Santos Brasil Participações S.A.

Financial statements as of December 31, 2017 and 2016

Management Report

Dear Shareholders,

We submit to your examination the Management report and the financial statements of Santos Brasil Participações S.A. (Santos Brasil) for the fiscal year ended December 31, 2017.

Message from the Board

In 2017, the fall in inflation and interest rates and renewal of confidence in economy resulted in increase of domestic consumption, positively impacting Brazil's foreign trade flow. The sum of exports and imports posted a 14.2% growth in relation to 2016, a recovery in line with the advance of domestic economy, which closed the year with a 1.0% expansion in GDP.

In this growth rebound scenario, in 2017 Santos Brasil overcame a negative cycle and, in 2018, it starts a new phase of development and investments in its operations. The Company determined a net income of R$ 2.5 million and consolidated EBITDA of R$ 83.8 million in the period. The EBITDA margin posted a slight decline, closing the fiscal year at 10.2%, reflecting the still challenging environment for prices; the exit, in April, of the Asia long-haul navigation service (ESA[1]) from Santos Container Terminal (Tecon Santos); and extraordinary expenses resulting from the restructuring process carried out during the year. Operating cash flow and investments remained positive. The cash balance at the end of the period was R$ 270.7 million, which, after deduction of gross debt, resulted in net cash of R$ 37.7 million and negative leverage index of 0.45 times, measured by the 2017 net debt /EBITDA ratio.

Over the year, the company handled 968,694 containers in its three terminals, a volume 4.7% lower than in 2016, due to the end of the ESA service. Excluding the ESA volume from annual comparison, there was a 7.0% growth in the Company's total movement in 2017.

The volume handled at Tecon Santos was 850,674 containers and compared to 2016, posts a 4.2% growth when the containers related to the ESA service are excluded. This performance is in line with the current recovery of volumes at the Port of Santos, where the movement of containers increased by 5.8% in 2017, influenced by the rebound of production in automotive industry, the increase in demand for agricultural chemical products and consumer goods arising from Asia. The Company's market in the Port of Santos was 33.9% in 2017 (vs. 39.7% in 2016).

(1) ESA is the long-haul navigation service composed of a group of ship owners; the main ones are Cosco, Evergreen and CMA CGM. The service covers the route Asia – east coast of South America and stopped operating in Tecon Santos in April 2017;

In Imbituba, the ASAS long-haul service, with a route to Asia and that started operating in September with weekly calls, changed the level of volume handled at the terminal, which closed the year with a 64.7% growth as compared to 2016, totaling 40,197 containers. Vila do Conde had a growth of 18.3% in 2016, with 77,823 containers handled in 2017. The bonded warehouse services posted a 24.1% increase in relation to 2016, reflecting new commercial partnerships in the NVOCC[2] market and an upturn in the import market.

The Vehicles Terminal (TEV), in turn, taking advantage of the recovery in the automotive industry, operated at 96% of its capacity, handling 289,173 vehicles per year, which represents an historical record and is equivalent to a 60.8% as compared to 2016. Exports corresponded to 95.6% of total volume in 2017, vs. 92.1% in 2016.

The persistence of the economic crisis in 2017, despite the improvement in confidence indexes, influenced the low level of investment, which was 32.9% lower than in the previous year. This strategy preserved the Company's cash, thus permitting to start 2018 with flexibility to search for new sources of funds to finance the investments scheduled for 2018.

Over 2017, the processes for gathering and analysis of indicators of Health and Safety, Greenhouse Gas Emissions, and Waste and Water were improved, strengthening the management strategy for sustainability. The Company reaffirmed its support to the Global Pact and, since 2016, has aligned its in-house campaigns and actions to the Sustainable Development Purpose, showing its commitment to the initiative aiming at aligning governments, companies, and civil society in a single global development agenda.

For 2018, the expectation is that the economic scenario recovery is intensified and continues boosting volumes at Santos Brasil terminals. In the beginning of the year, Tecon Santos celebrated the execution of a new agreement to operate a navigation service with a route to Asia, initially with a semiweekly call and an expected volume of 40,000 TEU in 2018. Thus, Santos Brasil is back to operating an Asia service at the Port of Santos, supplementing its already diversified navigation services portfolio.

The Company's management trusts that the authorities in charge will approve the Tecon Santos Executive Project, so that the main investments to expand productivity and efficiency of the terminal are made to the benefit of its users. The Company is committed to adjusting its operations at Tecon Santos to the next generation of ships, which, in a near future, should start to navigate in the east coast of South America.

(2) NVOCC (non-vessel operating common carrier): cargo consolidating companies that do not have their own ships and buy space in ships of ship owners to embark the cargo of its customers;

Concurrently, in 2017, the Company started analyzing, on a structured basis, strategic alternatives involving its assets at Imbituba and Vila do Conde, which, however, does not change the business strategy or current investments. In the new cycle started in 2018, Vila do Conde terminal will have priority in the remodeling of its facilities. Investments of R$ 37 million set forth in the contractual amendment signed in November 2017, have already been started with the purchase of new equipment and improvements in the storage yard infrastructure. These investments should reflect a substantial improvement in the quality and efficiency of the services rendered. The terminal renewal project is in line with the strategy of increasing volume and productivity in operations.

At Imbituba, efforts are focused in searching for new long-haul agreements, while the company expects a favorable outcome for the Request for Economic and Financial Rebalancing submitted in June 2016, under analysis of the Ministry of Transportation, Ports and Civil Aviation (MTPAC) and ANTAQ.

In 2017, a recurring reduction of approximately R$ 45 million in the fixed cost basis was achieved as a result of an extensive restructuring that adjusted the Company's organizational and administrative structure, optimizing resources and reviewing processes. In the operation itself, the automation of certain internal operating phases also contributed to the cost reduction. The access control present in the entrance and exit gates of trucks of Tecon Santos is one among several examples of process that are being automated. This one, specifically, has already been completed and consists in the identification of vehicles and drivers, previously carried out by crewed cabins, via OCR – Optical Character Recognition, which interacts with the terminal central system. A portion of gains from said restructuring have already been realized in 2017. Noteworthy is the fact that he efforts to reduce costs and expenses in all operating and corporate units started in 2017 will continue, together with improvement of in-house process, aiming at obtaining efficiency and productivity gains.

Excellence in service provision, ethics and transparency, respect to the environment, commitment to human development and safety in its operations are values that will continue guiding Santos Brasil activities in 2018. Focus on customers is never-ceasing, aiming at strengthening long-term relationships and offering services that add value to all the Company's stakeholders, i.e., its partners, shareholders, employees and society.

Santos Brasil

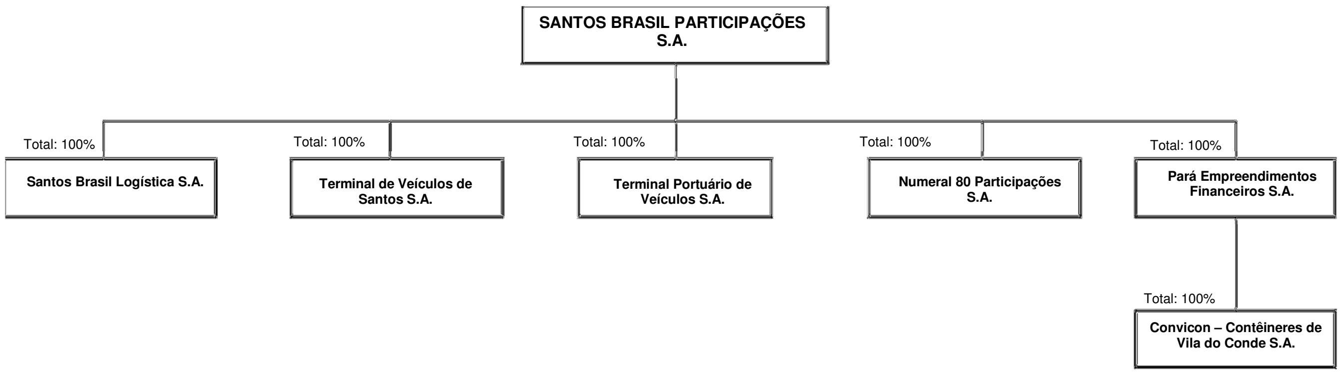
Santos Brasil is the leading company in the port container handling Brazilian market with a presence in ports located in the Southeast, South and North of the country. It is prepared to supply all the stages of the logistic chain, with transportation and distribution, fostering operational synergy and providing customized solutions for clients

It serves navigation companies, owners of ships and containers, as well as importation and exportation clients in various areas of Brazilian industry, such as chemicals, pharmaceuticals, food, auto parts, appliances, consumer goods and agribusiness.

The Company was founded in 1997 to participate in the auction for lease of the Santos Container Terminal in Guarujá (SP). Today, besides the Tecon Santos (SP), its biggest single operation, the Company has four other port terminals, two of them container terminals: Tecon Imbituba in the Port of Imbituba (SC), and Tecon Vila do Conde in Barcarena (PA). It further has a vehicle terminal (TEV) in Guarujá and a general cargo terminal in Imbituba (SC). It further has units of Santos Brasil Logística in the municipalities of Santos, Guarujá, São Bernardo do Campo.

The Company did not participate in any mergers, acquisitions or spin-offs during the course of 2017, and presently has the following investments in subsidiaries:

Corporate Structure



Interest - %	2017	2016
Direct subsidiaries:		
Santos Brasil Logística S.A.	100	100
Terminal de Veículos de Santos S.A.	100	100
Terminal Portuário de Veículos S.A.	100	100
Numeral 80 Participações S.A.	100	100
Pará Empreendimentos Financeiros S.A.	100	100
Indirect subsidiary:		
Convicon Contêineres de Vila do Conde S.A.	100	100

The following tables break down the change in investments over the course of the year:

(R$ million)	2017	2016	Var.%
Direct subsidiaries:			
Santos Brasil Logística S.A.	140.7	144.3	-2.5%
Terminal de Veículos de Santos S.A.	173.3	244.0	-29.0%
Terminal Portuário de Veículos S.A.	0.0	0.0	-
Numeral 80 Participações S.A.	0.1	0.1	0.0%
Pará Empreendimentos Financeiros S.A.	48.8	12.0	306.7%
Total	**362.9**	**400.4**	**-9.4%**
Indirect subsidiary:			
Convicon Contêineres de Vila do Conde S.A.	48.8	12.0	306.7%

(R$ million)	Equity in net income of subsidiaries	Capital contribution (decrease)	Dividends	Other	Total
Direct subsidiaries:					
Santos Brasil Logística S.A.	(3.3)	0.0	0.0	(0.3)	(3.6)
Terminal de Veículos de Santos S.A.	9.1	(72.3)	(7.5)	0.0	(70.7)
Terminal Portuário de Veículos S.A.	0.0	0.0	0.0	0.0	0.0
Numeral 80 Participações S.A.	(0.2)	0.2	0.0	0.0	0.0
Pará Empreendimentos Financeiros S.A.	36.8	0.1	0.0	(0.1)	36.8
Total	**42.4**	**(72.0)**	**(7.5)**	**(0.4)**	**(37.5)**
Indirect subsidiary:					
Convicon Contêineres de Vila do Conde S.A.	36.9	0.0	0.0	(0.1)	36.8

Pará Empreendimentos Financeiros S.A. is the direct parent company of Convicon Contêineres de Vila do Conde S.A.

Market context

The Brazilian trade balance posted a surplus of US$ 67 billion in 2017, a 40% increase in relation to 2016. Exports totaled US$ 218 billion, a 17.5% increase in relation to 2016, and Brazilian imports totaled US$ 151 billion, up by 9.6% year-on-year. The sum and exports and imports in 2017 posted a 14.2% increase in relation to 2016, a recovery aligned with the advance in the Brazilian economy, although a modest one, as compared to 2016.

The Port of Santos has a major role in the dynamics of Brazil's foreign trade. After the 3.9% reduction in the volume of containers in 2016, a reflex of the economic downturn in that year, there was a rebound in the grown of cargo movement transported in containers at the Port in 2017, up by 5.8%. The import volume of full containers posted an ever larger increase, of 13.7%, with a positive influence of the automotive industry, import of agricultural chemical products and consumer goods coming from Asia. The volume of cabotage containers at the Port of grew 5.8% against 2016, reflecting the recovery of the country's economic situation.

Despite the increase in the volume of container movement at the Port of Santos in 2017, Tecon Santos posted a 9.7% fall due to the termination of an agreement, in April, for a navigation service with a route to Asia. Excluding the volume of that service, there was a 4.2% grow in movement in 2017. In the year, Tecon Santos's market share at the Port of Santos was 33.9% (vs. 39.7% in 2016), according to data from Codesp (Companhia Docas do Estado de São Paulo).

In 2017, the automotive industry posted a substantial recovery in the production and sale of vehicles. According to data from ANFAVEA (National Association of Motor Vehicles Manufacturers), the manufacturing of vehicles grew 25.2% in relation to 2016, an important indicator for the movement of imported containers in Santos, due to the supply of parts and components to carmakers located in Brazil. With an even better performance, the export of vehicles increased 46.5% in 2017, leveraging the handled volume of TEV (Vehicles Terminal), which posted a 60.8% growth, increasing the use of the terminal capacity from 300,000 vehicles per year to 96%.

The accelerated development of the North Region of the country, boosted mainly by the agricultural and mining sectors, contributed to the 18.3% increase in the volume of containers handled at Tecon Vila do Conde. Transportation in containers of export cargo, such as frozen meat, fruit, minerals, noble metals, kaolin, pepper, leather, among others, has been the main growth lever of the terminal movement.

Business strategy and model

Strategic management

In 2018, Santos Brasil will continue to seek the maximum return on its assets, following the strategy aimed at promoting the competitiveness of its clients, based on five pillars: (i) excellence in the provision of services; (ii) ethics and transparency; (iii) human development; (iv) environment; and (v) security. The Company will intensify its quest for efficiency and productivity, focusing on results, continuing with the readjustment of organizational structure and scaling operating and administrative costs and expenses. The strategy for the unit located in the South region of the country is based on a continued commercial effort to attract new clients. In the Southeast region, the Company should strengthen the partnerships with its customers, competing at Tecon Santos for new services that prove to be profitable, whereas at Santos Brasil Logística it will search for new customers with storage cargo, and particularly customized logistics services. Meanwhile, we are waiting for the decision of Tecon Santos executive expansion project in order to start projected investments for the extension of the terminal concession term. In the last week of December 2017, we sent to the Ministry of Transportation, Ports and Civil Aviation (MTPAC) a request for expansion of the term of investment to be made at Tecon Santos, related to the terminal concession renewal, to until 2031, with the commitment of investing at least R$ 360 million until the end of 2022.

Prospects and opportunities

We see 2017 as a turning point for the Company, after a long turbulent period in the macroeconomic and competitive contexts, which severely impacted our commercial results. In 2018, despite the uncertainties that arise in a year of presidential election, we will start a new investment cycle that will increase of operating efficiency and, therefore, will contribute to the improvement in results and value generation for the Company. The end of the economic recession tends to stimulate volumes of the Port of Santos this year again, continuing the growth posted in 2017.

We understand that long-term partnerships are important to reduce volatility of the Company's results, benefiting all its stakeholders. In this context, we believe that we are well positioned to respond to the organic growth of our customers, as well as to enter into new agreements in all our business units. At the Santos and Imbituba terminals, the first positive signs came with the attraction of new long-haul navigation services, both with a route to Asia. At Tecon Santos, the first new service ship berthed at the terminal on February 26. With semiweekly calls and expected movement of 40,000 TEU in 2018, this volume has potential to grow with the change of call to the weekly basis, and in case new ship owners become service users. Imports of consumer goods from Asia should continue increasing with improvement in the unemployment rate, income, low inflation and consumer confidence. At Tecon Imbituba, the ASAS service, composed of a joint of ship owners and weekly call, has been operating since September 2017.

In 2017 we started a restructuring in our organization structure, initially focusing on a reduction in the fixed costs basis, leaving the Company lean and prepared to retake volumes, caring for maintaining the quality of services rendered. We also started a process to improve process and review the operating strategy, which contemplates automation and innovation a numerous operating phases, aiming at reducing not only the fixed cost basis, but also variable costs and expenses. Such changes will be supplemented and its results will be potentialized by the investments in the purchase of new modern equipment with the automation of operating process, providing efficiency and productivity gains.

We got, in November 2017, the renewal of Tecon Vila do Conde until 2033. Soon after this, we started the acquisition process of new quay and yard equipment, which initial delivery is expected for the next months. Improvements in the infrastructure of the terminal cargo storage area, with paving of the yard, which will permit productivity gains in the operation are also scheduled for 2018. With modernization and expansion of the terminal dynamic capacity, we expect to significantly increase the quality and efficiency of the services provided to our customers at Vila do Conde and, therefore, to continue increasing the volumes of cabotage and long-haul cargoes.

At Tecon Imbituba, the new long-haul service with a route to Asia will bring new opportunities for the terminal, since it has developed the port and region logistics, decreasing costs, and therefore encouraging ship owners, importers and exporters to use the terminal. The request to restore the economic and financial equilibrium of Tecon Imbituba, filed with the MTPAC in June 2016, is still under analysis. The request is anchored based on the elimination of the requirement of Minimum Guaranteed Handling

Volume (MMC) of the terminal, which would then pay port fees only for containers actually handled.

As a part of this dynamics, and therefore also being benefited by the rebound of the economic activity in the country, the operating performance of the Vehicle Terminal and Santos Brasil Logística should continue at an increasing pace. ANFAVEA and FENABRAVE projected for 2018 a growth between 8% and 12% in sale of vehicles. Export should continue at high levels, according to the entities. Additionally, the end of the Inovar-Auto program, in the event it is not replaced by a new program to stimulate the domestic vehicle manufacturing, may increase imports, which would potentially improve the TEV mix, leveraging its storage revenue.

Regarding Logistics, we have searched for agreements with a higher service diversification, entering into commercial partnerships that involve the provision of customized logistics services, therefore with a higher added value. Commercial efforts increased the retention rate of import containers, allowing the growth of volumes that mitigate the stiff competition effect in the Port of Santos secondary zone. New customers became part of our portfolio (cargo agents and NVOCC), where more sophisticated operations of stuffing and de-stuffing fragmented cargo in containers are provided by the Company, contributed to the recovery of Logistics storage volumes. Such operations are still in ramp-up process of volumes. The restructuring process of Santos Brasil Logística operations continue, aiming at making the allocation of Company's capital more efficient, in addition to searching for more quality and security in this operation.

Economic and financial performance

Operating performance

(Units)	2017	2016	Var. %
PORT TERMINALS			
Quay operations – containers	**968,694**	**1,016,394**	**-4.7%**
Full containers	764,208	783,094	-2.4%
Empty containers	204,486	233,300	-12.4%
Quay Operations - General Cargo (t)	**56,536**	**102,992**	**-45.1 %**
Storage operations	**123,426**	**119,640**	**3.2%**
LOGISTICS			
Storage operations	**44,626**	**35,946**	**24.1%**
VEHICLES TERMINAL			
Moved vehicles	**289,173**	**179,888**	**60.8%**
Exports	276,354	165,726	66.8%
Imports	12,819	14,162	-9.5%

PORT TERMINALS

(Units)	2017	2016	Var. %
PORT TERMINALS			
Tecon Santos	**850,674**	**926,197**	**-8.2%**
Full containers	697,849	734,631	-5.0%
Empty containers	152,825	191,566	-20.2%
General cargo (ton)	-	-	-
Tecon Imbituba	**40,197**	**24,411**	**64.7%**
Full containers	23,114	13,899	66.3%
Empty containers	17,083	10,512	62.5%
General cargo (ton)	56,321	87,085	-35.3%
Tecon Vila do Conde	**77,823**	**65,786**	**18.3%**
Full containers	43,245	34,564	25.1%
Empty containers	34,578	31,222	10.7%
General cargo (ton)	215	15,907	-98,6%

The recovery of the economic activity of the country in 2017, with controlled inflation, decrease in unemployment and improvement in the consumer confidence, contributed to the increase in containers movement in the ports we operate. The Port of Santos, which is the biggest and most important in Brazil, posted a 5.8% growth in the total volume of containers handled, with a 13.7% increase in the volume of full import containers.

Tecon Santos handled 850,674 containers in 2017, a volume 8.2% lower than in the prior year, impacted by the exit of the ESA long-haul navigation service from the terminal in April. With this volume handled in the year, the use of the installed capacity of Tecon Santos in 2017 was 65.7% (vs. c.70% in 2016), with 33.9% market share in Port of Santos.

The volume of movement of full containers at Tecon Santos fell 5.0% in 2017, a decrease lower than that of empty containers (-20.2%), therefore affecting with less intensity the storage operations. In the handling of long-course full containers in Santos, there was a drop of 11.3% in import (187,782 units) and 23.4% in export (192,156 units) compared to 2016.

The annual comparison of the total volume handled at Tecon Santos, excluding the containers related to the ESA service, posted a 4.2% increase in 2017. This performance is in line with the current recovery of volumes at the Port of Santos, with the import of full containers growing at a rate higher than the total volume growth.

Tecon Imbituba handled 40,197 containers in 2017, a 64.7% growth when compared to 2016. The ASAS long-haul service, with a route to Asia, started operating in September 2017, with a weekly call, and it was the main cause of the change in the level of volumes handled at the terminal. 19 ships of ASAS were operated in 2017, handling 6,642 containers. Tecon Imbituba has posted increase in the movement of export cargos, which origin is the State of Rio Grande do Sul such as pulp, polyethylene, leather, tobacco, frozen products and others. Other export poles of the States of Santa Catarina, Paraná and Mato Grosso do Sul have also contributed to the growth of volumes of the terminal.

In 2017, the volume of containers handled in **Vila do Conde** grew 18.3% in relation to 2016, totaling 77,823 containers. Exports continued growing, particularly ores (manganese, copper and nickel), fruit and frozen meat, kaolin, pepper, wood, among other product from the North, Northeast and Center West regions. The containerization process of numerous ore and agricultural cargos should continue to boost exports of Vila do Conde, which, in 2018 will receive investments in renewal of equipment and expansion of dynamics capacity of the quay and yard. In imports, noteworthy are project cargos, such as equipment and machines for mining and energy generation companies.

The consolidation of three container operations in the Port Terminals segment decreased by 4.7% in volume operated in 2017, with a total of 968,694 containers handled. Full-empty mix of containers recorded by the Company in 2017 was 78.9% of full containers (76.9% in 2016).

Santos Brasil Logística operated 44,626 containers in 2017, a 24.1% increase in relation to 2016, mitigating the impact of the exit of ESA of Tecon Santos. One of the reasons for the increase in the Logistica volume was the high rate of retention of import containers over the year, a result from commercial efforts. Additionally, there was consolidation of the agreements entered into with cargo agents and NVOCC in 2017, which also contributed to the Logistica performance. Logistics operations which these customers comprised import and export fractional loads, with the provision of logistics services that supplement the storage of containers. Logistics process, such as the cargo screening, stuffing and de-stuffing of containers, land transportation and just-in-time delivery in the customer's production lines are some examples of the higher value-added services that have been growing in the Logistics mix. The growth of the storage volumes over the year allowed a rebound of the CLIA Guarujá operation in the third quarter, which had previously operated reduced volumes considering the Company's strategy to concentrate logistics operations at CLIA Santos.

The Vehicle Terminal operated at 96% of its capacity in 2017, having handled 289,173 vehicles, a 60.8% growth in relation to 2016. Exports corresponded to 95.6% of total volume in 2017, vs. 92.1% in 2016.

Financial performance

Gross income from services

(R$ million)	2017	2016	Var. %
PORT TERMINALS	**673.3**	**744.4**	**-9.6%**
Quay operations	368.5	450.1	-18.1%
Storage operations	304.8	294.3	3.6%
LOGISTICS	**233.1**	**184.9**	**26.1%**
VEHICLES TERMINAL	**60.8**	**42.9**	**41.7%**
Eliminations	**-14.1**	**-15.5**	**-9.0%**
Consolidated	**953.1**	**956.7**	**-0.4%**

The Company's consolidated gross income totaled R$ 953 million in 2017, practically unchanged in relation to 2016 despite the stiff competition environment at the Port of Santos and the exit of ESA service from Tecon Santos.

Gross income of quay operations posted a 18.1%in 2017, mainly due to the termination of the long-haul service operated at Tecon Santos until the end of April. On the other hand, the storage gross income within the Port Terminals segment grew 3.6%, particularly influenced by the higher index of retention of import containers.

In Logística, there was a 26.1% income in gross income, a reflex to the bigger volume operated. Both the higher retention of imported containers and the growth of the customer base, with logistics operations involving higher value added, explain the performance of this business unit. New agreements with cargo agents and NVOCC permitted that new logistics services were provided, since the fragmented load of containers originated by said customers demand services in addition to storage. On the other hand, competition in the secondary zone of the Port of Santos pressed storage tariffs during the year. The average revenue by exported container was R$ 5,222 in 2017, posting a 1.6% increase versus 2016, despite the challenging scenario.

Vehicle exports were the largest highlight in the performance of carmakers in 2017. The total volume handled by TEV reflected these dynamics, with 95.6% of exports (vs. 92.1% in 2016). Gross income of the vehicles terminal posted a 41.7% increase; however, the lower interest of imported vehicles in the mix reduced the dwell time and, consequently, caused a 11.9% fall in 2017 in the average rate per vehicle handled to R$ 210.

Net income from services

(R$ million)	2017	2016	Var.%
PORT TERMINALS	**593.3**	**656.0**	**-9.6%**
Quay operations	335.1	405.1	-17.3%
Storage operations	258.2	250.9	2.9%
LOGISTICS	**190.2**	**150.9**	**26.0%**
VEHICLES TERMINAL	**53.4**	**36.5**	**46.3%**
Eliminations	**-12.8**	**-14.1**	**-9.2%**
Consolidated	**824.1**	**829.3**	**-0.6%**

Consolidated net income totaled R$ 824.1 million, a decrease of 0.6% in relation to the R$ 829.3 million recorded in 2016.

Cost of services rendered

(R$ million)	2017	2016	Var. %
PORT TERMINALS			
Movement Costs	112.2	125.5	-10.6%
Personnel costs	193.6	198.5	-2.5%
Lease and infrastructure	74.0	71.5	3.5%
Depreciation and amortization	62.6	64.9	-3.5%
Other costs	68.6	82.7	-17.0%
Total	**511.0**	**543.1**	**-5.9%**
LOGISTICS			
Movement Costs	51.6	32.3	59.9%
Personnel costs	48.2	53.7	-10.2%
Depreciation and amortization	13.8	14.5	-4.8%
Other costs	30.8	39.8	-22.6%
Total	**144.4**	**140.3**	**2.9%**
VEHICLES TERMINAL			
Movement Costs	25.1	14.9	68.5%
Lease and infrastructure	5.6	6.4	-12.5%
Depreciation and amortization	9.1	9.0	1.1%
Other costs	4.1	4.9	-16.3%
Total	**43.9**	**35.2**	**24.7%**
Eliminations	**-12.8**	**-14.1**	**-9.2%**
Consolidated	**686.5**	**704.5**	**-2.6%**

The Company's costs decreased by 2.6%, to R$ 686.5 million, in 2016.

PORT TERMINALS

The cost base of the Port Terminals included R$ 11.6 million of extraordinary costs related to severance pay and employment agreement terminations mainly resulting from the above-mentioned restructuring process, concentrated in the first half of the year. There was also impact on personnel costs resulting from the 2017 collective bargaining agreement, contractual restatement (IGP-M) of lease cost and increase in commissions paid to cargo agents, resulting from the increase of volume of bonded storage operated for said customers. However, the average cost (excluding depreciation and amortization) per container handled/stored in port terminals of R$ 411 was 2.5% lower than in 2016, where there was influence of the first results of the still ongoing restructuring of costs and expenses.

Variable costs with movement posted a 10.6% decrease due to the smaller volume handled at Tecon Santos, with impact from the exit of ESA long-haul service. Consequently, there were less expenses with freelance works and container movement port fees, in addition to lower fuel and electric energy costs.

LOGISTICS

At Logística, extraordinary costs resulting from the restructuring process totaled R$ 604 thousand in 2017. There was a reduction of 10.2% in cost of personnel, a result of the reorganization and adjustment in the logistics segment.

In variable costs, there was an increase in practically all its components, which can be explained by the 24.1% increase in the volume of containers operated. The highlight was the increase in costs of freights, with higher outsourcing of land transportation of cargo, which main triggering event was the increase in the number of containers with fractional load, resulting from new agreements with cargo agents and NVOCC.

VEHICLES TERMINAL

The total cost of TEV increased by 24.7% due to the higher volume handled. Port fees paid by vehicle movement explain the 68.5% growth in the cost of movement. The decrease in lease and infrastructure costs results from lower reference of CMM (contractual minimum movement) due to the growth in the volume of vehicles handled.

Operating expenses

(R$ million)	2017	2016	Var. %
PORT TERMINALS			
Sales	39.7	38.5	3.1%
General, administrative and other	9.8	12.9	-24.0%
Depreciation and amortization	0.3	0.3	-
Total	**49.8**	**51.7**	**-3.7%**
LOGISTICS			
Sales	44.1	28.0	57.5%
General, administrative and other	5.8	7.5	-22.7%
Depreciation and amortization	0.0	0.0	-
Total	**49.9**	**35.5**	**40.6%**
VEHICLES TERMINAL			
Sales	0.9	0.7	28.6%
General, administrative and other	0.4	-1.7	-
Depreciation and amortization	0.0	0.0	-
Total	**1.3**	**-1.0**	**-230.0%**
CORPORATE			
General, administrative and other	38.4	40.0	-4.0%
Depreciation and amortization	6.8	7.2	-5.6%
Total	**45.2**	**47.2**	**-4.2%**
Consolidated	**146.2**	**133.4**	**9.6%**

In 2017, the Company's expenses increased by 9.6% in relation to 2016, to R$ 146.2 million.

