

Rumo S.A.

Financial statements

March 31, 2019

(A free translation of the original in
Portuguese)

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Report on Review of Interim Financial Information - ITR

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Rumo S.A. ("Company"), included in the Quarterly Information Form - ITR for the quarter ended March 31, 2019, which comprises the statement of financial position as of March 31, 2019 and the respective statements of profit and loss, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, including the explanatory notes.

Company's management is responsible for the preparation of these interim financial information in accordance with the Technical Pronouncement CPC 21 (R1) - *Demonstração Intermediária* and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of the information in a manner consistent with the standards issued by *Comissão de Valores Mobiliários*, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB, applicable to the preparation of the Quarterly Information - ITR and presented in accordance with the standards issued by the *Comissão de Valores Mobiliários*.

Other matters - Statements of added value

The individual and consolidated interim financial information related to the statements of added value (DVA) for the three-month period ended March 31, 2019, prepared under the responsibility of the Company's management, presented herein as supplementary information for IAS 34 purposes, have been subject to review procedures jointly performed with the review of the Company's interim financial information – ITR. In order to form our conclusion, we assessed whether those statements are reconciled with the interim financial information and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement *CPC 09 – Demonstração do Valor Adicionado*. Based on our review, nothing has come to our attention that causes us to believe that the statements of added value referred to above were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, 09 May, 2019

KPMG Auditores Independentes

CRC 2SP014428/O-6

Original report in Portuguese signed by

Rogério Hernandez Garcia

Accountant CRC 1SP213431/O-5

Rumo S.A.

Balance sheets

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

	Note	Parent Company		Consolidated	
		March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Assets					
Cash and cash equivalents	5	14,171	595	958,099	141,527
Marketable securities	6	30,577	114,430	1,600,139	2,843,074
Accounts receivable	7	18,085	15,725	434,201	417,339
Inventories	8	1,249	1,030	267,471	263,386
Related parties	10	77,419	107,151	22,328	19,400
Current income taxes		4,289	5,751	49,628	57,082
Other recoverable taxes	9	7,442	7,934	218,004	195,176
Dividends and interest on own capital receivable		19,092	33,044	1,683	-
Other assets		13,999	12,164	153,084	137,005
Current		186,323	297,824	3,704,637	4,073,989
Accounts receivable	7	8,257	9,099	19,041	20,723
Restricted cash	6	3,444	3,416	126,219	115,124
Deferred income tax	17	-	-	1,106,235	1,046,195
Related parties	10	3,326	3,326	29,049	27,675
Current income taxes		-	-	260,330	260,330
Other recoverable taxes	9	-	-	781,417	796,794
Judicial deposits	19	20,840	21,109	387,169	369,490
Derivative financial instruments	28	1,783	322	1,013,182	892,461
Other non-current assets		5,336	5,802	27,815	76,631
Equity method investments	11	10,871,909	10,363,142	39,277	44,001
Right-of-use assets	12	-	-	1,953,000	-
Property and equipment	13	130,628	133,266	11,226,530	11,916,818
Intangible assets	14	379,165	388,769	7,465,172	7,493,882
Non-current		11,424,688	10,928,251	24,434,436	23,060,124
Total assets		11,611,011	11,226,075	28,139,073	27,134,113

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

Rumo S.A.

Balance sheets

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

	Note	Parent Company		Consolidated	
		March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Liabilities					
Current portion of long-term debt	15	892,221	172,838	856,484	924,904
Lease liabilities	12	317	342	271,565	120,491
Accounts payable - suppliers	18	39,266	44,730	428,632	451,619
Salaries payable		11,707	12,850	139,578	207,397
Current income tax		-	182	5,106	7,733
Other taxes payable	16	1,418	6,480	38,113	46,717
Dividends payable		5,250	5,250	7,469	6,495
Leases and concessions	20	-	-	29,634	28,797
Related parties	10	36,319	103,469	167,458	156,169
Deferred income		2,802	2,802	7,548	9,473
Other financial liabilities	28.b	-	-	263,378	337,705
Other current liabilities		11,751	16,332	145,186	175,818
Current		1,001,051	365,275	2,360,151	2,473,318
Long-term debt	15	1,193,290	1,348,526	9,745,861	9,669,477
Lease liabilities	12	112	171	1,866,007	432,859
Derivative financial instruments	28	173	-	173	-
Other taxes payable	16	-	-	3,456	3,755
Provision for judicial demands	19	53,908	39,871	537,766	514,652
Leases and concessions	20	-	-	3,251,547	3,179,771
Provision for capital deficiency	11	1,770,387	1,374,950	-	-
Related parties	10	29,087	28,950	-	-
Deferred income tax	17	-	-	2,459,224	2,436,797
Deferred income		21,013	21,714	40,464	42,044
Other current liabilities		17,275	18,418	84,102	86,817
Non-current		3,085,245	2,832,600	17,988,600	16,366,172
Total liabilities		4,086,296	3,197,875	20,348,751	18,839,490
Equity	21				
Common stock		9,654,897	9,654,897	9,654,897	9,654,897
Capital reserve		2,464,283	2,462,045	2,464,283	2,462,045
Other equity		19,267	18,907	19,267	18,907
Profit reserve		266,817	266,817	266,817	266,817
Accumulated losses		(4,880,549)	(4,374,466)	(4,880,549)	(4,374,466)
Equity attributable to:					
Owners of the Company		7,524,715	8,028,200	7,524,715	8,028,200
Non-controlling interests	11.c	-	-	265,607	266,423
Total equity		7,524,715	8,028,200	7,790,322	8,294,623
Total liabilities and equity		11,611,011	11,226,075	28,139,073	27,134,113

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

Rumo S.A.

Statements of income

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

	Note	Parent Company		Consolidated	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Net revenue from services	24	160,750	161,493	1,634,946	1,396,683
Cost of services	25	(130,207)	(106,921)	(1,153,475)	(1,000,714)
Gross profit		30,543	54,572	481,471	395,969
Selling	25	(78)	289	(2,843)	(3,828)
General and administrative	25	(10,575)	(7,268)	(82,609)	(70,092)
Other, net	27	(4,127)	4,999	(21,527)	(4,396)
Operating expenses		(14,780)	(1,980)	(106,979)	(78,316)
Result before financial results and equity income on investments		15,763	52,592	374,492	317,653
Equity income on investments	11	59,025	(78,390)	4,750	1,380
Equity income on investments		59,025	(78,390)	4,750	1,380
Income (loss) before financial results and income taxes		74,788	(25,798)	379,242	319,033
Financial expenses		(47,628)	(37,928)	(435,112)	(342,899)
Financial income		1,614	8,168	41,778	75,511
Foreign exchange, net		(1,925)	(205)	(26,945)	(12,973)
Derivatives		(379)	-	95,743	(68,546)
Financial result, net	26	(48,318)	(29,965)	(324,536)	(348,907)
Result before income taxes		26,470	(55,763)	54,706	(29,874)
Income tax and social contribution benefit	17				
Current		(116)	(3,192)	(19,738)	(3,857)
Deferred		-	-	(8,073)	(24,528)
		(116)	(3,192)	(27,811)	(28,385)
Result for the period		26,354	(58,955)	26,895	(58,259)
Result attributable to:					
Controlling interest		26,354	(58,955)	26,354	(58,955)
Non-controlling interest		-	-	541	696
Basic and diluted earnings per share:					
Basic	22			R\$0.01690	(R\$0.03782)
Diluted				R\$0.01680	(R\$0.03782)

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

Rumo S.A.

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

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Result for the period	26,354	(58,955)	26,895	(58,259)
Items that can't be subsequently reclassified to the result				
Actuarial losses with pension plan	-	(54)	-	(54)
	-	(54)	-	(54)
Items that can be subsequently reclassified to the result				
Currency translation adjustment	273	2,009	273	2,009
Other comprehensive income, net of income tax and social contribution	273	1,955	273	1,955
Total comprehensive result	26,627	(57,000)	27,168	(56,304)
Comprehensive income attributable to:				
Owners of the Company	26,627	(57,000)	26,627	(57,000)
Non-controlling interest	-	-	541	696

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

Rumo S.A.

Statements of changes in equity (In thousands of Brazilian Reais - R\$)

	Attributable to shareholders of the Company							
	Common capital	Capital reserve	Profit reserve	Accumulated other comprehensive loss	Accumulated losses	Total	Non-controlling interest	Total equity
At December 31, 2018	9,654,897	2,462,045	266,817	18,907	(4,374,466)	8,028,200	266,423	8,294,623
Initial adoption of standard CPC 06 R2 / IFRS 16 (Note 3.2)	-	-	-	-	(532,350)	(532,350)	-	(532,350)
At January 1, 2019	9,654,897	2,462,045	266,817	18,907	(4,906,816)	7,495,850	266,423	7,762,273
Result for the period	-	-	-	-	26,354	26,354	541	26,895
Other comprehensive income:								
Currency translation adjustment	-	-	-	273	-	273	-	273
Attributable cost reflection adjustment of associates	-	-	-	87	(87)	-	-	-
Total comprehensive income, net of taxes	-	-	-	360	26,267	26,627	541	27,168
Contributions and distributions for shareholders								
Stock option plan	-	2,238	-	-	-	2,238	-	2,238
Dividends	-	-	-	-	-	-	(1,357)	(1,357)
Total transactions with owners of the Company	-	2,238	-	-	-	2,238	(1,357)	881
At March 31, 2019	9,654,897	2,464,283	266,817	19,267	(4,880,549)	7,524,715	265,607	7,790,322

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

Rumo S.A.

Statements of changes in equity (In thousands of Brazilian Reals - R\$)

	Attributable to shareholders of the Company						Non-controlling interest	Total equity
	Common capital	Capital reserve	Profit reserve	Accumulated other comprehensive loss	Accumulated losses	Total		
At December 31, 2017	9,654,897	2,459,859	253,599	7,812	(4,624,707)	7,751,460	267,921	8,019,381
Initial adoption of standard CPC 48 / IFRS 9	-	-	-	-	(985)	(985)	(3)	(988)
At January, 1,2018	9,654,897	2,459,859	253,599	7,812	(4,625,692)	7,750,475	267,918	8,018,393
Result for the period	-	-	-	-	(58,955)	(58,955)	696	(58,259)
Other comprehensive income:	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	2,009	-	2,009	-	2,009
Attributable cost reflection adjustment of associates	-	-	-	(54)	-	(54)	-	(54)
Total comprehensive income, net of taxes	-	-	-	1,955	(58,955)	(57,000)	696	(56,304)
Contributions and distributions for shareholders								
Stock option plan	-	1,721	-	-	-	1,721	-	1,721
Dividends	-	-	-	-	-	-	(510)	(510)
Total transactions with owners of the Company	-	1,721	-	-	-	1,721	(510)	1,211
At March 31, 2018	9,654,897	2,461,580	253,599	9,767	(4,684,647)	7,695,196	268,104	7,963,300

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

Rumo S.A.

