Rumo Group

Consolidated interim financial statements June 30, 2017

KPDS 200545

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

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

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

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

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

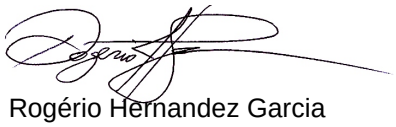
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KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

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

São Paulo, September 21, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6



Rogério Hernandez Garcia
Accountant CRC 1SP213431/O-5

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Consolidated balance sheets

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

	Note	June 30, 2017	December 31, 2016
Assets			
Cash and cash equivalents	3	**183,544**	260,527
Marketable securities	4	**2,290,393**	916,593
Accounts receivable	5	**282,690**	417,156
Derivative financial instruments	26	**2,775**	2,883
Inventories	6	**242,566**	284,579
Related parties	8	**37,040**	28,814
Current income taxes		**26,730**	165,956
Other recoverable taxes	7	**182,985**	84,009
Other assets		**157,312**	140,236
Current		**3,406,035**	2,300,753
Accounts receivable	5	**12,729**	14,305
Restricted cash	4	**219,719**	200,999
Deferred income tax	14	**1,144,191**	1,160,968
Current income taxes		**236,002**	121,376
Other recoverable taxes	7	**687,771**	660,805
Judicial deposits	16	**312,342**	299,876
Derivative financial instruments	26	**44,856**	786
Other non-current assets		**99,054**	106,191
Equity method investments	9	**43,152**	46,847
Property and equipment	10	**10,747,754**	10,337,119
Intangible assets	11	**7,722,305**	7,781,289
Non-current		**21,269,875**	20,730,561
Total Assets		**24,675,910**	23,031,314

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

Consolidated balance sheets

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

	Note	June 30, 2017	December 31, 2016
Liabilities			
Current portion of long-term debt	12	**1,658,246**	1,467,725
Finance leases	17	**342,684**	472,632
Real estate credit certificates	19	**104,776**	105,422
Derivative financial instruments	26	**-**	4,535
Accounts payable - suppliers	15	**424,027**	564,942
Salaries payable		**126,578**	117,150
Current income tax		**8,487**	35,990
Other taxes payable	13	**59,079**	32,757
Dividends payable		**9,359**	6,729
Leases and concessions	18	**26,987**	27,662
Related parties	8	**146,637**	106,710
Deferred income		**15,160**	14,167
Other financial liabilities	26.b	**238,181**	177,569
Other current liabilities		**279,726**	259,352
Current		**3,439,927**	3,393,342
Long-term debt	12	**9,105,069**	7,055,450
Finance leases	17	**780,737**	924,911
Real estate credit certificates	19	**38,920**	90,323
Derivative financial instruments	26	**14,478**	7,768
Current income tax		**13,009**	-
Other taxes payable	13	**14,698**	17,056
Provision for judicial demands	16	**511,889**	507,022
Leases and concessions	18	**2,755,454**	2,580,144
Deferred income tax	14	**2,395,416**	2,397,528
Deferred income		**60,672**	62,207
Other current liabilities		**149,102**	320,276
Non-current		**15,839,444**	13,962,685
Total liabilities		**19,279,371**	17,356,027
Equity	20		
Common stock		**7,014,897**	7,014,897
Capital reserve		**2,496,205**	2,493,670
Other equity		**7,150**	6,489
Profit reserve		**225,003**	253,599
Accumulated losses		**(4,615,921)**	(4,363,960)
Equity attributable to:			
Owners of the Company		**5,127,334**	5,404,695
Non-controlling interests		**269,205**	270,592
Total equity		**5,396,539**	5,675,287
Total liabilities and equity		**24,675,910**	23,031,314

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

Consolidated statements of income
(In thousands of Brazilian Reais – R$, except earnings per share)

	Note	April 1, 2017 to June 30, 2017	January 1, 2017 to June 30, 2017	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Net revenue from services	23	**1,506,143**	**2,705,317**	1,376,248	2,562,139
Cost of services		**(989,334)**	**(1,920,186)**	(907,528)	(1,778,611)
Gross profit		**516,809**	**785,131**	468,720	783,528
Selling, general and administrative		**(82,046)**	**(147,215)**	(84,378)	(170,229)
Other, net	25	**(2,211)**	**(4,403)**	(9,487)	(7,215)
Operating expenses		**(84,257)**	**(151,618)**	(93,865)	(177,444)
Income before financial results, equity income on investments and income taxes		**432,552**	**633,513**	374,855	606,084
Equity income on investments					
Equity income on investments	9	**1,412**	**3,158**	2,565	6,122
		1,412	**3,158**	2,565	6,122
Income before financial results and income taxes		**433,964**	**636,671**	377,420	612,206
Financial expenses		**(459,587)**	**(947,952)**	(474,067)	(943,556)
Financial income		**78,774**	**122,205**	70,549	128,584
Foreign exchange, net		**(128,958)**	**(128,464)**	35,505	82,025
Derivatives		**76,751**	**69,786**	(38,623)	(104,314)
Financial result, net	24	**(433,020)**	**(884,425)**	(406,636)	(837,261)
Income (loss) before income taxes		**944**	**(247,754)**	(29,216)	(225,055)
Income (expense) tax and social contribution benefit	14				
Current		**(5,356)**	**(16,339)**	(16,188)	(26,519)
Deferred		**(25,749)**	**(14,665)**	12,766	33,861
		(31,105)	**(31,004)**	(3,422)	7,342
Loss for the period		**(30,161)**	**(278,758)**	(32,638)	(217,713)
Income (loss) attributable to:					
Owners of the Company		**(31,424)**	**(280,617)**	(35,424)	(221,042)
Non-controlling interest		**1,263**	**1,859**	2,786	3,329
Basic and diluted loss per share:	21	**(R$0.023)**	**(R$0.210)**	(R$0.028)	(R$0.284)

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

Consolidated statements of comprehensive income
(In thousands of Brazilian Reais – R$, except earnings per share)

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Loss for the period	**(30,161)**	**(278,758)**	(32,638)	(217,713)
Other comprehensive income - items that are subsequently reclassified to profit				
Currency translation adjustment	**231**	**721**	2,540	5,871
Income from hedge instruments (NDF)	**-**	**-**	(5,387)	(5,387)
Deferred tax	**-**	**-**	1,435	1,435
Other comprehensive income net of income tax and social contribution	**231**	**721**	(1,412)	1,919
Total comprehensive loss	**(29,930)**	**(278,037)**	(34,050)	(215,794)
Comprehensive loss attributable to:				
Owners of the Company	**(31,193)**	**(279,896)**	(38,349)	(220,666)
Non-controlling interest	**1,263**	**1,859**	4,299	4,872

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

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

	Attributable to shareholders of the Company												
		Capital reserve				Profit reserve		Other equity					
	Common stock	Capital reserve	Funding cost	Granted options recognized	Non-controlling transaction results and goodwill	Tax incentives	Loss for the period	Cumulated currency translation adjustment	Attributable Cost	Pension plan	Owners of the Company	Non-controlling interest	Total equity
At January 1, 2017	**7,014,897**	**2,177,550**	**(19,439)**	**53,485**	**282,074**	**253,599**	**(4,363,960)**	**4,116**	**3,527**	**(1,154)**	**5,404,695**	**270,592**	**5,675,287**
Loss for the period	-	-	-	-	-	-	(280,617)	-	-	-	(280,617)	1,859	(278,758)
Currency translation adjustment	-	-	-	-	-	-	-	721	-	-	721	-	721
Attributable cost reflection adjustment of associates	-	-	-	-	-	-	60	-	(60)	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(280,557)	721	(60)	-	(279,896)	1,859	(278,037)
Stock option plan	-	-	-	2,535	-	-	-	-	-	-	2,535	-	2,535
Absorption of accumulated losses with reserves	-	-	-	-	-	(28,596)	28,596	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	(3,246)	(3,246)
Total transactions with owners of the Group	-	-	-	2,535	-	(28,596)	28,596	-	-	-	2,535	(3,246)	(711)
At June 30, 2017	**7,014,897**	**2,177,550**	**(19,439)**	**56,020**	**282,074**	**225,003**	**(4,615,921)**	**4,837**	**3,467**	**(1,154)**	**5,127,334**	**269,205**	**5,396,539**

