

EARNINGS RELEASE 1Q19

Curitiba, May 9, 2019 – RUMO S.A. (B3: RAIL3) (“Rumo”) today announces its results for the first quarter of 2019 (1Q19), including January, February, and March. The results are consolidated in accordance with the accounting criteria adopted in Brazil and International Financial Reporting Standards (IFRS). The comparisons in this report consider 1Q19 and 1Q18 Pro forma* figure unless otherwise indicated.

Rumo 1Q19 Highlights

- In 1Q19, EBITDA reached R\$802 million, 12.7% higher compared to 1Q18 Pro forma figure. EBITDA margin reached 49%.
- Total volume transported in 1Q19 reached 13.3 billion RTK, 12.5% higher than in 1Q18, driven by anticipation of the soybean crop, which allowed record transportation in January and by growing fertilizers volume in the North Operation.
- Loading volume in Port of Santos (SP) totaled 2.8 million tons in 1Q19, 14% above the volume recorded in 1Q18, mostly due to higher grain contribution.
- Rumo posted a net income of R\$27 million, reflecting its good operating performance and improved financial result. Leverage ended the quarter at 2.1x broad net debt/EBITDA.
- In 1Q19, Capex totaled R\$535 million, in line with Company’s Capex plan.

Summary of Financials (Amounts in BRL mln)	1Q19	1Q18 Pro forma*	Chg.%
Total transported volume (million RTK)	13,306	11,827	12.5%
Total volume loaded (TU ‘000)	2,820	2,474	14.0%
Net revenue	1,635	1,397	17.1%
Gross profit	481	424	13.5%
Gross margin (%)	29.4%	30.4%	-0.9 p.p.
Sales, general and administrative expenses	(86)	(74)	17.0%
Other op. revenues (expenses) and equity pickup	(16)	(3)	>100%
Operational profit	379	347	9.2%
Depreciation and amortization	422	364	16.1%
EBITDA	802	711	12.7%
EBITDA margin (%)	49.0%	50.9%	-1.9 p.p.
Net profit (loss)	27	(59)	>100%
Net margin (%)	1.6%	-4.2%	5.9 p.p.
Capex	535	484	10.6%

*As detailed in section IFRS 16 Implementation.

Conference Call

English* - 2:00 p.m. (Brasilia time)

With simultaneous translation into Portuguese

May 10, 2019 (Friday)

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1. Letter from the CEO

It is with great pleasure that I take the opportunity to share my first considerations on Rumo's future with our stakeholders and shareholders.

There have been several remarkable developments for Rumo the last few months. On our Investor Day in March, we presented to the market our five-year plan. With relevant investments and impressive levels of returns, this ambitious plan will enable the Company to double its results over the course of the next 5 years.

This quarter we won the bidding process for the North-South Railway, which will expand our area of operation and consolidate our presence in Brazil's mid-west region. We are already working to start operating this railway while maintaining focus on the results of our current operations.

At the same time, the Paulista Network renewal process has also progressed. The Federal Audit Court's (TCU) technical unit recognized that renewing the Paulista Network would bring benefits to Brazil. We remain confident about this process and expect to conclude the renewal soon.

The Company's future looks promising. Brazil has a solid agricultural profile and Rumo connects major regions of grain production with major exporting ports. But Rumo is not only about agricultural products transportation. We are effectively reducing the distance between areas with different industrialization levels through our container business. Moreover, we are expanding our fertilizers and pulp operations.

Finally, before presenting the first quarter's results, I would like to share with you my expectations for 2019. We delivered good results in the first quarter and we also recognize that the rest of the year will be challenging due to the soybean harvest export scenario but with expectations of a record corn crop. Nevertheless, we are optimizing our operations and increasing volume transportation with commercial contracts in line with our plans. Having said that, we are confident we will deliver 2019 results.

Thank you.

Beto Abreu
CEO of Rumo

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, the Company recognized the right to use assets representing its rights 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 amount incurred/paid and now records amortization expenses of the right to use and financial charges of interest rates over leasing liabilities.

The Company opted for using 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, as shown in the table below:

Balance Sheet (Amounts in BRL mln)	Initial register as per Jan, 1, 2019
Assets of right of use	1,074
Deferred tax assets	46
Lease liabilities	(1,652)
Total effect on retained earnings	(532)

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

The reconciliation of information reported in 2018 and the Pro forma information are summarized in the table below:

Income Statement for the year (Amounts in BRL mln)	1Q18			2018		
	Reported	IFRS 16	Pro forma	Reported	IFRS 16	Pro forma
Net operating revenue	1,397	-	1,397	6,585	-	6,585
Cost of goods sold	(1,001)	29	(972)	(4,466)	121	(4,345)
Gross profit (loss)	396	29	425	2,119	121	2,241
<i>Gross margin (%)</i>	<i>28.4%</i>	<i>-</i>	<i>30.4%</i>	<i>32.2%</i>	<i>-</i>	<i>34.0%</i>
Sales, general and administrative expenses	(74)	-	(74)	(313)	-	(313)
Other op. revenues (expenses) and equity pickup	(3)	-	(3)	(56)	-	(56)
Operational profit	319	29	348	1,751	121	1,872
Depreciation and amortization	331	33	364	1,419	137	1,555
Provision for impairment West Network	-	-	-	72	-	72
EBITDA	650	61	711	3,242	258	3,500
Financial result	(349)	(30)	(379)	(1,209)	(118)	(1,327)
Income tax/social contribution	(28)	1	(28)	(269)	2	(267)
Net profit (loss)	(58)	(1)	(59)	273	5	278
<i>Net margin (%)</i>	<i>-4.2%</i>	<i>-</i>	<i>-4.2%</i>	<i>4.1%</i>	<i>-</i>	<i>4.2%</i>

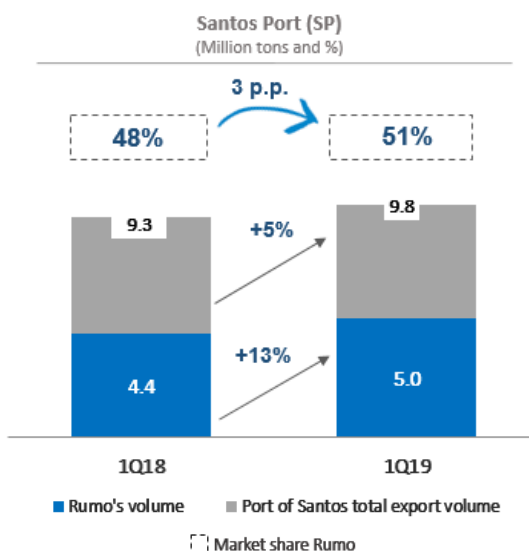
3. 1Q19 Executive Summary

Rumo's transported volumes increased 12.5% during 1Q19 when compared to same period last year, reaching 13.3 Billion RTK. This result reflected higher capacity enabled by Capex plan, highlighting soybean volumes in January, a month traditionally impacted by offseason effects, and continued ramp-up of fertilizers' backhauling at North Operation. Rains caused landslides at Santos downhill, affecting North operations in February. March volumes grew in line with plan.

Rumo's EBITDA reached R\$ 802 million on 1Q19, 12.7% higher when compared to 1Q18 Pro forma figures, on the back of higher volumes transported. Despite continued reduction in fuel consumption (liters/GTK:-4.6%), variable costs increased above volume expansion this quarter due to: i) higher costs related to sugar trucking to accommodate higher soybean volumes; ii) recognition of liabilities deriving from take-or-pay agreements in February, related to non-delivery of transportation services and iii) lower tax credits recognition. EBITDA margin therefore compressed to 49%.

Rumo's grain volume continues increasing to the Port of Santos (SP). In 1Q19, the Company delivered a 13% increase in transported volume to that port, while the market increased only 5%, achieving 51% market share, up 3 p.p. from 1Q18. This reveals the Company's ability to continue gaining market share, by providing more efficient logistic solution to clients.

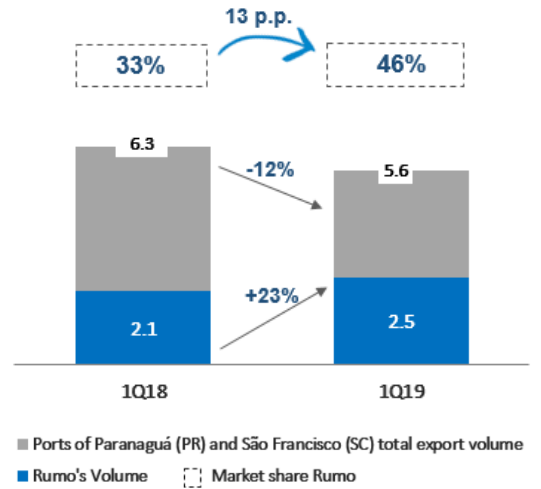
Rumo's Volume and Market Share Evolution in Grain Transportation



Source: Marine Agency and Rumo System

South Operation gained 13 p.p. in market share in grains transported to the ports of Paranaguá (PR) and São Francisco do Sul (SC), reaching 46% in 1Q19. The volume transported by Rumo in 1Q19 grew by 23%, while these ports' exports volumes dropped 12% versus 1Q18. This result was enabled by the Company's higher capacity, which allows volume growth, despite lower exports.

Ports of Paranaguá (PR) and São Francisco do Sul (SC)
(Million tons and %)



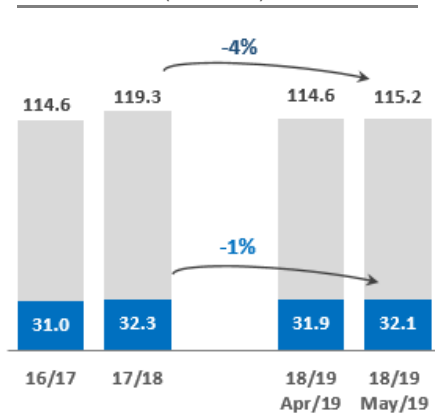
Source: Marine Agency and Rumo System

Net profit totaled R\$ 27 million, reflecting higher transported volumes and improving financial results, following continued efforts to reduce average debt costs.