Statements of cash flows

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Cash flows from operating activities				
Result before income taxes and social contribution	26,470	(55,763)	54,706	(29,874)
Adjustments to:				
Depreciation, amortization and impairment	25,571	24,868	422,455	331,120
Equity pick-up from controlled and associated companies	(59,025)	78,390	(4,750)	(1,380)
Provision for profit sharing	554	258	33,242	23,260
Result on disposal of fixed and intangible assets	-	-	505	1,523
Provision for judicial demands	8,018	2,231	22,487	20,460
Expected losses (gain) on doubtful accounts	78	(215)	(692)	562
Stock option plan	2,239	1,721	2,239	1,721
Lease and concessions	-	-	-	49,643
Interest, indexation charges and exchange variations, net	43,835	22,439	332,438	337,389
Other	(824)	(762)	3,485	(4,286)
	46,916	73,167	866,115	730,138
Changes in:				
Accounts receivable	(1,276)	2,509	1,519	3,645
Net, related parties	(37,418)	(39,801)	5,934	(35,370)
Other taxes, net	(3,615)	2,222	(25,770)	(5,479)
Inventories	(219)	(36)	(4,262)	(12,317)
Salaries payable	(1,698)	(16,151)	(101,380)	(62,122)
Accounts payable	(6,074)	(9,220)	(17,925)	(144,444)
Lease and concessions payable	-	-	-	(26,548)
Provision for judicial demands	(2,414)	(1,827)	(18,388)	(15,908)
Other financial liabilities	-	-	(78,707)	(52,917)
Other asset and liabilities, net	(7,620)	(34,285)	(105,264)	(76,082)
	(60,334)	(96,589)	(344,243)	(427,542)
Net cash generated from (used in) operating activities	(13,418)	(23,422)	521,872	302,596
Cash flow from investing activities				
Capital increase in subsidiary	(601,020)	(1,131)	-	-
Marketable securities	83,986	90,530	1,264,984	579,184
Restricted cash	(29)	(44)	(10,900)	28,796
Dividends received from controlled and associated companies	16,150	-	1,949	347
Purchase of property, plant and equipment and intangible	(927)	(1,645)	(542,608)	(483,743)
Net cash generated from (used in) investing activities	(501,840)	87,710	713,425	124,584
Cash flow from financing activities				
Proceeds from debts	586,000	-	1,315,477	2,075,440
Repayments of principal from debts	(45,527)	(44,906)	(1,356,922)	(465,134)
Payments of interest from debts	(9,884)	(15,174)	(257,279)	(207,921)
Repayments of leases	(74)	(74)	(56,061)	(262,602)
Payments of leases	(13)	(27)	(39,616)	(43,494)
Repayments of advance of real estate credits	-	(4,898)	-	(29,342)
Payments of advance of real estate credits	-	(97)	-	(97)
Derivative financial instruments	(1,668)	666	(24,112)	(39,035)
Dividends paid	-	-	(438)	(979)
Net cash generated from (used in) financing activities	528,834	(64,510)	(418,951)	1,026,836
Impact of exchange variation on cash and cash equivalents	-	-	226	55,116
Increase (decrease) in cash and cash equivalents	13,576	(222)	816,572	1,509,132
Cash and cash equivalents at beginning of the period	595	930	141,527	178,001
Cash and cash equivalents at end of the period	14,171	708	958,099	1,687,133
Supplemental disclosure of cash flow information:				
Income taxes paid	2,495	-	4,385	74

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

Rumo S.A.

Statements of value added

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Revenue				
Sale of services	169,660	173,429	1,722,437	1,482,597
Other operating revenue	769	7,396	6,593	16,935
Expected gain (losses) on doubtful accounts	(78)	215	692	(562)
	170,351	181,040	1,729,722	1,498,970
Raw materials acquired from third parties				
Cost of services rendered	(122,493)	(103,603)	(421,432)	(284,100)
Materials, energy, third party services, other	6,932	15,277	(226,410)	(225,143)
	(115,561)	(88,326)	(647,842)	(509,243)
Gross value added	54,790	92,714	1,081,880	989,727
Retention				
Depreciation and amortization	(25,571)	(24,868)	(422,455)	(331,120)
	(25,571)	(24,868)	(422,455)	(331,120)
Net value added	29,219	67,846	659,425	658,607
Value added transferred in				
Equity pick-up in investees	59,025	(78,390)	4,750	1,380
Rents received	3,360	-	-	-
Financial income	1,614	8,168	41,777	75,511
	63,999	(70,222)	46,527	76,891
Value added to be distributed	93,218	(2,376)	705,952	735,498
Distribution of value added				
Personnel	5,686	2,411	195,327	180,620
Direct remuneration	5,040	1,867	138,299	139,742
Benefits	578	433	49,369	33,354
FGTS	68	111	7,659	7,524
Taxes and contributions	10,247	15,809	99,637	91,865
Federal	9,567	15,447	68,832	68,287
State	169	150	24,591	18,904
City	511	212	6,214	4,674
Third party capital remuneration	50,932	38,359	384,094	521,272
Interest	49,932	38,133	366,313	424,418
Leasing	1,000	226	17,781	96,854
Equity capital remuneration	26,353	(58,955)	26,894	(58,259)
Non-controlling interests	-	-	541	696
Result for the period	26,353	(58,955)	26,353	(58,955)
	93,218	(2,376)	705,952	735,498

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

Rumo S.A.

Notes to the interim financial statements

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

1 Operations

Rumo S.A. ("The Company" or "Rumo"), is a publicly traded company with its shares traded on B3 S.A. – Brasil, Bolsa, Balcão ("B3") under the code RAIL3, and has its headquarters in the city of Curitiba, State of Paraná, Brazil. The Company is a direct subsidiary of Cosan Logística S.A. ("Cosan Logística"), which owns 28.47% of its capital.

The Company is a service provider in the logistics sector (transport and elevation), principally for export commodities, providing an integrated transport solution, handling, storage and shipment from the production centers to the main southern and southeast ports, and also holds interests in other companies and ventures related to logistic.

The Company operates in the rail transportation segment in Southern Brazil through its subsidiary Rumo Malha Sul S.A. ("Rumo Malha Sul"), and the Midwest region and State of São Paulo through the Company and subsidiaries Rumo Malha Paulista S.A. ("Rumo Malha Paulista"), Rumo Malha Norte S.A. ("Rumo Malha Norte") and Rumo Malha Oeste S.A. ("Rumo Malha Oeste"). In addition, the subsidiary Brado Logística e Participações S.A. ("Brado") operates in the container segment while Elevações Portuárias S.A. ("Elevações Portuárias") has terminals for transshipment and terminals for export of sugar and grains in the Port of Santos.

On March 28, 2019, the Company presented its economic proposal in the amount of R\$ 2,719,530, which was ranked first for the International Competition (Bidding) of the north-south railroad, conducted by the National Land Transport Agency (ANTT) which is the sub-concession of the public rail freight service associated with the operation of the rail network between Porto Nacional / TO and Estrela d'Oeste / SP, in the sections between (i) Porto Nacional / TO and Anápolis / GO ; and (ii) Ouro Verde de Goiás / GO and Estrela d'Oeste / SP.

The value of the economic proposal corresponding to the granting of the sub-concession shall be paid as follows: (i) 5% (five percent) within 45 (forty five) days after publication of the determination issued by ANTT - Agência Nacional de Transporte Terrestres "ANTT") confirming the result of the Bidding held on April 30, 2019; and (ii) 95% (ninety five percent) in 120 (one hundred and twenty) quarterly installments calculated in accordance with the terms of the notice, terms to be reflected in the sub-concession agreement to be signed.

The concession costs, as well as the future investments planned for the north-south railroad will be realized in a SPE - Specific Purpose Company - which is being constituted as a subsidiary of the Company.

Rumo S.A.

Notes to the interim financial statements

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

The concession of railway operation and port terminal

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

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

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

2 Basis of preparation

2.1 Statement of compliance

The individual and consolidated interim financial statements have been prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and the International Accounting Standard IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board (IASB), and are presented in accordance with the rules of the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly information (ITR).

Interim accounting information was prepared based on the preparation basis and accounting policies consistent with those adopted in the preparation of the financial statements as of December 31, 2018 and should be read together.

The information notes that no significant changes were not repeated in full in these interim financial statements.

Certain amounts of comparative balances in note 26 expenses by nature were reclassified to improve the level of detail of the disclosures in these consolidated interim financial statements. These reclassifications had insignificant impacts on the Company's consolidated interim financial statements.

The relevant information specific to the interim financial statements, and only them, are being evidenced and that correspond to those used by Board in its management.

These consolidated financial statements were authorized for issue by the Board of Directors on May 09, 2019.

Rumo S.A.

Notes to the interim financial statements

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

2.2 Presentation of Information by segment

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

3 Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below:

<u>Controlled</u>	<u>Directly and indirectly controlled</u>	
	March 31, 2019	December 31, 2018
Logisport Armazéns Gerais S.A.	51.00%	51.00%
Elevações Portuárias S.A.	100.00%	100.00%
Rumo Luxembourg Sarl	100.00%	100.00%
Rumo Intermodal S.A.	100.00%	100.00%
Rumo Malha Oeste S.A.	100.00%	100.00%
Rumo Malha Paulista S.A.	100.00%	100.00%
Rumo Malha Sul S.A.	100.00%	100.00%
Rumo Malha Norte S.A.	99.74%	99.74%
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%

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

The following associates are accounted for under the equity method:

<u>Associates (Equity)</u>	<u>Directly and indirectly</u>	
	March 31, 2019	December 31, 2018
Rhall Terminais Ltda.	30.00%	30.00%
Termag S.A. ⁽ⁱ⁾	19.85%	19.85%
TGG S.A. ⁽ⁱ⁾	9.92%	9.92%
Terminal XXXIX S.A.	49.62%	49.62%

(i) For these associates, the conclusion on the existence of significant influence arises from the participation of the Company's representative on the board of the associate.

