and are expected to lead to a global economic slowdown in 2020.

Additionally, economic conditions in Brazil may also be affected by political developments in the United States, such as the presidential election taking place in November 2020. We cannot assure you that any developments in the United States or elsewhere will not materially and adversely affect us in the future.

A reduction in the volume of foreign investments in Brazil may have a negative impact on us.

Any reduction in the volume of foreign investments in Brazil may have an impact on the balance of payments, which may force the Brazilian government to have a greater need to raise funds, both in the domestic and in the international markets, at higher interest rates. Likewise, any significant increase in Brazilian inflation rates and the current slowdowns of the European and American economies may have a negative impact on the Brazilian economy and affect interest rate levels, raising expenses on loans already obtained and costs of new funding from resources by Brazilian companies, including us.

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

Our activities may be materially affected by policies and regulations from Brazilian and foreign federal, state and municipal governments, including, without limitation measures taken by such governments to address the health and economic crises resulting from the COVID-19 pandemic. 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 products and services or otherwise restrict our capacity to operate in our current or prospective markets, potentially affecting our financial performance.

Changes in taxes and other assessments may adversely affect us.

The legislatures and tax authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In addition, the interpretation of tax laws by courts and taxation authorities is constantly evolving. In Brazil, the tax system is highly complex and the interpretation of the tax laws and regulations is commonly controversial. The effects of these changes and any other changes that result from enactment of additional tax reforms or changes to the manner in which current tax laws are applied cannot be quantified and there can be no assurance that any such reforms or changes would not have an adverse effect upon our business.

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.

In addition, economy minister Mr. Paulo Guedes proposed, during the 2018 presidential campaign, to revoke the income tax exemption over the distribution of dividends, which, if promulgated, would increase tax expenses associated with any dividends or distributions, which could impact our ability to pay dividends and receive future dividends from our subsidiaries. Any purported tax reform, if proposed and implemented, may also significantly impact our business.

Any future changes in tax policy or laws may adversely affect our business, financial condition and results of operations.

Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police, as well as other Brazilian and non-Brazilian regulators and law enforcement officials may adversely affect the growth of the Brazilian economy and could have a material adverse effect on us.

Certain Brazilian companies active in the oil and gas, energy, construction and infrastructure sectors are facing investigations by the CVM, the SEC, the U.S. Department of Justice, 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 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 (the so-called “*Operação Zelotes*”). 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 Office, which were under appeal in the CARF. Such investigations involve several companies and individuals, including representatives of various companies, politicians and third parties. Certain of these individuals are being investigated by the Brazilian Federal Police and others were formally charged and are facing criminal proceedings and/or have already been convicted by the Brazilian Federal Courts.

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, short to medium term. According to data from the IBGE, the Brazilian economy’s GDP contracted by 3.6% in 2016, but increased by 1.3% in 2017 and in 2018 and by 1.1% in 2019. Furthermore, the negative effects on such companies and others may also impact the level of investments in infrastructure in Brazil, which may lead to lower economic growth or contraction in the near to medium term.

As a result of the allegations under the “*Lava Jato*” investigations and the economic downturn, Brazil was downgraded to non-investment grade status by Standard & Poor’s, or “S&P,” in September 2015, by Fitch Ratings, or “Fitch,” in December 2015, and by Moody’s Investors Service in February 2016, and was downgraded again by Fitch in May 2016. In addition, Brazil was further downgraded by S&P to BB- with a stable outlook in January 2018 as a result of the failure of the current Brazilian government to approve certain pension reforms. Brazil’s sovereign rating is currently rated by the three major risk rating agencies as follows: BB- by S&P and Fitch Ratings and Ba2 by Moody’s. Various major Brazilian companies were also downgraded. Such downgrades have further worsened the conditions of the Brazilian economy and the condition of Brazilian companies, especially those relying on foreign investments. Furthermore, on April 7, 2020 and May 6, 2020, Standard & Poor’s and Fitch, respectively, changed their outlook on the sovereign credit risk rating of Brazil to negative.

In addition, such investigations have 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. Persistently poor macroeconomic conditions in Brazil resulting from, among other things, the “*Lava Jato*” investigations, their consequences and political instability could have a material adverse effect on us.

If we do not successfully comply with laws and regulations designed to prevent governmental corruption in countries in which we operate and sell our products (notably Brazil), we could become 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. 12,846/2013, 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 financing, as well as the acceleration of loans and financing.

The Anticorruption Act imposes strict liability on companies for acts of corruption, fraud or manipulation of public tenders and government contracts, and interference with investigations or inspections by governmental authorities. Companies found liable under the Anticorruption Act face fines of up to 20% of their gross revenue in the immediately preceding year or, if such annual gross revenue cannot be estimated, such fines may range from R\$6,000 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. 8.492/1992, or the “Administrative Improbity Law,” also provide for penalties that include the prohibition to enter into government contracts for up to 10 years.

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

Risks Related 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 the Guarantor 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, the Guarantor is a holding company with limited operations and conducts its business through its subsidiaries that will not guarantee the notes. The Guarantor is substantially dependent on the cash flow and profits of its subsidiaries, distributed to the Guarantor in the form of dividends, in order to meet its financial obligations. Accordingly, the ability of the Guarantor 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 the Guarantor’s subsidiaries. The financial condition and results of operations of the Guarantor’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 the Guarantor's subsidiaries, these entities may be unable to distribute dividends to the Guarantor, which would result in the failure of the Guarantor to have sufficient funds to repay all amounts due on or with respect to the notes or the guarantee.

The restricted covenants applicable to us and certain of our subsidiaries under the indenture will not generally prevent us from making investments, including in companies in which we hold a minority equity interest or subsidiaries that are not restricted subsidiaries, which may have a negative impact on the value of the notes.

The indenture governing the notes will restrict our ability and that of our restricted subsidiaries to make certain restricted payments, including paying dividends, making distributions or redemptions with respect to our capital stock or making payments on debt that is subordinated to the notes. However, those foregoing restrictions do not generally prevent us or our restricted subsidiaries from making new or additional investments in other entities, including companies in which we hold a minority equity interest or in unrestricted subsidiaries (except with respect to limitations with transactions with affiliates and limitations on asset dispositions). As of the date of this offering memorandum, we hold minority equity interests in Rhall Terminais Ltda., Termag S.A., TGG S.A. and Terminal XXXIX S.A. and, therefore, these entities are not deemed subsidiaries and are not restricted by those covenants. Accordingly, any additional investments to be made by us in such entities and any restrictive payments to be made by such entities would not be limited under the indenture. Furthermore, these entities may incur in additional debt or liabilities, or effect asset sales, without complying with such covenants.

There can be no assurance that use of proceeds of the notes to finance Eligible Projects will be suitable for the investment criteria of an investor.

It is the Issuer's intention to apply an amount equal to the proceeds from the offer of the notes specifically for Eligible Projects (as defined under "Use of Proceeds" below). Prospective investors should have regard to the information set out in this Prospectus regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or any initial purchaser that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green," "social," "sustainable" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green," "social," "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such "green," "social," "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

In the event that the notes are listed or admitted to trading on any dedicated "green," "environmental," "social," "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any initial purchaser or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any initial

purchaser or any other person that any such listing or admission to trading will be obtained in respect of any such notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the notes.

While it is the intention of the Issuer to apply the proceeds of the notes for Eligible Projects in, or substantially in, the manner described under "Use of Proceeds," there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the notes.

Any such event or failure to apply the proceeds of the issue of notes for any Eligible Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Payments on the notes and the guarantee will be junior to the Guarantor's secured debt obligations and effectively junior to debt obligations of its 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 the Guarantor in respect of the notes will be subordinated to any of the Guarantor's secured debt to the extent of the assets and property securing such debt, respectively. Payment by the Guarantor 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 the Guarantor's subsidiaries. The 7.375% notes due 2024 in the aggregate principal amount of U.S.\$750 million issued by Rumo Luxembourg on February 9, 2017 are guaranteed by the Guarantor and Malha Norte. As of March 31, 2020, the Guarantor's unconsolidated loans, bank debts and financing amounted to R\$3,444.7 million, which represented 23.1% of our consolidated indebtedness, and our unconsolidated loans, bank debts and financing with third parties (excluding intragroup indebtedness) amounted to R\$2,668.6 million, which represented 18.0% of our consolidated indebtedness. Neither Malha Norte nor any other of our subsidiaries will guarantee the notes to be issued hereby and there is no obligation to obtain guarantees from any of the Guarantor's subsidiaries in the future.

The obligations of the Issuer under the notes and the Guarantor under the guarantee are subordinated to certain statutory liabilities.

Under Luxembourg law and Brazilian law, the Issuer's obligations under the notes and our obligations under the guarantee, respectively, 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. In addition, during the period that the guarantees are outstanding, any actual or anticipated changes or downgrades in our credit ratings, including any announcement that its ratings are under further review for a downgrade, might 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.

The foreign exchange policy of Brazil may affect the Guarantor's ability to make money remittances outside Brazil in respect of the guarantee.

Under existing regulations, Brazilian companies are not required to obtain authorization from the Central Bank in order to make payments in U.S. dollars outside Brazil under guarantees, such as to the holders of the notes. We cannot assure you that these regulations will continue to be in force at the time the Guarantor may be required to perform its payment obligations under the guarantee. If these regulations or their interpretation are modified and an authorization from the Central Bank is required, the Guarantor would be obligated to seek an authorization from the Central Bank to transfer the amounts under the guarantee out of Brazil or, alternatively, make such payments with funds held outside Brazil. We cannot assure you that such an authorization will be obtained or that such funds will be available.

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

If the Guarantor is unable to pay amounts due under the guarantee, then the Guarantor 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 the Guarantor's 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 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 benefiting those creditors when compared to the rights of holders of the notes.

Judgments of Brazilian courts enforcing the Guarantor's obligations under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce the Guarantor's obligations under the notes, the Guarantor would be required to discharge its obligations in *reais*. Any judgment obtained against the Guarantor 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 (i) the date of actual payment, (ii) the date on which such judgment is rendered or (iii) 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.”

The Issuer 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, the Issuer 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, the Issuer may not be able to satisfy its obligation 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, the Issuer 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.

The price of the notes is subject to volatility.

The market price of the notes could be subject to significant fluctuations due to various factors, including actual or anticipated fluctuations in our financial performance, losses of key personnel, economic downturns, political events in Brazil or other jurisdictions in which we operate, developments affecting the ethanol and sugar industries, changes in financial estimates by securities analysts, the introduction of new products or technologies by us or our competitors, or our failure to meet expectations of analysts or investors.

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 the Grand Duchy of Luxembourg, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law. The insolvency laws of the Grand Duchy 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 incorporated under the laws of the Grand Duchy of Luxembourg and the Guarantor is incorporated 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 and executive officers of the Issuer and the Guarantor will be non-residents 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 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 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 us for liabilities under applicable securities laws.

The Issuer, a wholly-owned subsidiary of the Guarantor, is incorporated under the laws of the Grand Duchy of Luxembourg. All or substantially all of its assets, directors and officers and certain advisers named herein reside in Brazil. The Guarantor is incorporated under the laws of Brazil, and substantially all of its assets are located in Brazil. All or substantially all of the executive officers of the Guarantor and certain of its 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 the Issuer or the Guarantor or their respective directors, executive officers and advisers or to enforce against the Issuer or the Guarantor in U.S. courts any judgments predicated upon the civil liability provisions of the applicable securities laws. See “Enforceability of Civil Liabilities—Enforcement of Judgments in Luxembourg.”

Economic and market conditions in other countries, including in developing countries, may materially and adversely affect the Brazilian economy and, therefore, the market value of the notes.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other countries, including Latin American and other developing countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other countries, including developing countries, have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil, as well as limited access to international capital markets, all of which may materially and adversely affect our ability to borrow funds at an acceptable interest rate or to raise equity capital when and if there

should be a need for us to do so. The volatility in market prices for Brazilian securities has increased from time to time, and investors' perception of increased risk due to crises in other countries, including developing countries, may also lead to a reduction in the market price of the notes.

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

We will apply 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 but we cannot provide you with any assurances that the application will be accepted. 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.

The restricted covenants applicable to us and certain of our subsidiaries under the indenture will not generally prevent us from making investments, including in subsidiaries that are not restricted subsidiaries, which may have a negative impact on the value of the notes.

The indenture governing the notes will restrict our ability and that of our restricted subsidiaries to make certain restricted payments, including paying dividends, making distributions or redemptions with respect to the our capital stock or making payments on debt that is subordinated to the notes. However, those foregoing restrictions do not generally prevent us or our restricted subsidiaries from making investments in other entities, including unrestricted subsidiaries (except with respect to limitations with transactions with affiliates). As of the date of this offering memorandum, we did not have any unrestricted subsidiaries for the purposes of the terms of the notes; however, we may designate unrestricted subsidiaries in the future. Accordingly, any investments to be made by us in such entities and any other restrictive payments to be made by such entities would not be limited under the indenture.

Any investment would reduce the funds available for our operations, capital expenditures or debt service and could have a negative impact on the value of the notes.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately U.S.\$496.8 million (or R\$2,582.9 million), after deducting all estimated discounts, commissions and offering expenses payable by us.

Our sustainability strategy focuses on reducing atmospheric emissions from our operations as well as enhancing the quality of raw materials we use in order to improve durability of our infrastructure and assets. We plan to use the proceeds raised in this offering in accordance with the Green Bond Framework to acquire and replace locomotives and rolling stock, expand rail infrastructure, such as increasing the length of sidings, as well as building new sidings and double lines and upgrading rail infrastructure in order to allow more heavily-loaded machinery. The standards criteria have been developed in conjunction with Sustainalytics US, Inc., or “Sustainalytics,” an independent environmental, social and governance research and analysis firm. In this project Sustainalytics’ role is limited to supporting the development of the eligibility criteria and providing a second opinion on the framework of the bond.

Below are the details on the current portfolio of eligible projects, from which we will select project for financing with the proceeds of this offering, or the “Green Projects”:

Example of Green Projects	Rationale	Expected Amount (R\$ million)	Expected Amount(1) (US\$ million)
Replacement of locomotives and rolling stocks	Purchase of new locomotives and rolling stock that will provide higher fuel efficiency and produce fewer GHG emissions. New locomotives include purchase of GE AC4400CW or similar locomotives.	991	191
Infrastructure to double lines, new yards and yards’ extension	Built new sidings and double line some stretches to improve traffic conditions to reduce time spent in crossovers and save fuel.	936	180
	Extension of current length of sidings, allowing increase the length of the train from 80 Railcars (1,500m) to 120 Railcars (2,400m).	723	139
Railway modernization	Replacement of raw materials applied to existing infrastructure for greater durability and increased load bearing capability of 32.5 ton/axle.	1,338	257

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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.

No initial purchaser makes any representation as to the suitability of this offering to meet or fulfill environmental and/or sustainability criteria required by prospective investors or as to the role of any third party provider of any opinion or certificate obtained by Rumo in connection with this offering. The initial purchasers have not undertaken to monitor, nor are responsible for monitoring of, the use of proceeds raised from this offering nor the delivery or contents of any related opinion or certificate.

THE ISSUER

Rumo Luxembourg S.à r.l. is a wholly-owned subsidiary of Rumo and was incorporated under the laws of the Grand Duchy 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 at 6, rue Eugène Ruppert, L-2453, Luxembourg, Grand Duchy of Luxembourg.

Rumo Luxembourg S.à r.l. will not published financial statements for any period other than in accordance with the Luxembourg Companies Act, and will not publish any financial statements except as required under the Luxembourg Companies Act. Rumo Luxembourg S.à r.l. will prepare its annual financial statements in accordance with Luxembourg law. Except for the 7.375% notes due 2024 issued on February 9, 2017 or the 5.875% Notes due 2025 issued on January 18, 2018, 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: João Alberto Fernandez de Abreu, Daniel Rockenbach, and Ricardo Lewin, Class A managers and Akiza Aramazani, Universal Management Services SARL 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 Daniel Rockenbach and 257 R Prof Octavio de Almeida Mello, 13403-845, 04543-011 São Paulo, Brazil for João Alberto Fernandez de Abreu 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 2004 and 2008, the *real* strengthened against the U.S. dollar, except in the most severe periods of the global economic crisis. Given the turmoil in international markets and the Brazilian macroeconomic outlook, the *real* depreciated against the U.S. dollar from mid-2011 to early 2016. Beginning in early 2016 through the end of 2016, the *real* appreciated against the U.S. dollar, primarily as a result of Brazil's changing political conditions. In 2017 and 2018, the *real* depreciated against the U.S. dollar, respectively, due to political instability and the Brazilian macroeconomic outlook. The *real*/U.S. dollar exchange rate reported by the Central Bank was R\$5.199 per US\$1.00 on March 31, 2020, which reflected a 29.0% depreciation in the *real* against the U.S. dollar during the first three months of 2020. On June 26, 2020, the *real*/U.S. was R\$5.463 according to the Central Bank of Brazil *real*/U.S. sell rate. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar. The Brazilian Central Bank has intervened in the foreign exchange market to control unstable movements of exchange rates. The *real* may fluctuate against the U.S. dollar substantially in the future.

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

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

Year	Period-end	Average(1)	Low	High
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
2018.....	3.875	3.680	3.139	4.188
2019.....	4.031	3.946	3.652	4.260

Month	Period-end	Average(2)	Low	High
December 2019.....	4.031	4.109	4.031	4.226
January 2020.....	4.269	4.149	4.021	4.269
February 2020.....	4.499	4.341	4.238	4.499
March 2020.....	5.199	4.884	4.488	5.199
April 2020	5.568	5.396	5.078	5.837
May 2020.....	5.426	5.643	5.299	5.937
June 2020 (through June 30, 2020)	5.476	5.197	4.889	5.476

Source: Central Bank.

- (1) Represents the average of the exchange rates on the closing of each day during the year.
- (2) Represents the average of the exchange rates on the closing of each day during the month or partial month of 2020.

CAPITALIZATION

The following table sets forth our current and noncurrent loans, financing and debentures, our equity and total capitalization as of March 31, 2020 on an actual basis and (i) as adjusted to reflect the incurrence of indebtedness in an aggregate amount of R\$2,535.0 million from new financing agreements, and (ii) as further adjusted to reflect the amount of our estimated net proceeds from this offering of R\$2,582.9 million, or U.S.\$496.8 million (based on an exchange rate of R\$5.199 per U.S.\$1.00 as of March 31, 2020) after deducting all estimated discounts, commissions and offering expenses payable by us.

You should read the table below together 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.

Consolidated	As of March 31, 2020					
	Actual		As Adjusted(2)		As Further Adjusted(2)(3)	
	(in U.S.\$)(1)	(in R\$)	(in U.S.\$)(1)	(in R\$)	(in U.S.\$)(1)	(in R\$)
	(in millions)					
Loans, financing and debentures (current liabilities)	309.2	1,607.6	309.2	1,607.6	309.2	1,607.6
Loans, financing and debentures (noncurrent liabilities)	2,544.2	13,228.3	3,032.0	15,763.3	3,528.8	18,346.2
Total equity.....	1,605.8	8,349.3	1,605.8	8,349.3	1,605.8	8,349.3
Total capitalization(4)	4,459.2	23,185.2	4,947.0	25,720.2	5,443.8	28,303.1

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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) As adjusted to reflect the incurrence of indebtedness in an aggregate amount of R\$2,535.0 million from our new financing agreements. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Overview—Liquidity and Cash Position.”
- (3) As further adjusted to reflect the amount of our estimated net proceeds from this offering of approximately R\$2,582.9 million, or U.S.\$496.8 million (based on an exchange rate of R\$5.199 per U.S.\$1.00 as of March 31, 2020) after deducting estimated discounts, commissions and offering expenses in the amount of R\$16.6 million, or U.S.\$3.2 million (based on an exchange rate of R\$5.199 per U.S.\$1.00 as of March 31, 2020) payable by us. See “Use of Proceeds.”
- (4) The total capitalization is the sum of current and noncurrent loans, financing and debentures plus total equity. This definition may differ from that used by other companies.

Other than as set forth above, there have been no material changes to our total capitalization since March 31, 2020.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our consolidated financial information derived from (i) our consolidated interim unaudited financial information as of March 31, 2020 and for the three months ended March 31, 2020 and 2019, (ii) our audited consolidated financial statements and related notes thereto included elsewhere in this offering memorandum. You should read and analyze the information below in conjunction with our audited consolidated financial statements and related notes included elsewhere in this offering memorandum, as well as the sections “Presentation of Financial and Certain 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:

	For the Three Months Ended March 31,			For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)			(in R\$)	
	(in millions, except earnings per share or as otherwise indicated)					
Net revenue from services	273.8	1,423.6	1,634.9	7,087.8	6,584.9	5,946.3
Cost of services	(206.1)	(1,071.2)	(1,153.5)	(4,608.8)	(4,465.6)	(4,221.0)
Gross profit	67.8	352.4	481.5	2,479.0	2,119.3	1,725.4
Selling, General and Administrative	20.2	104.8	85.5	(363.6)	(313.4)	(311.0)
Other income (expenses), net ...	(17.7)	(91.9)	(21.5)	(24.1)	(65.3)	(3.3)
Operating expenses.....	(37.8)	(196.7)	(107.0)	(387.7)	(378.7)	(314.3)
Result before equity in earnings of investees and net financial result	29.9	155.7	374.4	2,091.3	1,740.6	1,411.1
Equity income on investments	0.5	2.4	4.8	21.9	10.2	4.2
Result before financial results and income tax and social contribution	30.4	158.1	379.2	2,113.2	1,750.7	1,415.3
Financial expenses	(87.9)	(456.8)	(343.4)	(1,871.2)	(1,518.1)	(1,896.3)
Financial income	7.0	36.4	41.8	202.5	224.0	258.9
Foreign exchange, net	(303.1)	(1,575.8)	(26.9)	(205.8)	(668.1)	(127.5)
Derivatives	281.9	1,465.5	4.0	676.4	752.9	100.1
Financial result, net	(102.1)	(530.7)	(324.5)	(1,198.1)	(1,209.3)	(1,664.9)
Result before income tax and social contribution	(71.7)	(372.6)	(54.7)	915.1	541.4	(249.5)
Income tax and social contribution	19.0	98.8	(27.8)	(129.3)	(268.4)	(8.9)
Current	(6.8)	(35.6)	(19.7)	(160.8)	(66.8)	(43.2)
Deferred	25.9	134.5	(8.1)	31.5	(201.6)	34.3
Result for the period/year	(52.7)	(273.8)	26.9	785.9	273.0	(258.4)
Total result attributable to:						
Owners of the Company	(52.4)	(272.6)	26.4	778.2	264.4	(260.8)
Noncontrolling interest	(0.2)	(1.2)	0.5	7.6	8.6	2.4
Basic income (loss) earnings per share	(0.034)	(0.175)	0.017	0.499	0.169	(0.188)

	For the Three Months Ended March 31,			For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)			(in R\$)	
	(in millions, except earnings per share or as otherwise indicated)					
Diluted income (loss) earnings per share	(0.034)	(0.175)	0.017	0.498	0.169	(0.188)

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liability represent the future lease payments are allocated to the liability. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term. Given our option to use the initial application modified retrospective approach established in IFRS 16, our 2018 and 2017 comparative information has not been restated in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and, December 31, 2018 and 2017 and is reported under IAS 17 and IFRIC 4.

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 March 31,		As of December 31,		
	2020(1)	2020	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions)				
Assets					
Cash and cash equivalents	611.1	3,176.9	1,963.0	141.5	178.0
Marketable securities	64.7	336.2	1,751.9	2,843.1	3,152.4
Trade receivables	96.8	503.2	385.6	417.3	359.3
Inventories	50.7	263.8	248.5	263.4	282.3
Receivable from related parties	3.3	17.0	11.7	19.4	13.2
Income tax and social contribution	6.7	34.7	138.0	57.1	50.9
Other recoverable taxes	72.4	376.4	347.3	195.2	209.1
Dividends and interest on own capital receivable	1.0	5.0	0.6	—	0.4
Other assets	25.5	132.7	103.0	137.0	160.4
Current	932.1	4,846.0	4,949.6	4,074.0	4,406.7
Trade receivables	2.3	11.8	13.7	20.7	12.4
Restricted cash	24.9	129.7	147.9	115.1	225.6
Deferred income tax and social contribution	242.5	1,260.5	1,174.5	1,046.2	1,156.6
Receivable from related parties	7.5	38.8	36.4	27.7	18.1
Income tax and social contribution	43.5	225.9	168.1	260.3	248.0
Other recoverable taxes	129.3	672.0	663.6	796.8	698.1
Judicial deposits	80.7	419.5	415.2	369.5	331.0
Derivative financial instruments	764.0	3,971.9	1,624.0	892.5	109.4
Other assets	5.1	26.5	31.6	76.6	92.6
Investments in subsidiaries and associates	9.5	49.2	52.0	44.0	41.9

	As of March 31,		As of December 31,		
	2020(1)	2020	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)	(in millions)		
Right-of-use (2)	837.7	4,354.7	4,411.0	—	—
Property and plant equipment	2,313.6	12,027.8	11,770.2	11,916.8	11,266.3
Intangible assets	1,411.8	7,339.7	7,375.0	7,493.9	7,623.0
Noncurrent	5,871.9	30,528.0	27,883.2	23,060.1	21,823.0
Total assets	6,803.5	35,374.1	32,832.8	27,134.1	26,229.5
Liabilities					
Loans, financing and debentures	309.2	1,607.6	1,064.8	924.9	1,594.0
Lease liabilities	105.6	549.1	534.2	120.5	261.3
Real estate credit certificates	—	—	—	—	86.7
Trade payables	87.0	452.6	513.3	451.6	628.6
Salaries payable	28.3	147.0	216.7	207.4	166.9
Current income tax and social contribution	0.2	1.1	7.7	7.7	2.0
Other taxes payable	5.2	27.2	33.7	46.7	42.8
Dividends and interest on own capital payable	1.4	7.4	7.1	6.5	8.5
Leases and concessions	1.9	9.9	9.8	28.8	27.4
Payables to related parties	24.0	124.6	139.7	156.2	147.1
Deferred income	1.2	6.4	7.6	9.5	11.5
Other financial liabilities	55.7	289.7	411.0	337.7	291.9
Other current liabilities	14.8	77.3	91.6	175.8	243.1
Current	634.7	3,299.9	3,037.2	2,473.3	3,511.9
Loans, financing and debentures	2,544.2	13,228.3	10,654.9	9,669.5	8,076.9
Lease liabilities	761.6	3,959.7	3,994.9	432.9	682.8
Derivative financial instruments	—	—	0.5	—	—
Other taxes payable	0.4	2.3	7.6	3.8	11.0
Provision for judicial demands	92.3	480.1	480.9	514.7	502.0
Leases and concessions in dispute	674.6	3,507.6	3,445.0	3,179.8	2,905.9
Deferred income tax and social contribution	469.7	2,442.2	2,490.9	2,436.8	2,342.1
Deferred income	9.2	47.7	48.0	42.0	56.5
Other payables	11.0	57.1	58.6	86.8	120.9
Noncurrent	4,563.0	23,724.9	21,181.3	16,366.3	14,698.1
Total liabilities	5,197.7	27,024.8	24,218.5	18,839.5	18,210.3
Equity					
Share Capital	1,856.9	9,654.9	9,654.9	9,654.9	9,654.9
Capital reserve	476.2	2,475.9	2,472.6	2,462.0	2,459.9
Equity valuation adjustments	5.3	27.3	21.1	18.9	7.8
Profit reserve	58.8	305.7	305.7	266.8	253.6
Accumulated losses	(842.9)	(4,382.5)	(4,110.0)	(4,374.5)	(4,624.7)
Equity attributable to:					
Owners of the Company	1,554.3	8,081.2	8,344.3	8,028.1	7,751.5
Noncontrolling interests	51.6	268.1	270.0	266.4	267.9
Total equity	1,605.8	8,349.3	8,614.3	8,294.5	8,019.4
Total liabilities and equity	6,803.5	35,374.1	32,832.8	27,134.1	26,229.5

- (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 March 31, 2020 for *reais* into U.S. dollars of R\$5.199 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) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liability represent the future lease payments are allocated to the liability. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term. Given our option to use the initial application modified retrospective approach established in IFRS 16, our 2018 and 2017 comparative information has not been restated in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and, December 31, 2018 and 2017 and is reported under IAS 17 and IFRIC 4.

Other Consolidated Financial Data

	As of March 31,		As of and for the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)		(in R\$)	
(in millions, except earnings per share or as otherwise indicated)					
Other Financial Data:					
Depreciation and amortization	80.6	419.2	1,716.2	1,418.9	1,341.7
Adjusted EBITDA(3)	111.0	577.3	3,829.4	3,242.0	2,757.0
Working Capital(4)	297.4	1,546.1	1,912.4	1,600.7	894.6
Cash flow generated by (used in):					
Operating activities	4.9	25.4	3,524.8	2,704.7	2,311.2
Investing activities	170.9	888.3	(798.3)	(1,411.2)	(4,102.9)
Financing activities	57.5	298.8	(905.9)	(1,456.8)	1,681.0
Impact of exchange variation on cash and cash equivalents	0.3	1.4	0.9	126.8	28.1

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- (2) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liability represent the future lease payments are allocated to the liability. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term. Given our option to use the initial application modified retrospective approach established in IFRS 16, our 2018 and 2017 comparative information has not been restated in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and, December 31, 2018 and 2017 and is reported under IAS 17 and IFRIC 4.
- (3) Adjusted EBITDA measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net), depreciation and amortization and impairment. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures." For a reconciliation of our consolidated result to Adjusted EBITDA, see "—Consolidated Non-GAAP Financial Measures—Reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin."
- (4) Working Capital measures our ability to pay our current liabilities with current assets and is calculated as the sum of total current assets less total current liabilities. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures."

Consolidated Non-GAAP Financial Measures

Reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin

The table below sets forth a reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin.

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018(2)	2017(2)
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				
Reconciliation of consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin(3)					
Result for the period/year	(52.7)	(273.8)	785.9	273.0	(258.4)
Income tax and social contribution...	(19.0)	(98.8)	129.2	268.4	8.9
Financial result, net	102.1	530.7	1,198.1	1,209.3	1,664.9
Depreciation and amortization.....	80.6	419.2	1,716.2	1,418.9	1,341.7
EBITDA(3)	111.0	577.3	3,829.4	3,169.6	2,757.0
Impairment	—	—	—	72.4	—
Adjusted EBITDA(3).....	111.0	577.3	3,829.4	3,242.0	2,757.0
Net revenue from services	273.8	1,423.6	7,087.8	6,584.9	5,946.3
EBITDA Margin(4)	40.55%	40.55%	54.03%	48.13%	46.37%
Adjusted EBITDA Margin(4).....	40.55%	40.55%	54.03%	49.23%	46.37%

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- (2) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liability represent the future lease payments are allocated to the liability. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term. Given our option to use the initial application modified retrospective approach established in IFRS 16, our 2018 and 2017 comparative information has not been restated in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and, December 31, 2018 and and 2017 and is reported under IAS 17 and IFRIC 4.
- (3) EBITDA measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net) and depreciation and amortization. Adjusted EBITDA also measures our operating profitability and is calculated as result plus current and deferred income tax and social contribution, financial result (net), depreciation and amortization and impairment. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures." For a reconciliation of our consolidated result to Adjusted EBITDA, see "—Consolidated Non-GAAP Financial Measures—Reconciliation of our consolidated result to EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin."
- (4) We define (i) EBITDA Margin as EBITDA divided by net revenue, expressed as a percentage, and (ii) Adjusted EBITDA Margin as Adjusted EBITDA divided by net revenue, expressed as a percentage. See "Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures."

For a reconciliation of our result of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations, see “—Reconciliation of our results before financial result and income tax and social contribution of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations.”

For a reconciliation of our result of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations, see “—Reconciliation of our results before financial result and income tax and social contribution of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations.”

For a reconciliation of our result of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations, see “—Reconciliation of our results before financial result and income tax and social contribution of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations.”

For a reconciliation of our result of the Central Operations to Adjusted EBITDA of the Central Operations, see “—Reconciliation of our results before financial result and income tax and social contribution of the Central Operations to Adjusted EBITDA of the Central Operations.”

Reconciliation of Net Debt

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

	As of March 31,		As of December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)	(in millions)		
				(in R\$)	
Reconciliation of Net Debt to indebtedness					
Loans, financing and debentures (current liabilities)	309.2	1,607.6	1,064.8	924.9	1,594.0
Loans, financing and debentures (noncurrent liabilities)	2,544.2	13,228.3	10,654.9	9,669.5	8,076.9
Derivative financial instruments (current and noncurrent liabilities)	—	—	0.5	—	—
Indebtedness(2)	2,853.4	14,835.9	11,720.2	10,594.4	9,670.9
Cash and cash equivalents	(611.1)	(3,176.9)	(1,963.0)	(141.5)	(178.0)
Marketable securities	(64.7)	(336.2)	(1,751.9)	(2,843.1)	(3,152.4)
Restricted cash(3)	(13.2)	(68.6)	(86.7)	(31.3)	(93.3)
Derivative financial instruments (current and noncurrent assets)	(763.9)	(3,971.9)	(1,624.0)	(892.5)	(110.1)
Total cash, cash equivalents and financial investments	(1,452.8)	(7,553.6)	(5,425.6)	(3,908.4)	(3,533.9)
Net Debt(4)	1,400.6	7,282.3	6,294.6	6,686.0	6,137.1

- (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 March 31, 2020 for *reais* into U.S. dollars of R\$5.199 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) Indebtedness means the sum of current and noncurrent loans, financing and debentures and current and noncurrent derivative financial instruments (excluding leases).
- (3) Investments linked to loans (restricted cash from bank debts).

- (4) Net Debt measures our liquidity and is calculated as the sum of current and noncurrent loans, financing and debentures, net of current and noncurrent derivative financial instruments, less cash and cash equivalents and marketable securities and restricted cash from bank debts and financings. See “Presentation of Financial and Certain Other Information.”

Reconciliation of Net Adjusted Working Capital

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

	As of March 31,		As of December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions)				
Reconciliation of Net Adjusted Working Capital					
Current assets	932.1	4,846.0	4,949.6	4,074.0	4,406.7
Current liabilities	634.7	3,299.9	3,037.2	2,473.3	3,511.9
Working Capital(2)	297.4	1,546.1	1,912.4	1,600.7	894.8
Cash and cash equivalents	(611.1)	(3,176.9)	(1,963.0)	(141.5)	(178.0)
Marketable securities	64.7	(336.2)	(1,751.9)	(2,843.1)	(3,152.4)
Loans, financing and debentures (current liabilities)	309.2	1,607.6	1,064.8	924.9	1,594.0
Derivative financial instruments (current assets)	—	—	—	—	(0.7)
Net Adjusted Working Capital(3) ..	(69.2)	(359.4)	(737.7)	(459.0)	(842.3)

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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 measures our ability to pay our current liabilities with current assets and is calculated as the sum of total current assets less total current liabilities. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”
- (3) Net Adjusted Working Capital strips away the elements of the Working Capital calculation that do not relate directly to our operations, allowing us to see how well our short-term assets and liabilities are being utilized to run our operations and represents Working Capital less cash and cash equivalents and marketable securities, plus current loans, financings and debentures and current derivative financial instruments. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”

Operating Segments Non-GAAP Financial Measures

Reconciliation of our results before financial result and income tax and social contribution of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations

The table below sets forth a reconciliation of our results before financial result and income tax and social contribution of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations.

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				
Reconciliation of results before financial result and income tax and social contributions of the Northern Operations to Adjusted EBITDA of the Northern Operations(2)					
Result before financial result and income tax and social contribution of the Northern Operations(3).....	51.7	268.8	2,247.6	1,973.8	1,656.4
Depreciation and amortization of the Northern Operations	49.5	257.4	1,026.1	947.7	836.9
Impairment of the Northern Operations	—	—	—	—	—
Adjusted EBITDA of the Northern Operations(2)	101.2	526.2	3,273.7	2,921.5	2,493.3
Net revenue from services of the Northern Operations.....	208.7	1,085.0	5,313.7	4,913.4	4,439.8
Adjusted EBITDA Margin of the Northern Operations(4).....	48.50%	48.50%	61.61%	59.46%	56.16%

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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) Adjusted EBITDA of the Northern Operations measures our operating profitability and is calculated as result before financial result and income tax and social contribution of the Northern Operations plus depreciation and amortization of the Northern Operations and impairment of the Northern Operations. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”
- (3) Result before financial result and income tax and social contribution of the Northern Operations is the sum of gross profit of the Northern Operations, selling, general and administrative expenses of the Northern Operations, other operational income (expenses) per segment and equity income on investments of the Northern Operations.
- (4) We define Adjusted EBITDA Margin of the Northern Operations as Adjusted EBITDA of the Northern Operations divided by net revenue of the Northern Operations, expressed as a percentage. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”

Reconciliation of our results before financial result and income tax and social contribution of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations

The table below sets forth a reconciliation of our result before financial result and income tax and social contribution of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations.

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				

Reconciliation of result before financial result and income tax and social contribution of the Southern Operations to Adjusted

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				
EBITDA of the Southern Operations(2)					
Result before financial result and income tax and social contribution of the Southern Operations(3).....	(11.8)	(61.1)	(18.0)	(168.1)	(140.5)
Depreciation and amortization of the Southern Operations	23.0	119.8	571.5	415.4	441.5
Impairment of the Southern Operations.....	—	—	—	72.4	—
Adjusted EBITDA of the Southern Operations(2)	11.3	58.7	553.4	319.7	301.0
Net revenue from services of the Southern Operations	51.7	267.9	1,478.3	1,412.3	1,283.1
Adjusted EBITDA Margin of the Southern Operations(4)	21.91%	21.91%	37.44%	22.63%	23.46%

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- (2) Adjusted EBITDA of the Southern Operations measures our operating profitability and is calculated as result before financial result and income tax and social contribution of the Southern Operations plus depreciation and amortization of the Southern Operations and impairment of the Southern Operations. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”
- (3) Result before financial result and income tax and social contribution of the Southern Operations is the sum of gross profit of the Southern Operations, selling, general and administrative expenses of the Southern Operations, other operational income (expenses) of the Southern Operations and equity income on investments of the Southern Operations.
- (4) We define Adjusted EBITDA Margin of the Southern Operations as Adjusted EBITDA of the Southern Operations divided by net revenue of the Southern Operations, expressed as a percentage. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”

Reconciliation of our results before financial result and income tax and social contribution of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations

The table below sets forth a reconciliation of our result before financial result and income tax and social contribution of the Container Operations results to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations.

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				
Reconciliation of result before financial result and income tax and social contribution of the Container Operations to Adjusted EBITDA of the Container Operations(2)					

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				
Result before financial result and income tax and social contribution of the Container Operations(3)	(2.6)	(13.4)	(48.4)	(54.9)	(100.6)
Depreciation and amortization of the Container Operations	3.4	17.8	78.1	55.8	63.3
Impairment of the Container Operations	—	—	—	—	—
Adjusted EBITDA of the Container Operations(2)	0.8	4.4	29.6	0.9	(37.2)
Net revenue from services of the Container Operations	13.6	70.7	295.8	259.2	223.5
Adjusted EBITDA Margin of the Container Operations(4)	6.18%	6.18%	10.02%	0.35%	(16.67)%

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- (2) Adjusted EBITDA of the Container Operations measures our operating profitability and is calculated as result before financial result and income tax and social contribution of the Container Operations plus depreciation and amortization of the Container Operations and impairment of the Container Operations. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”
- (3) Result before financial result and income tax and social contribution of the Container Operations is the sum of gross profit of the Container Operations, selling, general and administrative expenses of the Container Operations, other operational income (expenses) of the Container Operations and equity income on investments of the Container Operations.
- (4) We define Adjusted EBITDA Margin of the Container Operations as Adjusted EBITDA of the Container Operations divided by net revenue of the Container Operations, expressed as a percentage. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”

Reconciliation of our results before financial result and income tax and social contribution of the Central Operations to Adjusted EBITDA of the Central Operations

The table below sets forth a reconciliation of our result before financial result and income tax and social contribution of the Central Operations results to Adjusted EBITDA of the Central Operations.

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
	(in millions, except as otherwise indicated)				
Reconciliation of result before financial result and income tax and social contribution of the Central Operations to Adjusted EBITDA of the Central Operations(2)					
Result before financial result and income tax and social contribution of the Central Operations(3)	(7.0)	(36.2)	(67.9)	—	—
Depreciation and amortization of the Central Operations	4.7	24.2	40.5	—	—

	As of March 31,		For the Fiscal Year Ended December 31,		
	2020(1)	2020	2019	2018	2017
	(in U.S.\$)	(in R\$)		(in R\$)	
		(in millions, except as otherwise indicated)			
Impairment of the Central Operations	—	—	—	—	—
Adjusted EBITDA of the Central Operations (2).....	(2.3)	(12.0)	(27.4)	—	—

- (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 March 31, 2020 for reais into U.S. dollars of R\$5.199 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) Adjusted EBITDA of the Central Operations measures our operating profitability and is calculated as result before financial result and income tax and social contribution of the Central Operations plus depreciation and amortization of the Central Operations and impairment of the Central Operations. See “Presentation of Financial and Certain Other Information—Special Note Regarding Non-GAAP Financial Measures.”
- (3) Result before financial result and income tax and social contribution of the Central Operations is the sum of gross profit of the Central Operations, selling, general and administrative expenses of the Central Operations, other operational income (expenses) of the Central Operations and equity income on investments of the Central Operations.

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, our consolidated interim unaudited financial information 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 we are 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 Tocantins, Goiás, Mato Grosso, Mato Grosso do Sul 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 53% of Brazil's GDP.

We own and operate a large asset base, including a rail network consisting of five concessions that extend over approximately 13,500 kilometers of railway lines, over 1,200 locomotives, over 33,000 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 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, making it possible to expand our operations and improve our logistics and other services. For example, we currently have a 10% equity interest in the Grain Terminal of Guarujá (TGG) in the port terminal in Santos, which is a significant port project.

The transportation of agricultural commodities, primarily for export, represented approximately 80% of our transported volume in the three months ended March 31, 2020 and 82%, 82% and 83% in the fiscal years ended December 31, 2019, 2018 and 2017, respectively, while transportation of industrial products represented approximately 20%, 18%, 18% and 17% of our transported volume in the same periods, respectively. Our transported volume derived from the transportation of grains (soybean, corn and soybean meal) represented 69% in the three months ended March 31, 2020 and 71%, 72% and 74% in the fiscal years ended December 31, 2019, 2018 and 2017, 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 Brazil. 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:

- our consolidated interim unaudited financial information as of March 31, 2020 and for the three months ended March 31, 2020 and 2019 prepared in accordance with Accounting Pronouncement NBC TG 21 – Demonstrações Intermediárias, and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR);
- our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019 and 2018, together with the notes thereto, prepared in accordance with IFRS, as issued by the IASB, and in accordance with accounting practices adopted in Brazil; and
- our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2018 and 2017, together with the notes thereto, prepared in accordance with IFRS, as issued by the IASB, and in accordance with accounting practices adopted in Brazil.

Our consolidated interim unaudited financial information present our results of operations and cash flows for the three months ended March 31, 2020 and 2019 on a consolidated basis, and our audited consolidated financial statements present our results of operations and cash flows for the fiscal year ended December 31, 2019, 2018 and 2017 on a consolidated basis.

Adoption of IFRS 16

As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee accounting model for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases.

Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease liability represents the future lease payments. The finance cost is charged to profit or loss over the term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term.

We opted to use the modified retrospective approach, in which the cumulative effect of the initial adoption is recognized as an adjustment to the opening balance of the accumulated results on January 1, 2019. Therefore, our 2018 and 2017 comparative information included in our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019, 2018 and 2017, has not been restated and is presented as previously reported in accordance with IAS 17 and IFRIC 4. In the transition to IFRS 16, we recognized additional rights-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. See Note 2.4(v) to the financial statements as of and for the years ended December 31, 2019 and 2018. The impact on the transition is summarized below:

	As of January 1, 2019
	(in R\$ millions)
Noncurrent assets	
Right-of-use assets	954.6
Provision for impairment	(131.5)
Deferred income tax and social contribution	41.7
Total noncurrent assets	864.7
Total assets	864.7
Current liabilities	
Lease liabilities	59.3
Total current liabilities	59.3
Noncurrent liabilities	
Lease liabilities	1,332.4
Leasing and concession	(51.6)

	<u>As of January 1, 2019</u>
	<u>(in R\$ millions)</u>
Total noncurrent liabilities	1,280.8
Total liabilities	1,340.1
Equity	
Accumulated losses	(475.4)
Total equity	(475.4)
Total liabilities and equity	864.7

See our consolidated financial statements and related notes included elsewhere in this offering memorandum and “Presentation of Financial and Certain Other Information,” “Summary Consolidated Financial and Other Information” and “Selected Consolidated Financial and Other Information.”

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, as well as our 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.

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. We measure the cost of shares-based transactions with employees as the fair value of the equity instruments on the issuance date, recognized with the vesting period. 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.

Leasing commitments. IFRS 16 introduced a single lessee accounting model for accounting for leases in the lessee’s balance sheet. As a result, we, as a lessee, record the right-of-use assets that represent our rights to use underlying assets and rental liabilities that represent its obligation of future lease payments. Lessor’s accounting remains similar to previous accounting policies. We opted to use the modified retrospective approach, in which the cumulative effect of the initial adoption is recognized as an adjustment to the opening balance of the accumulated

results on January 1, 2019. Therefore, our 2018 and 2017 comparative information included in our audited individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019, 2018 and 2017 has not been restated and is presented as previously reported in accordance with IAS 17 and IFRIC 4.

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, legislation or court decisions.

Principal Factors Affecting Our Results of Operations

In addition to the factors that are described in “Business,” our results of operations have been influenced and will continue to be influenced by the following key factors:

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 for the periods indicated:

	For the Three Months Ended March 31,		For the Fiscal Year Ended December 31,		
	2020	2019	2019	2018	2017
GDP growth	(0.3)%	(0.2)%	1.1%	1.3%	1.3%
Inflation (IGP-M)	6.8%	2.2%	7.3%	7.5%	(0.5)%
Inflation (IPCA)(1)	3.3%	1.5%	4.3%	3.8%	3.0%
Interbank rate – CDI (average)(2)	5.4%	6.4%	6.0%	6.4%	9.9%
Long-term interest rates – TJLP (average)(3)	5.7%	7.0%	5.6%	7.0%	7.0%
Exchange rate at the end of the period per U.S.\$1.00 ..	R\$5.1987	R\$3.897	R\$4.031	R\$3.875	R\$3.308
Average exchange rate per U.S.\$1.00	R\$4.8839	R\$3.784	R\$3.946	R\$3.656	R\$3.193
Appreciation (depreciation) of the real against the U.S. dollar(4)	29.0%	(0.6)%	(4.0)%	(17.1)%	(1.5)%

Sources: IBGE, Central Bank, B3 and FGV.

- (1) IPCA is a consumer price index calculated by IBGE.
- (2) CDI refers to the average overnight interbank loan rates in Brazil, accumulated during the corresponding period.
- (3) TJLP is the rate applicable to long-term loans by BNDES, as of the period end.
- (4) Comparing the PTAX exchange rate (the rate calculated by the Central Bank) at the end of the period’s last day with the day immediately prior to the first day of the period discussed, PTAX is the exchange rate calculated at the end of each day by the Central Bank. It is the average rate of all business conducted in U.S. dollars on the determined date in the interbank exchange market.

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, a benchmark interest rate, reaching 14.25% as 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, 7.00% as of December 31, 2017, 6.40% as of December 31, 2018, 4.50% as of December 31, 2019. On February 5, 2020, the COPOM reduced the SELIC rate to 4.25% and further reduced the rate

to 3.75% on March 18, 2020, to 3.00% on June 5, 2020 and to 2.25% on June 17, 2020. As of June 26, 2020, the SELIC rate is 2.25%.

The recent economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. Despite the ongoing recovery of the Brazilian economy, weak macroeconomic conditions in Brazil are expected to continue throughout 2020. In addition, various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigation known as “*Lava Jato*,” have negatively impacted the Brazilian economy and political environment.

In recent years, there has been significant political turmoil in connection with the impeachment of the former president Dilma Rousseff (who was removed from office in August 2016) and ongoing investigations of her successor president Michel Temer (who left office in January 2019) as part of the ongoing “*Lava Jato*” investigations. Presidential elections were held in Brazil in October 2018. We cannot predict which policies the new President of Brazil, who assumed office on January 1, 2019, 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 us. The political uncertainty resulting from the presidential elections and the transition to a new government may have an adverse effect on our business, results of operations and financial condition.

Furthermore, Brazil’s federal budget has been in deficit since 2014. Similarly, the governments of Brazil’s constituent states are also facing fiscal concerns due to their high debt burdens, declining revenues and inflexible expenditures. While the Brazilian Congress has approved a ceiling on government spending that will limit primary public expenditure growth to the prior year’s inflation for a period of at least 10 years, local and foreign investors believe that fiscal reforms, and in particular a reform of Brazil’s pension system, will be critical for Brazil to comply with the spending limit. Diminished confidence in the Brazilian government’s budgetary condition and fiscal stance could result in downgrades of Brazil’s sovereign debt by credit rating agencies, negatively impact Brazil’s economy, and lead to further depreciation of the *real* and an increase in inflation and interest rates, thus adversely affecting 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).

AgRural Consultancy Agency, or AgRural, in its estimates for 2019-2020, indicated a 9% increase in the soybean crop in Brazil primarily due to favorable planting conditions. However, exports still face volatility due to recovering demand in China and there is no consensus between forecasts. Nevertheless, taking into account that historically Mato Grosso exports have outperformed the industry’s average and that we underwent operational constraints in 2019, we believe that the recovery of the volume lost in the previous year is possible. With higher logistics capacity, the beginning of the harvest may deliver favorable export volumes. Nevertheless, at the back-end of the soybean harvest, the market may face increased volatility.

Other Factors

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

- developments with respect to the COVID-19 pandemic in Brazil and globally (see also “Risk Factors—Risks Related to Our Business and Industries in which We Operate—Public health threats or outbreaks of communicable diseases could have an adverse effect on our operations and financial results” and “Summary—Recent Developments—COVID-19 Pandemic”);
- 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 Brazilian states in which we operate and our resulting tax obligation.

Inflation may impact our operating profit by (i) increasing our transport revenues given that our contracted tariffs are readjusted in accordance with the IGP-M inflation index (IGP-M); and (ii) 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 (i) our consolidated interim unaudited financial information as of March 31, 2020 and for the three months ended March 31, 2020 and 2019, (ii) our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and 2018 and (iii) our audited consolidated financial statements as of and for the fiscal years ended December 31, 2018 and 2017. See “Presentation of Financial and Certain Other Information.”

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

Our net revenue from services consists primarily of revenues derived from (i) rail transportation of agricultural commodities, industrial products and containers, (ii) port terminal loading of sugar and grains (soy, corn and soybean) and (iii) other revenues including (a) revenues relating to passage rights granted to other rail transportation

operators and (b) revenues from the transportation of sugar through other rail lines, as well as via road transportation.

Results of Operations for the Three Months Period Ended March 31, 2020 Compared to the Three Months Period Ended March 31, 2019

The following table sets forth our consolidated financial information for the three months ended March 31, 2020 and 2019.

	For the Three Months Ended March 31,		Variation
	2020	2019	2020 / 2019
	(in R\$ millions)		(%)
Net revenue from services	1,423.6	1,634.9	(12.9)%
Cost of services	(1,071.2)	(1,153.5)	(7.1)%
Gross profit	352.4	481.4	(26.8)%
Selling, general and administrative	(104.8)	(85.5)	22.6%
Other income (expenses), net	(91.9)	(21.5)	327.4%
Operating expenses	(196.7)	(107.0)	83.8%
Result before equity in earnings of investees and net financial result	155.7	374.4	58.4%
Equity income on investments	2.4	4.8	50.0%
Result before financial results and income tax and social contribution	158.1	379.2	58.3%
Financial result, net	(530.7)	(324.5)	63.5%
Result before income tax and social contribution	(372.6)	(54.7)	n.m.
Income tax and social contribution	98.8	(27.8)	n.m.
Current	(35.6)	(19.7)	80.7%
Deferred	134.5	(8.1)	n.m.
Result for the period	(273.8)	26.9	n.m.
Total result attributable to:			
Owners of the Company	(272.6)	26.4	n.m.
Noncontrolling interest	(1.2)	0.5	n.m.

Net revenue from services. Our net revenue from services decreased by R\$211.3 million, or 12.9%, from R\$1,634.9 million in the three months ended March 31, 2019 to R\$1,423.6 million in the three months ended March 31, 2020, primarily due to a decrease in the volume transported of 12.3 billion tons per kilometer use, or TKU, a decrease of 7.6% compared to 13.3 TKU in the three months ended March 31, 2019. We experienced certain volatility during the three months ended March 31, 2020 due to market conditions (including late start of soybean harvest and operational constraints in March 2020). Our net revenue was also impacted by a 4.6% yield decrease. In the three months ended March 31, 2020, our Northern Operation saw a 7.0% yield drop due to (i) lower freight demand in the market in January and February 2020; (ii) lower volume in March 2020, a month which usually records higher yields; and (iii) termination of take-or-pay agreements during a period of lower truck freight prices. In the three months ended March 31, 2020, our Southern Operation's yield rose 3.4%, while the Container Operation's average transportation yield (measured in R\$ per 1,000 RTK) dropped 3.9% compared to the three months ended March 31, 2019.

Cost of services. Our cost of services decreased by R\$82.3 million, or 7.1%, from R\$1,153.5 million in the three months ended March 31, 2019 to R\$1,071.2 million in the three months ended March 31, 2020. Our cost of services accounted for 75.2% of our net revenue from services in the three months ended March 31, 2020 compared to 70.6% for the three months ended March 31, 2019. This decrease is mainly due to lower take-or-pay expenses and (ii) less freight costs with third parties, due to higher sugar volumes transported through railway. Our fuel expenses

decreased 8.0%, in line with volume, recording efficiency gains in fuel consumption (a decrease of 4.2% in Liters/GTK) which offset higher fuel prices year-over-year.

Gross profit. As a result of the foregoing, our gross profit for the three months ended March 31, 2020 was R\$352.4 million, a decrease of 26.8% compared to our gross profit of R\$481.5 million in the three months ended March 31, 2019.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by R\$19.3 million, or 22.6%, from R\$85.5 million in the three months ended March 31, 2019 to R\$104.8 million in the three months ended March 31, 2020. To facilitate the analysis of variations in our cost of services and in general, the administrative expenses and the costs and expenses described below have been aggregated. The main costs and expenses are: (i) depreciation and amortization costs, which totaled R\$419.2 million in the three months ended March 31, 2020, presented no material variation when compared to R\$422.5 million in the three months ended March 31, 2019; (ii) transportation and port terminal loading costs, which decreased to R\$366.3 million in the three months ended March 31, 2020, compared to R\$418.3 million in the three months ended March 31, 2019, primarily as a result of a decrease in transported volume combined with a decreased in fuel expenses of 8.0%, as explained above. These were partially offset an increase in personnel expenses totaling R\$237.1 million in the three months ended March 31, 2020, compared to R\$224.1 million in the three months ended March 31, 2019, resulting from wages readjusted by inflation combined with others personnel provisions.

Other expenses. Our other expenses for the three months ended March 31, 2020 was R\$91.9 million, an increase of 327.4% compared to other expenses of R\$21.5 million for the three months ended March 31, 2019, mainly as a result of a payment of R\$63.5 million made in January 2020 in connection with the Malha Paulista renewal process.

Financial result, net. Our financial result, net amounted to an expense of R\$530.7 million in the three months ended March 31, 2020, an increase of R\$206.2 million compared to an expense of R\$324.5 million in the three months ended March 31, 2019 primarily due to: (i) loss on the estimated fair value adjustment of financial instruments of R\$159.0 million in the three months ended March 31, 2020; (ii) recognition of the new Malha Central concession agreement in July 2019, with a financial expense on the lease liability under IFRS 16 of R\$71.2 million; (iii) a CDI interest rate decrease in the first quarter of 2020, with a net positive effect of R\$42.2 million; and (iv) lower bank guarantee expenses in an amount of R\$7.6 million. Lease charges increased in the three months ended March 31, 2020 due to interest rates over concession installments of Malha Central. Financial investments yield fell by 16.3% in the three months ended March 31, 2020 when compared to 2019 due to reduced CDI interest rates quarter-over-quarter. The monetary restatement on leasing and concession agreements reflected the SELIC interest rate adjustment to the unpaid concession fees of the Malha Oeste and the Malha Paulista, which are currently in litigation. Other financial expenses include costs related to the Malha Paulista concession agreement renewal process and costs related to bank guarantees and other financial operations.

Income tax and social contribution. Our income tax and social contribution amounted to a revenue of R\$98.8 million in the three months ended March 31, 2020, compared to an expense of R\$27.8 million in the three months ended March 31, 2019. This change was primarily due to our negative result before income tax and social contribution in the three months ended March 31, 2020 of R\$372.6 million compared to a positive result of R\$54.7 million in the three months ended March 31, 2019, which resulted in the recognition of deferred tax asset over tax losses. Other factors had a reduced impact in the periods compared: (i) variation of tax losses and temporary differences not recognized of 8% in the three months ended March 31, 2020 when compared to the same period of 2019, given that we did not record deferred income tax and social contribution on tax losses in certain companies due to the lack of foreseeability; (ii) our effective tax rate for the three months ended March 31, 2020 was positive in 26.5%, which is lower than the statutory rate of 34%; and (iii) the benefit related to the Amazon Development Office (SUDAM) entitles us to a 75% reduction in corporate income tax (rate of 25%) until 2023. However, in the three months ended March 31, 2020 we did not use this benefit (due to the lack of a minimum calculation base). In the three months ended March 31, 2019 the recognized tax incentive related to such benefit was R\$28.0 million.

Results for the period. As a result of the foregoing, we recorded loss of R\$273.8 million in the three months ended March 31, 2020, compared to a profit of R\$26.9 million in the three months ended March 31, 2019. This change in our results for the period can be attributed to: (i) expenses related to Malha Paulista concession renewal

process, (ii) Malha Central costs and expenses in the three months ended March 31, 2020; and (iii) non-cash impact of derivatives mark-to-market in the three months ended March 31, 2020.

Results of Operations for the Fiscal Year Ended December 31, 2019 Compared to the Fiscal Year Ended December 31, 2018

The following table sets forth our consolidated financial information for the fiscal year ended December 31, 2019 and 2018.

	For the Fiscal Year Ended December 31,		Variation
	2019	2018	2019 / 2018
	(in R\$ millions)		(%)
Net revenue from services	7,087.8	6,584.9	7.6%
Cost of services	(4,608.8)	(4,465.6)	3.2%
Gross profit	2,479.0	2,119.3	17.0%
Selling, general and administrative	(363.6)	(313.4)	16.2%
Other income (expenses), net	(24.1)	(65.3)	(63.1)%
Operating expenses	(387.7)	(378.7)	2.4%
Result before equity in earnings of investees and net financial result	2,091.3	1,740.6	20.2%
Equity income on investments	21.9	10.2	114.7%
Result before financial results and income tax and social contribution	2,113.2	1,750.7	20.7%
Financial result, net	1,198.1	(1,209.3)	n.m.
Result before income tax and social contribution	915.1	541.4	69.0%
Income tax and social contribution	(129.3)	(268.4)	(51.8)%
Current	(160.8)	(66.8)	140.7%
Deferred	(31.5)	(201.6)	(115.6)%
Result for the year	785.9	273.0	187.8%
Total result attributable to:			
Owners of the Company	778.2	264.4	194.3%
Noncontrolling interest	7.6	8.6	11.6%

Net revenue from services. Our net revenue from services increased by R\$502.9 million, or 7.6%, from R\$6,584.9 million in the fiscal year ended December 31, 2018 to R\$7,087.8 million in the fiscal year ended December 31, 2019, primarily due to an increase in the volume transported of 60.1 billion tons per kilometer use, or TKU, an increase of 6.6% compared to 56.4 TKU in the fiscal year ended December 31, 2018. We experienced certain volatility during the fiscal year ended December 31, 2019 due to market conditions (including early soybean and corn harvests and by our operational restrictions to transport the increased volume in the second half of 2019). Despite this volatility, our port terminal loading volume increased in the fiscal year ended December 31, 2019 in comparison to our port terminal loading volume in the fiscal year ended December 31, 2018, with net revenue from services from port terminal loading decreasing by 7.9%, to R\$284.2 million in the fiscal year ended December 31, 2019, from R\$308.7 million in the fiscal year ended December 31, 2018, primarily due to an unfavorable scenario for sugar exports. Our net revenue from transportation services totaled R\$6,108.4 million in the fiscal year ended December 31, 2019, compared to R\$5,674.0 million in the fiscal year ended December 31, 2018, primarily due to higher volumes of soybean and corn transported in 2019. Finally, our net revenue from services from other operations in the fiscal year ended December 31, 2019 when compared to the same period in 2018 did not represent any material change.

Cost of services. Our cost of services increased by R\$143.2 million, or 3.2%, from R\$4,465.6 million in the fiscal year ended December 31, 2018 to R\$4,608.8 million in the fiscal year ended December 31, 2019. Our cost of services accounted for 65.0% of our net revenue from services in the fiscal year ended December 31, 2019 compared to 67.8% for the fiscal year ended December 31, 2018. This increase in our cost of services was primarily due to increased costs with fertilizers in the Northern Operations in 2019, as well as an increase in liabilities in our take-or-pay agreements due to operational restrictions resulting from heavy rain in February 2019 and the increase in labor costs due to our loss of social contribution charges (special tax benefits on employee wages/benefits) and inflation. These increased costs were partially offset by greater efficiency of new locomotives acquired, resulting in lower fuel consumption (a decrease of 5.5% in liters/GTK).

Gross profit. As a result of the foregoing, our gross profit for the fiscal year ended December 31, 2019 was R\$2,479.0 million, an increase of 17.0% compared to our gross profit of R\$2,119.3 million in the fiscal year ended December 31, 2018.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by R\$50.2 million, or 16.0%, from R\$313.4 million in the fiscal year ended December 31, 2018 to R\$363.6 million in the fiscal year ended December 31, 2019. To facilitate the analysis of variations in our cost of services and in general, the administrative expenses and the costs and expenses described below have been aggregated. The main costs and expenses are: (i) depreciation and amortization costs, which totaled R\$1,675.6 million in the fiscal year ended December 31, 2019 compared to R\$1,418.9 million in the fiscal year ended December 31, 2018, as a result of investments in capital-intensive assets, such as rolling stock (locomotives and railcars) and permanent rail lines; (ii) transportation and port terminal loading costs, which increased to R\$1,696.4 million in the fiscal year ended December 31, 2019, compared to R\$1,547.7 million in the fiscal year ended December 31, 2018, primarily as a result of an increase in transported volume combined with an increase in fuel costs during the period, partially offset by an increase in fuel efficiency; (iii) personnel expenses totaling R\$923.6 million in the fiscal year ended December 31, 2019, compared to R\$842.7 million in the fiscal year ended December 31, 2018, resulting from wages readjusted by inflation combined with our loss of social contribution charges (special tax benefits on employee wages/benefits) in 2019; and (iv) leasing and concession costs, as explained by IFRS 16 standards, effective for annual periods beginning after January 1, 2019, which totaled R\$48.2 million in the fiscal year ended December 31, 2019 compared to R\$226.2 million in the fiscal year ended December 31, 2018.

Financial result, net. Our financial result, net amounted to an expense of R\$1,198.1 million in the fiscal year ended December 31, 2019, a decrease of R\$11.2 million (besides the increase of R\$299.6 million due to implementation of IFRS 16 on January 1, 2019) compared to an expense of R\$1,209.3 million in the fiscal year ended December 31, 2018 primarily due to the prepayment of certain financial obligations, replacement of more onerous debts with lower-cost ones and an interest rate decrease in 2019. Charges over financial lease agreements significantly increased due to their amortization given the inclusion of interest due on installments from Malha Central. Financial investments yield fell by 14% in the fiscal year ended December 31, 2019 when compared to 2018 due to a CDI interest rate decrease in 2019. The monetary variation on leasing and concession agreements reflected the SELIC interest rate adjustment to the unpaid concession fees of the Malha Oeste and the Malha Paulista, which are currently in litigation. Other financial expenses include cash collaterals and other financial transactions. As a result of the efforts undertaken by our management in 2018, in the fiscal year ended December 31, 2019, we reduced our financial expenses by 0.9%. For additional information, see note 6.4 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Income tax and social contribution. Our income tax and social contribution amounted to an expense of R\$129.3 million in the fiscal year ended December 31, 2019, compared to an expense of R\$268.4 million in the fiscal year ended December 31, 2018. This decrease was primarily due to the variation of tax losses and temporary differences not recognized of 59.7% in the fiscal year ended December 31, 2019 when compared to the same period of 2018, given that we did not record deferred income tax and social contribution on tax losses in certain companies due to the lack of foreseeability; and (ii) our effective tax rate for the fiscal year 2019 was negative in 14.1%, which is lower than the statutory rate of 34%, due to tax incentives arising from Northern Operations. This benefit related to the Amazon Development Office (SUDAM) benefit entitles us to a 75% reduction in corporate income tax (rate of 25%) until 2023, which increased to R\$178.6 million in the fiscal year ended December 31, 2019, compared to R\$48.5 million in the fiscal year ended December 31, 2018.

Results for the year. As a result of the foregoing, we recorded profit of R\$785.9 million in the fiscal year ended December 31, 2019, compared to a profit of R\$273.0 million in the fiscal year ended December 31, 2018, which represented a variation of 187.8%. This increase in profit can be attributed to new investments made to improve our planning efficiency and our improved financial results in the period.

Results of Operations for the Fiscal Year Ended December 31, 2018 Compared to the Fiscal Year ended December 31, 2017

The following table sets forth our consolidated financial information for the fiscal years ended December 31, 2018 and December 31, 2017.

	For the Fiscal Year Ended December 31,		Variation
	2018	2017	2018 / 2017
	(in R\$ millions)		(%)
Net revenue from services	6,584.9	5,946.3	10.7%
Cost of services	(4,465.6)	(4,221.0)	5.8%
Gross profit	2,119.3	1,725.4	22.8%
Selling, general and administrative	(313.4)	(311.0)	0.8%
Other income (expenses), net	(65.3)	(3.3)	1,878.8%
Operating expenses	(378.7)	(314.3)	20.5%
Result before equity in earnings of investees and net financial result	1,740.6	1,411.1	23.4%
Equity income on investments	10.2	4.2	142.9%
Result before financial results and income tax and social contribution	1,750.7	1,415.3	23.7%
Financial result, net	(1,209.3)	(1,664.9)	(27.4)%
Result before income tax and social contribution	541.4	(249.5)	(317.0)%
Income tax and social contribution	(268.4)	(8.9)	2,915.7%
Current	(66.8)	(43.2)	54.6%
Deferred	(201.6)	34.3	(687.8)%
Result for the year	273.0	(258.4)	(205.7)%
Total Results attributable to:			
Owners of the Company	264.4	(260.8)	(201.4)%
Noncontrolling interest	8.6	2.4	258.3%

Net revenue from services. Our net revenue from services increased by R\$638.6 million, or 10.7%, from R\$5,946.3 million in the fiscal year ended December 31, 2017 to R\$6,584.9 million in the fiscal year ended December 31, 2018, primarily due to a 13.4% increase in the volume transported, which totaled 56.4 billion tons per kilometer use, or TKU, in 2018. This increase in volume transported is due to continued investments made to improve our transportation capacity, which allowed productivity gains in fiscal year 2018 mainly from grain transportation, our most profitable segment.

Cost of services. Our cost of services increased by R\$244.6 million, or 5.8%, from R\$4,221.0 million in the fiscal year ended December 31, 2017 to R\$4,465.6 million in the fiscal year ended December 31, 2018. Our cost of services accounted for 67.8% of net revenue from services in 2018 compared to 71.0% in 2017. The increase in our cost of services was primarily due to increased lagged volume growth mainly due to lower sugar volume transported by highways and other railways. The fuel cost annual increase was partially offset by a 7.1% increase in locomotives' fuel consumption efficiency (Liters/GTK).

Gross profit. As a result of the foregoing, our gross profit for the fiscal year ended December 31, 2018 was R\$2,119.3 million, an increase of 22.8%, when compared to gross profit of R\$1,725.4 million for the fiscal year ended December 31, 2017.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by R\$2.4 million, or 0.8%, from R\$311.0 million in the fiscal year ended December 31, 2017 to R\$313.4 million in the fiscal year ended December 31, 2018. To facilitate the analysis of variations in cost of services and in general, and administrative expenses, the costs and expenses described below have been aggregated. The main costs and expenses are: (i) depreciation and amortization costs, which totaled R\$1,418.9 million in the fiscal year ended December 31, 2018, compared to R\$1,341.7 million in the fiscal year ended December 31, 2017, reflecting an increase in investments that started to depreciate; (ii) transportation and port terminal loading costs, which increased 6.8% to R\$1,547.7 million in the fiscal year ended December 31, 2018, compared to R\$1,449.1 million in the fiscal year ended December 31, 2017, primarily as a result of an increase in volume transported combined with an increase in cost of fuel during the period, partially offset by an increase in fuel efficiency; (iii) personnel expenses totaling R\$842.7 million in the fiscal year ended December 31, 2018, compared to R\$781.7 million in the fiscal year ended December 31, 2017, resulting from an increase in employees' compensation and higher bonus expenses recorded in the prior period; and (iv) leasing and concession costs, which amounted to R\$212.1 million in the fiscal year ended December 31, 2018, compared to R\$193.3 million in the fiscal year ended December 31, 2017, primarily due to variation of the IGP-DI index.

Financial result, net. Our financial result, net amounted to an expense of R\$1,209.3 million in the fiscal year ended December 31, 2018, a decrease of R\$455.6 million, or 27.4%, compared to an expense of R\$1,664.9 million in the fiscal year ended December 31, 2017, primarily due to the decrease of our debt cost as an effect of the repayment of certain obligations, replacement of more expensive debt with lower-cost debt, and decreased interest rates that resulted in positive mark-to-market effects of R\$652.8 million. Charges over-leasing and receivables certificates declined due to amortizations in these instruments without new relevant funding. Financial investments yield fell 13.48% due to an average cash decrease and a CDI quarter-over-quarter interest rate drop. The monetary variation on leasing and concession agreements reflected the SELIC interest rate adjustment to the unpaid concession fees of the Malha Oeste and the Malha Paulista, which are currently in litigation. Other financial expenses include cash collaterals and other financial transactions. For additional information on our lease and concessions, see note 20 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Income tax and social contribution. Our income tax and social contribution amounted to an expense of R\$268.4 million in the fiscal year ended December 31, 2018, compared to an expense of R\$8.9 million in the fiscal year ended December 31, 2017. This increase was primarily due to the variation of deferred taxes, arising from unearned derivatives results, taxed on a cash basis. Our effective tax rate for the fiscal year 2018 was 49.6%, primarily due to significant distortions in relation to the nominal rate of 34% as certain of our subsidiaries did not record deferred tax assets on tax losses and temporary differences, because it was not probable that taxable profit of these subsidiaries would be available.

Results for the year. As a result of the foregoing, we recorded profit of R\$273.0 million in the fiscal year ended December 31, 2018, compared to a loss of R\$258.4 million in the fiscal year ended December 31, 2017, which represented a variation of 14.6%. This increase in profit can be attributed to investments made to improve our planning efficiency and reduced debt carrying costs on our financial result in the period.

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;

- exchange rate variations, which affect our U.S. dollar-denominated debt as well as our U.S. dollar denominated agreements;
- our ability to continue to borrow funds from Brazilian and international financial institutions and to obtain pre-export financing from certain of our customers;
- our capital expenditure requirements, which consist primarily of investments in facilities and the purchase of equipment;
- 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 our capacity to incur additional debt under our existing 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 quarter of 2020, and in 2019, 2018 and 2017, the cash flow used in our investing activities was funded mainly through borrowing and equity financing.

We continue to strengthen our cash position through new funding. Since March 31, 2020, we entered into financing agreements in an aggregate amount of R\$2,535.0 million, as follows:

Description	Index	Total Amount (in R\$ million)	Maturity Date
Loan 4131.....	Libor + spread + flat fee	200.0	2021
FINEM (BNDES)	TJLP + spread	1,075.6	2029
FINEM (BNDES)	TJLP + spread	459.4	2029
Non-convertible Debentures.....	IPCA + spread	800.0	2030
Total.....		2,535.0	

Capitalization and Debt Re-profiling Initiatives

During the fiscal year ended December 31, 2018, we adopted certain measures to improve our capital structure, including: (i) the issuance of the 5.875% notes due 2025 on January 18, 2018; (ii) the approval of the merger of (a) Brado Holding S.A., Rumo Malha Norte Holding Ltda. and Tereza Consultoria de Negócios Ltda. into our company and (b) PGT S.A. into ALL Armazéns Gerais Ltda.; and (iii) the approval of a financing agreement with BNDES in the aggregate principal amount of R\$2,887.3 million, which will be used to fund investments rail freight transportation concessions, of which we raised the amount of R\$800 million, while the disbursement of the balance will be made through the investments linked to such financing.

During the fiscal year ended December 31, 2019, we opted for the prepayment of certain financial obligations, refinancing more expensive debt in order to reduce our cost of funding for others with lower cost, as described below:

- On February 22, 2019, we raised funds through the issuance of debentures in Brazil in the aggregate principal amount of R\$500.0 million, maturing in February 2029 and bearing an interest rate of IPCA plus 4.68% per year paid semiannually. This debt is hedged by an interest rate swap;
- On February 28, 2019, we raised funds from the Austrian development agency, through an ECA transaction arranged by Banco Santander in the aggregate principal amount of R\$91.3 million, maturing in September

2026 and bearing an interest rate of Euribor plus 0.58% per year paid semiannually. This debt is hedged by an exchange and interest rate swap;

- On March 19, 2019, we raised funds through the issuance of debentures in Brazil in the aggregate principal amount of R\$600.0 million, maturing in February 2029 and bearing an interest rate of IPCA plus 4.5% per year paid semiannually. This debt is hedged by an interest rate swap;
- On October 15, 2019, Rumo issued debentures due in 2029 in the aggregate principal amount of R\$222.3 million, which bear interest at the IPCA rate plus 4.0% per year, paid semiannually; and
- On October 15, 2019, Rumo issued debentures due in 2029 in the aggregate principal amount of R\$906.8 million, which bear interest at the IPCA rate plus 3.9% per year, paid semiannually.