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

Rumo Group

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

	Attributable to shareholders of the Company						
	Common stock	Capital reserve	Loss for the period	Other equity	Owners of the Company	Non-controlling interest	Total equity
At January 1, 2016	5,451,490	(1,781,177)	(98,809)	12,966	3,584,470	259,732	3,844,202
Loss for the period	-	-	(221,042)	-	(221,042)	3,329	(217,713)
Income from Hedge instruments (NDF) net of taxes	-	-	-	(3,952)	(3,952)	-	(3,952)
Currency translation adjustment	-	-	-	4,328	4,328	1,543	5,871
Total comprehensive income for the period	-	-	(221,042)	376	(220,666)	4,872	(215,794)
Capital increase	2,600,000	-	-	-	2,600,000	-	2,600,000
Transaction costs related to the capital increase	(62,668)	-	-	-	(62,668)	-	(62,668)
Stock option plan	-	1,270	-	-	1,270	-	1,270
Total transactions with owners of the Group	2,537,332	1,270	-	-	2,538,602	-	2,538,602
At June 30, 2016	7,988,822	(1,779,907)	(319,851)	13,342	5,902,406	264,604	6,167,010

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

Consolidated statements of cash flows

(In thousands of Brazilian Reais - R$)

	January 1, 2017 to June 30, 2017	January 1, 2016 to June 30, 2016
Cash flows from operating activities		
Loss before income taxes and social contribution	**(247,754)**	(225,055)
Adjustments to:		
Depreciation and amortization	**588,704**	425,432
Equity pick-up	**(3,158)**	(6,122)
Provision for profit sharing	**32,761**	20,357
Loss on disposal of fixed assets and intangible	**(3,644)**	6,567
Provision for losses on judicial demands	**32,310**	17,270
Provision for losses on doubtful accounts	**11,205**	(1,225)
Stock option plan	**2,535**	1,270
Lease and concessions	**95,223**	100,254
Deferred revenue	**(8,224)**	(10,921)
Interest, indexation charges and exchange variations, net	**811,887**	834,787
Other	**(15,592)**	(95,917)
	1,296,253	1,066,697
Changes in:		
Accounts receivable	**92.313**	(29.116)
Advances from customers	**-**	(47.471)
Judicial deposits	**-**	(10,141)
Net, related parties	**33.343**	(14.205)
Other recoverable taxes	**(60.216)**	23.421
Taxes payable	**(18.278)**	(44,269)
Inventories	**42.117**	17.422
Salaries payable	**(28.259)**	(34.673)
Accounts payable	**(150.179)**	61,782
Advances to suppliers	**-**	(3.705)
Lease and concessions payable	**(55.579)**	(53.963)
Judicial demands	**(54.066)**	(40,265)
Other financial liabilities	**38.987**	(104.833)
Other asset and liabilities, net	**(124.281)**	(40.004)
	(284.098)	(320.020)
Net cash generated from operating activities	**1,012,155**	746,677
Cash flow from investing activities		
Marketable securities	**(1,291,430)**	(1,202,950)
Restricted cash	**(18,720)**	11,734
Dividends received	**3,764**	1,743
Purchase of property, plant and equipment and intangible assets	**(950,064)**	(824,094)
Cash received on disposal of other fixed assets	**7,000**	**-**
Net cash used in investing activities	**(2,249,450)**	**(2,013,567)**
Cash flow from financing activities		
Proceeds from debt	**2,456,138**	2,857,807
Repayments of principal	**(719,502)**	(3,369,196)
Payments of interest	**(631,551)**	(699,615)
Amortization of advance of real estate credits	**-**	(64,218)
Capital increase	**-**	2,537,332
Derivative financial instruments	**28,258**	2,857
Dividends paid	**(619)**	-
Net cash generated from financing activities	**1,132,724**	1,264,967
Impact of exchange variation on cash and cash equivalents	**27,588**	-
Decrease in cash and cash equivalents	**(76,983)**	(1,923)
Cash and cash equivalents at beginning of period	**260,527**	72,988
Cash and cash equivalents at end of period	**183,544**	71,065
Supplemental disclosure of cash flow information:		
Income taxes paid	**8,035**	3,292

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

1 Operations

RUMO Group

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

a) Rumo S.A. and its subsidiaries (“Rumo”):

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

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

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

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

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

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

Rumo Logística operated in the segment of rail and road transport in the State of São Paulo. In addition, the subsidiary Logispot Armazéns Gerais S.A. ("Logispot") operates in the warehousing segment, while Elevações Portuárias S.A. ("Elevações Portuárias") has terminals for transshipment and terminals for export of sugar and grains in the Port of Santos.

c) Merger of Rumo Logística by Rumo:

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

Portuárias through capital increase amounting R$672,396. Additionally, Rumo contributed assets (rail cars and locomotives) amounting R$895,727 in the indirect subsidiary Rumo Malha Norte.

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

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

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

d) Other information:

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

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

On October 10, 2016, in response to the consultation process on the Investment Plan 2015-2018 made to the Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Rumo Logística received correspondence from the Framework, Credit and Market Committee informing the framework of the projects submitted for funding feasibility analysis in a total amount of approximately R$3,500,000. The framework is one of the main steps of the BNDES financing concession process. Management is working on other regulatory procedures with the appropriate areas of the bank.

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

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

On February 23, 2017 TPG VI Fundo de Investimento em Participações (“TPG”), shareholder of Rumo, exercised its right to substitute 12,831,102 shares issued by Rumo - all of its shares related to Rumo's shareholders' agreement, signed by Cosan S.A. Indústria e Comércio (“Cosan”), Cosan Logística, GIF Rumo

Fundo de Investimento em Participações (“GIF”), TPG and Cosan Limited ("CZZ"), in 2010, as amended ("Shareholders' Agreement"), for shares issued by Cosan and shares issued by Cosan Logística, with settlement as agreed between the shareholders. After settlement of the substitution obligations, the Shareholders' Agreement will automatically terminate.

Management has made an assessment of the entity’s ability to continue operating in the foreseeable future. On June 30, 2017, the Group had a negative consolidated working capital of R$33,892 and a consolidated loss of R$278,758. Conversely, its generated consolidated operating cash flow of R$1,012,155 and made investments in modernizing its rolling stock and improving the railway network of R$950,064, in line with its business plan.

The capital increase plus the aforementioned debt re-profiling and the senior notes issuance fully equated the risk of the Group's operational continuity.

e) The concession of railway operation and port terminal:

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

Companies	Concession end	Coverage areas
Subsidiaries		
Elevações Portuárias	March 2036	Port of Santos-SP
Rumo Malha Paulista	December 2028	São Paulo State
Rumo Malha Sul	February 2027	South and São Paulo State
Rumo Malha Oeste	June 2026	Midwest and São Paulo State
Rumo Malha Norte	May 2079	Midwest and São Paulo State
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2025	Port of Santos-SP
TGG - Terminal de Granéis do Guarujá	August 2027	Port of Santos-SP
Termag - Terminal Marítimo de Guarujá	August 2027	Port of Santos-SP

The subsidiaries and associates above are subject to compliance with certain conditions set out in the privatization bids and the concession contracts of railway networks and port terminals. To the extent that there is no substantive control to which the service should be provided and as there is no substantive pricing control, IFRIC 12 is not applicable to the Group and therefore the assets acquired by it are treated under IAS 17- Property and Equipment.

The concession agreements of these subsidiaries and associates shall be terminated by: expiration of the contractual term; expropriation; forfeiture; termination; annulment and bankruptcy; or termination of the concessionaire.

In the event of termination of any of the concessions, the main effects would be as follows:

- Return to the government all the rights and privileges transferred to the subsidiaries, together with leased assets and those resulting from investments that are considered reversible by the Federal Government as being necessary to the continuous provision of the granted service.

- The reversible assets would be indemnified by the Federal Government at the residual cost, calculated based on the accounting records of the subsidiaries, considering depreciation; such costs would be subject to technical and financial analysis by the Federal Government. Any and all improvements made

to the permanent track superstructure would not be considered as investments for indemnification purposes.

2 Basis of preparation and significant accounting policies

2.1 Statement of compliance

The consolidated interim financial statements have been prepared in accordance with Interim Financial Reporting issued by the International Accounting Standards Board (IASB) and do not include all the information required in the complete annual consolidated financial statements.

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

On September 21, 2017, the Board of Directors authorized the issuance of the consolidated interim financial statements of the Rumo Group.

2.2 Presentation of Information by segment

Operating segment information is presented consistently with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments is the Executive Board, also responsible for making the strategic decisions of the Group.

The Management are structured on two vice presidents, the first focused on South operations (comprised of railway and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Oeste) and the second focused on the North operations (composed by railway operations, transshipment and port elevation in the areas of the concession of Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista). A third segment includes Brado, Rumo's indirect subsidiary, focused on container operations and the container operations of other group companies. Therefore, the Company now discloses three segments: (i) Northern Operations, (ii) South Operations, and (iii) Container Operations.