Rumo S.A.

Notes to the interim financial statements

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

3.2 New regulations and interpretations adopted by the Company

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

Changes in accounting policies will also be reflected in the Company consolidated financial statements for the year ended December 31, 2019.

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 for the accounting of leases in the balance sheet of lessees. As a result, the Company, as a lessee, recognized the rights to use assets that represent its rights to use the underlying assets and the lease liabilities that represent its obligation to make lease payments. The lessor's accounting remains similar to previous accounting policies (the Company does not have significant transactions as a lessor).

The Company has chosen 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 retained result on January 1, 2019. Therefore, the comparative information presented for 2018 has not been restated - or and is presented as previously reported in accordance with CPC 06 / IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

(a) In the definition of lease

Previously, the Company determined, at the inception of the agreement, whether it was or contained a lease under ICPC 03 / IFRIC 4 - Complementary Aspects of Leasing Operations. The Company now assesses whether a lease 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 opted to apply the practical case of maintaining the evaluation of which transactions are leases, to which CPC 06 (R2) / IFRS 16 applied. The contracts that were not identified as leases in accordance with CPC 06 (R1) / IAS 17 and ICPC 03 / IFRIC 4 were not revalued. Accordingly, the new lease definition in accordance with CPC 06 (R2) / IFRS 16 was applied only to contracts entered into or amended on or after January 1, 2019.

At the inception or revaluation of a lease component, the Company allocates the lease consideration to each lease component rather than lease based on its individual lease price.

(b) In the treatment as a lessee

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

Notes to the interim financial statements

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

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

The Company presents the carrying amounts of the right of use assets (including assets previously classified as financial leases) in a specific balance sheet line called "right of use". Likewise, it records the liabilities in a separate account called "Leasing".

(i) Significant accounting policy

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

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

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

(ii) Transition

Previously, the Company classified leases as a disregard to the concession contracts for rail, port and rolling infrastructure, as well as operating leases in accordance with CPC 06 / IAS 17. Some lease agreements are adjusted by inflation indexes such as IGP-M or IPCA.

Lease liabilities were measured at the present value of the remaining payments, discounted by the incremental loan rate of the Company on January 1, 2019. The rights to use assets are measured:

- i. At its book value as if CPC 06 (R2) / IFRS 16 had been applied since the commencement date, discounted by the lessee's incremental borrowing rate at the date of initial application - the Company applied this approach to its larger property leases infrastructure , port and rolling stock; or
- ii. At the amount equivalent to the lease liability, adjusted for the amount of any prepayment or accumulated rent - the Company applied this approach to all other leases.

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

- i. It applied the exemption for not recognizing rights-of-use assets and liabilities for leases with terms less than 12 months.
- ii. Excluded the initial direct costs of measuring the right to use asset at the date of initial application.
- iii. It used late perception when determining the term of the lease if the contract contained options to extend or terminate the lease.

Rumo S.A.

Notes to the interim financial statements

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

Leases classified and previously recorded as finance leases under 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 carrying amount of the lease and liability assets lease immediately prior to that date.

(c) Impact on financial statements

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

	Consolidated January 01, 2019
Non-current assets	
Assets of right of use	1,253,464
Impairment	(179,167)
Deferred income and social contribution taxes	45,650
Total non-current assets	1,119,947
Total assets	1,119,947
Current liabilities	
Lease liabilities	155,601
Total current liabilities	155,601
Non-current liabilities	
Lease liabilities	1,496,696
Total non-current liabilities	1,496,696
Total liabilities	1,652,297
Equity	
Retained earnings reverses	(532,350)
Total equity	(532,350)
Total liabilities and equity	1,119,947

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 is 7.73%.

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

3.3 Statements of added value

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

Notes to the interim financial statements

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

3.4 Cash flow

• Classification of interest and dividends

- i) The Company classifies the dividends and interest on shareholders' equity received as cash flow from investing activities, with the purpose of avoiding distortions in its cash flows as a function of cash flow from these operations through the increase in dividends received from subsidiaries.
- ii) Interest received or paid is classified as cash flow from financing activities, as it is considered to refer to the costs of obtaining financial resources.

4 New standards and interpretations not yet effective

Certain new standards and amendments to standards are effective for annual exercise beginning after January 1, 2019 and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements.

4.1 IFRS 17 Insurance Contracts

This standard introduces a new model for accounting for insurance contracts. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Based on preliminary work we estimate the impact will be immaterial, we are in the process of reviewing our existing arrangements to determine the impact on adoption.

No other new accounting pronouncement issued or in force during the fiscal year had or should have a material impact on the financial statements.

5 Cash and cash equivalent

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Cash and bank accounts	14,150	580	572,217	53,615
Financial investments	21	15	385,882	87,912
	14,171	595	958,099	141,527

The financial investments were as below:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Exclusive funds				
Bank deposit certificates - CDB	-	-	36,097	-
	-	-	36,097	-
Bank investments				
Bank deposit certificates - CDB	21	15	344,560	86,738
Other investments	-	-	5,225	1,174
	21	15	349,785	87,912
	21	15	385,882	87,912

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Notes to the interim financial statements

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

6 Marketable securities and restricted cash

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Marketable securities				
Government bonds ⁽ⁱ⁾	30,577	114,430	1,595,750	2,785,036
CDB investments linked to BNDES loans ⁽ⁱⁱ⁾	-	-	4,389	58,038
	30,577	114,430	1,600,139	2,843,074

(i) Government securities classified as fair value through the income statement have interest rates tied to Selic and are held in the short term for the company's (daily) liquidity purposes;

(ii) Certificates of bank deposits have interest rates linked to the CDI, and are maintained in the short term for the Company's (daily) liquidity purposes.

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Restricted cash				
Investments linked to loans	-	-	42,039	31,254
Securities pledged as collateral	3,444	3,416	84,180	83,870
	3,444	3,416	126,219	115,124

7 Accounts receivable

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Domestic – Brazilian Reais	28,433	26,837	402,039	382,925
Export – Foreign currency	-	-	67,147	72,975
Expected losses for doubtful accounts	(2,091)	(2,013)	(15,944)	(17,838)
	26,342	24,824	453,242	438,062
Current	18,085	15,725	434,201	417,339
Non-current	8,257	9,099	19,041	20,723
	26,342	24,824	453,242	438,062

8 Inventories

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Parts and accessories	619	874	226,866	224,005
Fuels and lubricants	14	4	6,917	6,224
Warehouse and other	616	152	33,688	33,157
	1,249	1,030	267,471	263,386

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Notes to the interim financial statements

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

9 Other recoverable taxes

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Contribution to social security financing ("COFINS")	3,551	3,964	279,625	276,440
Social Integration program ("PIS")	578	676	91,421	90,009
Tax on circulation of goods, transport services and communication ("ICMS") ⁽ⁱ⁾	339	321	463,220	442,492
ICMS - CIAP ⁽ⁱⁱ⁾	-	-	154,987	174,455
Other	2,974	2,973	10,168	8,574
	7,442	7,934	999,421	991,970
Current	7,442	7,934	218,004	195,176
Non-current	-	-	781,417	796,794
	7,442	7,934	999,421	991,970

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

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

10 Related parties

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

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Current asset				
Commercial operations				
Cosan S.A.	282	282	384	382
Rumo Malha Norte S.A.	12,405	10,953	-	-
Rumo Malha Paulista S.A.	53,363	77,131	-	-
Rumo Malha Sul S.A.	1,109	1,109	-	-
Raízen Combustíveis S.A.	149	149	4,467	4,213
Raízen Energia S.A.	7,350	7,651	17,033	14,226
Brado Logística S.A.	940	1,179	-	-
Elevações Portuárias S.A.	1,180	5,046	-	-
Other	641	3,651	444	579
	77,419	107,151	22,328	19,400
Non-current assets				
Commercial operations				
Raízen Combustíveis S.A.	-	-	28,899	27,523
	-	-	28,899	27,523
Financial operations				
Other	3,326	3,326	150	152
	3,326	3,326	150	152
	3,326	3,326	29,049	27,675
Total	80,745	110,477	51,377	47,075

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Notes to the interim financial statements

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

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Current liabilities				
Commercial operations				
Rumo Malha Norte S.A.	5,166	5,311	-	-
Rumo Malha Sul S.A.	10,690	10,592	-	-
Rumo Malha Paulista S.A.	9,041	74,953	-	-
Rumo Malha Oeste S.A.	857	1,658	-	-
Raízen Combustíveis S.A.	1	1	139,656	126,318
Raízen Energia S.A.	5,658	5,552	19,631	18,948
Cosan S.A.	2,802	1,180	2,817	2,370
Cosan Lubrificantes e Especialidades S.A.	361	353	4,623	4,675
Logisport Armazéns Gerais S.A.	632	127	-	-
Elevações Portuárias S.A.	101	4	-	-
Other	1,010	3,738	731	3,858
	36,319	103,469	167,458	156,169
Non-current liabilities				
Commercial operations				
Boswells	24,354	24,218	-	-
Other	4,733	4,732	-	-
	29,087	28,950	-	-
Total	65,406	132,419	167,458	156,169

Rumo S.A.

Notes to the interim financial statements

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

b) Summary of transactions with related parties:

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Operating income				
Raízen Energia S.A.	78,836	50,366	104,223	74,201
Raízen Combustíveis S.A.	-	-	41,975	35,101
Rumo Malha Norte S.A.	3,756	3,000	-	-
Rumo Malha Paulista S.A.	50,439	68,722	-	-
Elevações Portuárias S.A.	3,360	3,360	-	-
Other	-	-	3,972	7,439
	136,391	125,448	150,170	116,741
Purchases of products / inputs				
Raízen Combustíveis S.A.	-	-	(278,308)	(252,444)
Rumo Malha Paulista S.A.	(18,872)	(32,407)	-	-
Logisport Armazéns Gerais S.A.	(624)	(644)	-	-
Cosan Lubrificantes e Especialidades S.A.	(18)	(7)	(9,232)	(9,096)
Raízen Energia S.A.	-	-	(198)	-
	(19,514)	(33,058)	(287,738)	(261,540)
Shared expenses				
Cosan S.A.	(2,744)	(1,073)	(2,744)	(3,404)
Elevações Portuárias S.A.	(121)	-	-	-
Rumo Malha Oeste S.A.	(80)	178	-	-
Rumo Malha Paulista S.A.	(691)	671	-	-
Rumo Malha Sul S.A.	97	-	-	-
Rumo Malha Norte S.A.	(1,270)	1,513	-	-
Raízen Energia S.A.	(592)	(354)	(8,583)	(7,230)
	(5,401)	935	(11,327)	(10,634)
Financial result				
Elevações Portuárias S.A.	-	(75)	-	-
Rumo Malha Norte S.A.	-	(12,652)	-	-
Other	(137)	194	(30)	-
	(137)	(12,533)	(30)	-

c) Officers and directors remuneration

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

	March 31, 2019	March 31, 2018
Short-term benefits to employees and managers	10,813	6,958
Stock option recognized	988	1,721
	11,801	8,679

Rumo S.A.

