Rumo S.A.

Financial statements
December 31, 2017
(A free translation of the original in Portuguese)

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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 statement of financial position as at December 31, 2017, the statements of profit or loss, 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, 2017, 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 3.14 and 17) – Parent and Consolidated

The subsidiary that operates the Malha Paulista concession recognized deferred tax asset related to temporary differences and unused tax losses, which are considered recoverable based on the generation of future taxable profits.

The estimated availability of future taxable profits requires judgment and interpretation of tax laws. The recoverable amount of the deferred tax assets recognized may vary significantly if different assumptions are applied to the projection of future taxable profits and to the capacity to use tax losses, which may impact the deferred tax asset recognized in the consolidated financial statements and at the effective tax rate of period, but may also impact the equity pick up on investments and consequently the investment recorded in the financial statements of the parent company. For these reasons, this matter was considered significant for our audit.

How our audit addressed this matter

We evaluated the design, implementation, and operational effectiveness of internal controls related to the preparation and review of the projection of future taxable profits, specifically the business plan and budget. We compared the budgets approved for the previous year with the actual results incurred in order to verify the ability of the Company to project future results. With the assistance of our corporate finance specialists, we evaluated the reasonableness of the main assumptions used to support the projection of future taxable profits, including (i) expectations of loading related to the production of sugar and grains, mainly for export; (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. We also assessed whether the projections indicated sufficient future taxable profits against which unused tax losses and deductible temporary differences could be used, as well as the adequacy of the disclosures made in the financial statements.

Based on the evidence obtained from the procedures described above, we considered that the assumptions and methodologies used to estimate the realization of the deferred income tax and social contribution asset balance are acceptable in the context of the financial statements taken as a whole, for the year ended December 31, 2017.

Measurement of financial instruments (Notes 3.3 and 29) – Parent and Consolidated

To finance its operations and investments in non-monetary assets, the subsidiaries of the Company raise funds from third parties whose conditions expose them to risks related to fluctuations in foreign currency and interest rates. In order to reduce such exposure, derivative financial instruments are contracted, mainly interest rate and foreign exchange swaps, and forward contracts. Derivative financial instruments, including instruments designated for hedge accounting (fair value hedge) and certain debt instruments designated at fair value through profit or loss, recognized in the consolidated financial statements, are valued using valuation techniques that generally involve the exercise of judgment, use of assumptions and estimates, may also impact the equity pick up on investments and consequently the investment recorded in the financial statements of the Parent company. Due to the aforementioned and due to the relevance of the amounts involved, this matter was considered significant for the our audit.

How our audit addressed this matter

Our audit procedures included tests of internal controls on the process of identification, measurement, management, recognition and classification of these financial instruments. We obtained the list of financial institutions with which the Company and its subsidiaries hold financial instrument contracts and obtained a confirmation letter on outstanding balances at December 31, 2017. With the assistance of our specialists in financial instruments, we performed an independent recalculation of the fair value of derivative financial instruments and debt instruments designated at fair value through profit or loss using observable data such as quoted prices in active markets or discounted cash flows based on market curves. We also evaluated the adequacy of the disclosures made in the financial statements, especially in relation to sensitivity analysis, interest rate and foreign exchange risks and the classification of the instruments.

Based on the evidence obtained through the above summarized procedures, we consider that the balances of derivative financial instruments, including instruments designated for hedge accounting (fair value hedge) and debt instruments designated at fair value through profit or loss are acceptable in context of the individual financial statements and consolidated statements for the year ended December 31, 2017 taken as a whole.

Designation and effectiveness of derivative financial instruments for hedge accounting - fair value hedges (Notes 3.3 and 29) – Parent and Consolidated

The Company's subsidiaries contract derivative financial instruments to manage their exposure to exchange rate and interest rate risks arising during the normal course of their business. When appropriate, certain derivative financial instrument contracts (swaps) are designated for hedge accounting (fair value hedge) in order to offset the Company's subsidiaries exposure to interest rate changes. Due to the relevance of the hedged financial instruments, the high degree of judgment and estimates used in the consolidated financial statements and the possible impacts thereon, and on the equity pick up on investments and consequently the investment recorded in the Parent company financial statements, this matter was considered significant for our audit.

How our audit addressed this matter

We evaluate the design, implementation and operational effectiveness of internal controls on the identification, designation, valuation and management of these financial instruments. With the assistance of our specialists in financial instruments, we evaluated the adequacy of the documentation prepared by the Company to demonstrate the reconciliation between the object of the hedge versus the instrument designated for hedge accounting and we performed the recalculation of the prospective and retrospective coverage effectiveness test prepared by Company. We also consider the adequacy and sufficiency of the disclosures made in the financial statements.

Based on the evidence obtained through the above summarized procedures, we consider the hedge accounting of derivative financial instruments (swaps) in the context of the individual and consolidated financial statements for the year ended December 31, 2017 taken as a whole.

Other matters

Statements of value added

The individual and consolidated financial information related to the statements of value added (DVA) as at December 31, 2017, prepared under the responsibility of the Company´s management, presented herein as supplementary information for IAS 34 purposes, have been subject to audit procedures jointly performed with the Company´s financial information. In order to form our conclusion, we assessed whether those statements are reconciled with the financial information 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 adequately prepared, in all material respects, in accordance with the criteria defined in that Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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 unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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's 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 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.

February 27, 2018

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original report in Portuguese signed by

Rogério Hernandez Garcia
Accountant CRC 1SP213431/O-5

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

	Note	Parent Company		Consolidated	
		December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Assets					
Cash and cash equivalents	6	**930**	3,039	**178,004**	260,527
Marketable securities	7	**421,810**	59,703	**3,152,441**	916,593
Accounts receivable	8	**24,839**	43,385	**359,342**	417,156
Derivative financial instruments	30	**660**	2,883	**660**	2,883
Inventories	9	**504**	481	**282,291**	284,579
Related parties	11	**79,899**	130,444	**13,174**	28,814
Current income taxes		**2,374**	43,037	**50,855**	165,956
Other recoverable taxes	10	**5,979**	1,786	**209,121**	84,009
Dividends and interest on own capital receivable		**35,652**	22,725	**352**	1,304
Other assets		**8,649**	16,907	**160,381**	138,932
Current assets		**581,296**	324,390	**4,406,621**	2,300,753
Accounts receivable	8	**12,376**	14,305	**12,376**	14,305
Restricted cash	7	**3,321**	3,288	**225,634**	200,999
Deferred income tax	17	**-**	-	**1,156,560**	1,160,968
Related parties	11	**64,524**	1,428	**18,086**	-
Current income taxes		**21,582**	14,618	**247,996**	121,376
Other recoverable taxes	10	**1,982**	-	**698,057**	660,805
Judicial deposits	19	**17,282**	16,757	**330,972**	299,876
Derivative financial instruments	30	**-**	786	**109,447**	786
Other non-current assets		**8,780**	10,492	**92,590**	106,191
Equity method investments	12	**9,546,428**	8,783,397	**41,930**	46,847
Property and equipment	13	**136,093**	109,303	**11,266,278**	10,337,119
Intangible assets	14	**427,106**	467,182	**7,622,969**	7,781,289
Non-current assets		**10,239,474**	9,421,556	**21,822,895**	20,730,561
Total assets		**10,820,770**	9,745,946	**26,229,516**	23,031,314

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

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

	Note	Parent Company		Consolidated	
		December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Liabilities					
Current portion of long-term debt	15	**336,526**	487,928	**1,594,008**	1,467,725
Finance leases	20	**327**	2,564	**261,344**	472,632
Real estate credit certificates	22	**4,806**	26,995	**86,745**	105,422
Derivative financial instruments	30	**-**	-	**-**	4,535
Accounts payable - suppliers	18	**33,694**	50,371	**628,596**	564,942
Salaries payable		**19,196**	16,772	**166,864**	117,150
Current income tax		**138**	23,219	**2,003**	35,990
Other taxes payable	16	**6,804**	7,625	**42,767**	32,757
Dividends payable		**5,250**	5,250	**8,506**	6,729
Leases and concessions	21	**-**	-	**27,413**	27,662
Related parties	11	**125,450**	426,786	**147,099**	106,710
Deferred income		**2,802**	2,802	**11,529**	14,167
Other financial liabilities	30.b	**-**	-	**291,977**	177,569
Other current liabilities		**50,233**	36,319	**243,130**	259,352
Current liabilities		**585,226**	1,086,631	**3,511,981**	3,393,342
Long-term debt	15	**1,258,999**	1,927,518	**8,076,938**	7,055,450
Finance leases	20	**451**	752	**682,794**	924,911
Real estate credit certificates	22	**-**	4,810	**-**	90,323
Derivative financial instruments	30	**-**	-	**-**	7,768
Other taxes payable	16	**-**	-	**11,010**	17,056
Provision for judicial demands	19	**36,674**	29,915	**502,034**	507,022
Leases and concessions	21	**-**	-	**2,905,921**	2,580,144
Provision for capital deficiency	12	**1,110,682**	1,158,192	**-**	-
Related parties	11	**25,483**	25,179	**-**	-
Deferred income tax	17	**-**	48,999	**2,342,076**	2,397,528
Deferred income		**24,515**	27,317	**56,495**	62,207
Other current liabilities		**27,280**	31,938	**120,886**	320,276
Non-current liabilities		**2,484,084**	3,254,620	**14,698,154**	13,962,685
Total liabilities		**3,069,310**	4,341,251	**18,210,135**	17,356,027
Equity	23				
Common stock		**9,654,897**	7,014,897	**9,654,897**	7,014,897
Capital reserve		**2,459,859**	2,493,670	**2,459,859**	2,493,670
Other equity		**7,812**	6,489	**7,812**	6,489
Profit reserve		**253,599**	253,599	**253,599**	253,599
Accumulated losses		**(4,624,707)**	(4,363,960)	**(4,624,707)**	(4,363,960)
Equity attributable to:					
Owners of the Company		**7,751,460**	5,404,695	**7,751,460**	5,404,695
Non-controlling interests	12.c	**-**	-	**267,921**	270,592
Total equity		**7,751,460**	5,404,695	**8,019,381**	5,675,287
Total liabilities and equity		**10,820,770**	9,745,946	**26,229,516**	23,031,314

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

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

	Note	Parent Company		Consolidated	
		December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Net revenue from services	26	**734,840**	40,759	**5,946,349**	4,311,713
Cost of services	27	**(583,115)**	(48,387)	**(4,220,988)**	(3,771,308)
Gross profit		**151,725**	(7,628)	**1,725,361**	540,405
Selling	27	**-**	-	**(28,846)**	(4,649)
General and administrative	27	**(48,134)**	(8,978)	**(282,115)**	(246,054)
Other, net	29	**(4,432)**	488	**(3,304)**	(10,342)
Operating expenses		**(52,566)**	(8,490)	**(314,265)**	(261,045)
Result before financial results and equity income on investments		**99,159**	(16,118)	**1,411,096**	279,360
Equity income on investments	12	**(159,288)**	(848,379)	**4,243**	8,380
Equity income on investments		**(159,288)**	(848,379)	**4,243**	8,380
Financial expenses		**(269,027)**	(269,494)	**(1,896,337)**	(1,694,171)
Financial income		**33,048**	(488)	**258,890**	240,100
Foreign exchange, net		**2,818**	13,537	**(127,508)**	16,254
Derivatives		**-**	(16,914)	**100,097**	(15,519)
Financial result, net	28	**(233,161)**	(273,359)	**(1,664,858)**	(1,453,336)
Result before income taxes		**(293,290)**	(1,137,856)	**(249,519)**	(1,165,596)
Income tax and social contribution benefit	17				
Current		**-**	(29,183)	**(43,241)**	(76,181)
Deferred		**32,483**	103,809	**34,322**	189,205
		32,483	74,626	**(8,919)**	113,024
Result for the period		**(260,807)**	(1,063,230)	**(258,438)**	(1,052,572)
Result attributable to:					
Controlling interest		**(260,807)**	(1,063,230)	**(260,807)**	(1,063,230)
Non-controlling interest		**-**	-	**2,369**	10,658
Basic and diluted earnings per share:					
Basic	24			**(R$0.18782)**	(R$0.44785)
Diluted				**(R$0.18782)**	(R$0.44785)

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

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

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Result for the year	**(260,807)**	(1,063,230)	**(258,438)**	(1,052,572)
Items that are or may subsequently be reclassified to profit or loss:				
Actuarial losses with pension plan	**-**	(1,154)	**-**	(1,154)
Currency translation adjustment	**1,383**	5,900	**1,393**	5,900
Other comprehensive result net of income tax and social contribution	**1,383**	4,746	**1,393**	4,746
			-	-
Total comprehensive loss	**(259,424)**	(1,058,484)	**(257,045)**	(1,047,826)
Comprehensive income attributable to:				
Owners of the Company	**(259,424)**	(1,058,484)	**(259,424)**	(1,058,484)
Non-controlling interest	**-**	-	**2,379**	10,658

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							
	Common capital	**Capital reserve**	**Profit reserve**	**Other equity**	**Accumulated losses**	**Total**	**Non-controlling interest**	**Total Equity**
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 transactions with owners of the Company	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.

