

EARNINGS RELEASE 4Q18

Curitiba, February 12, 2019 – RUMO S.A. (B3: RAIL3) (“Rumo”) today announces its results for the fourth quarter of 2018 (4Q18), including October, November, and December, and for FY18. 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 4Q18 and 4Q17, and fiscal years 2018 and 2017, unless otherwise indicated.

Rumo 4Q18 and 2018 Highlights

- In 2018, adjusted EBITDA reached R\$3,242 million, 17.6% higher than in 2017. Adjusted EBITDA margin advanced 2.9 p.p. year-over-year. In 4Q18, adjusted EBITDA came to R\$796 million, 8.9% higher than in 4Q17.
- Total transported volume in 2018 reached 56.36 billion RTK, 13.4% higher than in 2017. In 4Q18, volume reached 14.9 billion RTK, up 11.9% year-over-year.
- For the first time since 2015, Rumo posted a net income of R\$273 million in FY18 and generated cash before amortization and funding, facts that reinforce its turnaround consolidation. Leverage reached 2.2x broad net debt/LTM adjusted EBITDA at the end of 2018, versus 2.3x in 3Q18 and 2.6x in 2017.
- In 2018, Capex totaled R\$2,020 million, in line with our projection for the year. Out of this total, R\$419 million was invested in 4Q18.

4Q18	4Q17	Chg.%	Summary of financial (Amounts in R\$ MM)	2018	2017	Chg.%
14.943	13.350	11.9%	Total transported volume (million RTK)	56,364	49,690	13.4%
2.786	3.373	-17.4%	Total volume loaded (TU '000)	11,401	13,133	-13.2%
1.647	1.592	3.4%	Net revenue	6,585	5,946	10.7%
497	382	30.2%	Gross profit	2,119	1,725	22.8%
30.2%	24.0%	6.2 p.p.	Gross margin (%)	32.2%	29.0%	3.2 p.p.
(90)	(100)	-9.4%	Sales, general, and administrative expenses	(313)	(311)	0.8%
(51)	0.2	>100%	Other op. revenues (expenses), and equity	(55)	0.9	>100%
356	282	26.2%	Operational profit	1,751	1,415	23.7%
367	448	-1.9%	Depreciation and amortization	1,419	1,341	5.8%
723	730	-1.0%	EBITDA	3,170	2,757	15.0%
43.9%	45.9%	-2 p.p.	EBITDA margin (%)	48.1%	46.4%	1.8 p.p.
72	-	>100%	Provision for impairment West Network	72	0	>100%
796	730	8.9%	Adjusted EBITDA	3,242	2,757	17.6%
48.3%	45.9%	2.4 p.p.	Adjusted EBITDA Margin (%)	49.2%	46.4%	2.9 p.p.
137	(57)	>100%	Net profit (loss)	273	(258)	>100%
8.3%	-3.6%	11.9 p.p.	Net margin (%)	4.1%	-4.3%	8.5 p.p.
419	730	-42.6%	Capex	2,020	2,154	-6.2%

Conference Call

English* - 2:00 p.m. (Brasília time)

**With simultaneous translation into Portuguese*

February 13, 2019 (Wednesday)

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1. Letter from the CEO

This year was remarkable for Rumo. The results we delivered in 2018 consolidate a 4-year turnaround and represent the achievement of the ambitious objectives defined when we merged with ALL in 2015. For the first time, Rumo posted significant net income and positive free cash flow, leaving behind periods of cash consumption while reaching comfortable 2.2x net debt/ LTM EBITDA, ready to support future Capex plan.

2018 was not easy. In May, the national truckers' strike compromised our terminals supply and resulted in loss of volume and EBITDA that quarter. At the same time, the corn crop, particularly in the South Region, fell short of expectations. Even so, we delivered results very close to the guidance ceiling on the back of a strong soybean crop, efficiency and capacity gains,

As for 2019, we maintain committed to delivering our long-term guidance announced to the market three years ago. The year had a very positive start with soybean harvest beginning in early January, which is normally expected at the end of the month. Prospects for the corn crop in the second half of the year are favorable as well. Our operations are ready to meet the growing demands of agribusiness and other sectors of Brazilian economy, which are expected to record growth in 2019.

I am very pleased with our 2018 results as well as with the performance of the Rumo team, who executed the business plan with discipline. As a result, Rumo heads toward the end of its turnaround cycle to pursue a new one – the growth cycle. In this new cycle, we will continue doing our best to pursue good projects and grow our business, while delivering robust return to our shareholders.