Notes to the interim financial statements

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

11 Equity method investments and provision for net capital deficiency in subsidiary

a) Parent Company

	Total shares of the investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2019	Equity pick-up	Capital increase	Dividends and Interest on own capital receivable	Comprehensive income	Initial adoption of standard CPC 06 (R2) / IFRS 16	Amortization of the concession right	Other	At March 31, 2019	Equity pick-up on March 31, 2018
Controlled													
Elevações Portuárias	672,397,254	672,397,254	100.00%	707,886	13,940	-	-	-	(5,311)	-	3	716,518	(2,275)
Rumo Intermodal	91,064,313	91,064,313	100.00%	37,095	(369)	-	-	137	-	-	-	36,863	(3,681)
ALL Serviços	100,000	-	-	-	-	-	-	-	-	-	-	-	(250)
Rumo Malha Norte	1,189,412,363	1,186,268,176	99.74%	8,099,091	158,516	-	-	(1)	-	(7,410)	(62)	8,250,134	134,531
Boswells	3,265,000	3,265,000	100.00%	24,585	-	-	-	139	-	-	-	24,724	-
Brado Holding	500	-	-	-	-	-	-	-	-	-	-	-	(234)
Brado Participações	12,962,963	8,065,556	62.22%	366,399	(82)	-	(2,236)	-	-	-	-	364,081	-
Paranaguá S.A.	6,119,802	6,113,851	99.90%	13,681	116	1,020	-	(1,831)	-	-	-	12,986	1,118
Logisport	2,040,816	1,040,816	51.00%	73,624	166	-	-	-	-	-	-	73,790	169
Rumo Luxembourg Sarl	500,000	500,000	100.00%	64,118	(1,977)	-	-	-	-	-	-	62,141	(16,969)
Rumo Malha Sul	6,677,710,494,907	6,677,710,494,907	100.00%	976,663	(59,176)	600,000	-	-	(186,815)	-	-	1,330,672	(105,626)
				10,363,142	111,134	601,020	(2,236)	(1,556)	(192,126)	(7,410)	(59)	10,871,909	6,783
Provision for net capital deficiency in controlled													
ALL Argentina	9,703,000	8,826,110	90.96%	(17,019)	(541)	-	-	1,829	-	-	-	(15,731)	(2,344)
Rumo Malha Paulista	90,826,624,247	90,826,624,247	100.00%	(260,465)	(11,072)	-	-	-	(83,306)	(4,753)	(180)	(359,776)	(45,128)
Rumo Malha Oeste	478,460,074	478,460,074	100.00%	(1,097,466)	(40,496)	-	-	-	(256,918)	-	-	(1,394,880)	(37,701)
				(1,374,950)	(52,109)	-	-	1,829	(340,224)	(4,753)	(180)	(1,770,387)	(85,173)
				8,988,192	59,025	601,020	(2,236)	273	(532,350)	(12,163)	(239)	9,101,522	(78,390)

b) Consolidated

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2019	Equity pick-up	Dividends	Other	At March 31, 2019	Equity pick-up on March 31, 2018
Affiliates									
Rhall Terminais Ltda.	28,580	8,574	30.00%	3,166	-	-	-	3,166	(5)
Termag S.A.	500,000	99,246	19.85%	5,192	1,320	-	(5,700)	812	(1,238)
TGG S.A.	79,747,000	7,914,609	9.92%	19,601	920	(2,251)	-	18,270	801
Terminal XXXIX S.A.	200,000	99,246	49.62%	16,042	2,510	(1,523)	-	17,029	1,822
Total				44,001	4,750	(3,774)	(5,700)	39,277	1,380

Rumo S.A.

Notes to the interim financial statements

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

c) Non-controlling interests

	Total shares of investee	Shares held by the Company	Percentage of interest (%)	At January 1, 2019	Equity pick-up	Dividends	At March 31, 2019	Equity pick-up on March 31, 2018
Logisport	2,040,816	1,000,000	49.00%	34,657	159	-	34,816	162
Brado Participações	12,962,963	4,897,407	37.78%	223,032	(50)	(1,357)	221,625	(91)
Rumo Malha Norte	1,189,412,363	3,144,187	0.26%	8,734	432	-	9,166	625
Total				266,423	541	(1,357)	265,607	696

Rumo S.A.

Notes to the interim financial statements

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

12 Lease

a. Right-of-use assets

	Consolidated						
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives	Software	Vehicle	Railway and port infrastructure	Total
Cost:							
Initial adoption of standard CPC 06 (R2)/ IFRS 16	35,209	7,937	43,880	69,449	13,604	1,083,385	1,253,464
Transfers of property, plant and equipment and other assets ⁽ⁱ⁾	130,000	2,538	1,244,787	-	-	50,167	1,427,492
At January 1, 2019	165,209	10,475	1,288,667	69,449	13,604	1,133,552	2,680,956
Additions	-	-	-	-	-	-	-
At March 31, 2019	165,209	10,475	1,288,667	69,449	13,604	1,133,552	2,680,956
Amortization							
Transfers of property, plant and equipment ⁽ⁱ⁾	(50,450)	(2,532)	(462,748)	-	-	-	(515,730)
Impairment ⁽ⁱⁱ⁾	-	-	-	-	-	(179,167)	(179,167)
At January 1, 2019	(50,450)	(2,532)	(462,748)	-	-	(179,167)	(694,897)
Additions	(2,378)	(617)	(2,369)	(1,736)	(1,602)	(30,129)	(38,831)
Impairment	-	-	-	-	-	5,772	5,772
At March 31, 2019	(52,828)	(3,149)	(465,117)	(1,736)	(1,602)	(203,524)	(727,956)
At January 1, 2019	114,759	7,943	825,919	69,449	13,604	954,385	1,986,059
At March 31, 2019	112,381	7,326	823,550	67,713	12,002	930,028	1,953,000

- (i) The amount refers to transfers of financial leases previously recorded in property, plant and equipment, as shown in note 13 Property and equipment (cost and accumulated depreciation). The cost still includes R\$ 50,167 related to the advances made at the beginning of the concession, whose non-appropriate amount was 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 right of use balance recorded in the same was subject to an impairment provision in the initial registration.

b. Liabilities leases

	Consolidated		
	Financial	Operating	Total
Balance at January 1, 2019	553,350	-	553,350
Initial Recognition	-	1,652,297	1,652,297
Interest appropriation	22,724	33,950	56,674
Transfers between liabilities ⁽ⁱ⁾	-	(29,073)	(29,073)
Amortization of principal	(35,799)	(20,262)	(56,061)
Interest payment	(21,433)	(18,182)	(39,615)
Balance at March 31, 2019	518,842	1,618,730	2,137,572
Current			271,565
Non-current			1,866,007
			2,137,572

- (i) Transfer of the shares under judicial discussion to lease and concessions item (Note 20).

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Notes to the interim financial statements

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

The lease contracts have several maturity dates, with the last maturity occurring in June 2043 (an opening by maturity is shown in Note 28). 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 contracts have options for renewals or purchase that were considered in determining the classification as financial lease.

For the period ended March 31, 2019, the impacts on the result were:

	Consolidated
	March 31, 2019
Variable lease payments not included in the measurement of lease liabilities	5,016
Expenses relating to short-term leases	78
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1,630
	<u>6,724</u>

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Notes to the interim financial statements

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

13 Property and equipment

	Consolidated							Parent Company
	Land, buildings and improvements	Machinery, equipment and facilities	Freight cars and locomotives (i)/ (ii)	Track structure (i)	Construction in progress	Other	Total	Total
Cost:								
At December 31, 2018	1,034,802	825,503	8,716,302	8,005,887	999,026	768,383	20,349,903	189,018
Transfers for 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	298	10	-	534,326	172	534,810	927
Disposals	(921)	-	(77,038)	-	-	(640)	(78,599)	-
Transfers	56,141	57,071	129,893	178,392	(440,639)	3,475	(15,667)	(274)
At March 31, 2019	960,026	880,334	7,524,380	8,184,279	1,092,713	771,390	19,413,122	189,671
Depreciation:								
At December 31, 2018	(350,697)	(353,013)	(3,977,393)	(3,261,319)	(10,842)	(479,821)	(8,433,085)	(55,752)
Transfers for 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	(15,246)	(23,410)	(136,143)	(175,172)	-	(5,262)	(355,233)	(3,291)
Disposals	-	-	76,518	-	-	640	77,158	-
Transfers	50	4,404	-	656	-	3,728	8,838	-
At March 31, 2019	(315,443)	(369,487)	(3,574,270)	(3,435,835)	(10,842)	(480,715)	(8,186,592)	(59,043)
At December 31, 2018	684,105	472,490	4,738,909	4,744,568	988,184	288,562	11,916,818	133,266
At March 31, 2019	644,583	510,847	3,950,110	4,748,444	1,081,871	290,675	11,226,530	130,628

(i) Includes improvements in leased assets and financial leasing;

(ii) On March 31, 2019, the balance of wagons and locomotives on bail to guarantee bank loans (Note 15) is R\$ 745,203 (R\$ 745,203 on December 31, 2018);

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

Capitalization of loan costs

In the period ended March 31, 2019 and 2018, there were no capitalized loan costs.