	Attributable to shareholders of the Company								
	Common capital	Resources for capital increase	Capital reserve	Profit reserve	Other equity	Accumulated losses	Total	Non-controlling interest	Total equity
At January 1, 2016	3,448,283	1,320,111	316,022	253,599	2,012	(3,300,999)	2,039,028	209,745	2,248,773
Result for the year	-	-	-	-	-	(1,063,230)	(1,063,230)	10,658	(1,052,572)
Other comprehensive income:									
Attributable cost reflection adjustment of associates	-	-	-	-	(269)	269	-	-	-
Actuarial losses with pension plan	-	-	-	-	(1,154)	-	(1,154)	-	(1,154)
Currency translation adjustment	-	-	-	-	5,900	-	5,900	-	5,900
Total comprehensive income, net of taxes	-	-	-	-	4,477	(1,062,961)	(1,058,484)	10,658	(1,047,826)
Contributions and distributions for shareholders									
Capital increase	2,141,699	(2,141,699)	-	-	-	-	-	-	-
Corporate reorganization effect	1,424,915	-	2,177,550	-	-	-	3,602,465	48,938	3,651,403
Change in interest in subsidiary	-	-	98	-	-	-	98	(98)	-
Advance for future capital increase	-	821,588	-	-	-	-	821,588	-	821,588
Dividends	-	-	-	-	-	-	-	1,349	1,349
Total transactions with owners of the Company	3,566,614	(1,320,111)	2,177,648	-	-	-	4,424,151	50,189	4,474,340
At December 31, 2016	7,014,897	-	2,493,670	253,599	6,489	(4,363,960)	5,404,695	270,592	5,675,287

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, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Cash flows from operating activities				
Result before income taxes and social contribution	**(293,290)**	(1,137,856)	**(249,519)**	(1,165,596)
Adjustments to:				
Depreciation and amortization	**99,169**	50,508	**1,341,687**	1,291,307
Equity pick	**159,288**	848,379	**(4,243)**	(8,380)
Provision for profit sharing	**16,658**	(2,528)	**81,694**	24,853
Result on disposal of fixed and intangible assets	**-**	-	**(73)**	11,796
Provision for judicial demands	**22,009**	(4,644)	**55,800**	19,372
Provision for losses on doubtful accounts	**221**	-	**12,198**	(1,514)
Stock option plan	**5,522**	-	**5,522**	-
Lease and concessions	**-**	-	**193,252**	193,637
Deferred revenue	**(3,545)**	(2,802)	**(16,032)**	(46,492)
Take or pay	**-**	-	**(12,605)**	(282,658)
Interest, indexation charges and exchange variations, net	**(212,505)**	274,849	**1,509,319**	1,326,181
Other	**-**	-	**(20,300)**	13,066
	(206,473)	25,906	**2,896,700**	1,375,572
Changes in:				
Accounts receivable	**24,671**	3,076	**(58,379)**	27,103
Judicial deposits	**(9,208)**	3,993	**(40,658)**	(27,719)
Net, related parties	**(315,484)**	499,250	**46,478**	156,715
Other recoverable taxes	**36,652**	19,331	**(110,375)**	131,263
Other payable taxes	**(26,377)**	(15,096)	**(89,607)**	(92,960)
Inventories	**(23)**	10	**7,650**	(47,355)
Salaries payable	**(14,234)**	-	**(35,898)**	(49,297)
Accounts payable	**(18,527)**	9,470	**(36,654)**	(23,641)
Lease and concessions payable	**-**	-	**(111,922)**	(107,729)
Provision for judicial demands	**(9,915)**	(377)	**(72,448)**	(50,569)
Other financial liabilities	**-**	-	**75,434**	(50,665)
Other asset and liabilities, net	**9,581**	12,642	**(159,073)**	(27,968)
	(322,864)	532,299	**(585,452)**	(162,822)
Net cash generated from (used in) operating activities	**(529,337)**	558,205	**2,311,248**	1,212,750
Cash flow from investing activities				
Receipt from sale of investments	**-**	-	**(689)**	-
Capital increase in subsidiary	**(1,356,089)**	(647,438)	**-**	-
Marketable securities	**(362,025)**	(36,291)	**(2,045,842)**	(278,782)
Restricted cash	**(33)**	(78)	**(24,635)**	3,104
Received cash from corporate reorganization	**-**	3,001	**-**	3,259
Dividends received from controlled and associated companies	**321,207**	6,203	**6,704**	8,193
Related parties - mutual	**-**	(85,784)	**-**	-
Purchase of property and equipment, intangible assets and investments	**(37,867)**	(1,214)	**(2,045,390)**	(1,479,881)
Cash received on disposal of other fixed assets	**-**	-	**7,000**	-
Net cash used in investing activities	**(1,434,807)**	**(761,601)**	**(4,102,852)**	**(1,744,107)**
Cash flow from financing activities				
Proceeds from debts	**-**	-	**3,786,463**	3,345,112
Repayments of principal from debts	**(476,960)**	(568,244)	**(2,961,824)**	(1,956,438)
Payments of interest from debts	**(115,749)**	(76,239)	**(946,382)**	(569,205)
Repayments of leases	**(2,257)**	(1,962)	**(348,114)**	(413,267)
Payments of leases	**(603)**	(580)	**(283,430)**	(330,452)
Repayments of advance of real estate credits	**(27,584)**	(29,923)	**(127,165)**	(89,881)
Payments of advance of real estate credits	**(2,338)**	-	**(2,338)**	(39,051)
Capital increase	**2,584,151**	821,588	**2,584,151**	821,588
Derivative financial instruments	**3,375**	(6,722)	**(18,279)**	(11,577)
Related parties - mutual	**-**	64,994	**-**	-
Dividends paid	**-**	-	**(2,069)**	(777)
Net cash generated from financing activities	**1,962,035**	202,912	**1,681,013**	756,052
Impact of exchange variation on cash and cash equivalents	**-**	-	**28,068**	-
Increase (decrease) in cash and cash equivalents	**(2,109)**	(484)	**(82,523)**	224,695
Cash and cash equivalents at beginning of the year	**3,039**	3,523	**260,527**	35,832
Cash and cash equivalents at end of the year	**930**	3,039	**178,004**	260,527
Supplemental disclosure of cash flow information:				
Income taxes paid	**-**	-	**17,086**	6,674

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

Statements of value added

(In thousands of Brazilian Reais - R$)

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Revenue				
Sale of services	**781,462**	44,769	**6,332,656**	4,718,110
Other operating revenue	**14,509**	749	**133,638**	53,091
Allowance for doubtful accounts	**(221)**	-	**(12,198)**	1,514
	795,750	45,518	**6,454,096**	4,772,715
Raw materials acquired from third parties				
Cost of services rendered	**(547,666)**	(77)	**(1,324,897)**	(1,331,589)
Materials, energy, third party services, other	**32,315**	(8,624)	**(918,149)**	(520,458)
Other	**-**	(532)	**-**	(73,198)
	(515,351)	(9,233)	**(2,243,046)**	(1,925,245)
Gross value added	**280,399**	36,285	**4,211,050**	2,847,470
Retention				
Depreciation and amortization	**(99,169)**	(50,508)	**(1,341,687)**	(1,291,307)
	(99,169)	(50,508)	**(1,341,687)**	(1,291,307)
Net value added	**181,230**	(14,223)	**2,869,363**	1,556,163
Value added transferred in				
Equity pick-up in investees	**(159,288)**	(848,379)	**4,243**	8,380
Financial income	**33,048**	(488)	**258,890**	240,100
	(126,240)	(848,867)	**263,133**	248,480
Value added to be distributed	**54,990**	(863,090)	**3,132,496**	1,804,643
Distribution of value added				
Personnel	**30,859**	(2,526)	**709,577**	530,020
Direct remuneration	**28,481**	(2,526)	**560,877**	415,537
Benefits	**2,059**	-	**117,220**	89,107
FGTS	**319**	-	**31,480**	25,376
Taxes and contributions	**16,722**	(70,611)	**384,874**	296,342
Federal	**15,435**	(70,611)	**304,842**	226,304
State	**665**	-	**60,866**	62,317
City	**622**	-	**19,166**	7,721
Third party capital remuneration	**268,216**	273,277	**2,296,483**	2,030,853
Interest	**266,209**	272,871	**1,923,748**	1,693,436
Leasing	**2,007**	406	**372,735**	337,417
Equity capital remuneration	**(260,807)**	(1,063,230)	**(258,438)**	(1,052,572)
Non-controlling interests	**-**	-	**2,369**	10,658
Losses for the year	**(260,807)**	(1,063,230)	**(260,807)**	(1,063,230)
	54,990	(863,090)	**3,132,496**	1,804,643

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

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 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 December 19, 2016, Rumo Logística Operadora Multimodal S.A. ("Rumo Logística") and the Company approved the operation of Incorporation of Rumo Logística by the Company ("Incorporation"), pursuant to the "Protocol and Justification of Incorporation". The accounting operation incurred on December 31, 2016 and consisted of the corporate reorganization through the reverse incorporation of Rumo Logística by the Company and consequent extinction of the first, with succession of all its assets, rights and obligations by the Company, under the terms of Articles 224 to 227 of Law 6,404/76 ("Brazilian Corporation Law"). In addition, following the event described in the previous paragraph, the Company 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, the Company contributed assets (rail cars and locomotives) amounting R$895,727 in the indirect subsidiary Rumo Malha Norte.

The consolidated financial position and results of operations including consolidated Statement of income, Statement of cash flows and Statements of value added of the Company for the current period and for the periods subsequent to this reorganization concluded on December 31, 2016 are not necessarily comparable with the information presented in previous years.

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 March 7, 2017, the Company, in compliance with the Instruction No. 358 of the Brazilian Securities Commission of January 3, 2002, and in conclusion of the merger of Rumo Logística into the Company, which was approved at the Extraordinary General Meeting of December 19, 2016, each common share issued by Rumo Logística was replaced by one share issued by the Company. Beginning on March 13, 2017, the business started with the common shares issued by the Company under the code RAIL3 and the name of RUMO S.A. listed by B3.

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.

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	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 and São Paulo State
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2025	Port of Santos-SP
TGG - Terminal de Granéis do Guarujá	August 2027	Port of Santos-SP
Termag - Terminal Marítimo de Guarujá	August 2027	Port of Santos-SP

The subsidiaries and associates above are subject to compliance with certain conditions set out in the privatization bids and the concession contracts of railway networks and port terminals. To the extent that there is no substantive control to which the service should be provided and as there is no substantive pricing control, IFRIC 12 / ICPC 01 is not applicable to the Company and therefore the assets acquired by it are treated under IAS 17 / CPC 27 – Property and Equipment.

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

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

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

- The reversible assets would be indemnified by the Federal Government based on 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 individual and consolidated financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the corporate law, the rules of the Brazilian Securities and Exchange Commission (CVM) and the pronouncements issued by the Accounting Pronouncements Committee (CPC), which are in line with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All relevant information from financial statements is being evidenced, and these correspond to those used by the Board in its management.

On February 26, 2018, the Board of Directors authorized the issuance of the financial statements.

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 13 and 14 - 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. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and its value in use. The main assumptions used to determine the recoverable amount in the different cash-generating units for which the goodwill is allocated are explained in Note 14.

- **Note 20 – Operating lease**

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

- **Note 17 - Deferred income tax and social contribution**

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

- **Note 30 - 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 25 - Stock option plan**

The Company measures the cost of transactions settled with employee shares based on the fair value of the instruments on the issuance date. The estimation of the fair value of stock option plan requires the determination of the most appropriate valuation model for the conferment of equity instruments, which depends on the terms and conditions of the concession. Also requires determining the most appropriate data for the valuation model, including the expected life of the option, volatility and dividend return and corresponding assumptions. The assumptions and models used to estimate the fair value of stock option plan are disclosed in note 25.

- **Note 19 - 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.

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, 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.

2.4 Measurement basis

The financial statements have been prepared on the historical cost basis except for the following material items recognized in the balance sheets:

- derivative financial instruments measured at fair value;
- financial instruments measured at fair value through profit or loss;
- loans, borrowings and debentures measured at fair value through profit or loss;
- contingent payments assumed in a business combination are measured at fair value;

2.5 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:

	Directly and indirectly controlled	
	December 31, 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.	**99.52%**	99.52%
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. (i)	**-**	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%
Servicios de Inversíon Logística Integrales S.A (ii)	**100.00%**	**-**
PGT S.A.	**100.00%**	100.00%

(i) On December 22, 2017, the Company sold its 50.01% participation to Qualytpar Participações S.A.
(ii) On July 26, 2017, the subsidiary Rumo Intermodal S.A. acquired the interest in Servicios de Inversión Logística Integrales S.A., currently without operations.

- **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.

Changes in the Company'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 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:

	Directly and indirectly controlled	
	December 31, 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 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.

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".

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 period.

The conversion rates from the Real (R$) to the US$ were R$3.3080 = US$1.00 at December 31, 2017, R$3.2591 = US$1.00 at December 31, 2016.

The conversion rates from the Real (R$) to the ARS were R$0.1755 = ARS1.00 at December 31, 2017, R$0.2056 = ARS1.00 at December 31, 2016.

3.3 Financial instruments

- **Non derivative financial assets**

The Company recognizes loans and receivables on the date that they are originated. All other financial assets are initially recorded on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, or loans and receivables.

a) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair values in accordance with a documented risk management and the Company's investment strategy. Transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value of these assets, which take into account any gains from dividends, are recognized in the income statement.

(i) 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.

Financial assets classified as held for trading include repurchase of debentures actively managed by the Company's treasury department to ensure short-term liquidity required.

b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any loss due to impairment.

Loans and receivables comprise cash and cash equivalents, restricted cash, accounts receivable, related party receivables and other assets.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and redeemable financial investments with a short maturity of three months or less from the date of acquisition. Cash equivalents must be readily convertible to a known amount of cash and be subject to an insignificant risk of change in value, and are used in short-term obligations of the management.

(ii) Restricted cash

The restricted cash is represented by financial investments that are linked to the Company's loans as well as escrow for fiduciary disposals.

c) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Interest, exchange rate, less impairment losses, when applicable, is recognized in the income statement when incurred in the financial income and expenses account.

In the case of the Company, financial assets held to maturity comprise debentures. After initial recognition, financial assets held to maturity are measured at amortized cost.

d) Available-for-sale financial assets

Available-for-sale financial assets are those that are not derivatives that are not classified in the previous categories. They can highlight assets of equity instruments and debt securities. Debt securities in this category may be sold to meet liquidity needs or in response to changes in market conditions.

Subsequent to initial measurement, available-for-sale and measured at fair value, with unrealized gains and losses, the available-for-sale reserve was recognized within the other comprehensive income until an investment write-off, with the exception of impairment losses , interest calculated using the effective interest method and gains or losses with exchange variation on monetary assets that are recognized in the income statement for the period. When an investment is derecognised or when impairment is determined, cumulative gains or losses, cumulative gains or losses are recognized in profit or loss.

