SOMOS O BRASIL EM MOVIMENTO

Rumo S.A.

Financial statements
December 31, 2019

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Independent Auditor's Report on the Individual and Consolidated Financial Statements

To the Board of Directors and Shareholders of

Rumo S.A.

Curitiba - PR

Opinion

We have audited the individual and consolidated financial statements of Rumo S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2019, 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, 2019, and its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the section "Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements" of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("*Código de Ética Profissional do Contador*") and in the professional standards issued by the Brazilian Federal Accounting Council ("*Conselho Federal de Contabilidade*"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Recoverability of deferred taxes assets - Parent and Consolidated	
See notes 2.2. and 5.14 of the financial statements - Parent and Consolidated	
Key audit matters	**How our audit addressed this matter**
The Company´s subsidiary Rumo Malha Paulista S.A. recognized deferred taxes asset related to temporary differences and tax loss carry-forward, which are considered recoverable based on the generation of future taxable profits. The estimated availability of future taxable profits requires judgment for the projections and interpretation of tax laws. The recoverable amount of the deferred taxes assets recognized may vary significantly if different assumptions are applied to the projection of future taxable profits and to the capacity to use tax loss carry-forward, which may impact the deferred taxes assets recognized in the consolidated financial statements and at the effective tax rate of the period, as may also impact the equity method and consequently the investment recognized in the financial statements of the parent company and the corresponding disclosures. For these reasons, this matter was considered significant for our audit.	We evaluated the key internal controls related to the preparation and review of the projection of future taxable profits, specifically the business plan and budget. We compared the budget approved for the previous year with the actual results incurred in order to confirm the reliability of the projections of future results. With the assistance of our corporate finance specialists, we evaluated the main assumptions used to support the projection of future taxable profits, including (i) expectations of loading related to the production of sugar and grains; (ii) expectation of future freight prices; (iii) availability of transport and port capacity; and (iv) other macroeconomic conditions. Additionally, with the assistance of our tax specialists, we consider the appropriateness of the application of tax laws and tax deductions in calculating the deferred taxes. We also assessed whether the projections indicated sufficient future taxable profits against which the tax loss carry-forward and deductible temporary differences could be used, as well as the adequacy of the disclosures made in the financial statements. Based on the evidence obtained from the procedures described above, we considered that the amount of deferred taxes assets and the corresponding disclosures are acceptable in the context of financial statements taken as a whole, for the year ended December 31, 2019.

Other matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subjected to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement and are consistent with the overall individual and consolidated financial statements taken as a whole.

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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 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. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company and its subsidiaries' financial reporting process.

Auditors' responsibilities for the audit of the individual and consolidated financial statements

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

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

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– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

São Paulo, February 13, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6

José Carlos da Costa Lima Junior
Accountant CRC 1SP243339/O-9

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SOMOS O BRASIL EM MOVIMENTO

Balance sheets
(In thousands of Brazilian Reais - R$)

	Note	Parent Company		Consolidated	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets					
Cash and cash equivalents	5.2	700,706	595	1,963,014	141,527
Marketable securities	5.3	511,725	114,430	1,751,853	2,843,074
Trade receivables	5.4	15,111	15,725	385,563	417,339
Inventories	5.10	1,036	1,030	248,456	263,386
Receivables from related parties	4.3	16,762	107,151	11,670	19,400
Income tax and social contribution recoverable		16,343	5,751	138,005	57,082
Other recoverable taxes	5.9	30,618	7,934	347,316	195,176
Dividends and interest on own capital receivable		674	33,044	644	-
Other assets		9,510	12,164	102,962	137,005
Current		**1,302,485**	**297,824**	**4,949,483**	**4,073,989**
Trade receivables	5.4	5,422	9,099	13,686	20,723
Restricted cash	5.3	3,511	3,416	147,910	115,124
Income tax and social contribution recoverable		-	-	168,089	260,330
Deferred income tax and social contribution	5.14	-	-	1,174,484	1,046,195
Receivables from related parties	4.3	3,326	3,326	36,394	27,675
Other recoverable taxes	5.9	-	-	663,584	796,794
Judicial deposits	5.15	22,806	21,109	415,246	369,490
Derivative financial instruments	5.8	92,795	322	1,624,023	892,461
Other assets		3,974	5,802	31,599	76,631
Investments in subsidiaries and associates	5.11	11,664,792	10,363,142	52,013	44,001
Property, plant and equipment	5.12.1	125,601	133,266	11,770,168	11,916,818
Intangible assets	5.12.2	349,656	388,769	7,375,033	7,493,882
Right-of-use	5.12.3	-	-	4,410,952	-
Non-current		**12,271,883**	**10,928,251**	**27,883,181**	**23,060,124**
Total assets		**13,574,368**	**11,226,075**	**32,832,664**	**27,134,113**

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

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SOMOS O BRASIL EM MOVIMENTO

Balance sheets
(In thousands of Brazilian Reais - R$)

	Note	Parent Company		Consolidated	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Liabilities					
Loans, financing and debentures	5.5	969,054	172,838	1,064,846	924,904
Lease liabilities	5.6	192	342	534,245	120,491
Trade payables	5.7	55,109	44,730	513,325	451,619
Salaries payable		12,065	12,850	216,685	207,397
Current income and social contribution taxes		208	182	7,658	7,733
Other taxes payable	5.13	4,321	6,480	33,726	46,717
Dividends and interest on own capital payable		5,250	5,250	7,146	6,495
Leases and concessions in dispute	5.16	-	-	9,847	28,797
Payables to related parties	4.3	47,895	103,469	139,747	156,169
Deferred income		2,802	2,802	7,601	9,473
Other financial liabilities	3.1	-	-	410,952	337,705
Other payables		9,003	16,332	91,274	175,818
Current		**1,105,899**	**365,275**	**3,037,052**	**2,473,318**
Loans, financing and debentures	5.5	2,222,997	1,348,526	10,654,891	9,669,477
Lease liabilities	5.6	-	171	3,994,895	432,859
Derivative financial instruments	5.8	-	-	482	-
Other taxes payable	5.13	-	-	7,580	3,755
Provision for judicial demands	5.15	48,077	39,871	480,943	514,652
Leases and concessions in dispute	5.16	-	-	3,445,033	3,179,771
Provision for capital deficiency	5.11	1,791,179	1,374,950	-	-
Payables to related parties	4.3	29,925	28,950	-	-
Deferred income tax and social contribution	5.14	-	-	2,490,851	2,436,797
Deferred income		18,912	21,714	48,036	42,044
Other payables		13,103	18,418	58,614	86,817
Non-current		**4,124,193**	**2,832,600**	**21,181,325**	**16,366,172**
Total liabilities		**5,230,092**	**3,197,875**	**24,218,377**	**18,839,490**
Equity	5.17				
Share capital		9,654,897	9,654,897	9,654,897	9,654,897
Capital reserve		2,472,559	2,462,045	2,472,559	2,462,045
Equity valuation adjustments		21,077	18,907	21,077	18,907
Profit reserve		305,728	266,817	305,728	266,817
Accumulated losses		(4,109,985)	(4,374,466)	(4,109,985)	(4,374,466)
		8,344,276	**8,028,200**	**8,344,276**	**8,028,200**
Equity attributable to:					
Owners of the Company		8,344,276	8,028,200	8,344,276	8,028,200
Non-controlling interests	5.11	-	-	270,011	266,423
Total equity		**8,344,276**	**8,028,200**	**8,614,287**	**8,294,623**
Total liabilities and equity		**13,574,368**	**11,226,075**	**32,832,664**	**27,134,113**

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

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SOMOS O BRASIL EM MOVIMENTO

Statements of income

(In thousands of Brazilian Reais - R$)

	Note	Parent Company		Consolidated	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net revenue from services	6.1	596,415	645,088	7,087,840	6,584,936
Cost of services	6.2	(484,314)	(485,171)	(4,608,781)	(4,465,634)
Gross profit		**112,101**	**159,917**	**2,479,059**	**2,119,302**
Selling expenses	6.2	107	(28)	(6,983)	(12,872)
General and administrative expenses	6.2	(25,649)	(35,055)	(356,622)	(300,564)
Other incomes (expenses), net	6.3	11,684	7,037	(24,084)	(65,302)
Operating expenses		**(13,858)**	**(28,046)**	**(387,689)**	**(378,738)**
Result before equity in earnings of investees and net financial results		**98,243**	**131,871**	**2,091,370**	**1,740,564**
Equity income on investments	5.11	847,694	286,849	21,876	10,179
Equity result on investments		**847,694**	**286,849**	**21,876**	**10,179**
Result before financial results and income tax and social contribution		**945,937**	**418,720**	**2,113,246**	**1,750,743**
Financial expenses		(261,996)	(133,110)	(1,871,188)	(1,518,125)
Financial incomes		24,012	15,619	202,532	223,984
Foreign exchange, net		(10,448)	(15,664)	(205,839)	(668,063)
Derivatives		81,723	322	676,368	752,869
Financial results, net	6.4	**(166,709)**	**(132,833)**	**(1,198,127)**	**(1,209,335)**
					-
Results before income tax and social contribution		**779,228**	**285,887**	**915,119**	**541,408**
Income tax and social contribution	5.14				
Current		(991)	(21,530)	(160,787)	(66,843)
Deferred		-	-	31,539	(201,598)
		(991)	**(21,530)**	**(129,248)**	**(268,441)**
Result for the year		**778,237**	**264,357**	**785,871**	**272,967**
Total result attributable to:					
Owners of the Company		778,237	264,357	778,237	264,357
Non-controlling interests		-	-	7,634	8,610
Earning per share from:	6.6				
Basic				R$0.49914	R$0.16955
Diluted				R$0.49768	R$0.16917

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

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SOMOS O BRASIL EM MOVIMENTO

Statements of comprehensive income

(In thousands of Brazilian Reais - R$)

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Result for the year	**778,237**	**264,357**	**785,871**	**272,967**
Items that won't be reclassified to profit and loss				
Actuarial losses with pension plan	(499)	(1,540)	(580)	(1,729)
Taxes on actuarial losses	-	-	81	189
	(499)	**(1,540)**	**(499)**	**(1,540)**
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation adjustment effect	3,215	12,722	3,215	12,722
	3,215	**12,722**	**3,215**	**12,722**
Other comprehensive result, net of income tax and social contribution	**2,716**	**11,182**	**2,716**	**11,182**
Total comprehensive result	**780,953**	**275,539**	**788,587**	**284,149**
Comprehensive result attributable to:				
Owners of the Company	780,953	275,539	780,953	275,539
Non-controlling interest	-	-	7,634	8,610

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

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SOMOS O BRASIL EM MOVIMENTO

Statements of changes in equity

(In thousands of Brazilian Reais - R$)

	Attributable to shareholders of the Company							
	Share capital	**Capital reserve**	**Profit reserve**	**Equity valuation adjustments**	**Retained earnings (loss)**	**Total**	**Non-controlling interest**	**Total equity**
At December 31, 2018	**9,654,897**	**2,462,045**	**266,817**	**18,907**	**(4,374,466)**	**8,028,200**	**266,423**	**8,294,623**
Adjustment on initial application of CPC 06 (R2) / IFRS 16	-	-	-	-	(475,391)	(475,391)	-	(475,391)
At January 1, 2019	**9,654,897**	**2,462,045**	**266,817**	**18,907**	**(4,849,857)**	**7,552,809**	**266,423**	**7,819,232**
Result for the year	-	-	-	-	778,237	778,237	7,634	785,871
Other comprehensive income:								
Foreign currency translation effects	-	-	-	3,215	-	3,215	-	3,215
Actuarial loss on defined benefit plan	-	-	-	(499)	-	(499)	-	(499)
Adjustment of attributed cost in associates	-	-	-	(546)	546	-	-	-
Total comprehensive income, net of taxes	**-**	**-**	**-**	**2,170**	**778,783**	**780,953**	**7,634**	**788,587**
Contributions and distributions to shareholders								
Share-based payment transactions	-	10,617	-	-	-	10,617	88	10,705
Effect of dividend distribution to non-controlling shareholders	-	(103)	-	-	-	(103)	103	-
Legal reserve	-	-	38,911	-	(38,911)	-	-	-
Dividends	-	-	-	-	-	-	(4,237)	(4,237)
Total of contributions and distributions to shareholders	**-**	**10,514**	**38,911**	**-**	**(38,911)**	**10,514**	**(4,046)**	**6,468**
At December 31, 2019	**9,654,897**	**2,472,559**	**305,728**	**21,077**	**(4,109,985)**	**8,344,276**	**270,011**	**8,614,287**

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

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SOMOS O BRASIL EM MOVIMENTO

Statements of changes in equity

(In thousands of Brazilian Reais - R$)

	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Profit reserve	Equity valuation adjustments	Retained earnings (loss)	Total	Non-controlling interest	Total equity
At December 31, 2017	**9,654,897**	**2,459,859**	**253,599**	**7,812**	**(4,624,707)**	**7,751,460**	**267,921**	**8,019,381**
Adjustment on initial application of CPC 48 / IFRS 9	-	-	-	-	(985)	(985)	(3)	(988)
At January 1, 2018	**9,654,897**	**2,459,859**	**253,599**	**7,812**	**(4,625,692)**	**7,750,475**	**267,918**	**8,018,393**
Result for the year	-	-	-	-	264,357	264,357	8,610	272,967
Other comprehensive income:								
Foreign currency translation effects	-	-	-	12,722	-	12,722	-	12,722
Actuarial loss on defined benefit plan	-	-	-	(1,540)	-	(1,540)	-	(1,540)
Adjustment of attributed cost in associates	-	-	-	(87)	87	-	-	-
Total comprehensive income, net of taxes	**-**	**-**	**-**	**11,095**	**264,444**	**275,539**	**8,610**	**284,149**
Contributions and distributions to shareholders								
Share-based payment transactions	-	7,352	-	-	-	7,352	-	7,352
Effect of dividend distribution to non-controlling shareholders	-	(191)	-	-	-	(191)	191	-
Legal reserve	-	-	13,218	-	(13,218)	-	-	-
Dividends	-	-	-	-	-	-	(2,955)	(2,955)
Total of contributions and distributions to shareholders	**-**	**7,161**	**13,218**	**-**	**(13,218)**	**7,161**	**(2,764)**	**4,397**
Transactions with owners of the Company								
Change of shareholding interest in subsidiary	-	(4,975)	-	-	-	(4,975)	(7,341)	(12,316)
Total of transactions with owners of the Company	**-**	**(4,975)**	**-**	**-**	**-**	**(4,975)**	**(7,341)**	**(12,316)**
At December 31, 2018	**9,654,897**	**2,462,045**	**266,817**	**18,907**	**(4,374,466)**	**8,028,200**	**266,423**	**8,294,623**

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

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Statements of cash flows

(In thousands of Brazilian Reais - R$)

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cash flow from operating activities				
Result before income taxes and social contribution	779,228	285,887	915,119	541,408
Adjustments for:				
Depreciation and amortization	102,956	99,801	1,716,182	1,491,306
Equity pick-up from controlled and associated companies	(847,694)	(286,849)	(21,876)	(10,179)
Provision for profit sharing and bonuses	1,482	10,512	119,512	93,153
Result on disposal of fixed and intangible assets	-	-	(4,454)	(29,231)
Provision for legal proceedings	15,907	9,123	73,065	79,283
Loss (gain) due to reduction in the recoverable amount of accounts receivable	(126)	28	(10,836)	(1,939)
Share-based payment transactions	10,472	7,352	10,705	7,352
Lease and concessions	-	-	-	199,405
Extemporaneous tax credits	(13,244)	-	(40,447)	-
Interest, indexation charges and exchange variations, net	158,048	113,691	1,246,499	1,161,542
Other	(9,625)	(2,868)	(90,271)	(31,162)
	197,404	**236,677**	**3,913,198**	**3,500,938**
Changes in:				
Trade receivables	12,357	15,021	135,664	(31,948)
Related parties, net	38,497	13,641	(10,531)	3,143
Other taxes, net	(13,963)	1,236	(130,606)	(130,834)
Inventories	(7)	(526)	13,185	23,704
Salaries payable	(2,267)	(16,858)	(110,100)	(53,063)
Trade payables	7,285	(1,067)	12,344	(206,964)
Lease and concessions payable	-	-	-	(105,848)
Provision for legal proceedings	(26,490)	(8,472)	(145,421)	(101,679)
Other financial liabilities	(73)	-	50,808	14,300
Other assets and liabilities, net	(15,430)	(50,567)	(203,739)	(207,036)
	(91)	**(47,592)**	**(388,396)**	**(796,225)**
Net cash generated by operating activities	**197,313**	**189,085**	**3,524,802**	**2,704,713**
Cash flow from investing activities				
Capital increase in subsidiary	(1,465,809)	(826,421)	-	-
Marketable securities	(389,760)	321,293	1,169,290	467,432
Restricted cash	(96)	(94)	(31,456)	111,664
Reduction of invested capital	10,665	23,000	-	-
Dividends received from controlled and associated companies	921,653	497,627	6,969	6,458
Additions to property, plant and equipment and intangible assets	(6,514)	(8,651)	(1,943,063)	(1,996,746)
Proceeds from the merger of subsidiaries	-	2,410	-	-
Net cash generated (used in) by investing activities	**(929,861)**	**9,164**	**(798,260)**	**(1,411,192)**
Cash flow from financing activities				
Loans, financing and debentures raised	1,663,987	200,000	2,402,347	3,113,130
Repayment of principal on loans, financing and debentures	(174,150)	(333,218)	(1,945,040)	(3,172,817)
Payment of interest on loans, financing and debentures	(47,431)	(48,359)	(645,519)	(724,579)
Repayment of principal on financing leases	(320)	(272)	(416,419)	(384,752)
Payment of interest on financing leases	(57)	(90)	(246,360)	(150,799)
Repayments of principal on real estate receivables certificate	-	(4,898)	-	(91,746)
Payments of interest on real estate receivables certificate	-	(97)	-	(97)
Acquisition of non-controlling interests	-	(12,316)	-	(12,316)
Payment derivative financial instruments	(9,370)	-	(52,767)	(59,583)
Receiving derivative financial instruments	-	666	2,047	30,104
Dividends paid	-	-	(4,233)	(3,346)
Net cash generated (used in) by financing activities	**1,432,659**	**(198,584)**	**(905,944)**	**(1,456,801)**
Impact of exchange variation on cash and cash equivalents	-	-	889	126,803
Increase (decrease) in cash and cash equivalents, net	**700,111**	**(335)**	**1,821,487**	**(36,477)**
Cash and cash equivalents at beginning of the exercise	595	930	141,527	178,004
Cash and cash equivalents at end of the exercise	700,706	595	1,963,014	141,527
Additional information:				
Income tax and social contribution paid	5,815	3,040	31,928	13,423

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

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- **Transactions that did not involve cash**

  Recognition of tax assets related to the exclusion of a sales and service tax that applies to goods, transportation and communication, or "ICMS", from the calculation basis of PIS and COFINS contributions in the amount of R$ 50,367, of which R$ 40,477 are recorded under the heading “Recovery of tax credits” and R$ 9,890 under “Indexing, interest and exchange rates, net”.

  Acquisition of assets with payment in installments of R$ 53,621 on December 31, 2019 (R$ 23,537 on December 31, 2018)

  Registration of rights of use in the amount of R$ 2,916,632 related to new contracts covered by the leasing standard (Note 5.12.3).

- **Presentation of interest and dividends**

  The Company classifies dividends and interest on equity received as cash flow from investment activities, in order to avoid distortions in its operating cash flows due to the cash from these operations.

  Interest, received or paid is classified as cash flow in financing activities, as it considers that they refer to the costs of obtaining financial resources.

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Statements of value added

(In thousands of Brazilian Reais - R$)

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenue				
Sales of products and services net of returns	633,856	689,320	7,473,729	6,988,737
Other operating revenue, net	1,087	4,292	18,613	84,009
Gain (loss) due to reduction in the recoverable amount of accounts receivable	126	(28)	10,836	1,939
	635,069	**693,584**	**7,503,178**	**7,074,685**
Raw materials acquired from third parties				
Cost of services rendered	(453,848)	(456,267)	(2,271,263)	(1,485,577)
Materials, energy, third party services, others	73,502	54,311	(20,635)	(1,048,094)
	(380,346)	**(401,956)**	**(2,291,898)**	**(2,533,671)**
Gross value added	**254,723**	**291,628**	**5,211,280**	**4,541,014**
Retention				
Depreciation and amortization	(102,956)	(99,801)	(1,716,182)	(1,491,306)
	(102,956)	**(99,801)**	**(1,716,182)**	**(1,491,306)**
Net value added	**151,767**	**191,827**	**3,495,098**	**3,049,708**
Value added transferred in				
Equity in subsidiaries and associates	847,694	286,849	21,876	10,179
Rentals received	14,420	13,440	-	-
Financial incomes	24,012	15,619	202,532	223,984
	886,126	**315,908**	**224,408**	**234,163**
Value added to be distributed	**1,037,893**	**507,735**	**3,719,506**	**3,283,871**
Distribution of value added				
Employee and social charges	**23,173**	**24,617**	**806,620**	**754,496**
Remuneration	20,546	22,091	562,447	584,651
Benefits	2,368	2,198	210,998	138,867
Severance Indemnity Fund - FGTS	259	328	33,175	30,978
Taxes and contributions	**42,195**	**68,774**	**608,458**	**460,303**
Federal	40,736	66,980	477,294	350,722
State	373	692	107,794	84,434
Municipal	1,086	1,102	23,370	25,147
Third party capital remuneration	**194,288**	**149,987**	**1,518,557**	**1,796,105**
Interest	190,721	148,452	1,400,659	1,433,319
Leasing	3,567	1,535	117,898	362,786
Equity capital remuneration	**778,237**	**264,357**	**785,871**	**272,967**
Non-controlling interests	-	-	7,634	8,610
Result for the year	778,237	264,357	778,237	264,357
	1,037,893	**507,735**	**3,719,506**	**3,283,871**

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

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1 Company and group information

1.1 Operations

Rumo S.A. ("Company" or “Rumo S.A.”), is a publicly traded Company with its shares traded on B3 S.A. – Brasil, Bolsa, Balcão (“B3”) under the code RAIL3, and its headquarters in the city of Curitiba, State of Paraná, Brazil.

The Company is a service provider in the logistics sector (transportation and elevation), mainly for the export of commodities, offering an integrated solution for transportation, handling, storage and shipping from the production centers to the main ports in the south and southeast of Brazil, and also holds interests in other companies and ventures related to logistic.

The Company operates in the rail transportation segment in Southern Brazil through its subsidiary Rumo Malha Sul S.A. (“Rumo Malha Sul”), and the in Midwest region and State of São Paulo through its subsidiaries Rumo Malha Paulista S.A. (“Rumo Malha Paulista”), Rumo Malha Norte S.A. (“Rumo Malha Norte”) and Rumo Malha Oeste S.A. (“Rumo Malha Oeste”). It will also reach the states of Goiás and Tocantins through the subsidiary Rumo Malha Central S.A. (“Rumo Malha Central”). In addition, the subsidiary Brado Logística e Participações S.A. (“Brado”) operates in the container segment while Elevações Portuárias S.A. (“Elevações Portuárias”) contains terminals for transshipment and terminals for exportation of sugar and grains at the Port of Santos.

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1.2 The concession of railway operations and port terminals

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

Companies	Concession ending	Coverage areas
Subsidiaries		
Elevações Portuárias	March 2036	Port of Santos-SP
Rumo Malha Paulista	December 2028	São Paulo State
Rumo Malha Sul	February 2027	South and São Paulo State
Rumo Malha Oeste	June 2026	Midwest and São Paulo State
Rumo Malha Norte	May 2079	Midwest
Rumo Malha Central	July 2049	North, Midwest and São Paulo State
Portofer	June 2025	Port of Santos-SP
Associates		
Terminal XXXIX	October 2050	Port of Santos-SP
TGG - Terminal de Granéis do Guarujá	August 2027	Port of Santos-SP
Termag - Terminal Marítimo de Guarujá	August 2027	Port of Santos-SP

The above subsidiaries and affiliates are subject to the fulfillment of certain conditions set out in the privatization notices and in the concession contracts for railway networks and port terminals. To the extent that there is no substantive control over who should provide the service and there is no substantive price control, IFRIC 12 / ICPC 01 is not applicable to the Company and therefore the assets acquired by it are treated under IFRS 16 / CPC 06 (R2) - Leases IAS 16 / CPC 27 - Property, plant and equipment.

1.3 Group information

a) Subsidiaries:

The Company's consolidated financial statements include:

	Directly and indirectly subsidiaries	
Subsidiaries	**December 31, 2019**	**December 31, 2018**
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.	99.74%	99.74%
Rumo Malha Central S.A. (i)	100.00%	-
Boswells S.A.	100.00%	100.00%
ALL Argentina S.A.	100.00%	100.00%
Paranaguá S.A.	100.00%	100.00%
ALL Armazéns Gerais Ltda.	100.00%	100.00%
Portofer Ltda.	100.00%	100.00%
Brado Logística e Participações S.A.	62.22%	62.22%
Brado Logística S.A.	62.22%	62.22%
ALL Mesopotâmica S.A.	70.56%	70.56%
ALL Central S.A.	73.55%	73.55%
Servicios de Inversión Logística Integrales S.A	100.00%	100.00%

(i) The Company was constituted on April 16, 2019.

b) Associates:

The Company has a 30% interest in Rhall Terminais Ltda. (30% in 2018), 19.85% at Termag S.A. (19.85% in 2018), 9.92% at TGG S.A. (9.92% in 2018) and 49.62% at Terminal XXXIX S.A. (49.62% in 2018). Management understands that there is significant influence resulting from the participation of the Company's representative on the associate's board.

c) Group control:

The Company is a direct subsidiary of Cosan Logística S.A. (“Cosan Logística”), which holds 28.47% of its capital. The Company's final parent Company is Cosan Limited, listed on the New York Stock Exchange, or “NYSE” (ticker - CZZ).

2 Basis of preparation and general accounting policies

This section provides information on general bases of preparation, which Management deems useful and relevant to the understanding of these financial statements:

2.1 Declaration of conformity

The individual and consolidated financial statements were prepared in accordance with the accounting policies adopted in Brazil, which comprise the Brazilian Corporate Law, the rules of the Securities and Exchange Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC), which comply with international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB).

The relevant information in the financial statements, and only them, are being disclosed and correspond to those used by Management in its management.

The presentation of the Statements of Value Added (DVA), individual and consolidated, is required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies CPC 09 - Statement of Added Value. IFRS does not require the presentation of this statement. As a consequence, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements.

These consolidated financial statements are prepared based on historical cost, unless otherwise stated.

Certain amounts of comparative balances in note 6.2 - “Costs and expenses by nature” and note 6.4 - “Financial result” have been reclassified to improve the level of detail in the disclosures in these individual and consolidated financial statements. These reclassifications had negligible impacts on the Company's individual and consolidated financial statements.

These individual and consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2020.

2.2 General accounting policies

Specific accounting policies are included in the explanatory notes, while general practices are described below:

a) Use of judgments and estimates

The preparation of the financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed and recognized prospectively, when applicable.

Information on critical judgments, assumptions and estimates of uncertainties in the application of accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the individual notes.