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Notes to the interim financial statements

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

14 Intangible assets and goodwill

	Consolidated					Parent Company
	Goodwill ⁽ⁱ⁾	Concession Rights ⁽ⁱⁱ⁾	Operating license	Other	Total	Total
Cost:						
At January 1, 2019	100,451	8,000,700	343,177	189,045	8,633,373	615,511
Additions	-	-	-	387	387	-
Transfers	-	-	-	7,709	7,709	274
At March 31, 2019	100,451	8,000,700	343,177	197,141	8,641,469	615,785
Amortization and impairment						
At January 1, 2019	-	(881,632)	(131,909)	(125,950)	(1,139,491)	(226,742)
Additions	-	(30,226)	(2,935)	(3,654)	(36,815)	(9,878)
Transfers	-	-	-	9	9	-
At March 31, 2019	-	(911,858)	(134,844)	(129,595)	(1,176,297)	(236,620)
At January 1, 2019	100,451	7,119,068	211,268	63,095	7,493,882	388,769
At March 31, 2019	100,451	7,088,842	208,333	67,546	7,465,172	379,165

- (i) Goodwill arising from business combination, of which R\$62,922 on Terminal T-16 in Santos and R\$37,529 of direct subsidiary Logisport presented only in consolidated balances.
- (ii) The amortization is recognized in the income statement in cost of services, as depreciation and amortization.

Amortization methods and useful lives

Intangible (other than goodwill)	Annual rate of amortization - %	March 31, 2019	December 31, 2018
Concession rights ⁽ⁱ⁾	1.59%	7,088,842	7,119,068
Operating license ⁽ⁱⁱ⁾	3.70%	208,333	211,268
Software	20.00%	29,980	25,967
Other		37,566	37,128
Total		7,364,721	7,393,431

- (i) Refers to the concession right agreement of Rumo Malha Norte, which will be amortized until the end of the concession in 2079;
- (ii) Port operating license and customer relationships of Rumo, from the business combinations.

Analysis of impairment

The Company annually tests the recoverable value of goodwill for the expectation of future results arising from a business combination. Assets subject to depreciation and amortization are only tested if there are indications that the carrying amount is not recoverable. In the period ended March 31, 2019, no indicators for asset impairment testing were identified.

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

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Notes to the interim financial statements

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

15 Loans, borrowings and debentures

Description	Financial charges		Parent Company		Consolidated		Maturity date
	Index	Average interest rate	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	
Loans and borrowings							
Finame (BNDES)	Pre-fixed	5.33%	456,362	485,352	999,081	1,055,281	February/2025
Finem (BNDES)	Pre-fixed	4.75%	-	-	5,290	2,261	January/2024
	URTJLP	9.29%	95,108	111,270	2,616,963	2,584,347	December/2029
	IPCA	11.91%	-	-	2,278	2,211	November/2021
	Selic	13.65%	-	-	2,646	3,930	September/2020
	125% of CDI	8.06%	-	-	-	646,024	March/2019
	CDI + 0.80%	7.25%	-	-	497,925	514,817	December/2023
Senior Notes 2024	Pre-fixed (US\$)	7.38%	-	-	3,067,536	3,061,566	February/2024
Senior Notes 2025	Pre-fixed (US\$)	5.88%	-	-	2,011,579	1,997,394	January/2025
	Pre-fixed (US\$)	5.33%	-	-	7,793	15,499	June/2019
ECA	Euribor +0.58%	0.58%	-	-	72,253	-	September/2026
Loan 4131	Dollar (US\$)	3.43%	210,626	209,987	210,629	209,987	November/2022
			762,096	806,609	9,493,973	10,093,317	
Debentures							
Non-convertible debentures	128% of CDI	8.26%	-	-	-	501,064	March/2019
	128% of CDI	8.57%	595,574	-	595,574	-	June/2029
	128% of CDI	8.57%	-	-	512,798	-	February/2026
Private debentures	CDI + 1.30% p.y.	8.28%	727,841	714,755	-	-	February/2029
			1,323,415	714,755	1,108,372	501,064	
Total			2,085,511	1,521,364	10,602,345	10,594,381	
Current			892,221	172,838	856,484	924,904	
Non-current			1,193,290	1,348,526	9,745,861	9,669,477	

All loans and financing are guaranteed by Company guarantees and bank guarantees, in the same amounts and conditions of the total financed, including financing of locomotives and wagons, in which the financed goods are pledged as collateral.

Some financing agreements with the BNDES, destined to investments, are also guaranteed, according to each agreement, by bank guarantee, with the average cost of 2.32% p.y. or by real guarantees (assets) and escrow account. On March 31, 2019, the balance of bank guarantees contracted was R\$ 2,327,308 (R\$ 2,475,175 on December 31, 2018).

For calculation of the average rates, the annual average CDI of 6.40% and TJLP of 7.03% was considered on an annual basis.

Export credit agreement (ECA)

On February 28, 2019, the Company raised funds from the Austrian development agency OEKB through ECA transaction operated by Banco Santander in the total amount of R\$ 91,253, maturing in September 2026 and interest of Euribor + 0.58% p.y. paid semi-annually. This debt is protected by exchange and interest rate swaps.

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Notes to the interim financial statements

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

Debentures

On March 19, 2019, the Company raised funds through an issue of ICVM 400 debentures in the total amount of R\$ 600,000, maturing in February 2029 and interest of IPCA + 4.5% p.y. paid semi-annually. This debt is protected by interest swap.

On February 22, 2019, the Company raised funds through an issue of ICVM 476 debentures in the total amount of R\$ 500,000, maturing in February 2029 and interest of IPCA + 4.68% p.y. paid semi-annually. This debt is protected by interest swap.

Unused line of credit

As of March 31, 2019, the Company had available credit lines from BNDES, which were not used, in the total amount of R\$ 1,935,490 (R\$ 2,108,824 at December 31, 2018).

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

	Consolidated	
	March 31, 2019	December 31, 2018
Brazilian Real	5,232,555	5,309,935
US Dollar ⁽ⁱ⁾	5,297,537	5,284,446
EUR	72,253	-
Total	10,602,345	10,594,381

- (i) As of March 31, 2019, all debts denominated in US dollars in subsidiaries are hedged against exchange rate risk through derivatives (Note 28).

Changes occurred for the period ended March 31, 2019 is as follow:

	Parent Company	Consolidated
At January 1, 2019	1,521,364	10,594,381
Proceeds from debts	586,000	1,315,477
Interest, monetary and exchange correction	33,558	306,688
Repayments of principal from debts	(45,527)	(1,356,922)
Payments of interest from debts	(9,884)	(257,279)
At March 31, 2019	2,085,511	10,602,345

Financial covenants

The Company's main lines of loans are subject to restrictive covenants, based on financial and non-financial indicators. The Company evaluates the conditions of the restrictive clauses annually.

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

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Notes to the interim financial statements

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

16 Other taxes payable

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Tax on circulation of goods, transport services and communication ("ICMS")	54	48	6,152	5,281
National social security institute ("INSS")	150	165	4,680	6,027
Social integration program ("PIS")	17	912	2,143	2,598
Contribution to social security financing ("COFINS")	76	4,212	8,965	12,325
Tax amnesty and refinancing program	902	902	8,662	10,297
Tax on services	-	-	4,189	4,666
Financial transaction tax	26	15	1,392	1,318
Other	194	226	5,386	7,960
	1,418	6,480	41,569	50,472
Current	1,418	6,480	38,113	46,717
Non-current	-	-	3,456	3,755

17 Income tax and social contribution

a) Reconciliation of income tax and social contribution expenses.

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Result before income taxes	26,470	(55,763)	54,706	(29,874)
Income tax and social contribution expense at nominal rate (34%)	(8,999)	18,959	(18,600)	10,157
Adjustments to determine the effective rate				
Equity pick-up	20,068	(26,653)	1,615	469
Result of companies abroad	-	-	(879)	(6,330)
Exploration profit - tax incentive	-	-	27,974	4,830
Unrecognized NOLs and temporary differences ⁽ⁱ⁾	(6,976)	9,199	(36,676)	(36,385)
Effect of amortization of goodwill	(4,217)	(4,136)	318	463
Permanent differences (donations, gifts, etc.)	(1)	-	(82)	-
Other	9	(561)	(1,481)	(1,589)
Tax and social contribution (current and deferred)	(116)	(3,192)	(27,811)	(28,385)
Effective rate - %	-0.44%	5.72%	-50.84%	95.02%

- (i) Refers mainly to tax losses and temporary differences of the Company and its subsidiaries Rumo Malha Sul and Rumo Malha Oeste which do not meet the requirements for accounting of deferred income tax and social contribution assets due to the lack of predictability of future generation of taxable income.

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Notes to the interim financial statements

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

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

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Assets credits from:				
Tax losses carry forwards - income tax	252,165	252,203	1,814,663	1,784,856
Tax losses of social contribution	101,602	101,617	664,950	654,311
Temporary differences:				
Provision for judicial demands	19,925	15,242	218,571	210,429
Impairment provision	30,327	30,327	231,583	241,083
Allowance for doubtful accounts	711	685	17,567	18,596
Provision for non-performing tax	-	-	37,445	36,983
Provision for profit sharing	3,683	4,080	16,269	38,482
Review of useful life - Fixed assets	-	-	582,920	562,699
Fair value adjustment on debts	1,574	-	87,796	57,298
Temporary differences from other provisions	6,251	7,505	108,746	103,614
Fair value adjustment on debts	1,629	1,507	79,019	88,793
Exchange rate variation	401	-	10,336	-
Other	5,138	4,377	57,996	57,309
Deferred taxes - Assets	423,406	417,543	3,927,861	3,854,453
 (-) Unrecognized deferred assets credits	 (353,042)	 (346,718)	 (2,257,647)	 (2,074,432)
Liabilities credits from:				
Temporary differences:				
Tax goodwill amortized	-	-	(24,838)	(24,268)
Lease	(799)	(787)	(39,222)	(228,041)
Unrealized result from derivatives	(438)	-	(348,061)	(307,098)
Review of useful life - Fixed assets	(938)	(851)	-	-
Business combination - Intangible assets	(68,189)	(69,187)	(2,577,176)	(2,578,722)
Other	-	-	(33,906)	(32,494)
Deferred taxes - Liabilities	(70,364)	(70,825)	(3,023,203)	(3,170,623)
 Total deferred taxes	 -	 -	 (1,352,989)	 (1,390,602)
 Deferred assets	 -	 -	 1.106.235	 1.046.195
Deferred liabilities	-	-	(2.459.224)	(2.436.797)

c) Realization of deferred income and social contribution taxes

In assessing the recoverability of deferred taxes, management considers the projections of future taxable income and the changes in temporary differences.