Currently not available for sale as it is available for sale.

Derecognition (write-off)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(i) The rights to receive cash flows from the asset expire;

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the cash flows received without significant delay to a third party under an agreement of "transfer"; and (a) the Company has transferred substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company's continuing involvement with the asset.

In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured based on the rights and obligations that the Company maintained.

- **Non-derivative financial liabilities**

The Company recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value recorded in income) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are withdrawn, canceled or expired.

The Company generally classifies non-derivative financial liabilities in the category of other financial liabilities. Such financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities include loans, financing and debentures, leasing, real estate receivables certificate, suppliers, payable to related parties, dividends payable and installment debt - REFIS.

A financial liability is derecognized when the obligation is discharged, canceled or expires.

When an existing financial liability is replaced by another of the same amount with substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in corresponding carrying amounts is recognized in the income statement.

- **Common capital**

Ordinary shares

Additional costs directly attributable to the issuance of shares and stock options are recognized as a reduction of equity as well as related taxes.

- **Derivative financial instruments, including hedge accounting**

The Company maintains financial hedge derivative instruments to hedge its exposure to foreign currency and interest rate risk. Embedded derivatives are separated from their contracts and individually recorded if:

i) the economic characteristics and risks of the main contract and the embedded derivative are not intrinsically related;
ii) an individual instrument with the same conditions as the embedded derivative satisfies the definition of a derivative; and
iii) the combined instrument is not measured at fair value through profit or loss.

At the time of initial designation of the hedge, the Company formally documents the relationship between hedging instruments and hedged items, including the risk management objectives and strategy in driving the hedge transaction, together with the methods that will be used to evaluate the effectiveness of the hedging relationship. The Company assesses, both at the beginning of the hedge relationship, when continuously if there is an expectation that the hedging instruments are "highly effective" in offsetting changes in fair value or cash flows of the respective hedged items during the year for which the hedge is designated, and the actual results of each hedge are within the range of 80% - 125%. For a hedge of a forecast transaction cash flow, the transaction must have their occurrence as highly probable and must present an exposure to variations in cash flows that ultimately could affect reported net income.

Derivatives are initially recognized at fair value; attributable transaction costs are recognized in income when incurred. After initial recognition, derivatives are measured at fair value and changes in fair value are recorded as described below:

i) Fair value hedge:

Changes in the fair value of derivatives designated and qualified as fair value hedges are recorded in the statement of income with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting to hedge against the risk of fixed interest and foreign exchange variation of loans. The gain or loss related to the effective portion of interest rate swaps and exchange variation for the protection of fixed rate loans is recognized in the statement of income as a "gross debt cost". Changes in the fair value of fixed rate loans and foreign exchange hedge hedges, attributable to interest rate and foreign exchange risk, are recognized in the statement of income as "gross debt cost".

If the hedge no longer meets the hedge accounting criteria, the adjustment in the carrying amount of a hedged item for which the effective interest rate method is used is amortized over the period to maturity.

ii) Other derivative financial instruments

When a derivative financial instrument is not designated in a relationship and does not qualify as hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

3.4 Inventories

Inventories are recorded at average acquisition cost or at net realizable value, the two the smallest.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions for low turnover or obsolete inventories are recognized when deemed necessary by Management. The cost of finished and pre-prepared products comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), excluding borrowing costs.

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.

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	4%
Furniture and fixture	10% - 15%
Computer equipment	20%

Costs of normal periodic maintenance are charged to expense as incurred since the components will not improve the productive capacity or introduce improvements to equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any adjustments are recognized as changes in accounting estimates, if applicable.

3.6 Intangibles 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 measured at cost, net of losses due to accumulated impairment. Goodwill in investees recorded by the equity method in the parent company is included in the carrying value of the investment.

- **Other intangible assets**

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and losses due to accumulated impairment.

- **Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recorded in profit or loss as incurred.

- **Amortization**

Except for goodwill, amortization is recognized on the straight-line method based on estimated useful lives of intangible assets, from the date on which these are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7 Impairment

- **Non-derivative financial assets**

A financial asset not measured at fair value through profit or loss is valued at each reporting date to determine whether there is objective evidence that there has been a loss in its recoverable amount. An asset has a loss in its recoverable value if objective evidence indicates that a loss event occurred after the initial recognition of the asset and that loss event had a negative effect on projected future cash flows that can be estimated reliably.

i) Non-derivative financial assets measured at amortized cost

A reduction of the recoverable amount with respect to a financial asset measured at amortized cost is calculated as the difference between the book value and the present value of estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in the income statement and reflected in a provision against receivables. Interest on the asset that lost value continues to be recognized. When a subsequent event indicates reversal of the loss of value, the decrease in loss of value is reversed and recorded in profit or loss.

ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the accumulated losses recorded in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. If the fair value of a debt security for which a loss in the recoverable amount has been recognized increases, and if that increase can be objectively related to an event occurring after the impairment loss was recognized, then the loss is reversed and the reversal amount is recognized in profit or loss. Impairment losses recognized in income for equity instruments classified as available-for-sale financial assets are not reversed.

- **Non-financial assets**

The carrying amounts of non-financial assets of the Company, other than inventories and deferred income tax and social contribution, are reviewed yearly, on the September data basis, to determine whether there is indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful life, the recoverable amount is estimated each year. A loss for impairment is recognized if the carrying amount of the asset or cash generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of value in use and fair value of sales less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value based on a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates continuous use cash inflows that are largely independent of cash flows of other assets or groups of assets. For purposes of testing the recoverable amount of goodwill, the amount of goodwill in a business combination is allocated to the CGU or group of CGUs to which the benefit from the synergies of the combination is expected.

Losses from impairment are recognized in profit or loss. Recognized losses relating to cash generating units are initially allocated to reduce any goodwill allocated to this CGU (or group of CGUs), and subsequently the reduction in other assets of this CGU (or group of CGU).

A loss for impairment related to goodwill is not reversed. For other assets, impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

3.8 Provisions

A provision is recognized, due to a past event, if the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that economic benefits will be required to settle the obligation. The financial costs incurred are recorded in profit or loss.

3.9 Employee benefits

- **Short-term benefits to employees**

Short-term employee benefits obligations are measured on an undiscounted basis are recorded as the related services are provided. A liability is recognized for the amount expected to be paid in bonuses in short-term money plans or profit sharing if the group has a present legal or constructive obligation to pay this amount for past service provided by the employee and the obligation can be estimated reliably.

- **Benefit payments based on stock option plan**

The fair value 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.

3.10 Revenue

- **Revenue from services**

Revenues from services are recognized when services have been provided and it is probable that economic benefits associated with the transaction will flow to the 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.

- **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 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 income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination, gains on hedging instruments that are recognized in profit or loss and reclassifications of net gains previously recognized in other comprehensive income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance expense comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognized on financial assets (other than trade receivables), losses on hedging instruments that are recognized in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign exchange gains and losses on financial assets and liabilities are reported on a net basis or as financial income or expense, depending on the movements in foreign currency is in a position of net loss or net gain.

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.

- **Current income tax and social contribution**

Current tax is the tax payable or receivable on the taxable income or loss for the year, current tax rates on the reporting date, and any adjustment to tax payable in respect of previous years. The current tax payable also includes any tax liability arising from the declaration of dividends.

- **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.

- **Fiscal risks**

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and the tax and additional interest may be due. This review is based on estimates and assumptions and may involve a series of judgments about future events. New information may become available which could cause the Company to change its decision on the adequacy of existing tax liabilities; such changes will impact tax expense in the period in which such determination is made.

3.15 Statement of value added

The Company prepared statements of value added (DVA) in accordance with CPC 09 - Statement of Added Value, which are presented as an integral part of these financial statements in accordance with accounting practices adopted in Brazil applicable to public companies, while for IFRS they represent supplementary financial information.

3.16 Cash Flow

- **Non cash transactions**

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

During the year ended December 31, 2017, 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$105,102.

- **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.

4 New standards and interpretations not yet effective

The Company estimated the impact of the adoption of IFRS 15 and IFRS 9 on equity on January 1, 2018 based on valuations carried out up to the date of issuance of these financial statements. The actual impacts of adopting the standards as of January 1, 2018 may be different as the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

The total estimated adjustment (net of taxes) in the opening balance of the Company's equity on January 1, 2018 are R$873. The estimated adjustment refers to the reduction in retained earnings, due to impairment losses on financial assets, net of tax effects.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 has as a fundamental principle the recognition of revenue when the goods or services are transferred to the customer at the transaction price. Revenue is recognized according to this principle by applying a 5-step model:

i. Identify the contract;
ii. Identify performance obligations;
iii. Determine the price of the transaction;
iv. Allocate the price of the transaction; and
v. Recognize the recipe

IFRS 15 introduces a comprehensive framework to determine if and when revenue is recognized, and how much revenue is measured. IFRS 15 replaces current revenue recognition standards.

a) Provision of services

The Company operates in the provision of transport and elevation services. Services are sold on their own account in contracts (formal or otherwise) identified and usually separated with customers.

Based on the Company's assessment, the fair value and selling prices of individual services are broadly similar. Therefore, the Company does not expect the application of IFRS 15 to result in differences in the recognition of revenue for these services.

b) Presentation and dissemination requirements

Presentation and disclosure requirements in IFRS 15 are more detailed than in current IFRS. Presentation requirements represent a significant change from current practice and, in many cases, significantly increase the volume of disclosures required in the financial statements. In particular due to the disclosure of significant judgments made: at what time to determine the transaction price of these contracts that include a variable consideration, how the transaction price has been allocated to the performance bonds and the assumptions adopted to estimate the individual sale prices of performance obligation, in addition to the breakdown of revenues by components of the sale of goods and services. In 2017 the Company tested the internal controls, policies and procedures required to collect and disclose the necessary information and concluded that the impact on the disclosures will not be significant due to the characteristics of the services provided by the Company.

c) Other adjustments

Recognition and measurement requirements in IFRS 15 also apply to the recognition and measurement of any gains or losses on the disposal of non-financial assets (such as property, plant and equipment and intangible assets) when such disposal does not occur in the ordinary course of business. In transition, however, there is no expectation that the effect of these changes will be material to the Company.

- **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together the three aspects of the project for accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018, with prior application permission. With the exception of hedge accounting, retrospective application is necessary, but providing comparative information is not mandatory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the effective date required and will not restate comparative information. In 2017, the Company conducted a detailed impact assessment of the three aspects of IFRS 9. This evaluation is based on information currently available and may be subject to changes arising from reasonable and sustainable information being made available by the Company in 2018, when it will adopt IFRS 9. In general, the Company does not anticipate any significant impact on the financial statements and equity, except for the effect of applying the impairment requirements of IFRS 9. The Company expects an increase in loss provisions resulting in impact equity as discussed below. In addition, the Company will implement changes in the classification of certain financial instruments.

a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity in applying the classification and measurement requirements of IFRS 9. We expect to continue to measure at fair value all financial assets currently held at fair value. Equity instruments, currently held-for-sale, with gains and losses recorded in profit or loss, will maintain measurement at fair value through profit or loss.

Loans and receivables are held by the Company to obtain contractual cash flows and should generate cash flows representing only payments of principal and interest. The Company analyzed the contractual cash flow characteristics of these instruments and concluded that they meet the amortized cost criteria in accordance with IFRS 9. Therefore, the reclassification to these instruments will not result in impacts on the balance sheet and equity.

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities and trade accounts receivable, whether in 12 months or throughout life. The Company will apply the simplified approach and record expected lifetime losses on all trade receivables. The Company determined that, due to the unsecured nature of its loans and receivables, the provision for losses will increase, with the corresponding reduction in deferred tax assets.

c) Hedge accounting

The Company has determined that all existing hedge relationships currently designated in effective hedge relationships will continue to qualify for hedge accounting in accordance with IFRS 9. The Company opted not to retrospectively apply IFRS 9 in the transition to hedges where the Company excluded the points of advancement of the hedge designation in accordance with IAS 39. Because IFRS 9 does not change the general principles of how an entity responds to effective hedges, the application of the hedge requirements of IFRS 9 will not have a significant impact on the financial statements financial statements of the Company.

d) Other adjustments

In addition to the adjustments described above, in adopting IFRS 9, other items in the financial statements, such as deferred taxes and investments in associates, will be adjusted as necessary. Foreign exchange differences in the conversion of foreign operations will also be adjusted.

- **IFRS 16 Leases**

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

The Company has not yet quantified the impact of the adoption of 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 records and exemptions from collection, and any additional leases that the Company will enter into. The Company expects to disclose its transition approach and quantitative information prior to adoption.

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

5 Corporate reorganization

Incorporation of Rumo Logística on December 2016

Under the terms of the articles 224 to 227 ("Incorporation") of 6,404/76 (“Brazilian Corporation Law”), in order to conclude the process of combination of activities that began in 2014, optimize and simplify the organizational structure of the economic group to which the Company belongs, the shareholders approved a corporate reorganization that occurred through the reverse incorporation of Rumo Logística by the Company, and the consequent extinction of the first, with succession of all its assets, rights and obligations by the Company.

On December 19, 2016, the shareholders approved the reverse incorporation of Rumo Logística whose common capital at the date amounted R$8,051,490, fully subscribed and paid, represented by 1.339.015.898 common shares, registered shares, with no par value by the Company whose common capital at the date amounted R$5,589,982, fully subscribed and paid, represented by 3,694,629,941 common shares, nominative, without par value.

The Company's common capital increased R$1,424,915, without affecting the shareholders' position in relation to the Company's interest.

Due to the reverse incorporation, all shares of the companies before the incorporation were canceled and each shareholder received in exchange for their respective shares, an equal amount of shares after the incorporation. Accordingly, the exchange ratio was set so that the Company's shareholders were allocated a total of 1,339,015,898 new registered common shares, with no par value issued by the Company ("New Shares"), with 1 (one) common share issued by the Company for each 1 (one) common share issued by Rumo Logística held by the Company's current shareholders, so that the issuance of the New Shares by the Company did not result in dilution of the Company's current shareholders.