Julio Fontana Neto
CEO of Rumo

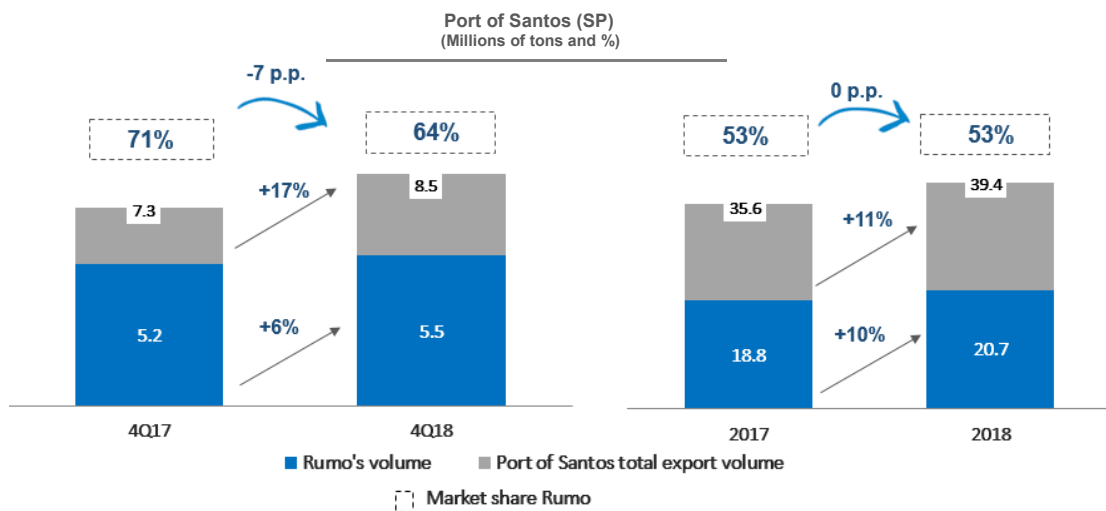
1. 4Q18 and 2018 Executive Summary

In 2018, Rumo's adjusted EBITDA reached R\$3,242 million, 17.6% higher than in 2017. In 4Q18, adjusted EBITDA advanced 8.9% to R\$796 million, bolstered by higher transported volumes and greater cost efficiency. In 2018, variable cost increase lagged volume growth, mainly due to continued lower fuel consumption (Liters/GTK: -7.1%). In addition, Rumo continues evidencing its ability to increase volumes without raising fixed costs. As a result, the adjusted EBITDA margin reached 49.2% in 2018, 2.9 p.p. higher than in 2017.

Volume transported by Rumo reached 56.36 billion RTK in 2018, up 13.4% year-over-year. This result reflected a higher capacity enabled by Capex plan, also offsetting the effects of the truckers' strike in May. In 4Q18, Rumo transported 11.9% higher volume versus 4Q17, effect of greater volumes of agricultural and industrial products, especially from fertilizer transportation in the North Operation. November and December recorded favorable volumes due to the prospects of 2019 soybean crop early harvest, thereby boosting corn exports during this period.

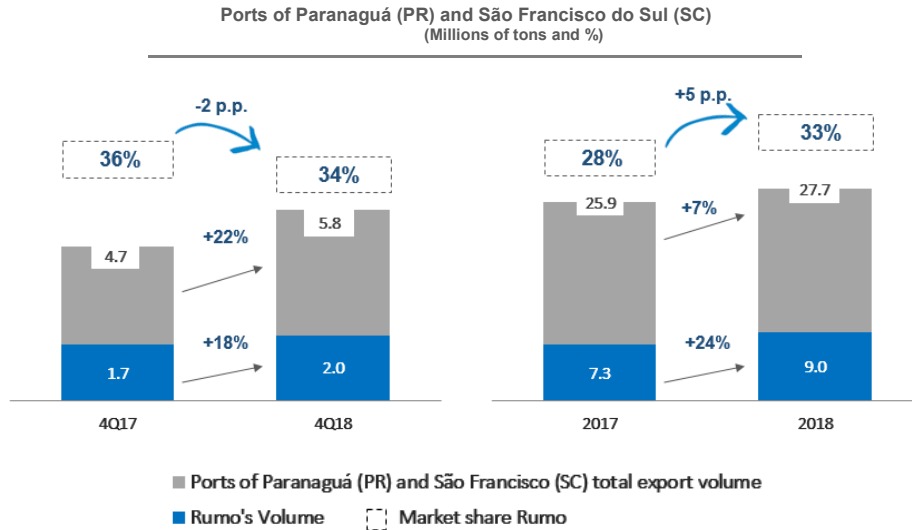
Rumo's grain volume continues increasing to the Port of Santos (SP). In 2018, the Company delivered 10% growth in its volume transported to the Port of Santos since 2017, sustaining its market share at 53%. On the other hand, in 4Q18, Rumo's transported volume advanced 6%, but market share decreased by 7 p.p. since the volume of grains exported by Port of Santos grew by 17%. This evidences exports under pressure in 4Q18. In an attempt to export larger amounts of new soybean crop, railway capacity was exceeded which resulted in loss of market share. Rumo will continue investing to increase its transportation capacity and raise its market volume gains.

Rumo's Volume and Market Share Evolution in Grain Transportation:



Source: Marine Agency

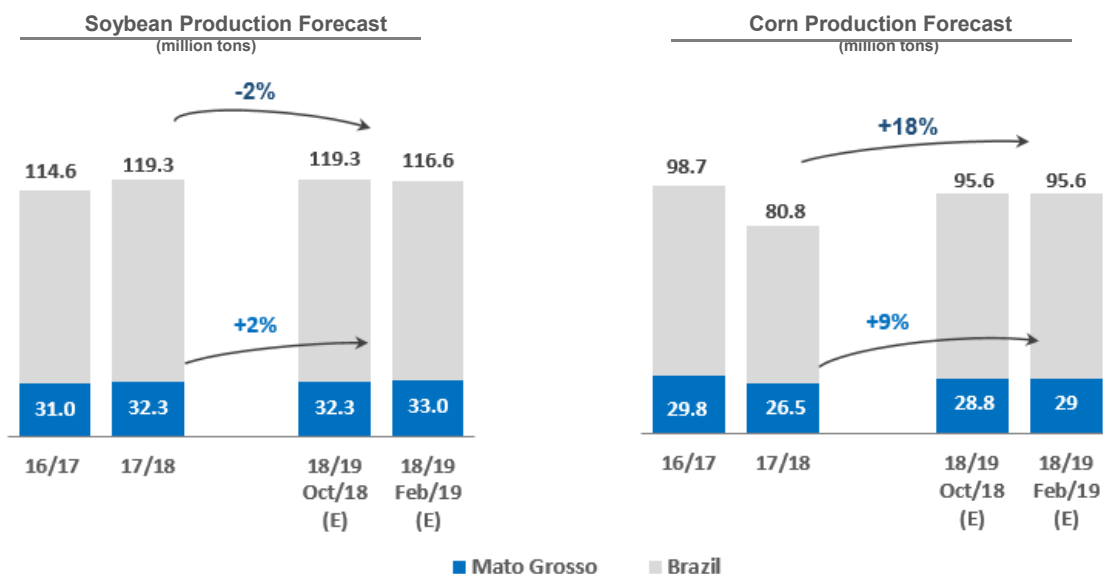
In 2018, South Operation gained 5 p.p. market share in grains transported to the ports of Paranaguá (PR) and São Francisco do Sul (SC). This operation is still characterized by a low market share, evidencing volume growth opportunities in the future as the Company adds capacity. Quarter-over-quarter, we can see a 2 p.p. drop in the market share volumes, although volume grew by 18%.