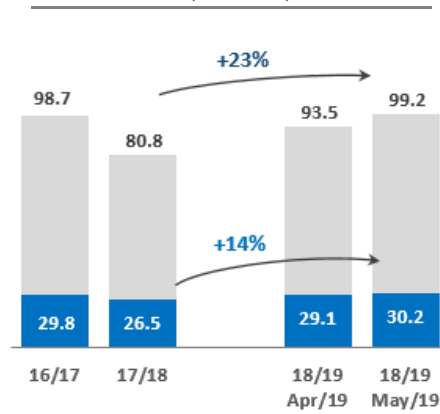
The Company's broad net debt stood at 2.1x in relation to EBITDA in the last 12 months. Financial result improved 14.3% from 1Q18, reflecting prepayment of certain operations, replacement of expensive debts with lower cost ones and the CDI interest rate drop quarter-over-quarter.

The scenario in 2019 tends to be more challenging for soybean, with a positive outlook for corn. AgRural Consultancy Agency, in its estimates for 2019, indicates a 4% slight decrease in **soybean crop** in Brazil due to unfavorable planting conditions in the South Region, but with only 1% drop in the Mato Grosso State, heart of Brazil's agribusiness. Concerning exports, challenging circumstances appear to lie ahead given that soybean exports are now expected to be lower due to global oversupply and lower demand from China, pressuring the commodity price in Chicago. But the impact for Rumo will likely be reduced by take-or-pay obligations and a strong **corn crop**, with an increase in both domestic and Mato Grosso State production by 23% and 14%, respectively, representing an additional volume of approximately 20 million tons, mostly destined to exports.

Soybean Production Forecast
(million tons)



Corn Production Forecast
(million tons)



■ Mato Grosso ■ Brazil

Source: AgRural in May/19.

4. Consolidated Operating and Financial Indicators

Summary of Financial Information (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg.%
Total transported volume (million RTK)	13,306	11,827	12.5%
Agricultural products	10,820	9,598	12.7%
Industrial products	2,485	2,229	11.5%
Average transportation yield (R\$/000 RTK)¹	103.9	101.9¹	2.0%
Total volume loaded (TU '000)	2,820	2,474	14.0%
Average loading yield (R\$/TU)	25.7	24.9	3.7%
Net operating revenue	1,635	1,397	17.1%
Transportation	1,412	1,215	16.2%
Port loading	73	61	19.9%
Other ²	150	121	24.5%
EBITDA	802	711	12.7%
EBITDA Margin (%)	49.0%	50.9%	-1.9 p.p.

Note¹: Average transportation tariff including the final amount charged from customer (container), excluding take-or-pay and right of way.

Note²: 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).

Transported Volume and Yield by Operation

Operational Figures	1Q19	1Q18	Chg.%
Total transported volume (million RTK)	13,306	11,827	12.5%
Agricultural products	10,820	9,598	12.7%
Soybean	7,743	6,571	17.8%
Soybean meal	1,530	1,540	-0.7%
Corn	504	683	-26.2%
Sugar	383	629	-39.2%
Fertilizers	626	152	>100%
Wheat	34	24	44.3%
Industrial products	2,485	2,229	11.5%
Fuels	1,117	1,068	4.7%
Wood, pulp, and paper	572	467	22.5%
Containers	591	478	23.7%
Other	205	216	-5.2%

Yield by Operation			
North Operation	1Q19	1Q18	Chg.
Yield (R\$/000 RTK)	106.4	106.5	-0.1%
% Volume	70.9%	69.9%	1.0 p.p.
South Operation			
Yield (R\$/000 RTK)	97.6	91.6	6.6%
% Volume	24.6%	26.1%	-1.5 p.p.
Container			
Yield (R\$/000 RTK)	99.0	88.8	11.5%
% Volume	4.4%	4.0%	0.4 p.p.
Consolidated			
Yield (R\$/000 RTK)	103.9	101.9	2.0%

Consolidated railway yields increased only by 2.0%, mainly influenced by average yield in the North Operation, which was impacted by: (i) price seasonality - January which has lower prices, outperformed last year volumes, while February, which has higher prices, came lower in volumes; and due to (ii) higher pulp and fertilizers volumes, that have lower-than-average yields.