2.3 Basis of consolidation

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

	Directly and indirectly	
	June 30, 2017	December 31, 2016
Subsidiaries		
Logispot 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.	**99.48%**	99.48%
Boswells S.A.	**100.00%**	100.00%
Brado Holding S.A.	**100.00%**	100.00%
ALL Serviços Ltda.	**99.99%**	99.99%
ALL Argentina S.A.	**100.00%**	100.00%
Paranaguá S.A.	**100.00%**	100.00%
ALL Rail Management Ltda.	**50.01%**	50.01%
ALL Armazéns Gerais Ltda.	**100.00%**	100.00%
Portofer Ltda.	**100.00%**	100.00%
Brado Logística e Participações S.A.	**62.22%**	62.22%
Brado Logística S.A.	**62.22%**	62.22%
ALL Mesopotâmica S.A.	**70.56%**	70.56%
ALL Central S.A.	**73.55%**	73.55%
PGT S.A.	**100.00%**	100.00%

- **Business combination**

Business combinations are recorded using the acquisition method. The transferred consideration is generally measured at fair value, as well as the identifiable net assets acquired and liabilities assumed. Any resulting goodwill is tested annually for impairment. Transaction costs are charged to income as incurred, except for costs related to the issuance of debt instruments or equity.

The consideration transferred does not include amounts related to pre-existing relationships payments. These amounts are generally recorded in the income statement.

- **Non-controlling interest**

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

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

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

- **Subsidiaries**

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

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

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

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

The following associates are accounted for under the equity method:

	Directly and indirectly	
	June 30, 2017	December 31, 2016
Associates (Equity)		
Rhall Terminais Ltda.	**30.00%**	30.00%
Termag S.A. (i)	**19.85%**	19.85%
TGG S.A. (i)	**9.92%**	9.92%
Terminal XXXIX S.A.	**49.62%**	49.62%

(i) For these associates a conclusion about the existence of significant influence arises from the Rumo's representative to participate in the affiliate's board.

Investments in associates are accounted for using the equity method and are initially recorded at cost. The investment costs include the costs of transaction.

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

- **Transactions eliminated on consolidation**

Intragroup balances and transactions, and any unrealized income and expenses arising from unrealized intercompany transactions, are eliminated in preparing the financial statements.

Unrealized gains arising from transactions with investees recorded by the equity method are eliminated against the investment in proportion to the Group's interest in the investee. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of loss by impairment.

2.4 Cash Flow - non cash transactions

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

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

- Lease of locomotives, rail cars and other assets through operation accounted characterized as capital leases in the amount of R$4,167.

2.5 New standards and interpretations not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated interim financial statements.

- *IFRS 9 Financial Instruments*

The application of the new standard may result in a review of the provision for doubtful accounts. The study on possible impacts has not yet been completed.

- *IFRS 15 Revenue from Contracts with Customers*

The significant impacts related to IFRS 15 are expected to be in the disclosures of the notes to the consolidated financial statements and in the policies applied to the control of revenues.

- *IFRS 16 Leases*

The Group began an initial assessment of the potential impact on its financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases related to concession.

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

- *Amendments to IAS 7 Statement of Cash Flows*

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

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

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

The Group is required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the

change between opening retained earnings and other components of equity. The Group is not required to provide additional disclosures in its interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

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

3 Cash and cash equivalent

	June 30, 2017	December 31, 2016
Cash and bank accounts	**29,980**	85,107
Financial investments	**153,564**	175,420
	183,544	260,527

The financial investments were as below:

	June 30, 2017	December 31, 2016
Bank investments		
Bank deposit certificates - CDB	**147,683**	145,348
Repurchase transactions	**977**	26,719
Other investments	**4,904**	3,353
	153,564	175,420

4 Marketable securities and restricted cash

Marketable securities

	June 30, 2017	December 31, 2016
CDB investments linked to BNDES loans	**-**	283,372
Government bonds	**2,290,393**	633,221
	2,290,393	916,593

Restricted cash

	June 30, 2017	December 31, 2016
Investments linked to loans	**90,634**	63,474
Securities pledged as collateral	**127,209**	137,525
Government bonds	**1,876**	-
	219,719	200,999

5 Accounts receivable

	June 30, 2017	December 31, 2016
Domestic - Brazilian Reais	**291,836**	434,543
Export - Foreign currency	**33,207**	15,504
Allowance for doubtful accounts	**(29,624)**	(18,586)
	295,419	431,461
Current	**282,690**	417,156
Non-current	**12,729**	14,305

6 Inventories

	June 30, 2017	December 31, 2016
Parts and accessories	**228,489**	244,453
Fuels and lubricants	**6,881**	7,397
Other	**7,196**	32,729
	242,566	284,579

7 Other recoverable taxes

	June 30, 2017	December 31, 2016
Contribution to social security financing ("COFINS")	**261,056**	188,824
Social Integration program ("PIS")	**62,898**	45,425
Tax on circulation of goods, transport services and communication ("ICMS") (i)	**362,416**	331,960
ICMS - CIAP (ii)	**174,857**	174,221
Other	**9,529**	4,384
	870,756	744,814
Current	**182,985**	84,009
Non-current	**687,771**	660,805
	870,756	744,814

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

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

8 Related parties

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

	June 30, 2017	December 31, 2016
Current asset		
Commercial operations		
Cosan S.A. Indústria e Comércio	**836**	440
Raízen Energia S.A.	**20,726**	14,261
Raízen Combustíveis S.A.	**15,127**	12,412
Other	**351**	1,701
Total	**37,040**	28,814

	June 30, 2017	December 31, 2016
Current liabilities		
Commercial operations		
Raízen Energia S.A.	**24,629**	18,431
Cosan S.A. Indústria e Comércio	**19,614**	17,407
Cosan Lubrificantes e Especialidades S.A.	**2,416**	1,854
Raízen Combustíveis S.A.	**96,997**	68,151
Other	**2,981**	867
Total	**146,637**	106,710

b) Summary of transactions with related parties:

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Operating income				
Raízen Energia S.A. and subsidiaries	**93,607**	**167,590**	92,098	198,986
Raízen Combustíveis S.A.	**29,581**	**62,443**	31,093	55,734
	123,188	**230,033**	123,191	254,720
Purchases of products / inputs				
Raízen Combustíveis S.A.	**(238,569)**	**(442,285)**	(225,955)	(427,049)
Cosan Lubrificantes e Especialidades S.A.	**(8,917)**	**(15,501)**	(9,140)	(25,208)
	(247,486)	**(457,786)**	(235,095)	(452,257)
Shared expenses				
Cosan S.A. Indústria e Comércio	**(2,735)**	**(5,150)**	(2,467)	(4,935)
Raízen Energia S.A.	**(6,731)**	**(13,600)**	(6,903)	(12,627)
	(9,466)	**(18,750)**	(9,370)	(17,562)
Financial result				
Rumo Logística Operadora Multimodal S.A.	**-**	**-**	-	2
		-	-	2

c) Officers and directors remuneration

Fixed and variable remuneration of key personnel, including directors and board members, are recognized in the consolidated results for the period, as follows:

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Regular remuneration	**3,492**	**6,497**	4,498	8,254
Stock option recognized (Note 22)	**1,267**	**2,535**	635	1,270
Bonus and other variable remuneration	**2,720**	**3,706**	4,509	5,335
	7,479	**12,738**	9,642	14,859

9 Equity method investments

a) Consolidated

Affiliates	**Total shares of investee**	**Shares held by the Company**	**Percentage of interest (%)**	**Balance at January 1°, 2017**	**Equity pick-up**	**Dividends**	**Balance at June 30, 2017**
Rhall Terminais	28,580	8,574	30.00%	3,645	127	-	3,772
Termag S.A.	500,000	99,246	19.85%	7,669	134	-	7,803
TGG S.A.	79,747,000	7,914,609	9.92%	18,535	1,792	(4,000)	16,327
Terminal XXXIX	200,000	99,246	49.62%	16,998	1,105	(2,853)	15,250
Total				**46,847**	**3,158**	**(6,853)**	**43,152**

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1°, 2016	Equity pick-up	Dividends	Other	Balance at June 30, 2016
Rhall Terminais	28,580	8,574	30.00%	3,844	(72)	-	-	3,772
Termag S.A.	500,000	99,246	19.85%	5,137	339	-	-	5,476
TGG S.A.	79,747,000	7,914,609	9.92%	19,701	2,578	(3,753)	-	18,526
Terminal XXXIX	200,000	99,246	49.62%	15,558	3,277	-	136	18,971
Total				44,240	6,122	(3,753)	136	46,745

b) Non-controlling interests

	Total shares of investee	**Shares held by the Company**	**Percentage of interest (%)**	**Balance at January 1°, 2017**	**Equity pick-up**	**Dividends**	**Balance at June 30, 2017**
Logispot	2,040,816	1,000,000	49.00%	36,089	(575)	-	35,514
Brado Participações	12,962,963	4,963,519	38.29%	218,637	1,658	(2,402)	217,893
Rumo Malha Norte	1,189,412,363	5,709,179	0.48%	15,770	1,001	(844)	15,927
Rail Management	20,000	9,999	49.99%	96	(226)	-	(130)
Total				**270,592**	**1,859**	**(3,246)**	**269,205**