Source: Marine Agency

Evidencing its turnaround consolidation, Rumo, for the first time since 2015, posted in its annual results a net income of R\$273 million. In 4Q18, it totaled R\$137 million. Also, for the first time Rumo recorded cash generation before funding and amortizations of R\$64 million in 2018. In addition, the Company decreased its indebtedness to 2.2x net debt/ adjusted EBITDA. This result was driven by consistent operational execution and financial results evolution that showed significant improvement, reaching a net expense of R\$143 million. In addition, it mirrored the interest rate curve decrease which resulted in MTM positive effects and the initiatives to reduce debt average cost.

Scenario in 2019 tends to be positive for agribusiness. Agroconsult, in its estimates for 2018/2019 crops, indicates increased grain production in Brazil and in the State of Mato Grosso, except for the soybean crop in Brazil, which should decrease by 2% due to unfavorable planting conditions in the South Region. On the other hand, the corn crop is expected to grow 18% in Brazil and 9% in the State of Mato Grosso, which is the main region of origin for grains transported by the Company. Rumo continues increasing its capacity to meet a growing demand for grain transportation by Brazilian ports.



Source: Agroconsult

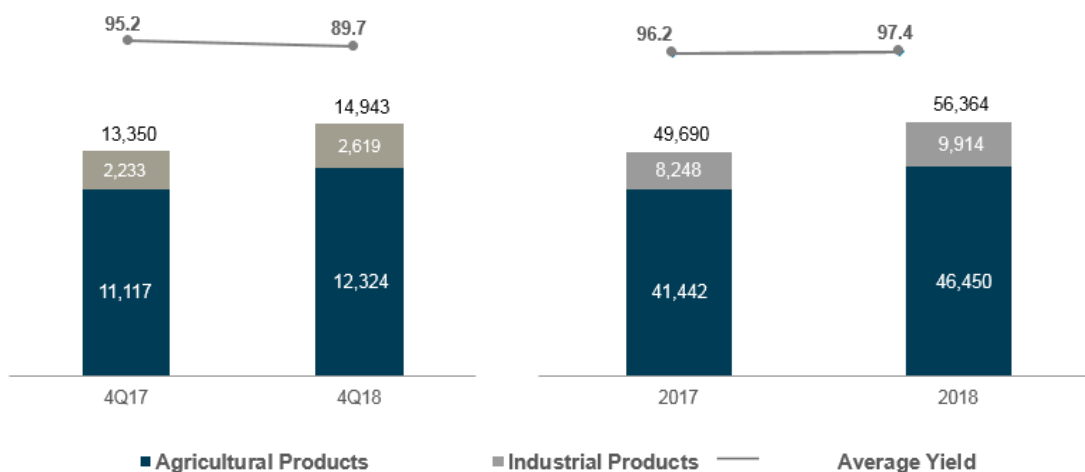
2. Consolidated Operating and Financial Indicators

4Q18	4Q17	Chg.%	Summary of financial information (Amounts in R\$ MM)	2018	2017	Chg.%
14,943	13,350	11.9%	Total transported volume (million RTK)	56,364	49,690	13.4%
12,324	11,117	10.9%	Agricultural products	46,450	41,442	12.1%
2,619	2,233	17.3%	Industrial products	9,914	8,248	20.2%
89.7	95.2	-5.8%	Average transportation yield (R\$/000 RTK)	97.4	96.2	1.2%
2,786	3,373	-17.4%	Total volume loaded (TU '000)	11,401	13,133	-13.2%
27	26	3.6%	Average loading yield (R\$/TU)	27	25	5.6%
1,647	1,592	3.4%	Net operating revenue	6,585	5,946	10.7%
1,433	1,332	7.6%	Transportation	5,715	4,994	14.5%
76	88	-14.1%	Port Loading	304	331	-8.2%
138	172	-20.1%	Other ²	566	622	-9.0%
723	730	-1.0%	EBITDA	3,170	2,757	15.0%
43.9%	45.9%	-2 p.p	EBITDA Margin (%)	48.1%	46.4%	1.8 p.p
72	-		Provision for impairment West Network	72	-	
796	730	8.9%	Adjusted EBITDA	3,242	2,757	17.6%
48.3%	45.9%	2.4 p.p	Adjusted EBITDA Margin (%)	49.2%	46.4%	2.9 p.p

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).

Rumo Consolidated Transported Volume

Transported Volume (Million RTK) and Average Railroad Transportation Yield (R\$/000 RTK)



4Q18	4Q17	Chg.%	Operational figures (Amounts in R\$ MM)	2018	2017	Chg.%
14,943	13,350	11.9%	Total transported volume (million RTK)	56,364	49,690	13.4%
12,324	11,117	10.9%	Agricultural products	46,450	41,442	12.1%
1,484	971	52.9%	Soybean	18,138	14,419	25.8%
1,595	1,565	1.9%	Soybean meal	6,372	5,823	9.4%
7,512	7,306	2.8%	Corn	16,433	16,415	0.1%
880	1,067	-17.5%	Sugar	3,529	3,957	-10.8%
760	189	>100%	Fertilizers	1,862	674	>100%
93	19	388.4%	Wheat	117	154	-24.3%
2,619	2,233	17.3%	Industrial products	9,914	8,248	20.2%
1,153	1,112	3.7%	Fuels	4,540	4,364	4.0%
647	445	45.5%	Wood, pulp, and paper	2,179	1,167	86.7%
592	440	34.6%	Containers	2,303	1,765	30.5%
226	236	-4.2%	Other	892	952	-6.3%