Judgments:

The judgments made in the application of accounting policies that, in Management's understanding, have significant effects on the amounts recognized in the financial statements involve the following topics:

- **Note 5.6 - Lease liabilities:** Term of the lease if the Company is reasonably sure of exercising extension options;

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Uncertainties about assumptions and estimates:

The uncertainties related to assumptions and estimates as of December 31, 2019 that have a significant risk of resulting in a material adjustment to the accounting balances of assets and liabilities in the next year involve the following topics:

- **Note 5.4 – Trade receivables:** Measurement of expected credit loss for accounts receivable and contractual assets: main assumptions in determining the weighted average rate of expected loss;
- **Notes 5.12.1 and 5.12.2 - Property, plant, equipment and intangible assets:** Impairment test for intangible assets and goodwill: main assumptions regarding recoverable amounts;

- **Note 5.14 - Income tax and social contribution:** Recognition of deferred tax assets: availability of future taxable income against which deductible temporary differences and tax losses can be used;

- **Note 5.15 - Provision for legal claims:** Recognition and measurement of provisions and contingencies: main assumptions about the probability and magnitude of outflows;

- **Note 6.5 - Share-based payments:** Estimated loss of instruments during the vesting period.

- **Note 2.3 - Fair values:** Measurement of the fair values of financial assets and liabilities based on observable market data.

b) Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil since it is the currency of the primary economic environment in which they operate, generate and consume money. The main functional currencies of subsidiaries located outside Brazil are the U.S. dollar and the Argentinian peso.

Foreign currency transactions are translated into the respective functional currencies of each subsidiary, using the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the presentation date are converted into the functional currency at the exchange rate determined on the presentation date.

Assets and liabilities arising from operations abroad, including goodwill and fair value adjustments resulting from the acquisition, are converted into Brazilian Reais using the exchange rates on the balance sheet date. Income and expenses from operations abroad are converted into Brazilian Reais using the exchange rates on the dates of the transactions.

Foreign currency differences are recognized and presented in other comprehensive income in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the conversion difference is allocated to the interests of non-controlling interests. When an operation abroad is sold or control loss occurs, the amount accumulated in the conversion reserve related to that operation abroad is reclassified to the result as part of the gain or loss on the sale.

The exchange rates of the Brazilian Real (R$) for the functional currencies of its subsidiaries as of December 31, 2019 and 2018 are:

Currency	December 31, 2019	December 31, 2018
U.S. Dollar	4.0307	3.8748
Argentinian Peso	0.0673	0.1029

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2.3 Measurement of fair value

The Company has a control structure established in relation to the measurement of fair values. This includes an assessment team that has overall responsibility for overseeing all significant measurements of fair value, and reports directly to the Board.

Management regularly reviews significant unobservable assumptions and valuation adjustments. If third party information, such as brokerage quotes or pricing services, is used to measure fair values, the treasury assesses evidence obtained from third parties to support the conclusion that these assessments meet the requirements of the Company's policy, including the level of hierarchy.

Significant evaluation issues are reported to the Board. When measuring the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair values are categorized at different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** The entries represent unadjusted quoted prices for identical instruments exchanged in active markets.

- **Level 2**: Inputs include data that can be observed directly or indirectly (except for Level 1), such as prices quoted for similar financial instruments traded in active markets, prices quoted for identical or similar financial instruments exchanged in inactive markets and other observable market data. The fair value of the majority of the Company's investments in securities, derivative contracts and securities.

- **Level 3:** Inputs for the asset or liability that is not based on observable market data (unobservable inputs). Management is required to use its own assumptions about unobservable inputs, as there is little market activity in these instruments or related observable data that can be corroborated on the measurement date.

  All estimates resulting from the Company's fair value are included in level 2.

If the data used to measure the fair value of an asset or liability falls at different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety at the level of the fair value hierarchy with more subjectivity.

Additional information on the assumptions used to measure fair values is included in the following notes:

i. **6.5** - Share-based payment transactions;
ii. **5.8** - Derivative financial instruments.

The fair value of the Senior Notes is quoted on the Luxembourg Stock Exchange and is based on the quoted market price as follows:

Loans	Company	December 31, 2019	December 31, 2018
Senior Notes Due 2024	Rumo Luxembourg	107.90%	104.27 %
Senior Notes Due 2025	Rumo Luxembourg	107.27%	94.94 %

The book values and fair value of financial assets and liabilities are as follows:

	Book value		Assets and liabilities measured at fair value	
			December 31, 2019	December 31, 2018
	December 31, 2019	December 31, 2018	Level 2	Level 2
Assets				
Marketable securities	1,751,853	2,843,074	1,751,853	2,843,074
Derivative financial instruments	1,624,023	892,461	1,624,023	892,461
Total	**3,375,876**	**3,735,535**	**3,375,876**	**3,735,535**
Liabilities				
Derivative financial instruments	(482)	-	(482)	-
Loans, financing and debentures	(7,036,181)	(5,268,947)	(7,036,181)	(5,268,947)
Total	**(7,036,663)**	**(5,268,947)**	**(7,036,663)**	**(5,268,947)**

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2.4 Significant changes in accounting policies

The Company initially adopted CPC 06 (R2) / IFRS 16 on January 1, 2019. Other new standards are effective as of this date, but do not materially affect the Company's financial statements.

CPC 06 (R2) / IFRS 16 - Leasing Operations

CPC 06 (R2) / IFRS 16 introduced a single model of accounting for leases in the balance sheet of lessees. As a result, the Company, as a lessee, recognized the right-of-use assets that represent its rights to use the underlying assets and the lease liabilities that represent its obligation to make lease payments. Lessor's accounting remains similar to previous accounting policies (the Company has no relevant transactions as lessor).

The Company opted to use the modified retrospective approach, in which the cumulative effect of the initial adoption is recognized as an adjustment to the opening balance of the accumulated results on January 1, 2019. Therefore, the comparative information presented for 2018 has not been restated - or that is, it is presented as previously reported in accordance with CPC 06 / IAS 17 and related interpretations. Details of changes in accounting policies are disclosed below:

(i) In the definition of lease

Previously, the Company determined, at the beginning of the contract, whether it was or contained a lease under ICPC 03 / IFRIC 4 - Complementary Aspects of Leasing Operations. The Company now assesses whether a contract is or contains a lease based on the new lease definition. According to CPC 06 (R2) / IFRS 16, a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

In the transition to CPC 06 (R2) / IFRS 16, the Company chose to apply the practical expedient of maintaining the assessment of which transactions are leases, to which CPC 06 (R2) / IFRS 16 applied. Contracts that were not identified as leases in accordance with CPC 06 (R1) / IAS 17 and ICPC 03 / IFRIC 4 have not been revalued. Therefore, the new definition of lease in accordance with CPC 06 (R2) / IFRS 16 was applied only to contracts entered into or amended on or after January 1, 2019.

(ii) In the treatment as lessee

The Company leases assets, including real estate, railway, port infrastructure, rolling stock (locomotives and wagons), vehicles and IT equipment. As a lessee, the Company previously classified operating or financial leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. In accordance with CPC 06 (R2) / IFRS 16, the Company recognizes the right to use assets and liabilities for most leases - that is, these leases are recorded in the balance sheet.

At the beginning or in the revaluation of a contract that contains a lease component, the Company allocates the consideration of the contract to each lease and non-lease component based on its individual prices.

However, the Company chose not to recognize the right-of-use assets and lease liabilities for some leases of low value assets (for example, IT equipment). The Company recognizes payments associated with these leases as an expense using the straight-line method over the lease term.

The Company presents the book values of the right-of-use assets (including assets previously classified as finance leases) in a specific line in the balance sheet called “Right of use”. Likewise, it records the liabilities in a separate account called “Lease liabilities”.

(iii) Significant accounting policy

The Company recognizes a right-of-use asset and a lease liability on the lease start date. The right-to-use asset is initially measured at cost and subsequently at cost less any accumulated amortization and impairment losses, and adjusted by certain measurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that were not paid on the start date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined immediately, the Company's incremental loan rate.

The Company applied judgment to determine the lease term for some contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise these options has an impact on the lease term, which significantly affects the value of the lease liabilities and recognized right-of-use assets. Extension and termination options are included in several lease agreements across the Company. These terms are used to maximize operational flexibility in terms of contract management. Most options for extension and termination are exercisable by both participants (lessor and lessee).

(iv) Transition

Previously, the Company did not grant railroad, port and rolling stock infrastructure concession contracts the same treatment as operating leases in accordance with CPC 06 / IAS 17. Some contracts are adjusted by inflationary indices such as IGP-M or IPCA.

Lease liabilities were measured at the present value of the remaining payments, discounted at the Company's incremental loan rate on January 1, 2019. Right-of-use assets are measured:

- At book value as if CPC 06 (R2) / IFRS 16 had been applied since the start date, discounted by the lessee's incremental loan rate on the date of initial application - the Company applied this approach to its rail infrastructure leases, port and rolling stock; or

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- At the amount equivalent to the lease liability, adjusted by the amount of any advance or accumulated payment of the lease - the Company applied this approach to all other leases.

The Company used the following practical expedients when applying CPC 06 (R2) / IFRS 16 to leases previously classified as operating leases in accordance with CPC 06 / IAS 17:

- Applied the exemption for not recognizing right-of-use assets and liabilities for leases with less than 12 months.

- Excluded the initial direct costs of measuring the right-of-use asset on the date of initial application.

- Used delayed perception when determining the lease term, if the contract contained options to extend or terminate the lease.

Leases previously classified and recorded as finance lease in accordance with CPC 06 (R1) / IAS 17 had the book value of the right to use the asset and the lease liability on January 1, 2019 determined by the book value of the lease asset and liability immediately before that date.

(v) Impact on financial statements

In the transition to CPC 06 (R2) / IFRS 16, the Company recognized additional use rights assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on the transition is summarized below:

	Consolidated January 1, 2019
Non-current assets	
Right-of-use assets	954,555
Provision for impairment	(131,541)
Deferred income tax and social contribution	41,709
Total non-current assets	**864,723**
Total assets	**864,723**
Current liabilities	
Lease liabilities	59,318
Total current liabilities	**59,318**
Non-current liabilities	
Lease liabilities	1,332,389
Leasing and concession	(51,593)
Total non-current liabilities	**1,280,796**
Total liabilities	**1,340,114**
Shareholders' equity	
Accumulated losses	(475,391)
Total shareholders' equity	**(475,391)**
Total liabilities and shareholders' equity	**864,723**

When measuring lease liabilities for those leases previously classified as operating leases, the Company discounted lease payments using its incremental loan rate on January 1, 2019. The weighted average rate applied was 12.70%.

In addition to recording the additional assets and liabilities highlighted in the previous table, the Company reclassified: R$ 861,595 of fixed assets (residual value of the right to use assets previously recorded as finance leases) and R$ 50,167 of other assets (unappropriated operating leases) paid in advance, which includes the costs of the respective usage rights).

Interpretation ICPC 22 / IFRIC 23 - Uncertainty about the Treatment of Income Tax

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of CPC 32 / IAS 12 and does not apply to taxes or fees outside the scope of CPC 32 / IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain treatment taxes.

The Company is subject to examination by the tax authorities, with the five fiscal years generally open. The Company has inspections in progress at various stages of completion, one of which may be completed within the next 12 months. However, at this time, the Company has no uncertainties regarding the treatment of income tax.

There were no identified effects of adopting the ICPC 22 / IFRIC 23 interpretation that would affect the Company's accounting policies and these financial statements.

2.5 New standards and interpretations not yet effective

Certain new rules and changes to the rules will be effective for annual periods beginning after January 1, 2020 and early application is permitted; however, the Company has not previously adopted the following new standards or changes to the standards in the preparation of these consolidated financial statements:

- Changes in references to the conceptual framework in IFRS standards;
- Definition of a business (changes to CPC 15 / IFRS 3);
- Definition of materiality (amendments to CPC 26 / IAS 1 and CPC 23 / IAS 8);
- IFRS 17 Insurance contracts.

The amended standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

3 Business, operations and management of the Company

3.1 Objectives and policies for risk management of financial instruments

This note explains the Company's exposure to financial risks and how these risks may affect the group's future financial performance. Information on profit and loss for the year was included, when relevant to the context.

Risk	Exposure arising from:	Measurement	Management
Market risk – foreign exchange	(i) Future commercial transactions. (ii) Financial assets and liabilities recognized not denominated in Brazilian Reais.	(i) Future cash flow (ii) Sensitivity analysis	Foreign currency
Market risk - interest	Cash and cash equivalents, securities, restricted cash, loans and debentures, leases, derivative financial instruments and real state credit	(iii) Sensitivity analysis	Interest rate swap
Credit risk	Cash and cash equivalents, marketable securities, restricted cash, accounts receivable, derivatives, accounts receivable from related parties and dividends.	(i) Analysis by maturity (ii) Credit ratings	Cash and credit lines
Liquidity risk	Loans, borrowings and debentures, accounts payable to suppliers, other financial liabilities, REFIS, leases, derivatives, real state credit certificates, accounts payable to related parties and dividends.	Future cash flow	Cash and credit lines

The Company's risk management is predominantly controlled by a central Treasury department under policies approved by the Board of Directors, which provides principles for global risk management, as well as policies that cover specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and excess liquidity investment. It is the Company's policy not to participate in any derivative transactions for speculative purposes.

When all relevant criteria are met, hedge accounting is applied to eliminate the mismatch between the hedge instrument and the covered item.

The Company's policy is to maintain a robust capital base to promote the confidence of investors, creditors and the market, and to guarantee the future development of the business.

The use of financial instruments to hedge against areas of volatility is determined through an analysis of the exposure to risk that Management intends to cover.

a) Market risk

The objective of market risk management is to keep exposures to market risk within acceptable parameters, optimizing the return.

The Company uses derivatives to manage market risks. All transactions are carried out within the guidelines established by the risk management policy. The Company generally seeks to apply hedge accounting to manage volatility in profits or losses.

i. Foreign exchange risk

On December 31, 2019 and 2018, the Company had the following net exposure to the exchange rate variation of assets and liabilities denominated in foreign currency:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	11,884	16,034
Trade receivables	11,372	20,354
Trade payables - suppliers	(6,639)	(26,168)
Loans, financing and debentures	(5,798,048)	(5,178,357)
Exchange rate derivatives (notional) (i)	5,845,793	5,162,858
Lease liabilities	(65,348)	-
	(986)	**(5,279)**

(i) These balances are equivalent to the notional amount in U.S. Dollars and Euro converted to R$ at the rate of December 31, 2019.

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Based on financial instruments denominated in U.S. Dollars and euros, as of December 31, 2019, in the probable scenario, the Company sensitized the positive or negative effect on the result, before taxes, resulting from a reasonably possible strengthening (weakening) of the Brazilian Real against foreign currencies. The scenarios with an increase and decrease in exchange rates (R$ / US $ and R$ / E$) of 25% and 50% present the incremental effect in relation to the probable scenario as follows:

Instrument	Risk factor	Probable	25%	50%	-25%	-50%
Cash and cash equivalents	Exchange fluctuation	(82)	2,950	5,901	(2,950)	(5,901)
Trade receivables	Exchange fluctuation	(79)	2,823	5,647	(2,823)	(5,647)
Suppliers	Exchange fluctuation	46	(1,648)	(3,297)	1,648	3,297
Exchange rate derivatives (notional)	Exchange fluctuation	(40,745)	1,451,262	2,902,523	(1,451,262)	(2,902,523)
Loans, financing and debentures	Exchange fluctuation	40,415	(1,439,409)	(2,878,816)	1,439,409	2,878,816
Lease liabilities	Exchange fluctuation	452	(16,224)	(32,448)	16,224	32,448
Impacts on result of the year		**7**	**(246)**	**(490)**	**246**	**490**

The probable scenario uses the U.S. Dollar and euro projected by a specialized consultancy for December 31, 2020. Stressed scenarios were defined by applying variations (positive and negative) of 25% and 50% in the exchange rates used in the probable scenario:

		Scenario				
	December 31, 2019	**Probable**	**25%**	**50%**	**-25%**	**-50%**
U.S. Dollar	4.0307	4.0028	5.0035	6.0042	3.0021	2.0014
Euro	4.5305	4.4831	5.6039	6.7247	3.3623	2.2416

ii. Interest rate risk

The Company and its subsidiaries have financial instruments that are subject to interest rates, which are largely variable, which exposes the financial result to the risks of interest rate fluctuations.

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The sensitivity analysis below shows in the probable scenario the projected annual impact on interest expenses on loans and financing and on the remuneration of financial investments (before taxes), keeping the other variables. The scenarios with an increase and decrease in interest rates of 25% and 50% present the incremental effect in relation to the probable scenario:

	December 31, 2019				
Exposure interest rate [(i)]	**Probable**	**25%**	**50%**	**-25%**	**-50%**
Financial investments	86,373	21,593	43,186	(21,593)	(43,186)
Marketable securities	77,082	19,270	38,541	(19,270)	(38,541)
Restricted cash	6,508	1,627	3,254	(1,627)	(3,254)
Loans, financing and debentures	(772,418)	317,719	670,674	(317,719)	(670,674)
Interest rate derivative	-	(669,466)	(1,182,291)	669,466	1,182,291
Lease liabilities	(486,172)	(2,636)	(5,272)	2,636	5,272
Other financial liabilities	(167,605)	(41,901)	(83,803)	41,901	83,803
Impacts on result of the year	**(1,256,232)**	**(353,794)**	**(515,711)**	**353,794**	**515,711**

(i) The CDI and TJLP indexes consider: 4.40% p.a. and 4.57% p.a., respectively, were shown using information made available by the market.

The probable scenario considers the estimated interest rate, made by a specialized third party and the Central Bank of Brazil, or BACEN, as follows:

	Probable	**25%**	**50%**	**-25%**	**-50%**
SELIC	4.40%	5.50%	6.60%	3.30%	2.20%
CDI	4.40%	5.50%	6.60%	3.30%	2.20%
TJLP	4.90%	6.13%	7.35%	3.68%	2.45%
IPCA	3.60%	4.50%	5.40%	2.70%	1.80%

b) Credit risk

The Company's regular operations expose to potential defaults when customers, suppliers and counterparties fail to meet their financial or other commitments. The Company seeks to mitigate this risk by carrying out transactions with a diverse set of counterparties. However, the Company remains subject to unexpected financial failures by third parties that could interrupt its operations. The exposure to credit risk was as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents [(i)]	1,963,014	141,527
Marketable securities [(i)]	1,751,853	2,843,074
Restricted cash [(i)]	147,910	115,124
Trade receivables [(ii)]	399,249	438,062
Receivables from related parties [(ii)]	48,064	47,075
Derivative financial instruments	1,623,541	892,461
	5,933,631	**4,477,323**

(i) The credit risk of balances with banks and financial institutions is managed by the Company's Treasury in accordance with the established policy. The excess resources are invested only in approved counterparties and within the limit established for each one. The credit limit of counterparties is reviewed annually and can be updated throughout the year. These limits are established in order to minimize the concentration of risks and, thus, mitigate the financial loss in the event of the potential bankruptcy of a counterparty. The Company's maximum exposure to credit risk in relation to the balance sheet components on December 31, 2019 and December 31, 2018 is the amount recorded.

(ii) The client's credit risk is managed centrally by each business segment, being subject to the procedures, controls and policy established by the Company in relation to this risk. Credit limits are established for all customers based on internal classification criteria. The customer's credit quality is assessed based on an extensive internal credit rating procedure. Receivables from open customers are monitored frequently. The need for a provision for impairment is analyzed at each date reported on an individual basis for the main customers. In addition, a large number of accounts receivable with smaller balances are grouped into homogeneous groups and, in these cases, the recoverable loss is assessed collectively. The calculation is based on effective historical data.

The Company is exposed to risks related to its cash management and temporary investment activities.

Net assets are mainly invested in government securities and other investments in banks with a minimum grade of “A”. The credit risk of balances with banks and financial institutions is managed by the treasury department, in accordance with the Company's policy.

Excess fund investments are made only with approved counterparties and within the credit limits assigned to each counterparty. Counterparty credit limits are reviewed annually and may be updated throughout the year. The limits are defined to minimize the concentration of risks and, therefore, mitigate the financial loss through the failure of the counterparty to make payments. The credit risk of cash and cash equivalents, marketable securities, restricted cash and derivative financial instruments is determined by rating agencies widely accepted by the market and are arranged as follows:

	December 31, 2019
AA	1,335,746
AAA	4,150,572
Total	**5,486,318**

Customer credit risk is managed centrally by each business segment, subject to the procedures, controls and policy established by the Company in relation to this risk. Credit limits are established for all customers based on internal classification criteria. Receivables from open customers are monitored frequently.

The need for a provision for impairment is analyzed at each date reported on an individual basis for the main customers. In addition, a large number of accounts receivable with smaller balances are grouped into homogeneous groups and, in these cases, the recoverable loss is assessed collectively. The calculation is based on effective historical data.

c) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries find it difficult to comply with the obligations associated with their financial liabilities that are settled with cash payments or with another financial asset. The approach of the Company and its subsidiaries in managing liquidity is to ensure, as much as possible, that there is always a level of liquidity sufficient to comply with falling due obligations, under normal and stress conditions, without causing unacceptable losses or with the risk of damaging the reputation of the Company and its subsidiaries.

The Company's financial liabilities classified by maturity date (based on contracted undiscounted cash flows) are as follows:

	December 31, 2019					December 31, 2018
	Up to 1 year	1 - 2 years	3 - 5 years	More than 5 years	Total	Total
Loans, financing and debentures	(1,659,598)	(1,389,158)	(6,815,179)	(7,775,110)	**(17,639,045)**	**(13,535,036)**
Trade payables - suppliers	(513,325)	-	-	-	**(513,325)**	**(451,619)**
Other financial liabilities [(i)]	(410,952)	-	-	-	**(410,952)**	**(337,705)**
Tax installments	(3,423)	(2,256)	(4,439)	(1,352)	**(11,470)**	**(11,059)**
Lease liabilities	(733,920)	(684,787)	(2,051,939)	(8,148,658)	**(11,619,304)**	**(837,662)**
Payables to related parties	(139,747)	-	-	-	**(139,747)**	**(156,169)**
Dividends payable	(7,146)	-	-	-	**(7,146)**	**(6,495)**
Derivative financial instruments	88,923	48,630	783,874	702,115	**1,623,542**	**846,452**
	(3,379,188)	**(2,027,571)**	**(8,087,683)**	**(15,223,005)**	**(28,717,447)**	**(14,489,293)**

(i) On December 31, 2019, the consolidated balance anticipated by our suppliers with financial institutions was R$ 410,952 (R$ 337,705 on December 31, 2018). These operations had Banco Itaú and Banco Bradesco as counterparty, at an average rate of 6.33% p.a. The average term of these operations, which are recorded at present value at the rate previously mentioned, is 3 months.

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3.2 Segment information

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

Operating segments

The Company's management is structured in four segments:

(i) Northern Operations: comprised of railway, highway, transshipment and port elevation operations in the Company's concession areas, Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista.

(ii) Southern Operations: composed of railway operations and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Oeste.

(iii) Central Operations: composed of railway operations and transshipment in the concession area of Rumo Malha Central.

(iv) Container Operations: composed of the Group´s Company that focuses on container logistics, whether by rail or road transport and the results of container operations on the networks.

The segment information was prepared in accordance with the same accounting practices used in the preparation of the consolidated information.

Exercise:	December 31, 2019					December 31, 2018			
Results by segment	**North Operations**	**South Operations**	**Central Operations**	**Container Operations**	**Consolidated**	**North Operations**	**South Operations**	**Container Operations**	**Consolidated**
Net revenue	5,313,730	1,478,314	-	295,796	7,087,840	4,913,436	1,412,300	259,200	6,584,935
Cost of services	(2,850,692)	(1,442,320)	-	(315,769)	(4,608,781)	(2,743,494)	(1,421,040)	(301,100)	(4,465,634)
Gross profit	**2,463,038**	**35,994**	**-**	**(19,973)**	**2,479,059**	**2,169,942**	**(8,740)**	**(41,900)**	**2,119,302**
Gross margin (%)	**46.35%**	**2.43%**	**0.00%**	**-6.75%**	**34.98%**	**44.16%**	**-0.62%**	**-16.17%**	**32.18%**
Selling, general and administrative expenses	(240,259)	(58,256)	(27,370)	(37,719)	(363,604)	(222,536)	(62,800)	(28,100)	(313,436)
Other operational income (expenses) and equity	24,830	4,244	(40,545)	9,263	(2,208)	26,375	(96,600)	15,102	(55,123)
Depreciation and amortization	1,026,112	571,461	40,545	78,064	1,716,182	947,706	415,352	55,800	1,418,859
EBITDA	**3,273,721**	**553,443**	**(27,370)**	**29,635**	**3,829,429**	**2,921,487**	**247,213**	**902**	**3,169,601**
Margin EBITDA (%)	**61.61%**	**37.44%**	**0.00%**	**10.02%**	**54.03%**	**59.46%**	**17.50%**	**0.35%**	**48.13%**
Impairment	-	-	-	-	-	-	72,448	-	72,448
EBITDA adjusted	**3,273,721**	**553,443**	**(27,370)**	**29,635**	**3,829,429**	**2,921,487**	**319,661**	**902**	**3,242,049**
Margin EBITDA adjusted (%)	**61.61%**	**37.44%**	**0.00%**	**10.02%**	**54.03%**	**59.46%**	**22.63%**	**0.35%**	**49.23%**

Main customers

The Company has a client that individually contributed with a share of 10.91%, of net operating revenue in 2019 with an approximate amount of R$ 773,286. In 2018, the same client contributed 13.9% of net revenue, with an approximate value of R$ 912,943.

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4 Transactions and significant events

4.1 Obtaining the Malha Central concession

On March 28, 2019, the Company won the International Competition (Bidding) of the north-south railroad, through an economic proposal in the amount of R$ 2,719,530, conducted by the National Ground Transportation Agency ("ANTT"), which its scope is the sub-concession of the public rail freight service associated with the exploration of the infrastructure of the railway network located between Porto Nacional / TO and Estrela d´Oeste / SP, in the stretches between (i) Porto Nacional / TO and Anápolis / GO; and (ii) Ouro Verde de Goiás / GO and Estrela d´Oeste / SP. The concession contract guarantees the right to operate the railway network for a period of 30 years, counting from the date of signature on July 31, 2019.

The Company constituted a SPE - Special Purpose Company - through the subsidiary Rumo Malha Central (Note 5.11), in which it recorded the initial effects of the sub-concession contract. Substantially the grant / right of use and the corresponding liability (Notes 5.6 and 5.12.3). Future investments in railway infrastructure, provided for in the contract, will be recorded as improvements in third party assets when they are made.

4.2 Incorporation of Brado Holding

On April 20, 2018, the merger of Brado Holding S.A., of Rumo Malha Norte Holding Ltda. and ALL Serviços Ltda. by the Company, so that the merged companies were extinguished and the Company succeeded the merged companies. This operation serves the interests of the parties and their shareholders, generating advantages for the parties and their shareholders, by providing administrative efficiency, as well as a reduction in operating costs. Additionally, was approved the merger of PGT S.A. into ALL Armazéns Gerais Ltda.

