FINANCIAL STATEMENTS 2017

Localiza

Localiza Rent a Car S/A. Corporate taxpayer's ID (CNPJ) 16.670.085/0001-55

(A free translation of the original in Portuguese)

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1 - MESSAGE FROM THE CEO

Dear Investors,

In 2017, our team set audacious goals for growth, value creation, customer satisfaction and brand positioning, even in an adverse macroeconomic scenario in a very competitive environment. The team embraced the challenge, innovated and achieved impressive results:

- **We grew generating value.** Our fleet reached 194 thousand cars (including franchisees), with 27.1% increase in rental days (Car Rental + Fleet Rental) and we sold more than 90 thousand cars. We increased our distribution by 51 corporate rental locations and 15 Seminovos stores. Our net revenues increased 36.5% and net income grew 37.6% as a result of our focus on operational excellence. The spread between ROIC and the cost of debt reached 8.0 p.p. and RENT3 was the 35th most traded share in B3 (Brazilian Stock Exchange) in 2017.
- **Localiza has expanded its unquestionable leadership in quality and service** thanks to our employees' strong culture of customer focus and passion for serving. Localiza won several awards throughout the year, such as the best car rental company by Folha de São Paulo and Época Reclame Aqui awards, the latest for the third consecutive year.
- **Localiza was one of the five Brazilian brands that appreciated the most in 2017**, reaching the 24th place among the most valuable brands in Brazil by Interbrand Ranking. Localiza Fidelidade, Latin America's largest car rental loyalty program, has reached 7.6 million participants and has distributed more than 2.3 million free rental days to its members. We have reached 1.5 million fans on Facebook, the biggest fanpage of the category in the world.
- **We are moving forward in innovation and digital transformation.** The innovation was important in all segments of Localiza with significant improvements in the customer experience. We also invested in the digitization of internal processes, increasing our productivity to gain scale while also increasing control during the accelerated growth process.
- **We have successfully conducted the integration of Hertz's operations in Brazil.** Two months after the acquisition, Car Rental, Fleet Rental and Seminovos (used car sales) operations were fully integrated, ensuring business continuity and maintaining the highest standard of excellence in the relationships with our customers. By the end of 2017 our network of corporate and franchised locations, as well as all our reservation channels, already exhibited the new Localiza Hertz brand. At the same time, we have moved forward in the long-term strategic partnership with The Hertz Corporation, making reservations worldwide through our reservation channels and displaying the Localiza brand at major international airports.

All these results would not have been possible without the enormous commitment, sense of urgency, passion to serve and ownership mindset of our more than 7,700 employees. In the context of rapid evolution and transformation of technology, Localiza continues to invest in the development of its employees to weather future challenges, meeting the expectations of our customers.

We closed 2017 satisfied with the achieved results in key aspects of the business, which makes us even more motivated for a 2018 that begins with a more positive economic scenario, despite the uncertainties of an election year. What does not change, regardless of the environment, is our clear vocation for sustainable growth and position to continue to expand our market leadership.

We appreciate the trust of our customers, employees, investors, suppliers and partners and reaffirm our determination to write another chapter of growth and superior results in 2018.

Eugênio Mattar – CEO

2 - MESSAGE FROM THE EXECUTIVE CHAIRMAN

The Brazilian economy fared reasonably well in 2017 compared to the previous year and ended the year with signs of some economic recovery. The current economic team demonstrated serious commitment to the fiscal policy and the Central Bank of Brazil kept inflation below target and reduced the interest rate. Unemployment rate dropped slightly.

In this scenario of economic recovery, Localiza has been reaping the rewards of its long-term strategies implemented in the previous years, registering strong growth, solid results and generation of value for its shareholders. The disciplined financial management, recognized by the market and by the main credit rating agencies, has been driving the Company's sustainable growth, further strengthening our competitive advantages.

The recent acquisition of operations and long-term agreements with Hertz will help leverage business and expand our know-how of the global car rental sector and its evolution. The process of succession in the Company has been conducted in a planned manner and according to the best market practices, maintaining the Localiza standard of excellence in the operations and in the outstanding business results.

Running a business in a scenario of uncertainties is part of our culture and experience.
Since its foundation 44 years ago, Localiza has faced and overcome diverse and difficult economic crises. And most probably this was not the last. The Company was born during the first oil crisis in 1973 and embarked on territorial expansion during the second oil crisis in 1979.

We have faced adversities with determination, commitment and perseverance.
We remain passionate about serving our clients and pursuing excellence in all that we do.
We will maintain our reputation firmly grounded on strong ethical values, as well as high standards of governance and compliance.
Top-notch managers and employees will continue to lead us to new achievements!
We are optimistic about 2018.

We thank all of our clients, employees, suppliers, partners and investors who have been with us in this journey.

I invite you to read the Annual Management Report so that you can better understand our organization, strategies and results.

Cordially,

Salim Mattar – Executive Chairman

3 - MACROECONOMIC SCENARIO

In 2017, there was a series of positive changes in the economic scenario, despite the uncertainty about reforms and the political scenario. For the first time in history, inflation was below target, the basic interest (Selic) rate fell to its lowest levels since the adoption of the inflation targeting regime in 1999 and the reversal of the declining trend in GDP brought a new perspective to 2018. Even though the labor reform was approved, other important reforms, such as social security and tax reforms, were postponed to 2018. The imbalance in public accounts is still an important issue for the country, which has been directly affecting government spending and, consequently, the sustainable growth of the country.

The impact on the real economy was a boost to consumer confidence, which reflected in the growth in household consumption. Due to the vast idle capacity in the country after the crisis, this consumption is not yet matched by investments despite the reduction in the interest rate. However, the use of idle capacity has been increasing consistently and already reflects in better employment indicators across the industry.

Brazil in 2018

Clearly 2018 is a year that will benefit from the change in the economic scenario back in 2017. Resumption of growth, lower interest rates, improved confidence and lower inflation are strong drivers of better prospects. The market expectation is a resumption of investments, reduction of the primary deficit and acceleration of GDP growth.

Nevertheless, 2018 is a year of many uncertainties. It is the election year but without any clear picture about who the candidates will be, which by itself causes uncertainty about the economic future of Brazil, but the doubts surrounding the reforms to be approved during the Temer government consolidate the scenario of indecision.

Localiza has a solid operational/financial structure to grow and benefit from the market recovery, and to consolidate a highly fragmented segment.

4 - BUSINESS OVERVIEW

Localiza and its subsidiaries have the following core activities: Car Rental, Fleet Rental and Franchising, as described below:

***Car Rental*:** Division responsible car rentals through its locations in and outside airports, and for the management of car claims for insurers. Cars are rented by individuals and legal entities, and sometimes through distribution channels. Due to the need to renew its fleet, Localiza sells cars after 12 months of use. To avoid brokerage costs on the sale of decommissioned cars, around half of them are sold directly to final consumers. This way, the Company maximizes the amount recoverable from these assets, reducing depreciation of the cars and the net investment for fleet renewal, as the selling expenses of the dealer network are lower than the discounts required by car dealers. Also, the Company does not have to entirely rely on third parties to make these sales.

***Fleet Rental*:** Responsible for renting the fleet to legal entities through the subsidiaries Localiza Fleet and Car Rental Systems, for long periods of time, usually 24 to 36 months. This division’s fleet is acquired after the signing of agreements according to clients’ needs and hence the fleet is more diversified in terms of models and brands. Decommissioned cars are sold upon the termination of the agreement, with 32 months of use on average, directly to final consumers or to dealers through the Company's own sales network.

***Franchising*:** The Franchising Division is responsible for granting and managing franchises in geographically defined markets, including the transfer of the know-how necessary to operate the business and the right to use the Localiza brand. The franchising business is managed in Brazil by the subsidiary Franchising Brasil, in Argentina by the subsidiary LFI S.R.L., and in other countries by Localiza itself.

On December 31, 2017, the consolidated fleet of the Company and its franchisees consisted of **194,279 cars**, of which 180,455 were own cars and 13,824 were franchisees' cars. Localiza has about **7.6 million active clients registered** in its database.

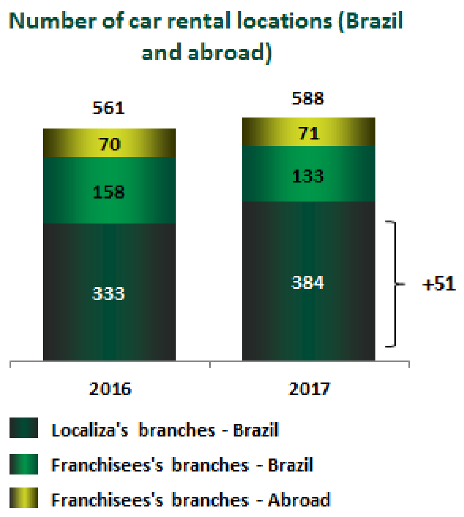
5 - GEOGRAPHIC DISTRIBUTION

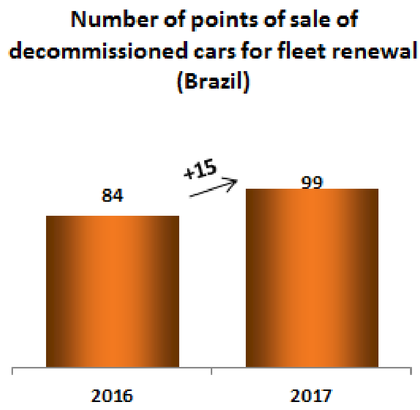
The car rental and fleet rental businesses are highly fragmented. The Brazilian Car Rental Association (ABLA), in its 2017 Brazilian Yearbook of the Vehicle Rentals Sector, mentions that there were approximately 11,199 active vehicle rental companies in Brazil according to the Federal Revenue Service database, of which only 3,150 have an active fleet of more than nine vehicles.

Localiza is the largest car rental network in South America in number of locations, with 588 car rental locations spread across Brazil and other six countries in South America on December 31, 2017.

In 2017, the network of owned car rental locations was expanded to 51. The selective distribution of the number of car rental locations helps to strengthen our geographic positioning, thereby increasing the potential market.

The Company's own decommissioned cars are mainly sold to final consumers through 99 stores owned by the Company in 65 cities across Brazil.





6 - SHAREHOLDING

Localiza Group is a Brazilian publicly held group whose shares are traded on B3 S.A. – Brasil, Bolsa, Balcão ("B3") since 2005. In 2017, the average daily trading volume of RENT3 was R$65.3 million.

At an Extraordinary Shareholders Meeting held on April 25, 2017, shareholders approved an increase of R$523.292 million in the subscribed and paid-up capital, from R$976,708 to R$1,500,000, using a portion of the Bylaws Reserve of the Company.

The capital increase was made through a bonus share issue at the ratio of five percent (5%), with the issue of 10,589,670 new book-entry common shares (prior to the stock split mentioned below), with no par value, which were allotted to shareholders as bonus shares, in the proportion of one (1) new share of the same type to twenty (20) shares held. Treasury shares also received bonus shares, and the long-term incentive programs were adjusted in the same proportion.

At the Extraordinary Shareholders Meeting held on November 22, 2017, the shareholders approved a stock split in the proportion of three (3) shares for each common share, without any change in the value of the Company's capital, which has since been divided into 667,149,210 registered common shares without par value, corresponding to a 200% increase in the Company shareholding base. The shares resulting from the stock split were credited to the shareholders on November 28, 2017.

On December 31, 2017, the Company had 667,149,210 shares, of which 6,752,346 were held in treasury.

Additionally, the Company participates in the American Depositary Receipts (ADR) Program Level I since its approval by the Securities and Exchange Commission of Brazil (CVM) on May 22, 2012, and began trading on June 5, 2012. On December 31, 2017, the Company's position was 19,173,432 ADRs in the United States, after the bonus share issue and the stock split. Each ADR corresponds to one (1) share of the Company.

Share Buyback

On December 31, 2017, the number of treasury shares acquired within the scope of the 1st, 4th, 6th, 7th and 8th Share Buyback Programs totaled 6,752,346 shares, whose market value was R$149.0 million (price per share of R$22.06 on December 28, 2017).

At a meeting held on July 20, 2017, the Board of Directors authorized the Company to purchase up to 13,000,000 shares (39,000,000 considering the stock split) in the 9th Share Buyback Program. This program will last for a maximum of 365 days, from July 23, 2017 to July 22, 2018, and aims to maximize value creation for shareholders or to settle the stock options within the scope of the long-term incentive plans of the Company. Until December 31, 2017, no shares had been purchased under this program.

Sale of treasury shares

In 2017, 241,260 treasury shares were sold for R$2.1 million to eligible employees under the First Stock Option and Matching Shares Plan, approved by the Extraordinary Shareholders Meeting held on July 12, 2017.

Exercise of treasury shares

In 2017, 4,638,197 stock options were exercised, considering the effects of the bonus share issue and stock split, under the Stock Option Plans of 2009 to 2014, for which treasury shares were used.

7 - DIVIDENDS AND INTEREST ON EQUITY

The Company holds its Annual Shareholders Meeting by April 30 of each year, when the annual dividend can be announced. However, the Board of Directors may declare interim dividends subject to approval at the Shareholders Meeting.

Paragraph 3 of article 24 of the Bylaws of Localiza establishes that a minimum of 25% of the adjusted net income must be paid as mandatory dividend.

In 2017, Localiza distributed to its shareholders, as interest on equity, R$162.9 million (R$152.0 million in 2016) from the net income after the legal reserve.

On December 31, 2017, the Management did not propose for deliberation at the Annual Shareholders Meeting the payment of additional dividends to shareholders, since the amount distributed as interest on equity in 2017 exceeds the minimum mandatory dividend of 25% of adjusted net income minus legal reserve.

8 - INVESTMENTS IN SUBSIDIARIES

The table below shows the changes in investments made in each subsidiary of Localiza:

R$ thousand

	Investments on 12/31/16	Payment of capital stock in subsidiary	Equity in the earnings of subsidiaries	Dividends received and receivable	Provision (Reversal) for loss on investments	Investments on 12/31/17
Localiza Fleet Consolidated (*)	**551,289**	-	199,330	(196,849)	-	**553,770**
Rental Brasil	**150,107**	100,000	9,216	(2,145)	-	**257,178**
Localiza Prime	**104,208**	-	(12,623)	-	-	**91,585**
Car Assistance	**15,389**	-	21,896	(20,623)	-	**16,662**
Franchising Brasil	**7,869**	-	8,773	(9,459)	-	**7,183**
LFI S.R.L.	**170**	-	526	-	-	**696**
Rental International	**-**	848	(73)	-	(757)	**18**
Total	**829,032**	**100,848**	**227,045**	**(229,076)**	**(757)**	**927,092**

(*) As of September 2017, Localiza Fleet consolidated Car Rental Systems in its financial statements.

9 - ACQUISITION OF HERTZ BRASIL AND STRATEGIC ALLIANCE WITH THE HERTZ CORPORATION

On December 5, 2016 Localiza and Localiza Fleet entered into a Purchase Agreement with Hertz Corp and some of its subsidiaries whereby Localiza Fleet, after approval by Brazil's antitrust agency ("CADE"), would take over the Brazilian operations of Hertz Corp. by acquiring a 99.99% interest in Car Rental Systems, while Localiza would purchase the remaining 0.01% interest.

On July 13, 2017, the Superintendent General of CADE announced the final decision accepting Technical Report no. 22/2017/CGAA4/SGA1/SG/CADE, which recommended the approval, without reservations, of Merger no. 08700.001347/2017-41, whose purpose is the acquisition, by Localiza Fleet and Localiza, of Car Rental Systems and the strategic alliance between Localiza and Hertz Corp.

As part of the strategic alliance between Localiza and Hertz Corp., a long-term global alliance was established through the following agreements:

- Brand Cooperation Agreement establishing, among others, the use of the "Localiza Hertz" co-brand in Brazil and the use, by Hertz, of the "Localiza" brand in the main airports across the United States and Europe, considering the airports of entry for Brazilian customers; and

- Referral Agreement establishing the rules for inbound and outbound reservation exchange between Localiza and Hertz Corp. Through this agreement, Localiza's customers are served globally (except South America) by the Hertz chain, while Hertz customers are served in Brazil by the Localiza chain.

The duration of the Brand Cooperation Agreement and the Referral Agreement is 20 years and they may be renewed for another 20 years at the discretion of the parties.

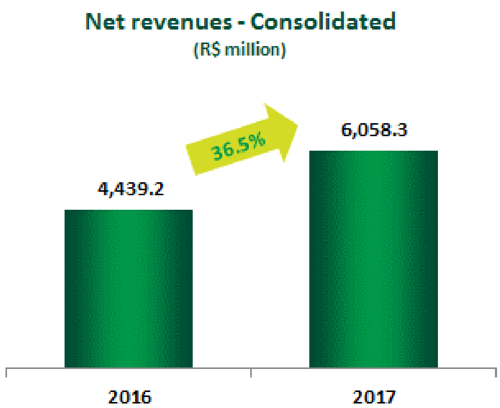
On August 31, 2017, we closed the acquisition of 100% interest in Car Rental Systems, with a total fleet of 8,162 cars, of which 3,541 are from the fleet rental division and 4,621 are from the car rental division. The preliminary acquisition price for 100% interest in Car Rental Systems was R$360.1 million. Of this amount, R$320.1 million was paid upfront and R$40.0 million was deposited in the escrow account for adjustments. According to contractual clauses, Localiza Fleet had 90 days from the acquisition date to prepare the closing balance sheet in accordance with the accounting practices adopted in Brazil, expressly disclosing the final calculation of the purchase price. On November 30, 2017, the parties agreed to the final value of R$355.6 million and Hertz Corp. will pay Localiza Fleet the difference of R$4.5 million from the amount paid initially.

The Board of Directors meeting held on September 13, 2017 resolved and voted on: (i) changing the company type of Car Rental Systems from limited liability company to closely held corporation, and its registered office to Belo Horizonte, Minas Gerais; (ii) transferring 100% interest held by Localiza, that is, one share in Car Rental Systems, to Localiza Fleet, making Car Rental Systems a wholly-owned subsidiary of Localiza Fleet. (iii) changing the company name of Car Rental Systems do Brasil Locação de Veículos Ltda. to Localiza Car Rental Systems S.A.; and (iv) increasing the capital stock of Car Rental Systems by R$100.0 million.

10 - ANALYSIS OF CONSOLIDATED RESULTS

	2016		2017		Variation
	In R$ million	% of net revenue	In R$ million	% of net revenue	%
Net revenue:					
Car rental	3,423.1	77.1	4,833.6	79.8	41.2
Fleet rental	999.2	22.5	1,208.2	19.9	20.9
Franchising	16.9	0.4	16.5	0.3	-2.4
Total net revenue	**4,439.2**	**100.0**	**6,058.3**	**100.0**	36.5
Total costs	**(3,149.2)**	**-70.9**	**(4,410.9)**	**-72.8**	40.1
Gross profit	**1,290.0**	**29.1**	**1,647.4**	**27.2**	27.7
Operating expenses:					
Selling	(364.1)	-8.2	(460.0)	-7.6	26.3
General, administrative and other	(154.7)	-3.5	(218.3)	-3.6	41.1
Total operating expenses	**(518.8)**	**-11.7**	**(678.3)**	**-11.2**	30.7
Result before financial expenses (EBIT)	**771.2**	**17.4**	**969.1**	**16.0**	25.5
Financial expenses, net	(243.6)	-5.5	(315.0)	-5.2	29.3
Profit before income tax and social contribution	**527.6**	**11.9**	**654.1**	**10.8**	24.0
Income tax and social contribution	(118.3)	-2.7	(148.4)	-2.4	25.4
Net income from the year	**409.3**	**9.2**	**505.7**	**8.4**	**23.6**

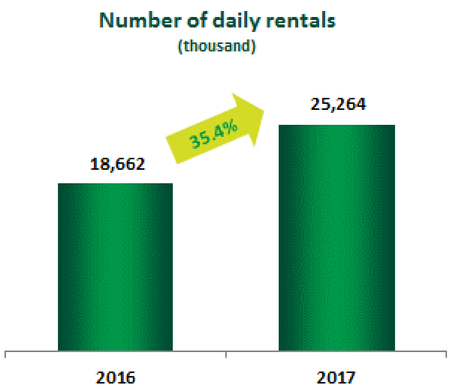
Net revenue:

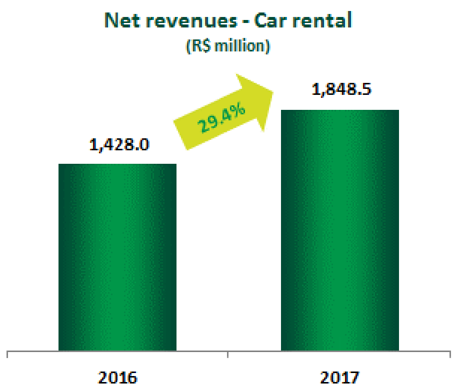


Net revenue grew 36.5% in 2017 compared to 2016 due to the growth of: (i) 24.3% in the Car Rental, Fleet Rental and Franchising revenues; and (ii) 47.3% in revenue from sales of decommissioned cars for fleet renewal. The main drivers of net revenue growth were:

Car Rental: In 2017, total net revenue was 41.2% up from 2016 due to:

(i) Car Rental: 29.4% growth in the Car Rental revenue, from R$1,428.0 million in 2016 to R$1,848.5 million in 2017, due to the 35.4% increase in the volume of daily car rentals, partially compensated by the 5.7% reduction in the average rental rate, which decreased from R$79.67 to R$75.16;

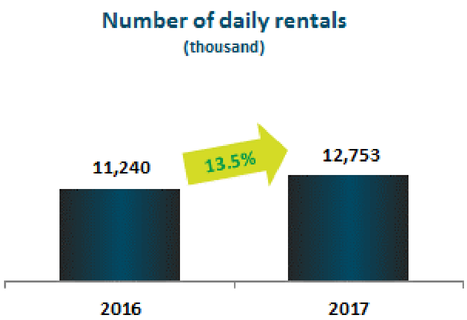


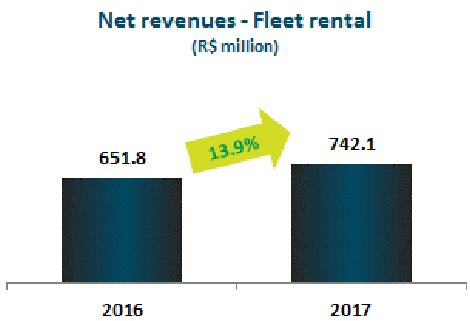


(ii) Used Cars – Car Rental: 49.6% growth in revenue from the sale of decommissioned cars for fleet renewal, from R$1,995.1 million in 2016 to R$2,985.1 million in 2017, due to the 12.1% increase in the average price and 33.5% increase in the number of cars sold.

Fleet Rental: Increase of 20.9% in total net revenue in 2017 compared to 2016, due to:

(i) Fleet Rental: 13.9% increase in Fleet Rental revenue, from R$651.8 million in 2016 to R$742.1 million in 2017, due to the 13.5% growth in daily rentals and the 0.9% increase in the average rental fee; and





(ii) Used Cars – Fleet Rental: 34.2% growth in revenue from sale of decommissioned cars for fleet renewal, from R$347.4 million in 2016 to R$466.1 million in 2017, due to the 6.6% increase in the average price and 25.8% increase in the number of cars sold.

Costs: Consolidated costs of the Company in 2017 were 40.1% higher compared to 2016. As a percentage of consolidated net revenue, costs increased by 1.9 p.p., from 70.9% in 2016 to 72.8% in 2017.

The rise in costs in 2017 was due to the increase of:

(i) 47.8% in the cost of cars sold. As a percentage of net revenue from sale of decommissioned cars for fleet renewal, these costs increased 0.2 p.p., from 85.7% in 2016 to 85.9% in 2017;

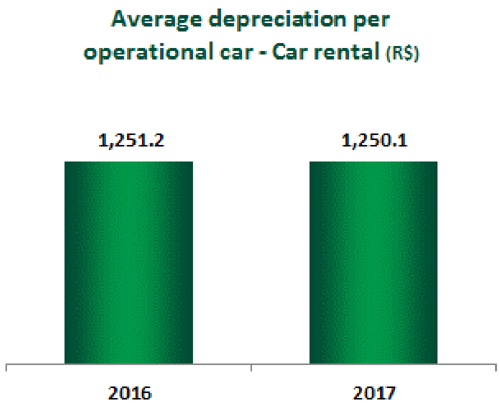
(ii) 17.8% in wages, payroll charges, benefits and profit sharing. As a percentage of consolidated net revenue, these costs fell 0.8 p.p., from 6.2% in 2016 to 5.4% in 2017;

(iii) 14.9% in the cost of property rentals, mainly affected by inflation and by the 51 new Car Rental locations; As a percentage of consolidated net revenue, these costs fell 0.3 p.p., from 2.2% in 2016 to 1.9% in 2017;

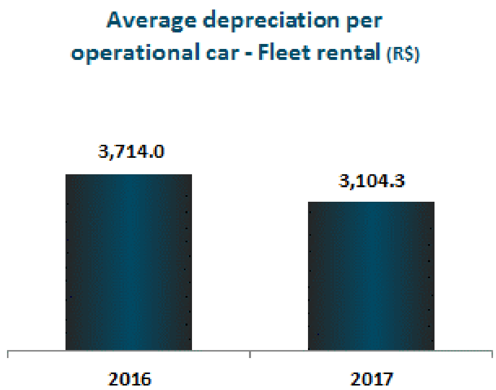
(iv) 28.7% in car maintenance expenses and vehicle tax (IPVA), in line with fleet expansion. As a percentage of consolidated net revenue, these costs fell 0.6 p.p., from 9.7% in 2016 to 9.4% in 2017; and

(v) 12.5% in the fleet depreciation cost. As a percentage of consolidated net revenue, these costs fell 0.8 p.p., from 4.6% in 2016 to 3.8% in 2017.

Average depreciation per vehicle in the Car Rental Division in 2017 was R$1,250.1, practically stable compared to the average in 2016. Depreciation considers the Company's expectation regarding the future price of cars and costs related to their sale.



In the Fleet Rental division, depreciation per vehicle in 2017 was R$3,104.3, down 16.4% from 2016. Due to the longer cycle, depreciation of cars in this division benefits from the rise in the prices of new cars throughout the service life of the vehicle.



Operating expenses: Operating expenses grew 30.7% in 2017, mainly due to the average increase of: (i) 20.0% in wages, payroll charges, benefits and profit sharing; (ii) 30.0% in advertisement expenses; and (iii) 50.8% in commission expenses. As a percentage of consolidated net revenue, operating expenses fell 0.5 p.p., from 11.7% in 2016 to 11.2% in 2017.

Financial expenses, net: Consolidated net financial expenses in 2017 were up 29.3% from 2016, mainly due to the increase of: (i) R$14.6 million in the inflation adjustment on provisions; and (ii) in the average net debt during the period, partially compensated by the drop in the CDI rate from 14.0% in 2016 to 9.9% in 2017. The increase in debt resulted from the fleet expansion of 52,860 vehicles, which corresponds to a net investment of R$2,303.2 million, including the fleet coming from Car Rental Systems after the acquisition.

Income tax and social contribution: Income tax and social contribution expenses in 2017 were up 25.4% from 2016, in line with the 24.0% growth of income before income tax and social contribution.

Net income: Consolidated net income in 2017 was up 23.6% from 2016, mainly due to the increase in consolidated net revenue, partially offset by the increase in net financial expenses, as previously mentioned.

EBITDA and EBIT: Reconciliation of net income with EBITDA and EBIT is as follows:

	R$ million		
	2016	**2017**	**Variation (%)**
Net income	**409.3**	**505.7**	**23.6**
Financial expenses, net	243.6	315.0	29.3
Income tax and social contribution	118.3	148.4	25.4
EBIT	**771.2**	**969.1**	**25.7**
Depreciation of cars and others	244.5	271.1	10.9
EBITDA	**1,015.7**	**1,240.2**	**22.1**

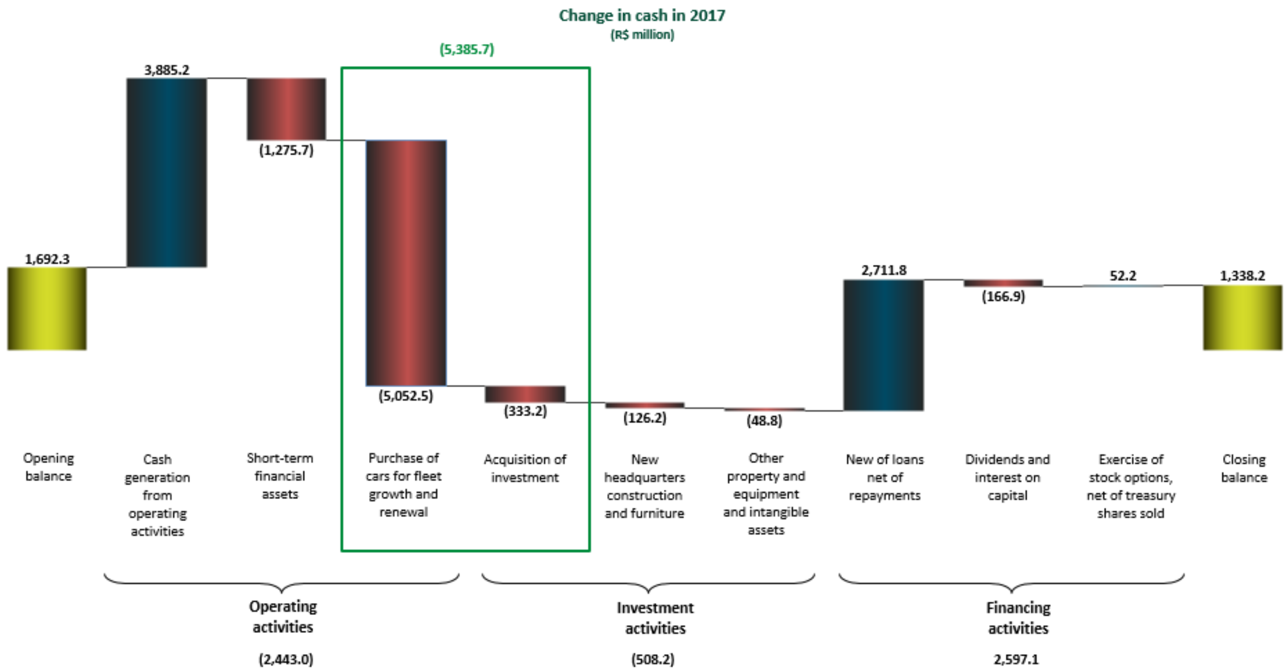
11 - ANALYSIS OF CONSOLIDATED BALANCE SHEET

	12/31/16		**12/31/17**		**Variation**
	In R$ million	**% of total assets**	**In R$ million**	**% of total assets**	**%**
ASSETS					
Current assets					
Cash and cash equivalents	1,692.2	22.8	1,338.2	12.0	-20.9
Financial assets	-	0.0	1,275.7	11.4	100.0
Accounts receivable	424.5	5.7	585.1	5.2	37.8
Other current assets	117.2	1.6	128.6	1.1	9.7
Decommissioned cars for fleet renewal	8.8	0.1	103.4	1.0	1,075.0
Total current assets	**2,242.8**	**30.2**	**3,431.0**	**30.7**	53.0
Non-current assets					
Escrow deposits	60.1	0.8	83.1	0.7	38.3
Other non-current assets	10.7	0.2	104.7	0.9	878.5
Property and equipment					
Cars	4,614.8	62.2	6,934.8	62.0	50.3
Other property and equipment	405.8	5.5	549.2	4.9	35.3
Intangible assets	83.1	1.1	83.4	0.8	0.4
Total non-current assets	**5,174.5**	**69.8**	**7,755.2**	**69.3**	49.9
Total assets	**7,417.3**	**100.0**	**11,186.2**	**100.0**	**50.8**

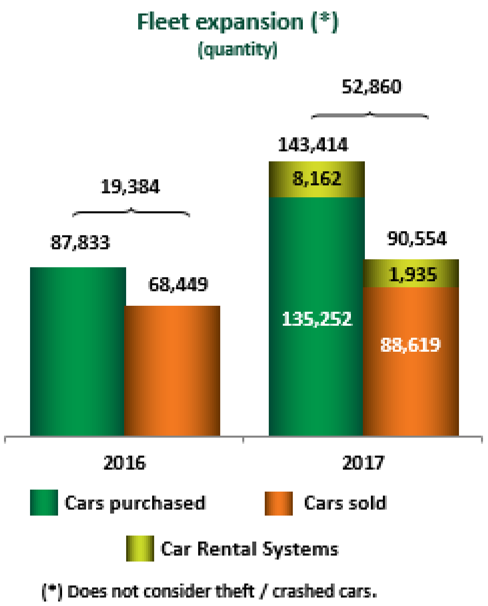
	12/31/16		12/31/17		Variation
	In R$ million	% of total liabilities	In R$ million	% of total liabilities	%
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities					
Trade accounts payable	910.9	12.3	1,331.7	11.9	46.2
Social and labor obligations	95.0	1.3	109.2	1.0	14.9
Loans, financing, marketable securities and swap	654.6	8.8	537.2	4.8	-17.9
Dividends and interest on equity	39.7	0.5	36.4	0.3	-8.3
Other current liabilities	141.5	1.9	219.6	2.0	55.2
Total current liabilities	**1,841.7**	**24.8**	**2,234.1**	**20.0**	21.3
Non-current liabilities					
Loans, financing, marketable securities and swap	3,131.3	42.3	5,940.5	53.1	89.7
Deferred income tax and social contribution	171.9	2.3	219.7	2.0	27.8
Other non-current liabilities	75.4	1.0	191.2	1.7	153.6
Total non-current liabilities	**3,378.6**	**45.6**	**6,351.4**	**56.8**	88.0
Shareholders' equity	**2,197.0**	**29.6**	**2,600.7**	**23.2**	18.4
Total liabilities and shareholders' equity	**7,417.3**	**100.0**	**11,186.2**	**100.0**	**50.8**

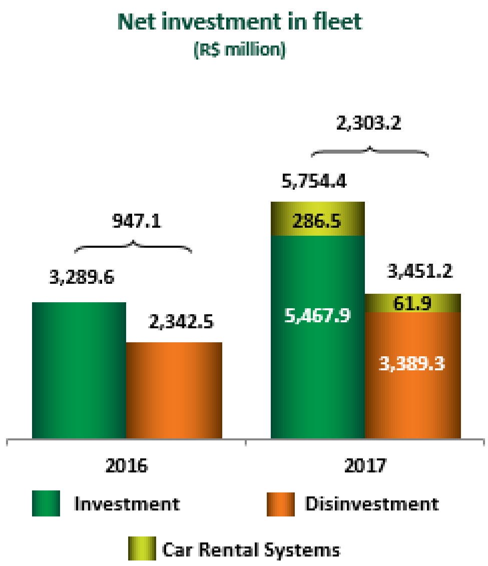
The analyses of the key variations in assets and liabilities are described below:

Cash, cash equivalents and financial assets: Cash and cash equivalents and financial assets totaled R$2,613.9 million on December 31, 2017, corresponding to 23.4% of total assets, a 54.5% increase from the balance of R$1,692.3 million on December 31, 2016, corresponding to 22.8% of total assets that year. Cash flow from the Company's operations, investments and financings is as follows:

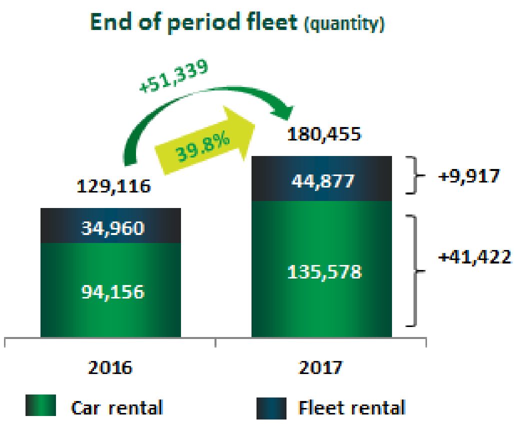


Property and equipment – cars:





The 50.3% increase in property and equipment is related to the addition of 52,860 cars to the fleet in 2017, which resulted in a net investment of R$2,303.2 million. In this period, 143,414 cars were added to the fleet, of which 135,252 were purchased by the Company and 8,162 came from the acquisition of Car Rental Systems. The acquisition of new cars in the period was driven by the need to expand the fleet on account of the 35.4% increase in the volume of daily rentals at the Car Rental division and 13.5% increase in the Fleet Rental division in 2017 compared to the same period in 2016.



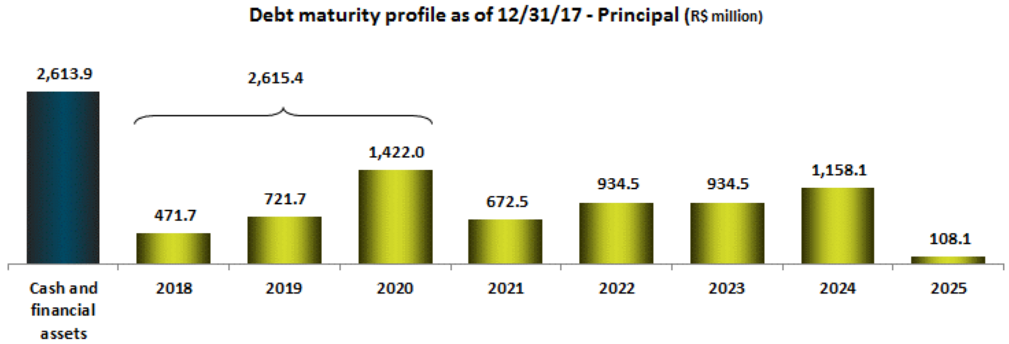
Property and equipment – other: This item increased by 35.3%, from R$405.8 million on December 31, 2016 to R$549.2 million on December 31, 2017, mainly due to the R$126.2 million investment in 2017 for the construction and acquisition of furniture for the new corporate headquarters.

Trade accounts payable: The 46.2% increase, from R$910.9 million on December 31, 2016 to R$1,331.7 million on December 31, 2017, basically refers to the 53.1% increase in the balance payable to car manufacturers for the purchase of cars at the end of 2017, to meet the demand during school vacation from late December to Carnival.

Loans, financing, marketable securities and swap: The main funding and amortizations of loans, financing, marketable securities and swap in 2017 were:

Category	Funding (R$ million)	Repayments (R$ million)	Event date	Notes
6th issue of debentures - Localiza	-	(30.0)	10/16/17	Payment of principal
7th issue of debentures - Localiza	-	(75.0)	03/30/17 e 10/02/17	Payment of principal
12th issue of debentures - Localiza	700.0	-	05/15/17	Maturity of seven years
13th issue of debentures - Localiza	1,085.0	-	12/15/17	Maturity of the 1st series: 62 months Maturity of the 2nd series: 86 months
6th issue of promissory notes - Localiza	650.0	-	09/29/17	Maturity of three years
2nd issue of debentures – Localiza Fleet	-	(250.0)	05/05/17	Payment of principal
3rd issue of debentures – Localiza Fleet	500.0	-	05/05/17	Maturity of six years
4th issue of debentures – Localiza Fleet	350.0	-	10/02/17	Maturity of seven years
Foreign currency loan	-	(218.7)	03/31/17	Payment of principal
Working capital	-	(19.0)	12/12/17	Payment of principal
Total	**3,285.0**	**(592.7)**		

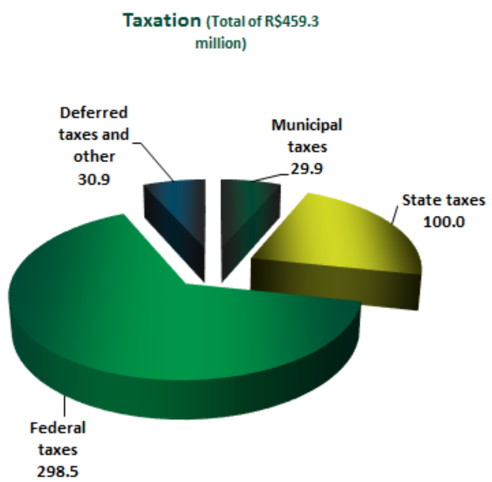
The Management considers the Company's debt profile comfortable and is compatible with the business cycle and the macroeconomic scenario.

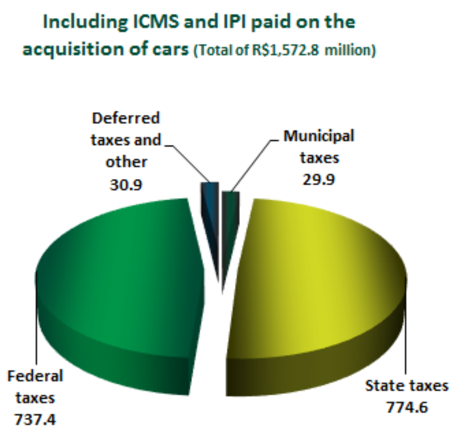


Deferred income tax and social contribution liabilities: Deferred income tax and social contribution liabilities increased by 27.8%, from R$171.9 million on December 31, 2016 to R$219.7 million on December 31, 2017, mainly due to the increase: (i) in the fleet, and consequently, in the time differences of depreciation of cars, in the amount of R$68.0 million; and (ii) in judicial provisions and other provisions by R$21.3 million, which are deductible in the cash accounting method.

12 - TAXES

The following chart shows the distribution of taxes:





13 - MAIN AWARDS RECEIVED

In 2017, the Company won several awards, notably:

Awards and honors	Institution
24th most valuable brand in Brazil	Interbrand
42nd most valuable brand in Brazil	IstoÉ Dinheiro magazine
Best Car Rental Company in Brazil – "Biggest and Best" Ranking	Transporte Moderno magazine
Best car rental company and car dealer/vehicle store for consumers	Reclame Aqui portal / Época magazine
Best CEO, best CFO, best Investor Relations professional, best Investor Relations program, best Investor Relations team and best website	Institucional Investor magazine
One of the 10 most admired HR teams in Brazil and one of the brands most admired by HR in Brazil and Latin America	Gestão RH magazine
One of the best companies in the Organizational Human Development Index (IDHO)	Gestão RH magazine
1st place in the transport category - Architecture Excellence Awards	ICMG Think Architecture
1st place in the Brazilian franchises category – Ranking of Internationalization of Franchises	Fundação Dom Cabral
Best car rental company – Viaja São Paulo award	Instituto Datafolha / Folha de São Paulo newspaper
Excellence in Franchising seal	Brazilian Franchising Association
11th company with highest return on equity in the last five years	Economática
3rd place in the Services category	Empresa Mais award from the newspaper O Estado de S. Paulo
15th best company in customer satisfaction	MESC Institute
2017 Transparency Trophy	National Association of Finance, Administration and Accounting Executives (ANEFAC)
121st largest company in Brazil	IstoÉ Dinheiro magazine
Outstanding Company of the Year - XXI ranking of companies in Minas Gerais	MercadoComum magazine
One of the companies with the greatest capacity to create and protect value – Highest Value Created ranking	Dom Strategy Partners / Consumidor Moderno magazine
11th place – 2017 Mobility Index	Pontomobi Linked by Isobar

14 - SUSTAINABILITY

In line with our vision of being an admired company, Localiza actively pursues economic and financial sustainability in order to perpetuate its business and add value for its investors, while also considering the ESG tripod (environment, social responsibility and corporate governance). Our purpose is to perpetuate our business and create shared value for our clients, shareholders, employees, suppliers, societies and communities where the Company operates.

In 2017, we joined the UN Global Compact, a global initiative committed to social and corporate sustainability and actions for a better world. Human Rights, Labor, Environment and Anti-Corruption practices are aligned with the vision of a better world we want to build, coupled with sustainable growth and promotion of citizenship.

Environment

The Company's fleet is new (12 months at most) and is fuel efficient. Approximately 75% of the cars are rated A or B (more efficient and less polluting) in consumption by the National Institute of Metrology, Standardization and Industrial Quality (INMETRO), and are flex-fuel, whenever the model is available. Localiza also has hybrid cars in its fleet, which enable a significant reduction in emissions, and exclusively use ethanol in cars that can use it.

To wash its cars, the Company uses a dry cleaning system, which reduces the water and energy consumption, as well as waste generation, thereby reducing environmental impact. Moreover, the Company only deals with suppliers that correctly dispose of tires.

Car locations in Belo Horizonte have a solar energy system with photovoltaic panels on the roof, which helps reduce greenhouse gas emissions while generating clean and renewable energy.

Localiza’s headquarters employ various sustainable solutions that optimize the use of water and energy resources, such as a building automation system, reduction of paved surface and a garden on the parking lot roof, interlocked block floor (which allows water to return to the water table), reuse of rain water and gray water (used in sinks), devices to reduce water consumption, permeable areas 10% larger than legally required, preservation of environmentally relevant species, smart and automated irrigation of plants and an internal street to reduce traffic on thoroughfares, among others.

Moreover, Localiza Fleet provides its customers with online training on sustainable driving (or eco-driving), which teaches drivers how to use their cars in order to minimize the environmental impacts of vehicle use, such as reduction of accidents and pollutant gas emissions, renovation and maintenance of the fleet, among others.

Social responsibility

The Company participates in social programs through projects focused on culture, social initiatives and education. In 2017, approximately R$2.5 million from income tax benefits was allocated to social institutions supported by the Rouanet Law (R$1.2 million), Sports Incentive Law (R$0.4 million), Social Fund for Children and Adolescents (R$0.4 million), Incentive Law for the Elderly (R$0.4 million) and the National Program for Support to Cancer Care (PRONON) (R$0.1 million). The donations were made to eligible institutions that were previously selected, with a clean record and solid reputation. The main beneficiary institutions or projects, according to the corresponding incentive law, were:

- Rouanet Law: Instituto Inhotim (MG); Teatro Riachuelo (RJ); Sundry musicals (RJ);
- Social Fund for Children and Adolescents: Hospital Pequeno Príncipe (PR); Ramacrisna (MG) and Junior Achievement (MG);
- Law of the Elderly: Cancer Hospital in Barretos (SP), Hospital Angelina Caron (PR), Hospital Paulo de Tarso (MG), Asilo Cidade Ozanam (MG);
- Sports Incentive Law: Minas Tennis Club (MG); ATP Rio Open tournament (RJ); and
- PRONON: Hospital Mário Penna (MG).

Also, in 2017 the Company made donations amounting to R$0.4 million, the bulk of which went to Órbi Conecta, a collaborative workspace to foster innovation and entrepreneurship, located in Belo Horizonte.

The main social projects implemented by the Company in 2017 were:

Acolher Project: Launched in order to build a respectful relationship with the communities surrounding Localiza's headquarters in the Cachoeirinha neighborhood in Belo Horizonte, and to leave a positive legacy for the region.

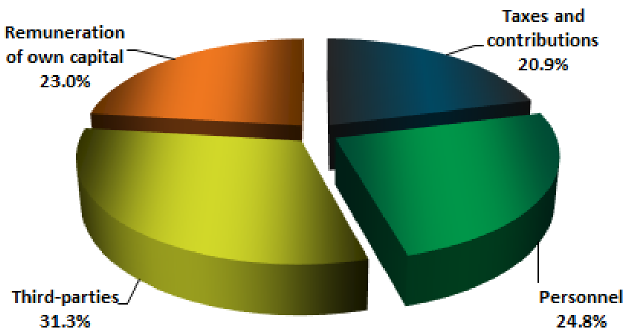
Educational lectures: Every year, Localiza offers lectures to its teams to raise awareness on various topics, such as financial guidance, oral health, respiratory illnesses, heart diseases and eye care, among others.

Suppliers: Contracts with suppliers require that they comply with environmental responsibility and labor laws.

Digital inclusion: Localiza offers free Wi-Fi at bus stops near the Company’s headquarters in the Cachoeirinha neighborhood and at the Localiza Hertz concept rental location in Savassi. The Company believes this initiative will foster connectivity among the people.

Statement of Value Added: This statement shows the importance of the Company to society: Localiza created wealth amounting to R$2,197.9 million in 2017 (R$1,818.4 million in 2016), which was distributed as follows:

Distribution of Value Added



Corporate governance

The Company seeks to implement the best corporate governance practices in terms of fairness, compliance, accountability and transparency, in order to create value for shareholders and the market in general. Since its initial public offering, the Company has joined the Novo Mercado, the highest level of governance on the B3 S.A. – Brasil, Bolsa, Balcão ("B3"), the São Paulo Stock Exchange, giving 100% tag-along rights to all shares.

The Company is managed by a Board of Directors consisting of eight directors, a statutory Executive Board with four officers and a non-statutory Executive Board. In line with Novo Mercado governance practices, the Board of Directors of the Company has four independent members. Localiza currently has no Audit Board.