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 4Q18	North Operation	South Operation	Container Operations	Consolidated
Transported volume	10,684	3,667	592	14,943
Net revenue	1,244	335	68	1,647
Cost of services	(705)	(367)	(79)	(1,150)
Gross profit	539	(32)	(10)	497
<i>Gross margin (%)</i>	<i>43.3%</i>	<i>-9.5%</i>	<i>-15.3%</i>	<i>30.2%</i>
Sales, general, and administrative expenses	(65)	(16)	(9)	(90)
Other operating revenues (expenses) and equity pickup	20	(78)	8	(50)
Depreciation and amortization ³	244	108	15	367
EBITDA	738	(19)	4	723
EBITDA Margin (%)	59.3%	-5.7%	5.9%	43.9%
Provision for impairment West Network	-	72	-	72
Adjusted EBITDA	738	54	4	796
<i>Adjusted EBITDA margin (%)</i>	<i>59.3%</i>	<i>16.1%</i>	<i>5.9%</i>	<i>48.3%</i>

Results by Business Unit 2018	North Operation	South Operation	Container Operations	Consolidated
Transported volume	39,308	14,752	2,303	56,364
Net revenue	4,913	1,412	259	6,585
Cost of services	(2,744)	(1,421)	(301)	(4,466)
Gross profit (loss)	2,170	(9)	(42)	2,119
<i>Gross margin (%)</i>	<i>44.2%</i>	<i>-0.6%</i>	<i>-16.2%</i>	<i>32.2%</i>
Sales, general, and administrative expenses	(223)	(63)	(28)	(313)
Other operating revenues (expenses) and equity pickup	26	(97)	15	(55)
Depreciation and amortization ³	948	416	56	1,419
EBITDA	2,921	248	1	3,170
EBITDA Margin (%)	59.5%	17.6%	0.4%	48.1%
Provision for impairment West Network	-	72	-	72
Adjusted EBITDA	2,921	320	1	3,242
<i>Adjusted EBITDA margin (%)</i>	<i>59.5%</i>	<i>22.7%</i>	<i>0.4%</i>	<i>49.2%</i>

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

North Operation

4Q18	4Q17	Chg. %	Operational figures	2018	2017	Chg. %
10,684	9,336	14.4%	Total transported volume (million RTK)	39,308	33,93	15.8%
9,697	8,590	12.9%	Agricultural products	35,657	31,37	13.7%
43	-	>100%	Soybean	11,089	9,620	15.3%
1,451	1,488	-2.5%	Soybean meal	5,843	5,479	6.6%
7,255	6,719	8.0%	Corn	15,827	14,75	7.3%
384	383	0.2%	Sugar	1,741	1,522	14.4%
563	-	>100%	Fertilizers	1,158	-	>100%
987	746	32.3%	Industrial products	3,651	2,561	42.6%
621	578	7.5%	Fuels	2,487	2,393	4.0%
366	168	>100%	Others	1,163	168	>100%
94.3	101.3	-6.9%	Average transportation yield	103.5	102.7	0.4%
2,786	3,373	-17.4%	Total volume loaded (TU '000)	11,401	13,13	-13.2%
27.0	26.1	3.4%	Average loading yield (R\$/TU)	26.6	25.2	5.6%

In 2018, total volume transported by the North Operation was 15.8% higher than in 2017, reaching 39.3 billion RTK. In 4Q18, total volume grew by 14.4% to 10.7 billion RTK. Higher capacity enabled the Company to meet a higher demand for soybean transportation which, coupled with a strong willingness to export corn and an expressive fertilizer volume, drove the 13.7% increase in agricultural transported volumes in the year. The volume of industrial products raised by 42.6% mainly due to a new operation of pulp transportation. Port loading volume declined due to an unfavorable scenario for sugar exports.

4Q18	4Q17	Chg. %	Financial data	2018	2017	Chg. %
1,244	1,212	2.6%	Net operating revenue	4,913	4,440	10.7%
1,040	954	9.0%	Transportation	4,069	3,496	16.4%
932	885	5.3%	Agricultural products	3,717	3,261	14.0%
109	70	56.5%	Industrial products	352	235	49.5%
76	88	-14.1%	Port loading	304	331	-8.2%
128	170	-24.6%	Other revenues ⁴	541	613	-11.8%
(705)	(725)	-2.8%	Cost of services	(2,743)	(2,558)	7.2%
(282)	(291)	-3.2%	Variable costs	(1,091)	(1,043)	4.6%
(179)	(167)	7.2%	Fixed costs	(705)	(682)	3.4%
(243)	(266)	-8.4%	Depreciation and amortization	(948)	(834)	13.7%
539	488	10.6%	Gross Profit	2,170	1,882	15.3%
43.3%	40.2%	3.1 p.p.	Gross Margin (%)	44.2%	42.4%	4.2%
(65)	(74)	-11.3%	Sales, general, and administrative expenses	(222)	(220)	1.1%
20	(8)	>100%	Other op. revenues (expenses) and equity pickup	26	(5)	>100%
243	266	-8.5%	Depreciation and amortization	948	837	13.3%
738	672	9.7%	EBITDA	2,921	2,493	17.2%
59.3%	55.4%	4.0 p.p.	EBITDA margin (%)	59.5%	56.1%	3 p.p.

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\$2,921 million in 2018, up 17.2% from 2017 and R\$738 million in 4Q18, due to higher volumes coupled with improved cost efficiency. Variable cost increase lagged volume growth chiefly due to lower sugar volume transported by highways and other railways. The fuel cost annual increase was partially offset by 7.1% improved efficiency of locomotives' consumption (Liters/GTK). Fixed cost was up 3.4% from 2017, lower than inflation in the period. EBITDA margin reached 59.5% in 2018, 3 p.p. higher than in 2017.