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	Balance at January 1°, 2016	Equity pick-up	Other	Balance at June 30, 2016
Logispot	2,040,816	1,000,000	49.00%	36,836	(788)	-	36,048
Brado Participações	12,962,963	8,000,000	61.71%	208,843	3,555	-	212,398
ALL Malha Norte	1,189,412,363	6,419,174	0.54%	13,674	845	1,543	16,062
Rail Management	20,000	9,999	49.99%	379	(283)	-	96
Total				259,732	3,329	1,543	264,604

10 Property and equipment

	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Construction in progress	Track structure (i)	Other	Total
Cost:							
At December 31, 2016	**866,974**	**553,889**	**7,478,023**	**668,562**	**6,353,604**	**767,992**	**16,689,044**
Additions	-	-	12,366	925,265	3,729	3,768	945,128
Disposals	(2,239)	(1,926)	-	-	-	(34,800)	(38,965)
Transfers	3,856	287,497	569,748	(950,861)	254,637	(155,516)	9,361
At June 30, 2017	**868,591**	**839,460**	**8,060,137**	**642,966**	**6,611,970**	**581,444**	**17,604,568**
Depreciation:							
At December 31, 2016	**(280,141)**	**(237,086)**	**(2,975,976)**	**-**	**(2,396,583)**	**(462,139)**	**(6,351,925)**
Additions	(14,275)	(27,215)	(242,805)	-	(194,787)	(32,307)	(511,389)
Disposals	234	471	-	-	-	21,772	22,477
Transfers	(702)	(1)	13,492	-	(12,635)	(16,131)	(15,977)
At June 30, 2017	**(294,884)**	**(263,831)**	**(3,205,289)**	**-**	**(2,604,005)**	**(488,805)**	**(6,856,814)**
At December 31, 2016	**586,833**	**316,803**	**4,502,047**	**668,562**	**3,957,021**	**305,853**	**10,337,119**
At June 30, 2017	**573,707**	**575,629**	**4,854,848**	**642,966**	**4,007,965**	**92,639**	**10,747,754**

	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)	Construction in progress	Track structure (i)	Other	Total
Cost:							
At December 31, 2015	627,342	500,269	4,235,038	765,286	3,568,597	412,912	10,109,444
Additions	-	6,690	17,816	978,992	-	18,778	1,022,276
Disposals	-	(97)	(823)	-	(7,409)	(9,401)	(17,730)
Transfers	76,426	51,254	607,939	(768,158)	14,589	10,735	(7,215)
At June 30, 2016	703,768	558,116	4,859,970	976,120	3,575,777	433,024	11,106,775
Depreciation:							
At December 31, 2015	(86,651)	(176,121)	(248,686)	-	(209,308)	15,409	(705,357)
Additions	(18,161)	(29,690)	(127,133)	-	(146,905)	(33,191)	(355,080)
Disposals	-	97	440	-	3,048	2,514	6,099
Transfers	4,041	1,159	3,071	-	(7,342)	(1,493)	(564)
At June 30, 2016	(100,771)	(204,555)	(372,308)	-	(360,507)	(16,761)	(1,054,902)
At December 31, 2015	540,691	324,148	3,986,352	765,286	3,359,289	428,321	9,404,087
At June 30, 2016	602,997	353,561	4,487,662	976,120	3,215,270	416,263	10,051,873

(i) Leasehold improvements and finance leases included.

11 Intangible assets

	Goodwill (i)	**Concession Rights (ii)**	**Operating license**	**Other**	**Total**
Cost:					
At December 31, 2016	**100,451**	**7,662,964**	**343,177**	**196,336**	**8,302,928**
Additions	-	-	-	769	**769**
Disposals	-	-	-	(4,220)	**(4,220)**
Transfers	-	337,736	-	18,604	**356,340**
At June 30, 2017	**100,451**	**8,000,700**	**343,177**	**211,489**	**8,655,817**
Amortization:					
At December 31, 2016	**-**	**(310,958)**	**(108,429)**	**(102,252)**	**(521,639)**
Additions	**-**	(24,690)	(41,625)	(11,000)	**(77,315)**
Disposals	-	-	-	4,218	**4,218**
Transfers	-	(337,736)	-	(1,040)	**(338,776)**
At June 30, 2017	**-**	**(673,384)**	**(150,054)**	**(110,074)**	**(933,512)**
At December 31, 2016	**100,451**	**7,352,006**	**234,748**	**94,084**	**7,781,289**
At June 30, 2017	**100,451**	**7,327,316**	**193,123**	**101,415**	**7,722,305**

	Goodwill (i)	Concession Rights (ii)	Operating license	Other	Total
Cost:					
At December 31, 2015	100,451	7,504,935	399,350	117,336	8,122,072
Additions	-	-	-	350	350
Corporate reorganization effects	-	67,583	-	-	67,583
Transfers	-	-	-	6,266	6,266
At June 30, 2016	100,451	7,572,518	399,350	123,952	8,196,271
Amortization:					
At December 31, 2015	-	(90,072)	(159,004)	(10,576)	(259,652)
Additions	-	(60,445)	(5,870)	(8,168)	(74,483)
Transfers	-	-	-	6	6
At June 30, 2016	-	(150,517)	(164,874)	(18,738)	(334,129)
At December 31, 2015	100,451	7,414,863	240,346	106,760	7,862,420
At June 30, 2016	100,451	7,422,001	234,476	105,214	7,862,142

(i) Goodwill arising from business combination, of which R$62,922 of previously direct subsidiary Teaçú Armazéns Gerais S.A., incorporated by the Rumo Logística, and R$37,529 of direct subsidiary Logispot.

(ii) The expense is recognized in the income statement in cost of services, as depreciation and amortization.

Intangible (other than goodwill)	**Annual rate of amortization - %**	**June 30, 2017**	December 31, 2016
Software	**20%**	**36,773**	27,158
Operating license and customer base	**3.70%**	**193,123**	234,748
Concession rights	**1.59%**	**7,327,316**	7,352,006
Other		**64,642**	66,926
Total		**7,621,854**	7,680,838

The Group annually tests the recoverable amounts of goodwill arising from business combinations operations. Property and equipment and intangible assets with definite lives are subject to depreciation and amortization is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

12 Loans and borrowings

Description	Financial charges: Index	Financial charges: Average interest rate	June 30, 2017	December 31, 2016	Maturity date
Loans and borrowings					
Commercial banks	Pre-fixed (US$)	6.33%	**91,365**	86,140	2021
	CDI + 4.91% p.a.	15.55%	**130,974**	163,815	2019
Finame (BNDES)	Pre-fixed	5.21%	**1,336,097**	1,232,984	2025
	URTJLP	11.40%	**-**	17	2017
Finem (BNDES)	Pre-fixed	3.96%	**3,060**	3,930	2024
	URTJLP	8.79%	**2,377,179**	2,663,459	2029
	IPCA	11.43%	**3,646**	3,453	2021
	Selic	13.65%	**4,649**	5,277	2020
Senior Notes	Pre-fixed (US$)	7.38%	**2,489,428**	-	2024
NCE	CDI + 3.50% p.a.	13.99%	**294,923**	294,516	2018
	CDI + 3.47% p.a.	13.96%	**81,462**	80,486	2017
	112% of CDI	13.68%	**89,947**	120,069	2018
	129.62% of CDI	13.34%	**551,310**	552,576	2023
			7,454,040	5,206,722	
Debentures					
Non-convertible debentures	108% of CDI	10.99%	**347,813**	350,852	2018
	Pre-fixed	13.13%	**163,806**	163,862	2020
	CDI + 1.30% p.a.	11.57%	**298,168**	300,183	2017
	CDI + 3.50% p.a.	13.99%	**2,345,895**	2,347,271	2023
	CDI + 2.05% p.a	12.40%	**153,593**	154,285	2018
			3,309,275	3,316,453	
Total			**10,763,315**	8,523,175	
Current			**1,658,246**	1,467,725	
Non-current			**9,105,069**	7,055,450	

Senior Notes 2024

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

Unused credit lines

At June 30, 2017, the Group had lines of credit for financing from BNDES, which were not used, totaling of R$372,230 (R$541,639 on December 31, 2016).