The Board of Directors has established the following committees: (i) Audit, Risk Management and Compliance, (ii) Personnel Management, and (iii) Strategy, which are only made up of directors, with the majority and the coordinator being independent directors. In addition, the Company has Ethics and Disclosure Committees, which are internal and formed by officers and employees of the Company. The Ethics Committee reports to the CEO and the Disclosure Committee to the CFO.

Board of Directors and Executive Boards: On December 31, 2017, the composition of the Board of Directors and the Executive Boards was as follows:

BOARD OF DIRECTORS

Name	Title	
Salim Mattar	Chairman	Founder
Antônio Claudio Brandão Resende	Vice chairman	Founder
Eugênio Pacelli Mattar	Director	Founder
Flávio Brandão Resende	Director	Founder
Jose Galló	Director	Independent director
Maria Letícia de Freitas Costa	Director	Independent director
Oscar Bernardes	Director	Independent director
Stefano Bonfiglio	Director	Independent director

STATUTORY EXECUTIVE BOARD

Nome	Cargo
Eugênio Pacelli Mattar	CEO of Localiza and Subsidiaries
Roberto Mendes	CFO and IR Officer of Localiza and Subsidiaries
Eugênia Maria Rafael de Oliveira	Statutory Executive Officer of Localiza and Subsidiaries
Heros di Jorge	Statutory Executive Officer of Localiza and Subsidiaries
João Hilário De Ávila Valgas Filho	Statutory Executive Officer of Car Assistance
João Alberto Mazoni Andrade	Statutory Executive Officer of Localiza Fleet
Maurício Fernandes Teixeira	Statutory Executive Officer of Rental Brasil

NON-STATUTORY EXECUTIVE BOARD

Name	Name	Name
Ana Cristina Carvalho Chaves	Cristina Vaz Amaral	José Carlos Batista
Antonio Hiroyuki Hyodo	Daniel Guerra Linhares	Leandro Franco Bacchin
Bernardo Dias Gomide	Daniel Tadeu Pereira	Marcelo Hiroshi Nagassaki
Bruno Sebastian Lasansky	Glauco Fernandes Zebral	Nora Mascarenhas Lanari
Cláudio Luciano Marques	Guilherme Ude Braz	Paulo Henrique de Almeida Pires
Cláudio Zattar	Herbert Viana Andrade	

Accession to Arbitration Chamber: Pursuant to article 40 of the Bylaws of the Company, the Company, its shareholders and managers must resolve, through arbitration, any and all disputes or conflicts that may arise among them, especially regarding or arising from the application, validity, effectiveness, interpretation, violation, and effects thereof, of the provisions of Federal Law 6,404/76, the Bylaws of the Company, the rules issued by the National Monetary Council, the Central Bank of Brazil and the Securities and Exchange Commission of Brazil, as well as any other rules applicable to the operation of capital markets in general, besides those in the Novo Mercado Listing Regulation, the Arbitration Rules, the Regulation on Sanctions and the Novo Mercado Membership Agreement.

ABRASCA Code of Self-Regulation and Good Practices: In line with corporate governance best practices, Localiza has adhered to the ABRASCA Code of Self-Regulation and Good Practices for Publicly Held Companies. The Company also adopts the corporate governance best practices established in B3's Novo Mercado Listing Regulations and complies with the standards suggested by the Brazilian Institute of Corporate Governance ("IBCG").

Code of Ethics: The Company has adopted the Code of Ethics since 1995 for the following purposes: (i) to reduce the subjectivity of interpretations of ethical principles; (ii) to be a formal and institutional reference for the professional conduct of employees; and(iii) to ensure that concerns about efficiency, competitiveness and profitability do not override ethical standards and the law.

Risk Management and Governance: The Company has an Internal Controls and Risk Management Policy prepared to comply with ABRASCA's Code of Self-Regulation; it establishes controls and procedures to prevent errors/frauds and analyze the risks that could affect the Company.

The Company has a hotline operated by a specialized company to receive complaints, anonymously or not, about unethical and/or illegal situations in all companies of the Group. The hotline may be used by the entire team of Localiza and other stakeholders of the Company, such as suppliers, clients and investors, and enables the complainant to track the progress of investigation on their complaint.

To offer employees greater security and tranquility and to encourage them to use the hotline, the Company has a Reporting and Non-Retaliation Policy that prohibits retaliation of any nature against good-faith complainants or employees who are witnesses in internal investigation procedures, and establishes punitive measures on parties responsible for the same.

The hotline available 24x7x365 and can be accessed as follows: (i) telephones: 0800 979 2055 (domestic calls – toll free) and +55 (11) 3232 0786 (international calls); (ii) website: www.canalconfidencial.com.br/localiza; and (iii) e-mail: localiza@canalconfidencial.com.br.

In 2017, the investigation of complaints received and considered valid led to actions that ranged from simple reorientation of conduct to dismissal of employees and disqualification of suppliers, in more serious cases.

Internal Audit and Compliance: The Company has an Internal Audit and Compliance department with functional report to the Audit, Risk Management and Compliance Committee. Its activities are periodically reported to the CEO and submitted for appreciation and supervision of the Committee.

Internal Audit: As part of the Internal Audit activities, rotating fleet inventories are performed in car rental locations and used car stores, and also include workshops and accredited service providers. The inventory procedures include an assessment of compliance with internal operating standards and procedures of the Company branches. Any noncompliance identified is reported to the competent department for action.

The Internal Audit department also audits Company processes to assess the efficiency and effectiveness of internal controls. Any weaknesses identified generate action plans to be implemented by the applicable departments and are periodically monitored for compliance.

Compliance Programs:

- **Anti-Corruption:** Localiza's Anti-Corruption Compliance Program consists of procedures, controls and guidelines for maintaining an ethical and transparent conduct in all professional relations involving the Company, with the main purpose of preventing and combating acts of corruption and acts against public administration. Implemented in 2015, the Anti-Corruption Compliance Program covers the entire Localiza team, including franchisees, and is structured on eight fundamental pillars: support from senior management, risk assessment, internal policies and controls, communication and training, diligence, monitoring and auditing, investigation and reporting, and periodic review of the Program.

  In 2016, Localiza signed the Business Pact for Integrity and Against Corruption (Pact), an initiative of Ethos Institute in partnership with the United Nations Development Program (UNDP), the World Economic Forum, Brazil's Global Compact Network and Patri Public Affairs. Based on the principles of the Pact, Localiza publicly undertook its commitment to fight corruption.

  In 2017, KPMG was hired to audit the Company's Anti-corruption Compliance Program. The audit findings and the proposed recommendations are part of an improvement program to be implemented by the Company.

- **Prevention of Money Laundering and Financing of Terrorism:** Aware of its role in helping to conduct lawful business and in line with national and international efforts to prevent money laundering and terrorism financing, the Company established internal procedures and controls to: (i) prevent the Company from being used for committing these crimes; (ii) in all aspects, contribute to and collaborate with competent authorities; and(iii) fully comply with current laws on the subject.

  The Compliance Program on Prevention of Money Laundering and Terrorism Financing was implemented at the start of 2018 and, in line with applicable laws, covers the operations of the used car sales division.

Relationship with Independent Auditors: Localiza has a policy of not hiring consulting services from the external auditor that issues an opinion on the financial statements in order to avoid potential conflicts that may affect the independence of the audit work.

Deloitte Touche Tohmatsu Auditores Independentes, responsible for auditing the Company's financial statements, was also hired in 2017 to provide tax consulting services, for fees of R$60,000, which corresponds to 7.6% of the fees for auditing the financial statements. The auditors believe these tax consulting services do not represent a loss of independence in the audit work. The Management also believes that these are not included in the list of impediments established in article 23 of CVM Instruction 308/99, and are in line with Resolution CFC 1,311.

15 - PEOPLE MANAGEMENT

The Company's Human Resources practices are based on meritocracy and guided by competitive compensation and recognition, as well as appreciation of employee performance. In order to retain talent, the Company offers its employees career opportunities and professional training.

Benefits and development

Localiza has always dedicated itself to sustainable human resources practices through respect for and well-being of its employees, significant levels of diversity in its leadership ranks and investment in training for its staff. Promotions, internal utilization of employees and professional development are Localiza's values. In 2017, 652 employees were promoted and the Company invested R$2.5 million in training programs.

To attract and retain talent, the Company periodically conducts salary surveys to determine whether its salaries are competitive and update the Company's compensation policies.

In addition to health plan, dental plan and meal allowance, a group of executives may choose to join two long-term incentive plans – Stock Option and Matching Shares. In the Stock Option Plan, executives may (or not) invest 25% or 15% of the net profit sharing amount to purchase Company shares. Each purchased share entitles the executive to three (3) stock options. In the Matching Shares Plan, executives may invest (or not) 25% or 15% of the net profit sharing amount to purchase shares and, for each purchased share, they are entitled to two (2) matching shares.

Localiza was one of the first companies in Brazil to have a structured profit sharing program, since 1990, before profit sharing was even regulated in Brazil. The profit sharing plan is based on the achievement of individual targets. Along with the stock option plan, it aligns the interests of employees with those of the Company's shareholders, contributes to retaining talent and the long-term vision in the decision-making process.

The Company also has a private pension plan to supplement retirement benefits. This plan is based on a "defined contribution" and is managed by a major independent pension fund manager.

In addition, the Company developed a template of seven skills (six for all employees and one exclusively for leaders), which determines the desired conduct to sustain the future growth of the Company and the development of its employees.

In 2017, the general turnover at Localiza was 11.8%, which demonstrates stability at the leadership levels. Talented employees committed to the Company's values and adequately compensated based on meritocracy are capable of outstanding performance, which is fundamental for Localiza's continuous growth.

Programs for employees

Welcome to Localiza: This program is targeted at new employees, who are introduced to the Company's culture, values, mission and business platform. The integration program of new employees spans 14 hours in all, during which they attend lectures by professionals from the Human Resources department and representatives from the business areas.

New Localiza Leader: This program is specially designed for employees recently promoted to leadership positions or professionals hired to serve as leaders. It is based on the principle that leaders must know the Company's business deeply and be prepared to apply its people management practices, through training programs, technical visits and support from the HR department.

Qualification Program: This program is intended for all employees and consists of a series of training programs to develop the technical and behavioral skills identified from an analysis of the points for improvement in the performance appraisal and of the values and skills of the Company.

Being a leader: To train and develop Localiza leaders in People Management practices, the Program is divided into three modules spanning a total of 36 hours. It is administered by employees from different areas of the Human Resources department.

Inclusion program: Localiza has an inclusion program focused on people with disabilities, to promote inclusion and encourage diversity. In addition, it provides training to these employees, providing knowledge on administrative routines and professional conduct in order to make them fit to hold other positions within the Company.

Hiring of immigrants: In partnership with institutions that provide assistance to immigrants, the program was created to hire immigrants and offer them an opportunity to build their future and improve the quality of life. The Company currently employs people of diverse nationalities such as Haiti, Benin, Angola, Nigeria and Senegal.

Diversity Week: Localiza is proud to offer a working environment marked by diversity of races, gender, culture and class, having inclusion as a guideline to build its teams. Therefore, once a year the Company organizes the Diversity Week, which includes several activities such as *capoeira*, Afro dance, lecture on women's empowerment and presentations by people with disabilities, among others. The goal is to demonstrate that treating people equally is what makes Localiza a sustainable, fair and enduring company.

Social Service: Guided by the Company's values and principles, based on respect, ethical conduct and attention to people, this Program focuses on social relations and offers support to employees, their spouses and children to help them overcome social issues, identifying resources to improve their life in terms of health, social protection and quality of life.

Live Better Program: Created in 2005, this program is focused on health issues, awareness and well-being of employees through initiatives such as road safety campaigns, dissemination of information related to prevention and early diagnosis of breast and prostate cancer, programs to support pregnant women and specific health promotion and management programs.

Social Statement

			2016			2017
Calculation basis of consolidated social indicators - R$ thousand						
Net revenue ("NR")			4,439,273			6,058,279
Earnings before taxes ("EBT")			527,628			654,135
Gross payroll ("GP")			448,638			524,177
Internal social indicators	**Amount R$ thousand**	**% on GP**	**% on NR**	**Amount R$ thousand**	**% on GP**	**% on NR**
Meals	30,083	7%	1%	37,124	7%	1%
Compulsory payroll taxes	95,254	21%	2%	108,949	21%	2%
Health	29,627	7%	1%	35,194	7%	1%
Professional training and development	993	0%	0%	2,455	0%	0%
Daycare centers or childcare allowance	285	0%	0%	255	0%	0%
Profit sharing	66,517	15%	1%	75,252	14%	1%
Other	6,707	1%	0%	11,084	2%	0%
Total - internal social indicators	**229,466**	**51%**	**5%**	**270,313**	**51%**	**5%**
External social indicators	**Amount R$ thousand**	**% on EBT**	**% on NR**	**Amount R$ thousand**	**% on EBT**	**% on NR**
Education	306	0%	0%	442	0%	0%
Culture	1,199	0%	0%	1,354	0%	0%
Other	305	0%	0%	417	0%	0%
Total contributions to society	**1,810**	**0%**	**0%**	**2,213**	**0%**	**0%**
Taxes (excluding payroll taxes) (*)	282,298	54%	6%	356,502	55%	6%
Total - external social indicators	**284,108**	**54%**	**6%**	**358,715**	**55%**	**6%**
Staff indicators			**2016**			**2017**
Number of employees at the end of the period			6,324			7,121
Number of new hires during the period			1,454			1,981
Number of third-party workers			132			479
Number of interns			20			59
Number of employees above 45 years old			712			838
Number of female employees			2,774			3,087
% of lead positions held by female employees			49.34%			48.83%
Number of disabled employees			281			310

(*) Does not include approximately R$674.6 million of Value-Added Tax on Sales and Services (ICMS) and R$438.9 million of Excise Tax (IPI) paid by the Company and included in the purchase price of cars.

Localiza Rent a Car S.A.

Financial statements for the year ended December 31, 2017 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE
INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholders of
Localiza Rent a Car S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Localiza Rent a Car S.A. ("Company"), identified as parent and consolidated, respectively, which comprise the balance sheet as at December 31, 2017, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Localiza Rent a Car S.A. as at December 31, 2017, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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

Deloitte.

Definition of the vehicles depreciation amount

As stated in note 9 to the individual and consolidated financial statements, the Company estimates the depreciation amount of vehicles considering the net book value expected when vehicles are sold. Such estimate is based on the future selling amount at the end of the useful lives, less trade discounts and selling expenses, calculated based on the amounts collected in prior periods.

We considered it a key audit matter in our audit, since the vehicles depreciation calculation constitutes an accounting estimate based on assumptions that require Management's judgment and assessment, especially those concerning commissions, other selling expenses and discounts. Changes in the assumptions adopted to determine the net book value can lead to material adjustments in those assets and depreciation amounts recorded for the year.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) assessing the design and implementation of the relevant internal controls implemented by Management, which involve the vehicles depreciation calculation; (ii) obtaining, with Management, an understanding of the main assumptions adopted to determine the net book value of property, plant and equipment, such as the estimated selling price at the end of the useful lives, the sales commissions and other selling expenses and discounts applied; (iii) matching, on a sample basis, the estimated net book values to the fair values considering the selling prices of similar vehicles disclosed; (iv) recalculating the depreciation recognized in the year; and (v) analyzing Management's disclosures made in the individual and consolidated financial statements.

In view of the criteria and assumptions adopted by Management in measuring the net book values of vehicles, the outcome of our procedures was considered appropriate in the context of the individual and consolidated financial statements taken as a whole.

Provisions and contingent liabilities

The Company and its subsidiaries recognize provisions for present obligations as a result of past events, when the obligation amount can be reliably estimated and its settlement is probable, or liabilities arising on civil, tax, social security and labor lawsuits.

We considered it a key audit matter in our audit mainly due to: (i) the high degree of estimation involved; (ii) the fact that such area involves discussions about the merits and procedural aspects; and (iii) the materiality of the relevant balances, i.e., R$89,784 thousand (Parent) and R$126,490 thousand (consolidated) as at December 31, 2017.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) obtaining confirmation from the law firms handling the cases as to the likelihood of loss and relevant amount of each lawsuit; (ii) involving the most senior members of the engagement team and tax specialists in the analysis of documentation that required our significant judgment, such as the outside legal counsel's opinions and available court rulings; and (iii) analyzing Management's disclosures made in the individual and consolidated financial statements.

In view of the criteria and assumptions adopted by the Company's Management in recognizing the provisions for contingent liabilities, as well as Management's disclosures, the outcome of our procedures was considered appropriate in the context of the individual and consolidated financial statements taken as a whole.

Disclosures on the nature of provisions recognized and provisions for contingent liabilities are described in note 15 to the individual and consolidated financial statements.

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Business combination

As described in note 7 to the individual and consolidated financial statements, the acquisition of Car Rental Systems' capital shares was completed on August 31, 2017, upon which the Company acquired 100% of its assets and liabilities. In the consolidated financial statements, the acquisition of Car Rental Systems was recognized at the fair value of assets acquired and liabilities assumed by subsidiary Localiza Fleet on the acquisition date, whereas the excess of the consideration paid was recorded as goodwill.

We considered it a key audit matter in our audit, since the business combination involved Management's judgment and a high degree of estimation uncertainty while measuring the fair value of acquired assets and liabilities, mainly with respect to the measurement of the fair value of property, plant and equipment and assessment of possible intangible assets identifiable in the business combination transaction.

How the matter was addressed in our audit

Our audit procedures included: (i) assessing the relevant internal controls over the review of such unusual transaction, mainly with respect to the appraisal report review and the business combination process; (ii) analyzing, supported by our asset valuation specialists, the asset and liability appraisal report prepared by independent appraisers, besides determining the reasonableness of the adopted methodology, challenging the assumptions and criteria used to measure the fair value of property, plant and equipment items and identifiable intangible assets acquired in the business combination, as well as the fair value of assumed liabilities; and (iii) analyzing Management's disclosures made in the individual and consolidated financial statements.

In view of the criteria and assumptions adopted by Management in measuring the fair value of assets and liabilities and goodwill arising on the business combination, the outcome of our procedures was considered appropriate in the context of the individual and consolidated financial statements taken as a whole

Other matters

Corresponding figures audited by predecessor auditors

The Company's individual and consolidated financial statements for the year ended December 31, 2016 were audited by other independent auditors, who issued a report thereon, dated February 3, 2017, containing an unmodified opinion on those financial statements.

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2017, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated whether these individual and consolidated statements of value added are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

Management is responsible for the other information. The other information comprises the Management Report and Earnings Release.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and Earnings Release and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and Earnings Release and, in doing so, consider whether these reports are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report and Earnings Release, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

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

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

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

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

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Belo Horizonte, March 7, 2018

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Walmir Bolgheroni
Engagement Partner

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LOCALIZA RENT A CAR S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2017
(In thousands of brazilian reais – R$)

A S S E T S

	Note	Individual 12/31/17	Individual 12/31/16	Consolidated 12/31/17	Consolidated 12/31/16
Current assets					
Cash and cash equivalents	*4*	829,737	1,133,711	1,338,195	1,692,261
Financial assets	*5*	1,158,867	-	1,275,699	-
Accounts receivable	*6*	441,364	336,457	585,124	424,528
Dividends receivable from subsidiaries	*8(b)(i)*	39,812	7,472	-	-
Other current assets	*7*	100,879	87,174	128,620	117,185
Decommissioned cars for fleet renewal	*9(b)*	27,033	441	103,350	8,787
Total current assets		**2,597,692**	**1,565,255**	**3,430,988**	**2,242,761**
Non-current assets					
Long-term assets:					
Accounts receivable	*6*	-	-	4,698	3,169
Escrow deposits	*15*	51,716	38,144	83,124	60,127
Deferred income tax and social contribution	*16(a)*	-	-	41,953	-
Other non-current assets	*7*	83	861	58,062	7,469
Total long-term assets		51,799	39,005	187,837	70,765
Investments in subsidiaries	*8(a)*	949,169	851,109	-	-
Property and equipment	*9(a)*	5,356,734	3,508,455	7,483,974	5,020,596
Intangible assets:					
Software	*10(a)*	46,380	55,612	52,716	61,056
Goodwill on acquisition of investments	*10(b)*	-	-	30,719	22,077
Total non-current assets		**6,404,082**	**4,454,181**	**7,755,246**	**5,174,494**
Total assets		**9,001,774**	**6,019,436**	**11,186,234**	**7,417,255**

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

LOCALIZA RENT A CAR S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2017
(In thousands of brazilian reais – R$)

L I A B I L I T I E S   A N D   E Q U I T Y

		Individual		Consolidated	
	Note	12/31/17	12/31/16	12/31/17	12/31/16
Current liabilities					
Trade payables	*11*	1,157,954	803,601	1,331,680	910,901
Payroll and related taxes	*12*	91,323	73,224	109,176	94,982
Loans, financing, marketable securities and swap	*13*	237,790	407,425	537,216	654,586
Income tax and social contribution payable		1,973	8,530	31,258	23,036
Dividends and interest on capital	*17(b)*	36,384	39,749	36,384	39,749
Other current liabilities	*14*	172,041	108,993	188,384	118,445
Total current liabilities		**1,697,465**	**1,441,522**	**2,234,098**	**1,841,699**
Non-current liabilities					
Loans, financing, marketable securities and swap	*13*	4,527,539	2,280,369	5,940,463	3,131,303
Provisions	*15*	89,784	48,457	126,490	63,074
Deferred income tax and social contribution	*16(a)*	79,941	46,017	219,706	171,913
Other non-current liabilities	*14*	6,320	6,081	64,752	12,276
Total non-current liabilities		**4,703,584**	**2,380,924**	**6,351,411**	**3,378,566**
Total liabilities		**6,401,049**	**3,822,446**	**8,585,509**	**5,220,265**
Equity					
Capital	*17(a)*	1,500,000	976,708	1,500,000	976,708
Capital reserves	*17(c)*	148,635	129,803	148,635	129,803
Treasury shares	*17(d)*	(53,696)	(95,826)	(53,696)	(95,826)
Earnings reserves	*17(e)*	768,893	949,412	768,893	949,412
Earnings retention reserve	*17(f)*	236,893	236,893	236,893	236,893
Total equity		**2,600,725**	**2,196,990**	**2,600,725**	**2,196,990**
Total liabilities and equity		**9,001,774**	**6,019,436**	**11,186,234**	**7,417,255**

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

LOCALIZA RENT A CAR S.A.

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In thousands of brazilian reais – R$, except earnings per share)

		Individual		Consolidated	
	Note	**2017**	**2016**	**2017**	**2016**
Net revenue	*20*	4,749,618	3,398,560	6,058,279	4,439,273
Costs	*21*	(3,654,523)	(2,577,830)	(4,410,855)	(3,149,234)
Gross profit		**1,095,095**	**820,730**	**1,647,424**	**1,290,039**
Operating income (expenses):					
Selling	*21*	(376,235)	(286,642)	(459,970)	(364,089)
General, administrative and other expenses	*21*	(175,343)	(124,990)	(218,320)	(154,758)
Equity in the earnings of subsidiaries	*8(a)*	227,045	206,931	-	-
		(324,533)	(204,701)	(678,290)	(518,847)
Profit before finance income and costs		**770,562**	**616,029**	**969,134**	**771,192**
Finance result:	*22*				
Finance income		136,860	149,183	196,884	201,948
Finance costs		(351,597)	(336,101)	(511,883)	(445,512)
		(214,737)	(186,918)	(314,999)	(243,564)
Profit before income tax and social contribution		**555,825**	**429,111**	**654,135**	**527,628**
Income tax and social contribution:	*16(b)*				
Current		(16,225)	(22,354)	(119,362)	(88,014)
Deferred		(33,924)	2,558	(29,097)	(30,299)
		(50,149)	(19,796)	(148,459)	(118,313)
Net income		**505,676**	**409,315**	**505,676**	**409,315**
Net income attributable to shareholders		-	-	505,676	409,315
Earnings per share (in R$):	*18*				
Basic		0.76866	0.62404	0.76866	0.62404
Diluted		0.76225	0.62328	0.76225	0.62328

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In thousands of brazilian reais – R$)

	Individual		Consolidated	
	2017	**2016**	**2017**	**2016**
Net income	**505,676**	**409,315**	**505,676**	**409,315**
Other comprehensive income				
Items that will be reclassified to profit or loss in subsequent periods	-	-	-	-
Items that will not be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive income	**505,676**	**409,315**	**505,676**	**409,315**
Attributable to shareholders:	505,676	409,315	505,676	409,315

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

LOCALIZA RENT A CAR S.A.

INDIVIDUAL AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(In thousands of brazilian reais – R$)

				Capital reserves		Earnings reserves				
	Note	Capital	Treasury shares	Stock options granted recognized	Goodwill on share subscription	Legal reserve	Statutory reserve	Earnings retention	Retained earnings	Total
Balances as at December 31, 2015		**976,708**	**(77,988)**	**14,590**	**99,321**	**100,159**	**828,787**	**-**	**-**	**1,941,577**
Stock options granted recognized	*17(c)(i)*	-	-	4,868	-	-	-	-	-	**4,868**
Exercise of stock options with treasury shares	*17(c)(ii) e (iii), 17(d)*	-	7,158	(8,899)	19,923	-	-	-	-	**18,182**
Treasury shares acquired	*17(d)*	-	(24,996)	-	-	-	-	-	-	**(24,996)**
Net income for the year		-	-	-	-	-	-	-	409,315	**409,315**
Allocation of net income for the year:										
Legal reserve	*17(e)(i)*	-	-	-	-	20,466	-	-	(20,466)	**-**
Interest on capital (R$0.20(*) per share)	*17(b)*	-	-	-	-	-	-	-	(151,956)	**(151,956)**
Earnings retention	*17(f)*	-	-	-	-	-	-	236,893	(236,893)	**-**
Balances as at December 31, 2016		**976,708**	**(95,826)**	**10,559**	**119,244**	**120,625**	**828,787**	**236,893**	**-**	**2,196,990**
Capital increases	*17(a)*	523,292	-	-	-	-	(523,292)	-	-	**-**
Stock options granted recognized	*17(c)(i)*	-	-	8,738	-	-	-	-	-	**8,738**
Exercise of stock options with treasury shares	*17(c)(ii) e (iii), 17(d)*	-	39,994	-	8,628	-	-	-	-	**48,622**
Treasury shares sold	*17(d)*	-	2,136	-	1,466	-	-	-	-	**3,602**
Transfer of goodwill on share subscription for stock options granted recognized	*17(c)(i)*	-	-	31,575	(31,575)	-	-	-	-	**-**
Net income for the year		-	-	-	-	-	-	-	505,676	**505,676**
Allocation of net income for the year:										
Legal reserve	*17(e)(i)*	-	-	-	-	25,283	-	-	(25,283)	**-**
Interest on capital (R$0.21 per share)	*17(b)*	-	-	-	-	-	-	-	(162,903)	**(162,903)**
Constitution of statutory reserve	*17(f)(ii)*	-	-	-	-	-	317,490	-	(317,490)	**-**
Balances as at December 31, 2017		**1,500,000**	**(53,696)**	**50,872**	**97,763**	**145,908**	**622,985**	**236,893**	**-**	**2,600,725**

(*) For comparison purposes, the interest on capital per share was adjusted considering the stock bonus and stock split mentioned in note 17(a).

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In thousands of brazilian reais – R$)

		Individual		Consolidated	
	Note	**2017**	**2016**	**2017**	**2016**
Cash flows from operating activities:					
Net income for the year		**505,676**	**409,315**	**505,676**	**409,315**
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:					
Depreciation and amortization	*9, 10 e 21*	151,996	124,331	271,066	244,470
Residual value of cars written off		2,639,275	1,809,841	3,106,590	2,102,520
Deferred income tax and social contribution	*16(b)*	33,924	(2,558)	29,097	30,299
Equity in the earnings of subsidiaries	*9(a)*	(227,045)	(206,931)	-	-
Provisions for contingencies	*15(a)*	41,327	13,295	55,516	15,771
Other		24,531	10,674	26,226	11,182
(Increase) Decrease in assets:					
Trade receivables	*6*	(117,093)	32,585	(151,776)	56,791
Acquisition of cars (see supplementary disclosure below)	*9 e 11*	(4,232,957)	(2,593,121)	(5,052,461)	(3,098,913)
Escrow deposits	*15(a)*	(13,572)	(4,592)	(17,479)	(7,227)
Recoverable taxes		(1,646)	(3,102)	2,609	(5,954)
Prepaid expenses		(1,917)	(4,977)	2,651	(4,977)
Other assets		(11,395)	(31,462)	(8,691)	1,333
Increase (Decrease) in liabilities:					
Trade payables (except car manufacturers)	*11*	5,473	25,355	(4,795)	29,587
Payroll and related taxes	*12*	18,099	7,932	7,460	9,392
Income tax and social contribution	*16(b)*	16,225	22,354	119,362	88,014
Interest on loans, financing, marketable securities and fixed-rate swap	*13*	319,674	328,691	476,234	438,052
Insurance premiums		19,299	8,577	19,299	8,577
Other liabilities		46,962	(8,590)	40,096	(19,445)
Cash provided by (used in) operating activities		**(783,164)**	**(62,383)**	**(573,320)**	**308,787**
Income tax and social contribution paid		(22,969)	(18,709)	(108,312)	(93,283)
Interest on loans, financing and marketable securities paid	*13*	(341,459)	(314,370)	(485,697)	(442,292)
Short-term financial assets	*5*	(1,158,867)	-	(1,275,699)	-
Net cash used in operating activities		**(2,306,459)**	**(395,462)**	**(2,443,028)**	**(226,788)**
Cash flows from investing activities:					
Capital increase in subsidiary	*8(a)*	(100,000)	-	-	-
Dividends from subsidiaries	*8(a)(iii)*	196,736	236,073	-	-
Purchase of other property and equipment	*9*	(76,966)	(22,238)	(167,776)	(117,800)
Purchase of intangible assets	*10*	(4,173)	(6,795)	(7,229)	(8,790)
Investments in new subsidiary	*8(a)*	-	-	(333,192)	-
Net cash provided by (used in) investing activities		**15,597**	**207,040**	**(508,197)**	**(126,590)**

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In thousands of brazilian reais – R$)

		Individual		Consolidated	
	Note	2017	2016	2017	2016
Cash flows from financing activities:					
Loans and financing and promissory notes:	*13*				
- Funding		648,605	-	950,110	266,312
- Repayments		(219,621)	(1,397)	(510,218)	(297,870)
Debentures:	*13*				
- Funding		1,777,546	693,172	2,626,909	943,395
- Repayments		(105,000)	(105,000)	(355,000)	(105,000)
Treasury shares (acquired) sold	*17(d)*	2,136	(24,996)	2,136	(24,996)
Exercise of stock options with treasury shares, net	*17(c) e (d)*	50,088	18,182	50,088	18,182
Dividends	*17(b)*	-	(1,042)	-	(1,042)
Interest on capital	*17(b)*	(166,866)	(138,445)	(166,866)	(138,445)
Net cash provided by financing activities		**1,986,888**	**440,474**	**2,597,159**	**660,536**
Cash flows provided (used) during the year		**(303,974)**	**252,052**	**(354,066)**	**307,158**
Cash and cash equivalents:					
At the beginning of the year	*4*	1,133,711	881,659	1,692,261	1,385,103
At the end of the year	*4*	829,737	1,133,711	1,338,195	1,692,261
Increase (Decrease) in cash and cash equivalents		**(303,974)**	**252,052**	**(354,066)**	**307,158**

Supplementary disclosure of cash flows information

		Individual		Consolidated	
	Note	2017	2016	2017	2016
Acquisition of cars:					
For fleet renewal		(3,064,800)	(2,106,495)	(3,660,839)	(2,563,639)
For fleet growth		(1,517,037)	(675,697)	(1,807,013)	(725,994)
Total acquisition of cars	*9*	**(4,581,837)**	**(2,782,192)**	**(5,467,852)**	**(3,289,633)**
Trade payables – car manufacturers:	*11*				
Balance at the end of the year		(1,047,666)	(698,786)	(1,197,455)	(782,064)
Balance at the beginning of the year		(698,786)	(509,715)	(782,064)	(591,344)
		348,880	189,071	415,391	190,720
Cash outflow for car acquisition		**(4,232,957)**	**(2,593,121)**	**(5,052,461)**	**(3,098,913)**
Revenue from cars sold for fleet renewal, net of taxes	*20*	2,904,439	1,988,930	3,451,119	2,342,559
Net cash outflow for investment in fleet		**(1,328,518)**	**(604,191)**	**(1,601,342)**	**(756,354)**

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

LOCALIZA RENT A CAR S.A.

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In thousands of brazilian reais – R$)

		Individual		Consolidated	
	Note	**2017**	**2016**	**2017**	**2016**
Revenues:					
Gross revenue net of discounts	*20*	4,796,844	3,454,372	6,130,159	4,514,619
Revenues related to the construction of owned assets and leasehold improvements		13,253	9,703	13,253	9,703
Constitution of allowance for doubtful debts, net of reversals	*6*	(12,186)	(5,801)	(12,101)	(6,321)
Total revenues		**4,797,911**	**3,458,274**	**6,131,311**	**4,518,001**
Costs and expenses acquired from third parties:					
Materials, energy, third-party services and others		(249,864)	(182,590)	(276,157)	(197,663)
Costs of car and fleet rental and residual value of cars written off		(3,005,461)	(2,067,733)	(3,583,023)	(2,459,417)
Total costs and expenses acquired from third parties		**(3,255,325)**	**(2,250,323)**	**(3,859,180)**	**(2,657,080)**
Gross wealth generated		**1,542,586**	**1,207,951**	**2,272,131**	**1,860,921**
Depreciation and amortization	*21*	(151,996)	(124,331)	(271,066)	(244,470)
Net wealth created		**1,390,590**	**1,083,620**	**2,001,065**	**1,616,451**
Wealth received in transfer:					
Finance income	*22*	136,860	149,183	196,884	201,948
Equity in the earnings of subsidiaries	*8(a)*	227,045	206,931	-	-
Wealth for distribution		**1,754,495**	**1,439,734**	**2,197,949**	**1,818,399**
Wealth distributed					
Taxes, fees and contributions					
- Federal		187,610	121,846	329,283	254,221
- State		71,591	53,044	100,042	75,392
- Municipal		22,717	14,919	29,926	20,025
Personnel					
- Direct remuneration		324,196	270,604	417,603	358,810
- Benefits		72,152	55,437	87,566	67,061
- Severance pay fund (FGTS)		24,268	18,387	30,382	24,716
- Other		8,917	4,867	8,917	4,867
Remuneration of third-party capital					
- Interest	*22*	351,597	336,101	511,883	445,512
- Property rentals	*21*	170,845	142,469	161,201	145,207
- Other rents		14,926	12,745	15,470	13,273
Remuneration of own capital					
- Interest on capital	*17(b)*	162,903	151,956	162,903	151,956
- Retained earnings		342,773	257,359	342,773	257,359
Wealth distributed and retained		**1,754,495**	**1,439,734**	**2,197,949**	**1,818,399**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

1. GENERAL INFORMATION

Localiza Rent a Car S.A. ("Localiza" or "Company"), headquartered at Avenida Bernardo de Vasconcelos, 377, Bairro Cachoeirinha, in Belo Horizonte, Minas Gerais State, has been since May 2005 a Brazilian publicly-held company, listed in B3 S.A. - Brasil, Bolsa, Balcão ("B3") Novo Mercado segment, which characterizes the highest corporate governance level in Brazilian capital market. Localiza's shares are traded under the ticker symbol RENT3.

Localiza and its subsidiaries are mainly engaged in: car rental, fleet rental and franchising. In order to renew the fleet, Localiza, its direct subsidiary Localiza Fleet S.A. ("Localiza Fleet") and its indirect subsidiary Localiza Car Rental Systems S.A. ("Car Rental Systems" or "Hertz Brasil"), former Car Rental Systems do Brasil Locação de Veículos Ltda. sell their decommissioned cars, thereby generating cash for the purchase of new cars.

On August 31, 2017, the closing of the acquisition of 100% of the quotas of Car Rental Systems has occurred, with a total fleet of 8,162 cars, which includes 3,541 cars in the fleet rental division and 4,621 cars in the car rental division. As part of the strategic alliance between the two companies, Localiza and The Hertz Corporation ("Hertz Corp.") established a global and long-term agreement. See further information in note 8.

As of December 31, 2017, the Localiza Platform (including its franchisees in Brazil and abroad) was comprised of 588 car rental locations, being: (i) 517 locations in 360 cities in Brazil, 384 of which were operated by Localiza and 133 by franchisees; and (ii) 71 locations in 42 cities in 6 South American countries, all operated by franchisees.

On the same date, Localiza's Platform fleet was comprised of 194,279 cars, of which: (i) 180,455 belonged to the Company, including 135,578 of the Car Rental Division and 44,877 of the Fleet Rental Division; (ii) 8,511 (unaudited) belonged to its franchisees in Brazil; and (iii) 5,313 (unaudited) belonged to its franchisees abroad. Decommissioned cars are substantially sold to final consumers through 99 points of sale owned by the Company, located in 65 cities throughout Brazil, without intermediation costs, maximizing cash flow generation for fleet renewal and reducing the depreciation cost.

2. BASIS OF PREPARATION, PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The Company's financial statements comprise individual and consolidated financial statements, identified as "individual" and "consolidated", and are prepared and presented in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), and also in accordance with the accounting practices adopted in Brazil. In turn, the accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law as well as the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities Commission ("CVM"), and disclose all relevant information that should be reported in the financial statements, and only such information, which is consistent with the information used by Management in the performance of its duties.

2.2. Basis of preparation

The financial statements have been prepared based on historical cost, normally at the fair value of the consideration paid in exchange for an asset, except for the remuneration costs relating to the long-term incentive plans, investment fund units and the derivative financial instruments, which are measured at fair value.

2.3. Consolidation basis and investments in subsidiaries

The consolidated financial statements have been prepared in conformity with the practices described in note 2.7 and other notes, and include the individual financial statements of the parent company and of its Brazilian and foreign subsidiaries, which were prepared under the equity method of accounting.

In consolidation, the parent company's interests in the subsidiaries' shareholders' equity were eliminated, as well as intercompany asset and liability balances, revenues, costs and expenses arising from transactions carried out between the companies. The classification of the consolidated accounts follows the parent company's grouping assumptions.

The Company's direct and indirect subsidiaries are summarized in note 8(a).

2.4. Key accounting judgments and sources of estimative uncertainties

The preparation of financial statements requires Management to make judgments and prepare estimates and assumptions based on past experience and other factors considered significant that affect the reported amounts of assets, liabilities, as well as amounts of revenues, costs and expenses. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements.

The significant estimates and assumptions are used mainly in the: (i) accounting for the provision for impairment losses on trade receivables from customers (provision for impairment of trade receivables (note 6)); (ii) definition of the useful lives and net book values of property and equipment items (note 9); (iii) accounting for provisions (note 15); (iv) accounting for deferred income tax and social contribution (note 16(a)); (v) measurement of long-term incentive plans (note 17(c) (i)); and (vi) determination of the fair value of financial instruments (note 23(c)).

The Company reviews its estimates and assumptions on a quarterly basis, except for the long-term incentive plans, which are reviewed annually. The effects of these reviews are recognized in the period in which the estimates are reviewed and changed, if they impact only that period, or also in subsequent periods, if they impact both current and future periods.

2.5. Functional and reporting currency

The Brazilian real is the functional currency of Company and the reporting currency of the individual and consolidated financial statements. Financial information is presented in thousands of Brazilian Reais, unless otherwise indicated, and is rounded to the nearest thousand. The financial statements of foreign subsidiaries are translated into Brazilian Reais at the foreign exchange rates prevailing on the balance sheet dates. The effects of such translation on net income (R$80 in 2017 and R$99 in 2016) and shareholders' equity are immaterial.

2.6. Statement of value added

The purpose of this statement is to evidence the wealth created by the Company and its distribution during a certain period and is presented as part of its financial statements, as required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies. This statement is not established or required by IFRS.

The statement of value added has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements and following the requirements in CPC 09 - Statement of Value Added. The first part shows the wealth created by the Company, represented by revenues, by costs and expenses acquired from third parties and value added received in transfer. The second part presents the distribution of wealth among taxes and contributions, personnel and remuneration of third-party and own capital.

2.7. Summary of significant accounting practices

The main accounting practices applied in the preparation of these financial statements, individual and consolidated, are summarized below or in the notes related to the respective account, in accordance with CPC 26 (R1) - Presentation of Financial Statements and ICPC 09 (R2) - Parent Company, Separate and Consolidated Financial Statements and Application of the Equity Method, and were consistently applied in the years presented for Localiza and its subsidiaries.

2.7.1. Net revenue – Net revenue is measured by the value of the consideration received or receivable, net of deductions, discounts and sales taxes and is recognized to the extent that the generation of economic benefits to the Company is probable and may be reliably measured. Each of the Company's revenue categories is detailed as follows:

- **Car Rental:** Car rental revenues are recognized on a daily basis according to the rental contracts entered into with customers. Revenues from the regulation of insurance claims, as well as the revenues from insurance intermediation with the insurer, for the account and option of customers when cars are rented, are recognized on a monthly basis and are reported together in the caption "revenue from Car Rental", because these are ancillary revenues to car rental;

- **Fleet Rental:** Fleet rental revenues are recognized on a monthly basis over the rental contract period, including fleet rental and maintenance management service when the client opts for the reimbursement model;

- **Sale of decommissioned cars:** The proceeds from the sales of decommissioned cars for fleet renewal are recorded upon the delivery of cars, which is the moment when their ownership is transferred to the buyer; and

- **Franchising:** Franchise revenues are based on a percentage of franchised car rental revenue and are recognized on a monthly basis. They also include the "franchise fee" corresponding to the amounts paid by the franchisee in acquiring the right to operate a branch by means of Localiza's Corporate Franchise in a given operating area for predefined periods. The franchise fee is recognized in profit or loss over the term of the agreement.

2.7.2. Costs and expenses – Costs and expenses are recorded in the income statement when incurred, on the accrual basis of accounting. Provisions are recorded based on estimates according to note 2.4.

2.7.3. Financial income – Interest income from financial assets is recognized based on the time and effective interest rate on the outstanding principal amount on the balance sheet dates.

2.7.4. Adjustment to present value – Monetary assets and liabilities are calculated and adjusted to present value only when the effect is considered material in relation to the financial statements taken as a whole. For accounting purposes and significance determination, the adjustments to present value are calculated taking into account contractual cash flows and the effective average cost of the Company's debt. On December 31, 2017 and 2016, the Company concluded that it was not necessary to make adjustments to the present value since its current and non-current assets and liabilities do not show significant effects when adjusted to present value.

2.7.5. Impairment of non-financial assets – The Company evaluates at least annually if there is any indication of an extraordinary impairment of property and equipment, and intangible assets - software. If there is any indication of impairment, the recoverable amount of the asset is estimated to measure the impairment loss. In 2017 and 2016, no adjustments of this nature were recognized.

In addition, Localiza tests for impairment the goodwill on acquisition of an investment at least annually. No impairments were recorded in 2017 and 2016 as the tests did not indicate losses.

2.7.6. Assets and liabilities subject to inflation adjustment – Assets and liabilities in Brazilian Reais subject to contractual or legal indexation are adjusted on the balance sheet dates through the application of the corresponding index. Gains and losses from inflation adjustments are recognized in profit and loss on the accrual basis of accounting.

2.7.7. Indemnities and claims – Localiza offers to customers the option of contracting insurance for the rented cars with an insurance company. Premiums received are recorded in liabilities under "other current liabilities". When the policies are issued by the insurance company, the premiums received are reclassified to "trade accounts payable" and, subsequently, transferred to the insurance company, which assumes the risk arising from any potential damages. The expenses incurred by Localiza on claims and indemnities, as well as any losses on stolen cars, are accounted for in assets under the caption "other current assets" until effectively received from the insurance company.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS AND INTERPRETATIONS

3.1. Recently issued accounting pronouncements and interpretations adopted by the Company

- **Review of IAS 7 – Statement of Cash Flows:** The amendments require additional disclosures allowing the users of the financial statements to understand and evaluate changes in liabilities resulting from financing activities, including changes arising or not from cash flows.

- **Review of IAS 12 – Taxes on profit:** The amendments clarify the accounting of deferred tax assets for unrealized losses in debt instruments measured at fair value. The entities must consider whether there is any restriction in the tax legislation regarding the sources of taxable profit against which they will be able to make deduction on the reversal of such deductible temporary difference. Furthermore, guidelines are established regarding how an entity must determine future taxable profit, explaining the circumstances where the taxable profit can include the recovery of certain assets at amounts that exceed their carrying amount.

In December 2016, CVM issued its Decision 761/16 and approved the Review of Technical Pronouncements nº 10, which is the equivalent to these two IAS standards. This review did not cause effects on these financial statements.

3.2. Recently issued accounting pronouncements and interpretations and not yet adopted by the Company

The following IFRS were issued by IASB but did not come into force in 2017. The early adoption of standards, even though encouraged by IASB, is not permitted in Brazil by the CPC.

- **IFRS 9 - Financial Instruments:** In July 2014, IASB issued the IFRS 9 pronouncement, which addresses the recognition and measurement of financial assets and liabilities, as well as contracts for purchase and sale of non-financial items. This standard replaces IAS 39 - Financial Instruments: Recognition and Measurement. In December 2016, CVM issued its Decision 763/16 and approved CPC 48, which is the equivalent to this IFRS. The adoption will be required as from January 1, 2018. The Company and its subsidiaries plan to adopt the new standard on the required date and will not restate information for comparison purposes.

  In 2017, the Company conducted a detailed assessment of the impact from the two aspects of IFRS 9 applicable to the Company. This assessment was based on information available and may be subject to changes arising out of reasonable information grounded on arguments that will be made available in 2018, when the Company will adopt IFRS 9. Except for the effect of applying impairment requirements of IFRS 9, the Company does not expect any other significant impact on the balance sheet and statement of changes in equity. The Company expects an increase in allowance for losses in accounts receivable, with the respective impact on equity, as described below, in “impairment losses”.

  Classification and measurement

  The Company does not expect a significant impact on its balance sheet or shareholders' equity when applying the classification and measurement requirements of IFRS 9. Investments, as well as trade account receivables, are maintained to capture contractual cash flows and should generate cash flows representing only payments of principal and interest. Localiza and its subsidiaries analyzed the contractual cash flow characteristics of these instruments and concluded that they meet the amortized cost measurement criteria in accordance with IFRS 9.

  The following table shows the classification of financial assets on December 31, 2017 and how they will be classified as from the adoption date, starting on January 1, 2018:

	Individual			
	12/31/17 – CPC 38/IAS 39		01/01/18 – CPC 48/IFRS 9	
	Loans and receivables	**Fair value through profit or loss**	**Amortized cost**	**Fair value through profit or loss**
Cash and cash equivalents (note 4)	10,593	819,144	10,593	819,144
Financial assets (note 5)	432,993	725,874	432,993	725,874
Accounts receivable (note 6)	441,364	-	441,364	-
Escrow deposits (note 15)	51,716	-	51,716	-
Total	**936,666**	**1,545,018**	**936,666**	**1,545,018**

	Consolidated			
	12/31/17 – CPC 38/IAS 39		01/01/18 – CPC 48/IFRS 9	
	Loans and receivables	**Fair value through profit or loss**	**Amortized cost**	**Fair value through profit or loss**
Cash and cash equivalents (note 4)	33,289	1,304,906	33,289	1,304,906
Financial assets (note 5)	450,171	825,528	450,171	825,528
Accounts receivable (note 6)	589,822	-	589,822	-
Escrow deposits (note 15)	83,124	-	83,124	-
Investments in restricted accounts (note 7)	40,584	-	40,584	-
Total	**1,196,990**	**2,130,434**	**1,196,990**	**2,130,434**

Impairment

IFRS 9 requires the Company to record the expected credit losses on all of its financial assets, whether on a 12-month basis or for life. Localiza and its subsidiaries will adopt the simplified approach and will recognize the losses expected during the entire life under trade accounts receivable. The Company ascertained that, due to the unsecured nature of its receivables, the allowance for losses will increase by R$23,027 in the individual, with the corresponding reduction in deferred tax liabilities in the amount of R$7,829. In the Consolidated, the provision will increase R$23,976, with a reduction in deferred tax liabilities of R$8,065.

- **IFRS 15 - Revenue from Contracts with Customers:** In May 2014, IASB issued IFRS 15, which addresses the recognition of customer contract revenues in accordance with the transfer of the goods and services involved to the customer, at values that reflect the payment to which the entity expects to be entitled upon the transfer of goods and services, and it replaces IAS 18 - Revenue, IAS 11 - Construction Contracts and related interpretations. In December 2016, CVM issued its Decision 762/16 and approved CPC 47, which is the equivalent to this IFRS. The adoption will be required as from January 1, 2018. The Company and its subsidiaries plan to adopt the new standard on the required effective date and will not restate the comparison information.