South Operation

4Q18	4Q17	Chg. %	Operational figures	2018	2017	Chg. %
3,667	3,574	2.6%	Transported volume (million RTK)	14,752	13,994	5.4%
2,627	2,527	4.0%	Agricultural products	10,793	10,071	7.2%
1,441	971	48.4%	Soybean	7,049	4,799	46.9%
144	77	87.4%	Soybean meal	529	345	53.4%
257	587	-56.3%	Corn	606	1,664	-63.6%
496	684	-27.4%	Sugar	1,788	2,435	-26.6%
194	189	2.9%	Fertilizers	668	674	-0.9%
95	19	>100%	Other	153	154	-0.9%
1,039	1,047	-0.8%	Industrial products	3,960	3,923	0.9%
532	534	-0.5%	Fuel	2,053	1,972	4.1%
281	277	1.6%	Wood, pulp, and paper	1,016	999	1.7%
226	236	-4.1%	Others	892	952	-6.4%
88.5	88.3	0.2%	Average transportation yield	94.0	89.7	4.8%

In 2018, South Operation's transported volume was 5.4% higher than in 2017, totaling 14.7 billion RTK. In 4Q18, transported volume reached 3.6 billion RTK, up 2.6% year-over-year. Excellent soybean crop boosted transported volume throughout the year. On the other hand, the corn crop shrinkage and sugar/ethanol ratio more favorable to the latter constrained agricultural volume growth in 2018. The transportation of industrial products recorded an annual growth of 0.9%.

4Q18	4Q17	Chg. %	Operational figures	2018	2017	Chg. %
335	325	2.9%	Net operating revenue	1,412	1,283	10.1%
325	323	0.7%	Transportation	1,387	1,274	8.9%
211	208	1.8%	Agricultural products	963	866	11.1%
114	115	-1.3%	Industrial products	425	408	4.2%
10	3	>100%	Other revenues ⁵	25	9	>100%
(366)	(408)	-10.2%	Cost of services	(1,421)	(1,358)	4.7%
(92)	(86)	7.7%	Variable costs	(362)	(311)	16.3%
(166)	(156)	5.9%	Fixed costs	(644)	(605)	6.4%
(108)	(166)	-34.6%	Depreciation and amortization	(415)	(441)	-5.9%
(32)	(83)	-61.5%	Gross profit	(9)	(74)	-88.3%
-9.5%	-25.5%	16.0 p.p.	<i>Gross margin (%)</i>	-0.6%	-5.8%	5.2 p.p.
(16)	(20)	-19.8%	Sales, general, and administrative expenses	(63)	(68)	-7.9%
(78)	8	>100%	Other op. revenues (expenses) and equity pickup	(97)	1.3	>100%
108	166	-34.9%	Depreciation and amortization	416	441	-5.7%
(19)	71	>100%	EBITDA	248	300	-17.3%
-5.7%	21.8%	-27.2 p.p.	<i>EBITDA Margin (%)</i>	17.6%	23.4%	-5.9 p.p.
72	-	>100%	Provision for impairment West Network	72	-	>100%
54	71	-23.5%	Adjusted EBITDA	320	300	6.5%
16.1%	21.8%	-5.6 p.p.	<i>EBITDA margin (%)</i>	22.7%	23.4%	-0.8 p.p.

Note 6: Includes revenue from volumes contracted but not executed according to commercial agreements (take or pay)

The South Operation's Adjusted EBITDA came to R\$320 million in 2018, up 6.5% from 2017 and R\$54 million in 4Q18, down 23% compared to R\$ 71 million in 4Q17. Net operating revenue 10% higher year-over-year reflects gains of capacity to higher captured volumes. Variable cost increase in the year surpassed volume and net revenue growth, evidencing this operation's greater sensitiveness to fuel average cost increase, not offset by an efficiency gain of 7.1% (Liters/GTK). Fixed cost increased 6.4% versus 2017, due to the end of payroll tax relief and lower tax credits recognized in 2018 (R\$25 million less when compared to 2017). Adjusted EBITDA margin reached 22.6% in 2018, 0.8 p.p. lower than in 2017.

Container Operations

4Q18	4Q17	Chg. %	Operational figures	2018	2017	Chg. %
17,900	12,750	40.4%	Total volume (containers)	66,219	57,108	16.0%
3.8	3.1	22.6%	<i>Intermodal average yield</i>	3.9	2.9	34.5%
592	440	34.7%	Total volume (million RTK)	2,303	1,765	30.5%

Volume of containers transported totaled 66,219 containers in 2018, 16% higher than in 2017. In 4Q18, this volume grew by 40% to 17,900 containers. The business strategy of taking advantage of backhaul, to increase transportation volumes in the domestic market, and import cargoes has been increasing container operations profitability.

4Q18	4Q17	Chg. %	Financial data	2018	2017	Chg. %
68	55	24.5%	Net operating revenue⁶	259	224	16.1%
(79)	(78)	0.9%	Cost of services	(301)	(306)	-1.6%
(30)	(23)	30.0%	Variable costs	(112)	(93)	20.2%
(34)	(39)	-14.2%	Fixed costs	(134)	(150)	-10.9%
(15)	(16)	-3.6%	Depreciation and amortization	(56)	(63)	-11.5%
(10.2)	(23)	-55.5%	Gross loss	(42)	(83)	-49.5%
-14.9%	-41.7%	26.8 p.p.	<i>Gross margin (%)</i>	-16.1%	-37.0%	20.9 p.p.
(9)	(6)	49.1%	Sales, general, and administrative expenses	(28)	(23)	23.8%
8	0.2	>100%	Other op. revenues (expenses) and equity pickup	15	5	>100%
15	16	-6.0%	Depreciation and amortization	56	63	-11.9%
3.6	(12)	>100%	EBITDA	0.9	(37)	>100%
5.1%	-22.6%	27.7 p.p.	<i>EBITDA margin (%)</i>	0.4%	-16.7%	17.0 p.p.

Note⁶: Includes revenue from service units.

EBITDA from Container Operations was positive for the first time, totaling R\$0.9 million in 2018. In 4Q18, EBITDA was R\$3.6 million. The improved operations drove a 16.1% net revenue increase. Variable cost increase surpassed volume growth in RTK due to higher fuel cost. The selling of a few unprofitable business units helped cutting fixed costs by 11% year-over-year.