4.3 Related parties

Accounting policy:

Commercial, financial and corporate transactions involving related parties are preferably carried out at market prices and carried out in accordance with established contracts. Outstanding balances at the end of the year are not guaranteed, nor are they subject to interest and are settled in cash. There were no guarantees given or received on any accounts receivable or payable involving related parties. At the end of each period, an analysis of the recovery of amounts and receivables is carried out and in this year no provision was recognized.

a) Summary of balance with related parties

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Current assets				
Commercial operations				
Cosan S.A.	282	282	377	382
Rumo Malha Norte S.A.	6,295	10,953	-	-
Rumo Malha Paulista S.A.	1,457	77,131	-	-
Rumo Malha Sul S.A.	7	1,109	-	-
Rumo Malha Central S.A.	3,510	-	-	-
Raízen Combustíveis S.A.	149	149	4,950	4,213
Raízen Energia S.A.	1,987	7,651	6,103	14,226
Brado Logística S.A	87	1,179	-	-
Elevações Portuárias S.A.	2,474	5,046	-	-
Other	514	3,651	240	579
	16,762	**107,151**	**11,670**	**19,400**
Non-current assets				
Commercial operations				
Raízen Combustíveis S.A.	-	-	36,243	27,523
	-	**-**	**36,243**	**27,523**
Financial operations				
Other	3,326	3,326	151	152
	3,326	**3,326**	**151**	**152**
	3,326	**3,326**	**36,394**	**27,675**
Total	**20,088**	**110,477**	**48,064**	**47,075**

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	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Current liabilities				
Commercial operations				
Rumo Malha Norte S.A.	5,164	5,311	-	-
Rumo Malha Sul S.A.	1	10,592	-	-
Rumo Malha Paulista S.A.	34,175	74,953	-	-
Rumo Malha Oeste S.A.	857	1,658	-	-
Raízen Combustíveis S.A.	1	1	115,387	126,318
Raízen Energia S.A.	5,698	5,552	15,336	18,948
Cosan S.A.	504	1,180	3,068	2,370
Cosan Lubrificantes e Especialidades S.A.	356	353	4,104	4,675
Logispot Armazéns Gerais S.A.	126	127	-	-
Elevações Portuárias S.A.	1	4	-	-
Other	1,012	3,738	1,852	3,858
	47,895	**103,469**	**139,747**	**156,169**
Non-current liabilities				
Commercial operations				
Boswells	25,192	24,218	-	-
Other	4,733	4,732	-	-
	29,925	**28,950**	**-**	**-**
Total	**77,820**	**132,419**	**139,747**	**156,169**

b) Transactions with related parties

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Operating income				
Raízen Energia S.A. (i)	185,333	208,518	275,597	283,485
Raízen Combustíveis S.A. (ii)	-	-	181,565	158,471
Rumo Malha Norte S.A.	15,870	12,000	-	-
Rumo Malha Paulista S.A. (iii)	227,982	259,838	-	-
Elevações Portuárias S.A.	14,420	10,080	-	-
Other	-	2,461	7,043	15,288
	443,605	**492,897**	**464,205**	**457,244**
Purchases of products / inputs				
Raízen Combustíveis S.A. (iv)	(2,000)	-	(1,240,729)	(1,205,201)
Logispot Armazéns Gerais S.A.	-	(1,943)	-	-
Rumo Malha Paulista S.A. (v)	(96,179)	(108,178)	-	-
Cosan Lubrificantes e Especialidades S.A. (vi)	(25)	(7)	(36,375)	(39,531)
Other	-	-	(445)	-
	(98,204)	**(110,128)**	**(1,277,549)**	**(1,244,732)**
Shared expenses				
Cosan S.A. (vii)	(5,450)	(4,535)	(5,554)	(10,966)
Elevações Portuárias S.A.	1,018	668	-	-
Rumo Malha Oeste S.A.	764	571	-	-
Rumo Malha Paulista S.A.	4,383	4,871	-	-
Rumo Malha Sul S.A.	97	(4,409)	-	-
Rumo Malha Norte S.A.	4,297	15,022	-	-
Raízen Energia S.A.	(2,003)	(1,524)	(25,707)	(27,411)
	3,106	**10,664**	**(31,261)**	**(38,377)**
Financial result				
Elevações Portuárias S.A.	-	1,785	-	-
Rumo Luxembourg Sarl	-	(2,327)	-	-
Rumo Malha Norte S.A.	(52,540)	(51,691)	-	-
Other	(974)	(3,250)	(5)	15
	(53,514)	**(55,483)**	**(5)**	**15**

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(i) The provision of services in the year ended December 31, 2019 and 2018 for Raízen Energia and its subsidiaries refers mainly to transportation, storage and port elevation, contracted under exclusive conditions, which provides the customer with a transportation service with price linked to SIFRECA and lifting services with price equivalent to the lowest tariff practiced with third parties. The payment term is similar to the Company's other customers.

(ii) Provision of fuel transportation services for the year ended December 31, 2019 and 2018 for Raízen Combustíveis and its subsidiaries (original contract occurred before the control relationship with the railway operations existed).

(iii) Remuneration for investment in assets related to the contract for the provision of rail sugar transportation services with Rumo Malha Paulista (see item v).

(iv) Acquisition of fuels (diesel for use in locomotives) during the years ended December 31, 2019 and 2018 from Raízen Combustíveis and its subsidiaries, under conditions determined in the contracting process open to competitors.

(v) Rail transportation service provided by Rumo Malha Paulista. The service contract involved investments made by the Company in railway assets of Rumo Malha Paulista (original contract occurred before the control relationship with the railway operations existed).

(vi) Acquisition of lubricants in the years ended December 31, 2019 and 2018 from Cosan Lubrificantes, under conditions determined in the contracting process open to competitors.

(vii) Refer to corporate proration and the Raízen shared services center.

c) Remuneration of directors and officers

The fixed and variable remunerations of key persons, including directors and board members, are recorded in the consolidated result for the year, as follows:

	December 31, 2019	December 31, 2018
Short-term benefits to employees and managers	25,028	31,049
Transactions with share-based payments	4,579	3,665
	29,607	**34,714**

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5 Detailed information about assets and liabilities

5.1 Financial assets and liabilities

Accounting policy:

The initial measurement of financial assets and liabilities is at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets are written off when the rights to receive cash flows from these assets have expired or when the Company has substantially transferred all the risks and benefits of ownership.

The Company writes off a financial liability when its contractual obligations are withdrawn, cancelled or expired and when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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Financial assets and liabilities consist of:

	December 31, 2019	December 31, 2018
Assets		
Fair value through profit or loss		
Marketable securities	1,751,853	2,843,074
Derivate financial instruments	1,624,023	892,461
	3,375,876	**3,735,535**
Amortized cost		
Cash and cash equivalents	1,963,014	141,527
Trade receivables	399,249	438,062
Related parties receivable	48,064	47,075
Restricted cash	147,910	115,124
	2,558,237	**741,788**
Total	**5,934,113**	**4,477,323**
Liabilities		
Amortized cost		
Loans, financing and debentures	4,683,556	5,325,434
Lease liabilities	4,529,140	553,350
Trade payables - suppliers	513,325	451,619
Other financial liabilities	410,952	337,705
Related parties payable	139,747	156,169
Dividends payable	7,146	6,495
Debt payment in installments	7,580	10,297
	10,291,446	**6,841,069**
Fair value through profit or loss		
Derivate financial instruments	482	-
Loans and financing	7,036,181	5,268,947
	7,036,663	**5,268,947**
Total	**17,328,109**	**12,110,016**

5.2 Cash and cash equivalents

Accounting policy:

They are measured and classified at fair value through profit or loss and amortized cost, being highly liquid, with maturity of up to three months, which are subject to an insignificant risk of change in value.

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Cash and bank accounts	255	580	18,642	53,615
Financial Investments	700,451	15	1,944,372	87,912
	700,706	**595**	**1,963,014**	**141,527**

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Financial investments are composed as follows:

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Bank investments				
Bank certificate of deposits - CDB	700,451	15	1,944,372	86,738
Other investments	-	-	-	1,174
	700,451	**15**	**1,944,372**	**87,912**

5.3 Securities and restricted cash

Accounting policy:

They are measured and classified at fair value through profit or loss, with an average maturity of government bonds between two and five years, however they can be readily redeemed and are subject to an insignificant risk of change in value.

Marketable securities	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Government bonds [(i)]	435,054	114,430	1,355,980	2,785,036
Bank certificate of deposits - CDB [(ii)]	55,230	-	125,413	58,038
Financial letters [(iii)]	21,441	-	270,460	-
	511,725	**114,430**	**1,751,853**	**2,843,074**

(i) Government securities classified as fair value through profit or loss have an interest rate linked to SELIC and mature between two and five years.

(ii) Bank deposit certificates have an interest rate linked to the CDI and mature between two and five years.

(iii) Financial bills have an interest rate linked to the CDI, and daily liquidity, according to the Company's liquidity policy.

Restricted cash	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Investments linked to loans	-	-	86,681	31,254
Securities pledged as collateral	3,511	3,416	61,229	83,870
	3,511	**3,416**	**147,910**	**115,124**

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5.4 Trade receivables

Accounting policy:

Accounts receivable from customers are initially recognized at the amount of the consideration, which is unconditional, unless they contain significant financial components, when they are recognized at fair value. The Company maintains accounts receivable from customers for the purpose of receiving contractual cash flows, subsequently measuring them at amortized cost using the effective interest method.

To measure expected credit losses, receivables were grouped based on credit risk characteristics and overdue days.

The expected loss rates are based on the corresponding historical credit losses suffered. Historical rates of loss can be adjusted to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle receivables.

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Domestic – Brazilian Reais	22,420	26,837	355,733	382,925
Export – Foreign currency	-	-	49,002	72,975
	22,420	**26,837**	**404,735**	**455,900**
Allowance for doubtful accounts	(1,887)	(2,013)	(5,486)	(17,838)
	(1,887)	**(2,013)**	**(5,486)**	**(17,838)**
Total	**20,533**	**24,824**	**399,249**	**438,062**
Current	**15,111**	**15,725**	**385,563**	**417,339**
Non-current	**5,422**	**9,099**	**13,686**	**20,723**
Total	**20,533**	**24,824**	**399,249**	**438,062**

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The analysis of the maturity of trade receivables from customers is as follows:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Not overdue	14,568	19,667	274,037	337,443
Overdue:				
From 1 to 30 days	337	5,188	78,936	59,397
From 31 to 60 days	-	351	8,261	6,912
From 61 to 90 days	5,780	40	22,956	11,648
More than 90 days	1,735	1,591	20,545	40,500
Allowance for doubtful accounts	(1,887)	(2,013)	(5,486)	(17,838)
	20,533	**24,824**	**399,249**	**438,062**

The change in the estimated allowance for loan losses is shown as follows:

	Parent Company	**Consolidated**
At January 1, 2018	**(1,900)**	**(30,784)**
Provision	(1,093)	(20,004)
Reversal and write-off	980	32,950
At December 31, 2018	**(2,013)**	**(17,838)**
Provision	(210)	(8,081)
Reversal and write-off	336	20,433
At December 31, 2019	**(1,887)**	**(5,486)**

5.5 Loans, financing and debentures

Accounting policy:

Initially measured at fair value, net of costs incurred in the transaction and, subsequently, at amortized cost.

They are derecognized when the obligation specified in the contract is paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any transferred non-monetary assets or assumed liabilities, is recognized in profit or loss as other financial income or expenses.

Classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Description	Financial charges		Parent Company		Consolidated		Maturity date	Goal
	Index [i]	Average interest rate	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018		
Loans and financing								
Finame (BNDES)	Pre-fixed	5.37%	368,904	485,352	834,035	1,055,281	January/2025	Acquisition
	URTJLP	7.87%	-	-	4,952	-	March/2022	Acquisition
	Selic	6.80%	-	-	1,118	-	September/2020	Acquisition
Finem (BNDES)	Pre-fixed	3.50%	-	-	1,426	2,261	January/2024	Acquisition
	URTJLP	7.86%	55,565	111,270	2,213,704	2,584,347	December/2029	Acquisition
	IPCA	12.07%	-	-	1,528	2,211	November/2021	Acquisition
	Selic	6.80%	-	-	-	3,930	December/2019	Acquisition
NCE	125% of CDI	8.06%	-	-	-	646,024	December/2019	Acquisition
	CDI + 0,80%	5.24%	-	-	512,078	514,817	December/2023	Working capital
Senior Notes 2024	Pre-fixed (US$) [ii]	7.38%	-	-	3,318,895	3,061,566	February/2024	Acquisition
Senior Notes 2025	Pre-fixed (US$) [iii]	5.88%	-	-	2,182,089	1,997,394	January/2025	Acquisition
Commercial banks	Pre-fixed (US$)	5.33%	-	-	-	15,499	June/2019	Working capital
ECA	Euribor + 0,58% [iv]	0.58%	-		79,528	-	September/2026	Acquisition
Loan 4131	Dollar (US$) [v]	2.65%	217,537	209,987	217,537	209,987	November/2022	Working capital
			642,006	**806,609**	**9,366,890**	**10,093,317**		
Debentures								
Non-convertible debentures	IPCA + 4,68% [vi]	8.91%	-	-	570,098	-	February/2026	Acquisition
	IPCA + 4,50% [vii]	8.72%	668,034	-	668,034	-	February/2029	Acquisition
	IPCA + 3,90%	8.10%	895,249	-	895,249	-	October/2029	Acquisition
	IPCA + 4,00%	8.20%	219,466	-	219,466	-	October/2029	Acquisition
	128 % of CDI	8.26%	-	-	-	501,064	March/2019	Working capital
Private debentures	CDI + 1,30% p.a.	8.28%	767,296	714,755	-	-	January/2020	Working capital
			2,550,045	**714,755**	**2,352,847**	**501,064**		
Total			**3,192,051**	**1,521,364**	**11,719,737**	**10,594,381**		
Current			**969,054**	**172,838**	**1,064,846**	**924,904**		
Non-current			**2,222,997**	**1,348,526**	**10,654,891**	**9,669,477**		

(i) TJLP refers to the Long-Term Interest Rate, being defined as the basic cost of financing granted by BNDES (National Bank for Economic and Social Development). SELIC refers to the overnight rate of the Special Settlement and Custody System. It is the average rate weighted by the volume of financing operations for one day, backed by federal public securities in the form of repo operations. The CDI or DI Over Rate (CDI Over) is obtained by calculating the weighted average of all transaction fees made at Cetip between different financial institutions. IPCA is the Broad Consumer Price Index and aims to measure the inflation of a set of products and services.

(ii) This debt has swap contracts for 144% of the CDI, which represents an average rate of 8.62% p.a.

(iii) Debt with swap for 127% of the CDI, which represents an average rate of 7.84% p.a.

(iv) Debt with swap for 108.33% of the CDI, which represents an average rate of 6.51% p.a.

(v) Debt with swap to 117.50% of the CDI, which represents an average rate of 6.39% p.a.

(vi) Debt with swap for 107% of the CDI, which represents an average rate of 6.48% p.a.

(vii) Debt with swap for 102.90% of the CDI, which represents an average rate of 6.86% p.a.

Non-current loans have the following maturities:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
13 to 24 months	190,701	835,095	758,822	997,420
25 to 36 months	179,241	194,665	718,195	943,729
37 to 48 months	66,658	181,371	793,073	903,243
49 to 60 months	51,191	73,173	3,676,142	903,754
61 to 72 months	-	64,222	2,493,341	3,399,860
73 to 84 months	-	-	225,554	2,233,235
85 to 96 months	572,993	-	670,435	83,575
Thereafter	1,162,213	-	1,319,329	204,661
	2,222,997	**1,348,526**	**10,654,891**	**9,669,477**

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

	Consolidated	
	December 31, 2019	**December 31, 2018**
Brazilian Reais (R$)	5,921,690	5,309,935
Dollar (US$) (i)	5,718,519	5,284,446
EUR (i)	79,528	-
Total	**11,719,737**	**10,594,381**

(i) As of December 31, 2019, all debt denominated in foreign currency, in the subsidiaries, are protected against foreign exchange risk through derivatives (Note 5.8).

Below the movement of loans, financing and debentures for the year ended December 31, 2019 and 2018:

	Parent Company	Consolidated
At January 1, 2018	1,595,525	9,670,946
Proceeds from debts	200,000	3,113,130
Interest, monetary and exchange correction	107,416	1,707,701
Repayments of principal from debts	(333,218)	(3,172,817)
Payments of interest from debts	(48,359)	(724,579)
At December 31, 2018	**1,521,364**	**10,594,381**
Proceeds from debts	1,663,987	2,402,347
Interest, monetary and exchange correction	228,281	1,313,568
Repayments of principal from debts	(174,150)	(1,945,040)
Payments of interest from debts	(47,431)	(645,519)
At December 31, 2019	**3,192,051**	**11,719,737**

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a) Warranties

Some financing contracts with the National Bank for Economic and Social Development ("BNDES"), destined for investments, are also guaranteed, according to each contract, by bank guarantee, with an average cost of 0.86% per year or by real guarantees (assets) and guarantee account. As of December 31, 2019, the balance of bank guarantees contracted was R$ 1,387,627 (R$ 2,475,175 as of December 31, 2018).

To calculate the average rates, the annual average CDI of 5.94% and TJLP of 5.57% were considered on an annual basis.

b) Unused credit lines

As of December 31, 2019, the Company had lines of credit in banks with AA rating, which were not used, in the total amount of R$ 1,946,194 (R$ 2,108,824 on December 31, 2018).

The use of these credit lines is subject to certain contractual conditions.

c) Restrictive clauses ("financial covenants")

The Company's main lines of loans are subject to restrictive clauses, based on financial and non-financial indicators, the main and most restrictive clauses are shown below:

Goal	Index
Net financial debt/ EBITDA < = 3.6x in December, 2019	1.76
EBITDA/ Consolidated financial result > = 1.70x in December, 2019	7.19
Shareholders' equity/ Total assets > = 0.25 in December, 2019	0.26

As of December 31, 2019, the Company and its subsidiaries were complying with all restrictive financial covenants.

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5.6 Lease liabilities

Accounting policy:

Accounting policies applicable from January 1, 2019

At the beginning or in the modification of a contract, the Company assesses whether a contract is or contains a lease.

The lease liability is initially measured at the present value of lease payments that are not made on the start date, discounted at the interest rate implicit in the lease or, if that rate cannot be determined immediately, by the Group's incremental loan rate. The Group generally uses its incremental loan rate as a discount rate.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including fixed payments in essence;
- variable lease payments that depend on index or rate, initially measured using the index or rate on the start date;
- amounts expected to be paid by the lessee, in accordance with the residual value guarantees; and
- the exercise price of the call option if the lessee is reasonably certain to exercise that option, and payment of fines for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease.

Subsequent valuation of the lease liability is at amortized cost, using the effective interest method. It is remeasured when there is a change in future leases payments resulting from a change in index or rate, if there is a change in the amounts that are expected to be paid according to the residual value guarantee, if the Company changes its valuation, an option of purchase, extension or termination will be exercised or if there is an essentially fixed revised lease payment.

When the lease liability is remeasured in this way, an adjustment corresponding to the carrying amount of the right-of-use asset is made or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Accounting policies applicable before January 1, 2019

In the comparative period, as a lessee, the Company classified the leases that transferred substantially all the risks and benefits inherent to the property as financial leases. When this was the case, liabilities were initially measured at an amount equal to the lower of the asset's fair value and the present value of the minimum lease payments. The minimum lease payments were payments during the lease term that the lessee was required to make, excluding any contingent rent.

The commitments classified as other leases were classified as operating and were not recognized in the Company's balance sheet. Payments made under operating leases were recognized in the income statement on a straight-line basis over the lease term.

	Consolidated		
	Financial	**Operating**	**Total**
At January 1, 2018	944,138	-	944,138
Interest appropriation	144,763	-	144,763
Repayments of principal from debts	(384,752)	-	(384,752)
Payments of interest from debts	(150,799)	-	(150,799)
At December 31, 2018	**553,350**	**-**	**553,350**
Initial recognition	-	1,391,708	1,391,708
At January 1, 2019	**553,350**	**1,391,708**	**1,945,058**
Interest appropriation	81,982	428,132	510,114
Transfers between liabilities [(i)]	-	(117,428)	(117,428)
Additions	-	2,777,275	2,777,275
Repayments of principal from debts	(132,100)	(284,319)	(416,419)
Payments of interest from debts	(73,641)	(172,719)	(246,360)
Contractual adjustment	-	76,900	76,900
At December 31, 2019	**429,591**	**4,099,549**	**4,529,140**
Current	**97,242**	**437,003**	**534,245**
Non-current	**332,349**	**3,662,546**	**3,994,895**
	429,591	**4,099,549**	**4,529,140**

(i) Transfer of installments under judicial discussion to lease and concessions (Note 5.16).

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The lease agreements have different terms, with the last due date occurring in June 2049 (an opening per due date is shown in Note 3.1). The amounts are updated annually by inflation indexes (such as IGPM and IPCA) or may incur interest calculated based on the TJLP or CDI and some of the contracts have renewal or purchase options that were considered in determining the classification as a finance lease.

In addition to the amortization and appropriation of interest and exchange variation highlighted in the previous tables, the following impact on income during the year ended December 31, 2019 was recorded for other lease agreements that were not included in the measurement of lease liabilities:

	Consolidated
	December 31, 2019
Variable lease payments not included in the measurement of lease liabilities	10,691
Expenses relating to short-term leases	37,143
Expenses relating to leases of low-value assets, excluding short-term leases	348
	48,182

Additional Information

The Company, in full compliance with the rules, in the measurement and remeasurement of its lease liabilities and the right of use, proceeded to discount the present value of future lease installments without considering future projected inflation in the installments to be discounted (prohibition imposed by the standard, as it treats future inflation as a variable portion of the contract). In cases where the incremental rate - a nominal rate - is used as a discount rate, relevant distortions can be generated in the information disclosed, given the current reality of inflation rates in the Brazilian economic environment (reflected in long-term interest rates).

The rate of incremental interest rate used by the Company was determined based on the interest rates to which the Company has access, for terms similar to its contracts, adjusted to the Brazilian market. The nominal rates used are between 10.9% to 14.2%.

In compliance with CVM Instruction Circular Official Letter 2/2019, if, in transactions where the incremental rate is used, the measurement was made at the present value of expected installments plus projected future inflation, the balances of lease liabilities, the right to use , financial expense and depreciation expense for the fiscal year ended December 31, 2019, would be those presented in the “Official note” column:

	2019		
Accounts	**Registered**	**Official note**	**% Variation**
Lease liabilities	3,777,281	3,977,195	5%
Residual right of use	3,622,281	3,716,764	3%
Financial expense	(251,750)	(272,107)	8%
Depreciation expense	(135,793)	(153,268)	13%

The balances recorded by the Company include the Malha Central contract (Note 4.1), which has an implicit rate identified, so that its appreciation does not generate distortions in the liabilities and right of use that are the object of the CVM Circular Letter. As of December 31, 2019, the lease liability and the residual use right of this contract were R$ 2,728,930 and R$ 2,864,434, respectively.

The Company recorded lease liabilities at the present value of the installments due, that is, including any tax credits to which it will be entitled at the time of the lease payments. The potential PIS/COFINS credit included in liabilities as of December 31, 2019 is R$ 5,191.

5.7 Suppliers

Accounting policy:

The carrying amounts of suppliers are the same as their fair values, due to their short-term nature and are generally paid within 45 days of recognition.

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Material and services suppliers	44,090	40,161	495,837	439,031
Fuels and lubricants suppliers	-	-	370	1,367
Other	11,019	4,569	17,118	11,221
Total	**55,109**	**44,730**	**513,325**	**451,619**

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5.8 Derivative financial instruments

Accounting policy:

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge instrument and, if so, the nature of the hedged item. The Company designates certain derivatives as:

i. Hedges of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge);

At the beginning of the hedge relationship, the Company documents the economic relationship between the hedge instruments and the hedged items, including changes in the cash flows of the hedge instruments, which should offset the changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for carrying out its hedge operations. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement and are included in other gains / (losses).

The fair values of the derivative financial instruments designated in the hedge relationships are disclosed below. The total fair value of a hedge derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Company makes an assessment, both at the beginning of the hedge relationship and on an ongoing basis, as to whether the hedge instruments should be highly effective in offsetting changes in fair value or in the cash flows of the respective attributable hedged items. For the hedged risk, and if the actual results of each hedge are within a range of 80% - 125% by December 31, 2019 and 2018.

To protect exposure to foreign exchange risk, the Company uses swap instruments, the fair value of which is determined from discounted cash flows based on market curves, and the consolidated data are presented below:

	Notional		Fair value	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Foreign exchange and interest rate derivatives				
Swap contracts (interest and exchange)	5,534,936	4,346,145	1,623,541	892,461
	5,534,936	**4,346,145**	**1,623,541**	**892,461**
Non-current			1,624,023	892,461
Assets			**1,624,023**	**892,461**
Non-current			(482)	-
Liabilities			**(482)**	**-**
			1,623,541	**892,461**

The Company contracted Swap operations, in order to be active in USD + fixed interest and passive in percentage of CDI.

Derivatives are used only for the purpose of economic hedging and not as speculative investments.

Fair value hedge

Currently, the Company adopts the fair value hedge for some of its operations, both hedge instruments and hedged items are recorded at fair value through profit or loss. The operational and accounting effects of this adoption are as follows:

	Notional	Book value (R$)		Balance sheet	Fair value adjustment	
		December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
Senior Notes 2024	(3,023,025)	(3,318,895)	(3,061,566)		(471,159)	(689,141)
Senior Notes 2025	(2,015,350)	(2,182,089)	(1,997,394)		(295,208)	(447,674)
Debt	**(5,038,375)**	**(5,500,983)**	**(5,058,960)**	**Loan, financing and debentures**	**(766,366)**	**(1,136,814)**
Foreign exchange and interest swap	5,038,375	1,468,503	892,139		**541,942**	**730,734**
Derivative	**5,038,375**	**1,468,503**	**892,139**	**Derivative financial instruments**	**541,942**	**730,734**
Total	**-**	**(4,032,480)**	**(4,166,821)**		**(224,424)**	**(406,080)**

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5.9 Other taxes recoverable

Accounting Policy:

Tax assets are measured at cost and include mainly: (i) tax effects that are recognized when the asset is sold to a third party or recovered through the amortization of the asset's remaining economic life; and (ii) tax receivables that are expected to be recovered as refunds from tax authorities or as a reduction for future tax obligations.

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
COFINS - Social security financing contribution	22,909	3,964	253,755	276,441
PIS - Social integration program	4,778	676	94,739	90,010
ICMS - State VAT (i)	-	321	522,820	442,491
ICMS - CIAP (ii)	-	-	129,000	174,454
Other	2,931	2,973	10,586	8,574
	30,618	**7,934**	**1,010,900**	**991,970**
Current	**30,618**	7,934	**347,316**	195,176
Non-current	**-**	-	**663,584**	796,794
	30,618	7,934	**1,010,900**	991,970

(i) ICMS credit related to the purchase of inputs and diesel used in transportation.

(ii) ICMS credit from acquisitions of property, plant and equipment.

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5.10 Inventories

Accounting policy:

Inventories are stated at the lower of cost and net realizable value (it is the estimated selling price in the normal course of business, less estimated completion costs and estimated costs necessary to make the sale).

The provision for obsolete inventories is made for the risks associated with the realization and sale of inventories due to obsolescence and measured at the net realizable value or the cost, whichever is less.

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Parts and accessories	943	966	236,347	253,815
Fuels and lubricants	-	-	6,894	5,161
Warehouse and other	93	64	5,215	4,410
	1,036	**1,030**	**248,456**	**263,386**

The balances are presented net of the provision for obsolete inventories in the amount of R$ 5,492 as of December 31, 2019 (R$ 8,100 as of December 31, 2018).