  In 2017, the Company conducted a detailed analysis of IFRS 15 and did not identify significant impacts with regard to the accounting practices currently adopted. This assessment was based on most recent available information and may be subject to changes arising out of reasonable information grounded on arguments that will be made available in 2018, when the Company will adopt IFRS 15.

- **Review of IFRS 2 - Share-based payment:** IASB amended IFRS 2 in order to clarify the accounting of certain share-based payments in the following areas: (i) measurement of share-based payments settled in cash; (ii) classification of share-based payments net of taxes; and (iii) accounting of a change in share-based payments from "settled in cash" to "settled in shareholders' equity instruments". The amendments are effective for annual periods beginning January 1, 2018.

  In 2017, the Company conducted a detailed analysis of IFRS 2 and did not identify significant impacts. This assessment was based on information currently available and may be subject to changes arising out of reasonable information grounded on arguments that are being be made available in 2018.

IFRS 16 - Leases: The new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts could be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors will be substantially maintained. On December 21, 2017, CVM, through Resolution 787/17, approved CPC 06 (R2), which is equivalent to said IFRS. IFRS 16 is effective for years beginning as from January 1, 2019 and replaces IAS 17 - Leases and corresponding interpretations. The Management is evaluating the total impact of this pronouncement.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Cash and banks	10,593	2,781	18,370	5,222
Bank Certificates of Deposit (“CDB”) and others	-	52,517	14,919	70,967
Repurchase operations	-	237,228	-	301,014
Non-exclusive fixed-income investment fund units	819,144	841,185	1,304,906	1,315,058
Total	**829,737**	**1,133,711**	**1,338,195**	**1,692,261**

On December 31, 2017, investments in CDB and other fixed-income investment fund units had an weighted average yield of 103.4% of the Interbank Deposit Certificates (“CDI”) rate variation (104.2% on December 31, 2016) and have immediate liquidity.

5. FINANCIAL ASSETS

Financial assets are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
CDB	222,128	-	253,614	-
Repurchase operations	404,332	-	406,951	-
Non-exclusive fixed-income investment fund units	532,407	-	615,134	-
Total	**1,158,867**	**-**	**1,275,699**	**-**

As of December 31, 2017, investments in CDB, repurchase operations and non-exclusive fixed-income investment fund units posted weighted annual average yield of 103.4% of the CDI rate fluctuation (104.2% as of December 31, 2016), are highly liquid and will be used between 91 and 365 days.

6. TRADE RECEIVABLES

Trade receivables are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Car Rental (*)	359,346	265,343	361,077	265,341
Fleet Rental	-	-	111,276	75,743
Sale of decommissioned cars (**)	118,975	95,130	160,936	113,514
Franchising (***)	1,187	1,942	11,827	10,193
	479,508	**362,415**	**645,116**	**464,791**
Allowance for doubtful debts (****)	(38,144)	(25,958)	(55,294)	(37,094)
Total	**441,364**	**336,457**	**589,822**	**427,697**
Current	**441,364**	**336,457**	**585,124**	**424,528**
Non-current (***)	**-**	**-**	**4,698**	**3,169**

(*) The changes in trade receivables from car rental refer mainly to the increase in the volume of daily rentals in 4Q17 when compared with 4Q16.
(**) The changes in trade receivables from sale of decommissioned cars refer to the increase in (i) the volume of sales in 4Q17 when compared with 4Q16; and (ii) the average price of cars sold.
(***) Refers to the franchising integration rate.
(****) The allowance for doubtful debts increased in 2017 due to the increase in receivables and the increase in sales in leisure segment and the review of estimates for this allowance.

The aging list of trade receivables is as follows:

	Individual		Consolidated	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Current	314,293	288,456	410,332	350,351
Up to 30 days past-due	92,320	27,041	132,691	50,810
31 to 60 days past-due	21,116	9,954	28,786	13,129
61 to 90 days past-due	15,915	6,437	20,548	7,386
91 to 180 days past-due	15,091	11,675	19,650	13,306
Over 181 days past-due	20,773	18,852	33,109	29,809
Total	**479,508**	**362,415**	**645,116**	**464,791**
% provisioned on receivables over 60 days past-due	**73.7%**	**70.2%**	**75.4%**	**73.5%**

The Company's practice is to constitute an allowance for doubtful accounts according to the client or client portfolio risk. In 2017, the Company adopted a more conservative approach, revising this estimate and, in addition to considering the client or client portfolio risk (see details of credit analysis in note 23(a)(ii)), now records provision for 100% of receivables overdue more than 181 days. The impact of this revision on profit or loss as from September 2017 was R$7,565 in individual and R$8,956 in consolidated basis.

The balance of trade receivables includes past-due amounts at the end of the year, for which the allowance for doubtful debts was not recognized because these amounts are still considered recoverable.

The aging list of past-due amounts not included in the allowance for doubtful debts is as follows:

	Individual		Consolidated	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Up to 30 days past-due	91,050	25,667	131,001	49,175
31 to 60 days past-due	20,108	8,428	27,578	11,498
61 to 90 days past-due	14,980	5,242	19,407	6,097
Over 91 days past-due	2,743	12,804	3,960	15,456
Total	**128,881**	**52,141**	**181,946**	**82,226**

The aging list of the allowance for doubtful debts is as follows:

	Individual		Consolidated	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Current	(1,810)	(4,140)	(2,456)	(4,880)
Up to 30 days past-due	(1,270)	(1,374)	(1,690)	(1,635)
31 to 60 days past-due	(1,008)	(1,526)	(1,208)	(1,631)
61 to 90 days past-due	(935)	(1,195)	(1,141)	(1,289)
Over 91 days past-due	(33,121)	(17,723)	(48,799)	(27,659)
Total	**(38,144)**	**(25,958)**	**(55,294)**	**(37,094)**

The variation in the allowance for doubtful debts is as follows:

	Individual		Consolidated	
	2017	2016	2017	2016
Balance at the beginning of the year	**(25,958)**	**(20,157)**	**(37,094)**	**(30,773)**
Opening balance - Car Rental Systems (*)	-	-	(6,099)	-
Recognition	(13,799)	(12,083)	(21,066)	(18,440)
Reversal	1,613	6,282	8,965	12,119
Balance at the end of the year	**(38,144)**	**(25,958)**	**(55,294)**	**(37,094)**

(*) As of December 31, 2017, the consolidated balances include the carrying amounts of the allowance for doubtful debts acquired in the acquisition of Car Rental Systems.

7. OTHER CURRENT AND NON-CURRENT ASSETS

Other current and non-current assets are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Prepaid expenses	7,051	5,134	8,178	5,134
Recoverable taxes	14,820	14,702	28,036	31,539
Derivative instruments – swap (note 13(e))	-	2,210	-	2,210
Receivables from insurance company (*)	65,416	54,320	66,234	61,994
Other receivables – subsidiaries (note 8(b) (i))	634	1,329	-	-
Receivables from Hertz Corp. (note 8(a))	-	-	4,496	-
Other current assets	12,958	9,479	21,676	16,308
Total other current assets	**100,879**	**87,174**	**128,620**	**117,185**
Other receivables – subsidiaries (note 8(b) (i))	-	778	-	-
Recoverable taxes	-	-	692	-
Investments in restricted accounts (note 14)	-	-	40,584	-
Derivative instruments – swap (note 13(e))	-	-	16,703	7,386
Other non-current assets	83	83	83	83
Total other non-current assets	**83**	**861**	**58,062**	**7,469**
Total other current and non-current assets	**100,962**	**88,035**	**186,682**	**124,654**

(*) Expenses incurred on claims, cost of stolen cars and receivables from the insurance company for stipulation services when contracting an insurance by the clients when they rent cars from the Company (note 2.7.7).

8. INVESTMENTS IN SUBSIDIARIES AND RELATED-PARTY TRANSACTIONS

(a) Information on subsidiaries

Car rental, fleet rental and franchising activities in Brazil and abroad are conducted by Localiza or its subsidiaries.

The operations of the main subsidiaries are as follows:

- **Localiza Fleet S.A. (“Localiza Fleet”):** Privately-held company engaged in fleet rental business.

- **Rental Brasil Administração e Participação S.A. (“Rental Brasil”):** Privately-held company mainly engaged in acquiring, selling and renting properties to Localiza and its subsidiaries and properties and providing car parking services.

- **Localiza Serviços Prime S.A. (“Localiza Prime”):** Privately-held company mainly engaged in the intermediation of sales of decommissioned cars previously used by Localiza and Localiza Fleet.

- **Car Assistance Serviços de Administração de Sinistros S.A. (“Car Assistance”):** Privately-held company engaged in managing car-related claims for insurance companies, accrediting and negotiating with garages and other suppliers, regulating claims, approving budgets and services performed, managing information and supporting documentation on claims and managing indemnities.

- **Localiza Franchising Brasil S.A. (“Franchising Brasil”):** Privately-held company engaged in conducting the franchise business of "Localiza" brand in Brazil.

- **Localiza Franchising International S.R.L. (“LFI S.R.L.”):** Limited liability company engaged in managing Localiza’s franchises in Argentina.

- **Rental International LLC (“Rental International”):** Company’s wholly-owned subsidiary established to conduct financial activities abroad. It is currently dormant.

- **FR Assistance Serviços de Administração de Sinistros S.A. (“FR Assistance”):** Wholly-owned subsidiary of Franchising Brasil, currently dormant, that manages car-related claims for insurance companies, accredits and negotiates with garages and other suppliers, regulates claims, approves budgets and services performed, manages information and supporting documentation on claims and manages indemnities.

- **Localiza Car Rental Systems S.A., former Car Rental Systems do Brasil Locação de Veículos Ltda. (“Car Rental Systems” or “Hertz Brasil”):** Subsidiary of Localiza Fleet, mainly engaged in car rental and fleet rental.

Business combination

On December 5, 2016 Localiza and Localiza Fleet entered into a Purchase and Sale Agreement with Hertz Corp. and some of its subsidiaries, whereby Localiza Fleet, after approval from the Brazilian Administrative Council for Economic Defense (“CADE”), would take over the Brazilian operations of Hertz Corp. through the acquisition of 99.99% of the quotas of Car Rental Systems and Localiza would acquire the remaining 0.01% of the quotas.

On July 13, 2017, the General Superintendence of CADE issued a final and unappealable decision approving Technical Opinion 22/2017/CGAA4/SGA1/SG/CADE, recommending the unrestricted approval of the Concentration Act 08700.001347/2017-41 on the acquisition of Car Rental Systems by Localiza Fleet and Localiza and the strategic alliance between Localiza and Hertz Corp..

As part of the strategic alliance between Localiza and Hertz Corp., a long-term global agreement was established by entering into:

- Brand Cooperation Agreement that includes, among others, the use of the combined brand “Localiza Hertz” in Brazil and the use, by Hertz, of the brand “Localiza” in the main airports of the United States and Europe, considered as arrival destinations of Brazilian customers; and

- Referral Agreement that establishes the inbound and outbound rules of exchange of reservations between Localiza and Hertz Corp.. Through the Referral Agreement, Localiza customers will start to be globally served (except for South America) by the Hertz network and Hertz customers will start to be served in Brazil by the Localiza network.

The Brand Cooperation Agreement and the Referral Agreement will have a 20-year term and can be renewed for another 20-year period, at the discretion of the parties.

The acquisition of Car Rental Systems was booked in the consolidated financial statements at the fair value of assets acquired and liabilities assumed by Localiza Fleet on the acquisition date, and the excess over the consideration paid was booked as goodwill.

On August 31, 2017, the closing of the acquisition of 100% of the quotas of Car Rental Systems has occurred. The preliminary acquisition price for 100% of the interest in Car Rental Systems was R$360,063. Of this amount, R$320,063 was paid in cash and one installment was deposited in the collateral account for adjustments amounting to R$40,000. According to contractual clauses, Localiza Fleet had 90 days, from the acquisition date, to prepare the closing balance sheet in accordance with accounting practices adopted in Brazil, expressly disclosing the final calculation of the purchase price. On November 30, 2017, the parties agreed on the final amount of R$355,567 and Hertz Corp. transferred to Localiza Fleet, on February 9, 2018, the difference of R$4,496 from the amount paid initially.

The assets and liabilities acquired, after the price adjustment, are shown below:

Car Rental Systems – Closing

	08/31/17		08/31/17
Assets		**Liabilities**	
Current assets	53,265	Current liabilities	18,865
Non-current assets		Non-current liabilities	11,514
Long-term assets	31,940	Equity	346,061
Fixed and intangible assets	291,235		
Total	**376,440**	**Total**	**376,440**

The assets and liabilities acquired were reviewed by an expert firm and are shown below at fair value:

Car Rental Systems – Fair value

	08/31/17		08/31/17
Assets		**Liabilities**	
Current assets	53,265	Current liabilities	18,865
Non-current assets		Non-current liabilities	11,514
Long-term assets	31,940	Equity	346,925
Fixed assets	292,099		
Total	**377,304**	**Total**	**377,304**

In the referred business combination goodwill was calculated between the transfered consideration and equityafter the price adjustment and fair value evaluation, as follows:

Transferred consideration	360,063
(-) Price adjustment	(4,496)
(-) Value of identifiable net assets acquired after price adjustment	(346,061)
(-) Surplus value of fixed assets, net of loss	(864)
(=) Goodwill on acquisition	**8,642**

Goodwill was generated considering that the consideration paid for the business combination includes amounts related to benefits from expected synergies, revenue growth, future development of markets and specialized workforce. These benefits are not recognized separately from the goodwill because they do not meet the criteria for the recognition of intangible assets identifiable in accordance with CPC 04 (R1) – Intangible assets. Such goodwill, classified as of undefined useful life, is stated at cost on the date of business combination, net of accumulated impairment losses, if any.

Total goodwill generated from the acquisition will be deductible for tax purposes.

In the individual balance sheet of Localiza Fleet, the surplus value of fixed assets, net of acquisition loss, was classified under Investments and, in the consolidated, was reclassified to Property and Equipment. Goodwill will be realized upon depreciation and sale of the corresponding asset.

Net cash outflow in acquisition of subsidiary

Car Rental Systems	Fair value on 08/31/17
Considerations transferred in cash	360,063
(-) Final price adjustment receivable from Hertz Corp.	(4,496)
(-)Balances of cash and cash equivalents acquired	(22,375)
Effects of acquisition presented in the cash flow statement	**333,192**

Impact of acquisition on consolidated profit or loss

Consolidated income after the acquisition includes R$62,053, and the consolidated result in the year includes R$5,034 attributable to additional businesses generated by Car Rental Systems.

If these businesses combinations had been executed on January 1, 2017, Company's consolidated income would have been increased by R$186,159 and the result in the year would have been increased by R$34,416 (unaudited information). The Company’s management considers that these pro forma amounts represent an estimate of Company’s combined performance on an annual basis.

Until December 31, 2017, the Company incurred one-time costs amounting to R$57,386 in the process of integrating Car Rental Systems (note 21).

Change in ownership interest

The Board of Directors’ meeting held on September 13, 2017 resolved on the following: (i) the change of the corporate type of Car Rental Systems from limited liability company to privately-held company, including change of the registered office to the city of Belo Horizonte, state of Minas Gerais; and (ii) the transfer of the total interest held by Localiza, namely, one share in Car Rental Systems to Localiza Fleet, thus making Car Rental Systems a wholly-owned subsidiary of Localiza Fleet; (iii) change of name of Car Rental Systems do Brasil Locação de Veículos Ltda. to Localiza Car Rental Systems S.A.; and (iv) increase of R$100,000 in the capital stock of Car Rental Systems.

The interests in capital, equity and net income / (loss) of subsidiaries are as follows:

	Number of shares		Interest In capital (%)		Interest In equity		Interest In net income / (loss)	
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	2017	2016
Localiza subsidiaries:								
Localiza Fleet	103,280,354	103,280,354	100.0	100.0	553,770	551,289	199,330	189,181
Rental Brasil (*)	15,000,000	15,000,000	100.0	100.0	257,178	150,107	9,216	(176)
Localiza Prime	15,000	15,000	100.0	100.0	91,585	104,208	(12,623)	(11,913)
Car Assistance	200,000	200,000	100.0	100.0	16,662	15,389	21,896	20,199
Franchising Brasil	399,069	399,069	100.0	100.0	7,183	7,869	8,773	9,687
LFI S.R.L.	131,078	131,078	98.0	98.0	696	170	526	52
Rental International (**)	1,000	1,000	100.0	100.0	18	-	(73)	(99)
					927,092	**829,032**	**227,045**	**206,931**
Goodwill in the acquisition of investments:								
Goodwill (note 10(b))					22,077	22,077	-	-
Total					**949,169**	**851,109**	**227,045**	**206,931**
Indirect subsidiary:								
LFI S.R.L.	2,160	2,160	2.0	2.0	14	4	10	-
Franchising Brasil's subsidiary:								
FR Assistance	150,000	150,000	100.0	100.0	**150**	**150**	**-**	**-**
Localiza Fleet's subsidiary:								
Car Rental Systems (***)	603,876,785	-	100.0	-	451,095	-	5,034	-
Goodwill, surplus value and loss in acquisition of investments by Localiza Fleet:								
Goodwill on acquisition of Car Rental Systems (note 10(b))					8,642	-	-	-
Surplus value from fixed assets, net of realizations					7,017	-	-	-
Loss from fixed assets, net of realizations					(7,571)	-	-	-
Total					**459,183**	**-**	**5,034**	**-**

(*) The Board of Directors' Meeting held on September 13, 2017 approved the increase of R$100,000 in Rental Brasil's capital by Localiza, which will be paid in with a balance of advance for future capital increase in the amount of R$54,668 and R$45,332 in cash. Such increase does not impact the consolidated financial statements.

(**) The Board of Directors' Meeting held on December 7, 2017 approved the increase of R$848 in Rental International's capital using the balance in the loan agreement. Such increase does not impact the consolidated financial statements.

(***) The Board of Directors' Meeting held on September 13, 2017 approved the increase of R$100,000 in Car Rental Systems' capital by Localiza Fleet, which was paid in on October 6, 2017. Such increase does not impact the consolidated financial statements.

Variations in the balance of direct investments in subsidiaries are as follows:

	2017	2016
Balance at the beginning of the year	**829,032**	**854,908**
Capital increase in subsidiaries	100,848	-
Equity in the earnings of subsidiaries	227,045	206,931
Dividends from subsidiaries (item (iii) below)	(229,076)	(232,906)
Provision for/reversal of equity deficiency of subsidiary Rental International	(757)	99
Balance at the end of the year	**927,092**	**829,032**

The summary of financial information of the main groups of balance sheet and income statement of subsidiaries is as follows:

(i) Balance sheets

12/31/17	Localiza Fleet Consolidated (*)	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.	Rental International
Assets							
Current	699,136	53,567	94,369	23,262	16,962	1,285	18
Non-current							
Long-term assets	91,903	17,395	17,987	-	8,753	-	-
Investment	14	-	-	-	-	-	-
Property and equipment	1,730,918	395,977	345	-	-	-	-
Intangible assets	14,443	-	-	-	535	-	-
Total	**2,536,414**	**466,939**	**112,701**	**23,262**	**26,250**	**1,285**	**18**
Liabilities							
Current	554,108	9,251	12,795	6,600	8,632	550	-
Non-current	1,428,536	200,510	8,321	-	10,435	25	-
Equity	553,770	257,178	91,585	16,662	7,183	710	18
Total	**2,536,414**	**466,939**	**112,701**	**23,262**	**26,250**	**1,285**	**18**

(*) As of September 2017, Localiza Fleet consolidated Car Rental Systems in its financial statements.

12/31/16	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.	Rental International
Assets							
Current	494,944	40,023	116,796	21,511	16,935	606	21
Non-current							
Long-term assets	15,488	7,386	8,956	-	6,748	-	-
Investment	4	-	-	-	-	-	-
Property and equipment	1,205,827	305,895	388	-	31	-	-
Intangible assets	4,583	-	-	-	861	-	-
Total	**1,720,846**	**353,304**	**126,140**	**21,511**	**24,575**	**606**	**21**
Liabilities							
Current	377,140	8,611	13,667	6,122	8,322	402	-
Non-current	792,417	194,586	8,265	-	8,384	30	778
Equity	551,289	150,107	104,208	15,389	7,869	174	(757)
Total	**1,720,846**	**353,304**	**126,140**	**21,511**	**24,575**	**606**	**21**

(ii) Income statements

2017	Localiza Fleet Consolidated (*)	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.	Rental International
Net revenue	1,277,561	19,031	29,726	24,487	14,442	692	-
Gross profit	469,132	18,435	29,717	24,113	10,253	679	-
Net income / (loss) before income tax and social contribution	295,866	13,929	(21,197)	25,209	11,096	536	(73)
Net income / (loss)	**199,330**	**9,216**	**(12,623)**	**21,896**	**8,773**	**536**	**(73)**

(*) As of September 2017, Localiza Fleet consolidated Car Rental Systems in its financial statements.

2016	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.	Rental International
Net revenue	996,969	-	33,525	22,021	15,248	292	-
Gross profit	404,854	-	32,199	21,604	10,398	254	-
Net income / (loss) before income tax and social contribution	286,184	-	(16,398)	23,572	12,136	52	(99)
Net income / (loss)	**189,181**	**(176)**	**(11,913)**	**20,199**	**9,687**	**52**	**(99)**

(iii) Dividends from subsidiaries

2017	Localiza Fleet Consolidated (*)	Rental Brasil	Car Assistance	Franchising Brasil	Total
Dividends for 2016 (mandatory minimum)	-	-	5,050	2,422	**7,472**
Total dividends proposed in 2016 and paid in 2017	**-**	**-**	**5,050**	**2,422**	**7,472**
Dividends in addition to the mandatory minimum for 2016	30,949	-	15,149	7,266	**53,364**
Prepaid dividends for 2017	165,900	-	-	-	**165,900**
Proposed dividends for 2017	-	2,145	5,474	2,193	**9,812**
Total prepaid and proposed dividends for 2017	**196,849**	**2,145**	**20,623**	**9,459**	**229,076**
Total	**196,849**	**2,145**	**25,673**	**11,881**	**236,548**

(*) As of September 2017, Localiza Fleet consolidated Car Rental Systems in its financial statements.

2016	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	Total
Dividends for 2015 (mandatory minimum)	-	-	3,307	4,817	2,515	**10,639**
Total dividends proposed in 2015 and paid in 2016	**-**	**-**	**3,307**	**4,817**	**2,515**	**10,639**
Dividends in addition to the mandatory minimum for 2015	43,096	1,649	9,920	14,451	7,545	**76,661**
Prepaid dividends for 2016	148,773	-	-	-	-	**148,773**
Proposed dividends for 2016	-	-	-	5,050	2,422	**7,472**
Total prepaid and proposed dividends for 2016	**191,869**	**1,649**	**9,920**	**19,501**	**9,967**	**232,906**
Total	**191,869**	**1,649**	**13,227**	**24,318**	**12,482**	**243,545**

(b) Balances and transactions with related parties

(i) Balances and transactions with subsidiaries and other related parties

	Individual					
	Localiza Fleet		Other subsidiaries		Total	
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Balances:						
Trade receivables	2,556	4,470	2	38	**2,558**	**4,508**
Dividends receivable	30,000	-	9,812	7,472	**39,812**	**7,472**
Other receivables (current and non-current) (note 7)	-	667	634	1,440	**634**	**2,107**
Trade payables	1,416	1,060	4,256	-	**5,672**	**1,060**
Other payables (note 14)	1,780	-	2,754	812	**4,534**	**812**

	Individual					
	Localiza Fleet		Other subsidiaries		Total	
	2017	2016	2017	2016	2017	2016
Transactions:						
Costs and expenses	1,584	-	31,180	-	**32,764**	-
Recoverable costs and expenses	36,486	17,297	5,250	5,371	**41,736**	**22,668**
Revenues	19,626	30,460	23	60	**19,649**	**30,520**

	Consolidated					
	Localiza Fleet		Other subsidiaries		Total	
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Balances:						
Trade receivables	4,540	4,470	2	38	**4,542**	**4,508**
Dividends receivable	30,000	-	9,812	7,472	**39,812**	**7,472**
Other receivables (current and non-current)	106	667	776	1,440	**882**	**2,107**
Trade payables	1,416	1,060	4,258	-	**5,674**	**1,060**
Other payables	1,780	-	2,754	812	**4,534**	**812**

	Consolidated					
	Localiza Fleet		Other subsidiaries		Total	
	2017	2016	2017	2016	2017	2016
Transactions:						
Costs and expenses	1,584	-	31,180	-	**32,764**	-
Recoverable costs and expenses	36,486	17,297	5,250	5,371	**41,736**	**22,668**
Revenues	25,911	30,460	23	60	**25,934**	**30,520**

As of December 31, 2017, there were collateral guarantees for loans, financing and marketable securities amounting to: (i) R$4,028,257 issued by Localiza Fleet to Localiza; (ii) R$1,522,066 issued by Localiza to Localiza Fleet; and (iii) R$190,472 issued by Localiza to Rental Brasil. There were also collateral signatures between companies when bank guarantees and guarantees insurances were issued for lawsuits totaling R$69,470.

Additionally, the Company has guarantees insurances with J Malucelli Seguradora and Pottencial Seguradora, the latter being a company in which Salim Mattar and Eugênio Mattar, founding partners of Localiza, jointly hold 40% of the capital. In transactions with Pottencial Seguradora, made under normal market conditions, the amount of the accumulated premium paid until December 31, 2017 was R$1,070 related to guarantee insurance in the current insured amount of R$74,965.

The Company optimizes cash through a centralized management. Transactions are conducted based on conditions agreed upon between the parent company and its wholly-owned subsidiaries.

(ii) Key management compensation

	Individual		Consolidated	
	2017	**2016**	**2017**	**2016**
Compensation of the Board of Directors	13,723	13,779	13,723	13,779
Management and Executive Board				
Fees and compensation	18,862	13,947	28,395	23,120
Payroll taxes	4,899	3,701	7,069	5,860
Options granted recognized	5,688	3,898	5,688	3,898
Supplementary pension plan (*)	3,778	218	4,871	345
Total	**46,950**	**35,543**	**59,746**	**47,002**

(*) As of December 31, 2017, the Company offered a pension plan for Management. The contribution by the Company was suspended between January 1, 2016 and June 30, 2016 (further information in note 25). Except for this plan, the Company does not have other management retirement programs.

9. PROPERTY AND EQUIPMENT

(a) Company's accounting practice

Cars, land, buildings, leasehold improvements, construction in progress, furniture and fixtures and equipment are stated at cost, net of accumulated depreciation and impairment, when applicable.

The estimated depreciation of cars is calculated by the difference between the acquisition cost of the car and the estimated value of sale at the end of the estimated useful life, less commercial discounts and sales expenses. In the Car Rental Division, depreciation is recognized based on the estimated useful life of each asset on the straight-line basis. In the Fleet Rental Division, cars are depreciated under the sum of digits or exponential methods, because these are the methods that best reflect the pattern of consumption of the economic benefits that decrease during the useful lives of the cars. Depreciation is recorded so that the amount to be depreciated is fully written off up to the end of the estimated useful life.

In addition to the estimation of residual value, other estimates could affect depreciation and cause the same impacts:

- Estimated commercial discounts: commercial discounts are negotiated on sales to consumers and especially to resellers. Estimates of discounts below the actual amount have a negative impact on the result when the cars are sold.

- Estimated selling expenses: sales to resellers and especially consumers require a chain of stores, a team of salespersons and spending on advertising. Estimates of these costs below the actual amount also have a negative impact on the result when the cars are sold.

Constructions, buildings and leasehold improvements are amortized over the rental contract term, and also considering their renewal or sale when Management intends to exercise this right, in accordance with the contracts. Assets acquired under finance leases are depreciated over their expected useful lives in the same manner as own assets. Land and construction in progress are not depreciated or amortized.

Localiza and its subsidiaries revise the estimated useful lives and the net book values of the fleet cars at least on a quarterly basis and the property and equipment on an annual basis. The impact of any changes in estimates is accounted for prospectively.

A property and equipment item is written-off after disposal or when there are no future economic benefits resulting from the continuous use of the asset. Any gains or losses on sale or write-off of a property and equipment item are determined by the difference between the amounts received on sale and the net carrying amount of the asset and are recognized in profit or loss.

Cars in operation, either in car rental or fleet rental activities, are classified in property and equipment, while decommissioned cars, after being used in these activities, are presented as "decommissioned cars for fleet renewal" in current assets. See additional details in item (b) below.

The weighted average depreciation annual rates for property and equipment items are as follows:

	2017	2016
Cars:		
Car Rental Division	2.6%	2.9%
Fleet Rental Division	6.4%	8.2%
Other fixed assets:		
Leasehold improvements (*)	14.2%	20.0%
Furniture and fixtures	10.0%	10.0%
It equipment	20.0%	20.0%
Buildings – head office(**)	1.4%	-
Constructions in own properties	4.0%	4.0%
Other	10.0%	10.0%

(*) The reduction in average amortization rate of leasehold improvements was due to the longer duration of lease contracts.
(**) Annual average rate of the registered office obtained through valuation report of expert firm.

Tangible assets pledged as collateral for liabilities correspond to those assets acquired under finance leases (note 13(d)).

Variations in cost, accumulated depreciation and net carrying amount of property and equipment in each years are as follows:

	Individual								
	Cars	Leasehold improve-ments	Furniture and fixtures	IT equipment	Constructions in progress	Land	Property	Other	Total
Cost:									
As of December 31, 2015	**2,561,691**	**146,115**	**40,567**	**24,931**	**4,063**	**681**	**1,686**	**27,474**	**2,807,208**
Additions	2,782,192	-	4,471	4,503	9,703	-	-	3,561	**2,804,430**
Write-offs/transfers (*)	(1,857,213)	7,340	-	(782)	(7,566)	-	227	(5,964)	**(1,863,958)**
As of December 31, 2016	**3,486,670**	**153,455**	**45,038**	**28,652**	**6,200**	**681**	**1,913**	**25,071**	**3,747,680**
Additions	4,581,837	-	48,601	12,349	13,253	-	-	2,763	**4,658,803**
Write-offs/transfers (*)	(2,773,375)	(45,108)	(11,605)	(2,194)	(14,651)	-	-	(4,314)	**(2,851,247)**
As of December 31, 2017	**5,295,132**	**108,347**	**82,034**	**38,807**	**4,802**	**681**	**1,913**	**23,520**	**5,555,236**
Accumulated depreciation:									
As of December 31, 2015	**(38,945)**	**(85,972)**	**(24,203)**	**(16,343)**	**-**	**-**	**(841)**	**(15,365)**	**(181,669)**
Additions	(87,814)	(14,168)	(3,425)	(3,607)	-	-	(79)	(1,937)	**(111,030)**
Write-offs/transfers (*)	49,461	33	-	782	-	-	(33)	3,231	**53,474**
As of December 31, 2016	**(77,298)**	**(100,107)**	**(27,628)**	**(19,168)**	**-**	**-**	**(953)**	**(14,071)**	**(239,225)**
Additions	(115,652)	(12,327)	(4,643)	(4,237)	-	-	(88)	(1,921)	**(138,868)**
Write-offs/transfers (*)	105,052	59,759	8,572	2,194	-	-	-	4,014	**179,591**
As of December 31, 2017	**(87,898)**	**(52,675)**	**(23,699)**	**(21,211)**	**-**	**-**	**(1,041)**	**(11,978)**	**(198,502)**
Net carrying amount:									
As of December 31, 2015	**2,522,746**	**60,143**	**16,364**	**8,588**	**4,063**	**681**	**845**	**12,109**	**2,625,539**
As of December 31, 2016	**3,409,372**	**53,348**	**17,410**	**9,484**	**6,200**	**681**	**960**	**11,000**	**3,508,455**
As of December 31, 2017	**5,207,234**	**55,672**	**58,335**	**17,596**	**4,802**	**681**	**872**	**11,542**	**5,356,734**

(*) Include write-offs due to car sale, robbery, damage and transfer of decommissioned cars for fleet renewal to assets for sale.

	Consolidated									
	Cars	Leasehold improve-ments	Furniture and fixtures	IT equipment	Construction of new head office	Constructions in progress	Land	Property	Other	Total
<u>Cost</u>:										
As of December 31, 2015	**3,924,542**	**146,115**	**42,237**	**25,232**	**191,754**	**4,126**	**19,503**	**1,686**	**27,862**	**4,383,057**
Additions	3,289,633	-	4,471	4,531	84,409	9,641	9,776	1,134	3,838	**3,407,433**
Write-offs/transfers (*)	(2,223,048)	7,340	-	(782)	-	(7,567)	-	226	(5,962)	**(2,229,793)**
As of December 31, 2016	**4,991,127**	**153,455**	**46,708**	**28,981**	**276,163**	**6,200**	**29,279**	**3,046**	**25,738**	**5,560,697**
Opening balance - Car Rental Systems (**)	327,525	3,871	748	685	-	-	-	-	859	**333,688**
Additions	5,467,852	-	48,622	12,349	73,650	13,317	-	17,076	2,762	**5,635,628**
Write-offs/transfers (*)	(3,458,050)	(47,021)	(13,841)	(1,490)	(349,813)	(14,715)	63	349,813	(4,660)	**(3,539,714)**
As of December 31, 2017	**7,328,454**	**110,305**	**82,237**	**40,525**	**-**	**4,802**	**29,342**	**369,935**	**24,699**	**7,990,299**
<u>**Accumulated depreciation:**</u>										
As of December 31, 2015	**(313,623)**	**(85,972)**	**(25,501)**	**(16,603)**	**-**	**-**	**-**	**(841)**	**(15,490)**	**(458,030)**
Additions	(206,320)	(14,168)	(3,491)	(3,636)	-	-	-	(79)	(1,999)	**(229,693)**
Write-offs/transfers (*)	143,609	33	-	782	-	-	-	(33)	3,231	**147,622**
As of December 31, 2016	**(376,334)**	**(100,107)**	**(28,992)**	**(19,457)**	**-**	**-**	**-**	**(953)**	**(14,258)**	**(540,101)**
Opening balance - Car Rental Systems (**)	(41,818)	(2,276)	(536)	(317)	-	-	-	-	(161)	**(45,108)**
Additions	(231,997)	(12,339)	(4,723)	(4,377)	-	-	-	(794)	(2,004)	**(256,234)**
Write-offs/transfers (*)	256,466	61,553	10,526	2,290	-	-	-	-	4,283	**335,118**
As of December 31, 2017	**(393,683)**	**(53,169)**	**(23,725)**	**(21,861)**	**-**	**-**	**-**	**(1,747)**	**(12,140)**	**(506,325)**
<u>**Net carrying amount:**</u>										
As of December 31, 2015	**3,610,919**	**60,143**	**16,736**	**8,629**	**191,754**	**4,126**	**19,503**	**845**	**12,372**	**3,925,027**
As of December 31, 2016	**4,614,793**	**53,348**	**17,716**	**9,524**	**276,163**	**6,200**	**29,279**	**2,093**	**11,480**	**5,020,596**
As of December 31, 2017	**6,934,771**	**57,136**	**58,512**	**18,664**	**-**	**4,802**	**29,342**	**368,188**	**12,559**	**7,483,974**

(*) Include write-offs due to sale, robbery, damage and transfer of decommissioned cars for fleet renewal to assets for sale and the transfer in the 3Q17 of the expenses with the construction of the new corporate head office to "property".
(**) As of December 31, 2017, the consolidated balances include net carrying amounts of property and equipment acquired in the acquisition of Car Rental Systems.

As of December 31, 2017, the consolidated balances include the net carrying amounts of property and equipment items acquired as finance leases in the amount of R$597,373 (R$536,430 as of December 31, 2016). For further information on finance leases, see note 13(d).

(b) Decommissioned cars for fleet renewal

Cars which carrying amounts will be recovered through sale rather than through continuing use are classified as "decommissioning cars for fleet renewal". This condition is satisfied when: (i) cars are available for immediate sale under current conditions and their sale is highly probable; (ii) Management is committed to sell the decommissioned cars from property and equipment; (iii) cars are effectively available for sale at a reasonable price in relation to their current fair values; and (iv) the sale is expected to be completed within one year from the date of classification.

Decommissioned cars for fleet renewal are presented at the lower of fair value less costs to sell and net carrying value, which considers the acquisition cost net of accumulated depreciation through the date in which cars are classified as "decommissioned cars for fleet renewal".

All cars of the Car Rental Division are considered by Management as cars available for rental, even if they have been transferred for decommissioning, and may be rented during peaks of demand. The Car Rental Division considers as "decommissioned cars for fleet renewal" those that already have a purchase proposal signed with third parties. In the Fleet Rental Division, all the cars returned by customers are classified as "decommissioned cars for fleet renewal", as Management does not expect to rent them again.

The cost, accumulated depreciation and net carrying amount of decommissioned cars for fleet renewal in each year are as follows:

	Individual		**Consolidated**	
	12/31/17	**12/31/16**	**12/31/17**	**12/31/16**
Cost	28,590	459	123,909	11,230
Accumulated depreciation	(1,557)	(18)	(20,559)	(2,443)
Net carrying amount (*)	**27,033**	**441**	**103,350**	**8,787**

(*) The increase in consolidated balance of decommissioning cars for fleet renewal is due to the higher volume of decommissioning of cars at the end of 2017 in relation to 2016, mainly due to the acquisition of Car Rental Systems, which decommissioned cars over 12 months old.

(c) Company's new head office

Up to December 31, 2017, R$366,889 (R$276,163 up to December 31, 2016) was spent in the construction of the Company's new head office. On July 1, 2017, the Company's new head office was allocated to property and equipment, with the transfer of R$349,813 from "constructions of the new head office" to "property" and R$17,076 directly to this same account, upon the corresponding beginning of depreciation. The investment in the Company's new head office construction allowed: (i) reducing expenses on property rental; (ii) gaining productivity upon the centralization of administrative and back-office activities, which were previously exercised four rented buildings; (iii) supporting the Company's growth; and (iv) integrating and promoting synergy among several administrative areas.

10. INTANGIBLE ASSETS

The accounting practice adopted by the Company is to record intangible assets with defined useful lives and acquired separately at cost, less accumulated amortization and impairment, when applicable. Amortization is recorded on the straight-line basis over the estimated 5 years useful life (except for the SAP software which useful life was evaluated by internal experts at 10 years). The estimated useful life and the amortization method are reviewed by the end of each year and the effect of any changes in estimates is accounted for on a prospective basis. The Company does not have significant intangible assets generated internally. Software implementation expenses are recorded as intangible assets when incurred.

(a) Intangible assets (except goodwill in the acquisition of investments)

The variations in cost, accumulated amortization and net carrying amount of intangible assets in each year are as follows:

	Individual	Consolidated		
	Software	Software	Acquisition of franchises and other	Total
Cost:				
As of December 31, 2015	**86,270**	**93,862**	**-**	**93,862**
Additions	6,795	8,790	-	**8,790**
As of December 31, 2016	**93,065**	**102,652**	**-**	**102,652**
Opening balance - Car Rental Systems	-	1,992	1,542	**3,534**
Additions	4,173	6,769	460	**7,229**
Write-offs/transfers	(277)	(2,267)	(2,002)	**(4,269)**
As of December 31, 2017	**96,961**	**109,146**	**-**	**109,146**
Accumulated amortization:				
As of December 31, 2015	**(24,152)**	**(26,819)**	**-**	**(26,819)**
Additions	(13,301)	(14,777)	-	**(14,777)**
As of December 31, 2016	**(37,453)**	**(41,596)**	**-**	**(41,596)**
Opening balance - Car Rental Systems (*)	-	(1,200)	(240)	**(1,440)**
Additions	(13,128)	(14,832)	-	**(14,832)**
Write-offs/transfers	-	1,198	240	**1,438**
As of December 31, 2017	**(50,581)**	**(56,430)**	**-**	**(56,430)**
Net carrying amount:				
As of December 31, 2015	**62,118**	**67,043**	**-**	**67,043**
As of December 31, 2016	**55,612**	**61,056**	**-**	**61,056**
As of December 31, 2017	**46,380**	**52,716**	**-**	**52,716**

(*) On December 31, 2017, the consolidated balances include net carrying amounts of intangible assets acquired in the purchase of Car Rental Systems.

Expenses on amortization of intangible assets (except for goodwill on acquisition of investments) are allocated under the captions "cost", "selling expenses" and "general, administrative and other expenses", in profit or loss, according to their nature and allocation. Intangible assets are not pledged as collateral for liabilities, except for those acquired as finance leases (note 13(d)). There are no fully amortized material intangible assets still in use by the Company.

(b) Goodwill in the acquisition of investments

The Company adopts the practice of stating the goodwill resulting from a business combination, classified as having an indefinite useful life, at cost on the date of the business combination, net of accumulated impairment losses, if any. Goodwill was classified as an intangible asset in the consolidated balance sheet and as an investment in the Parent company's balance sheet.

Goodwill is broken down as follows:

	Consolidated	
	12/31/17	12/31/16
Goodwill on acquisition of interest in subsidiaries, net of amortization	4,508	4,508
Goodwill on acquisition of investments in companies	26,211	17,569
Net carrying amount (note 8(a))	**30,719**	**22,077**

11. TRADE PAYABLES

Trade payables are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Car manufacturers (*)	1,047,666	698,786	1,197,455	782,064
Insurance premiums	28,110	34,916	28,730	34,916
Maintenance services and parts	27,658	24,703	40,148	39,147
Rentals	17,546	12,923	13,301	12,923
IT services and other	36,974	32,273	52,046	41,851
Total	**1,157,954**	**803,601**	**1,331,680**	**910,901**

(*) The balance payable to car manufacturers refers to cars acquired at the end of each period, with average payment term of approximately 83 days. The increase in line item refers to car purchases made in the 4Q17 to support the growth in the volume of daily rental fees of the Car Rental Division.

12. PAYROLL AND RELATED TAXES

Payroll and related taxes are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Accrued vacation pay	35,841	25,825	41,880	32,812
Accrued profit sharing (*)	38,292	38,521	46,736	50,252
Social security contribution (“INSS”)	12,358	5,342	14,595	7,105
Government Severance Indemnity Fund for Employees (“FGTS”)	1,991	1,195	2,395	1,625
Other	2,841	2,341	3,570	3,188
Total	**91,323**	**73,224**	**109,176**	**94,982**

(*) The Company has a profit sharing program for employees as prescribed in Law 10101/00 based on profit recognized on an annual basis. The annual amount payable is defined through the combination of the Company’s profit and performance indicators, which determine the maximum amount payable, in addition to the individual performance of each employee, which is mainly measured based on objective, measurable indicators and goals deriving from the management agreement and the annual budget approved by the Board of Directors. Localiza pays profit sharing in April and July, which is classified as “cost”, “selling expenses” and “general, administrative and other expenses” in the income statement for the year, based on the function exercised by the respective employees.

13. LOANS, FINANCING, MARKETABLE SECURITIES AND SWAP

Loans, financing, marketable securities and swap are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
In local currency				
Debentures - 6th issue (a)	243,638	277,399	243,638	277,399
Debentures - 7th issue (a)	355,570	438,591	355,570	438,591
Debentures - 8th issue (a)	510,818	520,233	510,818	520,233
Debentures - 9th issue (a)	504,148	509,732	504,148	509,732
Debentures - 10th issue (a)	207,095	212,685	207,095	212,685
Debentures - 11th issue (a)	498,366	499,803	498,366	499,803
Debentures - 12th issue (a)	701,986	-	701,986	-
Debentures - 13th issue (a)	1,082,734	-	1,082,734	-
Debentures of Localiza Fleet – 2nd issue (a)	-	-	-	253,225
Debentures of Localiza Fleet – 3rd issue (a)	-	-	505,193	-
Debentures of Localiza Fleet – 4th issue (a)	-	-	355,568	-
Promissory notes – 6th issue (a)	660,785	-	660,785	-
Working capital (b)	-	-	324,769	346,017
Real estate credit note (“CCBI”) (c)	-	-	197,074	195,063
Lease (d)	189	1,197	329,935	300,448
Derivatives – swap (e)	-	-	-	4,539

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
In foreign currency				
Loan in US dollar (f)	-	228,154	-	228,154
	4,765,329	**2,687,794**	**6,477,679**	**3,785,889**
Loans, financing and marketable securities				
Current liabilities	237,790	407,425	537,216	654,586
Non-current liabilities	4,527,539	2,280,369	5,940,463	3,131,303
	4,765,329	**2,687,794**	**6,477,679**	**3,785,889**
Derivatives – swap (e)				
Current assets (note 7)	-	(2,210)	-	(2,210)
Non-current assets (note 7)	-	-	(16,703)	(7,386)
Current liabilities (note 14)	-	-	6,831	-
Non-current liabilities (note 14)	-	-	10,824	-
Total loans, financing and marketable securities, net of swap	**4,765,329**	**2,685,584**	**6,478,631**	**3,776,293**

Variations in loans, financing and marketable securities, net of swap are as follows:

	Individual		Consolidated	
	2017	2016	2017	2016
Balance at the beginning of the year	**2,685,584**	**2,084,488**	**3,776,293**	**2,973,696**
Loans	2,426,151	693,172	3,577,019	1,209,707
Interest and finance charges (*)	319,674	328,691	476,234	438,052
Repayment of principal (**)	(324,621)	(106,397)	(865,218)	(402,870)
Interest amortization	(341,459)	(314,370)	(485,697)	(442,292)
Balance at the end of the year	**4,765,329**	**2,685,584**	**6,478,631**	**3,776,293**

(*) The consolidated balance of December 31, 2017 includes the net debt amount of R$6,205 (net credit amount of R$2,621 as of December 31, 2016) related to interest and mark-to-market on loans of Rental Brasil capitalized according to CPC 20 – Borrowing Costs until June 30, 2017. As from July 1, 2017, Rental Brasil started its operations and these effects were recognized in the income statement.
(**) On March 31, 2017, Localiza settled, with bank of Tokyo-Mitsubishi UFJ Brasil S.A., a loan in the amount of US$70,000 thousand, corresponding to R$218,729. Concurrently, the swap transaction (plain vanilla) was settled to mitigate the risk of exposure to foreign currency in the amount of R$12,091. Additionally, in April 2017, a portion of funds raised by Localiza Fleet through the 3rd issue of debentures was used in the 2nd issue early settlement.

(a) Marketable securities

As of December 31, 2017, Localiza had eight issues of outstanding debentures, not convertible into shares, and one issue of promissory notes and Localiza Fleet had two issue of debentures, not convertible into shares. All issues were conducted in accordance with CVM Instruction 476/09.

The characteristics of each issue of marketable securities, approved at the Board of Directors meetings, are described below:

Issue	Approval date	Issue date	Maturity date	IRR (*)	Number	Financial settlement	Purpose	Amortization	Surety/ Guarantee	Expense incurred with the issue (**)
Debentures – 6th issue	09/20/12	10/15/12	10/15/19	CDI + 1.07% p.a.	30,000	R$300,000	- Debt prepayment - Investment in fleet	Early settled in 02/26/18.	None	1,107
Debentures – 7th issue	09/10/13	09/30/13	09/30/21	113.6% of CDI	50,000	R$500,000	- Debt prepayment - Working capital improvement	15% in 2016 15% in 2017 15% in 2018 15% in 2019 20% in 2020 20% in 2021	Localiza Fleet	3,724
Debentures – 8th issue	08/18/14	09/10/14	09/10/20	110.9% of CDI	50,000	R$500,000	- Debt prepayment	50% in 2019 50% in 2020	None	2,699
Debentures – 9th issue	04/09/15	04/30/15	04/30/21	113.9% of CDI	50,000	R$500,000	- Debt prepayment	10% in 2019 30% in 2020 60% in 2021	Localiza Fleet	3,847
Debentures – 10th issue	12/21/15	01/08/16	01/08/21	116.7% of CDI	20,000	R$200,000	- Working capital improvement	50% in 2020 50% in 2021	Localiza Fleet	2,588
Debentures – 11th issue	11/14/16	12/12/16	01/12/22	113.6% of CDI	50,000	R$500,000	- Working capital improvement	100% in 2022	Localiza Fleet	4,240
Debentures – 12th issue	04/17/17	05/15/17	05/15/24	108.9% of CDI	700,000	R$700,000	- Working capital improvement	100% in 2024	Localiza Fleet	4,557
Debentures – 13th issue – 1st series	11/16/17	12/15/17	02/15/23	111.0% of CDI	86,891	R$868,910	- Cash recovery - Debt prepayment	50% in 2022 50% in 2023	Localiza Fleet	3,546
Debentures – 13th issue – 2nd series	11/16/17	12/15/17	02/15/25		21,611	R$216,110	- Cash recovery - Debt prepayment	50% in 2024 50% in 2025	Localiza Fleet	
Promissory notes – 6th issue	09/18/17	09/29/17	09/29/20	CDI + 0.50% p.a.	130	R$650,000	- Working capital improvement	100% in 2020	Localiza Fleet	1,395
Debentures of Localiza Fleet – 2nd issue	11/14/16	11/28/16	05/28/22	107.0% of CDI	250,000	R$250,000	- Working capital improvement	Early settled in 2017	Localiza	54
Debentures of Localiza Fleet – 3rd issue	04/17/17	05/05/17	05/05/23	107.8% of CDI	500,000	R$500,000	- Debt prepayment - Working capital improvement	100% in 2023	Localiza	325
Debentures of Localiza Fleet – 4th issue	09/18/17	10/02/17	10/02/24	CDI + 0.40% p.a.	350,000	R$350,000	- Working capital improvement	100% in 2024	Localiza	754

(*) Average interest rate in effect.
(**) Expenses incurred on the issuance of debentures and promissory notes, including taxes, commissions and other costs are classified under the same caption of the respective marketable securities and are recognized over the total debt period. On December 31, 2017, the amount to be recognized was R$20,185 (R$13,084 on December 31, 2016), presented net in the respective debenture/promissory note caption.