With subscription amounting R$1,424,915, the Company’s common capital increase from R$5,589,982 to R$7,014,897.

The incorporation of entities under common control is outside the scope of CPC 15. Thus the Administration noted the provisions of CVM Instruction 319/99, published before the CPC 15 and amended by CVM Instructions 320/99, 349/01 and 565/15. All effects of fair values arising from business combinations previously completed the incorporation were held in the Company, especially those assigned to the concession rights held by subsidiary Rumo Malha Norte, since the economic fundamentals remain valid used in its constitution.

The effect on the Company's assets is shown below:

	Parent Company	Consolidated
Cash and cash equivalents	3,001	3,259
Marketable securities	20,970	24,425
Accounts receivable	36,907	53,112
Advances to suppliers	831,357	912,121
Other recoverable taxes	24,401	17,827
Other assets	55,911	38,851
Equity method investments	4,005,739	158
Property and equipment	100,392	860,568
Intangible assets	462,764	6,047,678
Current portion of long-term debt	(1,117,989)	(1,254,545)
Accounts payable - suppliers	(22,344)	(53,570)
Salaries payable	(16,772)	(24,950)
Taxes and social contribution payable	(13,714)	(7,490)
Related parties	(339,201)	(376,883)
Advances from customers	(17,663)	(37,280)
Other current liabilities	(18,859)	(28,999)
Provision for net capital deficiency in subsidiary	(214,356)	-
Provision for judicial demands	(25,271)	(25,555)
Deferred income tax	(152,808)	(2,497,324)
Non-controlling interest	-	(48,938)
Net Assets Contributed	**3,602,465**	**3,602,465**
Common capital	**1,424,915**	**1,424,915**
Capital reserve	**2,177,550**	**2,177,550**
Total	**3,602,465**	**3,602,465**

Segregation of Port operations

In the assets and liabilities received by the Company under the reorganization, there were assets and liabilities related to port operations. These assets and liabilities were contributed in the new direct subsidiary, Elevações Portuárias, dedicated to the port elevation activities.

The transaction was approved by the Company's shareholders on December 19, 2016, generating a capital increase of R$672,396 through the issuance of 672,396,057 new registered common shares with no par value, subscribed and paid by the Company, referring to the contribution of assets.

Capital contribution of rolling stock in Rumo Malha Norte.

The railway assets (rail cars and locomotives) that were part of the assets of the former controlling company Rumo Logística, incorporated in the Company, were contributed to the direct subsidiary Rumo Malha Norte, where these assets are used.

On December 19, 2016, Rumo Malha Norte's shareholders approved the capital increase amounting R$895,727 through the issuance of 350,094,082 new common shares related to the contribution of the Company's assets.

At all stages of the reorganization, the equity variations between the base date of assessment and the effective date of the restructuring, were absorbed by the Company, and has been allocated as exchange for the capital reserve account in equity.

6 Cash and cash equivalent

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Cash and bank accounts	**916**	3,039	**9,555**	85,107
Financial investments	**14**	-	**168,449**	175,420
	930	3,039	**178,004**	260,527

The financial investments were as below:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Bank investments				
Bank deposit certificates - CDB	**-**	-	**156,922**	145,348
Repurchase transactions	**-**	-	**6,663**	26,719
Other investments	**14**	-	**4,864**	3,353
	14	-	**168,449**	175,420
	14	-	**168,449**	175,420

7 Marketable securities and restricted cash

	Parent Company		Consolidated	
Marketable securities	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Government bonds [(i)]	**421,810**	59,703	**2,939,823**	633,221
CDB investments linked to BNDES loans [(ii)]	**-**	-	**212,618**	283,372
	421,810	59,703	**3,152,441**	916,593

(i) Government bonds classified as held for trading 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, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Investments linked to loans	**-**	-	**93,251**	63,474
Securities pledged as collateral	**3,321**	3,288	**132,383**	137,525
	3,321	3,288	**225,634**	200,999

8 Accounts receivable

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Domestic – Brazilian Reais	**38,874**	59,211	**362,762**	434,543
Export – Foreign currency	**241**	158	**39,740**	15,504
Allowance for doubtful accounts	**(1,900)**	(1,679)	**(30,784)**	(18,586)
	37,215	57,690	**371,718**	431,461
Current	**24,839**	43,385	**359,342**	417,156
Non-current	**12,376**	14,305	**12,376**	14,305
	37,215	57,690	**371,718**	431,461

The analysis of the maturity of accounts receivable are as follows:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Not overdue	**24,163**	27,355	**198,539**	370,249
Overdue:				
From 1 to 30 days	**9,016**	16,518	**82,938**	36,919
From 31 to 60 days	**3,030**	9,025	**15,537**	6,330
From 61 to 90 days	**754**	2,771	**56,832**	3,568
More than 90 days	**2,152**	3,700	**48,653**	32,981
Allowance for doubtful accounts	**(1,900)**	(1,679)	**(30,781)**	(18,586)
	37,215	57,690	**371,718**	431,461

Changes in the estimated allowance for doubtful accounts are as follows:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
At the beginning of the year	**(1,679)**	-	**(18,586)**	(41,085)
Provision	**(799)**	-	**(20,240)**	(4,063)
Reversal of provision	**578**	-	**8,042**	2,191
Corporate reorganization effects [(i)]	**-**	(1,679)	**-**	24,371
At the end of the year	**(1,900)**	(1,679)	**(30,784)**	(18,586)

i) The balance of the Parent Company included the provision recognized in the incorporation. The consolidated was reduced by the effect of fair value allocated to the acquisition price of the Company by Rumo Logística.

The Company's provision policy the provision of overdue receivables for more than 90 days, except when there is objective evidence or real guarantees on the balances, or in case of bankruptcy, full balance regardless of the term.

9 Inventories

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Parts and accessories	**361**	376	**244,256**	244,453
Fuels and lubricants	**6**	5	**4,207**	7,397
Warehouse and other	**137**	100	**33,828**	32,729
	504	481	**282,291**	284,579

The balances are presented net of the provision of obsolete inventories in the amount of R$ 12,352 as of December 31, 2017 (R$ 23,351 as of December 31, 2016).

10 Other recoverable taxes

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Contribution to social security financing ("COFINS")	**6,555**	1,433	**247,058**	188,824
Social Integration program ("PIS")	**1,311**	311	**67,327**	45,425
Tax on circulation of goods, transport services and communication ("ICMS") (i)	**46**	-	**378,204**	331,960
ICMS - CIAP (ii)	**-**	-	**204,576**	174,221
Other	**49**	42	**10,013**	4,384
	7,961	1,786	**907,178**	744,814
Current	**5,979**	1,786	**209,121**	84,009
Non-current	**1,982**	-	**698,057**	660,805
	7,961	1,786	**907,178**	744,814

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

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

11 Related parties

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

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Current asset				
Commercial operations				
Cosan S.A. Indústria e Comércio	**282**	282	**656**	440
Rumo Malha Norte S.A.	**19,984**	27,500	**-**	-
Rumo Malha Paulista S.A.	**30,049**	91,886	**-**	-
Rumo Malha Sul	**3,294**	2,513	**-**	-
Raízen Combustíveis S.A.	**149**	149	**5,031**	12,412
Raízen Energia S.A.	**2,946**	2,083	**6,556**	14,261
Brado Logística S.A	**4,896**	5,606	**-**	-
Elevações Portuárias S.A.	**17,483**	-	**-**	-
Other	**816**	425	**931**	1,701
	79,899	130,444	**13,174**	28,814
Non-current assets				
Commercial operations				
Raízen Combustíveis S.A.	**-**	-	**18,086**	-
	-	-	**18,086**	-
Financial operations				
Rumo Luxembourg Sarl	**61,198**	-	**-**	-
ALL - Argentina	**3,326**	1,428	**-**	-
	64,524	1,428	**-**	-
	64,524	1,428	**18,086**	-
Total	**144,423**	131,872	**31,260**	28,814

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Current liabilities				
Commercial operations				
Rumo Malha Norte S.A.	**1,164**	76	-	-
Rumo Malha Sul S.A.	**5,620**	1,818	-	-
Rumo Malha Paulista S.A.	**93,847**	398,029	-	-
Rumo Malha Oeste S.A.	**857**	-	-	-
Raízen Combustíveis S.A.	**17**	1	**118,375**	68,151
Raízen Energia S.A.	**6,082**	7,021	**21,095**	18,431
Cosan S.A. Indústria e Comércio	**429**	17,378	**2,865**	17,407
Cosan Lubrificantes e Especialidades S.A.	**353**	356	**3,225**	1,854
Logispot Armazéns Gerais S.A.	**172**	761	-	-
ALL - Argentina	**1,010**	1,010	-	-
Elevações Portuárias S.A.	**15,899**	-	-	-
Other	-	336	**1,539**	867
	125,450	426,786	**147,099**	106,710
Current liabilities				
Commercial operations				
ALL Argentina	**4,733**	4,733	-	-
Boswells	**20,675**	20,369	-	-
Other	**75**	77	-	-
	25,483	25,179	-	-
Total	**150,933**	451,965	**147,099**	106,710

b) Summary of transactions with related parties:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Operating income				
Raízen Energia S.A. and subsidiaries (i)	**290,355**	-	**389,457**	17,445
Raízen Combustíveis S.A. (ii)	**-**	-	**141,320**	122,848
Rumo Logística Operadora Multimodal S.A.	**-**	-	**-**	207,081
Rumo Malha Paulista S.A. (iii)	**279,055**	-	**-**	-
Other	**12,000**	-	**8,381**	3,999
	581,410	-	**539,158**	351,373
Purchases of products / inputs				
Raízen Combustíveis S.A. (iv)	**-**	-	**(1,006,510)**	(817,174)
Rumo Logística Operadora Multimodal S.A.	**-**	-	**-**	(333,132)
Rumo Malha Paulista S.A. (v)	**(77,424)**	-	**-**	-
Cosan Lubrificantes e Especialidades S.A. (vi)	**-**	-	**(34,663)**	(37,939)
Other	**(1,477)**	(355)	**-**	(183)
	(78,901)	(355)	**(1,041,173)**	(1,188,428)
Shared expenses (vii)				
Cosan S.A. Indústria e Comércio	**(598)**	-	**(10,929)**	(11,928)
Rumo Malha Oeste S.A.	**126**	-	**-**	-
Rumo Malha Paulista S.A.	**1,186**	-	**-**	-
Rumo Malha Sul S.A.	**(1,355)**	-	**-**	-
Rumo Malha Norte S.A.	**1,901**	-	**-**	-
Raízen Energia S.A.	**(1,503)**	-	**(26,824)**	(26,431)
	(243)	-	**(37,753)**	(38,359)
Financial result				
Rumo Malha Oeste S.A.	**-**	(12,353)	**-**	-
Rumo Malha Paulista S.A.	**(40,675)**	(53,071)	**-**	-
Rumo Malha Sul S.A.	**-**	(509)	**-**	-
Rumo Malha Norte S.A.	**(80,663)**	(116,418)	**-**	-
Rumo Intermodal	**-**	(835)	**-**	-
Other	**1,474**	(7)	**1**	-
	(119,864)	(183,193)	**1**	-

(i) The services provided for the year ended December 31, 2017 and 2016 with Raízen Energia and its subsidiaries refers mainly to transport, storage and port elevation services.
(ii) The services provided for the year ended December 31, 2017 and 2016 with Raízen Combustíveis and its subsidiaries refer mainly to fuel transportation services.
(iii) The services provided for the year ended December 31, 2017 with Rumo Malha Paulista refers to the rental of rail cars and locomotives.
(iv) Purchases for the year ended December 31, 2017 and 2016 with Raízen Combustíveis and its subsidiaries relate to the purchase of fuel.
(v) Purchases in the year ended December 31, 2017 with Rumo Malha Paulista refer to expenses related to the rental of rail cars and locomotives.
(vi) Purchases for the year ended December 31, 2017 and 2016 with Cosan Lubrificantes refer to the purchase of lubricants.
(vii) It refers to corporate apportionment and shared services center of Cosan.

Officers and directors remuneration

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

	December 31, 2017	December 31, 2016
Regular remuneration	**32,305**	8,068
Stock option recognized (Note 25)	**2,537**	-
	34,842	8,068

The management's remuneration of the Company's consolidated for the current year and for subsequent years to the corporate reorganization mentioned in note 1, are not necessarily comparable with the information presented in previous years.