When it is more probable that part or all of the taxes will not be realized, a provision for non-realization is constituted. In the period ended March 31, 2019, no provision was recognized. There is no validity period for the use of tax loss carryforwards and negative bases, but the use of these accumulated losses of previous years is limited to 30% of annual taxable profits.

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Notes to the interim financial statements

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

d) Changes in deferred taxes (net)

	Consolidated
At January 1, 2019	(1,390,602)
Income statement	(8,073)
Initial adoption of standard CPC 06 (R2) / IFRS 16	45,651
Other	35
At March 31, 2019	(1,352,989)

18 Accounts payable - suppliers

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Material and services suppliers	34,853	40,161	416,197	439,031
Fuels and lubricants suppliers	-	-	1,976	1,367
Other	4,413	4,569	10,459	11,221
Total	39,266	44,730	428,632	451,619
Current	39,266	44,730	428,632	451,619

19 Provision for judicial demands and judicial deposits

	Provision for judicial demands			
	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Tax	3,600	1,782	82,699	76,770
Civil, regulatory and environmental	16,820	6,435	159,552	145,735
Labor	33,488	31,654	295,515	292,147
	53,908	39,871	537,766	514,652

	Judicial deposits			
	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Tax	7,106	7,022	39,004	35,152
Civil, regulatory and environmental	1,666	1,647	171,694	163,579
Labor	12,068	12,440	176,471	170,759
	20,840	21,109	387,169	369,490

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

Changes in the provision were:

	Parent Company			
	Tax	Civil, regulatory and environmental	Labor	Total
At January 1, 2019	1,782	6,435	31,654	39,871
Provision	783	3,610	2,594	6,987
Settlement or write-offs	-	(28)	(2,748)	(2,776)
Monetary restatement ⁽ⁱ⁾	1,035	6,804	1,988	9,826
At March 31, 2019	3,600	16,820	33,488	53,908

	Consolidated			
	Tax	Civil, regulatory and environmental	Labor	Total
At January 1, 2019	76,770	145,735	292,147	514,652
Provision	4,226	5,754	15,111	25,091
Settlement or write-offs	-	(4,428)	(19,984)	(24,412)
Monetary restatement ⁽ⁱ⁾	1,703	12,492	8,241	22,435
At March 31, 2019	82,699	159,552	295,515	537,766

(i) Write-off interest expense included.

(a) Tax

Judicial claims deemed as probable losses:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
ICMS credit	-	-	50,241	33,806
PIS and COFINS	-	-	1,983	11
INSS	638	-	23,411	12,542
Other	2,962	1,782	7,064	30,411
	3,600	1,782	82,699	76,770

(i) The accrued amounts refer to essentially the disallowance of ICMS credits on the acquisition of production inputs. In the opinion of the tax authorities, such inputs would be classified as consumable materials, not entitled to VAT credits.

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Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Capital gain	534,057	529,788	534,057	529,788
Isolated fine federal tax	453,821	449,039	453,821	449,039
IRPJ and CSLL	254,547	252,368	480,588	504,862
ICMS Rumo Malha Paulista	-	-	325,969	322,927
ICMS - Export	-	-	296,408	293,638
Foreign financial operations	-	-	28,050	290,220
MP 470 installment debts	-	-	113,287	112,666
Withholding income tax ("IRRF") Swap	-	-	75,621	75,007
ICMS TAD	76	76	68,620	67,092
Stock option plan	58,671	58,226	68,526	67,991
IOF on loan	52,889	52,585	52,889	52,585
Compensation with credit award	-	-	43,548	43,121
PIS/COFINS mutual traffic	-	-	35,990	33,805
PIS/COFINS	3,790	3,750	7,659	30,702
ICMS - Passenger transport	-	-	5,124	6,002
ICMS Armazéns Gerais	-	-	6,560	6,500
Social security contributions	-	-	4,154	4,121
Other	35,850	35,903	181,238	191,438
	1,393,701	1,381,735	2,782,109	3,081,504

(b) Civil, regulatory and environmental

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Civil	216,230	222,911	1,824,630	1,785,541
Regulatory	26,949	904	681,596	647,182
Environmental	1,484	1,456	472,785	460,911
	244,663	225,271	2,979,011	2,893,634

(c) Labor

Judicial claims deemed as possible losses:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Labor	122,655	126,451	858,089	845,346
	122,655	126,451	858,089	845,346

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20 Lease and concessions

	March 31, 2019			December 31, 2018
	Leases	Concessions	Total	Total
<u>Amounts payables:</u>				
Rumo Malha Sul	25,668	25,725	51,393	60,761
Rumo Malha Paulista	33,065	25,187	58,252	45,892
	58,733	50,912	109,645	106,653
<u>Amounts under judicial discussions:</u>				
Rumo Malha Paulista	1,737,025	-	1,737,025	1,695,770
Rumo Malha Oeste	1,352,892	81,619	1,434,511	1,406,145
	3,089,917	81,619	3,171,536	3,101,915
Total	3,148,650	132,531	3,281,181	3,208,568
Current			29,634	28,797
Non-current			3,251,547	3,179,771
			3,281,181	3,208,568

	March 31, 2019	December 31, 2018
Rumo Malha Paulista	119,806	119,806
Rumo Malha Oeste	20,690	20,690
	140,496	140,496

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

21 Equity

a. Common Capital

The subscribed and fully paid-in capital on March 31, 2019 and December 31, 2018 is R\$9,654,897 and is represented by 1,559,015,898 common shares nominative, without nominal value.

b. Capital reserve

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

- Increase of R\$2,238 related to stock option transactions;

c. Other comprehensive income

	December 31, 2018	Net	March 31, 2019
Foreign currency translation differences - equity - accounted investee	18,221	273	18,494
Defined benefit plan actuarial loss	(2,694)	-	(2,694)
Attributed cost	3,380	87	3,467
Total	18,907	360	19,267

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Notes to the interim financial statements

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d. Tax incentives – SUDAM

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

The tax benefit includes a reduction of 75% on IRPJ and additional non-refundable income on operating profit up to 2024. The effect of the reduction of 75% on IRPJ and additional non-refundable calculated up to March 31, 2019 on the operating profit was R\$27,974 (R\$4,830 on March 31, 2018), recorded as a reduction of the Income Tax and Social Contribution expense of the subsidiary Rumo Malha Norte.

22 Earnings per share

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

The table below shows the calculation of earnings per share (in thousands, except per share amounts) for the period ended March 31, 2019 and 2018:

Basic and diluted

	March 31, 2019	March 31, 2018
Result for the period	26,354	(58,955)
Diluted effects:		
Diluted effects - Brado Logística	(40)	-
Diluted result for the period attributable to controlling shareholders	26,314	(58,955)
Denominator:		
Weighted average number of common share	1,559,214	1,559,016
Diluted effects:		
Dilutive effect - Brado Logística	3,264	-
Dilutive effect - Stock option plan	3,986	-
Weighted average number of common share - diluted	1,566,464	1,559,016
Basic earnings per common share	R\$0.01690	(R\$0,03782)
Diluted earnings per common share	R\$0.01680	(R\$0,03782)

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Dilutive instruments

The non-controlling shareholders of the indirect subsidiary Brado are entitled to exercise the Liquidity Option provided for in the shareholders' agreement executed on August 5, 2013. Such option consists in the replacement of all the shares held by said non-controlling shareholders for a number of shares of the Company determined in accordance with the established exchange ratio, which takes into account the economic value to be established for both the Brado business and the Company's business. At the sole discretion of the Company, an equivalent cash payment is also possible. Assumptions of value and form of settlement are subject to the decision of the arbitration proceeding and at March 31, 2019 the best estimate is 3,264 shares, with antidilutive effect, which were therefore not considered in the diluted earnings per share analysis.

The Company has share-based compensation plans, as detailed in note 23, whose instruments (options or restricted shares). At March 31, 2019, they had a dilutive effect, while at March 31, 2018, 3,390 shares had an antidilutive effect, as they would reduce the earnings per share and, therefore, were not considered in the diluted earnings per share analysis.

23 Stock option plan

1) Program features:

Stock Grants Plans	Lack period (years)	Grant date	Interest rate	Volatility	Granted shares	Exercised / canceled	Effective on March 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	(157,600)	1,318,400	6.10	6.10
2017 Plan	5	September 1, 2017	9.93%	29.76%	870,900	(79,550)	791,350	10.42	10.42
2018 Plan	5	August 1, 2018	10.93%	31.97%	1,149,544	(24,079)	1,125,465	13.94	13.94
					4,982,344	(475,229)	4,507,115		

2) Changes:

	<u>Stock option</u>		<u>Stock grant</u>
	<u>Number of options</u>	<u>Average exercise price</u>	<u>Number of options</u>
January 1, 2019	198,225	54.83	4,538,373
Exercised / delivered	-	-	(194)
Lost	-	-	(31,064)
March 31, 2019	198,225	54.83	4,507,115

In the period ended March 31, 2019, R\$2,238 was recognized as expenses related to the appropriation of the Stock Grant Plans (R\$1,721 on March 31, 2018).