These issues have accelerated maturity events, including, without limitation: (i) filing for or adjudication of bankruptcy by the Issuer or third parties that is not duly eliminated within the legal term; (ii) matters related to the default, with lack of payment within the established term, in individual or aggregate amount equal to or above R$25,000 (6th to 10th issue of debentures from Localiza) or 3% of the consolidated average equity calculated in the past three quarters (11th issue and 13th issue of debentures and 6th issue of promissory notes from Localiza and 3rd and 4th issues of debentures from Localiza Fleet); (iii) decrease of capital of Localiza and/or repurchase of its own shares for cancellation, other than if previously authorized by debenture holders; (iv) Localiza's merger, consolidation or spin-off, except if, as set forth in article 231 of Law 6404/76, the spun-off portion or the company resulting from the transaction continues to be controlled by the Issuer; (v) failure to maintain financial ratios on a quarterly basis, based on the Company's consolidated financial statements; and (vi) the Company's downgrading, as follows:

Issue	Downgrading in national scale (*)
Debentures - 6th issue	If the rating is downgraded to brA+ (BR, A, positive) by Standard & Poor's (**).
Debentures - 7th issue	Corporate rating granted by Moody's, Standard & Poor's or Fitch Ratings to the Issuer for the following risk rating levels or less, in national scale: Aa3, AA- and AA- respectively.
Debentures - 8th issue	Downgraded by two grades or more in relation to the rating brAAA (BR, triple A) by Standard & Poor's (**).
Debentures - 9th issue	Downgraded by two grades or more by two corporate risk rating agencies in relation to the rating brAAA (BR, triple A) by Standard & Poor's and AAA (BR, triple A) by Fitch.
Debentures - 10th, 11th , 12th and 13th issues	Downgraded by two grades or more in relation to the rating AAA (BR, triple A) by Fitch (**).
Debentures of Localiza Fleet - 3rd and 4th issues	Downgraded by two grades or more in relation to the rating AAA (BR, triple A) by Fitch (**).
Promissory notes - 6th issue	Downgraded by two grades or more in relation to the rating AAA (BR, triple A) by Fitch (**).

(*) Corporate credit ratings in national scale effective as of December 31, 2017: Standard & Poor's (AAA(bra)/negative), Moody's (Aa1.br/stable) and Fitch Ratings (AAA(bra)/stable). On January 12, 2018, Standard & Poor's reaffirmed Localiza's rating and changed its outlook to stable.
(**) Due to any change in the shareholding structure that results in loss, transfer or disposal of the "Controlling power" of the Issuer by the current controlling shareholders.

The financial covenants were met as of December 31, 2017 and 2016 as shown below:

Ratio	Limits	12-month period ended 12/31/17	12-month period ended 12/31/16
Net debt/ Adjusted EBITDA (*)	Below 4.00	2.92	2.04
Adjusted EBITDA/ Finance costs, net	Above 1.50	4.20	4.19

(*) EBITDA corresponds to the Issuer's net profit or loss, on a consolidated basis, relating to the 12 last months, before: (i) finance income (costs); (ii) income tax and social contribution; and (iii) depreciation and amortization expenses. For all issues, EBITDA is also adjusted by the costs on stock options, nonrecurring expenses and impairment. In the 12 months ended December 31, 2017, non-recurring expenses totaled R$74,068 (note 21).

Additionally, the Company has loans and financing that also includes certain accelerated maturity events under conditions similar to those applicable to marketable securities. As of December 31, 2017, these restrictive covenants were met.

(b) Working capital

On December 31, 2017 Localiza Fleet had working capital operations with the following characteristics:

	Consolidated		
			Total
Contract date	12/29/11	12/29/15	
Final maturity	12/15/19	02/15/21	
Contracted amount	R$130,000	R$250,000	
Interest rate	109.7% of CDI	112.5% of CDI	
Annual amortizations	2014 to 2019	2018 to 2021	
Outstanding balance as of:			
12/31/16	96,570	249,447	**346,017**
12/31/17	77,296	247,473	**324,769**
Expense incurred	3,739	5,692	**9,431**
Expenses to be recognized on:			
12/31/16	1,031	5,498	**6,529**
12/31/17	908	4,846	**5,754**
Surety / Guarantee	Localiza	Localiza	
Covenants	Identical to the hypotheses (i) and (ii) of the 6th to 10th issue of debentures		

(c) Real Estate Credit Note ("CCBI")

On June 25, 2014, Rental Brasil contracted a Real Estate Credit Note of R$190,000 to finance the construction of the new headquarters. The maturity term is seven years, with monthly repayments as from the 61st month. The transaction incurs interest of 9.5% p.a. and restatement of the debt balance by the Reference Rate ("TR"). The balance outstanding on December 31, 2017 was R$197,074 (R$195,063 on December 31, 2016).

Simultaneously, beginning on the same date as the release of funds, a swap transaction (plain vanilla) was contracted, under identical conditions of amounts, term and payment, exchanging the exposure of the TR variation plus interest for 98.75% of the CDI interest rate (letter (e)(ii)).

The loan is subject to certain early maturity events, which include the maintenance, by the Company, of quarterly financial ratios that are identical to those required for debentures, based on the consolidated financial statements.

Expenses incurred in contracting the loan, including taxes, commissions and other costs, totaled R$6,448. On December 31, 2017, the amount to be recognized was R$3,185 (R$4,117 on December 31, 2016), presented net in the respective Real Estate Bank Credit Note.

(d) Lease

Localiza and Localiza Fleet had, on December 31, 2017, finance leases amounting to R$329,935, which were contracted by Localiza Fleet (R$300,448 on December 31, 2016).

On December 31, 2017, Localiza Fleet had 15,359 cars in its fleet acquired through financial lease (14,723 on December 31, 2016). These cars were recognized as part of its property and equipment and are subject to an average depreciation rate of 8.7% p.a. (11.0% p.a. on December 31, 2016). The contracts have a 24-months term as from the delivery of the asset and the option for the asset at the end of the lease term and are remunerated using the fixed average rate of 12.69% p.a. (15.34% on December 31, 2016). The guaranteed net residual value will be paid after the end of the lease term.

On December 31, 2017 and 2016, the net book values, by category of assets acquired under finance leases, were as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Cars	-	-	596,169	534,052
Hardware	1,204	2,378	1,204	2,378
Total property and equipment	**1,204**	**2,378**	**597,373**	**536,430**
Software	72	159	72	159
Total intangible assets	**72**	**159**	**72**	**159**
Total	**1,276**	**2,537**	**597,445**	**536,589**

The reconciliation between total minimum future payments of finance leases and their present value, calculated based on the rates set forth in the agreements, is as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Minimum payments:				
Future amounts	197	1,292	360,686	336,445
Unappropriated interest	(8)	(95)	(30,751)	(35,997)
Present value	**189**	**1,197**	**329,935**	**300,448**

On December 31, 2017, the maturity of the payments are as follows:

	Individual		Consolidated	
	Future interest payments	Present value	Future interest payments	Present value
Period after reporting date:				
Up to 12 months	8	154	25,975	243,703
Between 13 and 24 months	-	35	4,776	86,232
Total	**8**	**189**	**30,751**	**329,935**

No contingent payment is expected and there is no finance sublease for the transactions mentioned above.

Certain early maturity events similar to those set forth in the 6th to 10th issuance of debentures apply to this transactions, except for financial ratios, which are not applicable to these transactions.

(e) Derivative instruments – Swap

The breakdown of swap balance, presented in line items Other current assets and Other current liabilities (note 7) or Other current liabilities and Other non-current liabilities (note 14), is as follows:

	Consolidated	
	12/31/17	12/31/17
Fixed-rate swap (i)	(17,655)	4,539
Reference rate (TR) swap (ii)	16,703	(7,386)
U.S. dollar swap (letter (f))	-	(2,210)
Total assets (liabilities)	**(952)**	**(5,057)**

(i) CDI vs. Fixed rate

Fleet rental contracts vary from 24 to 36 months and in general include an annual adjustment clause based on the inflation rate. As the rental contracts cannot be adjusted based on the benchmark interest rates, Localiza Fleet has entered into swap transactions by swapping the CDI fluctuation for a fixed-rate in order to hedge against the risk of loss of profit on rental contracts and maintain its competitiveness.

The specific characteristics of this swap transaction, as well as its respective notional and carrying amounts, are as follows:

						Consolidated	
						12/31/17	
Swap transaction	First contract in effect	Maturity date of the last contract	Counterparty	Weighted average rates – Assets	Weighted average rates – Liabilities	Notional amount R$ thousand	Payables/ receivables R$ thousand
CDI vs. Fixed-rate	04/01/16	10/02/19	Sundry banks	107.6% of CDI fluctuation	10.3% p.a.	600,000(*)	(17,655)

(*) On December 31, 2017, the short position (fixed rate) of swaps corresponded to R$650,656, mark-to-market long position of swaps corresponds to R$13,111 and long position accounts for R$646,112.

Amounts payable are presented in line item Derivative instruments – swap in other current and non-current liabilities (note 14).

(ii) TR vs. CDI

As of December 31, 2017, the subsidiary Rental Brasil had a current swap transaction (plain vanilla), with the sole purpose of hedging its loan in the form of CCBI (letter (c)), which transaction was contracted with a major financial institution.

The specific characteristics of this swap transaction, as well as its respective notional and carrying amounts, are as follows:

						Consolidated	
						12/31/17	
Swap transaction	Contract date	Maturity date	Counterparty	Rates – Assets	Rates – Liabilities	Notional amount R$ thousand	Payables/ receivables R$ thousand
TR vs. CDI	06/25/14	06/15/21	Itaú Unibanco	TR fluctuation + coupon of 9.5% p.a.	98.8% of CDI fluctuation	190,000	16,703

Amounts receivable are recognized in line item “derivative instruments – swap” (notes 6 and 12) in other non-current assets (note 7).

(f) Loans in foreign currency

In order to reduce its borrowing costs and extend repayment terms, the Company contracted loans in foreign currency. As a strategy to manage foreign exchange rate risk, the Company, simultaneously and mandatorily, contracted swap transactions (plain vanilla) under identical conditions of amounts, terms and rates, exchanging the exposure from foreign exchange variation plus spread for CDI variation. Contracted swap transactions are solely for protection purposes.

As of March 31, 2017, Localiza settled with bank of Tokyo-Mitsubishi UFJ Brasil S.A. a loan in the amount of US$70,000 thousand, corresponding to R$218,729. Concurrently, the Company settled a swap transaction (plain vanilla) that was entered into only for purposes of mitigating the risk of exposure to foreign currency in the amount of R$12,091.

(g) Real Estate Receivables Certificate ("CRI")

On December 6, 2017, the Board of Directors approved the signing of all documents related to the issue of Real Estate Receivables Certificate (CRI), to be issued by RB Capital Companhia de Securitização, in the amount of up to R$370,000, backed by real estate receivables from lease contracts of property of Localiza's and Localiza Fleet's registered office entered into with Rental Brasil.

In a Notice to the Market disclosed on February 26, 2018, the Company informed the conclusion of the CRI offering in the total amount of R$370,000, due on November 21, 2037, with redemption option for holders of certificates as of November 21, 2024 and remuneration at 99.0% of CDI.

14. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities are broken down as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Payables to related parties (note 8(b) (i))	4,534	812	-	-
Federal taxes withheld from third parties	8,252	8,375	10,889	10,985
Municipal taxes payable	1,542	1,493	2,062	2,568
Derivative instruments – swap (note 13(e))	-	-	6,831	-
Advances from car rental and decommissioned sale customers	84,444	43,536	86,999	44,297
Insurance premiums for transfer (*)	65,681	46,382	65,840	46,779
Deferred revenues	29	30	3,859	5,284
Other	7,559	8,365	11,904	8,532
Total other current liabilities	**172,041**	**108,993**	**188,384**	**118,445**
Deferred revenues (**)	81	108	6,610	5,053
Derivative instruments – swap (note 13(e))	-	-	10,824	-
Restricted obligations (***)	-	-	40,584	-
Other	6,239	5,973	6,734	7,223
Total other non-current liabilities	**6,320**	**6,081**	**64,752**	**12,276**
Total other current and non-current liabilities	**178,361**	**115,074**	**253,136**	**130,721**

(*) Premiums received from customers that took insurance for rented cars and which will be transferred by Localiza to the insurance company (note 2.7.7).
(**) Refers to franchising integration rate.
(***) The restricted obligations refers to the amounts retained from the purchase price owed to Car Rental Systems' sellers, which shall be made available to them after compliance with specific provisions under the share purchase agreement. Restricted obligations are guaranteed by financial assets carried out by the Company, with restricted access, and shall be made available for withdrawal on August 31, 2020 and 2024 (note 7).

15. PROVISIONS AND ESCROW DEPOSITS

The Company and its subsidiaries adopt the practice of recognizing provisions for present obligations as a result of past events, when the amount of the obligation can be reliably estimated and its settlement is probable, or arising from the legal obligation to pay. The amount recorded as a provision is the best estimate of the consideration required to settle the obligation at the end of each year, taking into account the risks and uncertainties surrounding the obligation. Actual results could differ from those estimated that were presented in the financial statements. Localiza and Localiza Fleet record a provision for possible indemnities payable to third parties, arising from accidents caused by rented cars, at amounts in excess of the amounts insured by the insurance company and based on the opinion of its legal department/counsel.

Localiza and its subsidiaries challenge in court certain civil, tax, social security and labor lawsuits. Provisions were recorded where the outflow of payments is uncertain and for which the risk of loss is probable, or qualify as a legal obligation, according to the Company's legal department/counsel.

(a) Changes in provisions and escrow deposits

During 2017, there were changes in the provisions for contingencies, as follows:

	Individual				
	Tax	Social security	Labor	Civil	Total
On December 31, 2016	**2,185**	**8,137**	**21,911**	**16,224**	**48,457**
Recording of provisions, net of reversals	36,685	(145)	3,573	(4,215)	**35,898**
Inflation adjustment, net	471	95	-	4,863	**5,429**
Transfer	12	(12)	-	-	**-**
On December 31, 2017	**39,353**	**8,075**	**25,484**	**16,872**	**89,784**

	Consolidated				
	Tax	Social security	Labor	Civil	Total
On December 31, 2016	**5,789**	**9,667**	**29,561**	**18,057**	**63,074**
Opening balance of Car Rental Systems (*)	737	-	3,760	3,403	**7,900**
Recording of provisions, net of reversals	45,465	(71)	4,203	(1,823)	**47,774**
Inflation adjustment, net	2,707	172	-	4,863	**7,742**
Transfer	14	(14)	-	-	**-**
On December 31, 2017	**54,712**	**9,754**	**37,524**	**24,500**	**126,490**

(*) On December 31, 2017, the consolidated balances include net carrying amounts of provisions for contingencies acquired in the purchase of Car Rental Systems.

Localiza and its subsidiaries have judicial deposits linked to contingent lawsuits, which changes in judicial deposit balances, segregated by nature, were as follows:

	Individual				
	Tax	Social security	Labor	Civil	Total
On December 31, 2016	**23,138**	**1,272**	**13,295**	**439**	**38,144**
Deposit	9,882	-	1,119	7,220	**18,221**
Disposal	(28)	-	(639)	(6,540)	**(7,207)**
Inflation adjustment, net	2,342	56	160	-	**2,558**
On December 31, 2017	**35,334**	**1,328**	**13,935**	**1,119**	**51,716**

	Consolidated				
	Tax	Social security	Labor	Civil	Total
On December 31, 2016	**42,106**	**1,272**	**16,276**	**473**	**60,127**
Opening balance of Car Rental Systems (*)	3,586	-	973	959	**5,518**
Deposit	12,188	-	2,696	8,995	**23,879**
Disposal	(32)	-	(2,447)	(8,236)	**(10,715)**
Inflation adjustment, net	4,099	56	160	-	**4,315**
On December 31, 2017	**61,947**	**1,328**	**17,658**	**2,191**	**83,124**

(*) On December 31, 2017, the consolidated balances include net carrying amounts of escrow deposits acquired in the purchase of Car Rental Systems.

(b) Contingent liabilities in process - provision recorded

The summary of the main administrative and legal proceedings of Localiza and its subsidiaries, at several stages, on December 31, 2017 and 2016:

	Individual							
	12/31/17				12/31/16			
	Number of lawsuits	Provision	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Provision	Judicial deposit	Bank guarantee/ guarantee insurance
Tax	3	39,353	2,454	-	2	2,185	2,365	-
Social security	7	8,075	1,328	6,507	7	8,137	1,272	14,832
Labor	529	25,484	8,184	570	504	21,911	13,295	-
Civil	829	16,872	1,119	-	720	16,224	439	-
Total	**1,368**	**89,784**	**13,085**	**7,077**	**1,233**	**48,457**	**17,371**	**14,832**

	Consolidated							
	12/31/17				12/31/16			
	Number of lawsuits	Provision	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Provision	Judicial deposit	Bank guarantee/ guarantee insurance
Tax	24	54,712	7,480	-	6	5,789	5,968	-
Social security	9	9,754	1,328	6,507	9	9,667	1,272	16,365
Labor	742	37,524	9,348	1,247	623	29,561	16,276	-
Civil	1,308	24,500	2,191	-	791	18,057	473	-
Total	**2,083**	**126,490**	**20,347**	**7,754**	**1,429**	**63,074**	**23,989**	**16,365**

- **Tax**

These refer to the litigations in which Localiza and its subsidiaries mainly discuss: (i) Services Tax (ISSQN) on franchise activity; (ii) fire incidence rate; and (iii) incidence of PIS on revenues of car rental companies covering the period prior to the issue of Constitutional Amendment 20 and effectiveness of Law 9,718/98; and (iv) PIS and COFINS credits on depreciation of vehicles incorporated into fixed asset the fraction of 1/48.

Localiza and Localiza Fleet filed for injunction claiming their right to appropriate PIS and COFINS credits from depreciation of their rental vehicles, based on the justification inserted in Article 3, VI, and Article 15 of Law 10,833/03, at the fraction of 1/48 per month instead of the general rule of 1/60 per month. Starting April 2017, based on favorable outcome, Localiza and Localiza Fleet will appropriate credits at the fraction of 1/48 per month and recognize the difference between said bases until new decisions about the discussion are issued. Said provision was also recognized for 2013, period in which the same procedure to take the credits was adopted, which explains the increase in provisions for tax lawsuits.

- **Social security**

Localiza and its subsidiaries are parties to several social security lawsuits mainly related to: (i) indemnity amounts; (ii) Special Secretariat for the Control of State Companies (SEST) and National Service for Commercial Training (SENAT); (iii) education allowance and contributions to the National Institute of Colonization and Agrarian Reform (INCRA) on the payment of independent contractors, and labor claims; (iv) social security contributions on profit sharing; and (v) Work-related Environmental Risks (RAT). There are legal arguments and court decisions that support Localiza's and its subsidiaries' position.

* **Labor**

Localiza and its subsidiaries are parties to several labor claims mainly related to the payment of overtime and related charges, pain and suffering, and the possible recognition of an employment relationship of service providers, contractors and similar workers. The court decisions on these matters are not uniform.

* **Civil**

On December 31, 2017, Localiza and its subsidiaries were parties to civil claims related to: (i) indemnity claims arising from damages to third parties in traffic accidents caused by customers driving cars rented from the Company (although not being responsible for the accidents, the Company is frequently sued for being the owner of the car); and (ii) indemnity claims arising from the relations between the Company and the consumers.

(c) Contingent liabilities in process with possible likelihood of loss - no provision recorded

	Individual							
	12/31/17				12/31/16			
	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance
Car Tax (IPVA)	172	37,192	27,799	19,093	163	30,729	15,914	14,172
Federal and social security taxes	26	16,113	38	10,027	39	10,212	279	2,111
ICMS	53	126,722	188	82,496	-	-	-	-
Other taxes	66	18,285	53	12,236	-	-	-	-
Labor	2	5,698	5,751	-	16	648	-	-
Civil (*)	-	-	-	-	196	5,087	-	-
Total	**319**	**204,010**	**33,829**	**123,852**	**414**	**46,676**	**16,193**	**16,283**

	Consolidated							
	12/31/17				12/31/16			
	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance
Car Tax (IPVA)	202	59,492	46,680	25,888	183	49,815	31,169	19,914
Federal and social security taxes	42	20,193	2,820	10,295	79	15,943	389	2,460
ICMS	62	132,602	188	82,597	-	-	-	-
Other taxes	75	18,338	53	12,329	-	-	-	-
Labor	62	8,310	5,761	-	17	648	-	-
Civil (*)	81	7,044	427	-	205	5,140	-	-
Total	**524**	**245,979**	**55,929**	**131,109**	**484**	**71,546**	**31,558**	**22,374**

(*) On December 31, 2016, there were 196 lawsuits whose probability of loss was deemed as possible, classified as such because they have not been subject to risk analysis yet at the time. On December 31, 2017 no lawsuit was classified as possible loss, since the new lawsuits are classified as soon as they are received by the legal department/legal counsel, which classify them as probable loss.

* **Vehicle Ownership Tax (IPVA)**

Localiza and Localiza Fleet are parties in several administrative and legal claims relating to the payment of Car Tax (IPVA) by the State of São Paulo, based on State Law 13,296/08 for vehicles that are owned by the Company and are occasionally made available for rental in that state.

Localiza and Localiza Fleet have their tax domicile in Belo Horizonte, State of Minas Gerais, where their headquarters are located, and, in compliance with Article 120 of the National Traffic Code, their vehicles are registered in that city and the IPVA is paid to the State of Minas Gerais.

No provision is recognized regarding these challenges as the likelihood of loss is possible, according to the legal advisors, on the basis of the legal and constitutional provisions that govern the IPVA (articles 155, III and 158, III, of CF/88 and articles 120 of CTB, 75, IV and § 1 of the Civil Code, 110 and 127 of CTN).

- **Federal and social security taxes**

At the federal level, Localiza and its subsidiaries are parties to several administrative and legal claims relating to debts resulting from challenges related to the non-approval of requests for offset (DCOMP), as well as social contributions incurring on indemnifications. These proceedings were not provided for since the risk of an unfavorable outcome is considered possible by the legal department/counsel.

- **Value-added Tax on Sales and Services (ICMS)**

Localiza and Localiza Fleet are parties to lawsuits referring to Value-Added Tax on Sales and Services (ICMS), with no provision recorded, the most significant of which relate to the requirement of tax on the transfer of certain assets of property and equipment (decommissioned cars from the fleet) due on their sale.

On July 7, 2006, the National Council of Fiscal Policy (CONFAZ) issued the Arrangement 64, providing for the payment of ICMS on sales of cars within 12 months of sale. This Arrangement was ratified by the Brazilian States, except for São Paulo, which issued CAT Decision 02/06, with the same regulation.

The Company claims that, in addition to the aforementioned regulation, with regard to property and equipment acquired for rental, sale does not constitute circulation of goods and, therefore, it is not subject to ICMS.

In addition, considering the regulation of Agreement 64/06 and CAT Decision 02/06, the calculations of tax-deficiency notices are under discussion, due to the exclusion of right to credit of tax paid in the acquisition of goods, as provided for in that regulation.

With the lack of decision of merits from upper courts on the matter, the legal department/legal counsel changed probability of loss of said ICMS discussion from remote to possible in 2017. No provision was recorded.

16. TAXES ON INCOME – INCOME TAX AND SOCIAL CONTRIBUTION

(a) Deferred income tax and social contribution assets and liabilities

The Company and its subsidiaries adopt the accounting procedure of recording tax credit arising from deferred income tax and social contribution on temporary differences between the asset and liability balances in the financial statements and their corresponding tax bases, used to determine taxable income of each period, as well as on tax loss and social contribution tax loss carryforwards, when applicable. The recovery of the deferred tax asset balance is reviewed at the balance sheet date and, when it is no longer probable that future taxable income will be available to allow the recovery of all or part of the assets, the asset balance is adjusted based on the expected recoverable amount. The subsidiaries that calculate income tax and social contribution under the deemed income regime do not recognize tax credits. For financial statement presentation purposes, the assets and liabilities are presented net by company, in accordance with CPC 32 – Taxes on income.

The breakdown of deferred income tax and social contribution as of December 31, 2017 and 2016 is as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Temporary differences in the deductibility of provisions:				
Legal and other provisions	29,763	15,737	38,332	16,977
Allowance for doubtful debts and other allowances	18,822	11,223	21,732	12,253
Provision of payment of services in progress and others (*)	23,038	20,956	29,579	25,547
Swap transaction with payment on a cash basis	-	425	6,003	1,968
Income tax and social contribution losses (**)	13,379	12,861	48,551	18,592
Total deferred income tax and social contribution assets	**85,002**	**61,202**	**144,197**	**75,337**
Car depreciation (***)	164,361	106,551	197,086	129,054
Leasing in the purchase of property and equipment (****)	582	668	121,074	118,196
Swap transactions with payment on a cash basis	-	-	1,500	-
Other	-	-	2,290	-
Total deferred income tax and social contribution liabilities	**164,943**	**107,219**	**321,950**	**247,250**
Total deferred income tax and social contribution, net	**79,941**	**46,017**	**177,753**	**171,913**
Non-current assets	**-**	**-**	**(41,953)**	**-**
Non-current liabilities	**79,941**	**46,017**	**219,706**	**171,913**

(*) Refers mainly to the deferred tax on temporary differences of provisions for profit sharing and accrued loyalty program.
(**) Refers mainly to deferred income tax and social contribution of Localiza Prime and Car Rental Systems in the amounts of R$15,512 and R$19,660, respectively, as a result of income tax and social contribution losses.
(***) Refers to the temporary difference in the calculation of depreciation, introduced by the adoption of IFRS. Localiza and Localiza Fleet calculate, for tax purposes, car depreciation expenses based on the depreciation criteria used through December 31, 2007, as prescribed by Law 12973/14. The difference as of December 31, 2014, in conformity with chapter IV, articles 64, 66 and 67 of Law 12973/14, is accounted for in asset-related sub-accounts, being added to the extent of their realization beginning January 1, 2015.
(****) Refers to the temporary difference arising from the deduction of leasing installments amortization on the acquisition of property and equipment items as a contra entry to the depreciation addition to the income tax and social contribution tax bases.

Based on expected future taxable income generation determined in a technical study approved by Management, the Company and its subsidiaries have recognized a balance, as of December 31, 2017, as tax credit on tax loss carryforwards of R$13,379 (individual) and R$48,551 (consolidated). This tax credit can be carried forward indefinitely and its offset is limited to 30% of annual taxable income.

The realization of deferred income tax and social contribution credits, arising from temporary differences and tax losses and social contribution tax loss carryforwards, is contingent upon future events that will make the provisions that gave rise to them deductible and enabled the offset of tax losses and social contribution tax loss carryforwards, in accordance with prevailing tax legislation.

Based on past taxable income that originated deferred income tax and social contribution asset balances, as well as projections of profit or loss for coming years, the Company estimates the following schedule for recovering of tax credits:

	Individual	Consolidated
2018	51,712	66,087
2019	3,526	12,450
2020	14,402	24,773
2021	-	6,214
2022	15,362	25,926
2023 to 2026	-	8,747
Total deferred income tax and social contribution assets	**85,002**	**144,197**

(b) Income tax and social contribution – reconciliation of expenses at statutory and effective rates

The Company and its subsidiaries calculate the provision for income tax and social contribution based on taxable income for the year. Taxable income differs from net income recorded in the income statements because it excludes income or expenses that are taxable or deductible in other years, in addition to excluding items that are not taxable or deductible on a permanent basis. The provision for income tax and social contribution is calculated individually by each company under the actual taxable income or deemed income regime, at the current rates of tax.

The reconciliation between the statutory and effective rates for the periods ended December 31, 2017 and 2016 is as follows:

	Individual		Consolidated	
	2017	**2016**	**2017**	**2016**
Net income before taxes	555,825	429,111	654,135	527,628
Statutory rate	34%	34%	34%	34%
Expense at statutory rate	**(188,981)**	**(145,898)**	**(222,406)**	**(179,394)**
Adjustments to expense at statutory rate:				
Equity in the earnings of subsidiaries	77,195	70,357	-	-
Effect of deduction of interest on capital	55,387	51,665	55,387	51,665
Income tax and social contribution due by subsidiaries (deemed income)	-	-	6,708	6,320
Deferred income tax and social contribution arising from Car Rental Systems	-	-	7,977	-
Other, net	6,250	4,080	3,875	3,096
Expense at effective rate	**(50,149)**	**(19,796)**	**(148,459)**	**(118,313)**
Current income tax and social contribution	**(16,225)**	**(22,354)**	**(119,362)**	**(88,014)**
Deferred income tax and social contribution	**(33,924)**	**2,558**	**(29,097)**	**(30,299)**

17. EQUITY

(a) Capital

The Extraordinary Shareholders Meeting held on April 25, 2017 approved the increase of the subscribed and paid-in capital in the amount of R$523,292, from R$976,708 to R$1,500,000, upon the use of part of the balance of the Company's statutory reserve.

The capital increase was made based on stock bonus at the rate of 5% (five per cent), upon the issue of 10,589,670 book-entry new common shares (before the stock split mentioned below), without par value, which were assigned to the holders of shares as bonus, at the ratio of 1 (one) new share, of the same class, for every 20 (twenty) shares held; treasury shares were also subject to bonus, and the stock options programs were adjusted proportionally.

At the Extraordinary Shareholders Meeting held on November 22, 2017, the shareholders approved a stock split in the proportion of three (3) shares for each existing common share, without changing the value of the Company's capital, which was then divided into 667,149,210 registered common shares without par value, corresponding to a 200% increase in the shareholder base. After the stock split, the shares were credited to the shareholders on November 28, 2017.

As of December 31, 2017, the Company's capital was R$1,500,000, comprised of 667,149,210 common shares. The ownership of capital and the related reconciliation of the number of outstanding shares are as follows:

	Management (unaudited)				
	Founding partners	**Board of Directors and Statutory Board**	**Treasury shares**	**Outstanding shares (unaudited)**	**Number of shares – ON**
Amount as of December 31, 2015	**59,014,152**	**379,102**	**3,635,945**	**148,764,201**	**211,793,400**
Acquisition (sale) of shares, net	-	(62,020)	-	62,020	-
Exercise of stock options with treasury shares	571,111	20,704	(693,409)	101,594	-
Repurchase of shares	-	-	750,100	(750,100)	-
Renting of shares	(557,179)	(8)	-	557,187	-
Amount as of December 31, 2016	**59,028,084**	**337,778**	**3,692,636**	**148,734,902**	**211,793,400**
Stock bonus	2,686,334	15,262	144,485	7,743,589	10,589,670
Stock split	108,360,290	638,996	4,639,402	331,127,452	444,766,140
Acquisition (sale) of shares, net	(13,653,677)	(459,837)	-	14,113,514	-
Exercise of stock options with treasury shares	559,758	405,399	(1,639,767)	674,610	-
Sale of treasury shares (letter (d))	23,224	19,971	(84,410)	41,215	-
Renting of shares	501,922	-	-	(501,922)	-
Amount as of December 31, 2017	**157,505,935**	**957,569**	**6,752,346**	**501,933,360**	**667,149,210**

For comparison purposes, the ownership interest in capital and the respective reconciliation of number of outstanding shares adjusted to reflect the stock bonus and the stock split is as follows:

	Management (unaudited)				
	Founding partners	**Board of Directors and Statutory Board**	**Treasury shares**	**Outstanding shares (unaudited)**	**Number of shares – ON**
Amount as of December 31, 2015	**185,894,579**	**1,194,171**	**11,453,227**	**468,607,233**	**667,149,210**
Acquisition (sale) of shares, net	-	(195,363)	-	195,363	-
Exercise of stock options with treasury shares	1,799,000	65,218	(2,184,239)	320,021	-
Repurchase of shares	-	-	2,362,815	(2,362,815)	-
Renting of shares	(1,755,114)	(25)	-	1,755,139	-
Amount as of December 31, 2016	**185,938,465**	**1,064,001**	**11,631,803**	**468,514,941**	**667,149,210**
Acquisition (sale) of shares, net	(31,787,499)	(1,400,011)	-	33,187,510	-
Exercise of stock options with treasury shares	1,736,868	1,233,666	(4,638,197)	1,667,663	-
Sale of treasury shares (letter (d))	69,672	59,913	(241,260)	111,675	-
Renting of shares	1,548,429	-	-	(1,548,429)	-
Amount as of December 31, 2017	**157,505,935**	**957,569**	**6,752,346**	**501,933,360**	**667,149,210**

Pursuant to article 6 of the Bylaws, the Company is authorized to increase its capital stock up to the limit of 812,553,525 registered common shares, regardless of any amendment to the bylaws, so that an additional 145,404,315 registered common shares can be issued.

The Company participates in the Level I of the American Depositary Receipts (“ADR”) Program since its approval by CVM on May 22, 2012 and the beginning of trading on June 5, 2012. As of December 31, 2017, the Company's position was 19,173,432 ADRs issued in the United States, after the stock bonus and stock split (21,634,203 as of December 31, 2016, considering the stock bonus and stock split in 2017). Each ADR corresponds to 1 (one) Company’s share.

(b) Interest on capital and dividends

The Company adopts the procedure of recording interest credited to shareholders, calculated under Law 9,249/95, in the income statement under “finance expenses”, as required by tax legislation. However, for financial statement purposes, interest on capital is presented as a charge to retained earnings, which is the same treatment as that given to dividends. The amounts paid to shareholders as interest on capital, net of withholding income tax, are deducted from the minimum mandatory dividend, under article 9, paragraph 7, of Law 9,249/95 and based on paragraph 5 of article 24 of Localiza's Bylaws.

The Company adopts the policy of distributing interest on capital and dividends equivalent, at least, to 25% of the adjusted net income.

Interest on capital and dividends were calculated as follows:

	Individual		
	2017	2016	
Net income for the year	505,676	409,315	
Legal reserve (5%)	(25,283)	(20,466)	
Net income for the year - basis for dividends proposal	480,393	388,849	
Minimum dividends (25%)	**120,098**	**97,212**	
Distributed interest on capital	162,903	151,956	
Withholding Income Tax on interest on capital	(22,673)	(21,861)	
Total distributed	**140,230**	**130,095**	
Percentage on net income for the year deducted from legal reserve	29.2%	33.5%	
Interest on capital per share, net of treasury shares at the end of the year (in R$)	**R$0.212**	**R$0.198**	**(*)**

(*) For comparison purposes, the interest on equity per share was adjusted considering the stock bonus and stock split referred to in letter (a) above.

On December 31, 2017 and 2016, Management did not propose for approval of the Ordinary General Meeting of Shareholders the payment of complementary dividends to the shareholders, considering that the amount distributed through interest on capital in 2017 and 2016 exceeds the mandatory minimum dividends of 25% on net income, the basis for dividends proposal.

The Company declared interest on capital to shareholders on a quarterly basis. The Board of Directors' meetings approved the payment of interest on capital as follows:

2017

Approval date	Total amount approved	Amount per share (R$)		Shareholding position date	Payment date
03/08/17	39,891	0.06083	(*)	03/15/17	05/02/17
06/30/17	39,231	0.05954	(*)	07/06/17	08/24/17
09/13/17	41,036	0.06216	(*)	09/22/17	11/07/17
12/07/17	42,745	0.06475		12/14/17	01/31/18
Total	**162,903**				

2016

Approval date	Total amount approved	Amount per share (R$)		Shareholding position date	Payment date
03/17/16	35,423	0.05402	(*)	03/31/16	05/12/16
06/23/16	36,781	0.05606	(*)	06/30/16	08/17/16
09/29/16	33,044	0.05037	(*)	09/30/16	11/23/16
12/15/16	46,708	0.07126	(*)	12/22/16	02/08/17
Total	**151,956**				

(*) For comparison purposes, the interest on equity per share was adjusted considering the stock bonus and stock split referred to in letter (a) above.

The Ordinary General Meeting of Shareholders held on April 29, 2016 approved the payment of dividends to shareholders in order to supplement the 25% minimum mandatory dividend on net income deducted from legal reserve for 2015, given the payment of interest on capital net of withholding income tax. The approval details are as follows:

2016				
Approval date	**Total amount approved**	**Amount per share (R$) (*)**	**Shareholding position date**	**Payment date**
04/29/16	1,042	0.00159	04/29/16	05/20/16
Total	**1,042**			

(*) For comparison purposes, dividends per share was adjusted considering the stock bonus and stock split referred to in letter (a) above.

Dividends and interest on capital payable are broken down as follows:

	Consolidated	
	12/31/17	**12/31/16**
Proposed interest on capital in net income for the 4th quarter	42,745	46,708
Provision for withholding income tax on interest on capital	(6,361)	(6,959)
Total interest on capital payable	**36,384**	**39,749**

(c) Capital reserves

(i) Granted Options recognition

The purpose of this reserve is to support the long-term incentive plans duly approved at General Meetings, which grant to some eligible officers and employees Localiza's stock options (equity instruments). The purpose of these plans is to attract, motivate and retain these officers and employees, as well as align their interests with Company's and its shareholders'.

Currently, the long-term incentive plans maintained by the Company are the following:

- **2nd Stock Option Plan (2011 Programs):** Approved at the Extraordinary General Meeting of Shareholders on April 26, 2006, the plan established that the stock option plans were to be offered in five annual programs, the first of which beginning on 2007 and the last one on 2011. Each program was divided into four annual tranches, and the number of options per tranche is 25% of total options granted in each of the programs. The value of the share to be acquired by participants by exercising the option was calculated based on the average price of RENT3 shares, weighted by the volume traded at the close of trading of the last session at the B3 in the year prior to the program, adjusted for inflation.

- **3rd Stock Option Plan (2012 to 2016 Programs):** Approved at the Extraordinary General Meeting of Shareholders on April 25, 2011, the plan establishes, for each program, the definition of the matching to the amount invested in options. Each program will have only one tranche as from the maturity date and the vesting period for the option is from three to six years. The options can be exercised at any time as from the right of acquisition date up to the exercise limit date. The value of the share to be acquired by participants by exercising the option was calculated based on the average price of RENT3 shares, weighted by the volume traded at the close of trading of the last 40 sessions at the B3 prior to the profit sharing payment date.

- **4th Stock Option Plan (2017 Program):** Approved at the Extraordinary Shareholders Meeting held on July 12, 2017, the plan establishes the general conditions of long-term incentive through the grant of stock options issued by the Company, pursuant to article 168, paragraph 3 of Law 6,404/76, to certain officers, at the discretion of the Board of Directors. For each invested share, the Company shall grant to the Participant three (3) stock options. The program will have three annual tranches from the maturity date and the vesting period for the eligible officer to acquire the right to exercise the option is 3 years. To settle the exercise of the stock options, the Company may, at the discretion of the Board of Directors: (i) issue new shares within the authorized capital; or (ii) sell the shares held in treasury. The value of the share to be acquired by participants by exercising the option was calculated based on the average price of RENT3 shares, weighted by the volume traded at the close of trading of the last 40 sessions at the B3 in the year prior to each Program.

- **1st First Stock Purchase and Stock Matching Plan:** Approved at Extraordinary Meeting held on July 12, 2017, the plan sets the general terms and conditions for the long-term incentive plan by means of the purchase of stocks and matching stocks to certain executives, who will voluntarily adhere to the plan. The term "Matching Share" means the onerous right to receive 1 (one) Share on a certain future date, strictly in accordance with the terms and conditions established in the plan. The Company will sell to Participants, who shall purchase from it, in a commercial purchase and sale transaction, using the Shares held in treasury, the number of Shares equivalent to the number of Share Baskets acquired, and, for each 1 (one) Share, the Company shall sell jointly to the participant 2 (two) Matching Shares, if the requirements provided for in this plan are complied with. The price to be paid by participants to the Company for the purchase of each share basket shall correspond to the average closing price of one (1) share on the B3 on the payment date of the annual profit sharing.

- **1st Deferred Stock Bonus Plan:** Approved at Extraordinary Shareholders' Meeting held on July 12, 2017, the plan sets the general terms and conditions for the long-term incentive plan by granting Deferred Shares issued by the Company to eligible employees. Each Deferred Share grants to its holder the right to receive 1 (one) common share issued by the Company on a certain future date, strictly in accordance with the terms and conditions established in this plan, as a bonus (stock bonus), therefore not being part of their salary. To settle the exercised options of deferred shares, the Company shall transfer the Shares held in treasury to Participants. Up to December 31, 2017, there was no grant to employees under this plan.

The Company's costs with options are measured at fair value on the date the stock options are granted and were estimated based on the Black & Scholes option valuation model applied to each of the tranches of each of the programs separately. The number of options granted is adjusted based on the expected turnover, since if the beneficiary leaves the Company or its subsidiaries before the vesting period, they lose the right to exercise the options. This expectation is reviewed annually.

The Company's costs of Stock Option Plans and Matching Shares are measured at fair value of shares granted on the date of concession of the right to the beneficiaries, based on the market value of the Company's common shares traded on B3.

For all plans, the Company adopts the procedure of recognizing the option costs on a straight-line basis during the vesting period, from the grant date to the date on which the employee has the right to exercise the option, with a corresponding increase in (i) shareholders' equity, under the caption "options granted recognized", in "capital reserves", and (ii) in the income statement for the year, under "cost", "selling expenses", and "general, administrative and other expenses", according to the functions of the related employees.

In 2017, the Company reclassified R$31,575 between goodwill reserves in the subscription of shares and options granted to correct the effect of transfers made in prior years to adapt to the accounting standards for stock option plans.

Due to the capital increase with stock bonus approved at the Extraordinary Shareholders Meeting on April 25, 2017, the exercise price decreased 5% and, in turn, the number of shares increased 5% as mentioned, in all plans.

Additionally, due to the stock split approved at the Extraordinary Shareholders Meeting on November 22, 2017, the exercise price was divided by 3 and, in turn, the number of options/shares was multiplied by 3.

The outstanding stock option programs on December 31, 2017 were approved at Board of Directors and/or Extraordinary Shareholders meetings and have the following characteristics:

	1st Matching Share Plan	Programs 2017	2016	2015	2014	2013	2012	2011
		4th Plan	3rd Plan					2nd Plan
Approval meeting date	07/12/17	07/12/17	04/14/16	04/23/15	02/13/14	04/24/13	07/19/12	04/28/11
Number of eligible participants	26	22	15	17	19	16	18	499
Number of options granted/approved	170,318	172,074	509,432	443,535	520,313	412,228	616,484	1,022,913
Number of options granted/approved after stock bonus and stock split	487,014	491,196	1,604,711	1,397,135	1,638,986	1,298,518	1,941,925	3,222,176
Number of annual tranches	1	3	1	1	1	1	1	4
Number of options by tranche	170,318	57,358	509,432	443,535	520,313	412,228	616,484	255,728
Number of options by tranche after stock bonus and stock split	487,014	163,732	1,604,711	1,397,135	1,638,986	1,298,518	1,941,925	805,544
Exercise year of 1st tranche	2020	2018	2019	2018	2017	2016	2015	2014
Limit date for exercise of options	May/20	May/23	May/22	May/21	May/20	May/19	May/18	Mar/18

The changes, in number of shares, in long-term incentive plans and their respective programs until the end of the years, encompassing the effects of stock bonus and stock split, are as follows:

	Beginning of the year			Grants/Approvals		Dismissals		Exercises		End of the year	
Year	Options before stock bonus/ stock split	Eligible participants	Options after stock bonus/ stock split	Eligible participants	Options granted / approved	Eligible participants	Options returned	Eligible participants who exercised 100%	Options exercised	Eligible participants	Existing options
2009 Program											
12/31/16	119,788	228	377,332	-	-	(4)	(5,815)	-	(370,645)	224	872
12/31/17	277	224	872	-	-	-	(388)	(224)	(484)	-	-
2010 Program											
12/31/16	375,949	264	1,184,239	-	-	(7)	(5,374)	-	(615,217)	257	563,648
12/31/17	178,936	257	563,648	-	-	(8)	(41,010)	(249)	(522,638)	-	-
2011 Program											
12/31/16	886,404	337	2,792,173	-	-	(13)	(33,869)	-	(6,908)	324	2,751,396
12/31/17	873,459	324	2,751,396	-	-	(130)	(147,660)	(102)	(1,749,330)	92	854,406

	Beginning of the year			Grants/Approvals		Dismissals		Exercises		End of the year	
Year	Options before stock bonus/ stock split	Eligible participants	Options after stock bonus/ stock split	Eligible participants	Options granted / approved	Eligible participants	Options returned	Eligible participants who exercised 100%	Options exercised	Eligible participants	Existing options
2012 Program											
12/31/16	613,996	14	1,934,088	-	-	-	-	-	(681,862)	14	1,252,226
12/31/17	397,532	14	1,252,226	-	-	(2)	(22,714)	(7)	(823,402)	5	406,110
2013 Program											
12/31/16	412,228	15	1,298,518	-	-	-	-	-	(509,607)	15	788,911
12/31/17	250,448	15	788,911	-	-	(1)	(9,600)	(8)	(564,784)	6	214,527
2014 Program											
12/31/16	520,313	18	1,638,986	-	-	-	-	-	-	18	1,638,986
12/31/17	520,313	18	1,638,986	-	-	(2)	(63,631)	(9)	(977,559)	7	597,796
2015 Program											
12/31/16	443,535	16	1,397,135	-	-	-	-	-	-	16	1,397,135
12/31/17	443,535	16	1,397,135	-	-	(3)	(172,670)	-	-	13	1,224,465
2016 Program											
12/31/16	-	-	-	15	1,604,711	-	-	-	-	15	1,604,711
12/31/17	509,432	15	1,604,711	-	-	(2)	(92,249)	-	-	13	1,512,462
2017 Program											
12/31/17	-	-	-	22	491,196	(2)	(27,144)	-	-	20	464,052
Matching Program											
12/31/17	-	-	-	26	487,014	(2)	(20,916)	-	-	24	466,098
Total 12/31/16	**3,372,213**	**892**	**10,622,471**	**15**	**1,604,711**	**(24)**	**(45,058)**	**-**	**(2,184,239)**	**883**	**9,997,885**
Total 12/31/17	**3,173,932**	**883**	**9,997,885**	**48**	**978,210**	**(152)**	**(597,982)**	**(599)**	**(4,638,197)**	**180**	**5,739,916**

The table below summarizes the fixed exercise price (in R$) of stock options for each annual tranche based on the fair value of the share quoted at the year's closing previous to grant date, encompassing the effects of stock bonus and stock split; the amounts for each exercise price are set beginning April of each year:

		Year						
Plan	**Program**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2nd Plan	**2011**	11.82	11.82	11.82	11.82	-	-	-
	2012	-	10.06	-	-	-	-	-
	2013	-	-	10.35	-	-	-	-
3rd Plan	**2014**	-	-	-	10.37	-	-	-
	2015	-	-	-	-	11.46	-	-
	2016	-	-	-	-	-	9.44	-
4th Plan	**2017**	-	-	-	-	-	-	11.06

On December 31, 2017, the following weighted average assumptions, encompassing the effects of stock bonus and stock split, were used to calculate the fair value of each of the tranches of the stock option plans still outstanding:

	Programs						
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
	4th Plan	**3rd Plan**					**2º Plano**
Share price	11.06	9.44	11.46	10.37	10.35	10.06	11.82
Risk-free rate by tranche	4.59%	4.87%	10.00%	11.00%	9.00%	9.45%	10.21%
Expected annualized volatility (*)	42.59%	43.11%	43.64%	43.64%	46.67%	48.49%	50.12%
Expected dividends	0.42%	0.42%	0.41%	0.41%	0.36%	0.39%	0.39%
Duration of the program in years	2.8	3.0	3.0	2.0	3.0	3.0	4.4
Option fair value on grant date (R$/share)	7.49	4.06	4.60	3.45	4.11	4.07	3.53

(*) The expected annualized volatility was determined based on the historical volatility of RENT3 shares in the capital market, as from the listing of Localiza's shares in 2005, less the dividends paid in each period.

For the Stock Option Plan and Matching Shares, the fair value of shares granted was estimated on the date of grant of rights to eligible participants, based on the market value of common shares of the Company traded on B3, that is, R$17.17 per share granted (encompassing stock bonus and stock split mentioned in letter (a) above).