12 Equity method investments

a) Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2017	Equity pick-up	Capital increase	Dividends	Comprehensive income	Other	Amortization of the concession right	Provision for net capital deficiency reclassified	At December 31, 2017
Subsidiaries												
Elevações Portuárias	672,397,254	672,397,254	100.00%	654,719	70,881	-	(57,634)	-	-	-	-	**667,966**
Rumo Intermodal	91,064,313	91,064,313	100.00%	63,447	(1,280)	-	(451)	362	-	-	-	**62,078**
ALL Serviços	100,000	99,999	99.99%	9,538	(3,059)	-	-	-	-	-	-	**6,479**
Rumo Malha Norte	1,189,412,363	1,183,698,555	99.52%	7,593,140	472,066	-	(277,844)	-	77,430	(29,645)	-	**7,835,147**
Boswells	3,265,000	3,265,000	100.00%	20,679	-	-	-	310	-	-	-	**20,989**
Rail Management	20,000	-	-	96	(104)	-	-	-	8	-	-	**-**
Brado Holding	500	500	100.00%	360,073	2,619	-	(4,789)	-	-	-	-	**357,903**
Paranaguá S.A.	6,119,802	6,113,851	99.90%	6,456	5,075	6,089	-	(2,080)	-	-	-	**15,540**
Logispot	2,040,816	1,040,816	51.00%	75,091	(1,561)	-	-	-	-	-	-	**73,530**
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%	-	-	-	-	-	-	-	506,796	**506,796**
Other	-	-	-	158	-	-	-	-	-	-	(158)	**-**
				8,783,397	**544,637**	**6,089**	**(340,718)**	**(1,408)**	**77,438**	**(29,645)**	**506,638**	**9,546,428**
Provision for net capital deficiency in subsidiary												
ALL Argentina	9,703,000	8,826,110	90.96%	(19,463)	(12,511)	-	-	2,791	486	-	-	**(28,697)**
Rumo Luxembourg Sarl	500,000	500,000	100.00%	-	(35,396)	-	-	-	-	-	158	**(35,238)**
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%	(73,383)	(91,884)	-	-	-	130	(19,011)	-	**(184,148)**
Rumo Malha Oeste	478,460,074	478,460,074	100.00%	(680,636)	(181,963)	-	-	-	-	-	-	**(862,599)**
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%	(384,710)	(382,171)	1,350,000	-	-	(76,323)	-	(506,796)	**-**
				(1,158,192)	**(703,925)**	**1,350,000**	**-**	**2,791**	**(75,707)**	**(19,011)**	**(506,638)**	**(1,110,682)**
				7,625,205	**(159,288)**	**1,356,089**	**(340,718)**	**1,383**	**1,731**	**(48,656)**	**-**	**8,435,746**

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2016	Equity pick-up	Capital increase	Dividends	Comprehensive income	Other	Amortization of the concession right	Corporate reorganization effects	At December 31, 2016
Subsidiaries												
Elevações Portuárias	1,200	1,197	99.75%	-	-	-	-	-	-	-	654,719	654,719
ALL Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%	207,715	(357,768)	150,281	-	-	(228)	-	-	-
Rumo Intermodal	91,064,313	91,064,313	100.00%	60,466	1,900	-	-	538	543	-	-	63,447
ALL Serviços	100,000	99,999	100.00%	35,835	(1,891)	-	(24,406)	-	-	-	-	9,538
ALL Equipamentos	304,641	-	-	287	3	-	-	-	(290)	-	-	-
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%	294,541	(141,348)	245,689	-	(91)	-	(19,012)	(379,779)	-
Rumo Malha Norte	1,189,412,363	1,182,993,189	99.46%	3,915,190	109,417	203,156	(239,336)	(101)	69	(29,644)	3,634,389	7,593,140
Boswells	3,265,000	3,265,000	100.00%	24,429	127	-	-	(3,877)	-	-	-	20,679
Rail Management	20,000	10,001	50.01%	379	(283)	-	-	-	-	-	-	96
Brado Holding	500	500	100.00%	322,286	16,626	-	-	-	-	-	21,161	360,073
Paranaguá S.A.	6,119,802	6,113,851	99.90%	1,674	(325)	5,141	-	(842)	808	-	-	6,456
Logispot	2,040,816	1,020,408	50.00%	-	-	-	-	-	-	-	75,091	75,091
Other	-	-	-	-	-	-	-	-	-	-	158	158
				4,862,802	(373,542)	604,267	(263,742)	(4,373)	902	(48,656)	4,005,739	8,783,397
Provision for net capital deficiency in subsidiary												
ALL Participações	11,878,449	-	-	(9,773)	9,339	-	-	434	-	-	-	-
ALL Argentina	9,703,000	8,826,110	90.96%	(20,087)	(2,027)	-	-	9,748	(7,097)	-	-	(19,463)
Rumo Malha Oeste	478,460,074	478,460,074	100.00%	(484,439)	(183,777)	-	-	(78)	-	-	(12,342)	(680,636)
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%	-	-	-	-	-	-	-	(73,383)	(73,383)
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%	-	(298,372)	43,171	-	(879)	-	-	(128,630)	(384,710)
				(514,299)	(474,837)	43,171	-	9,225	(7,097)	-	(214,355)	(1,158,192)
				4,348,503	(848,379)	647,438	(263,742)	4,852	(6,195)	(48,656)	3,791,384	7,625,205

b) Consolidated

Affiliates	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	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	200,000	99,246	49.62%	16,998	1,336	(2,695)	-	15,639
Total				**46,847**	**4,243**	**(9,002)**	**(158)**	**41,930**

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2016	Equity pick-up	Dividends	Other	At December 31, 2016
Rhall Terminais	28,580	8,574	30.00%	3,845	(200)	-	-	3,645
Termag S.A.	500,000	99,246	19.85%	5,138	2,531	-	-	7,669
TGG S.A.	79,747,000	7,914,609	9.92%	19,701	2,429	(3,753)	158	18,535
Terminal XXXIX	200,000	99,246	49.62%	15,558	3,620	(2,180)	-	16,998
Total				44,242	8,380	(5,933)	158	46,847

Information of the associates:

	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	-
Brado Holding	338,533	873	337,660	3,537
Paranaguá S.A.	15,784	228	15,556	5,082
Logispot	134,752	64,163	70,589	(3,063)
ALL Argentina	6,866	38,415	(31,549)	(13,755)
Rumo Lux	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

	December 31, 2016			
	Total assets	Total liabilities	Equity	Result
Subsidiaries				
Elevações Portuárias	844,804	190,084	654,720	-
Rumo Intermodal	93,499	30,052	63,447	1,900
ALL Serviços	10,837	1,299	9,538	(1,891)
Rumo Malha Norte	8,859,127	6,746,668	2,112,459	110,261
Boswells	20,679	-	20,679	(1)
Rail Management	370	180	190	(566)
Brado Holding	338,912	-	338,912	16,626
Paranaguá S.A.	3,078	(3,389)	6,467	(325)
Logispot	144,591	70,940	73,651	(341)
ALL Argentina	8,418	29,815	(21,397)	(2,228)
Rumo Malha Paulista	5,549,435	5,405,035	144,400	(141,348)
Rumo Malha Oeste	617,294	1,285,588	(668,294)	183,776
Rumo Malha Sul	3,071,108	3,411,304	(340,196)	(740,256)
Rhall Terminais Ltda.	13,589	1,626	11,963	(91)
Termag S.A.	185,364	148,035	37,329	9,906
TGG S.A.	222,685	38,910	183,775	24,320
Terminal XXXIX	43,226	14,618	28,608	7,492

c) Non-controlling interests

	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**
Logispot	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
Rumo 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**

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2016	Equity pick-up	Other	Corporate reorganization effects	At December 31, 2016
Logispot	2,040,816	1,000,000	49.00%	-	-	-	36,089	36,089
Brado Participações	12,962,963	8,000,000	61.71%	195,692	10,096	-	12,849	218,637
ALL Malha Norte	1,189,412,363	6,419,174	0.54%	13,674	845	1,251	-	15,770
Rail Management	20,000	9,999	49.99%	379	(283)	-	-	96
Total				209,745	10,658	1,251	48,938	270,592

13 Property and equipment

	Consolidated							Parent Company
	Land, buildings and improvements	**Machinery, equipment and facilities**	**Freight cars and locomotives [(i)] / [(ii)]**	**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**

	Consolidated							Parent Company
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i) / (ii)	Track structure (i)	Construction in progress	Other	Total	Total
Cost:								
At January 1, 2016	328,618	24,283	5,888,834	6,359,873	412,420	975,752	13,989,780	5,146
Additions	-	-	23,965	46,010	1,641,543	3,814	1,715,332	5,202
Corporate reorganization effects	454,707	529,606	871,282	(910,472)	71,282	7,150	1,023,555	129,912
Disposals	(3,322)	-	(1,652)	(9,472)	(202)	(28,421)	(43,069)	-
Transfers	86,971	-	695,594	867,665	(1,456,481)	(190,303)	3,446	(532)
At December 31, 2016	866,974	553,889	7,478,023	6,353,604	668,562	767,992	16,689,044	139,728
Depreciation:								
At January 1, 2016	(72,624)	(7,306)	(2,405,353)	(1,983,801)	-	(499,439)	(4,968,523)	(424)
Additions	(19,709)	-	(643,309)	(505,277)	-	(72,688)	(1,240,983)	(481)
Corporate reorganization effects	(93,276)	(229,780)	67,498	96,324	-	(3,753)	(162,987)	(29,520)
Disposals	431	-	474	3,284	-	19,354	23,543	-
Transfers	(94,963)	-	4,714	(7,113)	-	94,387	(2,975)	-
At December 31, 2016	(280,141)	(237,086)	(2,975,976)	(2,396,583)	-	(462,139)	(6,351,925)	(30,425)
At January 1, 2016	255,994	16,977	3,483,481	4,376,072	412,420	476,313	9,021,257	4,722
At December 31, 2016	586,833	316,803	4,502,047	3,957,021	668,562	305,853	10,337,119	109,303

(i) Leasehold improvements and finance leases included;
(ii) On December 31, 2017, freight cars and locomotives in the amount of R$ 743,203 (R$ 201,678 on December 31, 2016) were given on bail to guarantee bank loans (Note 15).

Capitalization of loan costs

During the year ended December 31, 2017, there were no capitalized loan costs (R $ 2,354 at December 31, 2016, the average rate of 6.46% p.a).

14 Intangible assets

	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**

	Consolidated					Parent Company
	Goodwill [(i)]	Concession Rights [(ii)]	Operating license	Other	Total	Total
Cost:						
At January 1, 2016	-	2,408,392	26,200	175,597	2,610,189	8,951
Additions	-	-	-	878	878	-
Corporate reorganization effects	100,451	5,254,572	924,637	11,496	6,291,156	608,314
Eliminations (iii)	-	-	(607,660)	-	(607,660)	-
Transfers	-	-	-	8,365	8,365	531
At December 31, 2016	100,451	7,662,964	343,177	196,336	8,302,928	617,796
Amortization						
At January 1, 2016	-	(262,302)	(17,699)	(79,380)	(359,381)	(3,692)
Additions	-	(48,656)	(724)	(14,550)	(63,930)	(1,372)
Corporate reorganization effects	-	-	(235,154)	(8,324)	(243,478)	(145,550)
Eliminations (iii)	-	-	145,148	-	145,148	-
Transfers	-	-	-	2	2	-
At December 31, 2016	-	(310,958)	(108,429)	(102,252)	(521,639)	(150,614)
At January 1, 2016	-	2,146,090	8,501	96,217	2,250,808	5,259
At December 31, 2016	100,451	7,352,006	234,748	94,084	7,781,289	467,182

(i) Goodwill arising from business combination, of which R$62,922 of previously direct subsidiary Teaçú Armazéns Gerais S.A., merged by the Company, and R$37,529 of direct subsidiary Logispot presented only in consolidated balances.

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

Intangible (other than goodwill)	Annual rate of amortization - %	December 31, 2017	December 31, 2016
Software [(a)]	**20.00%**	**31,669**	27,158
Operating license [(b)]	**3.70%**	**223,008**	234,748
Concession rights [(c)]	**1.59%**	**7,231,097**	7,352,006
Other		**36,744**	66,926
Total		**7,522,518**	7,680,838

a) Refers mainly to the business management system – ERP of the Company.
b) Port operation license and relationships with Elevações Portuárias' customers, from the Teaçú business combination.
c) Refers to the concession right acquired, allocated to Rumo Malha Norte concession upon the business combination of the Company, which will be amortized in line with the term of this concession in 2079.

Impairment analysis

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, concession contracts were defined as cash-generating units. The base date for evaluation and annual testing is September 30.

During the year ended December 31, 2017, we did not identify impairment indicators, so that no impairment test was required for fixed assets and intangible assets with a defined useful life.

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 expenses of the unit, using the EBITDA multiples technique.

The main assumptions used were (i) EBITDA generated by the cash generating unit in 2017, and (ii) the average of the multiples practiced by market agents for companies in the Company's industry. The calculation resulted in a recoverable amount of R$ 1,709,000, compared to a book value of R$ 811,618, which includes property, plant and equipment and intangible assets.

In the year ended December 31, 2017, no assets and goodwill had their value reduced by impairment. The determination of the recoverability of the assets depends on certain key assumptions as described above that are influenced by the market, technological, and economic conditions in place at the time this 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.

15 Loans, borrowings and debentures

Description	Financial charges		Parent Company		Consolidated		Maturity date
	Index [i]	Average interest rate	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016	
Loans and borrowings							
Finame (BNDES)	Pre-fixed	5.26%	**603,658**	711,229	**1,281,371**	1,232,984	February/2025
	URTJLP	8.79%	**-**	-	**-**	17	January/2017
Finem (BNDES)	Pre-fixed	3.89%	**-**	-	**2,695**	3,930	January/2024
	URTJLP	8.83%	**176,230**	257,464	**2,270,055**	2,663,459	June/2029
	IPCA	10.74%	**-**	-	**2,840**	3,453	November/2021
	Selic	13.65%	**-**	-	**4,075**	5,277	September/2020
NCE	112% of CDI	7.75%	**-**	-	**59,858**	120,069	December/2018
	125% of CDI	8.69%	**-**	-	**644,766**	552,576	December/2023
	CDI + 3.47% p.a.	11.89%	**-**	-	**-**	80,486	November/2017
	CDI + 3.50% p.a.	10.63%	**-**	-	**294,968**	294,516	December/2018
Senior Notes	Pre-fixed (US$) [ii]	7.38%	**-**	-	**2,570,622**	-	February/2024
Commercial banks	CDI + 4.91% p.a.	12.14%	**-**	-	**98,117**	163,815	June/2019
	Pre-fixed (US$) [iii]	5.45%	**-**	-	**95,040**	86,140	December/2021
			779,888	968,693	**7,324,407**	5,206,722	
Debentures							
Non-convertible debentures	CDI + 2.05% p.a	9.08%	**152,573**	154,235	**152,573**	154,285	April/2018
	CDI + 1.30% p.a.	11.57%	**-**	300,183	**-**	300,183	September/2017
	CDI + 3.50% p.a.	10.63%	**-**	-	**1,359,125**	2,347,271	June/2023
	108% of CDI	7.46%	**-**	-	**171,515**	350,852	July/2018
	128% of CDI	8.90%	**-**	-	**499,576**	-	December/2025
	Pre-fixed [iv]	13.13%	**-**	-	**163,750**	163,862	October/2020
Privated debentures	CDI + 1.30% p.a	8.28%	**663,064**	992,335	**-**	-	January/2020
			815,637	1,446,753	**2,346,539**	3,316,453	
Total			**1,595,525**	2,415,446	**9,670,946**	8,523,175	
Current			**336,526**	487,928	**1,594,008**	1,467,725	
Non-current			**1,258,999**	1,927,518	**8,076,938**	7,055,450	

(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.a.