24 Net Sales

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Gross revenue from sales of services	169,660	173,429	1,722,437	1,482,597
Taxes and deductions over sales of services	(8,910)	(11,936)	(87,491)	(85,914)
Net revenue	160,750	161,493	1,634,946	1,396,683

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25 Cost and expenditure by nature

The reconciliation of results by nature / purpose is detailed as follows:

a) Expense by nature

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Material use in providing service	(105)	(607)	(33,114)	(28,606)
Employee benefit expense	(3,836)	(269)	(224,055)	(197,472)
Depreciation and amortization	(25,571)	(24,868)	(422,455)	(331,150)
Third-party services expense	(2,092)	(1,893)	(75,859)	(73,998)
Transportation expenses	(101,701)	(81,867)	(418,324)	(320,372)
Lease and concessions	-	-	-	(51,686)
Other expenses	(7,555)	(4,396)	(65,120)	(71,350)
	(140,860)	(113,900)	(1,238,927)	(1,074,634)

b) Classified as:

Cost of services sold	(130,207)	(106,921)	(1,153,475)	(1,000,714)
Selling expenses	(78)	289	(2,843)	(3,828)
General and administrative expenses	(10,575)	(7,268)	(82,609)	(70,092)
	(140,860)	(113,900)	(1,238,927)	(1,074,634)

26 Financial result

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Cost of gross debt				
Interest and monetary variation	(32,239)	(27,222)	(267,482)	(142,714)
Net exchange rate changes on debts	(1,149)	-	(26,452)	(11,753)
Result from derivatives and fair value	(379)	-	95,797	(68,546)
Transaction cost amortized from loans	(373)	(170)	(13,099)	(7,256)
Guarantees and warranties about on loans	(5,161)	(9,777)	(13,084)	(28,229)
	(39,301)	(37,169)	(224,320)	(258,498)
Cash investment income	1,303	6,036	33,306	56,072
	1,303	6,036	33,306	56,072
Cost of debt, net	(37,998)	(31,133)	(191,014)	(202,426)
Other charges and monetary variations				
Interest on other receivables	207	1,704	4,595	12,970
Lease and concessions	-	-	(48,611)	(45,231)
Finance leases	(18)	(27)	(47,422)	(52,319)
Banking expenses and other	(226)	(197)	(14,293)	(12,813)
Real estate credit certificates	-	(183)	-	(2,202)
Interest on contingencies and commercial contracts	(9,417)	343	(26,639)	(24,170)
Foreign exchange, net	(776)	(205)	(548)	(1,220)
Interest on other liabilities	(90)	(267)	(604)	(21,496)
	(10,320)	1,168	(133,522)	(146,481)
Finance result, net	(48,318)	(29,965)	(324,536)	(348,907)
Financial expenses	(47,628)	(37,928)	(435,112)	(342,899)
Financial income	1,614	8,168	41,778	75,511
Exchange variation	(1,925)	(205)	(26,945)	(12,973)
Derivatives	(379)	-	95,743	(68,546)
Finance result, net	(48,318)	(29,965)	(324,536)	(348,907)

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27 Other income (expenses), net

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Net effect of judicial demands and tax installment	(8,018)	(2,231)	(22,487)	(20,460)
Rental and leases revenue	3,360	3,360	-	-
Result on sale of scrap / eventual	955	634	9,234	12,947
Result on disposals of fixed assets and intangible assets	-	-	(505)	543
Insurance claims recovery	-	3,588	-	3,588
Other	(424)	(352)	(7,769)	(1,014)
	<u>(4,127)</u>	<u>4,999</u>	<u>(21,527)</u>	<u>(4,396)</u>

28 Financial instruments

Financial risk management

Overview

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

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

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

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

	March 31, 2019	December 31, 2018
Assets		
Fair value through profit or loss		
Marketable securities	1,600,139	2,843,074
Derivate financial instruments	1,013,182	892,461
	<u>2,613,321</u>	<u>3,735,535</u>
Amortized cost		
Cash and cash equivalents	958,099	141,527
Accounts receivable	453,242	438,062
Related parties	51,377	47,075
Restricted cash	126,219	115,124
	<u>1,588,937</u>	<u>741,788</u>
Total	<u>4,202,258</u>	<u>4,477,323</u>
Liabilities		
Amortized cost		
Long-term debts	4,131,976	5,325,434
Liabilities leases	2,137,572	553,350
Accounts payable - suppliers	428,632	451,619
Other financial liabilities	263,378	337,705
Related parties	167,458	156,169
Dividends payable	7,469	6,495
Debt payment in installments	8,662	10,297
	<u>7,145,147</u>	<u>6,841,069</u>
Fair value through profit or loss		
Long-term debts	6,470,369	5,268,947
Derivative financial instruments	173	-
	<u>6,470,542</u>	<u>5,268,947</u>
Total	<u>13,615,689</u>	<u>12,110,016</u>

During the period, there was no reclassification between categories, the fair value through the result and amortized cost presented above.

Structure of risk management

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

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

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

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

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

On March 31, 2019 and December 31, 2018, the fair values related to transactions involving derivative financial instruments to hedge risk exposure of the Company are presented next:

	Notional		Fair value	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Interest rate risk				
Swap contracts (interest and exchange)	5,537,398	4,346,145	1,013,009	892,461
	<u>5,537,398</u>	<u>4,346,145</u>	<u>1,013,009</u>	<u>892,461</u>
Total financial instruments	<u>5,537,398</u>	<u>4,346,145</u>	<u>1,013,009</u>	<u>892,461</u>
Assets			<u>1,013,182</u>	<u>892,461</u>
Liabilities			<u>(173)</u>	<u>-</u>

(i) For the period ended March 31, 2019, the Company contracted Swap operations, where it will be active in USD + Libor 3M and passive in 117.5% of the CDI as of November 14, 2018.

(a) Credit risk

	March 31, 2019	December 31, 2018
Cash and cash equivalents ⁽ⁱ⁾	958,099	141,527
Marketable securities ⁽ⁱ⁾	1,600,139	2,843,074
Restricted cash ⁽ⁱ⁾	126,219	115,124
Account receivables ⁽ⁱⁱ⁾	453,242	438,062
Related parties ⁽ⁱⁱ⁾	51,377	47,075
Derivative financial instruments ⁽ⁱ⁾	1,013,182	892,461
	<u>4,202,258</u>	<u>4,477,323</u>

- (i) The risk of credit balances with banks and financial institutions is managed by the Company's treasury in accordance with the policy established by. Excess funds are invested only with approved counterparties and within the limits assigned to each. The counterparty credit limit is reviewed annually and may be updated throughout the year. These limits are designed to minimize the concentration of risks and therefore mitigate financial loss in the event of a potential failure of counterparty. The maximum the Company's exposure to credit risk in relation to the balance sheet components on March 31, 2019 and December 31, 2018 is the value recorded, as shown in note 15 except for financial guarantees and derivative financial instruments. The maximum exposure with respect to financial guarantees and derivative financial instruments is presented in the liquidity table below.

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- (ii) The risk of customer credit is managed centrally by each business segment, subject to the procedures, controls and policy established by the Company in relation to this risk. Credit limits are established for all customers based on internal rating criteria. Customer credit quality is evaluated based on an internal procedure of extensive credit rating. The outstanding customer receivables are monitored frequently.

The need for a valuation allowance for impairment is analyzed at each reporting date on an individual basis for major clients. In addition, a large number of receivables with smaller balances are grouped into homogenous groups and in such cases; the recoverable loss is assessed collectively. The calculations are based on actual historical data.

The credit risk on cash and cash equivalents, marketable securities are determined by rating instruments widely accrued by the market and are arranged as follows:

	March 31, 2019
AA	691,086
AAA	3,006,553
Total	3,697,639

(b) Liquidity risk

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

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

	March 31, 2019					December 31, 2018
	Up to 1 year	1 to 2 years	3 to 5 years	Over 5 years	Total	Total
Long-term debt	(1,427,038)	(1,420,354)	(6,759,035)	(4,727,097)	(14,333,524)	(13,535,036)
Accounts payable - suppliers	(428,632)	-	-	-	(428,632)	(451,619)
Other financial liabilities ⁽ⁱ⁾	(263,378)	-	-	-	(263,378)	(337,705)
Debt payment in installments	(5,809)	(1,223)	(632)	(1,628)	(9,292)	(11,059)
Liabilities leases	(434,078)	(405,132)	(1,041,730)	(1,072,567)	(2,953,507)	(837,662)
Related parties payable	(167,458)	-	-	-	(167,458)	(156,169)
Dividends payable	(7,469)	-	-	-	(7,469)	(6,495)
Derivate financial instruments	(61,584)	(116,573)	(1,032)	(28,346)	(207,535)	846,452
	(2,795,446)	(1,943,282)	(7,802,429)	(5,829,638)	(18,370,795)	(14,489,303)

- a) On March 31, 2019, the consolidated balance anticipated by our suppliers with financial institutions was R\$ 263,378 (R\$337,705 on December 31, 2018). All these operations were with Banco Itaú at an average interest rate of 7.34% p.a. The average term of these operations, which are recorded at their present values at the interest rate previously mentioned, is three months.

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(c) Market risk

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

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

• **Foreign exchange risk**

On March 31, 2019 and December 31, 2018, the Company and its subsidiaries had the following net exposure to exchange rates on assets and liabilities:

	March 31, 2019	December 31, 2018
Cash and cash equivalents	20,069	16,034
Account receivables	9,349	20,354
Accounts payable - suppliers	-	(26,168)
Long-term debts	(5,385,714)	(5,178,357)
Exchange rate derivatives (<i>notional</i>) ⁽ⁱ⁾	5,427,129	5,162,858
Foreign exchange exposure, net	70,833	(5,279)

(i) These balances are equivalent to the value of the notional currency in US Dollars converted to R\$ at the Dollar rate of March 31, 2019.

Sensitivity analysis of changes in exchange rates:

In the probable scenario, the Company uses the dollar projected by specialized consulting for March 31, 2019. Stressed scenarios (positive and negative, before taxes) were defined based on adverse impacts of 25% and 50% on exchange rates used in the probable scenario:

Exchange rate sensitivity analysis (R\$/US\$)						
	March 31, 2019	Probable	25%	50%	-25%	Scenarios -50%
US Dollars	3.8967	3.7500	4.6875	5.6250	2.8125	1.8750
EUR	4.3760	4.4600	5.5750	6.6900	3.3450	2.2300

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Based on financial instruments denominated in foreign currency, as of March 31, 2019, in the probable scenario, the Company sensitized the positive or negative effect on income before taxes. The scenarios with increasing and decreasing exchange rates of 25% and 50% show the incremental effect in relation to the probable scenario as follows:

Instrument	Risk factor	Scenarios				
		Probable	25%	50%	-25%	-50%
Cash and cash equivalents	Exchange fluctuation	(678)	4,848	9,695	(4,848)	(9,695)
Accounts receivable	Exchange fluctuation	(316)	2,258	4,517	(2,258)	(4,517)
Exchange rate derivatives (notional)	Exchange fluctuation	(167,698)	1,314,858	2,629,715	(1,314,858)	(2,629,715)
Long-term debt	Exchange fluctuation	166,298	(1,304,854)	(2,609,708)	1,304,854	2,609,708
Impacts on result of the period		(2,394)	17,110	34,219	(17,110)	(34,219)

• Interest rate risk

The Company and its subsidiaries monitor fluctuations in variable interest rates tied to some debts, mainly those linked to the risk of CDI/TJLP, and makes use of derivative instruments in order to minimize these risks.