During the three months ended March 31, 2020, we adopted a conservative position to maintain our liquidity and overcome the challenges presented by the critical economic scenario due to the COVID-19 pandemic. The issuances on this quarter are as described below:

- On March 19, 2020, we raised funds through the issuance of an Export Credit Note (NCE) with Banco Itaú S.A, in the amount of R\$200 million, which bears interest at the CDI rate plus 3.1% per year and matures in March of 2021.
- On March 26, 2020, we raised funds through the issuance of an Export Credit Note (NCE) with Banco Bradesco S.A, in the amount of R\$450 million, which bears interest at the CDI rate plus 3.2% per year and matures in March of 2021.
- On March 19, 2020, we issued a foreign credit line, based on the 4131 law, with Citibank S.A, in the amount of US\$40 million and which matures in March of 2022 and bears interest rate at the LIBOR plus 2.2% per year.

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 the 7.375% notes due 2024 and the 5.875% notes due 2025 (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, and development agencies, as was demonstrated by the issuance of the 7.375% notes due 2024 and the 5.875% notes due 2025, as well as by our capital increase through an issuance of common shares undertaken in October 2017. We may rely on a variety of financing methods 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 indebtedness could adversely affect our financial health and prevent us from fulfilling our indebtedness obligations, which would have a material adverse effect on us, our financial condition and 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 2019, 2018 and 2017 are to the fiscal years ended December 31, 2019, 2018 and 2017, respectively.

	For the Three Months Ended 31,		For the Fiscal Year Ended December 31,		
	2020	2019	2019	2018	2017
	(in R\$ millions)				
Net cash generated by operating activities	25.4	521.9	3,524.8	2,704.7	2,311.2
Net cash generated by (used in) investment activities ..	888.3	713.4	(798.3)	(1,411.2)	(4,102.9)
Net cash generated by (used in) financing activities	298.8	(419.0)	(905.9)	(1,456.8)	1,681.0
Impact of exchange variation on cash and cash equivalents	1.4	0.2	0.9	126.8	28.1
Increase (decrease) in cash and cash equivalents, net	1,213.9	816.5	1,821.5	(36.5)	(82.5)
Cash and cash equivalents at beginning of the period	1,963.0	141.5	141.5	178.0	260.5
Cash and cash equivalents at end of the period	3,176.9	958.1	1,963.0	141.5	178.0

As of March 31, 2020, our consolidated cash and cash equivalents amounted to R\$3,176.9 million compared to R\$958.1 million for the three months ended March 31, 2019.

Net Cash Generated by Operating Activities

Our net cash generated by operating activities decreased to R\$25.4 million in the three months ended March 31, 2020, from net cash generated by operating activities of R\$521.9 million in the three months ended March 31, 2019, as a result primarily of a decrease in volume transported and, consequently, in our cash flows from operating activities. The cash flows generated by operating activities was partially impacted by a positive reduction in salaries payable, provision for judicial demands and other assets/liabilities accounts.

Our net cash generated by operating activities increased to R\$3,524.8 million in the fiscal year ended December 31, 2019, from net cash generated by operating activities of R\$2,704.7 million in the fiscal year ended December 31, 2018, as a result primarily of an increase in volume transported, a decrease in trade receivables and, consequently, an increase in our results. This increase was partially offset by lower cash proceeds resulting from increased salary payments and payments in respect of legal provisions as evidenced by a decrease in salaries payable and a decrease in provisions for legal proceedings in the fiscal year ended December 31, 2019.

Our net cash generated by operating activities increased to R\$2,704.7 million in the fiscal year ended December 31, 2018, from net cash generated by operating activities of R\$2,311.2 million in the fiscal year ended December 31, 2017, as a result primarily of an increase in volume transported and, consequently, in our cash flows from operating activities. This increase in cash flows from operating activities was partially offset by a decrease of our accounts payable, lease and concessions payable and provision for judicial demands.

Net Cash Generated by (Used in) Investing Activities

Our net cash generated by investing activities increased to R\$888.3 million in the three months ended March 31, 2020, from net cash generated by investing activities of R\$713.4 million in the three months ended March 31, 2019. This increase in net cash used in investing activities resulted primarily from an increase in cash generated from sale of marketable securities and bonds in the three months ended March 31, 2020, including the proceeds received from NCE and Loan 4131 (R\$1,424.3 million in the three months ended March 31, 2020 compared to R\$1,265.0 million in the three months ended March 31, 2019).

Our net cash flow used in investing activities decreased to R\$798.3 million in the fiscal year ended December 31, 2019 compared to our net cash used in investing activities of R\$1,411.2 million in the fiscal year ended December 31, 2018. This decrease in net cash used in investing activities resulted primarily from an increase

in cash generated from investments in securities and bonds, including the proceeds received from our debentures issuances in the fiscal year ended December 31, 2019 (R\$1,169.3 million in the fiscal year ended December 31, 2019 compared to R\$467.4 million in the fiscal year ended December 31, 2018).

Our net cash used in investing activities decreased to R\$1,411.2 million in the fiscal year ended December 31, 2018, from net cash used in investing activities of R\$4,102.9 million in the fiscal year ended December 31, 2017. This decrease in net cash used in investing activities resulted primarily from cash generated from marketable securities of R\$467.4 million in 2018 compared to a cash used in marketable securities of R\$2,045.8 million in the fiscal year ended December 31, 2017, a decrease in investments in fixed assets, software and other intangibles to R\$1,996.7 million in the fiscal year ended December 31, 2018 from R\$2,045.4 million in the fiscal year ended December 31, 2017.

Net Cash Generated by (Used in) Financing Activities

Our net cash generated by financing activities increased to R\$298.8 million in the three months ended March 31, 2020, from net cash used in operating activities of R\$419.0 million in the three months ended March 31, 2019, mainly as a result of debt prepayments of R\$273.0 million and interest payments of R\$383.0 million related to loans, leases and certified real estate receivables in the three months ended March 31, 2020 compared to debt repayments of R\$1,413.0 million and interest payments of R\$296.9 million in the three months ended March 31, 2019 related to loans, leases and certified real estate receivables or CRI.

Our net cash flow used in financing activities decreased to R\$905.9 million in the fiscal year ended December 31, 2019 compared to our net cash used in financing activities of R\$1,456.8 million in the fiscal year ended December 31, 2018 mainly as a result of debt prepayments of R\$2,361.5 million and interest payments of R\$891.9 million related to loans, leases and certified real estate receivables or CRI in the fiscal year ended December 31, 2019 compared to debt repayments of R\$3,649.3 million and interest payments of R\$875.5 million in the fiscal year ended December 31, 2018 related to loans, leases and certified real estate receivables or CRI.

Our net cash flow used in financing activities increased to R\$1,456.8 million in the fiscal year ended December 31, 2018 compared to our net cash generated by financing activities of R\$1,681.0 million in the fiscal year ended December 31, 2017, mainly as a result of (i) a capital increase of R\$2,584.2 million in April 2017, which proceeds were used to prepay debts in the fiscal year ended December 31, 2018, and (ii) an increase in proceeds from borrowings during the fiscal year ended December 31, 2017 when compared to the fiscal year ended December 31, 2018.

Indebtedness

As of March 31, 2020, our indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES and debentures, totaled R\$14,835.9 million, of which R\$1,607.6 million was the short-term debt portion. We also continued to strengthen our cash position through new funding. Since March 31, 2020, we entered into financing agreements in an aggregate amount of R\$2,535.0 million. For further information on our new financing agreements, see “—Liquidity and Capital Resources—Overview—Liquidity and Cash Position.”

As of December 31, 2019, our indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES and debentures, totaled R\$11,719.7 million, of which R\$1,064.8 million was the short-term debt portion.

As of December 31, 2018, our indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES and debentures, totaled R\$10,594.4 million, of which R\$924.9 million was short-term debt. Our indebtedness as of December 31, 2018 increased by R\$923.5 million as compared to our total debt as of December 31, 2017, primarily due to a new BNDES financing agreement in the aggregate principal amount of R\$800.0 million. This was partially offset by the regular amortization payments made during the period. Our short-term debt, which includes the current loans, financings and debentures and interest accrued, represented 8.7% of our total debt as of December 31, 2018.

As of December 31, 2017, our indebtedness, which was primarily composed of loans and financings mainly contracted with BNDES and debentures, totaled R\$9,670.9 million, of which R\$1,594.0 million was the short-term debt portion. Our indebtedness as of December 31, 2017 increased by R\$1,147.8 million as compared to our indebtedness as of December 31, 2016, primarily due to the issuance of the 7.375% notes due in 2024 in the total amount of U.S.\$750 million. This was partially offset by the regular amortization payments made during the period. Our short-term debt portion, which includes the current loans, financings and debentures and interest accrued, represented 16.5% of our indebtedness as of December 31, 2017. As of December 31, 2017, we had R\$2,665.7 million in U.S. dollar-denominated indebtedness.

Our Net Debt increased from R\$7,221.2 million as of March 31, 2019 to R\$7,282.3 million as of March 31, 2020. Our Net Debt decreased from R\$6,686.0 million as of December 31, 2018 to R\$6,294.0 million as of December 31, 2019. Our Net Debt increased from R\$6,137.1 million as of December 31, 2017 to R\$6,686.0 million as of December 31, 2018, primarily due to the issuance of the 5.875% notes due in 2025.

The table below shows the profile of our debt instruments as of March 31, 2020:

Description	Index	Outstanding Amount (in R\$ million)	Maturity Date
FINAME (BNDES)	Pre-fixed	787.3	2025
FINAME (BNDES)	URTJLP	3.5	2022
FINEM (BNDES)	Pre-fixed	1.3	2024
FINEM (BNDES)	UR TJLP	2,048.6	2029
FINEM (BNDES)	IPCA	1.6	2021
FINEM (BNDES)	SELIC	0.7	2020
NCE (Export Credit Notes)	CDI + spread	1,231.8	2021/2023
7.375% notes due 2024	Pre-fixed (U.S.\$)	4,754.7	2024
5.875% notes due 2025	Pre-fixed (U.S.\$)	3,087.1	2025
ECA	Euribor + spread	96.0	2026
Loan 4131	Libor + spread	494.9	2022
Non-convertible Debentures	IPCA + spread	549.1	2026
Non-convertible Debentures	IPCA + spread	1,779.3	2029
Total		14,835.9	

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.

We believe we will be able to refinance our existing debt on favorable market conditions.

Material Financing Agreements

Our principal financing agreements as of March 31, 2020 are described below:

5.875% Notes due 2025

On January 18, 2018, Rumo Luxembourg issued notes due 2025 in an aggregate principal amount of U.S.\$500 million. The 5.875% notes due 2025 bear interest at the annual rate of 5.875%, payable semiannually in arrears on January 18 and July 18 of each year, which commenced on July 18, 2018. The 5.875% Notes due 2025 are guaranteed by the Guarantor.

As of March 31, 2020, the aggregate amount outstanding of the 5.875% notes due 2025 was R\$3,087.1 million (U.S.\$593.8 million) (consisting of a principal outstanding amount of R\$1,740.0 million (U.S.\$ 334.8 million) and accrued and unpaid interest of R\$1,346.5 million (U.S.\$259.0 million)).

The indenture governing the 5.875% notes due 2025 (including the guarantee) contains covenants that, among other things, limit the ability of the issuer, the Guarantor or the Guarantor's 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, the issuer is subject to additional restrictive covenants pursuant to the indenture.

The indenture governing the 5.875% notes due 2025 (including the guarantee) 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, the Guarantor 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 the Guarantor or certain of its subsidiaries having an outstanding principal amount of U.S.\$50 million;
- one or more final and non-appealable judgments or orders for the payment of money in an amount exceeding U.S.\$50 million (in excess of amounts which the Guarantor's insurance carriers have agreed to pay under applicable policies) are rendered against (a) the issuer, (b) the Guarantor or (c) any of the Guarantor'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) the Guarantor or (c) any of the Guarantor'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 the Guarantor or any subsidiary of the Guarantor denies or disaffirms its obligations under such guarantee;
- all or substantially all of the undertaking, assets and revenues of (a) the issuer, (b) the Guarantor or (c) any of the Guarantor'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 Guarantor or (c) any of the Guarantor'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 Guarantor or (c) any of the Guarantor'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 5.875% notes due 2025 also provides for, among other matters, certain redemption provisions and repurchase provisions.

7.375% Notes due 2024

On February 9, 2017, Rumo Luxembourg issued notes due 2024 in an aggregate principal amount of U.S.\$750 million. The notes due 2024 bear interest at the annual rate of 7.375%, payable semiannually in arrears on February 9 and August 9 of each year, which commenced on August 9, 2017. The 7.375% notes due 2024 are guaranteed by the Guarantor and Malha Norte.

As of March 31, 2020, the aggregate amount outstanding of the 7.375% notes due 2024 was R\$4,754.7 million (U.S.\$914.6 million) (consisting of a principal outstanding amount of R\$2,405.6 million (U.S.\$462.8 million) and accrued and unpaid interest of R\$2,349.1 million (U.S.\$451.8 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, as issuer, the Guarantor and Malha Norte, as the Guarantor's 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 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, the Guarantor, Malha Norte or certain of the Guarantor's 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 the Guarantor, Malha Norte or certain of the Guarantor's subsidiaries having an outstanding principal amount of U.S.\$50 million;
- one or more final and non-appealable judgments or orders for the payment of money in an amount exceeding U.S.\$50 million (in excess of amounts which the Guarantor's insurance carriers have agreed to pay under applicable policies) are rendered against (a) the issuer, (b) the Guarantor or Malha Norte or (c) any of the Guarantor'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) the Guarantor or Malha Norte or (c) any of the Guarantor'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 the Guarantor or any subsidiary of the Guarantor denies or disaffirms its obligations under such guarantee;
- all or substantially all of the undertaking, assets and revenues of (a) the issuer, (b) the Guarantor or Malha Norte or (c) any of the Guarantor'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 Guarantor or Malha Norte or (c) any of the Guarantor'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 Guarantor or Malha Norte or (c) any of the Guarantor'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 7.375% notes due 2024 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 the financing of projects related to the expansion of the logistics segment, and directed to investments in our and our subsidiaries' property, plant and equipment and intangible assets. These financing agreements are mainly under BNDES's Program for Financing to Enterprises (*Programa de Financiamento a Empreendimentos – FINEM*) and Program for Financing Machinery and Equipment (*Programa de Financiamento de Máquinas e Equipamentos – FINAME*) lines

of credit. The amount outstanding of all indebtedness under our BNDES financing agreements as of March 31, 2020 was R\$2,843.0 million.

BNDES Program for Financing to Enterprises (Programa de Financiamento a Empreendimentos – FINEM)

We and our subsidiaries are party to financing agreements with BNDES under FINEM, in connection with projects related to the expansion, overhaul and modernization of our and our subsidiaries' fixed assets, in particular, railcars, locomotives and transshipment terminals. Most of these financing agreements are subject to interest based on a fixed interest rate plus TJLP and mature between 2021 and 2029. Proceeds from our BNDES facilities are used in specific projects that have received the prior approval of BNDES. Our consolidated outstanding balance of FINEM credit agreements with BNDES as of March 31, 2020 was R\$2,052.2 million.

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

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 "BNDES' Monitoring Rules and Instructions" (*Normas e Instruções de Acompanhamento do BNDES*), 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 and 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 or (b) commercial discounts resulting from the sale or provision of services;
- restrictions on the change of effective, direct or indirect control, without the previous and express authorization of BNDES;
- cross default in the event of default of any obligation of the debtor or any member of its economic group or any guarantor to BNDES or any of its subsidiaries;
- an obligation to comply with certain requirements of BNDES or 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 in cases 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 nonfinancial 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, and obligations to implement certain social projects and to adopt measures to mitigate the environmental impacts of our activities.

In addition to nonfinancial covenants, one of our financing agreements with BNDES requires us to maintain a debt service coverage ratio (*índice de cobertura do serviço da dívida – ICSD*) not inferior to 1.2x throughout the term of said agreement.

Our financing agreements with BNDES also include certain nonfinancial covenants that, if breached, may result in the acceleration of the underlying indebtedness:

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

As of the date of this offering memorandum, Malha Paulista is a defendant in a public civil action (*ação civil pública*) in which it is alleged to have maintained certain workers in indentured servitude. 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” and “Business—Legal and Administrative Proceedings—Labor Claims.”

BNDES Program for Financing Machinery and Equipment (Programa de Financiamento de Máquinas e Equipamentos – FINAME)

We and our subsidiaries have entered into several agreements with BNDES under certain of their programs in 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 2021 and 2025. The proceeds from these agreements are used by us and our subsidiaries for the acquisition of new machinery, equipment and computer, as well as automation assets manufactured in Brazil. Part of these agreements are guaranteed either by a (i) chattel mortgage (*alienação fiduciária*) on the financed equipment or (ii) fiduciary assignment (*cessão fiduciária*) of receivables. The others are guaranteed by bank guarantee (*fiança bancária*).

Our consolidated outstanding balance of credit agreements with financial institutions acting as intermediaries authorized by BNDES as of March 31, 2020 was R\$790.8 million. These agreements are subject to the BNDES Framework described above and the nonfinancial covenants and acceleration events set out therein.

Debentures

On February 22, 2019, Malha Norte issued debentures due 2026 in the aggregate principal amount of R\$500 million, which accrue interest at the cumulative variations of the IPCA plus 4.6750% per year paid semiannually. This debt is guaranteed by the Guarantor.

The debentures contain restrictive covenants such as limitations on our ability engage in spin-offs, mergers or incorporations, limitations on dividend payments while in default or not complying with financial covenants, limitations on liens and change of control. In addition, the debentures contain the following financial covenants: (a) Leverage Ratio: (i) Net Financial Debt / EBITDA $\leq 4.0x$ related to the financial statements of the fiscal year ended on December 31, 2018; (ii) Net Financial Debt / EBITDA $\leq 3.6x$ related to the financial statements of the fiscal year ended on December 31, 2019; (iii) Net Financial Debt / EBITDA $\leq 3.3x$ related to the financial statements of the fiscal year ended on December 31, 2020; and (iv) Net Financial Debt / EBITDA $\leq 3.0x$ related to the financial statements of the fiscal years ended from December 31, 2021 to December 31, 2025; and (b) Debt Service Coverage Ratio: (i) EBITDA / Financial Result $\geq 1.40x$ related to the financial statements of the fiscal year ended on December 31, 2018; (ii) EBITDA / Financial Result $\geq 1.70x$ related to the financial statements of the fiscal year

ended on December 31, 2019; and (iii) EBITDA / Financial Result $\geq 2.00x$ related to the financial statements of the fiscal years ended from December 31, 2020 to December 31, 2025.

On March 19, 2019, we issued debentures due 2029 in the aggregate principal amount of R\$600 million, which accrue interest at the cumulative variations of the IPCA plus 4.50% per year paid semiannually. This debt is hedged against interest rate variations by an interest swap.

The debentures contain restrictive covenants such as limitations on our ability to engage in spin-offs, mergers or incorporations, limitations on dividend payments while in default or not complying with financial covenants, limitations on liens and change of control. In addition, the debentures contain the following financial covenants: (a) Leverage Ratio: (i) Net Financial Debt / EBITDA $\leq 3.6x$ related to the financial statements of the fiscal year ended on December 31, 2019; (ii) Net Financial Debt / EBITDA $\leq 3.3x$ related to the financial statements of the fiscal year ended on December 31, 2020; and (iii) Net Financial Debt / EBITDA $\leq 3.0x$ related to the financial statements of the fiscal year ended on December 31, 2021, inclusive; and (b) Debt Service Coverage Ratio: (i) EBITDA / Financial Result $\geq 1.70x$ related to the financial statements of the fiscal year ended on December 31, 2019; and (ii) EBITDA / Financial Result $\geq 2.00x$ related to the financial statements of the fiscal year ended on December 31, 2020.

On October 15, 2019, we issued debentures due 2029 in the aggregate principal amount of R\$906.8 million, which accrue interest at the cumulative variations of the IPCA plus 3.9% per year paid semiannually.

The debentures contain restrictive covenants such as limitations on our ability to engage in spin-offs, mergers or incorporations, limitations on dividend payments while in default or not complying with financial covenants, limitations on liens and change of control. In addition, the debentures contain the following financial covenants: (a) Leverage Ratio: (i) Net Financial Debt / EBITDA $\leq 3.6x$ related to the financial statements of the fiscal year ended on December 31, 2019; (ii) Net Financial Debt / EBITDA $\leq 3.3x$ related to the financial statements of the fiscal year ended on December 31, 2020; and (iii) Net Financial Debt / EBITDA $\leq 3.0x$ related to the financial statements of the fiscal year ended on December 31, 2021, inclusive; and (b) Debt Service Coverage Ratio: (i) EBITDA / Financial Result $\geq 1.70x$ related to the financial statements of the fiscal year ended on December 31, 2019; and (ii) EBITDA / Financial Result $\geq 2.00x$ related to the financial statements of the fiscal year ended on December 31, 2020.

On October 15, 2019, we issued debentures due 2029 in the aggregate principal amount of R\$222.3 million, which accrue interest at the cumulative variations of the IPCA plus 4.0% per year paid semiannually.

The debentures contain restrictive covenants such as limitations on our ability to engage in spin-offs, mergers or incorporations, limitations on dividend payments while in default or not complying with financial covenants, limitations on liens and change of control. In addition, the debentures contain the following financial covenants: (a) Leverage Ratio: (i) Net Financial Debt / EBITDA $\leq 3.6x$ related to the financial statements of the fiscal year ended on December 31, 2019; (ii) Net Financial Debt / EBITDA $\leq 3.3x$ related to the financial statements of the fiscal year ended on December 31, 2020; and (iii) Net Financial Debt / EBITDA $\leq 3.0x$ related to the financial statements of the fiscal year ended on December 31, 2021, inclusive; and (b) Debt Service Coverage Ratio: (i) EBITDA / Financial Result $\geq 1.70x$ related to the financial statements of the fiscal year ended on December 31, 2019; and (ii) EBITDA / Financial Result $\geq 2.00x$ related to the financial statements of the fiscal year ended on December 31, 2020.

The total aggregate amount outstanding under all of the debentures issued by us and our subsidiaries as of March 31, 2020 was R\$2,328.4 million.

April Debentures

On April 15, 2020, we issued debentures due 2030 in the aggregate principal amount of R\$800.0 million, which accrue interest at the cumulative variations of the IPCA plus 6.7961% per year paid semiannually.

The debentures contain restrictive covenants such as limitations on our ability to engage in spin-offs, mergers or incorporations, limitations on dividend payments while in default or not complying with financial covenants,

limitations on liens and changes of control. In addition, the debentures contain the following financial covenants: (a) Leverage Ratio: (i) Net Financial Debt / EBITDA $\leq 3.5x$; and (b) Debt Service Coverage Ratio: (i) EBITDA / Financial Result $\geq 2.00x$.

Itaú and Bradesco – Export Credit Notes (Notas de Crédito à Exportação – NCE)

Export credit notes are backed by the shipment of export goods and were entered into with Itaú and Bradesco.

For purposes of onshoring the resources of the 7.375% notes due 2024 and the 5.875% notes due 2025, our subsidiary Malha Norte issued, respectively, (i) an NCE in favor of Itaú on April 11, 2017, in the amount of R\$3,899.3 million (U.S.\$750.0 million), maturing on February 8, 2024; and (ii) an NCE in favor of Itaú, on April 27, 2018, in the amount of R\$2,599.5 million (U.S.\$500.0 million), maturing on January 15, 2025.

The NCEs entered into with Itaú provide for early maturity due to noncompliance with certain nonfinancial covenants such as our ability to engage in changes of control, spin-offs, mergers or incorporations, not complying with financial covenants or cross default of other agreements with Itaú.

Additionally, Malha Sul issued, on March 19, 2020, an NCE in the amount of R\$200.0 million in favor of Itaú, with maturity on March 19, 2021. The note provide for early maturity due to, among others, noncompliance with certain nonfinancial covenants, the occurrence of any changes of control, spin-offs, mergers or incorporations without prior written consent of Itaú, not complying with financial covenants or cross default of other agreements with Itaú.

Furthermore, Malha Norte issued, on January 24, 2018, an NCE in the amount of R\$500.0 million in favor of Bradesco, with maturity on December 26, 2023. The note is endorsed by the Guarantor and sets forth certain covenants that limit our ability to engage in mergers, spin-offs or any other corporate reorganization processes, or change of control of Malha Norte and/or the Guarantor and require us to maintain a Net Debt/EBITDA ratio equal to or less than 3.6x in 2019, 3.3x in 2020, and 3.0x from 2021 onward. It also sets forth early maturity for cross default of financial obligations amounting more than R\$50.0 million and restrictions on incurring additional indebtedness or selling or transferring relevant assets of Malha Norte.

Also, Malha Norte issued, on March 26, 2020, an NCE in the amount of R\$450.0 million in favor of Bradesco, with maturity on March 3, 2021. The note is endorsed by the Guarantor and sets forth certain covenants that limit our ability to engage in mergers, spin-offs or any other corporate reorganization processes, or change of control of Malha Norte and/or the Guarantor and require us to maintain a Net Debt/EBITDA ratio equal to or less than 3.3x in 2020. It also sets forth early maturity for cross default of financial obligations amounting more than R\$50.0 million and restrictions on incurring additional indebtedness or selling or transferring relevant assets of Malha Norte.

The outstanding balance of our NCE agreements with Bradesco and Itaú as of March 31, 2020 was R\$1,231.8 million.

Santander – ECA Facility Agreement

In December 2018, Malha Paulista, Malha Sul and Malha Norte entered into a Euro-denominated ECA facility agreement with Banco Santander S.A., pursuant to which the lender makes available to the borrowers one or more loans in Euros in an aggregate amount up to EUR34.0 million, bearing interest at the rate of EURIBOR and 0.58% per year. The ECA facility agreement matures on September 2026. The proceeds of this agreement were used to pay for the purchase of vignole rails AREA136RE and 60E1, 400 UHC AH HSH, with a nominal length of 24,000 mm. The ECA facility agreement is guaranteed by Rumo S.A.

The ECA facility agreement contains certain customary covenants, including limitations on mergers or sales of assets. In addition, the ECA facility agreement includes a financial covenant providing that we may not exceed the following ratios: a Net Financial Debt to EBITDA ratio of 4.0x, 3.6x, 3.3x and 3.0x for the fiscal years ended December 31, 2018, 2019, 2020 and each year after 2020, respectively; and an EBITDA to Net Interest Expenses ratio of 1.4x, 1.7x and 2.0x for the fiscal years ended December 31, 2018, 2019 and each year after 2019, respectively.

The outstanding balance of our ECA facility agreement with Banco Santander S.A. as of March 31, 2020 was R\$96.0 million.

Citibank – 4131 Credit Agreement

In November 2018, we entered into a U.S. dollar-denominated credit agreement with Citibank, N.A., in an aggregate principal amount of U.S.\$53.4 million, bearing interest at the rate of three-month LIBOR plus 0.74% per year. The loan matures in November 2022. The proceeds from this loan were used for general corporate purposes. The facility agreement is guaranteed by Elevações Portuárias.

The credit agreement contains certain customary covenants, including limitations on mergers or sales of assets. In addition, the credit agreement includes a financial covenant providing that we may not exceed the following Net Debt to EBITDA ratio: 4.0x, 3.6x, 3.3x and 3.0x for the fiscal years ended December 31, 2018, 2019, 2020, and 2021 and thereafter, respectively.

The outstanding balance of our 4131 credit agreement with Citibank as of March 31, 2020 was R\$494.9 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\$173 million, R\$875 million and R\$364 million during the fiscal years ended December 31, 2019, 2018 and 2017, respectively. There were no disbursements in the three months ended March 31, 2020.

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 to our loan agreements. See “—Material Financing Agreements.”

As of March 31, 2020, we were in compliance with the financial ratio tests for our loans, financings and debentures.

Utilization Limits

On March 31, 2020, and on December 31, 2019, 2018 and 2017, we and our subsidiaries had unused available credit lines with BNDES, in the amount of R\$1,946.1 million, R\$1,946.1 million, R\$2,108.8 million and R\$94.2 million, respectively. The use of these credit lines is subject to certain contractual conditions.

Subordinated Debt

There is no contractual subordination between our indebtedness outstanding as of March 31, 2020 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 first quarter of 2020, we invested R\$580.3 million on the following: (i) investments to improve our permanent railways by replacing tracks and sleepers; (ii) expansion of yards for the 120-railcar train; and (iii) implementation of infrastructure improvements in the rail network operated by us.

In 2019, we invested R\$1,996.7 million on the following: (i) investments to improve our permanent railways by replacing tracks and sleepers; (ii) expansion of yards for the 120-railcar train; and (iii) implementation of infrastructure improvements in the rail network operated by us.

In 2018, we invested R\$2,020.3 million on the following: (i) investments to improve our permanent railways by replacing tracks and ties; (ii) investments in siding extensions preparing for 120-railcar trains; (iii) implementation of infrastructure improvements in the rail network operated by us; and (iv) expansion of yards and terminals to reduce train dwell time and increase operational productivity.

In 2017, we invested R\$2,148.7 million on the following: (i) investments in the rail network operated by us; (ii) several initiatives implemented during the year to improve our permanent railways; (iii) acquisition of railcars and locomotives; and (iv) other initiatives.

Current Investment Plan

Our previous investment plan foresaw approximately R\$9.0 billion of investments for the period from 2016 to 2020. On March 19, 2019, we presented a new investment plan for the period from 2019 to 2023, or the Long-Term Guidance, in the amount of approximately R\$14.0 billion, of which we have invested R\$2.5 billion as of March 31, 2020. On February 13, 2020, we released our short-term guidance for 2020, when we intended to invest between R\$2.6 billion and R\$3.4 billion. This long-term plan was reiterated on March 19, 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 to reduce the use of diesel and lubricants, lower maintenance costs, increase operating levels, decrease accidents and create efficiencies in the circulation of trains. Moreover, these operational improvements are expected to translate into operational efficiencies translating into an increase in volumes and decrease in costs; and
- 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 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.

Source of funds

The funds used by us for making capital expenditures are generated by our operating results and from financings and credit extended by private banks, as well as by government-owned banks such as BNDES.

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 as of March 31, 2020:

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	(in R\$ millions)				
Loans, financing and debentures	(1,711.6)	(1785.2)	(9,942.3)	(2,991.8)	(16,431.0)
Trade payables.....	(452.6)	—	—	—	(452.6)

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	(in R\$ millions)				
Other financial liabilities	(289.7)	—	—	—	(289.7)
Debt payment in installments	(2.6)	(0.4)	(0.5)	(0.5)	(4.0)
Leases liabilities	(731.4)	(691.3)	(2,004.1)	(8,186.5)	(11,613.2)
Payables to related parties	(124.6)	—	—	—	(124.6)
Dividends and interest on own capital payable	(7.4)	—	—	—	(7.4)
Derivative financial instruments	259.3	230.4	3220.8	261.4	3,971.9
Total	(3,060.7)	(2,246.6)	(8,726.0)	(10,917.4)	(24,950.6)

Since March 31, 2020, 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 current 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: (i) establishing and managing our Ethics Line and investigations into fraud; (ii) creating and executing an internal audit plan with a focus on internal controls and compliance with law and internal policies; (iii) monitoring the action plans of our internal audit function; (iv) identifying potential savings and cost reductions; (v) creating controls and undertaking tests to ensure compliance with the U.S. Sarbanes-Oxley Act and the U.S. Foreign Corrupt Practices Act; (vi) revising and publishing policies and procedures; (vii) promoting our internal controls culture; (viii) supervising the implementation and correction of procedures; (ix) controlling and approving access profiles in the governance, risk and compliance software (SAP-GRC); (x) mapping out any risks that are inherent to our business; (xi) assisting in the implementation of action plans; and (xii) 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 primarily exposed to these market risks: (i) inflation risk; (ii) interest rate risk; (iii) credit risk; and (iv) foreign currency exchange rate risk. In order to manage market risks, we have adopted policies and procedures that establish limits and monitor risk exposure and counterparties and approve financial instruments, which are reviewed by our senior management on a regular basis. See note 28 to our audited individual and consolidated financial statements included elsewhere in this offering memorandum.

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 of our financing contracts contain certain identical provisions (including with respect to cross default, cross acceleration, financial and nonfinancial 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 March 31, 2020.

Description	Financial Institution	Original Currency	Asset	Liability	Maturity
Hedge 4131	Citibank	USD	Libor 3M + 0.74% per year	117.50% of CDI	November 2022
Hedge 5.875% notes due 2025	J.P. Morgan and Goldman Sachs	USD	5.875% per year	127.07% of CDI	January 2025
Hedge 7.375% notes due 2024	Bradesco, Goldman Sachs, Morgan Stanley and Santander	USD	7.375% per year	144.77% of CDI	February 2024
Hedge ECA	Santander	EUR	Euribor + 0.58% per year	108.08% of CDI	September 2026
Hedge Debenture ICVM 400...	J.P. Morgan	BRL	IPCA + 4.50% per year	102.90% of CDI	February 2026
Hedge Debenture ICVM 476...	Itaú	BRL	IPCA + 4.68% per year	107.00% of CDI	February 2026
Hedge Debenture ICVM 400...	J.P. Morgan, Santander, Goldman Sachs	BRL	IPCA + 3.92% per year	105.10% of CDI	October 2029
Hedge ECA	Santander	EUR	Euribor + 0.58% per year	112.00% of CDI	September 2026
Hedge 4131	Citi	USD	Libor 3M + 2.20% per year	176.00% of CDI	March 2022

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 rate in Brazil was 6.8% for the three months ended March 31, 2020, and 7.5%, 7.5% and (0.5)%, respectively, for the fiscal years ended December 31, 2018, 2017 and 2016.

Despite the Central Bank's repeated increases of interest rates during the period from 2013 to 2015, according to the IGP-M, a general price inflation index, the inflation rates in Brazil were 3.7% in 2014, 10.5% in 2015, 7.2% in 2016, a decrease of 0.5% in 2017 and 7.5% in 2018. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo – IPCA*), published by the IBGE, the Brazilian price inflation rates were 6.2% in 2014, 11.3% in 2015, 6.6% in 2016, 3.0% in 2017 and 3.8% in 2018.

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 in inflation rates.

Interest Rate Risk

As of March 31, 2020, 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 TJLP, the IPCA, an index composed of the TJLP and IGP-M, pre-fixed, in U.S. dollars with a pre-fixed interest rate, in Libor pre-fixed in U.S. dollars or in Euribor pre-fixed in EUR. The aggregate amounts indexed are as follows as of March 31, 2020: R\$1,232.5 million, R\$2,052.0 million, R\$2,330.0 million, R\$788.7 million, R\$7,841.8 million, R\$494.9 million and R\$96.0 million, respectively.

As of December 31, 2019, 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 TJLP, the IPCA, an index composed of the TJLP and IGP-M, pre-fixed, in U.S. dollars with a pre-fixed interest rate, in Libor pre-fixed in U.S. dollars or in Euribor pre-fixed in EUR. The aggregate amounts indexed are as follows as of December 31, 2019: R\$513.3 million, R\$2,218.7 million, R\$2,451.7 million, R\$165.2 million, R\$1,002.3 million, R\$5,500.9 million, R\$217.5 million and R\$79.5 million, respectively.

As of December 31, 2018, 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 TJLP, the IPCA, an index composed of the TJLP and IGP-M, pre-fixed, in U.S. dollars with a pre-fixed interest rate or in Libor pre-fixed in U.S. dollars. The aggregate amounts indexed are as follows as of December 31, 2018: R\$1,663.88 million, R\$2,588.8 million, R\$107.9 million, R\$246.3 million, R\$1,256.4 million, R\$5,074.5 million and R\$210.0 million, respectively.

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

Interest rate exposure(1)	As of March 31, 2020				
	Probable	25%	50%	-25%	-50%
	(in R\$ thousands)				
Financial investments	115,959	211,845	240,835	20,072	(8,917)
Marketable securities	12,273	22,421	18,409	2,124	6,136
Restricted cash	4,733	5,916	7,099	3,550	2,366
Loans, financing and debentures	(441,382)	(496,979)	(552,575)	(385,793)	(330,189)
Interest rate derivative	—	(7,636)	(16,120)	7,636	16,120
Finance leases	(478,616)	(480,790)	(482,964)	(476,443)	(474,269)
Other financial liabilities	(138,963)	(173,704)	(280,445)	(104,222)	(69,482)
Impact on the results of the period	(925,996)	(918,927)	(993,761)	(933,076)	(858,235)

- (1) The CDI and TJLP indices taken into account in the probable scenario are 3.65% per year and 5.10% per year, respectively. These were obtained through information available to the market (*Consultoria Tendências*).

Interest rate exposure(1)	As of December 31, 2019				
	Probable	25%	50%	-25%	-50%
	(in R\$ thousands)				
Financial investments	86,373	21,593	43,186	(21,593)	(43,186)
Marketable securities	77,082	19,270	38,541	(19,270)	(38,541)
Restricted cash	6,508	1,627	3,254	(1,627)	(3,254)
Loans, financing and debentures	(772,418)	317,719	670,674	(317,719)	(670,674)
Interest rate derivative	—	(669,466)	(1,182,291)	669,466	1,182,291
Finance leases	(486,172)	(2,636)	(5,272)	2,636	5,272
Other financial liabilities	(167,605)	(41,901)	(83,803)	41,901	83,803
Impact on the results of the period	(1,256,232)	(353,794)	(515,711)	353,794	515,711

- (1) The CDI and TJLP indices taken into account in the probable scenario are 4.40% per year and 4.57% per year, respectively. These were obtained through information available to the market (*Consultoria Tendências*).

Credit Risk

Credit risk is managed through specific rules concerning client acceptance, which require routine credit rating checks and limits for customer exposure, applicable to all subsidiaries and jointly-controlled entities as well as through a diversified client base. As of March 31, 2020, we had a credit risk exposure of R\$8,185.6 million, whereas as of December 31, 2019 the amount was R\$5,933.6 million. We assess our credit risk taking into consideration effective historical data reported on an individual basis for our main customers, while accounts receivable with smaller balances are grouped into homogeneous groups and, in these cases, the recoverable loss is assessed collectively.

We are also exposed to risks related to our cash management and temporary investment activities, which are restricted to investments in government securities and other investments in banks with a minimum grade of “A” pursuant to our internal policies. As of March 31, 2020, we had a credit risk exposure on our cash and cash

equivalents and marketable securities and restricted cash related to derivatives instruments rated of (i) R\$626.2 million rated as “AA” and (ii) R\$6,988.5 million rated as “AAA” by widely used rating agencies.

We do not believe that we are subject to any material credit risk and we do not anticipate any material credit-related losses. Management believes that any credit risk is covered by the allowance for doubtful accounts recorded in our statement of financial position.

See note 3.1 to our consolidated interim unaudited financial information included elsewhere in this offering memorandum for further information.

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 March 31, 2020, we had exposure of R\$8,432.7 million to bilateral loans in foreign currencies, whereas on December 31, 2019 the amount was R\$5,798.0 million. Our net exposure to derivative financial instruments transactions was R\$8,488.4 million in receivables on March 31, 2020, compared to R\$5,845.8 million on December 31, 2019 (hedge against foreign exchange variation for acquisition of assets in U.S. dollars).

As of March 31 and as of December 31, 2019, 2018 and 2017, we had the following net exposure to exchange rate variations across our assets and liabilities denominated in U.S. dollars:

	As of March 31,		As of December 31,	
	2020	2019	2018	2017
	(in R\$ thousands)			
Cash and cash equivalents	7,099	11,884	16,034	5,649
Accounts receivable.....	13,507	11,372	20,354	10,903
Accounts payable – suppliers	(14,249)	(6,639)	(26,168)	(13,230)
Loans, financing and debentures	(8,432,665)	(5,798,048)	(5,178,357)	(2,665,662)
Exchange rate derivatives (notional) ..	(8,488,369)	5,845,793	5,162,858	2,676,559
Lease liabilities.....	(81,680)	(65,348)	—	—
Exchange rate exposure, net	(19,619)	(986)	(5,279)	14,219

Based on our derivative financial instruments in U.S. dollars as of March 31, 2020 and December 31, 2019, 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 March 31, 2020 as estimated by a specialized consulting firm, as follows:

Foreign Exchange Rates Sensitivity Analysis (R\$/U.S.\$ and R\$/Euros)						
	Scenarios					
	March 31, 2020	Probable	25%	50%	-25%	-50%
U.S. Dollar.....	5.1987	4.4600	5.5750	6.6900	3.3450	2.2300
EUR.....	5.7264	4.8600	6.0750	7.2900	3.6450	2.4300

Foreign Exchange Rates Sensitivity Analysis (R\$/U.S.\$ and R\$/Euros)						
	Scenarios					
	December 31, 2019	Probable	25%	50%	-25%	-50%
U.S. Dollar.....	4.0307	4.0028	5.0035	6.0042	3.0021	2.0014
EUR.....	4.5305	4.4831	5.6039	6.7247	3.3623	2.2416

The probable scenario considered by us takes into account market projections made by a specialized external consulting firm.

Based on financial instruments denominated in foreign currency, as of March 31, 2020, in the probable scenario, we sensitized the positive or negative effect on income before taxes. The scenarios with increasing and decreasing exchange rates of 25% and 50% show the incremental effect in relation to the probable scenario as follows:

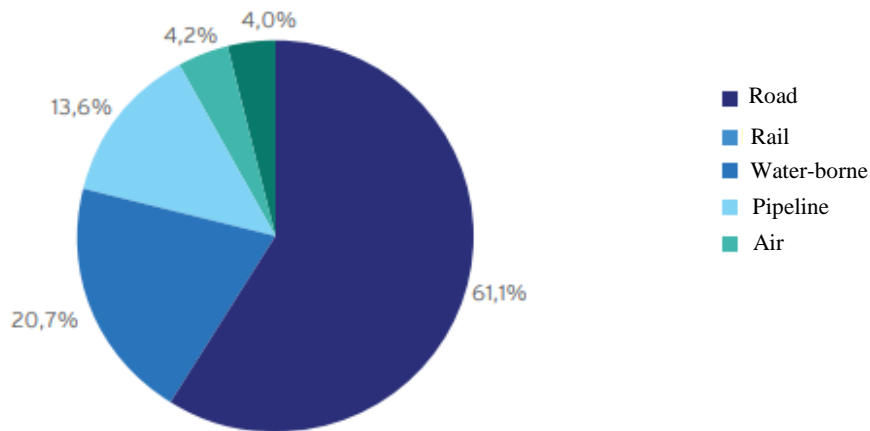
Risk Factor		Scenarios				
		Probable	25%	50%	-25%	-50%
(in R\$ thousands)						
Cash and cash equivalents	Exchange fluctuation	(1,009)	514	2,036	(2,532)	(4,054)
Accounts receivable	Exchange fluctuation	(1,919)	978	3,875	(4,816)	(7,713)
Accounts payable – suppliers	Exchange fluctuation	2,025	(1,031)	(4,087)	5,081	8,137
Exchange rate derivatives (notional)	Exchange fluctuation	(1,207,023)	613,313	2,433,650	3,027,359	(4,847,696)
Loans, financings and debentures	Exchange fluctuation	1,199,108	(609,281)	2,417,671	3,007,497	4,815,887
Lease liabilities	Exchange fluctuation	11,606	(5,912)	(23,431)	29,124	46,643
Impact on results for the period		2,788	(1,419)	(5,628)	6,995	11,204

INDUSTRY AND REGULATORY OVERVIEW

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.

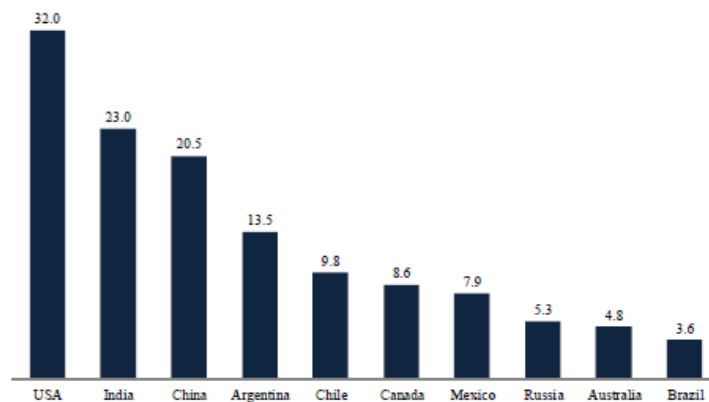
In 2019, railroad transportation accounted for approximately 21% of all freight transported in Brazil, according to the CNT. Additionally, the Brazilian railroad network has an extremely low density when compared to the networks of other countries.

The chart below shows the proportion of freight transported by each of the transport modalities in Brazil as of December 31, 2019:



Source: CNT

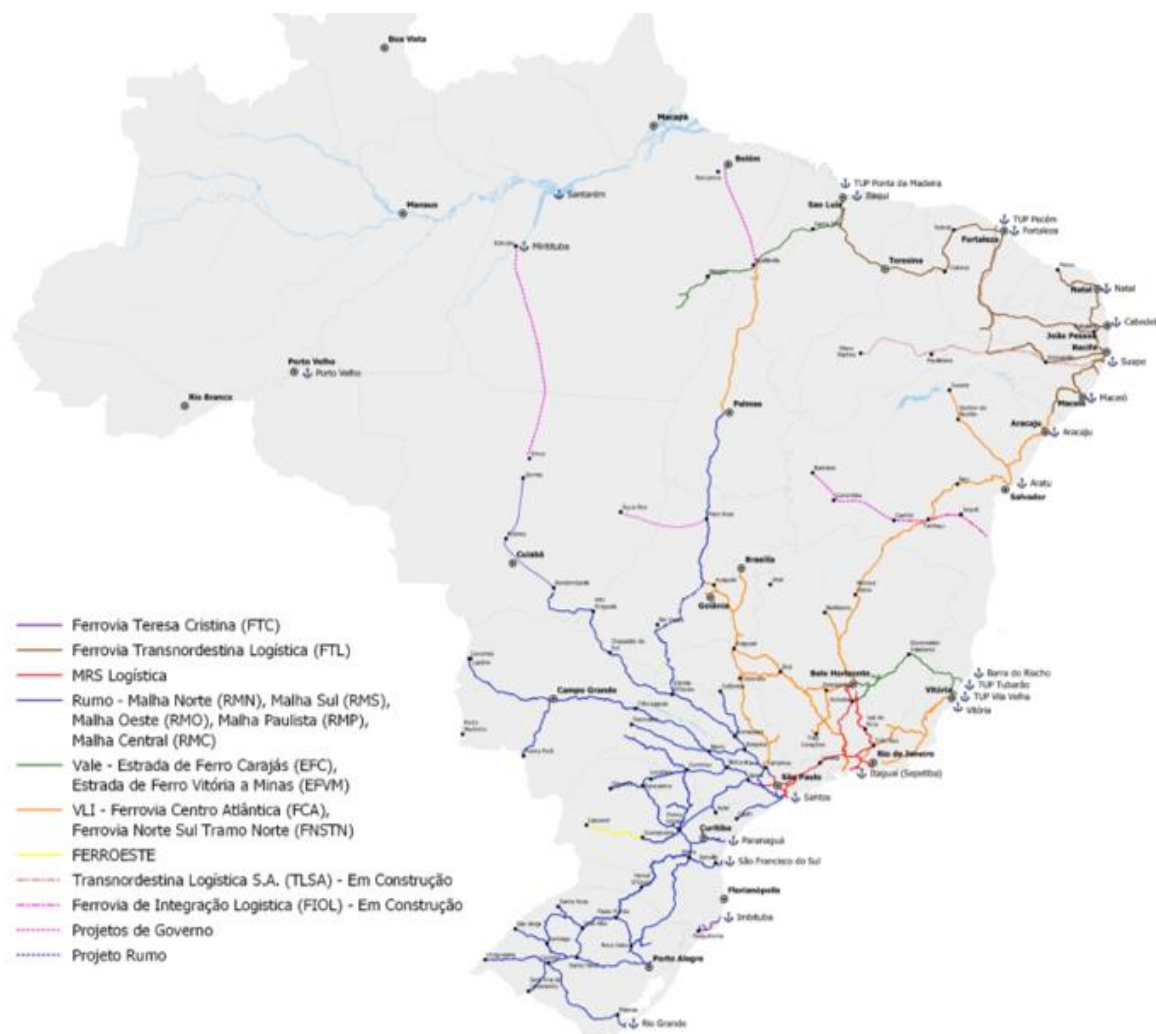
The chart below shows the density of the Brazilian railroad network in comparison to the railroad networks of other major economies (in kilometers of infrastructure per 1,000 square kilometers of land area) as of December 31, 2019:



Source: ANTT

According to the ANTT, the Brazilian railroad system as of December 31, 2019 is 29,075 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 13 railroad networks (the North-South Railroad (Ferrovia Norte-Sul) is analyzed as two distinct networks, the northern and central ones). Of these, 11 railroad networks comprise the principal parts of the national railroad system, given that the North-South Railroad (Ferrovia 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 11 railway networks together total 27,474 kilometers of railway lines serving the southern, southeastern and northeastern regions of Brazil and, to a lesser extent, the central-western and northern regions of the country.

The following map shows the Brazilian railroad system as of December 31, 2019.



Source: ANTT and CNT

With higher investments made throughout the years, the volume transported by railroad increased 50.2% in useful tons, or “TU,” between 2009 and 2019. In 2019, 494 million tons of freight were transported by railroads, while in 2009 the figure was 379 million.

The main concession holders in Brazil’s railroad system as of December 31, 2019 are:

- *Rumo S.A.* – We believe we are the largest company in the sector in Brazil, operating approximately 13,500 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 7,220 kilometers of railways in the southeast of Brazil, Goiás and Bahia;
- *Ferrovia Transnordestina Logística (FTL)* – operates 4,295 kilometers in the northeast of Brazil;
- *MRS Logística (MRS)* – owned by Vale and CSN, operates 1,686 kilometers of railways in the States of São Paulo, Rio de Janeiro and Minas Gerais; and
- *Ferrovia Tereza Cristina S.A. (FTC)* – operates 164 kilometers in the State of Santa Catarina, mainly transporting coal to the port of Imbituba.
- *Vale S.A.* – owns the following concessions:
 - *Estrada de Ferro Carajás* – operates 978 kilometers in States of Pará and Maranhão; and
 - *Estrada de Ferro Vitória Minas* – operates 895 kilometers in States of Minas Gerais and Espírito Santo.

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

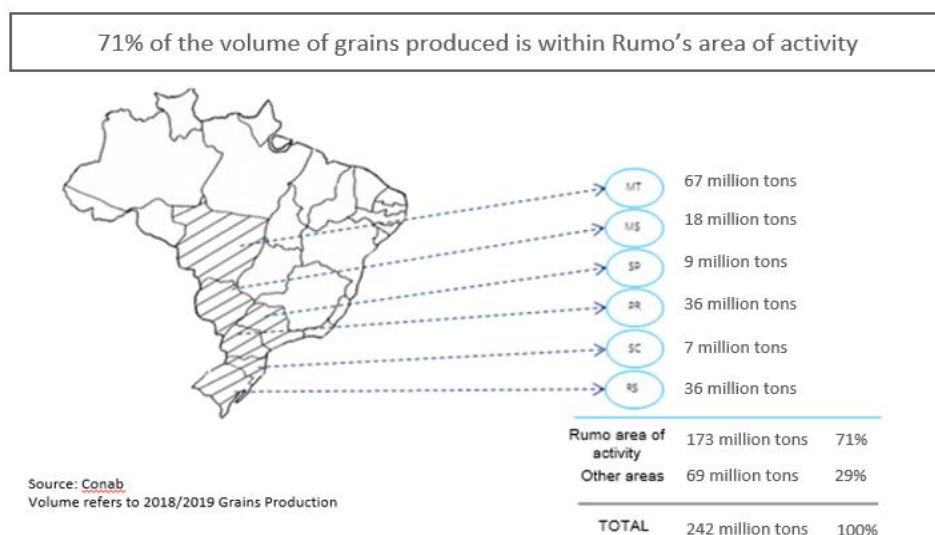
Concession Holders	Main Export Products
Rumo	Grains – Corn, Soybean, Soybean Meal, Pulp, Iron Ore, Steel Products, Pig Iron, Sugar, Diesel Fuel, Gas and Empty 40-Foot Container.
VLI	Iron Ore, Manganese, Pig Iron, Fuel and Derivatives, Mineral Coal, Steel Products, Coke, Soy, Corn Grains, Sugar, Soybean 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 given their ability to transport large volumes for medium to long distances. According to the ANTT, the Brazilian railway system is the largest railway system in Latin America.

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 71% of the grain produced for export in Brazil. Our strong presence in this segment is due to the fact that (i) our four railway concessions (with a total length of approximately 13,500 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 (ii) 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, 2019:

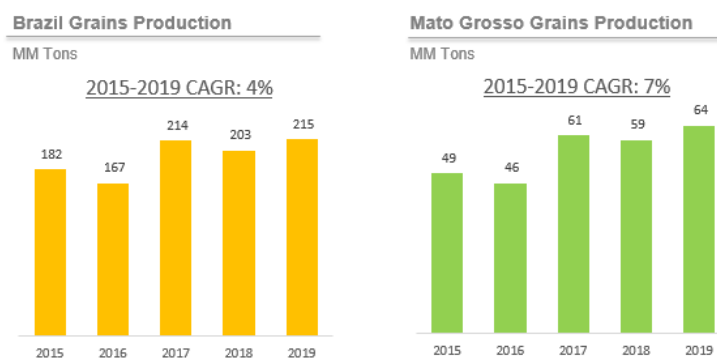


We believe that there is still significant potential to increase the transportation of agricultural commodities by rail. In particular, we believe that greater investment in equipment, with expected impacts on capacity, speed and efficiency (mainly in relation to fuel consumption) and also greater investments 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 technology investments 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 2015 and 2019, with an annual average growth of approximately 4% during this period, according to Conab, as illustrated by the following charts:

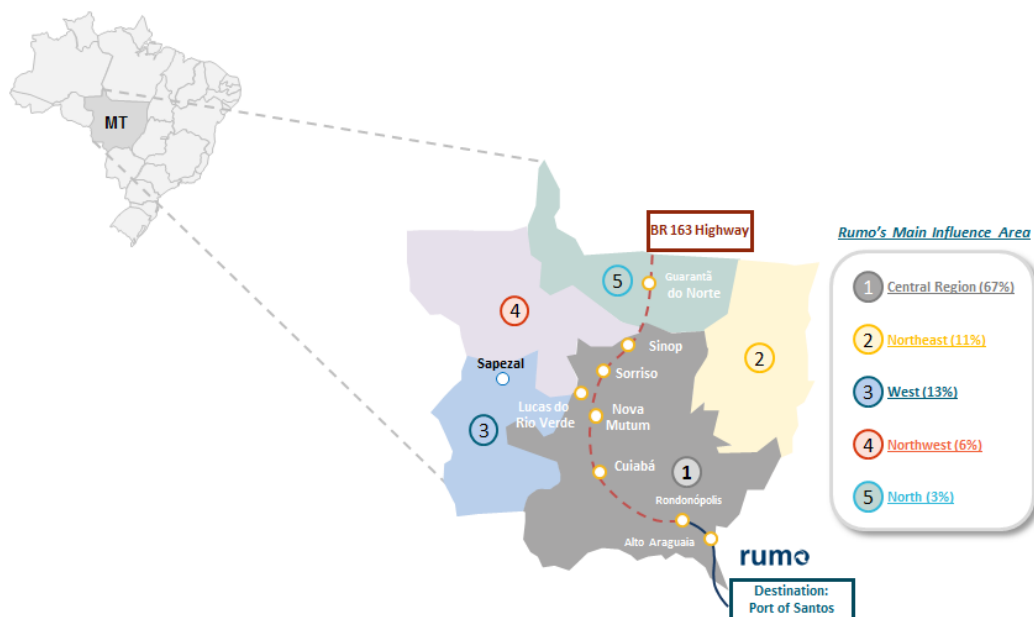


According to the USDA, in 2019, Brazil was one of the main global producers and was ranked the second exporter of agricultural products in terms of value, with a total exports value of U.S.\$96.8 billion, behind only the United States, which exported U.S.\$135.5 billion. Specifically, in the grains segment, Brazil was ranked first in terms of soybeans produced and in terms of soybeans exported (representing 52% of soybeans' world exports) and ranked third in terms of corn produced and first in terms of corn exported (representing 29% of corn's world exports).

Brazilian ports play a significant role in Brazil's export economy. Brazil's main ports for the export of soybean and corn include the Ports of Santos, Paranaguá, Rio Grande, São Luis and Belem. In 2019, export flow for soybean and corn through the Port of Santos represented approximately 17.1 million tons and 18.5 million tons, respectively.

In Brazil, one of the most prominent states regarding grain production is the State of Mato Grosso. From 2009 to 2019, while Brazil's soy and corn production increased by approximately 7% per year, Mato Grosso's soy and corn production increased by approximately 17% per year. Mato Grosso's outperformance was driven mainly by the growth in the state's corn production (approximately 7% per year).

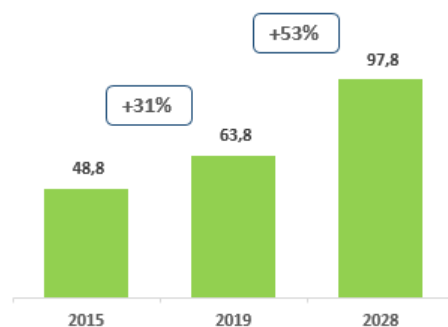
The chart below shows the geographical distribution of grain production within Mato Grosso as of December 31, 2019:



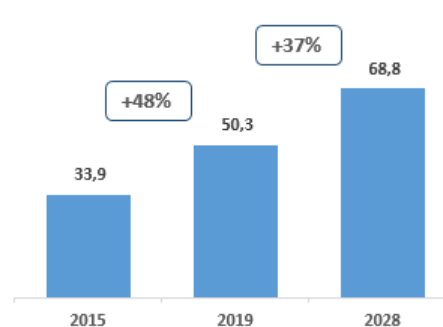
Within the State of Mato Grosso, a significant portion of grain production comes from the Central region, where the cities of Sorriso, Sinop, Rondonópolis, Lucas do Rio Verde, and Nova Mutum are located. Currently, part of the soy and corn volumes handled by Rumo at its transshipment terminal in Rondonópolis 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:

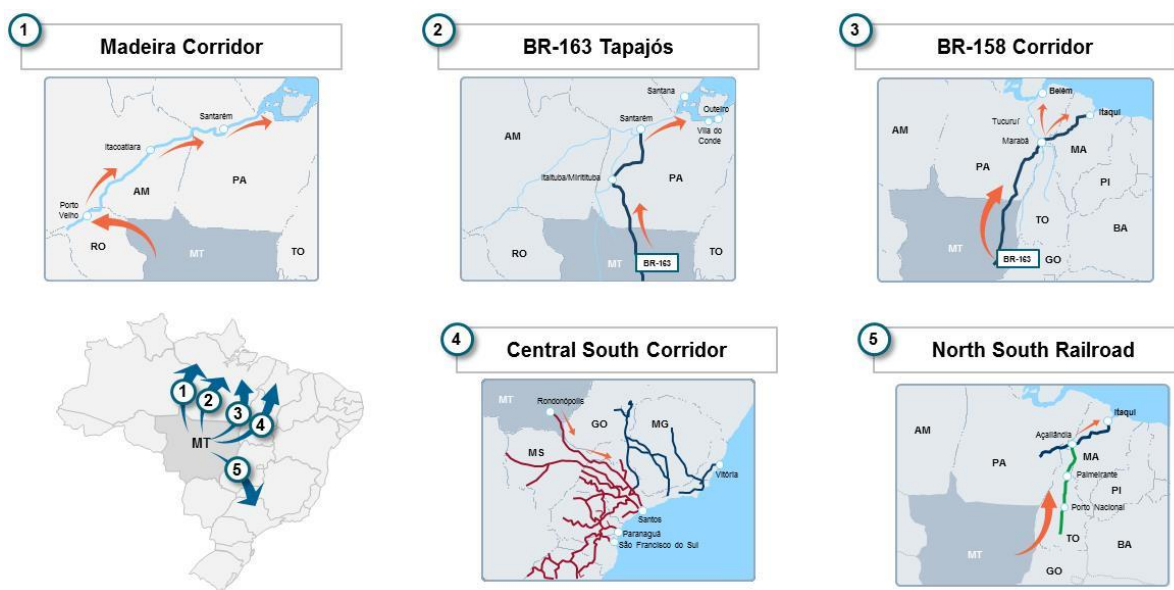
Mato Grosso Grain Production
(mln ton)



Mato Grosso Grain Exports
(mln ton)



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 (i) Madeira corridor, (ii) BR-163 / Tapajós corridor, (iii) BR-158 corridor and (iv) North-South railroad corridor—handled approximately 44% of the state's exports (approximately 22 Mt) during 2019. The remaining 56% of exports (approximately 28 Mt) flowed through the Central South corridor, which connects Mato Grosso to Rumo's addressable market (Ports of São Francisco do Sul, Paranaguá and Santos) and FCA railroad (Port of Vitória), as illustrated below. During 2019, our soybean and corn exports flow represented approximately 87% and 90% of total export flow from the Port of Santos, according to AgRural.



In 2019, the State of Mato Grosso represented approximately 39% of export flows in Brazil (approximately half of which was attributable to us). We believe 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. According to Consultancy Groups, grain production and exports in the State of Mato Grosso are expected to reach 97.8 million tons and 68.8 million tons, respectively, in 2028. 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 makes it unattractive for certain exporters in the State of 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.

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 that its importance in the global food market will also grow.

BUSINESS

Overview

We believe that we are 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 Tocantins, Goiás, Mato Grosso, Mato Grosso do Sul 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 53% of Brazil's GDP.

We own and operate a large asset base, including a rail network consisting of five concessions that extend over approximately 13,500 kilometers of railway lines, over 1,200 locomotives, over 33,000 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 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, making it possible to expand our operations and improve our logistics and other services. For example, we currently have a 10% equity interest in the Grain Terminal of Guarujá (TGG) in the port terminal in Santos, which is a significant port project.

The transportation of agricultural commodities, primarily for export, represented approximately 80% of our transported volume in the three months ended March 31, 2020 and 82%, 82% and 83% in the fiscal years ended December 31, 2019, 2018 and 2017, respectively, while transportation of industrial products represented approximately 20%, 18%, 18% and 17% of our transported volume in the same periods, respectively. Our transported volume derived from the transportation of grains (soybean, corn and soybean meal) represented 69% in the three months ended March 31, 2020 and 71%, 72% and 74% in the fiscal years ended December 31, 2019, 2018 and 2017, 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 Brazil. 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 (i) our terminal in Rondonópolis in the State of Mato Grosso to the port of Santos in the State of São Paulo, (ii) the terminals of Londrina and Maringá in the State of Paraná to the port of Paranaguá also in the State of Paraná, and (iii) 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 65% of Brazilian grain exports and 93% of Brazilian sugar exports in 2019, according to the MDIC. The states in which our rail network is located

were responsible for 68% of Brazil's grain production (including soybean and corn) in 2018, according to Conab, and accounted for approximately 53% of GDP generated in Brazil during 2018 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. We believe that 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 Transportation, Ports and Civil Aviation 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 more efficient due to lower yield that may be obtained due to larger transportation capacity.

Investments Focused on Cost Controls

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 old ones, which ultimately brings certain cost advantages such as reduced fuel consumption and maintenance costs. The purpose of our investment in rail tracks is to reduce our maintenance costs and maximize our transported volume.

In the three months ended March 31, 2020, we invested R\$561.1 million on the following: (i) investments to improve our permanent railways by replacing tracks and sleepers; (ii) expansion of yards for the 120-railcar train; and (iii) implementation of infrastructure improvements in the rail network operated by us.

In the fiscal year ended December 31, 2019, we invested R\$1,943.1 million on the following: (i) investments to improve our permanent railways by replacing tracks and sleepers; (ii) expansion of yards for the 120-railcar train; and (iii) implementation of infrastructure improvements in the rail network operated by us.

In the fiscal year ended December 31, 2018, we invested R\$1,996.7 million on the following: (i) investments to improve our permanent railways by replacing tracks and ties; (ii) investments in siding extensions preparing for 120-railcar trains; (iii) implementation of infrastructure improvements in the rail network operated by us; and (iv) expansion of yards and terminals to reduce train dwell time and increase operational productivity.

In the fiscal year ended December 31, 2017, we invested R\$2,045.4 million, respectively, on the following: (i) investments in the rail network operated by us; (ii) several initiatives implemented during the year to improve our permanent railways; (iii) acquisition of railcars and locomotives, as well as renovation of our fleet; and (iv) other initiatives.

The funds used by us for making capital expenditures are generated by our operating results and from financings and credit extended by private banks, as well as by government-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.

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 2019, 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.

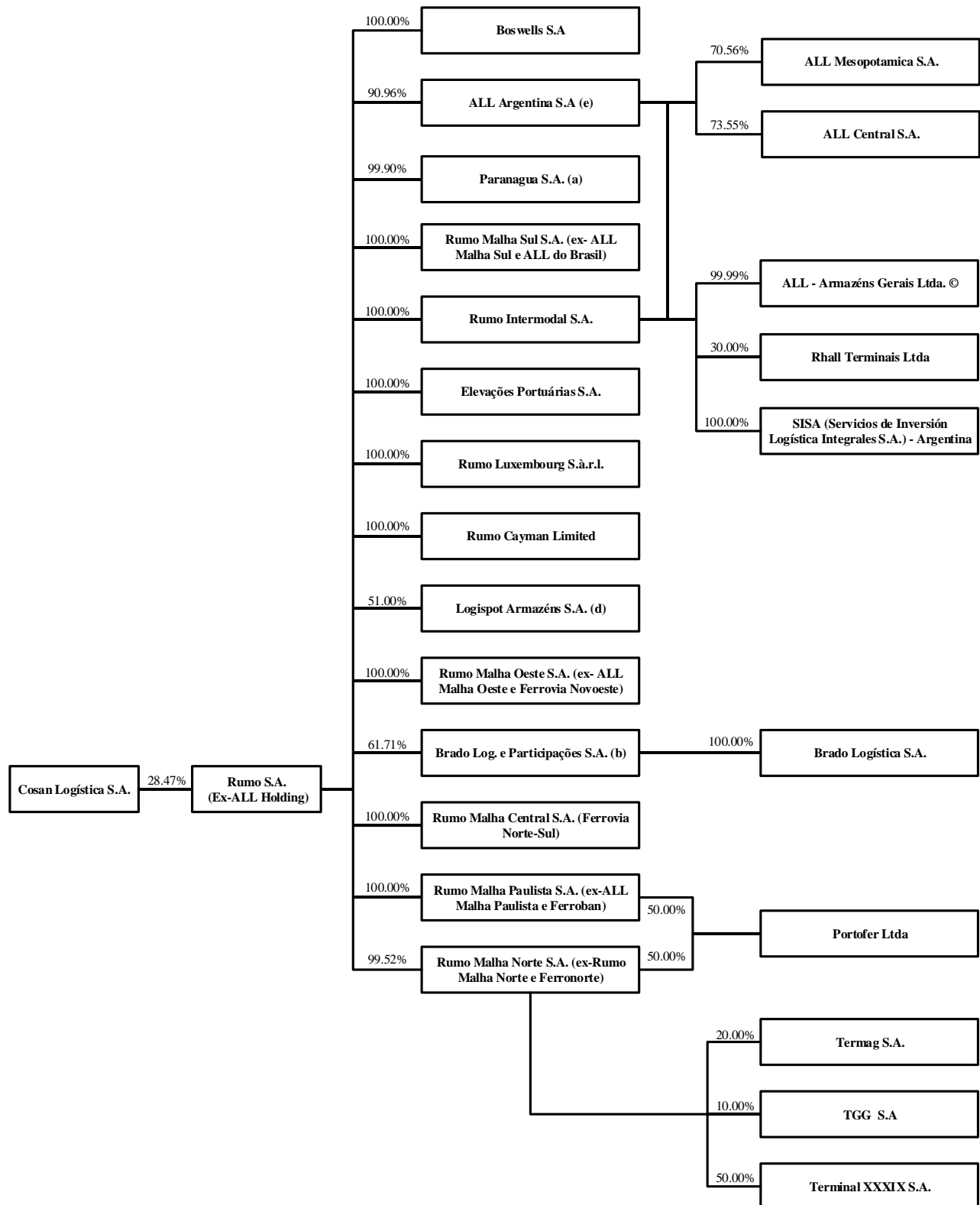
In this context, we intend to significantly increase our rail transportation capacity over the next 10 years. To achieve this goal, we plan to invest in the following areas during the course of the next five years:

- 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;
 - regeneration of restricted sections, extension of rail yards and construction of new rail yards; and
 - 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 indebtedness could adversely affect our financial health and prevent us from fulfilling our indebtedness obligations, which would have a material adverse effect on us, our financial condition and 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: (i) 0.1% is held by Rumo Intermodal; (ii) 22.85% is held by FI- FGTS and 15.44% by the Standard Shareholders; (iii) 0.01% is held by us; (iv) 49.99% is held by Impulso Empreendimentos e Participações; and (v) 9.04% is held by Rumo Intermodal.

A list of our direct and indirect subsidiaries is included in note 5.11 to our consolidated interim unaudited financial information included elsewhere in this offering memorandum.

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, 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 Teçu Armazéns Gerais S.A., or "Teçu," 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, Teçu 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\$2,433.3 million and the execution of amendments to export credit notes with Banco do Brasil in an aggregate principal amount of R\$500.0 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, which aims to ensure greater liquidity for our short-term commitments.

In the fourth quarter of 2016, we undertook a corporate reorganization by which (i) on November 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, (ii) 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 (iii) 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 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 (U.S.\$507.8 million based on an exchange rate of R\$5.199 to U.S.\$1.00 as of March 31, 2020), 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. On November 13, 2017, we announced the completion of such dissociation process. The discontinuation did not have any financial impact in 2017, 2016 and 2015 as the joint venture ceased operations in 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\$30.0 million as of December 31, 2019) as well as for any liabilities which may arise regarding our time as partners in the joint venture.

On January 18, 2018, Rumo Luxembourg issued 5.875% notes due 2025 in an aggregate principal amount of U.S.\$500 million. The 5.875% notes due 2025 bear interest from January 18, 2018 at the annual rate of 5.875%, payable semiannually in arrears on January 18 and July 18 of each year, commencing on July 18, 2018. The 5.875% notes due 2025 are guaranteed by Rumo.

On March 28, 2019, we won the tender No. 02/2018 organized by ANTT to operate the Ferrovia Norte Sul Tramo Central, the railway network located between the cities of Porto Nacional, in the state of Tocantins and Estrela d'Oeste, in the state of São Paulo, for a period of 30 years from the date of signature, which was July 31, 2019. Our bid was R\$2,719.5 million. On July 31, 2019, we entered into a sub-concession agreement with ANTT and Valec Engenharia, Construções e Ferrovias S.A. allowing Malha Central to explore for 30 years the activities of rail freight transport and operate the Ferrovia Norte Sul Tramo Central. We were required to pay: (i) 5% of the value of its bid within 45 days of the publication of ANTT's final decision, and (ii) the remainder in 120 quarterly installments calculated pursuant to the terms of the concession agreement to be entered into in connection with the concession. This payment, in an amount of R\$145.2 million, was completed on July 24, 2019.

On May 27, 2020, we entered into an amendment to the concession agreement relating to Malha Paulista with the ANTT. The amendment was reviewed and authorized by the TCU pursuant to a decision issued on May 20, 2020 (TC 009.032/2016-9). As a result, the term of the Malha Paulista concession was extended to 2058, provided that we comply with certain obligations. Furthermore, the new grant amount for the concession will be approximately R\$2.9 billion (as of December 2017) to be paid in quarterly installments over the course of the agreement's term (expiring on December 31, 2058), and investments to be made are estimated at R\$6.1 billion (as of December 2017) over the same period.

We expect to account for the concession extension under the guidance of IFRS 16, which is the standard we currently apply to account for the Malha Paulista concession. Under the provisions of IFRS 16 we expect to record a lease liability for the extended term of the concession and a corresponding right-of-use asset. In addition, future investments related to the concession agreement will be recorded as incurred.

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 Pacífico San Martín 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 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 of 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 production 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 “—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 62.22% stake in Brado Logística.

Corporate Reorganization

On November 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 to 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 four segments, three of which correspond to business units previously used by Rumo Logística and a new segment corresponding to our new Malha Central concession, namely: (i) our northern operations business segment, or Northern Operations, which comprises the Malha Norte and Malha Paulista rail concessions, as well as Elevações Portuárias; (ii) our southern operations business segment, or Southern Operations, which comprises Malha Oeste and Malha Sul; (iii) our central operations business segment, or Central Operations, which comprises Malha Central, and (iv) our container operations segment, or Container Operations, which comprises the operations of Brado Logística and other container operations.

In the three months ended March 31, 2020, we transported 12.3 billion revenue ton kilometers, or RTK, (9.9 billion RTK in agricultural products and 2.4 billion RTK in industrial products) compared to 13.3 billion RTK (10.8 billion RTK in agricultural products and 2.5 billion RTK in industrial products) in the three months ended March 31, 2019. Our average transportation yield for the three months ended March 31, 2020 and 2019 was R\$99.1 and R\$103.9 per 1,000 RTK, respectively.

In the fiscal year ended December 31, 2019, we transported 60.09 billion RTK, (49.33 billion RTK in agricultural products and 10.76 billion RTK in industrial products) compared to 56.36 billion RTK (46.45 billion RTK in agricultural products and 9.91 billion RTK in industrial products) and 49.69 billion RTK (41.44 billion RTK in agricultural products and 8.25 billion RTK in industrial products) in the fiscal years ended December 31, 2018 and 2017, respectively. Our average transportation yield for the fiscal years ended December 31, 2019, 2018 and 2017 was R\$101.6, R\$100.7 and R\$96.2 per 1,000 RTK, respectively. Furthermore, our lost time injury frequency, measured as number of accidents per million man hours worked, was 0.3x in 2018 and 0.1x in 2019.

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 74% in the three months ended March 31, 2020 and 71%, 70% and 68% of our rail transportation volume in the fiscal years ended December 31, 2019, 2018 and 2017, respectively.

