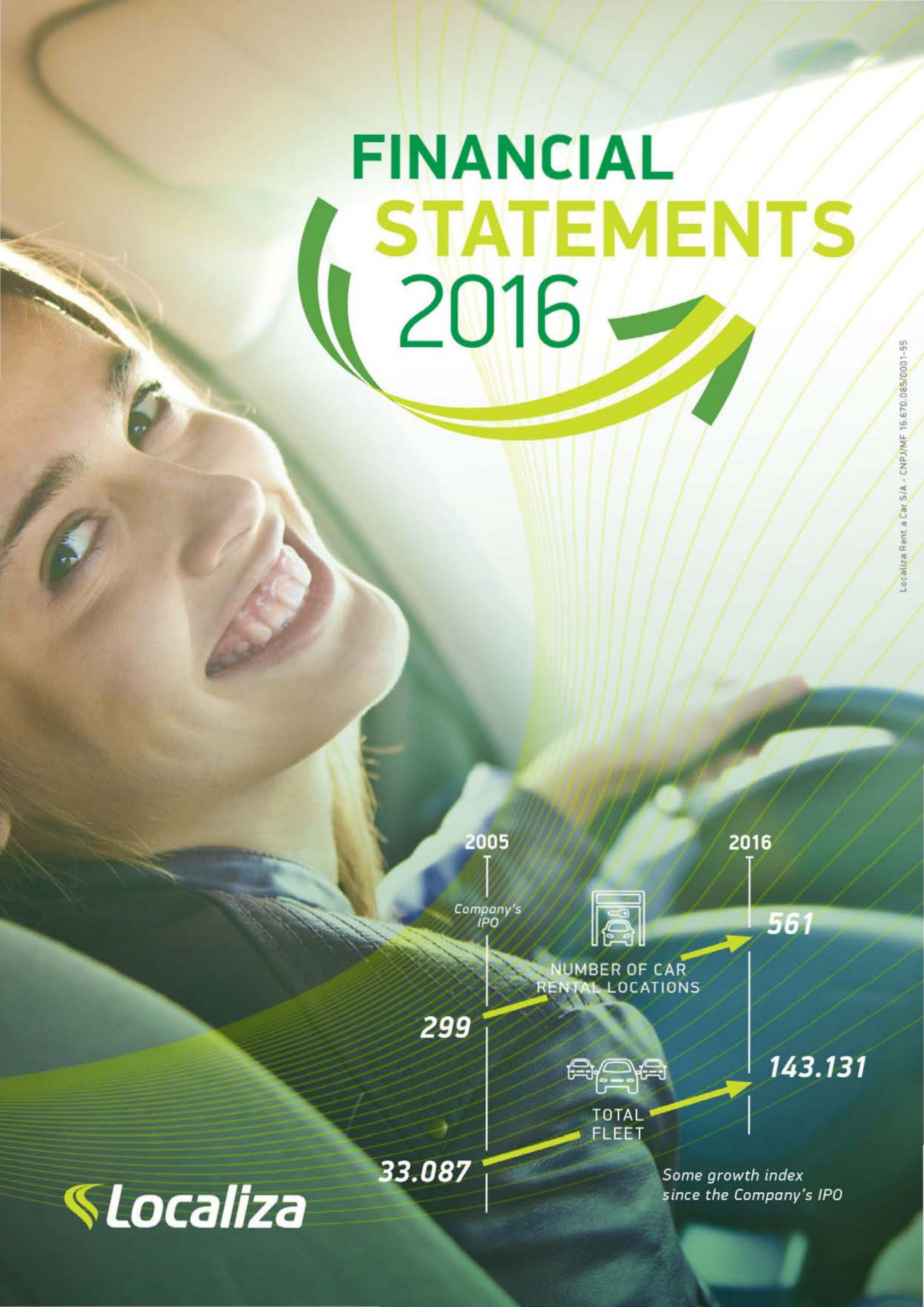
FINANCIAL STATEMENTS 2016



Localiza

Localiza Rent a Car S/A - CNPJ/MF 16.670.085/0001-55

(A free translation of the original in Portuguese)

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1- MESSAGE FROM THE CEO

Dear Investors,

2016 was another year with significant results for Localiza. Even in the macro environment of a deep recession and serious institutional crisis in Brazil, the Company, once again, demonstrated its resilience and strong performance within the financial and operational environments, increasing its leadership in the market, its leading role in innovation, the strength of the brand and the distribution network, always keeping the highest standards of corporate governance.