PORT TERMINALS

Sales expenses faced a negative impact of commissions paid to cargo agents and a positive impact of less personnel expenses. Regarding general, administrative and other expenses, highlights were the positive impact of reversal of taxes paid between 1997 and 2016 related to FUNDAF (Special Fund of Development and Improvement of Inspection Activities), in the amount of R$ 11.5 million, and the negative impact of extraordinary expenses totaling R$ 3.3 million with severance pay and employment agreement terminations due to the restructuring process. There were also less expenditures related to external legal advisory.

LOGISTICS

In Logistics, the main driver of higher sales expenses was the increase in storage volumes and logistics services provided for cargo agents and NVOCC, which gave rise to higher commission payment. Lower personnel expenses contributed to the fall in administrative expenses.

VEHICLES TERMINAL

TEV posted an addition in sales expenses due to the higher volume handled. Lower legal advisory expenses contributed to the fall in administrative expenses.

CORPORATE

Corporate administrative expenses showed a reduction, particularly due to lower expenditures on legal consulting services.

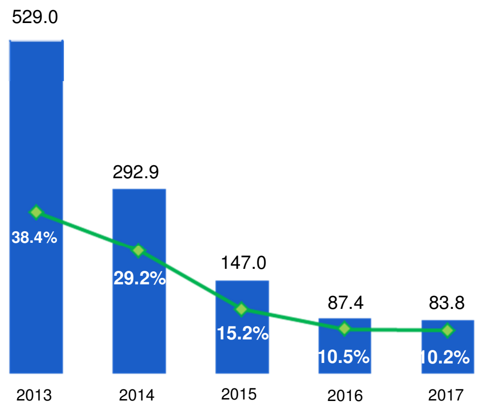
EBITDA and EBITDA margin

(R$ million)	2017	Margin (%)	2016	Margin (%)	Var. (%)
Port Terminals	95.3	16.1%	126.3	19.3%	-24.5%
Logistics	9.6	5.0%	-10.3	-6.8%	193.2%
Vehicles Terminal	17.3	32.4%	11.4	31.2%	51.8%
Corporate	-38.4	-	-40.0	-	4.0%
Consolidated	**83.8**	**10.2%**	**87.4**	**10.5%**	**-4.1%**

As a result of the aforementioned income operating performance, costs and expenses, in 2017, the Company recorded a decrease of 4.1% in Consolidated EBITDA to R$ 83.8 million, with a margin of 10.2%.

It is worth noting that the Company's results presented extraordinary events that impacted EBITDA and EBITDA margin. If we adjust the 2017 accounting result for 2017 for such events, recurring EBITDA totaled R$ 84.6 million. Extraordinary items considered in such adjustment were: (i) R$ 20.8 million in costs and expenses on severance pay and employment agreement terminations solely for the restructuring process; (ii) R$ 1.4 million expenses on consulting services; (iii) revenue of R$ 2.5 million related to the operation of extra ships at Imbituba; (iv) R$ 0.6 million for the sale of fixed assets; (v) R$ 11.5 million in reversal of tax from prior years (FUNDAF); and (vi) R$ 6.9 million in reversal of sundry provisions.

EBITIDA (R$M) and EBITIDA margin (%)



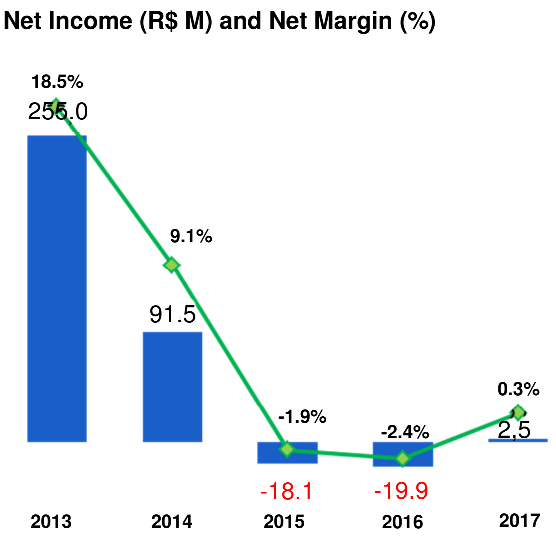
Net income

(R$ million)	2017	2016	Var. %
EBITDA	**83.8**	**87.4**	**-4.1%**
Depreciation and amortization	92.7	96.0	-3.4%
EBIT	**-8.9**	**-8.6**	**-3.5%**
Financial income (loss)	-10.3	-13.6	24.3%
Income and social contribution	21.7	2.3	843.5%
Income for the period	**2.5**	**-19.9**	**112.6%**

Santos Brasil is a Company that takes part in an intensive-capital industry. It is highly related to the international trade, internal production and consumption, so that the effects of the country's economic activity have influenced all operating segments. Company's net income was negatively affected mainly by: (i) fall in the volume handled at Tecon Santos; and (ii) restructuring of costs and expense, which generated extraordinary expenditures, mainly with severance pay. Positive impacts in net result were: (i) reversal of taxes paid in prior years; (ii) operating performance of Tecon Vila do Conde and (iii) R$ 16.5 million of positive accounting result of Vila do Conde in 4Q17, arising from the recognition of deferred income tax and social contribution, originated from the perspective of future tax income that will offset loss generated from the termination in prior years. Such recognition is authorized by CVM Instruction 371/2002. Therefore, in 2017, the Company accumulated a net income of R$ 2.5 million.

Under the Company's bylaws, the following deductions or increases apply to the profit for the year, in the following decreasing order:

(a) 5% (five percent) intended to formation of legal reserve which shall not exceed 20% (twenty percent) of capital. The formation of legal reserve may be canceled during the year of the reserve balance, plus capital reserve amount, exceeds 30% of capital;
(b) Sum for the formation of the contingency reserve and reversal of the same reserve formed in prior years;
(c) Earnings Reserve and Reversal of Earnings set up previously in this reserve that have been realized in the year;
(d) 25% (twenty five percent) to the payment of minimum mandatory dividend; and
(e) the portion remaining from net profit, adjusted after payment of the mandatory annual minimum dividend, will be allocated to the Investment and Expansion Reserve, the purpose of which is to: (i) assure funds for investments in fixed assets, without prejudice to profit retention, in the manner provided by article 196 of Law 6404/76; and (ii) reinforce working capital; it may further (iii) be used for operations involving redemption, reimbursement or acquisition of shares of the Company's capital stock, with the Shareholders' General Meeting of empowered to waive payment of dividends in addition to the mandatory minimum.



Debt and cash and cash equivalents

(R$ million)	Currency	12.31.2017	12.31.2016	Var. %
Short term	National	165.5	145.5	13.7%
	Foreign	6.5	20.8	-68.8%
Long-term	National	60.3	59.7	1.0%
	Foreign	0.7	6.7	-89.6%
Total indebtedness		**233.0**	**232.7**	**0.1%**
Cash and cash equivalents		**270.7**	**192.6**	**40.6%**
Net debt		**-37.7**	**40.1**	**194.0%**

Santos Brasil closed 2017 with R$ 270.7 million in cash, after amortization of R$ 180.9 million in the year (principal + interest). Consolidated total indebtedness was R$ 233.0 million on December 31, 2017. The Company ended the year with a net cash of R$ 37.7 million.

Investments

Santos Brasil invested R$7.3 million in 2017, with most of the funds invested going to Tecon Santos. Out of the total invested during the course of the year, the Company's own funds were employed for 100% of the projects. Funds invested by the Company in 2017 were aimed at improving productivity.

The total value had a decrease of 50.0% in relation to the R$ 14.6 million invested in 2016.

Investment	R$ million	PURPOSE	SOURCES OF FUNDS
Total consolidated	**7.3**		
Tecon Santos	**2.4**		
Continuous improvement and increased operational performance	1.3	Productivity improvement	Own
Civil construction	0.5	Productivity improvement	Own
Purchase of hardware and software	0.6	Productivity improvement	Own
Logistics	**1.2**		
Continuous improvement and increased operational performance	0.5	Productivity improvement	Own
Equipment	0.7	Adequacy in structures	Own
Purchase of hardware and software	0.0	Productivity improvement	Own
Tecon Imbituba - Terminal cntrs	**0.0**		
Purchase of hardware and software	0.0	Productivity improvement	Own
Tecon Vila do Conde	**0.7**		
Continuous improvement and increased operational performance	0.0	Productivity improvement	Own
Civil construction	0.7	Productivity improvement	Own
Purchase of hardware and software	0.0	Productivity improvement	Own
Terminal de Veículos Santos	**0.2**		
Continuous improvement and increased operational performance	0.2	Productivity improvement	Own
Purchase of hardware and software	0.0	Productivity improvement	Own
Equipment	0.0	Productivity improvement	Own
Corporate	**2.8**		
Imbituba property	2.8	Productivity improvement	Own

Capital market

Corporate Governance

Santos Brasil is committed to continuously seek to improve its corporate governance practices and relationships with shareholders, clients, suppliers, public bodies and employees among other entities involved with its businesses. After 10 years listed under the Level-2 segment, in August 2016 the Company completed the migration to the "Novo Mercado", the highest corporate governance segment of the B3 - Brasil Bolsa Balcão, with the termination of the shareholders' agreement that was in force until that time. Now the "one-share-one-vote" model is in place.

The Company has adopted the criteria of transparency and security in the disclosure of information, pursuant to the norms of the Brazilian Securities and Exchange Commission (CVM) and establishing rules for disclosure and maintenance of confidentiality regarding material information.

Highest body of management and the Company's governance, the Board of Directors consists currently of seven (7) members and their alternates for a term of two years, reelection allowed. The Board of Directors is responsible, among other duties, for deliberating on any transactions involving companies related to shareholders and to related parties.

Besides the Board of Directors, the governance structure includes the Statutory Executive Officers Committee and the Tax Council, a model that permits the performance of management and its respective inspection.

Statutory Executive Board performs business management according to strategies and guidelines defined by the Board of Directors. Currently, the Statutory Board is composed of the following: (i) Chief Executive Officer; (ii) Economic-Financial Director of Finances and Relations with Investors; (iii) Chief Commercial Officer; and (iii) Chief Operating Officer, all elected by the Board of Directors for two-year term with a possibility of re-election.

The Company's Bylaws impedes the President of the Board of Directors and CEO or the Company's main executive to have many positions.

The Tax Council is currently made up of three full members and three alternates. The Supervisory Board is a permanent body whose activities are independent of Management and the Company's external auditors. The Board is responsible for overseeing all the acts of the administrators and fulfillment of their legal and statutory duties; checking the quality and integrity of the reports and financial information periodically prepared by the Company; and examining and issuing their opinion on the financial statements for the year.

The Company, its shareholders, managers and members of the Tax Council undertake the commitment to resolve, by means of arbitration, any and all dispute or controversy which may arise among them, specially related or arising from the application, validity, effectiveness, interpretation, violation and their effects, of the provisions included in Law No. 6404/76, in the Company's Bylaws, in the rules published by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as in the other rules applicable to the operation of the capital market in general, besides the ones present in the "Novo Mercado" Corporate Governance Regulation, in the Agreement for the Adoption of "Novo Mercado" Corporate Governance Differential Practices, and in the Arbitration Regulation of the Arbitration Chamber of the Market.

Ethics and Integrity

Santos Brasil is underpinned by its ethics and transparency and, as a way of establishing the rules of conduct that guide its internal and external relations, maintains its Code of Conduct and Personnel Regulations updated regularly. Additionally, it has a compliance system that includes a Compliance Policy, a Compliance Committee (autonomous and composed of no fewer than two and no more than five members recommended by the Company's statutory officers with a two-year term), and a Confidential Portal, for lodging reports of misconduct, grievances, and suggestions, managed by an independent company, so as to ensure the anonymity and integrity of the information. The channel recorded 202 calls in 2017, distributed as follows: (i) reports of misconduct: 58.91%; (ii) grievances: 32.18%; and (iii) suggestions: 8.91%. Of total information, 37.82% are in investigation process and 62.18% had the investigation process completed, of which only one (0.84%) was valid. In that case, proper measures were applied.

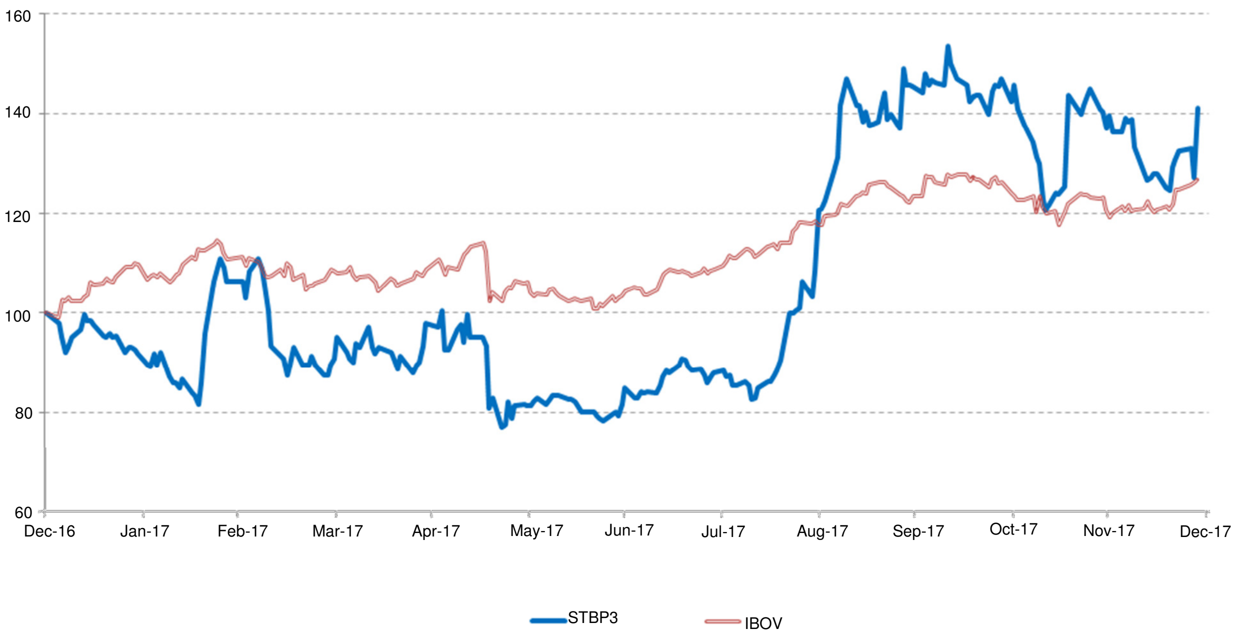
Since 2012, the Company has a Code of Conduct with the power of corporate policy that deals with the issue of corruption, emphasis on ethical behavior on the part of all employees, aligned with the Company's culture in behavioral and ethical issues. The document is signed by 100% of our employees on the day they join our workforce, at which time they also receive a copy of the personnel regulations and specific operational instructions for their area. Its Human Rights Policy was implemented in the year, with basic guidelines of respect, promotion and preservation of essential rights in relationships with customers, collaborators, suppliers and third parties, in the whole value chain and its zone of influence.

It also strengthens its commitment, before its stakeholders, to the Sustainability Policy, which was reviewed in 2017, so as to be in conformity with Standard ISO 14.000 update. To ensure the applicability of this policy, the Company has in its structure a Sustainability Committee, composed of multidisciplinary team and led by the Chief Executive Officer. The body is responsible for establishing the social and environmental goals and to monitor all actions. To do this, it adopts specific indicators that permit to evaluate the achievement of goals and targets and to identify opportunities for improvement.

Evolution of shares

At the end of 2017, the recorded equity value per share was R$ 2.09, while the closing price traded on the B3 - Brasil Bolsa Balcão on December 28, 2017 was R$ 3.39 (2.40 in the previous year), representing a Company's market value of R$ 2,258.8 million. For the year, the average daily trading volume reached R$ 2.2 million.

STBP3 x IBOV- 2017 (100 basis)



Shareholders' rights

On August 22, 2016, the Company concluded the migration to the "Novo Mercado" special segment of corporate governance of the B3 - Brasil Bolsa Balcão. The Company's shares were then traded exclusively in the form of common shares (ONs). The rights of the shares are established in article 5 of the Company's Bylaws, which deals with the total share capital and the division thereof, as well as the Company's autonomy to increase its capital regardless of the decision of the Shareholders' Meeting up to the limit of 2,000,001,000 (two billion, one thousand) common shares, upon resolution of the Board of Directors.

Independent Audit

The financial statements of Santos Brasil and its subsidiaries are audited by KPMG Auditores Independentes.

The Company's policy for contracting services other than external audit intends to evaluate the existence of conflict of interest. Thus, the following aspects are analyzed: the auditor should not (i) audit his/her own work; (ii) perform managerial jobs in the client, and (iii) promote his/her client's interest.

Accordingly, in the fiscal year ended December 31, 2017, a service totaling R$ 50 thousand was contracted, corresponding to 8% of external audit services engaged for said year.

Regarding this service, the Company consulted the independent auditors to make sure that the performance of these other services would not make unfeasible the other activities carried out on an independent basis for the Company and its subsidiaries.

Social performance

Human Capital

At the end of 2017, the Company was composed of 2,987 employees, of which 2,293 in Baixada Santista, 168 in Imbituba, 229 in Planalto Paulista and 297 in Vila do Conde.

The main guideline of the Company's compensation plan is meritocracy, and it is linked to the employees' skills, responsibilities of each position and the result of annual performance evaluation, with no distinction of genre.

In addition to receiving fixed income and benefits package that includes life insurance and health insurance extended to employees' dependents, among others, according to the unit, employees are part of the Profit Sharing Plan (PPR).

Annually, the Company prepares the Annual Training Plan (ATP), which contemplates continuous education programs to development technical and management skills. One of them is the in-house Leadership Training Program focused on coordinators, supervisors and leaders, taught by our leaders. The initiative includes an assessment and the issue of a report to contribute to the identification of gaps and preparation of an Individual Development Plan (IDP), supported by the managers. In 2017, the program involved 57 employees.

		2017	2016
Number of employees		2,987	3,216
Turnover		4.51%	5.23%
Turnover per geographical location	São Paulo	4.03%	4.81%
	Pará	6.47%	9.32%
	Santa Catarina	8.75%	4.15%
	Federal District	0.00%	0.00%
Investment in training (in thousands of Reais)		R$ 0.07	R$ 0.60
Security funds		Private pension plan *	Private pension plan *
Other social plans		-	-
Educational level	No education	0	0
	Incomplete Elementary School	51	58
	Complete Elementary School	208	246
	Incomplete High School	63	94
	Complete High School	1,859	1,958
	Technical training incomplete	7	9
	Technical training complete	150	156
	College/university not concluded	74	100
	College/university degree	506	527
	Post-graduation	68	67
	Master's Degree	1	1
	PhD	0	0

**Benefit covers Tecon Santos' employees.*

Security

Individual's Safety and Valuation are corporate values and aspects prioritized in our Sustainability Policy. We adopt the best market practices, focused on prevention, and we are a benchmark in Port security in Brazil.

The Company maintains the Port Terminals Accident Prevention Commission (CPATP), comprised by employees from the container and vehicle terminals, and also, employees from the logistics units, who represent the Internal Commission for the Prevention of Accidents (CIPA). The issue is addressed in collective agreements signed with trade associations, covering 100% of the employees.

In 2017, in line with this reasoning, we continued with our safety journeys, training and awareness campaigns regarding the matter, and daily dialogues and weekly warnings regarding safety in the beginning os the employees' shifts.

Despite all this care, and for the first time in six years of intense management, we recorded an increase in the Accident Frequency Rate with loss of time in certain units in relation to the previous year, such as at Tecon Santos, Tecon Vila do Conde and logistics units. The Accident Severity Rate with lost time also advanced in Logística. To reverse this scenario, we planned to intensify training on risk perception focused on each area and/or activity, focused on quality, health and insurance. It started in January 2018, initially at Maintenance of Tecon Santos.

In addition to ensuring integrity to our employees, we relate safety with our customers' confidence. To ensure that cargoes will arrive to the destination with no damage, we adopt a series of measures that also comply with the customs regulation in force in bonded areas.

We maintain 24-hour camera monitoring at Tecon Santos, where the segregation of special cargoes is carried out through control software. Emergency trailers that can sort loads in case of incidents are still adopted and emergency support vehicles, with hoses, nozzles, respiratory protection equipment, signaling cones and safety strip tape, in addition to emergency containers.

Local Development

We want to contribute to the social development of the communities surrounding our units with actions in partnership with local entities and our employees – in the scope of theI Am a Volunteer program. Weencourage our employees to take part in projects and actions developed and supported by us. Currently, about 170 people are involved in the program.

One of the initiatives is the *Formare Aprendiz* (Qualification of Apprentices) Program, conducted in partnership with Iochpe Foundation, which consists in preparing young students attending public schools, from families in economic and social disadvantage condition for the work market by means of professional qualification. We started *Formare* in 2009 and, since then, over 250 young people have taken part in the project, currently focused in the city of Guarujá, and 87 of them have been hired and continue with the Company.

In the same year, we renewed our partnership with Instituto Novos Sonhos, at the Aldeia community, in Guarujá, responsible for serving about 100 children and adolescents. The initiative offers sports out of school hours, in addition to social inclusion actions for the involved families.

Environmental performance

A signatory to the UN Global Compact and aligned with the Sustainable Development Goals (SDGs), Santos Brasil focuses efforts to mitigate the environmental impacts generated by its businesses. We adopt as priority actions for the Company's sustainability activities in the health and insurance areas; reduction of CO_2 emissions, water and waste in our operations; human development, in addition to commitments to transparency and anti-corruption practices. In 2017, these goals were strengthened by means of an active participation in "Business for the Climate" platform of the Center for Sustainability Studies (GVCes) at the Getúlio Vargas Foundation's School of Business Administration.

Issues

The total volume of emissions in our operations, 31,640.79 tons of CO2 was slightly higher (0.65%) than in 2016. This result was due to the increase in storage activities and review of our calculation methodology, with the inclusion of new monitoring items, in compliance with GRI guidelines. Our port operations recorded emission intensity of 14.90 kCO2e/TEU in 2017, a 2.75% in relation to the prior year. Likewise, emissions per pallet handled were reduced from 0.63 kCO2e/pallet to 0.54KCO2e/pallet. Land transportation activities showed a light increase of 0.99% when compared to the prior year, totaling 1.02kgCO2e/km. Logistics (storage) activities, in turn, posted a 39.92% increase due to the significant increase of warehouse activities, in which the consumption of LPG jumped from 42,029kg in 2016 to 76,918kg – an increase of 83.01%.

We try to reduce our emissions by means of awareness campaigns, such as the Environmental Journeys, that include all the Company's employees, specific programs such as the Green Fleet and the Sustainable Driver, designated for our transportation and management operations and control over operating indicators related to the topic.

Water

Our attention to the water crisis is reflected in initiatives such as dry wash of vehicles and road transportation equipment, a system we adopted three years ago, in which the water is replaced by biodegradable products that do not harm the environment. In addition to dry wash, we invested in other projects and actions to reduce the consumption and reuse of the resource, such as rainwater harvesting and effluent treatment plant with generation of water for reuse.

Even so, the consumption of water increased 28.74% in 2017. reaching the total quantity of 110,041.21 m3, due to losses by leaks in the units of Tecon Santos, CLIA Santos and Tecon Imbituba, mailing related to the hydraulic infrastructure (metal pipeline) and civil construction works.

To act on a preventive basis and to make feasible a quick intervention in cases of leak, the Infrastructure area established a program to reduce water consumption that included the installation of water meters in several areas of Tecon Santos, which permit a daily monitoring; the replacement of metal or plastic (PVC) pipeline; and change in the terminal water supply system. These and other actions have positively been reflected in the second hald, when a reduction of 16,635 m^3 (30.88%) was recorded when compared to the first half of the year. In the beginning of 2018, also as a preventive measure, we will start tests with leak detection equipment to identify possible losses in hydraulic installations.

Waste

In 2017, actions related to the Waste Management Program were intensified so that we could obtain more environmental efficiency, resulting in a 15.17% drop in the generation of non-recyclable waste (Classes I and II). Regarding recyclable waste, we had a 17.62%, boosted by the promotion of environmental education and allocation of large metallic structures not in use. For 2018, our efforts will be focused on the implementation of in-house more sustainable alternatives.

With improvement in the Solid Waste Management Program and higher synergy with our partners/suppliers, in 2017 reverse logistics actions were intensified. We have allocated 104,603.50 tons of material complying with National Solid Waste Policy (PNRS) guidelines.

São Paulo, March 05, 2018.

The Management

Independent auditors' report on individual and consolidated financial statements

To the Shareholders and Directors of
Santos Brasil Participações S.A.
São Paulo – SP

Opinion
We have examined the individual and consolidated financial statements of Santos Brasil Participações S.A. ("Company"), respectively referred to as Parent Company and Consolidated, which comprise the balance sheet as at December 31, 2017 and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Santos Brasil Participações S.A. as of December 31, 2017, the individual and consolidated performance of its operations and its cash flows, consolidated for the year then ended, in conformity with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion
Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibility, in accordance with such standards, are described in the following section entitled "Responsibilities of the auditor for the audit of individual and consolidated financial statements." We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles provided for in the Accountant's Code of Professional Ethics and in professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis
Consulting the Regulatory Agency

Without qualifying our opinion, we call attention to Note 3.e to the individual and consolidated financial information, which explains that on March 1, 2016, Company Management filed an inquiry with Brazilian Securities and Exchange Commission (CVM) in reference to the divergence of opinion between Management and the preceding independent auditors, object of a modification to the independent auditors' report on the financial statements of December 31, 2015, regarding the review and extension of the useful lives of fixed and intangible assets due to the extension of the lease period for an additional 25 years obtained by the Company on September 30, 2015, according to the Fifth Term of Rectification, Ratification and Addendum to Lease Agreement PRES/69.97, dated November 28, 1997. On June 14, 2017, Brazilian Securities and Exchange Commission (CVM) sent a Letter to the Company not addressing the review of the extension of the useful life of fixed and intangible assets but recommending a change in the accounting policy of the operating leasing. On June 30, 2017, the Company filed appeal requesting review of the understanding expressed in said Letter. On July 14, 2017, Brazilian Securities and Exchange Commission (CVM), through SEP – Superintendence of Companies' Relations accepted the request of suspensive effect while the CVM Collegiate does not decide on the matter. On February 9, 2018, the Company received an Official letter informing on the decision of the Collective Body of the Brazilian Securities and Exchange Commission (CVM) which decided to dismiss the appeal filed by the Company regarding the opinion of the CVM's Technical Area. On February 26, 2018, the Company filed an appeal against the collective body's decision. To date, the Brazilian Securities and Exchange Commission (CVM) had not issued a statement with respect to this Company's fund.

Key audit matters

The key audit matters are those that, in our professional judgment, were the most significant ones in our audit of the current year. These matters have been addressed in the context of our audit of individual and consolidated financial statements as a whole and in the formation of our opinion on these individual and consolidated financial statements. Therefore, we do not express a separate opinion on these matters.

Income recognition - cut off

See Notes 4c and 19 of individual and consolidated financial statements

Key audit matters	How our audit conducted this matter
Service income of the Company and its subsidiaries are recognized at the end of the service provided, upon the effective issue of the invoice and/or equivalent document, and it is mainly related to the quay, bonded warehouse and logistics operations. Additionally, the company estimates revenues which services have already been provided, either partially or in full, but that have not been invoiced yet, under the accrual basis. These estimates involve the Company's judgment and are based on historical data and average prices of services. Due to the criteria established in each logistics service agreement and the complexity of the process to determine the time of completion of operations of each ship (quay operations), of customs clearance and removal of the load imported by the importer or shipment of	Our audit procedures included, among others: (i) assessment of design and effectiveness of key internal controls related to revenue processing, particularly those related to billing; (ii) test, on a sampling basis, of revenues recognized over the year, particularly at the end of the fiscal year, based on specific contractual terms; (iii) assessment of income recognized under the accrual basis and adjustment of assumptions established by the Company to estimate the income cut-off; (iv) assessment of adequacy of disclosures made in the financial statements, particularly the disclosure of the Company's accounting policies regarding income recognition.

exported cargo (storage income), the recognition of this revenue may be subject to errors in determining the date and price of service provision.	During our financial audit, we identified adjustments that would affect the measurement and disclosure of income, which were not recorded and disclosed by Management since they were considered as immaterial. As a result of the evidences obtained through the audit procedures summarized above, we consider acceptable the revenue recognition performed by the Company in the individual and consolidated financial statements as a whole, for the fiscal year ended December 31, 2017.

Recoverable value of fixed and intangible assets, including Goodwill	
See Notes 4k, 12 and 13 of individual and consolidated financial statements	
Key audit matters	**How our audit conducted this matter**
Financial statements for the year ended December 31, 2017 include values of fixed and intangible assets, including goodwill, whose realization is supported by estimated future earnings based on business plan prepared by the Company. Due to uncertainties inherent to the process of determining estimates of future earnings of cash generating units for evaluation of these assets' impairment, which involve assumptions as discount rate, inflation rate, among others, and to complexity of process, which required significant judgment by the Company, we consider this a significant matter in our audit work.	Our audit procedures included, among others: (i) Understanding of the process for preparation and review of business plan, budgets and analysis of impairment of cash generating units where property, plant and equipment and intangible assets, including goodwill, were recognized; (ii) Evaluation of reasonability of estimated values in use prepared by the Company, determination of Cash Generating Units (CGU), and methodology used for impairment test; (iii) With the help of our specialists in corporate finance, we evaluated assumptions and methodologies used by the Company for preparation of the model and compared it with data obtained from external sources, such as projected economic growth, cost inflation and discount rates, and conducted a sensitivity analysis of these assumptions; (iv) Evaluation of adequacy of disclosures carried out by the Company. Based on the audit procedures performed to test the recoverable amount of fixed and intangible assets and on the results obtained, we consider that they are

	acceptable in the context of the individual and consolidated financial statements as a whole.