(iii) Debt with swap for 135% of CDI, which represents an average rate of 9.41% p.a.

(iv) Debt with swap for 109% of CDI which represents an average rate of 7.59% p.a

All loans and borrowings are secured by guarantees of the Company and its subsidiaries, in the same amounts and condition of the debt funded. For financing of locomotives and freight cars, the financed assets are pledged as collateral.

Some financing agreements with the BNDES are also guaranteed, according to each contract, by a bank guarantee, with the average cost of 3.0% p.a. or by collateral (assets) and an escrow account. On December 31, 2017 the balance of bank guarantees contracted was R$1,183,208 (R$3,197,176 on December 31, 2016).

To calculate the average rates, average annual CDI of 6.89% and TJLP 7.0% were used.
Non-current loans have the following maturities:

	Parent company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
13 a 24 months	**170,584**	1,326,453	**962,104**	1,444,347
25 a 36 months	**783,467**	173,001	**1,381,773**	1,100,804
37 a 48 months	**90,396**	122,677	**1,079,396**	1,514,292
49 a 60 months	**77,157**	90,922	**857,242**	1,164,566
61 a 72 months	**73,173**	77,124	**624,380**	945,894
73 a 84 months	**64,222**	73,146	**2,806,936**	518,839
85 a 96 months	**-**	64,195	**151,971**	139,007
Thereafter	**-**	-	**213,136**	227,701
	1,258,999	1,927,518	**8,076,938**	7,055,450

The carrying amounts of loans and financing of the Company are denominated in these currencies:

	Consolidated	
	December 31, 2017	December 31, 2016
Brazilian Real	**7,005,284**	8,437,035
US Dollar	**2,665,662**	86,140
		-
Total	**9,670,946**	8,523,175

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.

Export credit note - NCE

On December 27, 2017, the subsidiary Rumo Malha Norte issued an export credit note amounting R$650,000, maturing on December 26, 2023.

Debentures

On June 31, 2016, the subsidiary Rumo Malha Norte performed the Ninth issuance of debentures, not convertible into shares, unsecured, single series, amounting R$2,433,269, maturing in June 2023. Debentures have personal guarantees provided by the Company.

On December 5, 2017, the subsidiary Rumo Malha Norte performed the Tenth issuance of debenture, not convertible into shares, unsecured, single series, with an additional guarantee, amounting R$500,000, maturing on December 5 of 2025. The debentures have guarantees provided by the Company.

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.

Unused credit lines

At December 31, 2017, the Company and its subsidiaries had lines of credit for financing from BNDES, which were not used, totaling of R$94,220 (R$541,639 on December 31, 2016).

Covenants

The Company and its subsidiaries are subject to certain restrictive contractual clauses involving financial and non-financial indicators. The most restrictive financial indicators consist of: (i) net comprehensive indebtedness (bank debt, debentures, commercial leases, real estate credit certificate receivables and derivative instruments linked to credit operations, net of marketable securities, cash and cash equivalents) / EBITDA (earnings before interest, taxes, depreciation and amortization); (ii) EBITDA / consolidated financial result (only interest on debentures, loans / financing, leases, real estate credit certificates and derivative operations are considered). The calculation for the above covenants is annual at the date of the financial statements, using the Company's consolidated results.

The ratio agreed for December 31, 2017 is up to 4.3x net comprehensive debt / EBITDA and minimum interest coverage ratio of 1.4x EBITDA / financial result, limits that were being met by the Company on December 31, 2017. The limit is restricted annually until it reaches 3.0x and 2.0x, respectively, in 2021.

On December 31, 2017, the Company did not have loans with the BNDES, subject to covenants. These requirements have been replaced by bank guarantees.

Changes occurred for the year ended December 31, 2017 is as follow:

	Consolidated	
	December 31, 2017	December 31, 2016
At the beginning of the year	**8,523,175**	5,675,752
Proceeds from debts	**3,786,463**	3,345,112
Interest, monetary and exchange correction	**1,269,514**	773,409
Repayments of principal from debts	**(2,961,824)**	(1,956,438)
Payments of interest from debts	**(946,382)**	(569,205)
Corporate reorganization effects	**-**	1,254,545
At the end of the year	**9,670,946**	8,523,175

16 Other taxes payable

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Tax on circulation of goods, transport services and communication ("ICMS")	**-**	181	**3,040**	2,407
National social security institute ("INSS")	**156**	1,768	**6,557**	5,930
Social integration program ("PIS")	**976**	467	**1,587**	988
Contribution to social security financing ("COFINS")	**4,550**	2,778	**7,526**	5,293
Tax amnesty and refinancing program	**902**	902	**21,955**	23,709
Tax on services	**85**	870	**4,494**	3,364
Financial transaction tax	**14**	-	**2,244**	2,992
Other	**120**	659	**6,374**	5,130
	6,804	7,625	**53,778**	49,813
Current	**6,804**	7,625	**42,767**	32,757
Non-current	**-**	-	**11,010**	17,056

The maturing amounts in non-current liabilities have the following scheduled maturities:

	Consolidated	
	December 31, 2017	December 31, 2016
13 a 24 months	**6,534**	7,617
25 a 36 months	**2,636**	6,042
37 a 48 months	**309**	1,015
49 a 60 months	**126**	694
61 a 72 months	**126**	521
73 a 84 months	**126**	521
85 a 96 months	**126**	442
Thereafter	**1,027**	204
	11,010	17,056

17 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses.

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Result before income taxes	**(293,290)**	(1,137,856)	**(249,519)**	(1,165,596)
Income tax (expense) and social contribution at nominal rate (34%)	**99,719**	386,871	**84,836**	396,303
Adjustments to determine the effective rate				
Equity pick-up	**(54,158)**	(288,449)	**1,443**	2,849
Result of overseas companies	**(5)**	-	**(15,124)**	-
Exploration profit - tax incentive	**-**	-	**74,416**	10,092
Stock option plan	**(1,878)**	-	**(1,878)**	-
Unrecognized NOLs and temporary differences [(i)]	**19,184**	(1,909)	**(158,750)**	(283,004)
Fiscal goodwill amortization effects	**(16,543)**	(16,543)	**1,853**	-
Other	**(13,836)**	(5,344)	**4,285**	(13,216)
Tax and social contribution (current and deferred)	**32,483**	74,626	**(8,919)**	113,024
Effective rate - %	**11.08%**	6.56%	**-3.57%**	9.70%

(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 generation of taxable income.

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

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Assets credits from:				
Tax losses carry forwards - income tax	**259,009**	239,086	**1,706,353**	1,503,707
Tax losses of social contribution	**104,076**	96,904	**624,339**	560,005
Temporary differences:				
Provision for judicial demands	**14,063**	12,121	**205,611**	212,068
Impairment provision	**30,327**	30,327	**250,236**	319,070
Allowance for doubtful accounts	**646**	831	**22,483**	18,384
Provision for non-performing tax	**-**	-	**30,515**	22,274
Provision for profit sharing	**6,282**	4,629	**28,987**	17,401
Review of useful life	**(1,085)**	-	**472,602**	296,431
Temporary differences	**11,680**	2,845	**118,755**	112,922
Other	**-**	12,859	**66,808**	73,212
Deferred taxes - Assets	**424,998**	399,602	**3,526,689**	3,135,474
(-) Unrecognized deferred assets credits	**(352,062)**	(370,457)	**(1,940,650)**	(1,781,670)
Liabilities credits from:				
Temporary differences:				
Business combination - Fixed assets	**1,029**	(473)	**136,174**	171,744
Tax goodwill amortized	**-**	-	**(21,991)**	(19,714)
Lease	**(787)**	(501)	**(277,077)**	(138,511)
Unrealized result from derivatives	**-**	-	**-**	(1,024)
Business combination - Intangible assets	**(73,178)**	(77,170)	**(2,579,894)**	(2,579,246)
Other	**-**	-	**(28,767)**	(23,613)
Deferred taxes - Liabilities	**(72,936)**	(78,144)	**(2,771,555)**	(2,590,364)
Total deferred taxes	**-**	(48,999)	**(1,185,516)**	(1,236,560)
Deferred assets	**-**	-	**1,156,560**	1,160,968
Deferred liabilities	**-**	48,999	**2,342,076**	2,397,528

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 movements of 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, 2017, 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.

d) Changes in deferred taxes (net)

	Parent Company	Consolidated
At January 1, 2016	**-**	**1,069,719**
Income statement	103,809	189,205
Effect of corporate reorganization	(152,808)	(2,497,324)
Other	-	1,840
At December 31, 2016	**(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 December 31, 2017	**-**	**(1,185,516)**

18 Accounts payable - suppliers

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Material and services	**20,388**	38,890	**626,051**	555,855
Fuels and lubricants	**-**	-	**1,814**	706
Other	**13,306**	11,481	**731**	8,949
Total	**33,694**	50,371	**628,596**	565,510
Current	**33,694**	50,371	**628,596**	564,942
Non-current [(i)]	**-**	-	**-**	568

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

19 Provision for judicial demands and judicial deposits

	Provision for judicial demands			
	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Taxes	**1,822**	2,595	**68,897**	74,472
Civil, regulatory and environmental	**3,092**	1,947	**148,736**	154,187
Labor	**31,760**	25,373	**284,401**	278,363
	36,674	29,915	**502,034**	507,022

	Judicial deposits			
	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Tax	**5,540**	5,642	**18,368**	25,115
Civil, regulatory and environmental	**1,460**	1,220	**162,260**	154,035
Labor	**10,282**	9,895	**150,344**	120,726
	17,282	16,757	**330,972**	299,876

Changes in the provision were:

	Parent Company			
	Taxes	**Civil, regulatory and environmental**	**Labor**	**Total**
At January 1, 2017	-	-	8,910	8,910
Additions	-	963	618	1,581
Settlement / write-offs	-	(321)	(3,419)	(3,740)
Monetary restatement	-	717	161	878
Judicial deposits	-	-	(2,985)	(2,985)
Effect of corporate reorganization	2,595	588	22,088	25,271
At January 1, 2017	2,595	1,947	25,373	29,915
Additions	**113**	**(410)**	**15,473**	**15,176**
Settlement / write-offs	**(1,029)**	**(45)**	**(18,498)**	**(19,572)**
Monetary restatement [(i)]	**143**	**1,600**	**9,412**	**11,155**
At December 31, 2017	**1,822**	**3,092**	**31,760**	**36,674**

	Consolidated			
	Taxes	**Civil, regulatory and environmental**	**Labor**	**Total**
At January 1, 2016	61,999	122,604	287,502	472,105
Provision	3,896	14,740	76,344	94,980
Settlement or write-offs	(2,806)	(8,698)	(120,486)	(131,990)
Corporate reorganization effects	2,687	588	22,280	25,555
Monetary restatement [(i)]	8,696	24,953	12,723	46,372
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 December 31, 2017	**68,897**	**148,736**	**284,401**	**502,034**

(i) Write-off interest expense included.

(a) Tax

Judicial claims deemed as probable losses:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
ICMS - Credit material [(i)]	**-**	-	**55,575**	53,261
Compensation of PIS and COFINS	**-**	297	**1,911**	2,115
Other	**1,822**	2,298	**11,411**	19,096
	1,822	2,595	**68,897**	74,472

(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, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Foreign financial operations [(i)]	**-**	-	**280,414**	986,179
Capital gain [(ii)]	**512,120**	483,723	**512,120**	483,723
Isolated fine federal tax [(iii)]	**429,249**	397,441	**429,249**	397,441
ICMS Rumo Malha Paulista [(iv)]	**-**	-	**310,334**	-
IRPJ and CSLL [(v)]	**137,738**	130,328	**301,423**	283,678
ICMS - Export [(vi)]	**-**	-	**220,214**	189,313
MP 470 installment debts [(vii)]	**-**	-	**110,098**	120,132
Rumo Intermodal [(viii)]	**-**	-	**-**	81,247
Withholding income tax ("IRRF") Swap [(ix)]	**-**	-	**72,466**	68,382
Stock option plan [(x)]	**56,385**	53,426	**65,776**	62,216
ICMS Armazéns Gerais [(xi)]	**-**	-	**6,249**	60,029
ICMS TAD [(xii)]	**74**	70	**64,104**	58,236
IOF on loan [(xiii)]	**51,330**	1,911	**51,330**	54,896
Social security contributions [(xiv)]	**-**	-	**45,985**	43,764
PIS/COFINS mutual traffic [(xv)]	**-**	-	**32,967**	41,565
Compensation with credit award [(xvi)]	**-**	-	**41,350**	38,505
PIS/COFINS	**3,585**	-	**7,109**	-
Other	**50,704**	31,514	**214,277**	202,292
	1,241,185	1,098,413	**2,765,465**	3,171,598

(i) 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.

Reduction resulting from a favorable judgment in the CARF, with the cancellation of most of the tax requirements, being changed its classification for remote losses.

(ii) 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.

(iii) The Company was assessed due to the disregard of tax REPORTO benefits (PIS and COFINS suspension), based on the fact that the locomotives and cars purchased in the years 2010 to 2012 were used outside the limits of the port area. Therefore, they were required PIS and COFINS, in addition to the corresponding separate fine of 50% of the value of goods purchased.

(iv) 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) Notice of violation requiring income tax and social contribution for 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.

Addition referring to administrative process from infringement notices issued for the collection of Income Tax ("IRPJ") and Social Contribution on Net Income ("CSLL"), for the years-base 2011, 2012 and 2013, combined with interest on late payments and qualified and isolated fines.

(vi) The state tax authorities assessed the rail concessions for non-taxation of VAT (ICMS) on invoices for the provision of rail freight services for export. All assessments were contested, since there is a favorable position for taxpayers in the higher courts, based on the Federal Constitution and Complementary Law 87/1996.