In 2017, the consolidated cost of these programs was R$8,738 (R$4,868 in 2016).

Considering the exercise of the options existing on December 31, 2017, the interest dilution percentage to which current shareholders are subject is 0.8% (1.5% on December 31, 2016).

(ii) Options exercised in 2017

In 2017, 4,638,197 stock options were exercised, encompassing the effects of stock bonus and stock split, related to the Stock Options Programs from 2009 to 2014. All options were exercised using treasury shares and, therefore, it was not necessary to issue new shares.

The weighted average exercise prices of shares, as well as the weighted average fair value of Localiza's shares on the exercise date, encompassing the effects of stock bonus and stock split, were as follows:

Program	Number of options exercised	Fair value (R$)	Weighted average exercise price (R$)	Weighted average market price (R$)
2009 Program	484	3.88	3.03	11.87
2010 Program	522,638	3.84	7.99	13.10
2011 Program	1,749,330	3.53	11.82	14.49
2012 Program	823,402	4.07	10.06	14.83
2013 Program	564,784	4.11	10.35	14.59
2014 Program	977,559	3.45	10.37	15.17
Total	**4,638,197**			

(iii) Goodwill on share subscription

A The goodwill reserve on share subscription for the year ended December 31, 2017 arises from the following:

	12/31/17
Primary distribution of shares of Localiza in 2006	48,174
Goodwill between 2011 and 2016 on realization of treasury shares for the options exercised	39,494
Goodwill in 2017 on realization of treasury shares for the options exercised and the sale of treasury shares	10,095
Total	**97,763**

(d) Treasury shares

Treasury shares are own shareholders' equity instruments repurchased by the Company and Management adopts the practice of recording them at cost, deducted from shareholders' equity. Transaction costs incurred in the purchase of shares issued by Localiza are added to these shares. No gain or loss is recognized in the income statement on the purchase or sale of such shares. Shares are purchased to be held in treasury and for subsequent sale, without reducing capital. The Company can also settle purchase options using treasury shares, when these options are exercised.

At the meeting held on July 21, 2016, the Board of Directors authorized the Company to purchase up to 11,000,000 shares (34,650,000 shares encompassing the effects of stock bonus and stock split), through the 8th Share Repurchase Program. This transaction has a maximum term of 365 days from July 23, 2016 to July 22, 2017. By December 31, 2017, 750,100 shares (2,362,815 shares encompassing the effects of stock bonus and stock split) had been purchased under this program.

At a meeting held on July 20, 2017, the Board of Directors authorized the Company to purchase up to 13,000,000 shares (39,000,000 shares considering the stock split) through the 9th Share Buyback Program. This transaction has a deadline of 365 days, from July 23, 2017 to July 22, 2018, and aims at maximizing the value generated for shareholders or settle stock options within the scope of long-term incentive plans of the Company. Until December 31, 2017, no shares had been purchased under this program.

In 2017, 241,260 treasury shares were sold in the amount of R$2,136 to employees eligible to the First Stock Option and Stock Matching Plan, which was approved at the Extraordinary Shareholders Meeting held on July 12, 2017.

The number of treasury shares as of December 31, 2017 was 6,752,346 shares (11,631,803 as of December 31, 2016, encompassing the effects of stock bonus and stock split in 2017), acquired under the 1st, 4th, 6th, 7th and 8th Share Repurchase Programs, with fair value of R$148,957 (quotation of R$22.06 per share as of December 28, 2017).

The cost of acquisition of the treasury shares, including transaction costs, are as follows:

Repurchase Program	Date of approval by the Board of Directors	Proceeds (R$)		
		Minimum	Average	Maximum
1st Program	12/18/07	1.63	3.28	5.25
4th program	07/19/12	10.64	10.68	10.72
6th Program	07/25/14	10.13	10.19	10.28
7th Program	07/23/15	7.24	7.41	7.52
8th Program	07/21/16	10.54	10.59	10.66

(e) Revenue reserves

(i) Legal reserve

This reserve is recorded as prescribed by the Brazilian Corporate Law, through the allocation of 5% of the net income, and is limited: (i) to 20% of the capital or (ii) when the balance of such reserve plus the capital reserves reaches 30% of the capital. The purpose of the legal reserve is to protect capital, and it can only be used to offset losses or increase capital. On December 31, 2017 and 2016, R$25,283 and R$20,466, respectively, were recorded as the legal reserve. This reserve amounted to R$145,908 on December 31, 2017.

(ii) Statutory reserve

According to item (f), paragraph 2 of article 24 of Localiza's Bylaws, a portion consisting of up to 100% of the net income after legal and statutory deductions may be allocated to the "reserve for investments", which is intended to retain resources to finance investments for renewal and expansion of the Company's and its subsidiaries' fleets.

Shareholders approved, at an Extraordinary Shareholders Meeting held on April 25, 2017, an increase in the subscribed and paid-up capital of R$523,292 million, through the use of a portion of the Reserve established by the Bylaws of the Company.

On December 31, 2017, the Management proposed, subject to approval of the Annual Shareholders Meeting, the allocation of 100% of remaining profit for 2017, in the amount of R$317,490, to this reserve established by the bylaws.

(f) Earnings retention

In order to seecure funds for the fleet renewal in 2017, the Ordinary General Meeting held on April 25, 2017 approved the earnings retention in the amount of R$236,893 relating to the remaining balance of 2016 earnings, after deduction of legal reserve and distribution of interest on capital. This reserve was recognized based on item (g), paragraph 2, article 24 of Localiza’s Bylaws.

18. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing net income for the year assigned to the Company's common shareholders by the weighted average number of common shares available during the year, less treasury shares.

The diluted earnings per share is calculated by considering basic earnings per share plus weighted average number of common shares that would be issued assuming that stock options would be exercised at an amount lower than market value, less treasury shares.

The table below shows net income information and the number of shares used, encompassing the effects of stock bonus and stock split (note 17(a)), in the calculation of basic and diluted earnings per share for each of the reporting years of the income statement:

	Individual e Consolidated	
	2017	**2016**
Net income for the year	**505,676**	**409,315**
Basic earnings per share:		
Weighted average number of outstanding common shares (units)	657,866,062	655,908,187
Basic earnings per share (R$)	**0.76866**	**0.62404**
Diluted earnings per share:		
Weighted average number of outstanding common shares (units)	657,866,062	655,908,187
Dilutive effect of stock options (units)	5,543,287	806,456
Total shares subject to dilution (units)	663,409,349	656,714,643
Diluted earnings per share (R$)	**0.76224**	**0.62328**

19. DIVISION REPORTING

An operating division is defined as a component of an entity that engages in business activitie which: (i) can earn revenues and incur expenses; (ii) the results of operations are regularly reviewed by the chief operating manager for decision making regarding funds to be allocated to the division and for performance evaluation; and (iii) for which individual financial information is available.

Management has defined three operating divisions that are separately managed based on the reports used by the Board of Directors to make strategic decisions. The accounting policies of these operating divisions are the same as those described in note 2 or the notes of the respective captions.

- **Car Rental:** This division is responsible for car rentals in locations located in and off-airports and for management of car claims for insurance companies. Cars are rented by legal entities and individuals, in some cases through distribution channels. Due to the need to renew its fleet, Localiza sells cars after 12 months of use. In order to reduce intermediation costs on the sale of decommissioned cars, roughly half of the cars is directly sold to the final consumers. Consequently, the Company maximizes the recoverable amount of these assets, by reducing the depreciation of cars and the net amount invested in fleet renewal, as the selling expense of the Company's own stores is smaller than the discount required by resellers, as well as avoids full dependence on third parties for the sales.

- **Fleet Rental:** This division is responsible for fleet rental to legal entities, through the subsidiaries Localiza Fleet and Car Rental Systems, for long periods, usually 24 to 36 months. This division's fleet is acquired after signature of agreements according to the clients' needs. Therefore, the fleet is more diversified in terms of models and brands. Decommissioned cars are sold within 32 months of use, on average, directly to the end consumer or to dealers through the Company's own car dealer network.

- **Franchising:** This division is responsible for the management and establishment of franchises in geographically defined markets, including the transfer of the necessary know-how to operate the business and licensing of the right to use the Localiza brand. The franchising business is managed by the subsidiary Franchising Brasil, in Brazil, LFI S.R.L., in Argentina, and by Localiza itself in other countries.

(a) Operating division financial reporting

(i) Consolidated assets and liabilities by operating division

12/31/17	Car Rental	Fleet Rental	Franchising	Unallocated balances	Deductions/ Reclassifications	Consolidated
Assets						
Cash and cash equivalents	-	-	-	1,338,195	-	1,338,195
Financial assets	-	-	-	1,275,699	-	1,275,699
Trade receivables	454,485	133,910	10,251	-	(8,824)	589,822
Decommissioned cars for fleet renewal	66,058	37,292	-	-	-	103,350
Property and equipment	5,438,102	1,661,252	-	385,174	(554)	7,483,974
Other assets	317,424	117,849	6,398	-	(46,477)	395,194
Total assets	**6,276,069**	**1,950,303**	**16,649**	**2,999,068**	**(55,855)**	**11,186,234**
Liabilities						
Trade payables	1,165,097	174,899	1,898	-	(10,214)	1,331,680
Loans, financing and marketable securities	-	-	-	6,477,679	-	6,477,679
Other liabilities	511,470	292,024	17,743	-	(45,087)	776,150
Total liabilities	**1,676,567**	**466,923**	**19,641**	**6,477,679**	**(55,301)**	**8,585,509**
Equity	**-**	**-**	**-**	**2,600,725**	**-**	**2,600,725**
Total liabilities and equity	**1,676,567**	**466,923**	**19,641**	**9,078,404**	**(55,301)**	**11,186,234**

12/31/16	Car Rental	Fleet Rental	Franchising	Unallocated balances	Deductions/ Reclassifications	Consolidated
Assets						
Cash and cash equivalents	-	-	-	1,692,261	-	1,692,261
Trade receivables	338,932	84,986	8,287	-	(4,508)	427,697
Decommissioned cars for fleet renewal	441	8,346	-	-	-	8,787
Property and equipment	3,517,970	1,207,547	31	295,048	-	5,020,596
Other assets	241,299	29,344	6,871	-	(9,600)	267,914
Total assets	**4,098,642**	**1,330,223**	**15,189**	**1,987,309**	**(14,108)**	**7,417,255**

12/31/16	Car Rental	Fleet Rental	Franchising	Unallocated balances	Deductions/ Reclassifications	Consolidated
Liabilities						
Trade payables	811,995	102,967	412	-	(4,473)	910,901
Loans, financing and marketable securities	-	-	-	3,785,889	-	3,785,889
Other liabilities	351,062	166,079	16,726	-	(10,392)	523,475
Total liabilities	**1,163,057**	**269,046**	**17,138**	**3,785,889**	**(14,865)**	**5,220,265**
Equity	**-**	**-**	**-**	**2,196,990**	**-**	**2,196,990**
Total liabilities and equity	**1,163,057**	**269,046**	**17,138**	**5,982,879**	**(14,865)**	**7,417,255**

(ii) Consolidated income statements per operating division

2017	Car Rental	Fleet Rental	Franchising	Reclassifications	Consolidated
Net revenue	4,833,607	1,208,159	16,513	-	6,058,279
Costs	(3,665,854)	(729,551)	(9,449)	(6,001)	(4,410,855)
Gross profit	**1,167,753**	**478,608**	**7,064**	**(6,001)**	**1,647,424**
Operating expenses:					
Selling expenses	(411,226)	(50,612)	(1,130)	2,998	(459,970)
General, administrative and other expenses	(170,837)	(49,852)	(634)	3,003	(218,320)
Profit (loss) before finance costs, net (EBIT)	**585,690**	**378,144**	**5,300**	**-**	**969,134**
Financial expenses, net					(314,999)
Profit before income tax and social contribution					**654,135**
Income tax and social contribution					(148,459)
Net income					**505,676**

2016	Car Rental	Fleet Rental	Franchising	Reclassifications	Consolidated
Net revenue	3,423,123	999,237	16,913	-	4,439,273
Costs	(2,541,597)	(593,814)	(10,201)	(3,622)	(3,149,234)
Gross profit	**881,526**	**405,423**	**6,712**	**(3,622)**	**1,290,039**
Operating expenses:					
Selling expenses	(321,315)	(44,169)	(564)	1,959	(364,089)
General, administrative and other expenses	(128,281)	(27,207)	(933)	1,663	(154,758)
Profit (loss) before finance costs, net (EBIT)	**431,930**	**334,047**	**5,215**	**-**	**771,192**
Financial expenses, net					(243,564)
Profit before income tax and social contribution					**527,628**
Income tax and social contribution					(118,313)
Net income					**409,315**

The Company operates in Brazil and had, as of December 31, 2017 and 2016, a network of franchisees in six South American countries; its revenue is derived mainly from its operations in the Brazilian market. The consolidated net revenue, in Brazil and abroad, is broken down as follows:

	Consolidated	
	2017	**2016**
Revenue in Brazil	6,038,389	4,420,754
Exports revenue (*)	18,498	17,114
Royalties abroad	1,392	1,405
Net revenue	**6,058,279**	**4,439,273**

(*) Revenue from car rental in Brazil to customers resident and domiciled abroad.

(iii) Consolidated depreciation and amortization expenses per operating division

	Consolidated	
	2017	**2016**
Car Rental		
Car depreciation	117,749	87,814
Depreciation of other property and equipment and amortization of intangible assets	33,268	32,991
Fleet Rental		
Car depreciation	114,248	118,506
Depreciation of other property and equipment and amortization of intangible assets	5,196	4,662
Franchising		
Depreciation of other property and equipment and amortization of intangible assets	605	497
Total	**271,066**	**244,470**

20. NET REVENUES

The reconciliation between gross revenue and net revenue in the income statement for the years is as follows:

	Individual		Consolidated	
	2017	**2016**	**2017**	**2016**
Gross revenue	4,802,509	3,459,718	6,149,469	4,531,826
Deductions:				
Discounts	(5,665)	(5,346)	(19,310)	(17,207)
Taxes (*)	(47,226)	(55,812)	(71,880)	(75,346)
Net revenue	**4,749,618**	**3,398,560**	**6,058,279**	**4,439,273**

(*) Refers to: (i) Service Tax (“ISSQN”) and (ii) the taxes on revenue (“PIS” and “COFINS”), net of credits generated.

The breakdown of the net revenue recognized in each significant category is as follows:

	Individual		Consolidated	
	2017	**2016**	**2017**	**2016**
Revenue from car rental	1,843,787	1,408,225	1,848,552	1,427,996
Revenue from fleet rental	-	-	742,095	651,805
Franchising	1,392	1,405	16,513	16,913
Cars sold for fleet renewal	2,904,439	1,988,930	3,451,119	2,342,559
Net revenue	**4,749,618**	**3,398,560**	**6,058,279**	**4,439,273**

21. NATURE OF COSTS AND OPERATING EXPENSES

The information on the nature of costs and operating expenses recognized in the income statement is as follows:

	Individual					
	Costs		Selling, general, administrative and other expenses		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Cost of cars sold	(2,525,029)	(1,737,473)	-	-	**(2,525,029)**	**(1,737,473)**
Car maintenance, IPVA and others	(387,316)	(294,385)	-	-	**(387,316)**	**(294,385)**
Car depreciation	(115,652)	(87,814)	-	-	**(115,652)**	**(87,814)**
Payroll, related taxes and benefits	(253,453)	(215,459)	(179,768)	(138,411)	**(433,221)**	**(353,870)**
Real estate rental	(123,571)	(97,087)	(47,274)	(45,382)	**(170,845)**	**(142,469)**
Third-party services	(77,048)	(39,578)	(75,353)	(74,400)	**(152,401)**	**(113,978)**
Profit sharing	(33,530)	(27,406)	(24,923)	(21,355)	**(58,453)**	**(48,761)**

	Individual					
	Costs		Selling, general, administrative and other expenses		Total	
	2017	2016	2017	2016	2017	2016
Depreciation and amortization of other property and equipment and intangible assets	(19,704)	(20,045)	(16,640)	(16,472)	**(36,344)**	**(36,517)**
Water, electricity and telephone	(10,589)	(10,097)	(7,635)	(7,308)	**(18,224)**	**(17,405)**
Travel	(8,613)	(7,242)	(5,199)	(5,737)	**(13,812)**	**(12,979)**
Advertising	-	-	(48,467)	(37,305)	**(48,467)**	**(37,305)**
Commissions	-	-	(45,631)	(30,150)	**(45,631)**	**(30,150)**
Allowance for doubtful debts and write-off of uncollectible amounts	-	-	(34,327)	(24,194)	**(34,327)**	**(24,194)**
Other (*)	(100,018)	(41,244)	(66,361)	(10,918)	**(166,379)**	**(52,162)**
Total	**(3,654,523)**	**(2,577,830)**	**(551,578)**	**(411,632)**	**(4,206,101)**	**(2,989,462)**

	Consolidated					
	Costs		Selling, general, administrative and other expenses		Total	
	2017	2016	2017	2016	2017	2016
Cost of cars sold	(2,965,211)	(2,006,914)	-	-	**(2,965,211)**	**(2,006,914)**
Car maintenance, IPVA and others	(553,346)	(429,880)	-	-	**(553,346)**	**(429,880)**
Car depreciation	(231,997)	(206,320)	-	-	**(231,997)**	**(206,320)**
Payroll, related taxes and benefits	(285,528)	(243,105)	(264,299)	(216,439)	**(549,827)**	**(459,544)**
Real estate rental (note 24)	(113,252)	(98,564)	(47,949)	(46,643)	**(161,201)**	**(145,207)**
Third-party services	(87,737)	(50,299)	(83,678)	(81,332)	**(171,415)**	**(131,631)**
Profit sharing	(39,492)	(32,772)	(35,760)	(33,745)	**(75,252)**	**(66,517)**
Depreciation and amortization of other property and equipment and intangible assets	(21,801)	(21,642)	(17,268)	(16,508)	**(39,069)**	**(38,150)**
Water, electricity and telephone	(10,797)	(10,254)	(8,984)	(7,815)	**(19,781)**	**(18,069)**
Travel	(9,057)	(7,507)	(7,841)	(7,917)	**(16,898)**	**(15,424)**
Advertising	-	-	(49,653)	(38,189)	**(49,653)**	**(38,189)**
Commissions	-	-	(46,890)	(31,100)	**(46,890)**	**(31,100)**
Allowance for doubtful debts and write-off of uncollectible amounts	-	-	(38,525)	(24,892)	**(38,525)**	**(24,892)**
Other (*)	(92,637)	(41,977)	(77,443)	(14,267)	**(170,080)**	**(56,244)**
Total	**(4,410,855)**	**(3,149,234)**	**(678,290)**	**(518,847)**	**(5,089,145)**	**(3,668,081)**

(*) Reclassification of amounts in 2016 from the line Other to specific natures for better comparison of balances.

Operating costs and expenses in 2017 include one-time costs related to the integration process of Car Rental Systems and indemnifications to former franchise owners whose car rental operations were assumed by Localiza. One-time costs are broken down as follows:

	Consolidated		
	Costs	Selling, general, administrative and other expenses	Total
	2017	2017	2017
Payroll, related taxes and benefits	(4,523)	(6,212)	**(10,735)**
Real estate rental	(3,131)	217	**(2,914)**
Third-party services	(22,124)	(5,021)	**(27,145)**
Depreciation and amortization of other property and equipment and intangible assets	(2,711)	-	**(2,711)**
Water, electricity and telephone	-	(805)	**(805)**
Travel	-	(257)	**(257)**

	Consolidated		
	Costs	Selling, general, administrative and other expenses	Total
	2017	2017	2017
Advertising	-	(1,473)	**(1,473)**
Commissions	-	(539)	**(539)**
Allowance for doubtful debts and write-off of uncollectible amounts	-	(1,914)	**(1,914)**
Other	(6,804)	(2,089)	**(8,893)**
Total one-time costs related to the integration process of Car Rental Systems	**(39,293)**	**(18,093)**	**(57,386)**
Indemnities to former franchisees	(16,682)	-	**(16,682)**
Total one-time costs	**(55,975)**	**(18,093)**	**(74,068)**

22. FINANCIAL INCOME (EXPENSES)

Financial income (expenses) recognized in the income statement are as follows:

	Individual		Consolidated	
	2017	2016	2017	2016
Interest income on financial assets	123,121	129,842	178,652	179,957
PIS/COFINS on finance income	(6,609)	(7,307)	(9,193)	(9,664)
Other interest income	20,348	26,648	27,425	31,655
Total financial income	**136,860**	**149,183**	**196,884**	**201,948**
Interest expenses on loans, financing, marketable securities and swap	(319,674)	(328,691)	(470,029)	(435,431)
Other interest expenses	(31,923)	(7,410)	(41,854)	(10,081)
Total financial expenses	**(351,597)**	**(336,101)**	**(511,883)**	**(445,512)**
Total financial income (expenses)	**(214,737)**	**(186,918)**	**(314,999)**	**(243,564)**

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets – Financial assets are classified upon initial recognition, into one of the following four categories, according to their nature and purpose: (i) at fair value through profit or loss; (ii) loans and receivables; (iii) held to maturity; and (iv) available for sale. They are subsequently measured based on their initial classification.

- Financial assets at fair value through profit or loss: They include financial assets held for trading and financial assets designated as such upon initial recognition. Financial assets are classified as held for trading if they were acquired for sale in the short term. Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with the corresponding gains or losses recognized in the income statement.

- Loans and receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are recognized at amortized cost using the effective interest method (effective interest rate) less impairment losses. Amortized cost is calculated considering any discount or "premium" upon acquisition and rates or costs incurred. The amortization of the effective interest method is included as financial income in the income statement. Impairment losses are recognized as financial expenses in profit or loss.

- Held-to-maturity financial assets: These are non-derivative financial assets with fixed or determinable payments with definite maturities for which the entity has the positive intention and ability to hold to maturity. The Company did not designate any financial asset at fair value through profit or loss upon initial recognition.

- Available-for-sale financial assets: These are non-derivative financial assets designated as available for sale or those that are not classified as (a) loans and accounts receivable; (b) held-to-maturity financial assets; or (c) financial assets at fair value through profit or loss. The Company did not designate any financial asset at fair value through profit or loss upon initial recognition.

Financial liabilities – Financial liabilities are classified upon initial recognition, when the Company becomes a party to the underlying contract, into one of the two categories: (i) financial liabilities at fair value through profit or loss; and (ii) other financial liabilities.

- Financial liabilities at fair value through profit or loss: They include financial liabilities held for trading and financial assets designated as such upon initial recognition. Financial liabilities are classified as held for trading when they are acquired for repurchase in the short term. This category includes derivative financial instruments contracted by the Company and its subsidiaries that do not meet the hedge accounting criteria set forth by CPC 38 – Financial Instruments - Recognition and Measurement. Financial liabilities at fair value through profit or loss are presented in the balance sheet at fair value, with the corresponding gains or losses recognized in the income statement.

- Other financial liabilities: These are non-derivative financial liabilities initially measured at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Financial assets				
Cash and cash equivalents (note 4)				
Loans and receivables	10,593	292,526	33,289	377,203
Financial assets at fair value through profit or loss	819,144	841,185	1,304,906	1,315,058
Financial assets (note 5)				
Loans and receivables	626,460	-	660,565	-
Financial assets at fair value through profit or loss	532,407	-	615,134	-
Loans and receivables				
Trade receivables (note 6)	441,364	336,457	589,822	427,697
Escrow deposits (note 15)	51,716	38,144	83,124	60,127
Investments in restricted accounts (note 7)	-	-	40,584	-
Financial liabilities				
Other financial liabilities				
Trade payables (note 11)	(1,157,954)	(803,601)	(1,331,680)	(910,901)
Loans, financing and marketable securities (note 13)	(4,765,329)	(2,687,794)	(6,477,679)	(3,781,350)
Restricted obligations (note 14)	-	-	(40,584)	-
Financial liabilities at fair value through profit or loss				
Swap (note 13)	-	2,210	(952)	5,057

(a) Risk management

In the normal course of operations, the Company is exposed to the following risks related to its financial instruments: (i) market risk; (ii) credit risk; and (iii) liquidity risk.

The Company's risk management is monitored by the Audit, Risk Management and Compliance Committee. In addition, the risk identification, analysis and monitoring is accompanied by the Board of Directors, which has the power to decide on the strategies to be adopted by the Company.

(i) Market risk

The market risk is managed in order to ensure that the Company is exposed only to risk levels considered acceptable in the context of its operations.

The Company's financial instruments that are affected by the market risk include: (i) cash and cash equivalents; and (ii) loans, financing, marketable securities and fixed-rate swap.

- **Interest rate risk** – Is the risk that the fair value or future cash flows of a certain financial instrument fluctuate due to market interest rate changes.

The Company uses cash from operating activities to conduct its daily business activities and finance its fleet renewal and part of its growth. To supplement its cash requirements for growth, the Company obtains loans and financing from major financial institutions in Brazil and issues debt securities (debentures and promissory notes), which are mainly indexed to the CDI rate fluctuation. The inherent risk arises from the possibility of relevant increases in CDI rate, since the increase in interest rates can affect both the cost of loans raised by the Company and the debt cost, further increasing its finance costs.

As a strategy to manage interest rate risk, Management continuously monitors CDI in order to, if necessary, adjust car rental fees to mitigate such fluctuations. For fleet rentals, Localiza Fleet enters into fixed-rate loans and swaps floating interest rates for fixed interest rates, thus eliminating the risk of fluctuation in the benchmark interest rate in long-term contracts (see details on these operations in note 13(e)). In addition, all the Company's cash equivalents balance is also indexed to the CDI rate fluctuation, which is the same rate adopted for debts.

The Company has performed sensitivity tests for adverse scenarios (deterioration of the CDI rate by 25% or 50% above of the probable scenario), considering the following assumptions:

o As of December 31, 2017, the Company's net debt totaled R$3,864,737. Of this total, R$980,591, with fixed cost at an average rate of 11.08% per year, was excluded, as it is related to the transactions contracted at a fixed-rate and amounts corresponding to the hedge from the swap transactions, changing the rates indexed to the CDI for fixed-rates. Thus, the net debt subject to the CDI fluctuation amounts to R$2,884,146 as of December 31, 2017.
o The probable scenario for the next 12 months was estimated, according to information in the Focus Bulletin issued by the Central Bank of Brazil, based on an average CDI rate of 6.75% against the effective annual rate of 10.08% in 2017.

	Consolidated		
Description	**Probable scenario (*)**	**Scenario I - 25% deterioration**	**Scenario II - 50% deterioration**
Net debt as of December 31, 2017 (letter (b) (i))	**3,864,737**	**3,864,737**	**3,864,737**
Debts at a fixed-rate and amounts hedged with swap to a fixed-rate (note 13 (d) and 13(e)(i))	(980,591)	(980,591)	(980,591)
Net debt subject to the CDI fluctuation	**2,884,146**	**2,884,146**	**2,884,146**
Effective average annual CDI rate for the twelve-month period ended December 31, 2017	10.08%	10.08%	10.08%
Estimated average annual CDI rate, according to stress scenarios	6.75%	8.44%	10.13%
Effect on finance costs subject to the CDI rate fluctuation:			
- according to effective rates	(290,722)	(290,722)	(290,722)
- according to scenarios	(194,680)	(243,422)	(292,164)
(Increase) Decrease in finance expenses for the next 12 months	**96,042**	**47,300**	**(1,442)**

(*) As required by IFRS 7 and based on the average rate of 6.75%, which is the projected scenario for the next 12 months, as reasonably as possible, based on market information in the Focus Bulletin issued by the Central Bank of Brazil on December 29, 2017.

- **Currency risk** – The Company is not exposed to currency risk since it enters into swap transactions tied to foreign currency-denominated loans. Currently, the Company has no financial liabilities in foreign currency (note 13).

(ii) Credit risk

The credit risk is the risk that a counterparty does not comply with its contractual obligations, thereby causing the Company to incur financial losses. The Company's credit risk basically arises from trade receivables and cash and cash equivalents deposited/invested in banks and financial institutions, which include amounts invested in fixed-income investment fund units.

The maximum exposure to the Company’s credit risk, based on the residual value of the underlying financial assets, is as follows:

	Individual		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Cash and cash equivalents:				
Financial assets:				
At least Aa3 in the Moody´s scale or equivalent in another rating agency	819,144	1,130,930	1,319,825	1,687,039
Cash and banks	10,593	2,781	18,370	5,222
Total cash and cash equivalents (note 4)	**829,737**	**1,133,711**	**1,338,195**	**1,692,261**
Financial assets:				
At least Aa3 in the Moody´s scale or equivalent in another rating agency	1,158,867	-	1,275,699	-
Total financial assets (note 5)	**1,158,867**	**-**	**1,275,699**	**-**
Trade receivables – customers	421,006	292,927	568,188	382,765
Trade receivables – credit card:				
Aaa in the Moody´s scale	7,203	16,946	7,242	17,144
Sundry	13,155	26,584	14,392	27,788
Total trade receivables (note 6)	**441,364**	**336,457**	**589,822**	**427,697**
Total	**2,429,968**	**1,470,168**	**3,203,716**	**2,119,958**

- **Cash and cash equivalents and financial assets** – The credit risk in balances with banks and financial institutions is managed by the Company's Finance Department, according to policies defined by the Board of Directors, with the purpose of mitigating risk concentration and, therefore, minimizing financial losses in the case of bankruptcy of one counterparty.

As established by the Board of Directors, the maximum fund allocation limits per financial institution, on a consolidated basis, must comply with the following criteria: (i) the maximum amount of 20% of the total available funds must be allocated only in financial institutions that are listed in the Investment, Indebtedness, Derivatives and Guarantees Policy and (ii) the maximum amount of 40% of the total available funds must be allocated only in the financial institutions that are listed in the Investment, Indebtedness, Derivatives and Guarantees Policy and the equity of which is higher than R$10.0 billion.

- **Trade receivables** – The management of the credit risk related to trade receivables is constantly monitored by the Company, which has established control policies.

The Company mitigates its credit risk by operating significantly with credit cards for car rentals, mainly in transactions with individuals under short-term agreements. The credit risk in transactions with legal entities for car rental and fleet rental is reduced by a credit limit granting policy, based on the analysis of the financial position of the customer, past experience and the position of past-due receivables. The financial position of customers is continuously monitored in order to assess and adjust, if necessary, the credit limit previously granted. The credit risk in the sale of decommissioned cars is mitigated through the use of financing and/or leasing companies with well-known financial and liquidity capacity. Cars are released upon the confirmation of receivables payment in cash.

Additionally, the management of credit risk includes the periodic analysis of the impairment of trade receivables, in which the need to recognize an allowance for doubtful debts is analyzed in order to adjust receivables to their probable realizable values. This analysis, which is intended to assign a risk rating to the customer according to internal criteria defined by Management, takes into consideration the current financial position of the customer, past experience and the position of past-due receivables.

Credit risk concentration is limited because the customer basis is extensive. All significant transactions and customers are located in Brazil, and there is no customer that individually accounts for more than 10% of the Company's revenues.

(iii) Liquidity risk

Liquidity risk is the risk of the Company not having sufficient funds to settle its obligations. The liquidity risk management, conducted by the Finance Department, seeks to ensure that the Company has the necessary funds to settle its financial liabilities at the maturity dates, and is monitored by the Board of Directors and conducted considering funding requirements and liquidity management in the short, medium and long terms. The Company manages the liquidity risk by maintaining appropriate financial resources available in cash and cash equivalents, financial assets and by means of credit facilities, based on the continuous monitoring of estimated and realized cash flows, and the combination of the maturity profiles of financial assets and financial liabilities. Management also considers that the access to third-party credit is facilitated by the corporate credit rating of Localiza according to the main market rating agencies.

The analysis of the maturities of undiscounted consolidated contractual cash flows of loans, financing, marketable securities and swap, based on the interest rate contracted for each transaction and a CDI rate of 6.89% as of December 31, 2017, is as follows:

	Individual								
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**
Debentures – 6th issue	136,927	127,588	-	-	-	-	-	-	**264,515**
Debentures – 7th issue	98,375	92,944	111,239	103,722	-	-	-	-	**406,280**
Debentures – 8th issue	36,866	281,589	263,212	-	-	-	-	-	**581,667**
Debentures – 9th issue	38,128	85,983	176,740	307,455	-	-	-	-	**608,306**
Debentures – 10th issue	15,347	15,532	108,003	100,162	-	-	-	-	**239,044**
Debentures – 11th issue	37,538	37,997	37,692	37,681	501,186	-	-	-	**652,094**
Debentures – 12th issue	50,521	51,133	50,710	50,715	50,726	51,105	719,163	-	**1,024,073**
Debentures – 13th issue	80,097	81,118	80,466	80,579	487,103	455,262	117,479	109,137	**1,491,241**
Promissory notes – 6th issue	48,051	52,179	690,791	-	-	-	-	-	**791,021**
Leases	196	-	-	-	-	-	-	-	**196**
Total	**542,046**	**826,063**	**1,518,853**	**680,314**	**1,039,015**	**506,367**	**836,642**	**109,137**	**6,058,437**

	Consolidated								
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**
Debentures – 6th issue	136,927	127,588	-	-	-	-	-	-	**264,515**
Debentures – 7th issue	98,375	92,944	111,239	103,722	-	-	-	-	**406,280**
Debentures – 8th issue	36,866	281,589	263,212	-	-	-	-	-	**581,667**
Debentures – 9th issue	38,128	85,983	176,740	307,455	-	-	-	-	**608,306**
Debentures – 10th issue	15,347	15,532	108,003	100,162	-	-	-	-	**239,044**
Debentures – 11th issue	37,538	37,997	37,692	37,681	501,186	-	-	-	**652,094**
Debentures – 12th issue	50,521	51,133	50,710	50,715	50,726	51,105	719,163	-	**1,024,073**
Debentures – 13th issue	80,097	81,118	80,466	80,579	487,103	455,262	117,479	109,137	**1,491,241**
Debentures of Localiza Fleet – 3rd issue	35,999	36,437	36,140	36,143	36,147	512,491	-	-	**693,357**
Debentures of Localiza Fleet – 4th issue	24,606	24,895	24,700	24,698	24,698	24,865	369,233		**517,695**
Promissory notes – 6th issue	48,051	52,179	690,791	-	-	-	-	-	**791,021**
Working capital	73,815	96,162	85,166	126,131	-	-	-	-	**381,274**
Lease	273,679	117,037	2,201	-	-	-	-	-	**392,917**
CCBI new head office /with swap	18,413	64,761	104,228	48,646	-	-	-	-	**236,048**
Total	**968,362**	**1,165,355**	**1,771,288**	**915,932**	**1,099,860**	**1,043,723**	**1,205,875**	**109,137**	**8,279,532**

(b) Capital management

The Company's businesses require intensive long-term capital to finance the fleet, in order to implement its growth and renewal strategy.

The main objectives of capital management are to: (i) ensure the Company's operational continuity; (ii) ensure a strong credit rating; (iii) maximize the return to shareholders; and (iv) ensure the Company's competitive edge in the raising of funds.

The Company manages the capital structure and adjusts it considering the changes in economic conditions. To maintain or adjust capital structure, the Management may adjust the payment of dividends to shareholders, return capital to them or issue new shares.

Capital is monitored based on the Company's debt ratio, which corresponds to net debt divided by equity, as well as on the fleet value. Net debt, in turn, is defined by the Company as short- and long-term debts, including the positive or negative balances of the swap transactions entered into to hedge these debts, less cash and cash equivalents.

The table below shows the Company's debt ratios as of December 31, 2017 and 2016:

	Consolidated	
	12/31/17	12/31/16
Short and long-term debts, net of the swap transactions classified in current and non-current assets and liabilities (note 13)	6,478,631	3,776,293
Cash and cash equivalents (note 4)	(1,338,195)	(1,692,261)
Financial assets (note 5)	(1,275,699)	-
Net debt	**3,864,737**	**2,084,032**
Equity	2,600,725	2,196,990
Debt ratio (net debt / equity)	**1.49**	**0.95**
Fleet value (*)	7,038,121	4,623,580
Net debt / fleet value	**0.55**	**0.45**

(*) Cars and decommissioned cars for fleet renewal (note 8).

(c) Fair value of financial instruments

The estimated carrying amounts and fair values of loans, financing and marketable securities are calculated based on models that use observable inputs and future assumptions related to fixed and floating interest rates, among other applicable variables. The rates used are obtained from financial institutions for transactions with similar conditions or based on market information, when available. The Company makes a reasonable analysis of the calculations presented by these financial institutions by comparing them with similar calculations made by other parties for the same applicable period. Fair values are calculated by projecting the future flows of transactions based on the projection of the interest rate curves, discounted to present value using indicative data on prices and benchmark rates available in the market or based on premium payment conditions upon the early optional redemption established in the debenture indenture of each issuance.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in their entirety, as described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated fair values of the swap transactions recorded in line item "derivative instruments – swap" account are classified under Level 2 and are presented in note 13(e).

There are no financial instruments measured at fair value at the Levels 1 and 3 of the fair value hierarchy.

The fair value of financial liabilities recognized at amortized cost in the Company's balance sheet as of December 31, 2017 and 2016 and the categories of the data related to the respective liabilities are as follows:

	Individual			
	Carrying amount		Fair value	
	12/31/17	12/31/16	12/31/17	12/31/16
Financial liabilities – other financial liabilities:				
Loans, financing and marketable securities	(4,765,329)	(2,687,794)	(3,698,672)	(2,702,419)

	Consolidated			
	Carrying amount		Fair value	
	12/31/17	12/31/16	12/31/17	12/31/16
Financial liabilities – other financial liabilities:				
Loans, financing and marketable securities	(6,477,679)	(3,781,350)	(5,186,060)	(3,790,918)

Management understands that the carrying amounts of other financial instruments (cash and cash equivalents, trade receivables, escrow deposits, investments in restricted accounts, trade payables and restricted obligations), which are recognized in the individual and consolidated financial statements, do not differ significantly from their fair values, as the maturity dates of a substantial portion of the balances are close to the balance sheet date.

24. RENTAL COMMITMENTS

(a) Property rentals

The Company has property lease contracts for its car rental locations located in airports, off-airports (downtown locations), new head office, stores and parking lots.

Property rentals for the car rental locations in airports and shopping malls have a fixed and a variable portion, the latter linked to the location's revenue. Other property rentals for car rental locations, stores, new head office and parking lots do not have contingent payment clauses.

As from July 1, 2017, with the move to the new corporate head office to centralize its administrative and back-office activities, the Company returned the four previously buildings rented for its administrative activities (head office). The Company and Localiza Fleet signed a rental commitment of the new head office property with Rental Brasil in the monthly amount of R$3,100 over a period of 20 years.

In the year ended December 31, 2017, these rental expenses totaled R$161,201 (R$145,207 on December 31, 2016) in the consolidated. The values of rent of the new head office were eliminated in the consolidated as they refer to transactions carried out between Localiza and its subsidiaries.

The minimum amounts payable for the remainder of the leases contracted up to December 31, 2017 are as follows:

Years	Concessions in airports	Downtown locations, stores, new head office and parking lots	Total
2018	37,604	136,845	**174,449**
2019	33,533	126,245	**159,778**
2020	29,822	117,944	**147,766**
2021	21,353	107,515	**128,868**
2022	18,617	90,505	**109,122**
2023 and onwards (*)	82,889	1,055,828	**1,138,717**
Total	**223,818**	**1,634,882**	**1,858,700**

(*) As of December 31, 2017, the Company had contracts with an indefinite period and others under renegotiation. For the purposes of calculation regarding the table above, in respect of the mentioned agreements, the average period of the Company's rental agreements was considered.

(b) Minimum contracted revenue from Fleet Rental

The minimum contracted amounts of fleet rentals to be received by Localiza Fleet are as follows:

Years	Revenue
2018	604,280
2019	354,901
2020	136,388
2021 and onwards	16,895
Total	**1,112,464**

Fleet rental contracts may be terminated upon 30 days notice and the contractual fines are up to 50% of the rents to be due.

25. SUPPLEMENTARY PENSION PLAN

Since August 2011, the Company offers a retirement benefit pension plan, through a supplementary pension plan, established as a "defined contribution" plan and managed by a major independent pension fund manager.

There are no actuarial and investment risks to be assumed by the Company as its sponsor; consequently, no actuarial valuation is required and there is no possibility of recognizing actuarial gains or losses. Under this plan's regulations, the cost is shared between the employer and the employees, where the Company matches the employee's contribution, which varies according to a contribution scale based on salary ranges of 1% to 5% of the employee's compensation.

In July 2012, the Company signed the Addendum to the Collective Open Pension Plan PGBL, in which additional contributions will be made to Executive Officers who are or have been Statutory Officers, who have worked for the Company for over 20 years, and who are missing a few years until retirement. The purpose of these contributions is that these Officers will continue to provide their services and remain with the Company until retirement, and is conditional on their not competing with the Company after retirement.

The adhesion to the amended plan is optional for an Eligible Officer who accepts the conditions established, especially staying with the Company until retirement and not competing for five years counted as from leaving the Company. Therefore, throughout this period, the eligible officers undertake not to compete, directly or indirectly, with Localiza or other Group companies, nor contribute to competition by third parties, either in Brazil or abroad, and not to, among other activities: (i) provide services as an officer, employee, manager, consultant, or (ii) finance, support technically, encourage or provide technical means.

After leaving the Company, and having complied with the aforementioned conditions, the Eligible Officer who adheres to the plan will receive the amounts to which he/she will be entitled in four annual and consecutive installments, the first payment being made immediately after separation. In addition, it is made clear that the Eligible Officer represents to be aware that noncompliance with any of the established obligations will result in the immediate suspension of the credit and release of the remaining Pension Plan installments, and the Eligible Officer will immediately reimburse all Pension Plan installments already credited, released or received, duly adjusted based on the IPCA variation, without detriment to other legal penalties or civil responsibility indemnities for the damages caused.

As a result of the competitive environment and the political and economic recession in Brazil, in the first half of 2016, the contributions by the Company to the pension plans were suspended. However, on June 23, 2016, the Board of Directors approved the Company to resume contributing to the pension plan again beginning July 1, 2016.

In the year ended December 31, 2017, contributions made by the Company totaled R$5,287 in the individual (R$1,007 in 2016) and R$6,957 (R$1,355 in 2016) in the consolidated, which were allocated to line items "cost", "selling expenses" and "general, administrative and other expenses" in profit or loss.

26. APPROVAL OF THE FINANCIAL STATEMENTS

This individual and consolidated financial statements was approved and authorized for issue by the Executive Board on March 7, 2018.

MANAGEMENT’S STATEMENT ON THE FINANCIAL STATEMENTS

By this instrument, the CEO and the CFO and Investor Relations Officer of Localiza Rent a Car S.A. ("Localiza"), a publicly-held company headquartered at Avenida Bernardo de Vasconcelos, nº 377, Bairro Cachoeirinha, in Belo Horizonte, Minas Gerais State, Corporate Taxpayer nº 16.670.085/0001-55, in conformity with subsection VI, article 25 of CVM Instruction 480/09, hereby declare that they have:

i. Reviewed, discussed and agreed with Localiza's and consolidated financial statements for the year ended December 31, 2017.

Belo Horizonte, March 7, 2018.

Eugênio Pacelli Mattar	Roberto Antônio Mendes
CEO	CFO and Investor Relations Officer

MANAGEMENT’S STATEMENT ON THE INDEPENDENT AUDITOR’S REPORT

By this instrument, the CEO and the CFO and Investor Relations Officer of Localiza Rent a Car S.A. ("Localiza"), a publicly-held company headquartered at Avenida Bernardo de Vasconcelos, nº 377, Bairro Cachoeirinha, in Belo Horizonte, Minas Gerais State, Corporate Taxpayer nº 16.670.085/0001-55, in conformity with subsection V, article 25 of CVM Instruction 480/09, hereby declare that they have:

i. Reviewed, discussed and agreed with the opinions expressed in the Independent Auditor's Report of Deloitte Touche Tohmatsu Auditores Independentes on Localiza’s and consolidated financial statements for the year ended December 31, 2017.

Belo Horizonte, March 7, 2018.

Eugênio Pacelli Mattar CEO	Roberto Antônio Mendes CFO and Investor Relations Officer

STATEMENT OF THE MINUTES OF THE MEETING OF THE AUDIT, RISK AND COMPLIANCE MANAGEMENT COMMITTEE

LOCALIZA RENT A CAR S.A.
National Corporate Taxpayers' Registry (CNPJ) 16.670.085/0001-55
NIRE 3130001144-5

Statement of the Audit, Risk and Compliance Management Committees Meeting held on March 6, 2018 at 6:00 pm

Date, Time and Venue: March 6, 2018, at 6:00 p.m., at Avenida das Olimpíadas, nº 100, conjunto 71, bairro Vila Olímpia, in the city and state of São Paulo.

Participants: Meeting held in person and through a conference call, which involved the following members of the Audit, Risk Management and Compliance Committee: Oscar de Paula Bernardes Neto – Coordinator, Flávio Brandão Resende and Stefano Bonfliglio. Invited: José Salim Mattar Junior – Chairman of the Board of Directors, Roberto Mendes – CFO and Investor Relations Officer, Maurício Teixeira, João Augusto Resende, Wander Teles – accounting advisor of the Committee, and Walmir Bolgheroni – partner at Deloitte.

Installation: With call duly made, the Coordinator of the Audit, Risk Management and Compliance Committee declared the installation of the meeting and presided over it. He appointed Roberto Mendes, CFO and Investor Relations Officer of the Company, as his secretary, which was approved by those attending the meeting.

Agenda: **(1)** To meet with the independent auditors and analyze the Independent Auditors' Report; **(2)** To analyze the Management Report for fiscal year 2017; **(3)** To analyze the Financial Statements as of December 31, 2017; and **(4)** To analyze the proposal for allocation of net income and dividends for the year.

Matters discussed and manifestations of the Committee:

(1) The Committee met with the independent auditors of Deloitte Touche Tohmatsu Auditores Independentes, represented by the partner Mr. Walmir Bolgheroni. Mr. Walmir Bolgheroni presented the audit work related to the Financial Statements referred to in item 1 above, also including the conclusion of audit on systems, and presented the Independent Auditor's Report, to be issued without qualifications. In addition, the auditors reported that the following had not occurred: **i)** any material disagreement between the judgment of the audit team and that of the Management; **ii)** difficulties encountered in performing the audit; and **iii)** discussion about alternative accounting treatments. The members of the Committee had a closed meeting with the auditors, without the presence of Management's members, having no relevant points to be reported.

(2) The Committee apprised and was in favor of: **(i)** the Management Report for the 2017 fiscal year; **(ii)** the individual and consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) and in accordance with accounting practices adopted in Brazil for 2017; and iii) the Independent Auditors' Report on the Financial Statements for 2017, without qualification. The Committee recommends that the Board approve the Financial Statements.

(3) The Committee expressed its support for the proposal: **(i)** allocation of the 2017 profit; **(ii)** non-payment of complementary dividends and **(iii)** recording of statutory reserve. The Committee recommended the approval by the Board of Directors and submission to the Ordinary General Meeting of Shareholders.

(4) The Committee expressed its support for the proposal of the 2017 profit allocation and the payment of dividends from Localiza's subsidiaries, to be approved by the Board of Directors and submitted to the Ordinary General Meeting of each subsidiary.

The full text of the minutes of the meeting of the Audit, Risk Management and Compliance Committee, held on March 6, 2018, is filed at the Company's headquarters.

Roberto Antônio Mendes
Secretary of the Audit, Risk Management and Compliance Committee

COMMENTS ON THE PERFORMANCE OF BUSINESS PROJECTIONS

The Company did not disclose any projections for 2018 and 2017.

Major highlights of 2017: another year of strong growth with profitability

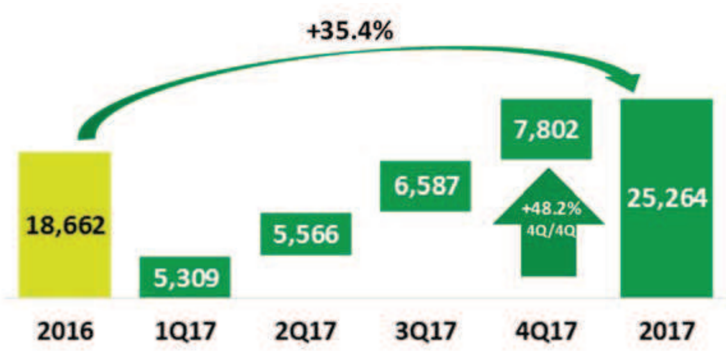
- ✓ **36.5% growth of net revenues**, reaching R$ 6.1 billion;
- ✓ **End-of-period fleet totaling 194,279 cars** in the Localiza system;
- ✓ **Net income of R$563.4 million**, an increase of 37.6%;
- ✓ **Hertz Brazil acquisition and integration** of operations.