Provision to tax, labor, civil risks	
See Notes 4m and 16 of individual and consolidated financial statements	
Key audit matters	**How our audit conducted this matter**
Provisions for legal and administrative claims are made by the Company and its subsidiaries to cover probable losses on matters relating to taxes, labor and civil matters. The Company and its subsidiaries, with the help of internal and external legal counsel, exercise significant judgment in determining the amount of provisions to be made and the disclosure of non-provisioned lawsuits, if the likelihood of loss is considered possible. Due to the relevance of the amounts involved to the financial statements as a whole for the year ended December 31, 2017, the significant judgments exercised by the Company and its subsidiaries to form provisions and required disclosures, we consider this matter as significant in our audit works.	Our audit procedures included, among others: (i) Inquiry of people responsible for the legal area about their understanding of the stage in which we found main tax, labor and civil matters of the Company and its subsidiaries; (ii) Sending of external confirmation letter to legal advisors which represented the Company and its subsidiaries in lawsuits and proceedings and evaluation of obtained responses, containing information on amounts involved and evaluation of risk of loss for relevant ongoing tax, labor and civil matters; (iii) Analysis of loss probability attributed to each relevant matter, existing documentation and information related to key matters; (iv) With the support of our legal specialists, we verified the classification as a probable, possible or remote loss for lawsuits related to tax assessment notice on use of goodwill amortization; and (v) Evaluation of the fairness of disclosures made in the financial statements. Based on evidence from the procedures summarized above, we consider that provision for tax, labor and civil risks is acceptable in the context of the individual and consolidated financial statements as a whole.

Post-employment benefits	
See Notes 4l and 26 of individual and consolidated financial statements	
Key audit matters	**How our audit conducted this matter**
Significant estimates are made for evaluation of actuarial liabilities related to supplementary health care of some professionals that will be entitled to post-employment benefit. Assumptions or estimates used to valuate this social security liability, such as discount rate, inflation rate and expected mortality/life may have a relevant effect on the Company's financial statements and, therefore, we consider that this matter is relevant to our audit of the year ended December 31, 2017.	Our audit procedures included, among others: (i) With the support of our actuarial specialists, we evaluated main assumptions used to calculate liabilities, such as discount rate, inflation rate and expected mortality/life. This included comparison of key assumptions against data obtained from external sources; (ii) Evaluation of data used to determine this obligation, such as number of employees and average health care values; (iii) Evaluation of adequacy of disclosures in financial statements. Based on evidence from the procedures summarized above, we consider that provision made by Management in the context of individual and consolidated financial statements as a whole is acceptable.

Other matters

Statements of added value

We have also examined the individual and consolidated statements of added value (DVA) for the year ended December 31, 2017, prepared under responsibility of Company's management and presented as supplementary information for IFRS purposes, were subject to audit procedures carried out with the audit of Company's financial statements. In order to express our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether its form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other information accompanying individual and consolidated financial statements and auditors' report

The Company's management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements do not include the Management Report, and we do not express any type of audit conclusion on such report.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report, and, when doing so, consider whether such report is, in material respects, inconsistent with the financial statements or with the knowledge, we obtained in the audit, or seem otherwise materially misstated. If, based on the work carried out, we conclude that there is material misstatement in the Management Report; we are required to report such fact. We do not have anything to report on this respect.

Responsibilities of management and governance for the individual and consolidated financial statements

The Company's management is responsible for the preparation and adequate presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by issued by the International Accounting Standards Board (IASB), as well as for the internal controls that it deemed necessary to enable the preparation of financial statements free of significant distortions, regardless of whether the latter were caused by fraud or error.

In the preparation of the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, when applicable, the matters related to its going concern, and the use of this accounting basis in the preparation of the financial statements, unless the management intends to liquidate the Company and its subsidiaries, or cease their operations, or do not have any realistic alternative to avoid the discontinuance of operations.

Those charged with governance of the Company and its subsidiaries are those with responsibility for supervising the process of preparation of the financial statements.

Responsibilities of the Auditors for the audit of individual and consolidated financial statements

Our aims are to obtain reasonable assurance about whether the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high assurance level, but not a guarantee that the audit performed according to the Brazilian and International Standards on Auditing always detect any existing material misstatements. Misstatements may arise from fraud or error, and are considered material when, individually or in aggregate, may influence, from a reasonable perspective, the economic decisions of users taken based on such financial statements.

As part of an audit performed according to the Brazilian and International Standards on Auditing, we exercise professional judgment and keep professional skepticism throughout the audit. In addition:

- We identify and assess risks of material misstatements in the individual and consolidated financial statements, whether due to fraud or error, plan and perform audit procedures in response to such risks, as well as obtain appropriate and sufficient audit evidence to base our opinion. The risk of not detecting material misstatement resulting from fraud is higher than the one resulting from error, once fraud may involve the act of cheating internal controls, collusion, falsification, omission or intentional misrepresentations.

- We obtain understanding of the internal controls relevant to the audit for planning audit procedures appropriate to the circumstances, but not with the aim to express opinion on the effectiveness of the internal controls of the Company and its subsidiaries.

- We evaluate the adequacy of the adopted accounting policies and the reasonableness of the accounting estimates and the respective disclosures made by management.

- We arrive at a conclusion on the adequacy of the use, by management, of the going concern basis of accounting, and based on the obtained audit evidences, whether there is material uncertainty in relation to events or conditions that may raise significant doubts on the Company's and its subsidiaries' ability to continue as going concern. If we conclude that there is material uncertainty, we shall draw attention in our audit report to the respective disclosures in the individual and consolidated financial statements or include modification in our opinion, should the disclosures be inadequate. Our conclusions are based on the audit evidences obtained through the date of our report. However, future events or conditions may cause the Company and its subsidiaries to no longer continue as going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the individual and consolidated financial statements represent the corresponding transactions and events in a way compatible with the fair presentation objective.

- We obtained appropriate and sufficient audit evidence regarding the financial information of the group's entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the group, and, consequently, the audit opinion.

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

We also provide to those charged with governance a statement that we fulfill the relevant ethical requirements, including the applicable independence requirements, and communicate all of the possible relations or matters that could considerably affect our independence, including, when applicable, the respective disclaimers.

Of the matters that were communicated to those charged with governance, we determined those that were considered as the most significant in the audit of the financial statements for the current year, and that, accordingly, comprise the key audit matters. We described these matters in our audit report, unless the laws or regulations have precluded public disclosure about the matter, or when, in extremely rare circumstances, we determine that the matter shall not be reported in our report because the adverse consequences of such reporting may, from a reasonable perspective, outweigh the benefits of communication for public interest.

São Paulo, March 02, 2018

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original report in Portuguese signed by
Wagner Petelin
Accountant CRC 1SP142133/O-7

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016
(Amounts expressed in thousands of reais - R$)

		Parent company		Consolidated	
ASSETS	Note	12.31.2017	12.31.2016	12.31.2017	12.31.2016
CURRENT ASSETS					
Cash and cash equivalents	6	221,462	113,406	270,731	192,557
Accounts receivable	7	54,353	53,236	96,252	85,999
Inventories	8	19,313	19,999	22,737	23,187
Current tax assets	10	6,528	2,010	7,832	6,568
Dividends receivable	5.a)	2,157	1,758	-	-
Derivative financial instruments	27.b.1)	2	-	2	-
Other assets		4,547	7,389	5,860	10,152
Total current assets		308,362	197,798	403,414	318,463
NON-CURRENT ASSETS					
Judicial deposits	16	243,090	233,219	250,808	241,310
Deferred tax assets	24.b)	-	-	18,220	523
Court-ordered debt payments receivable	9	-	-	5,236	5,136
Derivative financial instruments	27.b.1)	-	34	-	37
Other assets		16,563	20,031	17,097	20,593
Investments	11	362,894	400,357	-	-
Property, plant and equipment	12	732,716	779,038	853,896	919,616
Intangible assets	13	175,864	187,255	367,587	388,165
Total non-current assets		1,531,127	1,619,934	1,512,844	1,575,380
TOTAL ASSETS		1,839,489	1,817,732	1,916,258	1,893,843

		Parent company		Consolidated	
LIABILITIES AND SHAREHOLDERS’ EQUITY	Note	12.31.2017	12.31.2016	12.31.2017	12.31.2016
CURRENT LIABILITIES					
Loans and financing	14	105,982	68,415	112,544	78,056
Debentures	15	59,498	85,358	59,498	85,358
Suppliers		66,174	54,014	96,702	73,514
Salaries and social charges		26,853	27,574	34,452	34,691
Taxes, rates and contributions		5,194	5,427	10,219	9,752
Dividends and interest on own capital payable		728	113	728	113
Derivative financial instruments	27.b.1)	13	1,997	99	2,859
Other liabilities		46	46	46	46
Total current liabilities		264,488	242,944	314,288	284,389
NON-CURRENT LIABILITIES					
Loans and financing	14	59,946	2,056	61,056	9,295
Debentures	15	-	57,125	-	57,125
Suppliers	16.(f)	15,021	15,021	15,021	15,021
Provision to tax, labor, civil risks	16	32,368	35,440	37,762	41,371
Deferred tax liabilities	24.b)	5,488	21,810	15,732	33,919
Actuarial liabilities - Complementary health care	26	28,895	17,128	33,879	21,006
Taxes on income - TRA	16.(c)	42,634	37,076	42,634	37,076
Other liabilities		-	-	5,237	5,509
Total non-current liabilities		184,352	185,656	211,321	220,322
SHAREHOLDERS' EQUITY					
Capital	18.a)	1,071,757	1,071,077	1,071,757	1,071,077
Capital reserve	18.b)	78,015	74,933	78,015	74,933
Profit reserve	18.c)	248,160	245,354	248,160	245,354
Additional dividends proposed	18.d)	1,351	-	1,351	-
Equity valuation adjustment	18.e)	(8,634)	(2,232)	(8,634)	(2,232)
Total shareholders' equity		1,390,649	1,389,132	1,390,649	1,389,132
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		1,839,489	1,817,732	1,916,258	1,893,843

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

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME FOR YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts expressed in thousands of reais, except earnings per share)

		Parent company		Consolidated	
	Note	12.31.2017	12.31.2016	12.31.2017	12.31.2016
NET INCOME	19	512,546	594,852	824,052	829,245
COST OF SERVICES RENDERED	20	(457,266)	(481,733)	(686,694)	(704,455)
GROSS INCOME		55,280	113,119	137,358	124,790
OPERATING INCOME (EXPENSES)					
Sales expenses	20	(39,472)	(37,113)	(84,522)	(67,197)
General and administrative expenses	20	(59,019)	(66,981)	(71,401)	(77,444)
Amortization of goodwill	20	(6,657)	(6,945)	(6,657)	(6,945)
Equity in net income of subsidiaries	11	42,330	(9,679)	-	-
Other operating income	21	14,288	13,405	17,409	20,042
Other operating expenses	21	(680)	(869)	(930)	(1,879)
Total		(49,210)	(108,182)	(146,101)	(133,423)
OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME		6,070	4,937	(8,743)	(8,633)
FINANCIAL INCOME (LOSS)					
Financial income	22	13,469	25,815	23,194	36,065
Financial expenses	22	(30,152)	(49,190)	(33,647)	(49,711)
Total financial income		(16,683)	(23,375)	(10,453)	(13,646)
LOSS BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES		(10,613)	(18,438)	(19,196)	(22,279)
INCOME AND SOCIAL CONTRIBUTION TAXES					
Income and social contribution taxes - current	24.a)	-	(5,538)	(10,803)	(9,410)
Income and social contribution taxes - deferred	24.a)	13,199	4,066	32,585	11,779
Total income and social contribution taxes		13,199	(1,472)	21,782	2,369
INCOME (LOSS) FOR THE YEAR		2,586	(19,910)	2,586	(19,910)
BASIC EARNINGS (LOSSES) PER SHARE – R$					
Common	25	0.00391	(0.03017)	0.00391	(0.03017)
DILUTED EARNINGS (LOSS) PER SHARE - Reais					
Common	25	0.00387	(0.03008)	0.00387	(0.03008)

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

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME FOR YEARS ENDED
DECEMBER 31, 2017 AND 2016
(Amounts expressed in thousands of reais - R$)

		Parent company		Consolidated	
	Note	12.31.2017	12.31.2016	12.31.2017	12.31.2016
INCOME (LOSS) FOR THE YEAR		2,586	(19,910)	2,586	(19,910)
OTHER COMPREHENSIVE INCOME					
Supplementary health care	26	(6,062)	(2,173)	(6,402)	(2,443)
Equity on supplementary health care	26	(340)	(270)	-	-
Total supplementary health care	26	(6,402)	(2,443)	(6,402)	(2,443)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(3,816)	(22,353)	(3,816)	(22,353)

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

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR
THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts expressed in thousands of reais - R$)

		Parent company and Consolidated									
			Capital reserve		Profit reserve						
	Note	Capital	Stock option plan / Share-based incentive plan	Other	Legal	Investment	Treasury shares	Additional dividend proposed	Retained earnings	Equity valuation adjustment	Total shareholders' equity
BALANCES AT DECEMBER 31, 2015		1,071,077	51,769	18,897	54,446	230,662	(19,844)	-	-	211	1,407,218
Actuarial liabilities – health expenses – Company and subsidiaries	26	-	-	-	-	-	-	-	-	(2,443)	(2,443)
Stock option plan	23	-	4,267	-	-	-	-	-	-	-	4,267
Loss for the year		-	-	-	-	-	-	-	(19,910)	-	(19,910)
Use of income:											
Absorption of loss	18.c)	-	-	-	-	(19,910)	-	-	19,910	-	-
BALANCES AT DECEMBER 31, 2016		1,071,077	56,036	18,897	54,446	210,752	(19,844)	-	-	(2,232)	1,389,132
Actuarial liabilities – health expenses – Company and subsidiaries	26	-	-	-	-	-	-	-	-	(6,402)	(6,402)
Stock option plan / Share-based incentive plan	23	-	3,677	-	-	-	-	-	-	-	3,677
Exercised option	18.a) and c)	680	-	-	-	-	2,186	-	-	-	2,866
Income for the year		-	-	-	-	-	-	-	2,586	-	2,586
Use of income:											
Legal reserve	18.c)	-	-	-	129	-	-	-	(129)	-	-
Minimum compulsory dividends	18.d)	-	-	-	-	-	-	-	(615)	-	(615)
Additional dividends proposed	18.d)	-	-	-	-	-	-	1,351	(1,351)	-	-
Reserve for investment and expansion	18.c)	-	-	-	-	491	-	-	(491)	-	-
Income (loss) from disposal of treasury shares	18.c)	-	-	(595)	-	-	-	-	-	-	(595)
BALANCES AT DECEMBER 31, 2017		1,071,757	59,713	18,302	54,575	211,243	(17,658)	1,351	-	(8,634)	1,390,649

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

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts expressed in thousands of reais - R$)

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
CASH FLOW FROM OPERATING ACTIVITIES				
Loss before income and social contribution taxes	(10,613)	(18,438)	(19,196)	(22,279)
Adjustments to reconcile the income before income and social contribution taxes with the cash and cash equivalents from operating activities:				
Inflation adjustments and exchange-rate changes	679	890	1,471	210
Depreciation and amortization	62,456	64,344	92,566	96,022
Formation (reversal) of provision for contingencies	5,776	10,264	6,529	12,509
Allowance (reversal) for doubtful accounts and bad debt losses	8,536	9,554	7,960	11,849
Equity in net income of subsidiaries	(42,330)	9,679	-	-
Stock option plan	3,687	4,221	3,677	4,267
Write-offs and income in the sale of permanent assets	(598)	497	(40)	91
Supplementary health care	2,582	2,080	3,173	2,986
Interest on debentures	10,944	23,941	10,944	23,941
Recognized Interest on Loans	13,025	11,525	13,582	12,766
Interest on recognized loans	-	3,902	-	-
	54,144	122,459	120,666	142,362
(Increase) decrease in operating assets:				
Accounts receivable	(9,653)	7,009	(18,213)	(4,706)
Inventories	686	(460)	450	(633)
Current tax assets	(4,518)	9,109	(1,264)	9,578
Judicial deposits	(9,871)	(14,142)	(9,498)	(12,402)
Other assets	6,310	(2,393)	7,688	(1,402)
Increase (decrease) in operating liabilities:				
Suppliers	12,160	12,999	23,188	13,629
Salaries and social charges	(721)	(2,636)	(239)	(3,674)
Taxes, rates and contributions	(233)	(653)	186	(316)
Accounts payable	-	-	101	353
Taxes on income - TRA	5,558	6,151	5,558	6,151
Other liabilities	-	-	(373)	-
	53,862	137,443	128,250	148,940
Income and social contribution taxes paid	-	(5,539)	(10,523)	(9,706)
Write-off of contingencies with payment	(8,848)	(10,509)	(10,138)	(17,496)
Cash and cash equivalents generated by operational activities	45,014	121,395	107,589	121,738
CASH FLOW FROM INVESTMENT ACTIVITIES				
Acquisition of fixed assets	(5,048)	(11,412)	(7,131)	(14,435)
Disposal of property, plant and equipment	1,086	-	1,086	1,688
Investment increase, net of capital decrease in subsidiaries	72,010	(330)	-	-
Increase in intangible assets	(183)	(1)	(183)	(7)
Dividends and interest on own capital received	7,034	17,755	-	-
Granted loan	-	(4,307)	-	-
Loan principal received	-	4,601	-	-
Interest on received loans	-	85	-	-
Interest on capitalized loans	-	10	-	72
Cash and cash equivalents generated (invested in) investment activities	74,899	6,401	(6,228)	(12,682)
CASH FLOW FROM FINANCING ACTIVITIES				
Receipt of exercised share purchase options	2,271	-	2,271	-
Loans obtained	159,486	-	159,486	1,734
Payment of loans and debentures	(136,304)	(93,784)	(145,804)	(107,606)
Loan payments	-	(73,745)	-	-
Receipt of derivative financial instruments	(2,789)	840	(4,004)	675
Interest paid on debentures/loans	(34,521)	(31,738)	(35,136)	(33,159)
Interest paid on loan	-	(963)	-	-
Dividends and interest on own capital paid	-	(4,258)	-	(4,258)
Cash and cash equivalents invested in financing activities	(11,857)	(203,648)	(23,187)	(142,614)
INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS	108,056	(75,852)	78,174	(33,558)
NET INCREASE IN BALANCE OF CASH AND CASH EQUIVALENTS REPRESENTED BY				
Cash and cash equivalents at the beginning of the year	113,406	189,258	192,557	226,115
Cash and cash equivalents at the end of the year	221,462	113,406	270,731	192,557
	108,056	(75,852)	78,174	(33,558)

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

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF ADDED VALUE FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016
(Amounts expressed in thousands of reais - R$)

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
INCOME (EXPENSES)				
Sale of merchandise, products and services	573,248	659,656	937,628	934,863
Other income	14,288	13,405	17,409	20,041
Allowance (reversal) for doubtful accounts and bad debt losses	(8,536)	(9,554)	(7,960)	(11,849)
	579,000	663,507	947,077	943,055
INPUTS ACQUIRED FROM THIRD PARTIES				
Cost of products, goods, and services sold	(135,870)	(149,062)	(209,589)	(193,240)
Materials, energy, outsourced services and others	(94,193)	(109,202)	(180,319)	(183,230)
Other	(680)	(869)	(930)	(1,879)
	(230,743)	(259,133)	(390,838)	(378,349)
GROSS ADDED VALUE	348,257	404,374	556,239	564,706
DEPRECIATIONS, AMORTIZATIONS AND DEPLETION	(62,456)	(64,344)	(92,566)	(96,022)
NET ADDED VALUE PRODUCED BY THE COMPANY	285,801	340,030	463,673	468,684
ADDED VALUE RECEIVED AS TRANSFER				
Equity in net income of subsidiaries	42,330	(9,679)	-	-
Financial income	13,469	25,815	23,194	36,065
	55,799	16,136	23,194	36,065
TOTAL ADDED VALUE PAYABLE	341,600	356,166	486,867	504,749
DISTRIBUTION OF ADDED VALUE	341,600	356,166	486,867	504,749
Personnel:				
Direct remuneration	162,722	162,813	214,152	221,631
Benefits	40,508	39,116	62,093	61,625
FGTS	14,523	10,847	19,166	17,507
	217,753	212,776	295,411	300,763
Taxes, rates and contributions:				
Federal	30,321	52,731	61,235	79,914
State	149	59	6,694	5,808
Municipal	17,253	20,164	28,931	29,074
	47,723	72,954	96,860	114,796
Third parties' capital remuneration				
Interest	30,152	49,190	33,647	49,711
Rentals	43,386	41,156	58,363	59,389
	73,538	90,346	92,010	109,100
Remuneration of own capital:				
Retained earnings (losses)	2,586	(19,910)	2,586	(19,910)
	2,586	(19,910)	2,586	(19,910)

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

1. OPERATIONS

Santos Brasil Participações S.A. (Company), domiciled in Brazil, headquartered in São Paulo, is engaged in holding interest, as partner or shareholder, in the capital of other Brazilian or foreign entities and in consortium, as well as the commercial exploration of integrated port and logistics solutions, with the movement of containers and alike, that are carried out by operating branches: Tecon Santos and Tecon Imbituba.

On August 22, 2016, units traded under *ticker* STBP11 in accordance with Corporate Governance Practices – Level 2 were cancelled, total preferred shares were converted into common shares that started to be traded in the New Market of B3 – Brasil Bolsa Balcão, under *ticker* STBP3.

a) Operations of operating branch Tecon Santos

Operating branch Tecon Santos is engaged in the commercial exploration of port facilities of Santos Port Containers Terminal - Tecon 1, under lease agreement valid from November 1997 to November 2022, through operations with containers and similar equipment that involve the recovery of existing facilities and its technological and managerial updating, as well as the expansion of said facilities with improvements, following legal and contractual standards of the respective Port and the Union, pursuant to the terms of Bid Notice PND/MT/CODESP nº 01/97.

On September 30, 2015, the Company entered into an agreement with the Federal Government, through the Secretary of Ports of the Presidency of Republic, with the intervention of the ANTAQ and CODESP, for the Fifth Rectification, Ratification and Amendment to the Lease Agreement PRES/69.97 of November 28, 1997, related to the operating branch Tecon Santos. The Fifth Amendment extends the lease agreement period through November 28, 2047.

b) Operations of the operating branch Tecon Imbituba ("Tecon Imbituba")

Operating branch Tecon Imbituba is engaged in the commercial exploration of port facilities of Imbituba Port Containers Terminal, under lease agreement valid from April 2008 to April 2033, through operations with containers or similar equipment that involve the recovery of existing facilities and its technological and managerial updating, as well as the expansion of said facilities with improvements, following legal and contractual standards of the respective Port and the Union, pursuant to the terms of Bid Notice 2 of Public Bidding nº 01/07 - Port Management.

That branch also includes the operations of Terminal de Carga Geral do Porto de Imbituba, under a lease contract and its addendum No.1, in effect from June 2007 through June 2032, through operation, conservation and improvement and expansion of its bonded patio and warehouse facilities, and with preferential docking at a berth near Tecon Imbituba berths.

c) Operations of the subsidiary Santos Brasil Logística S.A. ("Santos Brasil Logística")

The subsidiary Santos Brasil Logística engages in the provision of integrated logistics and customized logistics solution development services and related services. It operates containers and bulk cargo in import and export transactions and is authorized to receive cargo under different customs systems, especially bonded warehouse, at its two Customs Logistics Centers (CLIAs).

d) Operations of the subsidiary Terminal de Veículos de Santos S.A. ("TVS")

In January 2010 the subsidiary TVS, through its branch in the Guarujá municipality, assumed the operations of the Vehicle Export Terminal under a lease agreement valid through January 2035. The subsidiary's purpose is the management, operation and investment in the port's vehicle handling and storage facilities used for importing, exporting and coastal shipping, under a lease agreement entered into on that date.

There is a possibility of expanding the vehicle export terminal, already provided in lease contract, considering about 27,500 m² by obtaining approval from the port management.

e) Operations of the subsidiary Convicon Contêineres de Vila do Conde S.A. ("Convicon")

Indirect subsidiary Convicon's purpose is the commercial exploitation of the port facilities of Vila do Conde container terminal, located in the municipality of Barcarena, in the state of Pará, from May 2005 through September 2018. It assumed the terminal lease under Addendum No. 2 of Agreement No. 14/03. The lease was previously held by Transnav Ltda., since September 2003. The activities are the implementation and exploitation of the container and vehicle storage and handling patio, technological and managerial modernization, facilities expansion and improvement, granting of right of way on the bridge leading to the piers, and use of public berth No. 301, with observation of federal and port regulations and contractual rules.

On November 16, 2017, the Summary of the 8th Amendment to the Lease Agreement 14/2003, entered into between Convicon and the Federal Government, with intermediation of the Ministry of Transportation, Ports and Civil Aviation ("MTPAC"), having as intervening parties the National Agency of Water Transportation ("ANTAQ") and Companhia Docas do Pará ("CDP"), which purpose was the advanced extension of said port lease until September 18, 2033, was published in the Brazilian Federal Register – DOU.

f) Main commitments arising from the Container Terminal No. 1 Exploitation Agreement entered into with Companhia Docas do Estado de São Paulo - CODESP.

Operating branch Tecon Santos, besides the initial disbursement made when the auction was held, assumed a commitment corresponding to the bid amount, totaling R$74,312, payable in monthly and quarterly installments of lease for commercially operating the area over the term of the agreement (25 years, renewable for an equal period, as provided for in the initial agreement), adjusted for inflation using the General Market Price Index (IGP-M), which are recognized on the accrual basis of accounting, as it is an operating lease.

The branch also makes monthly payments for services provided by CODESP based on specific tables established by port authorities.

There is a commitment whereby Minimum Contractual Handling (MMC) in loading and unloading vessels is provided for. Failure to comply the conditions set forth under the MMC commitment, or breach of any other contractual clause, is subject to penalty of up to 2% of the sum of monthly and quarterly installments due in the 12 months prior to the default.

In view of the Fifth Amendment to the original agreement, the Company undertook to invest, until the end of 2020, the amount of R$1,276,859 in works and other interventions to ensure the consolidation of a terminal that reaches a minimum dynamic capacity of 1,500,000 containers per year. The executive project relating to the approved investments shall be submitted to the Special Secretary of Ports (SEP) through September 29, 2016. If the amount invested is lower than the amount committed, the difference shall be paid in a single installment to CODESP. An area of 13,346 m² will be incorporated into the lease agreement of the operating branch Tecon Santos, through the completion of the extension of the public quay by 220 m².

Such amendment changes the commitment of Minimum Contractual Handing (MMC), starting October 1, 2015, which requires the payments of amounts if the MMC is not reached or is exceeded, as mentioned in note 17. By the end of 2020 or the completion of the estimated investments, the MMC will be changed from 513,000 containers per year to 590,000 containers per year.

The facilities being commercially operated and the assets belonging to CODESP that have been used by the branch must be kept in perfect conditions of use. All improvements made in these facilities, such as any equipment and software, information systems and computers, communication and security systems and systems used to control the port area, which are required for container operations, will be reversed in favor of CODESP at the end or termination of the agreement.

On December 28, 2017, the Company filed a petition with the Ministry of Transportation, Ports and Civil Aviation (“MTPAC”) asking the revie of the investment schedule, keeping unchanged the amount of forecasted investment and restricting the new schedule of the execution period with completion until 2031 with minimum investment of R$360,000 until the end of 2022.

g) Main commitments under Tecon Imbituba operating agreement with SCPAR Porto de Imbituba S.A. (SCPAR), successor of Companhia Docas de Imbituba (CDI)

Operating branch Tecon Imbituba, as part of the fixed portion of the lease, makes monthly payments for the use of the leased area, as shown in note 17.

The commitment for minimum investments considers works for expanding the back area, and construction of an administrative area, gates, warehouse, berth reinforcement and containment works and a 120-meter expansion of the berth. It also included the acquisition of pieces of equipment for quay, and the port retro-docking area, which are compatible with facilities, that is, mobile cranes (Mobile Harbor Crane -MHC), reach stackers, tow trucks and forklifts. New quay equipment and also equipment for the port retro-docking area are expected to be purchased to replace the existing ones and expand the Terminal's handling capacity.

As part of the variable portion of the lease, there is a commitment to make monthly payments for the use of the land infrastructure, as shown in note 17.

There is also a commitment for a minimum handling of 65,000 containers in the Terminal in the first year of activity, 150,000 containers in the second year of activity, 280,000 containers in the third year of activity and 360,000 containers from the fourth year of activity. Failure to meet this minimum handling volume shall require the entity to pay an additional amount, as shown in note 17.

Operating standards were established whereby Tecon Imbituba shall perform at least 6 handling activities per hour per trio, when resources other than MHC are used, and at least 15 handling activities per hour, when MHC is used.

As of July 1, 2016, the Company filed a request for the Recovery of Economic-Financial Rebalance of Tecon Imbituba lease agreement, in the Ministry of Transport, Ports and Civil Aviation, until the present moment the merit was not appreciated by the same.

h) Main commitments under the General Cargo Terminal operating agreement with SCPAR, successor of CDI

Operating branch Tecon Imbituba - General Cargo Terminal is required to make minimum investments that include the expansion of the warehouse by 1,500 m², construction of a new warehouse of 3,000 m², repairs in pavement, streets, fences and gates, implementation of facilities and networks of services and expansion of refrigerated containers' capacity. In addition, the agreement requires the entity to implement the ISPS Code and a Port Public Security Plan (PSPP) for Port of Imbituba and purchase its own general cargo handling equipment.