Sensitivity analysis of changes in interest rates:

The Company uses the following interest rate scenarios:

	Probable	25%	50%	-25%	-50%
SELIC	7.65%	9.56%	11.48%	5.74%	3.83%
CDI	7.65%	9.56%	11.48%	5.74%	3.83%
TJLP	6.40%	8.00%	9.60%	4.80%	3.20%
IPCA	4.12%	5.15%	6.18%	3.09%	2.06%

The probable scenario considered by the Company uses the market projections made by specialized external consulting (Tendências).

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

Exposure interest rate ⁽ⁱ⁾	March 31, 2019				
	Probable	25%	50%	-25%	-50%
Cash and cash equivalents	63,713	15,928	31,856	(15,928)	(31,856)
Marketable securities	106,467	26,617	53,234	(26,617)	(53,234)
Restricted cash	8,393	2,098	4,197	(2,098)	(4,197)
Long-term debt	(225,487)	(97,229)	(161,786)	97,229	161,786
Interest rate derivative	(350,440)	(650,329)	(1,217,731)	746,616	1,611,494
Liabilities leases	(15,710)	(3,124)	(6,248)	3,124	6,248
Impacts on result of the period	(413,064)	(706,039)	(1,296,478)	802,326	1,690,241

(i) The rates of CDI and TJLP considered: 6.40% p.y. and 7.03% p.y., respectively, were obtained from information provided by the market.

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Fair value of financial instruments

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

- The Cash and cash equivalents, accounts receivable, accounts payable and other short-term liabilities approximate their carrying amount largely due to the short-term maturity of these instruments.
- The fair value of bonds and marketable bonds is based on price quotations at the balance sheet date. The fair value of non-negotiable instruments, bank loans and other financial debts, obligations under finance leases as well as other non-current financial liabilities is estimated by means of future cash flows discounted using rates currently available for debt or deadlines and the like remaining.

The fair values of the Senior Notes are quoted on the Luxembourg Stock Exchange (Note 15) and are based on the quoted market price as follows:

Loans	Company	March 31, 2019	December 31, 2018
Senior Notes Due 2024	Rumo Luxembourg	106.39%	104,27 %
Senior Notes Due 2025	Rumo Luxembourg	100.69%	94.94%

The fair value of other loans and financing, their market values substantially approximate the amounts recorded due to the fact that these financial instruments are subject to variable interest rates, see details in note 15.

The Company and its subsidiaries enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings.

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

In order to measure the credit risk of the parties involved in the derivative instruments, the Company uses the forward rate structure disclosed by B3 and adds discount rates that reflect the counterparty credit risk that are applied in each of the maturities in the calculation of the fair value of all financial instruments. The Company adopts counterparty ratings for positive flows and its own rating for negative flows, available on the market and disclosed by renowned rating agencies, as a necessary premise to extract the probability of default.

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

	Book value		Assets and liabilities measured at fair value	
			March 31, 2019	December 31, 2018
	March 31, 2019	December 31, 2018	Level 2	Level 2
Assets				
Marketable securities	1,600,139	2,843,074	1,600,139	2,843,074
Derivative financial instruments	1,013,182	892,461	1,013,182	892,461
Total	2,613,321	3,735,535	2,613,321	3,735,535
Liabilities				
Long-term debts	(5,289,744)	(5,268,947)	(5,289,744)	(5,268,947)
Derivative financial instruments	(173)	-	(173)	-
Total	(5,289,917)	(5,268,947)	(5,289,917)	(5,268,947)

Hedge accounting – Fair value

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

	Debt	Derivatives	Total
Balance on January 1, 2019	(5,058,959)	892,139	(4,166,820)
Interest amortization	157,925	22,458	180,383
Fair value	(178,081)	91,038	(87,043)
Balance on March 31, 2019	(5,079,115)	1,005,635	(4,073,480)

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29 Operating segment information

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

Operational segments

- (i) North Operations: comprised of the railway operations, road operations, transshipment and port elevation in the areas of the Company concession, Elevações Portuárias, Rumo Malha Norte and Rumo Malha Paulista.
- (ii) South Operations: comprised of the railway and transshipment in the concession area of Rumo Malha Sul and Rumo Malha Oeste.
- (iii) Container Operations: comprised by the group company that focuses on container logistics either by rail or road transport and other container operations results.

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

Period:	March 31, 2019			
	North Operations	South Operations	Container Operations	Consolidated
Results by segment				
Net revenue	1,240,003	328,422	66,521	1,634,946
Cost of services	(714,058)	(357,715)	(81,702)	(1,153,475)
Gross profit	525,945	(29,293)	(15,181)	481,471
Gross margin (%)	42.41%	-8.92%	-22.82%	29.45%
Selling, general and administrative	(58,702)	(17,353)	(9,397)	(85,452)
Other income and equity	(17,871)	(23)	1,117	(16,777)
Depreciation and amortization	250,569	149,176	22,710	422,455
EBITDA	699,941	102,507	(751)	801,697
Margin EBITDA (%)	56.45%	31.21%	-1.13%	49.04%

Period:	March 31, 2018			
	North Operations	South Operations	Container Operations	Consolidated
Results by segment				
Net revenue	1,053,358	288,153	55,172	1,396,683
Cost of services	(602,051)	(327,430)	(71,233)	(1,000,714)
Gross profit	451,307	(39,277)	(16,061)	395,969
Gross margin (%)	42.84%	-13.63%	-29.11%	28.35%
Selling, general and administrative	(52,670)	(14,525)	(6,725)	(73,920)
Other income and equity	1,337	(6,225)	1,872	(3,016)
Depreciation and amortization	222,462	95,067	13,591	331,120
EBITDA	622,436	35,040	(7,323)	650,153
Margin EBITDA (%)	59.09%	12.16%	-13.27%	46.55%

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>30.4%</i>	<i>32.2%</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>-4.2%</i>	<i>4.1%</i>	-	<i>4.2%</i>

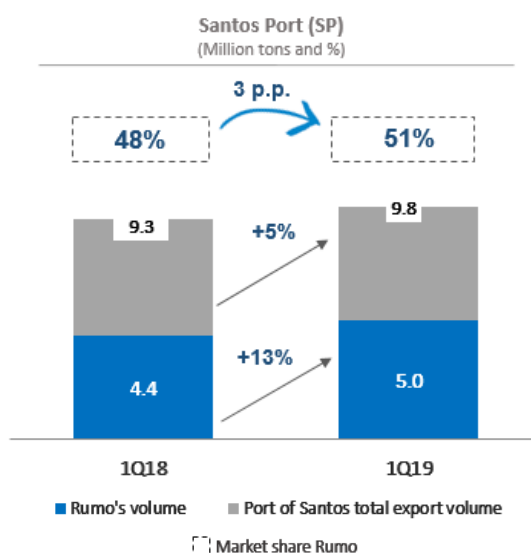
3. 1Q19 Executive Summary

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%.

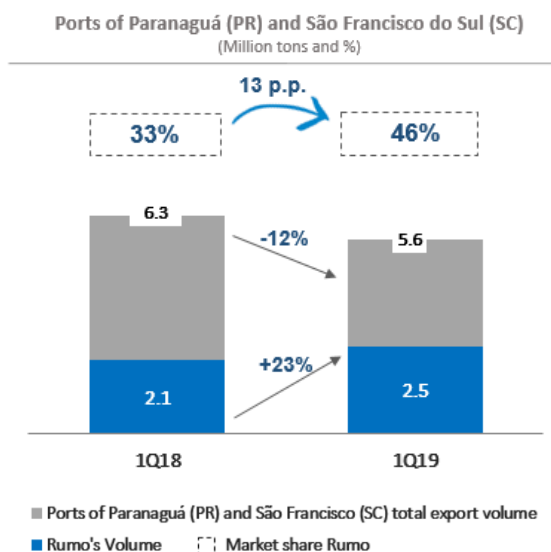
Rumo's grain volume continues increasing to the Port of Santos (SP). In 1Q19, the Company delivered a 13% increase in transported volume to that port, while the market increased only 5%, achieving 51% market share, up 3 p.p. from 1Q18. This reveals the Company's ability to continue gaining market share,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

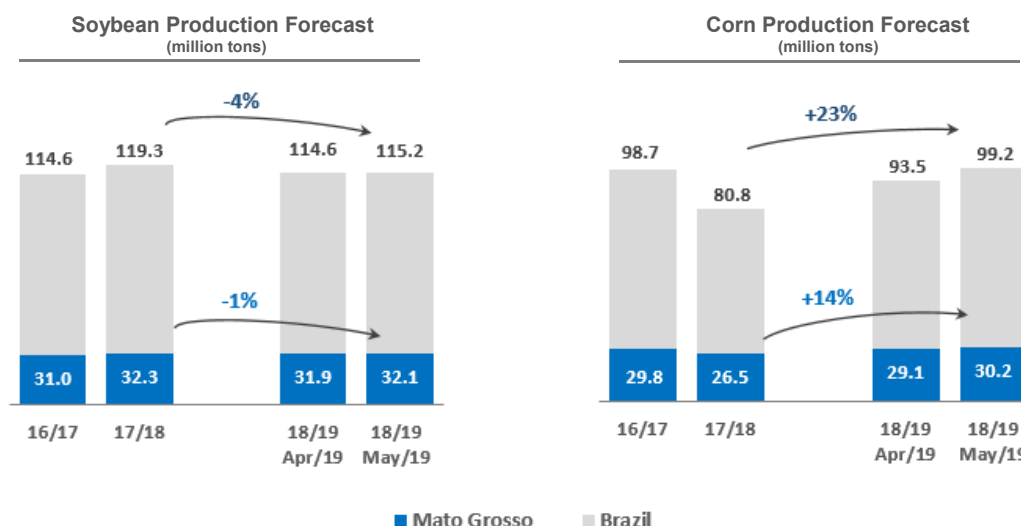


Source: Marine Agency and Rumo System

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.



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)	$3,850 \leq \Delta \leq 4,150$
	Total Capex (R\$ MM)	$2,000 \leq \Delta \leq 2,200$
	Volume	$62.0 \leq \Delta \leq 64.0$

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>	<i>1.6%</i>	<i>-4.2%</i>	<i>5.9 p.p.</i>

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