Integration Hertz Brasil and Franchised Locations

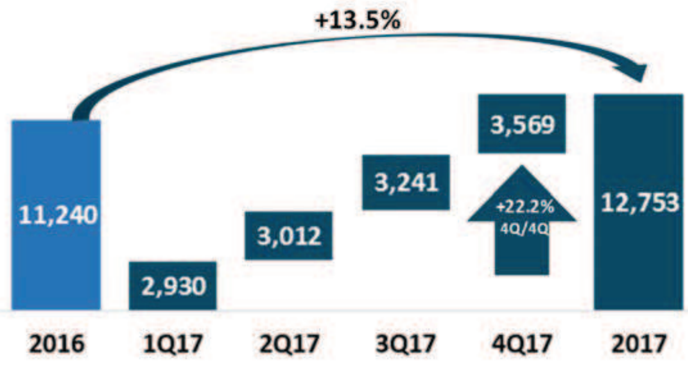
In order to preserve the comparability of the results herein with previous periods, **we are presenting the 4Q17 and 2017 indexes (EBITDA, EBIT and Net Income) adjusted by the costs and non-recurring expenses (one-time costs)** related to the integration of the Hertz Brazil operation and the incorporation of 20 franchised car rental locations.

Operational Highlights

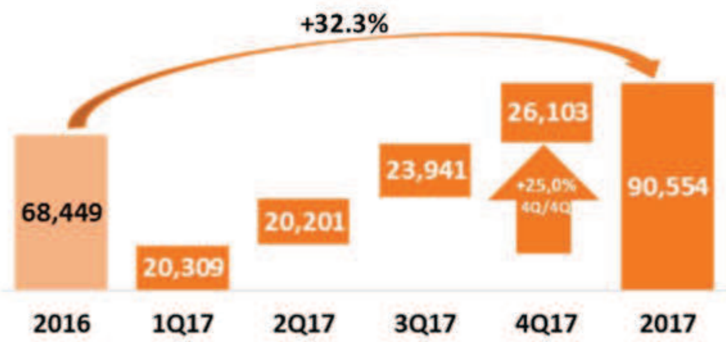
of rental days – Car Rental (thousands)



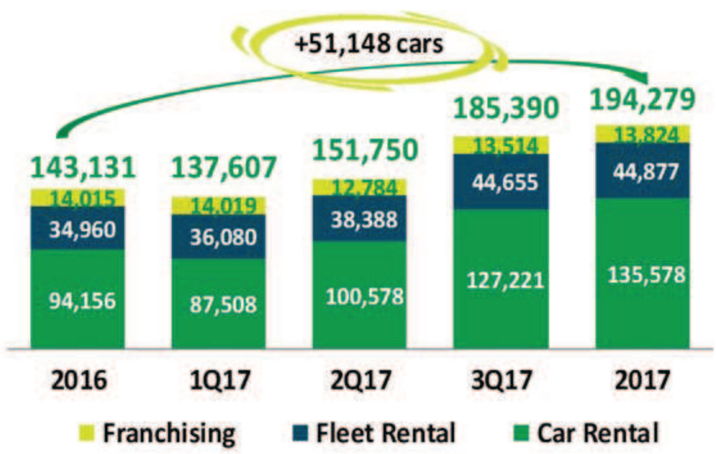
of rental days – Fleet Rental (thousands)



Cars Sold

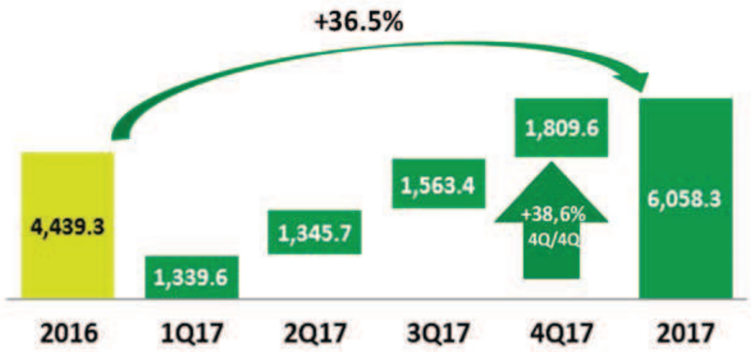


End of period fleet

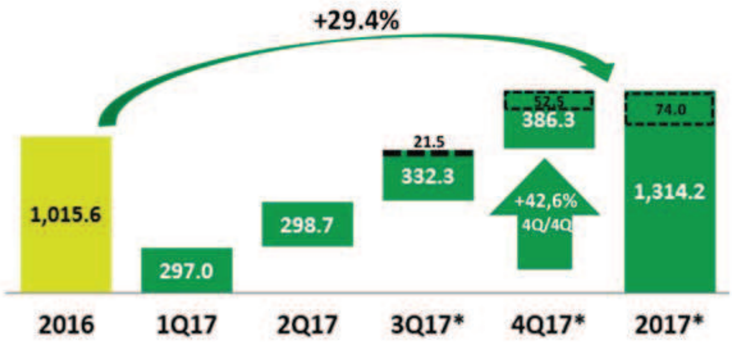


Consolidated financial Highlights

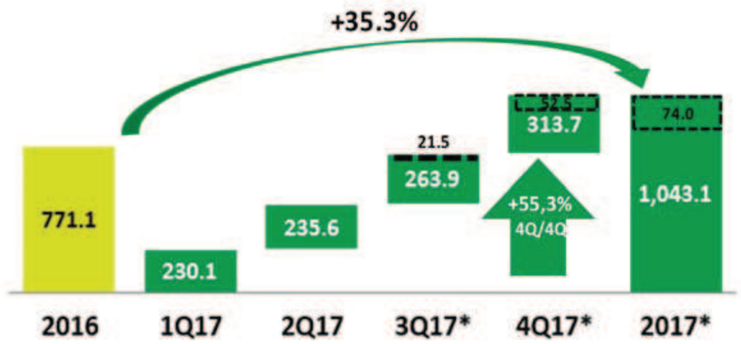
Net revenues (R$ millions)



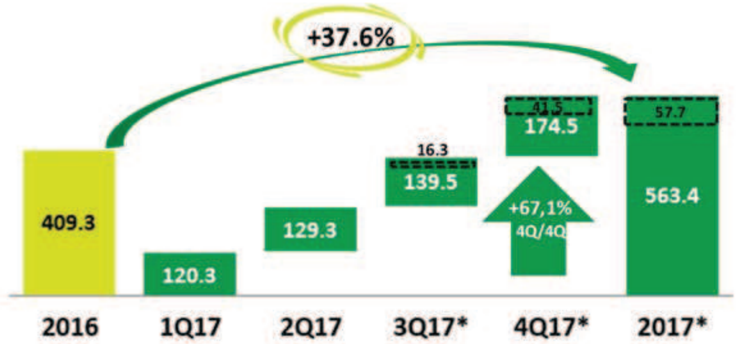
EBITDA (R$ millions)



EBIT (R$ millions)



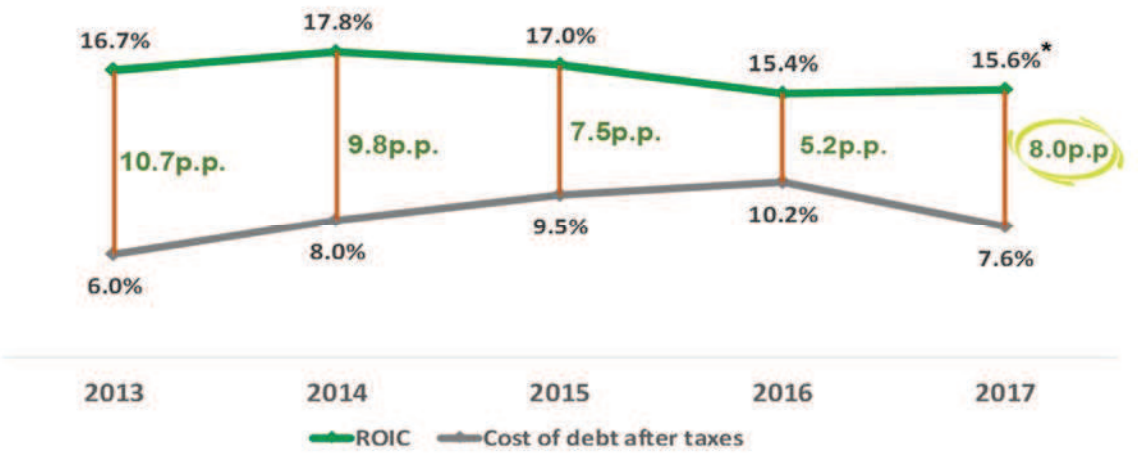
Net Income (R$ millions)



*Adjusted by the one-time cost

One-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation

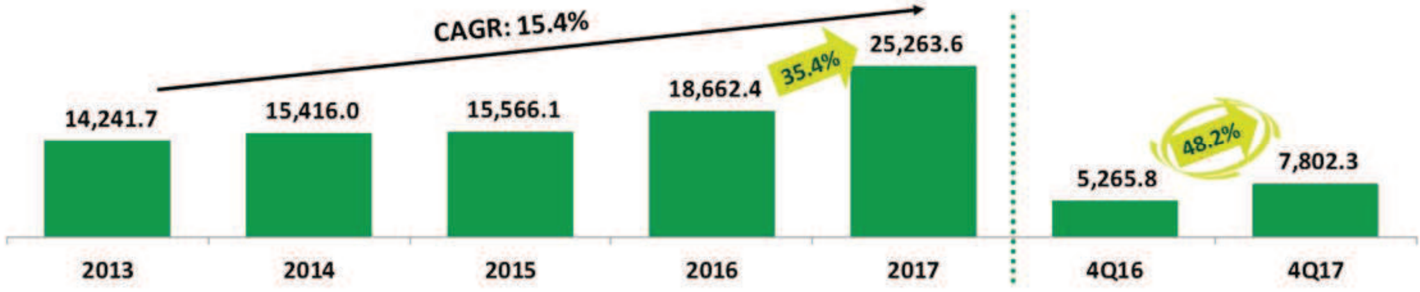
Spread



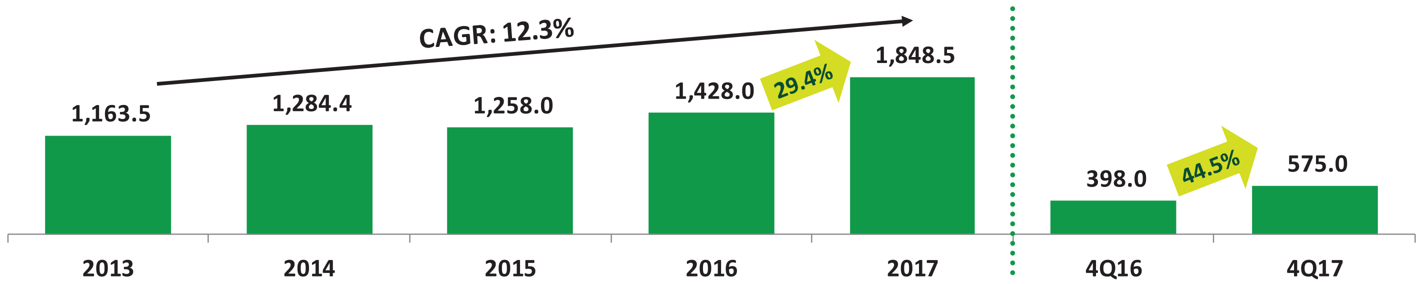
(*)Adjusted by the one-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation
ROIC considered each year's effective income tax rate

1 - Rent a Car

Number of daily rentals (thousand)



Net revenues (R$ million)

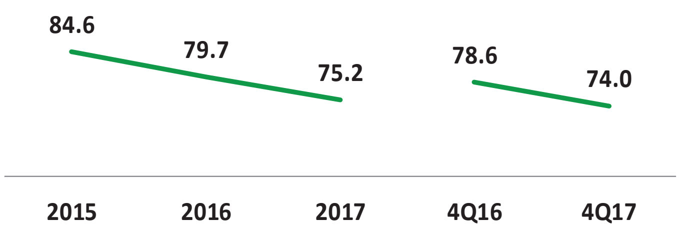


In 4Q17, the volume of daily rental of the **Car Rental Division** grew 48.2% in relation to 4Q16. Net revenues increased 44.5%, as a consequence of 5.8% reduction in the average rental rate.

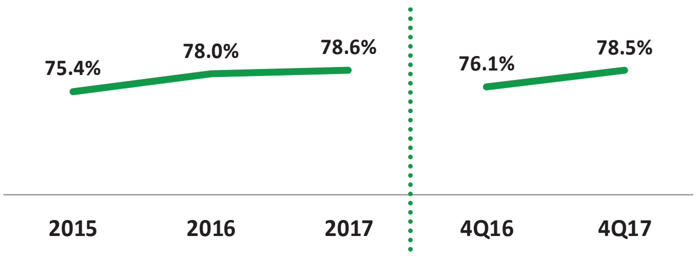
In 2017, net revenue increased 29.4% due to 35.4% increase in volumes and 5.8% reduction in the average rental rate, when compared to 2016.

The lower average rental rate reflects the yield and utilization management strategies as well as changes in the mix of segments.

Average daily rate (in R$)



Operating fleet utilization fate (%)



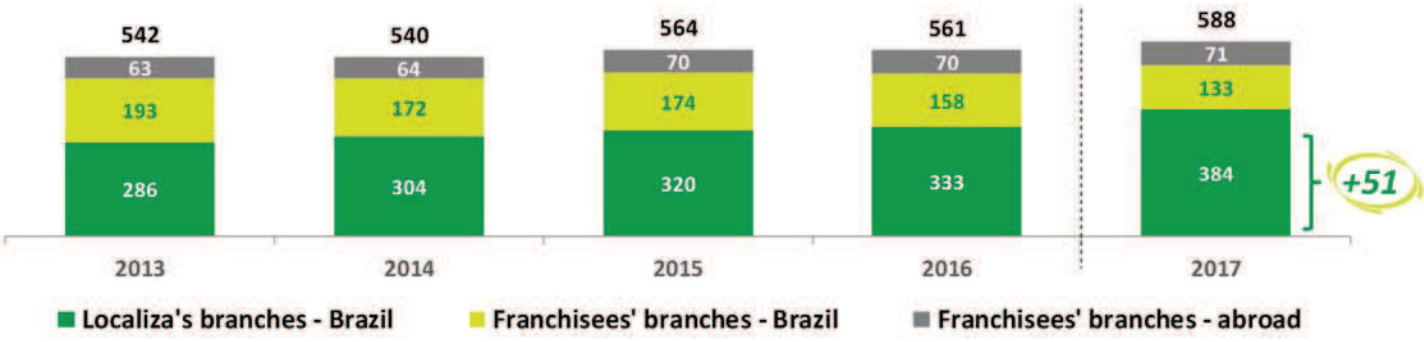
In 2016, the Company implemented the dynamic price management system to stimulate demand. The lower average rates were offset by higher volumes and increased fleet utilization rate.

This quarter, the Company changed the utilization rate calculus to reflect only the period in which the cars were available for rental in the rental locations and therefore it does not include cars on preparation and decommissioning. This new form of calculation facilitates comparison with peers. In this new methodology, the utilization rate of 4Q17 was 78.5%, a 2.4p.p. increase in relation to 4Q16.

1 - Rent a Car

1.1 - Distribution network

Number of car rental locations Brazil and abroad

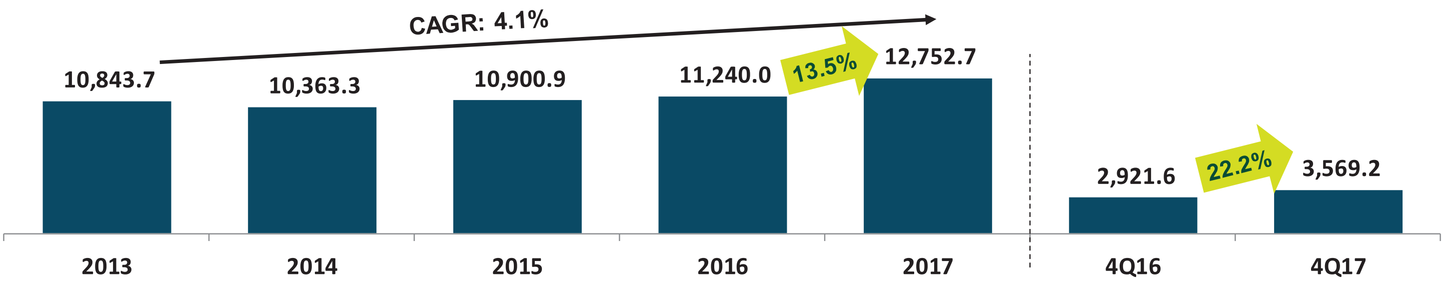


In 2017, Localiza's corporate locations network was expanded by 51 branches, going from 333 on 12/31/2016 to 384 on 12/31/2017. The new locations include the franchises that were incorporated throughout 2017 and 7 locations that belonged to Hertz Brazil, which began operating as Localiza Hertz.

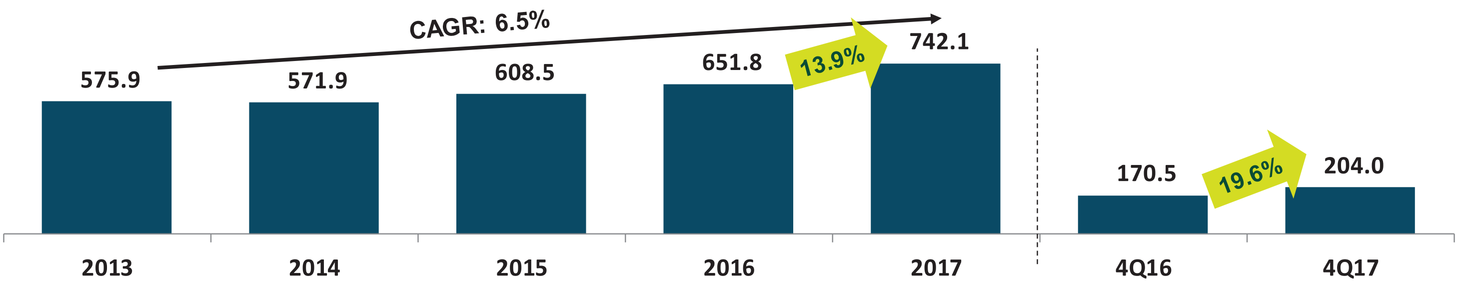
At the end of 2017, Localiza System had 588 branches, 517 in Brazil and 71 in 6 other South American countries.

2 – Fleet Rental

Number of daily rentals (thousand)



Net revenues (R$ million)



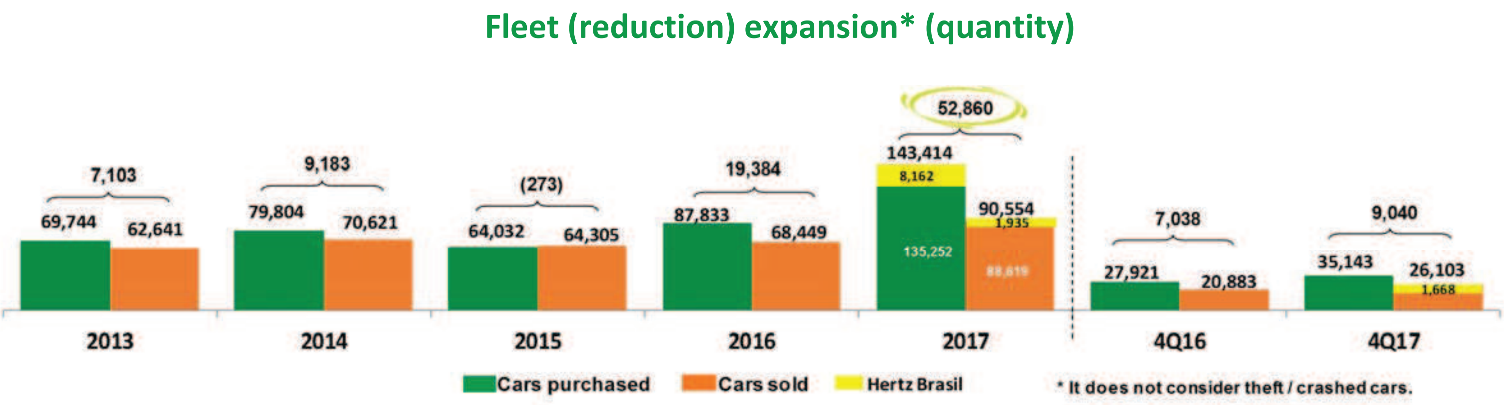
In 4Q17, the **Fleet Rental Division** registered a 22.2% increase in volumes and 19.6% in revenue compared to the same period of the previous year, as a consequence of the 2.6% reduction in the average daily rate.

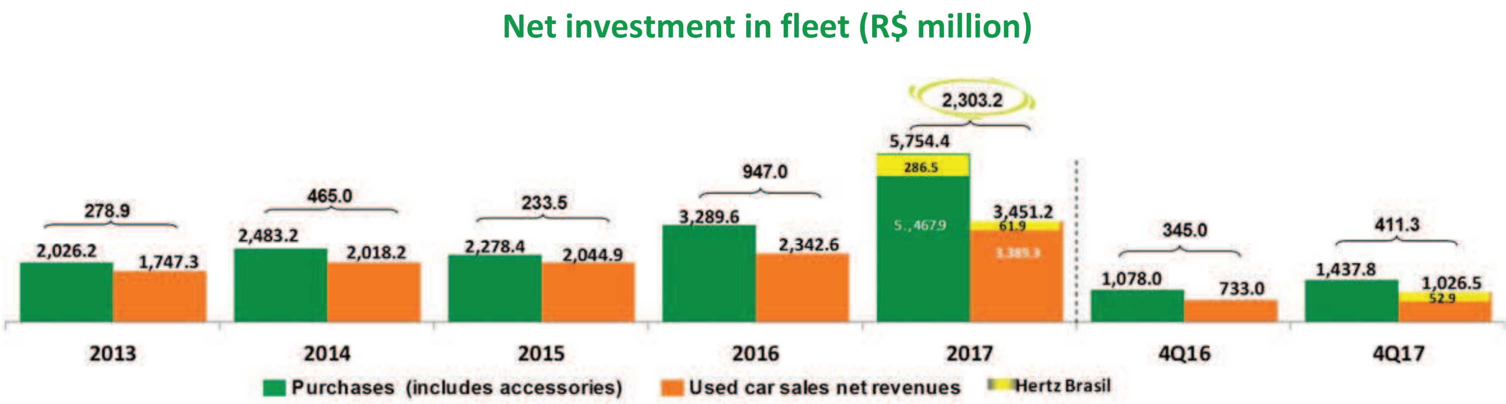
The lower rental rate of this division mainly reflects the pricing of new contracts in a context of lower depreciation and interest rates, in addition to the entry of Hertz Brazil contracts with lower average price.

In 2017, net revenues from this Division grew 13.9% in line with the 13.5% increase in volumes.

3 - Fleet

3.1 – Net investment in the fleet

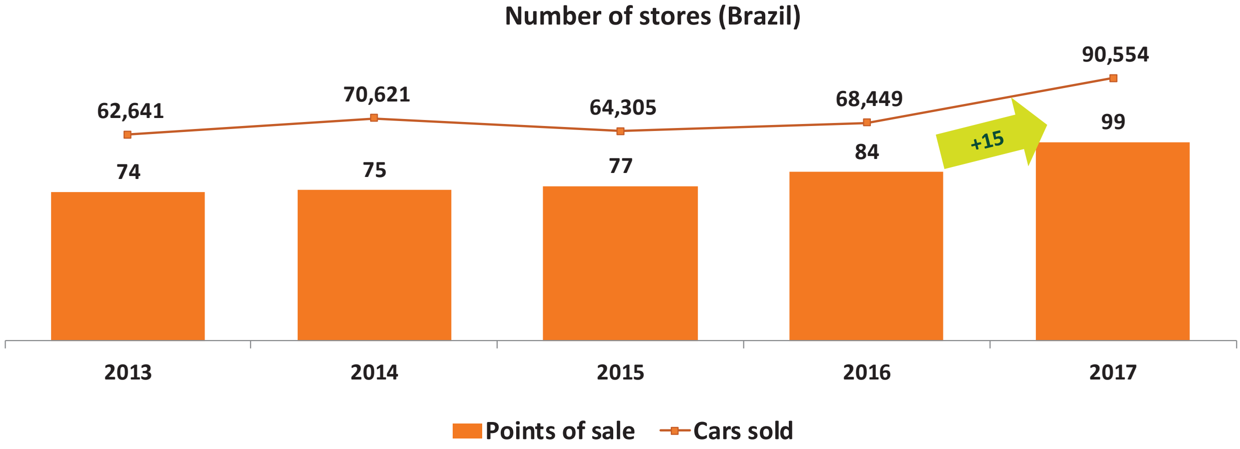




In 4Q17, 35,143 cars were purchased and 26,103 were sold, resulting in an increase of 9,040 cars in the fleet. The net investment was R$411.3 million.

In the year, the addition to the fleet totaled 52,860 cars, 172.7% higher than in 2016, reflecting a net investment of R$2,303.2 million, including the fleet resulting from the acquisition of Hertz Brasil.

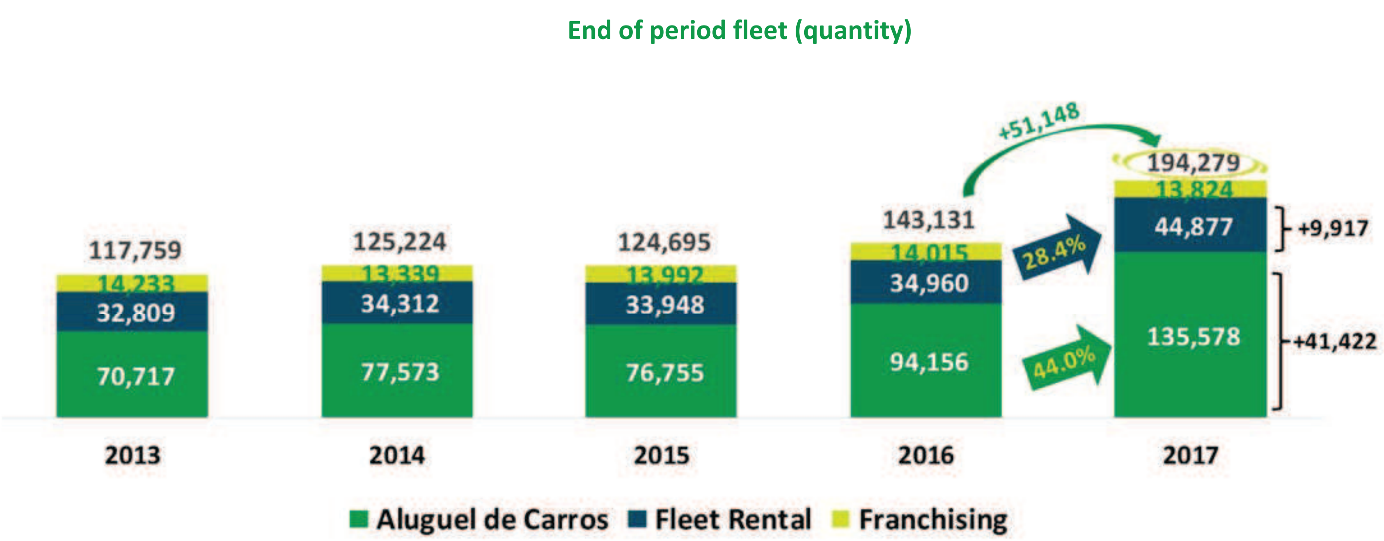
4 – Seminovos



On 12/31/2017, **Seminovos** network was comprised of 99 stores distributed in 65 cities in Brazil. During the year, 90,554 cars were sold, representing a growth of 32.3% compared to 2016.

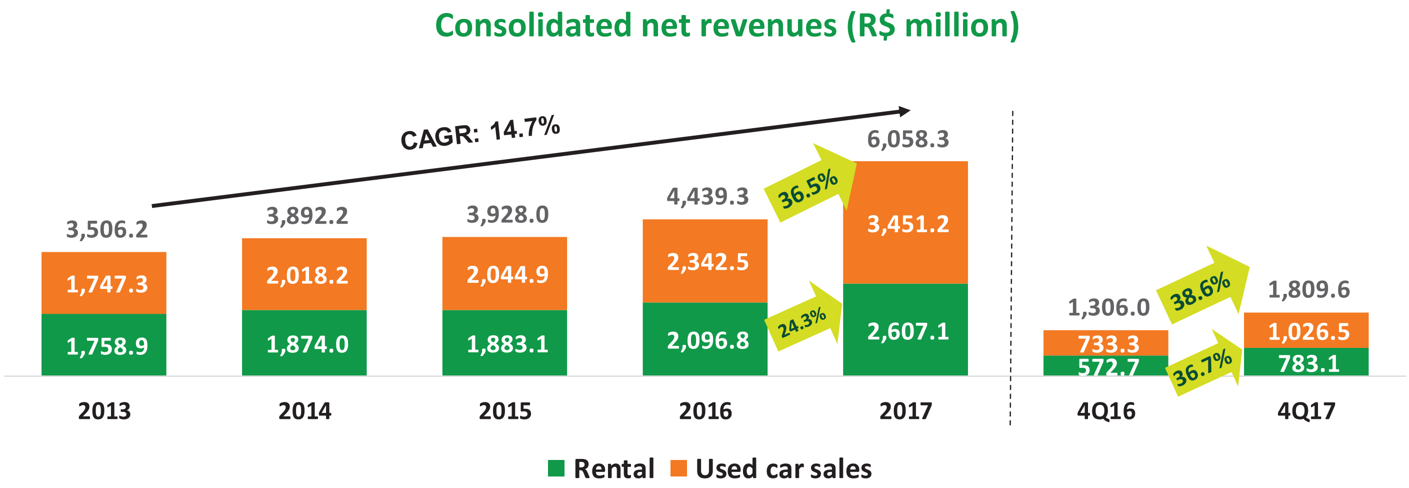
Due to strong growth in Localiza's two business divisions, 15 stores were added to the network in 2017 to sup.p.ort the need for fleet renewal in the coming years.

5 – End of period fleet



As of 12/31/2017, the consolidated fleet consisted of 194,279 cars, including 13,824 cars from franchisees. In 2017, Localiza's fleet grew 51.1 thousand cars, being 41.4 cars in the **Car Rental Division** and 9.9 thousand cars in the **Fleet Rental Division**.

6 – Net revenues - consolidated



In 4Q17, consolidated net revenues grew 38.6% when compared to 4Q16. Net revenues from rental operations increased 36.7%, being 44.5% in the **Car Rental Division** and 19.6% in the **Fleet Rental Division**.

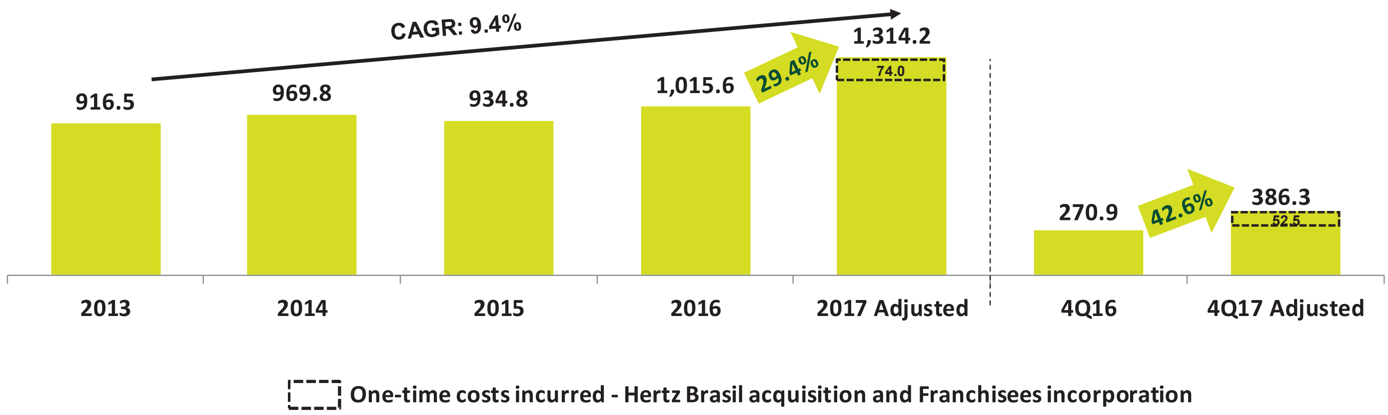
Seminovos net revenues in 4Q17 grew 40.0% when compared to 4Q16, due to 25.0% increase in sales volume and 12.0% increase in the average price of cars sold.

In 2017, consolidated net revenues grew 36.5% compared to 2016. Net revenues from rental operations increased 24.3%, being 29.4% in the Car Rental Division and 13.9% in the Fleet management.

Seminovos net revenues in 2017 grew 47.3% compared to 2016, due to a 32.3% increase in sales volumes and a 11.4% increase in the average price of cars sold.

7 - EBITDA

Consolidated EBITDA (R$ million)



EBITDA margin:

Divisions	2013	2014*	2015	2016	2017	4Q16	4Q17
Car Rental	36.8%	38.7%	31.8%	32.3%	34,9%**	31.5%	36.6%**
Fleet Rental	65.5%	60.0%	62.2%	64.5%	61.9%**	63.8%	59.8%**
Rental Consolidated	46.5%	45.3%	41.7%	42.3%	42.6%**	40.8%	42.7%**
Used Car Sales	5.7%	6.0%	7.3%	5.5%	5.9%	5.0%	5.1%

(*) From 2014 on, it considers the new ap.p.ropriation criteria of the overhead, which is also ap.p.ropriated to Seminovos.
(**) Adjusted by the one-time costs incurred – Hertz Brasil acquisition and Franchisees incorporation

In 4Q17, consolidated adjusted EBITDA totaled R$386.3 million, 42.6% higher than the same period of the previous year.

The adjusted EBITDA margin of the **Car Rental Division** was 36.6% in 4Q17, an increase of 5.1 p.p. compared to 4Q16, mainly due to the gain in scale, despite the lower average rental rates.

In the **Fleet Rental Division**, EBITDA margin was 59.8% in 4Q17, lower by 4.0 p.p. when compared to 4Q16. The lower EBITDA margin reflects the lower price of the new contracts of this Division, due to lower interest rates and depreciation, in addition to the entry of Hertz Brazil contracts with lower average rate.

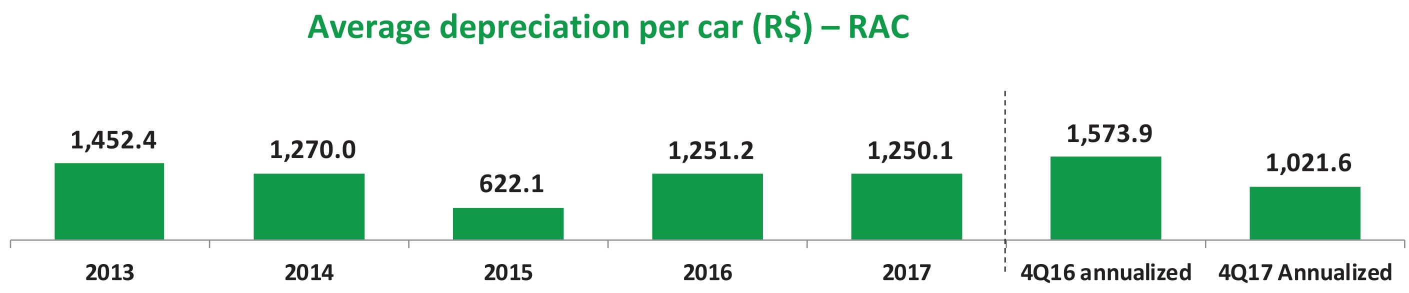
Seminovos EBITDA margin in 4Q17 was 5.1%, roughly stable when compared to 4Q16.

Non-recurrent effects:

In 4Q17, Localiza recorded R$52.5 million in non-recurring costs (one-time costs), being R$49.1 million in the result of the **Car Rental Division** and R$3.4 million in the **Fleet Rental Division**, related to the acquisition of Hertz Brazil operations and the integration of 3 franchised locations. For comparison purposes, we present the 4Q17 and 2017 EBITDA adjusted to the non-recurring expenses.

8 - Depreciation

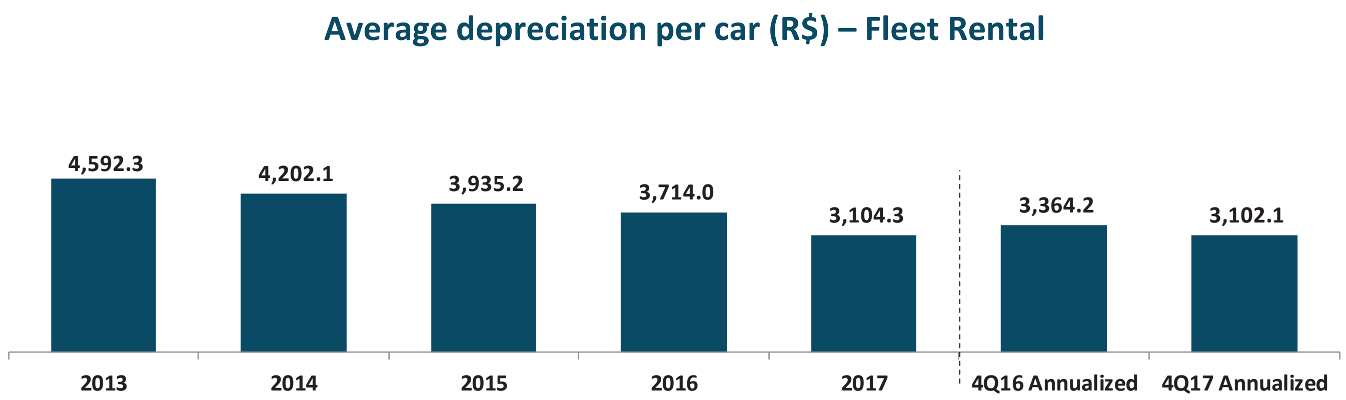
8.1 – Rent a Car



The annualized average depreciation of 4Q17 was R$1,021.6, lower by R$552.3 compared to 4Q16. The decrease in depreciation reflects the Company's efficiency in the purchase and sale of cars and the increase in the average sale price.

In 2017, the annualized average depreciation per car in the **Car Rental Division** was R$1,250.1 stable compared to the average of 2016.

8.2 – Fleet Rental

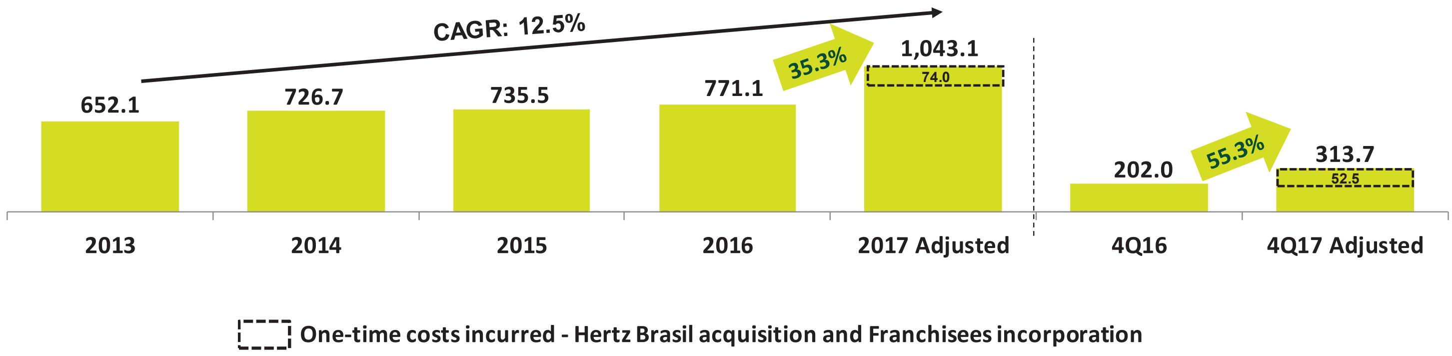


In the **Fleet Rental Division** the annualized average depreciation per car in 2017 was R $ 3,104.3, a reduction of R$609.7 in comparison with the average depreciation of 2016.

Due to the longer cycle, the depreciation of the cars in this division benefits from the increase in new car prices that occurs throughout the car's operating life.

9 - EBIT

Consolidated EBIT (R$ million)



EBIT margin calculated over rental revenues:

Divisions	2013	2014	2015	2016	2017	4Q16	4Q17
Car Rental	32.8%	36.2%	34.3%	30.2%	35.5%*	28.4%	37.2%*
Fleet Rental	45.1%	44.3%	48.9%	51.2%	51.4%*	52.4%	48.1%*
Consolidated	37.1%	38.8%	39.1%	36.8%	40.0%*	35.3%	40.1%*

(*) Adjusted by the one-time costs incurred – Hertz Brasil acquisition and Franchisees incorporation

Adjusted consolidated EBIT for 4Q17 reached R$313.7 million, a 55.3% increase when compared to 4Q16, due to a 42.6% increase in EBITDA and a decrease in average depreciation per car.

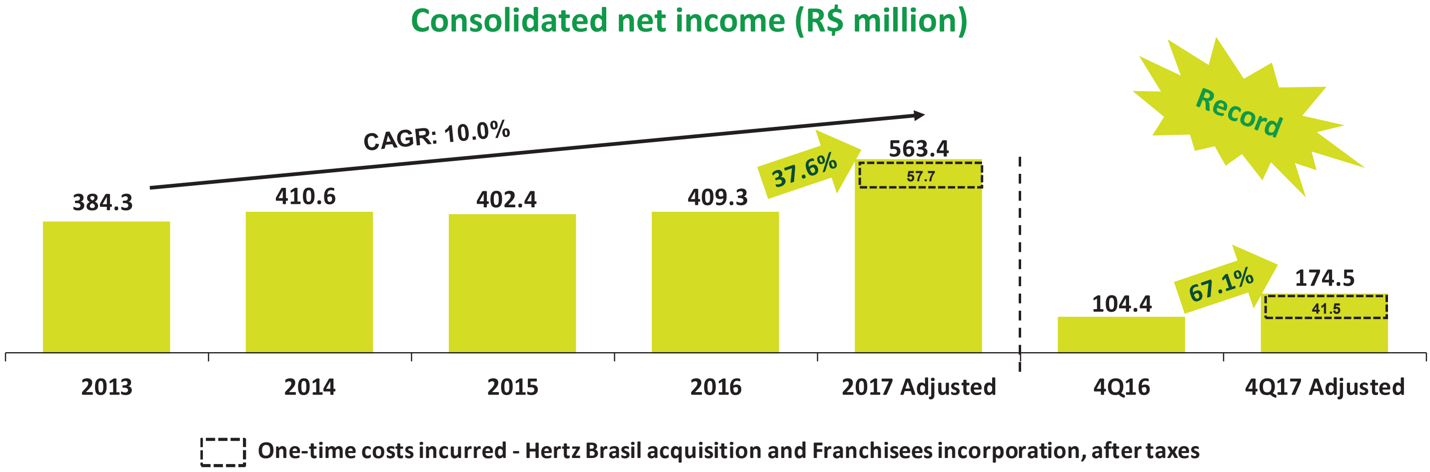
The adjusted EBIT margin of 4Q17 of the **Car Rental Division** was 37.2%, representing an increase of 8.8 p.p. when compared to 4Q16, reflecting the improvement in the EBITDA margin and lower annualized average depreciation per car by R$552.3 in the quarter.

The adjusted EBIT margin of the **Fleet Rental Division** in 4Q17 was 48.1%, a reduction of 4.3p.p. in relation to 4Q16, reflecting the lower EBITDA margin.

Non-recurrent effects:

In 4Q17, Localiza recorded R$52.5 million in non-recurring costs (one-time costs), being R$49.1 million in the result of the **Car Rental Division** and R$3.4 million in the **Fleet Rental Division**, related to the acquisition of Hertz Brazil operations and the integration of 3 franchised locations. For comparison purposes, we present the 4Q17 and 2017 EBITDA adjusted to the non-recurring expenses.

10 - Consolidated net income



Reconciliation EBITDA x Net income	2013	2014	2015	2016	2017*	Var. R$	Var. %	4Q16	4Q17*	Var. R$	Var. %
Consolidated EBITDA	916.5	969.8	934.8	1,015.6	1,314.2	298.6	29.4%	270.9	386.3	115.4	42.6%
Cars depreciation	(229.0)	(207.4)	(163.6)	(206.3)	(232.0)	(25.7)	12.5%	(59.5)	(61.8)	(2.3)	3.9%
Other property depreciation and amortization	(35.4)	(35.7)	(35.7)	(38.2)	(39.1)	(0.9)	2.4%	(9.4)	(10.8)	(1.4)	14.9%
EBIT	652.1	726.7	735.5	771.1	1,043.1	272.0	35.3%	202.0	313.7	111.7	55.3%
Financial expenses, net	(110.6)	(151.1)	(202.7)	(243.5)	(315.0)	(71.5)	29.4%	(72.7)	(93.6)	(20.9)	28.7%
Income tax and social contribution	(157.2)	(165.0)	(130.4)	(118.3)	(164.7)	(46.4)	39.2%	(24.9)	(45.6)	(20.7)	83.1%
Net income of the period	384.3	410.6	402.4	409.3	563.4	154.1	37.6%	104.4	174.5	70.1	67.1%

(*) Adjusted by the one-time costs incurred – Hertz Brasil acquisition and Franchisees incorporation

The adjusted net income of 4Q17 totaled R$174.4 million, an increase of 67.1% over 4Q16 due to:

(+) R$115.4 million EBITDA increase;

(-) R$2.3 million increase in depreciation, due to 38.2% increase in the average operating fleet, partially offset by the reduction in average depreciation per car;

(-) R$20.9 million increase in net financial expenses, being: i) R$6.3 million due to the increase in the average net debt partially offset by the decrease in the basic interest rate; and ii) R$14.6 million referring to the monetary update of provisions.

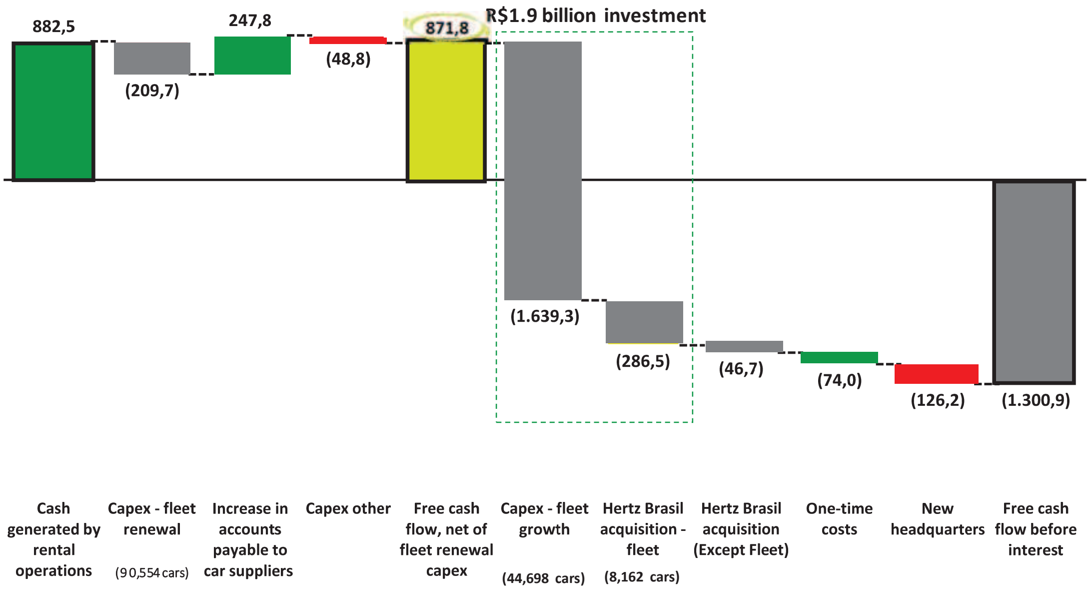
(-) R$20.7 million in income tax.

In 2017, adjusted net income was R$563.4 million, an increase of 37.6%.

Non-recurrent effects:

In 4Q17, Localiza recorded R$41.5 million in non-recurring costs (one-time costs), after income tax and social contribution, being R$38.9 million in the result of the **Car Rental** and R$2.6 million in the **Fleet Rental** Divisions, related to the acquisition of the Hertz Brazil operations and the integration of 3 franchised locations. For comparison purposes, we present the net income of 4Q17 and 2017 adjusted to non-recurring expenses.