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5.11 Investments in associates and provision for unsecured liabilities

(a) Subsidiaries and associates

Accounting policy:

a) Subsidiaries

Subsidiaries are all entities over which the Company has control, are fully consolidated from the date of acquisition of control and are not consolidated when control no longer exists.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the parent Company, using consistent accounting policies. Adjustments are made to the subsidiaries' financial statements to adapt their accounting policies to the Company's accounting policies.

Related party transactions are eliminated in full on consolidation. Unrealized gains arising from transactions with investees recorded under the equity method are eliminated against the investment in proportion to the Company's interest in the investee. Unrealized losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

b) Associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over financial and operating policies.

Intragroup balances and transactions, and any unrealized income or expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements.

In accordance with the equity method, the participation of associates attributable to the Company in the profit or loss for the period of such investments is recorded in the income statement, under "Equity in results". Unrealized gains and losses arising from transactions between the Company and the investees are eliminated based on the percentage of participation of these investees. The other comprehensive income of subsidiaries, associates and jointly controlled entities are recorded directly in the Company's shareholders' equity, under “Other comprehensive income”.

Below are investments in subsidiaries and associates that are material for the Company on December 31, 2019 and 2018:

i. Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of participation
Elevações Portuárias	672,397,254	672,397,254	100.00%
Rumo Intermodal	91,064,313	91,064,313	100.00%
Rumo Malha Central	250,000,000	250,000,000	100.00%
Rumo Malha Norte	1,189,412,363	1,186,268,176	99.74%
Boswells	3,265,000	3,265,000	100.00%
Brado Participações	12,962,963	8,065,556	62.22%
Paranaguá S.A.	6,119,802	6,113,851	99.90%
Logispot	2,040,816	1,040,816	51.00%
Rumo Luxembourg Sarl	500,000	500,000	100.00%
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%
ALL Argentina	9,703,000	8,826,110	90.96%
Rumo Luxembourg Sarl	500,000	500,000	100.00%
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%
Rumo Malha Oeste	478,460,074	478,460,074	100.00%

	At January 1, 2019	Equity pick-up	Capital increase (reduction) / AFAC	Dividends and Interest on own capital receivable	Comprehensive income	Initial adoption of standard CPC 06 R2 / IFRS 16 (Note 2.4)	Other	Amortization of the concession right	Stock option plan	At December 31, 2019
Elevações Portuárias	707,886	79,632	-	(75,037)	(16)	(5,129)	-	-	-	707,336
Rumo Intermodal	37,095	2,249	-	-	661	-	-	-	-	40,005
Rumo Malha Central	-	(121,260)	450,000	-	-	-	-	-	-	328,740
Rumo Malha Norte	8,099,091	1,065,635	-	(817,367)	(63)	-	-	(29,880)	-	8,317,416
Boswells	24,585	-	-	-	989	-	-	-	-	25,574
Brado Participações	366,399	7,559	-	(2,236)	-	-	-	-	145	371,867
Paranaguá S.A.	13,681	167	12,809	-	(6,263)	-	-	-	-	20,394
Logispot	73,624	177	-	(634)	-	-	(24)	-	-	73,143
Rumo Luxembourg Sarl	64,118	(3,389)	(10,665)	-	-	-	-	-	-	50,064
Rumo Malha Sul	976,663	(66,731)	1,003,000	-	(322)	(182,383)	26	-	-	1,730,253
Total investment in associates	**10,363,142**	**964,039**	**1,455,144**	**(895,274)**	**(5,014)**	**(187,512)**	**2**	**(29,880)**	**145**	**11,664,792**
ALL Argentina	(17,019)	(11,917)	-	-	7,825	-	-	-	-	(21,111)
Rumo Malha Paulista	(260,465)	37,631	-	-	(54)	(75,839)	(543)	(19,192)	-	(318,462)
Rumo Malha Oeste	(1,097,466)	(142,059)	-	-	(41)	(212,040)	-	-	-	(1,451,606)
Total investment in unsecured liability	**(1,374,950)**	**(116,345)**	**-**	**-**	**7,730**	**(287,879)**	**(543)**	**(19,192)**	**-**	**(1,791,179)**
Total	**8,988,192**	**847,694**	**1,455,144**	**(895,274)**	**2,716**	**(475,391)**	**(541)**	**(49,072)**	**145**	**9,873,613**

	At January 1, 2018	Equity pick-up	Capital increase (reduction) / AFAC	Dividends and Interest on own capital receivable	Comprehensive income	Other	Amortization of the concession right	Incorporation effect	Reclassification of unsecured liability	At December 31, 2018
Elevações Portuárias	667,966	78,776	-	(38,800)	-	(56)	-	-	-	707,886
Rumo Intermodal	62,078	(3,814)	(23,000)	-	1,384	447	-	-	-	37,095
ALL Serviços	6,479	(321)	-	-	-	-	-	(6,158)	-	-
Rumo Malha Norte	7,835,147	749,114	-	(462,276)	(79)	6,827	(29,642)	-	-	8,099,091
Boswells	20,989	-	-	-	3,596	-	-	-	-	24,585
Brado Holding	357,903	1,706	-	-	-	-	-	(359,609)	-	-
Brado Participações	-	6,790	-	-	-	-	-	359,609	-	366,399
Paranaguá S.A.	15,540	(739)	7,314	-	(8,434)	-	-	-	-	13,681
Logispot	73,530	94	-	-	-	-	-	-	-	73,624
Rumo Luxembourg Sarl	-	(2,718)	-	-	-	-	-	-	66,836	64,118
Rumo Malha Sul	506,796	(228,727)	700,000	-	(1,196)	(210)	-	-	-	976,663
Total investment in associates	**9,546,428**	**600,161**	**684,314**	**(501,076)**	**(4,729)**	**7,008**	**(29,642)**	**(6,158)**	**66,836**	**10,363,142**
ALL Argentina	(28,697)	(4,500)	-	-	16,178	-	-	-	-	(17,019)
Rumo Luxembourg Sarl	(35,238)	(17,033)	119,107	-	-	-	-	-	(66,836)	-
Rumo Malha Paulista	(184,148)	(57,104)	-	-	(132)	(70)	(19,011)	-	-	(260,465)
Rumo Malha Oeste	(862,599)	(234,675)	-	-	(135)	(57)	-	-	-	(1,097,466)
Total investment in unsecured liability	**(1,110,682)**	**(313,312)**	**119,107**	-	**15,911**	**(127)**	**(19,011)**	-	**(66,836)**	**(1,374,950)**
Total	**8,435,746**	**286,849**	**803,421**	**(501,076)**	**11,182**	**6,881**	**(48,653)**	**(6,158)**	**-**	**8,988,192**

Financial information of subsidiaries and associates:

	Twelve months ended on December 31, 2019				Twelve months ended on December 31, 2018			
	Assets	**Liabilities**	**Net equity and (unsecured liabilities)**	**Profit (loss) of the year**	**Assets**	**Liabilities**	**Net equity and (unsecured liabilities)**	**Profit (loss) of the year**
Elevações Portuárias	886,098	178,761	707,337	79,632	916,387	208,500	707,887	78,776
Rumo Intermodal	56,121	16,113	40,008	2,249	55,248	18,151	37,097	(3,814)
ALL Serviços	-	-	-	-	-	-	-	(321)
Rumo Malha Central	3,107,023	2,778,284	328,739	(121,260)	-	-	-	-
Rumo Malha Norte	12,778,704	8,999,093	3,779,611	1,084,633	12,647,608	9,133,033	3,514,575	752,020
Boswells	25,575	-	25,575	-	24,585	-	24,585	-
Brado Participações	783,554	219,675	563,879	9,426	754,480	196,667	557,813	15,129
Paranaguá S.A.	20,918	502	20,416	167	14,103	408	13,695	7,137
Logispot	119,694	49,776	69,918	347	125,440	54,668	70,772	185
ALL Argentina	6,777	29,984	(23,207)	(13,103)	6,688	25,398	(18,710)	(4,947)
Rumo Luxembourg Sarl	5,186,074	5,136,011	50,063	(3,389)	4,992,561	4,928,443	64,118	(2,718)
Rumo Malha Paulista	5,982,712	6,247,985	(265,273)	(34,726)	5,593,047	5,747,700	(154,653)	(134,671)
Rumo Malha Oeste	391,307	1,842,916	(1,451,609)	(131,086)	479,814	1,577,281	(1,097,467)	(241,900)
Rumo Malha Sul	4,189,668	2,446,771	1,742,897	(125,916)	4,075,505	3,026,987	1,048,518	(288,113)
Rhall Terminais Ltda.	16,629	2,804	13,825	3,641	12,513	1,960	10,553	1,530

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ii. Consolidated

	Total shares of the investee	Shares held by the Company	Percentage of participation
Rhall Terminais Ltda.	28,580	8,574	30.00%
Termag S.A.	500,000	99,246	19.85%
TGG S.A.	79,747,000	7,914,609	9.92%
Terminal XXXIX S.A.	200,000	99,246	49.62%

	At January 1, 2019	Equity pick-up	Dividends	Other	At December 31, 2019
Rhall Terminais Ltda.	3,166	1,009	(27)	-	4,148
Termag S.A.	5,192	5,720	-	(5,698)	5,214
TGG S.A.	19,601	5,262	(6,616)	-	18,247
Terminal XXXIX S.A.	16,042	9,885	(1,523)	-	24,404
Total investments in associates	**44,001**	**21,876**	**(8,166)**	**(5,698)**	**52,013**

	At January 1, 2018	Equity pick-up	Dividends	At December 31, 2018
Rhall Terminais Ltda.	4,279	459	(1,572)	3,166
Termag S.A.	4,463	729	-	5,192
TGG S.A.	17,549	4,981	(2,929)	19,601
Terminal XXXIX S.A.	15,639	4,010	(3,607)	16,042
Total investments in unsecured liabilities	**41,930**	**10,179**	**(8,108)**	**44,001**

Financial information of subsidiaries and associates:

	Twelve months ended on December 31, 2019				Twelve months ended on December 31, 2018			
	Assets	Liabilities	Net equity and (unsecured liabilities)	Profit (loss) of the year	Assets	Liabilities	Net equity and (unsecured liabilities)	Profit (loss) of the year
Rhall Terminais Ltda.	16,629	2,804	13,825	3,641	12,513	1,960	10,553	1,530
Termag S.A.	275,215	249,166	26,049	25,552	227,721	201,759	25,962	3,673
TGG S.A.	217,311	34,849	182,462	46,611	247,795	51,791	196,004	50,212
Terminal XXXIX	61,560	12,745	48,815	17,710	45,240	13,155	32,085	8,081

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(b) Participation of non-controlling shareholders

Accounting policy:

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with owners in the capacity of owners.

The following is a summary of financial information for each subsidiary that has non-controlling interests that are relevant to the group. The amounts disclosed for each subsidiary are before eliminations between companies.

	Total shares of the investee	Shares held by the Company	Percentage of participation
Rumo Malha Norte	1,189,412,363	3,144,187	0.26%
Brado Participações	12,962,963	4,897,407	37.78%
Logispot	2,040,816	1,000,000	49.00%

The following table summarizes the information related to each of the Company's subsidiaries that has relevant non-controlling interests, before any intra-group elimination.

	At January 1, 2019	Equity pick-up	Dividends	Stock option plan	Other	At December 31, 2019
Rumo Malha Norte	8,734	3,336	(2,270)	-	103	9,903
Brado Participações	223,032	4,126	(1,357)	88	-	225,889
Logispot	34,657	172	(610)	-	-	34,219
Total investments in associates	**266,423**	**7,634**	**(4,237)**	**88**	**103**	**270,011**

	At January 1, 2018	Equity pick-up	Dividends	Other	At December 31, 2018
Rumo Malha Norte	14,949	3,361	(2,232)	(7,344)	8,734
Brado Participações	218,383	5,159	(510)	-	223,032
Logispot	34,589	90	(22)	-	34,657
Total investments in associates	**267,921**	**8,610**	**(2,764)**	**(7,344)**	**266,423**

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Summary balance sheet:

	Rumo Malha Norte		Brado Participações		Logispot	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets						
Current	3,460,028	2,810,571	169,796	261,217	6,975	5,634
Non-current	9,318,676	9,837,037	613,758	493,263	112,719	119,806
Total assets	**12,778,704**	**12,647,608**	**783,554**	**754,480**	**119,694**	**125,440**
Liabilities						
Current	(959,471)	(1,028,362)	(104,184)	(97,606)	(11,522)	(10,982)
Non-current	(8,039,622)	(8,104,671)	(115,491)	(99,061)	(38,254)	(43,686)
Total liabilities	**(8,999,093)**	**(9,133,033)**	**(219,675)**	**(196,667)**	**(49,776)**	**(54,668)**
Shareholders' equity	**(3,779,611)**	**(3,514,575)**	**(563,879)**	**(557,813)**	**(69,918)**	**(70,772)**

Summary income statement and other comprehensive income:

	Rumo Malha Norte		Brado Participações		Logispot	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income	4,135,513	3,846,093	294,710	260,795	18,029	17,426
Result before taxes	1,271,783	1,036,112	14,906	24,012	389	101
Income tax and social contribution	(187,150)	(284,092)	(5,480)	(8,883)	(42)	84
Result for the year	**1,084,633**	**752,020**	**9,426**	**15,129**	**347**	**185**
Other comprehensive result	(64)	(82)	-	-	-	-
Total comprehensive result	**1,084,569**	**751,938**	**9,426**	**15,129**	**347**	**185**
Dividends paid	(819,534)	(481,815)	(3,593)	(2,328)	-	-

Summary cash flow statement:

	Rumo Malha Norte		Brado Participações		Logispot	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net cash (used in) generated from operating activities	2,003,991	1,410,725	40,584	(15,284)	4,723	8,994
Net cash (used in) generated investing activities	1,068,235	(135,370)	35,270	67,117	(361)	(4,854)
Net cash (used in) generated from financing activities	(2,227,250)	(1,352,727)	(52,172)	(48,281)	(4,522)	(4,134)
Increase (decrease) in cash and cash equivalents	**844,976**	**(77,372)**	**23,682**	**3,552**	**(160)**	**6**
Cash and cash equivalents at beginning of the year	**75,996**	**153,368**	**17,208**	**4,997**	**175**	**169**
Cash and cash equivalents at end of the year	**920,972**	**75,996**	**40,890**	**8,549**	**15**	**175**

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5.12 Property, plant and equipment, intangible assets and right-of-use

Accounting policy:

Impairment

The Company annually reviews the indicators of impairment for intangible assets with defined useful lives and fixed assets. In addition, an impairment test is performed for goodwill and intangible assets with an indefinite useful life. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The recoverable amount is determined based on the value in use calculations, using the discounted cash flow determined by Management based on budgets and projections that take into account the assumptions related to each cash generating unit, such as: estimates of future performance business, cash generation, long-term growth and discount rates.

For the purpose of analyzing impairment, concession contracts were defined as cash generating units, each registered with an individual Company. The basis for annual assessment and testing is September 30.

During the year ended December 31, 2019, we did not identify any impairment indicators, so that no impairment test was necessary for property, plant and equipment and intangible assets with a defined useful life, except for the cash-generating unit represented by the Rumo Malha Oeste concession, which presents negative results and low cash generation (Note 5.11).

The determination of the recoverability of the assets depends on certain key assumptions, as previously described, which are influenced by the market, technological and economic conditions prevailing at the time when this recovery is tested and, therefore, it is not possible to determine whether new losses due to recovery reduction will occur in the future and, if they occur, whether they would be material.

5.12.1 Property, Plant and Equipment

Accounting policy:

Recognition and measurement

Property, plant and equipment items are measured at cost, less accumulated depreciation and any accumulated losses due to impairment.

Subsequent expenses are capitalized only when it is probable that the future economic benefits associated with the expenses will flow to the Company. Continuous repairs and maintenance are accounted for when incurred.

Depreciated from the date they are available for use or, in relation to built assets, from the date the asset is completed and ready for use.

Depreciation is calculated on the book value of property, plant and equipment minus estimated residual values using the straight-line basis over its estimated useful life, recognized in profit or loss, unless it is capitalized as part of the cost of another asset. Land is not depreciated.

Depreciation methods, such as useful lives and residual values, are reviewed at the end of each year, or when there is a significant change in an expected consumption pattern, such as a relevant incident and technical obsolescence. Any adjustments are recognized as changes in accounting estimates, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Building and improvements	4% - 5%
Machinery, equipment and installations	8% - 11%
Other	10% - 20%
Freight cars	2.9% - 6%
Locomotives	3.3% - 8%
Track structure	3% - 4%
Furniture and fixture	10% - 15%
Computer equipment	20%

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Reconciliation of book value

	Consolidated							Parent Company
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives [i]	Track structure	Construction in progress	Other assets	Total	Total
Cost:								
At January 1, 2018	**888,339**	**698,069**	**8,303,149**	**7,014,864**	**927,846**	**776,107**	**18,608,374**	**176,681**
Additions	-	-	42,031	-	1,974,146	1,489	2,017,666	8,681
Write-off	(2,317)	(20,518)	(189,143)	-	(1,538)	(37,438)	(250,954)	-
Transfers	148,780	147,952	560,265	991,023	(1,901,428)	28,225	(25,183)	(386)
Corporate reorganization effect [ii]	-	-	-	-	-	-	-	4,042
At December 31, 2018	**1,034,802**	**825,503**	**8,716,302**	**8,005,887**	**999,026**	**768,383**	**20,349,903**	**189,018**
Transfers to right-of-use [iii]	(130,000)	(2,538)	(1,244,787)	-	-	-	(1,377,325)	-
At January 1, 2019	**904,802**	**822,965**	**7,471,515**	**8,005,887**	**999,026**	**768,383**	**18,972,578**	**189,018**
Additions	4	528	29,773	1,802	1,947,984	424	1,980,515	6,563
Write-off	(1,169)	(476)	(105,592)	-	(283)	(3,413)	(110,933)	-
Transfers	116,272	161,548	812,130	595,381	(1,467,891)	70,208	287,648	(275)
At December 31, 2019	**1,019,909**	**984,565**	**8,207,826**	**8,603,070**	**1,478,836**	**835,602**	**21,129,808**	**195,306**
Depreciation and Impairment:								
At January 1, 2018	**(311,986)**	**(277,748)**	**(3,479,330)**	**(2,804,132)**	**-**	**(468,900)**	**(7,342,096)**	**(40,588)**
Additions	(41,471)	(96,060)	(655,745)	(467,634)	-	(18,581)	(1,279,491)	(11,353)
Write-off	2,317	20,478	186,557	-	-	32,657	242,009	-
Transfers	443	317	4,933	33,343	-	(20,811)	18,225	-
Impairment	-	-	(33,808)	(22,896)	(10,842)	(4,186)	(71,732)	-
Corporate reorganization effect [ii]	-	-	-	-	-	-	-	(3,811)
At December 31, 2018	**(350,697)**	**(353,013)**	**(3,977,393)**	**(3,261,319)**	**(10,842)**	**(479,821)**	**(8,433,085)**	**(55,752)**
Transfers to right-of-use [iii]	50,450	2,532	462,748	-	-	-	515,730	-
At January 1, 2019	**(300,247)**	**(350,481)**	**(3,514,645)**	**(3,261,319)**	**(10,842)**	**(479,821)**	**(7,917,355)**	**(55,752)**
Additions	(58,991)	(106,962)	(632,170)	(611,576)	-	(16,378)	(1,426,077)	(13,953)
Write-off	131	466	104,872	6	-	3,309	108,784	-
Transfers	4,057	6,121	(107,941)	(2,234)	3,972	(28,967)	(124,992)	-
At December 31, 2019	**(355,050)**	**(450,856)**	**(4,149,884)**	**(3,875,123)**	**(6,870)**	**(521,857)**	**(9,359,640)**	**(69,705)**
At December 31, 2018	**684,105**	**472,490**	**4,738,909**	**4,744,568**	**988,184**	**288,562**	**11,916,818**	**133,266**
At December 31, 2019	**664,859**	**533,709**	**4,057,942**	**4,727,947**	**1,471,966**	**313,745**	**11,770,168**	**125,601**

(i) On December 31, 2019, wagons and locomotives in the amount of R$ 745,203 (R$ 745,203 on December 31, 2018), were pledged to guarantee bank loans (Note 5.5).

(ii) Corporate reorganization through the incorporation of the net assets of Brado Holding S.A. and ALL Serviços Ltda. for the Company.

(iii) The amount of R$ 861,595 was transferred to the right to use, where R$ 1,377,325 refers to cost and (R$ 515,730) to accumulated depreciation due to the adoption of CPC 06 (R2) / IFRS 16.

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Capitalization of borrowing costs

In the year ended December 31, 2019, capitalized borrowing costs were R$ 2,506 (R$ 3,973 as of December 31, 2018).

Analysis of impairment

The analysis of the impairment indicators carried out by the Company pointed out the need to test the assets of the cash-generating unit Rumo Malha Oeste for impairment. The recoverable amount for property, plant and equipment, intangible assets and use rights was determined using the discounted cash flow method of the cash generating unit.

The main assumptions used were (i) EBITDA projected for the cash-generating unit, with no increase in the volume of non-contracted transport in the remaining term of the concession, and (ii) the discount rate (wacc) of 9% per year, before taxes. The calculation resulted in a recoverable amount of R$ 109,000, compared to a book value of R$ 99,000, which includes property, plant and equipment and intangible assets.

5.12.2 Intangible assets and goodwill

Accounting policy:

Recognition and measurement

Intangibles are initially recorded at cost (either by purchase or as part of a business combination), less amortization and accumulated losses due to impairment.

Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits incorporated in the specific asset to which they relate. All other expenses are recognized in the income statement as incurred.

Amortization

Except for goodwill, intangible assets are amortized on a straight-line basis over their estimated useful lives, from the date they are available for use or acquired. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Intangible (except goodwill)	Annual rate of amortization - %
Software	20.00%
Operating license	3.70%
Concession rights	1.59%

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	Consolidated					Parent Company
	Goodwill [(i)]	Concession rights [(ii)]	Operating license	Other	Total	Total
Cost:						
At January 1, 2018	**100,451**	**8,000,700**	**343,177**	**178,069**	**8,622,397**	**612,985**
Additions	-	-	-	2,617	2,617	281
Write-off	-	-	-	(9)	(9)	1
Transfers	-	-	-	8,368	8,368	386
Corporate reorganization effect [(iii)]	-	-	-	-	-	1,858
At December 31, 2018	**100,451**	**8,000,700**	**343,177**	**189,045**	**8,633,373**	**615,511**
Additions	-	12,031	-	4,138	16,169	-
Transfers	-	-	171	13,484	13,655	(657)
At December 31, 2019	**100,451**	**8,012,731**	**343,348**	**206,667**	**8,663,197**	**614,854**
Amortization and Impairment:						
At January 1, 2018	**-**	**(769,603)**	**(120,169)**	**(109,656)**	**(999,428)**	**(185,879)**
Additions	-	(112,029)	(11,740)	(15,598)	(139,367)	(39,789)
Write-off	-	-	-	6	6	-
Transfers	-	-	-	14	14	-
Impairment	-	-	-	(716)	(716)	-
Corporate reorganization effect [(iii)]	-	-	-	-	-	(1,074)
At December 31, 2018	**-**	**(881,632)**	**(131,909)**	**(125,950)**	**(1,139,491)**	**(226,742)**
Additions	-	(121,103)	(11,766)	(15,749)	(148,618)	(38,456)
Transfers	-	-	-	(55)	(55)	-
At December 31, 2019	**-**	**(1,002,735)**	**(143,675)**	**(141,754)**	**(1,288,164)**	**(265,198)**
At December 31, 2018	**100,451**	**7,119,068**	**211,268**	**63,095**	**7,493,882**	**388,769**
At December 31, 2019	**100,451**	**7,009,996**	**199,673**	**64,913**	**7,375,033**	**349,656**

(i) Goodwill from a business combination from previous years, of which R$ 62,922 from Terminal T-16 in Santos and R$ 37,529 from indirect subsidiary Logispot, presented only in the consolidated.

(ii) Refers to the concession contract of Rumo Malha Norte. The asset was identified and measured at fair value in the business combination between Rumo and ALL. The amount will be amortized until the end of the concession in 2079, being recorded in the income statement, under costs of services provided, in the depreciation and amortization group.

(iii) Corporate reorganization through the incorporation of the net assets of Brado Holding S.A. and ALL Serviços Ltda.

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Analysis of impairment

During the year ended December 31, 2019, we did not identify any impairment indicators, so that no impairment test was necessary for intangible assets with a defined useful life recorded by the Company.

The balance of goodwill with an indefinite useful life recorded by the Company is associated with the port and terminal lifting operation, so this cash-generating unit needs to be tested annually.

The recoverable value of this cash-generating unit was determined by the net sale value of the unit, using the EBITDA multiples technique, a technique considered level 3 in the hierarchy of fair value estimates.

The main assumptions used were (i) EBITDA generated by the cash-generating unit in 2019, and (ii) the average of the multiples practiced by market agents for companies (10.6x) in the sector in which the Company operates. The calculation resulted in a recoverable amount of R$ 2,050,000, compared to a book value of R$ 734,425, which includes property, plant and equipment and intangible assets.

5.12.3 Right-of-use

Accounting policy:

Accounting policies applicable from January 1, 2019

The right-to-use asset is initially measured at cost, which comprises the initial measurement value of the lease liability, adjusted for any lease payments made up to that of the start date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in disassembling and removing the underlying asset, restoring the location in which it is located or restoring the underlying asset to the condition required by the lease terms and conditions, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset reflect that the lessee will exercise the call option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Accounting policies applicable before January 1, 2019

In the comparative period, assets related to leases that transferred substantially all the risks and benefits inherent to the property, called financial leases, were initially measured at an amount equal to the lower of the asset's fair value and the present value of the minimum lease payments. After initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating and were not recognized in the Group's balance sheet.

As mentioned in Note 4.1, the Company signed the concession contract for the Central Network, which guarantees the right to operate the railway network for a period of 30 years, counting from the date of signature on July 31, 2019. Corrected in accordance with the contractual parameters, the auction amount was recorded as right to use railway infrastructure in the amount of R$ 2,904,778. The lease liability in the amount of R$ 2,759,539 represents the present value of future installments, using the implicit rate of the contract. The auction provided for a 5% cash payment in the amount of R$ 145,239. This transaction is the main addition to the exercise, as we can see in the transaction charts:

	Consolidated						
	Land, buildings and improvements	**Machinery, equipment and facilities**	**Freight cars and locomotives**	**Software**	**Vehicles**	**Port and track structure**	**Total**
Cost amount:							
Initial recognition CPC 06 (R2) / IFRS 16	31,485	8,555	41,884	66,931	13,085	792,615	954,555
Transfers from permanent and other assets [(i)]	130,000	2,538	1,244,787	-	-	50,167	1,427,492
At January 1, 2019	**161,485**	**11,093**	**1,286,671**	**66,931**	**13,085**	**842,782**	**2,382,047**
Additions	7,073	3,045	1,004	-	732	2,904,778	2,916,632
Contractual adjustment	9,883	68	712	-	442	54,828	65,933
Transfers to permanent assets	-	(2,539)	(249,746)	-	-	1,565	(250,720)
At December 31, 2019	**178,441**	**11,667**	**1,038,641**	**66,931**	**14,259**	**3,803,953**	**5,113,892**
Amortization:							
Transfers from permanent assets [(i)]	(50,450)	(2,532)	(462,748)	-	-	-	(515,730)
Impairment [(ii)]	-	-	-	-	-	(131,541)	(131,541)
At January 1, 2019	**(50,450)**	**(2,532)**	**(462,748)**	**-**	**-**	**(131,541)**	**(647,271)**
Additions	(10,649)	(3,029)	(9,018)	(7,594)	(6,459)	(118,915)	(155,664)
Transfers	(7,233)	2,532	104,694	-	2	-	99,995
At December 31, 2019	**(68,332)**	**(3,029)**	**(367,072)**	**(7,594)**	**(6,457)**	**(250,456)**	**(702,940)**
At January 1, 2019	111,035	8,561	823,923	66,931	13,085	711,241	1,734,776
At December 31, 2019	**110,109**	**8,638**	**671,569**	**59,337**	**7,802**	**3,553,497**	**4,410,952**

(i) The amount refers to transfers of property, plant and equipment, as shown in Note 5.12 and R$ 50,167 referring to advances made at the beginning of the concession that were presented under other assets.