Terminal is required to pay per ton handled, on a monthly basis, as compensation for the leased area, and per ton per vessel, as compensation for using the land infrastructure, as shown in note 17.

Terminal has a commitment to handle at least 120,000 tons of general cargo in the first year of activity, 140,000 tones in the second year of activity, 180,000 tones in the third year of activity, and 200,000 tones from the fourth year of activity until the end of the agreement. Failure to meet this minimum handling volume shall require the entity to pay an additional amount, as shown in note 17.

i) Main commitments under TEV operating agreement with CODESP

TVS has a commitment to handle at least 182,931 vehicles in 2011, 214,147 vehicles in 2012, 250,691 vehicles in 2013, 293,470 vehicles in 2014 and 300,000 vehicles as of 2015. Failure to meet this minimum handling volume shall require the entity to pay an additional amount, as shown in note 17.

The investment commitment primarily includes the construction of external accesses to the Terminal and the public harbor and the construction of a gate and a gatehouse for internal access to the Terminal.

As part of the monthly lease payment, the entity is required to pay for the use of the total leased area and infrastructure. There is also a commitment to pay per vehicle handled, as shown in note 17.

j) Main commitments under Convicon operating agreement with Companhia Docas do Pará (CDP)

Convicon has the commitment to provide pavement, fences and lighting for at least 20,000 m² of lot A and purchase the equipment required for it to be capable of handling at least 30,000 containers after the fifth year of signature of the agreement.

As part of the remuneration guaranteed to CDP for the commercial operation by Convicon, the subsidiary is required to make payments of amounts per container handled and tonne handled of unitized cargo, as show in note 17. The facilities being commercially operated and the assets belonging to CDP that have been used by Convicon must be kept in perfect conditions of use. All improvements made in these facilities, such as any equipment and software, information systems and computers, communication and security systems and systems used to control the port area, which are required for container operations, will be reversed to CDP at the end or termination of the agreement.

Convicon has the contractual commitment to pay CDP a compensation for the operation by Convicon over the term of the agreement (15 years) in monthly lease payments plus inflation adjustment, every September of each year, based on IGP-M.

By virtue of the Eight Amendment to the Lease Agreement 14/2003, the Company assumed the commitment of investing the amount of R$129,044 in expansion, equipment and systems, until the end of 2033.

2. LIST OF SUBSIDIARIES

The consolidated financial statements include the Company's information and the following whole-owned subsidiaries:

	Interest – %	
	12.31.2017	12.31.2016
Direct subsidiaries:		
Terminal Portuário de Veículos S.A. (“TPV”)	100	100
Pará Empreendimentos Financeiros S.A. (“Pará Empreendimentos”)	100	100
Terminal de Veículos de Santos S.A. (“TVS”)	100	100
Numeral 80 Participações S.A. (“Numeral 80”)	100	100
Santos Brasil Logística S.A. (“Santos Brasil Logística”)	100	100
Indirect subsidiary:		
Convicon Contêineres de Vila do Conde S.A. (“Convicon”)	100	100

3. PREPARATION BASIS

a) Statement of conformity

These Company’s individual and consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil.

The issue of individual and consolidated financial statements was authorized by the Executive Board on March 05, 2018.

All relevant information in accounting statements, and only them, are being evidenced and correspond to that used by Management.

b) Functional currency and presentation

These individual and consolidated financial statements are presented in Brazilian reais (R$), which is the Company’s and subsidiaries’ functional currency. All financial information presented in Brazilian Reais has been rounded to the nearest value, except otherwise indicated.

c) Basis of preparation

The individual and consolidated financial statements were prepared based on the historical cost, except for the following items recognized in the balance sheets:

- Derivative financial instruments measured at fair value;

- Non-derivative financial instruments measured at fair value through profit or loss.

d) Use of estimates and judgments

The preparation of these financial statements, individual and consolidated, Management used judgments, estimates and assumptions that affect the application of accounting policies of the Company and subsidiaries, and the reported values of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews of estimates are recognized on a prospective basis.

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the financial statements are included in the following notes:

- Note 2 - Consolidation: determination in case the Company effectively holds the control;

- Note 17 - classification of leases.

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment within the year to end at December 31, 2018 are included in the following notes:

- Note 13 – impairment test: main assumptions in relation to recoverable values.

- Note 16 – Recognition and Measurement of provision for tax, labor and civil risks.

- Note 24 - recognition of deferred tax assets: availability of future taxable income;

- Note 26 – measurement of benefit obligations: main actuarial assumptions;

Measurement of fair value

Several of the accounting policies and disclosures of the Company and its subsidiaries require the measurement of the fair value of both financial assets and financial liabilities and nonfinancial assets and liabilities.

The Company and its subsidiaries established a control framework related to measurement of fair values. This includes an evaluation and general responsibility of reviewing all significant fair value measurements, including Level 3 fair values, which are reported directly to the CFO.

Significant non-observable data are regularly reviewed, as well as valuation adjustments. If third-party information, such as brokerage firm quotes or pricing services, is used to measure fair value, evidences obtained from the third parties are analyzed to support the conclusion that such valuations meet the CPC / IFRS requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Company and its subsidiaries use market observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities

- Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices);

- Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Company and its subsidiaries recognize transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

Additional information on the assumptions adopted in the measurement of fair values is included in the following notes:

- Note 23 - Stock option plan; and
- Note 27 – Derivative or non-derivative financial instruments

e) Change in accounting estimate

Operating branch Tecon Santos

Beginning in October 2015, leasehold improvements and cargo handling equipment, presented in note 12, as well as operating rights and goodwill on acquisition of shares of Santos-Brasil S.A., presented in note 13, had, for accounting purposes, their useful lives adjusted due to the extension of the lease agreement term (to November 28, 2047) of the operating branch Tecon Santos, through the Fifth Amendment to the Lease Agreement, on September 30, 2015.

The Company applied the change in accounting estimate based on: (i) the legal opinion issued by a renowned attorney and professor of public law of São Paulo University - USP, which ratifies the Company's understanding regarding the change of the effective term of the lease agreement for the operational branch Tecon Santos; (ii) the technical accounting opinion issued by an accountant, opinion-writer, which ratifies the Company's understanding regarding the review of the useful life of the property, plant and equipment and intangible assets; and (iii) the concurrence with the position formalized in such opinions by the members of the Company's Tax Council.

The Company filed, on March 1, 2016, a formal query at CVM, in order to get the manifestation regarding implementation of the change in accounting estimate mentioned in the paragraph above. The effect of the change in this estimate was a reduction of R$11,547, in the result of depreciation and amortization accounts for the year ended December 31, 2015.

On June 14, 2017, the Company received an Official Letter No. 160/2017/CVM/SEP/GEA-5 which, among other matters, addressed the review of the useful life of fixed and intangible assets, object of the consultation. However, this Official Letter recommended a change in the accounting policy of the operating lease, in regard to the lease installments of TECON-1 (Agreement PRES/69.97).

On June 30, 2017, the Company filed appeal to SEP filed appeal requesting review of the understanding expressed in Official Letter 160/2017/CVM/SEP/GEA-5.

On July 14, 2017, the Company received an Official Letter 174/2017/CVM/SEP/GEA-5 from CVM, through SEP – Superintendence of Companies' Relations accepting the request of suspensive effect to the appeal presented, as of June 30, 2017, while the CVM Collegiate does not decide on the matter of such appeal.

On February 9, 2018, the Company received the CVM Official Letter 018/2018/CVM/SEP/GEA-5, including the summary of the decision of the Collective Body, adopted in the 5th Meeting held on February 6, 2018, that decided to dismiss the appeal submitted by the Company to the opinion of the CVM Technical Area, formalized in the Official Letter 160/2017/CVM/SEP/GEA-5.

Due to this decision of the Collegiate Body, of February 6, 2018, the Company was authorized to extend, as from the moment it was granted by CODESP, the advanced extension of the lease, the amortization terms of different assets linked to the exploitation of TECON-1, until the end of the useful life expected for the asset or termination of the new contractual agreement, whichever occurs first. Thus, the effect of the change in this estimate was a reduction of R$11,547 is maintained in the result of depreciation and amortization accounts for the year ended December 31, 2015.

On February 14, 2018, the Company disclosed the Significant Event and informed that, pursuant to the final part of Official Letter 018/2018/CVM/SEP/GEA-5 and considering the provisions of item IX of CVM Resolution 463/03, and also the new CVM Resolution 787/17, which approves CPC 06 (R2), it intended to file an appeal for the decision of the Collegiate, although not having access yet to the full wording of the minutes of the decision and the accompanying votes. Such access was obtained, as from the disclosure on February 16, 2018, on CVM website, of the full wording of the minutes of the decision (Report and Votes), of Memorandum SEP Proc. 199957001623201602 and Memorandum 0750 SNC Proc. 199957001623201602.

On February 26, 2018, the appeal was filed, based on item IX of CVM Resolution 463/03, and also on the new CVM Resolution 787/17, which approves CPC 06 (R2), which decision is being awaited, in which it was requested that the accounting change determined by the decision of the Collegiate Body, of February 6, 2018, pursuant to the aforementioned terms, be only made as from January 1, 2019, reflecting the new rules included in CPC 06 (R2), which application will be mandatory for all publicly-held companies.

In accordance with the Company's assessment, the change in the accounting practice, pursuant to CVM's understanding expressed on the Collegiate Body's decision, adopted in the 5th Meeting held on February 6, 2018, would have a significant impact, since the rights resulting from the lease agreement that are considered as a fixed asset would be considered as intangible asset, and the lease installments that are considered operating lease, pursuant to the table below, disclosed in note 17.b) of the financial statements as of December 31, 2015, that should be brought to present value, would be considered intangible asset and current or long-term liability, as the case may be.

Agreements	2016	2017	2018	2019 - agreement termination	Total
Tecon Santos	34,248	34,248	34,248	990,325	1,093,069
Tecon Imbituba	2,893	2,893	2,893	41,472	50,151
General Load Terminal	50	50	50	671	821
Convicon	903	903	903	-	2,709
Vehicles Terminal	3,431	3,431	3,431	55,185	65,478
Total	41,525	41,525	41,525	1,087,653	1,212,228

Convicon Subsidiary

Beginning December 2017, leasehold improvements and cargo handling equipment, presented in note 12, as well as goodwill on acquisition of subsidiary Pará Empreendimentos, presented in note 13, had, for accounting purposes, their useful lives adjusted due to the extension of the lease agreement term (to September 18, 2033) of the subsidiary Convicon, by means of execution of the Eighth Addendum to the Lease Agreement 14/2003, published on November 16, 2017.

4. MAIN ACCOUNTING POLICIES

The accounting policies described in detail below have been consistently applied by the Company and its subsidiaries to all the years presented in these individual and consolidated financial statements.

a) Consolidation basis

Subsidiaries

The financial information of the subsidiaries is included in the consolidated financial statements as from the date the Company starts have control, until the date such control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

The financial information of the parent company is recognized under the equity method in the individual financial statements of the subsidiaries. The financial information of the subsidiaries on the same base date of submittal of the financial information is used to calculate equity in the earnings and consolidation.

Investments in entities are accounted for under the equity method

The Company's investments in entities accounted for at the equity method include interests in subsidiaries.

Transactions eliminated in the consolidation

The balances and transactions among the Company and its subsidiaries, and any unrealized income or expenses derived from transactions among these companies, are eliminated in the preparation of the consolidated financial statements.

Unrealized gains originating from transactions with investees recorded using the equity method are eliminated against the investment in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

b) Foreign currency

Transactions in foreign currency are translated into the respective functional currency of the Company and its subsidiaries at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the reporting date of financial statements are reconverted into the functional currency at the exchange rate determined on that dates. Exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the year, adjusted by interest and effective payments during the year, and the amortized cost in foreign currency at the exchange rate at the end of the presentation year.

c) Operating income

Service income is recognized in profit or loss as services are provided and is related, mainly, to quay, bonded warehouse and logistics operations. Quay operations refer basically to the loading and unloading of containers from vessels and are recognized in profit or loss as operations of each vessel is completed. Bonded warehouse operations are related to the storage of import or export loads. Storage revenue is recognized upon customs clearance and withdrawal of the imported cargo by the importing company or upon shipping the exported cargo into the vessel. Logistics operations refer mainly to the transport and storage in the Distribution Centers. Storage income is recognized in the income, semimonthly or monthly, according to the client agreement, and freight revenue is recognized when there is a delivery of stored goods.

d) Financial and equity instruments

Non-derivative financial assets and liabilities – recognition and derecognition

The Company and its subsidiaries recognize the loans and receivables on the date that they are originated. All other financial assets and liabilities are recognized on the date of the negotiation, which is the date that the Company and its subsidiaries become a party to the contractual provisions of the instrument.

The Company and its subsidiaries fail to recognize a financial asset when the contractual rights to the cash flows of the asset expire, or when the Company and its subsidiaries transfer the rights to reception of the contractual cash flows on a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained is recognized as a separate asset or liability. The Company and its subsidiaries derecognize a financial liability when its contractual obligations are discharged or canceled or expired.

Financial assets and liabilities are offset and the net value reported in the balance sheet only when the Company and its subsidiaries are legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Financial assets measured at fair value through profit or loss

A financial asset is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. The transaction costs are recognized in income (loss) as incurred. These assets are measured at fair value and changes in the fair value, including gains with interest and dividends, are recognized in the income (loss) for the year.

Loans and receivables

Such assets are initially measured at fair value plus any transaction costs directly assignable. After their initial recognition, loans and receivables are maintained at amortized cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise balances of cash and cash equivalents, banks checking account and interest earning bank deposits with original maturities of three months or less as of the contracting date, which are subject to an insignificant risk of change in fair value and are used by the Company and its subsidiaries to manage short-term obligations.

Non-derivative financial liabilities – Recognition, write-off and measuring

A financial liability is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. The transaction costs are recognized in income (loss) as incurred. Financial liabilities recorded at fair value through profit or loss are measured at fair value and changes in the fair value of such liabilities, including gains with interest and dividends, are recognized in the income for the year.

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

Derivative financial instruments

The Company and its subsidiaries maintain derivative financial instruments to hedge its exposure to foreign currency risk and interest rate.

Derivatives are initially measured at their fair value and any directly attributable transaction costs are recognized in income (loss) when incurred. After the initial recognition, derivatives are measured at fair value and changes are recorded in profit or loss.

Capital - Common shares

Common shares are classified as shareholders' equity. Additional costs directly attributable to the issue of shares are recognized as reduction in the shareholders’ equity.

The compulsory minimum dividends, as established in the By-laws, are recognized as liabilities.

Equity instruments

The repurchase of the Company's own equity instruments is recognized and directly deducted from equity. No gain or loss is recognized in the income (loss) from purchase, sale, issuance or cancellation of own equity instruments of the Company.

e) Adjustment to present value

Accounts subject to adjustment to present value are trade accounts receivable and trade accounts payable. They have not been stated at present value as maturities are in less than 60 days.

f) Inventories

Inventories are mainly represented by maintenance items, which are stated at the average cost that does not exceed the market value.

g) Investments

Investments in subsidiaries and affiliated companies and in other companies that are part of the same group or are under a common control are evaluated under the equity method in the individual financial statements.

h) Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses, when required.

Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment.

When parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the book value of Property, plant and equipment and are recognized net within "Other income" in the statement of income.

Subsequent costs

The replacement cost of a component of an item of property, plant and equipment is recognized in the book value of the item when it is probable that the future economic benefits embodied in the component will flow to the Company and its subsidiaries and cost can be reliably measured. The book value of the component that is replaced is written off. Costs of normal maintenance on property, plant and equipment are charged to the income (loss) as incurred.

Depreciation

It is recognized in the income statement using the straight-line method over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or the estimated useful life of the asset, unless it is reasonably certain that the ownership will be obtained at the end of the lease term.

The useful estimated lives for the current and comparative periods are shown in the note 12.

The depreciation methods, useful lives and residual values are reviewed at each year closing, and potential adjustments will be recognized as a change in accounting estimates.

i) Intangible assets and goodwill

Goodwill

Goodwill arising from the acquisition of subsidiaries is included in intangible assets in the financial statements.

Concession intangible assets are measured at cost and amortized over the concession term. The concession intangible assets are tested, net of impairment loss, if necessary.

The concession intangible assets are generated in the acquisitions of entities holding exploitation rights and amortized within the term of the agreement and the agreement renewal is not considered.

Public service concessions

The Company's branches and subsidiaries, Tecon Santos, Tecon Imbituba, TVS and Convicon, have concessions of public services under the lease agreements, as per notes 1 and 13. These branches and subsidiaries operate under a concession, however, their activities do not meet the requirements of the Technical Interpretations ICPC No. 1 and No. 17 - Concession Agreements (International Financial Reporting Interpretations Committee IFRIC No. 12), since the price of services rendered is not regulated and / or controlled by the Concession Grantor.

Other intangible assets

Other intangible assets acquired with defined useful lives are carried at cost, less accumulated amortization and accumulated impairment losses.

Subsequent expenses

They are capitalized only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are recognized in profit or loss as incurred.

Amortization

It is calculated over the cost of the asset, less its residual value.

Amortization is recognized in income (loss) on a straight-line basis over the estimated useful lives of the intangible assets, except for the goodwill with no defined useful life, as of the date they are available for use.

j) Leased assets

Leases of fixed assets that substantially transfer to the Company and its subsidiaries all ownership risks and benefits are classified as financial lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the balance sheet of the Company and its subsidiaries.

Lease payments

Payments for operating leasing are charged to income on the straight-line basis over the lease period. The incentives received are recognized as integral part of total lease expenses, over the lease period.

Minimum lease payments made under financial leasing are apportioned between financial expenses and reduction of the liability payable. Financial expenses are allocated in each period over the lease period in order to produce a continuous and periodic compounding interest rate over the remaining liability balance.

k) Impairment

Non-derivative financial assets

Financial assets not measured at fair value through profit or loss, including investments calculated under the equity method of accounting are assessed at each reporting date for objective evidence of impairment loss.

Objective evidences of financial assets' impairment include:

- debtor's default or delays;
- restructuring of an amount owed to the Group under conditions that would not be accepted in normal conditions;
- indications that the debtor or issuer will face bankruptcy/court-ordered reorganization;
- negative changes in payment situation of debtors or issuers;
- the disappearance of an active market for an instrument; or
- observable data indicating that expected cash flow measurement of a group of financial assets decreased.

Financial assets measured at amortized cost

The Company and its subsidiaries consider as evidence of impairment of assets measured by amortized cost both individually and on an aggregate basis. All individually significant receivables are assessed for impairment. Those identified as non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are assessed on an aggregate basis in relation to impairment by grouping the assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Company and its subsidiaries make use of historical trends of the recovery term and the amounts of losses incurred, adjusted to reflect the management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment is calculated as the difference between the asset's book value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in income and reflected in an account for allowance for losses. When the Company and its subsidiaries consider that there are no reasonable expectations of recovery, amounts are written-off. When a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

Investees calculated under the equity method

A loss by a reduction to recoverable value referring to an investee recognized under the equity method is measured by comparing the investment’s recoverable value to its book value. An impairment loss is recognized in the statement of income and is reversed if there has been a favorable change in the estimates used to determine the recoverable value.

Non-financial assets

The book values of non-financial assets of the Company and its subsidiaries, other than inventories and deferred income tax and social contribution assets are reviewed at each balance sheet date to determine if there is indication of impairment loss. If such indication exists, the asset's recoverable value is determined. For goodwill and intangible assets with an undefined useful life, the recoverable value is estimated on an annual basis.

The recoverable value of an asset or cash generating unit is the greater of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment as to the recoverability period of capital and specific risks of the asset or cash generating unit. An impairment loss is recognized when the book value or its CGU exceeds its recoverable value.

A loss of value is reversed if there has been a change in estimates used to determine the recoverable value. An impairment loss is reversed only with the condition that the book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

l) Employee benefits

Share-based payment transactions

The fair value of share-based payment agreements is recognized at the grant date, as personnel expenses, with a corresponding increase in shareholders' equity, over the period when employees become unconditionally entitled to the premiums. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and performance conditions will be met, so that the amount ultimately recognized as an expense is based on the number of awards meeting these performance conditions at vesting date.

For share-based payment awards with non-vesting conditions, the fair value at grant date of share-based payment is measured to reflect such conditions and no further adjustments are made for differences between expected and actual results.

Post-employment benefits

Post-employment benefits are recognized as an expense when is provenly committed, without the possibility of retraction, to a formal detailed plan to terminate the employment contract before the normal retirement date, or to provide employment termination benefits as a result of an offer made to encourage voluntary dismissals. Post-employment benefits arising from voluntary dismissals are recognized as an expense when it had made a voluntary dismissal offer, it is probable that the offer will be accepted, and the number of employees who will adhere to the program can be reliably estimated. Should the benefits be payable for more than twelve months from the reporting date of financial statements, they are discounted to their present values.

Short-term employee benefits

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

The liability is recognized at the expected amount to be paid under the cash-bonus or short-term profit share plans when the Company has a legal or constructive obligation to pay such amount as a result of the past service provided by an employee, and such obligation can be reliably estimated.

Defined contribution plan

The Company and its subsidiaries provide to its employees benefits that basically comprise a private pension plan with defined contribution administered by BrasilPrev, as note 5.e).

Supplementary health care

Health care expenses on retirement are recognized under the Projected Credit Unit approach based on an actuarial valuation performed annually at the reporting dates. Past service cost is recognized immediately on a straight-line basis over the average period until the benefits become vested.

Obligations relating to health care benefits recognized in the balance sheet represent the present value of the obligation with the benefits defined, adjusted for actuarial losses and gains and for the cost of past services, as mentioned in note 26.

m) Provisions

A provision is recognized when the Association has a legal or constituted obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

n) Financial income and expenses

Financial income mostly comprises income from interest on interest earning bank deposits, recognized in the income (loss), under the effective interest rate method.

Financial expenses include basically loan interest expenses. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

o) Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15%, plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carry forward and negative basis of social contribution limited to 30% of the annual taxable income.

Current tax is the expected tax payable or receivable on taxable profit or loss for the year at tax rates that have been enacted or substantially enacted by the end of the reporting period and any adjustment to taxes payable in relation to prior years.

Deferred taxes on tax losses, negative basis of social contribution and temporary differences are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. Deferred taxes are not accounted for on the following temporary differences: the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences related to investments in subsidiaries and controlled entities when it is probable that they will not be reversed in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred asset for income and social contribution taxes is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred income and social contribution tax assets are reviewed at each reporting date of financial statements and will be reduced when their realization is no longer probable.

p) Earnings per share

Basic earnings per share are calculated based on the income for the year attributable to the Company's controlling shareholders and the weighted average of outstanding common shares in the respective year. The diluted earnings per share are calculated based on the mentioned average of outstanding shares, adjusted by instruments that can potentially be converted into shares, with a dilution effect, in the years presented, pursuant to Technical Pronouncement CPC 41- Earnings per share and IAS 33 - Earnings per share.

q) Segment information

An operating segment is a component of the Company and its subsidiaries which engage in business activities from which it may earn income and incur expenses, including income and expenses relating to transactions with other components. All operating income of the operating segments are frequently reviewed, jointly with the managers and reported to the Statutory Board; thus, are presented in Board of Directors' meetings for decisions regarding the resources to be allocated to the segment to be taken and to assess their performance, for which individual financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The unallocated items include mostly the institutional assets (mainly the Company's head office) and income and social contribution tax assets and liabilities.

r) Statements of cash flows

The Company has elected to classify interest paid and received as cash flow from financing activity, and dividends and interest on own capital received as cash flow from investing activity, an option provided for in technical pronouncement CPC 03 (R2) - Statement of Cash Flows.

s) Statements of added value

The Company prepared individual and consolidated statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements under BRGAAP applicable to publicly-held companies, whereas under IFRSs they represent additional financial information.

t) New standards and interpretations not yet adopted

Several new standards or amendments to standards and interpretations will become effective for the years started after January 1, 2018. The Company and its subsidiaries did not adopt these changes in the preparation of these financial statements. The Company and its subsidiaries do not plan to adopt these standards in advance.

CPC 48 / IFRS 9 - Financial instruments

CPC 48 / IFRS 9 Financial Instruments establish requirements to recognize and measure financial assets, financial liabilities and some contracts for the purchase or sale of non-financial items. This standard replaces CPC 38 / IAS 39 – Financial instruments: Recognition and measurement.

CPC 48 / IFRS 9 contains three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income - FVTOCI and at fair value through profit or loss - FVTPL. The standard eliminates the categories existing in IAS 39 of held-to-maturity, loans and receivables, and available for sale.

Based on its valuation, the Company and its subsidiaries do not consider that the new classification requirements will have a significant impact on the accounting of accounts receivable, loans, investments in debt securities and investments in equity securities which are measured at fair value.

Based on its valuation, the Company does consider that the new classification requirements will have a significant impact in Company.

IFRS 9 replaces the “incurred losses” model of CPC 38 / IAS 39 with a prospective “expected credit losses” model. This will require a relevant judgment as to about changes in economic factors affect the expected credit losses, which will be determined based on weighted probabilities.

According to CPC 48 / IFRS 9, the provisions for expected losses will be measured on one of the following bases:

- Expected credit losses for 12 months, i.e., credit losses that result from potential delinquency events within 12 months after the base date; and

- Lifetime expected credit losses, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

The Company believes that impairment losses should increase and become more volatile for assets under the model of CPC 48 / IFRS 9, specially for Bonded Warehouses (BWs), since they will be considered for purposes of allowance for doubtful accounts, and also, securities Overdue or Falling Due up to 90 days.

CPC 47 / IFRS 15 - Income from contract with clients

IFRS 15 introduces a comprehensive framework for determining whether and when income is recognized, and how income is measured. IFRS 15 replaces the current standards for income recognition, including CPC 30 (IAS 18) Income among others.

IFRS 15 / CPC 47 establishes a five-phase model for accounting revenues arising from agreements with customers, so that a revenue is recognized at an amount that reflects the consideration the entity expects to be entitled to in exchange for the transfer of goods or services to the client.

The five steps are: 1) Identify contracts with client; 2) Identify performance obligations of the contract; 3) Determine transaction price; 4) Allocate transaction price to performance contract obligations; and 5) Recognize revenue when (or as) the entity complies with each performance obligations.

IFRS 15 becomes effective for annual periods starting on or after January 1, 2018. Early adoption is permitted only for financial statements in accordance with IFRS.

So far, based on its assessment, the Company and its subsidiaries have not identified significant impacts as compared with current revenue standards (CPC 30 / IAS 18) regarding the recognition of service revenue, be them of quay, storage or transportation. However, it is expected that the notes to Financial Statements will be expanded.

The Company and its subsidiaries did not adopt such standard in advance. The Company's Management assessed the rule and its impacts and understands that the application of this pronouncement will not give rise to a significant impact on its financial statements, either in the result for the year or in shareholders' equity.

CPC 06 (R2) / IFRS 16 Leases

IFRS 16 / CPC 06 (R2) introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

The standard is effective in years starting on or after January 1, 2019.

The Company and its subsidiaries intend to apply IFRS 16 / CPC 06 (R2) initially using the modified retrospective approach. Therefore, cumulative effect of adopting IFRS 16 / CPC 06 (R2) will be recognized as an adjustment to accumulated income opening balance on January 1, 2019, without updating comparative information.

The Company and its subsidiaries are not obliged to make adjustments for one-lessor leases, except when it refers to an intermediary lessor in a sublease.

Pursuant to Management's preliminary evaluation, this standard will bring a significant impact, once that lease installments of concession are considered as an operating lease, as note 17. Nevertheless, the Company cannot provide a reasonable estimate of that effect until carrying out a detailed review at the time of actual adoption.

Other changes

The following changed standards and interpretations should not have a significant impact on the financial statements of the Company and its subsidiaries.

- Cycle of annual improvements for IFRS 2014-2016 – Amendments to IFRS 1 and IAS 28;

- Amendments to CPC 10 (IFRS 2) - Share-based payment concerning the classification and measurement of certain transactions with share-based payment.

- Transfers of Investment Property (Amendments to CPC 28 / IAS 40).

- Amendments to CPC 36 (IFRS 10) - Consolidated Financial Statements - and to CPC 18 (IAS 28) - Investments in an associated company in relation to sales or tax contributions between an investor and its associated company or joint venture;

- ICPC 21 / IFRIC 22 - Foreign-currency transactions and advance.

- IFRIC 23 - Uncertainty related to Income Tax Treatments.

5. RELATED PARTY TRANSACTIONS

a) Dividends receivable – parent company

	12.31.2017	12.31.2016
Current assets:		
Dividends receivable:		
Terminal de Veículos de Santos S.A.	2,157	1,758
Total	2,157	1,758

b) Other significant balances

	Parent company		Consolidated (*)	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Current assets:				
Trade accounts receivable (I)	354	202	2,695	2,646
Checking accounts (II)	765	879	765	879
	1,119	1,081	3,460	3,525
Current liabilities:				
Suppliers	2,341	2,444	2,695	2,646
Checking accounts (II)	-	-	765	879
	2,341	2,444	3,460	3,525

(*) Values eliminated in the consolidation

(I) The Company and its subsidiaries provide port and transportation services to each other, as explained in note 5.c);

(II) Refer to provision of expenses with shared administrative services provided by the Company to its subsidiaries.

c) Rendering of port service

Operating branch Tecon Santos provided, in the period from January to December 2017, port services to the subsidiary Santos Brasil Logística concerning: (i) immediate delivery of containers, in the amount of R$479 (R$604 on December 31, 2016), related to 2,580 containers handled (3,605 containers on December 31, 2016) and (ii) non-invasive inspection of containers, in the amount of R$285 (R$802 on December 31, 2016), related to 1,552 containers (4,973 containers on December 31, 2016). As of December 31, 2017, out of these outstanding services, the amount of R$354.