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

Results by Business Unit 1Q19	North Operation	South Operation	Container Operations	Consolidated
Transported volume	9,439	3,275	591	13,306
Net revenue	1,240	328	67	1,635
Cost of services	(714)	(358)	(82)	(1,153)
Gross profit	526	(29)	(15)	481
<i>Gross margin (%)</i>	42.4%	-8.9%	-22.8%	29.4%
Sales, general and administrative expenses	(59)	(17)	(9)	(85)
Other operating revenues (expenses) and equity pickup	(18)	(0)	1	(17)
Depreciation and amortization ³	251	149	23	422
EBITDA	700	103	(1)	802
EBITDA margin (%)	56.4%	31.2%	-1.1%	49.0%

Note³: Depreciation and amortization are allocated as the cost of services provided and as general and administrative expenses.

North Operation

Operational Figures	1Q19	1Q18	Chg. %
Total transported volume (million RTK)	9,439	8,263	14.2%
Agricultural products	8,522	7,450	14.4%
Soybean	6,050	5,035	20.2%
Soybean meal	1,404	1,441	-2.6%
Corn	311	510	-38.9%
Sugar	291	465	-37.5%
Fertilizers	466	-	>100%
Industrial products	918	813	12.8%
Fuels	592	581	1.9%
Others	326	232	40.8%
<i>Average transportation yield</i>	<i>106.4</i>	<i>106.5</i>	<i>-0.1%</i>
Total volume loaded (TU '000)	2,820	2,474	14.0%
<i>Average loading yield (R\$/TU)</i>	<i>25.7</i>	<i>24.9</i>	<i>3.0%</i>

In 1Q19, total volume transported by the North Operation was 14.2% higher than in 1Q18, reaching 9.4 billion RTK. January recorded a 46% increase in transported volumes due to soybean crop anticipated harvest. In February, volumes dropped by 4% due to operating restrictions as an effect of landslides at Santos (SP) downhill, due to heavy rains. In March, the North Operation operated in a regular scenario, delivering a 10% increase in transported volumes.

In 1Q19, fertilizer volume significantly increased and industrial products volume grew by 12.8%, mainly due to pulp transportation. Port loading volume was up 14% year-over-year, mainly due to grains contribution, as sugar volumes came below expectations.

Financial Data (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg.%
Net operating revenue	1,240	1,053	17.9%
Transportation	1,005	881	14.1%
Agricultural products	917	807	13.6%
Industrial products	88	73	20.5%
Port loading	72	62	17.7%
Other revenues ⁴	163	111	48.3%
Cost of services	(714)	(591)	21.2%
Variable costs	(304)	(217)	40.2%
Fixed costs	(161)	(141)	15.6%
Depreciation and amortization	(249)	(233)	7.0%
Gross profit (loss)	526	463	13.7%
<i>Gross Margin (%)</i>	<i>42.3%</i>	<i>43.9%</i>	<i>-1.6 p.p.</i>
Sales, general and administrative expenses	(59)	(54)	9.5%
Other op, revenues (expenses), and equity pickup	(17)	1	>100%
Depreciation and amortization	251	235	6.8%
EBITDA	700	645	8.5%
<i>EBITDA margin (%)</i>	<i>56.4%</i>	<i>61.2%</i>	<i>-5 p.p.</i>

Note⁴: 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),

EBITDA reached R\$700 million in 1Q19, up 8.5% from 1Q18, due to higher volumes coupled with improved cost efficiency. Variable cost increase surpassed volume growth chiefly due to (i) additional costs with sugar transported via highways and other railways in January and February, which totaled roughly R\$20 million; (ii) liabilities in take-or-pay agreements due to operational constraints in February, which totaled R\$20.5 million and (iii) a 3.1% increase in annual fuel cost, although offset by a 3.1% improvement in locomotive fuel consumption efficiency (Liters/GTK).

Fixed cost increased by 15.6% from 1Q18, chiefly due to R\$13 million of tax credits recognized in 1Q18. EBITDA margin reached 56.4%, down 5 p.p. from Pro forma 1Q18.

South Operation

Operational Figures	1Q19	1Q18	Chg.%
Transported volume (million RTK)	3,275	3,087	6.1%
Agricultural products	2,299	2,148	7.0%
Soybean	1,694	1,536	10.3%
Soybean meal	126	99	27.0%
Corn	193	173	11.5%
Sugar	91	165	-44.4%
Fertilizers	147	152	-3.6%
Other	47	24	97.6%
Industrial products	977	938	4.1%
Fuel	526	487	8.0%
Wood, pulp, and paper	246	235	4.9%
Others	205	216	-5.2%
<i>Average transportation yield</i>	<i>97.6</i>	<i>91.6</i>	<i>6.6%</i>

In 1Q19, the South Operation's transported volume was 6.1% higher than in 1Q18, totaling 3.3 billion RTK. The anticipation of soybean crop bolstered the volume of grains transported in the period. On the other hand, low sugar availability in the previous crop restrained exports in the quarter. The transportation of industrial products grew by 4.1%, with a positive contribution from fuel and pulp transportation.