(ii) The subsidiary Malha Oeste recorded a provision for impairment in the year ended December 31, 2018, limiting the balance of long-term assets to realizable value. Accordingly, the balance of use rights recorded in this subsidiary was subject to a provision for reduction to the net recoverable value in the initial registration.

5.13 Other taxes payable

Accounting policy:

The Company is subject to different taxes and contributions, such as municipal, state and federal taxes, taxes on deposits and withdrawals from bank accounts, taxes on turnover, regulatory fees and income tax, among others, which represent an expense for the Company. It is also subject to other taxes on its activities that generally do not represent an expense.

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
ICMS - State VAT	32	48	3,142	5,281
INSS - Social security	194	165	9,383	6,027
PIS - Social integration program	511	912	703	2,598
COFINS - Social security financing contribution	2,475	4,212	3,427	12,325
Installment of tax debts	902	902	10,942	10,297
ISS - Municipal service tax	-	-	6,753	4,666
IOF - Tax on financial operations	45	15	309	1,318
Other	162	226	6,647	7,960
	4,321	**6,480**	**41,306**	**50,472**
Current	**4,321**	**6,480**	**33,726**	**46,717**
Non-current	**-**	**-**	**7,580**	**3,755**
	4,321	**6,480**	**41,306**	**50,472**

The amounts due in non-current liabilities have the following maturity schedule:

	Consolidated	
	December 31, 2019	**December 31, 2018**
13 to 24 months	2,136	1,160
25 to 36 months	2,569	545
37 to 48 months	1,848	227
49 to 60 months	754	227
61 to 72 months	62	196
73 to 84 months	48	50
85 to 96 months	48	50
From 97 months	115	1,300
	7,580	**3,755**

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5.14 Income tax and social contribution

Accounting policy:

The combined rate of income tax and social contribution is 34%, which is recognized in the income statement, except if it arises from a business combination, or from items directly recognized in equity or other comprehensive income.

i. Current tax

It is the tax payable or receivable expected on the taxable profit or loss for the year, using the rates in force at the balance sheet date, and any adjustment to taxes payable in relation to previous years.

ii. Deferred tax

It is recognized in relation to temporary differences between the carrying amounts of assets and liabilities and the respective amounts for tax purposes. Deferred tax is not recognized for:

a) temporary differences in the initial recognition of the asset or liability in a transaction that is not a business combination and that affects neither the accounting result nor the tax profit or loss;

b) temporary differences related to investments in subsidiaries, associates and jointly controlled companies, insofar as the Company is able to control the timing of the reversal of temporary differences and it is likely that they will not reverse in the foreseeable future; and

c) taxable temporary differences resulting from the initial recognition of goodwill.

A differentiated tax asset is recognized in relation to unused tax losses and deductible temporary differences, to the extent that it is probable that the available future taxable profits against which they will be used.

The measurement of deferred tax reflects the way the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the rates expected to be applied to temporary differences in their reversal.

Deferred tax assets and liabilities are offset if there is a legally applicable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority on the same taxable entity.

iii. Fiscal exposure

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

iv. Recoverability of deferred income tax and social contribution

When assessing the recoverability of deferred taxes, Management considers the projections of future taxable profits and the movements of temporary differences. When part or all of the taxes are not likely to be realized, the tax asset is reversed. There is no deadline for using tax losses and negative bases, but the use of these accumulated losses from previous years is limited to 30% of annual taxable profits.

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a) Reconciliation of income tax and social contribution expenses

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Result before income tax and social contribution	779,228	285,887	915,119	541,408
				-
Income tax and social contribution expense at nominal rate (34%)	(264,938)	(97,202)	(311,140)	(184,079)
Adjustments to determine the effective rate				
Equity pick-up	288,216	97,529	7,438	3,461
Result of companies abroad	-	-	(5,801)	(8,924)
Exploration profit	-	-	178,609	48,541
Unrecognized NOLs and temporary differences [(i)]	637	7,774	(53,253)	(132,041)
Non-deductible expenses (donations, gifts, etc.)	(3)	-	(792)	-
Effect of amortization of goodwill	(16,869)	(16,543)	1,271	1,853
Interest on own capital	(13,260)	(13,192)	-	-
Other	5,226	104	54,420	2,748
Tax and social contribution (current and deferred)	**(991)**	**(21,530)**	**(129,248)**	**(268,441)**
Effective rate - %	**-0.13%**	**-7.53%**	**-14.12%**	**-49.58%**

(i) Refers mainly to tax losses and temporary differences of the Company, Rumo Malha Sul and Rumo Malha Oeste, which, under current conditions, do not meet the requirements for accounting for said income tax and social contribution assets deferred due to the lack of predictability of future generation of tax profits.

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b) Deferred income tax assets and liabilities

The tax effects of temporary differences that give rise to significant parts of the Company's deferred tax assets and liabilities are shown below:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Assets credits from:				
Tax losses carry forwards - income tax	250,279	252,203	1,782,085	1,784,856
Tax losses of social contribution	100,914	101,617	653,792	654,311
Temporary differences:				
Provision for judicial demands	18,015	15,242	200,872	210,429
Impairment provision	30,327	30,327	203,057	241,083
Allowance for doubtful accounts	642	685	14,648	18,596
Provision for non-performing tax	-	-	41,295	36,983
Provision for profit sharing	3,887	4,080	39,545	38,482
Exchange variation - Loans and financing (i)	2,826	-	68,532	-
Review of useful life - Fixed assets	-	-	666,017	562,699
Fair value adjustment on debts	22,773	-	174,596	57,298
Temporary differences from other provisions	-	7,505	80,405	103,614
Business combination - Fixed assets	1,885	1,507	49,293	88,793
Other	12,291	4,377	122,318	57,309
Deferred taxes - Assets	**443,839**	**417,543**	**4,096,455**	**3,854,453**
(-) Unrecognized deferred assets credits	(345,429)	(346,718)	(2,183,537)	(2,074,432)
Liabilities credits from:				
Temporary differences:				
Tax goodwill amortized	-	-	(24,838)	(24,268)
Lease liabilities	(809)	(787)	(36,589)	(228,041)
Unrealized result from derivatives	(31,441)	-	(556,031)	(307,098)
Review of useful life - Fixed assets	(965)	(851)	-	-
Business combination - Intangible assets	(65,195)	(69,187)	(2,573,178)	(2,578,722)
Other	-	-	(38,649)	(32,494)
Deferred taxes - Liabilities	**(98,410)**	**(70,825)**	**(3,229,285)**	**(3,170,623)**
Total deferred taxes	**-**	**-**	**(1,316,367)**	**(1,390,602)**
Deferred assets	**-**	**-**	**1,174,484**	**1,046,195**
Deferred liabilities	**-**	**-**	**(2,490,851)**	**(2,436,797)**
Total	**-**	**-**	**(1,316,367)**	**(1,390,602)**

(i) The Company opted for the cash regime for the taxation of the exchange variation of loans and financing for the years ended December 31, 2019.

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c) Realization of deferred income tax and social contribution

The Company evaluated the term for offsetting its deferred assets tax credits on tax losses, negative social contribution basis and temporary differences by projecting its taxable income over the term of the concessions. The projection was based on economic assumptions of inflation and interest, volume transported based on the growth of agricultural production and exports projected in its areas of operation and market conditions for its services, validated by management. The results projected by the Company generate the following expected realization on December 31, 2019:

	Deferred asset
2020	26.715
2021	14.953
2022	26.092
2023	26.092
2024	26.092
2025 to 2027	35.630
2028 to 2030	91.606
2031 to 2033	265.123
2034 to 2036	478.660
2037 to 2039	183.521
Total	**1.174.484**

d) Deferred tax movements

	Consolidate
At January 1, 2018	**(1,185,516)**
Income statement	(201,598)
Compensation of tax loss carryforwards - PERT	(3,984)
Actuarial liability	189
Initial adoption CPC 48 / IFRS 9	307
At December 31, 2018	**(1,390,602)**
Income statement	31,539
Actuarial liability	81
Initial adoption CPC 06 (R2) / IFRS 16	41,709
Other	906
At December 31, 2019	**(1,316,367)**

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e) Analytical movement of deferred tax

i. Deferred tax assets

	Tax loss and negative basis	Employee benefits	Provisions	Fixed asset	Unregistered credits	Other	Total
At January 1, 2018	**2,331,384**	**28,953**	**628,400**	**472,602**	**(1,831,832)**	**(101,326)**	**1,528,181**
(Charged) / credited to the result of the year	114,204	13,718	(17,193)	90,097	(122,368)	153,827	232,285
from comprehensive results	(4,107)	189	-	-	-	431	(3,487)
At December 31, 2018	**2,441,481**	**42,860**	**611,207**	**562,699**	**(1,954,200)**	**52,932**	**1,756,979**
(Charged) / credited to the result of the year	(966)	4,730	(69,947)	103,318	57,722	60,544	155,401
from comprehensive results	-	81	-	-	-	-	81
directly to equity	-	-	-	-	-	905	905
Exchange differences	-	-	-	-	(2,826)	68,532	65,706
At December 31, 2019	**2,440,515**	**47,671**	**541,260**	**666,017**	**(1,899,304)**	**182,913**	**1,979,072**

ii. Deferred tax liabilities

	Intangible	Unrealized income from derivatives	Lease liabilities	Adjustment to fair value of debt	Unregistered credits	Other	Total
At January 1, 2018	**(2,579,894)**	**144,279**	**(277,076)**	**23,855**	**(110,276)**	**85,414**	**(2,713,698)**
(Charged) / credited to the result of the year	1,172	(451,377)	49,035	33,443	(12,775)	(53,381)	(433,883)
At December 31, 2018	**(2,578,722)**	**(307,098)**	**(228,041)**	**57,298**	**(123,051)**	**32,033**	**(3,147,581)**
Adjustment in the adoption of IFRS 16 (note 2.4)	-	-	41,710	-	-	-	41,710
At December 31, 2018	**(2,578,722)**	**(307,098)**	**(186,331)**	**57,298**	**(123,051)**	**32,033**	**(3,105,871)**
(Charged) / credited to the result of the year	5,545	(248,933)	149,742	117,299	(166,993)	(46,228)	(189,568)
At December 31, 2019	**(2,573,177)**	**(556,031)**	**(36,589)**	**174,597**	**(290,044)**	**(14,195)**	**(3,295,439)**

5.15 Provision for lawsuits and deposits

Accounting policy:

They are recognized as other expenses when the Company has a present or non-formalized obligation as a result of past events; an outflow of resources is likely to be necessary to settle the obligation; and the amount was safely estimated.

The assessment of the loss of probability includes the available evidence, the hierarchy of laws, the jurisprudence, the most recent judicial decisions and the relevance in the legal system, as well as the opinion of external lawyers. Provisions are reviewed and adjusted for circumstances, such as the statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

Provisions for lawsuits resulting from business combinations are estimated at fair value.

As of December 31, 2019 and 2018, the Company records provisions for legal claims in relation to:

	Provision for judicial demands			
	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Taxes	2,453	1,782	79,006	76,770
Civil, regulatory and environmental	7,791	6,436	137,081	145,735
Labor	37,833	31,653	264,856	292,147
	48,077	**39,871**	**480,943**	**514,652**

	Judicial deposits			
	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Taxes	6,485	7,022	37,999	35,152
Civil, regulatory and environmental	2,172	1,646	178,033	163,579
Labor	14,149	12,441	199,214	170,759
	22,806	**21,109**	**415,246**	**369,490**

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Changes in provisions for legal claims:

	Parent Company			
	Taxes	**Civil, regulatory and environmental**	**Labor**	**Total**
At January 1, 2018	1,821	3,093	31,760	36,674
Provision	27	3,144	7,170	10,341
Settlement or write-offs	(108)	(2,181)	(12,661)	(14,950)
Monetary restatement [(i)]	42	2,380	5,384	7,806
At December 31, 2018	**1,782**	**6,436**	**31,653**	**39,871**
Provision	4,347	15,315	9,659	29,321
Settlement or write-offs	(9,897)	(32,023)	(11,142)	(53,062)
Monetary restatement [(i)]	6,221	18,063	7,663	31,947
At December 31, 2019	**2,453**	**7,791**	**37,833**	**48,077**

	Consolidated			
	Taxes	**Civil, regulatory and environmental**	**Labor**	**Total**
At January 1, 2018	68,896	148,738	284,400	502,034
Provision	14,692	19,814	58,744	93,250
Settlement or write-offs	(4,176)	(44,382)	(84,230)	(132,788)
Monetary restatement [(i)]	(2,642)	21,565	33,233	52,156
At December 31, 2018	**76,770**	**145,735**	**292,147**	**514,652**
Provision	**8,131**	**28,996**	**56,209**	93,336
Settlement or write-offs	**(14,494)**	**(70,472)**	**(113,678)**	(198,644)
Monetary restatement [(i)]	**8,599**	**32,822**	**30,178**	71,599
At December 31, 2019	**79,006**	**137,081**	**264,856**	**480,943**

(i) Includes write-off of interest.

The Company has debts guaranteed by assets or even by means of a cash deposit, bank guarantee or guarantee insurance.

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a) Probable losses

- **Taxes:** The main tax proceedings for which the risk of loss is probable are described below:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
ICMS credit [(i)]	**-**	-	**50,921**	33,806
PIS and COFINS	**-**	-	**2,023**	11
INSS - National Social Security Institute	**654**	-	**23,175**	12,542
Other	**1,799**	1,782	**2,887**	30,411
	2,453	**1,782**	**79,006**	**76,770**

(i) The amount provisioned refers especially to tax assessment notices related to ICMS credits originating from materials used in the production process, but which, in the farm understanding, such materials would be classified as “use and consumption”, not generating the right to credit.

- **Possible losses**

The main processes for which we consider the risk of loss possible are described below:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Tributary	1,013,112	1,381,735	2,651,196	3,081,504
Civil, regulatory and environmental	278,115	225,271	3,402,591	2,893,634
Labor	113,049	126,451	875,178	845,346
	1,404,276	**1,733,457**	**6,928,965**	**6,820,484**

- **Tax:**

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Capital gain [(i)]	83,734	529,788	83,734	529,788
Isolated fine federal tax [(ii)]	467,718	449,039	483,577	449,039
IRPJ/CSLL [(iii)]	262,384	252,368	474,832	504,862
ICMS [(iv)]	78	76	839,812	683,657
IRRF [(v)]	54,008	-	131,402	75,007
PIS/COFINS [(vi)]	4,600	3,750	155,411	64,507
Foreign financial operations [(vii)]	-	-	28,701	290,220
MP 470 installment debts [(viii)]	-	-	115,080	112,666
Stock option plan [(ix)]	59,956	58,226	70,072	67,991
IOF on loan [(x)]	53,765	52,585	53,765	52,585
Compensation with credit award [(xi)]	-	-	44,784	43,121
Other	26,869	35,903	170,026	208,061
	1,013,112	**1,381,735**	**2,651,196**	**3,081,504**

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(i) Tax assessment notices issued by the Federal Revenue Service in 2011 and 2013 and 2019 against the Company related to: a) disallowance of goodwill expense based on future profitability, as well as financial expenses; b) non-taxation of supposed capital gain on the sale of equity interest in a Company of the same economic group; and c) supposed capital gain on the incorporation of shares in companies of the same economic group.

(ii) The Company was assessed for not considering the tax benefits of REPORTO (suspension of PIS and COFINS), under the allegation that the locomotives and wagons acquired in the year 2010 to 2012 were used outside the limits of the port area. Consequently, PIS and COFINS were required, in addition to the isolated fine corresponding to 50% of the value of the acquired assets.

(iii) Tax assessment notices requiring IRPJ and CSLL related: (a) Goodwill Malha Norte: Tax assessment notices issued for the collection of IRPJ and CSLL, combined with interest on late payment and official and isolated fines. According to the Federal Revenue, Rumo Malha Norte would have unduly amortized the goodwill from the acquisition of the companies Brasil Ferrovias S.A, and Novoeste Brasil S.A. (b) GIF, TPG and Teaçu premiums. Infraction notices drawn up for the collection of IRPJ and CSLL, combined with an official fine and late payment interest, in addition to an isolated fine, for the following reasons: Deduction, from the actual profit and the CSLL calculation base, from the amount corresponding to the amortization in acquisition of interest in Teaçu Armazéns Gerais S/A; Deduction, from real profit and CSLL calculation base, of the amount corresponding to the amortization of goodwill paid by the companies TPG Participações S.A. and GIF LOG Participações S.A. on the acquisition of shares issued by Rumo Logística S.A.; (c) Labor provisions: In 2009, under the allegation that the Company would have excluded labor provisions from the calculation of taxable income and the adjusted calculation base of CSLL. In the understanding of the Tax Authorities, the write-offs of the labor provisions were made by the Company without the individualization of the processes (provisions and reversals), which would have an impact on the tax assessment. The likelihood of loss is possible, considering that the occurrence of the decay and that the Company complied with all tax rules related to the addition and exclusion of provisions in the calculation of IRPJ and CSLL.

(iv) Infraction Notices drawn up by the São Paulo State Finance Department, against Rumo Malha Paulista, for the period from February 2011 to July 2015, as well as 2014 and 2018, with the reporting of infractions for alleged lack collection of ICMS in the provision of rail transport services for export; improper credit of ICMS for alleged bookkeeping in the Book of Entries of amounts higher than those found in the Tax Books; improper credit of ICMS for acquisitions supposedly classified as use and consumption. Fines of 50% of the tax amount and 100% of the amount of credit considered undue were also included.

State tax authorities assessed the charges for non-taxation by ICMS on the invoices for the provision of rail freight services for export. All assessments were challenged, since there is a favorable position for taxpayers consolidated in the higher courts, based on the Federal Constitution and Complementary Law 87/1996.

The Treasury of the State of Mato Grosso drew up several Terms of Seizure and Deposit (TADs) in order to collect ICMS and a 50% fine on the value of the fined operations, under the mistaken understanding that the goods exit operations destined for export would be cancelled with the DACTEs (Auxiliary Document of Electronic Transport Knowledge), with the supposed characterization of untrue documentation, under the terms of articles 35-A and 35-B of State Law 7098/98. The Company challenges the assessments and seeks to demonstrate to the Tax Authorities that the goods transported were duly covered by suitable tax documentation.

(v) Rumo Malha Paulista had part of its IRPJ credit balance offset partially disallowed by the IRS based on the argument that the Company would not be entitled to IRRF offset on swap transactions.

(vi) The Federal Revenue Service assessed Rumo Malha Paulista for non-taxation by PIS and COFINS of mutual traffic and right of way revenues billed against Rumo Malha Norte. The chance of loss is considered as possible considering that the tax has already been paid by the concessionaire responsible for transportation at the origin.

The administrative demands for PIS and COFINS are substantially related to the disallowance of PIS and COFINS credits by the non-cumulative system related to the following items: a) credits launched out of time unaccompanied by prior rectification of tax returns; b) claims on expenses arising from mutual traffic contracts; c) credits related to expenses with services classified as inputs in the activity carried out by the Company that supposedly were not proven during the Inspection; d) credits on expenses with transportation of employees; e) credits related to electricity expenses; f) credits on expenses with machinery rentals and rentals that were not proven in the course of the Inspection; g) credits on expenses on the acquisition of machinery, equipment and other assets incorporated into the Company's fixed assets.

(vii) Infraction Notice drawn up to demand differences in IRPJ, CSL, PIS and COFINS, related to the calendar years 2005 to 2008, as a result of the following infractions: Infringement a) improper calculation of PIS and COFINS credits on inputs used in the locomotive repair; Infringement b) undue deduction of taxable income and the CSL calculation base of financial expenses arising from loans entered into with financial institutions abroad; Infringement c) undue exclusion of taxable income and the CSL calculation base of financial income from securities issued by the Austrian government and the government of Spain, the latter through the Official Credit Institute ("ICO"), a public company to he linked; Infringement d) error in accounting and undue inclusion in the real profit and in the CSL calculation base of gains earned in swap operations and non-taxation of financial income earned with such contracts by PIS and COFINS; Infringement e) undue exclusion of taxable income and the CSL calculation base carried out as PIS and COFINS credits; Infringement f) undue exclusion of taxable income and the CSL calculation base carried out as deferred CSL; and Infringement g) insufficient payment of IRPJ and CSL prepayments, which resulted in the application of the isolated fine of 50%, in concomitance with the fine of 75%. In 2019, we had definite success with regard to the completeness of the "a", "b", "d", "e" and "f" infractions, as well as part of the "c" infraction, to recognize the possibility of exclusion of the real profit and the basis for calculating the CSLL of the revenues arising from the Austrian public debt securities acquired on 7/24/2006 and, as a consequence, part of the infraction "g", in the extension of the partial cancellation of item "c". Contingency adjusted for final success.

(viii) The Federal Revenue Service partially rejected the requests for installment payments of federal tax debts made by Rumo Malha Sul and Rumo Intermodal, on the grounds that the tax losses offered by the companies were not sufficient to settle the respective debts. The probability of loss is considered as possible, since the losses identified existed and were available for that use.

(ix) Tax assessment notices drawn up against the Company for the collection of social security contributions (20% of the amount paid) of amounts referring to the Stock Option Plan granted to employees, administrators and third parties. The main basis for the assessment is the alleged remuneration.

(x) The Federal Treasury intends to enforce the levy of IOF on the current accounts maintained by the parent Company for affiliates / subsidiaries (most substantial part of the assessment). In the understanding of the tax authorities, the use of an accounting item as advances for expenses to related companies, without a formal loan agreement, characterizes the existence of a current account, and the IOF due must be determined according to the rules specific to revolving credit operations. The tax assessment notices are still being questioned at the administrative level.

(xi) Rumo Malha Sul transmitted nineteen clearing statements (DCOMP) via the PERD / COMP electronic system, referring to "premium credit", using credit acquired from third parties (Fibra S.A. Indústria e Comércio and others). Such Dcomps for referring to credit of third parties and also to "credit - premium", in accordance with the current legislation, were considered as not declared in Decision Order contained in the administrative process, with awareness to the taxpayer on 09/24/2013, giving rise thus the application of a 75% fine in compliance with art. 18, §4 of Law No. 10,833 / 2003

- **Civil, regulatory and environmental:**

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Civil	247,614	222,911	2,080,218	1,785,541
Regulatory	29,525	904	802,906	647,182
Environmental	976	1,456	519,467	460,911
	278,115	**225,271**	**3,402,591**	**2,893,634**

On July 25, 2018, the Company became aware of the initiation of an administrative inquiry before CADE to determine the representation formulated by Agrovia. The Company refutes the arguments presented by it and points out that most of the facts have already been analyzed and rejected by the body itself in another administrative proceeding. The Company evaluates as possible the risk that an administrative proceeding will be created and or will incur a loss in this proceeding. Due to the initial stage of the theme, it is not possible to estimate the value at risk.

- **Labor:**

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Labor claims	113,049	126,451	875,178	845,346
	113,049	**126,451**	**875,178**	**845,346**

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In 2010, Prumo Engenharia Ltda. (“Prumo Engenharia”), a service provider of then ALL - América Latina Logística SA (“ALL”), was accused of incurring irregular labor practices while performing engineering services for the Company's subsidiary, currently Rumo Malha Paulista. Although Prumo Engenharia assumed full responsibility for the condition of the workers in question, Rumo Malha Paulista was unduly included, in the Company's view, in the list of employers of the Ministry of Labor, and a preliminary injunction was granted determining the exclusion of said list until the final decision of the judicial process, which is being processed in secret.

The Public Ministry of Labor also filed a public civil action (ACP) against Malha Paulista, without the inclusion of Prumo in the lawsuit, requiring the payment of indemnity for collective moral damages in the amount of R$ 100 million (among other commitments), partially judged proceeding condemning the Company in obligations to do and not to do, in how, in collective moral damage of R$ 15 million. In addition to demonstrating that the Company did not participate in the practice of irregularities, the Company believes that the action should be brought against Prumo, which is discussed in an appeal. The risk of loss is considered possible and the case is awaiting a decision by the Superior Labor Court.

5.16 Leases and concessions in dispute

Accounting policy:

The Company records in this account the balance of the lease installments involved in disputes with the granting authority. The initial registration takes place at the amount of the installment at maturity, by transferring the “Liabilities for leases” account. Subsequently, the values are corrected by Selic.

Balances payable as a concession for concession rights (“Concessions”) are also recorded in this account, with a contra entry to intangible assets (see Note 5.12.2). Subsequent measurement occurs at the effective rate.

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	December 31, 2019			December 31, 2018
	Leases	**Concessions**	**Total**	**Total**
Amounts payables:				
Rumo Malha Sul	-	36,621	**36,621**	60,761
Rumo Malha Paulista	-	20,003	**20,003**	45,892
	-	**56,624**	**56,624**	106,653
Amounts under judicial discussions:				
Rumo Malha Paulista	1,870,018	-	**1,870,018**	1,695,770
Rumo Malha Oeste	1,440,656	87,582	**1,528,238**	1,406,145
	3,310,674	**87,582**	**3,398,256**	3,101,915
Total	**3,310,674**	**144,206**	**3,454,880**	**3,208,568**
Current			**9,847**	28,797
Non-current			**3,445,033**	3,179,771
			3,454,880	**3,208,568**

Values under litigation

The Company is challenging in court the economic and financial imbalance of certain Lease and Concession Agreements.

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In April 2004, Rumo Malha Paulista filed a Cautionary Action and, subsequently, a Declaratory Action before the 21st Federal Court of Rio de Janeiro questioning the economic and financial imbalance of the Concession and Lease Contracts, due to the high disbursement that the Company has with the payment of labor lawsuits and other costs involved, which are the responsibility of Rede Ferroviária Federal S/A, under the terms expressed in the bidding notice Rumo Malha Paulista requested the granting of an injunction to suspend the payment of the installments of the lease agreements, overdue and falling due, as well as the offsetting of the credit balance resulting from labor fees paid by the Company with the amount charged by the Union. In April 2005, the injunction was granted, suspending the payment of the installments for 90 days, determining conducting expertise. In July 2005, the suspension of the liability was extended for another 90 days. In September 2005, the injunction was revoked by the Regional Federal Court of Rio de Janeiro. In January 2006, a request was made to suspend the payment of installments, by means of a deposit. The amount related to the lease installments had been deposited in court until October 2007, when the Company obtained judicial authorization to replace the judicial deposits by bank guarantee letter. In October 2015, a decision was rendered that partially upheld the lawsuit recognizing the occurrence of an economic and financial imbalance in the contracts, allowing the Company to offset part of the amounts claimed against the presented debt. As an appeal, the right to offset expenses with internal personnel was included and the correction of the amounts due by the IPCA-E was determined. Appeals are awaited by the Superior Courts. Notwithstanding, the Company understands that any amount discussed in the process is liable to offset, due to the provision contained in clauses 7 and 10 of the Bidding Notice.