Covenants

The Group is subject to certain restrictive contractual clauses, relating to the level of leverage and debt service coverage, in some of its contracts. The more restrictive provisions have yearly verification at year-end and refer to net comprehensive indebtedness. Net comprehensive indebtedness includes bank debts, debentures, commercial leases, Real Estate Receivables Certificates and derivative instruments linked to credit operations, deducted from securities, as well as cash and cash equivalents. The covenants defined for December 31, 2017 establish a maximum leverage of 4.3x (net comprehensive debt / EBITDA LTM) and minimum interest coverage ratio of 1.4x EBITDA / Financial Result.
The Group also has quarterly inspections of certain indices that consist of: (i) consolidated net banking debt / EBITDA (earnings before interest, taxes, depreciation and amortization, in Portuguese); (Ii) EBITDA /

consolidated financial result (only interest on debentures, loans / financing and derivative operations are considered). Net bank debt includes bank debt, as well as securities and derivative instruments linked to credit operations. The agreed ratio is up to 5.5x net banking debt / EBITDA and minimum interest coverage ratio of 2.0x EBITDA / financial result, limits that were being met by the Group on June 30, 2017.

13 Other taxes payable

	June 30, 2017	December 31, 2016
Tax on circulation of goods, transport services and communication ("ICMS")	**4,158**	2,407
National social security institute ("INSS")	**5,116**	5,930
Social integration program ("PIS")	**5,827**	988
Contribution to social security financing ("COFINS")	**27,340**	5,293
Tax amnesty and refinancing program ("Refis")	**19,366**	23,709
Tax on services	**3,499**	3,364
Financial transaction tax	**1,625**	2,992
Other	**6,846**	5,130
	73,777	49,813
Current	**59,079**	32,757
Non-current	**14,698**	17,056

14 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses.

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Income (loss) before income taxes	**944**	**(247,754)**	(29,216)	(225,055)
Income tax and social contribution expense at nominal rate (34%)	**(321)**	**84,236**	9,933	76,519
Adjustments to determine the effective rate				
Equity pick-up	**480**	**1,074**	872	2,081
Spending on share issues	**-**	**-**	21,307	21,307
Unrecognized NOLs and temporary differences (i)	**(34,680)**	**(119,406)**	(42,716)	(111,541)
Exploration profit - tax incentive	**10,930**	**14,965**	6,561	17,252
Result of companies abroad	**(3,148)**	**(11,983)**	-	-
Other	**(4,366)**	**110**	621	1,724
Expense tax and social contribution	**(31,105)**	**(31,004)**	(3,422)	7,342
Effective rate - %	**3295.02%**	**-12.51%**	-11.71%	3.26%

(i) Refers mainly to tax losses and temporary differences of the 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 generation of taxable income.

b) Deferred corporate income tax (IRPJ) and social contribution (CSLL) assets and liabilities

	June 30, 2017				December 31, 2016
	Basis	**IRPJ**	**CSLL**	**Total**	
Tax losses:					
Tax losses carry forwards - income tax	**6,606,034**	**1,651,509**	**-**	**1,651,509**	1,503,707
Tax losses of social contribution	**6,721,268**	**-**	**604,914**	**604,914**	560,005
Temporary differences:					
Tax goodwill amortized	**(61,332)**	**(15,333)**	**(5,520)**	**(20,853)**	(19,715)
Lease	**(642,761)**	**(160,690)**	**(57,848)**	**(218,538)**	(138,511)
Review of useful life	**1,052,507**	**263,127**	**94,726**	**357,853**	296,430
Business combination - Fixed assets	**442,285**	**110,571**	**39,806**	**150,377**	172,769
Business combination - Intangible assets	**(7,520,060)**	**(1,880,015)**	**(676,805)**	**(2,556,820)**	(2,579,247)
Impairment provision	**771,302**	**192,825**	**69,417**	**262,242**	319,070
Provision for judicial demands	**620,861**	**155,215**	**55,878**	**211,093**	212,068
Provision for non-performing tax	**78,314**	**19,578**	**7,048**	**26,626**	22,274
Provision for profit sharing	**37,565**	**9,391**	**3,381**	**12,772**	17,401
Capitalization of interest on loans	**(5,192)**	**(1,298)**	**(467)**	**(1,765)**	(325)
Allowance for doubtful accounts	**64,470**	**16,117**	**5,802**	**21,919**	18,123
(-) Unrecognized credits	**(8,105,319)**	**(1,397,829)**	**(503,247)**	**(1,901,076)**	(1,781,670)
Other	**436,831**	**109,208**	**39,314**	**148,522**	161,061
Total net liability	**496,773**	**(927,624)**	**(323,601)**	**(1,251,225)**	(1,236,560)
Deferred income tax - Assets				**1,144,191**	1,160,968
Deferred income tax - Liabilities				**(2,395,416)**	(2,397,528)
Total net deferred taxes				**(1,251,225)**	(1,236,560)

c) Changes in deferred taxes (net)

	January 1, 2017 to June 30, 2017	January 1, 2016 to June 30, 2016
At January 1	**(1,236,560)**	(1,380,654)
Income statement	**(14,665)**	33,861
Other comprehensive income	**-**	1,435
Other	**-**	6
At June 30	**(1,251,225)**	(1,345,352)

15 Accounts payable - suppliers

	June 30, 2017	December 31, 2016
Material and services	**323,709**	404,657
Fuels and lubricants	**862**	706
Other	**100,029**	160,147
Total	**424,600**	565,510
Current	**424,027**	564,942
Non-current (i)	**573**	568

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

16 Provision for judicial demands and judicial deposits

	Provision for judicial demands	
	June 30, 2017	December 31, 2016
Taxes	**68,022**	74,472
Civil, regulatory and environmental	**160,293**	154,187
Labor	**283,574**	278,363
	511,889	507,022

	Judicial deposits	
	June 30, 2017	December 31, 2016
Tax	**18,259**	25,115
Civil, regulatory and environmental	**157,812**	154,035
Labor	**136,271**	120,726
	312,342	299,876

Changes in the provision were:

	Taxes	**Civil, regulatory and environmental**	**Labor**	**Total**
At January 1, 2017	74,472	154,187	278,363	507,022
Additions	**587**	**5,261**	**35,528**	**41,376**
Settlement / Write-offs	**(3,459)**	**(5,703)**	**(39,967)**	**(49,129)**
Monetary restatement / reversal (i)	**(3,578)**	**6,548**	**9,650**	**12,620**
At June 30, 2017	**68,022**	**160,293**	**283,574**	**511,889**

(i) Write-off interest expense included.

(a) Tax

Judicial claims deemed as probable losses:

	June 30, 2017	December 31, 2016
ICMS - Credit materials	**54,759**	53,261
Compensation of PIS and COFINS	**1,872**	2,115
Other	**11,391**	19,096
	68,022	74,472

Judicial claims deemed as possible losses:

	June 30, 2017	December 31, 2016
Foreign financial operations	**1,018,980**	986,179
Capital gain Rumo S.A.	**500,155**	483,723
Isolated fine federal tax	**416,150**	397,441
ICMS Rumo Malha Paulista (i)	**296,808**	-
IRPJ and CSLL	**293,951**	283,678
ICMS - Export	**198,444**	189,313
MP 470 installment debts	**122,923**	120,132
Intermodal	**83,824**	81,247
Withholding income tax ("IRRF") Swap	**70,745**	68,382
Stock option plan	**64,276**	62,216
ICMS Armazéns Gerais	**63,100**	60,029
ICMS TAD	**61,157**	58,236
IOF on loan	**50,480**	54,896
Social Security Contributions	**45,049**	43,764
PIS/COFINS Mutual Traffic	**41,116**	38,285
Compensation with credit award	**40,151**	38,505
PIS and COFINS	**6,895**	3,280
Other	**212,813**	202,292
	3,587,017	3,171,598

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

(b) Civil, regulatory and environmental

Judicial claims deemed as possible losses:

	June 30, 2017	December 31, 2016
Civil	**1,425,748**	1,513,003
Regulatory (i)	**525,326**	397,414
Environmental	**377,290**	351,915
	2,328,364	2,262,332

(i) Refer to the collection of ANTT fines and contractual requirements with relevant amounts

(c) Labor

Judicial claims deemed as possible losses:

	June 30, 2017	December 31, 2016
Labor	**748,102**	712,973
	748,102	712,973

17 Leases

Finance leases

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

	June 30, 2017				December 31, 2016
	Less than a year	**Between one and five years**	**More than five years**	**Total**	Total
Future minimum lease payments	**445,857**	**745,003**	**294,390**	**1,485,250**	1,837,441
Rolling stock	417,509	659,462	202,893	1,279,864	1,616,719
Terminal	23,400	81,308	91,497	196,205	207,950
Other	4,948	4,233	-	9,181	12,772
Interest in the installment	**(103,173)**	**(198,383)**	**(60,273)**	**(361,829)**	(439,898)
Rolling stock	(88,119)	(159,459)	(41,078)	(288,656)	(358,158)
Terminal	(14,343)	(38,411)	(19,195)	(71,949)	(79,611)
Other	(711)	(513)	-	(1,224)	(2,129)
Present value of minimum payments	**342,684**	**546,620**	**234,117**	**1,123,421**	1,397,543
Current liabilities				**342,684**	472,632
Non-current liabilities				**780,737**	924,911

Lease agreements have varying expirations, the last due to expire in June 2043. The amounts are adjusted annually for inflation rates (as IGPM and IPCA) or may incur interest based on the TJLP or CDI and some contracts have renewal or purchase options that were considered in determining the classification as financial lease.