In the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, our Northern Operations generated (i) net revenue from services of R\$1,085.0 million, R\$5,313.7 million, R\$4,913.4 million and R\$4,439.7 million, respectively, which accounted, in each period, for 76%, 75%, 75% and 75% of our total net revenue from services, (ii) result before financial results and income tax and social contribution of R\$268.9 million, R\$2,247.6 million, R\$1,973.8 million and R\$1,656.4 million, respectively, and (iii) Adjusted EBITDA of the Northern Operations of R\$526.2 million, R\$3,273.7 million, R\$2,921.5 million and R\$2,493.3 million, respectively. The gross profit of our Northern Operations was R\$390.1 million, R\$2,463.0 million, R\$2,170.0 million and R\$1,881.6 million in the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, respectively. In addition, our Northern Operations transported 9,080 million RTK, 42,845 million RTK, 39,308 million RTK and 33,932 million RTK in the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, representing approximately 74%, 70%, 70% and 68%, respectively, of the total volume transported by us in such years. Such changes were due to lower volumes that reduced the dilution of our fixed costs, which increased 6.5%. Our variable costs decreased 12% due to lower take-or-pay expenses. Our fuel consumption decreased 3.2% (Liters/GTK), reflecting improved locomotives efficiency.

In the three months ended March 31, 2020, we decreased port handling volumes by operations under our control at the port of Santos (Terminal 16 and Terminal 19) to approximately 2.5 million tons of agricultural commodities, a decrease of 9.8% compared to the three months ended March 31, 2019, primarily due to operational constraints we faced in March 2020. In the fiscal year ended December 31, 2019, we decreased port handling volumes by operations under our control at the port of Santos (Terminal 16 and Terminal 19) to approximately 11.2 million tons of agricultural commodities, a decrease of 1.6% compared to the fiscal year ended December 31, 2018, primarily due to less favorable conditions for sugar trading. In the fiscal year ended December 31, 2017, the port handling volumes by operations under our control in the port of Santos was 13.1 million tons. 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' main customers include Santa Terezinha and Bunge. 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 three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, our Southern Operations generated (i) net revenue from services of R\$267.9 million, R\$1,478.3 million, R\$1,412.3 million and R\$1,283.1 million, respectively, which accounted for 19%, 21%, 21% and 22% of our net total revenue from services in the fiscal years ended December 31, 2019, 2018 and 2017, respectively, (ii) negative result before financial results and income tax and social contribution of R\$61.1 million, R\$18.0 million, R\$168.1 million and R\$140.5 million, respectively, and (iii) Adjusted EBITDA of the Southern Operations of R\$58.7 million, R\$553.5 million, R\$319.6 million and R\$301.0 million, respectively. Our Southern Operations recorded a gross loss of R\$35.5 million in the three months ended March 31, 2020, gross profit of R\$36.0 million, gross loss of R\$8.7 million and gross loss of R\$73.6 million in the fiscal years ended December 31, 2019, 2018 and 2017, respectively. The volume transported by our Southern Operations in the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017 was 2,530 million RTK, 14,483 million RTK, 14,752 million RTK and 13,994 million RTK, respectively, which amounted to 21%, 24%, 26% and 28%, respectively, of the total volume transported by us in such periods. Furthermore, for the three months ended March 31, 2020 and for year ended December 31, 2019, our Southern

operations had a yield gain of 3.4% and 5.5%, respectively. Despite the volume drop that led to a proportional drop in our variable costs, our fixed costs decreased by 8.8% in the first quarter of 2020, totaling R\$115.0 million. In 2019, despite the volume drop that led to a proportional drop in our variable costs, our fixed costs increased by 4.2% from 2018 mainly due to the impact of payroll exemption totaling R\$23.4 million in 2019.

Central Operations

On March 28, 2019, we won the tender No. 02/2018 organized by ANTT to operate the railway network located between the cities of Porto Nacional, in the state of Tocantins, and Estrela d'Oeste, in the state of São Paulo, or the Ferrovia Norte Sul Tramo Central, for 30 years. Our bid was R\$2,719.5 million. On July 31, 2019, we entered into a sub-concession agreement with ANTT and Valec Engenharia, Construções e Ferrovias S.A. allowing Malha Central to explore for 30 years the activities of rail freight transport and operate the Ferrovia Norte Sul Tramo Central. Our Central Operations (i) did not generate net revenue from services in the three months ended March 31, 2020, (ii) had negative result before financial results and income tax and social contribution of R\$36.2 million, mainly due to general and administrative expenses and depreciation, and (iii) had a negative Adjusted EBITDA of the Central Operations of R\$12.0 million. Our Central Operations (i) did not generate net revenue from services in 2019 as it is in its pre-operating phase, (ii) had negative result before financial results and income tax and social contribution of R\$67.9 million, mainly due to fixed costs, and (iii) had a negative Adjusted EBITDA of the Central Operations of R\$27.4 million.

Container Operations

Our Container Operations comprise our container operations and the operations of Brado Logística, in which we own an indirect equity interest of 62.22%. Our Container Operations transport agricultural products, in addition to industrial products. In the three months ended March 31, 2020 and in the fiscal years ended December 31, 2019, 2018 and 2017, our Container Operations generated (i) net revenue from services of R\$70.7 million, R\$295.8 million, R\$259.2 million and R\$223.4 million, respectively, accounting for 5.0%, 2.7%, 3.9% and 3.8%, respectively, of our total net revenue from services, (ii) negative result before financial results and income tax and social contribution of R\$13.4 million, R\$48.5 million, R\$54.9 million and R\$100.6 million, respectively, and (iii) positive Adjusted EBITDA of the Container Operations was R\$4.4 million for the three months ended March 31, 2020 and R\$29.6 million and R\$0.9 million for the fiscal years ended December 31, 2019 and 2018, respectively, in each case resulting from increases in transported volumes. While in the fiscal year ended December 31, 2017, we recorded negative Adjusted EBITDA of the Container Operations of R\$37.3 million. Furthermore, for the three months ended March 31, 2020, our Container operations (i) had higher transported volume, which drove net revenue growth by 6.4%, more than offsetting the decrease seen in other revenues deriving from unprofitable service units sold, (ii) variable costs increased by 1% in the first quarter of 2020, and (iii) the sale of unprofitable service units reduced fixed costs by 15% in the quarter-over-quarter comparison. Furthermore, for the fiscal year ended December 31, 2019, our Container operations (i) had higher transported volume and yield increase, which drove net revenue growth by 25%, more than offsetting the decrease seen in other revenues deriving from unprofitable service units sold, (ii) variable costs increased by 23.6% from 2018, in line with net revenue growth, and (iii) the sale of unprofitable service units reduced fixed costs by 17% in the year-over-year comparison.

Our Container Operations recorded a gross loss of R\$2.2 million in the three months ended March 31, 2020, a decrease of 85.4% in comparison to the three months ended March 31, 2019, reflecting our efforts to make this operation more profitable (compared to a gross loss of R\$20.0 million, R\$41.9 million and R\$82.6 million in the fiscal years ended December 31, 2019, 2018 and 2017, respectively). In addition, our Container Operations transported 687 million RTK in the three months ended March 31, 2020 and 2,766 million RTK, 2,303 million RTK and 1,764 million RTK in the fiscal years ended December 31, 2019, 2018 and 2017, representing 5.6%, 4.6%, 4.1% and 3.5% of the total volume transported by us in such periods, respectively.

We started “double stack” containers in our container operations during the second half of 2019, which we believe results in fuel savings and a higher capacity and profitability which allowed our EBITDA margin to reach 10% for the fiscal year ended December 31, 2019 and 6.2% for the three months ended March 31, 2020.

Net 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 three months Ended March 31,				For the Fiscal Year Ended December 31,			
	2020	2019	2019		2018		2017	
	(in R\$ millions, except percentages)							
Northern Operations	1,085.0	1,240.0	5,313.7	74.9%	4,913.4	74.6%	4,439.7	74.7%
Southern Operations	267.9	328.4	1,478.3	20.9%	1,412.3	21.4%	1,283.1	21.6%
Container Operations	70.7	66.5	295.8	4.2%	259.2	4.0%	223.4	3.7%
Net revenue from services(1)	1,423.6	1,634.9	7,087.8	100%	6,584.9	100%	5,946.3	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. Our Central Operations comprise railway operations and transshipment in our new concession area of Rumo Malha Central, pursuant to a sub-concession agreement entered into on July 31, 2019 and did not generate net revenue from services in 2019 as it is in its pre-operating phase.

Gross Results per Segment

The table below shows our gross results per segment for the periods indicated:

	For the three months Ended March 31,		For the Fiscal Year Ended December 31,					
	2020	2019	2019		2018		2017	
	(in R\$ millions, except percentages)							
Northern Operations	390.1	525.9	2,463.0	99.4%	2,170.0	102.4%	1,881.6	109.1%
Southern Operations	(35.5)	(29.3)	36.0	1.5%	(8.7)	(0.4)%	(73.6)	(4.3)%
Container Operations	(2.2)	(15.2)	(20.0)	(0.8%)	(41.9)	(2.0)%	(82.6)	(4.8)%
Gross result for the period/year	352.4	481.5	2,479.1	100%	2,119.3	100%	1,725.4	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.

For a reconciliation of our result of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result and income tax and social contribution of the Northern Operations to Adjusted EBITDA of the Northern Operations and Adjusted EBITDA Margin of the Northern Operations.”

For a reconciliation of our result of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result and income tax and social contribution of the Southern Operations to Adjusted EBITDA of the Southern Operations and Adjusted EBITDA Margin of the Southern Operations.”

For a reconciliation of our result of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result and income tax and social contribution of the Container Operations to Adjusted EBITDA of the Container Operations and Adjusted EBITDA Margin of the Container Operations.”

For a reconciliation of our result of the Central Operations to Adjusted EBITDA of the Central Operations, see “Selected Consolidated Financial and Other Information—Consolidated Non-GAAP Financial Measures—Reconciliation of our results before financial result and income tax and social contribution of the Central Operations to Adjusted EBITDA of the Central 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	
Brasil 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
Alto Araguaia Terminal.....	Brazil	Alto Araguaia, Mato Grosso	Owned
Chapadão do Sul Terminal	Brazil	Chapadão do Sul, MS	Owned
11,292 railcars	Brazil	Various	Owned
3,499 railcars	Brazil	Various	Rented
18,914 railcars	Brazil	Various	Leasehold
710 locomotives	Brazil	Various	Owned
86 locomotives	Brazil	Various	Rented
472 locomotives	Brazil	Various	Leasehold
Permanent way North 735 kilometers	Brazil	Various	Leasehold
Permanent way Paulista 2,039 kilometers.....	Brazil	Various	Leasehold
Permanent way South 7,208 kilometers	Brazil	Various	Leasehold
Permanent way West 1,951 kilometers	Brazil	Various	Leasehold
Central (Norte-Sul) 1,537 kilometers(1).....	Brazil	Various	Leasehold

- (1) On March 28, 2019, we won the tender No. 02/2018 organized by ANTT to operate the railway network located between the cities of Porto Nacional, in the state of Tocantins, and Estrela d'Oeste, in the state of São Paulo, for 30 years. For further information, see “Summary—Recent Developments” and “Business—History—Rumo.”

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 March 31, 2020, we had approximately 3,012 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 Bunge, Cargill, ADM, Amaggi, Louis Dreyfus and COFCO. In the three months ended March 31, 2020, Bunge accounted for 11.8% of our total net revenue from services, while our six major clients accounted for 44.6% of our total net revenue from services. In the fiscal year ended December 31,

2019, Bunge accounted for 10.9% (13.9% in 2018) of our total net revenue from services, while our six major clients accounted for 45% (48% in 2018) of our total net revenue from services in the same period.

Our major clients in the rail sector are export companies such as Bunge, Cargill, ADM, COFCO, ECTP and Amaggi. In the three months ended March 31, 2020, Bunge accounted for 11.8% of our net revenue from services in the rail sector, while our six major clients in the rail sector jointly accounted for 44.6% of our net revenue from services in that sector. In the fiscal year ended December 31, 2019, Bunge accounted for 12.3% (15.6% in 2018) of our net revenue from services in the rail sector, while our six major clients in the rail sector accounted for 51.1% (53.9% in 2018) of our net revenue from services in that sector.

Our largest clients in the port elevation sector include Raízen, Engelhart, Sucres, COFCO, Czarnikow and Wilmar. In the three months ended March 31, 2020, Raízen and Engelhart accounted for 25.9% and 23.9%, respectively, of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector collectively accounted for 82.5% of our net revenue from services in that sector. In the fiscal year ended December 31, 2019, Engelhart and Raízen accounted for 22.8% and 13.6%, respectively, of our net revenue from services in the port elevation sector, while our six largest clients in the port elevation sector accounted collectively for 70.0% 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 regard 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, possibility of backhauling, speed of loading and unloading, seasonality of transportation demand, 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. In general, for distances exceeding 500 km, tariffs charged for rail services are more competitive than freight prices.

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 which monitor 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 route between Rondonópolis (State of Mato Grosso) and the Port of Santos (State of São Paulo) is responsible for a significant portion of the grains transported in Brazil according to Institute of Agricultural Economics of Mato Grosso (*Instituto Mato Grossense de Economia Agropecuária*), or "IMEA."

The pricing of our transport services is also 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 regard 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 existing business by the authorities responsible for supervising services rendered, in order to remain in compliance with 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 (i) the relationship between the Brazilian government and the rail companies, (ii) the relationship among the rail companies, including interchange and mutual transit rights, (iii) the relationship between the rail companies and their customers and (iv) rail safety. The rules also contain a number of provisions relating to a railroad operator's liability. According to Decree No. 1,832/1996, we will be relieved of liability for damage caused by our operations in the event of (1) inherent defects or causes inherent to the nature of the goods to be transported, (2) death or injury of animals as a consequence of the natural risk inherent to rail transportation, (3) lack of latent defect in or fraudulent procedure for, the packaging of the product, (4) damage derived from the operations of loading, unloading or trans-loading by the sender, the addressee or their representatives or (5) 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. 2,681/1912, 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 (i) an act of God or force majeure, (ii) a loss caused by fault of the merchandise, (iii) death or injury to a live animal resulting from an ordinary risk caused by the transportation, (iv) defective packaging of the freight, (v) loss or damage caused by transportation in open cars, as required by regulation or resulting from the agreement with the customer, (vi) loss or damage caused by loading and unloading by either the shipper or receiver or (vii) loss or damage that could have been avoided by proper surveillance by the shipper of a freighted car. In the cases provided in (i), (ii), (iii), (v) and (vi), 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 No. 10,233/2001, 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, (i) to publish bidding invitations, judge the biddings and execute the rail transportation service concession agreements, (ii) to administer concession agreements and rail network leases executed until the date of reform of the transportation market, according to Law No. 10,233/2001, (iii) to publish invitations to bid, to judge the biddings and to execute concession agreements for the construction and exploitation of new rail networks, (iv) 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 (v) 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 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: (i) the services rendered by the concession holder fall below the standard agreed between the parties with regard to such services; (ii) there is a breach of the provisions of the concession agreement by the concession holder; (iii) the concession holder interrupts the provision of the services, unless such interruption is due to a force majeure event; (iv) the concession holder does not have the financial resources necessary to render the services required under the concession agreement; (v) the concession holder does not comply with penalties imposed by the granting authority; (vi) the concession holder does not comply with requests from the granting authority intended to improve the services provided under the concession agreement; or (vii) 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 regard 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 No. 12,815/2013, Decree No. 8,033/2013 and by the rules issued by ANTAQ and by the Brazilian Ministry of Transportation, Ports and Civil Aviation.

ANTAQ, which was created by Law No. 10,233/2001, is linked to the Transportation Ministry. Among other things, ANTAQ is responsible for (i) publishing invitations to bid, executing concession agreements, and issuing authorizations to exploit private port terminals and facilities, (ii) inspecting compliance with contractual clauses for the provision of services in connection with public terminals and private ports facilities and (iii) 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: (i) the concession regime, which regulates the exploitation of government-owned port terminals and the leasing of government-owned terminals, and (ii) the authorization regime, relating to new private port terminals and facilities.

Pursuant to Law No. 12,815/2013, 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 nonperformance 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. 8,630/1993, or the "Ports Modernization Law," which provided the legal framework applicable to the exploitation of government-owned port terminals and facilities in Brazil. In view of the need to improve the applicable legislation, the Brazilian government implemented Law No. 12,815/2013, or the "Ports Law," which expressly revoked the Ports Modernization Law and established a new legal framework with respect to port operations in Brazil. As a result, public ports are regulated by the Ports Law and by specific complementing regulations, such as Decree No. 8,033/2013. 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. 3,220/2014, which sets forth the process for requesting the economic and financial rebalancing of the concession agreements for the exploitation of government-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 25 active refueling stations, with a total storage capacity of over 3.3 million liters. The monthly volume is approximately 33.1 million liters of fuel. Potential incidents and leaks at those refueling stations may result in environmental damage.

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. 140/2011, 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 licensing 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, Mato Grosso do Sul, Minas Gerais, Goiás and Tocantins 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 overgrowth 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 in which 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 59 separate environmental proceedings, including contaminated areas undergoing remediation, monitoring, supply posts and workshops. The expectation is that in 2020, approximately R\$6.6 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.

Concession Agreements

We conduct our activities through the following concession agreements:

Company	End of the Concession	Area Covered
Subsidiary		
Malha Paulista	December 2058	State of São Paulo
Malha Sul	February 2027	South of Brazil and State of São Paulo
Malha Oeste.....	June 2026	Center-West and State of São Paulo
Malha Norte.....	May 2079	Center-West and State of São Paulo
Malha Central	July 2049	North of Brazil 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 2050	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 Concession Agreements

We conduct our rail activities through the following concession agreements: (i) the concession agreement entered into on December 30, 1998 involving Malha Paulista, expiring in 2058; (ii) the concession agreement entered into on May 19, 1989 involving Malha Norte, expiring in 2079; (iii) the concession agreement entered into on July 7, 1996 involving Malha Oeste, expiring in 2026; and (iv) 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 and, in January 2018, requests for extension of the concession agreement termination dates. The process of renewal of the Malha Paulista has already been approved by ANTT and the Ministry of Transport (current Ministry of Infrastructure), and has been submitted to the TCU for evaluation.

On May 27, 2020, we entered into an amendment to the concession agreement relating to Malha Paulista with the ANTT. The amendment was reviewed and authorized by the TCU pursuant to a decision issued on May 20, 2020 (TC 009.032/2016-9). As a result, the term of the Malha Paulista concession was extended to 2058, provided that we comply with certain obligations. Furthermore, the new grant amount for the concession will be approximately R\$2.9 billion (as of December 2017) to be paid in quarterly installments over the course of the agreement's term (expiring on December 31, 2058), and investments to be made are estimated at R\$6.1 billion (as of December 2017) over the same period.

We expect to account for the concession extension under the guidance of IFRS 16, which is the standard we currently apply to account for the Malha Paulista concession. Under the provisions of IFRS 16 we expect to record a lease liability for the extended term of the concession and a corresponding right-of-use asset. In addition, future investments related to the concession agreement will be recorded as incurred.

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 nonperformance of the concession agreement or failure to comply with the financial terms of the concession agreement and the lease agreement (when there is one in 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 offer memorandum, we are aware of the existence of the administrative proceedings that could potentially give rise to unilateral termination events for our concessions, after all applicable administrative and judicial spheres have been overcome. For further information, see “Business—Legal and Administrative Proceedings—Administrative Proceedings.”

On March 28, 2019, we won the tender No. 02/2018 organized by ANTT to operate the railway network located between the cities of Porto Nacional, in the state of Tocantins, and Estrela d’Oeste, in the state of São Paulo, or the Ferrovia Norte Sul Tramo Central, for 30 years. Our bid was of R\$2,719.5 million. On July 31, 2019, we entered into a sub-concession agreement with ANTT and Valec Engenharia, Construções e Ferrovias S.A. allowing Malha Central to explore for 30 years the activities of rail freight transport and operate the Ferrovia Norte Sul Tramo Central. If we are unable to comply with the obligations detailed in the tender notice for the Ferrovia Norte Sul Tramo Central, our assets may be encumbered, which may adversely affect our financial condition and results of operations.

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, Malha Sul and Malha Oeste concession agreements, currently under review by the Brazilian Transportation Authority (Agência Nacional de Transporte Terrestre), or ANTT, which may have a material adverse effect on our investment plan and growth strategy” and “Risk Factors—Risks Related to Our Business and Industries in Which We Operate—Our assets may be encumbered if we are unable to comply with certain conditions related to the concession agreement of Ferrovia Norte Sul Tramo Central.”

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, recently amended by Decree No. 9,048/2017, lease agreements may be extended up to the limit of 70 years. Pursuant to the lease agreement, we and our subsidiaries have an obligation to make certain investments.

We also hold equity interests in: (i) 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 2050; (ii) 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; (iii) 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 2027; and (iv) 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 2027.

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 regard to the Portofer lease agreement, there is an ongoing investigation by the Brazilian Federal Prosecutors' Office, of a noncriminal 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 Concession Law, which applies to port leases. Below is a list of the termination events applicable to our port lease agreements:

- expiration (e.g., in 2036, the year of maturity);
- *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;
- a statement of *forfeiture*, which occurs, at the granting authority's sole discretion, in case of total or partial nonperformance of the lease, without prejudice to the application of other contractual penalties. The *forfeiture* may be declared under the following circumstances: (i) the service is not being provided adequately (i.e., there has been a breach of the minimum transport requirements); (ii) failure to undertake the investments stipulated in the agreement; (iii) breach of contractual obligations; (iv) transfer of the agreement without prior consent from the granting authority; (v) obstruction of audits carried out by the granting authority; (vi) changes to the contractual objective; (vii) failure to maintain or conserve the leased facilities; (viii) default in financial obligations set out in the agreement; or (ix) 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 business, financial condition and results of operations.

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

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

Intermodal Transportation

Each railway concession agreement grants the recipient concession holder an exclusive right to exploit the rail network infrastructure in a particular geographic area. Because each concessionaire operates in a separate geographic area, they do not compete directly with each other. Instead, the main competition to the various rail concessionaires is, in most cases, the truck transportation business, which has historically been the main cargo transportation mode in Brazil. According to the CNT, for the fiscal years ended December 31, 2019 and 2018, trucks transported 61% of Brazil's production in 2019, 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 intermodal logistics operations include (i) rates charged, (ii) haul time, (iii) haul volume and (iv) 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 onboard 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 that 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 their 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 onboard 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 and Equipment

For additional information related to property, plant and equipment, see note 5.12.1 to our consolidated interim unaudited financial information included elsewhere in this offering memorandum and note 5.12.1 to our audited consolidated financial statements included elsewhere in this offering memorandum.

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.

As of March 31, 2020, we had 25 trademarks registered under our name with the INPI, including “ALL AMÉRICA LATINA LOGÍSTICA” and “RUMO.” We currently have no trademarks application awaiting examination. However, we are not dependent on any trademarks to conduct our business.

Patents

We currently have three patent application requests pending analysis by INPI. However, we are not dependent on any patent to conduct our activities.

Software

We use third-party licensed software programs, which enables us to manage our activities more efficiently. All third-party programs used by us have been duly licensed are used in accordance with the terms of the respective license agreements.

Domain names

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

The information contained on our website, any website mentioned in this Form 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 March 31, 2020, we had 9,218 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 March 31,	As of December 31,		
	2020	2019	2018	2017
Administration.....	1,084	914	878	752
Operational	7,252	7,402	7,366	7,678
Port	882	891	908	911
Total.....	9,218	9,207	9,152	9,341
Geographic Location				
Terminal Santos.....	881	891	911	872
Terminal Jaú	23	23	25	25
Terminal Itaparina.....	38	38	46	57
Terminal Sumaré	64	63	59	63

Area	As of March 31,	As of December 31,		
	2020	2019	2018	2017
Southern Operations	3,955	3,840	4,152	3,922
Northern Operations	3,304	3,179	3,365	3,176
Central Operations.....	33	32	—	—
Holdings	—	—	—	289
Corporate	920	1,141	594	937
Total.....	9,218	9,207	9,152	9,341

The decrease in the number of our employees from December 31, 2017 to December 31, 2018 was due to the optimization of our organizational structure to reduce costs. The increase from December 31, 2018 to December 31, 2019 was due to the allocation of employees in Ferrovia Norte Sul team and the creation of a new expansion team. There were no material changes in the number of our employees in the three months ended March 31, 2020.

Compensation and Benefits

We regard our human resources policy as an integral part of our business strategy. Our related goals include: (i) compensation in line with market practices; (ii) conditions in place to attract and retain professionals to and within the Company; and (iii) 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 responsibilities are.

Our total annual payroll was R\$923.6 million, R\$842.7 million and R\$781.7 million for the fiscal years ended December 31, 2019, 2018 and 2017, respectively, which includes a provision for vacations, bonuses, taxes and social contributions. Certain of our employees are eligible for participation in our share-based compensation scheme described under “Management—Compensation—Share-Based Compensation.”

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 Raízen. The plan is offered to all employees, irrespective of their salary level or position within our Company, and irrespective of the term of their employment by us. The plan was expanded to include the employees of ALL and its subsidiaries starting 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 10 URs, or reference units (R\$440.80 as of March 31, 2020). 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, such person may continue to participate in the plan, withdraw 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 and Rail
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 and Central (from Estrela do Oeste up to the border between Goiás and Tocantins states)	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
Sindicato dos Trabalhadores e Empresas Ferroviárias dos Estados do Maranhão, Pará e Tocantins.....	Tocantins	N/A*	Rail

* As of the date of this offering memorandum, we are still discussing with the relevant labor union what should be the base date but they still have no definition of this data.

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 March 31, 2020, we were party to proceedings with a probable risk of loss involving an aggregate amount of R\$480.1 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\$6,997.2 million, for which no provision has been recorded.

Civil, Regulatory and Environmental Claims

On March 31, 2020, 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\$141.2 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\$3,441.7 million, for which no provision has been recorded.

The following is a description of the most relevant civil and environmental proceedings to which we are a party:

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. The court accepted part of Malha Paulista's appeal in October 2017. Due to the anticipation of the renewal of Malha Paulista concession agreement in May 2020, União Federal, ANTT and Malha Paulista entered into an agreement pursuant to which: (i) R\$228.8 million of credit was recognized in favor of Malha Paulista; (ii) R\$148.9 million will be subject to a joint review in order to assess Malha Paulista's credits; and (iii) R\$1,146.0 million will be paid in annual installments. Considering that Malha Paulista had a larger provision, the agreement gave rise to a positive result for us. As of the date of this offering memorandum, Malha Oeste appeals are still pending.

The aggregate payments alleged to be owed by Malha Paulista and Malha Oeste total R\$3,461.4 million as of March 31, 2020. 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 guarantee insurance. There is a total of R\$141.9 million provisioned as judicial deposits as of March 31, 2020.

Regarding Malha Paulista, we estimate the risk of loss as remote regarding the amount recognized by the court decision and as possible in relation to other amounts. We have kept this proceeding recorded as a liability given that it is a contractual obligation.

Regarding Malha Oeste, we estimate the risk of loss as remote, but we have kept this proceeding recorded as a liability given that it is a contractual obligation and because the main amount is still under discussion. Malha Sul also filed a lawsuit against the Brazilian government on July 10, 2017 to restore the economic-financial balance of certain leasing and concession agreements. Malha Sul argues that it is being required to make some payments that are under the government's responsibility. In January 2020, the Trial Court partially accepted the Malha Sul claims, which granted us an injunction authorizing Malha Sul to compensate part of the amounts related to labor debts spent with amounts that must be paid to the federal government. We estimate the risk of loss in these proceedings as possible.

CADE Proceedings

In January 2018, based on a complaint made by ANTT and initiated upon a claim filed by Seara Industrial de Produtos Agropecuários Ltda., or Seara, CADE initiated an investigation against Malha Norte in order to investigate anti-competitive practices against Seara. This investigation aims to collect information and documents so that CADE can decide whether or not to initiate an administrative proceeding against us. We refuted all accusations made by Seara against us, including through the submission of a technical opinion from ANTAQ. In December 2019, CADE decided to close its proceeding.

In July 2018, CADE initiated an investigation against us following allegations made by Agrovía S.A., or Agrovía, that we have abused our dominant position in the sugar market causing damages to Agrovía. Although we have informed CADE that most of the facts argued by Agrovía have already been analyzed and rejected in separate administrative proceedings, in March 2019 CADE initiated a formal administrative proceeding to investigate the practice of the alleged infractions. In May 2019, we filed our defense. As of the date of this offering memorandum, the analysis of the merits of such defense is pending. Our counsel has assessed the risk of loss in this administrative proceeding as possible.

Public Civil Action related to Concession Agreements between Portofer and CODESP

In September 2016, the Federal Prosecutor's Office filed a public civil action against Rumo and Malha Paulista regarding alleged 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 Ferrobán, Ferronorte and Ferrovia Novoeste without having held prior bidding proceedings. However, in the complaint, the Federal Prosecutor's Office did not allege that anti-competitive 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 the Portofer concession, a new bidding process being held in relation to the railroad network of the Port of Santos and the restitution of any unamortized investment made by us 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. Rumo and Malha Paulista filed a motion arguing for the maintenance of the current concession agreement. In July 2018, the court denied the injunction requested by the Federal Prosecutor's Office and later ruled against the Prosecutor's requests. The Prosecutor filed an appeal, which is currently pending review. This proceeding has a possible risk of loss. The

TCU is also leading an administrative proceeding related to the same subject, Popular Action related to lease agreements between Malha Norte, CODESP and others.

Malha Norte Public Bidding Complaint

In February 2003, a citizen filed an action against Malha Norte regarding alleged irregularities in the public bidding of the lease agreement between Malha Norte, the Portuary Authority and others. According to the claim, the agreement should not have been executed without prior bidding proceedings. The judge ruled to dismiss the requests. The appellate court revised the sentence and the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), or the STJ, denied the claim in October 2019. After that, the Public Prosecutor presented another appeal to the STJ which is still pending a decision. This proceeding has a possible risk of loss.

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. These proceedings involve, among other topics, oil contamination, noise pollution resulting from the use of a horn, damage to vegetation, among others, including:

- *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\$1.6 million as of March 31, 2020 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\$1.4 million as of March 31, 2020 with a probable risk of loss, and an obligation to institute a degraded area recovery program at an estimated cost of approximately R\$3.2 million with a possible risk of loss.

Environmental Administrative Proceedings

Certain administrative proceedings have been established against certain of our subsidiaries with the issuance of infraction notices by environmental agencies regarding 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\$456 million as of March 31, 2020.

Criminal Environmental Proceedings

The Brazilian federal constitution and federal law No. 9,605/1998 provide that legal entities may be subject to administrative and criminal sanctions as well as reparation of environmental damages. Pursuant to Article 21 of Federal Law No. 9,605/1998, legal entities may be subject to the following sanctions: fines, restrictions of rights and community service.

As of March 31, 2020, we were party to eight environmental proceedings relating to alleged environmental crimes. As of the date of this offering memorandum, none of these proceedings have resulted in a conviction. These proceedings relate to pollution, failure to comply with certain cleaning and vegetation suppression obligations, irregular transportation of dangerous products and damage to vegetation (diesel spilling). The chance of loss in each case is estimated to be possible. These environmental proceedings may subject us to fines, which we are not able to estimate at this moment, and other penalties, such as: (i) partial or full suspension of activities; (ii) temporary shutdown of establishment, works or activity; (iii) prohibition to enter into contracts with the public authorities, as well as to obtain subsidies, subventions or donations therefrom; and (iv) obligation to provide 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 noncompliance 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 March 31, 2020, we were a party to several labor proceedings amounting to R\$259.6 million for contingencies with a probable risk of loss, for which we have recorded provisions in the same amount, and R\$875.0 million for contingencies with a possible risk of loss, for which no provision has been recorded.

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

Malha Paulista – MS Teixeira Prumo Engenharia

Malha Paulista is 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 of Malha Paulista. Notwithstanding the foregoing, the Labor Prosecutors' Office filed a public civil action solely against us. 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 of R\$15 million, as well as fines of R\$0.1 million per breach or per worker in the event of future labor breaches. However, potential future loss on this lawsuit cannot lead to the inclusion of Malha Paulista on the list of the Brazilian Ministry of Labor, which includes the employers that practice alleged labor irregularities.

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\$31.2 million, and adversely affect our reputation. We estimate, as of March 31, 2020, the risk of loss in this proceeding in the amount of R\$31.2 million as possible.

Annulment Action

The Brazilian Ministry of Labor has imposed a fine and served an infraction notice on Malha Paulista in connection with the abovementioned allegations that certain employees of MS Teixeira were working in degrading conditions analogous to indentured servitude. Malha Paulista has challenged the infraction notice in an administrative proceeding with the Brazilian Ministry of Labor. Prumo Engenharia has admitted responsibility for the degrading conditions in which certain employees were working, including acknowledging its status as their employer and paying all applicable employment termination fees. This process was recognized and duly recorded by the Brazilian Ministry of Labor. In spite of this, Malha Paulista has been included in a list of employers that employ workers in a condition analogous to indentured servitude by the Brazilian Ministry of Labor. On April 13, 2018, as part of an annulment action currently being heard, the 83rd Labor Court of São Paulo granted an injunction, requiring that Malha Paulista be removed from the list until a final and unappealable judicial verdict is issued. The Regional Labor Appeals Court of São Paulo upheld the injunction following an appeal. The annulment proceeding is currently in the discovery phase. The facts under discussion in the annulment proceeding are similar to those at issue in the abovementioned labor class action. However, in the labor class action, the Labor Prosecutor's Office is seeking the payment of damages and compliance with certain labor obligations by Malha Paulista, while in the annulment proceeding Malha Paulista is seeking the annulment of the Brazilian Ministry of Labor's infraction notice. We estimate that the risk of loss in these proceedings is possible.

Malha Paulista Working Conditions of Engine/Train Drivers

Labor unions and the Labor Public Prosecutor's Office filed a public civil action against Malha Paulista in connection with the working conditions of engine/train drivers, requesting the (i) prohibition of the so-called "stand-alone driving" (when the only train driver is in the train cockpit driving it, without any assistant present), (ii) installation and proper maintenance of toilets in all locomotives, and (iii) payment of moral collective damages in the amount of R\$30 million. The 36th Labor Court of São Paulo has ordered that Malha Paulista stop the "stand-alone driving" practice and pay moral collective damages in the amount of R\$10,000 per train driver and moral collective damages in the amount of R\$100,000 due to the lack of toilets in locomotives. Malha Paulista, Labor Unions and the Labor Public Prosecutor's Office have appealed to the Regional Appeal Labor Court of São Paulo. Malha Paulista's appeal was partially granted by the Regional Appeal Labor Court to allow the "stand-alone driving" practice and to exclude the payment of moral collective damages to the train drivers. Otherwise, the Labor Public Prosecutor's Office and Employee's Labor Union appeals were partially granted by the Regional Appeal Labor Court to order the payment of moral damages due to failure to properly install and maintain toilets in locomotives in the amount between R\$5,000 and R\$20,000 per train driver, and to pay moral collective damages in the amount of R\$0.5 million. Malha Paulista and the Labor Public Prosecutor's Office presented motions to clarify the Regional Appeal Labor Court, which have not been granted. Malha Paulista and the Labor Public Prosecutor's Office filed appeals to the Superior Labor Court, which were partially received and are currently pending review. The total amount in controversy is R\$53.3 million, but we estimate the risk of loss as possible in the amount of R\$4.5 million, for which no provision has been recorded.

Malha Oeste Working Conditions of Engine/Train Drivers

A Labor Union has filed a collective action against Malha Oeste requesting the prohibition of monoconduction (when the train driver is in the train cockpit driving without an assistant). The 1st Labor Court of Bauru has declared the dismissal of the action without prejudice, for the existence of *res judicata*. The Labor Union filed an appeal to the Regional Labor Appeal Court of Campinas and the appeal was granted in November 2019, setting aside the *res judicata* claim, determining the nullity of the decision and remitting the proceeding to the 1st Labor Court of Bauru for a new ruling. Thereafter, we filed a motion to clarify and a motion for exception, as one of the Judges at the Labor Court participated as a member of the Labor Public Prosecutor's Office. The Labor Union also submitted a motion to clarify and both motions are currently pending review. Thus, monoconduction is still currently used in the Malha Oeste concession. As of March 31, 2020, the total amount involved is R\$2.7 million and we estimate the risk of loss as possible.

Malha Sul Working Conditions of Engine/Train Drivers

The Labor Public Prosecutor's Office and a labor union has filed a public civil action against Malha Sul requesting the prohibition of monoconduction (when the train driver is in the train cockpit driving without an assistant). The 20th Labor Court of Curitiba has declared the dismissal of the action. Both the Labor Prosecutor's Office and the labor union has appealed to the Regional Appeal Labor Court of Paraná, and both were dismissed. Each party has appealed again and the appeals were denied. The Labor's Prosecutor's Office appealed once again, seeking to have this new appeal sent to the Labor Superior Court, which is currently under review. We estimate the risk of loss as remote in this proceeding.

Claims for Overtime, Night Shifts and Certain Improvements to Working Conditions

A labor union has filed a labor claim demanding that we pay for (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 was definitely dismissed. We expect the case to be closed, given that the amounts are being paid individually in the lawsuits filed by the replaced employees: 260 lawsuits were filed and the Company has already paid certain amounts in such lawsuits, thus, reducing the amount recorded as provision accordingly. Currently, in our assessment, as of March 31, 2020, an adverse outcome in these proceedings could result in aggregated losses of approximately R\$105.0 million, for which we estimated risk of loss as probable and have recorded a provision in the amount of R\$62.6 million.

Claims for Payment of a Risk Premium

A Labor Union has filed a claim against Malha Sul and the Brazilian government 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 the parties to pay this risk premium to the employees represented in the lawsuit. The case is pending the calculation of the amount due to be paid by Malha Sul and the Brazilian government to the employees and we are currently pursuing a settlement with the labor union. At the same time, Malha Sul filed a lawsuit against the Brazilian government, arguing to restore the economic-financial balance of certain leasing and concession agreements. In January 2020, the Trial Court partially accepted Malha Sul claims and granted an injunction authorizing us to compensate part of the amount related to labor debts spent with amounts that must be paid to the federal government, including the amount of the Brazilian government responsibility involved in this proceeding. The total amount demanded is R\$63.2 million but Malha Sul estimates the risk of loss as probable. The amount due by the Brazilian government and is expected to be compensated refers to the amount of R\$46.8 million. In our assessment, as of March 31, 2020, an adverse outcome in these proceedings could result in aggregate losses of R\$63.2 million, for which Malha Sul estimates the risk of loss as probable and has recorded provisions in the amount of R\$8.0 million, which corresponds to the amount due exclusively by Malha Sul, under the terms of the concession agreement and as possible with regard to an amount of R\$50.3 million and as remote with regard to an amount of R\$4.9 million, for which no provision has been recorded.

Road Cargo Transportation and Labor Conditions of Lorry Drivers

The Labor Prosecution Office filed a public civil action against Rumo 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 in the amount of R\$91.5 million 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. The 1st Labor Court of Araraquara in the state of São Paulo has ordered Rumo not to outsource road cargo transportation and to ensure compliance with the legal overtime limit and mandatory breaks, in addition to paying R\$15 million of moral collective damages. We appealed and the Regional Appeal Labor Court of Campinas ruled partially in our favor, enabling us to outsource road cargo transportation and reducing the amount of moral collective damages to R\$5 million, but maintaining the obligation to comply with an overtime limit and mandatory breaks. We appealed to the Superior Labor Court and the appeal is currently pending review. Meanwhile, the Brazilian Supreme Court has recently ruled that outsourcing is generally permitted, which we expect to have a positive effect on our ongoing proceeding. In our assessment, as of March 31, 2020, an adverse outcome in these proceedings could result in aggregate losses of R\$142.1 million (for which we estimate the risk of loss as possible with regard to an amount of R\$22.7 million and as remote with regard to an amount of R\$119.4 million) for which no provision has been recorded.

Malha Sul and Malha Oeste 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 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\$0.5 million for each case.

We appealed to the Superior Labor Court, which ruled in favor of exempting Malha Sul of responsibility regarding the allegations of illegal outsourcing, joint liability and collective moral damages. In March 2020, the Superior Labor Court accepted Malha Sul claims regarding the moral damages and the Regional Appeal Court

decision was overturned. The Labor Prosecution Office appealed and, as of the date hereof, the motions are still pending.

We estimate the risk of loss in each of these five proceedings as remote in the amount of R\$47.3 million as of March 31, 2020, for which no provision has been recorded.

Tax Proceedings

As of March 31, 2020, we were parties to administrative and judicial tax proceedings with a probable or possible risk of loss involving a total amount of R\$2,759.7 million. Of those, R\$79.3 million have a probable risk of loss, for which we have recorded provisions in the same amount.

We are parties to certain other tax proceedings, including the following primary proceedings:

- We have received tax assessments in connection with PIS and COFINS payments relating to Malha Norte, Malha Sul and Malha Oeste concerning administrative disallowance for a non-cumulative system relative to (i) credits issued untimely unattended of previous rectification of tax return; (ii) credits of expenses of mutual traffic contracts; (iii) unproven credits of expenses with services classified as input material; (iv) company employees transportation expenses credits; (v) electricity expenses credits; (vi) unproven equipment rental agreement and rental expenses credits; and (vii) expenses in acquisition of machines, equipment and incorporated into company permanent assets credits. As of March 31, 2020, the amount involved was R\$155.8 million with a possible risk of loss.
- Malha Paulista had part of its IRPJ credit balance rejected based on the argument that it would not be entitled to IRRF compensation on swap transactions. As of March 31, 2020, the amount involved is R\$132.3 million, with a possible risk of loss.
- The Brazilian tax authorities issued tax assessments in 2011, 2013 and 2019 against Rumo concerning (a) amortization expense disallowance based on future profitability, as well as financial expenses; (b) non-taxation of alleged capital gain on the disposal of equity interest in a company of the same group; and (c) alleged capital gain on disposal of equity interest in a company of the same group in 2019, in an amount of R\$84.2 million as of March 31, 2020, with a possible risk of loss.
- We have received an assessment relating to the disregard of the tax benefits of REPORTE (PIS and COFINS suspension), on the grounds that the locomotives and freight cars purchased in 2010, 2011 and 2012 were used outside the limits of the port. Therefore, Rumo was assessed to pay PIS and COFINS, as well as a fine corresponding to 50% of the value of acquired assets, in the amount of R\$470.9 million as of March 31, 2020, with a possible risk of loss.
- The tax authorities have partially rejected the installment requests for federal tax debts made by Malha Sul and Intermodal, arguing that the Net Operating Losses, or “NOLs,” offered by the companies were not sufficient to discharge their existing debts. The amount involved is R\$115.5 million as of March 31, 2020. The probability of loss is considered possible, since the NOLs existed and were available for such use.
- We have received tax assessments issued for the collection of social security contributions on amounts incurred in connection with its stock option plan (the collection of these amounts would have to be equivalent to 20% of the amount paid). The main reason for the assessment is the alleged remunerative nature of the amounts. The amount involved was R\$70.4 million as of March 31, 2020, with a possible risk of loss.
- Rumo is a party to administrative proceedings brought by the Brazilian federal revenue service with respect to the collection of the tax on financial transactions (Imposto sobre Operações Financeiras), or “IOF,” on checking accounts maintained by Rumo for its affiliates and other controlled companies. The Brazilian federal revenue service argues that the fact that an accounting caption is used to indicate expense advances to affiliated companies, without a formal loan contract, it constitutes a checking account on which IOF should be paid. The amount involved is R\$53.9 million, with a possible risk of loss.

- Malha Sul submitted various compensation declarations (“DCOMP”) through the PER/DCOMP electronic system with respect to credit premiums, using credit acquired from a third party (Fibra S.A. Indústria e Comércio and others). The DCOMP deemed these not to have been declared as they related to third parties’ credit and credit premiums, and imposed a 75% fine, according to article 18, para. 4, of Federal Law No. 10,833/2003. The amount involved is R\$45.0 million with a possible risk of loss.
- We have received various tax assessments requiring the payment of IRPJ and CSLL related to:
 - *Malha Norte Goodwill*. Tax assessment notices issued for the collection of IRPJ and CSLL, as well as interest for late payment and fines. In the opinion of the Brazilian federal revenue, Malha Norte improperly amortized the goodwill calculated on the acquisition of Brasil Ferrovias S.A. and Novoeste Brasil S.A.
 - *GIF, TPG and Teaçú*. Tax assessment notices issued for the collection of IRPJ and CSLL, in addition to default interest and fines for the following reasons: (i) deduction of the actual profit and the CSLL tax base from the amount corresponding to the amortization made in the acquisition of an interest in Teaçú Armazéns Gerais S.A. and (ii) deduction of the actual profit and the basis of calculation of CSLL from the amount corresponding to the amortization of the goodwill paid by TPG Participações S.A. and GIF LOG Participações S.A in the acquisition of shares issued by Rumo S.A.

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\$419.5 million as of March 31, 2020.

Arbitration

We are party to two relevant arbitration proceedings, in which the total aggregate amount involved was R\$1,231.9 million as of March 31, 2020. The total aggregate amount involved is subject to discovery proceedings within the arbitrations.

The first case is a confidential arbitration proceeding which relates to the termination of a service contracted by a third party with Malha Paulista. As of March 31, 2020, the plaintiff, a sugar trading company, made an indemnification claim for approximately R\$505.8 million in connection with the allegedly undue termination of a rail service and investments contract. We filed a counterclaim arguing that the claims of the opposing party cannot be admitted in court and claiming that the opposing party is liable for contractual damages due to its unconditional termination of the agreement. The parties have filed an application and response or counterclaim. After presenting their initial allegations and their replies, a court hearing is scheduled to happen in 2020. Our counsel evaluated the risk of loss as possible.

The second case is an arbitration relating to the Brado Shareholders’ Agreement, in which our counsel assessed the risk of loss as possible and for which we have not recorded any provision. As of March 31, 2020, the amount under dispute was R\$726.1 million. The Arbitration Court has decided that payment must be made in cash, for an amount that will be determined through a separate proceeding in this arbitration. As a result of our payment of the amount yet to be determined by a future expert, we will increase our participation in Brado, our subsidiary. FI-FGTS is also a signatory to the Brado Shareholders’ Agreement and, although it is not a party to the proceedings involving the Brado shareholders, the Arbitration Court has granted it the same option that the other parties to the Brado Shareholders’ Agreement were granted. FI-FGTS may exercise its option between the fifth and the seventh anniversary of the date of signing of the Brado Shareholders’ Agreement (entered into on August 5, 2013).

Administrative Proceedings

In September 2017, we were notified of the existence of preliminary investigations initiated by ANTT to verify alleged noncompliance with certain obligations set forth in the concession agreements of Malha Sul and Malha Oeste. As a result of these investigations, ANTT established a deadline for Malha Sul and Malha Oeste to comply with their obligations pursuant to their respective concession agreements.

On January 21, 2020, ANTT issued Ruling No. 38/2020 by means of which it started a formal administrative proceeding against Malha Oeste for alleged noncompliance with remedial measures previously imposed by ANTT in April 2019. This administrative proceeding is currently in its initial phase.

We are currently evaluating the possibility of requesting the Brazilian government to submit the operations of Malha Oeste to a re-bidding process with third parties pursuant to Federal Law No. 13,448/2017 and Decree No. 9,957/2019.

Any unfavorable final decision in these administrative proceedings may bring negative effects to us, including the potential declaration of forfeiture and/or the application of a penalty that may adversely affect our financial condition, results of operations and our reputation.

See “Risk Factors—Risks Related to Our Business and Industries in Which We Operate—Possible unfavorable developments or decisions in administrative proceedings conducted by ANTT may adversely affect our financial condition, results of operations and our reputation.”

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 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 on July 5, 2016 (without being made available to us, in accordance with the terms of the engagement). As of the date of this offering memorandum, we can neither predict the outcome of the criminal 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.”

In addition, in 2018, the TCU notified us that it is also analyzing the validity of this investment by FI-FGTS in Brado Logística and in ALL. Brado Logística and us, as successors to ALL, filed a defense, highlighting that the investment can be justified by its financial return. As of the date of this offering memorandum, the TCU has not issued a decision on this proceeding.

Criminal Proceedings Involving Members of Our Management

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 investigations that may involve us, our subsidiaries or members of our or their management are not described in this offering memorandum in light of the preliminary and confidential nature of any such investigations.

Pollution

Mr. Rubens Ometto Silveira Mello, while serving as the chief executive officer of the Cosan S.A. group was named, on September 24, 2007, as a defendant together with Usina da Barra S.A. – Açúcar e Alcool (currently known as Raízen Energia S.A., one of our affiliates) and Mr. Emilio Francisco Vegin, 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. 9,605/1998 (pollution), in connection with the alleged burning of sugarcane in contravention of a judicial decision in a public civil class action.

In a *habeas corpus* motion, Mr. Mello pleaded (i) 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, (ii) 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

(iii) that the right to the controlled burning of sugarcane in the region was reestablished 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 Form offering memorandum, this criminal proceeding remains suspended pending a final decision in the related public civil class action. In the event this criminal proceeding advances, Mr. Mello may be subject to criminal penalties. In the opinion of counsel responsible for Mr. Mello's defense there are compelling legal arguments supporting the dismissal of the charges against Mr. Mello.

The criminal proceeding relating to pollution developed from charges brought against two individuals and a legal entity, Usina da Barra S.A. – Açúcar e Alcool. 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 on carrying out its operations in its facilities or sites, a prohibition on 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\$6,840,000.00.

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. (entities under common control with us), were named, together with five other executive officers, defendants in a criminal complaint filed to determine whether tax evasion (pursuant to Article 1 of Law No. 8,137/1990) 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. There are court decisions in the sense that such deposits could lead to the shelving or suspension of criminal proceedings, given that there would no longer exist a direct or indirect risk of harm to the public treasury and the alleged illicit conduct of the defendants would no longer constitute a crime (however, this theory is not widely accepted and different judges may have different interpretations). The criminal proceeding is currently suspended by decision of the Judge, who accepted the defendants' arguments and acknowledged that the case must await the final judgment of the related tax proceedings.

In case the criminal proceeding advances, 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 proceeding 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 a criminal complaint filed by the prosecutors of the State of Bahia in connection with the alleged commission of a crime against the tax order related to the alleged failure by Votorantim Cimentos to adequately pay state value-added taxes (ICMS). Mr. Martins and the other defendants were summoned and presented their defenses, which are awaiting review by the relevant court. Bank letters of credit under the relevant separate tax collection enforcement proceedings have been deposited. In the opinion of counsel responsible for the defense, the likelihood of a decision favorable to the defendant is possible.

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: (i) diagnosis and evaluation, (ii) guidelines and strategies, (iii) implementation and monitoring, and (iv) verification and reporting. In 2020, we expect to issue our Sustainability Report relating to the year 2019, prepared in accordance with the Global Reporting Initiative version G4. The preparation of this report, as in previous years, took into account our material and guiding themes while gathering the most relevant information with regard to our economic, environmental and social performance.

We currently have social responsibility, sponsorship or cultural patronage policies.

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

MANAGEMENT

Pursuant to our bylaws (*estatuto social*), which were last amended at the extraordinary general shareholders' meeting held on September 21, 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. Our bylaws also provide that we have 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 11 and 17 directors. Our board of directors currently comprises 11 directors. The members of our board of directors are elected for two-year terms at our general shareholders' 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 shareholders' meeting. 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, on 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 10 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
Marcos Marinho Lutz	April 24, 2019	Chairman
Rubens Ometto Silveira Mello	April 24, 2019	Vice Chairman
Julio Fontana Neto.....	April 24, 2019	Director
Marcelo de Souza Scarcela Portela	April 24, 2019	Director
Abel Gregorei Halpern*	April 24, 2019	Director
Burkhard Otto Cordes.....	April 24, 2019	Director
Marcos Sawaya Jank*	April 24, 2019	Director
Marcelo Eduardo Martins.....	April 24, 2019	Director
Mailson Ferreira da Nóbrega*.....	April 24, 2019	Director
Riccardo Arduini	April 24, 2019	Director
Luis Henrique Cals de Beuclair Guimarães.....	April 20, 2020	Director

(*) Denotes that the relevant director is independent.

The terms of the current members of our board of directors expire at our ordinary general shareholders' meeting to be held in 2021.

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, City of São Paulo, State of São Paulo, Brazil.

Marcos Marinho Lutz. Mr. Lutz was born on December 30, 1969. He is the chairman 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.

Rubens Ometto Silveira Mello. Mr. Mello was born on February 24, 1950. He is the vice 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.

Julio Fontana Neto. Mr. Fontana Neto was born on April 16, 1955. He is a member of our board of directors. He was our chief executive officer and 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 at 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 an MBA from Harvard Business School. Mr. Halpern is a member of the consultative committee of the Jackson Institute for Global Affairs at Yale University and of the Yale School of Music, among other nonprofit 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 – São Paulo (FAAP) in 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 worked at IBM Brasil in its financial division. Mr. Cordes is Mr. Mello's son-in-law.

Marcos Sawaya Jank. Mr. Jank is a senior professor of global agribusiness at INSPER. In the last four years, he represented the main associations of Brazilian agricultural exporters in Asia, after having supported the expansion of BRF in that continent. He previously chaired the Union of the Sugarcane Industry (UNICA) and the Institute for International Trade and Negotiation Studies (ICONE). For 18 years he was a professor at the University of São Paulo, at FEA and ESALQ, during which he studied and taught in Europe and the United States. He has a degree in agronomy from the Higher School of Agriculture "Luiz de Queiroz" (ESALQ), with a master's degree, doctorate and free teaching in topics related to economics and agribusiness management.

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 interests in the future. He has a degree in business administration from the FGV – Fundação Getulio Vargas, majoring in finance. In July 2007, Mr. Martins entered the Cosan Group, appointed as 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 the 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 – EUROBRAS, 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 Getulio Vargas. Mr. Arduini is the father of Giancarlo Arduini, an alternate member of our board of directors.

Luis Henrique Cals de Beauclair Guimarães. Mr. Guimarães became a member of our board of directors on April 20, 2020. He also took office as the chief executive officer of Cosan Limited on April 1, 2020. Prior to that he had been chief executive officer of Raízen since April 1, 2016. He was formerly the chief executive officer of Comgás, and after that, the fuels operational officer and person responsible for Raízen's downstream division, which covers the retail, commercial and aviation businesses. Mr. Guimarães joined Shell in 1987 and worked in several positions in the lubricants and retail businesses in Brazil and abroad (based in London). From 2007 until September 2010, he served as Shell's chief marketing officer for Lubricants in North America, based in Houston. Mr. Guimarães has a bachelor's degree in statistics and a master's in business administration in marketing from Coppead – UFRJ.

Resignation of Director

On March 31, 2020, Sameh Fahmy resigned as a member of our board of directors and as an independent member of our audit committee, effective as of April 1, 2020. On April 20, 2020, Luis Henrique Cals de Beauclair Guimarães was elected as a member of our board of directors.

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	Year of Birth
João Alberto Fernandez de Abreu	April 1, 2019	Chief Executive Officer	1970
Ricardo Lewin	April 20, 2018	Vice Chief Financial and Investor Relations Officer	1974
Daniel Rockenbach	June 13, 2018	Vice Chief Operational Officer for Malha Sul and Malha Oeste	1966
Darlan Fábio de David	June 13, 2018	Vice Chief Operational Officer for Malha Norte and Malha Paulista	1974
Eduardo Pellegrina Filho	April 20, 2018	Vice Chief of Human Resources Officer	1956

The terms of our current officers expire in the shareholders' meeting that will be held in July 22, 2020.

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, City of São Paulo, State of São Paulo, Brazil.

João Alberto Fernandez de Abreu. Mr. Fernandez de Abreu is chief executive officer of the Company and its concessionaires, and is a member of the board of Iogen Energy. Mr. Fernandez de Abreu served as chief operating officer of Raízen Energia S.A., working for 18 years at Shell, occupying several positions in Retail, Brazil, England and Argentina. He began his career at Raízen Energia as commercial executive director and board member of Petróleo Sabbá, an affiliate of Raízen in northern Brazil. In 2012, he became director of bioenergy and technology for Raízen's Ethanol, Sugar and Bioenergy business. Two years later, he assumed the Agroindustrial executive board. He was responsible for the development and implementation of Raízen's first integrated second generation Ethanol plant.

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. 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 industrial 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 five members, all of whom were elected in April 2019. Each of their terms will expire at our ordinary general shareholders' meeting to be held in July 22, 2020.

Law No. 6,404, of December 15, 1976, as amended, or the "Brazilian Corporate 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: (i) supervise the actions of officers and directors, and their compliance with legal and statutory requirements; (ii) voice its opinion regarding management's annual report, and include in its report on such matter the additional information which it believes is necessary or useful to the deliberations of our general shareholders' meetings; (iii) voice its opinion on the proposals of management bodies to be submitted to our general shareholders' meetings 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 spinoffs; (iv) report to management on any mistakes, fraud or crime which it uncovers, and if management does not take appropriate action to protect our interests, report to the general shareholders' meeting, and recommend useful steps we may take in this regard; (v) call an ordinary general shareholders' meeting if management bodies delay the calling thereof for over a month, and extraordinary general shareholders' meetings whenever serious or urgent events occur, and include in the agenda for such meetings the items which it considers necessary; (vi) analyze, at least on a quarterly basis, our financial statements; (vii) review our financial statements for each fiscal year and voice its opinion thereon; and (viii) 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	Year of Birth
Marcelo Curti	April 24, 2019	Chairman	1962
Francisco Silvério Morales Céspedes	April 24, 2019	Member	1947
Reginaldo Ferreira Alexandre	April 24, 2019	Member	1959
Cristina Anne Betts	April 24, 2019	Member	1969

The terms of the current members of our fiscal council expire at our ordinary general shareholders' meeting to be held in 2020.

The following is a summary of the business experience of the members of our fiscal council. Unless otherwise indicated, the business address of the members of our fiscal council is Av. Brigadeiro Faria Lima, 4100, 15th floor, Zip Code 04538-132, City of São Paulo, State of São Paulo, Brazil.

Marcelo Curti. 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, where 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.

Francisco Silvério Morales Céspedes. Mr. Céspedes has a bachelor's degree, a postgraduate degree in business administration from FGV – Fundação Getúlio Vargas and has taken specialization courses at Harvard and Stanford. He has served for more than 35 years as director of administration and finance and investor relations (CFO and DRI) and as a member of the board of directors, audit and finance committees of São Paulo Alpargatas, Santista Têxtil and Monsanto do Brazil, among other national and foreign companies. For 15 years he was vice president of the Instituto Brasileiro de Executivos de Finanças de São Paulo (IBEF SP). Currently, he is a consultant in business

management, sits on the boards and committees of several companies and leads the Fundação Cespe de Gestão Empresarial.

Reginaldo Ferreira Alexandre. Mr. Ferreira Alexandre has 10 years of experience in the area of investment analysis, as analyst, organizer and director of comparative variables, successively, at Citibank, Unibanco, BBA (current Itaú-BBA) and Itaú Corretora de valores. Current member of the fiscal councils of publicly held Companies: Saneamento de Paraná – Sanepar (elected in April 2017 and reelected in April 2018); Petrobras S.A. (elected in April 2013 and reelected in April 2014, 2015, 2016, 2017 and 2018); Ser Educacional S.A. (president of the college, elected in April 2015 and reelected in April 2016, 2017 and 2018). One of the authors of the Brazilian Code of Corporate Governance – Public Companies; member of the corporate governance committee of the American Chamber of Commerce (Amcham); member of the statistical governance committee, B3 and REx – member of the acquisitions and mergers committee – CAF.

Cristina Anne Betts. Ms. Betts holds a bachelor's degree in business administration from FGV – Fundação Getulio Vargas (1991) and an MBA from INSEAD – European Institute of Business Administration (2000). She has worked for 25 years in the areas of auditing, controlling and finance: as a senior auditor at PricewaterhouseCoopers (1989-1995); as vice president of product control for Credit Suisse First Boston Warranty (1995-1999); leader of cases of Bain & Company (2000-2004); director of strategic planning, controllership and investor relations at TAM Linhas Aéreas S.A. (2004-2008) and since 2008 has been the financial director of Iguatemi Empresa de Shopping Centers S.A.

Committees of the 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 shareholders' meeting and its current members were elected in May 2019. Each of their terms expires at our ordinary general shareholders' meeting to be held in 2020. Our audit committee is governed by internal regulations that were approved by a meeting of our board of directors on October 29, 2018.

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 outcomes 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	Date of Election	Position	Year of Birth
João Ricardo Ducatti	May 9, 2019	Coordinator	1953
Felício Mascarenhas de Andrade.....	May 9, 2019	Member	1970
Mailson Ferreira da Nóbrega.....	May 9, 2019	Member	1942

The terms of the current members of our audit committee expire on our general shareholders' meeting scheduled to be held in July 22, 2020.

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

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 the present, 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.

Felício Mascarenhas de Andrade. Mr. 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, and preparation for IPOs, among other themes related to the growth and protection of shareholder value. Mr. 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.

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

The members of our audit committee are Messrs. João Ricardo Ducatti, Felício Mascarenhas de Andrade and Mailson Ferreira da Nóbrega. Our board of directors has determined that João Ricardo Ducatti, Felício Mascarenhas de Andrade and Mailson Ferreira da Nóbrega meet the independence requirements of the SEC and the NYSE listing standards, and Mr. João Ricardo Ducatti is our audit committee financial expert.

Related Parties Committee

Our related parties committee was established on November 30, 2016, and its internal regulations were approved on the same date. It comprises at least three or, preferably, five members (a majority of whom must be independent). The current members were elected on May 9, 2019 with terms coinciding with those of our board of directors. Accordingly, the terms of the members of our related parties committee will expire at our ordinary general shareholders' meeting to be held in April 2021.

The role of our related parties committee is to ensure the equal and nondiscriminatory 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 regard 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 regard 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	Date of Election	Position	Year of Birth
Marcos Marinho Lutz.....	May 9, 2019	Member	1969
Abel Gregorei Halpern*	May 9, 2019	Member	1951
Maílson Ferreira da Nóbrega*	May 9, 2019	Member	1942
Marcos Sawaya Jank*	May 9, 2019	Member	1963

(*) Denotes that the member is independent.

The terms of the current members of our related parties committee expire on our general shareholders' meeting to be held in April 2021.

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

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

Abel Gregorei Halpern. See “—Board of Directors.”

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

Marcos Sawaya Jank. See “—Board of Directors.”

Human resources Committee

Our human resources committee was established on November 30, 2016 and reformulated on May 09, 2019. It comprises four members (but can comprise up to five, and must have a minimum of three members), who were elected on May 9, 2019 and whose terms coincide with those of our board of directors. Accordingly, the terms of the members of our human resources committee expire at our ordinary general shareholders' meeting to be held in April 2021. Our human resources 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 human resources committee is to provide subsidies for strategic decision-making connected with the human resources area, involving issues about compensation, goals, diversity, development, succession, and leadership, among others. Furthermore, the committee also advises 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 human resources committee:

Name	Date of Election	Position	Year of Birth
Marcos Marinho Lutz.....	May 9, 2019	Member	1969
Maílson Ferreira da Nóbrega*	May 9, 2019	Member	1942
Abel Gregorei Halpern*	May 9, 2019	Member	1951
Marcelo Eduardo Martins.....	May 9, 2019	Member	1966

(*) Denotes that the member is independent.

The terms of the current members of our human resources committee expire on our general shareholders' meeting to be held in April 2021.

We present below a brief biographical description of each member of our human resources committee.

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

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

Abel Gregorei Halpern. See “—Board of Directors.”

Marcelo Eduardo Martins. 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 reappointments 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, among other matters, to advise our officer for investor relations in regard to disclosure of information regarding the Company to the market, assist our officer investor relations in regard 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	Date of Election	Position	Year of Birth
João Alberto Fernandez de Abreu	April 9, 2019	Member	1970
Ricardo Lewin	August 31, 2017	Member	1974

The terms of the current members of our disclosure and trading committee expired on our general shareholders’ meeting held in April 2019, but the members will stay in the committee until the next election.

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

João Alberto Fernandez de Abreu. See “—Board of Directors.”

Ricardo Lewin. See “—Executive Officers.”

Strategy and Sustainability Committee

Our strategy and sustainability committee was established on March 20, 2018. It comprises at least three members. The role of our strategy and sustainability committee is, among other matters, to (i) advise our board of directors on mergers and acquisitions, investment allocation, strategic partnerships, business opportunities (investments and/or divestments), and (ii) promote, implement and monitor policies, strategies, projects and other measures relating to the sustainable development of our business (including with regard to social and environmental matters as well as communications).

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

Name	Date of Election	Position	Year of Birth
Marcos Marinho Lutz	May 9, 2019	Chairman	1969
Marcos Sawaya Jank*	May 9, 2019	Member	1963
Marcelo Eduardo Martins	May 9, 2019	Member	1942

(*) Denotes that the member is independent.

The terms of the current members of our strategy and sustainability committee expire on our general shareholders’ meeting to be held in April 2021.

We present below a brief biographical description of each member of our strategy and sustainability committee.

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

Marcos Sawaya Jank. See “—Board of Directors.”

Marcelo Eduardo Martins. See “—Board of Directors.”

Financial Committee

Our financial committee was established on March 20, 2018. It comprises at least three members. The role of our financial committee is, among other matters, to advise our board of directors on matters relating to our cash flow (liquidity), investments of available financial resources, opportunities for raising funds, capital structure and opportunities for us in the capital markets.

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

Name	Date of Election	Position	Year of Birth
Marcelo Eduardo Martins	May 9, 2019	Chairman	1966
Mailson Ferreira da Nobrega	May 9, 2019	Member	1942
Burkhard Otto Cordes.....	May 9, 2019	Member	1975

The terms of the current members of our financial committee expire on our general shareholders’ meeting to be held in April 2021.

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

Marcelo Eduardo Martins. See “—Board of Directors.”

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

Burkhard Otto Cordes. See “—Board of Directors.”

Operational Committee

Our operational committee was established on August 2, 2017. It comprises at least three members. These members must necessarily include the vice chairman of our board of directors, who chairs the operational committee and our chief executive officer. They may appoint the other members. The role of our operational committee is, among others, to establish and monitor operational indicators in order to assist in the meeting of certain targets. Our operational committee meets every two months.

Name	Date of Election	Position	Year of Birth
Julio Fontana Neto	May 9, 2019	Chairman	1955
Marcos Marinho Lutz.....	May 9, 2019	Member	1969
Darlan Fábio de David	May 9, 2019	Member	1974
Daniel Rockenbach	May 9, 2019	Member	1966
João Alberto Fernandez de Abreu	May 9, 2019	Member	1970
Rogério Patrus Ananias de Sousa.....	May 9, 2019	Member	1958
Roberto Rubio Potzmann	May 9, 2019	Member	1974

The terms of the current members of our operational committee expire on our general shareholders’ meeting to be held in April 2021.

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

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

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

Darlan Fábio de David. See “—Executive Officers.”

Daniel Rockenbach. See “—Executive Officers.”

João Alberto Fernandez de Abreu. See “—Executive Officers.”

Rogério Patrus Ananias de Sousa. Mr. Sousa holds a degree in civil engineering from the Federal University of Minas Gerais. He is currently the chief executive officer of Brado Logística. He has more than 35 years of experience as a human resources manager, having worked in the industrial, services, logistics and construction sectors. He spent 14 years at General Electric, initially at GE Transportation as general manager for South America. He was in the United States from 2003 to 2005 as general services manager. Between 2005 and 2008, he took over the presidency of GE Plastics for Latin America, actively participating in the sales process for Sabic Innovative Plastics and the subsequent transition. In 2009, he took over as president and CEO of GE Corporate for Latin America until 2011, and GE Healthcare between 2012 and 2013. In 2014, he was the general manager of the EPO Group in Belo Horizonte and in April 2015 he assumed the presidency of Brado Logística.

Roberto Rúbio Potzmann. Mr. Potzmann holds a degree in electrical engineering from the Faculty of Industrial Engineering – FEL, specializing in digital electronics and entrepreneurship in large corporations, from Stanford University. He has been responsible for technology at our company since 2015. Previously, Mr. Roberto was CIO of Cosan S.A. for four years. He also worked at San Antonio Internacional, Brasil Telecom and Arthur Andersen.

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 of directors is greater than that of the remaining members of our board of directors. Directors are also entitled to reimbursement for reasonable travel expenses, accommodation and other expenses duly incurred in connection with our business or their obligations as directors. 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 we are 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 compensation, 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

compensation 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 compensation 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 to members of the board of directors, executive officers and members of our fiscal council in the fiscal years ended December 31, 2019, 2018 and 2017 is as follows:

	Board of Directors	Statutory Board of Executive Officers	Fiscal Council	Total
	(in R\$)			
2017	2,687,490.86	31,670,515.90	484,896.00	34,842,902.76
2018	6,000,279.50	27,910,050.91	803,220.88	34,713,551.29
2019	5,298,231.70	23,462,141.38	846,249.45	29,606,622.53
Total.....	13,986,002.06	83,042,708.19	2,134,366.33	

Share-Based Compensation

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 compensation 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 three months ended March 31, 2020 and the fiscal years ended December 31, 2019 and 2018, we contributed R\$0.2 million, R\$0.5 million and R\$0.3 million, 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 (i) at least 55 years old and (ii) 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: (a) 100% of the funds contributed by such person, in up to 12 installments; and (b) 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 our board of directors, board of executive officers and fiscal council in Rumo and Cosan Logística’s share capital as of March 31, 2020:

	Rumo S.A.	Cosan Logística
Board of Directors	1,895,552	568,572
Board of Executive Officers.....	18,800	2,204
Fiscal Council.....	—	214
Total.....	1,914,352	570,990

Directors’ and Officers’ Insurance

The directors’ and officers’ liability insurance policy was entered into with Corretora de Seguros Euroamerica Financial Insurance Corretora de Seguros Ltda. and Marsh Corretora de Seguros Ltda., having Chubb Seguros Brasil S.A. as insurers. The policy expires on April 30, 2021. It ensures liabilities arising in connection with acts of members of the board, directors, officers, members of the fiscal council, or any other administrative body created by the Bylaws of the Company, and 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, defense expenses, legal representation expenses, coverage for new branches and subsidiaries, coverage for retired advisors and directors, tax liability, encumbrance of assets, advertising expenses, administrative fines and penalties, environmental damages, barring for the exercise of director or officer functions, capital market transactions (including legal entities), 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 cap is R\$60.0 million, 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.

We have an additional insurance that will only be used once the first policy coverage cap has been fully used. This second policy No. 01109192778 was entered into with Corretora de Seguros Euroamerica Financial Insurance Corretora de Seguros Ltda. and Marsh Corretora de Seguros Ltda, having Zurich Minas Brasil Seguros S/A and Tokio Marine Seguradora S/A as insurers. The coverage cap is R\$140.0 million. Their coverage does not include losses from claims arising from: willful misconduct of the insured party, acts, and omissions or facts that have already been previously presented against the insured party.

The policies operate based on claims, i.e., cover 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 director or officer by means of notice to the insurance company during the term of effectiveness or supplementary/complementary period.

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 Rumo S.A., its subsidiaries or members of our or their management are not described in this offering memorandum in light of the preliminary nature of any such investigations.

Pollution

Mr. Mello, while serving as the chief executive officer of the Cosan S.A. group was named, on September 24, 2007, as a defendant together with Usina da Barra S.A. – Açúcar e Álcool (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 Álcool, 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 (i) 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, (ii) 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 (iii) that the right to the controlled burning of sugarcane in the region was reestablished 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. The public civil action was dismissed with the judgment of an appeal filed by the Federal Regional Court of the 3rd Region in March 2018, considering that the authorization of CETESB to burn sugarcane was not illegal. In addition, on February 28, 2020, the Civil Public Action statute of limitations expired, which satisfied the interests of the defendants. The criminal action and its statute of limitations have been suspended, by court order, since March 27, 2008. According to the next steps, the criminal action shall be dismissed. The risk of loss in this proceeding is remote.

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 Álcool (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 Álcool, currently known as Cosan S.A. (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. In the opinion of counsel responsible for the defense, the likelihood of a decision favorable to the defendant is possible.

PRINCIPAL SHAREHOLDERS

Issuer

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

The Guarantor

As of March 31, 2020, the Guarantor'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. There has been no change in the Guarantor's share capital since March 31, 2020.

On November 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 our issued and outstanding share capital.

The following table sets forth our principal shareholders (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	28.5%
Julia Dora Antonia Koranyi Arduini(1).....	59,511,402	3.8%
Others	1,055,661,302	67.7%
Total	1,559,015,898	100.0%

(1) Party to the Arduini Shareholders' Agreement (as defined in "—Shareholders' Agreements and Other Arrangements").

Shareholders' Agreements

On November 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 Rumo Logística, Cosan Logística and Ms. Julia Dora Antonia Koranyi Arduini, dated November 28, 2016.

The Arduini Shareholders' Agreement defines the terms and conditions that govern the relationship between the parties to the agreement in particular with respect to: (i) the election of members of our board of directors; (ii) the restrictions on the sale and transfer of our shares; and (iii) voting arrangements for our general shareholders' meeting and board of directors' meeting. The Arduini Shareholders' Agreement will remain in force for 10 years from November 28, 2016 and may be early terminated if Mr. Rubens Ometto Silveira Mello leaves the position of chairman of our board of directors or if Julia Dora Antonia Koranyi Arduini's interest in our company decreases by 50% after the three-year lockup 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.

For further information, 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."

Brado Logística e Participações S.A. – Shareholders’ Agreement

The shareholders’ agreement of Brado Logística e Participações S.A., or “Brado,” was entered into by and among Fundo de Investimento do Fundo de Garantia do Tempo de Serviço – FI-FGTS, or “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” and, together with FIP BRZ and Deminvest, the “Original Shareholders,” and Brado Holding S.A., with the intervention of Brado Logística Participações S.A., Brado Logística S.A. and ALL– América Latina Logística S.A. (current Rumo S.A.) on August 5, 2013. This shareholders’ agreement contains resolutions about share control, transfer of shares, preemption rights, tag-along and the right to appoint the members of the board of directors. The shareholders’ agreement also provides that certain reserved matters are subject to a right of veto on the part of the signatories.