3. Other Results

Breakdown of Costs of Services Rendered

4Q18	4Q17	Chg. %	Consolidated costs (amounts in R\$ MM)	2018	2017	Chg. %
(1,150)	(1,210)	-5.0%	Consolidated costs	(4,466)	(4,222)	5.8%
(404)	(400)	1.0%	Variable costs	(1,565)	(1,447)	8.1%
(255)	(228)	11.8%	Fuel and lubricants	(969)	(793)	22.2%
(86)	(55)	57.3%	Own logistic costs ⁷	(218)	(205)	6.5%
(63)	(117)	-46.2%	Third-party freight costs ⁸	(378)	(449)	-16.0%
(379)	(363)	4.4%	Fixed costs	(1,482)	(1,437)	3.1%
(37)	(32)	14.4%	Maintenance	(131)	(161)	-18.5%
(189)	(168)	12.6%	Payroll expenses	(704)	(636)	10.8%
(51)	(52)	-1.5%	Leasing and concessions	(212)	(201)	5.4%
(9)	(11)	-11.5%	Operational leasing	(35)	(60)	-41.3%
(64)	(66)	-2.9%	Third-party services	(250)	(243)	2.9%
(28)	(34)	-17.4%	Other operational costs	(149)	(135)	10.4%
(365)	(447)	-18.3%	Depreciation and amortization	(1,411)	(1,334)	5.8%

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.

Variable costs totaled R\$1,565 million in 4Q18, up 8.1% from 2017. The 13.4% increase in the volume transported in the year drove higher variable costs. The 16% increase in average diesel cost was partially offset by efficiency gains in locomotives' consumption (Liters/GTK: -7.1%). In addition, higher fertilizer volumes in the North Operation contributed to increasing logistics expenses (transshipment at Termag). Third-party freight costs declined due to lower sugar volume transported via highway and other railways.

Fixed costs totaled R\$1,482 million in 2018, 3.1% higher than in 2017. This result reinforces the Company's operational leverage and cost dilution strategy. Personnel expenses variation is due to the end of payroll tax relief and lower tax credits recognized in the year. In addition, costs due to depreciation and amortization increased 5.8% year-over-year.

Financial Results

4Q18	4Q17	Chg. %	Financial results (amounts in R\$ MM)	2018	2017	Chg. %
(83)	(319)	-73.9%	Cost of bank debt ⁹	(934)	(1,286)	-27.4%
(16)	(33)	-51.2%	Charges over leasing	(105)	(131)	-19.9%
(0,4)	(3,1)	-88.0%	Charges on certificates of real estate receivables	(5)	(20)	-74.8%
36	65	-44.1%	Financial income from investments	180	220	-18.0%
(64)	(291)	-78.1%	(=) Cost of broad net debt	(863)	(1,217)	-29.1%
(46)	(49)	-6.7%	Monetary variation on liabilities of concessions	(186)	(244)	-23.7%
(18)	(14)	30.8%	Rates on contingencies and contracts	(86)	(68)	26.6%
(16)	(39)	-59.1%	Other financial expenses	(73)	(135)	-45.7%
(143)	(392)	-63.5%	(=) Financial result	(1,209)	(1,665)	-27.4%

Note⁹: Includes interest rates, foreign exchange variation, net result from derivatives and other debt charges.

The financial result in 4Q18 was a net expense of R\$143 million, down 63.5% year-over-year. Debt cost decreased as an effect of certain operations prepayment, replacement of more onerous debts with lower cost debts, and decreased interest rate curve that resulted in positive MTM effects of R\$129 million. Charges over leasing and receivables certificates declined due to amortizations in these instruments without new relevant funding. Financial investments yield fell 44% due to average cash decrease and CDI quarter-over-quarter interest rate drop. Monetary variation on leasing and concession agreements reflects the SELIC interest rate adjustment to the unpaid concession fees 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, the Company reduced by 27.4% its financial expenses, and by 29.1% the cost of its broad net debt.

Income Tax and Social Contribution

4Q18	4Q17	Chg. %	Income tax and social contribution (amounts in R\$ MM)	2018	2017	Chg. %
213	(110)	>100%	Income (loss) before IT / SC	541	(250)	>100%
34%	34%	0 p.p.	Theoretical rate IR / SC	34%	34%	0 p.p.
(72.4)	37.5	>100%	Theoretical Income (expense) with IR / SC	(184)	85	>100%
Adjustments to calculate the effective rate						
(52)	(26)	97.3%	Tax losses and temporary differences not recognized ¹⁰	(132)	(175)	-24.7%
50	28	77.9%	Tax incentives arising from the North network ¹¹	50	74	-32.7%
0.6	(1.0)	>100%	Equity pickup	3.5	1.4	>100%
(2)	15	>100%	Other effects	(5,8)	5,7	>100%
(76)	53	>100%	Income (expense) with IT / SC	(268.4)	(8.9)	>100%
-35.5%	-48.0%	-25.9%	Effective rate (%)	-49.6%	3.6%	-53.2 p.p.
(37)	(10)	>100%	IT/SC current	(67)	(43)	54.6%
(39)	63	>100%	IT/SC deferred	(202)	34	>100%

Note10: 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.

Note11: 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.

4. Loans and Financing

Broad gross debt at the end of 4Q18 was R\$11.1 billion, 4.7% higher than 3Q18. Leverage reached 2.2x (broad net debt/adjusted EBITDA), considering adjusted EBITDA of R\$3.242 billion over the last 12 months. The balance of broad net debt came to R\$7.2 billion, 2.8% lower than 3Q18.