Operating leases

	June 30, 2017				
	Total future minimum lease payments				**December 31, 2016**
Assets	**Up to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**	**Total**
Locomotives	573	1,460	-	2,033	2,346
Rail cars	7,224	27,242	8,135	42,601	47,120
Total	**7,797**	**28,702**	**8,135**	**44,634**	**49,466**

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

18 Lease and concessions

	June 30, 2017			December 31, 2016
	Leases	**Concessions**	**Total**	Total
Amounts payables:				
Rumo Malha Sul	**38,564**	**29,682**	**68,246**	73,707
Rumo Malha Paulista	**30,085**	**19,466**	**49,551**	52,979
	68,649	**49,148**	**117,797**	126,686
Amounts under judicial discussions:				
Rumo Malha Paulista	**1,328,978**	**119,694**	**1,448,672**	1,345,722
Rumo Malha Oeste	**1,143,969**	**72,003**	**1,215,972**	1,135,398
	2,472,947	**191,697**	**2,664,644**	2,481,120
Total	**2,541,596**	**240,845**	**2,782,441**	2,607,806
Current liabilities			**26,987**	27,662
Non-current liabilities			**2,755,454**	2,580,144
			2,782,441	2,607,806

Amounts under judicial discussion

Rumo 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 Rumo with the amount charged by the Union. In April 2005, the injunction was granted, suspending the enforceability of installments for 90 days by determining the completion of expertise. In July 2005, the suspension was extended for another 90 days. In September 2005, the injunction was overturned by the Federal Court of Rio de Janeiro. In January 2006, the suspension of payment of installments was granted, by means of judicial deposit. The amount related to the lease installments was being deposited in court until October 2007, when 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 Rumo to perform the part of compensation of the amounts claimed in the match against presented debt. Nevertheless, Rumo believes that all amounts discussed shall be offset against payables based in clauses 7 and 10 of the bidding documents.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable regarding the value of the award granted and as possible in relation to the severance payments, but maintains the registration of the debt because it is a contractual obligation.

Rumo Malha Oeste also claims the reestablishment of the economic-financial balance, lost by the cancellation of transportation contracts existing at the time of privatization, change in the regulatory environment and conditions set forth in the Privatization Tender; additionally, the growth forecasts that defined the value of the business did not materialize. The lawsuit is filed with the 16th Federal Court of Rio de Janeiro. To proceed with the legal discussion Rumo offered government securities (Treasury Bills - LFT) as an execution guarantee. In March 2008, Rumo was authorized to replace the guarantee with a bank guarantee and in May 2008 Rumo redeemed the treasury bills. In December 2014, a decision was handed down that upheld the action recognizing the occurrence of economic and financial balance of the contracts, pending now the expert measurement of the amount of balance and related aspects. In December 2015 the claim for replacement of guarantee letters presented by Rumo with an insurance policy was accepted.

Management, supported by the opinion of its legal counsel, assesses the chances of success as probable, but the financial liability remains recognized as it is a contractual obligation not yet discharged and because the balance still pends offsetting with Rumo's reimbursement rights.

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

	June 30, 2017	June 30, 2016
Rumo Malha Paulista	**119,694**	117,533
Rumo Malha Oeste	**20,137**	18,694
	139,831	136,227

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

19 Real estate credit certificates

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

Terminal	**Rate**	**Maturity**	**Start date**	**June 30, 2017**	December 31, 2016
Terminal Intermodal de Tatuí-SP	12.38% p.a.	March 31, 2018	February 29, 2008	**18,738**	31,805
Terminal de Alto Araguaia-MT	CDI + 2.6% p.a.	November 30, 2018	November 28, 2008	**124,958**	163,940
				143,696	195,745
Current liabilities				**104,776**	105,422
Non-current liabilities				**38,920**	90,323

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

	June 30, 2017	December 31, 2016
13 to 24 months	38,920	90,323
	38,920	90,323

20 Equity

a. Common stock

The common stock may be increased by up to 7,000,000,000 new shares, regardless of statutory reform, by resolution of the Board of Directors, which has the power to determine the number of shares to be issued, the issue price and other subscription and payment conditions of the shares within the authorized capital.

The subscribed and fully paid-in capital on June 30, 2017 and December 31, 2016 is R$7,014,897 and is represented by 1,339,015,898 common shares nominative, without nominal value.

b. Other equity

		Comprehensive income		
	December 31, 2016	**Base**	**Net**	June 30, 2017
Foreign currency translation differences - equity - accounted investee	4,116	721	721	4,837
Defined benefit plan actuarial loss	(1,154)	-	-	(1,154)
Attributed cost	3,527	(60)	(60)	3,467
Total	**6,489**	**661**	**661**	7,150

c. Tax incentives - SUDAM

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

The tax benefit includes a reduction of 75% on IRPJ and additional non-refundable income on operating profit up to 2024. The effect of the reduction of 75% on IRPJ and additional non-refundable calculated up to June 30, 2017 on the operating profit was R$14,965 (R$17,252 on June 30, 2016), recorded as a reduction of the Income Tax and Social Contribution expense of the subsidiary Rumo Malha Norte.

21 Earnings per share

Basic earnings per share are calculated by dividing the loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the income and number of shares for the impacts of potentially dilutive instruments.

The table below shows the calculation of earnings per share (in thousands, except per share amounts) for the periods ended June 30, 2017 and 2016:

Basic and diluted

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Numerator				
Loss attributable to controlling shareholders	**(31,424)**	**(280,617)**	(35,424)	(221,042)
Denominator				
Weighted average number of common share	**1,339,016**	**1,339,016**	1,258,127	778,571
Basic and diluted loss per ordinary share	**(R$0.023)**	**(R$0.210)**	(R$0.028)	(R$0.284)

Antidilutive instruments

The non-controlling interest of the indirect subsidiary Brado have the right to exercise a Liquidity option provided for in the shareholders' agreement signed on August 05, 2013. This option would exchange all Brado shares held by such minority shareholders by shares of Rumo. The exchange ratio shall take into account the economic value for both Brado and Rumo shares. At the Group's exclusive discretion, an equivalent cash payment is also possible.

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

22 Stock option plan

2016 Plan

On December 21, 2016, a new Rumo's stock option plan model was approved at the Shareholders' Meeting, which became effective as of the granting, on January 2, 2017.

1,513,180 shares of the stock-based remuneration plan were issued, which will be transferred in full and free of charge after 5 years, from the approval of the grant, in a quantity adjusted by the number proportional to the dividends paid in the period, conditioned to the exercise of the functions of the beneficiary in Rumo, under the terms of each share granting program.

The Black and Scholes methodology was used to calculate the fair value of the shares granted under the terms of the stock-based remuneration plan, reflecting the determination of IFRS 2 - share-based payment. Given the characteristics of the plan, the fair value is equivalent to the value of the share on the grant date (R$6.10).

2015 Program

On October 2, 2015, the Board of Directors approved the creation of the Stock Option Plan or Share Subscription - Year 2015 Calendar.

A total of 4,485,238 options were granted at an exercise price of R$6.30 (to be corrected by the IPCA until the exercise date). This plan has a vesting period only 5 years and can exercise the options be done between

October 1, 2020 and 2022. The fair value of the options was estimated at R$2.83 using the Black and Scholes model.

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

Previous plan (Rumo old plan)

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

The amount of R$2,535 were recognized as an expense in the period ended June 30, 2017 (R$ 1,270 on June 30, 2016) related to the appropriation of the 2015 and 2016 programs. There were no cancellations and exercises in the period.