Among the main results attained in 2016 are:

- Anticipating the crisis that would reach Brazil, Localiza strengthened its balance sheet to face the adverse economic scenario and take advantage of opportunities during the recession period. During this year, three issuance of debentures were made, obtaining R$950.0 million with attractive cost and term, keeping a healthy leverage level of 2.1 x Net Debt/EBITDA. Still in 2016, Localiza maintained its high **credit rating** in the main rating agencies (brAA+/Negative by *Standard & Poor's*, AAA(bra)/Stable by *Fitch Ratings* and Aa1.br/Negative by *Moody's*), making part of a distinguished group of 22 companies with rating level AAA(bra) by *Fitch Ratings*.

- Over the past three years, a period of very competitive and recessive market, with high interest rates, Localiza has given priority to its growth and has posted lower returns on the invested capital. Meanwhile, our net income is stable in this period. Even so, our ROIC generates a quite healthy spread on the cost of the debt and we are **the only company of the industry to create value to our shareholders**. Our priority will continue in the same direction in the short term. The Company is still focused on the commercial and operational excellence and on the active management of costs that started over the past years.

- In December, the Company entered into a **long-term agreement of global strategic alliance with The Hertz Corporation**, which has the most renowned brand and is present in more than 155 countries. Through that agreement, Localiza will acquire Hertz Brazil (still subject to approval by the Administrative Council for Economic Defense (CADE)), will expand its position in the market of inbound/outbound reserves, will use the brand "Localiza Hertz" through a co-brand agreement and will exchange knowledge, technology and talents.

- Due to our strong customer-focused DNA and our employees' passion for serving, Localiza expanded its **unquestionable leadership in quality and service**, obtaining a Net Promoter Score above 80 in 2016, being widely recognized by the market. Localiza won many awards during 2016 such as, for example, best car rental company by the newspaper *Folha de São Paulo* and best service for the 2nd consecutive year by the *Época-ReclameAqui* ranking, with popular votes of more than 80% of the respondents.

- With a strong focus on innovation, Localiza incorporated **great advances in digital channels, client experience, products and social media**. It heavily accelerated its presence in digital channels, having the most visited website of its category, with more than 7.6 million of visitors in the year, accumulating more than 195 thousand downloads in its mobile app. The Facebook fan page has the largest number of followers in the category, more than 515 thousand.

- Once again before the competition, Localiza launched the mobile Express Check-in that accelerates the picking-up of the vehicle, and incorporated the new version of the Check-out Express that allows the drop-off of 85% of the customers in up to one minute and without going to the counter. In December, we launched the pilot of Localiza FAST, being the **only Company in the industry, in Latin America,** offering a mobile app that allows opening the car door and picking the car up without going to the counter. Localiza has the largest and most diversified fleet, renewed every year; it counts on more than 50 models, in categories that range from compact car and SUVs to premium brands, such as Audi, BMW and Volvo. Aligned with the latest trends in the market, Localiza uses methodologies such as Agile and Cloud-based to develop solutions and innovations.

- Localiza was renowned as the **25th most valuable brand in Brazil,** by the Interbrand annual ranking, occupying a prominent place among the strongest brands of Brazil in the most varied industries. Localiza was the official car rental company of the 2016 Rio Olympic Games, having a privileged exposure of its brand in an event of global relevance. *Localiza Fidelidade* is the largest loyalty program in the industry in Latin America, it reached more than 6.4 million members and has already distributed more than 1.8 million free rental days to its customers.

- In the year when Brazil was in a deep moral crisis, Localiza continued operating with the **highest ethical standards and strong corporate governance**, counting on practices such as evaluation of potential resilience when hiring senior leaders, training of ethical behavior for the employees, strong culture of compliance and other tools such as the Confidential Whistleblowing Channel. In recognition of its trajectory, the Company received the award as an outstanding company in Transparency and Ethics by the Exame Magazine ranking of 2016.

- **All of these results would not have been possible without the strong commitment, sense of urgency, passion for serving and spirit of owners of our more than 7,700 employees of the Platform**. Within the context of rapid evolution and transformation of the consumers needs and technology, Localiza continues investing in the development of its employees to meet the future challenges.

Localiza closes the year with important achievements in all areas of its business, following our multiyear strategic planning and keeping an exemplary level of execution. The Company starts 2017 with renewed energy and strong ambition for sustainable growth, in a position to continue expanding its leadership in the market, managing responsibly between short-term profitability and long-term objectives.