RELATED PARTY TRANSACTIONS

Our Related Party Transactions Policy

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 Corporate Law, which prevents directors and officers from: (i) undertaking any gratuitous acts using our assets to our detriment; (ii) 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 shareholders' meetings; and (iii) intervening in any corporate transactions in which his or her interests conflict with those of the Company, or in deliberations among the directors regarding 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 bylaws. Our related parties committee was created on November 30, 2016 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 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 regard to (i) transportation of sugar in the Rondonópolis corridor to the port of Santos, and (ii) 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 (1) recommending the approval of transactions to our board of directors, or (2) 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 criteria. 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 10 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 the 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 intragroup 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, see note 4.3 to our consolidated interim unaudited financial information for the three months ended March 31, 2020 included elsewhere in this offering memorandum and note 4.3 to our audited consolidated financial statements for the fiscal year ended December 31, 2019 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”, will issue the notes under an indenture to be 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 indenture will be 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 5.250% per annum, payable semi-annually on January 10 and July 10 of each year, commencing on January 10, 2021 to holders of record on the January 8 or July 8 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 10, 2028;
- 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 10, 2024, 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 10, 2024 (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 10, 2024 (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 semiannual 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 10, 2024 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 10, 2024.

“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 Morgan Stanley & Co. LLC and a primary U.S. Government securities dealer selected by Itau BBA USA Securities, Inc. and Santander Investment Securities Inc., 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 10, 2024, 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 10 of the years set forth below:

Period	Redemption Price
2024.....	102.625%
2025.....	101.313%
2026.....	100.656%
2027 and thereafter.....	100.000%

Optional Redemption upon Sale of Equity Interests

At any time prior to July 10, 2023, 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 105.250% 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 and that all governmental requirements necessary for the Issuer, the Guarantor or any successor to effect the redemption have been complied with.

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 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 3.5 to 1.0.

(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;
- (15) Debt of the Company or any Restricted Subsidiary the proceeds of which are used to make any payments due in connection with the granting of new concessions or renewal of existing concessions (*outorga*) and payment of leases (other than Capital Leases); and
- (16) 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.\$400.0 million (or the equivalent thereof at the time of determination) or (ii) 5.0% of Total Consolidated 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 (16) 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; or
- 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;

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 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.

(a) 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), provided that the payment of such amounts is in compliance with 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).

(b) 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.\$75.0 million (or the equivalent thereof at the time of determination) or (ii) 1.0% of Total Consolidated 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.

(c) 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).

(d) 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;
- (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 clauses (6), (7) or (9) 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 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 122 East 42nd Street, 18th Floor, New York, NY 10168 (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;”

(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 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.

“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.

"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 of course of business.

Notwithstanding the foregoing, leases that are deemed operating leases under IFRS 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 July 10, 2020.

"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;

(1) 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

(2) 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) Julia Arduini and any Person, directly or indirectly, controlled by her and (iii) Cosan Limited, Cosan S.A., Cosan Logística S.A. and any Affiliate thereof.

“Permitted Liens” means:

(1) (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) (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 10.0% of the Total Consolidated 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 (other than an arrangement between the Company and Restricted Subsidiaries and/or between Restricted Subsidiaries).

“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 depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Transfer Restrictions.”

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

- (1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:
 - (A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A 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 the Grand Duchy 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 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 the Grand Duchy 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 20% tax (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 with 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. PROSPECTIVE 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 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% applicable to countries and regimes aligned with international standards of fiscal transparency) (“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%. See “—Discussion on Favorable Tax Jurisdiction” below.

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 any due amount to a Non-Resident Holder in connection with the notes, withholding income tax at a rate of 15% or 25% may apply, depending on the status of the respective Non-Brazilian Holder. See “—Discussion on Favorable 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 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, as defined by the Brazilian legislation; and (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 Favorable Tax Jurisdiction

On June 23, 2008, Law No. 11,727 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%; (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 territory, 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 (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about 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 November 28, 2014, the Brazilian Ministry of Finance issued Ordinance No. 488 narrowing the concept of Tax Favorable Jurisdictions for certain specific cases. The regulation decreased the threshold referred to in Law No. 9,430 from 20% to 17% if the relevant jurisdiction is committed to adopt international standards on tax transparency. Under Normative Instruction No. 1,560, 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.

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, or other cases specifically provided by Brazilian law, it is not possible to assure 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 under the notes to a Non-Resident Holder. However, the current understanding of the Brazilian tax authorities is in the sense that the 25% rate of withholding income tax is not applicable if the Non-Resident Holder is located in a “privileged tax regime” (Answer to Advance Tax Ruling Request COSIT No. 575, of December 20, 2017).

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. In any case, if the 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-Resident Holders located in a Favorable Tax Jurisdiction, the withholding income tax applicable to such payments could be assessed at a 25% rate.

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).

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.

In addition, the Brazilian tax authorities could argue that a tax on credit 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, in principle, 1.88% of the total amount paid.

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 (as defined below) of owning and disposing of the notes purchased in this offering at the “issue price,” which is the first price at which a substantial amount of the notes is sold to the public, and held as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to a U.S. Holder in light of that U.S. Holder’s individual circumstances, including alternative minimum tax, Medicare contribution tax consequences and the application of Section 451(b) of the Code, as well as differing tax consequences that may apply to a U.S. Holder if that U.S. Holder is, for instance:

- a financial institution;
- an insurance company;
- a real estate investment trust or a regulated investment 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 a U.S. Holder are a partner in a partnership holding notes, that U.S. Holder should consult its tax adviser.

This summary is based on U.S. 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. A U.S. Holder should consult its tax adviser concerning the U.S. federal income tax consequences in light of that U.S. Holder's 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 a U.S. Holder 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 U.S. 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 U.S. Internal Revenue Service (the "IRS"), which could challenge this position. If such a challenge were successful, a U.S. Holder 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 a U.S. Holder, in accordance with that U.S. Holder's method of accounting for U.S. federal income tax purposes. The amount of interest taxable as ordinary income will include amounts, if any, withheld in respect of non-U.S. taxes and, without duplication, any additional amounts paid with respect thereto. 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 a U.S. Holder's foreign tax credit limitation. The rules governing foreign tax credits are complex, and a U.S. Holder should consult its tax adviser regarding the availability of foreign tax credits in that U.S. Holder's particular circumstances.

Sale or Other Taxable Disposition of the Notes. Upon the sale, exchange, retirement or other taxable disposition of a note, a U.S. Holder 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 its tax basis in the note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing a U.S. Holder's 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.” A U.S. Holder’s 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) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certify that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against that U.S. Holder’s U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax adviser concerning the application of information reporting and backup withholding rules.

Specified Foreign Financial Asset. Reporting owners of “specified foreign financial assets” with an aggregate value in excess of US\$ 50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The notes generally are expected to constitute “specified foreign financial assets” unless they are held in accounts maintained by financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the notes.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisers concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, dated as of June 30, 2020, among the Issuer, the Guarantor and Itau BBA USA Securities, Inc., Morgan Stanley & Co. LLC, Santander Investment Securities Inc., Banco Bradesco BBI S.A., Banco BTG Pactual S.A.—Cayman Branch, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC, 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 Purchasers of the Notes	Principal Amount of the Notes
Itau BBA USA Securities, Inc.	U.S.\$62,500,000
Morgan Stanley & Co. LLC	U.S.\$62,500,000
Santander Investment Securities Inc.	U.S.\$62,500,000
Banco Bradesco BBI S.A.	U.S.\$62,500,000
Banco BTG Pactual S.A.—Cayman Branch	U.S.\$62,500,000
Citigroup Global Markets Inc.	U.S.\$62,500,000
Goldman Sachs & Co. LLC.....	U.S.\$62,500,000
J.P. Morgan Securities LLC	U.S.\$62,500,000
Total	U.S.\$500,000,000

Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any Securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Bradesco BBI S.A. intends to effect sales of the Securities in the United States, it will do so only through Bradesco Securities Inc., as agent of Banco Bradesco BBI S.A., or one or more U.S. registered broker dealers, or otherwise as permitted by applicable U.S. law.

Banco BTG Pactual S.A. – Cayman Branch is not a 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 Banco BTG Pactual S.A. – Cayman Branch intends to sell the notes in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if an initial purchaser defaults, the purchase commitments of the non-defaulting initial purchasers may be increased or the offering may be terminated.

The notes will initially be offered at the price indicated on the cover page of this offering memorandum. The Issuer and the Guarantor 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 Initial purchasers may offer and sell the notes through certain of their respective affiliates.

The Issuer and the Guarantor 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 the Guarantor will agree in the purchase agreement that, for a period of 60 days from the date of this offering memorandum, they will not, without the prior written consent of the initial purchasers, offer, sell, or contract to sell or announce the offering of any similar U.S. dollar-denominated debt securities in the international capital markets issued or guaranteed by the Issuer or any Guarantor (other than the notes and any additional notes issued pursuant to the Indenture).

The initial purchasers are not obligated to make a market in the notes. Accordingly, the Issuer and the Guarantor 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 the Guarantor and/or their affiliates. If the initial purchasers or their affiliates have a lending relationship with the Issuer or the Guarantor, they routinely hedge their credit exposure to the Issuer and the Guarantor 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.”

We expect that delivery of the notes will be made to investors on or about July 10, 2020, which will be the seventh business day in the United States following the date of this offering memorandum. Under Rule 15c6-1 of the Securities Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of the pricing or the next four succeeding business days will be required, by virtue of the fact that the notes initially will settle in “T+7,” to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next four succeeding business days should consult their own advisor.

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 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (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 and the United Kingdom

In relation to each member state of the European Economic Area (each, a "Member State") and the United Kingdom (each, a "Relevant State"), no offer of the notes may be made to the public in that Relevant State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that the initial purchasers may make an offer of notes to the public in that Relevant State at any time: (i) to any legal entity which is a "qualified investor" as defined in the Prospectus Regulation; (ii) to fewer than 150 natural or legal persons per Relevant State (other than "qualified investors" as defined in the Prospectus Regulation); or (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

Each person in a Relevant State who initially acquires any notes as a "financial intermediary," as that term is used in Article 5 of the Prospectus Regulation, will be deemed to have represented, acknowledged and agreed that (x) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant State other than "qualified investors" as defined in the Prospectus Regulation, or in circumstances in which the prior consent of the issuer has been given to the offer or resale, or (y) where notes have been acquired by it on behalf of persons in any Relevant State other than "qualified investors" as defined in the Prospectus Regulation, the offer of those notes to it is not treated under the Prospectus Regulation as having been made to such persons.

For the purposes of the foregoing, "offer of notes to the public," in relation to any notes in any Relevant 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 the notes; “Prospectus Regulation” means Regulation (EU) 2017/1129.

Prohibition of Sales to EEA and United Kingdom 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 EEA or in the United Kingdom. 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 MiFID II, or (ii) a customer within the meaning of the Insurance Distribution 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 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.

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA or the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

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 notes in circumstances in which Section 21(1) of the FSMA does not apply to the issuer or Klabin; 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 notes in, from or otherwise involving the United Kingdom.

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order, or the Order, (iii) persons falling within Article 49(2) to (d) of the Order (high net worth companies, unincorporated associations etc.), and (iv) other persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons in items (i) to (iv) above together being referred to as “relevant persons”). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire notes will be engaged in only with, relevant persons. This offering memorandum is only available to relevant persons in the United Kingdom in circumstances where section 21(1) of the FSMA does not apply. In addition, this communication is, in any event only directed at persons who are relevant persons and any person who is not a relevant person must not act or rely on this document or any of its contents. This offering memorandum is not a prospectus that had been approved by the Financial Conduct Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000.

Grand Duchy of Luxembourg

Notice to Luxembourg Investors. This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (Commission de Surveillance du Secteur Financier, or the CSSF, or a competent authority of another EU Member State for notification to the CSSF, for the purposes of a 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, the indenture nor any other circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, Luxembourg except for the sole purpose of the admission of the notes to trading on the Euro MTF and listing on the Official List of the Luxembourg Stock Exchange and except in circumstances where the offer benefits from an exemption to or constitutes a transaction not otherwise subject to the requirement to publish a prospectus in accordance with Regulation (EU) 2017/1129 and 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 (Regulation 2017/1129) 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:

- (1) 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
- (2) 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 (1) or (2) above must be:

- (i) 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
- (ii) 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
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Brazil

The notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76 and CVM Instruction No. 400. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. Therefore, each of the Initial Purchasers has, severally and note jointly, represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation or an unauthorized distribution of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Chile

Neither the issuer nor the notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*), or SVS, or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not “addressed to the public at large or to a certain sector or specific group of the public”).

La oferta de los valores 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, or 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 (i) to an institutional investor under Section 274 of the SFA, Chapter 289 of Singapore; (ii) 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 (iii) 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: (i) 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 (ii) 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:

- (a) 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;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA;
- (e) or as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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 acknowledgments, 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 the Issuer and the Guarantor by Davis Polk & Wardwell LLP and for the initial purchasers by White & Case LLP. Certain Brazilian legal matters relating to the notes and the guarantee will be passed upon for the Issuer and the Guarantor 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 AC9	L79090 AC7
ISIN	US781467AC98	USL79090AC78

2. Copies of the latest audited annual financial statements and unaudited quarterly interim 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 our financial position since March 31, 2020 the date our latest individual and consolidated interim unaudited financial information included elsewhere in this offering memorandum.
4. Application will be 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.
5. 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

Our individual and consolidated financial statements as of and for the fiscal years ended December 31, 2019, 2018 and 2017 included elsewhere in this offering memorandum, have been audited by KPMG Auditores Independentes, our independent auditors, as stated in their report appearing in this offering memorandum and which includes a paragraph stating that they also audited our individual and consolidated statements of value added for the fiscal years ended December 31, 2019, 2018 and 2017. KPMG Auditores Independentes is registered at the Regional Accounting Council of the state of São Paulo (*Conselho Regional de Contabilidade do Estado de São Paulo*).

With respect to the unaudited interim individual and consolidated financial statements as of March 31, 2020 and for the three months ended March 31, 2020, 2019 included elsewhere in this offering memorandum, Ernst & Young Auditores Independentes S.S., independent auditors, have conducted a limited procedures review in accordance with international standards for the review of interim financial information (ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity). However, their separate review report dated May 27, 2020, included elsewhere in this offering memorandum, state that they did not audit and they do not express an 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 the Grand Duchy 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 the Grand Duchy 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 which 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 the Grand Duchy 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, domaines et de la TVA*) in Luxembourg may be required if such notes, the indenture, the guarantees and the transaction documents (and any document in connection therewith) are (i) enclosed with 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 the Grand Duchy of Luxembourg, and as such any insolvency proceedings applicable to such companies are in principle governed by Luxembourg law. The insolvency laws of the Grand Duchy 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 the Grand Duchy 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 the Grand Duchy 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 (i) in a state of cessation of payment (*cessation de paiements*), and (ii) is in default of payment (*cessation des 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
- compensation 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, as amended (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, good morals or national sovereignty.

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, as set forth under Article 83 of the Brazilian Code of Civil Procedure (*Código de Processo Civil*), in the case of (i) enforcement of a *título executivo extrajudicial* (a title that shall be enforced in Brazilian courts without a review on the merits); (ii) enforcement of a judgment, including foreign judgments which have been duly recognized by the Brazilian Superior Court of Justice; (iii) counterclaims (*reconvenção*); and (iv) when some international agreement signed by Brazil dismisses the obligation to post a bond.

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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Independent auditor's review report on quarterly information

To
Shareholders, Board of Director and Officers of
Rumo S.A.
Curitiba - PR

Introduction

We have reviewed the accompanying individual and consolidated interim financial statement, contained in the Quarterly Information Form (ITR) of -Rumo S.A. ("Company") for the quarter ended March 31, 2020, comprising the statement of financial position as of March 31, 2020 and the related statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the three month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 - *Demonstrações Intermediárias*, and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and 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 individual and the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of value added

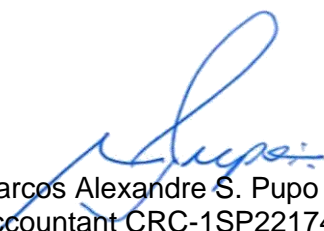
The abovementioned quarterly information includes the statement of value added (SVA) for the three month period ended March 31, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall interim financial information.

Audit and review of the corresponding amounts

The audit of the statement of financial position, individual and consolidated, as of December 31, 2019 and the review of interim financial information, individual and consolidated, for the quarter ended March 31, 2019, presented for comparison purposes, were conducted under the responsibility of other independent auditors which issued an audit opinion and a review report without modification, dated February 13, 2020 and May 9, 2019, respectively.

São Paulo, May 27, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6



Marcos Alexandre S. Pupo
Accountant CRC-1SP221749/O-0

		Parent Company		Consolidated	
	Note	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Assets					
Cash and cash equivalents	5.2	1,367,710	700,706	3,176,947	1,963,014
Marketable securities	5.3	44,358	511,725	336,238	1,751,853
Trade receivables	5.4	14,014	15,111	503,206	385,563
Inventories	5.10	763	1,036	263,807	248,456
Receivables from related parties	4.3	39,433	16,762	17,027	11,657
Income tax and social contribution recoverable		20,846	16,343	34,671	138,005
Other recoverable taxes	5.9	36,470	30,618	376,421	347,316
Dividends and interest on own capital receivable		1,457	674	4,966	644
Other assets		20,441	9,510	132,720	102,962
Current		1,545,492	1,302,485	4,846,003	4,949,470
Trade receivables	5.4	4,406	5,422	11,829	13,686
Restricted cash	5.3	3,535	3,511	129,667	147,910
Income tax and social contribution recoverable		-	-	225,945	168,089
Deferred income tax and social contribution	5.14	-	-	1,260,461	1,174,484
Receivables from related parties	4.3	3,326	3,326	38,758	36,407
Other recoverable taxes	5.9	-	-	671,985	663,584
Judicial deposits	5.15	23,291	22,806	419,492	415,246
Derivative financial instruments	5.8	170,532	92,795	3,971,929	1,624,023
Other assets		4,433	3,974	26,530	31,599
Investments in subsidiaries and associates	5.11	11,505,509	11,664,792	49,245	52,013
Property, plant and equipment	5.12.1	125,420	125,601	12,027,768	11,770,168
Intangible assets	5.12.2	339,882	349,656	7,339,735	7,375,033
Right-of-use	5.12.3	-	-	4,354,703	4,410,952
Non-current		12,180,334	12,271,883	30,528,047	27,883,194
Total assets		13,725,826	13,574,368	35,374,050	32,832,664

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

		Parent Company		Consolidated	
	Note	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Liabilities					
Loans, financing and debentures	5.5	176,620	969,054	1,607,562	1,064,846
Lease liabilities	5.6	112	192	549,134	534,245
Trade payables	5.7	55,958	55,109	452,563	513,325
Salaries payable		786	12,065	147,004	216,685
Current income and social contribution taxes		-	208	1,096	7,658
Other taxes payable	5.13	6,703	4,321	27,233	33,726
Dividends and interest on own capital payable		5,250	5,250	7,422	7,146
Leases and concessions in dispute	5.16	-	-	9,945	9,847
Payables to related parties	4.3	94,861	47,895	124,632	139,747
Deferred income		2,802	2,802	6,358	7,601
Other financial liabilities	3.1	-	-	289,692	410,952
Other payable		10,634	9,003	77,242	91,274
Current		353,726	1,105,899	3,299,883	3,037,052
Loans, financing and debentures	5.5	3,268,094	2,222,997	13,228,294	10,654,891
Lease liabilities	5.6	-	-	3,959,657	3,994,895
Derivative financial instruments	5.8	-	-	-	482
Other taxes payable	5.13	-	-	2,270	7,580
Provision for judicial demands	5.15	46,493	48,077	480,142	480,943
Leases and concessions in dispute	5.16	-	-	3,507,576	3,445,033
Provision for capital deficiency	5.11	1,908,867	1,791,179	-	-
Payables to related parties	4.3	37,225	29,925	-	-
Deferred income tax and social contribution	5.14	-	-	2,442,155	2,490,851
Deferred income		18,211	18,912	47,689	48,036
Other payable		11,981	13,103	57,076	58,614
Non-current		5,290,871	4,124,193	23,724,859	21,181,325
Total liabilities		5,644,597	5,230,092	27,024,742	24,218,377
Shareholders' equity					
Share capital	5.17	9,654,897	9,654,897	9,654,897	9,654,897
Capital reserve		2,475,852	2,472,559	2,475,852	2,472,559
Equity valuation adjustments		27,296	21,077	27,296	21,077
Profit reserve		305,728	305,728	305,728	305,728
Accumulated losses		(4,382,544)	(4,109,985)	(4,382,544)	(4,109,985)
		8,081,229	8,344,276	8,081,229	8,344,276
Equity attributable to:					
Owners of the Company		8,081,229	8,344,276	8,081,229	8,344,276
Non-controlling interests	5.11	-	-	268,079	270,011
Total equity		8,081,229	8,344,276	8,349,308	8,614,287
Total liabilities and equity		13,725,826	13,574,368	35,374,050	32,832,664

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

	Note	Parent Company		Consolidated	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net revenue from services	6.1	164,893	160,750	1,423,563	1,634,946
Cost of services	6.2	(119,997)	(130,207)	(1,071,168)	(1,153,475)
Gross profit		44,896	30,543	352,395	481,471
Selling expenses	6.2	43	(78)	(9,152)	(2,843)
General and administrative expenses	6.2	(35,520)	(10,575)	(95,668)	(82,609)
Other income (expenses), net	6.3	11,828	(4,127)	(91,903)	(21,527)
Operating expenses		(23,649)	(14,780)	(196,723)	(106,979)
Equity income on investments	5.11	(269,565)	59,025	2,420	4,750
Result before financial results and income tax and social contribution		(248,318)	74,788	158,092	379,242
Financial expenses		(37,142)	(47,628)	(456,812)	(343,386)
Financial incomes		12,277	1,614	36,390	41,778
Foreign exchange, net		(74,873)	(1,925)	(1,575,764)	(26,945)
Derivatives		75,466	(379)	1,465,498	4,017
Financial results, net	6.4	(24,272)	(48,318)	(530,688)	(324,536)
Results before income tax and social contribution		(272,590)	26,470	(372,596)	54,706
Income tax and social contribution	5.14				
Current		-	(116)	(35,622)	(19,738)
Deferred		-	-	134,454	(8,073)
		-	(116)	98,832	(27,811)
Result for the period		(272,590)	26,354	(273,764)	26,895
Total result attributable to:					
Owners of the Company		(272,590)	26,354	(272,590)	26,354
Non-controlling interests		-	-	(1,174)	541
Earning per share from:	6.6				
Basic				(R\$0.17484)	R\$0.01690
Diluted				(R\$0.17484)	R\$0.01680

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

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Result for the period	(272,590)	26,354	(273,764)	26,895
Items that will not be reclassified to profit or loss				
Actuarial losses with pension plan	6	-	6	-
	6	-	6	-
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation adjustment effect	6,244	273	6,244	273
	6,244	273	6,244	273
Other comprehensive results, net of income tax and social contribution	6,250	273	6,250	273
Total comprehensive result	(266,340)	26,627	(267,514)	27,168
Comprehensive result attributable to:				
Owners of the Company	(266,340)	26,627	(266,340)	26,627
Non-controlling interest	-	-	(1,174)	541

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

	Attributable to shareholders of the Company						Non-controlling interest	Total equity
	Share capital	Capital reserve	Profit reserve	Equity valuation adjustments	Accumulated losses	Total		
At January 1, 2020	9,654,897	2,472,559	305,728	21,077	(4,109,985)	8,344,276	270,011	8,614,287
Result for the period	-	-	-	-	(272,590)	(272,590)	(1,174)	(273,764)
Other comprehensive income:								
Foreign currency translation effects	-	-	-	6,244	-	6,244	-	6,244
Actuarial loss on defined benefit plan	-	-	-	6	-	6	-	6
Adjustment of attributed cost in associates	-	-	-	(31)	31	-	-	-
Total comprehensive income, net of taxes	-	-	-	6,219	(272,559)	(266,340)	(1,174)	(267,514)
Contributions and distributions to shareholders								
Share-based payment transactions	-	3,293	-	-	-	3,293	87	3,380
Dividends	-	-	-	-	-	-	(845)	(845)
Total of contributions and distributions to shareholders	-	3,293	-	-	-	3,293	(758)	2,535
At March 31, 2020	9,654,897	2,475,852	305,728	27,296	(4,382,544)	8,081,229	268,079	8,349,308

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

	Attributable to shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Capital reserve	Profit reserve	Equity valuation adjustments	Accumulated losses			
At December 31, 2018	9,654,897	2,462,045	266,817	18,907	(4,374,466)	8,028,200	266,423	8,294,623
Adjustment on initial application of CPC 06 R2 / IFRS 16	-	-	-	-	(532,350)	(532,350)	-	(532,350)
At January 1, 2019	9,654,897	2,462,045	266,817	18,907	(4,906,816)	7,495,850	266,423	7,762,273
Result for the period	-	-	-	-	26,354	26,354	541	26,895
Other comprehensive income:								
Foreign currency translation effects	-	-	-	273	-	273	-	273
Adjustment of attributed cost in associates	-	-	-	87	(87)	-	-	-
Total comprehensive income, net of taxes	-	-	-	360	26,267	26,627	541	27,168
Contributions and distributions to shareholders								
Share-based payment transactions	-	2,238	-	-	-	2,238	-	2,238
Dividends	-	-	-	-	-	-	(1,357)	(1,357)
Total of contributions and distributions to shareholders	-	2,238	-	-	-	2,238	(1,357)	881
At March 31, 2019	9,654,897	2,464,283	266,817	19,267	(4,880,549)	7,524,715	265,607	7,790,322

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

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cash flow from operating activities				
Result before income taxes and social contribution	(272,590)	26,470	(372,596)	54,706
Adjustments for:				
Depreciation and amortization	25,218	25,571	419,186	422,455
Equity pick-up from controlled and associated companies	269,565	(59,025)	(2,420)	(4,750)
Provision for profit sharing and bonuses	163	554	22,633	33,242
Result on disposal of fixed and intangible assets	-	-	(1,229)	505
Provision for legal proceedings	36	8,018	19,048	22,487
(Gain) loss due to reduction in the recoverable amount of accounts receivable	(25)	78	1,193	(692)
Share-based payment transactions	3,149	2,238	3,149	2,238
Extemporaneous tax credits	(91)	-	(11,676)	-
Interest, indexation charges and exchange variations, net	30,846	43,835	505,365	332,438
Other	(762)	(823)	1,100	3,486
	55,509	46,916	583,753	866,115
Changes in:				
Trade receivables	3,239	(1,276)	(113,312)	1,519
Related parties, net	14,136	(37,418)	(28,750)	5,934
Other taxes, net	(8,806)	(3,615)	(29,914)	(25,770)
Inventories	273	(219)	(16,324)	(4,262)
Salaries payable	(1,282)	(1,698)	(85,898)	(101,380)
Trade payables	757	(6,074)	(56,354)	(17,925)
Provision for judicial demands	(1,596)	(2,414)	(16,690)	(18,388)
Other financial liabilities	-	-	(152,379)	(78,707)
Other assets and liabilities, net	(11,580)	(7,620)	(58,753)	(105,264)
	(4,859)	(60,334)	(558,374)	(344,243)
Net cash generated by (used in) operating activities	50,650	(13,418)	25,379	521,872
Cash flow from investing activities				
Capital increase in subsidiary	-	(601,020)	-	-
Sales of marketable securities	470,326	83,986	1,424,262	1,264,984
Restricted cash	(23)	(29)	24,854	(10,900)
Dividends received from controlled and associated companies	612	16,150	300	1,949
Additions to property, plant and equipment and intangible assets	(2,859)	(927)	(561,094)	(542,608)
Net cash generated by (used in) investing activities	468,056	(501,840)	888,322	713,425
Cash flow from financing activities				
Loans, financing and debentures raised	202,226	586,000	929,976	1,315,477
Repayment of principal on loans, financing and debentures	(29,999)	(45,527)	(221,579)	(1,356,922)
Payment of interest on loans, financing and debentures	(21,571)	(9,884)	(273,286)	(257,279)
Repayment of principal on financing leases	(80)	(74)	(51,461)	(56,061)
Payment of interest on financing leases	(7)	(13)	(109,707)	(39,616)
Payment derivative financial instruments	(2,271)	(1,668)	(3,880)	(24,112)
Receiving derivative financial instruments	-	-	28,768	-
Dividends paid	-	-	-	(438)
Net cash generated by (used in) financing activities	148,298	528,834	298,831	(418,951)
Impact of exchange variation on cash and cash equivalents	-	-	1,401	226
Increase in cash and cash equivalents, net	667,004	13,576	1,213,933	816,572
Cash and cash equivalents at beginning of the period	700,706	595	1,963,014	141,527
Cash and cash equivalents at end of the period	1,367,710	14,171	3,176,947	958,099
Additional information:				
Income tax and social contribution paid	1,505	2,495	5,542	4,385

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

- **Transactions that did not involve cash**

The Company presents its statements of cash flows using the indirect method. During the period ended on March 31, 2020, the Company carried out the following transactions that did not involve cash and, therefore, are not reflected in the consolidated cash flow statement:

- Provision for social security tax assets related to the recovery of credits on the contribution limit for third-party accounts and taxation of co-participation expenses for health plans, food vouchers and transportation vouchers, for R\$ 12,874, of which R\$ 11,628 are recorded under the heading “Extemporaneous tax credits” disclosed in note 6.3 and R\$ 1,246 under the heading “Interest, monetary and exchange transfers, reduction” disclosed in note 6.4; and
- Acquisition of assets by payment in installments for R\$ 18,464 on March 31, 2020 (R\$ 7,798 on March 31, 2019).

- **Presentation of interest and dividends**

The Company classifies dividends and interest on equity received as cash flow from investment activities, to avoid distortions in its operating cash flows due to the cash from these operations.

Interest received or paid are classified as cash flow in financing activities, as it is considered that they refer to the costs of obtaining financial resources.

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenue				
Sales of products and services net of returns	174,618	169,660	1,498,351	1,722,437
Other operating revenue, net	6,849	769	16,119	6,593
Gain (loss) due to reduction in the recoverable amount of accounts receivable	25	(78)	(1,193)	692
	181,492	170,351	1,513,277	1,729,722
Raw materials acquired from third parties				
Cost of services rendered	(111,236)	(122,493)	(489,067)	(421,432)
Materials, energy, third party services, other	(11,605)	6,933	(147,457)	(226,409)
	(122,841)	(115,560)	(636,524)	(647,841)
Gross value added	58,651	54,791	876,753	1,081,881
Retention				
Depreciation and amortization	(25,218)	(25,571)	(419,186)	(422,455)
	(25,218)	(25,571)	(419,186)	(422,455)
Net value added	33,433	29,220	457,567	659,426
Value added transferred in				
Equity in subsidiaries and associates	(269,565)	59,025	2,420	4,750
Rentals received	6,300	3,360	-	-
Financial incomes	12,277	1,614	36,390	41,778
	(250,988)	63,999	38,810	46,528
Total value added to be distributed	(217,555)	93,219	496,377	705,954
Distribution of value added				
Employee and social charges	6,690	5,686	176,344	195,327
Remuneration	5,380	5,040	120,536	138,299
Benefits	1,252	578	47,237	49,369
Severance Indemnity Fund - FGTS	58	68	8,571	7,659
Taxes, fees and contributions	11,343	10,247	(3,834)	99,637
Federal	11,212	9,567	(31,112)	68,832
State	9	169	21,414	24,591
Municipal	122	511	5,864	6,214
Third party capital remuneration	37,002	50,932	597,631	384,095
Interest	36,549	49,932	567,078	366,314
Leasing	453	1,000	30,553	17,781
Equity capital remuneration	(272,590)	26,354	(273,764)	26,895
Non-controlling interests	-	-	(1,174)	541
Result for the period	(272,590)	26,354	(272,590)	26,354
	(217,555)	93,219	496,377	705,954

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

1 Company and group information

1.1 Operations

Rumo S.A. ("Company" or "Rumo S.A."), is a publicly-traded Company with its shares traded on B3 S.A. – Brasil, Bolsa, Balcão ("B3") under the code RAIL3, and its headquarters in the city of Curitiba, State of Paraná, Brazil.

The Company is a service provider in the logistics sector (transportation and elevation), mainly for the export of commodities, offering an integrated solution for transportation, handling, storage and shipping from the production centers to the main ports in the south and southeast of Brazil, and also holds interests in other companies and ventures related to logistic.

The Company operates in the rail transportation segment in Southern Brazil through its subsidiary Rumo Malha Sul S.A. ("Rumo Malha Sul"), and the in Midwest region and State of São Paulo through its 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"). It will also reach the states of Goiás and Tocantins through the subsidiary Rumo Malha Central S.A. ("Rumo Malha Central"). In addition, the subsidiary Brado Logística e Participações S.A. ("Brado") operates in the container segment while Elevações Portuárias S.A. ("Elevações Portuárias") contains terminals for transshipment and terminals for exportation of sugar and grains at the Port of Santos.

1.2 The concession of railway operations and port terminals

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

Companies	End of concession	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
Rumo Malha Central	July 2049	North, Midwest and São Paulo State
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2050	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 above subsidiaries and affiliates are subject to the fulfillment of certain conditions set out in the privatization notices and the concession contracts for railway networks and port terminals. To the extent that there is no substantive control over who should provide the service and there is no substantive price control, IFRIC 12 / ICPC 01 does not apply to the Company and therefore the assets under the concession agreement are accounted for under IFRS 16 / CPC 06 (R2) Leases and IAS 16 / CPC 27 - Property, plant and equipment.

1.3 Group information

a) Subsidiaries:

The Company's consolidated financial statements include:

Subsidiaries	Directly and indirectly subsidiaries	
	March 31, 2020	December 31, 2019
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.	99.74%	99.74%
Rumo Malha Central S.A.	100.00%	100.00%
Boswells S.A.	100.00%	100.00%
ALL Argentina S.A.	100.00%	100.00%
Paranaguá S.A.	100.00%	100.00%
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%
Servicios de Inversión Logística Integrales S.A	100.00%	100.00%

b) Associates:

The Company holds 30% interest in Rhall Terminais Ltda. (30% in 2019), 19.85% at Termag S.A. (19.85% in 2019), 9.92% at TGG S.A. (9.92% in 2019) and 49.62% at Terminal XXXIX S.A. (49.62% in 2019). Management understands that there is significant influence resulting from the participation of the Company's representative on the associate's board.

c) Group control:

The Company is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística"), which holds 28.47% of its capital. The Company's final parent Company is Cosan Limited, listed on the New York Stock Exchange, or "NYSE" (ticker - CZZ).

2 Basis of preparation and general accounting policies

2.1 Declaration of conformity

These individual and consolidated interim financial statements have been prepared and are being presented following the technical pronouncement CPC 21 (R1) - Interim Financial Statements and with international standards IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and also based on the provisions contained in the Brazilian Corporation Law, and presented in a manner consistent with the rules issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of quarterly information - ITR.

The information in the notes that had no significant changes compared to December 31, 2019, has not been fully presented in this quarterly information.

The interim financial statements were authorized for issue by the Board of Directors on May 27, 2020.

2.2 General accounting policies

These interim financial statements have been prepared following the basis of preparation and accounting policies consistent with those adopted in the preparation of the financial statements of December 31, 2019, and should be read together.

2.3 Measurement of fair value

The fair value of the Senior Notes is quoted on the Luxembourg Stock Exchange and is based on the quoted market price as follows:

Loans	Company	March 31, 2020	December 31, 2019
Senior Notes Due 2024	Rumo Luxembourg	99.73 %	107.90 %
Senior Notes Due 2025	Rumo Luxembourg	93.89 %	107.27 %

The book values and fair value of financial assets and liabilities that are measured at fair value are as follows:

	Book value		Assets and liabilities measured at fair value	
			March 31, 2020	December 31, 2019
	March 31, 2020	December 31, 2019	Level 2	Level 2
Assets				
Marketable securities	336,238	1,751,853	336,238	1,751,853
Derivative financial instruments	3,971,929	1,624,023	3,971,929	1,624,023
Total	4,308,167	3,375,876	4,308,167	3,375,876
Liabilities				
Derivative financial instruments	-	(482)	-	(482)
Loans, financing and debentures	(9,621,366)	(7,036,181)	(9,621,366)	(7,036,181)
Total	(9,621,366)	(7,036,663)	(9,621,366)	(7,036,663)

3 Business, operations, and management of the Company

3.1 Objectives and policies for risk management of financial instruments

a) Market risk

The objective of market risk management is to keep exposures to market risk within acceptable parameters, optimizing the return.

The Company uses derivatives to manage market risks. All transactions are carried out within the guidelines established by the risk management policy. The Company generally seeks to apply hedge accounting to manage volatility in profits or losses.

i. Foreign exchange risk

On March 31, 2020, and December 31, 2019, the Company had the following net exposure to the exchange rate variation of assets and liabilities denominated in foreign currency:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	7,099	11,884
Trade receivables	13,507	11,372
Trade payables - suppliers	(14,249)	(6,639)
Loans, financing and debentures	(8,432,665)	(5,798,048)
Exchange rate derivatives (notional) ⁽ⁱ⁾	8,488,369	5,845,793
Lease liabilities	(81,680)	(65,348)
	<u>(19,619)</u>	<u>(986)</u>

- (i) These balances are equivalent to the notional amount in U.S. Dollars and Euro converted to R\$ at the rate of March 31, 2020.

Based on financial instruments denominated in U.S. Dollars and euros, as of March 31, 2020, the Company sensitized the positive or negative effect on the result, before taxes, resulting from a reasonably possible strengthening (weakening) of the Brazilian Real against foreign currencies in the probable scenario, and for increases and decreases of 25% and 50%, as follows:

Instrument	Risk factor	Scenario				
		Probable	25%	50%	-25%	-50%
Cash and cash equivalents	Exchange fluctuation	(1,009)	514	2,036	(2,532)	(4,054)
Trade receivables	Exchange fluctuation	(1,919)	978	3,875	(4,816)	(7,713)
Suppliers	Exchange fluctuation	2,025	(1,031)	(4,087)	5,081	8,137
Exchange rate derivatives (notional)	Exchange fluctuation	(1,207,023)	613,313	2,433,650	(3,027,359)	(4,847,696)
Loans, financing and debentures	Exchange fluctuation	1,199,108	(609,281)	(2,417,671)	3,007,497	4,815,887
Lease liabilities	Exchange fluctuation	11,606	(5,912)	(23,431)	29,124	46,643
Impacts on result of the period		2,788	(1,419)	(5,628)	6,995	11,204

The probable scenario uses the U.S. Dollar and euro projected by a specialized consultancy for March 31, 2021. Stressed scenarios were defined by applying variations (positive and negative) of 25% and 50% in the exchange rates used in the probable scenario:

	March 31, 2020	Scenario				
		Probable	25%	50%	-25%	-50%
U.S. Dollar	5.1987	4.4600	5.5750	6.6900	3.3450	2.2300
Euro	5.7264	4.8600	6.0750	7.2900	3.6450	2.4300

ii. Interest rate risk

The Company and its subsidiaries have financial instruments that are subject to interest rates, which are largely variable, which exposes the financial result to the risks of interest rate fluctuations.

The sensitivity analysis below shows the annual impact on interest expenses on loans and financing, and the remuneration of financial investments (before taxes), keeping the other variables in the probable scenario with increases and decreases of 25% and 50% in interest rates:

Exposure interest rate	Scenario				
	Probable	25%	50%	-25%	-50%
Financial investments	115,959	211,845	240,835	20,072	(8,917)
Marketable securities	12,273	22,421	18,409	2,124	6,136
Restricted cash	4,733	5,916	7,099	3,550	2,366
Loans, financing and debentures	(441,382)	(496,979)	(552,575)	(385,793)	(330,189)
Interest rate derivatives	-	(7,636)	(16,120)	7,636	16,120
Lease liabilities	(478,616)	(480,790)	(482,964)	(476,443)	(474,269)
Other financial liabilities	(138,963)	(173,704)	(208,445)	(104,222)	(69,482)
Impacts on result of the period	<u>(925,996)</u>	<u>(918,927)</u>	<u>(993,761)</u>	<u>(933,076)</u>	<u>(858,235)</u>

The probable scenario considers the estimated interest rate, made by a specialized third-party and the Central Bank of Brazil, or BACEN, as follows:

	Scenario				
	Probable	25%	50%	-25%	-50%
SELIC	3.65%	4.56%	5.48%	2.74%	1.83%
CDI	3.65%	4.56%	5.48%	2.74%	1.83%
TJLP	5.10%	6.38%	7.65%	3.83%	2.55%
IPCA	3.12%	3.90%	4.68%	2.34%	1.56%

b) Credit risk

The Company's regular operations expose it to potential defaults when customers, suppliers and counterparties fail to meet their financial or other commitments. The Company seeks to mitigate this risk by carrying out transactions with a diverse set of counterparties. However, the Company remains subject to unexpected financial failures by third parties that could interrupt its operations. The exposure to credit risk was as follows:

	March 31, 2020	December 31, 2019
Cash and cash equivalents ⁽ⁱ⁾	3,176,947	1,963,014
Marketable securities ⁽ⁱ⁾	336,238	1,751,853
Restricted cash ⁽ⁱ⁾	129,667	147,910
Trade receivables ⁽ⁱⁱ⁾	515,035	399,249
Receivables from related parties ⁽ⁱⁱ⁾	55,785	48,064
Derivative financial instruments	3,971,929	1,624,023
	<u>8,185,601</u>	<u>5,934,113</u>

- (i) The credit risk of balances with banks and financial institutions is managed by the Company's Treasury following the established policy. The excess resources are invested only in approved counterparties and within the limit established for each one. The credit limit of counterparties is reviewed annually and can be updated throughout the year. These limits are established to minimize the concentration of risks and, thus, mitigate the financial loss in the event of the potential bankruptcy of counterparty. The Company's maximum exposure to credit risk in relation to the balance sheet components on March 31, 2020, and December 31, 2019, is the amount recorded.
- (ii) The client's credit risk is managed centrally by each business segment, being 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 classification criteria. The customer's credit quality is assessed based on an extensive internal credit rating procedure. Receivables from open customers are monitored frequently. The need for a provision for impairment is analyzed at each date reported on an individual basis for the main customers. Besides, a large number of accounts receivable with smaller balances are grouped into homogeneous groups, and in these cases, the recoverable loss is assessed collectively. The calculation is based on effective historical data.

The Company is exposed to risks related to its cash management and temporary investment activities.

Net assets are mainly invested in government securities and other investments in banks with a minimum grade of “A”. The credit risk of balances with banks and financial institutions is managed by the treasury department, following the Company's policy.

Excess fund investments are made only with approved counterparties and within the credit limits attributed to each counterparty. Counterparty credit limits are reviewed annually and may be updated throughout the year. The limits are defined to minimize the concentration of risks and, therefore, mitigate the financial loss through the failure of the counterparty to make payments. The credit risk of cash and cash equivalents, marketable securities, restricted cash and derivative financial instruments is determined by rating agencies widely accepted by the market and are arranged as follows:

	March 31, 2020
AA	626,245
AAA	6,988,536
Total	<u>7,614,781</u>

Customer credit risk is managed 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 classification criteria. Receivables from open customers are monitored frequently.

The need for a provision for impairment is analyzed at each balance sheet date on an individual basis for the main customers. In addition, a large number of accounts receivable with smaller balances are grouped into homogeneous groups and, in these cases, the recoverable loss is assessed collectively. The calculation is based on effective historical data.

c) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries find it difficult to settle the obligations associated with their financial liabilities that are settled with cash payments or with another financial asset. The approach of the Company and its subsidiaries in managing liquidity is to ensure, as much as possible, that there is always a level of liquidity sufficient to settle falling due obligations, under normal and stress conditions, without causing unacceptable losses or with the risk of damaging the reputation of the Company and its subsidiaries.

The Company's financial liabilities classified by maturity date (based on contracted undiscounted cash flows) are as follows:

	March 31, 2020				December 31, 2019	
	Up to 1 year	1 - 2 years	3 - 5 years	More than 5 years	Total	Total
Loans, financing and debentures	(1,711,628)	(1,785,235)	(9,942,294)	(2,991,793)	(16,430,950)	(17,639,045)
Trade payables - suppliers	(452,563)	-	-	-	(452,563)	(513,325)
Other financial liabilities ⁽ⁱ⁾	(289,692)	-	-	-	(289,692)	(410,952)
Tax installments	(2,635)	(417)	(497)	(500)	(4,049)	(11,470)
Lease liabilities	(731,357)	(691,325)	(2,004,065)	(8,186,493)	(11,613,240)	(11,619,304)
Payables to related parties	(124,632)	-	-	-	(124,632)	(139,747)
Dividends payable	(7,422)	-	-	-	(7,422)	(7,146)
Derivative financial instruments	259,251	230,417	3,220,837	261,424	3,971,929	1,623,542
	<u>(3,060,678)</u>	<u>(2,246,560)</u>	<u>(8,726,019)</u>	<u>(10,917,362)</u>	<u>(24,950,619)</u>	<u>(28,717,447)</u>

- (i) On March 31, 2020, the consolidated balance anticipated by our suppliers with financial institutions was R\$ 289,692 (R\$ 410,952 on December 31, 2019). These operations had Banco Itaú and Banco Bradesco as counterparty, at an average rate of 4.71% p.a. The average term of these operations, which are recorded at the present value at the rate previously mentioned, is 3 months.

3.2 Segment information

Management evaluates the performance of its operating segments based on the EBITDA measure (earnings before income tax and social contribution, net financial expense, depreciation, and amortization).

Operating segments

The Company's management is structured in four segments:

- (i) Northern Operations: comprised of railway, highway, transshipment, and port elevation operations in the Company's concession areas, Elevações Portuárias, Rumo Malha Norte, and Rumo Malha Paulista.
- (ii) Southern Operations: composed of railway operations and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Oeste.
- (iii) Central Operations: composed of railway operations and transshipment in the concession area of Rumo Malha Central.
- (iv) Container Operations: composed of the Group's Company that focuses on container logistics, whether by rail or road transport, and the results of container operations on the networks.

The segment information was prepared according to the same accounting practices used in the preparation of the consolidated information.

Period:	March 31, 2020					March 31, 2019				
Results by segment	North Operations	South Operations	Central Operations	Container Operations	Consolidated	North Operations	South Operations	Container Operations	Consolidated	
Net revenue	1,084,961	267,879	-	70,723	1,423,563	1,240,003	328,422	66,521	1,634,946	
Cost of services	(694,852)	(303,381)	-	(72,935)	(1,071,168)	(714,058)	(357,715)	(81,701)	(1,153,474)	
Gross profit	390,109	(35,502)	-	(2,212)	352,395	525,945	(29,293)	(15,180)	481,472	
Gross margin (%)	35.96%	-13.25%	0.00%	-3.13%	24.75%	42.41%	-8.92%	-22.82%	29.45%	
Selling, general and administrative expenses	(64,508)	(17,893)	(11,852)	(10,567)	(104,820)	(58,706)	(17,353)	(9,397)	(85,456)	
Other operational income (expenses) and equity	(56,710)	(7,741)	(24,374)	(658)	(89,483)	(17,870)	(23)	1,117	(16,776)	
Depreciation and amortization	257,353	119,818	24,206	17,809	419,186	250,569	149,176	22,710	422,455	
EBITDA	526,244	58,682	(12,020)	4,372	577,278	699,938	102,507	(750)	801,695	
Margin EBITDA (%)	48.50%	21.91%	0.00%	6.18%	40.55%	56.45%	31.21%	-1.13%	49.03%	

4 Transactions and significant events

4.1 COVID-19 pandemic

4.1.1 General context

Covid-19 is an infectious disease caused by coronavirus 2 (SARS-CoV-2), which has a severe acute respiratory syndrome. The disease was first identified in 2019 in China, and has spread around the world ever since. On March 11, 2020, the World Health Organization officially declared this Outbreak of Covid-19 a pandemic. As of March 17, 2020, Brazil (as well as several other countries), including all states in which the Company has operations, has instituted social distancing measures aimed at delaying contagion. The measures vary from distance to isolation, depending on the unity of the federation. Despite the efforts of the authorities, there is still no way to predict the duration of the restrictive measures currently in force.

The Company operates in the cargo transport and logistics sector, an activity classified as essential by the Brazilian authorities, according to Law 13,979/2020. With a series of health protocols, the Company has maintained its activities, however, the restrictive measures adopted to contain the progress of Covid-19 and its consequences on economic activity, can significantly affect the Company's operations and financial condition in the following aspects:

- (1) Revenue decline due to declining demand for services in markets impacted by measures of distancing and social isolation: fuel transportation (affected by the drop in consumption) and transportation of industrial products (affected by the decline in economic activity and industrial activities);
- (2) Risk of interruptions in operations: possible lack of control of the pandemic in the sites where the Company operates may lead to the hardening of social isolation measures and, in an extreme scenario, lead to the interruption of essential activities;
- (3) Credit scarcity and increased capital cost: Covid-19's impact on the world economy and investors' aversion to risk can reduce financing alternatives and increase the cost of capital to the point of affecting the Company's liquidity position and investment capacity.

- (4) Asset deterioration: (i) the Company's financial assets may be affected by the impact that the economic downturn resulting from social distancing measures may generate on counterparties; (2) long-term assets may have their realization impaired if the pandemic progresses to the point of disrupting the Company's operations.

4.1.2 Impacts on the preparation of quarterly information

Rumo's operations did not suffer major impacts due to the pandemic in the quarter ended March 31, 2020. The port terminals continued to operate, with the proper security protocols, and there was no limitation to exports. Regarding the arrival of cargo at the terminals operated by the Company, safety protocols were created, providing protective equipment, food, and health staff to monitor and guide truckers. Likewise, with all care for the protections of the Company's employees and third parties, the trains continue to run normally, maintaining customer service.

About 85% of the Company's net revenue is generated by the transportation of cargo destined for export. Exports are being driven by the devaluation of the Brazilian Real, increasing the competitiveness of Brazilian products abroad, making the demand for transportation of these cargoes even higher. On the other hand, the demand for some industrial loads (of lower representativeness), which are more correlated with domestic consumption, was negatively impacted by COVID-19.

Despite not projecting a significant change in its cash generation and the increase in financial cost, the Company chose to keep liquidity at a higher level, foreseeing a period of uncertainties in the market. The cash strengthening movement began in the quarter ended March 31, 2020, with new funding of R\$ 852,272, as well as the temporary suspension of payments of financing installments (standstill) with BNDES. Financial covenants are measured annually on the balance sheet base date.

The Company assessed the circumstances that could indicate impairment of its non-financial assets and concluded that there were no changes in circumstances that would indicate a loss by impairment. As so far the pandemic has not been interrupting the Company's operations, the current forecast of financial impact resulting from Covid-19 in cash-generating units ("UGC") is limited, and short-term. Therefore, the main long-term assumptions applied in the preparation of cash flow models would not have significant changes for the impairment indicator assessment. Our projections for the recovery of deferred taxes are based on the same scenarios and assumptions above.

As for the discount rate, another relevant variable in the analysis of long-term asset realization, the Company believes that amid the high market volatility there will be a shift in cash flow between the months with circulation restrictions for the subsequent months, which associated with the low level of interest in Brazil, our weighted average cost of capital should not undergo material changes, despite the short-term fluctuations of some macroeconomic assumptions due to the impacts of the Covid-19 pandemic.

Losses due to the non-recoverability of financial assets continue to be calculated based on the credit risk analysis, which also includes the history of losses, the individual situation of counterparties, the situation of the economic group to which they belong, the real guarantees for debts and macroeconomic indicators as of March 31, 2020.

Counterparty credit risk for cash assets and cash equivalents, marketable securities, restricted cash and, derivative financial instruments is determined by classification agencies widely accepted by the market. Balances are allocated to institutions with a minimum grade of "A". As of March 31, 2020, no worsening of the credit risk of these counterparties was observed.

The maximum exposure to credit risk of the Company's clients, net of losses due to the non-recoverability of financial assets, is the value of the accounts receivable. Considering that: (i) the average billing term for the Company's customers is very short; and (ii) the clients of portfolios most susceptible to credit deterioration began to have the exposure constantly monitored, as of March 31, 2020, the Company does not foresee additional losses in its balance of accounts receivable.

4.1.3 Evolution after balance sheet date (Subsequent events)

After the balance sheet closing date and until the date of release of this quarterly information, the following facts involving the pandemic deserve to be highlighted:

Health safety protocols have been improved and implemented with the Company's employees, third parties involved in the provision of services and government authorities in the Company's site of operation, in a joint effort to minimize the progress of the pandemic.

The Company's operations continued without interruption stemming from the restrictive measures imposed by the fight against the pandemic. The transport of products destined for export continues to register good demand, while the portfolios with products associated with domestic consumption, mainly industrial products and fuels, register a reduction in demand compatible with the activities of each market.

The strategy of strengthening the cash position through new funding continued to be implemented. R\$ 2,535,046 were contracted after the balance sheet closing date:

Description	Fund-raising date	Amount	Index	Maturity date
Loan 4131	April/2020	200,000	CDI + 2.9% p.a. + 0.5% <i>flat fee</i>	April/2021
BNDES – Finem	May/2020	1,075,607	TJLP + 2.1% p.a.	September/2029
	May/2020	459,439	TJLP + 2.1% p.a.	September/2029
Debenture	May/2020	800,000	IPCA + 6.3% p.a.	March/2030

Government incentive benefits to the productive sectors have been discussed, however, no measure implemented to date has a relevant impact on the Company.

4.2 Cyber attack

On March 11, 2020, the Company and its subsidiaries suffered a ransomware cyberattack that caused a partial and temporary disruption of its operations. The affected entities in our group implemented their contingency plans, continued to operate partially during the cyber attack, and progressively reconnected their operating systems since the month-long attack.

After the incident, the group took some additional preventive measures to reduce cyber risks, including hiring a company to perform forensic work on the attack, which affected part of the environment hosted in the data center located in the Group's Shared Services Center, as well as user machines (desktops and laptops) connected to the network. Based on the experience and tools of the contracted company, interviews with Information Technology (IT) personnel, and technical evidence present in the environment, it was possible to determine a list of servers to be verified. Although it was not possible to find the input vector of the attack, it was possible to identify, in the IT view, satisfactorily, the process and characteristics of the attack for further evolution of the technological environment.

4.3 Related parties

a) Summary of balance with related parties

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current assets				
Commercial operations				
Cosan S.A.	282	282	377	377
Rumo Malha Norte S.A.	5,868	6,295	-	-
Rumo Malha Paulista S.A.	16,692	1,457	-	-
Rumo Malha Central S.A.	3,810	3,510	-	-
Raízen Combustíveis S.A.	149	149	2,515	4,950
Raízen Energia S.A.	8,120	1,987	13,964	6,103
Elevações Portuárias S.A.	4,033	2,474	-	-
Other	479	608	171	227
	39,433	16,762	17,027	11,657
Non-current assets				
Commercial operations				
Raízen Combustíveis S.A.	-	-	38,562	36,243
	-	-	38,562	36,243
Financial operations				
Other	3,326	3,326	196	164
	3,326	3,326	196	164
	3,326	3,326	38,758	36,407
Total	42,759	20,088	55,785	48,064

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current liabilities				
Commercial operations				
Rumo Malha Norte S.A.	16,889	5,164	-	-
Rumo Malha Sul S.A.	3,112	1	-	-
Rumo Malha Paulista S.A.	60,462	34,175	-	-
Rumo Malha Oeste S.A.	1,286	857	-	-
Portofer Transporte Ferroviário Ltda.	633	-	-	-
Raízen Combustíveis S.A.	1	1	105,293	115,387
Raízen Energia S.A.	5,791	5,698	14,414	15,336
Cosan S.A.	798	504	813	3,068
Cosan Lubrificantes e Especialidades S.A.	352	356	2,913	4,104
Logisport Armazéns Gerais S.A.	764	126	-	-
Elevações Portuárias S.A.	3,758	1	-	-
Other	1,015	1,012	1,199	1,852
	94,861	47,895	124,632	139,747
Non-current liabilities				
Commercial operations				
Boswells	32,492	25,192	-	-
Other	4,733	4,733	-	-
	37,225	29,925	-	-
Total	132,086	77,820	124,632	139,747

b) Transactions with related parties

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Operating income				
Raízen Energia S.A.	65,386	78,836	105,109	104,223
Raízen Combustíveis S.A.	-	-	33,060	41,975
Rumo Malha Norte S.A.	4,038	3,756	-	-
Rumo Malha Paulista S.A.	64,757	50,439	-	-
Elevações Portuárias S.A.	6,300	3,360	-	-
Other	-	-	268	3,972
	140,481	136,391	138,437	150,170
Purchases of products / inputs				
Raízen Combustíveis S.A.	-	-	(250,897)	(278,308)
Logisport Armazéns Gerais S.A.	(816)	(624)	-	-
Rumo Malha Paulista S.A.	(29,172)	(18,872)	-	-
Cosan Lubrificantes e Especialidades S.A.	-	(18)	(7,409)	(9,232)
Other	-	-	(252)	(198)
	(29,988)	(19,514)	(258,558)	(287,738)
Shared expenses				
Cosan S.A.	(931)	(2,744)	(931)	(2,744)
Elevações Portuárias S.A.	(243)	(121)	-	-
Rumo Malha Oeste S.A.	(185)	(80)	-	-
Rumo Malha Paulista S.A.	(2,181)	(691)	-	-
Rumo Malha Sul S.A.	(4,664)	97	-	-
Rumo Malha Norte S.A.	(17,283)	(1,270)	-	-
Raízen Energia S.A.	(496)	(592)	(10,112)	(8,583)
	(25,983)	(5,401)	(11,043)	(11,327)
Financial result				
Rumo Malha Norte S.A.	(8,813)	-	-	-
Other	(7,300)	(137)	-	(30)
	(16,113)	(137)	-	(30)

c) Remuneration of directors and officers

The fixed and variable remunerations of key persons, including directors and board members, are recorded in the consolidated result for the period, as follows:

	March 31, 2020	March 31, 2019
Short-term benefits to employees and managers	10,413	10,813
Transactions with share-based payments	1,426	988
	11,839	11,801

4.4 Subsequent events

4.4.1 Evolution of the COVID-19 Pandemic

For comments on the evolution of the Covid-19 Pandemic: (i) on the Company's activities; and (ii) the funding made by the Company to raise the level of liquidity during the crisis, see topic 4.1.3.

4.4.2 Concession renewal

As of May 27, 2020, Malha Paulista has signed, together with the BRAZILIAN FEDERAL GOVERNMENT and through the Brazil's National Land Transportation Agency ("ANTT"), the "2nd Amendment to the Concession Agreement for Rumo Malha Paulista S.A. – RMP of December 30, 1998" and its respective appendixes ("Amendment"). The document grants Malha Paulista the right to extend the term of its concession agreement, provided that it complies with certain obligations ("Renewal").

The Company hereby clarifies that Brazil's Federal Court of Auditors has examined the terms of the Amendment in detail and authorized its execution, in accordance with the dispatch issued on May 20, 2020, under TC 009.032/2016-9.

According to public documents, the new grant amount for the concession will be approximately R\$ 2,911,965 (amounts as of December, 2017), to be paid in quarterly installments over the course of the agreement's term, which is expected to expire in 2058, and investments are estimated at R\$ 6,100,000 (as well, amounts as of December, 2017) within the same period.

5 Detailed information about assets and liabilities

5.1 Financial assets and liabilities

Financial assets and liabilities consist of:

	March 31, 2020	December 31, 2019
Assets		
Fair value through profit or loss		
Marketable securities	336,238	1,751,853
Derivate financial instruments	3,971,929	1,624,023
	4,308,167	3,375,876
Amortized cost		
Cash and cash equivalents	3,176,947	1,963,014
Trade receivables	515,035	399,249
Related parties receivable	55,785	48,064
Restricted cash	129,667	147,910
	3,877,434	2,558,237
Total	8,185,601	5,934,113
Liabilities		
Amortized cost		
Loans, financing and debentures	5,214,490	4,683,556
Lease liabilities	4,508,791	4,529,140
Trade payables - suppliers	452,563	513,325
Other financial liabilities	289,692	410,952
Related parties payable	124,632	139,747
Dividends payable	7,422	7,146
Debt payment in installments	3,874	10,942
	10,601,464	10,294,808
Fair value through profit or loss		
Derivate financial instruments	-	482
Loans and financing	9,621,366	7,036,181
	9,621,366	7,036,663
Total	20,222,830	17,331,471

5.2 Cash and cash equivalents

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Cash and bank accounts	429	255	35,761	18,642
Financial Investments	1,367,281	700,451	3,141,186	1,944,372
	1,367,710	700,706	3,176,947	1,963,014

Financial investments are composed as follows:

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Bank investments				
Bank certificate of deposits - CDB	1,367,281	700,451	3,119,165	1,944,372
Other investments	-	-	22,021	-
	1,367,281	700,451	3,141,186	1,944,372

5.3 Marketable securities and restricted cash

Marketable securities	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Government bonds ⁽ⁱ⁾	29,707	435,054	222,524	1,355,980
Bank certificate of deposits - CDB ⁽ⁱⁱ⁾	8,641	55,230	68,829	125,413
Financial letters ⁽ⁱⁱⁱ⁾	6,010	21,441	44,885	270,460
	44,358	511,725	336,238	1,751,853

- (i) Government securities classified as fair value through profit or loss have an interest rate linked to SELIC and mature between two and five years.
- (ii) Bank deposit certificates have an interest rate linked to the CDI and mature between two and five years.
- (iii) Financial letters have an interest rate linked to the CDI, and daily liquidity, according to the Company's liquidity policy.

Restricted cash	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Investments linked to loans	-	-	68,649	86,681
Securities pledged as collateral	3,535	3,511	61,018	61,229
	3,535	3,511	129,667	147,910

5.4 Trade receivables

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Domestic – Brazilian Reais	20,283	22,420	469,935	355,733
Export – Foreign currency	-	-	52,092	49,002
	20,283	22,420	522,027	404,735
Allowance for doubtful accounts	(1,863)	(1,887)	(6,992)	(5,486)
	(1,863)	(1,887)	(6,992)	(5,486)
Total	18,420	20,533	515,035	399,249
Current	14,014	15,111	503,206	385,563
Non-current	4,406	5,422	11,829	13,686
Total	18,420	20,533	515,035	399,249

5.5 Loans, financing and debentures

Description	Financial charges		Parent Company		Consolidated		Maturity date	Goal
	Index	Average interest rate	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019		
Loans and financing								
Finame (BNDES)	Pre-fixed	5.39%	349,554	368,904	787,326	834,035	January/2025	Acquisition
	URTJLP	7.35%	-	-	3,476	4,952	March/2022	Acquisition
	Selic	5.51%	-	-	-	1,118	March/2020	Acquisition
Finem (BNDES)	Pre-fixed	3.50%	-	-	1,339	1,426	January/2024	Acquisition
	URTJLP	7.42%	44,849	55,565	2,048,571	2,213,704	December/2029	Acquisition
	IPCA	10.79%	-	-	1,578	1,528	November/2021	Acquisition
NCE	Selic	5.51%	-	-	745	-	September/2020	Acquisition
	CDI + 1.03%	2.92%	-	-	80,192	-	February/2023	Working capital
	CDI + 0.80%	4.48%	-	-	503,293	512,078	December/2023	Working capital
	CDI + 3.05%							
	p.a.	6.81%	-	-	200,259	-	March/2021	Working capital
	CDI + 3.15%							
	p.a.	6.91%	-	-	448,033	-	March/2021	Working capital
	Pre-fixed							
	(US\$)	7.38%	-	-	4,754,702	3,318,895	February/2024	Acquisition
Senior Notes 2025	Pre-fixed							
	(US\$)	5.88%	-	-	3,087,079	2,182,089	January/2025	Acquisition
ECA	Euribor +							
	0.58% (EUR)	0.58%	-	-	95,957	79,528	September/2026	Acquisition
Loan 4131	Dollar (US\$)	1.36%	494,927	217,537	494,927	217,537	November/2022	Working capital
			889,330	642,006	12,507,477	9,366,890		
Debentures								
Non-convertible debentures	IPCA +							
	4.68%	7.66%	-	-	549,105	570,098	February/2026	Acquisition
	IPCA +							
	4.50%	7.48%	639,596	668,034	639,596	668,034	February/2029	Acquisition
	IPCA +							
	3.90%	6.86%	915,255	895,249	915,255	895,249	October/2029	Acquisition
	IPCA +							
	4.00%	6.96%	224,423	219,466	224,423	219,466	October/2029	Acquisition
	CDI + 1.30%							
Private debentures	p.a.	8.28%	776,110	767,296	-	-	December/2020	Working capital
			2,555,384	2,550,045	2,328,379	2,352,847		
Total			3,444,714	3,192,051	14,835,856	11,719,737		
Current			176,620	969,054	1,607,562	1,064,846		
Non-current			3,268,094	2,222,997	13,228,294	10,654,891		

Non-current loans have the following maturities:

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
13 to 24 months	419,406	190,701	1,085,503	758,822
25 to 36 months	216,093	179,241	856,560	718,195
37 to 48 months	64,415	66,658	5,346,715	793,073
49 to 60 months	41,648	51,191	3,512,334	3,676,142
61 to 72 months	-	-	340,844	2,493,341
73 to 84 months	194,943	-	303,786	225,554
85 to 96 months	586,211	572,993	679,842	670,435
Thereafter	1,745,378	1,162,213	1,102,710	1,319,329
	3,268,094	2,222,997	13,228,294	10,654,891

The carrying amounts of the Company's loans and financing are denominated in these currencies:

	Consolidated	
	March 31, 2020	December 31, 2019
Brazilian Reais (R\$)	6,403,191	5,921,690
Dollar (US\$) ⁽ⁱ⁾	8,336,708	5,718,519
EUR ⁽ⁱ⁾	95,957	79,528
Total	14,835,856	11,719,737

- (i) As of March 31, 2020, all these debts denominated in foreign currency, in the subsidiaries, are protected against foreign exchange risk through derivatives (Note 5.8).

Below the movement of loans, financing and debentures for the three-month period ended on March 31, 2020:

	Parent Company	Consolidated
At January 1, 2020	3,192,051	11,719,737
Proceeds from debts	202,226	929,976
Interest, monetary and exchange correction	102,007	2,681,008
Repayments of principal from debts	(29,999)	(221,579)
Payments of interest from debts	(21,571)	(273,286)
At March 31, 2020	3,444,714	14,835,856

a) Warranties

Some financing contracts with the National Bank for Economic and Social Development (“BNDES”), destined for investments, are also guaranteed, according to each contract, by a bank guarantee, with an average cost of 0.87% per year or by real guarantees (assets) and guarantee account. On March 31, 2020, the balance of bank guarantees contracted was R\$ 2,737,558 (R\$ 1,387,627 on December 31, 2019).

To calculate the average rates, the annual average CDI of 5.40% and TJLP of 5.72% were considered on an annual basis.

b) Unused credit lines

On March 31, 2020, the Company had lines of credit in banks with AA rating, which were not used, in the total amount of R\$ 1,946,194 (R\$ 1,946,194 on December 31, 2019).

The use of these credit lines is subject to certain contractual conditions.

c) Restrictive clauses (“financial covenants”)

The Company's main lines of loans are subject to restrictive clauses, based on financial and non-financial indicators, the main and most restrictive clauses are shown below:

Goal	Index
Net financial debt/ EBITDA \leq 3.3x in December, 2020	2.13
EBITDA/ Consolidated financial result \geq 2.00x in December, 2020	12.11

On March 31, 2020, the Company and its subsidiaries were complying with all restrictive financial covenants.

5.6 Lease liabilities

	Consolidated leases		
	Financial	Operational	Totals
At January 1, 2020	429,591	4,099,549	4,529,140
Appropriation of interest and exchange variation	15,857	131,347	147,204
Transfers between liabilities ⁽ⁱ⁾	-	(29,894)	(29,894)
Repayments of principal from debts	(25,336)	(26,125)	(51,461)
Payments of interest from debts	(15,701)	(94,006)	(109,707)
Contractual adjustment	-	23,509	23,509
At March 31, 2020	404,411	4,104,380	4,508,791
Current	94,284	454,850	549,134
Non-current	310,127	3,649,530	3,959,657
	404,411	4,104,380	4,508,791

- (i) Transfer of installments under litigation to leasing and concessions (Note 5.16).

The lease agreements have different terms, with the longest term expiring in June 2049 (a payment schedule is shown in Note 3.1). The amounts are annually adjusted for inflation (such as IGPM and IPCA indexes) or may accrue interest calculated based on the TJLP or CDI and some of the contracts have renewal or purchase options, which were considered in the lease valuation and classification.

Besides the amortization and appropriation of interest and exchange variation highlighted in the previous tables, the following is the impact on income, for the three months ended March 31, 2020, related to lease payments that are not included in the measurement of lease liabilities under IFRS 16:

	Consolidate
	March 31, 2020
Variable lease payments not included in the measurement of lease liabilities	5,701
Expenses relating to short-term leases	162
Expenses relating to leases of low-value assets, excluding short-term leases	10,965
	16,828

Additional Information

The Company, in full compliance with the rules, in the measurement and remeasurement of its lease liabilities and the right of use, proceeded to discount the present value of future lease installments without projecting the future inflation in the installments to be discounted.

The incremental rate of interest used by the Company has been determined based on the interest rates to which the Company has access, for terms similar to its contracts, adjusted to the Brazilian market. Rates between 10.9% to 14.2% have been used, according to the term of each contract.

In compliance with CVM Instruction Circular Official Letter 2/2019, if, in transactions where the incremental rate is used, the measurement was made at the present value of expected installments plus projected future inflation, the balances of lease liabilities, right-of-use, financial expense and depreciation expense for the period ended March 31, 2020, would be those presented in the “Official note” column:

Accounts	March 31, 2020		
	Registered	Official note	% Variation
Lease liabilities	3,785,252	3,976,189	5%
Residual right of use	3,586,318	3,687,634	3%
Financial expense	251,831	271,970	8%
Depreciation expense	(135,793)	(153,209)	13%

The balances recorded by the Company include the Malha Central contract, which has an implicit rate identified so that its appreciation does not generate distortions in the liabilities and right-of-use that are the object of the CVM Circular Note. On March 31, 2020, the lease liability for this contract was R\$ 2,725,468.

The Company recorded lease liabilities at the present value of the installments due, that is, including any tax credits to which it will be entitled at the time of the lease payments. The potential PIS / COFINS credit included in liabilities on March 31, 2020, is R\$ 4,975.

5.7 Suppliers

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Material and services suppliers	38,482	44,090	428,623	495,837
Fuels and lubricants suppliers	-	-	467	370
Other	17,476	11,019	23,473	17,118
Total	55,958	55,109	452,563	513,325

5.8 Derivative financial instruments

To protect exposure to foreign exchange risk, the Company uses swap instruments, the fair value of which is determined from discounted cash flows based on market curves, and the consolidated data are presented below:

	Notional		Fair value	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Foreign exchange and interest rate derivatives				
Swap contracts (interest and exchange)	6,860,002	5,534,936	3,971,929	1,623,541
	6,860,002	5,534,936	3,971,929	1,623,541
Assets			3,971,929	1,624,023
Liabilities			-	(482)
			3,971,929	1,623,541

The Company contracted Swap operations, to be active in USD + fixed interest and passive in percentage of CDI.

Derivatives are used only for the purpose of economic hedging and not as speculative investments.

Fair value hedge

Currently, the Company adopts the fair value hedge for some of its operations, both hedge instruments and hedged items are recorded at fair value through profit or loss. The operational and accounting effects of this adoption are as follows:

	Notional	Book value (R\$)		Balance sheet	Fair value adjustment	
		March 31, 2020	December 31, 2019		March 31, 2020	December 31, 2019
Senior Notes 2024	(3,899,025)	(4,754,702)	(3,318,895)		(1,555,863)	(471,159)
Senior Notes 2025	(2,599,350)	(3,087,079)	(2,182,089)		(965,774)	(295,208)
Debt	(6,498,375)	(7,841,781)	(5,500,984)	Loan, financing and debentures	(2,521,637)	(766,367)
Foreign exchange and interest swap	6,498,375	3,722,499	1,468,503		2,282,764	541,942
Derivative	6,498,375	3,722,499	1,468,503	Derivative financial instruments	2,282,764	541,942
Total	-	(4,119,282)	(4,032,481)		(238,873)	(224,425)

5.9 Other recoverable taxes

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
COFINS - Social security financing contribution	27,642	22,909	240,475	253,755
PIS - Social integration program	5,805	4,778	124,633	94,739
ICMS - State VAT ⁽ⁱ⁾	-	-	538,458	522,820
ICMS - CIAP ⁽ⁱⁱ⁾	-	-	121,311	129,000
Other	3,023	2,931	23,529	10,586
	36,470	30,618	1,048,406	1,010,900
Current	36,470	30,618	376,421	347,316
Non-current	-	-	671,985	663,584
	36,470	30,618	1,048,406	1,010,900

(i) ICMS credit related to the purchase of inputs and diesel used in transportation.

(ii) ICMS credit from acquisitions of property, plant and equipment.

5.10 Inventories

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Parts and accessories	599	943	243,517	236,347
Fuels and lubricants	19	-	3,823	6,894
Warehouse and other	145	93	16,467	5,215
	763	1,036	263,807	248,456

The balances are presented net of the provision for obsolete inventories of R\$ 6,201 on March 31, 2020 (R\$ 5,492 on December 31, 2019).