11 – Free cash flow (FCF)



	Free cash flow - R$ million	2013	2014	2015	2016	2017
Operations	EBITDA	916.5	969.8	934.8	1,015.6	1,314.2*
	Used car sale revenue, net from taxes	(1,747.3)	(2,018.2)	(2,044.9)	(2,342.5)	(3,451.2)
	Depreciated cost of cars sold	1,543.8	1,777.0	1,769.1	2,102.5	3,106.6
	(-) Income tax and social contribution	(108.5)	(113.1)	(110.7)	(93.3)	(108.3)
	Change in working capital	2.9	(27.1)	(30.0)	113.2	21.2
	Cash generated by rental operations	607.4	588.4	518.3	795.5	882.5
Capex - renewal	Used car sale revenue, net from taxes	1,747.3	2,018.2	2,036.3	2,342.5	3,451.2
	Fleet renewal investment	(1,819.7)	(2,197.7)	(2,278.4)	(2,563.6)	(3,660.9)
	Change in accounts payable to car suppliers renewal	144.3	120.0	(75.4)	174.1	247.8
	Net investment for fleet renewal	71.9	(59.5)	(317.5)	(47.0)	38.1
	Fleet renewal – quantity	62,641	70,621	64,032	68,449	90,554
Investment, other property and intangible		(47.5)	(46.3)	(29.7)	(42.2)	(48.8)
Free cash flow from operations, before growth		631.8	482.6	171.1	706.3	871.8
Capex - Growth	Fleet growth investment	(209.4)	(286.8)	8.6	(726.0)	(1,807.0)
	Change in accounts payable to car suppliers - growth	(54.6)	214.4	(45.8)	16.6	167.7
	Hertz Brazil acquisition - fleet					(286.5)
	Fleet growth capex	(264.0)	(72.4)	(37.2)	(709.4)	(1,925.8)
	Fleet increase / (reduction) – quantity	7,103	9,183	(273)	19,384	52,860
Free cash flow after growth, and before interest and new HQ		367.8	410.2	133.9	(3.1)	(1,054.0)
Capex - non-recurring	Hertz Acquisition (Except Fleet)	-	-	-	-	(46.7)
	Incurred one-time costs effect	-	-	-	-	(74.0)
	New headquarters construction and furniture	(6.5)	(148.3)	(30.7)	(84.4)	(126.2)
Free cash flow before interest		361.3	261.9	103.2	(87.5)	(1,300.9)

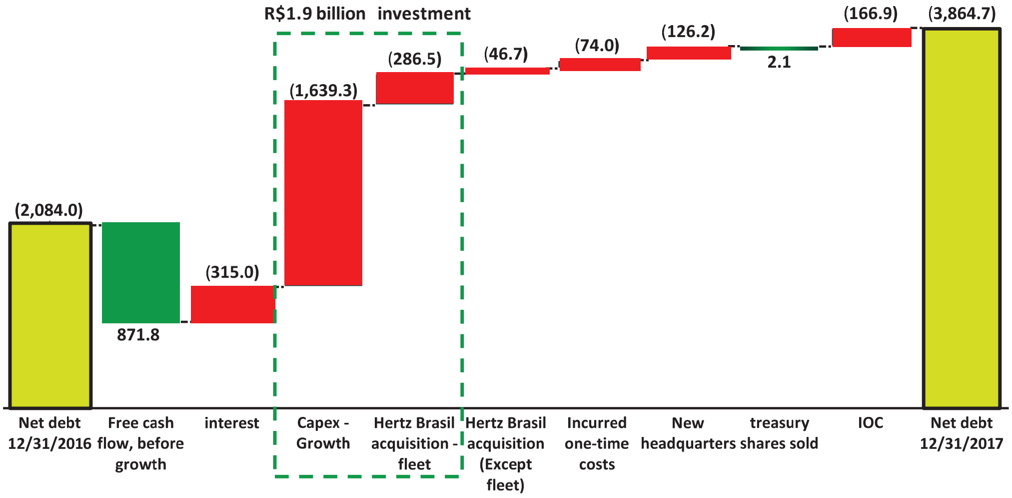
(*) Adjusted by one-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation

This quarter, the free cash flow was adjusted to distribute the change in accounts payable to car suppliers between renewal capex and fleet growth capex. Such adjustment was retroacted to maintain a comparative basis.

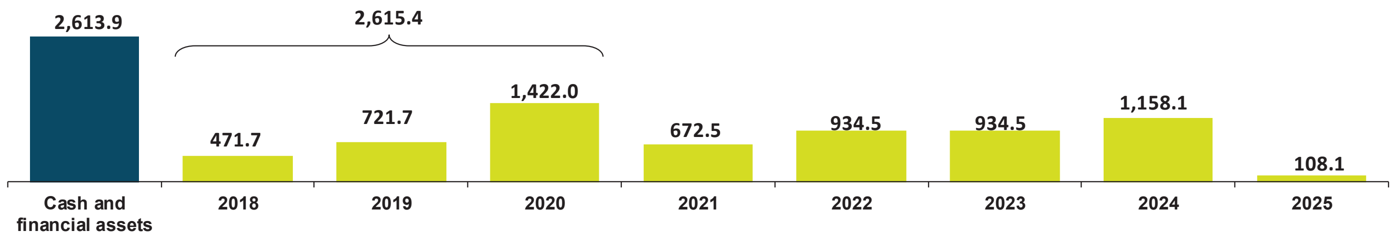
In 2017, the Company continued to present strong cash generation before growth of R$871.8 million, destined to the fleet growth.

12 – Debt

12.1 – Change in debt – R$ million



12.2 – Debt maturity profile – Principal – R$ million



Cash balance of R$2.6 billion is more the sufficient to fund fleet growth and short term debt maturity.

12.3 – Debt profile

Debt	Issuance	Contract rate	2018	2019	2020	2021	2022	2023	2024	2025	Total
Debentures 6th Issuance	10/15/2012	CDI + 0.95% pa	120.0	120.0	-	-	-	-	-	-	240.0
Debentures 7th Issuance	09/30/2013	110.95% CDI	75.0	75.0	100.0	100.0	-	-	-	-	350.0
Debentures 8th Issuance	09/10/2014	109.5% CDI	-	250.0	250.0	-	-	-	-	-	500.0
Debentures 9th Issuance	04/30/2015	113.2% CDI	-	50.0	150.0	300.0	-	-	-	-	500.0
Debentures 10th Issuance	01/08/2016	113.9% CDI	-	-	100.0	100.0	-	-	-	-	200.0
Debentures 11th Issuance	12/12/2016	111.5% CDI	-	-	-	-	500.0	-	-	-	500.0
Debentures 12th Issuance	05/15/2017	107.25% CDI	-	-	-	-	-	-	700.0		700.0
Debêntures da 13th Issuance - 1st serie	12/15/2017	109.35% CDI	-	-	-	-	434.5	434.5	-	-	869.0
Debêntures da 13th Issuance - 2nd serie	12/15/2017	111.30% CDI	-	-	-	-	-	-	108.1	1081	216.2
Debentures 3rd Issuance of Localiza Fleet	05/05/2017	107.0% CDI	-	-	-	-	-	500.0	-	-	500.0
Debentures 4th Issuance of Localiza Fleet	10/02/2017	CDI + 0.30%	-	-	-	-	-	-	350.0	-	350.0
Promissory notes 3th issuance	09/29/2017	CDI + 0.40%	-	-	650.0	-	-	-	-	-	650.0
CCBI – New headquarters	06/18/2014	98.8% CDI	-	47.5	95.0	47.5	-	-	-	-	190.0
Working Capital / Others	-	Several	276.7	179.2	77.0	125.0	-	-	-	-	657.9
Interest accrued and paid	-	-	55.5	-	-	-	-	-	-	-	55.5
Cash and cash equivalents on 12/31/2017	-	-	(2,613.9)	-	-	-	-	-	-	-	(2,613.9)
Net debt	-	-	2,086.7	721.7	1,422.0	672.5	934.5	934.5	1,158.1	108.1	3,864.7

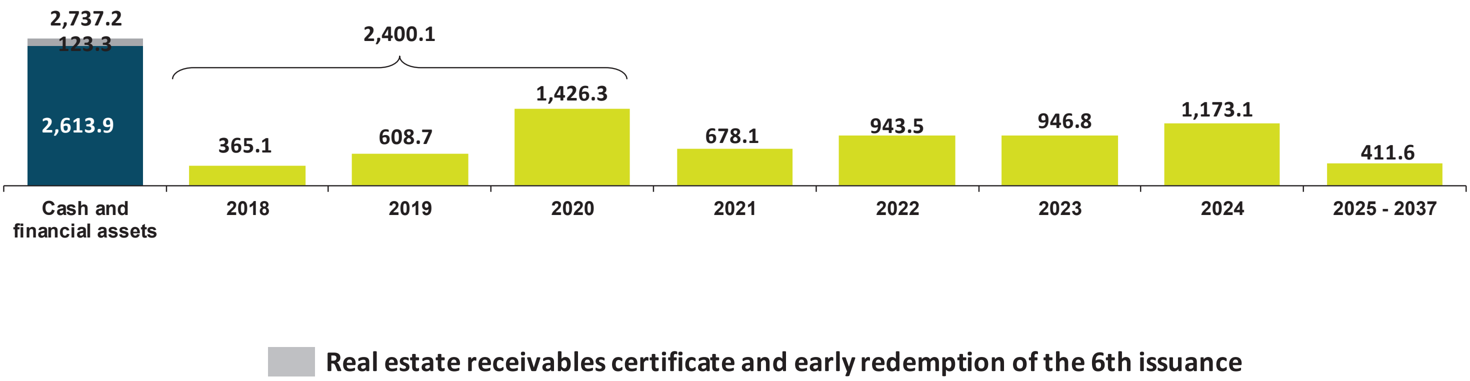
12.4 – Debt maturity profile - Principal – Proforma - R$ million

The pro forma chart reflects the following transactions completed on February 26, 2018:

• Real Estate Receivables Certificate (CRI) offer in the total amount of R$370.0 million, maturing on November 21, 2037, with redemption option by the holders of the certificates on November 21, 2024 and remuneration of 99.0% of the CDI.

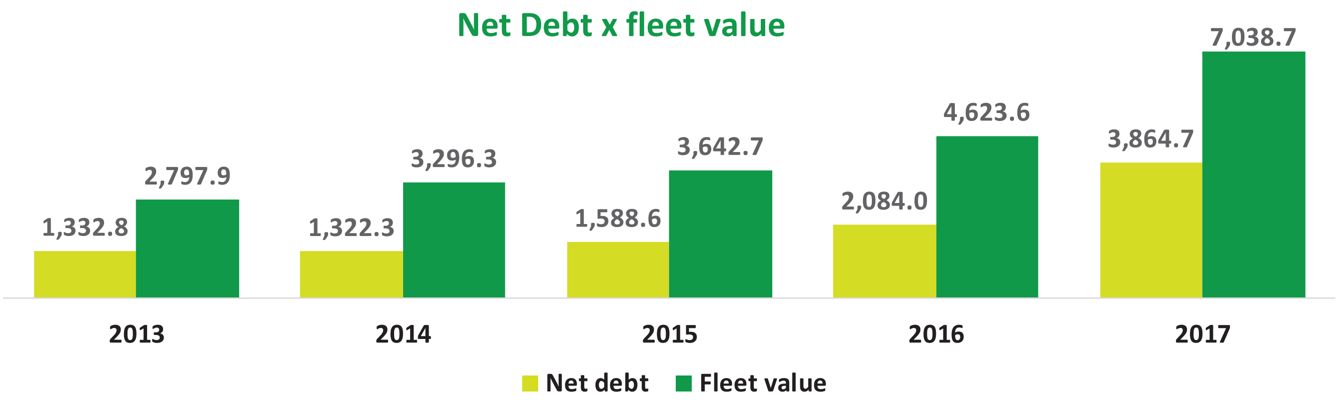
• Prepayment of the 6th Issuance of Debentures, in the amount of R$240.0 million, plus R$6.7 million of interest incurred.

Proforma after Real Estate Receivables Certificate (CRI) issuance and early redemption of the 6th issuance



Comfortable debt profile and cash position to support growth

12.5 – Debt ratios



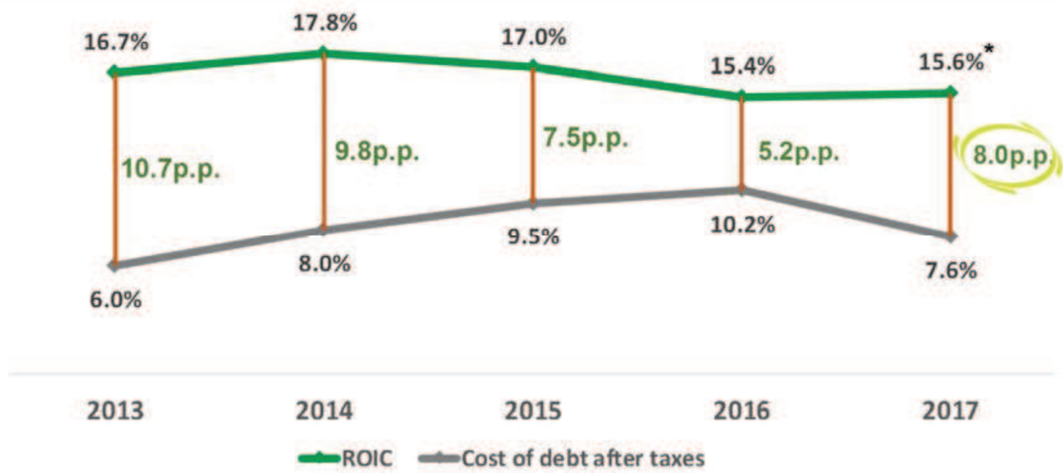
BALANCE AT THE END OF PERIOD	2013	2014	2015	2016	2017
Net debt / Fleet value	48%	40%	44%	45%	55%
Net debt / EBITDA	1.5x	1.4x	1.7x	2.1x	2.9x
Net debt / Equity	1.0x	0.8x	0.8x	0.9x	1.5x
EBITDA / Net financial expenses	8.3x	6.4x	4.6x	4.2x	4.2x

Comfortable leverage even with strong growth

Localiza is always evaluating ways to improve cost and debt duration and in 2017 the Company raised R$3.3 billion in debentures and promissory notes. Of this total, R$1.1 billion was raised in 4Q17.

Most of the net addition of the fleet occurred by the end of 3Q17, with payment in 4Q17, reflecting in the debt ratios. Investments in fleet growth have already impacted the net debt of the year and will generate EBITDA in the coming quarters.

13 – Spread (ROIC minus cost of debt after taxes) - Adjusted



(*)Adjusted by the one-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation
ROIC considered each year´s effective income tax rate

Focus on value creation to shareholders

14 – Dividends and interest on capital (IOC)

2016 dividends and interest on capital were approved as follow:

Nature	Reference period	Approval date	Shareholding position date	Payment date	Gross amount (R$ million)	Gross amount per share (R$)
IOC	2016	03/17/2016	03/31/2016	05/12/2016	35.4	0,054016
IOC	2016	06/23/2016	06/30/2016	08/17/2016	36.8	0,056063
IOC	2016	09/29/2016	09/30/2016	11/23/2016	33.0	0,050365
Dividends	2015	04/29/2016	04/29/2016	05/20/2016	1.0	0,001587
IOC	2016	12/15/2016	12/22/2016	02/08/2017	46.7	0,071257
				Total	**152.9**	

2017 interest on capital were approved as follow:

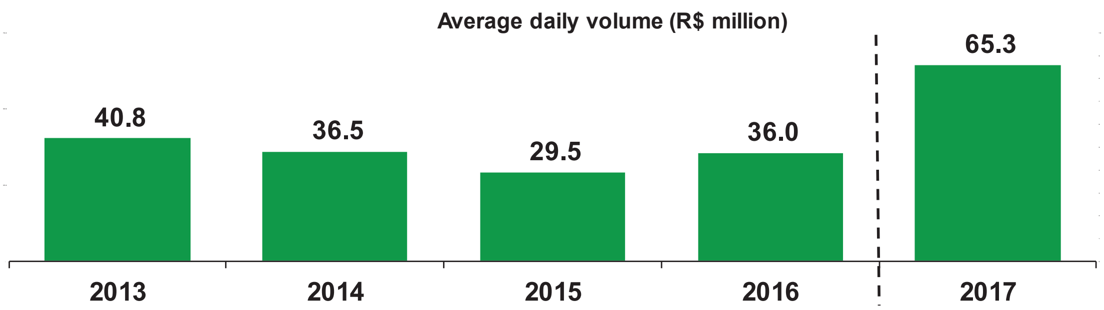
Nature	Reference period	Approval date	Shareholding position date	Payment date	Gross amount (R$ million)	Gross amount per share (R$)
IOC	2017	03/08/2017	03/15/2017	05/02/2017	39.9	0,060829
IOC	2017	06/30/2017	07/06/2017	08/24/2017	39.2	0,059539
IOC	2017	09/13/2017	09/22/2017	11/07/2017	41.0	0,062161
IOC	2017	12/07/2017	12/14/2017	01/31/2018	42.8	0,064746
				Total	**162.9**	

(*)For comparative purposes, the amount of IOC and dividend per share was adjusted considering the stock dividend approved by the Extraordinary Shareholders’ Meeting of April 25, 2017 and the stock Split approved by the Extraordinary Shareholders’ Meeting of November 22, 2017.

15 – RENT3

On 11/22/2017, the stock split of the Company was approved by the Extraordinary Shareholders' Meeting, in the proportion of 3 for each 1 existing common share. The shares were credited to shareholders on 11/28/2017. On 12/31/2017, the Company had 667,149,210 outstanding shares, of which 6,752,346 shares were held in treasury.

Under the ADR Level I program, the Company had 19,173,432 ADRs issued as of 12/31/2017.
In 2017, the average daily traded volume of RENT3 was R$65.3 million.



16 – Reconciliation of financial results

About Localiza's financial information: The financial information below is audited and presented in millions of Brazilian Reais (BRL), unless otherwise stated, and is based on financial information prepared in accordance with International Financial Reporting Standards (IFRS).

4Q17 financial results were impacted in R$48.0 million by incurred one-time costs resulting from the acquisition of Hertz Brazil on 09/01/2017 and in an additional R$4.5 million, resulting from the integration of 3 franchised locations. In order to preserve the comparability of the financials herein presented to previous periods, we have decided to present the 4Q17 and 2017 financials (EBITDA, EBIT and Net Income) adjusted by the one-time costs.

We have indicated in the table below the one-time costs that have been incurred, resulting from the acquisition of Hertz Brazil and franchisees integration:

R$ million

ONE-TIME COSTS	3Q17 Incurred	4Q17 Incurred	2017 Total
RAC costs:			
Hertz: rebrand, structure and networking reduction	(2.1)	(36.4)	(38.5)
Franchise integration	(12.7)	(4.5)	(17.2)
RAC - Total Costs	**(14.8)**	**(40.9)**	**(55.7)**
Fleet Rental costs:			
Hertz: structure and networking reduction	-	(0.3)	(0.3)
Fleet Rental total costs	**0.0**	**(0.3)**	**(0.3)**
SG&A:			
Hertz: rebrand, structure and RAC networking reduction	(6.7)	(8.2)	(14.9)
Hertz: rebrand, structure and Fleet Rental networking reduction	-	(3.1)	(3.1)
Total SG&A	**(6.7)**	**(11.3)**	**(18.0)**
Total One-time Costs	**(21.5)**	**(52.5)**	**(74.0)**

R$ million

RESULTADO CONSOLIDADO	4Q17 consolidated	One-off	4Q17 Ajusted
Total net revenues	**1,809.6**	**-**	**1,809.6**
Total costs and SG&A	(1,475.8)	52.5	(1,423.3)
EBITDA	**333.8**	**52.5**	**386.3**
Depreciation	(72.6)	-	(72.6)
EBIT	**261.2**	**52.5**	**313.7**
Financial expenses, net	(93.6)	-	(93.6)
Income tax and social contribution	(34.6)	(11.0)	(45.6)
Net income	**133.0**	**41.5**	**174.5**

17 – Results per division

17.1 –Table 1 – Car Rental adjusted – R$ million

In order to preserve the comparability of this quarter´s financials to previous periods, we present the **Rent a Car Division** results with 4Q17 and 2017 **adjusted by the one-time costs** (non-recurring costs and expenses related to the acquisition of Hertz Brazil on 09/01/2017 and the integration of 20 franchised branches).

CAR RENTAL RESULTS	2013	2014	2015	2016	2017 Adjusted	Var.	4Q16	4Q17 Adjusted	Var.
Car rental gross revenues (*)	1,208.4	1,352.1	1,316.9	1,486.9	1,898.7	27.7%	413.8	577.7	39.6%
Taxes on revenues (**)	(44.9)	(67.7)	(58.9)	(58.9)	(50.2)	-14.8%	(15.8)	(2.7)	-82.9%
Car rental net revenues	**1,163.5**	**1,284.4**	**1,258.0**	**1,428.0**	**1,848.5**	**29.4%**	**398.0**	**575.0**	**44.5%**
Car rental costs	(536.9)	(577.3)	(618.1)	(707.4)	(870.7)	23.1%	(199.1)	(252.0)	26.6%
Gross profit	**626.6**	**707.1**	**639.9**	**720.6**	**977.8**	**35.7%**	**198.9**	**323.0**	**62.4%**
Operating expenses (SG&A)	(197.9)	(209.7)	(239.9)	(258.8)	(332.3)	28.4%	(73.4)	(112.5)	53.3%
Other assets depreciation and amortization	(22.2)	(22.2)	(22.3)	(23.9)	(23.6)	-1.3%	(5.9)	(6.5)	10.2%
Operating profit before financial results and taxes (EBIT)	**406.5**	**475.2**	**377.7**	**437.9**	**621.9**	**42.0%**	**119.6**	**204.0**	**70.6%**
Financial expenses, net	(1.3)	(1.5)	(2.0)	(1.4)	(5.3)	278.6%	(0.4)	(4.2)	950.0%
Income tax and social contribution	(119.5)	(136.2)	(89.9)	(95.9)	(138.9)	44.8%	(22.2)	(41.3)	86.0%
Net income for the period	**285.7**	**337.5**	**285.8**	**340.6**	**477.7**	**40.3%**	**97.0**	**158.5**	**63.4%**
Net Margin	**24.6%**	**26.3%**	**22.7%**	**23.9%**	**25.8%**	**1.9 p.p.**	**24.4%**	**27.6%**	**3.2 p.p.**
EBITDA	**428.7**	**497.4**	**400.0**	**461.8**	**645.5**	**39.8%**	**125.5**	**210.5**	**67.7%**
EBITDA Margin	**36.8%**	**38.7%**	**31.8%**	**32.3%**	**34.9%**	**2.6 p.p.**	**31.5%**	**36.6%**	**5.1 p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2013	2014	2015	2016	2017 Adjusted	Var.	4Q16	4Q17 Adjusted	Var.
Gross revenues (*)	1,486.1	1,671.4	1,679.2	1,997.8	2,990.0	49.7%	650.3	876.2	34.7%
Taxes on revenues	(3.1)	(3.5)	(2.5)	(2.7)	(4.9)	81.5%	(1.1)	(1.8)	63.6%
Net revenues	**1,483.0**	**1,667.9**	**1,676.7**	**1,995.1**	**2,985.1**	**49.6%**	**649.2**	**874.4**	**34.7%**
Book value of cars sold and preparation for sale	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	(2,603.2)	50.7%	(570.1)	(770.0)	35.1%
Gross profit	**211.1**	**239.5**	**280.4**	**267.6**	**381.9**	**42.7%**	**79.1**	**104.4**	**32.0%**
Operating expenses (SG&A)	(138.7)	(160.7)	(178.8)	(176.8)	(220.0)	24.4%	(51.5)	(62.6)	21.6%
Cars depreciation	(85.8)	(78.1)	(38.9)	(87.8)	(117.7)	34.1%	(31.8)	(29.6)	-6.9%
Other assets depreciation and amortization	(11.7)	(11.3)	(8.8)	(9.1)	(9.7)	6.6%	(2.3)	(2.5)	8.7%
Operating profit (loss) before financial results and taxes (EBIT)	**(25.1)**	**(10.6)**	**53.9**	**(6.1)**	**34.5**	**-665.6%**	**(6.5)**	**9.7**	**-249.2%**
Financial expenses, net	(76.6)	(106.3)	(138.4)	(174.4)	(229.9)	31.8%	(53.3)	(68.0)	27.6%
Income tax and social contribution	30.3	33.2	17.6	37.2	43.9	18.0%	11.1	12.2	9.9%
Net loss for the period	**(71.4)**	**(83.7)**	**(66.9)**	**(143.3)**	**(151.5)**	**5.7%**	**(48.7)**	**(46.1)**	**-5.3%**
Net Margin	**-4.8%**	**-5.0%**	**-4.0%**	**-7.2%**	**-5.1%**	**2.1 p.p.**	**-7.5%**	**-5.3%**	**2.2 p.p.**
EBITDA	**72.4**	**78.8**	**101.6**	**90.8**	**161.9**	**78.3%**	**27.6**	**41.8**	**51.4%**
EBITDA Margin	**4.9%**	**4.7%**	**6.1%**	**4.6%**	**5.4%**	**0.8 p.p.**	**4.3%**	**4.8%**	**0.5 p.p.**

CAR RENTAL TOTAL FIGURES	2013	2014	2015	2016	2017 Adjusted	Var.	4Q16	4Q17 Adjusted	Var.
Car rental gross revenues (*)	1,208.4	1,352.1	1,316.9	1,486.9	1,898.7	27.7%	413.8	577.7	39.6%
Car sales for fleet renewal - gross revenues (*)	1,486.1	1,671.4	1,679.2	1,997.8	2,990.0	49.7%	650.3	876.2	34.7%
Total gross revenues (*)	2,694.5	3,023.5	2,996.1	3,484.7	4,888.7	40.3%	1,064.1	1,453.9	36.6%
Taxes on revenues									
Car rental(**)	(44.9)	(67.7)	(58.9)	(58.9)	(50.2)	-14.8%	(15.8)	(2.7)	-82.9%
Car sales for fleet renewal	(3.1)	(3.5)	(2.5)	(2.7)	(4.9)	81.5%	(1.1)	(1.8)	63.6%
Car rental revenues - net revenues	1,163.5	1,284.4	1,258.0	1,428.0	1,848.5	29.4%	398.0	575.0	44.5%
Car sales for fleet renewal - net revenues	1,483.0	1,667.9	1,676.7	1,995.1	2,985.1	49.6%	649.2	874.4	34.7%
Total net revenues	**2,646.5**	**2,952.3**	**2,934.7**	**3,423.1**	**4,833.6**	**41.2%**	**1,047.2**	**1,449.4**	**38.4%**
Direct costs									
Car rental	(536.9)	(577.3)	(618.1)	(707.4)	(870.7)	23.1%	(199.1)	(252.0)	26.6%
Car sales for fleet renewal	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	(2,603.2)	50.7%	(570.1)	(770.0)	35.1%
Gross profit	**837.7**	**946.6**	**920.3**	**988.2**	**1,359.7**	**37.6%**	**278.0**	**427.4**	**53.7%**
Operating expenses (SG&A)									
Car rental	(197.9)	(209.7)	(239.9)	(258.8)	(332.3)	28.4%	(73.4)	(112.5)	53.3%
Car sales for fleet renewal	(138.7)	(160.7)	(178.8)	(176.8)	(220.0)	24.4%	(51.5)	(62.6)	21.6%
Cars depreciation	(85.8)	(78.1)	(38.9)	(87.8)	(117.7)	34.1%	(31.8)	(29.6)	-6.9%
Other assets depreciation and amortization									
Car rental	(22.2)	(22.2)	(22.3)	(23.9)	(23.6)	-1.3%	(5.9)	(6.5)	10.2%
Car sales for fleet renewal	(11.7)	(11.3)	(8.8)	(9.1)	(9.7)	6.6%	(2.3)	(2.5)	8.7%
Operating profit before financial results and taxes (EBIT)	**381.4**	**464.6**	**431.6**	**431.8**	**656.4**	**52.0%**	**113.1**	**213.7**	**88.9%**
Financial expenses, net	(77.9)	(107.8)	(140.4)	(175.8)	(235.2)	33.8%	(53.7)	(72.2)	34.5%
Income tax and social contribution	(89.2)	(103.0)	(72.3)	(58.7)	(95.0)	61.8%	(11.1)	(29.1)	162.2%
Net income for the period	**214.3**	**253.8**	**218.9**	**197.3**	**326.2**	**65.3%**	**48.3**	**112.4**	**132.7%**
Net margin	**8.1%**	**8.6%**	**7.5%**	**5.8%**	**6.7%**	**0.9 p.p.**	**4.6%**	**7.8%**	**3.2 p.p.**
EBITDA	**501.1**	**576.2**	**501.6**	**552.6**	**807.4**	**46.1%**	**153.1**	**252.3**	**64.8%**
EBITDA margin	**18.9%**	**19.5%**	**17.1%**	**16.1%**	**16.7%**	**0.6 p.p.**	**14.6%**	**17.4%**	**2.8 p.p.**

(*) Gross revenues from car rental and car sales for fleet renewal are net of discounts and cancellations.
(**) On the yearly income statement, the Company has reclassified the amount relative to the 2017 provision over the difference between PIS and Cofins credits, which became classified as SG&A, as per Note 14 of the Financial Statements

17 – Results per division

17.1.1 –Table 1.1 – Car Rental – R$ million

CAR RENTAL RESULTS	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Car rental gross revenues (*)	1,208.4	1,352.1	1,316.9	1,486.9	1,898.7	27.7%	413.8	577.7	39.6%
Taxes on revenues (**)	(44.9)	(67.7)	(58.9)	(58.9)	(50.2)	-14.8%	(15.8)	(2.7)	-82.9%
Car rental net revenues	**1,163.5**	**1,284.4**	**1,258.0**	**1,428.0**	**1,848.5**	**29.4%**	**398.0**	**575.0**	**44.5%**
Car rental costs	(536.9)	(577.3)	(618.1)	(707.4)	(926.4)	31.0%	(199.1)	(292.9)	47.1%
Gross profit	**626.6**	**707.1**	**639.9**	**720.6**	**922.1**	**28.0%**	**198.9**	**282.1**	**41.8%**
Operating expenses (SG&A)	(197.9)	(209.7)	(239.9)	(258.8)	(347.2)	34.2%	(73.4)	(120.7)	64.4%
Other assets depreciation and amortization	(22.2)	(22.2)	(22.3)	(23.9)	(23.6)	-1.3%	(5.9)	(6.5)	10.2%
Operating profit before financial results and taxes (EBIT)	**406.5**	**475.2**	**377.7**	**437.9**	**551.3**	**25.9%**	**119.6**	**154.9**	**29.5%**
Financial expenses, net	(1.3)	(1.5)	(2.0)	(1.4)	(5.3)	278.6%	(0.4)	(4.2)	950.0%
Income tax and social contribution	(119.5)	(136.2)	(89.9)	(95.9)	(123.4)	28.7%	(22.2)	(31.1)	40.1%
Net income for the period	**285.7**	**337.5**	**285.8**	**340.6**	**422.6**	**24.1%**	**97.0**	**119.6**	**23.3%**
Net Margin	**24.6%**	**26.3%**	**22.7%**	**23.9%**	**22.9%**	**-1.0 p.p.**	**24.4%**	**20.8%**	**-3.6 p.p.**
EBITDA	**428.7**	**497.4**	**400.0**	**461.8**	**574.9**	**24.5%**	**125.5**	**161.4**	**28.6%**
EBITDA Margin	**36.8%**	**38.7%**	**31.8%**	**32.3%**	**31.1%**	**-1.2 p.p.**	**31.5%**	**28.1%**	**-3.4 p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Gross revenues (*)	1,486.1	1,671.4	1,679.2	1,997.8	2,990.0	49.7%	650.3	876.2	34.7%
Taxes on revenues	(3.1)	(3.5)	(2.5)	(2.7)	(4.9)	81.5%	(1.1)	(1.8)	63.6%
Net revenues	**1,483.0**	**1,667.9**	**1,676.7**	**1,995.1**	**2,985.1**	**49.6%**	**649.2**	**874.4**	**34.7%**
Book value of cars sold and preparation for sale	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	(2,603.2)	50.7%	(570.1)	(770.0)	35.1%
Gross profit	**211.1**	**239.5**	**280.4**	**267.6**	**381.9**	**42.7%**	**79.1**	**104.4**	**32.0%**
Operating expenses (SG&A)	(138.7)	(160.7)	(178.8)	(176.8)	(220.0)	24.4%	(51.5)	(62.6)	21.6%
Cars depreciation	(85.8)	(78.1)	(38.9)	(87.8)	(117.7)	34.1%	(31.8)	(29.6)	-6.9%
Other assets depreciation and amortization	(11.7)	(11.3)	(8.8)	(9.1)	(9.7)	6.6%	(2.3)	(2.5)	8.7%
Operating profit (loss) before financial results and taxes (EBIT)	**(25.1)**	**(10.6)**	**53.9**	**(6.1)**	**34.5**	**-665.6%**	**(6.5)**	**9.7**	**-249.2%**
Financial expenses, net	(76.6)	(106.3)	(138.4)	(174.4)	(229.9)	31.8%	(53.3)	(68.0)	27.6%
Income tax and social contribution	30.3	33.2	17.6	37.2	43.9	18.0%	11.1	12.2	9.9%
Net loss for the period	**(71.4)**	**(83.7)**	**(66.9)**	**(143.3)**	**(151.5)**	**5.7%**	**(48.7)**	**(46.1)**	**-5.3%**
Net Margin	**-4.8%**	**-5.0%**	**-4.0%**	**-7.2%**	**-5.1%**	**2.1 p.p.**	**-7.5%**	**-5.3%**	**2.2 p.p.**
EBITDA	**72.4**	**78.8**	**101.6**	**90.8**	**161.9**	**78.3%**	**27.6**	**41.8**	**51.4%**
EBITDA Margin	**4.9%**	**4.7%**	**6.1%**	**4.6%**	**5.4%**	**0.8 p.p.**	**4.3%**	**4.8%**	**0.5 p.p.**

CAR RENTAL TOTAL FIGURES	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Car rental gross revenues (*)	1,208.4	1,352.1	1,316.9	1,486.9	1,898.7	27.7%	413.8	577.7	39.6%
Car sales for fleet renewal - gross revenues (*)	1,486.1	1,671.4	1,679.2	1,997.8	2,990.0	49.7%	650.3	876.2	34.7%
Total gross revenues (*)	2,694.5	3,023.5	2,996.1	3,484.7	4,888.7	40.3%	1,064.1	1,453.9	36.6%
Taxes on revenues									
Car rental (**)	(44.9)	(67.7)	(58.9)	(58.9)	(50.2)	-14.8%	(15.8)	(2.7)	-82.9%
Car sales for fleet renewal	(3.1)	(3.5)	(2.5)	(2.7)	(4.9)	81.5%	(1.1)	(1.8)	63.6%
Car rental revenues - net revenues	1,163.5	1,284.4	1,258.0	1,428.0	1,848.5	29.4%	398.0	575.0	44.5%
Car sales for fleet renewal - net revenues	1,483.0	1,667.9	1,676.7	1,995.1	2,985.1	49.6%	649.2	874.4	34.7%
Total net revenues	**2,646.5**	**2,952.3**	**2,934.7**	**3,423.1**	**4,833.6**	**41.2%**	**1,047.2**	**1,449.4**	**38.4%**
Direct costs									
Car rental	(536.9)	(577.3)	(618.1)	(707.4)	(926.4)	31.0%	(199.1)	(292.9)	47.1%
Car sales for fleet renewal	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	(2,603.2)	50.7%	(570.1)	(770.0)	35.1%
Gross profit	**837.7**	**946.6**	**920.3**	**988.2**	**1,304.0**	**32.0%**	**278.0**	**386.5**	**39.0%**
Operating expenses (SG&A)									
Car rental	(197.9)	(209.7)	(239.9)	(258.8)	(347.2)	34.2%	(73.4)	(120.7)	64.4%
Car sales for fleet renewal	(138.7)	(160.7)	(178.8)	(176.8)	(220.0)	24.4%	(51.5)	(62.6)	21.6%
Cars depreciation	(85.8)	(78.1)	(38.9)	(87.8)	(117.7)	34.1%	(31.8)	(29.6)	-6.9%
Other assets depreciation and amortization									
Car rental	(22.2)	(22.2)	(22.3)	(23.9)	(23.6)	-1.3%	(5.9)	(6.5)	10.2%
Car sales for fleet renewal	(11.7)	(11.3)	(8.8)	(9.1)	(9.7)	6.6%	(2.3)	(2.5)	8.7%
Operating profit before financial results and taxes (EBIT)	**381.4**	**464.6**	**431.6**	**431.8**	**585.8**	**35.7%**	**113.1**	**164.6**	**45.5%**
Financial expenses, net	(77.9)	(107.8)	(140.4)	(175.8)	(235.2)	33.8%	(53.7)	(72.2)	34.5%
Income tax and social contribution	(89.2)	(103.0)	(72.3)	(58.7)	(79.5)	35.4%	(11.1)	(18.9)	70.3%
Net income for the period	**214.3**	**253.8**	**218.9**	**197.3**	**271.1**	**37.4%**	**48.3**	**73.5**	**52.2%**
Net margin	**8.1%**	**8.6%**	**7.5%**	**5.8%**	**5.6%**	**-0.2 p.p.**	**4.6%**	**5.1%**	**0.5 p.p.**
EBITDA	**501.1**	**576.2**	**501.6**	**552.6**	**736.8**	**33.3%**	**153.1**	**203.2**	**32.7%**
EBITDA margin	**18.9%**	**19.5%**	**17.1%**	**16.1%**	**15.2%**	**-0.9 p.p.**	**14.6%**	**14.0%**	**-0.6 p.p.**

OPERATING DATA	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Average operating fleet	59,094	61,525	62,513	70,185	94,194	34.2%	80,814	115,727	43.2%
Average rented fleet	39,475	42,999	43,315	51,515	69,762	35.4%	57,747	85,440	48.0%
Average operating fleet age (in months)	7.2	7.2	7.4	7.9	6.5	-17.7%	6.5	5.9	-9.2%
End of period fleet	70,717	77,573	76,755	94,156	135,578	44.0%	94,156	135,578	44.0%
Number of rental days - in thousands	14,241.7	15,416.0	15,566.1	18,662.4	25,263.6	35.4%	5,265.8	7,802.3	48.2%
Average daily rental revenues per car (R$)	84.85	87.71	84.56	79.67	75.16	-5.7%	78.58	74.04	-5.8%
Annualized average depreciation per car (R$)	1,452.4	1,270.0	622.1	1,251.2	1,250.1	-0.1%	1,573.9	1,021.6	-35.1%
Utilization rate (Does not include cars in preparation and decomissioning)	-	-	75.4%	78.0%	78.6%	0.6 p.p.	76.1%	78.5%	2.4 p.p.
Number of cars purchased	58,826	64,908	52,343	76,071	114,966	51.1%	25,139	30,285	20.5%
Number of cars sold	52,759	57,578	52,508	57,596	76,901	33.5%	18,337	21,696	18.3%
Average sold fleet age (in months)	15.3	14.4	14.9	16.8	14.3	-14.9%	17.0	13.9	-18.2%
Average total fleet	68,251	70,982	72,169	80,765	107,997	33.7%	94,172	134,302	42.6%
Average value of total fleet - R$ million	1,776.8	1,963.8	2,205.9	2,790.2	4,100.6	47.0%	3,374.2	5,143.5	52.4%
Average value per car in the period - R$ thsd	26.0	27.7	30.6	34.5	38.0	10.1%	35.8	38.3	7.0%

(*) Gross revenues from car rental and car sales for fleet renewal are net of discounts and cancellations.
(**) On the yearly income statement, the Company has reclassified the amount relative to the 2017 provision over the difference between PIS and Cofins credits, which became classified as SG&A, as per Note 14 of the Financial Statements

17.2 – Table 2 – Fleet Rental adjusted– R$ million

In order to preserve the comparability of this quarter´s financials to previous periods, we present the **Fleet Rental Division** results with 4Q17 and 2017 **adjusted by the one-time costs** (non-recurring costs and expenses related to the acquisition of Hertz Brazil on 09/01/2017).

FLEET RENTAL RESULTS	2013	2014	2015	2016	2017 Adjusted	Var.	4Q16	4Q17 Adjusted	Var.
Fleet rental gross revenues (*)	592.8	589.5	619.6	664.1	757.4	14.0%	174.3	206.2	18.3%
Taxes on revenues (**)	(16.9)	(17.6)	(11.1)	(12.3)	(15.3)	24.4%	(3.8)	(2.2)	-42.1%
Fleet rental net revenues	**575.9**	**571.9**	**608.5**	**651.8**	**742.1**	**13.9%**	**170.5**	**204.0**	**19.6%**
Fleet rental costs	(161.1)	(190.8)	(189.3)	(193.7)	(220.1)	13.6%	(51.4)	(61.3)	19.3%
Gross profit	**414.8**	**381.1**	**419.2**	**458.1**	**522.0**	**13.9%**	**119.1**	**142.7**	**19.8%**
Operating expenses (SG&A)	(37.5)	(38.1)	(40.7)	(37.9)	(62.3)	64.4%	(10.4)	(20.7)	99.0%
Other assets depreciation and amortization	(1.1)	(1.1)	(2.2)	(2.9)	(3.5)	20.7%	(0.8)	(1.2)	50.0%
Operating profit before financial results and taxes (EBIT)	**376.2**	**341.9**	**376.3**	**417.3**	**456.2**	**9.3%**	**107.9**	**120.8**	**12.0%**
Financial expenses, net	(0.1)	(0.2)	(0.1)	(1.1)	(1.6)	45.5%	-	(0.1)	100.0%
Income tax and social contribution	(111.4)	(99.2)	(90.5)	(90.4)	(103.6)	14.6%	(20.6)	(25.6)	24.3%
Net income for the period	**264.7**	**242.5**	**285.7**	**325.8**	**351.0**	**7.7%**	**87.3**	**95.1**	**8.9%**
Net Margin	**46.0%**	**42.4%**	**47.0%**	**50.0%**	**47.3%**	**-2.7 p.p.**	**51.2%**	**46.6%**	**-4.6 p.p.**
EBITDA	**377.3**	**343.0**	**378.5**	**420.2**	**459.7**	**9.4%**	**108.7**	**122.0**	**12.2%**
EBITDA Margin	**65.5%**	**60.0%**	**62.2%**	**64.5%**	**61.9%**	**-2.6 p.p.**	**63.8%**	**59.8%**	**-4.0 p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2013	2014	2015	2016	2017 Adjusted	Var.	4Q16	4Q17 Adjusted	Var.
Gross revenues (*)	264.6	350.8	368.6	347.8	466.5	34.1%	84.2	152.3	80.9%
Taxes on revenues	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)	0.0%	(0.1)	(0.2)	100.0%
Net revenues	**264.3**	**350.3**	**368.2**	**347.4**	**466.1**	**34.2%**	**84.1**	**152.1**	**80.9%**
Book value of cars sold and preparation for sale	(214.1)	(276.3)	(286.7)	(279.4)	(392.1)	40.3%	(68.3)	(131.3)	92.2%
Gross profit	**50.2**	**74.0**	**81.5**	**68.0**	**74.0**	**8.8%**	**15.8**	**20.8**	**31.6%**
Operating expenses (SG&A)	(23.4)	(32.6)	(33.6)	(31.0)	(32.7)	5.5%	(6.4)	(10.7)	67.2%
Cars depreciation	(143.2)	(129.3)	(124.7)	(118.5)	(114.3)	-3.5%	(27.7)	(32.2)	16.2%
Other assets depreciation and amortization	-	(0.6)	(2.0)	(1.8)	(1.7)	-5.6%	(0.3)	(0.5)	66.7%
Operating profit (loss) before financial results and taxes (EBIT)	**(116.4)**	**(88.5)**	**(78.8)**	**(83.3)**	**(74.7)**	**-10.3%**	**(18.6)**	**(22.6)**	**21.5%**
Financial expenses, net	(34.0)	(44.9)	(63.8)	(68.7)	(80.0)	16.4%	(19.4)	(21.7)	11.9%
Income tax and social contribution	44.7	38.4	33.7	32.3	35.1	8.7%	7.1	9.4	32.4%
Net loss for the period	**(105.7)**	**(95.0)**	**(108.9)**	**(119.7)**	**(119.6)**	**-0.1%**	**(30.9)**	**(34.9)**	**12.9%**
Net Margin	**-40.0%**	**-27.1%**	**-29.6%**	**-34.5%**	**-25.7%**	**8.8 p.p.**	**-36.7%**	**-22.9%**	**13.8 p.p.**
EBITDA	**26.8**	**41.4**	**47.9**	**37.0**	**41.3**	**11.6%**	**9.4**	**10.1**	**7.4%**
EBITDA Margin	**10.1%**	**11.8%**	**13.0%**	**10.7%**	**8.9%**	**-1.8 p.p.**	**11.2%**	**6.6%**	**-4.6 p.p.**

FLEET RENTAL TOTAL FIGURES	2013	2014	2015	2016	2017 Adjusted	Var.	4Q16	4Q17 Adjusted	Var.
Fleet rental gross revenues (*)	592.8	589.5	619.6	664.1	757.4	14.0%	174.3	206.2	18.3%
Car sales for fleet renewal - gross revenues (*)	264.6	350.8	368.6	347.8	466.5	34.1%	84.2	152.3	80.9%
Total gross revenues (*)	857.4	940.3	988.2	1,011.9	1,223.9	21.0%	258.5	358.5	38.7%
Taxes on revenues									
Fleet rental (**)	(16.9)	(17.6)	(11.1)	(12.3)	(15.3)	24.4%	(3.8)	(2.2)	-42.1%
Car sales for fleet renewal	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)	0.0%	(0.1)	(0.2)	100.0%
Fleet rental - net revenues	575.9	571.9	608.5	651.8	742.1	13.9%	170.5	204.0	19.6%
Car sales for fleet renewal - net revenues	264.3	350.3	368.2	347.4	466.1	34.2%	84.1	152.1	80.9%
Total net revenues (**)	**840.2**	**922.2**	**976.7**	**999.2**	**1,208.2**	**20.9%**	**254.6**	**356.1**	**39.9%**
Direct costs									
Fleet rental	(161.1)	(190.8)	(189.3)	(193.7)	(220.1)	13.6%	(51.4)	(61.3)	19.3%
Car sales for fleet renewal	(214.1)	(276.3)	(286.7)	(279.4)	(392.1)	40.3%	(68.3)	(131.3)	92.2%
Gross profit	**465.0**	**455.1**	**500.7**	**526.1**	**596.0**	**13.3%**	**134.9**	**163.5**	**21.2%**
Operating expenses (SG&A)									
Fleet rental	(37.5)	(38.1)	(40.7)	(37.9)	(62.3)	64.4%	(10.4)	(20.7)	99.0%
Car sales for fleet renewal	(23.4)	(32.6)	(33.6)	(31.0)	(32.7)	5.5%	(6.4)	(10.7)	67.2%
Cars depreciation	(143.2)	(129.3)	(124.7)	(118.5)	(114.3)	-3.5%	(27.7)	(32.2)	16.2%
Other assets depreciation and amortization									
Fleet rental	(1.1)	(1.1)	(2.2)	(2.9)	(3.5)	20.7%	(0.8)	(1.2)	50.0%
Car sales for fleet renewal	-	(0.6)	(2.0)	(1.8)	(1.7)	-5.6%	(0.3)	(0.5)	66.7%
Operating profit before financial results and taxes (EBIT)	**259.8**	**253.4**	**297.5**	**334.0**	**381.5**	**14.2%**	**89.3**	**98.2**	**10.0%**
Financial expenses, net	(34.1)	(45.1)	(63.9)	(69.8)	(81.6)	16.9%	(19.4)	(21.8)	12.4%
Income tax and social contribution	(66.7)	(60.8)	(56.8)	(58.1)	(68.5)	17.9%	(13.5)	(16.2)	20.0%
Net income for the period	**159.0**	**147.5**	**176.8**	**206.1**	**231.4**	**12.3%**	**56.4**	**60.2**	**6.7%**
Net margin	**18.9%**	**16.0%**	**18.1%**	**20.6%**	**19.2%**	**-1.4 p.p.**	**22.2%**	**16.9%**	**-5.3 p.p.**
EBITDA	**404.1**	**384.4**	**426.4**	**457.2**	**501.0**	**9.6%**	**118.1**	**132.1**	**11.9%**
EBITDA margin	**48.1%**	**41.7%**	**43.7%**	**45.8%**	**41.5%**	**-4.3 p.p.**	**46.4%**	**37.1%**	**-9.3 p.p.**

(*) Gross revenues from fleet rental and car sales for fleet renewal are net of discounts and cancellations.
(**) On the yearly income statement, the Company has reclassified the amount relative to the 2017 provision over the difference between PIS and Cofins credits, which became classified as SG&A, as per Note 14 of the Financial Statements