(vii) 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) Tax assessment against Rumo Intermodal issued by the tax authorities concerning the disallowance of expenses relating to the payment of variable lease installments. The chance of loss is considered possible, since the expense is ordinary and necessary to the company's operations.

Reduction resulting from the definitive success in the process that required IRPJ / CSLL ("lease delara").

(ix) 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.

(x) Tax assessment notice issued by the federal tax authorities not paying social security contribution on the Company's stock option plans offered to its employees, based on the understanding that they had compensation nature for services rendered.

(xi) In 2013, ALL Armazéns Gerais São Paulo branch received a tax assessment from State of São Paulo tax authorities on the grounds that the company was not authorized to operate as a general warehouse in that state. The company appealed at the administrative level. The company is duly registered with the commercial registry with the corporate purpose of general warehouse, as well as being registered in the Federal Revenue Service and state tax authorities. At the time of the release of the state registration, the tax authorities allowed the company's activities, including issuance of invoices.

Reduction resulting from partial success in AIIM case 4038630-2. The remaining amount was kept at the administrative level for judicial discussion.

(xii) 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.

(xiii) Federal tax authorities intend to enforce the incidence of IOF on current accounts held by the parent company with subsidiaries / affiliates (most of the assessment amount). In the opinion of the tax authorities, the use of a general ledger account named advances to related parties without formal agreement characterizes the existence of a current account, that should be charged IOF due according to revolving credit operations regulations. The tax assessments are still being challenged at the administrative level.

(xiv) The federal tax authorities assessed the Rumo Malha Paulista for the nonpayment of social security contributions on certain indemnification labor payments. The probability of loss is considered possible due to the nature of the funds and their not recurring characteristic.

(xv) 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.

Reduction results from favorable decisions at the administrative level (CARF and TIT).

(xvi) Rumo Malha Sul transmitted nineteen declarations of compensation (“DCOMP”) through electronic system PERD/COMP, referring to "premium credit", using credit acquired from third parties (Fibra S.A. Indústria e Comércio and others). These DCOMPs because refer to third party credit and also to "premium credit", according to current legislation, were considered as not declared in a decision making process in the administrative process, with knowledge to the taxpayer on 09/24/2013. So the application of a fine of 75% in compliance with article 18, §4 of Law 10,833/2003. A Tax Enforcement Judgment is awaited (pre-judicial phase).

(b) Civil, regulatory and environmental

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Civil [(i)]	**199,225**	297,854	**1,522,750**	1,513,003
Regulatory [(ii)]	**1,730**	1,193	**543,028**	397,414
Environmental [(iii)]	**935**	2,440	**378,462**	351,915
	201,890	301,487	**2,444,240**	2,262,332

(i) The subsidiaries are parties to various civil lawsuits involving discussions for damages in general, such as collisions in road crossings, rail crossings, traffic accidents, possessory actions, extrajudicial collections and contractual rights and obligations with customers. For the civil claims, management based on the opinion of its legal counsel, assessed the circumstances and recognized provisions for probable losses in amounts deemed sufficient and appropriate, representing at the reporting date, its best estimate of disbursement that may be required to settle the disputes.

(ii) Refers mainly to fines and discussions with ANTT.

(iii) These amounts arise from assessments made by CETESB (SP), IBAMA and Municipal Environmental authorities mostly due to soil and water contamination due to the overflow of products and non-compliance with conditions imposed by operation licenses. Measures are being adopted to reduce the existing liabilities, as well as repairing and prevention measures related to the environment.

(c) Labor

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Labor [(i)]	**132,966**	126,821	**806,131**	712,973
	132,966	126,821	**806,131**	712,973

(i) The Company and its subsidiaries discuss several labor claims filed by former employees and employees of service providers to cover losses that are considered probable. The actions in progress, mostly claims for overtime, night shift, unsanitary and dangerous conditions, any breach of regulatory MTE standards, job reinstatement, compensation for work accidents and reimbursement of payroll discounts, such as confederation dues, union dues and other, recognition of nonstop work shift, standby compensation, salary differences and others.

20 Leases

Finance leases

The Company and its subsidiaries have lease agreements, mainly for railcars and locomotives classified as finance leases.

	December 31, 2017				December 31, 2016
	Less than a year	**Between one and five years**	**More than five years**	**Total**	Total
Future minimum lease payments	**347,939**	**654,484**	**248,437**	**1,250,860**	1,837,441
Rolling stock	321,910	572,759	166,090	1,060,759	1,616,719
Terminal	23,400	78,737	82,347	184,484	207,950
Other	2,629	2,988	-	5,617	12,772
Interest on installment	**(86,595)**	**(172,782)**	**(47,345)**	**(306,722)**	(439,898)
Rolling stock	(72,775)	(137,209)	(31,525)	(241,509)	(358,158)
Terminal	(13,386)	(35,322)	(15,820)	(64,528)	(79,611)
Other	(434)	(251)	-	(685)	(2,129)
Present value of minimum payments	**261,344**	**481,702**	**201,092**	**944,138**	1,397,543
Current				**261,344**	472,632
Non-current				**682,794**	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.

Changes occurred for the year ended December 31, 2017 is as follow:

	Consolidated	
	December 31, 2017	December 31, 2016
At the beginning of the year	**1,397,543**	1,741,701
Additions	**-**	186,248
Interest, monetary and exchange correction	**178,139**	213,313
Repayments of principal from debts	**(348,114)**	(413,267)
Payments of interest from debts	**(283,430)**	(330,452)
At the end of the year	**944,138**	1,397,543

Operating leases

	December 31, 2017				December 31, 2016
	Total future minimum lease payments				
Assets	**Up to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**	Total
Locomotives	565	1,130	-	1,695	2,346
Rail cars	6,758	25,996	5,695	38,449	47,120
Total	**7,323**	**27,126**	**5,695**	**40,144**	49,466

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

21 Lease and concessions

	December 31, 2017			December 31, 2016
	Leases	**Concessions**	**Total**	Total
Amounts payables:				
Rumo Malha Sul	36,136	29,414	**65,550**	73,707
Rumo Malha Paulista	28,726	19,413	**48,139**	52,979
	64,862	**48,827**	**113,689**	126,686
Amounts under judicial discussions:				
Rumo Malha Paulista	1,415,664	119,806	**1,535,470**	1,345,722
Rumo Malha Oeste	1,208,891	75,284	**1,284,175**	1,135,398
	2,624,555	**195,090**	**2,819,645**	2,481,120
Total	**2,689,417**	**243,917**	**2,933,334**	2,607,806
Current			**27,413**	27,662
Non-current			**2,905,921**	2,580,144
			2,933,334	2,607,806

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, 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, 2017 concerning the above claims totaled:

	December 31, 2017	December 31, 2016
Rumo Malha Paulista	**119,806**	118,820
Rumo Malha Oeste	**20,690**	19,464
	140,496	138,284

Judicial deposits are recorded in the line "regulatory" under Note 19.

22 Real estate credit certificates

Terminal	Rate	Maturity	Start date	Parent Company		Consolidated	
				December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Terminal Intermodal de Tatuí-SP	12.38% p.a. - 100% hedge CDI	March 31, 2018	February 29, 2008	**4,806**	31,805	**4,806**	31,805
Terminal de Alto Araguaia-MT	CDI + 2.6% p.a.	November 30, 2018	November 28, 2008	**-**	-	**81,939**	163,940
				4,806	31,805	**86,745**	195,745
Current				**4,806**	26,995	**86,745**	105,422
Non-current				**-**	4,810	**-**	90,323

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

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
13 to 24 months	-	4,810	-	90,323
	-	4,810	-	90,323

23 Equity

a. Common capital

As mentioned in note 1:

- On September 21, 2017, a change in the Company's authorized capital limit was approved, so that the common capital can be increased by up to R$3,000,000 by resolution of the Board of Directors, regardless of statutory reform.

- On October 4, 2017, the Company's capital increase was approved amounting R$2,640,000, as well as its ratification, in the scope of the primary public offering of 220,000,000 registered, book-entry common shares and with no par value, 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 new common capital of the Company amounted 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 Offer began to be traded on B3 on October 6, 2017, and the physical and financial settlement of the shares occurred on October 10, 2017.

The subscribed and fully paid-in capital on December 31, 2017 is R$9,654,897 (R$7,014,897 on December 31, 2016) and is represented by 1,559,015,898 (1,339,015,898 on December 31, 2016) common shares nominative, without nominal value.

b. Capital reserve

Changes of the year are comprised of the transactions with shareholders highlighted below:

- Decrease of R$39,333 related to transaction cost to issuance 220,000,000 registered common shares, with no par value, mentioned in item "a" above;
- Increase of R$5,522 related to stock option transactions.

The Company has a capital reserve on December 31, 2017 amounting R$2,459,859 (R$2,493,670 on December 31, 2016).

c. Other equity

	December 31, 2016	Comprehensive income		December 31, 2017
		Base	**Net**	
Foreign currency translation differences - equity - accounted investee	4,116	1,383	1,383	**5,499**
Defined benefit plan actuarial loss	(1,154)	-	-	**(1,154)**
Attributed cost	3,527	(60)	(60)	**3,467**
Total	6,489	**1,323**	**1,323**	**7,812**

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, 2017 on the operating profit was R$74,416 (R$10,092 on December 31, 2016), recorded as a reduction of the Income Tax and Social Contribution expense of the subsidiary Rumo Malha Norte.

24 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 years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Basic and diluted		
Result of the year	**(260,807)**	(1,063,230)
Denominator:		
Weighted average number of common share	**1,388,576**	2,374,094
Basic and diluted earnings per common share	**(R$0.18782)**	(R$0.44785)

(i) 20,622 shares have an antidilutive effect for the year ended on December 31, 2017 and therefore were not considered in the diluted earnings per share analysis.
(ii) 3,390 shares have an antidilutive effect for the year ended on December 31, 2017 and therefore were not considered in the diluted earnings per share analysis.

Dilutive instruments

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

The Company has stock-based compensation plans, as detailed in note 25, whose instruments (options or restricted shares) would reduce the loss per share in the years presented.

25 Stock option plan

The Company have two active share-based payment plans. The first, "Stock-Grant Plan", provides the granting of shares to the Company's officers and employees. The second, "Stock Option Plan", provides the distribution of stock options to managers and employees of the Company and its subsidiaries. In both cases, there is a right to purchase or to receive shares after the fulfillment of the vesting period of each plan.

The plans have been managed by the Board of Directors, or at its option, by a Committee, within the limits established in the guidelines for the elaboration and structuring of each plan and in the applicable legislation.

1) Stock Grant

On December 21, 2016, a new Stock Option Plan ("Stock Grant") model was approved in the Shareholders' Meeting, which began to be applied in the grants from then on. This model provides for the distribution of up to 3% of the Company's common capital, 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) encourage entrepreneurship 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 Stock Option Plan will be transferred free of charge once the vesting period stipulated under the terms of each Stock Granting Program has been met, the amount adjusted by the number proportional to the dividends paid in the period.

The table below shows the data of the grants made by the Company:

Stock Grants Plans	Lack period (years)	Grant date	Granted shares	Exercised / canceled	Effective on December 31, 2017	Market price on grant date - R$	Fair value on grant date - R$
2015 Plan (i)	5	October 1, 2015	1,522,220	(161,620)	1,360,600	6.10	6.10
2016 Plan	5	January 2, 2017	1,513,180	(152,880)	1,360,300	6.10	6.10
2017 Plan	5	September 1, 2017	870,900	(4,050)	866,850	10.42	10.42
			3,906,300	**(318,550)**	**3,587,750**		

(i) Options originally granted under the Stock Option Plan granted in 2015 (4,485,238 options at the exercise price of R$6.30, to be adjusted by the IPCA until the date of the exercise, single acquisition period 5 years, which may be exercised between October 1, 2020 and 2022, at an estimated fair value of R$2.83 using the "Black and Scholes" model) were replaced by 1,522,220 shares of the Stock Option Plan (additional to the 2016 program), granted on January 2, 2017, which will be delivered by the end of the original program deadline (September 2020).

Given the characteristics of the plan, the fair value equals the value of the share on the grant date.

2) Stock Options

Previous plan (ALL old plan)

With the acquisition of the Company by Rumo Logística, the existing stock option plan based on their existing stock was canceled and assumed by Rumo Logística. With that the fair value of the options existing and assumed by the Company was recalculated on the date of the acquisition on April 1, 2015. The total of 1,478,659 options was assumed by the Company to fair value per option R$0.18 calculated by binomial method. On December 31, 2017, there were 223,825 options in effect, with an average exercise price of R$19.24. During the year ended December 31, 2017, were lost 20,907 options.

The number of options and restricted shares of the Company's programs are as follows:

	***Stock option* ALL**		***Stock grant***
	Number of options	**Average exercise price**	**Number of options**
December 31, 2016	244,732	20.10	1,522,220
Granted	-	-	2,384,080
Canceled	(20,907)	29.40	(318,550)
Exercised	-	-	-
December 31, 2017	**223,825**	19.20	**3,587,750**

In the year ended December 31, 2017, R$5,522 was recognized as expenses related to the appropriation of the Stock Grant Plans.

26 Net operating revenue

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Gross revenue from sales of services	**781,462**	44,769	**6,332,656**	4,718,110
Taxes and deductions over sales of services	**(46,622)**	(4,010)	**(386,307)**	(406,397)
Net revenue	**734,840**	40,759	**5,946,349**	4,311,713

Breakdown of net revenue by service:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Transport	**690,071**	-	**5,534,257**	4,092,229
Elevation	**-**	-	**330,850**	-
Other	**44,769**	40,759	**81,242**	219,484
	734,840	40,759	**5,946,349**	4,311,713

Net operating revenue of the Parent Company and Consolidated for the current year and for the years subsequent to the corporate reorganization mentioned in note 1, are not necessarily comparable with the information presented in previous years.