5.11 Investments in associates and provision for unsecured liabilities

(a) Subsidiaries and associates

Below are investments in subsidiaries and associates that are material for the Company on March 31, 2020, and December 31, 2019:

i. Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of participation
Elevações Portuárias	672,397,254	672,397,254	100.00%
Rumo Intermodal	91,064,313	91,064,313	100.00%
Rumo Malha Central	250,000,000	250,000,000	100.00%
Rumo Malha Norte	1,189,412,363	1,186,268,176	99.74%
Boswells	3,265,000	3,265,000	100.00%
Brado Participações	12,962,963	8,065,556	62.22%
Paranaguá S.A.	6,119,802	6,113,851	99.90%
Logisport	2,040,816	1,040,816	51.00%
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%
ALL Argentina	9,703,000	8,826,110	90.96%
Rumo Luxembourg Sarl	500,000	500,000	100.00%
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%
Rumo Malha Oeste	478,460,074	478,460,074	100.00%

	At January 1, 2020	Equity pick- up	Dividends and interest on own capital receivable	Comprehensive income	Other	Amortization of the concession right	Stock option plan	At March 31, 2020	Equity income on March 31, 2019
Elevações Portuárias	707,336	(1,079)	-	-	-	-	-	706,257	13,940
Rumo Intermodal	40,005	115	-	(409)	-	-	-	39,711	(369)
Rumo Malha Central	328,740	(69,884)	-	-	-	-	-	258,856	-
Rumo Malha Norte	8,317,416	(9,053)	-	(1)	4	(7,470)	-	8,300,896	158,516
Boswells	25,574	-	-	7,412	-	-	-	32,986	-
Brado Participações	371,867	(2,070)	(1,398)	-	-	-	143	368,542	(82)
Paranaguá S.A.	20,394	(221)	-	4,030	-	-	-	24,203	116
Logisport	73,143	96	-	-	-	-	-	73,239	166
Rumo Luxembourg Sarl	50,064	12,247	-	-	-	-	-	62,311	(1,977)
Rumo Malha Sul	1,730,253	(91,745)	-	-	-	-	-	1,638,508	(59,176)
Total investment in associates	11,664,792	(161,594)	(1,398)	11,032	4	(7,470)	143	11,505,509	111,134
ALL Argentina	(21,111)	(397)	-	(4,782)	-	-	-	(26,290)	(541)
Rumo Malha Paulista	(318,462)	(78,839)	-	-	(645)	(4,290)	-	(402,236)	(11,072)
Rumo Malha Oeste	(1,451,606)	(28,735)	-	-	-	-	-	(1,480,341)	(40,496)
Total investment in unsecured liability	(1,791,179)	(107,971)	-	(4,782)	(645)	(4,290)	-	(1,908,867)	(52,109)
Total	9,873,613	(269,565)	(1,398)	6,250	(641)	(11,760)	143	9,596,642	59,025

ii. Consolidated

	Total shares of the investee	Shares held by the Company	Percentage of participation
Rhall Terminais Ltda.	28,580	8,574	30.00%
Termag S.A.	500,000	99,246	19.85%
TGG S.A.	79,747,000	7,914,609	9.92%
Terminal XXXIX S.A.	200,000	99,246	49.62%

	At January 1, 2020	Equity pick-up	Dividends	At March 31, 2020	Equity income on March 31, 2019
Rhall Terminais Ltda.	4,148	(8)	-	4,140	-
Termag S.A.	5,214	1,726	-	6,940	1,320
TGG S.A.	18,247	(232)	(1,337)	16,678	920
Terminal XXXIX S.A.	24,404	934	(3,851)	21,487	2,510
Total investments in associates	52,013	2,420	(5,188)	49,245	4,750

(b) Participation of non-controlling shareholders

The following is a summary of financial information for each subsidiary that has non-controlling interests that are relevant to the group. The amounts disclosed for each subsidiary are before eliminations between companies.

	Total shares of the investee	Shares held by the Company	Percentage of participation
Rumo Malha Norte	1,189,412,363	3,144,187	0.26%
Brado Participações	12,962,963	4,897,407	37.78%
Logisport	2,040,816	1,000,000	49.00%

The following table summarizes the information related to each of the Company's subsidiaries that has relevant non-controlling interests, before any intra-group elimination.

	At January 1, 2020	Equity pick-up	Dividends	Stock option plan	At March 31, 2020	Equity income on March 31, 2019
Rumo Malha Norte	9,903	(24)	-	-	9,879	432
Brado Participações	225,889	(1,242)	(845)	87	223,889	(50)
Logisport	34,219	92	-	-	34,311	159
Total investments in associates	270,011	(1,174)	(845)	87	268,079	541

5.12 Property, plant and equipment, intangible assets and right-of-use

5.12.1 Property, Plant and Equipment

Reconciliation of book value

	Consolidated						Parent Company
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Track structure	Construction in progress	Other assets	Total
Cost:							
At January 1, 2020	1,019,909	984,565	8,207,826	8,603,070	1,478,836	835,602	21,129,808
Additions	30	365	2,338	1,913	574,869	43	579,558
Write-off	-	-	(20,294)	-	-	-	(20,294)
Transfers	10,734	14,518	106,140	133,488	(274,796)	5,319	(4,597)
At March 31, 2020	1,030,673	999,448	8,296,010	8,738,471	1,778,909	840,964	21,684,475
Depreciation and Impairment:							
At January 1, 2020	(355,050)	(450,856)	(4,149,884)	(3,875,123)	(6,870)	(521,857)	(9,359,640)
Additions	(12,557)	(30,298)	(143,165)	(125,050)	-	(4,958)	(316,028)
Write-off	-	-	16,960	-	-	-	16,960
Transfers	-	-	142	-	1,859	-	2,001
At March 31, 2020	(367,607)	(481,154)	(4,275,947)	(4,000,173)	(5,011)	(526,815)	(9,656,707)
At January 1, 2020	664,859	533,709	4,057,942	4,727,947	1,471,966	313,745	11,770,168
At March 31, 2020	663,066	518,294	4,020,063	4,738,298	1,773,898	314,149	12,027,768

(i) On March 31, 2020, wagons and locomotives for R\$ 745,203 (R\$ 745,203 on December 31, 2019), were pledged to guarantee bank loans (Note 5.5).

Capitalization of loan costs

The period ended on March 31, 2020, the capitalized loan costs for R\$ 3,008.

The Company annually tests the recoverable amount of goodwill due to the expectation of future results from business combination. Assets subject to depreciation and amortization are only tested if there were indications that the book value is not recoverable.

5.12.2 Intangible assets and goodwill

	Consolidated				Parent Company
	Goodwill ⁽ⁱ⁾	Concession rights ⁽ⁱⁱ⁾	Operating license	Other	Total
Cost:					
At January 1, 2020	100,451	8,012,731	343,348	206,667	8,663,197
Additions	-	-	-	715	715
Transfers	-	-	-	1,624	1,624
At March 31, 2020	100,451	8,012,731	343,348	209,006	8,665,536
Amortization and Impairment:					
At January 1, 2020	-	(1,002,735)	(143,675)	(141,754)	(1,288,164)
Additions	-	(33,202)	-	(4,435)	(37,637)
At March 31, 2020	-	(1,035,937)	(143,675)	(146,189)	(1,325,801)
At January 1, 2020	100,451	7,009,996	199,673	64,913	7,375,033
At March 31, 2020	100,451	6,976,794	199,673	62,817	7,339,735

- (i) Goodwill from a business combination from previous years, of which R\$ 62,922 from Terminal T-16 in Santos and R\$ 37,529 from indirect subsidiary Logisport, presented only in the consolidated.
- (ii) Refers to the concession contract of Rumo Malha Norte. The asset was identified and measured at fair value in the business combination between Rumo and ALL. The amount will be amortized until the end of the concession in 2079, being recorded in the income statement, under costs of services provided, in the depreciation and amortization group.

Analysis of impairment

The period ended on March 31, 2020, no indicators for additional impairment tests were identified. We assessed the effects of the COVID-19 pandemic and, despite some impacts in this quarter, we do not foresee any deterioration in the medium and long-term indicators, as of December 31, 2019.

The determination of the recoverability of the assets depends on certain key assumptions, as previously described, which are influenced by the market, technological and economic conditions in force at the time that this recovery is tested and, therefore, it is not possible to determine whether new losses due to recovery will occur in the future and, if they occur, whether they would be material.

5.12.3 Right-of-use

	Consolidated						
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives	Software	Vehicles	Port and track structure	Total
Cost amount:							
At January 1, 2020	178,441	11,667	1,038,641	66,931	14,259	3,803,953	5,113,892
Contractual adjustment	2	-	1,448	-	(421)	22,480	23,509
Write-off	(203)	-	-	-	-	-	(203)
At March 31, 2020	178,240	11,667	1,040,089	66,931	13,838	3,826,433	5,137,198
Amortization:							
At January 1, 2020	(68,332)	(3,029)	(367,072)	(7,594)	(6,457)	(250,456)	(702,940)
Additions	(5,215)	(815)	(14,992)	(1,633)	(1,626)	(45,695)	(69,976)
Impairment	-	-	-	-	-	(9,579)	(9,579)
At March 31, 2020	(73,547)	(3,844)	(382,064)	(9,227)	(8,083)	(305,730)	(782,495)
At January 1, 2020	110,109	8,638	671,569	59,337	7,802	3,553,497	4,410,952
At March 31, 2020	104,693	7,823	658,025	57,704	5,755	3,520,703	4,354,703

5.13 Other taxes payable

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
ICMS - State VAT	3	32	1,251	3,142
INSS - Social security	184	194	6,588	9,383
PIS - Social integration program	930	511	1,244	703
COFINS - Social security financing contribution	4,392	2,475	5,908	3,427
Installment of tax debts	902	902	3,874	10,942
ISS - Municipal service tax	-	-	4,482	6,753
IOF - Tax on financial operations	252	45	743	309
Other	40	162	5,413	6,647
	6,703	4,321	29,503	41,306
Current	6,703	4,321	27,233	33,726
Non-current	-	-	2,270	7,580
	6,703	4,321	29,503	41,306

5.14 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Result before income tax and social contribution	(272,590)	26,470	(372,596)	54,706
Income tax and social contribution expense at nominal rate (34%)	92,681	(8,999)	126,683	(18,600)
Adjustments to determine the effective rate				
Equity pick-up	(91,652)	20,068	823	1,615
Result of companies abroad	-	-	3,931	(879)
Exploration profit	-	-	-	27,974
Unrecognized NOLs and temporary differences ⁽ⁱ⁾	3,190	(6,976)	(33,770)	(36,676)
Non-deductible expenses (donations, gifts, etc.)	(1)	(1)	22	(82)
Effect of amortization of goodwill	(4,217)	(4,217)	318	318
Other	(1)	9	825	(1,481)
Tax and social contribution (current and deferred)	-	(116)	98,832	(27,811)
Effective rate - %	0.00%	0.44%	26.53%	50.84%

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

b) Deferred income tax assets and liabilities

The tax effects of temporary differences that give rise to significant parts of the Company's deferred tax assets and liabilities are shown below:

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Assets credits from:				
Tax losses carry forwards - income tax	257,840	250,279	1,870,257	1,782,085
Tax losses of social contribution	103,637	100,914	685,533	653,792
Temporary differences:				
Provision for judicial demands	17,497	18,015	200,272	200,872
Impairment provision	30,327	30,327	197,206	203,057
Allowance for doubtful accounts	633	642	15,065	14,648
Provision for non-performing tax	-	-	41,642	41,295
Provision for profit sharing	4	3,887	6,596	39,545
Exchange variation - Loans and financing ⁽ⁱ⁾	25,981	2,826	596,912	68,532
Review of useful life - Fixed assets	-	-	664,249	666,017
Fair value adjustment on debts	15,257	22,773	485,548	174,596
Temporary differences from other provisions	4,552	-	86,429	80,405
Business combination - Fixed assets	1,965	1,885	41,652	49,293
Other	9,006	12,291	161,095	122,318
Deferred taxes - Assets	466,699	443,839	5,052,456	4,096,455
(-) Unrecognized deferred assets credits	(342,239)	(345,429)	(2,212,473)	(2,183,537)
Liabilities credits from:				
Temporary differences:				
Tax goodwill amortized	-	-	(24,838)	(24,838)
Lease liabilities	(815)	(809)	(35,401)	(36,589)
Unrealized result from derivatives	(57,871)	(31,441)	(1,354,483)	(556,031)
Review of useful life - Fixed assets	(1,577)	(965)	-	-
Business combination - Intangible assets	(64,197)	(65,195)	(2,566,719)	(2,573,178)
Other	-	-	(40,236)	(38,649)
Deferred taxes - Liabilities	(124,460)	(98,410)	(4,021,677)	(3,229,285)
Total deferred taxes	-	-	(1,181,694)	(1,316,367)
Deferred assets	-	-	1,260,461	1,174,484
Deferred liabilities	-	-	(2,442,155)	(2,490,851)
Total	-	-	(1,181,694)	(1,316,367)

- (i) The Company opted for the cash regime for the taxation of the exchange variation of loans and financing for the period ended on March 31, 2020.

c) Realization of deferred income tax and social contribution

At the end of the fiscal year 2019, the Company evaluated the term for offsetting its deferred assets tax credits on tax losses, negative social contribution base, and temporary differences by projecting its taxable income over the term of the concessions. The projection was based on economic assumptions of inflation and interest, volume transported based on the growth of agricultural production and exports projected in its areas of operation and market conditions for its services, validated by management. In the quarter ended on March 31, 2020, the Company evaluated the observed impacts of the COVID-19 pandemic and judged that the potential effects should not affect the medium and long-term projections to the point of impairing the realization of the balances.

d) Deferred tax movements

	Consolidate
At January 1, 2020	<u>(1,316,367)</u>
Result	134,454
Other	219
At March 31, 2020	<u><u>(1,181,694)</u></u>

e) Analytical movement of deferred tax

i. Deferred tax assets

	Tax loss and negative basis	Employee benefits	Provisions	Fixed asset	Unregistered credits	Other	Total
At January 1, 2020	2,435,877	47,483	540,277	666,017	(1,893,494)	182,912	1,979,072
(Charged) / credited to the result of the period	119,912	(31,879)	333	(1,768)	(39,798)	37,716	84,516
Exchange differences	-	-	-	-	(23,155)	528,380	505,225
At March 31, 2020	2,555,789	15,604	540,610	664,249	(1,956,447)	749,008	2,568,813

ii. Deferred tax liabilities

	Intangible	Unrealized income from derivatives	Lease liabilities	Adjustment to fair value of debt	Unregistered credits	Other	Total
At January 1, 2020	(2,573,178)	(556,031)	(36,589)	174,596	(290,044)	(14,194)	(3,295,440)
(Charged) / credited to the result of the period	6,459	(798,452)	1,299	310,952	34,017	(9,515)	(455,240)
from comprehensive results	-	-	(111)	-	-	284	173
At March 31, 2020	(2,566,719)	(1,354,483)	(35,401)	485,548	(256,027)	(23,425)	(3,750,507)

5.15 Provision for judicial demands

On March 31, 2020, and December 31, 2019, the Company records provisions for legal claims in relation to:

Provision for judicial demands				
	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Taxes	2,203	2,453	79,291	79,006
Civil, regulatory and environmental	8,140	7,791	141,234	137,081
Labor	36,150	37,833	259,617	264,856
	46,493	48,077	480,142	480,943

Judicial deposits				
	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Taxes	6,316	6,485	38,172	37,999
Civil, regulatory and environmental	2,279	2,172	175,880	178,033
Labor	14,696	14,149	205,440	199,214
	23,291	22,806	419,492	415,246

Changes in provisions for legal claims:

	Parent Company			
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2020	2,453	7,791	37,833	48,077
Provision in the period	-	39	1,058	1,097
Settlement or write-offs	(258)	-	(3,583)	(3,841)
Monetary restatement ⁽ⁱ⁾	8	310	842	1,160
At March 31, 2020	2,203	8,140	36,150	46,493

	Consolidated			
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2020	79,006	137,081	264,856	480,943
Provision in the period	133	1,626	9,379	11,138
Settlement or write-offs	(234)	(3,091)	(19,912)	(23,237)
Monetary restatement ⁽ⁱ⁾	386	5,618	5,294	11,298
At March 31, 2020	79,291	141,234	259,617	480,142

(i) Includes write-off of interest.

The Company has debts guaranteed by assets or even through a cash deposit, bank guarantee or guarantee insurance.

a) Probable losses

- **Taxes:** The main tax proceedings for which the risk of loss is probable are described below:

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
ICMS credit ⁽ⁱ⁾	-	-	51,083	50,921
PIS and COFINS	-	-	2,033	2,023
INSS - National Social Security Institute	657	654	23,442	23,175
Other	1,546	1,799	2,733	2,887
	2,203	2,453	79,291	79,006

- (i) The amount provisioned refers especially to tax assessment notices related to ICMS credits originating from materials used in the production process, but which, in the firm understanding, such materials would be classified as “use and consumption”, not generating the right to credit.

b) Possible losses

The main processes for which we consider the risk of loss possible are described below:

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Taxes	1,019,396	1,013,112	2,680,510	2,651,196
Civil, regulatory and environmental	286,423	278,115	3,441,707	3,402,591
Labor	114,095	113,049	875,027	875,178
	1,419,914	1,404,276	6,997,244	6,928,965

- **Taxes:**

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Capital gain	84,167	83,734	84,167	83,734
Isolated fine federal tax	470,905	467,718	486,924	483,577
IRPJ/CSLL	264,255	262,384	477,895	474,832
ICMS	78	78	854,748	839,812
IRRF	54,452	54,008	132,266	131,402
PIS/COFINS	3,932	4,600	155,793	155,411
Foreign financial operations	-	-	28,855	28,701
MP 470 installment debts	-	-	115,504	115,080
Stock option plan	60,260	59,956	70,438	70,072
IOF on mutual	53,973	53,765	53,973	53,765
Compensation with credit award	-	-	45,077	44,784
Other	27,374	26,869	174,870	170,026
	1,019,396	1,013,112	2,680,510	2,651,196

- **Civil, regulatory and environmental:**

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Civil	255,504	247,614	2,154,281	2,080,218
Regulatory	29,789	29,525	766,668	802,906
Environmental	1,130	976	520,758	519,467
	286,423	278,115	3,441,707	3,402,591

- **Labor:**

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Labor claims	114,095	113,049	875,027	875,178
	114,095	113,049	875,027	875,178

5.16 Leases and concessions in dispute

	March 31, 2020			December 31, 2019
	Leases	Concessions	Total	Total
<u>Amounts payables:</u>				
Rumo Malha Sul	-	36,239	36,239	36,621
Rumo Malha Paulista	-	19,853	19,853	20,003
	-	56,092	56,092	56,624
<u>Amounts under judicial discussions:</u>				
Rumo Malha Paulista	1,906,059	-	1,906,059	1,870,018
Rumo Malha Oeste	1,466,648	88,722	1,555,370	1,528,238
	3,372,707	88,722	3,461,429	3,398,256
Total	3,372,707	144,814	3,517,521	3,454,880
Current			9,945	9,847
Non-current			3,507,576	3,445,033
			3,517,521	3,454,880

Judicial deposits related to the aforementioned lawsuits total:

	March 31, 2020	December 31, 2019
Rumo Malha Paulista	119,806	119,806
Rumo Malha Oeste	22,119	21,703
	141,925	141,509

Judicial deposits are accounted for in the “regulatory” group, according to Note 5.15.

Still within the scope of the disputes involving the Malha Oeste, in January 2020 the National Land Transport Agency (ANTT) decided to initiate an Ordinary Administrative Proceeding to generate a conclusive report as to the suitability, or not, of the declaration of expiry of the concession of the Malha Oeste by the Union. The analysis will be conducted by a commission to be appointed by the Infrastructure and Railroad Cargo Transport Services area.

Management, supported by the opinion of its lawyers, assesses the risk of loss as possible.

5.17 Shareholders' equity

a) Share capital

The subscribed and fully paid-in capital on March 31, 2020, and December 31, 2019, is R\$ 9,654,897 and is represented by 1,559,015,898 registered, book-entry common shares with no par value.

As of March 31, 2020, the Company's capital stock consists of the following:

	Ordinary shares	
	Quantity	%
Shareholders		
Cosan Logística S.A.	443,843,194	28.47%
Julia Arduini	59,511,402	3.82%
Board of Directors	1,912,620	0.12%
Free Float	1,053,748,682	67.59%
Total of Outstanding Shares	1,559,015,898	100.00%

b) Tax incentives - SUDAM

Rumo Malha Norte obtained through the Amazon Development Superintendence - SUDAM the right to a reduction in corporate income tax - IRPJ and additional non-refundable taxes calculated on the operating profit, as it is located in the coverage area of the Legal Amazon and as the transport sector is considered a priority enterprise for regional development.

For the period ended March 31, 2020, there was no reduction effect due to the tax loss assessed by the subsidiary Rumo Malha Norte (R\$ 27,974 on March 31, 2019).

6 Detailed information on income statement

6.1 Net operating revenue

The following is an analysis of the Company's revenue:

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Gross revenue from sales of services	174,618	169,660	1,498,350	1,722,438
Taxes and deductions on sales of services	(9,725)	(8,910)	(74,787)	(87,492)
Net revenue	164,893	160,750	1,423,563	1,634,946

6.2 Costs and expenses by nature

Expenses are presented in the income statement by function. The reconciliation of income by nature / purpose is as follows:

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Material for use and consumption	(162)	(105)	(29,710)	(33,114)
Employee benefit expense	(31,435)	(3,836)	(237,114)	(224,055)
Depreciation and amortization	(25,218)	(25,571)	(419,186)	(422,455)
Third-party services expense	(1,704)	(2,092)	(87,798)	(75,859)
Transportation and elevation expenses	(92,241)	(101,701)	(366,348)	(418,324)
Other expenses	(4,714)	(7,555)	(35,832)	(65,120)
	(155,474)	(140,860)	(1,175,988)	(1,238,927)
Cost of services provided	(119,997)	(130,207)	(1,071,168)	(1,153,475)
Selling expenses	43	(78)	(9,152)	(2,843)
General and administrative expenses	(35,520)	(10,575)	(95,668)	(82,609)
	(155,474)	(140,860)	(1,175,988)	(1,238,927)

6.3 Other operating income (expenses), net

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net effect of judicial proceedings	(35)	(8,018)	(19,048)	(22,487)
Rental and leases revenue	6,300	3,360	-	-
Result on sale of scrap / eventual	7,035	955	7,252	9,234
Amortization of right-of-use ⁽ⁱ⁾	-	-	(24,206)	-
Result on disposals of fixed assets and intangible assets	-	-	1,229	(505)
Extemporaneous tax credits	91	-	11,676	-
Settlement of disputes in the renewal process ⁽ⁱⁱ⁾	-	-	(63,509)	-
Other	(1,563)	(424)	(5,297)	(7,769)
	11,828	(4,127)	(91,903)	(21,527)

- (i) The depreciation of the right-of-use assets of Malha Central is being presented as "Other operating expenses" while the entity is not generating revenues".
- (ii) Administrative and judicial disputes involving the Granting Authority and Malha Paulista, whose discussion the Company waived as a prerequisite for the conclusion of the process of early renewal of the concession, one of the requirements imposed by the Federal Court of Audit (TCU).

6.4 Financial results

The details of financial income and costs are as follows:

	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cost of gross debt				
Interest and monetary variation	(61,219)	(24,946)	(208,013)	(175,756)
Net exchange rate changes on debts	(68,157)	(1,149)	(1,567,390)	(26,452)
Result from derivatives and fair value	104,494	(7,672)	1,465,498	4,071
Amortization of funding expenses	(2,953)	(373)	(10,092)	(13,099)
Guarantees and warranties on loans	(928)	(5,161)	(5,467)	(13,084)
	(28,763)	(39,301)	(325,464)	(224,320)
Cash investment income	11,907	1,303	27,868	33,306
	11,907	1,303	27,868	33,306
Cost of debt, net	(16,856)	(37,998)	(297,596)	(191,014)
Other charges and monetary variations				
Interest on other receivables	371	207	8,522	4,595
Lease and concessions in dispute	-	-	(34,792)	(48,611)
Lease liabilities	(7)	(18)	(133,976)	(47,422)
Banking expenses and other	(393)	(226)	(12,782)	(14,293)
Interest on contingencies and commercial contracts	(33)	(9,417)	(50,245)	(26,639)
Foreign exchange e derivatives	(6,715)	(776)	(8,374)	(548)
Interest on other liabilities	(639)	(90)	(1,445)	(604)
	(7,416)	(10,320)	(233,092)	(133,522)
Finance result, net	(24,272)	(48,318)	(530,688)	(324,536)
Reconciliation				
Financial expenses	(37,142)	(47,628)	(456,812)	(343,386)
Financial income	12,277	1,614	36,390	41,778
Exchange variation	(74,873)	(1,925)	(1,575,764)	(26,945)
Derivatives	75,466	(379)	1,465,498	4,017
Finance result, net	(24,272)	(48,318)	(530,688)	(324,536)

6.5 Share-based payment

The following share-based payment agreements:

Stock Grants Plans	Lack period (years)	Grant date	Interest rate	Volatility	Granted shares	Exercised / cancelled	Effective on December 31, 2019	Market price on grant date - R\$	Fair value on grant date - R\$
2015 Plan	5	October 1, 2015	11.33%	42.75%	1,485,900	(258,300)	1,227,600	6.10	6.10
2016 Plan	5	January 2, 2017	11.33%	42.75%	1,476,000	(226,900)	1,249,100	6.10	6.10
2017 Plan	5	September 1, 2017	9.93%	29.76%	870,900	(131,300)	739,600	10.42	10.42
2018 Plan	5	August 1, 2018	10.93%	31.97%	1,149,544	(155,621)	993,923	13.94	13.94
2019 Plan	5	August 15, 2019	6.28%	27.46%	843,152	(18,367)	824,785	22.17	22.17
					5,825,496	(790,488)	5,035,008		

a) Reconciliation of shares granted in circulation

The movement in the number of outstanding premiums and their related weighted average exercise prices are as follows:

	<i>Stock option</i> Rumo S.A		<i>Stock grant</i> Rumo S.A
	Number of options	Average exercise price	Number of shares
At January 1, 2020	150,662	57.06	5,228,186
Exercised / delivered	-	-	(83,764)
Lost / cancelled	(51,311)	60.77	(109,414)
At March 31, 2020	99,351	56.60	5,035,008

b) Expense recognized in profit or loss

In the period ended on March 31, 2020, R\$ 3,148 was recognized as expenses related to the appropriation of the "Stock Grant" Plans (R\$ 2,238 on March 31, 2019).

6.6 Earnings per share

Basic earnings per share are calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting earnings and the number of shares by the impacts of potentially dilutive instruments.

The following table shows the calculation of earnings per share (in thousands, except per share) for the period ended March 31, 2020, and 2019:

Basic and diluted

	March 31, 2020	December 31, 2019
Result for the period	(272,590)	26,354
Diluted effects:		
Dilutive effect - Brado Logística	-	(40)
Diluted result for the period attributable to controlling shareholders	(272,590)	26,314
Denominator:		
Weighted average number of common share	1,559,115	1,559,214
Diluted effects:		
Dilutive effect - Brado Logística	-	3,264
Dilutive effect - Stock option plan	-	3,986
Weighted average number of common share - diluted	1,559,115	1,566,464
Basic earnings per common share	(R\$0.17484)	R\$0.01690
Diluted earnings per common share	(R\$0.17484)	R\$0.01680

Thinning instruments

The non-controlling shareholders of the indirect subsidiary Brado, are entitled to exercise the Liquidity Option provided for in the shareholders' agreement signed on August 5, 2013. This option consists of replacing the totality of the shares held by said non-controlling shareholders with a number of shares determined according to the established exchange ratio, which takes into account the economic value to be established for both the Brado business and the Company's business. At the Company's sole discretion, an equivalent cash payment is also possible. The assumptions of value and form of settlement are subject to the decision of the arbitration procedure and on March 31, 2020, the effect is antidilutive, while on March 31, 2019, it is the best estimate of 3,264 shares, with dilutive effect, which are therefore considered in the analysis of diluted earnings per share.

The Company has share-based compensation plans, as detailed in note 6.5, whose instruments (restricted options or shares). As of March 31, 2020, and 2019, they have no dilutive effect.



Independent Auditor's Report on the Individual and Consolidated Financial Statements

To the Board of Directors and Shareholders of

Rumo S.A.

Curitiba – PR

Opinion

We have audited the individual and consolidated financial statements of Rumo S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the balance sheet as at December 31, 2019, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Rumo S.A. as at December 31, 2019, and its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the section "Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements" of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), 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 individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred taxes assets - Parent and Consolidated

See notes 2.2. and 5.14 of the financial statements - Parent and Consolidated

Key audit matters	How our audit addressed this matter
<p>The Company's subsidiary Rumo Malha Paulista S.A. recognized deferred taxes asset related to temporary differences and tax loss carry-forward, which are considered recoverable based on the generation of future taxable profits.</p> <p>The estimated availability of future taxable profits requires judgment for the projections and interpretation of tax laws. The recoverable amount of the deferred taxes assets recognized may vary significantly if different assumptions are applied to the projection of future taxable profits and to the capacity to use tax loss carry-forward, which may impact the deferred taxes assets recognized in the consolidated financial statements and at the effective tax rate of the period, as may also impact the equity method and consequently the investment recognized in the financial statements of the parent company and the corresponding disclosures. For these reasons, this matter was considered significant for our audit.</p>	<p>We evaluated the key 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 for the previous year with the actual results incurred in order to confirm the reliability of the projections of future results. With the assistance of our corporate finance specialists, we evaluated the main assumptions used to support the projection of future taxable profits, including (i) expectations of loading related to the production of sugar and grains; (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 consider the appropriateness of the application of tax laws and tax deductions in calculating the deferred taxes. We also assessed whether the projections indicated sufficient future taxable profits against which the tax loss carry-forward and deductible temporary differences could be used, as well as the adequacy of the disclosures made in the financial statements.</p> <p>Based on the evidence obtained from the procedures described above, we considered that the amount of deferred taxes assets and the corresponding disclosures are acceptable in the context of financial statements taken as a whole, for the year ended December 31, 2019.</p>

Other matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subjected to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement and are consistent with the overall individual and consolidated financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

operations.

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

Auditors' responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the individual and 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 individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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. 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 individual and 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, February 13, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6

José Carlos da Costa Lima Junior
Accountant CRC 1SP243339/O-9

Balance sheets
(In thousands of Brazilian Reals - R\$)

	Note	Parent Company		Consolidated	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets					
Cash and cash equivalents	5.2	700,706	595	1,963,014	141,527
Marketable securities	5.3	511,725	114,430	1,751,853	2,843,074
Trade receivables	5.4	15,111	15,725	385,563	417,339
Inventories	5.10	1,036	1,030	248,456	263,386
Receivables from related parties	4.3	16,762	107,151	11,670	19,400
Income tax and social contribution recoverable		16,343	5,751	138,005	57,082
Other recoverable taxes	5.9	30,618	7,934	347,316	195,176
Dividends and interest on own capital receivable		674	33,044	644	-
Other assets		9,510	12,164	102,962	137,005
Current		1,302,485	297,824	4,949,483	4,073,989
Trade receivables	5.4	5,422	9,099	13,686	20,723
Restricted cash	5.3	3,511	3,416	147,910	115,124
Income tax and social contribution recoverable		-	-	168,089	260,330
Deferred income tax and social contribution	5.14	-	-	1,174,484	1,046,195
Receivables from related parties	4.3	3,326	3,326	36,394	27,675
Other recoverable taxes	5.9	-	-	663,584	796,794
Judicial deposits	5.15	22,806	21,109	415,246	369,490
Derivative financial instruments	5.8	92,795	322	1,624,023	892,461
Other assets		3,974	5,802	31,599	76,631
Investments in subsidiaries and associates	5.11	11,664,792	10,363,142	52,013	44,001
Property, plant and equipment	5.12.1	125,601	133,266	11,770,168	11,916,818
Intangible assets	5.12.2	349,656	388,769	7,375,033	7,493,882
Right-of-use	5.12.3	-	-	4,410,952	-
Non-current		12,271,883	10,928,251	27,883,181	23,060,124
Total assets		13,574,368	11,226,075	32,832,664	27,134,113

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

Balance sheets
(In thousands of Brazilian Reals - R\$)

	Note	Parent Company		Consolidated	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Liabilities					
Loans, financing and debentures	5.5	969,054	172,838	1,064,846	924,904
Lease liabilities	5.6	192	342	534,245	120,491
Trade payables	5.7	55,109	44,730	513,325	451,619
Salaries payable		12,065	12,850	216,685	207,397
Current income and social contribution taxes		208	182	7,658	7,733
Other taxes payable	5.13	4,321	6,480	33,726	46,717
Dividends and interest on own capital payable		5,250	5,250	7,146	6,495
Leases and concessions in dispute	5.16	-	-	9,847	28,797
Payables to related parties	4.3	47,895	103,469	139,747	156,169
Deferred income		2,802	2,802	7,601	9,473
Other financial liabilities	3.1	-	-	410,952	337,705
Other payables		9,003	16,332	91,274	175,818
Current		1,105,899	365,275	3,037,052	2,473,318
Loans, financing and debentures	5.5	2,222,997	1,348,526	10,654,891	9,669,477
Lease liabilities	5.6	-	171	3,994,895	432,859
Derivative financial instruments	5.8	-	-	482	-
Other taxes payable	5.13	-	-	7,580	3,755
Provision for judicial demands	5.15	48,077	39,871	480,943	514,652
Leases and concessions in dispute	5.16	-	-	3,445,033	3,179,771
Provision for capital deficiency	5.11	1,791,179	1,374,950	-	-
Payables to related parties	4.3	29,925	28,950	-	-
Deferred income tax and social contribution	5.14	-	-	2,490,851	2,436,797
Deferred income		18,912	21,714	48,036	42,044
Other payables		13,103	18,418	58,614	86,817
Non-current		4,124,193	2,832,600	21,181,325	16,366,172
Total liabilities		5,230,092	3,197,875	24,218,377	18,839,490
Equity	5.17				
Share capital		9,654,897	9,654,897	9,654,897	9,654,897
Capital reserve		2,472,559	2,462,045	2,472,559	2,462,045
Equity valuation adjustments		21,077	18,907	21,077	18,907
Profit reserve		305,728	266,817	305,728	266,817
Accumulated losses		(4,109,985)	(4,374,466)	(4,109,985)	(4,374,466)
		8,344,276	8,028,200	8,344,276	8,028,200
Equity attributable to:					
Owners of the Company		8,344,276	8,028,200	8,344,276	8,028,200
Non-controlling interests	5.11	-	-	270,011	266,423
Total equity		8,344,276	8,028,200	8,614,287	8,294,623
Total liabilities and equity		13,574,368	11,226,075	32,832,664	27,134,113

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

Statements of income
(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net revenue from services	6.1	596,415	645,088	7,087,840	6,584,936
Cost of services	6.2	(484,314)	(485,171)	(4,608,781)	(4,465,634)
Gross profit		112,101	159,917	2,479,059	2,119,302
Selling expenses	6.2	107	(28)	(6,983)	(12,872)
General and administrative expenses	6.2	(25,649)	(35,055)	(356,622)	(300,564)
Other incomes (expenses), net	6.3	11,684	7,037	(24,084)	(65,302)
Operating expenses		(13,858)	(28,046)	(387,689)	(378,738)
Result before equity in earnings of investees and net financial results		98,243	131,871	2,091,370	1,740,564
Equity income on investments	5.11	847,694	286,849	21,876	10,179
Equity result on investments		847,694	286,849	21,876	10,179
Result before financial results and income tax and social contribution		945,937	418,720	2,113,246	1,750,743
Financial expenses		(261,996)	(133,110)	(1,871,188)	(1,518,125)
Financial incomes		24,012	15,619	202,532	223,984
Foreign exchange, net		(10,448)	(15,664)	(205,839)	(668,063)
Derivatives		81,723	322	676,368	752,869
Financial results, net	6.4	(166,709)	(132,833)	(1,198,127)	(1,209,335)
Results before income tax and social contribution		779,228	285,887	915,119	541,408
Income tax and social contribution	5.14				
Current		(991)	(21,530)	(160,787)	(66,843)
Deferred		-	-	31,539	(201,598)
		(991)	(21,530)	(129,248)	(268,441)
Result for the year		778,237	264,357	785,871	272,967
Total result attributable to:					
Owners of the Company		778,237	264,357	778,237	264,357
Non-controlling interests		-	-	7,634	8,610
Earning per share from:	6.6				
Basic				R\$0.49914	R\$0.16955
Diluted				R\$0.49768	R\$0.16917

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

Statements of comprehensive income
(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Result for the year	778,237	264,357	785,871	272,967
Items that won't be reclassified to profit and loss				
Actuarial losses with pension plan	(499)	(1,540)	(580)	(1,729)
Taxes on actuarial losses	-	-	81	189
	(499)	(1,540)	(499)	(1,540)
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation adjustment effect	3,215	12,722	3,215	12,722
	3,215	12,722	3,215	12,722
Other comprehensive result, net of income tax and social contribution	2,716	11,182	2,716	11,182
Total comprehensive result	780,953	275,539	788,587	284,149
Comprehensive result attributable to:				
Owners of the Company	780,953	275,539	780,953	275,539
Non-controlling interest	-	-	7,634	8,610

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

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

	Attributable to shareholders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Capital reserve	Profit reserve	Equity valuation adjustments	Retained earnings (loss)			
At December 31, 2018	9,654,897	2,462,045	266,817	18,907	(4,374,466)	8,028,200	266,423	8,294,623
Adjustment on initial application of CPC 06 (R2) / IFRS 16	-	-	-	-	(475,391)	(475,391)	-	(475,391)
At January 1, 2019	9,654,897	2,462,045	266,817	18,907	(4,849,857)	7,552,809	266,423	7,819,232
Result for the year	-	-	-	-	778,237	778,237	7,634	785,871
Other comprehensive income:								
Foreign currency translation effects	-	-	-	3,215	-	3,215	-	3,215
Actuarial loss on defined benefit plan	-	-	-	(499)	-	(499)	-	(499)
Adjustment of attributed cost in associates	-	-	-	(546)	546	-	-	-
Total comprehensive income, net of taxes	-	-	-	2,170	778,783	780,953	7,634	788,587
Contributions and distributions to shareholders								
Share-based payment transactions	-	10,617	-	-	-	10,617	88	10,705
Effect of dividend distribution to non-controlling shareholders	-	(103)	-	-	-	(103)	103	-
Legal reserve	-	-	38,911	-	(38,911)	-	-	-
Dividends	-	-	-	-	-	-	(4,237)	(4,237)
Total of contributions and distributions to shareholders	-	10,514	38,911	-	(38,911)	10,514	(4,046)	6,468
At December 31, 2019	9,654,897	2,472,559	305,728	21,077	(4,109,985)	8,344,276	270,011	8,614,287

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

Statements of changes in equity
(In thousands of Brazilian Reals - R\$)

	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Profit reserve	Equity valuation adjustments	Retained earnings (loss)	Total	Non-controlling interest	Total equity
At December 31, 2017	9,654,897	2,459,859	253,599	7,812	(4,624,707)	7,751,460	267,921	8,019,381
Adjustment on initial application of CPC 48 / IFRS 9	-	-	-	-	(985)	(985)	(3)	(988)
At January 1, 2018	9,654,897	2,459,859	253,599	7,812	(4,625,692)	7,750,475	267,918	8,018,393
Result for the year	-	-	-	-	264,357	264,357	8,610	272,967
Other comprehensive income:								
Foreign currency translation effects	-	-	-	12,722	-	12,722	-	12,722
Actuarial loss on defined benefit plan	-	-	-	(1,540)	-	(1,540)	-	(1,540)
Adjustment of attributed cost in associates	-	-	-	(87)	87	-	-	-
Total comprehensive income, net of taxes	-	-	-	11,095	264,444	275,539	8,610	284,149
Contributions and distributions to shareholders								
Share-based payment transactions	-	7,352	-	-	-	7,352	-	7,352
Effect of dividend distribution to non-controlling shareholders	-	(191)	-	-	-	(191)	191	-
Legal reserve	-	-	13,218	-	(13,218)	-	-	-
Dividends	-	-	-	-	-	-	(2,955)	(2,955)
Total of contributions and distributions to shareholders	-	7,161	13,218	-	(13,218)	7,161	(2,764)	4,397
Transactions with owners of the Company								
Change of shareholding interest in subsidiary	-	(4,975)	-	-	-	(4,975)	(7,341)	(12,316)
Total of transactions with owners of the Company	-	(4,975)	-	-	-	(4,975)	(7,341)	(12,316)
At December 31, 2018	9,654,897	2,462,045	266,817	18,907	(4,374,466)	8,028,200	266,423	8,294,623

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

Statements of cash flows
(In thousands of Brazilian Reals - R\$)

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cash flow from operating activities				
Result before income taxes and social contribution	779,228	285,887	915,119	541,408
Adjustments for:				
Depreciation and amortization	102,956	99,801	1,716,182	1,491,306
Equity pick-up from controlled and associated companies	(847,694)	(286,849)	(21,876)	(10,179)
Provision for profit sharing and bonuses	1,482	10,512	119,512	93,153
Result on disposal of fixed and intangible assets	-	-	(4,454)	(29,231)
Provision for legal proceedings	15,907	9,123	73,065	79,283
Loss (gain) due to reduction in the recoverable amount of accounts receivable	(126)	28	(10,836)	(1,939)
Share-based payment transactions	10,472	7,352	10,705	7,352
Lease and concessions	-	-	-	199,405
Extemporaneous tax credits	(13,244)	-	(40,447)	-
Interest, indexation charges and exchange variations, net	158,048	113,691	1,246,499	1,161,542
Other	(9,625)	(2,868)	(90,271)	(31,162)
	197,404	236,677	3,913,198	3,500,938
Changes in:				
Trade receivables	12,357	15,021	135,664	(31,948)
Related parties, net	38,497	13,641	(10,531)	3,143
Other taxes, net	(13,963)	1,236	(130,606)	(130,834)
Inventories	(7)	(526)	13,185	23,704
Salaries payable	(2,267)	(16,858)	(110,100)	(53,063)
Trade payables	7,285	(1,067)	12,344	(206,964)
Lease and concessions payable	-	-	-	(105,848)
Provision for judicial demands	(26,490)	(8,472)	(145,421)	(101,679)
Other financial liabilities	(73)	-	50,808	14,300
Other assets and liabilities, net	(15,430)	(50,567)	(203,739)	(207,036)
	(91)	(47,592)	(388,396)	(796,225)
Net cash generated by operating activities	197,313	189,085	3,524,802	2,704,713
Cash flow from investing activities				
Capital increase in subsidiary	(1,465,809)	(826,421)	-	-
Sales (purchases) of marketable securities	(389,760)	321,293	1,169,290	467,432
Restricted cash	(96)	(94)	(31,456)	111,664
Reduction of invested capital	10,665	23,000	-	-
Dividends received from controlled and associated companies	921,653	497,627	6,969	6,458
Additions to property, plant and equipment and intangible assets	(6,514)	(8,651)	(1,943,063)	(1,996,746)
Proceeds from the merger of subsidiaries	-	2,410	-	-
Net cash generated (used in) by investing activities	(929,861)	9,164	(798,260)	(1,411,192)
Cash flow from financing activities				
Loans, financing and debentures raised	1,663,987	200,000	2,402,347	3,113,130
Repayment of principal on loans, financing and debentures	(174,150)	(333,218)	(1,945,040)	(3,172,817)
Payment of interest on loans, financing and debentures	(47,431)	(48,359)	(645,519)	(724,579)
Repayment of principal on financing leases	(320)	(272)	(416,419)	(384,752)
Payment of interest on financing leases	(57)	(90)	(246,360)	(150,799)
Repayments of principal on real estate receivables certificate	-	(4,898)	-	(91,746)
Payments of interest on real estate receivables certificate	-	(97)	-	(97)
Acquisition of non-controlling interests	-	(12,316)	-	(12,316)
Payment derivative financial instruments	(9,370)	-	(52,767)	(59,583)
Receiving derivative financial instruments	-	666	2,047	30,104
Dividends paid	-	-	(4,233)	(3,346)
Net cash generated (used in) by financing activities	1,432,659	(198,584)	(905,944)	(1,456,801)
Impact of exchange variation on cash and cash equivalents	-	-	889	126,803
Increase (decrease) in cash and cash equivalents, net	700,111	(335)	1,821,487	(36,477)
Cash and cash equivalents at beginning of the exercise	595	930	141,527	178,004
Cash and cash equivalents at end of the exercise	700,706	595	1,963,014	141,527
Additional information:				
Income tax and social contribution paid	5,815	3,040	31,928	13,423

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

Statements of cash flows
(In thousands of Brazilian Reals - R\$)

- **Transactions that did not involve cash**

Recognition of tax assets related to the exclusion of a sales and service tax that applies to goods, transportation and communication, or "ICMS", from the calculation basis of PIS and COFINS contributions in the amount of R\$ 50,367 in 2019, of which R\$ 40,477 are recorded under the heading "Recovery of tax credits" and R\$ 9,890 under "Indexing, interest and exchange rates, net".

Capital increase of subsidiary Rumo Luxembourg in the amount of R\$ 61,164 through the use of related party credit, without cash use in the year.

Acquisition of assets with payment in installments of R\$ 53,621 in 2019 (R\$ 23,537 in 2018)

Registration of rights of use in the amount of R\$ 2,916,632 related to new contracts covered by the leasing standard (Note 5.12.3) in 2019.

- **Presentation of interest and dividends**

The Company classifies dividends and interest on equity received as cash flow from investment activities, in order to avoid distortions in its operating cash flows due to the cash from these operations.

Interest, received or paid is classified as cash flow in financing activities, as it considers that they refer to the costs of obtaining financial resources.

Statements of value added
(In thousands of Brazilian Reals - R\$)

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenue				
Sales of products and services net of returns	633,856	689,320	7,473,729	6,988,737
Other operating revenue, net	1,087	4,292	18,613	84,009
Gain (loss) due to reduction in the recoverable amount of accounts receivable	126	(28)	10,836	1,939
	635,069	693,584	7,503,178	7,074,685
Raw materials acquired from third parties				
Cost of services rendered	(453,848)	(456,267)	(2,271,263)	(1,485,577)
Materials, energy, third party services, others	73,502	54,311	(20,635)	(1,048,094)
	(380,346)	(401,956)	(2,291,898)	(2,533,671)
Gross value added	254,723	291,628	5,211,280	4,541,014
Retention				
Depreciation and amortization	(102,956)	(99,801)	(1,716,182)	(1,491,306)
	(102,956)	(99,801)	(1,716,182)	(1,491,306)
Net value added	151,767	191,827	3,495,098	3,049,708
Value added transferred in				
Equity in subsidiaries and associates	847,694	286,849	21,876	10,179
Rentals received	14,420	13,440	-	-
Financial incomes	24,012	15,619	202,532	223,984
	886,126	315,908	224,408	234,163
Value added to be distributed	1,037,893	507,735	3,719,506	3,283,871
Distribution of value added				
Employee and social charges	23,173	24,617	806,620	754,496
Remuneration	20,546	22,091	562,447	584,651
Benefits	2,368	2,198	210,998	138,867
Severance Indemnity Fund – FGTS	259	328	33,175	30,978
Taxes and contributions	42,195	68,774	608,458	460,303
Federal	40,736	66,980	477,294	350,722
State	373	692	107,794	84,434
Municipal	1,086	1,102	23,370	25,147
Third party capital remuneration	194,288	149,987	1,518,557	1,796,105
Interest	190,721	148,452	1,400,659	1,433,319
Leasing	3,567	1,535	117,898	362,786
Equity capital remuneration	778,237	264,357	785,871	272,967
Non-controlling interests	-	-	7,634	8,610
Result for the year	778,237	264,357	778,237	264,357
	1,037,893	507,735	3,719,506	3,283,871

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

1 Company and group information

1.1 Operations

Rumo S.A. ("Company" or "Rumo S.A."), is a publicly traded Company with its shares traded on B3 S.A. – Brasil, Bolsa, Balcão ("B3") under the code RAIL3, and its headquarters in the city of Curitiba, State of Paraná, Brazil.

The Company is a service provider in the logistics sector (transportation and elevation), mainly for the export of commodities, offering an integrated solution for transportation, handling, storage and shipping from the production centers to the main ports in the south and southeast of Brazil, and also holds interests in other companies and ventures related to logistic.

The Company operates in the rail transportation segment in Southern Brazil through its subsidiary Rumo Malha Sul S.A. ("Rumo Malha Sul"), and the in Midwest region and State of São Paulo through its 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"). It will also reach the states of Goiás and Tocantins through the subsidiary Rumo Malha Central S.A. ("Rumo Malha Central"). In addition, the subsidiary Brado Logística e Participações S.A. ("Brado") operates in the container segment while Elevações Portuárias S.A. ("Elevações Portuárias") contains terminals for transshipment and terminals for exportation of sugar and grains at the Port of Santos.

Notes to financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

1.2 The concession of railway operations and port terminals

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

Companies	Concession ending	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
Rumo Malha Central	July 2049	North, Midwest and São Paulo State
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2050	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 above subsidiaries and affiliates are subject to the fulfillment of certain conditions set out in the privatization notices and in the concession contracts for railway networks and port terminals. To the extent that there is no substantive control over who should provide the service and there is no substantive price control, IFRIC 12 / ICPC 01 is not applicable to the Company and therefore the assets acquired by it are treated under IFRS 16 / CPC 06 (R2) - Leases IAS 16 / CPC 27 - Property, plant and equipment.

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

1.3 Group information

a) Subsidiaries:

The Company's consolidated financial statements include:

Subsidiaries	Directly and indirectly subsidiaries	
	December 31, 2019	December 31, 2018
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.	99.74%	99.74%
Rumo Malha Central S.A. ⁽ⁱ⁾	100.00%	-
Boswells S.A.	100.00%	100.00%
ALL Argentina S.A.	100.00%	100.00%
Paranaguá S.A.	100.00%	100.00%
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%
Servicios de Inversión Logística Integrales S.A	100.00%	100.00%

(i) The Company was constituted on April 16, 2019.

b) Associates:

The Company has a 30% interest in Rhall Terminais Ltda. (30% in 2018), 19.85% at Termag S.A. (19.85% in 2018), 9.92% at TGG S.A. (9.92% in 2018) and 49.62% at Terminal XXXIX S.A. (49.62% in 2018). Management understands that there is significant influence resulting from the participation of the Company's representative on the associate's board.

c) Group control:

The Company is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística"), which holds 28.47% of its capital. The Company's final parent Company is Cosan Limited, listed on the New York Stock Exchange, or "NYSE" (ticker - CZZ).

2 Basis of preparation and general accounting policies

This section provides information on general bases of preparation, which Management deems useful and relevant to the understanding of these financial statements:

2.1 Declaration of conformity

The individual and consolidated financial statements were prepared in accordance with the accounting policies adopted in Brazil, which comprise the Brazilian Corporate Law, the rules of the Securities and Exchange Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC), which comply with international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB).

The relevant information in the financial statements, and only them, are being disclosed and correspond to those used by Management in its management.

The presentation of the Statements of Value Added (DVA), individual and consolidated, is required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies CPC 09 - Statement of Added Value. IFRS does not require the presentation of this statement. As a consequence, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements.

These consolidated financial statements are prepared based on historical cost, unless otherwise stated.

Certain amounts of comparative balances in note 6.2 - "Costs and expenses by nature" and note 6.4 - "Financial result" have been reclassified to improve the level of detail in the disclosures in these individual and consolidated financial statements. These reclassifications had negligible impacts on the Company's individual and consolidated financial statements.

These individual and consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2020.

2.2 General accounting policies

Specific accounting policies are included in the explanatory notes, while general practices are described below:

a) Use of judgments and estimates

The preparation of the financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed and recognized prospectively, when applicable.

Information on critical judgments, assumptions and estimates of uncertainties in the application of accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the individual notes.

Judgments:

The judgments made in the application of accounting policies that, in Management's understanding, have significant effects on the amounts recognized in the financial statements involve the following topics:

- **Note 5.6 - Lease liabilities:** Term of the lease if the Company is reasonably sure of exercising extension options;

Notes to financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Uncertainties about assumptions and estimates:

The uncertainties related to assumptions and estimates as of December 31, 2019 that have a significant risk of resulting in a material adjustment to the accounting balances of assets and liabilities in the next year involve the following topics:

- **Note 5.4 – Trade receivables:** Measurement of expected credit loss for accounts receivable and contractual assets: main assumptions in determining the weighted average rate of expected loss;
- **Notes 5.12.1 and 5.12.2 - Property, plant, equipment and intangible assets:** Impairment test for intangible assets and goodwill: main assumptions regarding recoverable amounts;
- **Note 5.14 - Income tax and social contribution:** Recognition of deferred tax assets: availability of future taxable income against which deductible temporary differences and tax losses can be used;
- **Note 5.15 - Provision for legal claims:** Recognition and measurement of provisions and contingencies: main assumptions about the probability and magnitude of outflows;
- **Note 6.5 - Share-based payments:** Estimated loss of instruments during the vesting period.
- **Note 2.3 - Fair values:** Measurement of the fair values of financial assets and liabilities based on observable market data.

b) Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil since it is the currency of the primary economic environment in which they operate, generate and consume money. The main functional currencies of subsidiaries located outside Brazil are the U.S. dollar and the Argentinian peso.

Notes to financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Foreign currency transactions are translated into the respective functional currencies of each subsidiary, using the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the presentation date are converted into the functional currency at the exchange rate determined on the presentation date.

Assets and liabilities arising from operations abroad, including goodwill and fair value adjustments resulting from the acquisition, are converted into Brazilian Reais using the exchange rates on the balance sheet date. Income and expenses from operations abroad are converted into Brazilian Reais using the exchange rates on the dates of the transactions.

Foreign currency differences are recognized and presented in other comprehensive income in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the conversion difference is allocated to the interests of non-controlling interests. When an operation abroad is sold or control loss occurs, the amount accumulated in the conversion reserve related to that operation abroad is reclassified to the result as part of the gain or loss on the sale.

The exchange rates of the Brazilian Real (R\$) for the functional currencies of its subsidiaries as of December 31, 2019 and 2018 are:

Currency	December 31, 2019	December 31, 2018
U.S. Dollar	4.0307	3.8748
Argentinian Peso	0.0673	0.1029

2.3 Measurement of fair value

The Company has a control structure established in relation to the measurement of fair values. This includes an assessment team that has overall responsibility for overseeing all significant measurements of fair value, and reports directly to the Board.

Management regularly reviews significant unobservable assumptions and valuation adjustments. If third party information, such as brokerage quotes or pricing services, is used to measure fair values, the treasury assesses evidence obtained from third parties to support the conclusion that these assessments meet the requirements of the Company's policy, including the level of hierarchy.

Significant evaluation issues are reported to the Board. When measuring the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair values are categorized at different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** The entries represent unadjusted quoted prices for identical instruments exchanged in active markets.
- **Level 2:** Inputs include data that can be observed directly or indirectly (except for Level 1), such as prices quoted for similar financial instruments traded in active markets, prices quoted for identical or similar financial instruments exchanged in inactive markets and other observable market data. The fair value of the majority of the Company's investments in securities, derivative contracts and securities.
- **Level 3:** Inputs for the asset or liability that is not based on observable market data (unobservable inputs). Management is required to use its own assumptions about unobservable inputs, as there is little market activity in these instruments or related observable data that can be corroborated on the measurement date.

All estimates resulting from the Company's fair value are included in level 2.

If the data used to measure the fair value of an asset or liability falls at different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety at the level of the fair value hierarchy with more subjectivity.

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Additional information on the assumptions used to measure fair values is included in the following notes:

- i. **6.5** - Share-based payment transactions;
- ii. **5.8** - Derivative financial instruments.

The fair value of the Senior Notes is quoted on the Luxembourg Stock Exchange and is based on the quoted market price as follows:

Loans	Company	December 31, 2019	December 31, 2018
Senior Notes Due 2024	Rumo Luxembourg	107.90%	104.27 %
Senior Notes Due 2025	Rumo Luxembourg	107.27%	94.94 %

The book values and fair value of financial assets and liabilities are as follows:

	Book value		Assets and liabilities measured at fair value	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
			Level 2	Level 2
Assets				
Marketable securities	1,751,853	2,843,074	1,751,853	2,843,074
Derivative financial instruments	1,624,023	892,461	1,624,023	892,461
Total	3,375,876	3,735,535	3,375,876	3,735,535
Liabilities				
Derivative financial instruments	(482)	-	(482)	-
Loans, financing and debentures	(7,036,181)	(5,268,947)	(7,036,181)	(5,268,947)
Total	(7,036,663)	(5,268,947)	(7,036,663)	(5,268,947)

2.4 Significant changes in accounting policies

The Company initially adopted CPC 06 (R2) / IFRS 16 on January 1, 2019. Other new standards are effective as of this date, but do not materially affect the Company's financial statements.

CPC 06 (R2) / IFRS 16 - Leasing Operations

CPC 06 (R2) / IFRS 16 introduced a single model of accounting for leases in the balance sheet of lessees. As a result, the Company, as a lessee, recognized the right-of-use assets that represent its rights to use the underlying assets and the lease liabilities that represent its obligation to make lease payments. Lessor's accounting remains similar to previous accounting policies (the Company has no relevant transactions as lessor).

The Company opted to use the modified retrospective approach, in which the cumulative effect of the initial adoption is recognized as an adjustment to the opening balance of the accumulated results on January 1, 2019. Therefore, the comparative information presented for 2018 has not been restated - or that is, it is presented as previously reported in accordance with CPC 06 / IAS 17 and related interpretations. Details of changes in accounting policies are disclosed below:

(i) In the definition of lease

Previously, the Company determined, at the beginning of the contract, whether it was or contained a lease under ICPC 03 / IFRIC 4 - Complementary Aspects of Leasing Operations. The Company now assesses whether a contract is or contains a lease based on the new lease definition. According to CPC 06 (R2) / IFRS 16, a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

In the transition to CPC 06 (R2) / IFRS 16, the Company chose to apply the practical expedient of maintaining the assessment of which transactions are leases, to which CPC 06 (R2) / IFRS 16 applied. Contracts that were not identified as leases in accordance with CPC 06 (R1) / IAS 17 and ICPC 03 / IFRIC 4 have not been revalued. Therefore, the new definition of lease in accordance with CPC 06 (R2) / IFRS 16 was applied only to contracts entered into or amended on or after January 1, 2019.

(ii) In the treatment as lessee

The Company leases assets, including real estate, railway, port infrastructure, rolling stock (locomotives and wagons), vehicles and IT equipment. As a lessee, the Company previously classified operating or financial leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. In accordance with CPC 06 (R2) / IFRS 16, the Company recognizes the right to use assets and liabilities for most leases - that is, these leases are recorded in the balance sheet.

At the beginning or in the revaluation of a contract that contains a lease component, the Company allocates the consideration of the contract to each lease and non-lease component based on its individual prices.

However, the Company chose not to recognize the right-of-use assets and lease liabilities for some leases of low value assets (for example, IT equipment). The Company recognizes payments associated with these leases as an expense using the straight-line method over the lease term.

The Company presents the book values of the right-of-use assets (including assets previously classified as finance leases) in a specific line in the balance sheet called "Right of use". Likewise, it records the liabilities in a separate account called "Lease liabilities".

(iii) Significant accounting policy

The Company recognizes a right-of-use asset and a lease liability on the lease start date. The right-to-use asset is initially measured at cost and subsequently at cost less any accumulated amortization and impairment losses, and adjusted by certain measurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that were not paid on the start date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined immediately, the Company's incremental loan rate.

The Company applied judgment to determine the lease term for some contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise these options has an impact on the lease term, which significantly affects the value of the lease liabilities and recognized right-of-use assets. Extension and termination options are included in several lease agreements across the Company. These terms are used to maximize operational flexibility in terms of contract management. Most options for extension and termination are exercisable by both participants (lessor and lessee).

(iv) Transition

Previously, the Company granted railroad, port and rolling stock infrastructure concession contracts the same treatment as operating leases in accordance with CPC 06 / IAS 17. Some contracts are adjusted by inflationary indices such as IGP-M or IPCA.

Lease liabilities were measured at the present value of the remaining payments, discounted at the Company's incremental loan rate on January 1, 2019. Right-of-use assets are measured:

- At book value as if CPC 06 (R2) / IFRS 16 had been applied since the start date, discounted by the lessee's incremental loan rate on the date of initial application - the Company applied this approach to its rail infrastructure leases, port and rolling stock; or

- At the amount equivalent to the lease liability, adjusted by the amount of any advance or accumulated payment of the lease - the Company applied this approach to all other leases.

The Company used the following practical expedients when applying CPC 06 (R2) / IFRS 16 to leases previously classified as operating leases in accordance with CPC 06 / IAS 17:

- Applied the exemption for not recognizing right-of-use assets and liabilities for leases with less than 12 months.
- Excluded the initial direct costs of measuring the right-of-use asset on the date of initial application.
- Used delayed perception when determining the lease term, if the contract contained options to extend or terminate the lease.

Leases previously classified and recorded as finance lease in accordance with CPC 06 (R1) / IAS 17 had the book value of the right to use the asset and the lease liability on January 1, 2019 determined by the book value of the lease asset and liability immediately before that date.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

(v) Impact on financial statements

In the transition to CPC 06 (R2) / IFRS 16, the Company recognized additional use rights assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on the transition is summarized below:

	Consolidated January 1, 2019
Non-current assets	
Right-of-use assets	954,555
Provision for impairment	(131,541)
Deferred income tax and social contribution	41,709
Total non-current assets	864,723
Total assets	864,723
Current liabilities	
Lease liabilities	59,318
Total current liabilities	59,318
Non-current liabilities	
Lease liabilities	1,332,389
Leasing and concession	(51,593)
Total non-current liabilities	1,280,796
Total liabilities	1,340,114
Shareholders' equity	
Accumulated losses	(475,391)
Total shareholders' equity	(475,391)
Total liabilities and shareholders' equity	864,723

When measuring lease liabilities for those leases previously classified as operating leases, the Company discounted lease payments using its incremental loan rate on January 1, 2019. The weighted average rate applied was 12.70%.

In addition to recording the additional assets and liabilities highlighted in the previous table, the Company reclassified: R\$ 861,595 of fixed assets (residual value of the right to use assets previously recorded as finance leases) and R\$ 50,167 of other assets (unappropriated operating leases) paid in advance, which includes the costs of the respective usage rights).

Interpretation ICPC 22 / IFRIC 23 - Uncertainty about the Treatment of Income Tax

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of CPC 32 / IAS 12 and does not apply to taxes or fees outside the scope of CPC 32 / IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain treatment taxes.

The Company is subject to examination by the tax authorities, with the five fiscal years generally open. The Company has inspections in progress at various stages of completion, one of which may be completed within the next 12 months. However, at this time, the Company has no uncertainties regarding the treatment of income tax.

There were no identified effects of adopting the ICPC 22 / IFRIC 23 interpretation that would affect the Company's accounting policies and these financial statements.

2.5 New standards and interpretations not yet effective

Certain new rules and changes to the rules will be effective for annual periods beginning after January 1, 2020 and early application is permitted; however, the Company has not previously adopted the following new standards or changes to the standards in the preparation of these consolidated financial statements:

- Changes in references to the conceptual framework in IFRS standards;
- Definition of a business (changes to CPC 15 / IFRS 3);
- Definition of materiality (amendments to CPC 26 / IAS 1 and CPC 23 / IAS 8);
- IFRS 17 Insurance contracts.

The amended standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

3 Business, operations and management of the Company

3.1 Objectives and policies for risk management of financial instruments

This note explains the Company's exposure to financial risks and how these risks may affect the group's future financial performance. Information on profit and loss for the year was included, when relevant to the context.

Risk	Exposure arising from:	Measurement	Management
Market risk – foreign exchange	(i) Future commercial transactions. (ii) Financial assets and liabilities recognized not denominated in Brazilian Reals.	(i) Future cash flow (ii) Sensitivity analysis	Foreign currency
Market risk - interest	Cash and cash equivalents, securities, restricted cash, loans and debentures, leases, derivative financial instruments and real state credit	(iii) Sensitivity analysis	Interest rate swap
Credit risk	Cash and cash equivalents, marketable securities, restricted cash, accounts receivable, derivatives, accounts receivable from related parties and dividends.	(i) Analysis by maturity (ii) Credit ratings	Cash and credit lines
Liquidity risk	Loans, borrowings and debentures, accounts payable to suppliers, other financial liabilities, REFIS, leases, derivatives, real state credit certificates, accounts payable to related parties and dividends.	Future cash flow	Cash and credit lines

The Company's risk management is predominantly controlled by a central Treasury department under policies approved by the Board of Directors, which provides principles for global risk management, as well as policies that cover specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and excess liquidity investment. It is the Company's policy not to participate in any derivative transactions for speculative purposes.

When all relevant criteria are met, hedge accounting is applied to eliminate the mismatch between the hedge instrument and the covered item.

The Company's policy is to maintain a robust capital base to promote the confidence of investors, creditors and the market, and to guarantee the future development of the business.

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The use of financial instruments to hedge against areas of volatility is determined through an analysis of the exposure to risk that Management intends to cover.

a) Market risk

The objective of market risk management is to keep exposures to market risk within acceptable parameters, optimizing the return.

The Company uses derivatives to manage market risks. All transactions are carried out within the guidelines established by the risk management policy. The Company generally seeks to apply hedge accounting to manage volatility in profits or losses.

i. Foreign exchange risk

On December 31, 2019 and 2018, the Company had the following net exposure to the exchange rate variation of assets and liabilities denominated in foreign currency:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	11,884	16,034
Trade receivables	11,372	20,354
Trade payables - suppliers	(6,639)	(26,168)
Loans, financing and debentures	(5,798,048)	(5,178,357)
Exchange rate derivatives (notional) ⁽ⁱ⁾	5,845,793	5,162,858
Lease liabilities	(65,348)	-
	(986)	(5,279)

- (i) These balances are equivalent to the notional amount in U.S. Dollars and Euro converted to R\$ at the rate of December 31, 2019.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Based on financial instruments denominated in U.S. Dollars and euros, as of December 31, 2019, in the probable scenario, the Company sensitized the positive or negative effect on the result, before taxes, resulting from a reasonably possible strengthening (weakening) of the Brazilian Real against foreign currencies. The scenarios with an increase and decrease in exchange rates (R\$ / US \$ and R\$ / E\$) of 25% and 50% present the incremental effect in relation to the probable scenario as follows:

Instrument	Risk factor	Probable	25%	50%	-25%	-50%
Cash and cash equivalents	Exchange fluctuation	(82)	2,950	5,901	(2,950)	(5,901)
Trade receivables	Exchange fluctuation	(79)	2,823	5,647	(2,823)	(5,647)
Suppliers	Exchange fluctuation	46	(1,648)	(3,297)	1,648	3,297
Exchange rate derivatives (notional)	Exchange fluctuation	(40,745)	1,451,262	2,902,523	(1,451,262)	(2,902,523)
Loans, financing and debentures	Exchange fluctuation	40,415	(1,439,409)	(2,878,816)	1,439,409	2,878,816
Lease liabilities	Exchange fluctuation	452	(16,224)	(32,448)	16,224	32,448
Impacts on result of the year		7	(246)	(490)	246	490

The probable scenario uses the U.S. Dollar and euro projected by a specialized consultancy for December 31, 2020. Stressed scenarios were defined by applying variations (positive and negative) of 25% and 50% in the exchange rates used in the probable scenario:

	December 31, 2019	Scenario				
		Probable	25%	50%	-25%	-50%
U.S. Dollar	4.0307	4.0028	5.0035	6.0042	3.0021	2.0014
Euro	4.5305	4.4831	5.6039	6.7247	3.3623	2.2416

ii. Interest rate risk

The Company and its subsidiaries have financial instruments that are subject to interest rates, which are largely variable, which exposes the financial result to the risks of interest rate fluctuations.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The sensitivity analysis below shows in the probable scenario the projected annual impact on interest expenses on loans and financing and on the remuneration of financial investments (before taxes), keeping the other variables. The scenarios with an increase and decrease in interest rates of 25% and 50% present the incremental effect in relation to the probable scenario:

Exposure interest rate ⁽ⁱ⁾	December 31, 2019				
	Probable	25%	50%	-25%	-50%
Financial investments	86,373	21,593	43,186	(21,593)	(43,186)
Marketable securities	77,082	19,270	38,541	(19,270)	(38,541)
Restricted cash	6,508	1,627	3,254	(1,627)	(3,254)
Loans, financing and debentures	(772,418)	317,719	670,674	(317,719)	(670,674)
Interest rate derivative	-	(669,466)	(1,182,291)	669,466	1,182,291
Lease liabilities	(486,172)	(2,636)	(5,272)	2,636	5,272
Other financial liabilities	(167,605)	(41,901)	(83,803)	41,901	83,803
Impacts on result of the year	(1,256,232)	(353,794)	(515,711)	353,794	515,711

- (i) The CDI and TJLP indexes consider: 4.40% p.a. and 4.57% p.a., respectively, were shown using information made available by the market.

The probable scenario considers the estimated interest rate, made by a specialized third party and the Central Bank of Brazil, or BACEN, as follows:

	Probable	25%	50%	-25%	-50%
SELIC	4.40%	5.50%	6.60%	3.30%	2.20%
CDI	4.40%	5.50%	6.60%	3.30%	2.20%
TJLP	4.90%	6.13%	7.35%	3.68%	2.45%
IPCA	3.60%	4.50%	5.40%	2.70%	1.80%

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

b) Credit risk

The Company's regular operations expose to potential defaults when customers, suppliers and counterparties fail to meet their financial or other commitments. The Company seeks to mitigate this risk by carrying out transactions with a diverse set of counterparties. However, the Company remains subject to unexpected financial failures by third parties that could interrupt its operations. The exposure to credit risk was as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents ⁽ⁱ⁾	1,963,014	141,527
Marketable securities ⁽ⁱ⁾	1,751,853	2,843,074
Restricted cash ⁽ⁱ⁾	147,910	115,124
Trade receivables ⁽ⁱⁱ⁾	399,249	438,062
Receivables from related parties ⁽ⁱⁱ⁾	48,064	47,075
Derivative financial instruments	1,623,541	892,461
	5,933,631	4,477,323

- (i) The credit risk of balances with banks and financial institutions is managed by the Company's Treasury in accordance with the established policy. The excess resources are invested only in approved counterparties and within the limit established for each one. The credit limit of counterparties is reviewed annually and can be updated throughout the year. These limits are established in order to minimize the concentration of risks and, thus, mitigate the financial loss in the event of the potential bankruptcy of a counterparty. The Company's maximum exposure to credit risk in relation to the balance sheet components on December 31, 2019 and December 31, 2018 is the amount recorded.
- (ii) The client's credit risk is managed centrally by each business segment, being 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 classification criteria. The customer's credit quality is assessed based on an extensive internal credit rating procedure. Receivables from open customers are monitored frequently. The need for a provision for impairment is analyzed at each date reported on an individual basis for the main customers. In addition, a large number of accounts receivable with smaller balances are grouped into homogeneous groups and, in these cases, the recoverable loss is assessed collectively. The calculation is based on effective historical data.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The Company is exposed to risks related to its cash management and temporary investment activities.

Net assets are mainly invested in government securities and other investments in banks with a minimum grade of "A". The credit risk of balances with banks and financial institutions is managed by the treasury department, in accordance with the Company's policy.

Excess fund investments are made only with approved counterparties and within the credit limits assigned to each counterparty. Counterparty credit limits are reviewed annually and may be updated throughout the year. The limits are defined to minimize the concentration of risks and, therefore, mitigate the financial loss through the failure of the counterparty to make payments. The credit risk of cash and cash equivalents, marketable securities, restricted cash and derivative financial instruments is determined by rating agencies widely accepted by the market and are arranged as follows:

	December 31, 2019
AA	1,335,746
AAA	4,150,572
Total	5,486,318

Customer credit risk 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 classification criteria. Receivables from open customers are monitored frequently.

The need for a provision for impairment is analyzed at each date reported on an individual basis for the main customers. In addition, a large number of accounts receivable with smaller balances are grouped into homogeneous groups and, in these cases, the recoverable loss is assessed collectively. The calculation is based on effective historical data.

*(In thousands of Brazilian Reals - R\$, unless otherwise stated)***c) Liquidity risk**

Liquidity risk is the risk that the Company and its subsidiaries find it difficult to comply with the obligations associated with their financial liabilities that are settled with cash payments or with another financial asset. The approach of the Company and its subsidiaries in managing liquidity is to ensure, as much as possible, that there is always a level of liquidity sufficient to comply with falling due obligations, under normal and stress conditions, without causing unacceptable losses or with the risk of damaging the reputation of the Company and its subsidiaries.

The Company's financial liabilities classified by maturity date (based on contracted undiscounted cash flows) are as follows:

	December 31, 2019				December 31, 2018	
	Up to 1 year	1 - 2 years	3 - 5 years	More than 5 years	Total	Total
Loans, financing and debentures	(1,659,598)	(1,389,158)	(6,815,179)	(7,775,110)	(17,639,045)	(13,535,036)
Trade payables - suppliers	(513,325)	-	-	-	(513,325)	(451,619)
Other financial liabilities ⁽ⁱ⁾	(410,952)	-	-	-	(410,952)	(337,705)
Tax installments	(3,423)	(2,256)	(4,439)	(1,352)	(11,470)	(11,059)
Lease liabilities	(733,920)	(684,787)	(2,051,939)	(8,148,658)	(11,619,304)	(837,662)
Payables to related parties	(139,747)	-	-	-	(139,747)	(156,169)
Dividends payable	(7,146)	-	-	-	(7,146)	(6,495)
Derivative financial instruments	88,923	48,630	783,874	702,115	1,623,542	846,452
	<u>(3,379,188)</u>	<u>(2,027,571)</u>	<u>(8,087,683)</u>	<u>(15,223,005)</u>	<u>(28,717,447)</u>	<u>(14,489,293)</u>

- (i) On December 31, 2019, the consolidated balance anticipated by our suppliers with financial institutions was R\$ 410,952 (R\$ 337,705 on December 31, 2018). These operations had Banco Itaú and Banco Bradesco as counterparty, at an average rate of 6.33% p.a. The average term of these operations, which are recorded at present value at the rate previously mentioned, is 3 months.

3.2 Segment information

Management evaluates the performance of its operating segments based on the EBITDA measure (earnings before income tax and social contribution, net financial expense, depreciation and amortization).

Operating segments

The Company's management is structured in four segments:

- (i) Northern Operations: comprised of railway, highway, transshipment and port elevation operations in the Company's concession areas, Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista.
- (ii) Southern Operations: composed of railway operations and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Oeste.
- (iii) Central Operations: composed of railway operations and transshipment in the concession area of Rumo Malha Central.
- (iv) Container Operations: composed of the Group's Company that focuses on container logistics, whether by rail or road transport and the results of container operations on the networks.

The segment information was prepared in accordance with the same accounting practices used in the preparation of the consolidated information.