Management, supported by the opinion of its lawyers, assesses the chances of success as probable in relation to the amount of the sentence and judgment rendered and as possible in relation to other amounts, but maintains the record of the debt as it is a contractual obligation.

Rumo Malha Oeste also pleads for the reestablishment of the economic and financial balance, lost due to the cancellation of transportation contracts existing at the time of the privatization, changing the regulatory scenario and conditions established in the Privatization Notice - in addition, the growth forecasts that defined the value of the business did not materialize. The lawsuit is pending at the Federal Regional Court of the 2nd Region. The amount referring to the Company's overdue installments was guaranteed by the acquisition of public debt securities (Financial Treasury Bills - LFT). In March 2008, the Company obtained authorization to replace the guarantee with bank guarantee and in May 2008 the Company redeemed the amounts. In December 2014, a decision was handed down that upheld the lawsuit, recognizing the occurrence of an economic-financial imbalance in the contracts. In December 2015, a request for replacement of letters of guarantee presented by the Company with guarantee insurance was granted. Appeal judgment is awaited at the TRF (Federal Regional Court).

Management, supported by the opinion of its lawyers, assesses the chances of success as probable, but maintains the record of the liability because it is a contractual obligation not yet withdrawn from the Company, and because the amount is still pending.

Judicial deposits related to the aforementioned lawsuits total:

	December 31, 2019	December 31, 2018
Rumo Malha Paulista	**119,806**	119,806
Rumo Malha Oeste	**21,703**	19,790
	141,509	**139,596**

Judicial deposits are accounted for in the “regulatory” group, according to Note 5.15.

Still within the scope of the disputes involving the Malha Oeste, in January 2020 the Agency decided to initiate an Ordinary Administrative Proceeding to generate a conclusive report as to the suitability, or not, of the declaration of expiry of the concession of the Malha Oeste by the Union. The analysis will be conducted by a commission to be appointed by the Infrastructure and Railroad Cargo Transport Services area.

Management, supported by the opinion of its lawyers, assesses the risk of loss as possible.

5.17 Shareholders' equity

a) Share capital

Accounting policy:

The share capital is recorded at the value of the payment of shares less the incremental costs directly attributable to the issue of common shares. Income tax related to transaction costs of an equity transaction is accounted for in accordance with the policy described in Note 5.14 - Income tax and social contribution.

The subscribed and fully paid-in capital on December 31, 2019 and 2018 is R$ 9,654,897 and is represented by 1,559,015,898 registered, book-entry common shares with no par value.

As of December 31, 2019, the Company's capital stock consists of the following:

	Ordinary shares	
	Quantity	**%**
Shareholders		
Cosan Logística S.A.	443,843,194	28.47%
Julia Arduini	59,511,402	3.82%
Board of Directors	1,912,620	0.12%
Free Float	1,053,748,682	67.59%
Total of Outstanding Shares	**1,559,015,898**	**100.00%**

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b) Capital reserve

Accounting policy:

Capital Reserves are made up of amounts received by the Company and which do not pass through Income as revenue, as they refer to amounts intended to reinforce its capital, without having as counterpart any effort of the Company in terms of delivering goods or rendering services. Such reserves include goodwill on the issuance of shares, the sale of beneficiary shares and subscription bonuses. These are capital transactions with the partners.

The movement for the year consists of the transactions with shareholders highlighted below:

- Increase of R$ 10,617 in transactions with payment based on shares;
- Decrease of R$ 103 referring to the effect of the distribution of dividends to preferred shareholders in the subsidiary Rumo Malha Norte.

c) Legal reserve

Accounting policy:

It is constituted through the appropriation of 5% of net income for the year up to the limit of 20% of capital, in accordance with Law 6,404.

For the year ended December 31, 2019, the Company allocated R$ 38,911 (R$ 13,218 as of December 31, 2018).

d) Tax incentives - SUDAM

Accounting policy:

Tax incentives are recorded at fair value, when there is reasonable assurance that: (a) the Company will meet the requirements related to the incentive; (b) the incentive will be received.

The effects are recorded in the income statement to offset the costs or expenses that the incentive intends to offset.

Rumo Malha Norte obtained through the Amazon Development Superintendence - SUDAM the right to a reduction in corporate income tax - IRPJ and additional non-refundable taxes calculated on the operating profit, as it is located in the coverage area of the Legal Amazon and as the transport sector is considered a priority enterprise for regional development.

The effect of the 75% reduction on IRPJ and non-refundable additional calculated up to December 31, 2019 on operating profit was R$ 178,609 (R$ 48,541 on December 31, 2018), recorded as a reduction of Income Tax expense and Social Contribution of the subsidiary Rumo Malha Norte.

e) Other comprehensive income

	December 31, 2018	Base	Deferred tax	Net	December 31, 2019
Effects of foreign currency translation - Investee	18,221	3,215	-	3,215	**21,436**
Actuarial losses with pension plan	(2,694)	(580)	81	(499)	**(3,193)**
Attributed cost	3,380	(546)	-	(546)	**2,834**
Total	**18,907**	**2,089**	**81**	**2,170**	**21,077**

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6 Detailed information on income statement

6.1 Net operating revenue

Accounting policies

i. Service revenue

Revenues from the provision of services are recognized when the entity transfers to the counterpart the significant risks and benefits inherent to the provision of services, when it is probable that the economic benefits associated with the transaction will flow to the Company, as well as when its related value and incurred costs can be reliably measured.

Service prices are fixed based on service orders or contracts. The Company's revenue is basically comprised of rail freight, road freight, container transport and port elevation services, which is why the above criteria are normally met to the extent that the logistics service is provided.

ii. Deferred revenue

The Company has deferred revenue received from customers in order to invest in permanent assets in exchange for a rail transportation service contract, requiring future performance of services by the Company.

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The following is an analysis of the Company's revenue:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Gross revenue from sales of services	633,856	689,320	7,473,730	6,988,737
Taxes and deductions on sales of services	(37,441)	(44,232)	(385,890)	(403,801)
Net revenue	**596,415**	**645,088**	**7,087,840**	**6,584,936**

The Company provides services in the Brazilian domestic market, to private entities. The agreements with customers establish substantially fixed prices per transported or elevated ton. The services provided by the Company have a very short period of execution, with the revenue earned and recorded as the services are performed. Regarding the nature of the services provided, net revenue has the following composition:

Breakdown of net revenue by service:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Cargo transportation	596,415	645,088	6,548,109	5,998,380
Cargo elevation	-	-	351,563	303,804
Right of passage	-	-	164,907	149,985
Other	-	-	23,261	132,767
Net revenue	**596,415**	**645,088**	**7,087,840**	**6,584,936**

6.2 Costs and expenses by nature

Expenses are presented in the income statement by function. The reconciliation of income by nature / purpose is as follows:

	Parent Company		Consolidated	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Material for use and consumption	(566)	(2,433)	(145,540)	(133,819)
Employee benefit expense	(7,766)	(8,709)	(923,624)	(842,742)
Depreciation and amortization	(102,956)	(99,801)	(1,675,637)	(1,418,858)
Third-party services expense	(4,710)	(10,701)	(344,339)	(321,448)
Transportation and elevation expenses	(368,153)	(377,730)	(1,696,366)	(1,547,669)
Lease and concessions	-	-	-	(212,081)
Short-term and small-value leases	-	-	(48,182)	(14,157)
Other expenses	(25,705)	(20,880)	(138,698)	(288,296)
	(509,856)	**(520,254)**	**(4,972,386)**	**(4,779,070)**
Cost of services provided	(484,314)	(485,171)	(4,608,781)	(4,465,634)
Selling expenses	107	(28)	(6,983)	(12,872)
General and administrative expenses	(25,649)	(35,055)	(356,622)	(300,564)
	(509,856)	**(520,254)**	**(4,972,386)**	**(4,779,070)**

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6.3 Other operating income (expenses), net

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net effect of lawsuits and tax installments	(15,907)	(9,123)	(73,065)	(79,283)
Rental and leases revenue	14,420	13,440	-	831
Result on sale of scrap / eventual	1,830	1,447	45,566	45,952
Result on disposals of fixed assets and intangible assets	-	-	4,454	29,231
Depreciation [(i)]	-	-	(40,545)	
Outdated tax credits	13,244	-	40,447	-
Insurance claims recovery	-	3,588	-	5,345
Loss from impairment (Note 5.12.2)	-	-	-	(72,448)
Other	(1,903)	(2,315)	(941)	5,070
	11,684	**7,037**	**(24,084)**	**(65,302)**

(i) Depreciation cost of granting the Malha Central.

6.4 Financial results

Accounting policy:

Financial income includes interest income on invested funds, dividends, gains on the fair value of financial assets measured at fair value through profit or loss, gains on hedge instruments that are recognized in the result and reclassifications of net gains previously recognized in other comprehensive income. Interest income is recognized as it is recognized in the income statement, using the effective interest rate method.

Financial expenses include interest expense on loans, settlement of the discount of provisions and deferral, losses on the disposal of financial assets available for sale, losses on the fair value of financial assets at fair value through profit or loss, impairment losses recognized financial assets (other than accounts receivable), losses on hedge instruments that are recognized in the income statement and reclassifications of net losses previously recognized in other comprehensive income.

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

Exchange gains and losses on financial assets and financial liabilities are reported on a net basis as financial income or financial cost, depending on whether net foreign currency fluctuations result in a gain or loss position.

The details of financial income and costs are as follows:

	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cost of gross debt				
Interest and monetary variation	(216,470)	(100,303)	(1,076,799)	(903,200)
Net exchange rate changes on debts	(8,394)	(6,933)	(202,789)	(653,262)
Result from derivatives and fair value	81,723	322	676,422	752,869
Amortization of funding expenses	(6,208)	(970)	(40,395)	(48,162)
Guarantees and warranties on loans	(11,981)	(25,886)	(44,255)	(81,864)
	(161,330)	**(133,770)**	**(687,816)**	**(933,619)**
Cash investment income	15,438	14,934	155,221	180,395
	15,438	**14,934**	**155,221**	**180,395**
	-	-	-	-
Cost of debt, net	**(145,892)**	**(118,836)**	**(532,595)**	**(753,224)**
Other charges and monetary variations	-	-	-	-
Interest on other receivables	8,572	686	47,311	43,588
Lease and concessions in dispute	-	-	(190,272)	(186,259)
Lease liabilities	(56)	(97)	(363,753)	(105,085)
Banking expenses and other	(1,099)	(1,948)	(52,104)	(59,961)
Real estate credit certificates	-	(183)	-	(5,091)
Interest on contingencies and commercial contracts	(21,458)	(3,656)	(84,386)	(86,236)
Foreign exchange e derivatives	(2,054)	(8,730)	(3,104)	(14,802)
Interest on other liabilities	(4,722)	(69)	(19,224)	(42,265)
	(20,817)	**(13,997)**	**(665,532)**	**(456,111)**
Finance result, net	**(166,709)**	**(132,833)**	**(1,198,127)**	**(1,209,335)**
Reconciliation				
Financial expenses	(261,996)	(133,110)	(1,871,188)	(1,518,125)
Financial income	24,012	15,619	202,532	223,984
Exchange variation	(10,448)	(15,664)	(205,839)	(668,063)
Derivatives	81,723	322	676,368	752,869
Finance result, net	**(166,709)**	**(132,833)**	**(1,198,127)**	**(1,209,335)**

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6.5 Share-based payment

Accounting policy:

The fair value of share-based payment benefits on the grant date is recognized, as personnel expenses, with a corresponding increase in shareholders' equity, for the period in which employees unconditionally acquire the right to benefits.

The amount recognized as an expense is adjusted to reflect the number of shares for which it is expected that the service conditions and acquisition conditions (which are not market) will be met, in such a way that the amount finally recognized as an expense is based on the number of shares that actually meet the conditions of the service and non-market acquisition conditions on the date on which the payment rights are acquired (vesting date).

For non-vested share-based payment benefits, the fair value on the share-based payment grant date is measured to reflect such conditions and there is no change to differences between expected and actual benefits.

a) Description of the agreements

The Company has two share-based compensation plans. The first, the "Stock grant plan", grants shares of the Company to managers and employees. The second, the "Stock option plan", grants the right to acquire shares (options) of the Company at a specified price. In both cases, the right to acquire or receive shares is subject to the grace period for each plan.

The plans are managed by the Company's Board of Directors, at its discretion, by a Committee, within the limits established in the guidelines for the preparation and structuring of each plan and in the applicable legislation.

On December 21, 2016, the Share-Based Compensation model (“Stock Grant”) was approved at the Meeting, which has been applied to grants since then. This model provides for the distribution of up to 3% of the Company's capital stock, already considering the dilution effect of the distribution of shares granted under the plan. The plan aims to: (i) attract, retain and motivate beneficiaries; (ii) generating value for shareholders; and (iii) encourage the entrepreneurial vision of the business.

The number of shares to be distributed will be determined by the Board of Directors or the Committee, if instituted, and will be equivalent to the closing value of the issuer's share on the floor - at B3 - immediately prior to the grant. The shares granted in the Share-Based Compensation Plan will be transferred free of charge once the grace period stipulated under the terms of each Share Granting Program has been completed, the amount being adjusted by the number proportional to the dividends paid in the period. The Black-Scholes methodology is used to determine the fair value of the shares delivered

The following share-based payment agreements:

Stock Grants Plans	Lack period (years)	Grant date	Interest rate	Volatility	Granted shares	Exercised / cancelled	Effective on December 31, 2019	Market price on grant date - R$	Fair value on grant date - R$
2015 Plan	5	October 1, 2015	11.33%	42.75%	1,485,900	(214,000)	1,271,900	6.10	6.10
2016 Plan	5	January 2, 2017	11.33%	42.75%	1,476,000	(185,700)	1,290,300	6.10	6.10
2017 Plan	5	September 1, 2017	9.93%	29.76%	870,900	(120,200)	750,700	10.42	10.42
2018 Plan	5	August 1, 2018	10.93%	31.97%	1,149,544	(75,821)	1,073,723	13.94	13.94
2019 Plan	5	August 15, 2019	6.28%	27.46%	843,152	(1,589)	841,563	22.17	22.17
					5,825,496	**(597,310)**	**5,228,186**		

b) Reconciliation of shares granted in circulation

The movement in the number of outstanding premiums and their related weighted average exercise prices are as follows:

	Stock option		***Stock grant***
	Rumo S.A		**Rumo S.A**
	Number of options	**Average exercise price**	**Number of shares**
At January 1, 2018	223,825	52.00	3,587,750
Granted	-	-	1,149,544
Cancelled	(25,600)	67.78	(37,072)
Exercised / delivered	-	-	(161,849)
At December 31, 2018	**198,225**	**54.83**	**4,538,373**
Granted	-	-	843,152
Exercised / delivered	-	-	(25,932)
Lost / cancelled	(47,563)	61.04	(127,407)
At December 31, 2019	**150,662**	**56.61**	**5,228,186**

c) Expense recognized in profit or loss

In the year ended December 31, 2019, R$ 10,472 was recognized as expenses related to the appropriation of the "Stock Grant" Plans (R$ 7,352 on December 31, 2018).

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6.6 Earnings per share

Accounting policy:

a) Basic earnings per share

Basic earnings per share are calculated by dividing:

i. the profit attributable to the owners of the Company, excluding any equity service costs other than common shares; and

ii. by the weighted average number of common shares outstanding during the year, adjusted by the bonus elements in common shares issued during the year and excluding treasury shares if any.

b) Diluted earnings per share

Diluted earnings per share adjust the amounts used in determining basic earnings per share to take into account:

i. the after tax effect on interest income and other financing costs associated with potential diluting common shares; and

ii. the weighted average number of additional common shares that would be outstanding, assuming the conversion of all potential diluting common shares.

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

The following table shows the calculation of earnings per share (in thousands, except per share) for the years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Result for the year	778,237	264,357
Diluted effects:		
Dilutive effect - Brado Logística	1,466	-
Diluted result for the year attributable to controlling shareholders	**779,703**	**264,357**
Denominator:		
Weighted average number of common share	1,559,167	1,559,214
Diluted effects:	-	-
Dilutive effect - Brado Logística	3,264	-
Dilutive effect - Stock option plan	4,249	3,450
Weighted average number of common share - diluted	1,566,679	1,562,664
Basic earnings per common share	**R$0.49914**	**R$0.16955**
Diluted earnings per common share	**R$0.49768**	**R$0.16917**

Thinning instruments

The non-controlling shareholders of the indirect subsidiary Brado, are entitled to exercise the Liquidity Option provided for in the shareholders' agreement signed on August 5, 2013. This option consists of replacing the totality of the shares held by said non-controlling shareholders with a number of shares determined according to the established exchange ratio, which takes into account the economic value to be established for both the Brado business and the Company's business. At the Company's sole discretion, an equivalent cash payment is also possible. The assumptions of value and form of settlement are subject to the decision of the arbitration procedure and on December 31, 2019, the best estimate is 3,264 shares, with dilutive effect, which are therefore considered in the analysis of diluted earnings per share.

The Company has share-based compensation plans, as detailed in note 6.5, whose instruments (restricted options or shares). As of December 31, 2019 and 2018, they have a dilutive effect.

rumo
SOMOS O BRASIL EM MOVIMENTO

EARNINGS RELEASE 4Q19

Curitiba, February 13, 2020 – **RUMO S.A. (*B3: RAIL3*) ("Rumo")** today announces its results for the fourth quarter of 2019 **(4Q19)**, including October, November, and December. The results are consolidated in accordance with the accounting criteria adopted in Brazil and International Financial Reporting Standards (IFRS). Comparisons in this report consider 4Q19 and proforma 4Q18 unless otherwise indicated.

Rumo 4Q19 and 2019 Highlights

- As of July 2019, Rumo started reporting its results including the Central Network (North-South Railway). Thus, Rumo's EBITDA totaled R$3,829 million in 2019, R$897 million of which was generated in 4Q19. However, for a better comparison with 2018, section 3 reports results excluding Central Network effects.
- EBITDA excluding the Central Network totaled R$3,857 million in 2019, up by 10.1% and R$913 million in 4Q19. The EBITDA margin reached 54.2%, 1,1 p.p. higher than in 2018.
- Rumo posted a net income of R$786 million, R$203 million of which was in 4Q19. Leverage stood at 1.8x broad net debt/LTM EBITDA at the end of 2019. The net income excluding the Central Network totaled R$907 million, 3.3 times higher than in 2018.
- Total transported volume in 2019 reached 60.1 billion RTK, 6.6% higher than in 2018, and 15.0 billion RTK in 4Q19, in line with 4Q18.
- Capex totaled R$2,020 million in 2019, in line with 2018. Out of this total, R$637 million were invested in 4Q19.

4Q19	4Q18 Proforma	Chg.%	Summary of Financials (Amounts in BRL mln)	2019	2018 Proforma	Chg.%
14,997	**14,943**	**0.4%**	**Total transported volume (million RTK)**	**60,096**	**56,364**	**6.6%**
2,665	**2,786**	**-4.3%**	**Total volume loaded (TU '000)**	**11,213**	**11,401**	**-1.6%**
1,664	**1,647**	**1.0%**	**Net Revenue[1]**	**7,088**	**6,585**	**7.6%**
(1,092)	(1,110)	1.6%	Cost of goods sold	(4,609)	(4,313)	6.9%
572	**537**	**6.5%**	**Gross profit**	**2,479**	**2,272**	**9.1%**
34.4%	*32.6%*	*1.8 p.p*	*Gross margin (%)*	*35.0%*	*34.5%*	*-0.5 p.p.*
(98)	(90)	8.5%	Sales, general, and administrative expenses	(363)	(313)	28.6%
(11)	(50)	-78.4%	Other op. revenues (expenses) and equity	(3)	(55)	>100%
464	**397**	**16.9%**	**Operational profit**	**2,113**	**1,904**	**11.0%**
434	394	10.1%	Depreciation and amortization	1,716	1,523	12.6%
897	**790**	**13.5%**	**EBITDA**	**3,829**	**3,427**	**11.8%**
53.9%	*48.0%*	*5.9 p.p*	*EBITDA margin (%)*	*54.0%*	*52.0%*	*2.0 p.p.*
-	72	->100.0%	Provision of West Network impairment	-	72	->100.0%
897	**861**	**4.2%**	**Adjusted EBITDA**	**3,829**	**3,499**	**9.5%**
53.9%	*52.3%*	*1.6 p.p*	*Adjusted EBITDA margin (%)*	*54.0%*	*53.1%*	*0.9 p.p.*
202	**137**	**47.4%**	**Net profit (loss)**	**786**	**273**	**>100%**
12.1%	*8.3%*	*3.8 p.p*	*Net margin (%)*	*11.0%*	*4.1%*	*7.1 p.p.*
637	**419**	**52.0%**	**Capex**	**2,020**	**2,020**	**0.0%**

Note 1: Includes revenue from the right-of-way of other railways, revenue from sugar transportation using other railways, or road transportation and revenue from volumes contracted, but not executed, according to commercial agreements (take-or-pay).

Conference Call

English* - 2:00 p.m. (Brasília time)

With simultaneous translation into Portuguese

February 14, 2020 (Friday)

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1. Letter from CEO

Dear investors and stakeholders,

It is with great pleasure that I share with you my review on Rumo's 2019 performance as well as our path going forward.

In 2019 we achieved great results: our volume went up 6,6% and our EBITDA grew 10%. Net income was roughly 3 times higher than 2018 and we generated R$ 688 million cash before funding and amortization. We also had important achievements in 2019: we won the bid for Norte Sul Railway and closed an operational deal with Ferroeste, initiatives that expand even more our influence area. The early renewal of Malha Paulista, that sustains our long-term strategy, also advanced with the approval from TCU, Brazil's Audit Court, our double-stack railcar operations started in the container segment.

This was my first year as Rumo's CEO. Now is the time to look forward at all the opportunities that we have to improve our efficiency and increase our business competitiveness. I will explore this at our next Cosan Day, when we will present details to the market on our growth strategy for the upcoming years.

In 2020, uncertainties regarding the international demand for grains may create greater market volatility in the short-term. However, the long-term fundamentals of our business remain unchanged. We believe in Brazil's agribusiness potential and in the increase of the demand for grains in the global market. Recovery of economic activity in Brazil and the expansion of our operations in the State of Goiás and the west region of Paraná allows volume growth and cargo diversification.

We remain focused on safety, executing our investment plan with capital discipline, seeking for creating even more value for our shareholders.

I conclude by renewing my commitment, alongside with Rumo's team, to build a better logistics industry for the country in order to foster the development of domestic production and to approach areas with different levels of industrialization. All in all: we are Brazil in motion!

Thank you,

Beto Abreu

2. IFRS 16 Implementation

As of January 1, 2019, the Company implemented the Accounting Standard CPC 06 (R2)/IFRS 16, which introduced a unique model of accounting for leasing in the lessee's balance sheet. As a lessee, Rumo recognized the right to use assets representing its right to use underlying assets and leasing liabilities representing its obligation to pay for the lease. In its operational results, the Company no longer records leasing expenses by the amount incurred/paid and now records amortization expenses of the right-to-use and financial charges of interest rates over leasing liabilities.

Rumo opted to use the modified retrospective approach in which the cumulative effect of initial adoption is recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019.

Given the option of a modified retrospective approach, 2018 comparative information has not been restated in the financial statements. To ensure proper comparison of the information contained herein, the Company will report the 2018 proforma results under the same basis of the criteria adopted in 2019.

2018 Proforma Results (Comparable)

The reconciliation of information reported in 2018 and the proforma information are summarized below:

Income Statement for the year	**4Q18**			**2018**		
(Amounts in BRL mln)	**Reported**	**IFRS 16**	**Proforma**	**Reported**	**IFRS 16**	**Proforma**
Net operating revenue	**1,647**	**-**	**1,647**	**6,585**	**-**	**6,585**
Cost of goods sold	(1,150)	40	(1,110)	(4,466)	152	(4,314)
Gross profit (loss)	**497**	**40**	**537**	**2,119**	**152**	**2,272**
Gross margin (%)	*30.2%*	-	*32.6%*	*32.2%*	n/a	*34.5%*
Sales, general and administrative expenses	(90)	-	(90)	(313)	-	(313)
Other op. revenues (expenses) and equity pickup	(51)	-	(51)	(56)	-	(56)
Operational profit	**356**	**40**	**396**	**1,750**	**152**	**1,903**
Depreciation and amortization	367	27	394	1,419	105	1,523
Provision for impairment West Network	72	-	72	72	-	72
EBITDA	**796**	**66**	**862**	**3,242**	**257**	**3,499**
EBITDA Margin (%)	*48.3%*	-	*52.3%*	*49.2%*	n/a	*53.1%*
Financial result	(143)	(39)	(182)	(1,209)	(159)	(1,368)
Income tax/social contribution	(76)	0.5	(75.5)	(269)	3	(266)
Net profit (loss)	**137**	**1**	**138**	**273**	**(4)**	**269**
Net Margin (%)	*8.3%*	-	*8.4%*	*4.1%*	n/a	*4.1%*

3. Recognition of Central Network Contract (North-South Railway)

On July 31, 2019, the Company signed the Central Network sub-concession contract, which ensures the right to explore the railway network for 30 years as of that date. The R$2,905 million referring to the auction amount was duly restated in accordance with contractual parameters and recorded as railway infrastructure **right-of-use**. The amount of R$145 million, corresponding to 5% of the total amount, was paid in cash when concession began, as provided for in the contract. In addition, two quarterly installments of R$74.5 million were paid, and the balance as of December 31, 2019, totals R$2,729 million in the **leasing** account (liabilities), which represents the present value of falling due installments, applying the contract's implicit rate.

Balance sheet (Amounts in BRL mln)	**Position on December 31, 2019**
Right of use	2,864
Leases	(2,729)

The consolidation of Central Network in the Company's results caused an impact of R$27.4 million on EBITDA on account of general and administrative expenses incurred as of August. Net income was impacted by R$121.2 million, primarily due to the accounting for financial expenses and depreciation referring to the contract as of August.