We are determined to continue writing one more chapter of success of Localiza in 2017, always advancing alongside our customers, employees, investors, suppliers and partners.

Thank you very much,

Eugênio Mattar - CEO

2- MACROECONOMIC SCENARIO

The political scenario, with a leading role in 2016, had a strong influence in the Brazilian economy. The progress of the "Lava Jato" operation, with important government leaders leaving the government and being arrested, as well as the impeachment of former president Dilma Rousseff, were headlines throughout the year. At the same time, 2016 was marked by a strong recession, which impacted on the most different industries in Brazil.

The impact on the actual economy was a recession during 2016, which, together with the increased interest rate, were able to stop inflation, allowing, at the end of 2016, the beginning of the cycle of decrease in the Basic Annual Interest Rate (SELIC), even with the recent increase in the U.S. interest rate.

In addition to the private sector, which, for a long time, had been suffering with the recession, decrease in the production, dismissals, debt renegotiations, etc., in 2016 the public sector demonstrated that it had also reached its limit. The scenario of recession had a strong impact on the tax revenue of the states. The primary deficit was not worse because of the measures adopted for the repatriation of resources implemented by the Government, which collected R$45.7 billion and transferred part of these resources to the states. Such scenario obliged the federal government to include unpopular items in its agenda, but which are crucial to balance the accounts in the short, medium and long terms. The public budget cap proposal for constitutional amendment was approved and, currently, the proposals for social security reform and flexibility in the labor laws are following legal channels in the government.

Brazil in 2017

The measures adopted at the end of 2016 are important to strengthen the grounds of the Brazilian economy in the future. We believe that there is still a long way to go towards the balance of the public accounts and measures that promote the sustainable growth of Brazil.

The expectations for 2017 are still related to a quite complex political and economic scenario in Brazil, which was impacted by the then unknown Trump effect, increase in the U.S. interest rates and political instability in Europe. We expect 2017 to be one more year of adjustments for Brazil to create strong bases for future growth.

Localiza is prepared for an extended period of recession and adjustments and has a solid operational/financial structure to grow during the recession, seeking to consolidate the market, which is quite fragmented.

3- BUSINESS OVERVIEW

Localiza and its subsidiaries are engaged mainly in: Car Rental, Fleet Rental and Franchising, as described below:

***Car rental*:** The Company rents cars through its on and off-airports rental locations. Cars are rented by corporations and individuals, as well as by insurance companies that offer replacement vehicles to their customers in the case of accidents during the insurance term. Localiza sells cars after they are used for 12 to 18 months, due to the need to renew the fleet. In order to avoid intermediation costs on the sale of decommissioned cars, most of them are sold directly to final consumers. Consequently, the Company maximizes the recoverable amount of these assets, reducing the depreciation of the cars and the net investment for fleet renewal, as the selling expenses of the network are lower than the discounts required by car dealers.

***Fleet rental*:** The Fleet Rental Division, through its wholly-owned subsidiary Localiza Fleet S.A., rents fleets for companies under long-term agreements (generally 24 or 36 months). The division’s fleet is customized to customer needs and requests and, for that reason, it is more diversified in terms of models, colors and brands. The decommissioned cars are sold, on average, after 32 months directly to final consumers or car dealers at the end of the agreements.

Franchising: The Franchising Division is responsible for granting and managing franchises in geographically defined markets, including the transfer of the know-how necessary to operate the business and the right to use Localiza's brand. The franchising business is managed by the wholly-owned subsidiary Localiza Franchising Brasil S.A. in Brazil and Localiza itself abroad.

4- GEOGRAPHIC DISTRIBUTION

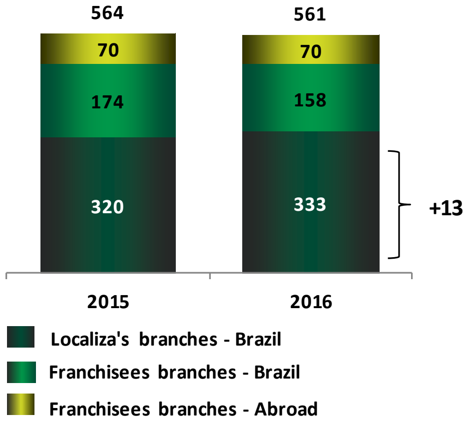
The car rental and fleet rental businesses are highly fragmented. The Brazilian Car Rental Association (ABLA), in its 2016 Brazilian Yearbook of the Vehicle Rental Sector, shows that there was approximately 7,455 vehicle rental companies in Brazil, of which some operate under international brands.