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Exercise:	December 31, 2019					December 31, 2018			
	North Operations	South Operations	Central Operations	Container Operations	Consolidated	North Operations	South Operations	Container Operations	Consolidated
Results by segment									
Net revenue	5,313,730	1,478,314	-	295,796	7,087,840	4,913,436	1,412,300	259,200	6,584,935
Cost of services	(2,850,692)	(1,442,320)	-	(315,769)	(4,608,781)	(2,743,494)	(1,421,040)	(301,100)	(4,465,634)
Gross profit	2,463,038	35,994	-	(19,973)	2,479,059	2,169,942	(8,740)	(41,900)	2,119,302
Gross margin (%)	46.35%	2.43%	0.00%	-6.75%	34.98%	44.16%	-0.62%	-16.17%	32.18%
Selling, general and administrative expenses	(240,259)	(58,256)	(27,370)	(37,719)	(363,604)	(222,536)	(62,800)	(28,100)	(313,436)
Other operational income (expenses) and equity	24,830	4,244	(40,545)	9,263	(2,208)	26,375	(96,600)	15,102	(55,123)
Depreciation and amortization	1,026,112	571,461	40,545	78,064	1,716,182	947,706	415,352	55,800	1,418,859
EBITDA	3,273,721	553,443	(27,370)	29,635	3,829,429	2,921,487	247,213	902	3,169,601
Margin EBITDA (%)	61.61%	37.44%	0.00%	10.02%	54.03%	59.46%	17.50%	0.35%	48.13%
Impairment	-	-	-	-	-	-	72,448	-	72,448
EBITDA adjusted	3,273,721	553,443	(27,370)	29,635	3,829,429	2,921,487	319,661	902	3,242,049
Margin EBITDA adjusted (%)	61.61%	37.44%	0.00%	10.02%	54.03%	59.46%	22.63%	0.35%	49.23%

Main customers

The Company has a client that individually contributed with a share of 10.91%, of net operating revenue in 2019 with an amount of R\$ 773,286. In 2018, the same client contributed 13.9% of net revenue, with an amount of R\$ 912,943.

4 Transactions and significant events

4.1 Obtaining the Malha Central concession

On March 28, 2019, the Company won the International Competition (Bidding) of the north-south railroad, through an economic proposal in the amount of R\$ 2,719,530, conducted by the National Ground Transportation Agency ("ANTT"), which its scope is the sub-concession of the public rail freight service associated with the exploration of the infrastructure of the railway network located between Porto Nacional / TO and Estrela d'Oeste / SP, in the stretches between (i) Porto Nacional / TO and Anápolis / GO; and (ii) Ouro Verde de Goiás / GO and Estrela d'Oeste / SP. The concession contract guarantees the right to operate the railway network for a period of 30 years, counting from the date of signature on July 31, 2019.

The Company constituted a SPE - Special Purpose Company - through the subsidiary Rumo Malha Central (Note 5.11), in which it recorded the initial effects of the sub-concession contract. Substantially the grant / right of use and the corresponding liability (Notes 5.6 and 5.12.3). Future investments in railway infrastructure, provided for in the contract, will be recorded as improvements in third party assets when they are made.

4.2 Incorporation of Brado Holding

On April 20, 2018, the merger of Brado Holding S.A., of Rumo Malha Norte Holding Ltda. and ALL Serviços Ltda. by the Company, so that the merged companies were extinguished and the Company succeeded the merged companies. This operation serves the interests of the parties and their shareholders, generating advantages for the parties and their shareholders, by providing administrative efficiency, as well as a reduction in operating costs. Additionally, was approved the merger of PGT S.A. into ALL Armazéns Gerais Ltda.

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

4.3 Related parties

Accounting policy:

Commercial, financial and corporate transactions involving related parties are preferably carried out at market prices and carried out in accordance with established contracts. Outstanding balances at the end of the year are not guaranteed, nor are they subject to interest and are settled in cash. There were no guarantees given or received on any accounts receivable or payable involving related parties. At the end of each period, an analysis of the recovery of amounts and receivables is carried out and in this year no provision was recognized.

a) Summary of balance with related parties

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Current assets				
Commercial operations				
Cosan S.A.	282	282	377	382
Rumo Malha Norte S.A.	6,295	10,953	-	-
Rumo Malha Paulista S.A.	1,457	77,131	-	-
Rumo Malha Sul S.A.	7	1,109	-	-
Rumo Malha Central S.A.	3,510	-	-	-
Raízen Combustíveis S.A.	149	149	4,950	4,213
Raízen Energia S.A.	1,987	7,651	6,103	14,226
Brado Logística S.A.	87	1,179	-	-
Elevações Portuárias S.A.	2,474	5,046	-	-
Other	514	3,651	240	579
	16,762	107,151	11,670	19,400
Non-current assets				
Commercial operations				
Raízen Combustíveis S.A.	-	-	36,243	27,523
	-	-	36,243	27,523
Financial operations				
Other	3,326	3,326	151	152
	3,326	3,326	151	152
	3,326	3,326	36,394	27,675
Total	20,088	110,477	48,064	47,075

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Current liabilities				
Commercial operations				
Rumo Malha Norte S.A.	5,164	5,311	-	-
Rumo Malha Sul S.A.	1	10,592	-	-
Rumo Malha Paulista S.A.	34,175	74,953	-	-
Rumo Malha Oeste S.A.	857	1,658	-	-
Raízen Combustíveis S.A.	1	1	115,387	126,318
Raízen Energia S.A.	5,698	5,552	15,336	18,948
Cosan S.A.	504	1,180	3,068	2,370
Cosan Lubrificantes e Especialidades S.A.	356	353	4,104	4,675
Logisport Armazéns Gerais S.A.	126	127	-	-
Elevações Portuárias S.A.	1	4	-	-
Other	1,012	3,738	1,852	3,858
	47,895	103,469	139,747	156,169
Non-current liabilities				
Commercial operations				
Boswells	25,192	24,218	-	-
Other	4,733	4,732	-	-
	29,925	28,950	-	-
Total	77,820	132,419	139,747	156,169

b) Transactions with related parties

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Operating income				
Raízen Energia S.A. ⁽ⁱ⁾	185,333	208,518	275,597	283,485
Raízen Combustíveis S.A. ⁽ⁱⁱ⁾	-	-	181,565	158,471
Rumo Malha Norte S.A.	15,870	12,000	-	-
Rumo Malha Paulista S.A. ⁽ⁱⁱⁱ⁾	227,982	259,838	-	-
Elevações Portuárias S.A.	14,420	10,080	-	-
Other	-	2,461	7,043	15,288
	443,605	492,897	464,205	457,244
Purchases of products / inputs				
Raízen Combustíveis S.A. ^(iv)	(2,000)	-	(1,240,729)	(1,205,201)
Logisport Armazéns Gerais S.A.	-	(1,943)	-	-
Rumo Malha Paulista S.A. ^(v)	(96,179)	(108,178)	-	-
Cosan Lubrificantes e Especialidades S.A. ^(vi)	(25)	(7)	(36,375)	(39,531)
Other	-	-	(445)	-
	(98,204)	(110,128)	(1,277,549)	(1,244,732)
Shared expenses				
Cosan S.A. ^(vii)	(5,450)	(4,535)	(5,554)	(10,966)
Elevações Portuárias S.A.	1,018	668	-	-
Rumo Malha Oeste S.A.	764	571	-	-
Rumo Malha Paulista S.A.	4,383	4,871	-	-
Rumo Malha Sul S.A.	97	(4,409)	-	-
Rumo Malha Norte S.A.	4,297	15,022	-	-
Raízen Energia S.A.	(2,003)	(1,524)	(25,707)	(27,411)
	3,106	10,664	(31,261)	(38,377)
Financial result				
Elevações Portuárias S.A.	-	1,785	-	-
Rumo Luxembourg Sarl	-	(2,327)	-	-
Rumo Malha Norte S.A.	(52,540)	(51,691)	-	-
Other	(974)	(3,250)	(5)	15
	(53,514)	(55,483)	(5)	15

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

- (i) The provision of services in the year ended December 31, 2019 and 2018 for Raízen Energia and its subsidiaries refers mainly to transportation, storage and port elevation, contracted under exclusive conditions, which provides the customer with a transportation service with price linked to SIFRECA and lifting services with price equivalent to the lowest tariff practiced with third parties. The payment term is similar to the Company's other customers.
- (ii) Provision of fuel transportation services for the year ended December 31, 2019 and 2018 for Raízen Combustíveis and its subsidiaries (original contract occurred before the control relationship with the railway operations existed).
- (iii) Remuneration for investment in assets related to the contract for the provision of rail sugar transportation services with Rumo Malha Paulista (see item v).
- (iv) Acquisition of fuels (diesel for use in locomotives) during the years ended December 31, 2019 and 2018 from Raízen Combustíveis and its subsidiaries, under conditions determined in the contracting process open to competitors.
- (v) Rail transportation service provided by Rumo Malha Paulista. The service contract involved investments made by the Company in railway assets of Rumo Malha Paulista (original contract occurred before the control relationship with the railway operations existed).
- (vi) Acquisition of lubricants in the years ended December 31, 2019 and 2018 from Cosan Lubrificantes, under conditions determined in the contracting process open to competitors.
- (vii) Refer to corporate proration and the Raízen shared services center.

c) Remuneration of directors and officers

The fixed and variable remunerations of key persons, including directors and board members, are recorded in the consolidated result for the year, as follows:

	December 31, 2019	December 31, 2018
Short-term benefits to employees and managers	25,028	31,049
Transactions with share-based payments	4,579	3,665
	29,607	34,714

5 Detailed information about assets and liabilities

5.1 Financial assets and liabilities

Accounting policy:

The initial measurement of financial assets and liabilities is at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets are written off when the rights to receive cash flows from these assets have expired or when the Company has substantially transferred all the risks and benefits of ownership.

The Company writes off a financial liability when its contractual obligations are withdrawn, cancelled or expired and when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Notes to financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Financial assets and liabilities consist of:

	December 31, 2019	December 31, 2018
Assets		
Fair value through profit or loss		
Marketable securities	1,751,853	2,843,074
Derivate financial instruments	1,624,023	892,461
	3,375,876	3,735,535
Amortized cost		
Cash and cash equivalents	1,963,014	141,527
Trade receivables	399,249	438,062
Related parties receivable	48,064	47,075
Restricted cash	147,910	115,124
	2,558,237	741,788
Total	5,934,113	4,477,323
Liabilities		
Amortized cost		
Loans, financing and debentures	4,683,556	5,325,434
Lease liabilities	4,529,140	553,350
Trade payables - suppliers	513,325	451,619
Other financial liabilities	410,952	337,705
Related parties payable	139,747	156,169
Dividends payable	7,146	6,495
Debt payment in installments	7,580	10,297
	10,291,446	6,841,069
Fair value through profit or loss		
Derivate financial instruments	482	-
Loans and financing	7,036,181	5,268,947
	7,036,663	5,268,947
Total	17,328,109	12,110,016

5.2 Cash and cash equivalents

Accounting policy:

They are measured and classified at fair value through profit or loss and amortized cost, being highly liquid, with maturity of up to three months, which are subject to an insignificant risk of change in value.

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cash and bank accounts	255	580	18,642	53,615
Financial Investments	700,451	15	1,944,372	87,912
	700,706	595	1,963,014	141,527

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Financial investments are composed as follows:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Bank investments				
Bank certificate of deposits - CDB	700,451	15	1,944,372	86,738
Other investments	-	-	-	1,174
	700,451	15	1,944,372	87,912

5.3 Securities and restricted cash

Accounting policy:

They are measured and classified at fair value through profit or loss, with an average maturity of government bonds between two and five years, however they can be readily redeemed and are subject to an insignificant risk of change in value.

Marketable securities

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Government bonds ⁽ⁱ⁾	435,054	114,430	1,355,980	2,785,036
Bank certificate of deposits - CDB ⁽ⁱⁱ⁾	55,230	-	125,413	58,038
Financial letters ⁽ⁱⁱⁱ⁾	21,441	-	270,460	-
	511,725	114,430	1,751,853	2,843,074

- (i) Government securities classified as fair value through profit or loss have an interest rate linked to SELIC and mature between two and five years.
- (ii) Bank deposit certificates have an interest rate linked to the CDI and mature between two and five years.
- (iii) Financial bills have an interest rate linked to the CDI, and daily liquidity, according to the Company's liquidity policy.

Restricted cash

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Investments linked to loans	-	-	86,681	31,254
Securities pledged as collateral	3,511	3,416	61,229	83,870
	3,511	3,416	147,910	115,124

Notes to financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

5.4 Trade receivables

Accounting policy:

Accounts receivable from customers are initially recognized at the amount of the consideration, which is unconditional, unless they contain significant financial components, when they are recognized at fair value. The Company maintains accounts receivable from customers for the purpose of receiving contractual cash flows, subsequently measuring them at amortized cost using the effective interest method.

To measure expected credit losses, receivables were grouped based on credit risk characteristics and overdue days.

The expected loss rates are based on the corresponding historical credit losses suffered. Historical rates of loss can be adjusted to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle receivables.

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Domestic – Brazilian Reais	22,420	26,837	355,733	382,925
Export – Foreign currency	-	-	49,002	72,975
	22,420	26,837	404,735	455,900
Allowance for doubtful accounts	(1,887)	(2,013)	(5,486)	(17,838)
	(1,887)	(2,013)	(5,486)	(17,838)
Total	20,533	24,824	399,249	438,062
Current	15,111	15,725	385,563	417,339
Non-current	5,422	9,099	13,686	20,723
Total	20,533	24,824	399,249	438,062

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The analysis of the maturity of trade receivables from customers is as follows:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Not overdue	14,568	19,667	274,037	337,443
Overdue:				
From 1 to 30 days	337	5,188	78,936	59,397
From 31 to 60 days	-	351	8,261	6,912
From 61 to 90 days	5,780	40	22,956	11,648
More than 90 days	1,735	1,591	20,545	40,500
Allowance for doubtful accounts	(1,887)	(2,013)	(5,486)	(17,838)
	20,533	24,824	399,249	438,062

The change in the estimated allowance for loan losses is shown as follows:

	Parent Company	Consolidated
At January 1, 2018	(1,900)	(30,784)
Provision	(1,093)	(20,004)
Reversal and write-off	980	32,950
At December 31, 2018	(2,013)	(17,838)
Provision	(210)	(8,081)
Reversal and write-off	336	20,433
At December 31, 2019	(1,887)	(5,486)

5.5 Loans, financing and debentures

Accounting policy:

Initially measured at fair value, net of costs incurred in the transaction and, subsequently, at amortized cost.

They are derecognized when the obligation specified in the contract is paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any transferred non-monetary assets or assumed liabilities, is recognized in profit or loss as other financial income or expenses.

Classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Description	Financial charges		Parent Company		Consolidated		Maturity date	Goal
	Index ⁽ⁱ⁾	Average interest rate	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018		
Loans and financing								
Finame (BNDES)	Pre-fixed	5.37%	368,904	485,352	834,035	1,055,281	January/2025	Acquisition
	URTJLP	7.87%	-	-	4,952	-	March/2022	Acquisition
	Selic	6.80%	-	-	1,118	-	September/2020	Acquisition
Finem (BNDES)	Pre-fixed	3.50%	-	-	1,426	2,261	January/2024	Acquisition
	URTJLP	7.86%	55,565	111,270	2,213,704	2,584,347	December/2029	Acquisition
	IPCA	12.07%	-	-	1,528	2,211	November/2021	Acquisition
	Selic	6.80%	-	-	-	3,930	December/2019	Acquisition
NCE	125% of CDI	8.06%	-	-	-	646,024	December/2019	Acquisition
	CDI + 0,80%	5.24%	-	-	512,078	514,817	December/2023	Working capital
	Pre-fixed (US\$) ⁽ⁱⁱ⁾	7.38%	-	-	3,318,895	3,061,566	February/2024	Acquisition
Senior Notes 2024	Pre-fixed (US\$) ⁽ⁱⁱⁱ⁾	5.88%	-	-	2,182,089	1,997,394	January/2025	Acquisition
Senior Notes 2025	Pre-fixed (US\$)	5.33%	-	-	-	15,499	June/2019	Working capital
Commercial banks	Euribor + 0,58% ^(iv)	0.58%	-	-	79,528	-	September/2026	Acquisition
ECA	Dollar (US\$) ^(v)	2.65%	217,537	209,987	217,537	209,987	November/2022	Working capital
Loan 4131			642,006	806,609	9,366,890	10,093,317		
Debentures								
Non-convertible debentures	IPCA + 4,68% ^(vi)	8.91%	-	-	570,098	-	February/2026	Acquisition
	IPCA + 4,50% ^(vii)	8.72%	668,034	-	668,034	-	February/2029	Acquisition
	IPCA + 3,90%	8.10%	895,249	-	895,249	-	October/2029	Acquisition
	IPCA + 4,00%	8.20%	219,466	-	219,466	-	October/2029	Acquisition
	128 % of CDI	8.26%	-	-	-	501,064	March/2019	Working capital
	CDI + 1,30% p.a.	8.28%	767,296	714,755	-	-	January/2020	Working capital
	Private debentures		2,550,045	714,755	2,352,847	501,064		
Total			3,192,051	1,521,364	11,719,737	10,594,381		
Current			969,054	172,838	1,064,846	924,904		
Non-current			2,222,997	1,348,526	10,654,891	9,669,477		

(i) TJLP refers to the Long-Term Interest Rate, being defined as the basic cost of financing granted by BNDES (National Bank for Economic and Social Development). SELIC refers to the overnight rate of the Special Settlement and Custody System. It is the average rate weighted by the volume of financing operations for one day, backed by federal public securities in the form of repo operations. The CDI or DI Over Rate (CDI Over) is obtained by calculating the weighted average of all transaction fees made at Cetip between different financial institutions. IPCA is the Broad Consumer Price Index and aims to measure the inflation of a set of products and services.

(ii) This debt has swap contracts for 144% of the CDI, which represents an average rate of 8.62% p.a.

(iii) Debt with swap for 127% of the CDI, which represents an average rate of 7.84% p.a.

(iv) Debt with swap for 108.33% of the CDI, which represents an average rate of 6.51% p.a.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

(v) Debt with swap to 117.50% of the CDI, which represents an average rate of 6.39% p.a.

(vi) Debt with swap for 107% of the CDI, which represents an average rate of 6.48% p.a.

(vii) Debt with swap for 102.90% of the CDI, which represents an average rate of 6.86% p.a.

Non-current loans have the following maturities:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
13 to 24 months	190,701	835,095	758,822	997,420
25 to 36 months	179,241	194,665	718,195	943,729
37 to 48 months	66,658	181,371	793,073	903,243
49 to 60 months	51,191	73,173	3,676,142	903,754
61 to 72 months	-	64,222	2,493,341	3,399,860
73 to 84 months	-	-	225,554	2,233,235
85 to 96 months	572,993	-	670,435	83,575
Thereafter	1,162,213	-	1,319,329	204,661
	2,222,997	1,348,526	10,654,891	9,669,477

The carrying amounts of the Company's loans and financing are denominated in these currencies:

	Consolidated	
	December 31, 2019	December 31, 2018
Brazilian Reals (R\$)	5,921,690	5,309,935
Dollar (US\$) ⁽ⁱ⁾	5,718,519	5,284,446
EUR ⁽ⁱ⁾	79,528	-
Total	11,719,737	10,594,381

(i) As of December 31, 2019, all debt denominated in foreign currency, in the subsidiaries, are protected against foreign exchange risk through derivatives (Note 5.8).

Below the movement of loans, financing and debentures for the year ended December 31, 2019 and 2018:

	Parent Company	Consolidated
At January 1, 2018	1,595,525	9,670,946
Proceeds from debts	200,000	3,113,130
Interest, monetary and exchange correction	107,416	1,707,701
Repayments of principal from debts	(333,218)	(3,172,817)
Payments of interest from debts	(48,359)	(724,579)
At December 31, 2018	1,521,364	10,594,381
Proceeds from debts	1,663,987	2,402,347
Interest, monetary and exchange correction	228,281	1,313,568
Repayments of principal from debts	(174,150)	(1,945,040)
Payments of interest from debts	(47,431)	(645,519)
At December 31, 2019	3,192,051	11,719,737

a) Warranties

Some financing contracts with the National Bank for Economic and Social Development ("BNDES"), destined for investments, are also guaranteed, according to each contract, by bank guarantee, with an average cost of 0.86% per year or by real guarantees (assets) and guarantee account. As of December 31, 2019, the balance of bank guarantees contracted was R\$ 1,387,627 (R\$ 2,475,175 as of December 31, 2018).

To calculate the average rates, the annual average CDI of 5.94% and TJLP of 5.57% were considered on an annual basis.

b) Unused credit lines

As of December 31, 2019, the Company had lines of credit in banks with AA rating, which were not used, in the total amount of R\$ 1,946,194 (R\$ 2,108,824 on December 31, 2018).

The use of these credit lines is subject to certain contractual conditions.

c) Restrictive clauses ("financial covenants")

The Company's main lines of loans are subject to restrictive clauses, based on financial and non-financial indicators, the main and most restrictive clauses are shown below:

Goal	Index
Net financial debt/ EBITDA \leq 3.6x in December, 2019	1.76
EBITDA/ Consolidated financial result \geq 1.70x in December, 2019	7.19
Shareholders' equity/ Total assets \geq 0.25 in December, 2019	0.26

As of December 31, 2019, the Company and its subsidiaries were complying with all restrictive financial covenants.

5.6 Lease liabilities

Accounting policy:

Accounting policies applicable from January 1, 2019

At the beginning or in the modification of a contract, the Company assesses whether a contract is or contains a lease.

The lease liability is initially measured at the present value of lease payments that are not made on the start date, discounted at the interest rate implicit in the lease or, if that rate cannot be determined immediately, by the Group's incremental loan rate. The Group generally uses its incremental loan rate as a discount rate.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including fixed payments in essence;
- variable lease payments that depend on index or rate, initially measured using the index or rate on the start date;
- amounts expected to be paid by the lessee, in accordance with the residual value guarantees; and
- the exercise price of the call option if the lessee is reasonably certain to exercise that option, and payment of fines for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease.

Subsequent valuation of the lease liability is at amortized cost, using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in index or rate, if there is a change in the amounts that are expected to be paid according to the residual value guarantee, if the Company changes its valuation, an option of purchase, extension or termination will be exercised or if there is an essentially fixed revised lease payment.

When the lease liability is remeasured in this way, an adjustment corresponding to the carrying amount of the right-of-use asset is made or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Accounting policies applicable before January 1, 2019

In the comparative period, as a lessee, the Company classified the leases that transferred substantially all the risks and benefits inherent to the property as financial leases. When this was the case, liabilities were initially measured at an amount equal to the lower of the asset's fair value and the present value of the minimum lease payments. The minimum lease payments were payments during the lease term that the lessee was required to make, excluding any contingent rent.

The commitments classified as other leases were classified as operating and were not recognized in the Company's balance sheet. Payments made under operating leases were recognized in the income statement on a straight-line basis over the lease term.

	Consolidated		
	Financial	Operating	Total
At January 1, 2018	944,138	-	944,138
Interest appropriation	144,763	-	144,763
Repayments of principal from debts	(384,752)	-	(384,752)
Payments of interest from debts	(150,799)	-	(150,799)
At December 31, 2018	553,350	-	553,350
Initial recognition	-	1,391,708	1,391,708
At January 1, 2019	553,350	1,391,708	1,945,058
Interest appropriation	81,982	428,132	510,114
Transfers between liabilities ⁽ⁱ⁾	-	(117,428)	(117,428)
Additions	-	2,777,275	2,777,275
Repayments of principal from debts	(132,100)	(284,319)	(416,419)
Payments of interest from debts	(73,641)	(172,719)	(246,360)
Contractual adjustment	-	76,900	76,900
At December 31, 2019	429,591	4,099,549	4,529,140
Current	97,242	437,003	534,245
Non-current	332,349	3,662,546	3,994,895
	429,591	4,099,549	4,529,140

- (i) Transfer of installments under judicial discussion to lease and concessions (Note 5.16).

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The lease agreements have different terms, with the last due date occurring in June 2049 (an opening per due date is shown in Note 3.1). The amounts are updated annually by inflation indexes (such as IGPM and IPCA) or may incur interest calculated based on the TJLP or CDI and some of the contracts have renewal or purchase options that were considered in determining the classification as a finance lease.

In addition to the amortization and appropriation of interest and exchange variation highlighted in the previous tables, the following impact on income during the year ended December 31, 2019 was recorded for other lease agreements that were not included in the measurement of lease liabilities:

	Consolidated
	December 31, 2019
Variable lease payments not included in the measurement of lease liabilities	10,691
Expenses relating to short-term leases	37,143
Expenses relating to leases of low-value assets, excluding short-term leases	348
	48,182

Additional Information

The Company, in full compliance with the rules, in the measurement and remeasurement of its lease liabilities and the right of use, proceeded to discount the present value of future lease installments without considering future projected inflation in the installments to be discounted (prohibition imposed by the standard, as it treats future inflation as a variable portion of the contract). In cases where the incremental rate - a nominal rate - is used as a discount rate, relevant distortions can be generated in the information disclosed, given the current reality of inflation rates in the Brazilian economic environment (reflected in long-term interest rates).

The rate of incremental interest rate used by the Company was determined based on the interest rates to which the Company has access, for terms similar to its contracts, adjusted to the Brazilian market. The nominal rates used are between 10.9% to 14.2%.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

In compliance with CVM Instruction Circular Official Letter 2/2019, if, in transactions where the incremental rate is used, the measurement was made at the present value of expected installments plus projected future inflation, the balances of lease liabilities, the right to use, financial expense and depreciation expense for the fiscal year ended December 31, 2019, would be those presented in the "Official note" column:

Accounts	2019		
	Registered	Official note	% Variation
Lease liabilities	3,777,281	3,977,195	5%
Residual right of use	3,622,281	3,716,764	3%
Financial expense	(251,750)	(272,107)	8%
Depreciation expense	(135,793)	(153,268)	13%

The balances recorded by the Company include the Malha Central contract (Note 4.1), which has an implicit rate identified, so that its appreciation does not generate distortions in the liabilities and right of use that are the object of the CVM Circular Letter. As of December 31, 2019, the lease liability and the residual use right of this contract were R\$ 2,728,930 and R\$ 2,864,434, respectively.

The Company recorded lease liabilities at the present value of the installments due, that is, including any tax credits to which it will be entitled at the time of the lease payments. The potential PIS/COFINS credit included in liabilities as of December 31, 2019 is R\$ 5,191.

5.7 Trade Payables

Accounting policy:

The carrying amounts of suppliers are the same as their fair values, due to their short-term nature and are generally paid within 45 days of recognition.

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Material and services suppliers	44,090	40,161	495,837	439,031
Fuels and lubricants suppliers	-	-	370	1,367
Other	11,019	4,569	17,118	11,221
Total	55,109	44,730	513,325	451,619

5.8 Derivative financial instruments

Accounting policy:

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge instrument and, if so, the nature of the hedged item. The Company designates certain derivatives as:

- i. Hedges of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge);

At the beginning of the hedge relationship, the Company documents the economic relationship between the hedge instruments and the hedged items, including changes in the cash flows of the hedge instruments, which should offset the changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for carrying out its hedge operations. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement and are included in other gains / (losses).

The fair values of the derivative financial instruments designated in the hedge relationships are disclosed below. The total fair value of a hedge derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Company makes an assessment, both at the beginning of the hedge relationship and on an ongoing basis, as to whether the hedge instruments should be highly effective in offsetting changes in fair value or in the cash flows of the respective attributable hedged items. For the hedged risk, and if the actual results of each hedge are within a range of 80% - 125% by December 31, 2019 and 2018.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

To protect exposure to foreign exchange risk, the Company uses swap instruments, the fair value of which is determined from discounted cash flows based on market curves, and the consolidated data are presented below:

	Notional		Fair value	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Foreign exchange and interest rate derivatives				
Swap contracts (interest and exchange)	5,534,936	4,346,145	1,623,541	892,461
	5,534,936	4,346,145	1,623,541	892,461
Non-current Assets			1,624,023	892,461
			1,624,023	892,461
Non-current Liabilities			(482)	-
			(482)	-
			1,623,541	892,461

The Company contracted Swap operations, in order to be active in USD + fixed interest and passive in percentage of CDI.

Derivatives are used only for the purpose of economic hedging and not as speculative investments.

Fair value hedge

Currently, the Company adopts the fair value hedge for some of its operations, both hedge instruments and hedged items are recorded at fair value through profit or loss. The operational and accounting effects of this adoption are as follows:

	Notional	Book value (R\$)		Balance sheet	Fair value adjustment	
		December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
Senior Notes 2024	(3,023,025)	(3,318,895)	(3,061,566)		(471,159)	(689,141)
Senior Notes 2025	(2,015,350)	(2,182,089)	(1,997,394)		(295,208)	(447,674)
Debt	(5,038,375)	(5,500,983)	(5,058,960)	Loan, financing and debentures	(766,366)	(1,136,814)
Foreign exchange and interest swap	5,038,375	1,468,503	892,139		541,942	730,734
Derivative	5,038,375	1,468,503	892,139	Derivative financial instruments	541,942	730,734
Total	-	(4,032,480)	(4,166,821)		(224,424)	(406,080)

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

5.9 Other recoverable taxes

Accounting Policy:

Tax assets are measured at cost and include mainly: (i) tax effects that are recognized when the asset is sold to a third party or recovered through the amortization of the asset's remaining economic life; and (ii) tax receivables that are expected to be recovered as refunds from tax authorities or as a reduction for future tax obligations.

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
COFINS - Social security financing contribution	22,909	3,964	253,755	276,441
PIS - Social integration program	4,778	676	94,739	90,010
ICMS - State VAT ⁽ⁱ⁾	-	321	522,820	442,491
ICMS - CIAP ⁽ⁱⁱ⁾	-	-	129,000	174,454
Other	2,931	2,973	10,586	8,574
	30,618	7,934	1,010,900	991,970
Current	30,618	7,934	347,316	195,176
Non-current	-	-	663,584	796,794
	30,618	7,934	1,010,900	991,970

(i) ICMS credit related to the purchase of inputs and diesel used in transportation.

(ii) ICMS credit from acquisitions of property, plant and equipment.

Notes to financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

5.10 Inventories

Accounting policy:

Inventories are stated at the lower of cost and net realizable value (it is the estimated selling price in the normal course of business, less estimated completion costs and estimated costs necessary to make the sale).

The provision for obsolete inventories is made for the risks associated with the realization and sale of inventories due to obsolescence and measured at the net realizable value or the cost, whichever is less.

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Parts and accessories	943	966	236,347	253,815
Fuels and lubricants	-	-	6,894	5,161
Warehouse and other	93	64	5,215	4,410
	1,036	1,030	248,456	263,386

The balances are presented net of the provision for obsolete inventories in the amount of R\$ 5,492 as of December 31, 2019 (R\$ 8,100 as of December 31, 2018).

5.11 Investments in associates and provision for unsecured liabilities

(a) Subsidiaries and associates

Accounting policy:

a) Subsidiaries

Subsidiaries are all entities over which the Company has control, are fully consolidated from the date of acquisition of control and are not consolidated when control no longer exists.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the parent Company, using consistent accounting policies. Adjustments are made to the subsidiaries' financial statements to adapt their accounting policies to the Company's accounting policies.

Related party transactions are eliminated in full on consolidation. Unrealized gains arising from transactions with investees recorded under the equity method are eliminated against the investment in proportion to the Company's interest in the investee. Unrealized losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

b) Associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over financial and operating policies.

Intragroup balances and transactions, and any unrealized income or expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements.

In accordance with the equity method, the participation of associates attributable to the Company in the profit or loss for the period of such investments is recorded in the income statement, under "Equity in results". Unrealized gains and losses arising from transactions between the Company and the investees are eliminated based on the percentage of participation of these investees. The other comprehensive income of subsidiaries, associates and jointly controlled entities are recorded directly in the Company's shareholders' equity, under "Other comprehensive income".

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Below are investments in subsidiaries and associates that are material for the Company on December 31, 2019 and 2018:

i. Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of participation
Elevações Portuárias	672,397,254	672,397,254	100.00%
Rumo Intermodal	91,064,313	91,064,313	100.00%
Rumo Malha Central	250,000,000	250,000,000	100.00%
Rumo Malha Norte	1,189,412,363	1,186,268,176	99.74%
Boswells	3,265,000	3,265,000	100.00%
Brado Participações	12,962,963	8,065,556	62.22%
Paranaguá S.A.	6,119,802	6,113,851	99.90%
Logisport	2,040,816	1,040,816	51.00%
Rumo Luxembourg Sarl	500,000	500,000	100.00%
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%
ALL Argentina	9,703,000	8,826,110	90.96%
Rumo Luxembourg Sarl	500,000	500,000	100.00%
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%
Rumo Malha Oeste	478,460,074	478,460,074	100.00%

Notes to financial statements
(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	At January 1, 2019	Equity pick- up	Capital increase (reduction) / AFAC	Dividends and Interest on own capital receivable	Comprehensive income	Initial adoption of standard CPC 06 R2 / IFRS 16 (Note 2.4)	Other	Amortization of the concession right	Stock option plan	At December 31, 2019
Elevações Portuárias	707,886	79,632	-	(75,037)	(16)	(5,129)	-	-	-	707,336
Rumo Intermodal	37,095	2,249	-	-	661	-	-	-	-	40,005
Rumo Malha Central	-	(121,260)	450,000	-	-	-	-	-	-	328,740
Rumo Malha Norte	8,099,091	1,065,635	-	(817,367)	(63)	-	-	(29,880)	-	8,317,416
Boswells	24,585	-	-	-	989	-	-	-	-	25,574
Brado Participações	366,399	7,559	-	(2,236)	-	-	-	-	145	371,867
Paranaguá S.A.	13,681	167	12,809	-	(6,263)	-	-	-	-	20,394
Logisport	73,624	177	-	(634)	-	-	(24)	-	-	73,143
Rumo Luxembourg Sarl	64,118	(3,389)	(10,665)	-	-	-	-	-	-	50,064
Rumo Malha Sul	976,663	(66,731)	1,003,000	-	(322)	(182,383)	26	-	-	1,730,253
Total investment in associates	10,363,142	964,039	1,455,144	(895,274)	(5,014)	(187,512)	2	(29,880)	145	11,664,792
ALL Argentina	(17,019)	(11,917)	-	-	7,825	-	-	-	-	(21,111)
Rumo Malha Paulista	(260,465)	37,631	-	-	(54)	(75,839)	(543)	(19,192)	-	(318,462)
Rumo Malha Oeste	(1,097,466)	(142,059)	-	-	(41)	(212,040)	-	-	-	(1,451,606)
Total investment in unsecured liability	(1,374,950)	(116,345)	-	-	7,730	(287,879)	(543)	(19,192)	-	(1,791,179)
Total	8,988,192	847,694	1,455,144	(895,274)	2,716	(475,391)	(541)	(49,072)	145	9,873,613

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

	At January 1, 2018	Equity pick- up	Capital increase (reduction) / AFAC	Dividends and interest on own capital receivable	Comprehensive income	Other	Amortization of the concession right	Incorporation effect	Reclassification of unsecured liability	At December 31, 2018
Elevações Portuárias	667,966	78,776	-	(38,800)	-	(56)	-	-	-	707,886
Rumo Intermodal	62,078	(3,814)	(23,000)	-	1,384	447	-	-	-	37,095
ALL Serviços	6,479	(321)	-	-	-	-	-	(6,158)	-	-
Rumo Malha Norte	7,835,147	749,114	-	(462,276)	(79)	6,827	(29,642)	-	-	8,099,091
Boswells	20,989	-	-	-	3,596	-	-	-	-	24,585
Brado Holding	357,903	1,706	-	-	-	-	-	(359,609)	-	-
Brado Participações	-	6,790	-	-	-	-	-	359,609	-	366,399
Paranaguá S.A.	15,540	(739)	7,314	-	(8,434)	-	-	-	-	13,681
Logispot	73,530	94	-	-	-	-	-	-	-	73,624
Rumo Luxembourg Sarl	-	(2,718)	-	-	-	-	-	-	66,836	64,118
Rumo Malha Sul	506,796	(228,727)	700,000	-	(1,196)	(210)	-	-	-	976,663
Total investment in associates	9,546,428	600,161	684,314	(501,076)	(4,729)	7,008	(29,642)	(6,158)	66,836	10,363,142
ALL Argentina	(28,697)	(4,500)	-	-	16,178	-	-	-	-	(17,019)
Rumo Luxembourg Sarl	(35,238)	(17,033)	119,107	-	-	-	-	-	(66,836)	-
Rumo Malha Paulista	(184,148)	(57,104)	-	-	(132)	(70)	(19,011)	-	-	(260,465)
Rumo Malha Oeste	(862,599)	(234,675)	-	-	(135)	(57)	-	-	-	(1,097,466)
Total investment in unsecured liability	(1,110,682)	(313,312)	119,107	-	15,911	(127)	(19,011)	-	(66,836)	(1,374,950)
Total	8,435,746	286,849	803,421	(501,076)	11,182	6,881	(48,653)	(6,158)	-	8,988,192

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Financial information of subsidiaries and associates:

	Year ended on December 31, 2019				Year ended on December 31, 2018			
	Assets	Liabilities	Net equity and (unsecured liabilities)	Profit (loss) of the year	Assets	Liabilities	Net equity and (unsecured liabilities)	Profit (loss) of the year
Elevações Portuárias	886,098	178,761	707,337	79,632	916,387	208,500	707,887	78,776
Rumo Intermodal	56,121	16,113	40,008	2,249	55,248	18,151	37,097	(3,814)
ALL Serviços	-	-	-	-	-	-	-	(321)
Rumo Malha Central	3,107,023	2,778,284	328,739	(121,260)	-	-	-	-
Rumo Malha Norte	12,778,704	8,999,093	3,779,611	1,084,633	12,647,608	9,133,033	3,514,575	752,020
Boswells	25,575	-	25,575	-	24,585	-	24,585	-
Brado Participações	783,554	219,675	563,879	9,426	754,480	196,667	557,813	15,129
Paranaguá S.A.	20,918	502	20,416	167	14,103	408	13,695	7,137
Logisport	119,694	49,776	69,918	347	125,440	54,668	70,772	185
ALL Argentina	6,777	29,984	(23,207)	(13,103)	6,688	25,398	(18,710)	(4,947)
Rumo Luxembourg Sarl	5,186,074	5,136,011	50,063	(3,389)	4,992,561	4,928,443	64,118	(2,718)
Rumo Malha Paulista	5,982,712	6,247,985	(265,273)	(34,726)	5,593,047	5,747,700	(154,653)	(134,671)
Rumo Malha Oeste	391,307	1,842,916	(1,451,609)	(131,086)	479,814	1,577,281	(1,097,467)	(241,900)
Rumo Malha Sul	4,189,668	2,446,771	1,742,897	(125,916)	4,075,505	3,026,987	1,048,518	(288,113)
Rhall Terminais Ltda.	16,629	2,804	13,825	3,641	12,513	1,960	10,553	1,530

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

ii. Consolidated

	Total shares of the investee	Shares held by the Company	Percentage of participation
Rhall Terminais Ltda.	28,580	8,574	30.00%
Termag S.A.	500,000	99,246	19.85%
TGG S.A.	79,747,000	7,914,609	9.92%
Terminal XXXIX S.A.	200,000	99,246	49.62%

	At January 1, 2019	Equity pick-up	Dividends	Other	At December 31, 2019
Rhall Terminais Ltda.	3,166	1,009	(27)	-	4,148
Termag S.A.	5,192	5,720	-	(5,698)	5,214
TGG S.A.	19,601	5,262	(6,616)	-	18,247
Terminal XXXIX S.A.	16,042	9,885	(1,523)	-	24,404
Total investments in associates	44,001	21,876	(8,166)	(5,698)	52,013

	At January 1, 2018	Equity pick-up	Dividends	At December 31, 2018
Rhall Terminais Ltda.	4,279	459	(1,572)	3,166
Termag S.A.	4,463	729	-	5,192
TGG S.A.	17,549	4,981	(2,929)	19,601
Terminal XXXIX S.A.	15,639	4,010	(3,607)	16,042
Total investments in unsecured liabilities	41,930	10,179	(8,108)	44,001

Financial information of subsidiaries and associates:

	Twelve months ended on December 31, 2019				Twelve months ended on December 31, 2018			
	Assets	Liabilities	Net equity and (unsecured liabilities)	Profit (loss) of the year	Assets	Liabilities	Net equity and (unsecured liabilities)	Profit (loss) of the year
Rhall Terminais Ltda.	16,629	2,804	13,825	3,641	12,513	1,960	10,553	1,530
Termag S.A.	275,215	249,166	26,049	25,552	227,721	201,759	25,962	3,673
TGG S.A.	217,311	34,849	182,462	46,611	247,795	51,791	196,004	50,212
Terminal XXXIX	61,560	12,745	48,815	17,710	45,240	13,155	32,085	8,081

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

(b) Participation of non-controlling shareholders

Accounting policy:

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with owners in the capacity of owners.

The following is a summary of financial information for each subsidiary that has non-controlling interests that are relevant to the group. The amounts disclosed for each subsidiary are before eliminations between companies.

	Total shares of the investee	Shares held by the Company	Percentage of participation
Rumo Malha Norte	1,189,412,363	3,144,187	0.26%
Brado Participações	12,962,963	4,897,407	37.78%
Logisport	2,040,816	1,000,000	49.00%

The following table summarizes the information related to each of the Company's subsidiaries that has relevant non-controlling interests, before any intra-group elimination.

	At January 1, 2019	Equity pick-up	Dividends	Stock option plan	Other	At December 31, 2019
Rumo Malha Norte	8,734	3,336	(2,270)	-	103	9,903
Brado Participações	223,032	4,126	(1,357)	88	-	225,889
Logisport	34,657	172	(610)	-	-	34,219
Total investments in associates	266,423	7,634	(4,237)	88	103	270,011

	At January 1, 2018	Equity pick-up	Dividends	Other	At December 31, 2018
Rumo Malha Norte	14,949	3,361	(2,232)	(7,344)	8,734
Brado Participações	218,383	5,159	(510)	-	223,032
Logisport	34,589	90	(22)	-	34,657
Total investments in associates	267,921	8,610	(2,764)	(7,344)	266,423

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(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Summary balance sheet:

	Rumo Malha Norte		Brado Participações		Logisport	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets						
Current	3,460,028	2,810,571	169,796	261,217	6,975	5,634
Non-current	9,318,676	9,837,037	613,758	493,263	112,719	119,806
Total assets	12,778,704	12,647,608	783,554	754,480	119,694	125,440
Liabilities						
Current	(959,471)	(1,028,362)	(104,184)	(97,606)	(11,522)	(10,982)
Non-current	(8,039,622)	(8,104,671)	(115,491)	(99,061)	(38,254)	(43,686)
Total liabilities	(8,999,093)	(9,133,033)	(219,675)	(196,667)	(49,776)	(54,668)
Shareholders' equity	(3,779,611)	(3,514,575)	(563,879)	(557,813)	(69,918)	(70,772)

Summary income statement and other comprehensive income:

	Rumo Malha Norte		Brado Participações		Logisport	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income	4,135,513	3,846,093	294,710	260,795	18,029	17,426
Result before taxes	1,271,783	1,036,112	14,906	24,012	389	101
Income tax and social contribution	(187,150)	(284,092)	(5,480)	(8,883)	(42)	84
Result for the year	1,084,633	752,020	9,426	15,129	347	185
Other comprehensive result	(64)	(82)	-	-	-	-
Total comprehensive result	1,084,569	751,938	9,426	15,129	347	185
Dividends paid	(819,534)	(481,815)	(3,593)	(2,328)	-	-

Summary cash flow statement:

	Rumo Malha Norte		Brado Participações		Logisport	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net cash (used in) generated from operating activities	2,003,991	1,410,725	40,584	(15,284)	4,723	8,994
Net cash (used in) generated investing activities	1,068,235	(135,370)	35,270	67,117	(361)	(4,854)
Net cash (used in) generated from financing activities	(2,227,250)	(1,352,727)	(52,172)	(48,281)	(4,522)	(4,134)
Increase (decrease) in cash and cash equivalents	844,976	(77,372)	23,682	3,552	(160)	6
Cash and cash equivalents at beginning of the year	75,996	153,368	17,208	4,997	175	169
Cash and cash equivalents at end of the year	920,972	75,996	40,890	8,549	15	175

5.12 Property, plant and equipment, intangible assets and right-of-use

Accounting policy:

Impairment

The Company annually reviews the indicators of impairment for intangible assets with defined useful lives and fixed assets. In addition, an impairment test is performed for goodwill and intangible assets with an indefinite useful life. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The recoverable amount is determined based on the value in use calculations, using the discounted cash flow determined by Management based on budgets and projections that take into account the assumptions related to each cash generating unit, such as: estimates of future performance business, cash generation, long-term growth and discount rates.

For the purpose of analyzing impairment, concession contracts were defined as cash generating units, each registered with an individual Company. The basis for annual assessment and testing is September 30.

During the year ended December 31, 2019, we did not identify any impairment indicators, so that no impairment test was necessary for property, plant and equipment and intangible assets with a defined useful life, except for the cash-generating unit represented by the Rumo Malha Oeste concession, which presents negative results and low cash generation (Note 5.11).

The determination of the recoverability of the assets depends on certain key assumptions, as previously described, which are influenced by the market, technological and economic conditions prevailing at the time when this recovery is tested and, therefore, it is not possible to determine whether new losses due to recovery reduction will occur in the future and, if they occur, whether they would be material.

5.12.1 Property, Plant and Equipment

Accounting policy:

Recognition and measurement

Property, plant and equipment items are measured at cost, less accumulated depreciation and any accumulated losses due to impairment.

Subsequent expenses are capitalized only when it is probable that the future economic benefits associated with the expenses will flow to the Company. Continuous repairs and maintenance are accounted for when incurred.

Depreciated from the date they are available for use or, in relation to built assets, from the date the asset is completed and ready for use.

Depreciation is calculated on the book value of property, plant and equipment minus estimated residual values using the straight-line basis over its estimated useful life, recognized in profit or loss, unless it is capitalized as part of the cost of another asset. Land is not depreciated.

Depreciation methods, such as useful lives and residual values, are reviewed at the end of each year, or when there is a significant change in an expected consumption pattern, such as a relevant incident and technical obsolescence. Any adjustments are recognized as changes in accounting estimates, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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	3% - 4%
Furniture and fixture	10% - 15%
Computer equipment	20%

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Reconciliation of book value

	Consolidated							Parent Company
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives ⁽ⁱ⁾	Track structure	Construction in progress	Other assets	Total	Total
Cost:								
At January 1, 2018	888,339	698,069	8,303,149	7,014,864	927,846	776,107	18,608,374	176,681
Additions	-	-	42,031	-	1,974,146	1,489	2,017,666	8,681
Write-off	(2,317)	(20,518)	(189,143)	-	(1,538)	(37,438)	(250,954)	-
Transfers	148,780	147,952	560,265	991,023	(1,901,428)	28,225	(25,183)	(386)
Corporate reorganization effect ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	4,042
At December 31, 2018	1,034,802	825,503	8,716,302	8,005,887	999,026	768,383	20,349,903	189,018
Transfers to right-of-use ⁽ⁱⁱⁱ⁾	(130,000)	(2,538)	(1,244,787)	-	-	-	(1,377,325)	-
At January 1, 2019	904,802	822,965	7,471,515	8,005,887	999,026	768,383	18,972,578	189,018
Additions	4	528	29,773	1,802	1,947,984	424	1,980,515	6,563
Write-off	(1,169)	(476)	(105,592)	-	(283)	(3,413)	(110,933)	-
Transfers	116,272	161,548	812,130	595,381	(1,467,891)	70,208	287,648	(275)
At December 31, 2019	1,019,909	984,565	8,207,826	8,603,070	1,478,836	835,602	21,129,808	195,306
Depreciation and Impairment:								
At January 1, 2018	(311,986)	(277,748)	(3,479,330)	(2,804,132)	-	(468,900)	(7,342,096)	(40,588)
Additions	(41,471)	(96,060)	(655,745)	(467,634)	-	(18,581)	(1,279,491)	(11,353)
Write-off	2,317	20,478	186,557	-	-	32,657	242,009	-
Transfers	443	317	4,933	33,343	-	(20,811)	18,225	-
Impairment	-	-	(33,808)	(22,896)	(10,842)	(4,186)	(71,732)	-
Corporate reorganization effect ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	(3,811)
At December 31, 2018	(350,697)	(353,013)	(3,977,393)	(3,261,319)	(10,842)	(479,821)	(8,433,085)	(55,752)
Transfers to right-of-use ⁽ⁱⁱⁱ⁾	50,450	2,532	462,748	-	-	-	515,730	-
At January 1, 2019	(300,247)	(350,481)	(3,514,645)	(3,261,319)	(10,842)	(479,821)	(7,917,355)	(55,752)
Additions	(58,991)	(106,962)	(632,170)	(611,576)	-	(16,378)	(1,426,077)	(13,953)
Write-off	131	466	104,872	6	-	3,309	108,784	-
Transfers	4,057	6,121	(107,941)	(2,234)	3,972	(28,967)	(124,992)	-
At December 31, 2019	(355,050)	(450,856)	(4,149,884)	(3,875,123)	(6,870)	(521,857)	(9,359,640)	(69,705)
At December 31, 2018	684,105	472,490	4,738,909	4,744,568	988,184	288,562	11,916,818	133,266
At December 31, 2019	664,859	533,709	4,057,942	4,727,947	1,471,966	313,745	11,770,168	125,601

(i) On December 31, 2019, wagons and locomotives in the amount of R\$ 745,203 (R\$ 745,203 on December 31, 2018), were pledged to guarantee bank loans (Note 5.5).

(ii) Corporate reorganization through the incorporation of the net assets of Brado Holding S.A. and ALL Serviços Ltda. for the Company.

(iii) The amount of R\$ 861,595 was transferred to the right to use, where R\$ 1,377,325 refers to cost and (R\$ 515,730) to accumulated depreciation due to the adoption of CPC 06 (R2) / IFRS 16.

Capitalization of borrowing costs

In the year ended December 31, 2019, capitalized borrowing costs were R\$ 2,506 (R\$ 3,973 as of December 31, 2018).

Analysis of impairment

The analysis of the impairment indicators carried out by the Company pointed out the need to test the assets of the cash-generating unit Rumo Malha Oeste for impairment. The recoverable amount for property, plant and equipment, intangible assets and right-of-use was determined using the value in use, that is based on the discounted cash flow method of the cash generating unit.

The main assumptions used to determine the value in use of the cash generating unit were (i) EBITDA projected for the cash-generating unit, with no increase in the volume of non-contracted transport in the remaining term of the concession, and (ii) the discount rate (wacc) of 9% per year, before taxes. The calculation resulted in a recoverable amount of R\$ 109,000, compared to a carrying amount of R\$ 99,000, which includes property, plant and equipment, intangible assets and right-of-use.

5.12.2 Intangible assets and goodwill

Accounting policy:

Recognition and measurement

Intangibles are initially recorded at cost (either by purchase or as part of a business combination), less amortization and accumulated losses due to impairment.

Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits incorporated in the specific asset to which they relate. All other expenses are recognized in the income statement as incurred.

Amortization

Except for goodwill, intangible assets are amortized on a straight-line basis over their estimated useful lives, from the date they are available for use or acquired. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

<u>Intangible (except goodwill)</u>	<u>Annual rate of amortization - %</u>
Software	20.00%
Operating license	3.70%
Concession rights	1.59%

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

		Consolidated			Parent Company
	Goodwill ⁽ⁱ⁾	Concession rights ⁽ⁱⁱ⁾	Operating license	Other	Total
Cost:					
At January 1, 2018	100,451	8,000,700	343,177	178,069	8,622,397
Additions	-	-	-	2,617	2,617
Write-off	-	-	-	(9)	(9)
Transfers	-	-	-	8,368	8,368
Corporate reorganization effect ⁽ⁱⁱⁱ⁾	-	-	-	-	1,858
At December 31, 2018	100,451	8,000,700	343,177	189,045	8,633,373
Additions	-	12,031	-	4,138	16,169
Transfers	-	-	171	13,484	13,655
At December 31, 2019	100,451	8,012,731	343,348	206,667	8,663,197
Amortization and Impairment:					
At January 1, 2018	-	(769,603)	(120,169)	(109,656)	(999,428)
Additions	-	(112,029)	(11,740)	(15,598)	(139,367)
Write-off	-	-	-	6	6
Transfers	-	-	-	14	14
Impairment	-	-	-	(716)	(716)
Corporate reorganization effect ⁽ⁱⁱⁱ⁾	-	-	-	-	(1,074)
At December 31, 2018	-	(881,632)	(131,909)	(125,950)	(1,139,491)
Additions	-	(121,103)	(11,766)	(15,749)	(148,618)
Transfers	-	-	-	(55)	(55)
At December 31, 2019	-	(1,002,735)	(143,675)	(141,754)	(1,288,164)
At December 31, 2018	100,451	7,119,068	211,268	63,095	7,493,882
At December 31, 2019	100,451	7,009,996	199,673	64,913	7,375,033

- (i) Goodwill from a business combination from previous years, of which R\$ 62,922 from Terminal T-16 in Santos and R\$ 37,529 from indirect subsidiary Logisport, presented only in the consolidated.
- (ii) Refers to the concession contract of Rumo Malha Norte. The asset was identified and measured at fair value in the business combination between Rumo and ALL. The amount will be amortized until the end of the concession in 2079, being recorded in the income statement, under costs of services provided, in the depreciation and amortization group.
- (iii) Corporate reorganization through the incorporation of the net assets of Brado Holding S.A. and ALL Serviços Ltda.

Analysis of impairment

During the year ended December 31, 2019, we did not identify any impairment indicators, so that no impairment test was necessary for intangible assets with a definite useful life recorded by the Company.

The balance of goodwill with an indefinite useful life recorded by the Company is associated with the port and terminal lifting operation, so this cash-generating unit needs to be tested annually.

The recoverable amount of this cash-generating unit was determined using the fair value less costs of disposal, that was calculated using the EBITDA multiples technique, a technique considered level 3 in the hierarchy of fair value.

The main assumptions used to determine the fair value less costs of disposal of the cash generating unit were (i) EBITDA generated by the cash-generating unit in 2019, and (ii) the average of the multiples practiced by market agents for companies (10.6x) in the sector in which the Company operates. The calculation resulted in a recoverable amount of R\$ 2,050,000, compared to a carrying amount of R\$ 734,425, which includes property, plant and equipment and intangible assets.

5.12.3 Right-of-use

Accounting policy:

Accounting policies applicable from January 1, 2019

The right-to-use asset is initially measured at cost, which comprises the initial measurement value of the lease liability, adjusted for any lease payments made up to that of the start date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in disassembling and removing the underlying asset, restoring the location in which it is located or restoring the underlying asset to the condition required by the lease terms and conditions, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset reflect that the lessee will exercise the call option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Accounting policies applicable before January 1, 2019

In the comparative period, assets related to leases that transferred substantially all the risks and benefits inherent to the property, called financial leases, were initially measured at an amount equal to the lower of the asset's fair value and the present value of the minimum lease payments. After initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating and were not recognized in the Group's balance sheet.

Notes to financial statements

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As mentioned in Note 4.1, the Company signed the concession contract for the Central Network, which guarantees the right to operate the railway network for a period of 30 years, counting from the date of signature on July 31, 2019. Corrected in accordance with the contractual parameters, the auction amount was recorded as right to use railway infrastructure in the amount of R\$ 2,904,778. The lease liability in the amount of R\$ 2,759,539 represents the present value of future installments, using the implicit rate of the contract. The auction provided for a 5% cash payment in the amount of R\$ 145,239. This transaction is the main addition to the exercise, as we can see in the transaction charts:

	Consolidated						Total
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives	Software	Vehicles	Port and track structure	
Cost amount:							
Initial recognition CPC 06 (R2) / IFRS 16	31,485	8,555	41,884	66,931	13,085	792,615	954,555
Transfers from permanent and other assets ⁽ⁱ⁾	130,000	2,538	1,244,787	-	-	50,167	1,427,492
At January 1, 2019	161,485	11,093	1,286,671	66,931	13,085	842,782	2,382,047
Additions	7,073	3,045	1,004	-	732	2,904,778	2,916,632
Contractual adjustment	9,883	68	712	-	442	54,828	65,933
Transfers to permanent assets	-	(2,539)	(249,746)	-	-	1,565	(250,720)
At December 31, 2019	178,441	11,667	1,038,641	66,931	14,259	3,803,953	5,113,892
Amortization:							
Transfers from permanent assets ⁽ⁱ⁾	(50,450)	(2,532)	(462,748)	-	-	-	(515,730)
Impairment ⁽ⁱⁱ⁾	-	-	-	-	-	(131,541)	(131,541)
At January 1, 2019	(50,450)	(2,532)	(462,748)	-	-	(131,541)	(647,271)
Additions	(10,649)	(3,029)	(9,018)	(7,594)	(6,459)	(118,915)	(155,664)
Transfers	(7,233)	2,532	104,694	-	2	-	99,995
At December 31, 2019	(68,332)	(3,029)	(367,072)	(7,594)	(6,457)	(250,456)	(702,940)
At January 1, 2019	111,035	8,561	823,923	66,931	13,085	711,241	1,734,776
At December 31, 2019	110,109	8,638	671,569	59,337	7,802	3,553,497	4,410,952

- (i) The amount refers to transfers of property, plant and equipment, as shown in Note 5.12 and R\$ 50,167 referring to advances made at the beginning of the concession that were presented under other assets.
- (ii) The subsidiary Malha Oeste recorded a provision for impairment in the year ended December 31, 2018, limiting the balance of long-term assets to realizable value. Accordingly, the balance of use rights recorded in this subsidiary was subject to a provision for reduction to the net recoverable value in the initial registration.

5.13 Other taxes payable**Accounting policy:**

The Company is subject to different taxes and contributions, such as municipal, state and federal taxes, taxes on deposits and withdrawals from bank accounts, taxes on turnover, regulatory fees and income tax, among others, which represent an expense for the Company. It is also subject to other taxes on its activities that generally do not represent an expense.

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
ICMS - State VAT	32	48	3,142	5,281
INSS - Social security	194	165	9,383	6,027
PIS - Social integration program	511	912	703	2,598
COFINS - Social security financing contribution	2,475	4,212	3,427	12,325
Installment of tax debts	902	902	10,942	10,297
ISS - Municipal service tax	-	-	6,753	4,666
IOF - Tax on financial operations	45	15	309	1,318
Other	162	226	6,647	7,960
	4,321	6,480	41,306	50,472
Current	4,321	6,480	33,726	46,717
Non-current	-	-	7,580	3,755
	4,321	6,480	41,306	50,472

The amounts due in non-current liabilities have the following maturity schedule:

	Consolidated	
	December 31, 2019	December 31, 2018
13 to 24 months	2,136	1,160
25 to 36 months	2,569	545
37 to 48 months	1,848	227
49 to 60 months	754	227
61 to 72 months	62	196
73 to 84 months	48	50
85 to 96 months	48	50
From 97 months	115	1,300
	7,580	3,755

5.14 Income tax and social contribution

Accounting policy:

The combined rate of income tax and social contribution is 34%, which is recognized in the income statement, except if it arises from a business combination, or from items directly recognized in equity or other comprehensive income.

i. Current tax

It is the tax payable or receivable expected on the taxable profit or loss for the year, using the rates in force at the balance sheet date, and any adjustment to taxes payable in relation to previous years.

ii. Deferred tax

It is recognized in relation to temporary differences between the carrying amounts of assets and liabilities and the respective amounts for tax purposes. Deferred tax is not recognized for:

- a) temporary differences in the initial recognition of the asset or liability in a transaction that is not a business combination and that affects neither the accounting result nor the tax profit or loss;
- b) temporary differences related to investments in subsidiaries, associates and jointly controlled companies, insofar as the Company is able to control the timing of the reversal of temporary differences and it is likely that they will not reverse in the foreseeable future; and
- c) taxable temporary differences resulting from the initial recognition of goodwill.

A differentiated tax asset is recognized in relation to unused tax losses and deductible temporary differences, to the extent that it is probable that the available future taxable profits against which they will be used.

The measurement of deferred tax reflects the way the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the rates expected to be applied to temporary differences in their reversal.

Deferred tax assets and liabilities are offset if there is a legally applicable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority on the same taxable entity.

iii. Fiscal exposure

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment is based on estimates and assumptions and may involve a series of judgments about future events. New information may become available, which may cause the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes in tax obligations will impact tax expenses in the period in which such determination is made.

iv. Recoverability of deferred income tax and social contribution

When assessing the recoverability of deferred taxes, Management considers the projections of future taxable profits and the movements of temporary differences. When part or all of the taxes are not likely to be realized, the tax asset is reversed. There is no deadline for using tax losses and negative bases, but the use of these accumulated losses from previous years is limited to 30% of annual taxable profits.

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(In thousands of Brazilian Reals - R\$, unless otherwise stated)

a) Reconciliation of income tax and social contribution expenses

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Result before income tax and social contribution	779,228	285,887	915,119	541,408
				-
Income tax and social contribution expense at nominal rate (34%)	(264,938)	(97,202)	(311,140)	(184,079)
Adjustments to determine the effective rate				
Equity pick-up	288,216	97,529	7,438	3,461
Result of companies abroad	-	-	(5,801)	(8,924)
Exploration profit	-	-	178,609	48,541
Unrecognized NOLs and temporary differences ⁽ⁱ⁾	637	7,774	(53,253)	(132,041)
Non-deductible expenses (donations, gifts, etc.)	(3)	-	(792)	-
Effect of amortization of goodwill	(16,869)	(16,543)	1,271	1,853
Interest on own capital	(13,260)	(13,192)	-	-
Other	5,226	104	54,420	2,748
Tax and social contribution (current and deferred)	(991)	(21,530)	(129,248)	(268,441)
Effective rate - %	-0.13%	-7.53%	-14.12%	-49.58%

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

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

b) Deferred income tax assets and liabilities

The tax effects of temporary differences that give rise to significant parts of the Company's deferred tax assets and liabilities are shown below:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets credits from:				
Tax losses carry forwards - income tax	250,279	252,203	1,782,085	1,784,856
Tax losses of social contribution	100,914	101,617	653,792	654,311
Temporary differences:				
Provision for judicial demands	18,015	15,242	200,872	210,429
Impairment provision	30,327	30,327	203,057	241,083
Allowance for doubtful accounts	642	685	14,648	18,596
Provision for non-performing tax	-	-	41,295	36,983
Provision for profit sharing	3,887	4,080	39,545	38,482
Exchange variation - Loans and financing ⁽ⁱ⁾	2,826	-	68,532	-
Review of useful life - Fixed assets	-	-	666,017	562,699
Fair value adjustment on debts	22,773	-	174,596	57,298
Temporary differences from other provisions	-	7,505	80,405	103,614
Business combination - Fixed assets	1,885	1,507	49,293	88,793
Other	12,291	4,377	122,318	57,309
Deferred taxes - Assets	443,839	417,543	4,096,455	3,854,453
(-) Unrecognized deferred assets credits	(345,429)	(346,718)	(2,183,537)	(2,074,432)
Liabilities credits from:				
Temporary differences:				
Tax goodwill amortized	-	-	(24,838)	(24,268)
Lease liabilities	(809)	(787)	(36,589)	(228,041)
Unrealized result from derivatives	(31,441)	-	(556,031)	(307,098)
Review of useful life - Fixed assets	(965)	(851)	-	-
Business combination - Intangible assets	(65,195)	(69,187)	(2,573,178)	(2,578,722)
Other	-	-	(38,649)	(32,494)
Deferred taxes - Liabilities	(98,410)	(70,825)	(3,229,285)	(3,170,623)
Total deferred taxes	-	-	(1,316,367)	(1,390,602)
Deferred assets	-	-	1,174,484	1,046,195
Deferred liabilities	-	-	(2,490,851)	(2,436,797)
Total	-	-	(1,316,367)	(1,390,602)

- (i) The Company opted for the cash regime for the taxation of the exchange variation of loans and financing for the years ended December 31, 2019.

c) Realization of deferred income tax and social contribution

The Company evaluated the term for offsetting its deferred assets tax credits on tax losses, negative social contribution basis and temporary differences by projecting its taxable income over the term of the concessions. The projection was based on economic assumptions of inflation and interest, volume transported based on the growth of agricultural production and exports projected in its areas of operation and market conditions for its services, validated by management. The results projected by the Company generate the following expected realization on December 31, 2019:

	Deferred asset
2020	26,715
2021	14,953
2022	26,092
2023	26,092
2024	26,092
2025 to 2027	35,630
2028 to 2030	91,606
2031 to 2033	265,123
2034 to 2036	478,660
2037 to 2039	183,521
Total	1,174,484

d) Deferred tax movements

	Consolidate
At January 1, 2018	(1,185,516)
Income statement	(201,598)
Compensation of tax loss carryforwards - PERT	(3,984)
Actuarial liability	189
Initial adoption CPC 48 / IFRS 9	307
At December 31, 2018	(1,390,602)
Income statement	31,539
Actuarial liability	81
Initial adoption CPC 06 (R2) / IFRS 16	41,709
Other	906
At December 31, 2019	(1,316,367)

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

e) Analytical movement of deferred tax

i. Deferred tax assets

	Tax loss and negative basis	Employee benefits	Provisions	Fixed asset	Unregistered credits	Other	Total
At January 1, 2018	2,331,384	28,953	628,400	472,602	(1,831,832)	(101,326)	1,528,181
(Charged) / credited							
to the result of the year	114,204	13,718	(17,193)	90,097	(122,368)	153,827	232,285
from comprehensive results	(4,107)	189	-	-	-	431	(3,487)
At December 31, 2018	2,441,481	42,860	611,207	562,699	(1,954,200)	52,932	1,756,979
(Charged) / credited							
to the result of the year	(966)	4,730	(69,947)	103,318	57,722	60,544	155,401
from comprehensive results	-	81	-	-	-	-	81
directly to equity	-	-	-	-	-	905	905
Exchange differences	-	-	-	-	(2,826)	68,532	65,706
At December 31, 2019	2,440,515	47,671	541,260	666,017	(1,899,304)	182,913	1,979,072

ii. Deferred tax liabilities

	Intangible	Unrealized income from derivatives	Lease liabilities	Adjustment to fair value of debt	Unregistered credits	Other	Total
At January 1, 2018	(2,579,894)	144,279	(277,076)	23,855	(110,276)	85,414	(2,713,698)
(Charged) / credited							
to the result of the year	1,172	(451,377)	49,035	33,443	(12,775)	(53,381)	(433,883)
At December 31, 2018	(2,578,722)	(307,098)	(228,041)	57,298	(123,051)	32,033	(3,147,581)
Adjustment in the adoption of IFRS 16 (note 2.4)	-	-	41,710	-	-	-	41,710
At December 31, 2018	(2,578,722)	(307,098)	(186,331)	57,298	(123,051)	32,033	(3,105,871)
(Charged) / credited							
to the result of the year	5,545	(248,933)	149,742	117,299	(166,993)	(46,228)	(189,568)
At December 31, 2019	(2,573,177)	(556,031)	(36,589)	174,597	(290,044)	(14,195)	(3,295,439)

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

5.15 Provision for judicial demands

Accounting policy:

They are recognized as other expenses when the Company has a present or non-formalized obligation as a result of past events; an outflow of resources is likely to be necessary to settle the obligation; and the amount was safely estimated.

The assessment of the loss of probability includes the available evidence, the hierarchy of laws, the jurisprudence, the most recent judicial decisions and the relevance in the legal system, as well as the opinion of external lawyers. Provisions are reviewed and adjusted for circumstances, such as the statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

Provisions for lawsuits resulting from business combinations are estimated at fair value.

As of December 31, 2019 and 2018, the Company records provisions for legal claims in relation to:

Provision for judicial demands				
	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Taxes	2,453	1,782	79,006	76,770
Civil, regulatory and environmental	7,791	6,436	137,081	145,735
Labor	37,833	31,653	264,856	292,147
	48,077	39,871	480,943	514,652

Judicial deposits				
	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Taxes	6,485	7,022	37,999	35,152
Civil, regulatory and environmental	2,172	1,646	178,033	163,579
Labor	14,149	12,441	199,214	170,759
	22,806	21,109	415,246	369,490

Notes to financial statements
(In thousands of Brazilian Reals - R\$, unless otherwise stated)

Changes in provisions for legal claims:

Parent Company				
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2018	1,821	3,093	31,760	36,674
Provision	27	3,144	7,170	10,341
Settlement or write-offs	(108)	(2,181)	(12,661)	(14,950)
Monetary restatement ⁽ⁱ⁾	42	2,380	5,384	7,806
At December 31, 2018	1,782	6,436	31,653	39,871
Provision	4,347	15,315	9,659	29,321
Settlement or write-offs	(9,897)	(32,023)	(11,142)	(53,062)
Monetary restatement ⁽ⁱ⁾	6,221	18,063	7,663	31,947
At December 31, 2019	2,453	7,791	37,833	48,077

Consolidated				
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2018	68,896	148,738	284,400	502,034
Provision	14,692	19,814	58,744	93,250
Settlement or write-offs	(4,176)	(44,382)	(84,230)	(132,788)
Monetary restatement ⁽ⁱ⁾	(2,642)	21,565	33,233	52,156
At December 31, 2018	76,770	145,735	292,147	514,652
Provision	8,131	28,996	56,209	93,336
Settlement or write-offs	(14,494)	(70,472)	(113,678)	(198,644)
Monetary restatement ⁽ⁱ⁾	8,599	32,822	30,178	71,599
At December 31, 2019	79,006	137,081	264,856	480,943

(i) Includes write-off of interest.

The Company has debts guaranteed by assets or even by means of a cash deposit, bank guarantee or guarantee insurance.

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

a) Probable losses

- **Taxes:** The main tax proceedings for which the risk of loss is probable are described below:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
ICMS credit ⁽ⁱ⁾	-	-	50,921	33,806
PIS and COFINS	-	-	2,023	11
INSS - National Social Security Institute	654	-	23,175	12,542
Other	1,799	1,782	2,887	30,411
	2,453	1,782	79,006	76,770

- (i) The amount provisioned refers especially to tax assessment notices related to ICMS credits originating from materials used in the production process, but which, in the firm understanding, such materials would be classified as "use and consumption", not generating the right to credit.

- **Possible losses**

The main processes for which we consider the risk of loss possible are described below:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Tributary	1,013,112	1,381,735	2,651,196	3,081,504
Civil, regulatory and environmental	278,115	225,271	3,402,591	2,893,634
Labor	113,049	126,451	875,178	845,346
	1,404,276	1,733,457	6,928,965	6,820,484

- **Tax:**

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Capital gain ⁽ⁱ⁾	83,734	529,788	83,734	529,788
Isolated fine federal tax ⁽ⁱⁱ⁾	467,718	449,039	483,577	449,039
IRPJ/CSLL ⁽ⁱⁱⁱ⁾	262,384	252,368	474,832	504,862
ICMS ^(iv)	78	76	839,812	683,657
IRRF ^(v)	54,008	-	131,402	75,007
PIS/COFINS ^(vi)	4,600	3,750	155,411	64,507
Foreign financial operations ^(vii)	-	-	28,701	290,220
MP 470 installment debts ^(viii)	-	-	115,080	112,666
Stock option plan ^(ix)	59,956	58,226	70,072	67,991
IOF on loan ^(x)	53,765	52,585	53,765	52,585
Compensation with credit award ^(xi)	-	-	44,784	43,121
Other	26,869	35,903	170,026	208,061
	1,013,112	1,381,735	2,651,196	3,081,504

- (i) Tax assessment notices issued by the Federal Revenue Service in 2011 and 2013 and 2019 against the Company related to: a) disallowance of goodwill expense based on future profitability, as well as financial expenses; b) non-taxation of supposed capital gain on the sale of equity interest in a Company of the same economic group; and c) supposed capital gain on the incorporation of shares in companies of the same economic group.
- (ii) The Company was assessed for not considering the tax benefits of REPORTO (suspension of PIS and COFINS), under the allegation that the locomotives and wagons acquired in the year 2010 to 2012 were used outside the limits of the port area. Consequently, PIS and COFINS were required, in addition to the isolated fine corresponding to 50% of the value of the acquired assets.
- (iii) Tax assessment notices requiring IRPJ and CSLL related: (a) Goodwill Malha Norte: Tax assessment notices issued for the collection of IRPJ and CSLL, combined with interest on late payment and official and isolated fines. According to the Federal Revenue, Rumo Malha Norte would have unduly amortized the goodwill from the acquisition of the companies Brasil Ferrovias S.A, and Novoeste Brasil S.A. (b) GIF, TPG and Teaçú premiums. Infraction notices drawn up for the collection of IRPJ and CSLL, combined with an official fine and late payment interest, in addition to an isolated fine, for the following reasons: Deduction, from the actual profit and the CSLL calculation base, from the amount corresponding to the amortization in acquisition of interest in Teaçú Armazéns Gerais S/A; Deduction, from real profit and CSLL calculation base, of the amount corresponding to the amortization of goodwill paid by the companies TPG Participações S.A. and GIF LOG Participações S.A. on the acquisition of shares issued by Rumo Logística S.A.; (c) Labor provisions: In 2009, under the allegation that the Company would have excluded labor provisions from the calculation of taxable income and the adjusted calculation base of CSLL. In the understanding of the Tax Authorities, the write-offs of the labor provisions were made by the Company without the individualization of the processes (provisions and reversals), which would have an impact on the tax assessment. The likelihood of loss is possible, considering that the occurrence of the decay and that the Company complied with all tax rules related to the addition and exclusion of provisions in the calculation of IRPJ and CSLL.
- (iv) Infraction Notices drawn up by the São Paulo State Finance Department, against Rumo Malha Paulista, for the period from February 2011 to July 2015, as well as 2014 and 2018, with the reporting of infractions for alleged lack collection of ICMS in the provision of rail transport services for export; improper credit of ICMS for alleged bookkeeping in the Book of Entries of amounts higher than those found in the Tax Books; improper credit of ICMS for acquisitions supposedly classified as use and consumption. Fines of 50% of the tax amount and 100% of the amount of credit considered undue were also included.

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State tax authorities assessed the charges for non-taxation by ICMS on the invoices for the provision of rail freight services for export. All assessments were challenged, since there is a favorable position for taxpayers consolidated in the higher courts, based on the Federal Constitution and Complementary Law 87/1996.

The Treasury of the State of Mato Grosso drew up several Terms of Seizure and Deposit (TADs) in order to collect ICMS and a 50% fine on the value of the fined operations, under the mistaken understanding that the goods exit operations destined for export would be cancelled with the DACTEs (Auxiliary Document of Electronic Transport Knowledge), with the supposed characterization of untrue documentation, under the terms of articles 35-A and 35-B of State Law 7098/98. The Company challenges the assessments and seeks to demonstrate to the Tax Authorities that the goods transported were duly covered by suitable tax documentation.