27 Cost and expenses by nature

The group of expenses is shown in the income statement by function. The reconciliation of income by nature / purpose is detailed as follows:

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Material use in providing service	**(372)**	-	**(150,016)**	(165,849)
Hired labor	**(19,974)**	(5,828)	**(379,408)**	(291,138)
Employee benefit expense	**(31,793)**	-	**(781,695)**	(588,559)
Transportation expenses	**(469,812)**	-	**(1,449,145)**	(1,239,990)
Depreciation and amortization	**(99,169)**	(50,508)	**(1,341,687)**	(1,291,307)
Lease and concessions	**-**	-	**(193,252)**	(193,637)
Operational lease	**-**	-	**(15,234)**	(38,977)
Other expenses	**(10,129)**	(1,029)	**(221,512)**	(212,554)
	(631,249)	(57,365)	**(4,531,949)**	(4,022,011)
Cost of services sold	**(583,115)**	(48,387)	**(4,220,988)**	(3,771,308)
Selling expenses	**-**	-	**(28,846)**	(4,649)
General and administrative expenses	**(48,134)**	(8,978)	**(282,115)**	(246,054)
	(631,249)	(57,365)	**(4,531,949)**	(4,022,011)

Cost and expenses by nature of the Parent Company and Consolidated for the current year and for the years subsequent to the corporate reorganization mentioned in note 1, are not necessarily comparable with the information presented in previous years.

28 Financial result

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Cost of gross debt				
Interest and monetary variation	**(210,138)**	(256,558)	**(1,083,106)**	(759,560)
Net exchange rate changes on debts	**-**	12,926	**(132,753)**	15,362
Result from derivatives and fair value	**-**	(16,914)	**97,594**	(15,519)
Transaction cost amortized from loans	**(571)**	(2,085)	**(37,830)**	(37,231)
Guarantees and warranties about on loans	**(38,929)**	(2,374)	**(129,759)**	(95,812)
	(249,638)	(265,005)	**(1,285,854)**	(892,760)
Cash investment income	**30,848**	276	**219,899**	137,509
	30,848	276	**219,899**	137,509
Cost of debt, net	**(218,790)**	(264,729)	**(1,065,955)**	(755,251)
Interest on other receivables	**290**	976	**10,995**	78,528
Lease and concessions	**-**	-	**(244,198)**	(296,118)
Finance leases	**(322)**	(826)	**(131,185)**	(207,687)
Banking expenses and other	**(2,821)**	(647)	**(68,063)**	(62,050)
Real estate credit certificates	**(2,557)**	(5,975)	**(20,171)**	(39,671)
Interest on contingencies and commercial contracts	**(5,556)**	(756)	**(68,105)**	(103,472)
Other charges and monetary variations	**(3,405)**	(1,402)	**(78,176)**	(67,615)
	(14,371)	(8,630)	**(598,903)**	(698,085)
Finance result, net	**(233,161)**	(273,359)	**(1,664,858)**	(1,453,336)
Financial expenses	**(269,027)**	(269,494)	**(1,896,337)**	(1,670,107)
Financial income	**33,048**	(488)	**258,890**	216,036
Exchange variation	**2,818**	13,537	**(127,508)**	16,254
Derivatives	**-**	(16,914)	**100,097**	(15,519)
Finance result, net	**(233,161)**	(273,359)	**(1,664,858)**	(1,453,336)

Financial result of the Parent Company and Consolidated for the current year and for the years subsequent to the corporate reorganization mentioned in note 1, are not necessarily comparable with the information presented in previous years.

29 Other income (expenses), net

	Parent Company		Consolidated	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Net effect of judicial demands and tax installment	**(18,049)**	(120)	**(55,800)**	(19,372)
Income of port operations	**-**	-	**(1,028)**	-
Rental and leases revenue	**13,440**	-	**2,622**	-
Result on sale of scrap / eventual	**1,813**	744	**41,040**	6,008
Result on disposals of fixed assets and intangible assets	**-**	-	**3,056**	(11,796)
Insurance claims recovery	**-**	-	**22,852**	3,278
Other	**(1,636)**	(136)	**(16,046)**	11,540
	(4,432)	488	**(3,304)**	(10,342)

Other income (expenses) net of the Parent Company and Consolidated for the current year and for the years subsequent to the corporate reorganization mentioned in note 1, are not necessarily comparable with the information presented in previous years.

30 Financial instruments

Financial risk management

Overview

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

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

This note presents information about the 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, 2017	December 31, 2016
Assets		
Fair value through profit or loss		
Marketable securities	**3,152,441**	916,593
Derivate financial instruments	**110,107**	3,669
	3,262,548	920,262
Loans and receivables		
Cash and cash equivalents	**178,004**	260,527
Accounts receivable	**371,718**	431,461
Related parties	**31,260**	28,814
Restricted cash	**225,634**	200,999
	806,616	921,801
Total	**4,069,164**	1,842,063
Liabilities		
Liabilities from amortized cost		
Long-term debts	**7,005,284**	8,523,175
Finance leases	**944,138**	1,397,543
Real estate credit certificates	**86,745**	195,745
Accounts payable - suppliers	**628,596**	564,942
Other financial liabilities	**291,977**	177,569
Related parties	**147,099**	106,710
Dividends payable	**8,506**	6,729
Debt payment in installments	**21,955**	23,709
	9,134,300	10,996,122
Fair value through profit or loss		
Long-term debts	**2,665,662**	-
Derivative financial instruments	**-**	12,303
	2,665,662	12,303
Total	**11,799,962**	11,008,425

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

Structure of risk management

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

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

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

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

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

On December 31, 2017 and 2016, 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, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Interest rate risk				
Swap contracts (interest)	**161,561**	171,606	**2,009**	(8,634)
Swap contracts (interest and exchange)	**2,481,020**	-	**108,098**	-
	2,642,581	171,606	**110,107**	(8,634)
Total financial instruments	**2,642,581**	171,606	**110,107**	(8,634)
Assets			**110,107**	3,669
Liabilities			-	(12,303)

(a) Credit risk

	December 31, 2017	December 31, 2016
Cash and cash equivalents [(i)]	**178,004**	260,527
Marketable securities [(i)]	**3,152,441**	916,593
Restricted cash [(i)]	**225,634**	200,999
Account receivables [(ii)]	**371,718**	431,461
Related parties [(ii)]	**31,260**	28,814
Derivative financial instruments [(i)]	**110,107**	3,669
	4,069,164	1,842,063

(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, 2017 and 2016 is the value recorded, as shown in note 15 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, 2017
AA	488,237
AAA	3,171,762
B	2,007
BB+	4,180
Total	**3,666,186**

(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. Cash Management is centralized, so subsidiaries rely on the Company's financial support.

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

	December 31, 2017					December 31, 2016
	Up to 1 year	**1 to 2 years**	**3 to 5 years**	**Over 5 years**	**Total**	Total
Long-term debt	(2,279,407)	(1,637,411)	(4,776,790)	(4,266,513)	(12,960,121)	(11,975,013)
Accounts payable - suppliers	(628,596)	-	-	-	(628,596)	(564,942)
Other financial liabilities [(i)]	(291,977)	-	-	-	(291,977)	(177,569)
Debt payment in installments	(12,685)	(7,296)	(1,730)	(910)	(22,621)	(25,083)
Finance leases	(418,890)	(299,585)	(442,445)	(282,550)	(1,443,470)	(1,824,890)
Real estate credit certificates	(92,844)	-	-	-	(92,844)	(243,628)
Related parties payable	(147,099)	-	-	-	(147,099)	(106,710)
Dividends payable	(8,506)	-	-	-	(8,506)	(6,729)
Derivate financial instruments	(59,922)	(76,583)	(358,209)	(81,605)	(576,319)	(21,289)
	(3,939,926)	**(2,020,875)**	**(5,579,174)**	**(4,631,578)**	**(16,171,553)**	(14,945,853)

(i) On December 31, 2017, the consolidated balance anticipated by our suppliers with financial institutions was R$291,977 (R$177,569 on December 31, 2016). All these operations were with Banco Itaú at an average interest rate of 8.80% 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.

- **Foreign exchange risk**

On December 31, 2017 and 2016, the Company and its subsidiaries had the following net exposure to exchange rates on assets and liabilities denominated in US Dollars:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	**5,649**	16
Account receivables	**10,903**	-
Advance to suppliers	**-**	58,627
Accounts payable - suppliers	**(13,230)**	(21,707)
Advances from customers	**(6,310)**	-
Long-term debts	**(2,665,662)**	(86,140)
Exchange rate derivatives (*notional*) [(i)]	**2,676,559**	-
Foreign exchange exposure, net	**7,909**	(49,204)

(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, 2017.

Sensitivity analysis of changes in exchange rates:

The probable scenario was defined based on the market rates in US dollars as of December 31, 2017, which determines the fair value of the derivatives at that date. Stressed scenarios (positive and negative effects, before taxes) were defined based on adverse impacts of 25% and 50% on the US dollar exchange rates used in the probable scenario.

Based on the financial instruments denominated in U.S. Dollars at December 31, 2017, the Company 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$/US$)					
	December					**Scenarios**
	31, 2017	**Probable**	**25%**	**50%**	**-25%**	**-50%**
US Dollars	3.3080	3.4000	4.2500	5.1000	2.5500	1.7000

In the probable scenario, the Company uses the U.S. Dollar projected by specialized consulting for December 31, 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	157	1,451	2,903	(1,451)	(2,903)
Accounts receivable	USD fluctuation	306	2,802	5,604	(2,802)	(5,604)
Accounts payable - suppliers	USD fluctuation	(368)	(3,399)	(6,799)	3,399	6,799
Advances from customers	USD fluctuation	(176)	(1,621)	(3,243)	1,621	3,243
Exchange rate derivatives (notional)	USD fluctuation	171,080	794,609	1,589,217	(794,609)	(1,589,217)
Long-term debt	USD fluctuation	(74,136)	(684,949)	(1,369,899)	684,949	1,369,899
Impacts on profit or loss		**96,863**	**108,893**	**217,783**	**(108,893)**	**(217,783)**

- **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.

Sensitivity analysis of changes in interest rates:

The probable scenario considers the Company's projections for interest rates, as follows:

	Probable	**25%**	**50%**	**-25%**	**-50%**
SELIC	6.75%	8.40%	10.10%	5.10%	3.40%
CDI	6.33%	7.90%	9.50%	4.70%	3.20%
TJLP	7.00%	8.80%	10.50%	5.30%	3.50%
IPCA	3.29%	4.10%	4.90%	2.50%	1.60%

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

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:

					December 31, 2017
Exposure interest rate[(i)]	**Probable**	**25%**	**50%**	**-25%**	**-50%**
Cash and cash equivalents	9,815	2,454	4,908	(2,454)	(4,908)
Marketable securities	13,720	3,430	6,860	(3,430)	(6,860)
Restricted cash	10,554	2,638	5,277	(2,638)	(5,277)
Long-term debt	(361,479)	(90,348)	(180,731)	90,348	180,731
Interest rate derivative	110,107	(428,062)	(792,683)	485,910	1,060,464
Real estate credit certificates	(5,185)	(1,296)	(2,593)	1,296	2,593
Finance leases	(36,462)	(9,115)	(18,231)	9,115	18,231
Impacts on profit or loss	**(258,930)**	**(520,299)**	**(977,193)**	**578,147**	**1,244,974**

(i) The rates of CDI and TJLP considered: 6.89% p.a. and 7.00% 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 market value of the Senior Notes Due 2024 is listed on the Luxembourg Stock Exchange is based on their quoted market price on December 31, 2017, of 107.86% 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 15.

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:

	Book value		Assets and liabilities measured at fair value					
			December 31, 2017			December 31, 2016		
	December 31, 2017	December 31, 2016	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets								
Marketable securities	**3,152,441**	916,593	**-**	**3,152,441**	**-**	**-**	916,593	**-**
Derivative financial instruments	**110,107**	3,669	**-**	**110,107**	**-**	**-**	3,669	**-**
Total	**3,262,548**	920,262	**-**	**3,262,548**	**-**	**-**	920,262	**-**
Liabilities								
Long-term debts	**(2,665,662)**	-	**-**	**(2,665,662)**	**-**	**-**	-	**-**
Derivative financial instruments	**-**	(12,303)	**-**	**-**	**-**	**-**	(12,303)	**-**
Total	**(2,665,662)**	(12,303)	**-**	**(2,665,662)**	**-**	**-**	(12,303)	**-**

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)	(103,588)
Fair value	195,823	122,642	318,465
Balance on December 31, 2017	**2,570,622**	**106,091**	**2,676,713**

31 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 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.

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

Year:	**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 (%)	**42.4%**	**-5.7%**	**-37.0%**	**29.0%**
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 (%)	**56.1%**	**23.5%**	**-16.7%**	**46.4%**

Year:	December 31, 2016			
Results by segment	North Operations	South Operations	Container Operations	Consolidated
Net revenue	2,948,613	1,097,700	265,400	4,311,713
Cost of services	(2,177,308)	(1,272,600)	(321,400)	(3,771,308)
Gross profit	771,305	(174,900)	(56,000)	540,405
Gross margin (%)	26.2%	-15.9%	-21.1%	12.5%
Selling, general and administrative	(144,103)	(63,700)	(42,900)	(250,703)
Other income and equity	(10,562)	(7,100)	15,700	(1,962)
Depreciation and amortization	859,840	379,030	52,437	1,291,307
EBITDA	1,476,480	133,330	(30,763)	1,579,047
Margin EBITDA (%)	50.1%	12.1%	-11.6%	36.6%

Main customers

In the North and South segments, a customer contributed individually with a 15% share of the net revenue for the year 2017 with an approximate value of R$ 891,952.

32 Subsequent events

On January 10, 2018, the pricing and placement of debt securities in the international market, Senior Notes due 2025 ("Notes 2025"), issued by subsidiary Rumo Luxembourg, amounting R$1,581,200, maturing in January 2025, coupon of 5.875%, paid semi-annually, and yield of 6.00%. Notes 2025 were rated BB- by Fitch Ratings and B + by Standard & Poor's. The Company will use the net proceeds from this funding as defined in the offer documents. This issue is part of the Company's capital structure management process and has as one of its objectives the diversification of the sources of financing of the Company's investment plan.

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