Financial Data (Amounts in R\$ MM)	1Q19	1Q18 Pro forma	Chg. %
Net operating revenue	328	288	13.9%
Transportation	320	283	12.9%
Agricultural products	215	182	18.1%
Industrial products	105	101	3.7%
Other revenues ⁵	9	5	67.9%
Cost of services	(358)	(310)	15.4%
Variable costs	(82)	(79)	4.3%
Fixed costs	(126)	(118)	7.0%
Depreciation and amortization	(149)	(113)	31.9%
Gross profit	(29)	(22)	34.4%
<i>Gross margin (%)</i>	<i>-8.9%</i>	<i>-7.6%</i>	<i>-1.4 p.p.</i>
Sales, general and administrative expenses	(17)	(15)	19.5%
Other op. revenues (expenses) and equity pickup	-	(6)	-99.6%
Depreciation and amortization	149	113	31.8%
EBITDA	103	71	45.2%
<i>EBITDA margin (%)</i>	<i>31.2%</i>	<i>24.5%</i>	<i>6.7 p.p.</i>

Note⁵: Includes revenue from volumes contracted but not executed according to commercial agreements (take-or-pay).

The South Operation's EBITDA came to R\$103 million in 1T19, up 45.2% from 1Q18. Net operating revenue was 13.9% higher year-over-year, reflecting gains in volume and yield. Variable cost increase in the period lagged volume growth, chiefly due to fuel consumption efficiency gains of 6.6% (Liters/GTK).

In spite of the end of payroll tax relief in September 2018, generating an impact of R\$17 million in the quarter, fixed cost only increased by R\$8 million versus 1Q18. EBITDA margin reached 31.2% in 1Q19, up 6.7 p.p. from 1Q18, reflecting higher volumes and cost efficiency gains.

Container Operations

Operational Figures	1Q19	1Q18	Chg. %
Total volume (containers)	17,963	13,605	32.0%
<i>Intermodal average yield (R\$/000 RTK)</i>	<i>99.0</i>	<i>88.8</i>	<i>11.5%</i>
Total volume (million RTK)	591	478	23.7%

Volume of containers transported totaled 591 million RTK in 1Q19, 23.7% higher than in 1Q18. The business strategy of taking advantage of back hauling to increase transportation volumes in the domestic market and import cargoes has been increasing container operations profitability.

Financial Data (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg. %
Net operating revenue⁶	67	55	20.5%
Cost of services	(82)	(71)	15.4%
Variable costs	(32)	(24)	34.4%
Fixed costs	(27)	(31)	-12.4%
Depreciation and amortization	(22)	(16)	40.9%
Gross loss	(15)	(16)	-2.8%
<i>Gross margin (%)</i>	<i>-22.8%</i>	<i>-28.3%</i>	<i>5.5 p.p</i>
Sales, general and administrative expenses	(9)	(7)	39.7%
Other op. revenues (expenses) and equity pickup	1.1	2,0	-44.7%
Depreciation and amortization	23	16	41.1%
EBITDA	(1)	(4)	n.a.
<i>EBITDA margin (%)</i>	<i>-1.1%</i>	<i>-7.7%</i>	<i>6.5 p.p</i>

Note⁶: Includes revenue from service units.

EBITDA from Container Operations in 1Q19 came better than in 1Q18, improving R\$ 3 million. The qualification of operations drove net revenue growth up by 20.5%. Variable cost increase surpassed volume growth in RTK due to higher fuel prices. The discontinuation of a few deficit services units enabled cutting fixed costs by 12.4% year-over-year, due to the addition of PP&E.

5. Other Results

Breakdown of Costs of Services Rendered

Consolidated Costs (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg. %
Consolidated costs	(1.153)	(972)	18.6%
Variable costs	(418)	(319)	31.1%
Fuel and lubricants	(227)	(208)	9.4%
Own logistic costs ⁷	(67)	(47)	42.4%
Third-party freight costs ⁸	(101)	(65)	57%
Other variable costs ⁹	(23)	-	n.a.
Fixed costs	(315)	(291)	8%
Maintenance	(34)	(28)	21.3%
Payroll expenses	(184)	(167)	10.6%
Leasing and concessions	(2)	-	>100%
Operational leasing	(3)	(1)	>100%
Third-party services	(40)	(60)	-33.1%
Other operational costs	(52)	(36)	45%
Depreciation and amortization	(421)	(362)	14%

Note⁷: Own logistics costs include sand, rights of way, terminals, and other variable costs.

Note⁸: Third-party freight costs include contracts for road and railway freights with other operators.

Note⁹: Mainly take-or-pay costs.

Variable costs totaled R\$418 million in 1Q19, up 31.1% from 1Q18. The 12.5% growth in the volume transported quarter-over-quarter drove variable costs increase. The 3% increase in average diesel cost was offset by efficiency gains in locomotives' fuel consumption (Liters/GTK: -4.6%). Higher fertilizer volumes in the North Operation contributed to increased logistics expenses. Third-party freight costs surged up by 57% due to low railway availability in January and February. We also can see impacts in referred costs due to liabilities in take-or-pay agreements in February.