- (v) Rumo Malha Paulista had part of its IRPJ credit balance offset partially disallowed by the IRS based on the argument that the Company would not be entitled to IRRF offset on swap transactions.
- (vi) The Federal Revenue Service assessed Rumo Malha Paulista for non-taxation by PIS and COFINS of mutual traffic and right of way revenues billed against Rumo Malha Norte. The chance of loss is considered as possible considering that the tax has already been paid by the concessionaire responsible for transportation at the origin.

The administrative demands for PIS and COFINS are substantially related to the disallowance of PIS and COFINS credits by the non-cumulative system related to the following items: a) credits launched out of time unaccompanied by prior rectification of tax returns; b) claims on expenses arising from mutual traffic contracts; c) credits related to expenses with services classified as inputs in the activity carried out by the Company that supposedly were not proven during the Inspection; d) credits on expenses with transportation of employees; e) credits related to electricity expenses; f) credits on expenses with machinery rentals and rentals that were not proven in the course of the Inspection; g) credits on expenses on the acquisition of machinery, equipment and other assets incorporated into the Company's fixed assets.

- (vii) Infraction Notice drawn up to demand differences in IRPJ, CSL, PIS and COFINS, related to the calendar years 2005 to 2008, as a result of the following infractions: Infringement a) improper calculation of PIS and COFINS credits on inputs used in the locomotive repair; Infringement b) undue deduction of taxable income and the CSL calculation base of financial expenses arising from loans entered into with financial institutions abroad; Infringement c) undue exclusion of taxable income and the CSL calculation base of financial income from securities issued by the Austrian government and the government of Spain, the latter through the Official Credit Institute ("ICO"), a public company to be linked; Infringement d) error in accounting and undue inclusion in the real profit and in the CSL calculation base of gains earned in swap operations and non-taxation of financial income earned with such contracts by PIS and COFINS; Infringement e) undue exclusion of taxable income and the CSL calculation base carried out as PIS and COFINS credits; Infringement f) undue exclusion of taxable income and the CSL calculation base carried out as deferred CSL; and Infringement g) insufficient payment of IRPJ and CSL prepayments, which resulted in the application of the isolated fine of 50%, in concomitance with the fine of 75%. In 2019, we had definite success with regard to the completeness of the "a", "b", "d", "e" and "f" infractions, as well as part of the "c" infraction, to recognize the possibility of exclusion of the real profit and the basis for calculating the CSL of the revenues arising from the Austrian public debt securities acquired on 7/24/2006 and, as a consequence, part of the infraction "g", in the extension of the partial cancellation of item "c". Contingency adjusted for final success.
- (viii) The Federal Revenue Service partially rejected the requests for installment payments of federal tax debts made by Rumo Malha Sul and Rumo Intermodal, on the grounds that the tax losses offered by the companies were not sufficient to settle the respective debts. The probability of loss is considered as possible, since the losses identified existed and were available for that use.
- (ix) Tax assessment notices drawn up against the Company for the collection of social security contributions (20% of the amount paid) of amounts referring to the Stock Option Plan granted to employees, administrators and third parties. The main basis for the assessment is the alleged remuneration.
- (x) The Federal Treasury intends to enforce the levy of IOF on the current accounts maintained by the parent Company for affiliates / subsidiaries (most substantial part of the assessment). In the understanding of the tax authorities, the use of an accounting item as advances for expenses to related companies, without a formal loan agreement, characterizes the existence of a current account, and the IOF due must be determined according to the rules specific to revolving credit operations. The tax assessment notices are still being questioned at the administrative level.

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- (xi) Rumo Malha Sul transmitted nineteen clearing statements (DCOMP) via the PERD / COMP electronic system, referring to "premium credit", using credit acquired from third parties (Fibra S.A. Indústria e Comércio and others). Such Dcomps for referring to credit of third parties and also to "credit - premium", in accordance with the current legislation, were considered as not declared in Decision Order contained in the administrative process, with awareness to the taxpayer on 09/24/2013, giving rise thus the application of a 75% fine in compliance with art. 18, §4 of Law No. 10,833 / 2003

- Civil, regulatory and environmental:**

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Civil	247,614	222,911	2,080,218	1,785,541
Regulatory	29,525	904	802,906	647,182
Environmental	976	1,456	519,467	460,911
	278,115	225,271	3,402,591	2,893,634

On July 25, 2018, the Company became aware of the initiation of an administrative inquiry before CADE to determine the representation formulated by Agrovía. The Company refutes the arguments presented by it and points out that most of the facts have already been analyzed and rejected by the body itself in another administrative proceeding. The Company evaluates as possible the risk that an administrative proceeding will be created and or will incur a loss in this proceeding. Due to the initial stage of the theme, it is not possible to estimate the value at risk.

- Labor:**

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Labor claims	113,049	126,451	875,178	845,346
	113,049	126,451	875,178	845,346

In 2010, Prumo Engenharia Ltda. (“Prumo Engenharia”), a service provider of then ALL - América Latina Logística SA (“ALL”), was accused of incurring irregular labor practices while performing engineering services for the Company's subsidiary, currently Rumo Malha Paulista. Although Prumo Engenharia assumed full responsibility for the condition of the workers in question, Rumo Malha Paulista was unduly included, in the Company's view, in the list of employers of the Ministry of Labor, and a preliminary injunction was granted determining the exclusion of said list until the final decision of the judicial process, which is being processed in secret.

The Public Ministry of Labor also filed a public civil action (ACP) against Malha Paulista, without the inclusion of Prumo in the lawsuit, requiring the payment of indemnity for collective moral damages in the amount of R\$ 100 million (among other commitments), partially judged proceeding condemning the Company in obligations to do and not to do, in how, in collective moral damage of R\$ 15 million. In addition to demonstrating that the Company did not participate in the practice of irregularities, the Company believes that the action should be brought against Prumo, which is discussed in an appeal. The risk of loss is considered possible and the case is awaiting a decision by the Superior Labor Court.

5.16 Leases and concessions in dispute

Accounting policy:

The Company records in this account the balance of the lease installments involved in disputes with the granting authority. The initial registration takes place at the amount of the installment at maturity, by transferring the “Liabilities for leases” account. Subsequently, the values are corrected by Selic.

Balances payable as a concession for concession rights (“Concessions”) are also recorded in this account, with a contra entry to intangible assets (see Note 5.12.2). Subsequent measurement occurs at the effective rate.

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	December 31, 2019			December 31, 2018
	Leases	Concessions	Total	Total
<u>Amounts payables:</u>				
Rumo Malha Sul	-	36,621	36,621	60,761
Rumo Malha Paulista	-	20,003	20,003	45,892
	-	56,624	56,624	106,653
<u>Amounts under judicial discussions:</u>				
Rumo Malha Paulista	1,870,018	-	1,870,018	1,695,770
Rumo Malha Oeste	1,440,656	87,582	1,528,238	1,406,145
	3,310,674	87,582	3,398,256	3,101,915
Total	3,310,674	144,206	3,454,880	3,208,568
Current			9,847	28,797
Non-current			3,445,033	3,179,771
			3,454,880	3,208,568

Values under litigation

The Company is challenging in court the economic and financial imbalance of certain Lease and Concession Agreements.

In April 2004, Rumo Malha Paulista filed a Cautionary Action and, subsequently, a Declaratory Action before the 21st Federal Court of Rio de Janeiro questioning the economic and financial imbalance of the Concession and Lease Contracts, due to the high disbursement that the Company has with the payment of labor lawsuits and other costs involved, which are the responsibility of Rede Ferroviária Federal S/A, under the terms expressed in the bidding notice Rumo Malha Paulista requested the granting of an injunction to suspend the payment of the installments of the lease agreements, overdue and falling due, as well as the offsetting of the credit balance resulting from labor fees paid by the Company with the amount charged by the Union. In April 2005, the injunction was granted, suspending the payment of the installments for 90 days, determining conducting expertise. In July 2005, the suspension of the liability was extended for another 90 days. In September 2005, the injunction was revoked by the Regional Federal Court of Rio de Janeiro. In January 2006, a request was made to suspend the payment of installments, by means of a deposit. The amount related to the lease installments had been deposited in court until October 2007, when the Company obtained judicial authorization to replace the judicial deposits by bank guarantee letter. In October 2015, a decision was rendered that partially upheld the lawsuit recognizing the occurrence of an economic and financial imbalance in the contracts, allowing the Company to offset part of the amounts claimed against the presented debt. As an appeal, the right to offset expenses with internal personnel was included and the correction of the amounts due by the IPCA-E was determined. Appeals are awaited by the Superior Courts. Notwithstanding, the Company understands that any amount discussed in the process is liable to offset, due to the provision contained in clauses 7 and 10 of the Bidding Notice.

Management, supported by the opinion of its lawyers, assesses the chances of success as probable in relation to the amount of the sentence and judgment rendered and as possible in relation to other amounts, but maintains the record of the debt as it is a contractual obligation.

Notes to financial statements

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Rumo Malha Oeste also pleads for the reestablishment of the economic and financial balance, lost due to the cancellation of transportation contracts existing at the time of the privatization, changing the regulatory scenario and conditions established in the Privatization Notice - in addition, the growth forecasts that defined the value of the business did not materialize. The lawsuit is pending at the Federal Regional Court of the 2nd Region. The amount referring to the Company's overdue installments was guaranteed by the acquisition of public debt securities (Financial Treasury Bills - LFT). In March 2008, the Company obtained authorization to replace the guarantee with bank guarantee and in May 2008 the Company redeemed the amounts. In December 2014, a decision was handed down that upheld the lawsuit, recognizing the occurrence of an economic-financial imbalance in the contracts. In December 2015, a request for replacement of letters of guarantee presented by the Company with guarantee insurance was granted. Appeal judgment is awaited at the TRF (Federal Regional Court).

Management, supported by the opinion of its lawyers, assesses the chances of success as probable, but maintains the record of the liability because it is a contractual obligation not yet withdrawn from the Company, and because the amount is still pending.

Judicial deposits related to the aforementioned lawsuits total:

	December 31, 2019	December 31, 2018
Rumo Malha Paulista	119,806	119,806
Rumo Malha Oeste	21,703	19,790
	141,509	139,596

Judicial deposits are accounted for in the "regulatory" group, according to Note 5.15.

Still within the scope of the disputes involving the Malha Oeste, in January 2020 the Agency decided to initiate an Ordinary Administrative Proceeding to generate a conclusive report as to the suitability, or not, of the declaration of expiry of the concession of the Malha Oeste by the Union. The analysis will be conducted by a commission to be appointed by the Infrastructure and Railroad Cargo Transport Services area.

Management, supported by the opinion of its lawyers, assesses the risk of loss as possible.

5.17 Shareholders' equity

a) Share capital

Accounting policy:

The share capital is recorded at the value of the payment of shares less the incremental costs directly attributable to the issue of common shares. Income tax related to transaction costs of an equity transaction is accounted for in accordance with the policy described in Note 5.14 - Income tax and social contribution.

The subscribed and fully paid-in capital on December 31, 2019 and 2018 is R\$ 9,654,897 and is represented by 1,559,015,898 registered, book-entry common shares with no par value.

As of December 31, 2019, the Company's capital stock consists of the following:

	Ordinary shares	
	Quantity	%
Shareholders		
Cosan Logística S.A.	443,843,194	28.47%
Julia Arduini	59,511,402	3.82%
Board of Directors	1,912,620	0.12%
Free Float	1,053,748,682	67.59%
Total of Outstanding Shares	1,559,015,898	100.00%

b) Capital reserve

Accounting policy:

Capital Reserves are made up of amounts received by the Company and which do not pass through Income as revenue, as they refer to amounts intended to reinforce its capital, without having as counterpart any effort of the Company in terms of delivering goods or rendering services. Such reserves include goodwill on the issuance of shares, the sale of beneficiary shares and subscription bonuses. These are capital transactions with the partners.

The movement for the year consists of the transactions with shareholders highlighted below:

- Increase of R\$ 10,617 in transactions with payment based on shares;
- Decrease of R\$ 103 referring to the effect of the distribution of dividends to preferred shareholders in the subsidiary Rumo Malha Norte.

c) Legal reserve

Accounting policy:

It is constituted through the appropriation of 5% of net income for the year up to the limit of 20% of capital, in accordance with Law 6,404.

For the year ended December 31, 2019, the Company allocated R\$ 38,911 (R\$ 13,218 as of December 31, 2018).

d) Tax incentives - SUDAM

Accounting policy:

Tax incentives are recorded at fair value, when there is reasonable assurance that: (a) the Company will meet the requirements related to the incentive; (b) the incentive will be received.

The effects are recorded in the income statement to offset the costs or expenses that the incentive intends to offset.

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

Rumo Malha Norte obtained through the Amazon Development Superintendence - SUDAM the right to a reduction in corporate income tax - IRPJ and additional non-refundable taxes calculated on the operating profit, as it is located in the coverage area of the Legal Amazon and as the transport sector is considered a priority enterprise for regional development.

The effect of the 75% reduction on IRPJ and non-refundable additional calculated up to December 31, 2019 on operating profit was R\$ 178,609 (R\$ 48,541 on December 31, 2018), recorded as a reduction of Income Tax expense and Social Contribution of the subsidiary Rumo Malha Norte.

e) Other comprehensive income

	December 31, 2018	Base	Deferred tax	Net	December 31, 2019
Effects of foreign currency translation - Investee	18,221	3,215	-	3,215	21,436
Actuarial losses with pension plan	(2,694)	(580)	81	(499)	(3,193)
Attributed cost	3,380	(546)	-	(546)	2,834
Total	18,907	2,089	81	2,170	21,077

6 Detailed information on income statement

6.1 Net operating revenue

Accounting policies

i. Service revenue

Revenues from the provision of services are recognized when the entity transfers to the counterpart the significant risks and benefits inherent to the provision of services, when it is probable that the economic benefits associated with the transaction will flow to the Company, as well as when its related value and incurred costs can be reliably measured.

Service prices are fixed based on service orders or contracts. The Company's revenue is basically comprised of rail freight, road freight, container transport and port elevation services, which is why the above criteria are normally met to the extent that the logistics service is provided.

ii. Deferred revenue

The Company has deferred revenue received from customers in order to invest in permanent assets in exchange for a rail transportation service contract, requiring future performance of services by the Company.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The following is an analysis of the Company's revenue:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Gross revenue from sales of services	633,856	689,320	7,473,730	6,988,737
Taxes and deductions on sales of services	(37,441)	(44,232)	(385,890)	(403,801)
Net revenue	596,415	645,088	7,087,840	6,584,936

The Company provides services in the Brazilian domestic market, to private entities. The agreements with customers establish substantially fixed prices per transported or elevated ton. The services provided by the Company have a very short period of execution, with the revenue earned and recorded as the services are performed. Regarding the nature of the services provided, net revenue has the following composition:

Breakdown of net revenue by service:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cargo transportation	596,415	645,088	6,548,109	5,998,380
Cargo elevation	-	-	351,563	303,804
Right of passage	-	-	164,907	149,985
Other	-	-	23,261	132,767
Net revenue	596,415	645,088	7,087,840	6,584,936

6.2 Costs and expenses by nature

Expenses are presented in the income statement by function. The reconciliation of income by nature / purpose is as follows:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Material for use and consumption	(566)	(2,433)	(145,540)	(133,819)
Employee benefit expense	(7,766)	(8,709)	(923,624)	(842,742)
Depreciation and amortization	(102,956)	(99,801)	(1,675,637)	(1,418,858)
Third-party services expense	(4,710)	(10,701)	(344,339)	(321,448)
Transportation and elevation expenses	(368,153)	(377,730)	(1,696,366)	(1,547,669)
Lease and concessions	-	-	-	(212,081)
Short-term and small-value leases	-	-	(48,182)	(14,157)
Other expenses	(25,705)	(20,880)	(138,698)	(288,296)
	(509,856)	(520,254)	(4,972,386)	(4,779,070)
Cost of services provided	(484,314)	(485,171)	(4,608,781)	(4,465,634)
Selling expenses	107	(28)	(6,983)	(12,872)
General and administrative expenses	(25,649)	(35,055)	(356,622)	(300,564)
	(509,856)	(520,254)	(4,972,386)	(4,779,070)

6.3 Other operating income (expenses), net

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net effect of lawsuits and tax installments	(15,907)	(9,123)	(73,065)	(79,283)
Rental and leases revenue	14,420	13,440	-	831
Result on sale of scrap / eventual	1,830	1,447	45,566	45,952
Result on disposals of fixed assets and intangible assets	-	-	4,454	29,231
Depreciation ⁽ⁱ⁾	-	-	(40,545)	-
Outdated tax credits	13,244	-	40,447	-
Insurance claims recovery	-	3,588	-	5,345
Loss from impairment (Note 5.12.2)	-	-	-	(72,448)
Other	(1,903)	(2,315)	(941)	5,070
	11,684	7,037	(24,084)	(65,302)

- (i) The depreciation of the right-of-use assets of Malha Central is being presented as "Other operating expenses" while the entity is not generating revenues".

6.4 Financial results**Accounting policy:**

Financial income includes interest income on invested funds, dividends, gains on the fair value of financial assets measured at fair value through profit or loss, gains on hedge instruments that are recognized in the result and reclassifications of net gains previously recognized in other comprehensive income. Interest income is recognized as it is recognized in the income statement, using the effective interest rate method.

Financial expenses include interest expense on loans, settlement of the discount of provisions and deferral, losses on the disposal of financial assets available for sale, losses on the fair value of financial assets at fair value through profit or loss, impairment losses recognized financial assets (other than accounts receivable), losses on hedge instruments that are recognized in the income statement and reclassifications of net losses previously recognized in other comprehensive income.

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.

Exchange gains and losses on financial assets and financial liabilities are reported on a net basis as financial income or financial cost, depending on whether net foreign currency fluctuations result in a gain or loss position.

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The details of financial income and costs are as follows:

	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cost of gross debt				
Interest and monetary variation	(216,470)	(100,303)	(1,076,799)	(903,200)
Net exchange rate changes on debts	(8,394)	(6,933)	(202,789)	(653,262)
Result from derivatives and fair value	81,723	322	676,422	752,869
Amortization of funding expenses	(6,208)	(970)	(40,395)	(48,162)
Guarantees and warranties on loans	(11,981)	(25,886)	(44,255)	(81,864)
	(161,330)	(133,770)	(687,816)	(933,619)
Cash investment income	15,438	14,934	155,221	180,395
	15,438	14,934	155,221	180,395
	-	-	-	-
Cost of debt, net	(145,892)	(118,836)	(532,595)	(753,224)
Other charges and monetary variations	-	-	-	-
Interest on other receivables	8,572	686	47,311	43,588
Lease and concessions in dispute	-	-	(190,272)	(186,259)
Lease liabilities	(56)	(97)	(363,753)	(105,085)
Banking expenses and other	(1,099)	(1,948)	(52,104)	(59,961)
Real estate credit certificates	-	(183)	-	(5,091)
Interest on contingencies and commercial contracts	(21,458)	(3,656)	(84,386)	(86,236)
Foreign exchange e derivatives	(2,054)	(8,730)	(3,104)	(14,802)
Interest on other liabilities	(4,722)	(69)	(19,224)	(42,265)
	(20,817)	(13,997)	(665,532)	(456,111)
Finance result, net	(166,709)	(132,833)	(1,198,127)	(1,209,335)
Reconciliation				
Financial expenses	(261,996)	(133,110)	(1,871,188)	(1,518,125)
Financial income	24,012	15,619	202,532	223,984
Exchange variation	(10,448)	(15,664)	(205,839)	(668,063)
Derivatives	81,723	322	676,368	752,869
Finance result, net	(166,709)	(132,833)	(1,198,127)	(1,209,335)

6.5 Share-based payment

Accounting policy:

The fair value of share-based payment benefits on the grant date is recognized, as personnel expenses, with a corresponding increase in shareholders' equity, for the period in which employees unconditionally acquire the right to benefits.

The amount recognized as an expense is adjusted to reflect the number of shares for which it is expected that the service conditions and acquisition conditions (which are not market) will be met, in such a way that the amount finally recognized as an expense is based on the number of shares that actually meet the conditions of the service and non-market acquisition conditions on the date on which the payment rights are acquired (vesting date).

For non-vested share-based payment benefits, the fair value on the share-based payment grant date is measured to reflect such conditions and there is no change to differences between expected and actual benefits.

a) Description of the agreements

The Company has two share-based compensation plans. The first, the "Stock grant plan", grants shares of the Company to managers and employees. The second, the "Stock option plan", grants the right to acquire shares (options) of the Company at a specified price. In both cases, the right to acquire or receive shares is subject to the grace period for each plan.

The plans are managed by the Company's Board of Directors, at its discretion, by a Committee, within the limits established in the guidelines for the preparation and structuring of each plan and in the applicable legislation.

On December 21, 2016, the Share-Based Compensation model ("Stock Grant") was approved at the Meeting, which has been applied to grants since then. This model provides for the distribution of up to 3% of the Company's capital stock, already considering the dilution effect of the distribution of shares granted under the plan. The plan aims to: (i) attract, retain and motivate beneficiaries; (ii) generating value for shareholders; and (iii) encourage the entrepreneurial vision of the business.

Notes to financial statements

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

The number of shares to be distributed will be determined by the Board of Directors or the Committee, if instituted, and will be equivalent to the closing value of the issuer's share on the floor - at B3 - immediately prior to the grant. The shares granted in the Share-Based Compensation Plan will be transferred free of charge once the grace period stipulated under the terms of each Share Granting Program has been completed, the amount being adjusted by the number proportional to the dividends paid in the period. The Black-Scholes methodology is used to determine the fair value of the shares delivered

The following share-based payment agreements:

Stock Grants Plans	Lack period (years)	Grant date	Interest rate	Volatility	Granted shares	Exercised / cancelled	Effective on December 31, 2019	Market price on grant date - R\$	Fair value on grant date - R\$
2015 Plan	5	October 1, 2015	11.33%	42.75%	1,485,900	(214,000)	1,271,900	6.10	6.10
2016 Plan	5	January 2, 2017	11.33%	42.75%	1,476,000	(185,700)	1,290,300	6.10	6.10
2017 Plan	5	September 1, 2017	9.93%	29.76%	870,900	(120,200)	750,700	10.42	10.42
2018 Plan	5	August 1, 2018	10.93%	31.97%	1,149,544	(75,821)	1,073,723	13.94	13.94
2019 Plan	5	August 15, 2019	6.28%	27.46%	843,152	(1,589)	841,563	22.17	22.17
					5,825,496	(597,310)	5,228,186		

b) Reconciliation of shares granted in circulation

The movement in the number of outstanding premiums and their related weighted average exercise prices are as follows:

	Stock option		Stock grant	
	Rumo S.A		Rumo S.A	
	Number of options	Average exercise price	Number of shares	
At January 1, 2018	223,825	52.00	3,587,750	
Granted	-	-	1,149,544	
Cancelled	(25,600)	67.78	(37,072)	
Exercised / delivered	-	-	(161,849)	
At December 31, 2018	198,225	54.83	4,538,373	
Granted	-	-	843,152	
Exercised / delivered	-	-	(25,932)	
Lost / cancelled	(47,563)	61.04	(127,407)	
At December 31, 2019	150,662	56.61	5,228,186	

c) Expense recognized in profit or loss

In the year ended December 31, 2019, R\$ 10,472 was recognized as expenses related to the appropriation of the "Stock Grant" Plans (R\$ 7,352 on December 31, 2018).

6.6 Earnings per share

Accounting policy:

a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- i. the profit attributable to the owners of the Company, excluding any equity service costs other than common shares; and
- ii. by the weighted average number of common shares outstanding during the year, adjusted by the bonus elements in common shares issued during the year and excluding treasury shares if any.

b) Diluted earnings per share

Diluted earnings per share adjust the amounts used in determining basic earnings per share to take into account:

- i. the after tax effect on interest income and other financing costs associated with potential diluting common shares; and
- ii. the weighted average number of additional common shares that would be outstanding, assuming the conversion of all potential diluting common shares.

Basic earnings per share are calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting earnings and the number of shares by the impacts of potentially dilutive instruments.

Notes to financial statements

(In thousands of Brazilian Reais - R\$, unless otherwise stated)

The following table shows the calculation of earnings per share (in thousands, except per share) for the years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Result for the year	778,237	264,357
Diluted effects:		
Dilutive effect - Brado Logística	1,466	-
Diluted result for the year attributable to controlling shareholders	779,703	264,357
Denominator:		
Weighted average number of common share	1,559,167	1,559,214
Diluted effects:		
Dilutive effect - Brado Logística	3,264	-
Dilutive effect - Stock option plan	4,249	3,450
Weighted average number of common share - diluted	1,566,679	1,562,664
Basic earnings per common share	R\$0.49914	R\$0.16955
Diluted earnings per common share	R\$0.49768	R\$0.16917

Thinning instruments

The non-controlling shareholders of the indirect subsidiary Brado, are entitled to exercise the Liquidity Option provided for in the shareholders' agreement signed on August 5, 2013. This option consists of replacing the totality of the shares held by said non-controlling shareholders with a number of shares determined according to the established exchange ratio, which takes into account the economic value to be established for both the Brado business and the Company's business. At the Company's sole discretion, an equivalent cash payment is also possible. The assumptions of value and form of settlement are subject to the decision of the arbitration procedure and on December 31, 2019, the best estimate is 3,264 shares, with dilutive effect, which are therefore considered in the analysis of diluted earnings per share.

The Company has share-based compensation plans, as detailed in note 6.5, whose instruments (restricted options or shares). As of December 31, 2019 and 2018, they have a dilutive effect.



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Independent auditors' report on the individual and consolidated financial statements

To the Board of Directors and Shareholders of
Rumo S.A.
Curitiba - SP

Opinion

We have audited the individual and consolidated financial statements of Rumo S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the balance sheet as at December 31, 2018, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Rumo S.A. as at December 31, 2018, and its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in section "Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements" of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), 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 individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Recoverability of deferred income and social contribution taxes (Notes 3.15 and 17) - Parent and Consolidated

The Company's subsidiary that operates the Malha Paulista concession recognized deferred tax asset related to temporary differences and tax loss carry-forward, which are considered recoverable based on the generation of future taxable profits.

The estimated availability of future taxable profits requires judgment for the projections 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 tax loss carry-forward, which may impact the deferred tax asset recognized in the consolidated financial statements and at the effective tax rate of the period, but may also impact the equity method and consequently the investment recognized in the financial statements of the parent company and the corresponding disclosures. For these reasons, this matter was considered significant for our audit.

How our audit addressed this matter

We evaluated the key 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 for the previous year with the actual results incurred in order to confirm the reliability of the projections of future results. With the assistance of our corporate finance specialists, we evaluated the main assumptions used to support the projection of future taxable profits, including (i) expectations of loading related to the production of sugar and grains; (ii) expectation of future freight prices; (iii) availability of transport and port capacity; and (iv) other macroeconomic conditions. In addition, with the assistance of our tax specialists, we consider the appropriateness of the application of tax laws and tax deductions in calculating the deferred taxes. We also assessed whether the projections indicated sufficient future taxable profits against which the tax loss carry-forward and deductible temporary differences could be used, as well as the adequacy of the disclosures made in the financial statements.

Based on the evidence obtained from the procedures described above, we considered that the amount of deferred income tax and social contribution asset and the corresponding disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole, for the year ended December 31, 2018.

Disclosure of the effects of the initial adoption of CPC 06 (R2) / IFRS 16 - Leases - Parent and Consolidated - Note 4.1

The Company and its subsidiaries maintain significant commitments arising from lease contracts that are within the scope of Technical Pronouncement CPC 06 (R2) Operações de Arrendamento Mercantil / IFRS 16 - Leases. This new standard, effective for annual periods beginning on or after January 1, 2019, introduced complex accounting aspects for the measurement of right of use assets and lease liabilities, especially with respect to determining the discount rates of the lease contracts.

In measuring and accounting of the right-of-use asset, as well as the lease liability, the Company and its subsidiaries used complex assumptions and judgments, especially in relation to the discount rate of the lease contracts.

Pursuant to CPC 23 and IAS 8 - Accounting policies, errors and estimates, the Company made the disclosure related to the potential impacts arising from the transition to the new pronouncement based on the existing contracts as at December 31, 2018, among others information required by these standards.



Due to the complexity and judgments involved in determining the discount rates on the lessee's loan and the relevance of the impacts of this rate on the measurement of the lease liability, as well as the relevance of the disclosures of the effects of the initial adoption of CPC 06 (R2) / IFRS 16, this matter was considered significant for our audit.

How our audit addressed this matter

We evaluated the process and controls implemented by the Company and its subsidiaries to capture the information needed to disclose the potential impact of applying the new standard and other information required by accounting standards. With the assistance of our corporate finance specialists, we evaluate the assumptions used in determining the discount rates. We also evaluated the judgments applied by its subsidiaries for the other assumptions used as lease term and aggregate costs to the estimated value of the right of use asset. We evaluated the disclosures and performed tests on lease contracts basis used to support the disclosed amounts.

Based on the evidence obtained from the procedures described above, we considered that the effects of the initial adoption of CPC 6 (R2) - Contratos de arrendamento mercantil / IFRS 16 - Leases and the respective disclosures are acceptable in the context of the financial statements taken as a whole, for the year ended December 31, 2018.

Other matters

Statements of value added

The individual and consolidated financial information related to the statements of value added (DVA) as at December 31, 2018, prepared under the responsibility of the Company's management, presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the Company's financial information. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement *CPC 09 - Demonstração do Valor Adicionado*. In our opinion, these statement of value added have been prepared, in all material respects, in accordance with the criteria defined in that Technical Pronouncement mentioned above and are consistent with the individual and consolidated financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company and its



subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the individual and 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 individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 individual and 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 Company to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's audit. 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 individual and 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, February 12, 2019

KPMG Auditores Independentes
CRC 2SP014428/O-6

Rogério Hernandez Garcia
Accountant CRC 1SP213431/O-5

Rumo S.A.

Balance sheets

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

	Note	Parent Company		Consolidated	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Assets					
Cash and cash equivalents	5	595	930	141,527	178,004
Marketable securities	6	114,430	421,810	2,843,074	3,152,441
Accounts receivable	7	15,725	24,839	417,339	359,342
Derivative financial instruments	28	-	660	-	660
Inventories	8	1,030	504	263,386	282,291
Related parties	10	107,151	79,899	19,400	13,174
Income taxes		5,751	2,374	57,082	50,855
Other recoverable taxes	9	7,934	5,979	195,176	209,121
Dividends and interest on own		33,044	35,652	-	352
Other assets		12,164	8,649	137,005	160,381
Current		297,824	581,296	4,073,989	4,406,621
Accounts receivable	7	9,099	12,376	20,723	12,376
Restricted cash	6	3,416	3,321	115,124	225,634
Deferred income tax	16	-	-	1,046,195	1,156,560
Related parties	10	3,326	64,524	27,675	18,086
Income taxes		-	21,582	260,330	247,996
Other recoverable taxes	9	-	1,982	796,794	698,057
Judicial deposits	18	21,109	17,282	369,490	330,972
Derivative financial instruments	28	322	-	892,461	109,447
Other non-current assets		5,802	8,780	76,631	92,590
Equity method investments	11	10,363,142	9,546,428	44,001	41,930
Property and equipment	12	133,266	136,093	11,916,818	11,266,278
Intangible assets	13	388,769	427,106	7,493,882	7,622,969
Non-current		10,928,251	10,239,474	23,060,124	21,822,895
Total assets		11,226,075	10,820,770	27,134,113	26,229,516

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

Rumo S.A.

Balance sheets

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

		Parent Company		Consolidated	
	Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Liabilities					
Current portion of long-term debt	14	172,838	336,526	924,904	1,594,008
Finance leases	19	342	327	120,491	261,344
Real estate credit certificates		-	4,806	-	86,745
Accounts payable - suppliers	17	44,730	33,694	451,619	628,596
Salaries payable		12,850	19,196	207,397	166,864
Income tax		182	138	7,733	2,003
Other taxes payable	15	6,480	6,804	46,717	42,767
Dividends payable		5,250	5,250	6,495	8,506
Leases and concessions	20	-	-	28,797	27,413
Related parties	10	103,469	125,450	156,169	147,099
Deferred income		2,802	2,802	9,473	11,529
Other financial liabilities	28.b	-	-	337,705	291,977
Other current liabilities		16,332	50,233	175,818	243,130
Current		365,275	585,226	2,473,318	3,511,981
Long-term debt	14	1,348,526	1,258,999	9,669,477	8,076,938
Finance leases	19	171	451	432,859	682,794
Other taxes payable	15	-	-	3,755	11,010
Provision for judicial demands	18	39,871	36,674	514,652	502,034
Leases and concessions	20	-	-	3,179,771	2,905,921
Provision for capital deficiency	11	1,374,950	1,110,682	-	-
Related parties	10	28,950	25,483	-	-
Deferred income tax	16	-	-	2,436,797	2,342,076
Deferred income		21,714	24,515	42,044	56,495
Other current liabilities		18,418	27,280	86,817	120,886
Non-current		2,832,600	2,484,084	16,366,172	14,698,154
Total liabilities		3,197,875	3,069,310	18,839,490	18,210,135
Equity					
Common stock	21	9,654,897	9,654,897	9,654,897	9,654,897
Capital reserve		2,462,045	2,459,859	2,462,045	2,459,859
Other equity		18,907	7,812	18,907	7,812
Profit reserve		266,817	253,599	266,817	253,599
Accumulated losses		(4,374,466)	(4,624,707)	(4,374,466)	(4,624,707)
Equity attributable to:					
Owners of the Company		8,028,200	7,751,460	8,028,200	7,751,460
Non-controlling interests	11.c	-	-	266,423	267,921
Total equity		8,028,200	7,751,460	8,294,623	8,019,381
Total liabilities and equity		11,226,075	10,820,770	27,134,113	26,229,516

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

Rumo S.A.

Statements of income

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

		Parent Company		Consolidated	
	Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net revenue from services	24	645,088	734,840	6,584,936	5,946,349
Cost of services	25	(485,171)	(583,115)	(4,465,634)	(4,220,988)
Gross profit		159,917	151,725	2,119,302	1,725,361
Selling	25	(28)	-	(12,872)	(28,846)
General and administrative	25	(35,055)	(48,134)	(300,564)	(282,115)
Other income (expenses), net	27	7,037	(4,432)	(65,302)	(3,304)
Operating expenses		(28,046)	(52,566)	(378,738)	(314,265)
Result before financial results and equity income on investments		131,871	99,159	1,740,564	1,411,096
Equity income on investments	11	286,849	(159,288)	10,179	4,243
Equity income on investments		286,849	(159,288)	10,179	4,243
Income (loss) before financial results and income taxes		418,720	(60,129)	1,750,743	1,415,339
Financial expenses		(133,110)	(269,027)	(1,518,125)	(1,896,337)
Financial income		15,619	33,048	223,984	258,890
Foreign exchange, net		(15,664)	2,818	(668,063)	(127,508)
Derivatives		322	-	752,869	100,097
Financial result, net	26	(132,833)	(233,161)	(1,209,335)	(1,664,858)
Result before income taxes		285,887	(293,290)	541,408	(249,519)
Income tax and social contribution benefit	16				
Current		(21,530)	-	(66,843)	(43,241)
Deferred		-	32,483	(201,598)	34,322
		(21,530)	32,483	(268,441)	(8,919)
Result for the year		264,357	(260,807)	272,967	(258,438)
Result attributable to:					
Controlling interest		264,357	(260,807)	264,357	(260,807)
Non-controlling interest		-	-	8,610	2,369
Basic and diluted earnings per share:					
Basic	22			R\$0.16955	(R\$0.18782)
Diluted				R\$0.16917	(R\$0.18782)

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

Rumo S.A.

Statements of comprehensive income

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

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Result for the year	264,357	(260,807)	272,967	(258,438)
Items that can't be subsequently reclassified to the result				
Actuarial losses with pension plan	(1,540)	-	(1,729)	-
Actuarial losses tax	-	-	189	-
	(1,540)	-	(1,540)	-
Items that can be subsequently reclassified to the result				
Currency translation adjustment	12,722	1,383	12,722	1,393
Other comprehensive income, net of income tax and social contribution	11,182	1,383	11,182	1,393
Total comprehensive result	275,539	(259,424)	284,149	(257,045)
Comprehensive income attributable to:				
Owners of the Company	275,539	(259,424)	275,539	(259,424)
Non-controlling interest	-	-	8,610	2,379

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

Rumo S.A.

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

	Attributable to shareholders of the Company							
	Common capital	Capital reserve	Profit reserve	Accumulated other comprehensive loss	Accumulated losses	Total	Non-controlling interest	Total equity
At December 31, 2017	9,654,897	2,459,859	253,599	7,812	(4,624,707)	7,751,460	267,921	8,019,381
Initial adoption of standard CPC 48 / IFRS 9	-	-	-	-	(985)	(985)	(3)	(988)
At January 1, 2018	9,654,897	2,459,859	253,599	7,812	(4,625,692)	7,750,475	267,918	8,018,393
Result for the year	-	-	-	-	264,357	264,357	8,610	272,967
Other comprehensive income:								
Currency translation adjustment	-	-	-	12,722	-	12,722	-	12,722
Actuarial losses with pension plan	-	-	-	(1,540)	-	(1,540)	-	(1,540)
Attributable cost reflection adjustment of associates	-	-	-	(87)	87	-	-	-
Total comprehensive income, net of taxes	-	-	-	11,095	264,444	275,539	8,610	284,149
Contributions and distributions for shareholders								
Stock option plan	-	7,352	-	-	-	7,352	-	7,352
Effect of dividend distribution on non-controlling shareholders	-	(191)	-	-	-	(191)	191	-
Legal reserve	-	-	13,218	-	(13,218)	-	-	-
Dividends	-	-	-	-	-	-	(2,955)	(2,955)
Total of contributions and distributions for shareholders	-	7,161	13,218	-	(13,218)	7,161	(2,764)	4,397
Transactions with owners of the Company								
Change of shareholding interest in subsidiary	-	(4,975)	-	-	-	(4,975)	(7,341)	(12,316)
Total transactions with owners of the Company	-	(4,975)	-	-	-	(4,975)	(7,341)	(12,316)
At December 31, 2018	9,654,897	2,462,045	266,817	18,907	(4,374,466)	8,028,200	266,423	8,294,623

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

Rumo S.A.

Statements of changes in equity (In thousands of Brazilian Reals - R\$)

	Attributable to shareholders of the Company						Non-controlling interest	Total equity
	Common capital	Capital reserve	Profit reserve	Accumulated other comprehensive loss	Accumulated losses	Total		
At January 1, 2017	7,014,897	2,493,670	253,599	6,489	(4,363,960)	5,404,695	270,592	5,675,287
Result for the year	-	-	-	-	(260,807)	(260,807)	2,369	(258,438)
Other comprehensive income:	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	1,383	-	1,383	10	1,393
Attributable cost reflection adjustment of associates	-	-	-	(60)	60	-	-	-
Total comprehensive income, net of taxes	-	-	-	1,323	(260,747)	(259,424)	2,379	(257,045)
Contributions and distributions for shareholders								
Capital increase	2,640,000	-	-	-	-	2,640,000	-	2,640,000
Transaction costs related to the capital increase	-	(39,333)	-	-	-	(39,333)	-	(39,333)
Stock option plan	-	5,522	-	-	-	5,522	-	5,522
Dividends	-	-	-	-	-	-	(5,050)	(5,050)
Total of contributions and distributions for shareholders	2,640,000	(33,811)	-	-	-	2,606,189	(5,050)	2,601,139
At December 31, 2017	9,654,897	2,459,859	253,599	7,812	(4,624,707)	7,751,460	267,921	8,019,381

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

Rumo S.A.

Statements of cash flows

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash flows from operating activities				
Result before income taxes and social contribution	285,887	(293,290)	541,408	(249,519)
Adjustments to:				
Depreciation, amortization and impairment	99,801	99,169	1,491,306	1,341,687
Equity pick-up from controlled and associated companies	(286,849)	159,288	(10,179)	(4,243)
Provision for profit sharing	10,512	16,658	93,153	81,694
Result on disposal of fixed and intangible assets	-	-	(29,231)	(73)
Provision for judicial demands	9,123	22,009	79,283	55,800
Expected losses (gain) on doubtful accounts	28	221	(1,939)	12,198
Stock option plan	7,352	5,522	7,352	5,522
Lease and concessions	-	-	199,405	193,252
Interest, indexation charges and exchange variations, net	113,691	(212,505)	1,161,542	1,509,319
Other	(2,868)	(3,545)	(31,162)	(48,937)
	236,677	(206,473)	3,500,938	2,896,700
Changes in:				
Accounts receivable	15,021	24,671	(31,948)	(58,379)
Net, related parties	13,641	(315,484)	3,143	46,478
Other taxes, net	1,236	10,275	(130,833)	(199,982)
Inventories	(526)	(23)	23,704	7,650
Salaries payable	(16,858)	(14,234)	(53,063)	(35,898)
Accounts payable	(1,067)	(18,527)	(206,964)	(36,654)
Lease and concessions payable	-	-	(105,848)	(111,922)
Provision for judicial demands	(8,472)	(9,915)	(101,679)	(72,448)
Other financial liabilities	-	-	14,300	75,434
Other asset and liabilities, net	(50,567)	373	(207,037)	(199,731)
	(47,592)	(322,864)	(796,225)	(585,452)
Net cash generated from (used in) operating activities	189,085	(529,337)	2,704,713	2,311,248
Cash flow from investing activities				
Receipt from sale of investments	-	-	-	(689)
Capital increase in subsidiary	(826,421)	(1,356,089)	-	-
Marketable securities	321,293	(362,025)	467,432	(2,045,842)
Restricted cash	(94)	(33)	111,664	(24,635)
Reduction of invested capital	23,000	-	-	-
Dividends received from controlled and associated companies	497,627	321,207	6,458	6,704
Purchase of property, plant and equipment and intangible	(8,651)	(37,867)	(1,996,746)	(2,045,390)
Proceeds from the merger of subsidiaries	2,410	-	-	-
Cash received on disposal of other fixed assets	-	-	-	7,000
Net cash generated from (used in) investing activities	9,164	(1,434,807)	(1,411,192)	(4,102,852)
Cash flow from financing activities				
Proceeds from debts	200,000	-	3,113,130	3,786,463
Repayments of principal from debts	(333,218)	(476,960)	(3,172,817)	(2,961,824)
Payments of interest from debts	(48,359)	(115,749)	(724,579)	(946,382)
Repayments of leases	(272)	(2,257)	(384,752)	(348,114)
Payments of leases	(90)	(603)	(150,799)	(283,430)
Repayments of advance of real estate credits	(4,898)	(27,584)	(91,746)	(127,165)
Payments of advance of real estate credits	(97)	(2,338)	(97)	(2,338)
Acquisition of non-controlling interest	(12,316)	-	(12,316)	-
Capital increase	-	2,584,151	-	2,584,151
Derivative financial instruments	666	3,375	(29,479)	(18,279)
Dividends paid	-	-	(3,346)	(2,069)
Net cash generated from (used in) financing activities	(198,584)	1,962,035	(1,456,801)	1,681,013
Impact of exchange variation on cash and cash equivalents	-	-	126,803	28,068
Decrease in cash and cash equivalents	(335)	(2,109)	(36,477)	(82,523)
Cash and cash equivalents at beginning of the exercise	930	3,039	178,004	260,527
Cash and cash equivalents at end of the exercise	595	930	141,527	178,004
Supplemental disclosure of cash flow information:				
Income taxes paid	3,040	-	13,423	17,086

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

Rumo S.A.

Statements of value added

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenue				
Sale of services	689,320	781,462	6,988,737	6,332,656
Other operating revenue	4,292	14,509	84,009	133,638
Expected gain (losses) on doubtful accounts	(28)	(221)	1,939	(12,198)
	693,584	795,750	7,074,685	6,454,096
Raw materials acquired from third				
Cost of services rendered	(456,267)	(547,666)	(1,485,577)	(1,324,897)
Materials, energy, third party services, other	54,311	32,315	(1,048,094)	(918,149)
	(401,956)	(515,351)	(2,533,671)	(2,243,046)
Gross value added	291,628	280,399	4,541,014	4,211,050
Retention				
Depreciation and amortization	(99,801)	(99,169)	(1,491,306)	(1,341,687)
	(99,801)	(99,169)	(1,491,306)	(1,341,687)
Net value added	191,827	181,230	3,049,708	2,869,363
Value added transferred in				
Equity pick-up in investees	286,849	(159,288)	10,179	4,243
Rents Received	13,440	-	-	-
Financial income	15,619	33,048	223,984	258,890
	315,908	(126,240)	234,163	263,133
Value added to be distributed	507,735	54,990	3,283,871	3,132,496
Distribution of value added				
Personnel	24,617	30,859	754,496	709,577
Direct remuneration	22,091	28,481	584,651	560,877
Benefits	2,198	2,059	138,867	117,220
FGTS	328	319	30,978	31,480
Taxes and contributions	68,774	16,722	460,303	384,874
Federal	66,980	15,435	350,722	304,842
State	692	665	84,434	60,866
City	1,102	622	25,147	19,166
Third party capital remuneration	149,987	268,216	1,796,105	2,296,483
Interest	148,452	266,209	1,433,319	1,923,748
Leasing	1,535	2,007	362,786	372,735
Equity capital remuneration	264,357	(260,807)	272,967	(258,438)
Non-controlling interests	-	-	8,610	2,369
Result for the period	264,357	(260,807)	264,357	(260,807)
	507,735	54,990	3,283,871	3,132,496

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

Rumo S.A.

Notes to the interim financial statements

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

1 Operations

Rumo S.A. ("The Company" or "Rumo"), is a publicly traded company with its shares traded on B3 S.A. - Brasil, Bolsa, Balcão ("B3") under the code RAIL3, and has its headquarters in the city of Curitiba, State of Paraná, Brazil. The Company is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística"), which owns 28.47% of its capital.

The Company is a service provider in the logistics sector (transport and elevation), principally for export commodities, providing an integrated transport solution, handling, storage and shipment from the production centers to the main southern and southeast ports, and also holds interests in other companies and ventures related to logistic.

The Company 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 the Company and 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 while Elevações Portuárias S.A. ("Elevações Portuárias") has terminals for transshipment and terminals for export of sugar and grains in the Port of Santos.

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

On September 21, 2017, an amendment of the Company'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.

On October 4, 2017, was approved the Company's capital increase of R\$2,640,000, as well as its ratification, in connection with the primary public offering of 220,000,000 registered, book-entry and nominal values, issued by the Company, all free and clear of any liens or encumbrances, with restricted placement efforts, pursuant to CVM Instruction 476. Due to the increase in the Company's common capital in the scope of the offer, the Company increased to R\$9,654,897, divided into 1,559,015,898 common shares, all nominative, book-entry shares with no par value. The shares issued under the offering began to be traded on October 6, 2017 at B3, and the physical and financial settlement of the shares took place on October 10, 2017.

On April 20, 2018, the incorporation of Brado Holding S.A., Rumo Malha Norte Holding Ltda. and Tezza Consultoria de Negócios Ltda. by the Company was approved, so that the merged companies will be extinguished and the Company will succeed those incorporated. This transaction serves the interests of the parties and their shareholders, generating benefits to the parties and their shareholders, by providing administrative efficiency, including the reduction of operating costs. In addition, the incorporation of PGT S.A. by ALL Armazéns Gerais Ltda. was approved.

On August 7, 2018 BNDES approved financing in the amount of R\$ 2,887,298, to support investments in the concession of rail freight transportation. On December 27, 2018, the amount of R\$ 799,999 was raised. Disbursements are made by proving the investments to which the financing is linked.

Rumo S.A.

Notes to the interim financial statements

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

a) The concession of railway operation and port terminal

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

Companies	Concession end	Coverage areas
Controlled		
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
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2050	Port of Santos-SP
TGG - Terminal de Granéis do Guarujá	August 2027	Port of Santos-SP
Termag - Terminal Marítimo de Guarujá	August 2027	Port of Santos-SP

The subsidiaries and associates above are subject to compliance with certain conditions set out in the privatization bids and the concession contracts of railway networks and port terminals. To the extent that there is no substantive control to which the service should be provided and as there is no substantive pricing control, IFRIC 12 / ICPC 01 is not applicable to the Company and therefore the assets acquired by it are treated under IAS 17 / CPC 27 - Property and Equipment.

2 Basis of preparation

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).

The relevant information of the financial statements, and only them, are being evidenced and correspond to those used by management in its management.

These consolidated financial statements are prepared under the historical cost convention unless otherwise indicated.

Certain amounts of the comparative balances in note 25 - “Expenses by nature” and note 26 - “Financial result” were reclassified to improve the level of detail of the disclosures in these individual and consolidated financial statements. These reclassifications had insignificant impacts on the Company's individual and consolidated financial statements.

These individual and consolidated financial statements were authorized for issue by the Board of Directors on February 11, 2019.

Rumo S.A.

Notes to the interim financial statements

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

2.2 Functional and presentation currency

The financial statements are presented in Brazilian Real (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 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.

2.3 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 12 and 13 - 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 was 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 or when indicators are present. 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 when a provision for impairment is recorded are explained in Note 13.

- **Note 19 and 20 - Lease**

The determination of whether an agreement is or contains a lease is based on the substance of the agreement at the start date. The classification of the lease as operational or financial is determined based on an evaluation of the terms and conditions of the contracts. The Company has identified the cases in which it assumes substantially all the risks and benefits of ownership of such assets, recording such cases as a financial lease.

Estimates arising from the initial adoption of IFRS 16 include significant estimates related to lease terms, discount rate of future flows and other variables that affect the applicability of the standard or its impact.

- **Note 16 - 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.

Rumo S.A.

Notes to the interim financial statements

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

- **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 Company measures the cost of transactions settled based on shares based on the fair value of the instruments on the grant date. The estimation of the fair value of stock-based payments requires the determination of the most appropriate valuation model for valuing the equity instruments granted, which depends on the terms and conditions of the concession. This also requires determining the most appropriate data for the valuation model, including the expected life of the instrument, volatility, dividend yield and other assumptions. The assumptions and models used to estimate the fair value of share-based payments are disclosed in note 23.

- **Note 18 - 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.

Provision for judicial demands arising from a business combination is measured at fair value at the acquisition date as part of the business combination.

2.4 Fair value measurement

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,

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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 Company 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 financial statements have been prepared on the historical cost basis except for the following material items recognized in the balance sheets:

- derivative financial instruments measured at fair value;
- certain financial instruments measured at fair value through profit or loss (as a foreign currency loan with a hedge structure);
- contingent payments assumed in a business combination are measured at fair value;

2.6 Presentation of Information by segment

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, road operations, transshipment and port elevation in the concession of the Company, Elevações Portuárias, Rumo Malha Norte and Rumo 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.

3 Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below:

	<u>Directly and indirectly</u>	
<u>Controlled</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
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%	99.52%
Boswells S.A.	100.00%	100.00%
Brado Holding S.A. ⁽ⁱ⁾	-	100.00%
ALL Serviços Ltda. ⁽ⁱ⁾	-	99.99%
ALL Argentina S.A.	100.00%	100.00%
Paranaguá S.A.	100.00%	100.00%
ALL Armazéns Gerais Ltda.	100.00%	100.00%

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<u>Controlled</u>	<u>Directly and indirectly</u>	
	December 31, 2018	December 31, 2017
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%
Servicios de Inversión Logística Integrales S.A	100.00%	100.00%
PGT S.A. ⁽ⁱⁱ⁾	-	100.00%

(i) As mentioned in Note 1, the Company incorporated Brado Holding S.A., Rumo Malha Norte Holding Ltda. and ALL Serviços Ltda. on April 20, 2018.

(ii) As mentioned in Note 1, ALL Armazéns Gerais Ltda. Incorporated PGT S.A. on April 20, 2018.

• Non-controlling interest

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

- a) fair value; or
- b) the proportionate share of the identifiable net assets acquired, which are generally at fair value.

• Subsidiaries

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.

• Investment in associates (equity of investees)

The following associates are accounted for under the equity method:

<u>Associates (Equity)</u>	<u>Directly and indirectly</u>	
	December 31, 2018	December 31, 2017
Rhall Terminais Ltda.	30.00%	30.00%
Termag S.A. ⁽ⁱ⁾	19.85%	19.85%
TGG S.A. ⁽ⁱ⁾	9.92%	9.92%
Terminal XXXIX S.A.	49.62%	49.62%

(i) For these associates a conclusion about the existence of significant influence arises from the Company's representative 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.

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Under the equity method, the portion attributable to the Company 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 intragroup balances, revenues and expenses and unrealized gains and losses arising from intragroup transactions are fully eliminated. Other comprehensive income of subsidiaries is recorded directly in the Company'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 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.

3.2 Foreign currency transactions

- **Transaction in foreign currencies**

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.

- **Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulted from acquisition, are translated to Real at the exchange rates determined on the date of presentation. Revenues and expenses from foreign operations are translated to Real at the exchange rates determined on the transaction dates.

Currency translation adjustments are recognized in other comprehensive income and presented in equity. However, if the subsidiary is not a fully-owned subsidiary, then the proportional part of the conversion difference is attributed to the non-controlling shareholders. When a foreign operation (controlled, associate or jointly controlled entity) is disposed, the amount recorded in the cumulative translation adjustment is transferred to profit or loss as part of the disposal result.

- **Subsidiaries' financial statements conversion**

The financial statements of subsidiaries abroad were translated into the Brazilian Real using the following criteria:

- a) assets and liabilities were translated at the exchange rate at the balance sheet date;
- b) the result, comprehensive income and cash flows were translated at the average monthly exchange rate; and
- c) the equity was converted using the historical exchange rate.

Exchange differences resulting from the conversion are recognized in the equity under "Currency translation adjustments".

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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. For the subsidiaries, whose functional currency is different from the Real, the assets and liabilities accounts are translated into the Company's reporting currency using the exchange rates ruling at the balance sheet date, and revenues and expenses are converted by the average exchange rates for the exercise.

The conversion rates from the US\$ to the Real (R\$) were US\$1.00 = R\$3.8748 at December 31, 2018, US\$1.00 = R\$3.3080 at December 31, 2017.

The conversion rates from the ARS to the Real (R\$) were ARS1.00 = R\$0.1029 at December 31, 2018, ARS1.00 = R\$0.1755 at December 31, 2017.

3.3 Marketable securities

Investments in securities with a maturity date greater than three months at the date of purchase and other securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified as Marketable securities. We generally measure fair value using prices obtained from pricing services. Pricing methods and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices (the closing price in an exchange market), bid prices (the price at which a buyer stands ready to purchase), and other market information. For fixed income securities that are not actively traded, the pricing services use alternative methods to determine fair value for the securities, including quotes for similar fixed income securities, matrix pricing, discounted cash flow using benchmark curves, or other factors. In certain cases, when market data are not available, we may use broker quotes to determine fair value.

Realized gains and losses and interest income on all of our marketable securities, and unrealized gains and losses on securities not classified as available for sale are recorded in Non-Financial Services interest income and other income/(loss), net and Financial Services other income/(loss), net.

3.4 Inventories

Inventories are recorded at the lower of average cost and net realizable value.

The cost comprises direct materials, direct labor and an adequate proportion of variable and fixed overheads, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual stock items based on weighted average costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs required to make the sale.

Provisions for low turnover or obsolete inventories are recognized when deemed necessary by Management.

3.5 Property and equipment

- **Recognition and measurement**

Asset items are measured at historical cost of acquisition or construction, less accumulated depreciation and reduced impairment losses accumulated.

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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.

- **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.

- **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 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	3% - 4%
Furniture and fixture	10% - 15%
Computer equipment	20%

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Depreciation methods, useful lives and residual values are reviewed at each year-end, or when there is a significant change in the expected consumption pattern, such as a relevant incident and technical obsolescence. Any adjustments are recognized as changes in accounting estimates, when applicable. The Company reviewed the useful life of rolling stock reforms (Freight cars and locomotives), an estimate that began to be applied on January 1, 2018.

3.6 Intangible and goodwill

- **Concession rights**

Goodwill generated in the business combination of the Company was fully allocated to the concession right of Rumo Malha Norte and are being amortized on a straight-line basis.

- **Goodwill**

Goodwill is initially recognized based on the accounting policy for business combinations (see Note 13). Goodwill is measured at cost less accumulated impairment losses. With respect to equity method investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity method investee.

Goodwill acquired in a business combination is allocated to the Company's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. These might not always be the same as the CGUs that include the assets and liabilities of the acquired business. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

- **Intangible assets**

Intangible assets that are acquired by the Company and have a finite life are measured at cost less accumulated amortization and any accumulated impairment losses.

- **Subsequent expenditure**

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

- **Amortization**

Except for goodwill, intangible assets are amortized on a straight-line basis over their estimated useful lives, from the date that they are available for use or acquired.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7 Provision

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. The financial costs incurred are recorded in profit or loss.

3.8 Impairment of non-financial assets

The recoverable amount is determined based on the calculation of the value in use, using the discounted cash flow determined by Management based on budgets that take into account the assumptions related to each business, using information available in the market and previous performance. Discounted cash flows were constructed over a period of ten years and transported in perpetuity without considering a real growth rate. Management understands the use of periods of more than five years in the preparation of discounted cash flows, since it reflects the estimated time of use of the asset and the business groups.

The Company annually reviews the impairment indicators for intangible assets with defined useful lives and property, plant and equipment. In addition, an impairment test is performed for goodwill and intangible assets with indefinite useful lives. The impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use.

The assumptions used in discounted cash flow projections - estimates of future business performance, cash generation, long-term growth and discount rates are used in our valuation of the impairment of assets at the balance sheet date. No reasonably plausible change in a key assumption would cause loss.

3.9 Employee benefits

- **Short-term benefits to employees**

Short-term employee benefits obligations are measured on an undiscounted basis and 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 on the grant date of benefit payment based on stock option plan 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.

- **Post-employment benefits**

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.

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3.10 Revenue

(i) 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 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 and port elevation, which is why the above criteria are usually met by the time the logistics service, is provided.

(ii) Deferred revenue

The Company has deferred revenue received from clients seeking investment in property and equipment in return for a rail service contract requiring future performance of services by the Company.

3.11 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.

3.12 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.

- **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 the balance sheet of the Company.

- **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

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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.

3.13 Financial revenue and expense

Financial income includes interest income on invested funds, gains on disposal of available-for-sale financial assets, gains on the fair value of financial assets measured at fair value through profit or loss, gains on the remeasurement of the fair value of any pre-existing in an acquisition in a business combination, gains on hedging instruments that are recognized in profit or loss and previously recognized net profit reclassifications in other comprehensive income. Interest income is recognized to the extent that it is recognized in profit or loss, using the effective interest rate method.

Financial expenses include interest expenses on loans, settlement of the discount of provisions and deferral, dividends on preferred shares classified as liabilities, losses on the fair value of financial assets at fair value through profit or loss and contingent consideration, impairment losses recoverable amount recognized in financial assets (other than accounts receivable), losses on hedging instruments that are recognized in profit or loss and reclassifications of net losses previously recognized in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the income statement using the effective interest method.

Foreign exchange gains and losses on financial assets and financial liabilities are reported on a net basis as financial income or financial cost, depending on whether the net foreign currency fluctuations result in a gain or loss position.

3.14 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.

- **Income tax and social contribution**

Income 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. The income tax payable also includes any tax liability arising from the declaration of dividends.

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- **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:

- a) 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;
- b) 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
- c) 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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.

- **Tax 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.

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3.15 Financial instrument

(a) Derivative

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedged item. The Company designates certain derivatives as:

- i. hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- ii. hedge of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecasted transactions (cash flow hedge).

At the outset of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of hedge instruments should offset the changes in the cash flows of hedged items. The Company documents its objective and risk management strategy for the performance of its hedge operations.

The fair values of the derivative financial instruments designated in the hedge relationships are disclosed in Note 28. The total fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months; is classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months.

Derivatives are used only for economic hedging purposes and not as speculative investments.

Currently, the Company adopts fair value hedge accounting for some of its operations, both hedge instruments and hedged items are accounted for by the fair value criterion through the result.

The Company enters into hedge relationships where the critical terms of the hedging instrument correspond exactly to the terms of the hedged item. The Company, therefore, conducts a qualitative evaluation of effectiveness. Hedge ineffectiveness may arise if the expected timing of the transaction is different from what was originally estimated, or if there are changes in credit risk or in the derivative counterparty.

• Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains / (losses).

• Fair value measurements recognized

When the fair value of financial assets and liabilities cannot be derived from active markets, their fair value is determined using valuation techniques, including the discounted cash flow model. Inputs to these models are obtained from observable markets where possible, but when this is not feasible, a judgment degree is needed to determine fair values. Judgment is necessary in determining data such as liquidity risk, credit risk and volatility. Changes in these variables could affect the reported fair value of financial instruments.

Specific valuation techniques used to evaluate financial instruments include:

- i. the use of quoted market prices or quotes from resellers for similar instruments.

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- ii. for interest rate swaps - the present value of estimated future cash flows based on observable yield curves;
- iii. for foreign currency swaps - present value of future cash flows based on forward rates at the balance sheet date;
- iv. for foreign currency options - option pricing models; and
- v. for other financial instruments - discounted cash flow analysis.

All resulting fair value estimates are included in level 2.

The Company has an established control structure in relation to the measurement of fair values. This includes an evaluation team that has overall responsibility for overseeing all significant fair value measurements, and reporting directly to the Board.

The treasury regularly reviews significant non-observable inputs and valuation adjustments. If third-party information, such as brokerage quotes or pricing services, is used to measure fair values, treasury evaluates evidence obtained from third parties to support the conclusion that such ratings meet the Company's policy requirements, including the level in the market. Hierarchy of fair value at which valuations are to be classified.

Significant evaluation issues are reported to the Board. When measuring the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair values are categorized at different levels into a fair value hierarchy based on inputs used in valuation techniques as follows.

- Level 1: inputs represent unadjusted quoted prices for the same instruments traded in active markets.
- Level 2: inputs include directly or indirectly observable data (other than Tier 1) such as quoted prices for similar financial instruments traded in active markets, quoted prices for identical or similar financial instruments traded in inactive markets and other observable market data . The fair value of most of the company's investments in securities, derivative contracts and securities.
- Level 3: inputs to the asset or liability that are not based on observable market data (unobservable inputs). Management is required to use its own assumptions about unobservable inputs because there is little market activity in these instruments or related observable data that can be corroborated at the measurement date.

If the data used to measure the fair value of an asset or liability falls at different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety at the same level of the fair value hierarchy as the lowest level entry which is significant for the whole measurement.

3.16 Statement of value added

The Company prepared statements of value added 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.

3.17 Cash flow

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- **Non cash transactions**

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

The Company made the following transaction not involving cash and therefore is not reflected in the consolidated statement of cash flows:

- i) Purchase of fixed assets at term amounting R\$23,537 (R\$105,192 in December 31, 2017).
- ii) Capital increase of subsidiary Rumo Luxembourg in the amount of R\$ 61,164 through the use of related party credit, without cash use in the year.

- **Classification of interest and dividends**

- i) The Company classifies the dividends and interest on shareholders' equity received as cash flow from investing activities, with the purpose of avoiding distortions in its cash flows as a function of cash flow from these operations through the increase in dividends received from subsidiaries.
- ii) Interest received or paid is classified as cash flow from financing activities, as it is considered to refer to the costs of obtaining financial resources.

3.18 New regulations and interpretations adopted by the Company

CPC 48 / IFRS 9 - Financial instruments

CPC 48 / IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of accounting for financial instruments: (i) classification and measurement; (ii) impairment; and (iii) hedge accounting.

The Company applied CPC 48 / IFRS 9 with the initial application date of January 1, 2018, retrospectively, except as described below:

- The Company adopted the exception of not restating comparative information from prior periods in relation to classification and measurement requirements (including impairment losses). The differences in the balances of financial assets and liabilities resulting from the adoption of IFRS 9 were recorded in retained earnings and reserves as of January 1, 2018. Therefore, the information presented for 2017 does not generally reflect the requirements of CPC 48 / IFRS 9, but the requirements of IAS 39;
- Certain definitions were made based on the facts and circumstances existing at the date of initial application: i) determination of the business model in which a financial asset is held; ii) the designation and revocation of previous designations of certain financial assets and liabilities as measured at fair value through profit or loss; and
- All hedge relationship designations in accordance with IAS 39 existing as of December 31, 2017 meet the hedging criteria in accordance with IFRS 9 as of January 1, 2018 and are therefore designated as hedge relationships continuous.

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

The total impact on the Company on January 1, 2018 is as follows:

Assets	
Accounts receivable	(1,295)
Deferred income tax and social contribution	307
Equity	
Accumulated losses	988

a) Classification and measurement

Except for certain commercial receivables, in accordance with CPC 48/ IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at the fair value through profit or loss, of transaction costs.

In accordance with CPC 48 / IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortized cost or fair value through other comprehensive income.

The classification is based on two criteria: (i) the Company's business model to manage the assets; and (ii) whether the contractual cash flows of the instruments represent "principal and interest payments only" on the amount of outstanding capital.

The Company recognizes its financial assets at amortized cost for financial assets that are kept within a business model with the objective of obtaining contractual cash flows that meet the "Principal and Interest" criteria. This category includes trade accounts receivable, cash and cash equivalents, restricted cash, receivables from related parties, other financial assets and dividends and interest on shareholders' equity receivable. No remeasurement of financial assets was carried out.

The evaluation of the Company's business models was carried out from the date of initial application on January 1, 2018 and retrospectively applied to financial assets that were not derecognized before January 1, 2018. The assessment of whether cash flows contractual debt instruments are solely composed of principal and interest was made based on the facts and circumstances as in the initial recognition of the assets.

The accounting of the Company's financial liabilities remains basically the same as in IAS 39. Similar to the requirements of IAS 39, CPC 48 / IFRS 9 requires that contingent consideration be treated as financial instruments measured at fair value, with changes in fair value recognized in profit or loss.

The embedded derivatives are not separated from the related financial asset. Instead, financial assets are classified based on their contractual terms and the Company's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial related contracts did not change from that required by IAS 39.

b) Impairment

The adoption of CPC 48 / IFRS 9 fundamentally changed the Company's accounting for impairment losses on financial assets, replacing the IAS 39 impairment approach with an expected credit loss approach.

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The Company recognizes a provision for expected credit loss for its accounts receivable. The simplified standard approach is applied and the expected credit losses for the entire life of the asset are calculated. The Company has established a provisioning matrix that is based on the historical experience of credit loss, adjusted for specific prospective factors for the debtors and for the economic environment.

The adoption of the expected credit loss requirements of CPC 48 / IFRS 9 resulted in a raise in the Company's provisions for losses in the amount of R\$1,295. The raise in the provision resulted in an adjustment to the accumulated losses in the amount of R\$988 and asset deferred income tax and social contribution in the amount of R\$307.

The reduction in recoverable value falls within the exemptions from the general principle of application of this standard for comparative exercise. The Company used the transition model without restatement of the comparative balance, recognizing the impacts of the adoption of the standard on profit reserves.

c) Hedge accounting

The Company applied hedge accounting prospectively. At the date of initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with previous periods, the Company continued to designate the change in the fair value of the entire forward contract in the Company's fair value hedge relationships and, as such, the adoption of the hedge accounting requirements of CPC 48 / IFRS 9 had no impact the Company's interim financial statements.

CPC 47 / IFRS 15 - Customer contract revenue

CPC 47 / IFRS 15 has as a fundamental principle the recognition of revenue when services are transferred to the customer at the transaction price. Revenue is recognized according to this principle by applying a 5-step model:

- Step 1: Identify the contract(s) with the client;
- Step 2: Identify the performance obligations defined in the contract;
- Step 3: Determine the price of the transaction;
- Step 4: Allocate the price of the transaction to the performance obligations provided in the agreement; and
- Step 5: Recognize revenue when (or as) the entity meets each performance obligation.

When evaluating contracts with customers, the Company uses judgment to identify whether contracts can be combined, whether there are contract modifications, determines different services, and whether performance obligations are met over time or at a given time, if there are discounts implicit in the contract and determine significant funding components. In addition, the Company uses estimates when determining the variable consideration and its individual services prices when using the allocation methodology.

In the evaluation of the Company, no significant effects of the adoption of CPC 47 / IFRS 15 affecting these financial statements were identified.

We record all sales of services only when a contract or agreement is in effect as services are rendered and the charge for the fixed or determinable service price is reasonably assured. We recognize any loss that we expect to incur in these agreements when such loss is probable.

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The Company does not expect to have any agreement in which the period between the transfer of the services promised to the client and the payment by the client exceeds one year without the application of correction indexes. As a consequence, the Company does not adjust any of the transaction prices for the amount of money in time.

4 New standards and interpretations not yet effective

Certain new standards and amendments to standards are effective for annual exercise beginning after January 1, 2019 and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements.

4.1 IFRS 16 Leases

These standards alter the recognition, measurement, presentation, and disclosure of leases. It requires tenants to record all leases in the balance sheet with exemptions available for low-value and short-term leases. During the year 2018, the Company completed preparations for the new requirements of IFRS 16.

The Company leases various properties, equipment and cars. Rental agreements are usually made for fixed periods, but may have extension options. The terms of the lease are negotiated individually and contain a wide variety of different terms and conditions. Lease agreements do not impose any obligation, but leased assets cannot be used as collateral for loan purposes.

Leases are recognized as a right of use asset and a corresponding liability on the date the leased asset is made available for use by the Company. The financial cost is recognized in income during the period of the lease, in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset of the right of use is depreciated by the straight-line method over the useful life, determined by the lower of the life of the asset and the term of the lease.

Assets and liabilities arising from leasing will initially be measured based on the present value. Lease liabilities include the net present value of the following lease payments:

- i. fixed payments (including fixed payments in substance), less any lease incentives to be received;
- ii. variable rental payment that is based on an index or a rate;
- iii. amounts expected to be paid by the lessee under residual value guarantees;
- iv. the exercise price of a call option if it is reasonably certain that the lessee exercises such option, and
- v. payments of fines for termination of the lease, if the lease term reflects that the lessee will exercise this option.

Lease payments will be discounted using the implied interest rate on the lease, if such rate can be determined, or the incremental loan rate of the Company.

The rights-of-use assets will be measured at cost, including:

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- a) the value of the initial measurement of the lease liability;
- b) any lease payments made before or at the commencement date, less any incentives received;
- c) any initial direct costs and;
- d) restoration costs.

Payments associated with short-term leases and leases of low-value assets will continue to be recognized under the straight-line method as expense in the statement of income. Short-term leases are leases with lease term of 12 months or less. Low value assets include computer equipment and small items of office furniture.

The options for extension and termination are included in various leases of properties and equipment throughout the Company. These terms are used to maximize operational flexibility in terms of contract management.

To optimize lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases.

During 2018, the Company performed a detailed assessment of the impact of CPC 06 (R2). The approximate initial impact of the adoption (increase / (decrease)) of CPC 06 (R2) is estimated at:

	<i>Range</i>	
Assets		
Right-of-use assets	1,000,000	to 1,100,000
Deferred taxes	40,000	to 50,000
	1,040,000	1,150,000
Liabilities		
Leases	1,550,000	to 1,700,000
	1,550,000	1,700,000
Net impact on equity	(510,000)	to (550,000)

The Company will apply IFRS 16 using the modified retrospective approach and therefore the comparative information will not be updated and will continue to be presented under IAS 17 and IFRIC 4. Details of the accounting policies in accordance with IAS 17 and IFRIC 4 will be disclosed separately if they are different from those under IFRS 16.

4.2 IFRS 17 Insurance Contracts

This standard introduces a new model for accounting for insurance contracts. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Based on preliminary work we estimate the impact will be immaterial, we are in the process of reviewing our existing arrangements to determine the impact on adoption.

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4.3 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting of income taxes when tax treatment involves uncertainty that affects the application of CPC 32 / IAS 12 and does not apply to taxes or charges outside the scope of CPC 32 / IAS 12, nor does it specifically treatment of interest and penalties associated with uncertain taxes.

The Company is subject to examination by the tax authorities, with the five fiscal years open in general. The Company has audits in progress at various stages of completion, one of which may be completed within the next 12 months. However, at that time, the Company had no uncertainties regarding the treatment of income tax.

4.4 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from January 1, 2019. These amendments have no impact on the consolidated financial statements of the Company.

4.5 Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- (i) Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- (ii) Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

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The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. These amendments will apply only to any future amendments, curtailments, or settlements of the Company.

4.6 Annual Improvements to IFRS Standards 2015-2017 Cycle

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, the Company recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

The Company applies those amendments for annual reporting periods beginning on or after January 1, 2019. The Company does not expect any effect on its consolidated financial statements.

- a) **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

The Company applies those amendments for annual reporting exercise beginning on or after 1 January 2019. Current practice is aligned with these changes.

5 Cash and cash equivalent

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash and bank accounts	580	916	53,615	9,555
Financial investments	15	14	87,912	168,449
	595	930	141,527	178,004

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Cash equivalents are classified as fair value through profit or loss and amortized cost.

The financial investments were as below:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Bank investments				
Bank deposit certificates - CDB	15	14	86,738	163,585

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Other investments	-	-	1,174	4,864
	<u>15</u>	<u>14</u>	<u>87,912</u>	<u>168,449</u>

6 Marketable securities and restricted cash

	Parent Company		Consolidated	
Marketable securities	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Government bonds ⁽ⁱ⁾	114,430	421,810	2,785,036	2,939,823
CDB investments linked to BNDES loans ⁽ⁱⁱ⁾	-	-	58,038	212,618
	<u>114,430</u>	<u>421,810</u>	<u>2,843,074</u>	<u>3,152,441</u>

- (i) Government bonds classified as Fair value through profit or loss have interest rates pegged to SELIC and maturing between two and five years.
- (ii) CDB investments linked to BNDES loans classified as held for trading have an interest rate pegged to CDI and maturing between two and five years.