In the same period, subsidiary Santos Brasil Logística provided the operational branch Tecon Santos with: (i) container transportation services, in the amount of R$13,299 (R$14,048 as of December 31, 2016), referring to 17,255 containers (18,360 containers as of December 31, 2016); and (ii) cargo agency services, in the amount of R$5 (R$8 as of December 31, 2016), referring to 192 containers (306 containers as of December 31, 2016). As of December 31, 2017, out of these outstanding services, the amount of R$2,341.

d) Remuneration of key personnel

	Parent company		Parent company	
	12.31.2017		12.31.2016	
	Board of Directors	Executive Board	Board of Directors	Executive Board
Short-term benefits	1,573	12,109	2,185	12,523
Other benefits	-	571	-	469
Stock option plan / Share-based incentive plan	-	3,827	-	4,166
Total	1,573	16,507	2,185	17,158

	Consolidated		Consolidated	
	12.31.2017		12.31.2016	
	Board of Directors	Executive Board	Board of Directors	Executive Board
Short-term benefits	1,595	12,584	2,207	12,909
Other benefits	-	571	-	469
Stock option plan / Share-based incentive plan	-	3,449	-	4,186
Total	1,595	16,604	2,207	17,564

At the Annual Shareholders' Meeting held on April 19, 2017, the annual remuneration of the members of Company's Board of Directors, Tax Council and Executive Board was approved up to R$23,350, including salary, benefits, variable remuneration and Contribution for Social Security Funding.

In 2017, two incentive plans have been adopted, both linked to the shares, named Performance Share and Matching of Shares, pursuant to note 23.b).

Statutory directors and other directors are included in the executive board's amounts.

Certain directors are signatories to the Confidentiality and non-Competition Agreement, approved by the Board of Directors. Upon termination, no benefits and obligations set out in this agreement.

Directors have 0.18% of the Company's voting shares.

e) Benefits to collaborators - Consolidated

The Company and its subsidiaries provide their employees with benefits including basically private pension plan with defined contribution managed by Brasilprev, life insurance, health insurance, basic food basket, food stamps, meal voucher and ready meals. On December 31, 2017, benefits above totaled the expense of R$49,401 (R$49,614 as of December 31, 2016), corresponding to 5.99% and 5.98% of consolidated net income, respectively.

Operating branch Tecon Santos and subsidiaries Santos Brasil Logística and Vehicles Terminal include the Profit Sharing Plan - PPR in its human resources policies, and all employees with formal employment relationship not included in any other variable remuneration program offered by those companies are eligible. The goals and criteria for distribution of funds and awards are agreed to between the parties, including unions representing employees, with the goals of increased productivity, competitiveness and motivation and engagement among participants. As of December 31, 2017, only operating branch Tecon Santos and subsidiaries Santos Brasil Logística and Vehicles Terminal had recorded a provision of R$4,705 (R$4,510 as of December 31, 2016).

f) Sureties and guarantees

The Company has guaranteed certain obligations of its subsidiaries as follows:

- Surety for the acquisition of semi-trailers to Santos Brasil Logística, in the amount of R$725;
- Surety for the acquisition of trucks to Convicon, in the amount of R$361.

6. CASH AND CASH EQUIVALENTS AND TYPE OF INTEREST EARNING BANK DEPOSITS

a) Cash and cash equivalents

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Cash and balance in banks	27,463	22,597	29,093	27,840
Interest earning bank deposits	193,999	90,809	241,638	164,717
Total	221,462	113,406	270,731	192,557

b) Nature of interest earning bank deposits

	Average rates - % CDI	Maturity	Parent company 12.31.2017	Parent company 12.31.2016
Investments held for trading:				
Investment funds	99.51	Undetermined	173,251	90,809
Lease bills - LAM	100.00	03.21.2018	20,748	-
Total			193,999	90,809

	Average rates - % CDI	Maturity	Consolidated 12.31.2017	Consolidated 12.31.2016
Investments held for trading:				
Investment funds (*)	100.08	Undetermined	220,890	164,717
Lease bills - LAM	100.00	03.21.2018	20,748	-
Total			241,638	164,717

(*) Non-exclusive fund

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

Average investment rates presented above refer to remunerations obtained in the period from January to December 2017 and are related to the CDI (Interbank Deposit Certificate) rate.

7. TRADE ACCOUNTS RECEIVABLE

Current

	Parent company 12.31.2017	Parent company 12.31.2016
Domestic	66,232	66,167
Related parties (note 5.b))	354	202
(-) Allowance for doubtful accounts	(12,233)	(13,133)
Total	54,353	53,236

	Consolidated 12.31.2017	Consolidated 12.31.2016
Domestic	110,195	101,794
(-) Allowance for doubtful accounts	(13,943)	(15,795)
Total	96,252	85,999

On December 31, 2017, three clients have balance between 5% and 6% each.

As of December 31, 2017, the amount of R$2,695 (R$2,646 as of December 31, 2016) was eliminated for consolidation purposes; such amount refers to amounts receivable between the Company and its subsidiaries and derives from billing of service rendering and shared administrative services, as explained in note 5.b).

The table below summarizes the balances receivable by maturity:

	Parent company	
	12.31.2017	12.31.2016
Credits falling due:	40,026	33,553
Past due receivables - up to 60 days	11,079	15,243
Past due receivables - from 61–90 days	3,248	4,440
Past due receivables - from 91–180 days	2,494	2,964
Past due receivables - from 181–360 days	2,366	2,548
Past due receivables for more than 361days	7,373	7,621
Total	66,586	66,369

	Consolidated	
	12.31.2017	12.31.2016
Credits falling due	73,358	56,212
Past due receivables - up to 60 days	18,639	24,995
Past due receivables - from 61–90 days	4,255	4,792
Past due receivables - from 91–180 days	2,827	3,587
Past due receivables - from 181–360 days	2,763	3,326
Past due receivables for more than 361days	8,353	8,882
Total	110,195	101,794

Impairment

The allowance for doubtful accounts is formed based on amounts overdue for more than 90 days.

Compared to December 31, 2016, we note a decrease in the allowance for doubtful accounts in the amount of R$900 in the parent company and R$1,852 in the consolidated.

In the period ended December 31, 2017, securities were written off directly to the result in the amount of R$9,436 in the parent company and R$9,812 in the consolidated. The total effect on the result for the quarter was R$8,536 in the parent company and R$7,960 in the consolidated.

8. INVENTORIES

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Maintenance material	18,001	18,703	20,907	21,432
Administrative material	266	283	386	400
Security material	209	230	407	408
Other	837	783	1,037	947
	19,313	19,999	22,737	23,187

Materials maintained in inventory are used mainly for maintenance of operating equipment and are recognized in income for the year, when used.

9. COURT-ORDERED DEBT PAYMENTS ("PRECATÓRIOS) - CONSOLIDATED

	12.31.2017	12.31.2016
Non-current assets:		
Court-ordered debt payments receivable	5,236	5,136
Non-current liabilities:		
Court-ordered debt payments to pass on to the former shareholders, net of attorney's fees (*)	4,189	4,109

(*) These court-ordered debt payments are classified in the balance sheet under "Other liabilities", in non-current liabilities.

In 1993, subsidiary Santos Brasil Logística filed a collection lawsuit referring to storage services provided to and not paid by the São Paulo State Financial Department. In 2001, said lawsuit was finally judged valid to be received in ten annual installments and, on December 31, 2017, only one installment remained to be received, adjusted to inflation according to legal debt adjustment rate of the São Paulo State Court of Justice and recognized in assets.

In the period ended December 31, 2017, the non-current liability amount was adjusted principally considering the inflation adjustment mentioned in the paragraph above. Purchase agreement of Santos Brasil Logística sets forth that the amounts from the court-ordered debt payments received shall be transferred to the former controlling shareholders. These amounts are transferred net of legal fees associated with them.

10. CURRENT TAX ASSETS

	Parent company	
	12.31.2017	12.31.2016
Withholding income tax – IRRF	1,291	330
Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL)	1,608	1,656
Credit recoverable from Fund for Development and Management of Collection and Inspection - FUNDAF	3,612	-
Other	17	24
Total current	6,528	2,010

	Consolidated	
	12.31.2017	12.31.2016
Withholding income tax – IRRF	1,617	1,227
Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL)	1,608	1,929
Credits of Social integration program / contribution for the financing of social security - PIS / COFINS	700	2,704
Credit recoverable from Fund for Development and Management of Collection and Inspection - FUNDAF	3,612	-
Other	295	708
Total current	7,832	6,568

Consolidated withholding income tax (IRRF) credits, in the amount of R$1,617 (R$1,227 as of December 31, 2016) were from financial investments.

Consolidated corporate income (IRPJ) and social contribution taxes on net income (CSLL) credits in the amount of R$1,608 (R$1,929 as of December 31, 2016) referred to the Company and derived from payments made in prior years as advances in monthly calculations. These credits will be offset in the calculation for the year.

Consolidated PIS and COFINS credits, in the amount of R$700 (R$2,704 as of December 31, 2016), referred mainly to subsidiary Vehicles Terminal and derive from credit on amortization of that Company’s exploration rights. These credits are being offset in monthly calculations of contributions themselves.

The consolidated credits from FUNDAF, in the amount of R$3,612, referred to the Company, derived from payments made in the period from December 1997 to November 2016, in connection with the unconstitutionality of collection from the port terminals.

11. INVESTMENTS - PARENT COMPANY

a) Composition of balances

	12.31.2017	12.31.2016
Non-current assets:		
Interest in subsidiaries	362,894	400,357

b) Changes in balances - as from December 31, 2016

	Numeral 80 Participações S.A.	Terminal Portuário de Veículos S.A.	Pará Empreendimentos Financeiros S.A. (Consolidated)	Santos Brasil Logística S.A.	Terminal de Veículos de Santos S.A.	Total
Balance at December 31, 2016	58	8	12,039	144,298	243,954	400,357
Capital contribution (decrease)	160	30	100	-	(72,300)	(72,010)
Equity in net income of subsidiaries	(194)	(31)	36,803	(3,331)	9,083	42,330
Additional dividend as Annual Shareholder's Meeting on April 28, 2017	-	-	-	-	(5,275)	(5,275)
Minimum compulsory dividends					(2,157)	(2,157)
Stock option Program	-	-	(12)	2	-	(10)
Actuarial liability	-	-	(89)	(245)	(7)	(341)
Balance at December 31, 2017	24	7	48,841	140,724	173,298	362,894

c) Changes in balances - as from December 31, 2015

	Numeral 80 Participações S.A.	Terminal Portuário de Veículos S.A.	Pará Empreendimentos Financeiros S.A. (Consolidated)	Santos Brasil Logística S.A.	Terminal de Veículos de Santos S.A.	Total
Balance at December 31, 2015	(2)	5	12,667	163,783	248,551	425,004
Capital contribution	180	30	120	-	-	330
Equity in net income of subsidiaries	(120)	(27)	(791)	(16,145)	7,404	(9,679)
Additional dividend as Annual Shareholder's Meeting on April 15, 2016	-	-	-	(3,066)	(10,251)	(13,317)
Minimum compulsory dividends	-	-	-	-	(1,759)	(1,759)
Stock option Program	-	-	26	20	-	46
Actuarial liability	-	-	17	(294)	9	(268)
Balance at December 31, 2016	58	8	12,039	144,298	243,954	400,357

d) Information of the subsidiaries - Position as of December 31, 2017

	Numeral 80 Participações S.A.	Terminal Portuário de Veículos S.A.	Pará Empreendimentos Financeiros S.A. (Consolidated)	Santos Brasil Logística S.A.	Terminal de Veículos de Santos S.A.
Capital	870	380	84,234	126,374	128,751
Number of shares held:					
Common	600,474	379,999	84,234,349	115,935,256	204,269,217
Preferred	269,526	-	-	115,935,255	-
(Loss) income for the year	(194)	(31)	36,803	(3,331)	9,083
Shareholders’ equity	24	7	48,841	140,724	173,298
Interest in capital - %	100	100	100	100	100
Interest in the shareholders' equity	24	7	48,841	140,724	173,298
Current assets	23	7	37,417	38,892	24,330
Non-current assets	1	-	24,927	162,155	157,528
Total assets	24	7	62,344	201,047	181,858
Current liabilities	-	-	10,373	36,625	8,419
Non-current liabilities	-	-	3,130	23,698	141
Total liabilities	-	-	13,503	60,323	8,560
Net income	-	-	80,711	196,535	53,399
(Loss) income for the year	(194)	(31)	36,803	(3,331)	9,083

12. PROPERTY, PLANT AND EQUIPMENT

		Parent company			
	Annual rate of depreciation - %	Cost	Accumulated depreciation	Net value 12.31.2017	Net value 12.31.2016
Leasehold improvements	4.1	866,628	(364,060)	502,568	524,789
Cargo moving equipment	8.3	531,444	(373,418)	158,026	175,349
Construction in progress (*)	-	13,136	-	13,136	17,211
IT equipment	20	39,048	(33,668)	5,380	7,820
Land	-	39,943	-	39,943	39,086
Machinery, equipment and accessories	10	26,947	(17,557)	9,390	11,747
Facilities, furniture and fixtures	10	9,431	(7,296)	2,135	2,655
Vehicles	20	2,518	(2,335)	183	343
Real estate	1.7	1,955	(28)	1,927	-
Other items	10	251	(223)	28	38
Total		1,531,301	(798,585)	732,716	779,038

		Consolidated			
	Annual rate of depreciation - %	Cost	Accumulated depreciation	Net value 12.31.2017	Net value 12.31.2016
Leasehold improvements	4.1 – 15.6	900,218	(387,762)	512,456	533,172
Cargo moving equipment	8.3 – 12.4	629,645	(437,202)	192,443	219,304
Construction in progress (*)	-	15,735	-	15,735	26,536
IT equipment	20	47,871	(41,676)	6,195	9,216
Land	-	66,369	-	66,369	65,511
Machinery, equipment and accessories	10	43,881	(29,085)	14,796	18,774
Facilities, furniture and fixtures	10	57,351	(32,702)	24,649	27,070
Vehicles	20	2,734	(2,547)	187	359
Real estate	1.7 – 2.2	27,135	(6,112)	21,023	19,603
Other items	10	636	(593)	43	71
Total		1,791,575	(937,679)	853,896	919,616

Changes in property, plant and equipment are shown in the table below:

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Net opening balances	779,038	820,079	919,616	981,261
Additions/transfers:				
Leasehold improvements	5,570	2,845	11,028	3,791
Cargo moving equipment	-	1,514	199	10,081
Construction in progress (*)	(4,074)	4,359	(10,047)	(2,921)
IT equipment	677	1,727	768	2,069
Land	857	-	857	-
Machinery, equipment and accessories	-	599	84	624
Facilities, furniture and fixtures	63	292	2,283	715
Vehicles	-	76	-	76
Real estate	1,955	-	1,955	-
Other items	-	-	4	-
Total additions/transfers	5,048	11,412	7,131	14,435
Write-offs	(488)	(497)	(1,046)	(1,779)
Reclassifications	-	(3)	(41)	(9)
Depreciations	(50,882)	(51,953)	(71,764)	(74,292)
Closing net balances	732,716	779,038	853,896	919,616

(*) Amount added to the construction in progress caption is net of transfers, upon entry of assets into the groups that represent them.

As of December 31, 2017, there were no costs with consolidated and capitalized loans and financing. On December 31, 2016, we had R$72, with average interest rate of 3.8%, related to financing directly attributable to this property, plant equipment.

The Company and its subsidiaries have equipment that were pledged as collateral to the borrowings of the respective acquisitions (Fund to Finance Industrial Machinery and Equipment Acquisition - FINAME and Import Financing - FINIMP). The cost value of these assets was R$36,827. In addition to these guarantees, the Company also has a Rubber Tyred Gantry - RTG pledged in guarantee of ongoing labor lawsuit no. 369/03 which, on December 31, 2017, had the book value of R$832.

Operating assets are submitted to impairment test as note 13.d).

13. INTANGIBLE ASSETS

		Parent company			
	Annual rate of amortization - %	Cost	Accumulated amortization	Net value 12.31.2017	Net value 12.31.2016
Defined useful life:					
Rights to exploit: (a)					
Tecon Santos	3.1	129,791	(95,187)	34,604	35,760
Tecon Imbituba	4	91,061	(43,454)	47,607	50,707
General Load Terminal	4	7,395	(3,124)	4,271	4,571
Goodwill in acquisitions: (b)					
Santos-Brasil S.A. shares	3.1	321,264	(246,894)	74,370	76,856
Pará Empreendimentos	9.5	37,760	(35,051)	2,709	6,052
General Load Terminal	4.4	18,983	(7,118)	11,865	12,694
Software:					
Data processing systems	20	22,113	(21,750)	363	615
Other intangible assets:					
Development systems	-	75	-	75	-
Total		628,442	(452,578)	175,864	187,255

		Consolidated			
	Annual rate of amortization - %	Cost	Accumulated amortization	Net value 12.31.2017	Net value 12.31.2016
Defined useful life:					
Rights to exploit: (a)					
Tecon Santos	3.1	129,791	(95,187)	34,604	35,760
Tecon Imbituba	4	91,061	(43,454)	47,607	50,707
General Load Terminal	4	7,395	(3,124)	4,271	4,571
Terminal de Exportação de Veículos	4	223,493	(71,517)	151,976	160,915
Goodwill in acquisitions: (b)					
Shares of Santos-Brasil S.A.	3.1	321,264	(246,894)	74,370	76,856
Pará Empreendimentos	9.5	37,760	(35,052)	2,708	6,052
General Load Terminal	4.4	18,983	(7,118)	11,865	12,694
Software:					
System data processing	20	31,038	(30,392)	646	1,145
Other intangible assets:					
Development systems	-	75	-	75	-
		860,860	(532,738)	328,122	348,700
Undefined useful life: (c)					
Goodwill in acquisitions:					
Santos Brasil Logística (*)	-	47,576	(8,111)	39,465	39,465
		47,576	(8,111)	39,465	39,465
Total		908,436	(540,849)	367,587	388,165

(*) Accumulated amortization up to December 31, 2008.

Changes in intangible assets are shown in the table below:

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Net opening balances	187,255	199,641	388,165	409,879
Additions/transfers:				
Software	109	1	109	7
Other intangible assets	74	-	74	-
	183	1	183	7
Reclassifications	-	4	41	9
Amortization	(11,574)	(12,391)	(20,802)	(21,730)
Closing net balances	175,864	187,255	367,587	388,165

(a) Rights to exploit

Exploration rights refer to the installments composing the amounts paid for the commercial exploitation of the following port facilities, Tecon 1 Santos, from November 29, 1997 (note 1.a), Tecon Imbituba, from April 7, 2008 (note 1.b) and General Load Terminal Imbituba, from February 13, 2006 (note 1.b) and are amortized within the term of their respective lease agreements.

As per note 1.d, subsidiary TVS, was declared to be the winner of the bid of TEV and, at the execution of the agreement, made the initial payment of R$133,495, plus the bid costs amounting to R$4,711, and made the final payment on January 4, 2010 in the amount of R$85,287, assuming on that same date the operations of TEV through the Deed of Delivery Receipt of the Area.

(b) Goodwill on acquisitions - with definite useful life

In 2006, former shareholders of subsidiary Santos-Brasil granted options to purchase its shares, which were exercised by third parties, with a goodwill of R$321,264. In the same year, the subsidiary Santos-Brasil at the time proceeded to reverse merger of those companies acquiring purchase options, including said goodwill which was amortized up to December 31, 2008 based on its tax use in five years, according to applicable law. From January 1, 2009, according to technical guidance OCPC 2 - Clarifications on the Financial Statements of 2008, the goodwill based on expected future profitability for the term of the lease agreement of Tecon 1 Santos (note 1.a) was considered with a definite useful life and its amortization will follow the residual term of the lease agreement.

The acquisition of Convicon was executed on April 9, 2008 - through its subsidiary Nara Valley - for the amount of R$45,000, which compared to the net book equity on the acquisition date, generated a goodwill of R$37,760. This transaction took place through the acquisition of 75% of the shares representing the capital of Pará Empreendimentos Financeiros S.A., which holds 100% of the shares representing the capital stock of Convicon.

The economic basis of goodwill on the acquisition of Convicon is the expectation of future profitability during the term of the lease agreement of Vila do Conde Container Terminal (note 1.e)) and is being amortized over the remaining term of the agreement.

The acquisition of 100% of the common shares representing the capital of the Union, at the time, leaseholder of General Cargo Terminal of Imbituba - through the subsidiary Tremarctos Participações S.A., was agreed by the amount of R$25,000, generating a goodwill of R$18,983.

The economic basis of goodwill on the acquisition of General Cargo Terminal is the expectation of future profitability for the duration of the lease agreement of terminal abovementioned and is being amortized over the remaining term of the agreement.

(c) Goodwill on acquisitions - with indefinite useful life

The acquisition of Santos Brasil Logística, formerly named Mesquita, (note 1.c) was executed on November 1, 2007, for the amount of R$95,000, which compared to the net book equity, generated a goodwill of R$47,575.

he economic basis of goodwill on the acquisition of Santos Brasil Logística is the expectation of future profitability and, until December 31, 2008, was amortized based on their tax use in 5 years, pursuant to the applicable laws. From January 1, 2009, its amortization was ceased due to the fact that related operations do not have any definite term; however, its recovery is tested annually and when necessary a provision is recorded.

For purposes of impairment test, goodwill was allocated to the segment of the logistics business - Santos Brasil Logística, since it corresponds to the lowest level of the cash generating unit. The goodwill is followed for purposes of the internal Management, never above the Company's operating segments.

As of December 31, 2017 the recovery was tested, based on present value of expected future cash flows (value in use) of CGU, considering the annual budget for the year of 2018 and a long term planning up to 2027, prepared for the subsidiary Santos Brasil Logística, which represents the logistics business segment with the following most relevant assumptions:

- Volume growth of customs warehousing following the market growth, until reaching the installed capacity;

	2018	2019	2020	2021	2022*
Growth rate for the next 5 years:	20.1%	3.4%	3.4%	3.4%	4.0%

* In 2022, the storage volume will reach the installed capacity, and therefore it will no longer be possible to apply the growth rate.

- Volume growth in the business of Distribution Centers and Transportation;

- Obtaining gains of scale in the increase of fixed costs.

- Discount actual rate applied in the concept of discounted cash flow, and having *Earnings Before Interest, Taxes, Depreciation and Amortization* - EBITDA (LAJIDA) as inflow of funds and value in use of fixed and intangible assets as outflow.

- On the base date at December 31, 2017, the amount of operating assets was recorded, in which net value of goodwill is included.

	12.31.2017	12.31.2016
Discount rate:	9.34%	8.43%
Growth rate in perpetuity:	0.00%	5.00%

The discount rate was estimated after the taxes, using the historical weighted average rate of capital cost of the CGU operates.

The cash flow projections included specific estimates for five years and a perpetuity growth rate after this period. Growth rate at perpetuity was determined based on estimated annual rate comprised of long-term EBITDA growth, which Management believes to be consistent with assumptions a market member would use.

The estimated recoverable value of logistic unit is higher than the value of operating assets as of December 31, 2017, in which goodwill is included. Based on the assumptions adopted/used in the calculation, the Management does not estimate any impact in recoverable value.

(d) Loss for devaluation of assets

As of December 31, 2017 the recovery was tested, in Tecon Imbituba CGU, based on present value of expected future cash flows (value in use) of CGU, considering the annual budget for the year of 2018 and a long term planning up to 2033, prepared for the operating branch Tecon Imbituba, with the following most relevant assumptions:

- Volume growth of quay and customs warehousing operations following the market growth, until reaching the installed capacity;

	2018	2019	2020	2021	2022
Growth rate for the next 5 years:	89.4%	161.8%	46.5%	0.0%	0.0%

- Obtaining gains of scale in the increase of fixed costs.
- Discount actual rate applied in the concept of discounted cash flow, and having *Earnings Before Interest, Taxes, Depreciation and Amortization* - EBITDA as inflow of funds and value in use of fixed and intangible assets as outflow.
- On the base date at December 31, 2017, the amount of operating assets was recorded, in which net value of exploration right is included.

	12.31.2017	12.31.2016
Discount rate:	9.34%	8.85%
Growth rate in perpetuity:	0.00%	0.00%

The discount rate was estimated after the taxes, using the historical weighted average rate of capital cost of the CGU operates.

The cash flow projections included specific estimates for five years and a perpetuity growth rate after this period. Growth rate at perpetuity was determined based on estimated annual rate comprised of long-term EBITDA growth, which Management believes to be consistent with assumptions a market member would use.

As of December 31, 2015, the estimated recoverable in the operating branch Tecon Imbituba was lower than R$30,639 at the value of operating assets of R$412,076, in which the exploration right is included. As of December 31, 2016 and 2017, the estimated recoverable value in the operating branch Tecon Imbituba was higher than the value of operating assets in which the exploration right is included, net of the adjustment made in 2015. Based on the assumptions adopted/used in the calculation, the Management does not estimate any impact in recoverable value.

As of December 31, 2017, other CGU's, Tecon Santos, TVS and Convicon were also tested, based on the same calculation methodology presented previously, and the result was that estimated recoverable value is higher than these assets' value.

14. LOANS AND FINANCING

	Interest	Monetary connections	Amortization	Parent company 12.31.2017	Parent company 12.31.2016	Transaction currency
Local currency:						
FINAME	4% p.a. to 6% p.a.	URTJLP	Monthly	397	562	R$
NCE	1.29% p.a. to 2% p.a.	CDI	Semi-annual	163,828	55,589	R$
				164,225	56,151	
Foreign currency:						
FINIMP	LIBOR +3.48% p.a. to 4.65% p.a.	Foreign exchange variation	Semi-annual	1,703	14,320	US$
				1,703	14,320	
Total				165,928	70,471	
(-) Short term installments				(105,982)	(68,415)	
Long term installments				59,946	2,056	

	Interest	Monetary connections	Amortization	Consolidated 12.31.2017	Consolidated 12.31.2016	Transaction currency
Local currency:						
FINAME	3% p.a. to 6% p.a.	URTJLP	Monthly	2,537	6,495	R$
NCE	1.29% p.a. to 2% p.a.	CDI	Semi-annual	163,828	55,589	R$
Working capital	113% CDI	CDI	Monthly	-	572	R$
				166,365	62,656	
Foreign currency:						
FINIMP	LIBOR +2.80% p.a. to 4.72%p.a.	Foreign exchange variation	Semi-annual	4,661	19,936	US$
FINIMP	EURIBOR +2.50% p.a.	Foreign exchange variation	Semi-annual	2,574	4,759	€
				7,235	24,695	
Total				173,600	87,351	
(-) Short term installments				(112,544)	(78,056)	
Long term installments				61,056	9,295	

Loans and financing in foreign currency have increased the interest of the Income Tax Withholding on consignment as contractual provision.

Changes in loans and financing are shown in the following table:

	Parent company	Consolidated
Balance at December 31, 2016	70,471	87,351
Funding	160,000	160,000
(-) Funding cost	(514)	(514)
Net value raised	159,486	159,486
Recognized interest and costs	13,025	13,582
Inflation adjustment and exchange rate change	(158)	192
(-) Debt amortization	(58,804)	(68,304)
(-) Interest paid	(18,092)	(18,707)
Balance at December 31, 2017	165,928	173,600

Loans and financing do not have restrictive clauses (covenants).

Guarantees

- Guarantees granted

	Maturity	Currency	Guarantees
FINAME	June 2021	R$	Equipment object of transaction (a)
FINIMP	April 2019	US$/€	Equipment object of transaction (a)
NCE - Banco Safra	November 2018	R$	Receivables limited to 33.33% of debt balance

(a) As note 12.

Other loans and financing do not have guarantees.

- Obtained guarantees

  On the base date of December 31, 2017, the Company did not have any guarantee from outstanding transactions or any other existing operation.

On December 31, 2017, the long-term debt had the following maturity structure:

	Parent company			
	2019	2020	2021	Total
NCE	39,838	19,918	-	59,756
FINAME	76	76	38	190
Total	39,914	19,994	38	59,946

	Consolidated			
	2019	2020	2021	Total
NCE	39,838	19,918	-	59,756
FINAME	475	76	38	589
FINIMP	711	-	-	711
Total	41,024	19,994	38	61,056

15. DEBENTURES

	Interest	Monetary connections	Amortization	Parent company and Consolidated 12.31.2017	12.31.2016
Debentures 2014:	2.00% p.a.	CDI	Semi-annual	-	20,869
Debentures 2015:	2.40% p.a.	CDI	Semi-annual	59,498	121,614
Total				59,498	142,483
(-) Short term installments				(59,498)	(85,358)
Long term installments				-	57,125

Changes in debentures are shown in the following table:

	Parent company and Consolidated
Balance at December 31, 2016	142,483
Funding	-
(-) Funding cost	(31)
Net value raised	(31)
Recognized interest and costs	10,975
Inflation adjustment and exchange rate change	-
(-) Debt amortization	(77,500)
(-) Interest paid	(16,429)
Balance at December 31, 2017	59,498

On March 14, 2014, the Board of Directors approved the proposal for raising funds for the Company through the issuance of simple debentures non-convertible into shares. The debentures were publicly offered with restricted placement efforts, pursuant to Law No. 6,385, of December 7, 1976, of CVM Instruction 476, of January 16, 2009 and other legal and regulatory provisions. With the transaction settled on April 2, 2014, funds were raised in the amount of R$100,000 intended to strengthen the Company's working capital, with interests corresponding to 100% of CDI plus surcharge of 0.96% p.a., and with maturity of 3 years from the issue date.