Fixed costs totaled R\$315 million in 1Q19, 8.0% higher than in 1Q18. This result reinforces the Company's operational leverage and cost dilution strategy. Personnel expenses variation is due to the end of payroll tax relief (R\$17 million) and lower tax credits recognized in the year (R\$13 million in 1Q18). In addition, costs due to depreciation and amortization increased by 14% year-over-year.

Financial Results

Financial Results (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg. %
Cost of bank debt ¹⁰	(224)	(258)	-13.2%
Charges over leasing	(15)	(82)	-81.3%
Charges on certificates of real estate receivables	-	(2)	-100.0%
Financial income from investments	33	56	-40.6%
(=) Cost of broad net debt	(206)	(287)	-28.1%
Monetary variation on liabilities of concessions	(49)	(45)	7.5%
Rates on contingencies and contracts	(27)	(24)	10.2%
Other financial expenses	(43)	(23)	90.0%
(=) Financial result	(325)	(379)	-14.3%

Note¹⁰: Cost of bank debt includes interest rates, foreign exchange variation, net result from derivatives and other debt charges.

The financial result in 1Q19 was a net expense of R\$325 million, down 14.3% year-over-year. Debt cost decreased as an effect of prepayment of certain operations, replacement of more onerous debts with lower cost debts, and a quarter-over-quarter CDI interest rate drop. Charges over leasing significantly decreased due to amortization in this instrument. Financial investments yield fell by 40.6% due to average cash decrease and quarter-over-quarter CDI interest rate drop. 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.

As a result of the efforts endeavored in 2018 and in 1Q19, the Company reduced its financial expenses by 13.2% and the cost of its broad net debt by 28.1%.

Income Tax and Social Contribution

Income Tax and Social Contribution (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg. %
Income (loss) before IT / SC	54.7	(31.2)	>100%
<i>Theoretical rate IR / SC</i>	<i>34%</i>	<i>34%</i>	<i>0 p.p.</i>
Theoretical income (expense) with IT / SC	(18.6)	10.6	>100%
Adjustments to calculate the effective rate			
Tax losses and temporary differences not recognized ¹¹	(36.7)	(36.4)	1.6%
Tax incentives arising from the North network ¹²	28.0	4.8	>100%
Equity pickup	1.6	0.5	>100%
Other effects	(2.1)	(7.5)	-72.6%
Income (expense) with IT / SC	(27.8)	(27.8)	0%
Effective rate (%)	-50.8%	89.1%	>100%
IT/SC current	(19.7)	(3.9)	>100%
IT/SC deferred	(8.1)	(23.9)	-66.0%

Note¹¹: 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.

Note¹²: 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.

6. Loans and Financing

Broad gross debt at the end of 1Q19 was R\$11.1 billion, down 0.2% from 4Q18. Leverage stood at 2.1x (broad net debt/LTM EBITDA). The balance of broad net debt came to R\$7.5 billion, 3.8% higher than in 4Q18.

Total Indebtedness (Amounts in BRL mln)	1Q19	4Q18 Pro forma	Chg.%
Commercial banks	291	225	28.9%
NCE	498	1,161	-57.1%
BNDES	3,626	3,648	-0.6%
Debentures	1,108	501	>100%
Senior notes 2024 and 2025	5,079	5,059	0.4%
Total bank debt	10,602	10,594	0.1%
Leases ¹³	519	553	-6.2%
Total broad gross debt	11,121	11,148	-0.2%
Cash and cash equivalents and securities ¹⁴	(2,596)	(3,016)	-13.9%
Net derivative instruments	(1,013)	(892)	13.5%
Total broad net debt	7,512	7,239	3.8%
EBITDA LTM ¹⁴	3,589	3,500	2.6%
Leverage (broad net debt/EBITDA LTM)	2.1x	2.1x	>100%

Note¹³: It excludes operating lease IFR 16.

Note¹⁴: In 1Q19, it includes restricted cash linked to bank debts totaling R\$37.6 million. 4Q18 includes restricted cash from bank debts totaling R\$31.3 million.

Note¹⁵: LTM considering the Pro forma 2018 quarter.

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

Gross Bank Indebtedness (Amounts in BRL mln)	1Q19
Opening balance of broad net debt	7,239
Cash and cash equivalents and marketable securities ¹⁶	(3,016)
Net derivative instruments	(892)
Opening balance of broad gross debt	11,148
Items with cash impact	(356)
New funding	1,315
Amortization of principal	(1,393)
Amortization of interest rates	(279)
Items without cash impact	330
Provision for interest rates (accrual)	190
Monetary variation, MTM adjustments of debt, and others	139
Closing balance of broad gross debt	11,121
Cash and cash equivalents and marketable securities ¹⁶	(2,596)
Net derivative instruments	(1,013)
Closing balance of broad net debt	7,512

Note¹⁶: The 1Q19 includes restricted cash linked to bank debts of R\$37.6 million. The 4Q18 includes restricted cash from bank debts totaling R\$31.3 million.