	Parent Company		Consolidated	
Restricted cash	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Investments linked to loans	-	-	31,254	93,251
Securities pledged as collateral	3,416	3,321	83,870	132,383
	<u>3,416</u>	<u>3,321</u>	<u>115,124</u>	<u>225,634</u>

7 Accounts receivable

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Domestic - Brazilian Reais	26,837	38,874	382,925	362,762
Export - Foreign currency	-	241	72,975	39,740
Expected losses for doubtful accounts	(2,013)	(1,900)	(17,838)	(30,784)
	<u>24,824</u>	<u>37,215</u>	<u>438,062</u>	<u>371,718</u>
Current	15,725	24,839	417,339	359,342
Non-current	9,099	12,376	20,723	12,376
	<u>24,824</u>	<u>37,215</u>	<u>438,062</u>	<u>371,718</u>

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The maturity analysis of trade accounts receivable is as follows:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Not overdue	19,667	24,163	337,443	198,539
Overdue:				
From 1 to 30 days	5,188	9,016	59,397	82,938
From 31 to 60 days	351	3,030	6,912	15,537
From 61 to 90 days	40	754	11,648	56,832
More than 90 days	1,591	2,152	40,500	48,656
Allowance for doubtful accounts	(2,013)	(1,900)	(17,838)	(30,784)
	24,824	37,215	438,062	371,718

The changes in the estimated provision for doubtful accounts are as follows

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
At the beginning of the year	(1,900)	(1,679)	(30,784)	(18,586)
Provision	(1,093)	(799)	(20,004)	(26,590)
Reversal and disposal	980	578	32,950	14,392
At the end of the year	(2,013)	(1,900)	(17,838)	(30,784)

8 Inventories

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Parts and accessories	874	361	224,005	244,256
Fuels and lubricants	4	6	6,224	4,207
Warehouse and other	152	137	33,157	33,828
	1,030	504	263,386	282,291

Below movement of obsolete inventories:

	Parent Company	Consolidated
January 01, 2017	(183)	(23,107)
Provision	-	(1,822)
Reversal of provision	-	12,583
December 31, 2017	(183)	(12,346)
Provision	-	(4,508)
Reversal of provision	-	8,754
December 31, 2018	(183)	(8,100)

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9 Other recoverable taxes

Current tax assets include (i) tax effects that are recognized in the consolidated statement of income when the asset is sold to a third party or recovered through amortization of the remaining economic life of the asset; and (ii) income tax receivables that are expected to be recovered as refunds from tax authorities or as a reduction for future tax obligations.

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Contribution to social security financing ("COFINS")	3,964	6,555	276,440	247,058
Social Integration program ("PIS")	676	1,311	90,009	67,327
Tax on circulation of goods, transport services and communication ("ICMS") ⁽ⁱ⁾	321	46	442,492	378,204
ICMS - CIAP ⁽ⁱⁱ⁾	-	-	174,455	204,576
Other	2,973	49	8,574	10,013
	7,934	7,961	991,970	907,178
Current	7,934	5,979	195,176	209,121
Non-current	-	1,982	796,794	698,057
	7,934	7,961	991,970	907,178

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

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

10 Related parties

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

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Current asset				
Commercial operations				
Cosan S.A.	282	282	382	656
Rumo Malha Norte S.A.	10,953	19,984	-	-
Rumo Malha Paulista S.A.	77,131	30,049	-	-
Rumo Malha Sul S.A.	1,109	3,294	-	-
Raízen Combustíveis S.A.	149	149	4,213	5,031
Raízen Energia S.A.	7,651	2,946	14,226	6,556
Brado Logística S.A.	1,179	4,896	-	-
Elevações Portuárias S.A.	5,046	17,483	-	-
Other	3,651	816	579	931
	107,151	79,899	19,400	13,174
Non-current assets				
Commercial operations				
Raízen Combustíveis S.A.	-	-	27,523	18,086
	-	-	27,523	18,086
	-	-	27,523	18,086

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	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial operations				
Rumo Luxembourg Sarl	-	61,198	-	-
Other	3,326	3,326	152	-
	3,326	64,524	27,675	18,086
Total	110,477	144,423	47,075	31,260

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Current liabilities				
Commercial operations				
Rumo Malha Norte S.A.	5,311	1,164	-	-
Rumo Malha Sul S.A.	10,592	5,620	-	-
Rumo Malha Paulista S.A.	74,953	93,847	-	-
Rumo Malha Oeste S.A.	1,658	857	-	-
Raízen Combustíveis S.A.	1	17	126,318	118,375
Raízen Energia S.A.	5,552	6,082	18,948	21,095
Cosan S.A.	1,180	429	2,370	2,865
Cosan Lubrificantes e Especialidades S.A.	353	353	4,675	3,225
Logisport Armazéns Gerais S.A.	127	172	-	-
Elevações Portuárias S.A.	4	15,899	-	-
Other	3,738	1,010	3,858	1,539
	103,469	125,450	156,169	147,099

Current liabilities				
Commercial operations				
Boswells	24,218	20,675	-	-
Other	4,732	4,808	-	-
	28,950	25,483	-	-
Total	132,419	150,933	156,169	147,099

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b) Summary of transactions with related parties:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Operating income				
Raízen Energia S.A. e controladas ⁽ⁱ⁾	208,518	290,355	283,485	389,457
Raízen Combustíveis S.A. ⁽ⁱⁱ⁾	-	-	158,471	141,320
Rumo Malha Norte S.A.	12,000	12,000	-	-
Rumo Malha Paulista S.A. ⁽ⁱⁱⁱ⁾	259,838	279,055	-	-
Elevações Portuárias S.A.	10,080	-	-	-
Other	2,461	-	15,288	8,381
	492,897	581,410	457,244	539,158
Purchases of products / inputs				
Raízen Combustíveis S.A. ^(iv)	-	-	(1,205,201)	(1,006,510)
Logisport Armazéns Gerais S.A.	(1,943)	-	-	-
Rumo Malha Paulista S.A. ^(v)	(108,178)	(77,424)	-	-
Logisport Armazéns Gerais S.A.	-	(1,477)	-	-
Cosan Lubrificantes e Especialidades S.A. ^(vi)	(7)	-	(39,531)	(34,663)
	(110,128)	(78,901)	(1,244,732)	(1,041,173)
Shared expenses				
Cosan S.A. ^(vii)	(4,535)	(598)	(10,966)	(10,929)
Elevações Portuárias S.A.	668	-	-	-
Rumo Malha Oeste S.A.	571	126	-	-
Rumo Malha Paulista S.A.	4,871	1,186	-	-
Rumo Malha Sul S.A.	(4,409)	(1,355)	-	-
Rumo Malha Norte S.A.	15,022	1,901	-	-
Raízen Energia S.A.	(1,524)	(1,503)	(27,411)	(26,824)
	10,664	(243)	(38,377)	(37,753)
Financial result				
Elevações Portuárias S.A.	1,785	-	-	-
Rumo Luxembourg Sarl	(2,327)	-	-	-
Rumo Malha Paulista S.A.	-	(40,675)	-	-
Rumo Malha Norte S.A.	(51,691)	(80,663)	-	-
Other	(3,250)	1,474	15	1
	(55,483)	(119,864)	15	1

- (i) The provision of services for the year ended December 31, 2018 and 2017 for Raízen Energia and its subsidiaries refers mainly to transportation, warehousing and port elevation, under market conditions.
- (ii) Provision of fuel transportation services for the year ended December 31, 2018 and 2017 for Raízen Combustíveis and its subsidiaries, under market conditions.
- (iii) Remuneration of investment in assets related to the sugar rail transportation service contract with Rumo Malha Paulista (see item v).
- (iv) Acquisition of fuels (diesel for use in locomotives) during the years ended December 31, 2018 and 2017 with Raízen Combustíveis and its subsidiaries, under market conditions.
- (v) Rail transport service provided by Rumo Malha Paulista. The service contract involved investments made by the Company in Rumo Malha Paulista's rail assets.

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- (vi) Acquisition of lubricants in the years ended December 31, 2018 and 2017 with Cosan Lubrificantes, under market conditions.
- (vii) Refer to corporate benefits and the shared services center Raízen.

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 exercise, as follows:

	December 31, 2018	December 31, 2017
Short-term benefits to employees and managers	31,049	32,305
Stock option recognized (Note 23)	3,665	2,537
	34,714	34,842

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11 Equity method investments and provision for net capital deficiency in subsidiary

a) Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2018	Equity pick-up	Capital increase	Dividends and Interest on own capital receivable	Comprehensive income	Other	Amortization of the concession right	Corporate reorganization effects	Reclassification of uncovered liability of companies	At December 31, 2018
<u>Controlled</u>													
Elevações Portuárias	672,397,254	672,397,254	100.00%	667,966	78,776	-	(38,800)	-	(56)	-	-	-	707,886
Rumo Intermodal	91,064,313	91,064,313	100.00%	62,078	(3,814)	(23,000)	-	1,384	447	-	-	-	37,095
ALL Serviços	100,000	-	-	6,479	(321)	-	-	-	-	-	(6,158)	-	-
Rumo Malha Norte	1,189,412,363	1,186,268,176	99.74%	7,835,147	749,114	-	(462,276)	(79)	6,827	(29,642)	-	-	8,099,091
Boswells	3,265,000	3,265,000	100.00%	20,989	-	-	-	3,596	-	-	-	-	24,585
Brado Holding	500	-	-	357,903	1,706	-	-	-	-	-	(359,609)	-	-
Brado Participações	12,962,963	8,065,556	62.22%	-	6,790	-	-	-	-	-	359,609	-	366,399
Paranaguá S.A.	6,119,802	6,113,851	99.90%	15,540	(739)	7,314	-	(8,434)	-	-	-	-	13,681
Logispot	2,040,816	1,040,816	51.00%	73,530	94	-	-	-	-	-	-	-	73,624
Rumo Luxembourg Sarl	500,000	500,000	100.00%	-	(2,718)	-	-	-	-	-	-	66,836	64,118
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%	506,796	(228,727)	700,000	-	(1,196)	(210)	-	-	-	976,663
				9,546,428	600,161	684,314	(501,076)	(4,729)	7,008	(29,642)	(6,158)	66,836	10,363,142
<u>Provision for net capital deficiency in controlled</u>													
ALL Argentina	9,703,000	8,826,110	90.96%	(28,697)	(4,500)	-	-	16,178	-	-	-	-	(17,019)
Rumo Luxembourg Sarl	500,000	500,000	100.00%	(35,238)	(17,033)	119,107	-	-	-	-	-	(66,836)	-
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%	(184,148)	(57,104)	-	-	(132)	(70)	(19,011)	-	-	(260,465)
Rumo Malha Oeste	478,460,074	478,460,074	100.00%	(862,599)	(234,675)	-	-	(135)	(57)	-	-	-	(1,097,466)
				(1,110,682)	(313,312)	119,107	-	15,911	(127)	(19,011)	-	(66,836)	(1,374,950)
				8,435,746	286,849	803,421	(501,076)	11,182	6,881	(48,653)	(6,158)	-	8,988,192

Rumo S.A.

Notes to the interim financial statements

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

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2017	Equity pick-up	Capital increase	Dividends and Interest on own capital receivable	Comprehensive income	Other	Amortization of the concession right	Reclassification of uncovered liability of companies	At December 31, 2017
<u>Subsidiaries</u>												
Elevações Portuárias	672,397,254	672,397,254	100%	654,719	70,881	-	(57,634)	-	-	-	-	667,966
Rumo Intermodal	91,064,313	91,064,313	100%	63,447	(1,280)	-	(451)	362	-	-	-	62,078
ALL Serviços	100,000	99,999	100%	9,538	(3,059)	-	-	-	-	-	-	6,479
Rumo Malha Norte	1,189,412,363	1,183,698,555	100%	7,593,140	472,066	-	(277,844)	-	77,430	(29,645)	-	7,835,147
Boswells	3,265,000	3,265,000	100%	20,679	-	-	-	310	-	-	-	20,989
Rail Management	20,000	-	-	96	(104)	-	-	-	8	-	-	-
Brado Holding	500	500	100%	360,073	2,619	-	(4,789)	-	-	-	-	357,903
Paranaguá S.A.	6,119,802	6,113,851	100%	6,456	5,075	6,089	-	(2,080)	-	-	-	15,540
Logisport	2,040,816	1,040,816	51%	75,091	(1,561)	-	-	-	-	-	-	73,530
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100%	-	-	-	-	-	-	-	506,796	506,796
Other	-	-	-	158	-	-	-	-	-	-	(158)	-
				<u>8,783,397</u>	<u>544,637</u>	<u>6,089</u>	<u>(340,718)</u>	<u>(1,408)</u>	<u>77,438</u>	<u>(29,645)</u>	<u>506,638</u>	<u>9,546,428</u>
<u>Provision for net capital</u>												
ALL Argentina	9,703,000	8,826,110	91%	(19,463)	(12,511)	-	-	2,791	486	-	-	(28,697)
Rumo Luxembourg Sarl	500,000	500,000	100%	-	(35,396)	-	-	-	-	-	158	(35,238)
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100%	(73,383)	(91,884)	-	-	-	130	(19,011)	-	(184,148)
Rumo Malha Oeste	478,460,074	478,460,074	100%	(680,636)	(181,963)	-	-	-	-	-	-	(862,599)
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100%	(384,710)	(382,171)	1,350,000	-	-	(76,323)	-	(506,796)	-
				<u>(1,158,192)</u>	<u>(703,925)</u>	<u>1,350,000</u>	<u>-</u>	<u>2,791</u>	<u>(75,707)</u>	<u>(19,011)</u>	<u>(506,638)</u>	<u>(1,110,682)</u>
				<u>7,625,205</u>	<u>(159,288)</u>	<u>1,356,089</u>	<u>(340,718)</u>	<u>1,383</u>	<u>1,731</u>	<u>(48,656)</u>	<u>-</u>	<u>8,435,746</u>

Rumo S.A.

Notes to the interim 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 (%)	At January 1, 2018	Equity pick-up	Dividends	At December 31, 2018
<u>Affiliates</u>							
Rhall Terminais Ltda.	28,580	8,574	30.00%	4,279	459	(1,572)	3,166
Termag S.A.	500,000	99,246	19.85%	4,463	729	-	5,192
TGG S.A.	79,747,000	7,914,609	9.92%	17,549	4,981	(2,929)	19,601
Terminal XXXIX S.A.	200,000	99,246	49.62%	15,639	4,010	(3,607)	16,042
Total				41,930	10,179	(8,108)	44,001

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2017	Equity pick-up	Dividends	Other	At December 31, 2017
Rhall Terminais Ltda.	28,580	8,574	30.00%	3,645	634	-	-	4,279
Termag S.A.	500,000	99,246	19.85%	7,669	(3,206)	-	-	4,463
TGG S.A.	79,747,000	7,914,609	9.92%	18,535	5,479	(6,307)	(158)	17,549
Terminal XXXIX S.A.	200,000	99,246	49.62%	16,998	1,336	(2,695)	-	15,639
Total				46,847	4,243	(9,002)	(158)	41,930

Rumo S.A.

Notes to the interim financial statements

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

Investor information:

	December 31, 2018			
	Total assets	Total liabilities	Equity	Result
Subsidiaries				
Elevações Portuárias	916,387	208,500	707,887	78,776
Rumo Intermodal	55,248	18,151	37,097	(3,814)
ALL Serviços	-	-	-	(321)
Rumo Malha Norte	12,647,608	5,747,700	6,899,908	752,020
Boswells	24,585	-	24,585	-
Brado Participações	754,480	196,667	557,813	15,129
Paranaguá S.A.	14,103	408	13,695	7,137
Logisport	125,440	54,668	70,772	185
ALL Argentina	6,688	25,398	(18,710)	(4,947)
Rumo Lux	4,992,561	4,928,443	64,118	(2,718)
Rumo Malha Paulista	5,593,047	5,747,700	(154,653)	(134,671)
Rumo Malha Oeste	479,814	1,577,281	(1,097,467)	(241,900)
Rumo Malha Sul	4,075,505	3,026,987	1,048,518	(288,113)
Rhall Terminais Ltda.	12,513	1,960	10,553	1,530
Termag S.A.	227,721	201,759	25,962	3,673
TGG S.A.	247,795	51,791	196,004	50,212
Terminal XXXIX	45,240	13,155	32,085	8,081

	December 31, 2017			
	Total assets	Total liabilities	Equity	Result
Subsidiaries				
Elevações Portuárias	873,055	205,089	667,966	70,881
Rumo Intermodal	89,856	27,778	62,078	(1,280)
ALL Serviços	7,167	688	6,479	(3,059)
Rumo Malha Norte	11,802,015	8,574,359	3,227,656	496,554
Boswells	20,989	-	20,989	-
Rail Management	338,533	873	337,660	3,537
Brado Holding	15,784	228	15,556	5,082
Paranaguá S.A.	134,752	64,163	70,589	(3,063)
Logisport	6,866	38,415	(31,549)	(13,755)
ALL Argentina	2,557,861	2,593,099	(35,238)	(33,425)
Rumo Malha Paulista	5,532,538	5,552,320	(19,782)	(164,182)
Rumo Malha Oeste	583,532	1,438,906	(855,374)	(187,080)
Rumo Malha Sul	4,081,132	3,443,117	638,015	(455,905)
Rhall Terminais Ltda.	15,521	892	14,629	2,406
Termag S.A.	178,152	155,833	22,319	7,295
TGG S.A.	240,075	53,110	186,965	43,210
Terminal XXXIX	44,940	13,661	31,279	2,765

Rumo S.A.

Notes to the interim 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 (%)	At January 1, 2018	Equity pick-up	Dividends	Other	At December 31, 2018
Logisport	2,040,816	1,000,000	49.00%	34,589	90	(22)	-	34,657
Brado Participações	12,962,963	4,897,407	37.78%	218,383	5,159	(510)	-	223,032
Rumo Malha Norte	1,189,412,363	3,144,187	0.26%	14,949	3,361	(2,232)	(7,344)	8,734
Total				267,921	8,610	(2,764)	(7,344)	266,423
	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2017	Equity pick-up	Dividends	Other	At December 31, 2017
Logisport	2,040,816	1,000,000	49.00%	36,089	(1,500)	-	-	34,589
Brado Participações	12,962,963	5,027,037	38.78%	218,637	2,148	(2,402)	-	218,383
ALL Malha Norte	1,189,412,363	5,709,179	0.48%	15,770	1,825	(2,648)	2	14,949
Rail Management	20,000	20,000	100.00%	96	(104)	-	8	-
Total				270,592	2,369	(5,050)	10	267,921

Rumo S.A.

Notes to the interim financial statements

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

12 Property and equipment

	Consolidated						Parent Company	
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives ^{(i)/ (iii)}	Track structure ⁽ⁱ⁾	Construction in progress	Other	Total	Total
Cost:								
At January 1, 2018	888,339	698,069	8,303,149	7,014,864	927,846	776,107	18,608,374	176,681
Additions	-	-	42,031	-	1,974,146	1,489	2,017,666	8,681
Disposals	(2,317)	(20,518)	(189,143)	-	(1,538)	(37,438)	(250,954)	-
Transfers	148,780	147,952	560,265	991,023	(1,901,428)	28,225	(25,183)	(386)
Corporate reorganization effects ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	4,042
At December 31, 2018	1,034,802	825,503	8,716,302	8,005,887	999,026	768,383	20,349,903	189,018
Depreciation and impairment:								
At January 1, 2018	(311,986)	(277,748)	(3,479,330)	(2,804,132)	-	(468,900)	(7,342,096)	(40,588)
Additions	(41,471)	(96,060)	(655,745)	(467,634)	-	(18,581)	(1,279,491)	(11,353)
Disposals	2,317	20,478	186,557	-	-	32,657	242,009	-
Transfers	443	317	4,933	33,343	-	(20,811)	18,225	-
Impairment	-	-	(33,808)	(22,896)	(10,842)	(4,186)	(71,732)	-
Corporate reorganization effects ⁽ⁱⁱ⁾	-	-	-	-	-	-	-	(3,811)
At December 31, 2018	(350,697)	(353,013)	(3,977,393)	(3,261,319)	(10,842)	(479,821)	(8,433,085)	(55,752)
At January 1, 2018	576,353	420,321	4,823,819	4,210,732	927,846	307,207	11,266,278	136,093
At December 31, 2018	684,105	472,490	4,738,909	4,744,568	988,184	288,562	11,916,818	133,266

Rumo S.A.

Notes to the interim financial statements

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

	Consolidated						Parent Company	
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives ⁽ⁱ⁾	Track structure ⁽ⁱ⁾	Construction in progress	Other	Total	Total
Cost:								
At January 1, 2017	866,974	553,889	7,478,023	6,353,604	668,562	767,992	16,689,044	139,728
Additions	-	5,911	14,835	3,729	2,123,536	676	2,148,687	37,227
Disposals	(2,239)	(100,583)	(125,206)	(3,695)	25,350	(9,047)	(215,420)	-
Transfers	23,604	238,852	935,497	661,226	(1,889,602)	16,486	(13,937)	(274)
At December 31, 2017	888,339	698,069	8,303,149	7,014,864	927,846	776,107	18,608,374	176,681
Depreciation:								
At January 1, 2017	(280,141)	(237,086)	(2,975,976)	(2,396,583)	-	(462,139)	(6,351,925)	(30,425)
Additions	(31,582)	(116,745)	(643,683)	(395,677)	-	(9,718)	(1,197,405)	(10,183)
Disposals	234	89,695	99,753	749	-	4,355	194,786	-
Transfers	(497)	(13,612)	40,576	(12,621)	-	(1,398)	12,448	20
At December 31, 2017	(311,986)	(277,748)	(3,479,330)	(2,804,132)	-	(468,900)	(7,342,096)	(40,588)
At January 1, 2017	586,833	316,803	4,502,047	3,957,021	668,562	305,853	10,337,119	109,303
At December 31, 2017	576,353	420,321	4,823,819	4,210,732	927,846	307,207	11,266,278	136,093

(i) Leasehold improvements and finance leases included;

(ii) Corporate reorganization through the merger of the net assets of Brado Holding S.A., Rumo Malha Norte Holding Ltda. and ALL Serviços Ltda by the Company.

(iii) On December 31, 2018, freight cars and locomotives in the amount of R\$ 745,203 (R\$ 743,203 on December 31, 2017) were given on bail to guarantee bank loans (Note 14).

Capitalization of loan costs

During the year ended December 31, 2018, the capitalized loan costs were R\$ 3,973 (There were no capitalized loan costs on December 31, 2017. The average rate of loan used for capitalized loan costs were 8.61% p.y. on December 31, 2018).

Rumo S.A.

Notes to the interim financial statements

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

13 Intangible assets and goodwill

	Consolidated					Parent Company
	Goodwill ⁽ⁱ⁾	Concession Rights ⁽ⁱⁱ⁾	Operating license	Other	Total	Total
Cost:						
At January 1, 2018	100,451	8,000,700	343,177	178,069	8,622,397	612,985
Additions	-	-	-	2,617	2,617	281
Disposals	-	-	-	(9)	(9)	1
Transfers	-	-	-	8,368	8,368	386
Corporate reorganization effects	-	-	-	-	-	1,858
At December 31, 2018	100,451	8,000,700	343,177	189,045	8,633,373	615,511
Amortization and impairment						
At January 1, 2018	-	(769,603)	(120,169)	(109,656)	(999,428)	(185,879)
Additions	-	(112,029)	(11,740)	(15,598)	(139,367)	(39,789)
Disposals	-	-	-	6	6	-
Transfers	-	-	-	14	14	-
Impairment	-	-	-	(716)	(716)	-
Corporate reorganization effects	-	-	-	-	-	(1,074)
At December 31, 2018	-	(881,632)	(131,909)	(125,950)	(1,139,491)	(226,742)
At January 1, 2018	100,451	7,231,097	223,008	68,413	7,622,969	427,106
At December 31, 2018	100,451	7,119,068	211,268	63,095	7,493,882	388,769

	Consolidated					Parent Company
	Goodwill ⁽ⁱ⁾	Concession Rights ⁽ⁱⁱ⁾	Operating license	Other	Total	Total
Cost:						
At January 1, 2017	100,451	7,662,964	343,177	196,336	8,302,928	617,796
Additions	-	-	-	1,805	1,805	-
Disposals	-	-	-	(4,220)	(4,220)	-
Transfers	-	337,736	-	(15,852)	321,884	(4,811)
At December 31, 2017	100,451	8,000,700	343,177	178,069	8,622,397	612,985
Amortization						
At January 1, 2017	-	(310,958)	(108,429)	(102,252)	(521,639)	(150,614)
Additions	-	(120,909)	(11,740)	(11,633)	(144,282)	(40,330)
Disposals	-	-	-	4,218	4,218	-
Transfers	-	(337,736)	-	11	(337,725)	5,065
At December 31, 2017	-	(769,603)	(120,169)	(109,656)	(999,428)	(185,879)
At January 1, 2017	100,451	7,352,006	234,748	94,084	7,781,289	467,182
At December 31, 2017	100,451	7,231,097	223,008	68,413	7,622,969	427,106

- (i) Goodwill arising from business combination, of which R\$62,922 on Terminal T-16 in Santos and R\$37,529 of direct subsidiary Logispot presented only in consolidated balances.
- (ii) The amortization is recognized in the income statement in cost of services, as depreciation and amortization.
- (iii) Corporate reorganization through the merger of the net assets of Brado Holding S.A., Rumo Malha Norte Holding Ltda. and ALL Serviços Ltda. by the Company, as mentioned in the Note 1.

Rumo S.A.

Notes to the interim financial statements

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

Amortization methods and useful lives

Intangible (other than goodwill)	Annual rate of amortization - %	December 31, 2018	December 31, 2017
Software	20.00%	25,967	31,669
Operating license (ii)	3.70%	211,268	223,008
Concession rights ⁽ⁱ⁾	1.59%	7,119,068	7,231,097
Other		37,128	36,744
Total		7,393,431	7,522,518

- (i) Refers to the concession right agreement of Rumo Malha Norte, which will be amortized until the end of the concession in 2079;
- (ii) Port operating license and customer relationships of Rumo, from the business combinations.

Impairment

The Company annually tests recoverable amounts of goodwill arising from business combination operations. Property, plant and equipment and defined-intangible assets that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of impairment analysis, the concession contracts were defined as cash-generating units, each registered in an individual company. The base date for evaluation and annual testing is September 30.

During the year ended December 31, 2018, we did not identify impairment indicators, so that no impairment test was required for fixed assets and intangible assets with a defined useful life, except for the cash generating unit represented by the Rumo Malha Oeste concession, which shows negative cash flow generation results.

The recoverable amount for the fixed assets of this cash-generating unit was determined using the discounted cash flow methodology of the cash-generating unit.

The main assumptions used were (i) EBITDA projected for the cash generating unit within the remaining term of the concession, and (ii) the discount rate (wacc) of 8.28% per annum, before taxes. The calculation resulted in a recoverable amount of R\$ 82,995, against a book value of R\$ 155,443, which includes property, plant and equipment and intangible assets. A provision for impairment of R\$ 72,448 was recorded for this cash-generating unit, as a counterpart to "Other net income (expenses)", note 27.

The balance of goodwill recorded by the Company is associated with the port lifting operation and terminals, so that this cash-generating unit needs to be tested annually.

The recoverable amount of this cash-generating unit was determined by the net sales value of the unit, using the EBITDA multiples technique, a level 3 label in the hierarchy of fair value lights.

The main assumptions used were (i) EBITDA generated by the cash generating unit in 2018, and (ii) the average of the multiples practiced by market agents for companies (10.9x) in the Company's industry. The calculation resulted in a recoverable amount of R\$ 2,183,000, compared to book value of R\$ 819,039, which includes property, plant and equipment and intangible assets.

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 this

Rumo S.A.

Notes to the interim financial statements

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

recovery is tested and, therefore, it is not possible to determine whether new losses by recovery will occur in the future and, if they occur, whether these would be material.

14 Loans, borrowings and debentures

Description	Financial charges		Parent Company		Consolidated		Maturity date
	Index	Average interest rate	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	
Loans and borrowings							
Finame (BNDES)	Pre-fixed	5.31%	485,352	603,658	1,055,281	1,281,371	February/2025
Finem (BNDES)	Pre-fixed	3.75%	-	-	2,261	2,695	January/2024
	URTJLP	9.08%	111,270	176,230	2,584,347	2,270,055	December/2029
	IPCA	11.69%	-	-	2,211	2,840	November/2021
	Selic	13.65%	-	-	3,930	4,075	September/2020
NCE	112% of CDI	7.18%	-	-	-	59,858	December/2018
	125% of CDI	8.06%	-	-	646,024	644,766	December/2023
	126% do CDI	8.13%	-	-	514,817	-	December/2023
	CDI + 3.50%						
	p.y.	10.11%	-	-	-	294,968	December/2018
Senior Notes 2024	Pre-fixed (US\$) ⁽ⁱⁱ⁾	7.38%	-	-	3,061,566	2,570,622	February/2024
Senior Notes 2025	Pre-fixed (US\$) ⁽ⁱⁱ⁾	5.88%	-	-	1,997,394	-	January/2025
	CDI + 4.91%						
Commercial banks	p.y.	0.00%	-	-	-	98,117	September/2018
	Pre-fixed (US\$) ⁽ⁱⁱⁱ⁾	5.33%	-	-	15,499	95,040	June/2019
Loan 4131	Dollar (US\$)	3.35%	209,987	-	209,987	-	November/2022
			806,609	779,888	10,093,317	7,324,407	
Debentures							
Non-convertible debentures	CDI + 2.05%						
	p.y.	8.57%	-	152,573	-	152,573	April/2018
	CDI + 3.50%						
	p.y.	10.11%	-	-	-	1,359,125	May/2018
	108% of CDI	6.92%	-	-	-	171,515	July/2018
	128% of CDI	8.26%	-	-	501,064	499,576	December/2025
	Pre-fixed ^(iv)	13.13%	-	-	-	163,750	March/2018
	CDI + 1.30%						
Private debentures	p.y.	8.28%	714,755	663,064	-	-	January/2020
			714,755	815,637	501,064	2,346,539	
Total			1,521,364	1,595,525	10,594,381	9,670,946	
Current			172,838	336,526	924,904	1,594,008	
Non-current			1,348,526	1,258,999	9,669,477	8,076,938	

(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) This debt has swap contracts for 144% of CDI, which represents an average rate of 10.13% p.y.

(iii) Debt with swap for 135% of CDI, which represents an average rate of 9.41% p.y.

(iv) Debt with swap for 109% of CDI which represents an average rate of 7.59% p.y.

All loans and financing are guaranteed by Company guarantees and bank guarantees, in the same amounts and conditions of the total financed, including financing of locomotives and wagons, in which

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

the financed goods are pledged as collateral.

Some financing agreements with the BNDES, destined to investments, are also guaranteed, according to each agreement, by bank guarantee, with the average cost of 2.32% p.y. or by real guarantees (assets) and escrow account. As of December 31, 2018, the balance of bank guarantees contracted was R\$ 2,475,175 (R\$ 1,183,208 on December 31, 2017).

For the calculation of the average rates, the annual average CDI of 6.40% and TJLP of 6.98% was considered on an annual basis.

Non-current loans have the following maturities:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
13 a 24 months	835,095	170,584	997,420	962,104
25 a 36 months	194,665	783,467	943,729	1,381,773
37 a 48 months	181,371	90,396	903,243	1,079,396
49 a 60 months	73,173	77,157	903,754	857,242
61 a 72 months	64,222	73,173	3,399,860	624,380
73 a 84 months	-	64,222	2,233,235	2,806,936
85 a 96 months	-	-	83,575	151,971
Thereafter	-	-	204,661	213,136
	<u>1,348,526</u>	<u>1,258,999</u>	<u>9,669,477</u>	<u>8,076,938</u>

The carrying amounts of loans and financing of the Company are denominated in these currencies:

	Consolidated	
	December 31, 2018	December 31, 2017
Brazilian Real	5,309,935	7,005,284
US Dollar ⁽ⁱ⁾	5,284,446	2,665,662
Total	<u>10,594,381</u>	<u>9,670,946</u>

- (i) As of December 31, 2018, all US dollar denominated debts in subsidiaries are hedged against exchange rate risk through derivatives (Note 28).

Changes occurred for the exercise ended December 31, 2018 is as follow:

	Parent Company	Consolidated
At January 1, 2017	2,415,446	8,523,175
Proceeds from debts	-	3,786,463
Interest, monetary and exchange correction	(476,960)	1,269,514
Repayments of principal from debts	(227,212)	(2,961,824)
Payments of interest from debts	(115,749)	(946,382)
At January 1, 2018	<u>1,595,525</u>	<u>9,670,946</u>
Proceeds from debts	200,000	3,113,130
Interest, monetary and exchange correction	107,416	1,707,701
Repayments of principal from debts	(333,218)	(3,172,817)
Payments of interest from debts	(48,359)	(724,579)
At December 31, 2018	<u>1,521,364</u>	<u>10,594,381</u>

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Banco Nacional de Desenvolvimento Econômico e Social (“BNDES”)

Correspond to funds raised by its subsidiaries 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 Company'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.
- **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.

On December, 27, 2018, through its subsidiary Rumo Malha Norte, obtained wherewithal in the amount of R\$190,698 maturities on December, 15, 2029, and interest of TJLP + 3.88% p.y, on same date through its subsidiary Rumo Malha Sul, obtained wherewithal in the amount of R\$609,302 maturities on December, 15, 2025, and interest of TJLP + 2.10% p.y.

NCE Dec/2023

On January 26, 2018, through its subsidiary Rumo Malha Norte, there was fundraising from Banco Bradesco S.A., through an Export Credit Note, amounting R\$500,000, with maturity in December 2023 and on the debit balance shall bear interest of 126% of the daily rate of CDI-Interbank Deposit Certificate, payable semiannually.

Senior Notes 2024

On February 9, 2017, through its subsidiary, Rumo Luxembourg Sarl ("Rumo Luxembourg"), the Company 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.

Senior Notes 2025

On January 18, 2018, through its subsidiary Rumo Luxembourg, the Company issued debt securities in the international market, Senior Notes due 2025 amounting US\$500,000 thousands, with maturity in January 2025 and interest of 5.875% p.y, paid semi-annually. This debt is protected by exchange and interest rate swaps.

Resolution 4131

On November, 14, 2018, the Company obtained with Banco Citibank S.A., through a Resolution 4131 operation in the amount of R\$ 53,405, maturities on November, 2022 and at interest on 5.88% p.y., semiannually pay. This debt is protected by exchange and interest rate swaps.

Unused credit lines

At December 31, 2018, the Company and its subsidiaries had lines of credit for financing from BNDES, which were not used, totaling of R\$ 2,108,824 (R\$21,325 on December 31, 2017).

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Financial covenants

The main lines of loans of the Company are subject to restrictive clauses, based on financial and non-financial indicators, the main and most restrictive clauses are shown below:

Mark	Ratio
Net financial loan/ EBITDA < = 4,0x on December, 31, 2018	2.06
EBITDA/ Consolidated financial result >= 1,40x on December, 31, 2018	2.68
Equity / Total assets = > 0,25	0.31

As of December 31, 2018, the Company and its subsidiaries were complying with all financial covenants.

15 Other taxes payable

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax on circulation of goods, transport services and communication ("ICMS")	48	-	5,281	3,040
National social security institute ("INSS")	165	156	6,027	6,557
Social integration program ("PIS")	912	976	2,598	1,587
Contribution to social security financing ("COFINS")	4,212	4,550	12,325	7,526
Tax amnesty and refinancing program	902	902	10,297	21,955
Tax on services	-	85	4,666	4,494
Financial transaction tax	15	14	1,318	2,244
Other	226	121	7,960	6,374
	6,480	6,804	50,472	53,777
Current	6,480	6,804	46,717	42,767
Non-current	-	-	3,755	11,010

The amounts due on non-current liabilities present the following maturity schedule:

	Consolidated	
	December 31, 2018	December 31, 2017
13 a 24 months	1,160	6,534
25 a 36 months	545	2,636
37 a 48 months	227	309
49 a 60 months	227	126
61 a 72 months	196	126
73 a 84 months	50	126
85 a 96 months	50	126
Thereafter	1,300	1,027
	3,755	11,010

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16 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses.

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Result before income taxes	285,887	(293,290)	541,408	(249,519)
Income tax and social contribution expense at nominal rate (34%)	(97,202)	99,719	(184,079)	84,836
<i>Adjustments to determine the effective rate</i>				
Equity pick-up	97,529	(54,158)	3,461	1,443
Result of companies abroad	-	(5)	(8,924)	(15,124)
Exploration profit - tax incentive	-	-	48,541	74,416
Cost issue of shares	-	16,515	-	16,515
Unrecognized NOLs and temporary differences ⁽ⁱ⁾	7,774	2,669	(132,041)	(175,265)
Effect of amortization of goodwill	(16,543)	(16,543)	1,853	1,853
Result of companies abroad	(13,192)	(13,837)	-	(355)
Other	104	(1,877)	2,748	2,762
Tax and social contribution (current and deferred)	(21,530)	32,483	(268,441)	(8,919)
Effective rate - %	-7.53%	-11.08%	-49.58%	3.57%

(i) Refers mainly to tax losses and temporary differences of the Company and its subsidiaries 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 future generation of taxable income.

b) Deferred corporate income tax (IRPJ) and social contribution (CSLL) assets and liabilities

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Assets credits from:				
Tax losses carry forwards - income tax	252,203	259,009	1,784,856	1,706,353
Tax losses of social contribution	101,617	104,076	654,311	624,339
Temporary differences:				
Provision for judicial demands	15,242	14,063	210,429	205,611
Impairment provision	30,327	30,327	241,083	250,236
Allowance for doubtful accounts	685	646	18,596	22,483
Provision for non-performing tax	-	-	36,983	30,515
Provision for profit sharing	4,080	6,282	38,482	28,987
Review of useful life - Fixed assets	-	-	562,699	472,602
Fair value adjustment on debts	-	-	57,298	23,855
Temporary differences from other provisions	7,505	11,680	103,614	118,755
Fair value adjustment on debts	1,507	1,029	88,793	136,174
Other	4,377	-	57,309	42,953
Deferred taxes - Assets	417,543	427,112	3,854,453	3,662,863
(-) Unrecognized deferred assets credits	(346,718)	(352,062)	(2,074,432)	(1,940,650)

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Liabilities credits from:

Temporary differences:

Tax goodwill amortized	-	-	(24,268)	(21,991)
Lease	(787)	(787)	(228,041)	(277,077)
Unrealized result from derivatives	-	-	(307,098)	-
Review of useful life - Fixed assets	(851)	(1,085)	-	-
Business combination - Intangible assets	(69,187)	(73,178)	(2,578,722)	(2,579,894)
Other	-	-	(32,494)	(28,767)
Deferred taxes - Liabilities	(70,825)	(75,050)	(3,170,623)	(2,907,729)
Total deferred taxes	-	-	(1,390,602)	(1,185,516)
Deferred assets	-	-	1,046,195	1,156,560
Deferred liabilities	-	-	(2,436,797)	(2,342,076)

c) Realization of deferred income and social contribution taxes

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 probable that part or all of the taxes will not be realized, a provision for non-realization is constituted. In the year ended December 31, 2018, no provision was recognized. There is no validity period for the use of tax loss carryforwards and negative bases, but the use of these accumulated losses of previous years is limited to 30% of annual taxable profits.

At December 31, 2018, the expected realization of deferred tax assets is as follows:

	<u>Deferred assets</u>
2019	40,699
2020	58,765
2021	70,412
2022	63,667
2023	57,194
2024 to 2026	229,880
2027 to 2029	525,578
Total	<u>1,046,195</u>

d) Changes in deferred taxes (net)

	<u>Parent Company</u>	<u>Consolidated</u>
At January 1, 2017	(48,999)	(1,236,560)
Income statement	32,483	34,322
Transaction costs related to the capital increase	16,515	16,515
Other	1	207
At January 1, 2018	-	(1,185,516)
Income statement	-	(201,598)
Compensation of tax loss carryforwards - PERT	-	(3,984)
Transaction costs related to the capital increase	-	189
Initial adoption IFRS 9	-	307
At December 31, 2018	-	(1,390,602)

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17 Accounts payable - suppliers

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Material and services suppliers	40,161	20,388	439,031	626,051
Fuels and lubricants suppliers	-	-	1,367	1,814
Other	4,569	13,306	11,221	731
Total	44,730	33,694	451,619	628,596

18 Provision for judicial demands and judicial deposits

	Provision for judicial demands			
	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Taxes	1,782	1,822	76,770	68,897
Civil, regulatory and environmental	6,435	3,092	145,735	148,736
Labor	31,654	31,760	292,147	284,401
	39,871	36,674	514,652	502,034

	Judicial deposits			
	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax	7,022	5,540	35,152	18,368
Civil, regulatory and environmental	1,647	1,460	163,579	162,260
Labor	12,440	10,282	170,759	150,344
	21,109	17,282	369,490	330,972

Changes in the provision were:

	Parent Company			
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2017	2,595	1,947	25,373	29,915
Provision	113	(410)	15,473	15,176
Settlement or write-offs	(1,029)	(45)	(18,498)	(19,572)
Monetary restatement ⁽ⁱ⁾	143	1,600	9,412	11,155
At January 1, 2018	1,822	3,092	31,760	36,674
Provision	27	3,142	7,170	10,339
Settlement or write-offs	(107)	(2,178)	(12,661)	(14,946)
Monetary restatement ⁽ⁱ⁾	40	2,379	5,385	7,804
At December 31, 2018	1,782	6,435	31,654	39,871

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	Consolidated			
	Taxes	Civil, regulatory and environmental	Labor	Total
At January 1, 2017	74,472	154,187	278,363	507,022
Provision	1,666	8,215	68,659	78,540
Settlement or write-offs	(4,754)	(14,973)	(88,865)	(108,592)
Monetary restatement ⁽ⁱ⁾	(2,487)	1,307	26,244	25,064
At January 1, 2018	68,897	148,736	284,401	502,034
Provision	14,692	19,813	58,744	93,249
Settlement or write-offs	(4,175)	(44,380)	(84,229)	(132,784)
Monetary restatement ⁽ⁱ⁾	(2,644)	21,566	33,231	52,153
At December 31, 2018	76,770	145,735	292,147	514,652

(i) Write-off interest expense included.

(a) Tax

Judicial claims deemed as probable losses:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
ICMS credit	-	-	33,806	55,575
PIS and COFINS	-	-	11	1,911
INSS	-	-	12,542	-
Other	1,782	1,822	30,411	11,411
	1,782	1,822	76,770	68,897

(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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Capital gain ⁽ⁱ⁾	529,788	512,120	529,788	512,120
Isolated fine federal tax ⁽ⁱⁱ⁾	449,039	429,249	449,039	429,249
IRPJ and CSLL ⁽ⁱⁱⁱ⁾	252,368	137,738	504,862	370,319
ICMS Rumo Malha Paulista ^(iv)	-	-	322,927	310,334
ICMS - Export ^(v)	-	-	293,638	256,278
Foreign financial operations ^(vi)	-	-	290,220	280,414
MP 470 installment debts ^(vii)	-	-	112,666	110,098
Withholding income tax ("IRRF") Swap ^(viii)	-	-	75,007	72,466
ICMS TAD ^(ix)	76	74	67,092	62,850
Stock option plan ^(x)	58,226	56,385	67,991	65,776
IOF on loan ^(xi)	52,585	51,330	52,585	51,330
Compensation with credit award ^(xii)	-	-	43,121	41,350
PIS/COFINS mutual traffic ^(xiii)	-	-	33,805	32,967
ROA Law 13.043/2014	-	-	36,118	-
PIS/COFINS	3,750	3,585	30,702	7,310
ICMS Material of use and consumption	-	-	9,462	-
ICMS - Passenger transport	-	-	6,002	10,100
ICMS Armazéns Gerais	-	-	6,500	6,249
Social security contributions	-	-	4,121	45,985
Other	35,903	50,704	145,858	100,270

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	<u>1,381,735</u>	<u>1,241,185</u>	<u>3,081,504</u>	<u>2,765,465</u>
(i)	Tax assessment notices issued by the tax authorities in 2011 and 2013 against the Company 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.			
(ii)	The Company was assessed due to the disregard of tax REPORTE benefits (PIS and COFINS suspension), based on the fact that the locomotives and cars purchased in the years 2010 to 2012 were used outside the limits of the port area. Therefore, they were required PIS and COFINS, in addition to the corresponding separate fine of 50% of the value of goods purchased.			
(iii)	Tax assessment notices that require IRPJ and CSLL related to: (a) Malha Norte Goodwill: Tax assessment notices drawn up for the collection of IRPJ and CSLL, cumulated with default interest and fines and isolated. In the opinion of the Federal Revenue, Rumo Malha Norte would have unduly amortized the goodwill calculated on the acquisition of Brasil Ferrovias S / A and Novoeste Brasil S / A. (b) GIF, TPG and Teaçú. Tax assessment notices issued for the collection of IRPJ and CSLL, plus a fine and default interest, as well as an isolated fine, for the following reasons: Deduction of the actual profit and the CSLL tax base from the amount corresponding to the amortization in acquisition of interest in Teaçú Armazéns Gerais S / A; Deduction, of the actual profit and the basis of calculation of CSLL, of the amount corresponding to the amortization of the goodwill paid by the companies TPG Participações S.A. and GIF LOG Participações S.A in the acquisition of shares issued by Rumo Logística S / A; (c) Labor Provisions: In the year 2009 on the grounds that the Company would have excluded labor provisions from taxable income. Tax authorities understand labor provisions charges were made by the Company without individualization processes (provisions and reversals), which would impact the tax calculation. The loss is possible, considering the statute of limitations and that the Company complied with all tax rules relating to the addition and exclusion of provisions in the calculation of income tax and social contribution.			
(iv)	Tax assessment notice issued by the São Paulo State Treasury Department, against Rumo Malha Paulista, 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.			
(v)	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.			
(vi)	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			
(vii)	The tax authorities rejected partially the installment requests for federal tax debts made by Rumo Malha Sul and Rumo 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.			
(viii)	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 Company would not be entitled to offset withholding tax on swap operations.			
(ix)	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.			
(x)	Increase in tax collection against the Company for the collection of prior contribution (20% on the amount paid) of amounts related to the Stock Option Plan granted to employees, managers and third parties. The main basis of the author is the alleged nature of remuneration.			

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- (xi) 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.
- (xii) 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.
- (xiii) 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.

(b) Civil, regulatory and environmental

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Civil	222,911	199,225	1,785,541	1,522,750
Regulatory	904	1,730	647,182	543,028
Environmental	1,456	935	460,911	378,462
	<u>225,271</u>	<u>201,890</u>	<u>2,893,634</u>	<u>2,444,240</u>

On July 25, 2018, the Company was aware of the filing of an administrative inquiry with CADE for the determination of representation filed by Agrovia. The Company refutes the arguments presented by it and emphasizes that most of the facts have already been analyzed and rejected by the body itself in another administrative proceeding. The Company evaluates as possible the risk that an administrative proceeding will be created and / or will incur loss in this process. Due to the initial stage of the topic, it is not possible to estimate the value at risk.

(c) Labor

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Labor	126,451	132,966	845,346	806,131
	<u>126,451</u>	<u>132,966</u>	<u>845,346</u>	<u>806,131</u>

In 2010, Prumo Engenharia Ltda. ("Prumo Engenharia"), a service company of the then ALL - América Latina Logística SA ("ALL"), was accused of incurring irregular labor practices during the execution of an engineering service for the Company's subsidiary, Rumo Malha Paulista. Although Prumo Engenharia assumed full responsibility for the condition of the workers in question, Rumo Malha Paulista was improperly included, in the Company's view, in the register of employers of the Ministry of Labor, being granted a preliminary injunction determining the exclusion of said registration until the final and unappealable decision of the judicial process, which is processed in the secrecy of justice.

The Public Prosecutor's Office also filed a public civil action against the Malha Paulista, without the inclusion of Prumo in the case, demanding payment of compensation for collective damages in the

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amount of R \$ 100 million (among other commitments), partially adjudicated proceeding condemning the Company in obligations of doing and not doing, as, in collective moral damages of R \$ 15 million. In addition to demonstrating that the Company did not participate in the practice of irregularities, the Company understands that the suit should be filed against Prumo, which is discussed in appeal. The risk of loss is considered possible and the case is awaiting decision of the Superior Labor Court.

19 Leases

Finance leases

The Company and its subsidiaries have lease agreements, mainly for railcars and locomotives classified as finance leases.

	December 31, 2018			December 31, 2017	
	Less than a year	Between one and five years	More than five years	Total	Total
<u>Future minimum lease payments</u>	176,169	422,421	165,838	764,428	1,250,860
Rolling stock	150,241	348,111	101,790	600,142	1,060,759
Terminal	23,400	73,637	64,048	161,085	184,484
Other	2,528	673	-	3,201	5,617
<u>Interest on installment</u>	(55,678)	(128,941)	(26,459)	(211,078)	(306,722)
Rolling stock	(44,284)	(98,797)	(16,567)	(159,648)	(241,509)
Terminal	(11,152)	(30,099)	(9,892)	(51,143)	(64,528)
Other	(242)	(45)	-	(287)	(685)
Present value of minimum payments	120,491	293,480	139,379	553,350	944,138
Current				120,491	261,344
Non-current				432,859	682,794

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.

Changes occurred for the exercise ended December 31, 2018 is as follow:

	<u>Consolidated</u>
Balance at January 1, 2017	1,397,543
Interest, monetary and exchange correction	178,139
Repayments of principal from debts	(348,114)
Payments of interest from debts	(283,430)
Balance at December 31, 2017	944,138
Interest, monetary and exchange correction	144,763
Repayments of principal from debts	(384,752)
Payments of interest from debts	(150,799)
Balance at December 31, 2018	553,350

Operating leases

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Assets	December 31, 2018				December 31, 2017
	Total future minimum lease payments				Total
	Up to 1 year	From 1 to 5 years	Over 5 years	Total	
Locomotives	678	509	-	1,187	1,695
Rail cars	8,925	24,332	866	34,123	38,449
Total	9,603	24,841	866	35,310	40,144

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

20 Lease and concessions

	December 31, 2018			December 31, 2017
	Leases	Concessions	Total	Total
<u>Amounts payables:</u>				
Rumo Malha Sul	31,546	29,215	60,761	65,550
Rumo Malha Paulista	26,316	19,576	45,892	48,139
	57,862	48,791	106,653	113,689
<u>Amounts under judicial discussions:</u>				
Rumo Malha Paulista	1,695,770	-	1,695,770	1,535,470
Rumo Malha Oeste	1,324,853	81,292	1,406,145	1,284,175
	3,020,623	81,292	3,101,915	2,819,645
Total	3,078,485	130,083	3,208,568	2,933,334
Current			28,797	27,413
Non-current			3,179,771	2,905,921
			3,208,568	2,933,334

Amounts under judicial discussion

The Company 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 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.

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 the Company with the amount charged by the Union. In April 2005, the injunction was granted,

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suspending the enforceability of installments for 90 days by determining the completion of expertise. In July 2005, the suspension was extended for another 90 days. In September 2005, the injunction was overturned by the Federal Court of Rio de Janeiro. In January 2006, the suspension of payment of installments was granted, by means of judicial deposit. The amount related to the lease installments was being deposited in court until October 2007, when the Company obtained a court order to replace the judicial deposits for bank guarantee. In October 2015 decision was handed down that partially upheld the action recognizing the occurrence of economic and financial unbalance of the agreements, allowing the Company to perform the part of compensation of the amounts claimed in the match against presented debt. Nevertheless, the Company believes that all amounts discussed shall be offset against payables based in clauses 7 and 10 of the bidding documents.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable 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 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, 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 the Company 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 the Company's reimbursement rights.

Judicial deposits at December 31, 2018 concerning the above claims totaled:

	December 31, 2018	December 31, 2017
Rumo Malha Paulista	119,806	119,806
Rumo Malha Oeste	19,790	20,690
	<u>139,596</u>	<u>140,496</u>

Judicial deposits are recorded in the line "regulatory" under Note 18.

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21 Equity

a. Common Capital

The subscribed and fully paid-in capital on December 31, 2018 and 2017 is R\$9,654,897 and is represented by 1,559,015,898 (1,559,015,898 on December 31, 2017) common shares nominative, without nominal value.

b. Capital reserve

Changes of the exercise are comprised of the transactions with shareholders highlighted below:

- Increase of R\$7,352 related to stock option transactions;
- Decrease of R\$191 related to the effect of the distribution of dividends in the subsidiary Rumo Malha Norte.
- Decrease of R\$4,975 arising from the acquisition of non-controlling shares of the subsidiary Rumo Malha Norte.

c. Other comprehensive income

	December 31, 2017	Net	December 31, 2018
Foreign currency translation differences - equity - accounted investee	5,499	12,722	18,221
Defined benefit plan actuarial loss	(1,154)	(1,540)	(2,694)
Attributed cost	3,467	(87)	3,380
Total	7,812	11,095	18,907

d. 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 December 31, 2018 on the operating profit was R\$48,541 (R\$74,416 on December 31, 2017), recorded as a reduction of the Income Tax and Social Contribution expense of the subsidiary Rumo Malha Norte.

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22 Earnings per share

Basic earnings per share are calculated by dividing the loss by the weighted average number of common shares outstanding during the year. 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 exercise ended December 31, 2018 and 2017:

Basic and diluted

	December 31, 2018	December 31, 2017
Result for the exercise	264,357	(260,807)
Denominator:		
Weighted average number of common share	1,559,214	1,388,576
Diluted effects:		
Dilutive effect - Stock option plan ⁽ⁱⁱ⁾	3,450	-
Weighted average number of common share - diluted	1,562,664	1,388,576
Basic earnings per common share	<u>R\$0.16955</u>	<u>(R\$0.18782)</u>
Diluted earnings per common share	<u>R\$0.16917</u>	<u>(R\$0.18782)</u>

Dilutive instruments

The non-controlling shareholders of the indirect subsidiary Brado are entitled to exercise the Liquidity Option provided for in the shareholders' agreement executed on August 5, 2013. Such option consists in the replacement of all the shares held by said non-controlling shareholders for a number of shares of the Company determined in accordance with the established exchange ratio, which takes into account the economic value to be established for both the Brado business and the Company's business. At the sole discretion of the Company, an equivalent cash payment is also possible. Assumptions of value and form of settlement are subject to the decision of the arbitration proceeding and at December 31, 2018 the best estimate is 3,264 shares, with antidilutive effect, which were therefore not considered in the diluted earnings per share analysis.

The Company has share-based compensation plans, as detailed in note 23, whose instruments (options or restricted shares). At December 31, 2018, they had a dilutive effect, while at December 31, 2017, 3,390 shares had an antidilutive effect, as they would reduce the earnings per share and, therefore, were not considered in the diluted earnings per share analysis.

23 Stock option plan

The Company has two share-based compensation plans. The first, the "Stock Grant Plan", grants Company shares to managers and employees. The second, the "Stock Option Plan", grants the right to acquire stock (options) of the Company at a certain price. In both cases, the right to acquire or receive shares is conditional on the fulfillment of the grace period of each plan.

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The plans are managed by the Board of Directors of the Company, at its discretion, by a Committee, within the limits established in the guidelines for the preparation and structuring of each plan and in the applicable legislation.

On December 21, 2016, the Stock-Based Remuneration model ("Stock Grant") was approved in the Shareholders' Meeting, which was then applied to the grants from then on. This model provides for the distribution of up to 3% of the Company's capital stock, already considering the dilution effect of the distribution of the shares granted under the plan. The objectives of the plan are: (i) to attract, retain and motivate the beneficiaries; (ii) generate shareholder value; and (iii) to encourage the entrepreneur's vision of the business.

The number of shares to be distributed shall be determined by the Board of Directors or the Committee, if established, and shall be equivalent to the closing value of the issuer's share in the trading floor - at B3 - immediately prior to the grant. The shares granted in the Share-based Remuneration Plan will be transferred free of charge once the grace period stipulated under the terms of each Share granting Program has been met, the amount adjusted by the number proportional to the dividends paid in the period. The Black-Scholes methodology is used to determine the fair value of the shares delivered.

1) Program features:

Stock Grants Plans	Lack period (years)	Grant date	Interest rate	Volatility	Granted shares	Exercised / canceled	Effective on September 30, 2018	Market price on grant date - R\$	Fair value on grant date - R\$
2015 Plan	5	October 1, 2015	11.33%	42.75%	1,485,900	(214,000)	1,271,900	6.10	6.10
2016 Plan	5	January 2, 2017	11.33%	42.75%	1,476,000	(157,600)	1,318,400	6.10	6.10
2017 Plan	5	September 1, 2017	9.93%	29.76%	870,900	(64,350)	806,550	10.42	10.42
2018 Plan	5	August 1, 2018	10.93%	31.97%	1,149,544	(8,021)	1,141,523	13.94	13.94
					4,982,344	(443,971)	4,538,373		

2) Changes:

	<i>Stock option</i>		<i>Stock grant</i>	
	Number of options	Average exercise price	Number of options	
December 1, 2017	244,732	20.10	1,522,220	
Granted	-	-	2,384,080	
Lost	(20,907)	29.40	(318,550)	
December 31, 2017	223,825	52.00	3,587,750	
Granted	-	-	1,149,544	
Exercised / delivered	-	-	(37,072)	
Lost	(25,600)	67.78	(161,849)	
December 31, 2018	198,225	54.83	4,538,373	

In the exercise ended December 31, 2018, R\$7,352 was recognized as expenses related to the appropriation of the Stock Grant Plans (R\$5,522 on December 31, 2017).

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24 Net Sales

	Parent Company		Consolidated	
	December	December	December	December
	31, 2018	31, 2017	31, 2018	31, 2017
Gross revenue from sales of services	689,320	781,462	6,988,737	6,332,656
Taxes and deductions over sales of services	(44,232)	(46,622)	(403,801)	(386,307)
Net revenue	645,088	734,840	6,584,936	5,946,349

The Company provides services in the Brazilian domestic market to private entities. Agreements with customers establish substantially fixed prices per ton transported or port loading. The services provided by the Company have a very short execution period, and revenue is recorded and recorded as services are performed. Regarding the nature of the services provided, net revenue is composed as follows:

	Parent Company		Consolidated	
Cargo transportation and accessories	645,088	734,840	5,998,380	5,338,445
Port loading	-	-	303,804	330,850
Right of passage	-	-	149,985	143,280
Other	-	-	132,767	133,774
Net sales	645,088	734,840	6,584,936	5,946,349

25 Cost and expenses by nature

a) Expense by nature

	Parent Company		Consolidated	
	December 31,	December 31,	December 31,	December 31,
	2018	2017	2018	2017
Material use in providing service	(2,433)	(372)	(133,819)	(150,016)
Employee benefit expense	(25,663)	(31,793)	(842,742)	(781,695)
Depreciation and amortization	(99,801)	(99,169)	(1,418,858)	(1,341,687)
Third-party services expense	(10,701)	(19,974)	(321,448)	(379,408)
Transportation expenses	(375,945)	(469,812)	(1,547,669)	(1,449,145)
Lease and concessions	-	-	(212,081)	(193,252)
Operational lease	-	-	(14,157)	(15,234)
Other expenses	(5,712)	(10,129)	(288,296)	(221,512)
	(520,254)	(631,249)	(4,779,070)	(4,531,949)

b) Classified as:

Cost of services sold	(485,171)	(583,115)	(4,465,634)	(4,220,988)
Selling expenses	(28)	-	(12,872)	(28,846)
General and administrative expenses	(35,055)	(48,134)	(300,564)	(282,115)
	(520,254)	(631,249)	(4,779,070)	(4,531,949)

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26 Financial result

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cost of gross debt				
Interest and monetary variation	(100,303)	(210,138)	(903,199)	(1,083,106)
Net exchange rate changes on debts	(6,933)	-	(653,262)	(132,753)
Result from derivatives and fair value	322	-	752,869	97,594
Transaction cost amortized from loans	(970)	(571)	(48,162)	(37,830)
Guarantees and warranties about on loans	(25,885)	(38,929)	(81,863)	(129,759)
	(133,769)	(249,638)	(933,617)	(1,285,854)
Cash investment income	14,934	30,848	180,395	219,899
	14,934	30,848	180,395	219,899
Cost of debt, net	(118,835)	(218,790)	(753,222)	(1,065,955)
Other charges and monetary variations	-	-	-	-
Interest on other receivables	(488)	290	17,677	10,995
Lease and concessions	-	-	(186,259)	(244,198)
Finance leases	(97)	(322)	(105,085)	(131,185)
Banking expenses and other	(1,947)	(2,821)	(56,441)	(68,063)
Real estate credit certificates	(183)	(2,557)	(5,091)	(20,171)
Interest on contingencies and commercial	(3,655)	(5,556)	(86,236)	(68,105)
Foreign exchange, net	(8,731)	2,818	(14,801)	7,748
Interest on other liabilities	1,103	(6,223)	(19,877)	(85,924)
	(13,998)	(14,371)	(456,113)	(598,903)
Finance result, net	(132,833)	(233,161)	(1,209,335)	(1,664,858)
Financial expenses	(133,110)	(269,027)	(1,518,125)	(1,896,337)
Financial income	15,619	33,048	223,984	258,890
Exchange variation	(15,664)	2,818	(668,063)	(127,508)
Derivatives	322	-	752,869	100,097
Finance result, net	(132,833)	(233,161)	(1,209,335)	(1,664,858)

27 Other income (expenses), net

	Parent Company		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net effect of judicial demands and tax installment	(9,123)	(18,049)	(79,283)	(55,800)
Income of port operations	-	-	4,679	(1,028)
Rental and leases revenue	13,440	13,440	831	2,622
Result on sale of scrap / eventual	1,447	1,813	45,952	41,040
Result on disposals of fixed assets and intangible assets	-	-	29,231	3,056
Insurance claims recovery	3,588	-	5,345	22,852
Impairment	-	-	(72,448)	-
Other	(2,315)	(1,636)	391	(16,046)
	7,037	(4,432)	(65,302)	(3,304)

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28 Financial instruments

Financial risk management

The Company's risk management is predominantly controlled by a central treasury department under policies approved by the Board of Directors. The Company's treasury identifies, evaluates and protects financial risks in close cooperation with the Company's operating units. The Board provides written principles for global risk management as well as policies covering specific areas such as currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and excess liquidity investment.

When all relevant criteria are met, hedge accounting is applied to eliminate the accounting mismatch between the hedging instrument and the hedged item.

The company's policy is to maintain a robust capital base to promote the trust of investors, lenders and market, and to ensure the future development of the business. Management monitors that return on equity is appropriate for each of its businesses.

The use of financial instruments to hedge against these areas of volatility is determined by means of an analysis of the risk exposure that the administration intends to cover.

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 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, 2018	December 31, 2017
Assets		
Fair value through profit or loss		
Marketable securities	2,843,074	3,152,441
Derivate financial instruments	892,461	110,107
	3,735,535	3,262,548
Amortized cost		
Cash and cash equivalents	141,527	178,004
Accounts receivable	438,062	371,718
Related parties	47,075	31,260
Restricted cash	115,124	225,634
	741,788	806,616
Total	4,477,323	4,069,164

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Liabilities

Amortized cost

Long-term debts	5,325,434	7,005,284
Finance leases	553,350	944,138
Real estate credit certificates	-	86,745
Accounts payable - suppliers	451,619	628,596
Other financial liabilities	337,705	291,977
Related parties	156,169	147,099
Dividends payable	6,495	8,506
Debt payment in installments	10,297	21,955
	<u>6,841,069</u>	<u>9,134,300</u>

Fair value through profit or loss

Long-term debts	5,268,947	2,665,662
	<u>5,268,947</u>	<u>2,665,662</u>

Total	<u>12,110,016</u>	<u>11,799,962</u>
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During the exercise, there was no reclassification between categories, the fair value through the result and amortized cost presented 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.

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On December 31, 2018 and December 31, 2017, the fair values related to transactions involving derivative financial instruments to hedge risk exposure of the Company are presented next:

	Notional		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Interest rate risk				
Swap contracts (interest) ⁽ⁱ⁾	-	161,561	-	2,009
Swap contracts (interest and exchange)	4,346,145	2,481,020	892,461	108,098
	4,346,145	2,642,581	892,461	110,107
Total financial instruments	4,346,145	2,642,581	892,461	110,107
Current			-	660
Non-current			892,461	109,447
Assets			892,461	110,107

(i) For the exercise ended December 31, 2018, the Company contracted Swap operations, where it will be active in USD + Libor 3M and passive in 117.5% of the CDI as of November 14, 2018.

(a) Credit risk

	December 31, 2018	December 31, 2017
Cash and cash equivalents ⁽ⁱ⁾	141,527	178,004
Marketable securities ⁽ⁱ⁾	2,843,074	3,152,441
Restricted cash ⁽ⁱ⁾	115,124	225,634
Account receivables ⁽ⁱⁱⁱ⁾	438,062	371,718
Related parties ⁽ⁱⁱ⁾	47,075	31,260
Derivative financial instruments ⁽ⁱ⁾	892,461	110,107
	4,477,323	4,069,164

- (i) 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 on December 31, 2018 and December 31, 2017 is the value recorded, as shown in note 14 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 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 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, 2018
AA	223,435
AAA	3,768,751
Total	3,992,186

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(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.

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

	December 31, 2018					December 31, 2017
	Up to 1 year	1 to 2 years	3 to 5 years	Over 5 years	Total	Total
Long-term debt	(1,782,919)	(1,964,510)	(5,295,905)	(11,365,209)	(20,408,543)	(12,960,121)
Accounts payable - suppliers	(451,619)	-	-	-	(451,619)	(628,596)
Other financial liabilities ⁽ⁱ⁾	(337,705)	-	-	-	(337,705)	(291,977)
Debt payment in installments	(7,298)	(1,223)	(842)	(1,696)	(11,059)	(22,621)
Finance leases	(184,903)	(152,862)	(304,120)	(195,777)	(837,662)	(1,443,470)
Real estate credit certificates	-	-	-	-	-	(92,844)
Related parties payable	(156,169)	-	-	-	(156,169)	(147,099)
Dividends payable	(6,495)	-	-	-	(6,495)	(8,506)
Derivate financial instruments	(34,446)	(73,062)	(352,112)	1,306,072	846,452	(576,319)
	(2,961,554)	(2,191,657)	(5,952,979)	(10,256,610)	(21,362,800)	(16,171,553)

- a) On December 31, 2018, the consolidated balance anticipated by our suppliers with financial institutions was R\$337,705 (R\$291,977 on December 31, 2017). All these operations were with Banco Itaú at an average interest rate of 7.47% p.a. The average term of these operations, which are recorded at their present values at the interest rate previously mentioned, is three months.

(c) Market risk

Market risk is the risk that changes in market prices - such as exchange rates and interest rates - will affect the Company's earnings or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, while improving the return.

The Company uses derivatives to manage market risks. All these operations are conducted within the guidelines established by the risk management policy. Generally, the Company seeks to apply hedge accounting to manage the volatility in the result.

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Notes to the interim financial statements

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

• Foreign exchange risk

On December 31, 2018 and December 31, 2017, the Company and its subsidiaries had the following net exposure to exchange rates on assets and liabilities denominated in US Dollars and Euros:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	16,034	5,649
Account receivables	20,354	10,903
Accounts payable - suppliers	(26,168)	(13,230)
Long-term debts	(5,178,357)	(2,665,662)
Exchange rate derivatives (<i>notional</i>) ⁽ⁱ⁾	5,162,858	2,676,559
Foreign exchange exposure, net	(5,279)	14,219

(i) These balances are equivalent to the value of the notional currency in US Dollars converted to R\$ at the Dollar rate of December 31, 2018.

Sensitivity analysis of changes in exchange rates:

In the probable scenario, the Company uses the dollar and euro projected by specialized consulting for December 31, 2019. Stressed scenarios (positive and negative, before taxes) were defined based on adverse impacts of 25% and 50% on exchange rates Dollar US and Euro used in the probable scenario:

Exchange rate sensitivity analysis (R\$/US\$)						
	December 31, 2018	Scenarios				
		Probable	25%	50%	-25%	-50%
US Dollars	3.8748	3.7500	4.6875	5.6250	2.8125	1.8750
Euro	4.4390	4.4600	5.5750	6.6900	3.3450	2.2300

Based on financial instruments denominated in US dollars and euros, as of December 31, 2018, in the probable scenario, the Company sensitized the positive or negative effect on income before taxes. The scenarios with increasing and decreasing exchange rates (R\$/ US\$) of 25% and 50% show the incremental effect in relation to the probable scenario as follows:

Instrument	Risk factor	Scenarios				
		Probable	25%	50%	-25%	-50%
Cash and cash equivalents	USD fluctuation	(516)	3,879	7,759	(3,879)	(7,759)
Accounts receivable	USD fluctuation	(655)	4,925	9,849	(4,925)	(9,849)
Accounts payable	EUR fluctuation	(123)	(6,538)	(13,075)	6,538	13,075
Exchange rate derivatives (<i>notional</i>)	USD fluctuation	(166,286)	1,249,143	2,498,286	(1,249,143)	(2,498,286)
Long-term debt	USD fluctuation	166,785	(1,252,893)	(2,505,786)	1,252,893	2,505,786
Impacts on result of the exercise		(795)	(1,484)	(2,967)	1,484	2,967

• Interest rate risk

The Company and its subsidiaries monitor fluctuations in variable interest rates tied to some debts, mainly those linked to the risk of CDI/TJLP, and makes use of derivative instruments in order to minimize these risks.

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

Sensitivity analysis of changes in interest rates:

The Company uses the following interest rate scenarios:

	Probable	25%	50%	-25%	-50%
SELIC	7.65%	9.56%	11.48%	5.74%	3.83%
CDI	7.65%	9.56%	11.48%	5.74%	3.83%
TJLP	6.40%	8.00%	9.60%	4.80%	3.20%
IPCA	4.12%	5.15%	6.18%	3.09%	2.06%

The probable scenario considered by the Company uses the market projections made by specialized external consulting (Tendências).

The sensitivity analysis below shows the projected annual impact on interest expenses on loans and financing and the remuneration of financial investments (before taxes) in the probable scenario, with the other variables being maintained. The scenarios with increase and decrease in interest rates of 25% and 50% show the incremental effect in relation to the probable scenario:

	December 31, 2018				
Exposure interest rate⁽ⁱ⁾	Probable	25%	50%	-25%	-50%
Cash and cash equivalents	10,827	2,707	5,413	(2,707)	(5,413)
Marketable securities	217,495	16,638	1,273	(16,638)	(1,273)
Restricted cash	8,807	2,202	4,403	(2,202)	(4,403)
Long-term debt	(292,005)	(73,021)	(146,042)	73,021	146,042
Interest rate derivative	(355,577)	(650,340)	(1,217,917)	746,627	1,611,680
Finance leases	(19,174)	(3,981)	(7,962)	3,981	7,962
Impacts on result of the exercise	(429,627)	(705,795)	(1,360,832)	802,082	1,754,595

- (i) The rates of CDI and TJLP considered: 6.40% p.a. and 6.98% 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.
- 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 fair values of the Senior Notes are quoted on the Luxembourg Stock Exchange (Note 14) and are based on the quoted market price as follows:

Loans	Company	December 31, 2018	December 31, 2017
Senior Notes Due 2024	Rumo Luxembourg	104.27%	107.86 %
Senior Notes Due 2025	Rumo Luxembourg	94.94%	-

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

The fair value of other loans and financing, their 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 14.

The Company and its subsidiaries enter 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.

In order to measure the credit risk of the parties involved in the derivative instruments, the Company uses the forward rate structure disclosed by B3 and adds discount rates that reflect the counterparty credit risk that are applied in each of the maturities in the calculation of the fair value of all financial instruments. The Company adopts counterparty ratings for positive flows and its own rating for negative flows, available on the market and disclosed by renowned rating agencies, as a necessary premise to extract the probability of default.

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

	Assets and liabilities measured at fair value	
	December 31, 2018	December 31, 2017
	Level 2	Level 2
Book value		
December 31, 2018	December 31, 2017	
Assets		
Marketable securities	2,843,074	3,152,441
Derivative financial instruments	892,461	110,107
Total	3,735,535	3,262,548
Liabilities		
Long-term debts	(5,268,947)	(2,665,662)
Total	(5,268,947)	(2,665,662)

Hedge accounting - Fair value

Currently, the Company adopts a fair value hedge for some of its operations in 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:

	Debt	Derivatives	Total
Balance on January 1, 2017	-	-	-
Initial measurement	(2,461,836)	-	(2,461,836)
Interest amortization	87,037	(16,551)	70,486
Fair value	(195,823)	122,642	(73,181)
Balance on January 1, 2018	(2,570,622)	106,091	(2,464,531)
Initial measurement	(1,605,950)	-	(1,605,950)
Interest amortization	254,426	55,314	309,740
Fair value	(1,136,813)	730,734	(406,079)
Balance on December 31, 2018	(5,058,959)	892,139	(4,166,820)

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

29 Operating segment information

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

Operational segments

- (i) North Operations: comprised of the railway operations, road operations, transshipment and port elevation in the areas of the Company concession, 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.

All operations are located in Brazil.

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

Exercise:	December 31, 2018			
Results by segment	North Operations	South Operations	Container Operations	Consolidated
Net revenue	4,913,436	1,412,300	259,200	6,584,936
Cost of services	(2,743,494)	(1,421,040)	(301,100)	(4,465,634)
Gross profit	2,169,942	(8,740)	(41,900)	2,119,302
Gross margin (%)	44.16%	-0.62%	-16.17%	32.18%
Selling, general and administrative	(222,536)	(62,800)	(28,100)	(313,436)
Other income and equity	26,375	(96,600)	15,102	(55,123)
Depreciation and amortization	947,706	415,352	55,800	1,418,858
EBITDA	2,921,487	247,212	902	3,169,601
Margin EBITDA (%)	59.46%	17.50%	0.35%	48.13%
Impairment	-	72,448	-	72,448
Adjusted EBITDA	2,921,488	319,660	902	3,242,049
Margin Adjusted EBITDA (%)	59.46%	22.63%	0.35%	49.23%

Exercise:	December 31, 2017			
Results by segment	North Operations	South Operations	Container Operations	Consolidated
Net revenue	4,439,766	1,283,085	223,498	5,946,349
Cost of services	(2,558,157)	(1,356,733)	(306,098)	(4,220,988)
Gross profit	1,881,609	(73,648)	(82,600)	1,725,361
Gross margin (%)	42.38%	-5.74%	-36.96%	29.02%
Selling, general and administrative	(220,122)	(68,131)	(22,708)	(310,961)
Other income and equity	(5,093)	1,310	4,722	939
Depreciation and amortization	836,885	441,482	63,320	1,341,687
EBITDA	2,493,279	301,013	(37,266)	2,757,026
Margin EBITDA (%)	56.16%	23.46%	-16.67%	46.37%
Impairment	-	-	-	-
Adjusted EBITDA	2,493,279	301,013	(37,266)	2,757,026
Margin Adjusted EBITDA (%)	56.16%	23.46%	-16.67%	46.37%

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

Main customers

In the North and South segments, a customer contributed individually with a 13,9% share of the net revenue for the year 2018 with an approximate value of R\$ 912,943. In 2017, this same customer contributed individually with a 15.0% share of the net revenue with an approximate value of R\$ 893,056.

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