17.2.1 – Table 2.1 – Fleet Rental – R$ million

FLEET RENTAL RESULTS	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Fleet rental gross revenues (*)	592.8	589.5	619.6	664.1	757.4	14.0%	174.3	206.2	18.3%
Taxes on revenues (***)	(16.9)	(17.6)	(11.1)	(12.3)	(15.3)	24.4%	(3.8)	(2.2)	-42.1%
Fleet rental net revenues	**575.9**	**571.9**	**608.5**	**651.8**	**742.1**	**13.9%**	**170.5**	**204.0**	**19.6%**
Fleet rental costs	(161.1)	(190.8)	(189.3)	(193.7)	(220.4)	13.8%	(51.4)	(61.6)	19.8%
Gross profit	**414.8**	**381.1**	**419.2**	**458.1**	**521.7**	**13.9%**	**119.1**	**142.4**	**19.6%**
Operating expenses (SG&A)	(37.5)	(38.1)	(40.7)	(37.9)	(65.4)	72.6%	(10.4)	(23.8)	128.8%
Other assets depreciation and amortization	(1.1)	(1.1)	(2.2)	(2.9)	(3.5)	20.7%	(0.8)	(1.2)	50.0%
Operating profit before financial results and taxes (EBIT)	**376.2**	**341.9**	**376.3**	**417.3**	**452.8**	**8.5%**	**107.9**	**117.4**	**8.8%**
Financial expenses, net	(0.1)	(0.2)	(0.1)	(1.1)	(1.6)	45.5%	-	(0.1)	100.0%
Income tax and social contribution	(111.4)	(99.2)	(90.5)	(90.4)	(102.8)	13.7%	(20.6)	(24.8)	20.4%
Net income for the period	**264.7**	**242.5**	**285.7**	**325.8**	**348.4**	**6.9%**	**87.3**	**92.5**	**6.0%**
Net Margin	**46.0%**	**42.4%**	**47.0%**	**50.0%**	**46.9%**	**-3.1 p.p.**	**51.2%**	**45.3%**	**-5.9 p.p.**
EBITDA	**377.3**	**343.0**	**378.5**	**420.2**	**456.3**	**8.6%**	**108.7**	**118.6**	**9.1%**
EBITDA Margin	**65.5%**	**60.0%**	**62.2%**	**64.5%**	**61.5%**	**-3.0 p.p.**	**63.8%**	**58.1%**	**-5.7 p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Gross revenues (*)	264.6	350.8	368.6	347.8	466.5	34.1%	84.2	152.3	80.9%
Taxes on revenues	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)	0.0%	(0.1)	(0.2)	100.0%
Net revenues	**264.3**	**350.3**	**368.2**	**347.4**	**466.1**	**34.2%**	**84.1**	**152.1**	**80.9%**
Book value of cars sold and preparation for sale	(214.1)	(276.3)	(286.7)	(279.4)	(392.1)	40.3%	(68.3)	(131.3)	92.2%
Gross profit	**50.2**	**74.0**	**81.5**	**68.0**	**74.0**	**8.8%**	**15.8**	**20.8**	**31.6%**
Operating expenses (SG&A)	(23.4)	(32.6)	(33.6)	(31.0)	(32.7)	5.5%	(6.4)	(10.7)	67.2%
Cars depreciation	(143.2)	(129.3)	(124.7)	(118.5)	(114.3)	-3.5%	(27.7)	(32.2)	16.2%
Other assets depreciation and amortization	-	(0.6)	(2.0)	(1.8)	(1.7)	-5.6%	(0.3)	(0.5)	66.7%
Operating profit (loss) before financial results and taxes (EBIT)	**(116.4)**	**(88.5)**	**(78.8)**	**(83.3)**	**(74.7)**	**-10.3%**	**(18.6)**	**(22.6)**	**21.5%**
Financial expenses, net	(34.0)	(44.9)	(63.8)	(68.7)	(80.0)	16.4%	(19.4)	(21.7)	11.9%
Income tax and social contribution	44.7	38.4	33.7	32.3	35.1	8.7%	7.1	9.4	32.4%
Net loss for the period	**(105.7)**	**(95.0)**	**(108.9)**	**(119.7)**	**(119.6)**	**-0.1%**	**(30.9)**	**(34.9)**	**12.9%**
Net Margin	**-40.0%**	**-27.1%**	**-29.6%**	**-34.5%**	**-25.7%**	**8.8 p.p.**	**-36.7%**	**-22.9%**	**13.8 p.p.**
EBITDA	**26.8**	**41.4**	**47.9**	**37.0**	**41.3**	**11.6%**	**9.4**	**10.1**	**7.4%**
EBITDA Margin	**10.1%**	**11.8%**	**13.0%**	**10.7%**	**8.9%**	**-1.8 p.p.**	**11.2%**	**6.6%**	**-4.6 p.p.**

FLEET RENTAL TOTAL FIGURES	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Fleet rental gross revenues (*)	592.8	589.5	619.6	664.1	757.4	14.0%	174.3	206.2	18.3%
Car sales for fleet renewal - gross revenues (*)	264.6	350.8	368.6	347.8	466.5	34.1%	84.2	152.3	80.9%
Total gross revenues (*)	857.4	940.3	988.2	1,011.9	1,223.9	21.0%	258.5	358.5	38.7%
Taxes on revenues									
Fleet rental (***)	(16.9)	(17.6)	(11.1)	(12.3)	(15.3)	24.4%	(3.8)	(2.2)	-42.1%
Car sales for fleet renewal	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)	0.0%	(0.1)	(0.2)	100.0%
Fleet rental - net revenues	575.9	571.9	608.5	651.8	742.1	13.9%	170.5	204.0	19.6%
Car sales for fleet renewal - net revenues	264.3	350.3	368.2	347.4	466.1	34.2%	84.1	152.1	80.9%
Total net revenues (**)	**840.2**	**922.2**	**976.7**	**999.2**	**1,208.2**	**20.9%**	**254.6**	**356.1**	**39.9%**
Direct costs									
Fleet rental	(161.1)	(190.8)	(189.3)	(193.7)	(220.4)	13.8%	(51.4)	(61.6)	19.8%
Car sales for fleet renewal	(214.1)	(276.3)	(286.7)	(279.4)	(392.1)	40.3%	(68.3)	(131.3)	92.2%
Gross profit	**465.0**	**455.1**	**500.7**	**526.1**	**595.7**	**13.2%**	**134.9**	**163.2**	**21.0%**
Operating expenses (SG&A)									
Fleet rental	(37.5)	(38.1)	(40.7)	(37.9)	(65.4)	72.6%	(10.4)	(23.8)	128.8%
Car sales for fleet renewal	(23.4)	(32.6)	(33.6)	(31.0)	(32.7)	5.5%	(6.4)	(10.7)	67.2%
Cars depreciation	(143.2)	(129.3)	(124.7)	(118.5)	(114.3)	-3.5%	(27.7)	(32.2)	16.2%
Other assets depreciation and amortization									
Fleet rental	(1.1)	(1.1)	(2.2)	(2.9)	(3.5)	20.7%	(0.8)	(1.2)	50.0%
Car sales for fleet renewal	-	(0.6)	(2.0)	(1.8)	(1.7)	-5.6%	(0.3)	(0.5)	66.7%
Operating profit before financial results and taxes (EBIT)	**259.8**	**253.4**	**297.5**	**334.0**	**378.1**	**13.2%**	**89.3**	**94.8**	**6.2%**
Financial expenses, net	(34.1)	(45.1)	(63.9)	(69.8)	(81.6)	16.9%	(19.4)	(21.8)	12.4%
Income tax and social contribution	(66.7)	(60.8)	(56.8)	(58.1)	(67.7)	16.5%	(13.5)	(15.4)	14.1%
Net income for the period	**159.0**	**147.5**	**176.8**	**206.1**	**228.8**	**11.0%**	**56.4**	**57.6**	**2.1%**
Net margin	**18.9%**	**16.0%**	**18.1%**	**20.6%**	**18.9%**	**-1.7 p.p.**	**22.2%**	**16.2%**	**-6.0 p.p.**
EBITDA	**404.1**	**384.4**	**426.4**	**457.2**	**497.6**	**8.8%**	**118.1**	**128.7**	**9.0%**
EBITDA margin	**48.1%**	**41.7%**	**43.7%**	**45.8%**	**41.2%**	**-4.6 p.p.**	**46.4%**	**36.1%**	**-10.3 p.p.**

OPERATING DATA	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Average operating fleet	31,188	30,778	31,676	31,908	36,804	15.3%	32,993	41,569	26.0%
Average rented fleet	30,121	28,787	30,280	31,222	35,424	13.5%	32,461	39,658	22.2%
Average operating fleet age (in months)	18.6	18.0	16.7	18.0	18.1	0.6%	18.4	16.7	-9.2%
End of period fleet									
Rented Fleet	32,809	34,312	33,948	34,960	44,877	28.4%	34,960	44,877	28.4%
Managed Fleet	30	267	207	145	94	-35.2%	145	94	-35.2%
Number of rental days - in thousands	10,843.7	10,363.3	10,900.9	11,240.0	12,752.7	13.5%	2,921.6	3,569.2	22.2%
Average daily rental revenues per car (R$)	53.83	56.16	56.08	58.23	58.77	0.9%	58.82	57.27	-2.6%
Annualized average depreciation per car (R$)	4,592.3	4,202.1	3,935.2	3,714.0	3,104.3	-16.4%	3,364.2	3,102.1	-7.8%
Utilization rate (Does not include cars in preparation and decomissioning) (**)	-	-	98.4%	98.9%	98.2%	-0.8 p.p.	99.5%	98.0%	-1.5 p.p.
Number of cars purchased	10,918	14,896	11,689	11,762	20,286	72.5%	2,782	4,858	74.6%
Number of cars sold	9,882	13,043	11,797	10,853	13,653	25.8%	2,546	4,407	73.1%
Average sold fleet age (in months)	32.4	35.1	33.4	31.4	31.8	1.3%	31.5	32.9	4.4%
Average total fleet	32,488	32,686	33,446	33,436	39,605	18.5%	34,709	44,701	28.8%
Average value of total fleet - R$ million	887.3	943.3	1,067.1	1,130.4	1,482.5	31.1%	1,199.7	1,796.5	49.7%
Average value per car in the period - R$ thsd	27.3	28.9	31.9	33.8	37.4	10.7%	34.6	40.2	16.2%

(*) Gross revenues from fleet rental and car sales for fleet renewal are net of discounts and cancellations.
(**) The 2015 utilization rate was calculated only on the basis of the fourth quarter of 2015.
(***) On the yearly income statement, the Company has reclassified the amount relative to the 2017 provision over the difference between PIS and Cofins credits, which became classified as SG&A, as per Note 14 of the Financial Statements

17.3 – Table 3 – *Franchising* – R$ million

FRANCHISING RESULTS	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Gross revenues(*)	20.6	18.7	17.8	18.0	17.6	-2.2%	4.5	4.5	0.0%
Taxes on revenues	(1.1)	(1.0)	(1.2)	(1.0)	(1.1)	10.0%	(0.3)	(0.4)	33.3%
Net revenues	**19.5**	**17.7**	**16.6**	**17.0**	**16.5**	**-2.9%**	**4.2**	**4.1**	**-2.4%**
Costs	(8.1)	(7.8)	(9.2)	(9.7)	(8.9)	-8.2%	(4.2)	(1.8)	-57.1%
Gross profit	**11.4**	**9.9**	**7.4**	**7.3**	**7.6**	**4.1%**	**-**	**2.3**	**100.0%**
Operating expenses (SG&A)	(0.1)	(0.7)	(0.6)	(1.5)	(1.8)	20.0%	(0.3)	(0.4)	33.3%
Other assets depreciation and amortization	(0.4)	(0.5)	(0.4)	(0.5)	(0.6)	20.0%	(0.1)	(0.1)	0.0%
Operating profit before financial results and taxes (EBIT)	**10.9**	**8.7**	**6.4**	**5.3**	**5.2**	**-1.9%**	**(0.4)**	**1.8**	**-550.0%**
Financial expenses, net	1.4	1.8	1.6	2.1	1.8	-14.3%	0.4	0.4	0.0%
Income tax and social contribution	(1.3)	(1.2)	(1.3)	(1.5)	(1.2)	-20.0%	(0.3)	(0.3)	0.0%
Net income for the period	**11.0**	**9.3**	**6.7**	**5.9**	**5.8**	**-1.7%**	**(0.3)**	**1.9**	**-733.3%**
Net Margin	**56.4%**	**52.5%**	**40.4%**	**34.7%**	**35.2%**	**0.5 p.p.**	**-7.1%**	**46.3%**	**53.4 p.p.**
EBITDA	**11.3**	**9.2**	**6.8**	**5.8**	**5.8**	**0.0%**	**(0.3)**	**1.9**	**-733.3%**
EBITDA Margin	**57.9%**	**52.0%**	**41.0%**	**34.1%**	**35.2%**	**1.1 p.p.**	**-7.1%**	**46.3%**	**53.4 p.p.**

(*) Gross revenues are net of discounts and cancellations.

17.4 – Table 4 – Consolidated adjusted – R$ million

In order to preserve the comparability of this quarter´s financials to previous periods, we present the Consolidated Results with 4Q17 and 2017 **adjusted by the one-time costs** (non-recurring costs and expenses related to the acquisition of Hertz Brasil on 09/01/2017 and the integration of 20 franchised branches).

CONSOLIDATED RESULTS	2013	2014	2015	2016	2017 Adjusted	Var.	4Q16	4Q17 Adjusted	Var.
Car rental gross revenues (*)	1,208.4	1,352.1	1,316.9	1,486.9	1,898.7	27.7%	413.8	577.7	39.6%
Franchising gross revenues (*)	20.6	18.7	17.8	18.0	17.6	-2.2%	4.5	4.5	0.0%
Car Rental and Franchising total gross revenues (*)	1,229.0	1,370.8	1,334.7	1,504.9	1,916.3	27.3%	418.3	582.2	39.2%
Fleet Rental gross revenues (*)	592.8	589.5	619.6	664.1	757.4	14.0%	174.3	206.2	18.3%
Car and Fleet Rentals and Franchising total gross revenues (*)	1,821.8	1,960.3	1,954.3	2,169.0	2,673.7	23.3%	592.6	788.4	33.0%
Taxes on revenues - Car and Fleet Rentals and Franchising (**)	(62.9)	(86.3)	(71.2)	(72.2)	(66.6)	-7.8%	(19.9)	(5.3)	-73.4%
Car and Fleet Rentals and Franchising net revenues	**1,758.9**	**1,874.0**	**1,883.1**	**2,096.8**	**2,607.1**	**24.3%**	**572.7**	**783.1**	**36.7%**
Car sales gross revenues									
Car sales for fleet renewal - Car Rental (*)	1,486.1	1,671.4	1,679.2	1,997.8	2,990.0	49.7%	650.3	876.2	34.7%
Car sales for fleet renewal - Fleet Rental (*)	264.6	350.8	368.6	347.8	466.5	34.1%	84.2	152.3	80.9%
Car sales for fleet renewal - total gross revenues (*)	1,750.7	2,022.2	2,047.8	2,345.6	3,456.5	47.4%	734.5	1,028.5	40.0%
Taxes on revenues - Car sales for fleet renewal	(3.4)	(4.0)	(2.9)	(3.1)	(5.3)	71.0%	(1.2)	(2.0)	66.7%
Car sales for fleet renewal - net revenues	**1,747.3**	**2,018.2**	**2,044.9**	**2,342.5**	**3,451.2**	**47.3%**	**733.3**	**1,026.5**	**40.0%**
Total net revenues	**3,506.2**	**3,892.2**	**3,928.0**	**4,439.3**	**6,058.3**	**36.5%**	**1,306.0**	**1,809.6**	**38.6%**
Direct costs and expenses:									
Car rental	(536.9)	(577.3)	(618.1)	(707.4)	(870.7)	23.1%	(199.1)	(252.0)	26.6%
Franchising	(8.1)	(7.8)	(9.2)	(9.7)	(8.9)	-8.2%	(4.2)	(1.8)	-57.1%
Total Car rental and Franchising	(545.0)	(585.1)	(627.3)	(717.1)	(879.6)	22.7%	(203.3)	(253.8)	24.8%
Fleet Rental	(161.1)	(190.8)	(189.3)	(193.7)	(220.1)	13.6%	(51.4)	(61.3)	19.3%
Total Car and Fleet Rentals and Franchising	(706.1)	(775.9)	(816.6)	(910.8)	(1,099.7)	20.7%	(254.7)	(315.1)	23.7%
Car sales for fleet renewal - Car rental	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	(2,603.2)	50.7%	(570.1)	(770.0)	35.1%
Car sales for fleet renewal - Fleet Rental	(214.1)	(276.3)	(286.7)	(279.4)	(392.1)	40.3%	(68.3)	(131.3)	92.2%
Total Car sales for fleet renewal (book value) and preparation for sale	(1,486.0)	(1,704.7)	(1,683.0)	(2,006.9)	(2,995.3)	49.3%	(638.4)	(901.3)	41.2%
Total costs	(2,192.1)	(2,480.6)	(2,499.6)	(2,917.7)	(4,095.0)	40.4%	(893.1)	(1,216.4)	36.2%
Gross profit	**1,314.1**	**1,411.6**	**1,428.4**	**1,521.6**	**1,963.3**	**29.0%**	**412.9**	**593.2**	**43.7%**
Operating expenses									
Advertising, promotion and selling:									
Car rental	(103.5)	(117.8)	(127.9)	(148.6)	(193.3)	30.1%	(46.1)	(56.7)	23.0%
Franchising	(0.1)	(0.8)	(0.6)	(0.6)	(1.1)	83.3%	(0.2)	(0.1)	-50.0%
Total car rental and Franchising	(103.6)	(118.6)	(128.5)	(149.2)	(194.4)	30.3%	(46.3)	(56.8)	22.7%
Fleet Rental	(14.4)	(15.1)	(18.2)	(14.0)	(18.8)	34.3%	(3.5)	(5.4)	54.3%
Car sales for fleet renewal	(162.1)	(172.3)	(191.1)	(191.6)	(232.3)	21.2%	(52.7)	(67.6)	28.3%
Total advertising, promotion and selling	(280.1)	(306.0)	(337.8)	(354.8)	(445.5)	25.6%	(102.5)	(129.8)	26.6%
General, administrative and other expenses	(117.5)	(135.8)	(155.8)	(151.2)	(203.6)	34.7%	(39.5)	(77.1)	95.2%
Total Operating expenses	(397.6)	(441.8)	(493.6)	(506.0)	(649.1)	28.3%	(142.0)	(206.9)	45.7%
Depreciation expenses:									
Cars depreciation:									
Car rental	(85.8)	(78.1)	(38.9)	(87.8)	(117.7)	34.1%	(31.8)	(29.6)	-6.9%
Fleet Rental	(143.2)	(129.3)	(124.7)	(118.5)	(114.3)	-3.5%	(27.7)	(32.2)	16.2%
Total cars depreciation expenses	(229.0)	(207.4)	(163.6)	(206.3)	(232.0)	12.5%	(59.5)	(61.8)	3.9%
Other assets depreciation and amortization	(35.4)	(35.7)	(35.7)	(38.2)	(39.1)	2.4%	(9.4)	(10.8)	14.9%
Total depreciation and amortization expenses	(264.4)	(243.1)	(199.3)	(244.5)	(271.1)	10.9%	(68.9)	(72.6)	5.4%
Operating profit before financial results and taxes (EBIT)	**652.1**	**726.7**	**735.5**	**771.1**	**1,043.1**	**35.3%**	**202.0**	**313.7**	**55.3%**
Financial expenses, net:									
Expense	(187.1)	(276.4)	(370.1)	(445.5)	(511.9)	14.9%	(115.8)	(131.0)	13.1%
Income	76.5	125.3	167.4	202.0	196.9	-2.5%	43.1	37.4	-13.2%
Financial (expenses) revenues, net	(110.6)	(151.1)	(202.7)	(243.5)	(315.0)	29.4%	(72.7)	(93.6)	28.7%
Income before tax and social contribution	**541.5**	**575.6**	**532.8**	**527.6**	**728.1**	**38.0%**	**129.3**	**220.1**	70.2%
Income tax and social contribution	(157.2)	(165.0)	(130.4)	(118.3)	(164.7)	39.2%	(24.9)	(45.6)	83.1%
Net income for the period	**384.3**	**410.6**	**402.4**	**409.3**	**563.4**	**37.6%**	**104.4**	**174.5**	**67.1%**
EBITDA	916.5	969.8	934.8	1,015.6	1,314.2	29.4%	270.9	386.3	42.6%
EBIT	652.1	726.7	735.5	771.1	1,043.1	35.3%	202.0	313.7	55.3%
Consolidated EBIT Margin (calculated over rental revenues)	**37.1%**	**38.8%**	**39.1%**	**36.8%**	**40.0%**	**3.2 p.p.**	**35.3%**	**40.1%**	**4.8 p.p.**
Car and Fleet Rentals and Franchising EBITDA	817.3	849.6	785.3	887.8	1,111.0	25.1%	233.9	334.4	43.0%
EBITDA Margin	**46.5%**	**45.3%**	**41.7%**	**42.3%**	**42.6%**	**0.3 p.p.**	**40.8%**	**42.7%**	**1.9 p.p.**
Used Car Sales (Seminovos) EBITDA	99.2	120.2	149.5	127.7	203.2	59.1%	37.0	51.9	40.3%
EBITDA Margin	**5.7%**	**6.0%**	**7.3%**	**5.5%**	**5.9%**	**0.4 p.p.**	**5.0%**	**5.1%**	**0.1 p.p.**

(*) Gross revenues are net of discounts and cancellations.

(**)On the yearly income statement, the Company has reclassified the amount relative to the 2017 provision over the difference between PIS and Cofins credits, which became classified as SG&A, as per Note 14 of the Financial Statements

17.4.1 – Table 4 – Consolidated – R$ million

CONSOLIDATED RESULTS	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Car rental gross revenues (*)	1,208.4	1,352.1	1,316.9	1,486.9	1,898.7	27.7%	413.8	577.7	39.6%
Franchising gross revenues (*)	20.6	18.7	17.8	18.0	17.6	-2.2%	4.5	4.5	0.0%
Car Rental and Franchising total gross revenues (*)	1,229.0	1,370.8	1,334.7	1,504.9	1,916.3	27.3%	418.3	582.2	39.2%
Fleet Rental gross revenues (*)	592.8	589.5	619.6	664.1	757.4	14.0%	174.3	206.2	18.3%
Car and Fleet Rentals and Franchising total gross revenues (*)	1,821.8	1,960.3	1,954.3	2,169.0	2,673.7	23.3%	592.6	788.4	33.0%
Taxes on revenues - Car and Fleet Rentals and Franchising (**)	(62.9)	(86.3)	(71.2)	(72.2)	(66.6)	-7.8%	(19.9)	(5.3)	-73.4%
Car and Fleet Rentals and Franchising net revenues	**1,758.9**	**1,874.0**	**1,883.1**	**2,096.8**	**2,607.1**	**24.3%**	**572.7**	**783.1**	**36.7%**
Car sales gross revenues									
Car sales for fleet renewal - Car Rental (*)	1,486.1	1,671.4	1,679.2	1,997.8	2,990.0	49.7%	650.3	876.2	34.7%
Car sales for fleet renewal - Fleet Rental (*)	264.6	350.8	368.6	347.8	466.5	34.1%	84.2	152.3	80.9%
Car sales for fleet renewal - total gross revenues (*)	1,750.7	2,022.2	2,047.8	2,345.6	3,456.5	47.4%	734.5	1,028.5	40.0%
Taxes on revenues - Car sales for fleet renewal	(3.4)	(4.0)	(2.9)	(3.1)	(5.3)	71.0%	(1.2)	(2.0)	66.7%
Car sales for fleet renewal - net revenues	**1,747.3**	**2,018.2**	**2,044.9**	**2,342.5**	**3,451.2**	**47.3%**	**733.3**	**1,026.5**	**40.0%**
Total net revenues	**3,506.2**	**3,892.2**	**3,928.0**	**4,439.3**	**6,058.3**	**36.5%**	**1,306.0**	**1,809.6**	**38.6%**
Direct costs and expenses:									
Car rental	(536.9)	(577.3)	(618.1)	(707.4)	(926.4)	31.0%	(199.1)	(292.9)	47.1%
Franchising	(8.1)	(7.8)	(9.2)	(9.7)	(8.9)	-8.2%	(4.2)	(1.8)	-57.1%
Total Car rental and Franchising	(545.0)	(585.1)	(627.3)	(717.1)	(935.3)	30.4%	(203.3)	(294.7)	45.0%
Fleet Rental	(161.1)	(190.8)	(189.3)	(193.7)	(220.4)	13.8%	(51.4)	(61.6)	19.8%
Total Car and Fleet Rentals and Franchising	(706.1)	(775.9)	(816.6)	(910.8)	(1,155.7)	26.9%	(254.7)	(356.3)	39.9%
Car sales for fleet renewal - Car rental	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	(2,603.2)	50.7%	(570.1)	(770.0)	35.1%
Car sales for fleet renewal - Fleet Rental	(214.1)	(276.3)	(286.7)	(279.4)	(392.1)	40.3%	(68.3)	(131.3)	92.2%
Total Car sales for fleet renewal (book value) and preparation for sale	(1,486.0)	(1,704.7)	(1,683.0)	(2,006.9)	(2,995.3)	49.3%	(638.4)	(901.3)	41.2%
Total costs	(2,192.1)	(2,480.6)	(2,499.6)	(2,917.7)	(4,151.0)	42.3%	(893.1)	(1,257.6)	40.8%
Gross profit	**1,314.1**	**1,411.6**	**1,428.4**	**1,521.6**	**1,907.3**	**25.3%**	**412.9**	**552.0**	**33.7%**
Operating expenses									
Advertising, promotion and selling:									
Car rental	(103.5)	(117.8)	(127.9)	(148.6)	(199.6)	34.3%	(46.1)	(61.3)	33.0%
Franchising	(0.1)	(0.8)	(0.6)	(0.6)	(1.1)	83.3%	(0.2)	(0.1)	-50.0%
Total car rental and Franchising	(103.6)	(118.6)	(128.5)	(149.2)	(200.7)	34.5%	(46.3)	(61.4)	32.6%
Fleet Rental	(14.4)	(15.1)	(18.2)	(14.0)	(18.8)	34.3%	(3.5)	(5.4)	54.3%
Car sales for fleet renewal	(162.1)	(172.3)	(191.1)	(191.6)	(232.3)	21.2%	(52.7)	(67.6)	28.3%
Total advertising, promotion and selling	(280.1)	(306.0)	(337.8)	(354.8)	(451.8)	27.3%	(102.5)	(134.4)	31.1%
General, administrative and other expenses	(117.5)	(135.8)	(155.8)	(151.2)	(215.3)	42.4%	(39.5)	(83.8)	112.2%
Total Operating expenses	(397.6)	(441.8)	(493.6)	(506.0)	(667.1)	31.8%	(142.0)	(218.2)	53.7%
Depreciation expenses:									
Cars depreciation:									
Car rental	(85.8)	(78.1)	(38.9)	(87.8)	(117.7)	34.1%	(31.8)	(29.6)	-6.9%
Fleet Rental	(143.2)	(129.3)	(124.7)	(118.5)	(114.3)	-3.5%	(27.7)	(32.2)	16.2%
Total cars depreciation expenses	(229.0)	(207.4)	(163.6)	(206.3)	(232.0)	12.5%	(59.5)	(61.8)	3.9%
Other assets depreciation and amortization	(35.4)	(35.7)	(35.7)	(38.2)	(39.1)	2.4%	(9.4)	(10.8)	14.9%
Total depreciation and amortization expenses	(264.4)	(243.1)	(199.3)	(244.5)	(271.1)	10.9%	(68.9)	(72.6)	5.4%
Operating profit before financial results and taxes (EBIT)	**652.1**	**726.7**	**735.5**	**771.1**	**969.1**	**25.7%**	**202.0**	**261.2**	**29.3%**
Financial expenses, net:									
Expense	(187.1)	(276.4)	(370.1)	(445.5)	(511.9)	14.9%	(115.8)	(131.0)	13.1%
Income	76.5	125.3	167.4	202.0	196.9	-2.5%	43.1	37.4	-13.2%
Financial (expenses) revenues, net	(110.6)	(151.1)	(202.7)	(243.5)	(315.0)	29.4%	(72.7)	(93.6)	28.7%
Income before tax and social contribution	**541.5**	**575.6**	**532.8**	**527.6**	**654.1**	**24.0%**	**129.3**	**167.6**	29.6%
Income tax and social contribution	(157.2)	(165.0)	(130.4)	(118.3)	(148.4)	25.4%	(24.9)	(34.6)	39.0%
Net income for the period	**384.3**	**410.6**	**402.4**	**409.3**	**505.7**	**23.6%**	**104.4**	**133.0**	**27.4%**
EBITDA	916.5	969.8	934.8	1,015.6	1,240.2	22.1%	270.9	333.8	23.2%
EBIT	652.1	726.7	735.5	771.1	969.1	25.7%	202.0	261.2	29.3%
Consolidated EBIT Margin (calculated over rental revenues)	**37.1%**	**38.8%**	**39.1%**	**36.8%**	**37.2%**	**0.4 p.p.**	**35.3%**	**33.4%**	**-2.0 p.p.**
Car and Fleet Rentals and Franchising EBITDA	817.3	849.6	785.3	887.8	1,037.0	16.8%	233.9	281.9	20.5%
EBITDA Margin	**46.5%**	**45.3%**	**41.7%**	**42.3%**	**39.8%**	**-2.5 p.p.**	**40.8%**	**36.0%**	**-4.8 p.p.**
Used Car Sales (Seminovos) EBITDA	99.2	120.2	149.5	127.7	203.2	59.1%	37.0	51.9	40.3%
EBITDA Margin	**5.7%**	**6.0%**	**7.3%**	**5.5%**	**5.9%**	**0.4 p.p.**	**5.0%**	**5.1%**	**0.1 p.p.**

(*) Gross revenues are net of discounts and cancellations.

(**)On the yearly income statement, the Company has reclassified the amount relative to the 2017 provision over the difference between PIS and Cofins credits, which became classified as SG&A, as per Note 14 of the Financial Statements

17.5 – Table 5 – Operating data

SELECTED OPERATING DATA	2013	2014	2015	2016	2017	Var.	4Q16	4Q17	Var.
Average operating fleet:									
Car Rental	59,094	61,525	62,513	70,185	94,194	34.2%	80,814	115,727	43.2%
Fleet Rental	31,188	30,778	31,676	31,908	36,804	15.3%	32,993	41,569	26.0%
Total	90,282	92,303	94,189	102,093	130,998	28.3%	113,807	157,296	38.2%
Average rented fleet:									
Car Rental	39,475	42,999	43,315	51,515	69,762	35.4%	57,747	85,440	48.0%
Fleet Rental	30,121	28,787	30,280	31,222	35,424	13.5%	32,461	39,658	22.2%
Total	69,596	71,786	73,595	82,737	105,186	27.1%	90,208	125,098	38.7%
Average age of operating fleet (months)									
Car Rental	7.2	7.2	7.4	7.9	6.5	-17.7%	6.5	5.9	-9.2%
Fleet Rental	18.6	18.0	16.7	18.0	18.1	0.6%	18.4	16.7	-9.2%
Average age of total operating fleet	11.1	10.0	10.6	11.0	9.8	-10.9%	10.0	8.7	-13.0%
Fleet at end of period:									
Car Rental	70,717	77,573	76,755	94,156	135,578	44.0%	94,156	135,578	44.0%
Fleet Rental	32,809	34,312	33,948	34,960	44,877	28.4%	34,960	44,877	28.4%
Total	103,526	111,885	110,703	129,116	180,455	39.8%	129,116	180,455	39.8%
Managed fleet at end period - Fleet Rental	30	267	207	145	94	-35.2%	145	94	-35.2%
Fleet investment (R$ million)									
Car Rental	1,634.5	1,909.1	1,773.1	2,782.2	4,581.8	64.7%	951.3	1,215.4	27.8%
Fleet Rental	389.7	571.2	502.0	503.4	881.5	75.1%	125.0	220.9	76.7%
Total	2,024.2	2,480.3	2,275.1	3,285.6	5,463.3	66.3%	1,076.3	1,436.3	33.4%
Number of rental days (In thousands):									
Car Rental - Total	14,414.7	15,696.2	15,815.8	18,864.8	25,494.0	35.1%	5,313.7	7,861.4	47.9%
Rental days for Fleet Rental replacement service	(173.0)	(280.2)	(249.7)	(202.4)	(230.4)	13.8%	(47.9)	(59.1)	23.4%
Car Rental - Net	14,241.7	15,416.0	15,566.1	18,662.4	25,263.6	35.4%	5,265.8	7,802.3	48.2%
Fleet Rental	10,843.7	10,363.3	10,900.9	11,240.0	12,752.7	13.5%	2,921.6	3,569.2	22.2%
Total	25,085.4	25,779.3	26,467.0	29,902.4	38,016.3	27.1%	8,187.4	11,371.5	38.9%
Annualized average depreciation per car (R$)									
Car Rental	1,452.4	1,270.0	622.1	1,251.2	1,250.1	-0.1%	1,573.9	1,021.6	-35.1%
Fleet Rental	4,592.3	4,202.1	3,935.2	3,714.0	3,104.3	-16.4%	3,364.2	3,102.1	-7.8%
Total	2,537.1	2,247.7	1,736.3	2,020.9	1,771.0	-12.4%	2,092.9	1,571.4	-24.9%
Average annual revenues per operating car (R$ thousand)									
Car Rental	19.7	20.9	20.1	20.3	19.4	-4.4%	19.6	19.2	-2.0%
Fleet Rental	18.2	18.3	18.9	20.1	19.9	-1.0%	20.4	19.2	-5.8%
Average daily rental (R$)									
Car Rental (**)	84.85	87.71	84.56	79.67	75.16	-5.7%	78.58	74.04	-5.8%
Fleet Rental	53.83	56.16	56.08	58.23	58.77	0.9%	58.82	57.27	-2.6%
Utilization rate (Does not include cars in preparation and decomissioning):									
Car Rental	-	-	75.4%	78.0%	78.6%	0.6 p.p.	76.1%	78.5%	2.4 p.p.
Fleet Rental	-	-	98.4%	98.9%	98.2%	-0.8 p.p.	99.5%	98.0%	-1.5 p.p.
Number of cars purchased - consolidated (***)	69,744	79,804	64,032	87,833	135,252	54.0%	27,921	35,143	25.9%
Average price of cars purchased (R$ thsd) - consolidated	29.02	31.08	35.53	37.41	40.39	8.0%	38.55	40.87	6.0%
Numbers of cars sold - consolidated	62,641	70,621	64,305	68,449	90,554	32.3%	20,883	26,103	25.0%
Average price of cars sold (R$ thsd) (*) - consolidated	25.36	25.90	28.54	31.23	35.38	13.3%	32.40	36.59	12.9%

(*) Net of SG&A expenses related to the sale of cars decomissioned for fleet renewal.
(**) Not included the rentals for Fleet Rental Division.
(***) Does not include cars from Hertz Brazil

18 – Consolidated financial statements – IFRS – R$/million

ASSETS	2013	2014	2015	2016	2017
CURRENT ASSETS:					
Cash and cash equivalents	1,010.7	1,390.2	1,385.1	1,692.3	1,338.2
Financial assets		-	-	-	1,275.7
Trade accounts receivable	408.3	459.6	486.1	424.5	585.1
Derivative financial instruments - swap	-	-	-	2.2	-
Other current assets	57.9	94.6	102.6	115.0	128.6
Decommissioning cars to fleet renewal	16.5	18.3	31.8	8.8	103.4
Total current assets	**1,493.4**	**1,962.7**	**2,005.6**	**2,242.8**	**3,431.0**
NON CURRENT ASSETS:					
Long-term assets:					
Marketable securities	-	92.5	-	-	-
Derivative financial instruments - swap	-	-	45.6	7.4	16.7
Trade accounts receivable	7.1	3.2	4.7	3.2	4.7
Escrow deposit	38.1	41.9	52.9	60.1	83.1
Deferred income tax and social contribution	32.4	-	-	-	42.0
Investments in restricted accounts	-	-	-	-	40.6
Other non current assets	0.1	0.1	0.1	0.1	0.7
Total long-term assets	**77.7**	**137.7**	**103.3**	**70.8**	**187.8**
Property and equipment					
Cars	2,781.4	3,278.0	3,610.9	4,614.8	6,934.7
Other	166.1	203.9	314.1	405.8	549.3
Intangible:					
Software and others	47.3	60.3	67.1	61.1	52.8
Goodwill on acquisition of investments	12.3	22.0	22.0	22.0	30.6
Total non current assets	**3,084.8**	**3,701.9**	**4,117.4**	**5,174.5**	**7,755.2**
TOTAL ASSETS	**4,578.2**	**5,664.6**	**6,123.0**	**7,417.3**	**11,186.2**

LIABILITIES AND SHAREHOLDERS' EQUITY	2013	2014	2015	2016	2017
CURRENT LIABILITIES:					
Trade accounts payable	460.5	828.4	690.6	910.9	1,331.7
Social and labor obligations	73.9	86.3	85.6	95.0	109.2
Loans, financing and debentures	275.4	300.9	422.4	654.6	537.2
Derivative financial instruments - swap	-	-	-	-	6.8
Income tax and social contribution	35.2	41.3	28.3	23.0	31.3
Dividends and interest on own capital	53.1	59.2	29.3	39.7	36.4
Other current liabilities	78.6	82.3	99.9	118.5	181.5
Total current liabilities	**976.7**	**1,398.4**	**1,356.1**	**1,841.7**	**2,234.1**
NON CURRENT LIABILITIES:					
Loans, financing and debentures	2,068.1	2,411.6	2,596.9	3,131.3	5,940.5
Derivative financial instruments - swap	-	-	-	-	10.8
Provisions	50.9	69.9	68.3	63.1	126.5
Deferred income tax and social contribution	111.8	106.0	141.6	171.9	219.7
Restricted Obligations	-	-	-	-	40.6
Other non current liabilities	29.5	23.2	18.5	12.3	13.3
Total non current liabilities	**2,260.3**	**2,610.7**	**2,825.3**	**3,378.6**	**6,351.4**
Total liabilities	**3,237.0**	**4,009.1**	**4,181.4**	**5,220.3**	**8,585.5**
SHAREHOLDERS' EQUITY:					
Capital	976.7	976.7	976.7	976.7	1,500.0
Capital Reserves	30.2	40.4	35.9	34.0	94.9
Earnings Reserves	334.3	638.4	929.0	1,186.3	1,005.8
Total shareholders' equity	**1,341.2**	**1,655.5**	**1,941.6**	**2,197.0**	**2,600.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,578.2**	**5,664.6**	**6,123.0**	**7,417.3**	**11,186.2**

19 – Consolidated financial adjusted statements – Income statements - R$/million

In order to preserve the comparability of this quarter´s financials to previous periods, we present the Financial Statements with **2017 adjusted by the one-time costs** (non-recurring costs and expenses related to the acquisition of Hertz Brasil on 09/01/2017 and the integration of 20 franchised branches).

STATEMENT OF INCOME	2013	2014	2015	2016	2017	2017 Adjusted
Total net revenues	**3,506.2**	**3,892.2**	**3,928.0**	**4,439.3**	**6,058.3**	**6,058.3**
COSTS AND EXPENSES:						
Direct costs	(2,192.1)	(2,480.6)	(2,499.6)	(2,917.7)	(4,151.0)	(4,095.0)
Selling, general, administrative and other expenses	(397.6)	(441.8)	(493.6)	(506.0)	(667.1)	(649.1)
Cars depreciation	(229.0)	(207.4)	(163.6)	(206.3)	(232.0)	(232.0)
Other assets depreciation and amortization	(35.4)	(35.7)	(35.7)	(38.2)	(39.1)	(39.1)
Total costs and expenses	(2,854.1)	(3,165.5)	(3,192.5)	(3,668.2)	(5,089.2)	(5,015.2)
Income before financial results and taxes (EBIT)	**652.1**	**726.7**	**735.5**	**771.1**	**969.1**	**1,043.1**
FINANCIAL EXPENSES, NET	(110.6)	(151.1)	(202.7)	(243.5)	(315.0)	(315.0)
Income before taxes	**541.5**	**575.6**	**532.8**	**527.6**	**654.1**	**728.1**
INCOME TAX AND SOCIAL CONTRIBUTION						
Current	(130.1)	(139.5)	(94.8)	(88.0)	(119.4)	(135.7)
Deferred	(27.1)	(25.5)	(35.6)	(30.3)	(29.0)	(29.0)
	(157.2)	(165.0)	(130.4)	(118.3)	(148.4)	(164.7)
Net income	**384.3**	**410.6**	**402.4**	**409.3**	**505.7**	**563.4**

20 – Statements of Cash Flows – R$/million

CONSOLIDATED CASH FLOW	2013	2014	2015	2016	2017	2017 Adjusted
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	384.3	410.6	402.4	409.3	505.7	563.4
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:						
Depreciation and amortization	264.4	243.2	199.3	244.5	271.1	271.1
Net book value of vehicles w ritten off	1,543.8	1,777.0	1,769.1	2,102.5	3,106.6	3,106.6
Deferred income tax and social contribution	27.1	25.5	35.6	30.3	29.1	29.1
Other	33.7	32.0	17.3	26.9	81.7	81.7
(Increase) decrease in assets:						
Trade receivable	(54.7)	(49.9)	(36.6)	56.8	(151.8)	(151.8)
Purchases of cars (see supplemental disclosure below)	(1,939.4)	(2,150.2)	(2,399.6)	(3,098.9)	(5,052.4)	(5,052.4)
Escrow deposits	(15.1)	(5.7)	(15.3)	(7.2)	(17.5)	(17.5)
Taxes recoverable	(20.3)	(43.4)	(5.2)	(6.0)	2.6	2.6
Prepaid expenses	0.0	0.0	0.0	0.0	2.7	2.7
Other assets	6.1	(5.7)	(1.3)	(3.6)	(8.8)	(8.8)
Increase (decrease) in liabilities:						
Accounts payable (except car manufacturers)	14.6	33.5	(16.7)	29.6	(4.8)	(4.8)
Social and labor obligations	20.7	12.4	(0.5)	9.4	7.5	7.5
Income tax and social contribution	130.1	139.5	94.8	88.0	119.4	135.7
Interest on loans, financing, debentures and sw aps of fixed rates	181.6	281.7	406.6	438.1	476.2	476.2
Insurance premium	4.0	(0.6)	4.4	8.6	19.3	19.3
Other liabilities	1.1	(5.4)	5.9	(19.5)	40.1	40.1
Cash provided by (used in) operating activities	**582.0**	**694.5**	**460.2**	**308.8**	**(573.3)**	**(499.3)**
Income tax and social contribution paid	(108.5)	(113.1)	(110.7)	(93.3)	(108.3)	(108.3)
Interest on loans, financing and debentures paid(*)	(152.0)	(328.0)	(352.9)	(442.3)	(485.7)	(485.7)
Financial assets	-	-	-	-	(1,275.8)	(1,275.8)
Net cash provided by (used in) operating activities	**321.5**	**253.4**	**(3.4)**	**(226.8)**	**(2,443.1)**	**(2,369.1)**
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Investments) w ithdraw in marketable securities	0.0	(92.6)	92.6	0.0	0.0	0.0
Acquisition of investment, goodw ill and fair value surplus	(12.5)	(14.4)	0.0	0.0	(333.2)	(333.2)
Purchases of other property and equipment and addition of intangible assets	(41.5)	(87.3)	(153.0)	(126.6)	(175.0)	(175.0)
Net cash provided by (used in) investing activities	**(54.0)**	**(194.3)**	**(60.4)**	**(126.6)**	**(508.2)**	**(508.2)**
CASH FLOWS FROM FINANCING ACTIVITIES:						
Loans and financings:						
Proceeds	112.6	499.1	747.1	266.3	950.1	950.1
Repayment	(129.4)	(490.4)	(368.4)	(297.9)	(510.1)	(510.1)
Debentures						
Proceeds	496.3	497.3	496.8	943.4	2,626.9	2,626.9
Repayment	(220.7)	(90.8)	(668.0)	(105.0)	(355.0)	(355.0)
Treasury shares (acquired)/ sold	(36.8)	0.0	(27.5)	(25.0)	2.1	2.1
Exercise of stock options w ith treasury shares, net	12.8	5.5	18.0	18.2	50.1	50.1
Dividends paid	(255.1)	(38.6)	(44.7)	(1.0)	0.0	0.0
Interest on ow n capital	(60.4)	(61.7)	(94.6)	(138.4)	(166.9)	(166.9)
Net cash provided by (used in) financing activities	**(80.7)**	**320.4**	**58.7**	**660.6**	**2,597.2**	**2,597.2**
NET CASH FLOW PROVIDED (USED) IN THE YEAR	**186.8**	**379.5**	**(5.1)**	**307.2**	**(354.1)**	**(280.1)**
Cash flow w ithout incurred one-time costs Hertz and franchisees	-	-	-	-	-	(74.0)
NET CASH FLOW PROVIDED (USED) IN THE YEAR AFTER ONE TIME COSTS	**186.8**	**379.5**	**(5.1)**	**307.2**	**(354.1)**	**(354.1)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	823.9	1,010.7	1,390.2	1,385.1	1,692.3	1,692.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,010.7	1,390.2	1,385.1	1,692.3	1,338.2	1,338.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**186.8**	**379.5**	**(5.1)**	**307.2**	**(354.1)**	**(354.1)**
Supplemental disclosure of cash flow information:						
Cash paid during the period for cars acquisition						
Cars acquisition in the year/period - renew al	(1,819.7)	(2,197.7)	(2,278.4)	(2,563.6)	(3,660.9)	(3,660.9)
Cars acquisition in the year/period - grow th	(209.4)	(286.9)	0.0	(726.0)	(1,807.0)	(1,807.0)
Suppliers - automakers:						
Balance at the end of the year	378.1	712.5	591.3	782.0	1,197.5	1,197.5
Balance at the beginning of the year	(288.4)	(378.1)	(712.5)	(591.3)	(782.0)	(782.0)
Cash paid for cars purchased	(1,939.4)	(2,150.2)	(2,399.6)	(3,098.9)	(5,052.4)	(5,052.4)

(*) In 2014, approximately R$90.0 million interest w as paid due to the settlement of one operation. The interest w as accrued over many years.

21 – Glossary and other information

- **Adjusted:** financials have been recalculated to exclude the impact of incurred one-time costs related with the acquisition of Hertz Brazil and the integration of 20 franchised branches.

- **Average Rented Fleet:** In the car rental division it is the number of daily rentals in the period divided by the number of days in the period. In the Fleet Rental is the actual number of cars rented.

- **CAGR:** Compounded annual growth rate.

- **CAPEX:** Capital expenditure.

- **Car depreciation:** Depreciation is calculated based on the expectation of the future sale price net of the selling expenses. The amount to be depreciated is the positive difference between the acquisition price of the vehicle and its estimated residual value. Depreciation is calculated as long as the assets' estimated residual value does not exceed its accounting value. Depreciation is recognized during the estimated life cycle of each asset. In the Car Rental Division, depreciation method used is linear. In the Fleet Rental Division, depreciation is recorded according to the sum of the years' digits (SOYD) method, which better reflects the consumption pattern of the economic benefits that decrease during the cars' useful life. The residual value is the estimated sale price net of the estimated selling expense.

- **Depreciated cost of used cars sales (book value):** consists of the acquisition value of vehicles, depreciated up to the date of sale, less the technical discount. The **technical discount** is the discount given to the buyer for any required repairs that were not made. These repair costs are recorded as a charge to operating costs and as a credit to cost of cars sold.

- **EBITDA:** EBITDA is the net income of the period, added by the income tax, net financial expenses, depreciation, amortization and exhaustions, as defined by CVM instruction 527/12.

- **EBITDA Margin:** EBITDA divided by the net revenues.

- **EBIT:** EBIT is the net income of the period added by the income tax and net financial expenses.

- **EBIT Margin:** EBIT divided by the rental net revenues.

- **Net debt:** Short and long term debts +/- the results from the swap operations, net of the cash, cash equivalents and short term financial investments. The "net debt" term is a Company's measure and cannot be compared with similar terms used by other companies.

- **Net (Divestment) Investment in cars:** capital investment in cars acquisition, net of the revenues from selling decommissioned cars.

- **NOPAT:** Net operating profit after tax.

- **One-time costs:** non-recurring costs and expenses related to the acquisition of Hertz Brazil's operations and the integration of 20 franchised branches.

- **Operating Fleet:** Includes the cars in the fleet from the licensing until they become available for sale.

- **Utilization Rate:** It is the number of rental days of the period divided by the fleet available for rental multiplied by the number of days of the period and therefore, it does not include cars being prepared or being decomissioned.

- **ROIC:** Return on invested capital.