Rumo is subject to certain restrictive covenants referring to 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. For December 31, 2018, the covenants defined included maximum leverage of 4.0x (broad net debt/LTM EBITDA), minimum interest rate coverage index of 1.4x EBITDA/Financial result, and minimum interest rate coverage index of 0.25x (Shareholders' equity/Total assets).

7. Capex

Investments (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg. %
Total investments	535	484	10.6%
Recurring	219	214	2.3%
Expansion	316	269	17.3%

In 1Q19, Capex went up 10.6% to R\$535 million, in line with guidance announced. Recurring Capex came to R\$219 million, up 2.3% year-over-year, mainly due to mechanical and permanent way maintenance expenses. Expansion Capex totaled R\$316 million, 17.3% higher than in 1Q18. In 1Q19, the main investments in capacity expansion were: (i) upgrading the permanent way by replacing tracks and sleepers; (ii) acquiring railcars, locomotives, and rail line mechanization equipment; (iii) implementing infrastructure improvements to remove restrictions, and (iv) renovating yards and terminals to reduce train dwell time and increase operational productivity.

8. Cash Flow Statement

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

Indirect Cash Flow (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg. %
Adjusted EBITDA	802	711	12.7%
Working capital variations and non-cash effects	(288)	(365)	-21.3%
Operating financial result	30	31	-4.2%
(a) (=) Operating cash flow (FCO)	544	377	44.3%
Capex	(543)	(484)	12.2%
(b) Recurring	(227)	(214)	5.8%
Expansion	(316)	(269)	17.3%
Dividends received	2	-	>100%
(c) (=) Cash flow from investing activities (FCI)	(541)	(483)	11.9%
(d) Funding	1,315	2,075	-36.6%
(e) Amortization of principal	(1,413)	(774)	82.5%
Amortization of interest rates	(297)	(266)	11.7%
Paid dividends	-	(1)	-55.2%
Derivative financial instruments	(24)	(39)	-38.2%
Restricted cash	(11)	29	>100%
(=) Cash flow from financing activities (FCF)	(430)	1,024	>100%
(g) Forex variation impact on cash balances	-	55	-99.6%
(f) (=) Net cash generated (consumed)	(426)	973	>100%
(+) Total cash (includes cash + marketable securities) opening	2,985	3,330	-10.4%
(=) Total cash (includes cash + marketable securities) closing	2,558	4,303	-40.6%
Metrics			
(=) Cash generation after recurring capex (a+b)	317	163	95.0%
(=) Cash generation after cash from investments (a+c)	3	(106)	>100%
(=) Cash generation (consumption) before funding and amortization (f-e-d-g)	(329)	(383)	-14.2%
(=) Total cash generation (consumption) excluding senior note 2024	(329.1)	(383.4)	-14.2%

9. Operating and Financial Performance Indicators

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

Operating and Financial Performance Index	1Q18	1Q19	Chg. %	2017	2018	Chg. %
Consolidated						
Operating ratio ¹⁵	77%	76%	1,3%	76%	73%	-3,9%
Diesel consumption (liters/ '000 GTK)	4.35	4.15	-4,6%	4.48	4.16	-7,1%
Rail accidents (MM Train/Km)	14.2	16.1	13%	15.4	14.5	-5,8%
Personal accidents (accidents /MM MHW)	0.33	0.22	-33%	0.38	0.25	-34%
North Operation						
Grains from Rondonópolis (MT) – Santos (SP)						
Cycle of railcars (days)	9.9	11.1	12,1%	9.8	10.2	4,1%
South Operation						
Grains from North PR – Ports Paranaguá (PR) and São Francisco do Sul (SC)						
Cycle of railcars (days)	7.6	8.1	6,6%	7.2	7.6	5,6%

Note¹⁷: It 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 1.3% in 1Q19, reflecting lower fixed and variable unit costs from higher capacity and transported volume.

Diesel consumption: The 4.6% improvement in 1Q19 versus 1Q18 reflects the consistent efforts to improve energy efficiency, especially renewing locomotives and investing in permanent way.

Rail accidents: This index, which measures the number of accidents per million kilometers, increased from 1Q18, reflecting a higher number of accidents involving third parties, despite the Company's efforts and investments to improve railway safety.

Personal accidents: This index, which measures the number of accidents which required leave, improved 27% from 1Q18, reflecting the Company's efforts to reduce personal accidents, in line with international railways' benchmarks.

Cycle time of railcars: This index increase is due to lower sugar volumes transported this quarter, fact which added grain railcar fleet beyond volume growth. In addition, this index was impacted in both operations due to (i) rainfalls above the historical averages, which impacted both port operations and rail traffic and (ii) breaks to execute expansion works.

10. Guidance

This section contains the guidance ranges for the key parameters that will influence Rumo's consolidated results for 2019. Note that other sections of this earnings release may also contain projections. Such projections and guidance are estimates and indications and should not be taken as a guarantee of future results.