Total indebtedness (amounts in R\$ MM)	4Q18	3Q18	Chg.%
Commercial banks	225	16	>100%
NCE	1,161	1,477	-21.4%
BNDES	3,648	3,060	19.2%
Debentures	501	511	-2.0%
Senior notes 2024 and 2025	5,059	4,981	1.6%
Total bank debt	10,594	10,046	5.5%
Leases	553	586	-5.5%
Certificate of real estate receivables	-	14	-100.0%
Total broad gross debt	11,148	10,645	4.7%
Cash and cash equivalents and securities ¹²	(3,016)	(2,415)	24.9%
Net derivative instruments	(892)	(783)	14.0%
Total broad net debt	7,239	7,448	-2.8%
EBITDA LTM	3,242	3,177	2.1%
Leverage (broad net debt / EBITDA LTM)	2.2x	2.3x	>100%

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

Bank gross indebtedness (amounts in R\$ MM)	4Q18
Opening balance of broad net debt	7,448
Cash and cash equivalents and marketable securities ¹²	(2,415)
Net derivative instruments	(783)
Opening balance of broad gross debt	10,645
Items with cash impact	300
New funding	976
Amortization of principal	(566)
Amortization of interest rates	(110)
Items without cash impact	202
Provision for interest rates (accrual)	189
Monetary variation, MTM adjustments of debt, and others	13
Closing balance of broad gross debt	11,148
Cash and cash equivalents and marketable securities ¹²	(3,016)
Net derivative instruments	(892)
Closing balance of broad net debt	7,239

Note ¹²: The 4Q18 includes restricted cash linked to bank debts of R\$31.3 million. The 3Q18 includes restricted cash from bank debts totaling R\$31.1 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 were defined for maximum leverage of 4.0x (broad net debt/LTM EBITDA), and minimum interest rate coverage index of 1.4x EBITDA/Financial Result and minimum interest rate coverage index of 0.25x (Shareholders' Equity/ Total Assets).

5. Capex

4Q18	4Q17	Chg.%	Investments (amounts in R\$ MM)	2018	2017	Chg.%
419	730	-42.6%	Total investments	2,020	2,154	-6.2%
190	188	1.5%	Recurring	802	778	3.0%
229	542	-57.8%	Expansion	1,219	1,375	-11.4%

In 2018, Capex went down 6% to R\$ 2,020 million, in line with announced guidance. In 4Q18, Capex totaled R\$419.1 million, down 42.6% from 4Q17. In 4Q18, recurring Capex came to R\$190 million, up 1.5% year-over-year, mainly due to mechanic and permanent way maintenance expenses. Expansion Capex came 57.8% lower from 4T17, reaching R\$229 million. In 4Q18, the main investments in capacity expansion were: (i) upgrade of permanent way, by replacing tracks and ties; (ii) sidings extension preparing for 120-railcar train, (iii) infrastructure improvements to remove restrictions and (iv) expansions of yards and terminals, to reduce the train dwell time increasing operational productivity.

6. Cash Flow Statement

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

	4Q18	4Q17	Chg.%	Indirect cash flow (amounts in R\$ MM)	2018	2017	Chg.%
	796	730	8.9%	Adjusted EBITDA	3,242	2,757	17.6%
	(87)	(102)	-14.9%	Working capital variations and non-cash effects	(490)	(290)	68.7%
	26	14	79.7%	Operating financial result	110	35	>100%
(a)	734	642	14.3%	(=) Operating cash flow (FCO)	2,863	2,501	14.5%
	(420)	(622)	-32.4%	Capex	(1,997)	(2,045)	-2.4%
(b)	(192)	(178)	7.5%	Recurring	(778)	(769)	1.2%
	(229)	(443)	-48.4%	Expansion	(1,219)	(1,276)	-4.5%
	-	-	>100%	Asset sale	-	7	-100.0%
	-	(1)	-100.0%	Net cash from asset sale	-	(0.7)	-100.0%
	0	2	-100.0%	Dividends Received	6	7	-3.7%
(c)	(420)	(621)	-32.3%	(=) Cash flow from investing activities (FCI)	(1,990)	(2,032)	-2.1%
(d)	976	1,296	-24.7%	Funding	3,113	3,786	-17.8%
(e)	(566)	(1,954)	-71.1%	Amortization of principal	(3,649)	(3,437)	6.2%
	(110)	(322)	-65.9%	Amortization of interest rates	(875)	(1,232)	-28.9%
	-	-	>100%	Paid dividends	(3)	(2)	61.7%
(h)	-	2,584	-100.0%	Capital raise	0	2,584	-100.0%
	-	(0.2)	-100.0%	Derivatives Financial Instruments	(29)	(18)	61.3%
	(0.9)	0.1	>100%	Restricted Cash	112	(25)	>100%
	(12)	-	>100%	Acquisition of non-controlling interest	(12)	-	>100%
	287	1,604	-82.1%	(=) Cash flow from financing activities (FCF)	(1,345)	1,656	>100%
(g)	(0.3)	0.7	>100%	Forex variation impact on cash balances	127	28	>100%
(f)	601	1,626	-63.1%	(=) Net cash generated (consumed)	(346)	2,153	>100%
	2,384	1,704	39.9%	(+) Total Cash (includes cash + marketable securities)	3,330	1,177	>100%
	2,985	3,330	-10.4%	(=) Total Cash (includes cash + marketable securities)	2,985	3,330	-10.4%
Metrics							
	543	464	16.9%	(=) Cash generation after recurring capex (a+b)	2,085	1,732	20.4%
	314	22	>100%	(=) Cash generation after cash from investments (a+c)	872	469	86.1%
	191	(300)	>100%	(=) Cash generation (consumption) before funding and amortizations (f-e-d-g-h)	64	(808)	>100%

7. Operating and Financial Performance Indicators

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

Operating and Financial Performance Index	4Q17	4Q18	Chg. %	2017	2018	Chg. %
Consolidated						
Operating ratio	82%	75%	-8.5%	76%	73%	-3.9%
Diesel consumption (liters/ '000 GTK)	4.43	4.07	-8.1%	4.48	4.16	-7.1%
Rail accidents (MM Train /Km)	15.4	14.5	-5.8%	15.4	14,5	-5,8%
Personal Accidents (accidents /MM MHW)	0.38	0.25	-34%	0.38	0.25	-34%
North operation						
Grains from Rondonópolis (MT) – Santos (SP)						
Cycle of railcars (days)	9.6	10.0	4.2%	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)	6.9	7.4	7.2%	7.2	7.6	5.6%

Note14: 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 8.5% in 4Q18 and 3.9% in the annual comparison, reflecting reduced fixed and variable unit costs.