On July 29, 2015, the Board of Directors approved the proposal for a new fund raising for the Company through the issuance of simple debentures non-convertible into shares. With the transaction settled on August 28, 2015, funds were raised in the amount of R$115,000, with interest corresponding to 100% of CDI plus surcharge of 1.40% p.a., with maturity of 3 years from the issue date. Funds raised were intended to strengthen the Company’s working capital.

In view of downgrading of the Company’s corporate risk classification by two or more scores at national scale, Board of Directors’ meeting held on March 23, 2016 and Annual Debenture holders Meeting held on March 28, 2016, approved the following new issuance characteristics:

1. Change in clause 6.14, item II, of Second Issuance Deed to contemplate Surplus increase, which became:

(i) 0.96% per year, 252 business days from the issue date until March 31, 2016; and

(ii) 2.00% p.a., basis of 252 business days, from March 31, 2016 to maturity date.

2. Change in clause 6.14, item II, of Third Issuance Deed to contemplate Surplus increase, which became:

   (i) 1.40% p.a., basis of 252 business days, from issuance date to March 31, 2016; and

   (ii) 2.40% p.a., basis of 252 business days, from March 31, 2016 to maturity date.

3. Clause 6.24.2 of Second Issuance Deed and clause 6.26.2 of Third Issuance Deed had a XIIIth item added to include financial index (covenants) resulting from division of net Debt by EBITDA , which must be equal to or less than 2.5 times.

This index must be calculated on a quarterly basis using the Company's consolidated quarterly information. As of December 31, 2017, the index ("covenants") was being addressed as follows:

	Consolidated
	12.31.2017
Assets	
Cash and cash equivalents	270,731
Derivative financial instruments	2
	270,733
Liabilities	
Loans and financing	173,600
Debentures	59,498
Derivative financial instruments	99
	233,197
Net debt	(37,536)
EBITDA (LAJIDA) for the year	83,823
Net debt / EBITDA equal or less than 2.5 times	0.45

16. PROVISION TO TAX, LABOR, CIVIL RISKS AND JUDICIAL DEPOSITS

The Company and its subsidiaries are exposed to certain risks represented in tax lawsuits and labor and civil claims for which there is a provision recognized in the financial statements, as they were evaluated as of remote likelihood of success. The procedure for determining the provisioned proceedings were considered by Management as adequate based on several factors, including (but not limited to) the opinion of the legal advisors of the Company and its subsidiaries, nature of lawsuits and historic experience.

Provisioned amounts for contingencies being discussed in court are as follows:

	Parent company	
	12.31.2017	12.31.2016
Labor provision (a)	19,935	22,210
Provision for the Accident Prevention Factor – FAP lawsuit (b)	10,276	8,566
Other proceedings (d)	2,157	4,664
Total	32,368	35,440

	Consolidated	
	12.31.2017	12.31.2016
Labor provision (a)	22,708	25,754
FAP provision for profit sharing (b)	12,802	10,695
Other proceedings (d)	2,252	4,922
Total	37,762	41,371

The values of judicial deposits:

	Parent company	
	12.31.2017	12.31.2016
Relating to contingencies:		
Labor lawsuits (a)	2,953	2,825
FAP Lawsuit (b)	5,240	4,902
CADE Lawsuit - fine (c)	2,196	2,102
CADE Lawsuit - billing bonded warehouses (c)	176,842	166,203
Other proceedings (d)	1,053	1,073
Other judicial deposits (e)	39,723	41,031
Subtotal	228,007	218,136
Regarding the supplier:		
SCPar Porto de Imbituba S.A. (“SCPar”) (f)	15,083	15,083
Subtotal	15,083	15,083
Total	243,090	233,219

	Consolidated	
	12.31.2017	12.31.2016
Relating to contingencies:		
Labor lawsuits (a)	3,580	4,138
FAP Lawsuit (b)	6,580	6,156
CADE Lawsuit - fine (c)	2,196	2,102
CADE Lawsuit - billing bonded warehouses (c)	176,842	166,203
Other proceedings (d)	1,053	1,073
Other judicial deposits (e)	45,474	46,555
Subtotal	235,725	226,227
Regarding the supplier:		
SCPar (f)	15,083	15,083
Subtotal	15,083	15,083
Total	250,808	241,310

(a) Refer to liability lawsuits: (i) operating branch Tecon Santos, for which a provision of R$19,935 was recognized and judicial deposits of R$2,953 were made, besides 12 insurance contracts guaranteeing the amount of R$17,596; (ii) of the subsidiary Santos Brasil Logística, for which a provision of R$1,352 was recognized and judicial deposits of R$342 were made; and (iii) subsidiary Convicon, for which a provision of R$1,421 was recorded and judicial deposits of R$285 were made, besides 3 insurance contracts guaranteeing the amount of R$3,018.

(b) The provisions refer to administrative appeals filed with the National Institute of Social Security - INSS, due to the new system of calculating social security contributions, based on the creation of so-called FAP multiplier index mainly calculated based on the number of occupational accidents in companies and leaves of employees compared to companies engaged in the same economic activity (National Classification of Economic Activities - NCEA). As the charge was maintained, an injunction was filed requiring authorization to the judicial deposit and suspension of the tax credit related to the FAP for 2010. The injunction was accepted authorizing the full deposit of the Parent company's and its subsidiaries' credit of R$5,240, comprised of: (i) R$1,254 - Santos Brasil Logística; (ii) R$61 - Convicon; and (iii) R$25 – Vehicles Terminal. Later, a lawsuit was filed to dispute the constitutionality and legality of FAP. Also, common shares were claimed regarding the 2011 FAP of Santos Brasil Logística, and 2012 FAP of Santos Brasil Participações S.A., and Convicon 2014 FAP, aiming at the suspension of requirement of credit by means of judicial deposits.

(c) Deposits related to CADE (Administrative Council of Economic Defense) refer to the lawsuit filed in the agency on the charge of possible actions not complying with the economic order, involving several companies exploring leased quays or private management, including operating branch Tecon Santos.

The matter under discussion referred to the legality of the charge made to Bonded Warehouses (BWs) by container separation and delivery services. This lawsuit was judged and the Company was convicted to: (i) monetary fine; and (ii) interruption of charges made to the bonded warehouses. Operating branch Tecon Santos filed a lawsuit and obtained an injunction to resume the charge through a judicial deposit for the full charged amount and a deposit of the full pecuniary fine amount applied by CADE, resulting in judicial deposits in the amount of R$124,445 and R$2,196, respectively. Operating branch Tecon Santos filed two other lawsuits to cancel the payment of taxes arising from billing: (i) a lawsuit at the Federal Court, which comprises PIS, COFINS, IRPJ and CSLL taxes; and (ii) other lawsuit that is ongoing in the city of Guarujá, including the Tax on Services of Any Nature - ISSQN, with total amounts of R$52,397 already deposited. Taxes levied on bonded warehouses billing, in the amount of R$42,634 (R$37,076 as of December 31, 2016), are stated in non-current liabilities.

Said lawsuit was dismissed on September 4, 2013, and the first court judge partially provided the main request, canceling the prohibition of charging abusively made by CADE, but keeping the fine imposed, due to understanding that CADE had exercised its legislative powers, regarding the fine only. As for the prohibition of the charges, the order said that CADE's decision was void, because the jurisdiction to regulate the port sector belongs to ANTAQ only. Such jurisdiction was properly exercised by CODESP through DIREXE Orders No. 371.2005 and No. 50.2006, setting the maximum amounts of the services to which the dispute relate to.

The Company filed motions for clarification requiring the continuity of judicial deposits of charges for services to be assessed by the final judgment of the lawsuit and judicial deposits of the taxes, in addition to other related issues. The motions for clarification were judged and published on November 4, 2013 and the decision authorized only to continue with the deposits of taxes incurred on the charge of services, but it did not authorize the judicial deposits of the amounts of invoices issued by the Company.

This court decision resulted in the following effects on the Company: (i) now it has the invoiced amounts, which shall no more be deposited; (ii) charged retroactively the invoiced amounts that were stuck; and (iii) court required the search of judicial deposits of services. Additionally, the Company's legal advisors in the lawsuit began to classify the lawsuit as "probable success" until the final judgment, especially considering that the decision of first court referred to CADE’s regulatory non-jurisdiction on the matter.

As for the search of judicial deposits of services billed and received until the court order, the first court judge ruled against it, which was upheld by the Federal Court to deny the preliminary injunction in the Interlocutory Appeal by understanding that, at this point of the lawsuit, there is no "*periculum in mora*", explaining: (i) the possibility of appeal by the parties; and (ii) not be affecting the liquidity situation and the non-availability of these amounts to the Company.

Thus, due to the above and considering that services provided to three bonded warehouses, two joint parties in the process and the third contesting the charge in court, the Company, in 2013, made the partial reversal of the provision for contingencies recorded until the court order, excluding the reversal of amounts related to these bonded warehouses.

On March 26, 2015, it was published the ruling where the 4th Panel of the Federal Regional Court of the 3rd Region, in São Paulo, judged the reexamination necessary (appeal of the Judge himself) and the appeals filed by the parties, unanimously decided: (i) to uphold the official delivery, to partially uphold the Company’s appeal so as to cancel the CADE’s decision and the consequent fine; (ii) to refuse CADE’s appeals; (iii) to uphold the Federal Government’s appeal to exclude it from the dispute; and (iv) to judge impaired the request filed by CODESP.

Motions for Clarification were filed by the Company, CADE and Marimex, and in May 2016 it was published a decision partially accepting the motions filed by Marimex and rejecting the ones filed by the Company and CADE. The Company, CADE and Marimex filed Special Appeal and Marimex also filed an extraordinary appeal. Currently the lawsuit is ready for judgment of acceptance of the appeals filed. Regarding precautionary measure 0008783-19.2005.4.03.6100, on December 7, 2017, the lawsuit was considered terminated, without prejudice, due to the supervening lack of interest in the claim, in compliance with article 267, VI, of CPC/1973, appeals dismissed. The entry of judgment has not been published yet.

Accordingly, based on the above-mentioned facts and considering the remote likelihood of loss by its external legal counsel, the Company reversed the remaining portion of the provision for risks recognized in the year 2015 through the issue of the above-mentioned decision.

(d) The consolidated provision of R$2,252 refers mainly to: (i) the Recourse Action filed by the insurance company responsible for paying the claim to the client, because of damages caused to the stored cargo, fully deposited and amounting to R$1,026; (ii) tax assessment notices by ANTAQ – National Waterway Transportation Agency, in the amount of R$364; and (iii) other lawsuits, in the amount of R$862.

(e) Judicial deposits classified as Other, related to the Parent company, are comprised as follows: (i) deposit referring to the expansion of PIS and COFINS calculation basis in years from 1999 to 2003, in the amounts of R$1,444 and R$9,133, respectively, the provisions for which were reversed; (ii) discussion about CPMF on loan transfer during the merger, amounting to R$2,733; (iii) deposit referring to federal taxes that prevented the issuance of a Joint Tax Debt Certificate with Clearance Effects on Federal Taxes and Debts to the Federal Government, in the amount of R$16,148; (iv) INSS and IR on Voluntary Termination Plan (PDV) deposit and the Non-salary Fund of SINDESTIVA (Dockworkers Union of Santos, São Vicente, Guarujá and Cubatão) in the amount of R$1,685 and (v) other deposits in Tax and Civil spheres, in the amount of R$8,580. Judicial deposits classified as other, in subsidiaries are related to: (i) subsidiary Santos Brasil Logística, refer to fiscal executions of federal taxes that prevented obtaining the Tax Debt Clearance Certificate, in the amount of R$3,430 and labor lawsuits in the amount of R$1,328; (ii) subsidiary Convicon, related to labor lawsuits totaling R$621, other deposits in tax and civil matters in the amount of R$219, and court-ordered freezing totaling R$132; and (iii) subsidiary Vehicles Terminal, related to labor lawsuits, in the amount of R$21.

(f) On November 26, 2012, the Delegation Agreement No. 01/2012 was concluded between the Federal Government and the State of Santa Catarina, by which the Federal Government has delegated the management and operation of the Port of Imbituba to SCPAR, a Special Purpose Company - SPE, from December 25, 2012. Companhia Docas de Imbituba S.A., former manager, filed a lawsuit against ANTAQ and the Federal Government, asking to maintain the effectiveness of its concession agreement until December 2016. The Company, in this situation, decided to make payments of its obligations related to its agreements of exploration in the Container Terminal and General Cargo Terminal at that port, through judicial deposits related to the ongoing lawsuit in the amount of R$23,774. In July 2014, the SCPAR - Port of Imbituba, through judicial approval raised the amount of R$8,691. As of December 31, 2017, these deposits totaled R$15,083. The amount of R$15,021 relating to such deposit is recognized in noncurrent liabilities, in line item “Trade payables”.

Lawsuits referring to subsidiary Santos Brasil Logística, mentioned in (a) item, the origin of which is prior to acquisition date, as contractual definition, will be the responsibility of its former shareholders. Thus, the amount of R$520 was recorded in non-current assets under "Other Assets".

Changes in provisions for contingencies in the period ended December 31, 2017 and year ended December 31, 2016 are shown in the tables below:

	Parent company				
	Balance at 12.31.2016	Additions	Payment of award	Other movements (*)	Balance at 12.31.2017
Labor provision	22,210	-	(8,790)	6,515	19,935
Provision for FAP	8,566	1,710	-	-	10,276
Other proceedings	4,664	177	(58)	(2,626)	2,157
Total	35,440	1,887	(8,848)	3,889	32,368

	Balance at 12.31.2015	Additions	Payment of award	Other movements (*)	Balance at 12.31.2016
Labor provision	25,011	110	(10,509)	7,598	22,210
Provision for FAP	7,173	1,393	-	-	8,566
Other proceedings	3,501	1,189	-	(26)	4,664
Total	35,685	2,692	(10,509)	7,572	35,440

	Consolidated				
	Balance at 12.31.2016	Additions	Payment of award	Other movements (*)	Balance at 12.31.2017
Labor provision	25,754	-	(9,982)	6,936	22,708
Provision for FAP	10,695	2,107	-	-	12,802
Other proceedings	4,922	243	(156)	(2,757)	2,252
Total	41,371	2,350	(10,138)	4,179	37,762

	Balance at 12.31.2015	Additions	Payment of award	Other movements (*)	Balance at 12.31.2016
Labor provision	33,711	708	(17,496)	8,831	25,754
Provision for FAP	8,929	1,766	-	-	10,695
Other proceedings	3,718	1,297	-	(93)	4,922
Total	46,358	3,771	(17,496)	8,738	41,371

(*) Refer to reversal of provision, cases closed, and contingency additions and reductions or changes in the probability of success.

In addition to the lawsuits abovementioned, the Company and its subsidiaries have administrative and lawsuits in progress, and the evaluations carried out by legal advisors showed a likelihood of success in the amount of R$469,779, and in this case, no provision for loss was recorded in the quarterly information.

Changes in possible lawsuits in the period ended December 31, 2017 are shown below:

Nature of the lawsuit	Balance at 12.31.2016	Additions	Other movements	Balance at 12.31.2017
Customs	15,589	-	(13)	15,576
Civil	23,526	1,217	(1,071)	23,672
Labor	52,061	15,366	(14,208)	53,219
Tax	368,602	4,788	(2,778)	370,612
Other	6,171	827	(298)	6,700
Total	465,949	22,198	(18,368)	469,779

On December 14, 2012, the Company and its subsidiary Numeral 80 received tax assessment notice and passive subjection term from the Internal Revenue Service of Brazil, charging the amounts related to income tax and social contribution in R$334,495, classified in the table above mentioned as tax lawsuit, which, according to said tax notice, Numeral 80 would have ceased to collect in the years 2006 to 2011, due to the amortization for tax purposes of goodwill transferred thereto by the incorporation of acquiring companies of its shares, an operation approved by the Special Shareholders' Meeting of Numeral 80 (then Santos-Brasil S.A.) on May 30, 2006 (incorporation).

The Company's Management and its subsidiary Numeral 80 challenged said tax assessment notice within regular time, reaffirming its view that the goodwill on the acquisition of equity interests held in Numeral 80 (then Santos-Brasil S.A.) and transferred thereto through the merger was regularly constituted, in strict accordance with corporate and tax law.

On October 17, 2013, a summons was received, assuring the judgment of the Federal Revenue Department of the 1st Class of DRJ in São Paulo-I/SP, which partially upheld the submitted appeals and reduced the fine imposed to 75%, thus reducing the amount of the tax credit to R$283,466, updated and with risk of loss deemed as possible by the Company's legal advisors.

This notice also informed that the National Treasury filed an appeal relating to the debits disregarded, in the amount of R$69,328, whose likelihood of loss is classified as remote by the Company's legal counsel.

The Management of the Company and its subsidiary Numeral 80 objected such tax assessment notice within the statutory term, which by majority of votes by the judges of the 2nd Ordinary Panel of the 3rd Chamber of the Administrative Council of Tax Appeals, was granted at session held on September 14, 2016. In the same session, an appeal to of National Treasury was denied.

On December 05, 2016, the National Treasury objected to motions to clarify, with no modifying effects, in order to rectify error of decision (material error) related to the indication of the recurring parties, which was accepted in judgment made on April 11, 2017.

On June 12, 2017, the National Treasury filed Special Appeal, claiming the reform of the decision made by the 2nd Ordinary Panel of the 3rd Chamber of the 1st Section of the Administrative Council of Tax Appeals and presented by the Company its reasons. Currently, the Special Appeal filed by the National Treasury was drawn to the Counselor Daniele Souto Rodrigues Amadio and is awaiting inclusion in the agenda for judgment.

Time for conclusion on these contingencies is uncertain and depends on progress in legal courts.

17. LEASE - CONSOLIDATED

Operational lease

The Company, by means of its branches, and its subsidiaries have concession agreements and lease installment to be recognized in the statement of income at the accrual method. These amounts will be adjusted annually by the Market General Price Index of Getúlio Vargas Foundation - IGP-M / FGV.

Agreements	2018	2019	2020	2021 - agreement termination	Total
Tecon Santos	37,351	37,351	37,351	1,005,369	1,117,422
Tecon Imbituba	3,386	3,386	3,386	41,759	51,917
General Load Terminal	5	5	5	54	69
Convicon	886	886	886	11,293	13,951
Vehicles Terminal	4,060	4,060	4,060	57,177	69,357
Total	45,688	45,688	45,688	1,115,652	1,252,716

Validity period of contracts

Agreements	Start of Contract	Contract term
Tecon Santos	November 1997	November 2047
Tecon Imbituba	April 2008	April 2033
General Load Terminal	June 2007	June 2032
Convicon	September 2003	September 2033
Vehicles Terminal	January 2010	January 2035

Guarantee insurance

Agreements	Maturity
Tecon Santos	April 2017–April 2018
Tecon Imbituba	July 2017–July 2018
Vehicles Terminal	July 2017–July 2018

The Company and its subsidiaries have in their lease payment commitments amounts based on their drives operating. These amounts were in effect as of December 31, 2017 and are adjusted for inflation annually based on the lease agreements using IGP-M:

Agreements	In reais - R$ Cost by container handled	Cost by tonne handled	Cost by vehicle handled
Tecon Santos (a)	36.53	-	-
Tecon Santos (b)	18.45	-	-
Tecon Imbituba (c)	90.29	-	-
General Load Terminal (d)	-	2.87	-
General Load Terminal (e)	-	6.35	-
General Load Terminal (f)	-	3.83	-
Convicon (g)	18.78	-	-
Convicon (h)	3.76	-	-
Convicon (i)	-	1.88	-
Vehicles terminal (j)	-	-	18.02

(a) Amount due when the MMC is not reached, limited to the MMC.

(b) Amount due when the changes exceed MMC.

(c) Amount due for the use of the land infrastructure and also when the MMC is not reached, limited to the MMC.

(d) Amount by use of the leased area and also when the MMC is not achieved, limited to the MMC.

(e) Amount due by use of terrestrial infrastructure (quay), referring to cargo handling from the ship.

(f) Amount due by use of terrestrial infrastructure (yard) relating to cargo handling from unitization and non-unitization of containers.

(g) Amount due by full container and also when the MMC is not achieved, limited to the MMC.

(h) Amount due by empty container.

(i) Amount due per ton.

(j) Amount due by vehicle and also when the MMC is not achieved, limited to the MMC.

The Company and its subsidiaries have commitments of minimum handling in their lease agreements that have not been met, thus generating a cost of R$26,598, as follows:

Agreements	12.31.2017
Tecon Santos	(128)
Tecon Imbituba	25,900
General Load Terminal	382
Vehicles Terminal	444
Total	26,598

The Company and its subsidiaries also have lease agreements for administrative and operating areas (Distribution Center of subsidiary Santos Brasil Logística) that, in the period ended December 31, 2017 generated expenses of R$6,878 (R$10,422 as of December 31, 2016).

18. SHAREHOLDERS' EQUITY – PARENT COMPANY

a) Capital

	Common shares	
	12.31.2017	12.31.2016
Existing at the beginning of the year	666,086,554	666,086,554
Stock options exercised during the year	231,326	-
Issued/Authorized with no par value	666,317,880	666,086,554

Out of the total shares, 659,419,251 are outstanding as of December 31, 2017, of which all are common shares.

On September 30, 2017, capital was increased with exercised options, as explained in note 23, by the amount of R$680. 231,326 common shares were issued.

The Company is authorized to increase its capital independently from a decision of the Shareholders' Meeting, up to the limit of 2,000,001,000 shares, through a resolution of the Board of Directors, which will establish issuance and placement conditions of said securities.

Each common share entitles holders to one vote on general meeting resolutions.

On June 17, 2016, at a Special Shareholders' Meeting, the shareholders approved the conversion of all the preferred shares issued by the Company into common shares, so that a preferred share will be converted into a common share issued by the Company. This change became effective on August 22, 2016, when total preferred shares were cancelled and converted into common shares, and started to be traded in B3 – Brasil Bolsa Balcão New Market.

b) Capital reserve

- Stock option plan / Share-based incentive plan

  Represented by the book record of the stock option plan (note 23.a)), totaling R$59,175 as of December 31, 2017 (R$56,036 as of December 31, 2016) and performance share in the amount of R$538 (note 23.b)), in compliance with the determinations of Technical Pronouncement CPC 10 - Share-based payments.

- Other

  The merger of shares, the value of the shareholders' equity of the then subsidiary Santos-Brasil S.A., on the base date of December 31, 2006, was taken under the heading "Capital" of the parent company, as provided for in the Protocol and Justification of Merger of Shares. The value of net income, equity in the former subsidiary Santos-Brasil S.A., represented by the results of its operations in the period between that date and the base date of the merger, in October 2007, net of distributions made to shareholders, R$28,923, was classified in this group of Capital Reserve.

  On April 30, 2010, the Company made the purchase of an indirect interest of its subsidiary Pará, in its direct subsidiary, Nara Valley, at the time, ranging from 75% shareholding to 87.67%. This operation resulted in the change in interest in the amount of R$(4,548).

  On April 20, 2011, subsidiary Nara Valley Participações S.A. acquired, pursuant to a share purchase and sales agreement and other covenants, 12.327% of shareholding interest of its direct subsidiary Pará Empreendimentos, for the amount of R$4,500, and it now holds 100% of interest. This operation resulted in the change in interest in the amount of R$(5,478).

  On September 30, 2017, stock options were exercised, and the Company delivered shares that were under treasury (explanatory note 18.c)), generating a result of R$(595).

c) Profit reserve

- Legal reserve

  In compliance with article 193 of Law 6404/76, the reserve is recorded at the rate of 5% of the net income (loss) for the year, up to the limit of 20% of the capital.

- Reserve for investment and expansion

  Represented by Management proposals for the retention of net income for the year, and prior years, remaining balances, after retentions provided for in the law or approved by shareholders to face investment plans in subsidiaries' expansion, according to Capital Budgets.

- Treasury shares

  On December 17, 2013, the Program of Share Buyback was approved by the Board of Directors' Meeting, with the objective of maximizing the returns to shareholders.

  The program authorized the purchase of up to 4,215,556 units being 4,215,556 common shares and 16,862,225 preferred shares, within a maximum period of 365 days to purchase the shares, beginning on December 20, 2013 and ending on December 20, 2014.

  On August 22, 2016, with migration to B3 – Brasil Bolsa Balcão New Market, units were canceled and converted from preferred shares into common shares.

  As of September 30, 2017 and 676,258 treasury shares were delivered regarding options exercised.

Shares acquired by the Company as of December 31, 2017 are as follows:

	Number of common shares	Amount	Market value (*)	Price Weighted average	Price Minimum	Price Maximum
Original balance	6,138,745	19,844	20,809	3.23	2.90	3.70
(-) Delivered shares	(676,258)	(2,186)				
Current balance	5,462,487	17,658	18,518			

(*) Market value based on the last quotation prior to the year end.

d) Shareholders' compensation

Shareholders are entitled to annual minimum dividends of 25% of adjusted net income, in accordance with corporate law and Company's by-laws.

The statement of shareholders' remuneration for the year ended December 31, 2017 is as follows:

	%	12.31.2017
Net income for the year		2,586
Formation of legal reserve		(129)
Adjusted net income (a)		2,457
Minimum compulsory dividends	25%	615
Remuneration to shareholders		
Minimum compulsory dividends		615
Additional dividends proposed		1,351
Gross remuneration to shareholders (b)	80%	1,966
Minimum compulsory dividends and additional dividends proposeds		1,966
Quantity of common shares		660,855,393
Unit value of dividends per share		0.002974073
Profit retention (a - b)		491

e) Equity valuation adjustment

- Supplementary health care

Represented by the book record of the Actuarial calculation of supplementary health care (note 26), in compliance with the determinations of Technical Pronouncement CPC 33 (R1) - Employee Benefits.

19. OPERATING INCOME

We present below the reconciliation between gross income for tax purposes and the income presented in the statement of income for the years ended December 31, 2017 and 2016:

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Gross income	577,760	671,546	953,084	956,675
Port Terminals	577,760	671,546	672,493	742,930
Logistics	-	-	219,746	170,818
Vehicles Terminal	-	-	60,845	42,927
Deductions from income:				
Sales taxes	(60,701)	(64,804)	(113,576)	(105,620)
Rebates and toll fee	(4,513)	(11,890)	(15,456)	(21,810)
Total	512,546	594,852	824,052	829,245

20. OPERATING EXPENSES BY TYPE

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Outsourced Labor	(27,746)	(33,840)	(27,908)	(34,427)
Rates – Companhias Docas	(63,016)	(65,373)	(67,449)	(70,637)
Leases and infrastructure - Companhias Docas	(47,146)	(44,693)	(52,640)	(49,943)
Electric power	(7,450)	(9,926)	(9,348)	(11,809)
Fuels and lubricants	(15,639)	(15,759)	(28,188)	(26,354)
Freight	(12,839)	(13,128)	(30,593)	(16,102)
Changes in vehicles	-	-	(24,473)	(14,593)
Other services and materials	(2,721)	(4,717)	(9,687)	(8,957)
Personnel expenses	(226,733)	(221,729)	(308,330)	(313,813)
Consulting, Advisory and Auditing	(12,514)	(18,240)	(14,355)	(21,035)
Other third-party services	(17,670)	(20,115)	(27,512)	(32,438)
Operational maintenance	(22,799)	(26,171)	(30,463)	(35,143)
Depreciation and amortization	(62,456)	(64,344)	(92,566)	(96,022)
Rents/ condominium fees – operating areas	-	-	(5,529)	(8,495)
Expenses from sales of services	(26,056)	(20,107)	(68,776)	(44,762)
Allowance for doubtful accounts and non-collectible losses	(8,536)	(9,554)	(7,960)	(11,849)
Other expenses	(9,093)	(25,076)	(43,497)	(59,662)
Total	(562,414)	(592,772)	(849,274)	(856,041)
Classified as:				
Cost of goods and/or services rendered	(457,266)	(481,733)	(686,694)	(704,455)
Sales expenses	(39,472)	(37,113)	(84,522)	(67,197)
General and administrative expenses and amortization of goodwill	(65,676)	(73,926)	(78,058)	(84,389)
Total	(562,414)	(592,772)	(849,274)	(856,041)

21. OTHER OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Other operating income:				
Correction of Credit recoverable - FUNDAF	5,648	-	5,648	-
Judicial deposits adjustment	3,767	8,271	3,852	8,380
Adjustment of court-ordered debt payments	-	-	100	353
Gain (loss) in the sale of assets	629	17	629	704
Recovery of electricity generation	162	51	162	51
Insurance reimbursement	1,729	45	1,731	47
Recovery of INSS on cooperate services	-	2,593	-	4,729
Recovery of untimely PIS/COFINS	-	1,753	-	4,785
Recovery of INSS on payroll	716	-	1,127	-
Income from non-identified deposits	1,498	-	3,254	-
Other income	139	675	906	993
Total	14,288	13,405	17,409	20,042
Other operating expenses:				
Gains and losses in the sale of assets	(30)	(126)	(31)	(407)
Adjustment of provisions	(650)	(743)	(819)	(917)
Cost from sale of inventory material	-	-	-	(272)
Court-ordered debt payments	-	-	(80)	(283)
Total	(680)	(869)	(930)	(1,879)

22. FINANCIAL INCOME (EXPENSES)

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Financial income:				
Yield of interest earning bank deposit	9,876	14,790	17,083	21,474
Interest on loan	-	362	-	-
Holding gain and foreign-exchange income	846	5,868	1,677	9,193
Fair value of the swap transaction	449	875	800	1,207
Restatement of taxes recoverable	1,553	2,332	1,573	2,419
Judicial deposits adjustment	217	221	835	242
Other income	528	1,367	1,226	1,530
Total	13,469	25,815	23,194	36,065
Financial expenses:				
Interest	(24,001)	(35,466)	(24,558)	(36,707)
Interest on loan	-	(4,281)	-	-
Monetary and foreign-exchange variations in liabilities	(1,462)	(6,758)	(3,194)	(9,415)
Tax on Financial Operations - IOF on loan operations	(62)	(540)	(110)	(709)
Fair value of the swap transaction	(511)	(891)	(752)	(1,212)
Waiver of interest	(2,775)	-	(2,775)	-
Other expenses	(1,341)	(1,254)	(2,258)	(1,668)
Total	(30,152)	(49,190)	(33,647)	(49,711)

23. STOCK OPTION PLAN AND SHARE-BASED INCENTIVE PLAN - PARENT COMPANY

On August 4, 2017, the Special Shareholders' Meeting approved the change of the Stock Option Plan approved by the Special Shareholders' Meeting held on January 9, 2008, amended on April 1, 2015 and the creation of the Share-Based Incentive Plan of the Company (Plan of *Performance Shares* and *Matching* of Shares).