23 Net operating revenue

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Gross revenue from sales of services	**1,602,202**	**2,890,425**	1,487,566	2,758,209
Taxes and deductions over sales of services	**(96,059)**	**(185,108)**	(111,318)	(196,070)
Net revenue	**1,506,143**	**2,705,317**	1,376,248	2,562,139

24 Financial result

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Cost of gross debt				
Interest on debts	**(266,655)**	**(548,274)**	(249,093)	(475,229)
Net exchange rate changes on debts	**(131,610)**	**(133,975)**	35,505	82,025
Gain (loss) from derivatives on debts	**74,248**	**67,283**	(38,623)	(104,314)
	(324,017)	**(614,966)**	(252,211)	(497,518)
Income from financial investments	**69,775**	**102,379**	67,082	86,911
	69,775	**102,379**	67,082	86,911
Cost of debt, net	**(254,242)**	**(512,587)**	(185,129)	(410,607)
Other charges and monetary variations				
Interest on other receivables	**9,000**	**19,826**	3,467	41,673
Lease and concessions	**(61,864)**	**(134,992)**	(72,174)	(145,582)
Finance leases	**(32,294)**	**(66,539)**	(51,389)	(102,094)
Banking expenses and other	**(55,327)**	**(106,481)**	(49,020)	(86,381)
Real credit certificate	**(5,625)**	**(12,627)**	(9,372)	(21,378)
Interest on contingencies and commercial	**(16,128)**	**(35,918)**	-	-
Other charges and monetary variations	**(16,540)**	**(35,107)**	(43,019)	(112,892)
	(178,778)	**(371,838)**	(221,507)	(426,654)
Finance result, net	**(433,020)**	**(884,425)**	(406,636)	(837,261)
Financial expenses	**(459,587)**	**(947,952)**	(474,067)	(943,556)
Financial income	**78,774**	**122,205**	70,549	128,584
Foreign exchange, net	**(128,958)**	**(128,464)**	35,505	82,025
Derivatives	**76,751**	**69,786**	(38,623)	(104,314)
Finance result, net	**(433,020)**	**(884,425)**	(406,636)	(837,261)

25 Other income (expenses), net

	April 1, 2017 to June 30, 2017	**January 1, 2017 to June 30, 2017**	April 1, 2016 to June 30, 2016	January 1, 2016 to June 30, 2016
Provision for judicial demand	**(18,389)**	**(32,310)**	(14,887)	(17,270)
Income of port operations	**1,735**	**1,735**	-	-
Rental and leases revenue	**(833)**	**661**	831	1,216
Result on sale of scrap / eventual	**13,881**	**20,169**	-	-
Result on disposals of fixed assets and intangible assets	**1,850**	**3,644**	(2,090)	(6,567)
Insurance claims recovery	**-**	**1,181**	418	7,568
Provision for losses on receivables	**-**	**-**	(654)	(605)
Other income (expense), net	**(455)**	**517**	6,895	8,443
	(2,211)	**(4,403)**	(9,487)	(7,215)

26 Financial instruments

Financial risk management

Overview

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

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

This note presents information about the Group's and its subsidiaries exposure, to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The carrying amounts and the separation by category of financial assets and liabilities are as follows:

	June 30, 2017	December 31, 2016
Assets		
Available for sale		
Marketable securities	**-**	283,372
Fair value through profit or loss		
Marketable securities (Government bonds)	**2,290,393**	633,221
Derivate financial instruments	**47,631**	3,669
	2,338,024	636,890
Loans and receivables		
Cash and cash equivalents	**183,544**	260,527
Accounts receivable	**295,419**	431,461
Related parties	**37,040**	28,814
Restricted cash	**219,719**	200,999
	735,722	921,801
Total	**3,073,746**	1,842,063

	June 30, 2017	December 31, 2016
Liabilities		
Liabilities from amortized cost		
Long-term debts	**8,182,522**	8,523,175
Finance leases	**1,123,421**	1,397,543
Real estate credit certificates	**143,696**	195,745
Accounts payable - suppliers	**424,027**	564,942
Other financial liabilities	**238,181**	177,569
Related parties	**146,637**	106,710
Dividends payable	**9,359**	6,729
Debt payment in installments - REFIS	**19,366**	23,709
	10,287,209	10,996,122
Fair value through profit or loss		
Long-term debts	**2,580,793**	-
Derivative financial instruments	**14,478**	12,303
	2,595,271	12,303
Total	**12,882,480**	11,008,425

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

Structure of risk management

Management is responsible for establishing and overseeing the Group's risk management framework. The Board of Directors follows the Risk Management through the Group's senior management reporting, which is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyze the risks to which the Group is exposed to define limits of appropriate risks and controls, and to monitor risks and adherence to defined limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities. Management through its standards and training procedures and management seek to maintain a discipline and control environment in which all employees are aware of their duties and obligations.

The Audit Committee oversees how management monitors compliance with policies and risk management procedures and reviews the adequacy of the risk management framework in relation to the risks to which the Group is exposed. The Audit Committee is supported by the internal audit team in carrying out its functions. The internal audit performs regular and sporadic revisions in policies and risk management procedures and the result of the following is reported to the Audit Committee.

All derivative activities for risk management purposes are carried out by specialized teams with the skills, experience and appropriate supervision. It is the Group's policy not to engage in any derivative transactions for speculative purposes.

The use of financial instruments for the purpose of protection is done through an analysis of the risk exposure that management intends to cover.

On June 30, 2017 and December 31, 2016, the fair values related to transactions involving derivative financial instruments to hedge risk exposure of the Group are presented next:

	Notional		Fair value	
	June 30, 2017	December 31, 2016	**June 30, 2017**	December 31, 2016
Interest rate risk				
Swap contracts (interest / FX)	**2,493,154**	-	**34,679**	-
Swap contracts (interest)	**166,446**	171,606	**(1,526)**	(8,634)
	2,659,600	171,606	**33,153**	(8,634)
Total financial instruments	**2,659,600**	171,606	**33,153**	(8,634)
Assets			**47,631**	3,669
Liabilities			**(14,478)**	(12,303)

(a) Credit risk

	June 30, 2017	December 31, 2016
Cash and cash equivalents (ii)	**183,544**	260,527
Marketable securities (ii)	**2,290,393**	916,593
Restricted cash (ii)	**219,719**	200,999
Account receivables (i)	**295,419**	431,461
Related parties (i)	**37,040**	28,814
Derivative financial instruments (ii)	**47,631**	3,669
	3,073,746	1,842,063

(i) The risk of customer credit is managed centrally by each business segment, subject to the procedures, controls and policy established by the Group in relation to this risk. Credit limits are established for all customers based on internal rating criteria. Customer credit quality is evaluated based on an internal procedure of extensive credit rating. The outstanding customer receivables are monitored frequently.
The need for a valuation allowance for impairment is analyzed at each reporting date on an individual basis for major clients. In addition, a large number of receivables with smaller balances are grouped into homogenous groups and in such cases; the recoverable loss is assessed collectively. The calculations are based on actual historical data.

(ii) The risk of credit balances with banks and financial institutions is managed by the Group's treasury in accordance with the policy established by. Excess funds are invested only with approved counterparties and within the limits assigned to each. The counterparty credit limit is reviewed annually and may be updated throughout the year. These limits are designed to minimize the concentration of risks and therefore mitigate financial loss in the event of a potential failure of counterparty. The maximum the Group's exposure to credit risk in relation to the balance sheet components as of June 30, 2017 and December 31, 2016 is the value recorded, as shown in note 12 except for financial guarantees and derivative financial instruments. The maximum exposure with respect to financial guarantees and derivative financial instruments is presented in the liquidity table below.

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:

	June 30, 2017
AA	25,269
AA+	523,512
AAA	2,180,565
B	10,806
BB+	1,135
Total	**2,741,287**

(b) Liquidity risk

Liquidity risk is the risk that the Group encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Group's approach to managing liquidity is to ensure, as much as possible, there is always a sufficient liquidity to meet the obligations falling due under normal and stress conditions, without causing unacceptable losses or risk damaging the reputation of the Group.

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

					June 30, 2017	December 31, 2016
	Up to 1 year	**1 to 2 years**	**3 to 5 years**	**Over 5 years**	**Total**	**Total**
Long-term debt	(2,562,128)	(2,201,840)	(5,702,107)	(4,464,892)	(14,930,967)	(11,975,013)
Accounts payable - suppliers	(424,027)	-	-	-	(424,027)	(564,942)
Other financial liabilities (i)	(238,181)	-	-	-	(238,181)	(177,569)
Debt payment in installments - REFIS	(7,218)	(7,091)	(5,295)	(885)	(20,489)	(25,083)
Finance leases	(544,075)	(351,488)	(500,042)	(330,982)	(1,726,587)	(1,824,890)
Real estate credit certificates	(118,788)	(40,681)	-	-	(159,469)	(243,628)
Related parties payable	(146,637)	-	-	-	(146,637)	(106,710)
Dividends payable	(9,359)	-	-	-	(9,359)	(6,729)
Derivate financial instruments	(94,465)	(100,633)	(342,759)	(106,264)	(644,121)	(21,289)
	(4,144,878)	**(2,701,733)**	**(6,550,203)**	**(4,903,023)**	**(18,299,837)**	**(14,945,853)**

(i) As of June 30, 2017, the consolidated balance anticipated by our suppliers with financial institutions was R$238,181 (R$177,569 on December 31, 2016). All these operations were with Banco Itaú at an average interest rate of 15.96%. The average term of these operations, which are recorded at their present values at the interest rate previously mentioned, is three months.