Localiza is the largest car rental network in South America in number of locations, with **561 car rental locations** spread across Brazil and other 6 countries of the South American continent on December 31, 2016. Furthermore, on the same base date, the consolidated fleet of the Company and its franchisees consisted of **143,131 cars**, of which 129,116 were owned cars and 14,015 were franchisees' cars. Localiza has about **6.4 million active clients registered** in its database.

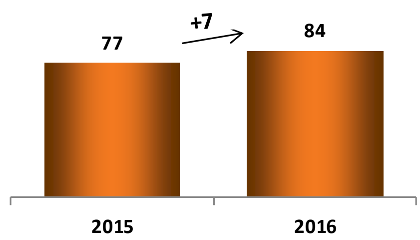
In 2016, the network of owned car rental locations had an increase of 13 locations. The selective distribution of the number of car rental locations contributes to reinforce our geographic position, increasing the potential market.

Decommissioned cars are substantially sold to final consumers through 84 sales points owned by the Company, located in 53 cities throughout Brazil, thereby avoiding intermediation costs, maximizing cash flow generation for fleet renewal and reducing the depreciation cost.

Number of car rental locations (Brazil and abroad)



Number of points of sale of decommissioned cars for fleet renewal (Brazil)



5- SHAREHOLDING

Localiza Group is a Brazilian public group, which shares have been traded on the São Paulo Futures, Commodities and Securities Exchange (BM&FBovespa) since 2005. In 2016, the average daily trading volume of RENT3 was R$36.5 million.

As of December 31, 2016, the Company had 211,793,400 shares, of which 3,692,636 were treasury shares.

Additionally, the Company has participated in the American Depositary Receipts (“ADR”) Program Level I since the approval by the Brazilian Securities Commission (CVM) on May 22, 2012 and began trading on June 5, 2012. On December 31, 2016, the Company's position was 6,868,001 ADRs issued in the United States. Each ADR corresponds to 01 (one) share of the Company.

Proposal for capital increase

Management proposal subject to approval by the General Meeting of Shareholders, to be convened on a timely basis, refers to the increase in the subscribed and paid-up capital of R$ 523,292, from R$ 976,708 to R$ 1,500,000, using part of the balance of the Company's Statutory Reserve, which is not yet recognized in the financial statements.

The capital increase proposed herein will be through a bonus paid in shares at the ratio of 5% (five per cent), with the issue of 10,589,670 new book-entry common shares, with no par value, to be attributed to the shareholders as bonus, in the proportion of 1 (one) new share, of the same type, to each 20 (twenty) shares held; treasury shares will also receive a bonus, as well as the purchase option programs for shares, which will be adjusted in the same proportion.

This proposal aims at increasing the liquidity of the shares, as the negotiation at a more accessible level combined with a greater number of outstanding shares generates, potentially, more business and more financial volume, resulting in creation of value for the shareholders. The new shares issued will be distributed without charge and will benefit the shareholders in proportion to the shareholding prior to the bonus.

Share Buyback

As of December 31, 2016, the number of treasury shares was 3,692,636 shares acquired within the scope of the 1st, 4th, 6th, 7th and 8th Share Repurchase Programs, which market value was R$126.4 million (quotation of R$34.22 per share as of December 29, 2016).

At the meeting held on July 21, 2016, the Board of Directors authorized the Company to purchase the maximum number of 11,000,000 shares, through the 8th Share Repurchase Program. This transaction has a maximum term of 365 days, from July 23, 2016 up to July 22, 2017. Up to December 31, 2016, 750,100 shares had been purchased under this program. See note 16 to the financial statements for details of the costs and movement of treasury shares.

Treasury share movement

In 2016, 693,409 stock options from Stock Purchase Option Plans of 2009 to 2013 were exercised, using treasury shares.

6- DIVIDENDS

The Company holds its Annual General Meeting of Shareholders every year by April 30, when the annual dividend could be declared. However, the Board of Directors, subject to approval at the Shareholders' Meeting, may declare interim dividends.

Paragraph 3 of article 24 of Localiza bylaws establishes that a minimum of 25% of the adjusted net income is distributed as a mandatory dividend.