Impact on Results - Central Network (Amounts in BRL mln)	**4Q19**	**2019**
General and administrative expenses	(15,2)	(27,4)
Depreciation	(24,4)	(40,5)
Financial result	(69,5)	(115,8)
Deferred income tax	62,5	62,5
Net Profit (Loss)	**(46,6)**	**(121,2)**

Comparable Result (Excluding the Central Network)

When considering the Company's results, excluding the Central Network, EBITDA rose by 10.1% to R$3,857 million, with an EBITDA margin of 54.2%. Net income totaled R$907 million, three times higher than in 2018. The chart below reflects the comparable results, which excludes the Central Network effects:

4Q19[2]	**4Q18 Proforma**[3]	**Chg. %**	**Summary of Financial Information** (Amounts in BRL mln)	**2019**[2]	**2018 Proforma**[3]	**Chg. %**
1,664	**1,647**	**1.0%**	**Net operating revenue**	**7,088**	**6,585**	**7.6%**
572	**537**	**6.5%**	**Gross profit**	**2,479**	**2,272**	**9.1%**
34.4%	*32.6%*	*1.8 p.p.*	*Gross margin (%)*	*35.0%*	*34.5%*	*0.5 p.p.*
(82)	(90)	-8.9%	Sales, general and administrative expenses	(336)	(313)	7.4%
14	(51)	>100%	Other op. revenues (expenses) and equity pickup	38	(55)	>100%
503	**396**	**27.0%**	**Operational profit**	**2,181**	**1,903**	**14.6%**
409	394	3.8%	Depreciation and amortization	1,757	1,523	15.4%
913	**790**	**15.5%**	**EBITDA**	**3,857**	**3,427**	**12.6%**
54.8%	*48.0%*	*6.8 p.p.*	*EBITDA margin (%)*	*54.2%*	*52.0%*	*2.2p.p.*
-	72	-	Provision of West Network impairment	-	*72*	-
913	**862**	*5.9%*	**Adjusted EBITDA**	**3,857**	**3,499**	**10.1%**
54.8%	*56.7%*	*1.9 p.p.*	*Adjusted EBITDA margin*	*54.2%*	*53.1%*	*1.1p.p.*
249	**138**	**80.7%**	**Net profit (loss)**	**907**	**269**	**>100.0%**
14.9%	*8.4%*	*6.5 p.p.*	*Net margin (%)*	*13.7%*	*4.1%*	*9.6 p.p.*
599	**427**	**40.3%**	**Capex**	**1,982**	**2,020**	**-1.8%**

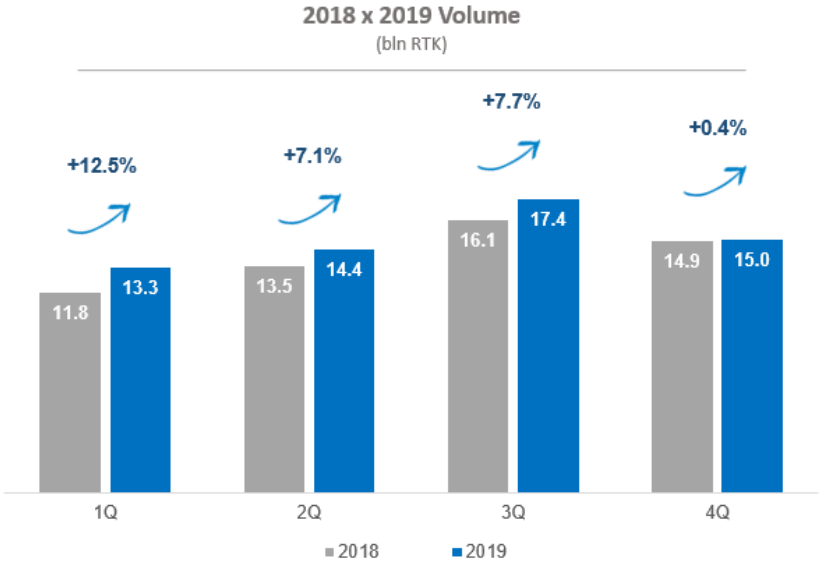
Note 2: Excluding the effects of Central Network consolidation.
Note 3: IFRS 16 effects were applied, ensuring 2019 comparison.

Other sections of this earnings release consolidate the Central Network unless otherwise stated.

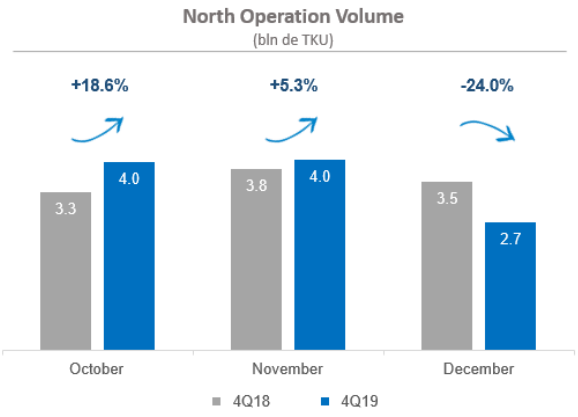
4. 4Q19 Executive Summary

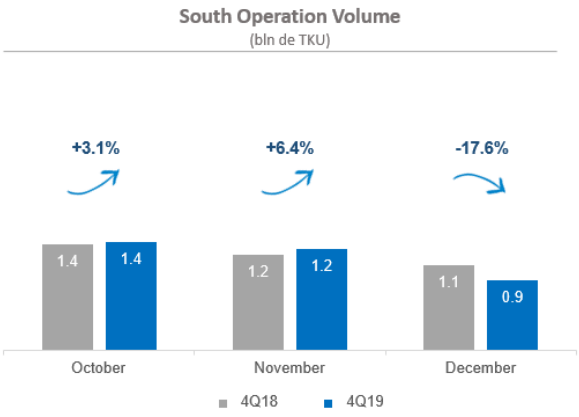
The volume transported by Rumo in 2019 rose by 6.6% to 60.1 billion RTK. 2019 was a year of volatility due to market conditions the operational constraints faced by Rumo. Anticipated **soybean** harvest resulted in strong volumes in the market as of January and throughout the **first quarter**. However, on account of operational constraints in February and March, Rumo recorded limited growth in the period. **The second quarter** was marked by unfavorable soybean trading conditions due to a lower chinese demand, resulting in lower exports in April and May. Despite Rumo's market share gain in the period, transported volumes went lower.

The record and anticipated **corn** harvest, which brought volume to the market already in June, allowed solid exports growth in the **second half of the year**, except for December. Rumo's corn volume grew by 17% from July to November, more than offsetting the soybean drop, but exports advanced at twice the pace of last period, significantly decreasing corn availability in December.



Source: Rumo System



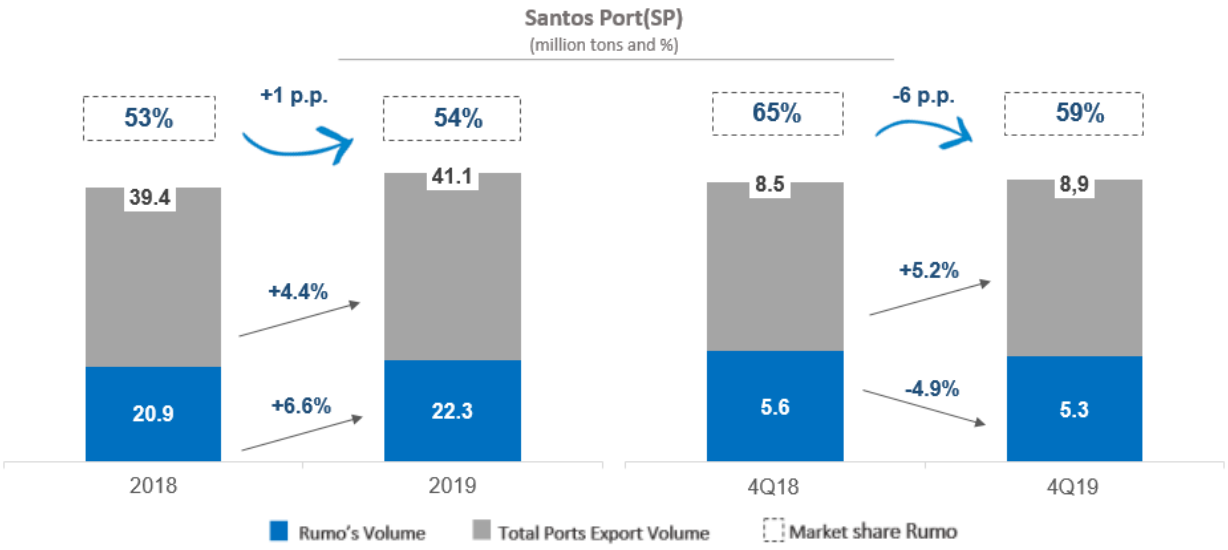


Source: Rumo System

Rumo increased its volume of grains transported to the Port of Santos (SP) by 6.6% in 2019. Total exports by this port grew by 4.4%, resulting in a market share gain of 1 p.p. This result was impacted by operational constraints the Company experienced during months in which there was a favorable market and by the anticipated corn exports in the second half of the year, at a level that exceeded Rumo's capacity.

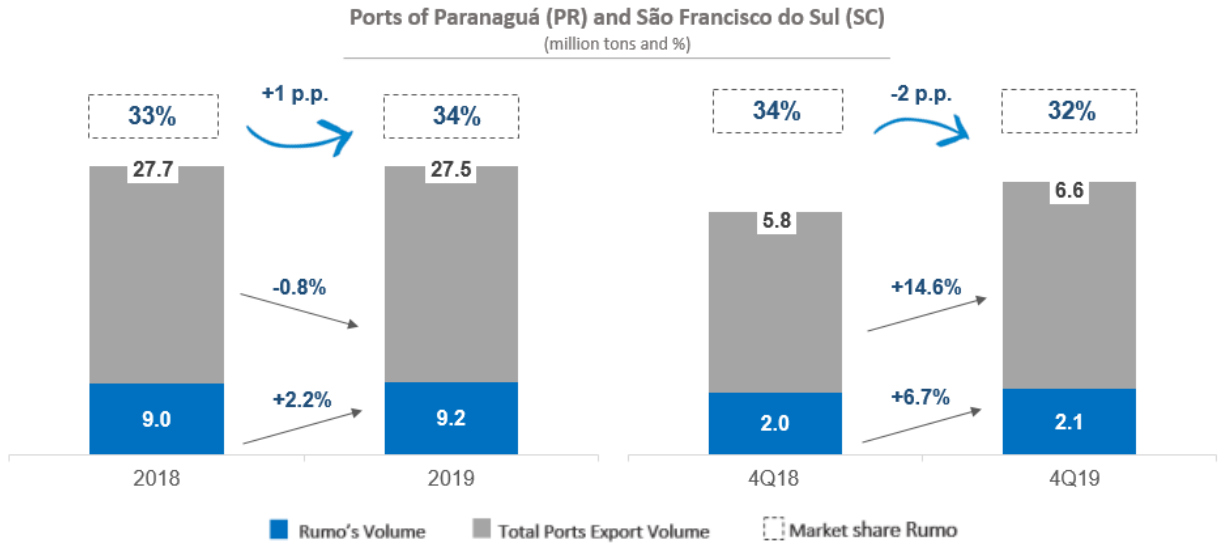
In 4Q19, Rumo increased its volume of grains transported to the Port of Santos in October and November, but in December, corn availability significantly dropped in its region of influence in the State of Mato Grosso, thereby resulting in a 6 p.p. market share loss.

Rumo's Volume and Market Share Evolution in Transportation at the Ports



Source: Marine Agency

In 2019, the South Operation gained 1 p.p. in market share in the transportation of grains to the ports of Paranaguá (PR) and São Francisco do Sul (SC). This result was due to a 4.0 p.p gain in the first half, when Rumo sustained its volumes while the market recorded a drop in soybean volumes. In 4Q19, as in the previous quarter, Company's capacity was overtaken by market growth. This resulted in a 2.2 p.p market share loss in the period.



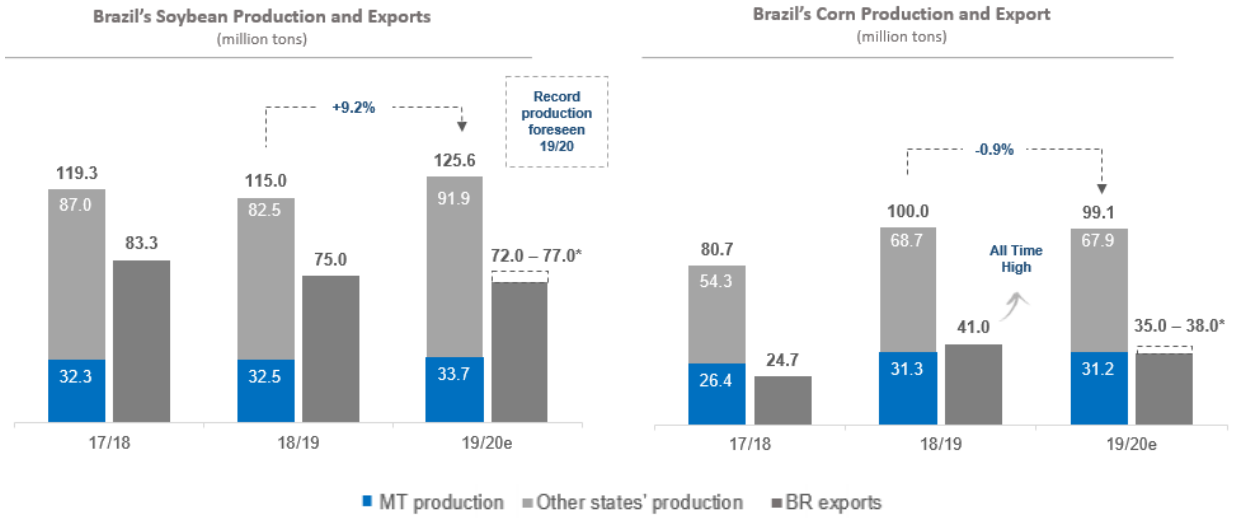
Source: Marine Agency

Rumo reached an EBITDA of R$3,829 million in 2019 and R$897 million in 4Q19. To ensure comparison, excluding the Central Network, EBITDA rose by 10,1% to R$3,857 million in 2019. This result reflects the 6.6% increase in transported volumes and greater fixed cost efficiency. The EBITDA margin, excluding the Central Network, reached 54.2% in 2019, 1.1 p.p. higher than in 2018.

Rumo's net income was R$786 million in 2019 and R$203 million in 4Q19. Excluding the Central Network, net income totaled R$907 million in 2019, three times the 2018 result. The cash generation before funding and amortizations totaled R$688 million in 2019, as a result of EBITDA increase added to improved financial result. Rumo ended the year with leverage at 1.8x broad net debt/EBITDA.

Soybean forecasts for 2020 in Brazil indicate record-high production, with a 9% increase. However, exports still figures volatility due to recovering demand in China and there is no consensus between forecasts. Nevertheless, taking into account that historically Mato Grosso exports have outperformed the industry's average, and that in 2019, the Company underwent operational constraints, we believe that the recovery of the volume lost in the previous year is possible. With higher logistics capacity, the beginning of the harvest may deliver favorable export volumes. On the other hand, at the back-end of soybean crop, market may present more volatility.

USDA and AgRural's projections regarding **corn** indicate that production should come slightly lower. Although preliminary figures point to a drop in exports, the volume projected for 2020 is higher than in 2018. With the soybean harvest initiating in its regular period, corn exports should begin in July, concentrating volumes in a shorter period than it was in 2019, when exports began in June. Whereas in 2019 Rumo was held back by capacity limitations, this year, the Company's increased capacity may result in higher volume in the second half of the year.



Source: USDA
Note: (*) AgRural, Céleres and USDA Projections.
Note: (e) - Estimate

5. Consolidated Operating and Financial Indicators

4Q19	4Q18 Proforma	Chg.%	Summary of Financial Information (Amounts in BRL mln)	2019	2018 Proforma	Chg.%
14,997	**14,943**	**0.4%**	**Total transported volume (million RTK)**	**60,096**	**56,364**	**6.6%**
12,239	12,325	-0.7%	Agricultural products	49,333	46,450	6.2%
2,759	2,619	5.3%	Industrial products	10,764	9,914	8.6%
95.9	*95.5*	*6.9%*	*Average transportation yield (R$/000 RTK)[4]*	*101.6*	*100.6*	*0.9%*
2,665	**2,786**	**-4.3%**	**Total volume loaded (TU '000)**	**11,213**	**11,401**	**-1.6%**
24.4	*29.0*	*-15.7%*	*Average loading yield (R$/TU)*	*25.3*	*27.1*	*-6.4%*
1,664	**1,647**	**1.1%**	**Net operating revenue**	**7,088**	**6,585**	**7.6%**
1,439	1,426	-0.7%	Transportation	6,108	5,672	7.7%
65	81	-19.1%	Port loading	284	309	-7.9%
160	140	14.6%	Other[5]	695	604	15.2%
897	**790**	**13.6%**	**EBITDA**	**3,829**	**3,427**	**11.7%**
53.9%	*48.0%*	*5.9 p.p.*	*EBITDA margin (%)*	*54.0%*	*52.0%*	*2.0 p.p.*
-	72	-100.0%	Provision for West Network impairment	-	72	-100.0%
897	**862**	**4.1%**	**Adjusted EBITDA**	**3,829**	**3,499**	**9.4%**
53.9%	*52.4%*	*1.5 p.p.*	*Adjusted EBITDA margin (%)*	*54.0%*	*53.1%*	*0.9 p.p.*

Note 4: Average transportation tariff including the final amount charged from customer (container), excluding take-or-pay and right-of-way.

Note 5: Includes revenue from the right-of-way of other railways, revenue from sugar transportation using other railways, or road transportation and revenue from volumes contracted, but not executed, according to commercial agreements (take-or-pay).

Rumo's Transported Volume and Yield by Operation

4Q19	4Q18 Proforma	Chg.%	Operational Figures (Amounts in BRL mln)	2019	2018 Proforma	Chg.%
14.997	**14.943**	**0,4%**	**Total transported volume (million RTK)**	**60,096**	**56,364**	**6.6%**
12.239	**12.325**	**-0,7%**	**Agricultural products**	**49,333**	**46,450**	**6.2%**
1.858	1.484	25,2%	Soybean	16,445	18,138	-9.3%
1.876	1.595	17,6%	Soybean meal	6,882	6,372	8.0%
6.568	7.512	-12,6%	Corn	19,546	16,433	18.9%
863	880	-2,0%	Sugar	2,844	3,529	-19.4%
1.032	760	35,8%	Fertilizers	3,527	1,862	89.4%
41	93	-55,6%	Other	89	117	-24.0%
2.759	**2.619**	**5,3%**	**Industrial products**	**10,764**	**9,914**	**8.6%**
1.139	1.153	-1,2%	Fuels	4,688	4,540	3.3%
671	647	3,7%	Wood, pulp, and paper	2,441	2,179	12.0%
748	592	26,3%	Containers	2,766	2,303	20.1%
200	226	-11,7%	Other	868	892	-2.7%

4Q19	4Q18 Proforma	Chg.%	Yield by Operation	2019	2018 Proforma	Chg.%
			North Operation			
97.0	97.5	-0.5%	Yield (R$/000 RTK)	102.7	103.5	-0.8%
71.0%	71.5%	-0.5 p.p.	% Volume	71.3%	69.7%	1.6p.p.
			South Operation			
92.6	88.5	4.6%	Yield (R$/000 RTK)	99.2	94.0	5.5%
24.0%	24.5%	-0.5 p.p.	% Volume	24.1%	26.2%	-2.1p.p.
			Container Operation			
96.9	101.9	-4.9%	Yield (R$/000 RTK)	97.4	94.3	3.3%
5.0%	4.0%	1,0 p.p.	% Volume	4.6%	4.1%	0.5p.p.
			Consolidated			
95.9	95.5	0.4%	Yield (R$/000 RTK)	101.6	100.7	1.0%

Results by Business Unit

Business Units

The business units (reporting segments) are organized as follows:

- **North Operation** — North Network, Paulista Network, and Port Operation in Santos
- **South Operation** — West Network and South Network
- **Container Operation** — Container operations, including Brado Logística
- **Central Operation**[1] — Central Operation, under the pre-operating phase

Results by Business Unit 4Q19	North Operation	South Operation	Container Operations	Subtotal	Central Operation	Consolidated
Transported volume (million RTK)	**10,654**	**3,595**	**748**	**14,997**	**-**	**14,997**
Net revenue	**1,243**	**344**	**77**	**1,664**	**-**	**1,664**
Cost of services	(648)	(369)	(76)	(1,092)	-	(1,092)
Gross profit (loss)	**596**	**(25)**	**1**	**572**	**-**	**572**
Gross margin (%)	47.9%	-7.1%	0.9%	34.4%	n,a	34.4%
Sales. general and administrative expenses	(53)	(18)	(11)	(82)	(15)	(98)
Other operating revenues (expenses) and equity pickup	12	(4)	6	14	(24)	(11)
Depreciation and amortization[6]	241	151	18	409	24	434
EBITDA	**795**	**104**	**14**	**913**	**(15)**	**897**
EBITDA margin (%)	*63.9%*	*30.2%*	*17.6%*	*54.8%*	*n,a,*	*53.9%*

Note 6: Depreciation and amortization are allocated in costs of services rendered, general and administrative expenses.

Results by Business Unit 2019	North Operation	South Operation	Container Operations	Subtotal	Central Operation	Consolidated
Transported volume (million RTK)	**42,845**	**14,485**	**2,766**	**60,096**	**-**	**60,096**
Net revenue	**5,314**	**1,478**	**296**	**7,088**	**-**	**7,088**
Cost of services	(2,851)	(1,442)	(316)	(4,609)	-	(4,609)
Gross profit (loss)	**2,463**	**36**	**(20)**	**2,479**	**-**	**2,479**
Gross margin (%)	46.4%	2.4%	-6.8%	35.0%	n,a,	35.0%
Sales, general and administrative expenses	(240)	(58)	(38)	(336)	(27)	(363)
Other operating revenues (expenses) and equity pickup	25	4	9	38	(41)	(3)
Depreciation and amortization[7]	1,026	571	78	1,676	41	1,716
EBITDA	**3,274**	**553**	**30**	**3,857**	**(27)**	**3,829**
EBITDA margin (%)	*61.6%*	*37.4%*	*10.0%*	*54.4%*	*n,a,*	*54.0%*

Note 7: Depreciation and amortization are allocated in costs of services rendered, general and administrative expenses.

[1]The section of Central Operation will not be reported, as this unit is under pre-operating phase, currently, we only have information on costs.

North Operation

4Q19	4Q18 Proforma	Chg. %	Operational figures	2019	2018 Proforma	Chg. %
10,654	**10,684**	**-0.3%**	**Total transported volume (million RTK)**	**42,845**	**39,308**	**9.0%**
9,651	**9,697**	**-0.5%**	**Agricultural products**	**38,993**	**35,657**	**9.4%**
770	43	>100%	Soybean	11,329	11,089	2.2%
1,666	1,451	14.8%	Soybean meal	6,166	5,843	5.5%
5,900	7,255	-18.7%	Corn	17,200	15,827	8.7%
439	384	14.3%	Sugar	1,432	1,741	-17.7%
877	563	55.7%	Fertilizers	2,866	1,158	>100%
1,003	**987**	**1.6%**	**Industrial products**	**3,852**	**3,651**	**5.5%**
592	621	-4.7%	Fuels	2,395	2,487	-3.7%
412	366	12.4%	Other	1,457	1,163	25.3%
97.0	*97.5*	-0.5%	*Average transportation yield (R$/RTK x 1000)*	*102.7*	*103.5*	-0.8%
2,665	**2,786**	**-4.3%**	**Total volume loaded (TU '000)**	**11,213**	**11,401**	**-1.6%**
24.4	*29.0*	*-15.7%*	*Average loading yield (R$/TU)*	*25.8*	*27.3*	*-6.5%*

In 2019, the total volume transported by the North Operation came in at 9.0% higher than in 2018, totaling 42.8 billion RTK. In 4Q19, transported volume came in line with 4Q18. Soybean transportation only grew by 2.2% in 2019 on account of operational constraints in the first quarter due to above-average rainfall in the State of São Paulo and unfavorable exports in the second quarter of the year. Corn rose by 8.7%, reflecting a positive performance from July to November. In December, low corn availability made exports fall.

A considerable volume of fertilizers contributed to a 9.4% increase in agricultural volumes transported in 2019. Industrial products grew by 5.5% mainly due to pulp & paper transportation. Port loading tumbled as a result of an unfavorable scenario for sugar exports.

4Q19	4Q18 Proforma	Chg. %	Financial Data (Amounts in BRL mln)	2019	2018 Proforma	Chg. %
1,243	**1,244**	**0.0%**	**Net operating revenue**	**5,314**	**4,913**	**8.1%**
1,033	1,042	-0.8%	Transportation	4,402	4,069	8.2%
930	933	-0.3%	Agricultural products	4,015	3,717	8.0%
103	109	-4.7%	Industrial products	386	351	9.9%
65	81	-19.4%	Port loading	284	309	-8.0%
145	122	19,0%	Other revenues[8]	628	536	17.2%
(648)	**(690)**	**-6.1%**	**Cost of services**	**(2,851)**	**(2,687)**	**6.1%**
(284)	(282)	0.8%	Variable costs	(1,201)	(1,091)	10.1%
(124)	(156)	-20.4%	Fixed costs	(629)	(614)	-2.4%
(240)	(252)	-4.9%	Depreciation and amortization	(1,021)	(982)	-4.0%
596	**554**	**7.5%**	**Gross profit**	**2,463**	**2,226**	**10.7%**
47.9%	*44.5%*	3.4 p.p.	*Gross margin (%)*	*46.4%*	*45.3%*	1,1 p.p.
(53)	(65)	-18.0%	Sales, general and administrative expenses	(240)	(224)	7.5%
12	20	-39.9%	Other op. revenues (expenses) and equity pickup	25	27	-7.9%
241	254	-5.1%	Depreciation and amortization	1,026	989	3.8%
795	**763**	**4.2%**	**EBITDA**	**3,274**	**3,019**	**8.4%**
63.9%	*61.3%*	*2.6 p.p.*	*EBITDA margin (%)*	*61.6%*	*61.4%*	*0.2 p.p.,*

Note 8: Includes revenue for the right-of-way of other railroads, revenue from sugar transportation using other railroads or the road method, and revenue for contracted and unrealized volumes under take-or-pay agreements.

EBITDA totaled R$3,274 million in 2019, up 8.4% from 2018 and R$794 million in 4Q19, fueled by higher volumes, associated with a 2.4% decrease in **fixed cost dilution**. Net revenue lagged behind **variable costs.** Own logistics costs rose due to higher fertilizer volume and take-or-pay expenses, in February. However, fuel consumption dropped 5.5% (Liters/GTK), reflecting improved locomotives efficiency. The EBITDA margin reached 61.6% in 2019, in line with 2018.

South Operation

4Q19	4Q18 Proforma	Chg. %	Operational Figures	2019	2018 Proforma	Chg. %
3,595	**3,667**	**-2.0%**	**Transported volume (million RTK)**	**14,485**	**14,752**	**-1.8%**
2,588	**2,627**	**-1.5%**	**Agricultural products**	**10,340**	**10,794**	**-4.2%**
1,088	1,441	-24.5%	Soybean	5,116	7,049	-27.4%
210	144	46.1%	Soybean meal	716	529	35.4%
669	257	>100%	Corn	2,346	606	>100%
424	501	-15.3%	Sugar	1,412	1,788	-21.0%
155	190	-18.3%	Fertilizers	661	669	-1.3%
41	95	-56.5%	Other	89	153	-41.7%
1,007	**1,039**	**-3.1%**	**Industrial products**	**4,145**	**3,960**	**4.7%**
548	532	2.9%	Fuel	2,293	2,053	11.7%
260	281	-7.6%	Wood, pulp, and paper	984	1,016	-3.1%
200	226	-11.7%	Other	868	892	-2.7%
92.6	***88.5***	***4.6%***	*Average transportation yield*	***99.2***	***94.0***	***5.5%***

The South Operation shrank by 1.8% of the volume transported in 2019, reaching 14.5 billion RTK and fell by 2.0% in 4Q19, with 3.6 billion RTK. The annual result reflects a 4.2% drop in the volume of agricultural products, especially soybean and sugar, in view of an unfavorable scenario for commodities exports, even though this was partially mitigated by corn volume. Industrial products grew by 4.7%, driven by an 11.7% increase in fuel transportation.