The purpose of Company's Share-Based Incentive Plan is to regulate the possibility of granting incentives linked to Company's common shares to the directors and employees with whom it has employment or statutory relationship, aiming to: (i) increase the capacity to attract talents; (ii) strengthen the culture of sustainable performance and search for the development of certain directors and employees, aligning their interests to the interests of the shareholders; (iii) allow the Company to maintain its professionals, offering them as additional advantage and incentive, the opportunity of becoming shareholders; and (iv) foment the expansion of and attain and exceed its corporate targets, allowing greater integration of its directors and employees, in the capacity of shareholders of the Company.

The shares granted as incentive under the programs of the Stock Option Plan and Share-Based Incentive Plan cannot exceed the maximum limit of 4.5% of the shares of the subscribed and paid-up capital of the Company.

a) Stock option plan

In the Special Shareholders' Meeting held on September 22, 2006, shareholders of the then subsidiary Santos-Brasil S.A. approved the Stock Option Plan ("Plan") for management and high-level employees. At a Special General Meeting, held on January 9, 2008, the Plan was transferred to the Company.

The Plan is managed by the Board of Directors or, at its discretion, by a Committee comprised of three members, provided that one of these members (effective or alternate) is also a member of the Board of Directors.

The Board of Directors or the Committee periodically create Stock Option Programs ("Programs"), grouped in units to determine the beneficiaries that will receive the options, the number of Company's units that each beneficiary will be authorized to subscribe or acquire with the exercise of the option, the subscription price, the initial grace period, over which the option cannot be exercised, and the limit dates for total or partial exercise. Terms and conditions are defined in a Share Purchase Option Contract, entered into by the Company and each Beneficiary.

Prices of Units to be acquired by Beneficiaries upon option exercise ("strike price") are equivalent to the average value of Units in the last 30 trading sessions of B3 – Brasil Bolsa Balcão, prior to the option grant date, and may be added of inflation adjustment based on a price index change and also of interest, at the discretion of the Board of Directors or the Committee, which may also grant to Beneficiaries a discount of up to 15% in strike price.

The Company's Units that were acquired within the Plan may only be disposed of if the minimum unavailability period defined in the Program for each batch of Units, is complied with. This period should never be lower than three years, counting as of exercise date of each annual batch.

As of December 31, 2017, prevailing Programs were those listed in the table below:

Programs	Strike prices - Reais/units (*)	Number of granted units	Grace periods	Exercise terms	Option value Reais/units (*)	Number of exercised units	Number of overdue / expired units	Number of units - balance
2006–2012 programs		5,306,265				2,062,021	3,244,244	-
01/31/2013 - 2013 program	27.35	810,177			7.54	-	604,878	205,299
1st Annual Lot		270,059	02/01/2014	02/01/2016		-	270,059	-
2nd Annual Lot		270,059	02/01/2015	02/01/2017		-	270,059	-
3rd Annual Lot		270,059	02/01/2016	02/01/2018		-	64,760	205,299
02/06/2014 - 2014 program	15.70	2,087,682			3.15	-	1,002,816	1,084,866
1st Annual Lot		695,894	02/06/2015	02/06/2017		-	695,894	-
2nd Annual Lot		695,894	02/06/2016	02/06/2018		-	153,460	542,434
3rd Annual Lot		695,894	02/06/2017	02/06/2019		-	153,462	542,432
02/05/2015 - 2015 program	12.85	1,377,596			4.40	50,216	85,166	1,242,214
1st Annual Lot		459,199	02/05/2016	02/05/2018		25,108	19,871	414,220
2nd Annual Lot		459,199	02/05/2017	02/05/2019		25,108	19,871	414,220
3rd Annual Lot		459,198	02/05/2018	02/05/2020		-	45,424	413,774
Total options granted		9,581,720				2,112,237	4,937,104	2,532,379

(*) Original amounts on options grant programs' dates.

On March 2 and 3, 2016, the exercise price for the Stock Option Plan 2016 was approved by the Board of Directors' Meeting and the Board also resolved to submit the same to the prior review and recommendation of the Compensation Committee of the Board of Directors for further examination and approval of the Board of Directors.

As of August 22, 2016, with cancellation of units, in case program’s options are exercised up to 2015, five common shares will be issued to the beneficiary.

As of December 15, 2016, the 2016 Share Option Program was approved in a Board of Directors’ Meeting.

Programs	Strike prices - Reais/shares (*)	Number of shares granted	Grace periods	Exercise terms	Option value - Reais/shares (*)	Number of exercised shares	Number of overdue / expired shares	Number of shares - balance
03/02/2016 - 2016 program	2.29	2,897,395			1.18	656,504	219,446	2,021,445
1st Annual Lot		965,798	03/02/2017	03/02/2019		656,504	8,967	300,327
2nd Annual Lot		965,798	03/02/2018	03/02/2020		-	105,238	860,560
3rd. Annual Lot		965,799	03/02/2019	03/02/2021		-	105,241	860,558
06/22/2017 - 2017 program	2.02	6,609,811			0.71	-	-	6,609,811
1st Annual Lot		2,203,270	06/22/2018	06/22/2020		-	-	2,203,270
2nd Annual Lot		2,203,270	06/22/2019	06/22/2021		-	-	2,203,270
3rd Annual Lot		2,203,271	06/22/2020	06/22/2022		-	-	2,203,271
Total options granted		9,507,206				656,504	219,446	8,631,256

(*) Original amounts on options grant programs' dates.

At a meeting of the Board of Directors held on August 23, 2017 the first Stock Option program for 2017 was approved, granting 6,609,811 stock options within a limit established in Stock Option Plan.

Grace period reflect conditions established in Programs, according to which options may be exercised in 3 annual batches, each equivalent to 33.3333% of total option granted in each Program.

Annual batches exercise prices will be adjusted at IGP-M/FGV, at the lowest permitted periodicity, up to the options exercise dates.

Exercise term reflects the period of 24 months, counted as of the ends of annual batches' initial grace periods.

The costs of the options granted are calculated over the respective grace periods, based on the option values, determined by the Black-Scholes evaluation method on the Program dates. As a result of low historic turnover of management and high-level employees that are the beneficiaries of stock option plan, 100% of options in said calculation are considered as vested.

As determined by Technical Pronouncement CPC 10, the Company and its subsidiaries recognized, to the extent services were provided in share-based payment transactions, the effect in the statement of income for the period ended December 31, 2017, in the amount of R$3,139 (R$4,267 on December 31, 2016).

With respect to the options effective by December 31, 2017, those exercised represented a reduction in shareholders' interest of 1.59%; and those not exercised, if fully exercised under certain conditions provided for in the agreements, would represent a dilution in current shareholders' interest of 3.10%.

b) Share-incentive plan

- *Performance shares*

The beneficiaries will be entitled to receive, on free basis, common shares of the Company, if the targets are attained by the beneficiaries. The transfer of the ownership of the Company's common shares granted to the beneficiaries as *Performance Shares* will be made in a single lot, after 3 (three) years ("Grace Period"), from the date defined for each beneficiary in the respective Admission Agreement ("Start Date"). The Board of Directors, however, may, at its sole discretion, anticipate the transfer of ownership of the Company's common shares granted to the Beneficiaries as *Performance Shares*, in case the targets described in the program have been attained before 3 years, when the end of the Grace Period may be anticipated. In case of employee termination (rescission or dismissal) the options granted and not yet exercised will be automatically extinguished.

On August 23, 2017, it was approved the granting of 1,970,443 common shares to the *Performance Shares* Program within the limit established in the Share-Based Incentive Plan.

Programs	Number of shares granted	Grace periods	Option value - Reais/shares (*)	Number of exercised shares	Number of overdue / expired shares	Number of shares - balance
08/23/2017 - 2017 program	1,970,443		2.31	-	-	1,970,443
- Annual Lot	1,970,443	08/23/2020		-	-	1,970,443
Total shares granted	1,970,443			-	-	1,970,443

(*) Original amounts on options grant programs' dates.

The Company recognized the effect in income (loss) for the period ended December 31, 2017, in the amount of R$538.

Of options prevailing up to December 31, 2017, options were not exercised and those that were not exercised, in case they were fully exercised under certain conditions provided in agreements, would represent a dilution of the interest of current shareholders by 0.29%.

- *Matching* of shares

The beneficiaries will be entitled to receive, on free basis, 1 (one) common share of the Company for each common share of the Company acquired through the Brokerage Firm (Matching), up to the limit established in their respective Admission Agreement and observing the period of 15 (fifteen) days to transfer the shares acquired under this Program to a deposit account for the shares held by the Company, maintained by Itaú Corretora de Valores S.A., institution responsible for the bookkeeping of the Company's shares ("Bookkeeping Agent"), as well as to authorize the blocking, by the Bookkeeping Agent, of these shares due to the joining to the present Program.

On August 23, 2017, it was approved the granting of 903,896 common shares to the *Matching* of Shares Program within the limit established in the Share-Based Incentive Plan.

Programs	Number of shares granted	Grace periods	Option value - Reais/shares (*)	Number of exercised shares	Number of overdue / expired shares	Number of shares - balance
08/23/2017 - 2017 program	903,896		2.31	-	-	903,896
- Annual Lot	903,896	08/23/2020		-	-	903,896
Total shares granted	903,896			-	-	903,896

(*) Original amounts on options grant programs' dates.

The Company did not recognize the effect in the income (loss) for the year ended December 31, 2017, since there was no Adhesion Contract.

Of options prevailing up to December 31, 2017, options were not exercised and those that were not exercised, in case they were fully exercised under certain conditions provided in agreements, would represent a dilution of the interest of current shareholders by 0.14%.

24. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Reconciliation of Corporate Income Tax and Social Contribution (CSLL) current and deferred

IRPJ and CSLL reconciliation recognized in income is as follows:

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
(Loss) before tax	(10,613)	(18,438)	(19,196)	(22,279)
Exclusion of equity in investees	(42,330)	9,679	-	-
(Loss) before adjusted tax	(52,943)	(8,759)	(19,196)	(22,279)
I - Base value - IRPJ and CSLL:	(18,024)	(3,002)	(6,551)	(7,597)
Rates of 15% income tax and 9% social contribution	(12,706)	(2,102)	(4,607)	(5,347)
Additional rate of 10% IRPJ with deduction of R$240	(5,318)	(900)	(1,944)	(2,250)
II - Effects of permanent additions of expenses and revenues	4,825	4,574	5,567	5,048
Permanent additions:				
Variable compensation of Executive Board	1,033	898	1,033	898
Stock option plan/Performance share	1,254	1,435	1,251	1,451
Other	2,876	2,241	3,621	2,699
Permanent exclusions:				
Interest on own capital paid	(338)	-	(338)	-
III - Effects of tax incentives:	-	(100)	(130)	(122)
Tax incentives	-	(100)	(130)	(122)
IV - Effective rate:				
Adjusted IRPJ and CSLL (I + II + III)	(13,199)	1,472	(1,114)	(2,671)
Effective rate	24.9%	(16.8)%	5.8%	12.0%
V - Effects of deferred IRPJ and CSLL;	-	-	(20,702)	182
Non-recognition of tax losses and temporary differences (*)	-	-	(2,988)	182
Initial recognition of tax losses ad temporary differences	-	-	(17,714)	-
VI - Extraordinary adjustments:	-	-	34	120
Income and social contribution taxes of the prior year	-	-	34	120
Effects of IRPJ and CSLL on profit figures (IV + V + VI)	(13,199)	1,472	(21,782)	(2,369)
Income and social contribution taxes - Current	-	5,538	10,803	9,410
Income and social contribution taxes - Deferred	(13,199)	(4,066)	(32,585)	(11,779)
Total	(13,199)	1,472	(21,782)	(2,369)

(*) It refers to the subsidiaries Numeral 80, Santos Brasil Logística, TPV and Pará Empreendimentos, for which the deferred tax credits will be recorded upon generation of future positive results.

b) Composition of deferred tax assets and liabilities

	Parent company			
	12.31.2017		12.31.2016	
Assets (liabilities)	IRPJ	CSLL	IRPJ	CSLL
Tax losses and the negative social contribution base	8,167	2,940	5,046	1,817
Temporary differences:				
Allowance for doubtful accounts	3,058	1,101	3,283	1,182
Provision for contingencies	23,281	8,381	22,189	7,988
Amortization of goodwill	(18,593)	(6,693)	(19,214)	(6,917)
Depreciation	(43,520)	(15,667)	(45,615)	(16,421)
Loss for devaluation of assets	6,776	2,439	7,218	2,598
Other	13,499	4,860	10,055	3,621
Actuarial losses	3,296	1,187	1,001	359
Total	(4,036)	(1,452)	(16,037)	(5,773)

	Consolidated			
	12.31.2017		12.31.2016	
Assets (liabilities)	IRPJ	CSLL	IRPJ	CSLL
Tax losses and the negative social contribution base	27,957	10,065	10,848	3,906
Temporary differences:				
Allowance for doubtful accounts	3,485	1,255	3,599	1,296
Provision for contingencies	24,963	8,987	23,238	8,366
Amortization of goodwill	(28,459)	(10,245)	(29,080)	(10,469)
Depreciation	(49,660)	(17,878)	(51,102)	(18,397)
Loss for devaluation of assets	6,776	2,439	7,218	2,598
Other	14,804	5,331	11,161	4,018
Court-ordered debt payments receivable	(1,308)	(473)	(1,282)	(464)
Actuarial losses	3,271	1,178	846	304
Total	1,829	659	(24,554)	(8,842)
Assets	13,396	4,824	384	139
Liabilities	(11,567)	(4,165)	(24,938)	(8,981)

As of December 31, 2017, deferred tax credits on temporary differences were recorded by the Company and its subsidiaries Convicon, Santos Brasil Logística and TVS.

25. INCOME PER SHARE

a) Basic earnings per share

The basic earnings per share was calculated with a basis on the Company's income (loss) for the years ended December 31, 2017 and 2016 and the respective average number of outstanding common shares in these years, according to the chart below:

	12.31.2017	12.31.2016
	Common	Common
Income/(loss) for the year	2,586	(19,910)
Weighted average of shares	660,682,541	659,947,809
Basic earnings per share	0.00391	(0.03017)

b) Diluted earnings per share

On the Company's income (loss) for the periods ended December 31, 2017 and 2016, the diluted earnings (losses) per share was calculated as follows:

	12.31.2017	12.31.2016
	Common	Common
Income/(loss) for the year	2,586	(19,910)
Weighted average of shares	660,682,541	659,947,809
Possible effects of share option subscription	7,543,462	2,014,784
Diluted earnings per share	0.00387	(0.03008)

A diluted earnings per share is calculated considering the instruments that may have potential dilutive effect in the future.

26. ACTUARIAL LIABILITIES – COMPLEMENTARY HEALTH CARE PLAN

Refer to a provision for medical assistance plan, which reflects the cost of health care to employees and statutory officers who will be entitled to the benefit in the post-retirement period, as prescribed by Law 9656/98 and technical pronouncement CPC 33 (R1), determined based on an actuarial study.

Actuarial calculations, carried out by independent actuary Ernst & Young Serviços Atuariais S/S, had the following basic assumptions for the year ended December 31, 2016 and 2017:

Assumptions	12.31.2017	12.31.2016
Economic assumptions:		
Discount rate	5.43% p.a.	6.00% p.a.
Economic Inflation	4.97% p.a.	5.60% p.a.
Health Care inflation (HCCTR)	3.00% p.a.	3.00% p.a.
Aging factor	3.50% p.a.	3.50% p.a.
Evolution of Medical Cost	Economic Inflation + Medical Inflation + Age Factor	Economic Inflation + Medical Inflation + Age Factor
Evolution of the contribution	Economic Inflation + Medical Inflation	Economic Inflation + Medical Inflation
Biometric assumptions		
Mortality Table	AT-2000, segregated by gender	AT-2000, segregated by gender
Turnover	15.77% (Santos Brasil Logística S.A.) and 6.78% (other companies)	16.3% (Santos Brasil Logística S.A.) and 7.5% (other companies)
Age for retirement	65 years	65 years
Hypotheses for Retirement	100% at 1st eligibility	100% at 1st eligibility
Stay in Retirement	40%	40%
Other assumptions		
Family Composition	Active Participants 90% are married Holder Age Difference / Wife - 4 years Assisted participants Actual Family	- For members in activity - 90% married with 4-year younger spouses - For assisted members (retirees and terminated employees) real breakdown informed in master file is adopted

Pursuant to the independent actuary's reports prepared which contain the sums of the projected expenses, the Company and its subsidiaries recorded proportional provisions for the years ended December 31, 2017 and 2016:

	Parent company	
	12.31.2017	12.31.2016
Present value of the actuarial obligations	2,582	2,080
Calculated actuarial losses	26,313	15,048
Total net actuarial liability to be provisioned	28,895	17,128

	Consolidated	
	12.31.2017	12.31.2016
Present value of the actuarial obligations	3,173	2,986
Calculated actuarial losses	30,706	18,020
Total net actuarial liability to be provisioned	33,879	21,006

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Opening balance	17,128	11,754	21,006	14,318
Service cost	1,161	865	1,510	1,452
Interest on obligation	2,010	1,752	2,461	2,138
Benefits paid in the year (-)	(589)	(537)	(799)	(604)
Actuarial (gain)/loss on defined benefit obligations	9,185	3,294	9,701	3,702
Closing balance	28,895	17,128	33,879	21,006
Actuarial (gain)/loss on defined benefit obligations	9,185	3,294	9,701	3,702
Deferred income and social contribution taxes on (gain)/loss	(3,123)	(1,121)	(3,299)	(1,259)
Equity in the (gain)/loss	340	270	-	-
Effect in shareholders' equity	6,402	2,443	6,402	2,443

Sensitivity analysis of actuarial liability

	Parent company		Consolidated	
Effects	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Discount rate -0.5% on nominal rate	31,701	18,659	36,886	22,887
Discount rate +0.5% on nominal rate	26,461	15,787	30,672	19,359
Mortality table -10%	30,271	17,765	35,409	21,796
Mortality table +10%	27,677	16,356	32,389	20,097
Medical costs + 1.0% on growth effective rate	35,041	20,489	40,856	25,137
Medical costs - 1.0% on growth effective rate	24,199	14,521	27,995	17,807

27. FINANCIAL INSTRUMENTS

These instruments are managed through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The contracting of financial instruments with the objective of offering protection is performed by means of a periodic analysis of the risk exposure that Management intends to cover (exchange rate, interest rate, etc., which is approved by the Board of Directors. The control consists of the continuous monitoring of the agreed conditions versus the conditions prevailing in the market. The Company and its subsidiaries do not invest in derivatives or any other risk assets on a speculative basis. The results obtained from such operations are consistent with the policies defined by Company's management.

The estimated realization values of financial assets and liabilities of the Company and its subsidiaries were determined through information available in the market and appropriate valuation methodologies. Judgments were required for interpreting the market data, to arrive at the best estimates of the realizable values. Consequently, the following estimates do not necessary represent the amounts that could be realized on the current exchange market.

Derivatives are initially recognized at their fair value, and respective transaction costs are recognized in the result when incurred.

a) Classification of financial instruments

	Hierarchy level	Parent company		Consolidated	
		12.31.2017	12.31.2016	12.31.2017	12.31.2016
Assets:					
Loans and receivables:					
Accounts receivable	2	54,353	53,236	96,252	85,999
Dividends receivable	2	2,157	1,758	-	-
Court-ordered debt payments receivable	2	-	-	5,236	5,136
Other receivables	2	-	5,976	-	5,976
		56,510	60,970	101,488	97,111
Fair value through profit or loss:					
Cash and balance in banks	1	27,463	22,597	29,093	27,840
Investment funds	1	173,251	90,809	220,890	164,717
Lease bills - LAM	2	20,748	-	20,748	-
Derivative financial instruments	2	2	34	2	37
		221,464	113,440	270,733	192,594

	Hierarchy level	Parent company 12.31.2017	Parent company 12.31.2016	Consolidated 12.31.2017	Consolidated 12.31.2016
Liabilities:					
Other financial liabilities:					
Measured at amortized cost:					
Loans and financing	2	165,928	70,471	173,600	87,351
Debentures	2	59,498	142,483	59,498	142,483
Suppliers	2	81,195	69,035	111,723	88,535
Dividends and interest on own capital payable	2	728	113	728	113
Court-ordered debt payments payable (*)	2	-	-	4,189	4,109
		307,349	282,102	349,738	322,591
Fair value through profit or loss:					
Derivative financial instruments	2	13	1,997	99	2,859
		13	1,997	99	2,859

(*) The court-ordered debt payments are classified in the statement of financial position in line item "Other payables", under non-current liabilities.

b) Fair value

For financial assets without an active market or public quotation, the Company established the fair value through valuation techniques. These techniques include the use of recent operations contracted with third parties, and reference to other instruments that are substantially similar, the analysis of discounted cash flows and the swap pricing model that makes the greatest possible use of information generated by the market and has the minimum amount of information possible generated by the Management of the Company itself.

b.1) Derivative financial instruments

The Company holds derivative financial instruments to hedge risks relating to interest rate and foreign exchange.

All derivative financial instruments held at December 31, 2017 were concluded in the market counter with counterparties of large financial institutions.

Derivative financial instruments are presented in the balance sheet at fair value in account asset or liability. Derivative financial instruments are classified as "fair value through profit or loss." The periodic change in the quarterly fair value of derivatives is recognized as financial income or expense in the period in which they occur.

The fair value of derivatives is obtained by the model of future cash flows in accordance with the contractual rates, discounted to present value using market rates. We used information and forecasts for the dollar, LIBOR and CDI, disclosed by B3 – Brasil Bolsa Balcão.

Transactions with existing derivative financial instruments or that produced financial effects for the year ended December 31, 2017 are as follows: Column "Receipts/Payments" shows the amounts received/paid for settlements made during the year ended December 31, 2017, and column "Income/Expense" shows the effect recognized in financial income (loss) associated to settlements and fair value change of derivatives in this year:

Parent company									
Identification	Nominal value	Maturity	Purpose	Receipt (payments)	Income (expense)	Fair value Dec 2017	Dec 2016	Asset position	Liability
BTG 2017 - 1st sem. (*) Foreign exchange rate swap + coupon - CDI	7,526	Jun 2017	Associated with exchange variation	(1,772)	(186)	-	(1,568)	Foreign exchange + exchange coupon	100% CDI
Safra 2017 - 2nd sem. (*) Foreign exchange rate swap + coupon - CDI	6,662	Dec 2017	Associated with exchange variation	(1,017)	(495)	-	(429)	Foreign exchange + exchange coupon	100% CDI
Itaú 2018 - 1st sem. (*) Foreign exchange rate swap + coupon - CDI	1,261	Jun 2018	Associated with exchange variation	-	(79)	(13)	34	Foreign exchange + exchange coupon	100% CDI
BR Partners 2018 - 2nd sem. (*) Foreign exchange rate swap + coupon - CDI	494	Dec 2018	Associated with exchange variation	-	(13)	2	-	Foreign exchange + exchange coupon	100% CDI
Total				(2,789)	(773)	(11)	(1,963)		

(*) The Company uses financial instruments to protect the oscillations of short-term liabilities denominated in foreign currency loans and financing relating to such operations are not used for speculative purposes.

Consolidated									
Identification	Nominal value	Maturity	Purpose	Receipt (payments)	Income (expense)	Fair value Dec 2017	Dec 2016	Asset position	Liability
BTG 2017 - 1st sem (*) Foreign exchange rate swap + Coupon - CDI	10,717	Jun 2017	Associated with exchange variation	(2,539)	(281)	-	(2,239)	Foreign exchange + exchange coupon	100% CDI
Safra 2017 - 2nd Sem (*) Foreign exchange rate swap + Coupon - CDI	9,513	Dec 2017	Associated with exchange variation	(1,465)	(721)	-	(620)	Foreign exchange + exchange coupon	100% CDI
Itaú 2018 - 1st Sem (*) Foreign exchange rate swap + Coupon - CDI	3,772	Jun 2018	Associated with exchange variation	-	(239)	(63)	37	Foreign exchange + exchange coupon	100% CDI
BR Partners 2018 - 2nd sem (*) Foreign exchange rate swap + Coupon - CDI	3,223	Dec 2018	Associated with exchange variation	-	(85)	(34)	-	Foreign exchange + exchange coupon	100% CDI
Total				(4,004)	(1,326)	(97)	(2,822)		

(*) The Company uses financial instruments to protect the oscillations of short-term liabilities denominated in foreign currency loans and financing relating to such operations are not used for speculative purposes.

b.2) Other financial instruments

Taking as a base the interest rate projections of B3 – Brasil Bolsa Balcão, a pricing model was prepared applied individually to each transaction.

Loans, financing and debentures - We considered the future stream of payments based on contractual conditions and forecasts for currencies and interest rates of B3 – Brasil Bolsa Balcão, discounted to present value of fees obtained through the yield curve market, based on information obtained from the same sources mentioned above, B3 – Brasil Bolsa Balcão were not considered to own credit risk, as well as possible banking spread because they are considered irrelevant.

Accordingly, the market value of a security corresponds to its maturity value brought to present value by the discount factor (referring to the maturity date of the installment) obtained from the market interest curve in Reais.

Interest earning bank deposits - Investments in investment funds and are shown at their fair value, owed to their classification of fair value through profit or loss, as shown before.

As of December 31, 2017, the market value from "non-derivative" financial instruments, presented for statement purposes only, was:

	Parent company		Consolidated	
	12.31.2017		12.31.2017	
	Book value	Fair value	Book value	Fair value
Assets:				
Cash and cash equivalents	221,462	221,462	270,731	270,731
Accounts receivable	54,353	54,353	96,252	96,252
Court-ordered debt payments receivable	-	-	5,236	5,236
Total	275,815	275,815	372,219	372,219
Liabilities:				
Loans and financing	165,928	180,981	173,600	188,672
Debentures	59,498	66,177	59,498	66,177
Suppliers	81,195	81,195	111,723	96,702
Dividends and interest on own capital payable	728	728	728	728
Court-ordered debt payments payable	-	-	4,189	4,189
Total	307,349	329,081	349,738	356,468

c) Market risk

The Company’s market risk management policies include, among others, development studies and economic-financial analysis evaluating the impact of different scenarios in the market positions, and reports that monitor the risks to which the Company is subject.

The Company’s income is liable to changes due to effects of foreign exchange rate volatility and interest rate on financial instruments.

The Company maintains constant mapping of risks, threats and opportunities, with a basis on the projection of the scenarios and their impacts on the results. In addition, any other risk factors and the possibility of conducting hedge transactions for said risks is also analyzed.

c.1) Foreign exchange risk

Transactions liked to foreign currencies, US dollar and Euro, which closed the year ended December 31, 2017, with appreciation of Dollar against Brazilian Real by 1.5% and appreciation of Euro against Brazilian Real by 15.4%, respectively, in relation to December 31, 2016.

Foreign currency exposure

	Parent company Value (in R$)	Transaction currency
Loans and financing	1,703	US$
(-) Hedge instruments	(1,770)	US$
Net exposure	(67)	

	Consolidated Value (in R$)	Transaction currency
Loans and financing	2,574	€
Loans and financing	4,661	US$
(-) Hedge instruments	(7,047)	US$
Net exposure	188	

The Company's policy is to manage its exposures considering the flows foreseen for the period of 12 months on average. Thus, the net exposure presented above refers to amortization exceeding the stipulated period in politics.

Sensitivity analysis of changes in foreign currency

The Company and its subsidiaries have loans financing denominated in foreign currency and Management considers them as the only financial instruments that may offer relevant coverage risks.

In the chart below we considered three risk scenarios for the currency indexes of these financial liabilities, whereas the probable scenario is that adopted by the Company and its subsidiaries. In addition to this scenario, Securities Commission (CVM), through Instruction nº 475/08, determined the presentation of another two scenarios with increase of 25% and 50% of the risk variables considered, for which December 31, 2017 was appointed the base date. Scenarios II and III were estimated as an additional devaluation of 25% and 50%, for rates in the probable scenario. While scenarios IV and V have estimated additional devaluation of 25% and 50%, for the probable scenario rates.