Localiza distributed to its shareholders the following amounts as dividends and interest on capital:

R$ thousand

Year	Dividends	Interest on Capital	Total
2015	1,042	110,807	**111,849**
2016	-	151,956	**151,956**

As of December 31, 2016, Management did not propose for approval in the General Meeting of Shareholders, the payment of complementary dividends to the shareholders, considering that the amount distributed through interest on capital in 2016 exceeds the mandatory minimum dividends of 25% on the adjusted net profit.

7- INVESTMENTS IN SUBSIDIARIES

The table below shows the changes in investments in each of Localiza's subsidiaries:

R$ thousand

	Investments as of December 31, 2015	Equity in the earnings of subsidiaries	Dividends received and receivable	Provision for loss on investments	Investments as of 12/31/2016
Localiza Fleet	**553,977**	189,181	(191,869)	-	**551,289**
Franchising Brasil	**8,149**	9,687	(9,967)	-	**7,869**
Localiza Prime	**126,041**	(11,913)	(9,920)	-	**104,208**
LFI S.R.L.	**118**	52	-	-	**170**
Rental International	**-**	(99)	-	99	**-**
Car Assistance	**14,691**	20,199	(19,501)	-	**15,389**
Rental Brasil	**151,932**	(176)	(1,649)	-	**150,107**
Total	**854,908**	**206,931**	**(232,906)**	**99**	**829,032**

8- ACQUISITION OF HERTZ BRAZIL AND STRATEGIC ALLIANCE WITH THE HERTZ CORPORATION

On December 5, 2016, Localiza and its subsidiary Localiza Fleet entered into a Purchase and Sale Agreement with The Hertz Corporation (“Hertz Corp.”) and some of its subsidiaries, through which Localiza Fleet will assume the Brazilian operations of Hertz Corp. through the purchase of 99.99% of the quotas of Car Rental Systems do Brasil Locação de Veículos Ltda. (“Hertz Brazil”), and Localiza will buy the remaining 0.01% of the quotas.

The acquisition price of Hertz Brazil is estimated at R$337 million, corresponding to the equity value plus the debt of Hertz Brazil, which will be settled after the transaction is completed. The final amount of the acquisition will be defined in accordance with the balance sheet of Hertz Brazil to be drawn up on the closing date of the deal.

With the acquisition, Localiza Fleet will assume a fleet of approximately 9,200 cars of Hertz Brazil, which includes approximately 3,700 car in the fleet rental business. Hertz Brazil car rental business has approximately 5,500 cars and a network of 42 car rental locations, of which 16 are located on airports and 26 are located off airports. Such distribution network does not include car rental locations of franchisees.

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

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

- Referral Agreement that establishes the inbound and outbound rules of exchange of reserves between Localiza and Hertz Corp.

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

Through the Referral Agreement, Localiza customers will start to be globally served (except for South America) by the Hertz network, and Hertz customers will start to be served in Brazil by the Localiza network.

The operation does not comprise the acquisition of any shareholding in Hertz Corp. by Localiza, neither in Localiza by Hertz Corp. Localiza will continue operating its businesses on a fully independent and autonomous basis.

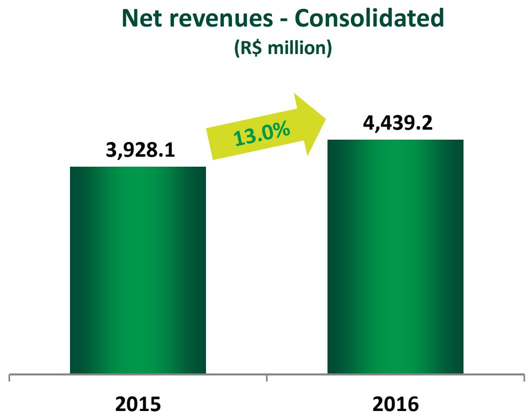
The operation will also include the exchange of new technologies, know-how and executives between both companies.

The completion of the operation is subject to the approval of the Administrative Council of Economic Defense (CADE), which is analyzing the documents sent by both companies. During the period of analysis of the transaction, the companies will continue operating independently.