(c) Market risk

Market risk is the risk that changes in market prices - such as exchange rates and interest rates - will affect the Group's earnings or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, while improving the return.

The Group uses derivatives to manage market risks. All these operations are conducted within the guidelines established by the risk management policy. Generally, the Group seeks to apply hedge accounting to manage the volatility in the result.

- **Foreign exchange risk**

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

	June 30, 2017	December 31, 2016
Cash and cash equivalents	**508**	16
Account receivables	**2,961**	-
Advance to suppliers	**-**	58,627
Accounts payable - suppliers	**-**	(21,707)
Long-term debts	**(2,580,793)**	(86,140)
Derivative financial instruments	**2,574,227**	-
Foreign exchange exposure, net	**(3,097)**	(49,204)

Sensitivity analysis of changes in exchange rates:

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

	Exchange rate sensitivity analysis (R$/US$)					
						Scenarios
	June 30, 2017	**Probable**	**25%**	**50%**	**-25%**	**-50%**
US Dollars	3.3082	3.4100	4.2625	5.1150	2.5575	1.7050

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

Given the above scenario, the gains and losses would be affected as follows:

						Scenarios
Instrument	**Risk factor**	**Probable**	**25%**	**50%**	**-25%**	**-50%**
Cash and cash equivalents	USD fluctuation	16	131	262	(131)	(262)
Accounts receivable	USD fluctuation	91	763	1,526	(763)	(1,526)
Derivative financial instruments	USD fluctuation	97,396	773,375	1,546,750	(773,375)	(1,546,750)
Long-term debt	USD fluctuation	(79,416)	(665,052)	(1,330,105)	665,052	1,330,105
Impacts on profit or loss		**18,087**	**109,217**	**218,433**	**(109,217)**	**(218,433)**

- **Interest rate risk**

The Group monitor fluctuations in variable interest rates tied to some debts, mainly those linked to the risk of CDI/TJLP, and makes use of derivative instruments in order to minimize these risks.
Sensitivity analysis of changes in interest rates:

The sensitivity analysis on interest rates on loans and financing and compensation for CDI of financial investments increase and decrease of 25% and 50% is as follows:

					June 30, 2017
Exposure interest rate[(i)]	**Balance**	**25%**	**50%**	**-25%**	**-50%**
Cash and cash equivalents, Marketable securities and restricted cash	232,231	58,058	116,115	(58,058)	(116,115)
Long-term debt	(961,986)	(240,520)	(481,050)	240,520	481,050
Derivative financial instruments	677	(455,548)	(843,242)	538,034	1,176,867
Real estate credit certificates	(12,430)	(3,107)	(6,215)	3,107	6,215
Finance leases	(97,176)	(24,294)	(48,588)	24,294	48,588
Impacts on profit or loss	**(838,684)**	**(665,411)**	**(1,262,980)**	**747,897**	**1,596,605**

(i) The rates of CDI and TJLP considered: 8.65% p.a. and 6.0% p.a., respectively, were obtained from information provided by the market.

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

Fair value of financial instruments

The fair value of financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, and not in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair value:

- The Cash and cash equivalents, accounts receivable, accounts payable and other short-term liabilities approximate their carrying amount largely due to the short-term maturity of these instruments.

- The fair value of bonds and marketable bonds is based on price quotations at the balance sheet date. The fair value of non-negotiable instruments, bank loans and other financial debts, obligations under finance leases as well as other non-current financial liabilities is estimated by means of future cash flows discounted using rates currently available for debt or deadlines and the like remaining.

- The market value of the Senior Notes Due 2024 is listed on the Luxembourg Stock Exchange is based on their quoted market price as of June 30, 2017, of 103.22% of the face nominal value. The fair value of other loans and financing, the respective market values substantially approximate the amounts recorded due to the fact that these financial instruments are subject to variable interest rates, see details in note 12.

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

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

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

	Book value		Assets and liabilities measured at fair value					
			June 30, 2017			December 31, 2016		
	June 30, 2017	December 31, 2016	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets								
Marketable securities (Government bonds)	2,290,393	633,221	-	2,290,393	-	-	633,221	-
Derivative financial instruments	47,631	3,669	-	47,631	-	-	3,669	-
Total	**2,338,024**	**636,890**	**-**	**2,338,024**	**-**	**-**	**636,890**	**-**
Liabilities								
Long-term debts	(2,580,793)	-	-	(2,580,793)	-	-	-	-
Derivative financial instruments	(14,478)	(12,303)	-	(14,478)	-	-	(12,303)	-
Total	**(2,595,271)**	**(12,303)**	**-**	**(2,595,271)**	**-**	**-**	**(12,303)**	**-**

Hedge accounting - Fair value

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

	Debt	Derivatives	Total
Balance as of December 31, 2016	-	-	-
Initial measurement	2,461,836	-	2,461,836
Fair value	58,834	(33,543)	25,291
Balance as of June 30, 2017	**2,520,670**	**(33,543)**	**2,487,127**

27 Operating segment information

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

Operational segments

(i) North Operations: comprised of the railway operations, road operations, transshipment and port elevation in the areas of the Group 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.

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

Period:	**April 1, 2017 to June 30, 2017**				**January 1, 2017 to June 30, 2017**			
Results by segment	**North Operations**	**South Operations**	**Container Operations**	**Consolidated**	**North Operations**	**South Operations**	**Container Operations**	**Consolidated**
Net revenue	1,116,347	332,963	56,833	1,506,143	2,030,515	570,052	104,750	2,705,317
Cost of services	(604,042)	(310,489)	(74,803)	(989,334)	(1,156,474)	(617,362)	(146,350)	(1,920,186)
Gross profit	**512,305**	**22,474**	**(17,970)**	**516,809**	**874,041**	**(47,310)**	**(41,600)**	**785,131**
Gross margin (%)	**45.9%**	**6.7%**	**-31.6%**	**34.3%**	**43.0%**	**-8.3%**	**-39.7%**	**29.0%**
Selling, general and administrative	(59,270)	(16,843)	(5,933)	(82,046)	(102,735)	(33,160)	(11,320)	(147,215)
Other income and equity	(230)	(2,013)	1,444	(799)	(1,180)	(3,783)	3,718	(1,245)
Depreciation and amortization	191,396	91,155	16,250	298,801	374,521	181,806	32,377	588,704
EBITDA	**644,201**	**94,773**	**(6,209)**	**732,765**	**1,144,647**	**97,553**	**(16,825)**	**1,225,375**
Margin EBITDA (%)	**57.7%**	**28.5%**	**-10.9%**	**48.7%**	**56.4%**	**17.1%**	**-16.1%**	**45.3%**

Period:	April 1, 2016 to June 30, 2016				January 1, 2016 to June 30, 2016			
Results by segment	North Operations	South Operations	Container Operations	Consolidated	North Operations	South Operations	Container Operations	Consolidated
Net revenue	998,048	302,500	75,700	1,376,248	1,893,980	527,328	140,831	2,562,139
Cost of services	(525,428)	(294,800)	(87,300)	(907,528)	(1,035,574)	(575,470)	(167,567)	(1,778,611)
Gross profit	472,620	7,700	(11,600)	468,720	858,406	(48,142)	(26,736)	783,528
Gross margin (%)	47.4%	2.5%	-15.3%	34.1%	45.3%	-9.1%	-19.0%	30.6%
Selling, general and administrative	(59,677)	(15,400)	(9,300)	(84,377)	(114,341)	(30,625)	(25,264)	(170,230)
Other income and equity	(5,122)	(5,000)	3,200	(6,922)	1,007	(6,635)	4,536	(1,092)
Depreciation and amortization	143,747	59,400	12,500	215,647	278,170	119,439	27,823	425,432
EBITDA	551,568	46,700	(5,200)	593,068	1,023,242	34,037	(19,641)	1,037,638
Margin EBITDA (%)	55.3%	15.4%	-6.9%	43.1%	54.0%	6.5%	-13.9%	40.5%