Short-Term

		2019 Guidance
Rumo	EBITDA (R\$ MM)	3,850 ≤ Δ ≤ 4,150
	Total Capex (R\$ MM)	2,000 ≤ Δ ≤ 2,200
	Volume	62.0 ≤ Δ ≤ 64.0

11. Attachments

11.1 Financial Statements - Rumo

11.1.1 Balance Sheet

Balance Sheet (Amounts in BRL mln)	03/31/19 Rumo	12/31/18 Rumo
Current assets	3,705	4,074
Cash and cash equivalents	958	142
Marketable securities	1,600	2,843
Trade receivables	434	417
Inventories	267	263
Peer company receivables	22	19
Income tax and social contribution	50	57
Other taxes recoverable	218	195
Other assets	155	137
Non-current assets	24,434	23,060
Trade receivable	19	21
Restricted cash	126	115
Deferred income tax and social contribution	1,106	1,046
Peer company receivables	29	28
Recoverable income tax and social contribution	260	260
Other taxes recoverable	781	797
Judicial deposits	387	369
Derivative and financial instruments	1,013	892
Other assets	28	77
Investments in associates	39	44
Right of use	1,953	-
Property and equipment	11,227	11,917
Intangible	7,465	7,494
Total assets	28,139	27,134
Current liabilities	2,360	2,473
Loans, financing, and debentures	856	925
Leases	272	120
Trade accounts payable	429	452
Labor and social security obligations	140	207
Income tax and social contribution taxes	5	8
Other payable taxes	38	47
Dividends payables	7	6
Leases and concessions	30	29
Payable to related parties	167	156
Deferred revenue	8	9
Other financial liabilities	263	338
Other payables	145	176
Non-current liabilities	17,989	16,366
Loans, financing, and debentures	9,746	9,669
Leases	1,866	433
Financial instruments and derivatives	0	-
Other payables	3	4
Provision for lawsuits	538	515
Leases and concessions	3,252	3,180
Deferred income tax and social contribution	2,459	2,437
Deferred revenues	40	42
Other payables	84	87
Shareholders' equity	7,790	8,295
Total liabilities	28,139	27,134

11.1.2 Income Statement

Income Statement (Amounts in BRL mln)	1Q19	1Q18 Pro forma	Chg. %
Net operating revenue	1,635	1,397	17.0%
Cost of goods sold	(1,153)	(1,001)	15.2%
Gross profit	481	396	21.5%
Sales, general and administrative expenses	(86)	(74)	16.2%
Other net operating income (expenses)	(22)	(4)	>100%
Net financial result	(325)	(349)	-6.9%
Equity pickup	5	1	>100%
Income tax and social contribution	(28)	(28)	0.0%
Net profit (loss)	27	(58)	>100%
<i>Net margin (%)</i>	1.6%	-4.2%	5.9 p.p.

10.1.3 Cash Flows

Accounting Cash Flow (Amounts in BRL mln)	1Q19	1Q18
Profit before income tax and social contribution	55	(30)
Depreciation and amortization	422	331
Equity pickup	(5)	(1)
Provision for profit sharing and bonuses	33	23
Result of disposals of fixed assets and intangible assets	1	2
Provision for lawsuits	22	20
Provision (reversal) for losses on doubtful accounts	(1)	1
Stock option plan	2	2
Leases and concessions	-	50
Interest, monetary and exchange variation, Net	332	337
Other	3	(4)
(=) Adjustments	866	730
Trade receivables	2	4
Related parties, Net	6	(35)
Taxes	(26)	(5)
Inventories	(4)	(12)
Labor and social security payable	(101)	(62)
Suppliers	(18)	(144)
Leases and concessions payable	-	(27)
Lawsuits	(18)	(16)
Other financial liabilities	(79)	(53)
Other assets and liabilities, Net	(105)	(76)
(=) Changes in assets and liabilities	(344)	(428)
(=) Operational cash flow	522	303
Marketable securities	1,265	579
Restricted cash	(11)	29
Dividends received from subsidiaries and associated companies	2	0
Additions to property, plant and equipment, software, and other intangibles	(543)	(484)
(=) Net cash used in investing activities	713	125
Funding	1,315	2,075
Amortization of principal	(1,357)	(465)
Amortization of interest	(257)	(208)
Amortization of principal of leases	(56)	(263)
Payment of leases interests	(40)	(43)
Amortization of real estate receivables principal	-	(29)
Payment of real estate receivables interest	-	(0)
Derivative financial instruments	(24)	(39)
Dividend paid	-	(1)
(=) Cash generated by (used in) financing activities	(419)	1,027
Impact of exchange variation in cash balance	-	55
(=) Net increase (decrease) in cash and cash equivalents	817	1,509
Beginning balance of cash and cash equivalents	142	178
Final balance of cash and cash equivalents	958	1,687