4Q19	4Q18 Proforma	Chg. %	Financial data (Amounts in BRL mln)	2019	2018 Proforma	Chg. %
344	**335**	**2.8%**	**Net operating revenue**	**1,478**	**1,412**	**4.7%**
333	325	2.5%	Transportation	1,437	1,387	3.6%
216	211	2.1%	Agricultural products	971	963	0.9%
117	113	3.2%	Industrial products	466	425	9.7%
11	10	13.3%	Other revenues[9]	41	25	67.4%
(369)	**(342)**	**7.8%**	**Cost of services**	**(1,442)**	**(1,327)**	**8.7%**
(95)	(92)	2.4%	Variable costs	(354)	(362)	-2.3%
(124)	(128)	-3.2%	Fixed costs	(517)	(496)	4.2%
(150)	(122)	23.4%	Depreciation and amortization	(571)	(468)	22.0%
(25)	**(7)**	**>100%**	**Gross profit (loss)**	**36**	**85**	**-57.6%**
-7.1%	*-2.2%*	*-5.2 p.p.*	*Gross margin (%)*	*2.4%*	*6.0%*	*-3.6 p.p.*
(18)	(16)	10.7%	Sales, general and administrative expenses	(58)	(63)	-7.2%
(4)	(78)	-94.9%	Other op. revenues (expenses) and equity pickup	4	(97)	>100%
151	194	-22.6%	Depreciation and amortization	571	541	5.6%
104	**92**	**12.6%**	**EBITDA**	**553**	**467**	18.4%
30.2%	*27.4%*	*2.8 p.p*	*EBITDA margin (%)*	*37.4%*	*33.1%*	*4.3 p.p.*
-	72	-100%	Provision for West Network impairment	-	72	-100.0%
104	**164**	**-36.6%**	**Adjusted EBITDA**	**553**	**539**	2.6%
30.2%	*49.0%*	*-18.8p.p*	*Adjusted EBITDA margin (%)*	*37.0%*	*38.2%*	*-1.2p.p.*

Note 9: Includes revenue from volumes contracted, but not executed according to commercial agreements (take-or-pay)

EBITDA totaled R$553 million in 2019, 2.6% higher than in 2018 and R$104 million in 4Q19. Despite this volume drop, the net operating revenue grew by 4.7% year-over-year and reflects a yield gain of 6%. **Variable costs** came in line with volume shrinkage. **Fixed costs** increased by 4.2% from 2018 mainly due to the impact of payroll exemption totaling R$23.4 million in 2019. The EBITDA margin reached 37% in 2019, 1.2 p.p. below the adjusted margin of 2018.

Container Operation

4Q19	4Q18 Proforma	Chg. %	Operational figures	2019	2018 Proforma	Chg. %
21,614	**17,900**	**20.7%**	**Total volume (containers)**	**82,182**	**66,219**	**24.1%**
96.9	*101.9*	-4.9%	*Intermodal average yield (R$/000 RTK)*	*97.6*	*94.3*	3.4%
748	**592**	**26.3%**	**Total volume (million RTK)**	**2,766**	**2,303**	**20.0%**

In 2019, Container Operation was 20% higher than in 2018. In 4Q19, volume grew by 26% from 4Q18. The business strategy of taking advantage of return freights to increase transportation volumes in the domestic market and import cargoes has supported the diversification of cargo transportation.

4Q19	4Q18 Proforma	Chg. %	Financial Data (Amounts in BRL mln)	2019	2018 Proforma	Chg. %
77	**68**	**12.5%**	**Net operating revenue[10]**	**296**	**259**	**14.1%**
72	60	20.1%	Transportation	269	216	24.9%
4	8	-38.2%	Other revenues	26	43	-39.4%
(76)	**(78)**	**-2.3%**	**Cost of services**	**(316)**	**(300)**	**5.4%**
(36)	(30)	19.0%	Variable costs	(138)	(112)	23.6%
(23)	(31)	-26.5%	Fixed costs	(102)	(123)	-16.9%
(17)	(17)	2.8%	Depreciation and amortization	(75)	(65)	16.3%
1	**(10)**	**>100%**	**Gross income (loss)**	**(20)**	**(39)**	**-49.4%**
0.9%	*-14.1%*	*15.2 p.p*	*Gross margin (%)*	*-6.8%*	*-15.3%*	*8.5 p.p*
(11)	(9)	24.9%	Sales, general and administrative	(38)	(28)	34.2%
6	8	-25.4%	Other op. revenues (expenses) and equity pickup	9	15	-38.7%
18	18	-0.9%	Depreciation and amortization	78	66	19.1%
14	**7**	**87.8%**	**EBITDA**	**30**	**14**	**>100%**
17.6%	*10.6%*	*7.0 p.p*	*EBITDA margin (%)*	*10.0%*	*5.2%*	*4.8 p.p*

Note 10: Includes revenue from service units.

EBITDA from Container Operations totaled R$30 million in 2019, more than double what it reached in 2018. In 4Q19, EBITDA totaled R$14 million, twice as much as in 4Q18. Higher transported volume and yield increase drove net revenue growth by 25%, more than offsetting the decrease seen in other revenues deriving from unprofitable service units sold.

Variable costs increased by 23.6% from 2018, in line with net revenue growth. The sale of unprofitable service units reduced **fixed costs** by 17% in the year-over-year comparison. The startup of double-stack railcar operations in June also fueled the EBITDA margin increase, which reached 10% in 2019 and 17.6% in 4Q19.

6. Other Results

Breakdown of Costs of Services Rendered

4Q19	4Q18 Proforma	Chg. %	Consolidated Costs (Amounts in BRL mln)	2019	2018 Proforma	Chg. %
(1,093)	**(1,110)**	**1.5%**	**Consolidated costs**	**(4,609)**	**(4,313)**	**6.9%**
(414)	**(404)**	**2.5%**	**Variable costs**	**(1,693)**	**(1,565)**	**8.2%**
(256)	(256)	0.0%	Fuel and lubricants	(995)	(973)	2.3%
(82)	(73)	14.0%	Own logistics costs[11]	(314)	(241)	30.0%
(84)	(58)	43.4%	Third-party freight costs[12]	(366)	(334)	9.7%
7	(17)	24.6%	Other variable costs[13]	(19)	(17)	7.5%
(271)	**(314)**	**-13.7%**	**Fixed costs**	**(1,248)**	**(1,233)**	**1.2%**
(42)	(37)	14.7%	Maintenance	(151)	(131)	15.1%
(185)	(189)	-2.1%	Payroll expenses	(757)	(705)	7.3%
(20)	(18)	9.3%	Third-party services	(72)	(65)	11.1%
(24)	(70)	-66.2%	Other operational costs	(268)	(333)	-19.4%
(408)	**(392)**	**4.1%**	**Depreciation and amortization**	**(1,668)**	**(1,515)**	**10.1%**

Note 11: Own logistics costs include sand, right-of-way, terminals, and other variable costs.
Note 12: Third-party freight costs include road and railroad carriers contracted from other concessionaires.
Note 13: Especially take-or-pay expenses.

Variable costs totaled R$1,693 million in 2019, 8.2% higher than in 2018, in line with net revenue growth. The increasing volumes of fertilizers in the North Operation more than doubled in 2019 and take-or-pay costs, especially in February, fueled higher own logistics costs. On the other hand, fuel expenses only increased 2.3% due to efficiency gains in locomotives consumption (Liters/GTK: -5.5%), since there was a 6.6% increase in volume and a 3% annual increase in diesel average cost.

Fixed costs totaled R$1,248 million in 2019, 1.2% higher than in 2018. This result reinforces the Company's operational leverage and cost dilution strategy. The 7.3% annual variation in personnel expenses is due to inflation and the end of payroll tax relief, causing an impact of R$23.4 million. Other operating expenses dropped 19.4% primarily due to lower expenses with compensation and accidents and the selling a few deficit service units from Container Operation.

In addition, depreciation and amortization costs rose by 10.0% year-over-year due to investments made and the addition of R$40.5 million relating to the amortization of the right-of-use of Central Network's sub-concession contract.

Financial Results

4Q19	4Q18 Proforma	Chg.%	Financial results (Amounts in BRL mln)	2019	2018 Proforma	Chg.%
(160)	**(83)**	**92.1%**	**Cost of bank debt[14]**	**(688)**	**(934)**	**-26.3%**
(127)	(55)	n.a.	Charges over leasing	(364)	(264)	37.7%
-	(0.4)	-100.0%	Charges on certificates of real estate receivables	-	(5)	-100.0%
42	36	17.3%	Financial income from investments	155	180	-14.0%
(245)	**(103)**	**n.a.**	**(=) Cost of broad net debt**	**(896)**	**(1,022)**	**-12.3%**
(43)	(46)	-6.2%	Monetary variation on liabilities of concessions	(190)	(186)	2.2%
(19)	(18)	4.4%	Rates on contingencies and contracts	(84)	(86)	-2.1%
(9)	(16)	-46.4%	Other financial expenses	(27)	(73)	-63.1%
(315)	**(182)**	**72.5%**	**(=) Financial result**	**(1,198)**	**(1,368)**	**-12.4%**

Note 14: Includes interest, monetary variation, net derivative income, and other debt charges.

The financial result in 2019 was a net expense of R$1,198 million, 12% lower than in the previous year. The cost of debt decreased in 2019 as a result of the prepayment of certain operations, replacement of more onerous debts with lower-cost debts, and future interest curve reduction (positive mark-to-market impact of R$234 million in the year-over-year comparison). Charges over leasing increased R$100 million due to the inclusion of interest rates on installments referring to the Central Network concession totaling R$118.3 million. The financial investments yield fell 14% due to a reduced CDI interest rate in 2019. The monetary variation on leasing and concession agreements reflects the SELIC interest rate adjustment to the unpaid concession amounts of the West and Paulista Networks, which are currently under litigation. Other financial expenses include bank collaterals and other financial operations.

Income Tax and Social Contribution

4Q19	4Q18	Chg. %	Income Tax and Social Contribution (Amounts in BRL mln)	2019	2018	Chg. %
149	**213**	**-30.1%**	**Income (loss) before IT / SC**	**915**	**541**	**69.0%**
34%	*34%*	*0p.p.*	*Theoretical rate IR / SC*	*34%*	*34%*	*0p.p.,*
(51)	**(72.4)**	**-30.1%**	**Theoretical income (expense) with IT / SC**	**(311)**	**(184)**	**69.0%**
			Adjustments to calculate the effective rate			
27	(52)	>100%	Tax losses and temporary differences not recognized [15]	(53)	(132)	-59.7%
41	50	-18.8%	Tax incentives arising from the North network[16]	179	50	>100%
2	0.6	>100%	Equity pickup	7	3.5	>100%
36	(2)	>100%	Other effects	49	(5.8)	>100%
55	**(76)**	**>100%**	**Income (expense) with IT / SC**	**(129)**	**(268.4)**	**-51.8%**
36.8%	*-35.5%*	*72.3p.p.*	*Effective rate (%)*	*-14.1%*	*-49.6%*	*35.5p.p.,*
(44)	(37)	20.4%	IT/SC current	(161)	(67)	>100%
98	(39)	>100%	IT/SC deferred	32	(202)	>100%

Note 15: We did not record deferred income tax and social contribution on tax losses in certain companies due to the lack of prospects for future taxable income.

Note 16: North Network enjoys the Amazon Development Office (SUDAM) benefit that entitles it to a 75% reduction in corporate income tax (rate of 25%) until 2023.

7. Loans and Financing

Broad gross debt at the end of 4Q19 was R$12.1 billion, 7.0% higher than in 3Q19. Leverage came in line at 1.8x (broad net debt/EBITDA), considering the EBITDA of R$3,829 billion in the last 12 months. The balance of broad net debt came to R$6.7 billion, 2.3% lower than in 3Q19.

Total Indebtedness (Amounts in BRL mln)	**4Q19**	**3Q19**	**Chg.%**
Commercial banks	297	296	0.3%
NCE	512	505	1.5%
BNDES	3,057	3,245	-5.8%
Debentures	2,353	1,194	97.0%
Senior notes 2024 and 2025	5,501	5,660	-2.8%
Total bank debt	**11,720**	**10,899**	**7.5%**
Leases[17]	430	457	-6.0%
Total broad gross debt	**12,149**	**11,356**	**7.0%**
Cash and cash equivalents and securities[18]	(3,802)	(2,659)	43.0%
Net derivative instruments	(1,624)	(1,816)	-10.6%
Total broad net debt	**6,724**	**6,880**	**-2.3%**
EBITDA LTM[19]	3,829	3,794	0.9%
Leverage (broad net debt / EBITDA LTM)	**1.8x**	**1.8x**	**0.0%**

Note 17: Excludes operating lease IFRS 16.

Note 18: In 4Q19 it includes restricted cash linked to bank debts totaling R$87.0 million. 3Q19 includes restricted cash from bank debts totaling R$81.3 million.

Note 19: The LTM EBITDA refers to the sum of the last 12 months of EBITDA calculated as follows: sum of the 9-month period ended September 30, 2019, plus proforma EBITDA of the last three months of 2018.

The following table gives a breakdown of the items that impacted Rumo's consolidated debt.

Gross bank indebtedness (Amounts in BRL mln)	**4Q19**
Opening balance of broad net debt	**6,880**
Cash and cash equivalents and marketable securities[20]	(2,659)
Net derivative instruments	(1,816)
Opening balance of broad gross debt	**11,356**
Items with cash impact	**815**
New funding	1,105
Amortization of principal	(215)
Amortization of interest rates	(74)
Items without cash impact	**(22)**
Provision for interest rates (accrual)	188
Monetary variation, MTM adjustments of debt, and others	(210)
Closing balance of broad gross debt	**12,149**
Cash and cash equivalents and marketable securities[20]	(3,802)
Net derivative instruments	(1,624)
Closing balance of broad net debt	**6,724**

Note 20: In 4Q19, includes restricted cash from bank debts totaling R$87.0 million. 3Q19 includes restricted cash from bank debts totaling R$81.3 million.

Rumo is subject to certain restrictive covenants regarding its leverage level and debt service coverage in a few of its contracts. Most restrictive provisions are verified at year-end and refer to broad net debt. Broad net debt includes bank debts, debentures, leases, real estate receivables certificates, and derivatives linked to credit operations, less marketable securities, cash, and cash equivalents. The covenants for this quarter are: maximum leverage of 3.7x (broad net debt/LTM EBITDA), a minimum interest rate coverage index of 1.7x EBITDA/financial result, and a minimum interest rate coverage index of 0.26x (shareholders' equity/total assets).

8. Capex

4Q19	4Q18 Proforma	Chg.%	Investment[21] (Amounts in BRL mln)	2019	2018	Chg.%
637	**419**	**52.0%**	**Total investments[22]**	**2,020**	**2,020**	**0.0%**
196	190	3,2%	Recurring	887	802	10.6%
441	229	92,6%	Expansion	1,133	1,218	-7.0%

Note 21: Accrual accounting
Note 22: Property and equipment addition, intangible addition and right of use, except values related to the concession

In 2019, Capex reached R$2,020 million, in line with the previous year and R$637 million in 4Q19. In 2019, recurring Capex came to R$887 million, 11% higher than in 2018, mainly due to mechanical and permanent way maintenance expenses. Expansion Capex came in 10% lower than in 2018 at R$1,099 million. This result reflects the better use of the material in stock. The main investments in capacity expansion were: (i) upgrading the permanent way by replacing tracks and sleepers; (ii) expanding yards to adjust for the 120-railcar train; and (iii) infrastructure improvements, seeking to remove restrictions.

9. Cash Flow Statement

Below is Rumo's consolidated cash flow statement. Marketable securities were considered cash and cash equivalents in this statement.

	4Q19	4Q18 Proforma	Chg.%	Indirect Cash Flow (Amounts in BRL mln)	2019	2018 Proforma	Chg.%
	897	862	4.1%	Adjusted EBITDA	3,829	3,499	9.4%
	64	(154)	>100%	Working capital variations and non-cash effects	(353)	(746)	-52.7%
	38	26	47.5%	Operating financial result	126	110	14.7%
(a)	**999**	**734**	**36.1%**	**(=) Operating cash flow (FCO)**	**3,603**	**2,863**	**25.9%**
	(565)	(420)	34.4%	Capex	(1,943)	(1,997)	-2.7%
(b)	(196)	(190)	3.1%	Recurring	(876)	(794)	10.4%
	(369)	(230)	60.3%	Expansion	(1,067)	(1,203)	-11.3%
	0	0	>100%	Dividends received	7	6	7.9%
(c)	**(565)**	**(420)**	**34.3%**	**(=) Cash flow from investing activities (FCI)**	**(1,936)**	**(1,990)**	**-2.7%**
(d)	1,105	976	13.2%	Funding	2,402	3,113	-22.8%
(e)	(250)	(566)	-55.8%	Amortization of principal	(2,361)	(3,649)	-35.3%
	(159)	(110)	44.5%	Amortization of interest rates	(892)	(875)	1.9%
	-	-	>100%	Paid dividends	(4)	(3)	26.5%
	-	-	>100%	Derivative financial instruments	(51)	(29)	72.1%
	7	(0.9)	>100%	Restricted cash	(31)	112	>100%
	-	(12)	-100.0%	Acquisition of non-controlling interest	-	(12)	-100.0%
	703	**287**	**>100%**	**(=) Cash flow from financing activities (FCF)**	**(937)**	**(1,345)**	**-30.3%**
(g)	**(0)**	**(0.3)**	**-26.0%**	**Forex variation impact on cash balances**	**1**	**127**	**-99.3%**
(f)	**1,137**	**601**	**89.2%**	**(=) Net cash generated (consumed)**	**730**	**(346)**	**>100%**
	2,578	**2,384**	**8.1%**	**(+) Total cash (includes cash + marketable securities) opening**	**2,985**	**3,330**	**-10.4%**
	3,715	**2,985**	**24.5%**	**(=) Total cash (includes cash + marketable securities) closing**	**3,715**	**2,985**	**24.5%**
				Metrics			
	803	**544**	**47.6%**	**(=) Cash generation after recurring capex (a+b)**	**2,727**	**2,069**	**31.8%**
	434	**314**	**38.4%**	**(=) Cash generation after cash from investments (a+c)**	**1,667**	**872**	**91.0%**
	283	**191**	**48.1%**	**(=) Cash generation (consumption) before funding and amortization (f-e-d-g)**	**688**	**64**	**>100%**

10. Operating and Financial Performance Indicators

Below is the historical trend of the main operating and financial performance indicators.

Operating and Financial Performance Index	4Q18	4Q19	Chg. %	2018	2019	Chg. %
Consolidated						
Operating ratio[23]	**75%**	**73%**	**-2.7%**	**73%**	**71%**	**-3.1%**
Diesel consumption (liters/ '000 GTK)	**4.07**	**3.83**	**-5.9%**	**4.16**	**3.93**	**-5.5%**
Rail accidents (MM Train/Km)	**14.5**	**16.6**	**14.5%**	**14.5**	**16.3**	**12.4%**
Personal accidents (accidents /MM MHW)	**0.25**	**0.00**	**-**	**0.25**	**0.13**	**-48.0%**
North Operation						
Cycle of railcars (days)	**10.0**	**9.7**	**-3.0%**	**10.2**	**9.9**	**-2.9%**
South Operation						
Cycle of railcars (days)	**7.4**	**6.9**	**-6.8%**	**7.6**	**7.9**	**3.9%**

Note 23: Only considers the variable costs of railway operations.

Operating ratio: This index, which represents the portion of costs and expenses as a percentage of net revenue, improved 2.7% in 4Q19 and 3.1% in 2019, reflecting higher dilution of costs due to higher transported volume.

Diesel consumption: The 5.5% improvement in 2019 versus 2018 reflects greater efficiency in locomotive diesel unit consumption, especially fleet renewal and investments in the permanent way.

Rail accidents: This index, which measures the number of accidents per million kilometers, increased from 4Q18, reflecting a higher number of accidents involving third parties, despite the Company's investments in improving railway safety.

Personal accidents: This index, which measures the number of accidents per million kilometers, significantly improved between 2018 and 2019, reflecting the Company's efforts to reduce personal accidents, with an index in line with international railways' benchmark.

Cycle time of railcars: This index improved in the North Operation, reflecting an expansion of rail capacity, which allowed additional volumes through cycle reduction and the South Operation reflects the good assets performance. The year-over-year increase in South Operation reflects asset idleness due to seasonality between months of the year.

11. Guidance

This section contains the guidance accomplishment published for 2019, which wasn't considering the Central Network numbers.

Guidance 2019

	Guidance (Ex-Central Network)	Actual (Ex-Central Network)
EBITDA (BRL mln)	3,850 ≤ Δ ≤ 4,150	3,857
Capex (BRL mln)[24]	2,000 ≤ Δ ≤ 2,200	1,982
Volume (RTK)	62.0 ≤ Δ ≤ 64.0	60.1

Note 24: Property and equipment addition, intangible addition and right of use, except values related to the concession

Besides, it is presented the forecast for 2020, in line with the long-term guidance, including estimated costs and expenses for Central Network. Such projections and guidance are estimates and indications and should not be taken as a guarantee of future results.

Guidance 2020

	Actual 2019 (with Central Network)	Guidance (with Central Network)	%
EBITDA (BRL mln)	3,829	4,150 ≤ Δ ≤ 4,650	15%
Capex (BRL mln)[24]	2,020	2,600 ≤ Δ ≤ 3,400	49%
Volume (RTK)	60.1	64.0 ≤ Δ ≤ 68.0	10%

Note 24: Property and equipment addition, intangible addition and right of use, except values related to the concession

12. Attachments

12.1 Financial Statements - Rumo

12.1.1 Balance Sheet

Balance sheet (Amounts in BRL mln)	12/31/19	09/30/19
Current assets	**4,949**	**3,807**
Cash and cash equivalents	1,963	1,395
Marketable securities	1,752	1,183
Trade receivables	386	441
Inventories	248	285
Peer company receivables	12	21
Income tax and social contribution	138	48
Other taxes recoverable	347	286
Other assets	104	148
Non-current assets	**27,883**	**27,915**
Trade receivable	14	16
Restricted cash	148	155
Deferred income tax and social contribution	1,174	1,100
Recoverable income tax and social contribution	168	229
Other taxes recoverable	664	786
Judicial deposits	415	413
Financial and derivative instruments	1,624	1,816
Other assets	68	70
Investments in associates	52	47
Property and equipment	11,769	11,461
Intangible	7,375	7,397
Right of use	4,412	4,424
Total assets	**32,833**	**31,722**
Current liabilities	**3,037**	**2,832**
Loans, financing, and debentures	1,065	939
Leases	534	542
Suppliers	513	435
Labor and social security obligations	217	247
Income tax and social contribution taxes	8	7
Other payable taxes	34	51
Dividends payables	7	7
Leases and concessions	10	9
Payable to related parties	140	163
Deferred revenue	8	8
Other financial liabilities	411	341
Other payables	91	85
Non-current liabilities	**21,181**	**20,480**
Loans, financing, and debentures	10,655	9,961
Leases	3,995	3,997
Other payables	8	8
Provision for lawsuits	481	520
Leases and concessions	3,445	3,375
Deferred income tax and social contribution	2,491	2,515
Deferred revenues	48	38
Other payables	59	67
Shareholders' equity	**8,614**	**8,409**
Total liabilities	**32,833**	**31,722**

12.1.2 Income Statement

4Q19	4Q18	Chg.%	Income Statement (Amounts in BRL mln)	2019	2018	Chg.%
1,664	**1,647**	**1.1%**	**Net operating revenue**	**7,088**	**6,585**	**7.6%**
(1,092)	**(1,150)**	**-5.0%**	Cost of goods sold	**(4,609)**	**(4,466)**	**3.2%**
572	**497**	**15.1%**	**Gross profit (loss)**	**2,479**	**2,119**	**17.0%**
(98)	(90)	8.0%	Sales, general and administrative expenses	(363)	(313)	16.0%
(16)	(52)	-68.4%	Other net operating income (expenses)	(25)	(65)	-62.9%
(315)	(143)	>100%	Net financial result	(1,198)	(1,209)	-0.9%
6	2	>100%	Equity pickup	22	10	>100%
54	(76)	>100%	Income tax and social contribution	(129)	(268)	-51.9%
203	**137**	**48.1%**	**Net profit (loss)**	**786**	**273**	**>100%**
12.2%	*8.3%*	*3.9 p.p.*	*Net margin (%)*	*11.1%*	*4.1%*	*6.9 p.p.*

12.1.3 Cash Flows

4Q19	4Q18	Accounting cash flow (Amounts in BRL mln)	2019	2018
149	**213**	**Profit before income tax and social contribution**	**915**	**542**
434	440	Depreciation and amortization	1,716	1,491
(6)	(2)	Equity pickup	(22)	(10)
21	21	Provision for profit sharing and bonuses	120	93
(3)	(21)	Result of disposals of fixed assets and intangible assets	(4)	(29)
15	21	Provision for lawsuits	73	79
-	-	Provision (reversal) for losses on doubtful accounts	(11)	(2)
3	2	Stock option plan	10	7
-	47	Leases and concessions	-	199
333	129	Interest, monetary and exchange variation, Net	1,246	1,162
-	-	Extemporaneous tax credit	(40)	-
(26)	(7)	Other	(90)	(31)
920	**843**	**(=) Adjustments**	**3,913**	**3,501**
85	(27)	Trade receivables	136	(32)
(14)	(19)	Related parties, Net	(11)	3
(44)	(51)	Taxes	(131)	(131)
36	42	Inventories	13	24
(48)	(1)	Labor and social security payable	(110)	(53)
31	(27)	Suppliers	12	(207)
-	(26)	Leases and concessions payable	-	(106)
(65)	(49)	Lawsuits	(200)	(150)
62	17	Other financial liabilities	51	14
17	(7)	Other assets and liabilities, Net	(149)	(159)
60	**(148)**	**(=) Changes in assets and liabilities**	**(389)**	**(797)**
980	**695**	**(=) Cash Flow from Operating Activities**	**3,524**	**2,704**
(549)	(491)	Marketable securities	1,169	467
7	(1)	Restricted cash	(31)	112
-	-	Dividends received from subsidiaries and associated companies	7	6
(565)	(420)	Additions to property, plant and equipment, software, and other intangibles	(1,943)	(1,997)
(1,107)	**(912)**	**(=) Cash Flow from Investing Activities**	**(798)**	**(1,412)**
1,105	976	Funding	2,402	3,113
(250)	(566)	Amortization of principal	(2,361)	(3,649)
(159)	(110)	Amortization of interest	(892)	(875)
-	-	Derivative financial instruments	(51)	(29)
-	(12)	Acquisition of non-controlling interest	-	(12)
-	-	Dividend paid	(4)	(3)
696	**288**	**(=) Cash generated by (used in) financing activities**	**(906)**	**(1,455)**
-	**-**	**Impact of exchange variation in cash balance**	**1**	**127**
569	**71**	**(=) Net increase in cash and cash equivalents**	**1,821**	**(36)**
1,395	**72**	**Beginning balance of cash and cash equivalents**	**142**	**178**
1,963	**142**	**Final balance of cash and cash equivalents**	**1,963**	**142**