		Parent company				
Operation	Risk	Probable scenario I	Scenario II (+) 25%	Scenario III (+) 50%	Scenario IV (-) 25%	Scenario V (-) 50%
Equity balance						
Financial liabilities:						
Loans and financing	US$/€	1,703	2,135	2,566	1,272	841
Swap - (gain) /loss	US$/CDI	99	(352)	(803)	550	1,001
Net balance		1,802	1,783	1,763	1,822	1,842
Rates:						
US$		3.31	4.14	4.96	2.48	1.65
€		3.97	4.96	5.95	2.98	1.98

Operation	Risk	Consolidated Probable scenario I	Scenario II (+) 25%	Scenario III (+) 50%	Scenario IV (-) 25%	Scenario V (-) 50%
Equity balance						
Financial liabilities:						
Loans and financing	US$/€	7,235	9,056	10,877	5,414	3,593
Swap - (gain) /loss	US$/CDI	344	(1,446)	(3,237)	2,135	3,926
Net balance		7,579	7,610	7,640	7,549	7,519
Rates:						
US$		3.31	4.14	4.96	2.48	1.65
€		3.97	4.96	5.95	2.98	1.98

c.2) Interest rate risk

Balances exposed to interest rate volatility are as follows:

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Assets:				
Cash and cash equivalents	221,462	113,406	270,731	192,557
Derivative financial instruments	2	34	2	37
Total	221,464	113,440	270,733	192,594
Liabilities:				
Loans and financing	165,928	70,471	173,600	87,351
Debentures	59,498	142,483	59,498	142,483
Derivative financial instruments	13	1,997	99	2,859
Total	225,439	214,951	233,197	232,693

Sensitivity analysis of changes in the interest rates

The Company manages this risk considering the floating and fixed rates. These agreements are exposed to the risk of fluctuations in interest rates due to the liability of the debt referenced operations in CDI. The balance of cash and cash equivalents, indexed at CDI (Interbank deposit certificate) partially neutralizes the interest rate risk.

For the sensitivity analysis of changes in the interest rates, management adopted for the probable scenario for the next 12 months the same rates used on the date of the quarterly financial information. Scenarios II and III were estimated with additional valuation of rates of 25% and 50% respectively for the next 12 months, while scenarios IV and V have estimated additional devaluation of 25% and 50%, respectively for the next 12 months, for the probable scenario.

		Parent company				
Operation	Risk	Probable scenario I	Scenario II (+) 25%	Scenario III (+) 50%	Scenario IV (-) 25%	Scenario V (-) 50%
Equity balances						
Financial assets:						
Interest earning bank deposits	CDI	193,999	198,389	202,779	189,609	185,219
Financial liabilities:						
Loans and financing	CDI	163,828	164,680	165,524	162,970	162,104
Debentures		59,498	59,944	60,384	59,048	58,593
Net debt		29,327	26,235	23,129	32,409	35,478
Rates:						
CDI		6.89	8.61	10.34	5.17	3.45

		Consolidated				
Operation	Risk	Probable scenario I	Scenario II (+) 25%	Scenario III (+) 50%	Scenario IV (-) 25%	Scenario V (-) 50%
Equity balances						
Financial assets:						
Interest earning bank deposits	CDI	241,638	247,044	252,451	236,232	230,825
Financial liabilities:						
Loans and financing	CDI	163,828	164,680	165,524	162,970	162,104
Debentures		59,498	59,944	60,384	59,048	58,593
Net debt		(18,312)	(22,420)	(26,543)	(14,214)	(10,128)
Rates:						
CDI		6.89	8.61	10.34	5.17	3.45

d) Credit risk

The credit policies determined by Management aim to minimize any problems arising from defaults by its clients. This objective is achieved by management through the careful selection of its client portfolio that considers the ability to pay (credit analysis) and diversification (spreading risk). The allowance for doubtful accounts as at December 31, 2017, was R$13,943, representing 12.65% of the outstanding balance of accounts receivable. As of December 31, 2016, this allowance was R$15,795, equivalent to 15.52%.

Management also seeks to minimize the credit risks tied to financial institutions, by diversifying its operations with top line institutions.

	Parent company		Consolidated	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Assets:				
Cash and cash equivalents	221,462	113,406	270,731	192,557
Accounts receivable	54,353	53,236	96,252	85,999
Dividends receivable	2,157	1,758	-	-
Court-ordered debt payments receivable	-	-	5,236	5,136
Other receivables	-	5,976	-	5,976
Total	277,972	174,376	372,219	289,668

e) Liquidity risk

The liquidity risk represents the possibility of mismatches between the maturity dates of assets and liabilities, which could result in the inability to comply with obligations on the dates established.

The Company's general policy calls for maintaining adequate liquidity levels to ensure its ability to meet present and future obligations and make use of opportunities.

Management considers that the Company has no liquidity risk, considering their ability to generate cash and its capital structure with low participation of third party capital.

Additionally, they mechanisms are periodically analyzed aiming to raise funds to reverse positions that could affect the liquidity of the Company.

	Parent company				
	Book balance	Payment flow			
Liabilities	12.31.2017	Expected flow	Up to 1 year	1–3 years	3–5 years
Loans and financing	165,928	187,137	120,203	66,895	39
Debentures	59,498	57,500	57,500	-	-
Suppliers	81,195	81,195	66,174	15,021	-
Dividends and interest on own capital payable	728	728	728	-	-
Total	307,349	326,560	244,605	81,916	39

	Consolidated				
	Book balance	Payment flow			
Liabilities	12.31.2017	Expected flow	Up to 1 year	1–3 years	3–5 years
Loans and financing	173,600	194,943	127,456	67,448	39
Debentures	59,498	57,500	57,500	-	-
Suppliers	111,723	111,723	96,702	15,021	-
Dividends and interest on own capital payable	728	728	728	-	-
Court-ordered debt payments payable	4,189	4,189	4,189	-	-
Total	349,738	369,083	286,575	82,469	39

f) Capital management

The policy of Management is to maintain a solid capital base to maintain the confidence of investors, creditors and market and the future development of the business. The Management monitors the return on capital invested, considering the results of the economic activities of operating segments, as well as the level of dividends for the holders of common and preferred shares.

Management strives to maintain a balance between the highest possible returns with more adequate levels of loans and the advantages and the assurance afforded by a healthy capital position. The objective is to achieve a return compatible with its capital cost reviewed annually through the WACC -Weighted Average Cost of Capital concept.

The debt in relation to the capital in the years ended December 31, 2017 and 2016 is as follows:

	Parent company	
	12.31.2017	12.31.2016
Total liabilities current and non-current	448,840	428,600
(-) Cash and cash equivalents and other investments	(221,462)	(113,406)
Net debt	227,378	315,194
Total shareholders' equity	1,390,649	1,389,132
Net debt-to-equity ratio	0.16350	0.22690

	Consolidated	
	12.31.2017	12.31.2016
Total liabilities current and non-current	525,609	504,711
(-) Cash and cash equivalents and other investments	(270,731)	(192,557)
Net debt	254,878	312,154
Total shareholders' equity	1,390,649	1,389,132
Net debt-to-equity ratio	0.18328	0.22471

28. INSURANCE COVERAGE

As of December 31, 2017, the following insurance policies were valid:

	Parent company and Consolidated		
	Coverage	Currency	Maturity
Branch - Tecon Imbituba			
Port Operator Insurance - SOP:			March 2018
Civil liability	20,000	US$	
Movable property and real estate	16,000	US$	
Storage in canvas (vinilona) sheds	5,000	US$	
Employer Civil Liability (RCE)	1,000	US$	
Civil Liability – Pain and suffering	1,000	US$	
Income Loss due to Blockage of Berth and Channel	600	US$	
Electrical damages	250	US$	
Vehicle fleet insurance (passenger vehicle):			October 2018
Hull	100% FIPE table	R$	
Personal accidents of passengers - APPs	10	R$	
Material damages to third parties	75	R$	
Bodily injury to third-parties	100	R$	
Pain and suffering	20	R$	
Vehicle fleet insurance (trucks):			October 2018
Material damages to third parties	500	R$	
Bodily injury to third-parties	500	R$	
Pain and suffering	100	R$	
Branch - Tecon Santos			
SOP:			March 2018
Civil liability	20,000	US$	
Movable property and real estate	17,850	US$	
RCE	1,000	US$	
Civil Liability – Pain and suffering	1,000	US$	
Transportation of goods	2,000	US$	
Passenger Transportation in Vessels - RC and Pain and Suffering	1,000	US$	
Loss of income due to blockage of berth	4,000	US$	
Electrical damages	250	US$	
Vehicle fleet insurance (passenger vehicle):			October 2018
Hull	100% FIPE table	R$	
Personal accidents of passengers - APPs	10	R$	
Material damages to third parties	75	R$	
Bodily injury to third-parties	100	R$	
Pain and suffering	20	R$	

	Parent company and Consolidated		
	Coverage	Currency	Maturity
Santos Brasil Logística			
SOP:			March 2018
Civil liability	20,000	US$	
Movable property and real estate	20,000	US$	
RCE	1,000	US$	
Civil Liability – Pain and suffering	1,000	US$	
Transportation of goods	2,000	US$	
Broad Civil Liability for CD - São Bernardo do Campo	50,000	US$	
Broad Civil Liability for CD Jaguaré	50,000	US$	
Electrical damages	250	US$	
Cargo Road Transportation - RCTR-C	10,000	R$	June 2018
Cargo Robbery and Deviation - RCF-DC	10,000	R$	June 2018
Vehicle fleet insurance (trucks):			October 2018
Material damages to third parties	200	R$	
Bodily injury to third-parties	700	R$	
Pain and suffering	90	R$	
Convicon			
SOP:			March 2018
Civil liability	20,000	US$	
Movable property and real estate	7,600	US$	
RCE	1,000	US$	
Civil Liability – Pain and suffering	1,000	US$	
Income Loss due to Blockage of Berth and Channel	600	US$	
Electrical damages	250	US$	
Vehicle fleet insurance (passenger vehicle):			October 2018
Hull	100% FIPE table	R$	
Personal accidents of passengers - APPs	5	R$	
Material damages to third parties	500	R$	
Bodily injury to third-parties	500	R$	
Pain and suffering	100	R$	
Vehicle fleet insurance (trucks):			October 2018
Material damages to third parties	500	R$	
Bodily injury to third-parties	500	R$	
Pain and suffering	100	R$	
Vehicles Terminal			
SOP:			March 2018
Civil liability	20,000	US$	
Movable property and real estate	1,000	US$	
RCE	1,000	US$	
Civil Liability – Pain and suffering	1,000	US$	
Income Loss due to Blockage of Berth and Channel	600	US$	
Electrical damages	250	US$	

	Parent company and Consolidated		
	Coverage	Currency	Maturity
Institutional			
Civil liability - Management and Directors	40,000	R$	June 2018
Nominated Risks - Santos and São Paulo offices	4,329	R$	April 2018

29. CAPITAL COMMITMENT

As of December 31, 2017, there were requests (purchase orders) linked to the future acquisition of property, plant and equipment items in the amount of R$1,070 (R$1,295 as of December 31, 2016) which are not recorded in this quarterly information.

30. OPERATING SEGMENTS

Information by operating segment is presented in the statements below that are part of this note, in compliance with CPC 22 - Segment Information.

The definition of operating segments and the structure of statements, follow the management model already used in monitoring the managers of business units, along with their managers and reporting to the Statutory Board; thus, are presented in Board of Directors' meetings.

The accounting policies used in the segment information are the same used in the financial statements and consolidated, pursuant to note 4.

Operating segments

Container Port Terminals, representing the aggregation of results and capital employed business units: (a) Tecon Santos; (b) Tecon Imbituba, including the General Cargo Terminal and (c) Tecon Vila do Conde, whose contexts are described in notes 1.a), 1.b) and 1.e). Their activities are a port operator to load and unload container ships and bonded in the primary zone including mainly the storage of cargoes handled in their quay.

The aggregation of container port terminals is performed by units to deal with similar economic characteristics, and also similar: (a) type of production proceedings; (b) type of category of its services' clients; (c) methods used to provide services; and (d) nature of regulatory environment.

Logistics, with business units in Santos, Guarujá, São Bernardo do Campo, São Paulo and Imbituba, with operations described in note 1.c), includes also the activities of road, center distribution and transmission distribution, in synergy with the container port terminals.

Vehicle Terminal, with business unit at the Port of Santos and history described in note 1.d), comprises the activities of loading and unloading of vehicles on ships of the trade flow of export and import activities patio, especially customs warehousing.

Statements

Statement of Income to the EBITDA - Income before interest, taxes, depreciation and amortization EBITDA), representing the performance of operating units, portrayed by ledger accounts under the direct management of the administrators. In this statement, is also presented, the Earnings Before Interested Taxes - EBIT.

Statement of Employed Capital, representing the financial accounts of the operating assets, net of liabilities related to the claims of the operation, under the direct management of the directors of the units.

In addition to the information of the operating segments are highlighted in its own column in the statements, the information of institutional activities that cannot be allocated to operating segments, i.e., related values: (a) central administration; (b) the financial management and (c) to direct taxes on income.

The quoted statements for the years referred to in these financial statements are as follow:

Consolidated statement of income by operating segment – December 31, 2017

Accounts	Port Terminals	Logistics	Vehicles Terminal	Institutional	Eliminations	Consolidated
Gross operating income	673,257	233,051	60,844	-	(14,068)	953,084
Deductions from income	(80,000)	(42,887)	(7,446)	-	1,301	(129,032)
Net operating income	593,257	190,164	53,398	-	(12,767)	824,052
Cost of services rendered	(511,055)	(144,478)	(43,928)	-	12,767	(686,694)
Variable/fixed costs	(448,453)	(130,695)	(34,836)	-	12,767	(601,217)
Depreciation / amortization	(62,602)	(13,783)	(9,092)	-	-	(85,477)
Gross income	82,202	45,686	9,470	-	-	137,358
Operating expenses	(49,713)	(49,929)	(1,271)	(45,188)	-	(146,101)
Sales expenses	(39,514)	(44,100)	(864)	-	-	(84,478)
General and administrative expenses	(23,880)	(8,062)	(539)	(38,532)	-	(71,013)
Depreciation / amortization	(236)	(52)	-	(6,801)	-	(7,089)
Other	13,917	2,285	132	145	-	16,479
EBIT	32,489	(4,243)	8,199	(45,188)	-	(8,743)
Depreciation / amortization	62,838	13,835	9,092	6,801	-	92,566
EBITDA	95,327	9,592	17,291	(38,387)	-	83,823
Financial income (loss)	-	-	-	(10,453)	-	(10,453)
Equity in net income of subsidiaries	-	-	-	42,330	(42,330)	-
IRPJ/CSLL	-	-	-	21,782	-	21,782
Net income	N/A	N/A	N/A	N/A	N/A	2,586

Consolidated statement of income by operating segment – December 31, 2016

Accounts	Port Terminals	Logistics	Vehicles Terminal	Institutional	Eliminations	Consolidated
Gross operating income	744,398	184,882	42,927	-	(15,532)	956,675
Deductions from income	(88,425)	(34,009)	(6,433)	-	1,437	(127,430)
Net operating income	655,973	150,873	36,494	-	(14,095)	829,245
Cost of services rendered	(543,113)	(140,265)	(35,172)	-	14,095	(704,455)
Variable/fixed costs	(478,228)	(125,697)	(26,162)	-	14,095	(615,992)
Depreciation / amortization	(64,885)	(14,568)	(9,010)	-	-	(88,463)
Gross income	112,860	10,608	1,322	-	-	124,790
Operating expenses	(51,732)	(35,513)	1,023	(47,201)	-	(133,423)
Sales expenses	(38,482)	(27,970)	(692)	-	-	(67,144)
General and administrative expenses	(24,552)	(9,837)	(1,339)	(41,155)	-	(76,883)
Depreciation / amortization	(322)	(58)	-	(7,179)	-	(7,559)
Other	11,624	2,352	3,054	1,133	-	18,163
EBIT	61,128	(24,905)	2,345	(47,201)	-	(8,633)
Depreciation / amortization	65,207	14,626	9,010	7,179	-	96,022
EBITDA	126,335	(10,279)	11,355	(40,022)	-	87,389
Financial income (loss)	-	-	-	(13,646)	-	(13,646)
Equity in net income of subsidiaries	-	-	-	(9,679)	9,679	-
IRPJ/CSLL	-	-	-	2,369	-	2,369
Net income	N/A	N/A	N/A	N/A	N/A	(19,910)

On December 31, 2017, the income from a client of the Port Terminal segment represented R$151,839 (R$141,058 on December 31, 2016), representing 22.6% of total consolidated gross income.

Consolidated statement of capital invested per operating segment - December 31, 2017

Accounts	Port Terminals	Logistics	Vehicles Terminal	Institutional	Eliminations	Consolidated
Invested capital						
Current assets	90,281	29,280	8,124	279,189	(3,460)	403,414
Cash and cash equivalents	-	-	-	270,731	-	270,731
Other	90,281	29,280	8,124	8,458	(3,460)	132,683
Non-current assets	1,039,835	156,399	156,753	522,751	(362,894)	1,512,844
Other	248,368	6,354	46	36,593	-	291,361
Investment	-	-	-	362,894	(362,894)	-
Property, plant and equipment	704,516	110,332	4,731	34,317	-	853,896
Intangible assets	86,951	39,713	151,976	88,947	-	367,587
Current liabilities	(104,619)	(31,154)	(5,884)	(3,321)	3,460	(141,518)
Suppliers	(71,815)	(22,544)	(4,902)	(136)	2,695	(96,702)
Other	(32,804)	(8,610)	(982)	(3,185)	765	(44,816)
Non-current liabilities	(91,725)	(3,584)	(107)	(20,970)	-	(116,386)
Suppliers	(15,021)	-	-	-	-	(15,021)
Provision to tax, labor, civil risks	(34,071)	(3,584)	(107)	-	-	(37,762)
Other	(42,633)	-	-	(20,970)	-	(63,603)
Total	933,772	150,941	158,886	777,649	(362,894)	1,658,354
Capital sources						
Current liabilities	-	-	-	-	-	172,770
Loans and financing	-	-	-	-	-	172,042
Dividends/Interest on own capital payable	-	-	-	-	-	728
Non-current liabilities	-	-	-	-	-	94,935
Loans and financing	-	-	-	-	-	61,056
Actuarial liability	-	-	-	-	-	33,879
Shareholders' equity	-	-	-	-	-	1,390,649
Shareholders' equity	-	-	-	-	-	1,399,283
Actuarial liability	-	-	-	-	-	(8,634)
Total	N/A	N/A	N/A	N/A	N/A	1,658,354

Consolidated statement of capital invested per operating segment - December 31, 2016

Accounts	Port Terminals	Logistics	Vehicles Terminal	Institutional	Eliminations	Consolidated
Invested capital						
Current assets	90,177	22,157	8,071	201,583	(3,525)	318,463
Cash and cash equivalents	-	-	-	192,557	-	192,557
Other	90,177	22,157	8,071	9,026	(3,525)	125,906
Non-current assets	1,090,516	169,182	165,875	550,164	(400,357)	1,575,380
Other	238,398	6,475	53	22,673	-	267,599
Investment	-	-	-	400,357	(400,357)	-
Property, plant and equipment	760,391	122,793	4,904	31,528	-	919,616
Intangible assets	91,727	39,914	160,918	95,606	-	388,165
Current liabilities	(92,208)	(21,893)	(4,292)	(5,994)	3,525	(120,862)
Suppliers	(58,519)	(14,095)	(3,405)	(141)	2,646	(73,514)
Other	(33,689)	(7,798)	(887)	(5,853)	879	(47,348)
Non-current liabilities	(90,083)	(3,301)	(81)	(39,431)	-	(132,896)
Suppliers	(15,021)	-	-	-	-	(15,021)
Provision to tax, labor, civil risks	(37,989)	(3,301)	(81)	-	-	(41,371)
Other	(37,073)	-	-	(39,431)	-	(76,504)
Total	998,402	166,145	169,573	706,322	(400,357)	1,640,085
Capital sources						
Current liabilities	-	-	-	-	-	163,527
Loans and financing	-	-	-	-	-	163,414
Dividends/Interest on own capital payable	-	-	-	-	-	113
Non-current liabilities	-	-	-	-	-	87,426
Loans and financing	-	-	-	-	-	66,420
Actuarial liability	-	-	-	-	-	21,006
Shareholders' equity	-	-	-	-	-	1,389,132
Shareholders' equity	-	-	-	-	-	1,391,364
Actuarial liability	-	-	-	-	-	(2,232)
Total	N/A	N/A	N/A	N/A	N/A	1,640,085

Board of Directors

Verônica Valente Dantas (President)
Maria Amalia Delfim de Melo Coutrim (Vice-president)
Daniel Pedreira Dorea
Eduardo de Britto Pereira de Azevedo
Ricardo Schenker Wajnberg
Julio André Kogut (Independent)
Rodrigo Leonardo Anunciato (Independent)

Executive Board

Antonio Carlos Duarte Sepúlveda – Chief Executive Officer
Daniel Pedreira Dorea - Economic-Financial Director of Finances and Relations with Investors
Marcos de Magalhães Tourinho - Chief Commercial Officer
Marlos da Silva Tavares - Chief Operating Officer

Tax Council

Gilberto Braga (President)
Leonardo Guimarães Pinto
Luís Fernando Moran de Oliveira

Milton Mazzo Júnior – CRC 1 SP 235131/O-5
Controllership Manager

The company is subject to arbitration in the court of arbitration of the market, pursuant to an arbitration clause contained in its bylaws.

In compliance with the Differentiated Corporate Governance Practices Regulation ("Novo Mercado"), we present the following information (not reviewed by Independent Auditors):

1) Statement of shareholding position of each investor or shareholder that holds more than 5% of shares of each species and class, directly or indirectly, up to individual level on December 31, 2017.

BREAKDOWN OF CAPITAL OF LEGAL ENTITIES (COMPANY SHAREHOLDERS), UP TO THE LEVEL OF INDIVIDUAL.				
Corporate name: SANTOS BRASIL PARTICIPAÇÕES S.A.			**Position as of 12.31.2017 (In unit - Shares)**	
Shareholder	**Common shares**		**Total shares**	
	Quantity	**%**	**Quantity**	**%**
INTERNATIONAL MARKETS INVESTMENTS C.V.	198,985,881	29.86	198,985,881	29.86
PW237 PARTICIPAÇÕES S.A.	149,382,595	22.42	149,382,595	22.42
MULTI STS PARTICIPAÇÕES S.A.	40,650,300	6.10	40,650,300	6.10
RICHARD KLIEN	11,123,325	1.67	11,123,325	1.67
RK EXCLUSIVE FIA	22,565,875	3.39	22,565,875	3.39
DYNAMO*	65,560,375	9.84	65,560,375	9.84
Treasury shares	5,462,487	0.82	5,462,487	0.82
Other	172,587,042	25.90	172,587,042	25.90
Total	**666,317,880**	**100.00**	**666,317,880**	**100.00**

* Dynamo Administração de Recursos Ltda. and Dynamo Internacional Gestão de Recursos Ltda. (collectively, "Dynamo") are not direct or indirect shareholders of the Company; they are investment fund managers and non-resident investors in Brazil that have similar interests and together own an ownership interest of 9.84% of the common shares of the Company and the funds managed by Dynamo now currently hold a total of 65,560,375 shares. Dynamo said that it does not intend to acquire control of the Company with the acquisitions, it is an investment that does not aim to change the management, control composition or regulate the operation of SBPar.

2) Securities held by Controlling Shareholders, Directors, members of the Board of Directors and members of the Tax Council of the Company, on December 31, 2017:

CONSOLIDATED SHAREHOLDING POSITION OF THE CONTROLLING SHAREHOLDERS AND DIRECTORS AND SHARES OUTSTANDING (Position as of 12.31.2017)				
Shareholder	**Number of common shares (In units)**	**%**	**Total number of shares (In units)**	**%**
Controlling shareholders	-	-	-	-
Directors				
Board of Directors	305,929	0.05	305,929	0.05
Executive Board	1,130,213	0.17	1,130,213	0.17
Tax Council	-	-	-	-
Treasury shares	**5,462,487**	**0.82**	**5,462,487**	**0.82**
Other shareholders	**659,419,251**	**98.96**	**659,419,251**	**98.96**
Total	**666,317,880**	**100.00**	**666,317,880**	**100.00**
Outstanding shares	**659,419,251**	**98.96**	**659,419,251**	**98.96**

3) We inform that, on December 31, 2017, the number of outstanding shares was 659,419,251, i.e., 98.96% of the total capital, which is comprised by all common shares.

2018 business projections

In the year 2018, the market of container terminals in Brazil should continue uncertain regarding the growth of the handling volumes. Although 2017 has showed a recovery in the volume export and import volumes of containers in the ports the Company operates, with the current political and economic scenario, the achievement of projections regarding the flow of containers, both of long-haul and cabotage, has become a challenge. The containers market for the Port of Santos should grow, although will continue facing an uncertain operating and competitive scenario, which leads the Company to not provide guidance for 2018.

Legal Notice

We make statements on future events that are subject to risks and uncertainties. These statements are based on our Management's beliefs and assumptions and on information to which the Company has current access. Statements on future events include information on our current intentions, beliefs or expectations, as well as those of the Board of Directors' members and Company's Directors.

Exceptions to statements and information on the future also include information on possible or assumed operating results, as well as statements that are preceded, followed of that include the words "believes", "may", "will", "continues", "waits", "provides", "intends", "plans", "estimates" or similar expressions.

Statements and information on the future are not guarantees of performance. They involve risks, uncertainties and assumptions because they refer to future events, thus depending on circumstances that may or may not occur. Future results and the creation of value for shareholders may significantly differ from those expressed or suggested by statements on the future. Many of the factors that will determine these results and values are beyond Santos Brasil control or foresight capacity.

Santos Brasil Participações S.A.

Attachment to the financial statements

As provided for in paragraph 1 of article 25 of CVM Instruction 480/09

Contents

TAX COUNCIL' OPINION

The TAX COUNCIL of SANTOS BRASIL PARTICIPAÇÕES S.A., in exercise of its legal and statutory duties in accordance with the provisions of Article 163 of Law nº 6404/1976, examined the annual management report, financial statements and management proposal for the allocation of net income for the year and capital budget, all for the fiscal year ended **December 31, 2017.** Based on reviewed documents, on performed analyses and explanations presented by the Company's representative, and also considering the Independent auditors' report on Individual and Consolidated Financial Statements, KPMG Auditores Independentes, dated **March 02, 2018**, drawing the attention to the “Emphasis” paragraph of the Auditors, that deals with the Inquiry to the Brazilian Securities and Exchange Commission (CVM) on different opinion between the Management and former independent auditors due to the extension of the lease term of Tecon Santos, the TAX COUNCIL, has the unanimous opinion that said documents are ready to be presented to the Annual Shareholders' Meeting for a release, indicating an approval.

São Paulo, March 05, 2018.

Gilberto Braga
President of the Tax Council

Leonardo Guimarães Pinto
Tax Council Member

Luis Fernando Moran de Oliveira
Tax Council member

MANAGEMENT'S PROPOSED CAPITAL BUDGET FOR FY 2018

Dear shareholders,

The Management of **SANTOS BRASIL PARTICIPAÇÕES S.A.** ("SBPAR" or the "company"), in comformity with article 196 of Law 6404/76, proposes to the General Shareholders Meeting the approval of the Capital Budget, with a capital investment of one hundred and one million, two hundred and forty-two thousand Brazilian reais (101,242 thousand) for FY 2018, as shown below:

Summary table of uses and sources - Budget Basis 2018	**R$ Thousand**
USES	
Property, plant and equipment and investments	**101,242**
Property, plant and equipment Tecon Santos - Cntrs Terminal	100,001
Property, plant and equipment Tecon Imbituba - Cntrs Terminal	601,000
Property, plant and equipment Tecon Imbituba - General Cargo Terminal	420,000
Increase of investments in subsidiaries	220,000
Repayment of borrowings / financing	**190,184**
Repayment of principal (Finimp, Finame, debentures and NCE)	159,399
Repayment of interest (Finimp, Finame, debentures and NCE)	30,785
TOTAL USES	**291,426**
SOURCES	
Finimp capture	**44,778**
Financial realization of the profit for FY 2017	**6,664**
Dividends receivable from Terminal de Veículos de Santos	8,629
Payment of dividends	(1,965)
Financial realization for the profit for FY 2018	**18,522**
Cash generation – (derived from EBITDA 2018)	18,522
Cash balance in 12/31/2017 - see statement of cash flow	**221,462**
Earnings retention	492,000
Other cash balance amounts	220,970
TOTAL SOURCES	**291,426**

Profit for 2017	**2,586**
Legal reserve	129,000
Mandatory minimum dividend	614,000
Additional dividend proposed	1,351
Earnings retention	**492,000**

São Paulo, March 2018

The Administration.

STATEMENT

In compliance with the provisions contained in Article 25, sub-item VI, of CVM Instruction nº. 480 of December 07, 2009, the Chief Executive Officer and Economic-Financial Director of Finances and Relations with Investors of **SANTOS BRASIL PARTICIPAÇÕES S.A.**, an incorporated publicly-held company, enrolled with the National Registry of Legal Entities of the Ministry of Finance (CNPJ/MF) under nº. 02.762.121/0001-04, with headquarters at Rua Dr. Eduardo de Souza Aranha, nº 387, 2nd floor, part, São Paulo, SP hereby state that they reviewed, discussed, and agree with the presented financial statements.

São Paulo, March 05, 2018.

Antonio Carlos Duarte Sepúlveda Chief Executive Officer	**Daniel Pedreira Dorea** Economic-Financial Director of Finances and Relations with Investor

STATEMENT

In compliance with the provisions of Article 25, sub-item V, of CVM Instruction nº. 480 of December 07, 2009, the Chief Executive Office and the Economic-Financial Director of Finances and Relations with Investors of **SANTOS BRASIL PARTICIPAÇÕES S.A.**, publicly-held corporation enrolled in the CNPJ (Corporate Taxpayer's Registry) under nº. 02.762.121/0001-04, headquartered at Rua Dr. Eduardo de Souza Aranha, nº 387, 2nd floor, part, São Paulo, SP hereby state that they reviewed, discussed and agree with the opinions expressed in independent auditors' report.

São Paulo, March 05, 2018.

Antonio Carlos Duarte Sepúlveda Chief Executive Officer	**Daniel Pedreira Dorea** Economic-Financial Director of Finances and Relations with Investors