Diesel Consumption: The 7.1% improvement in 2018 versus 2017 reflects higher efficiency in unitary diesel consumption of new locomotives included in the operation. In addition, higher volume of grains transported in the North Operation contributed to this result, since this commodity route has lower average diesel consumption (liters/GTK), compared to sugar flows from the State of São Paulo.

Rail accidents: This index, which measures the number of accidents per million kilometers, improved 5.8% from 2017. Rumo continues reducing the number of rail accidents, thus generating greater operational efficiency.

Personal accidents: This index, which measures the number of accidents which required leave, improved 34% between 2017 and 2018, 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, which added grain railcar fleet exceeding volume growth.

8. Attachments

8.1 Financial Statements – Rumo

8.1.1 Balance Sheet

Balance sheet (amounts in R\$ MM)	12/31/18	09/30/18
Current assets	4,074	3,545
Cash and cash equivalents	142	72
Marketable securities	2,843	2,312
Trade receivables	417	363
Inventories	263	306
Peer company receivables	19	21
Income tax and social contribution	57	43
Other taxes recoverable	195	259
Other assets	137	169
Non-current assets	23,060	22,854
Trade receivable	21	22
Restricted cash	115	114
Deferred income tax and social contribution	1,046	1,028
Recoverable income tax and social contribution	260	281
Other taxes recoverable	797	703
Judicial deposits	369	347
Derivative and financial instruments	892	783
Other assets	104	108
Investments in associates	44	43
Property and equipment	11,917	11,904
Intangible	7,494	7,521
Total assets	27,134	26,399
Current liabilities	2,473	2,747
Loans, financing, and debentures	925	1,177
Leases	120	122
Certified real estate receivables - CRI	-	14
Trade accounts payable	452	478
Labor and social security obligations	207	190
Income tax and social contribution taxes	8	3
Other payable taxes	47	44
Dividends payables	6	8
Leases and concessions	29	29
Payable to related parties	156	171
Deferred revenue	9	10
Other financial liabilities	338	312
Other payables	176	190
Non-current liabilities	16,366	15,482
Loans, financing, and debentures	9,669	8,869
Leases	433	464
Financial instruments and derivatives	-	-
Other payables	4	5
Provision for lawsuits	515	513
Leases and concessions	3,180	3,113
Deferred income tax and social contribution	2,437	2,380
Deferred revenues	42	44
Other payables	87	93
Shareholder's equity	8,295	8,170
Total liabilities	27,134	26,399

8.1.2 Income Statement

4Q18	4Q17	Chg.%	Income Statement (amounts in R\$ MM)	2018	2017	Chg.%
1,647	1,592	3.4%	Net operating revenue	6,585	5,946	10.7%
(1,150)	(1,210)	-5.0%	Cost of goods sold	(4,466)	(4,221)	5.8%
497	382	30.2%	Gross profit	2,119	1,725	22.8%
(90)	(100)	-9.4%	Sales, general, and administrative expenses	(313)	(311)	0.8%
(52)	3	>100%	Other net operating income (expenses)	(65)	(3)	>100%
(143)	(392)	-63.5%	Net financial result	(1,209)	(1,665)	-27.4%
2	(3)	>100%	Equity pickup	10	4	>100%
(76)	53	>100%	Income tax and social contribution	(268)	(9)	>100%
137	(57)	>100%	Net profit (loss)	273	(258)	>100%
8.3%	-3.6%	11.9 p.p.	Net margin (%)	4.1%	-4.3%	8.5 p.p.

8.1.3 Cash Flows

4Q18	4Q17	Accounting Cash Flow (amounts in R\$ MM)	2018	2017
213	(110)	Profit before income tax and social contribution	541	(250)
440	449	Depreciation, amortization and impairment	1,491	1,342
(2)	3	Equity pickup	(10)	(4)
21	27	Provision for profit sharing and bonuses	93	82
(21)	1	Result on disposals of fixed assets and intangible assets	(29)	(0)
21	8	Provision for lawsuits	79	56
0	1	Provision (reversal) for losses on doubtful accounts	(2)	12
2	2	Stock option plan	7	6
47	50	Leases and concessions	199	193
129	345	Interest, monetary, and exchange variation. Net	1,162	1,509
(7)	(14)	Other	(31)	(49)
841	762	(=) Adjustments	3,501	2,897
(27)	(90)	Trade receivables	(32)	(58)
(19)	12	Related parties, net	3	46
(51)	(52)	Taxes	(131)	(200)
42	(18)	Inventories	24	8
(1)	(15)	Labor and social security payable	(53)	(36)
(27)	49	Suppliers	(207)	(37)
(26)	(28)	Leases and concessions payable	(106)	(112)
(49)	(25)	Lawsuits	(150)	(113)
17	30	Other financial liabilities	14	75
(7)	(44)	Other assets and liabilities. Net	(159)	(159)
(147)	(181)	(=) Changes in assets and liabilities	(796)	(585)
694	581	(=) Operational cash flow	2,705	2,311
(491)	(1,575)	Marketable securities	467	(2,046)
(1)	0	Restricted cash	112	(25)
0	2	Dividends received from subsidiaries and associated companies	6	7
(420)	(622)	Additions to property, plant and equipment, software, and other intangibles	(1,997)	(2,045)
-	-	Cash received from sales of other permanent assets	-	7
(912)	(2,195)	(=) Net cash used in investing activities	(1,411)	(4,103)
976	1,296	Funding	3,113	3,786
(566)	(1,954)	Amortization of principal	(3,649)	(3,437)
(110)	(322)	Amortization of interest	(875)	(1,232)
-	(0)	Derivative financial instruments	(29)	(18)
(12)	-	Dividend paid	(12)	-
-	-	Funding	(3)	(2)
288	1,604	(=) Cash generated by (used in) financing activities	(1,457)	1,681
(0)	1	Impact of Exchange variation in cash balance	127	28
69	(10)	(=) Net increase (decrease) in cash and cash equivalents	(36)	(83)
72	188	Beginning balance of cash and cash equivalents	178	261
142	178	Final balance of cash and cash equivalents	142	178