9- CONSOLIDATED INCOME ANALYSIS

	2015		2016		Variation
	In R$ million	% of net revenue	In R$ million	% of net revenue	%
Net Revenue:					
Car rental	2,934.8	74.7	3,423.1	77.1	16.6
Fleet rental	976.7	24.9	999.2	22.5	2.3
Franchising	16.6	0.4	16.9	0.4	1.8
Total net revenue	**3,928.1**	**100.0**	**4,439.2**	**100.0**	13.0
Total costs	**(2,688.8)**	**-68.5**	**(3,149.2)**	**-70.9**	17.1
Gross profit	**1,239.3**	**31.5**	**1,290.0**	**29.1**	4.1
Operating expenses:					
Selling	(346.2)	-8.8	(364.1)	-8.2	5.2
General, administrative and other	(157.6)	-4.0	(154.7)	-3.5	-1.8
Total operating expenses	**(503.8)**	**-12.8**	**(518.8)**	**-11.7**	3.0
Result before finance expenses (EBIT)	**735.5**	**18.7**	**771.2**	**17.4**	4.9
Financial expenses, net	(202.7)	-5.2	(243.6)	-5.5	20.2
Result before income tax and social contribution	**532.8**	**13.5**	**527.6**	**11.9**	-1.0
Income tax and social contribution	(130.4)	-3.3	(118.3)	-2.7	-9.3
Net income for the year	**402.4**	**10.2**	**409.3**	**9.2**	**1.7**

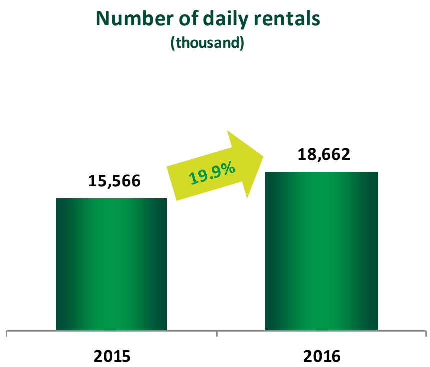
Net Revenue:

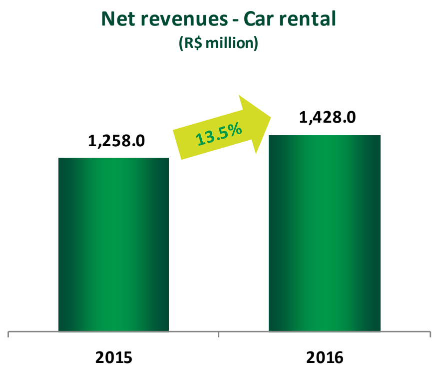


Net revenues increased 13.0% in 2016 due to growth of (i) 11.3% in the Car Rental and Fleet Rental revenues and (ii) 14.6% in the revenues from sales of decommissioned cars for fleet renewal. The main factors that contributed to the growth in net revenue are as follows:

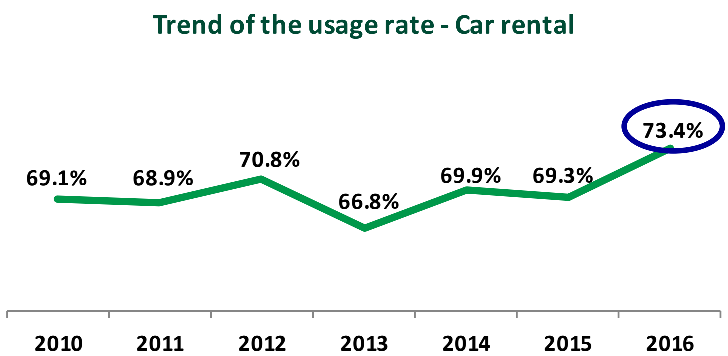
- *Car rental:* In 2016, total net revenue increased 16.6% due to:

  (i) increase of 13.5% in the Car Rental revenue, from R$1,258.0 million in 2015 to R$1,428.0 million in 2016, due to an increase of 19.9% in the volume of daily car rentals partially offset against the reduction of 5.8% of the average rental rate, which decreased from R$84.56 to R$79.67;



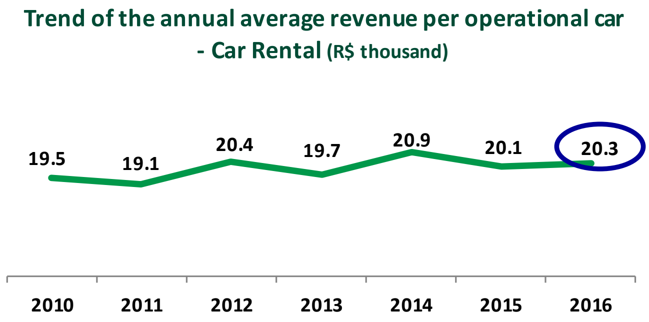


  (ii) improvement in the rate of use of 2016, which was 73.4% (the highest since 2010), resulting from the Company's initiatives in the management of its rates to stimulate demand, the mix of segments and the improvement in the fleet rental; and



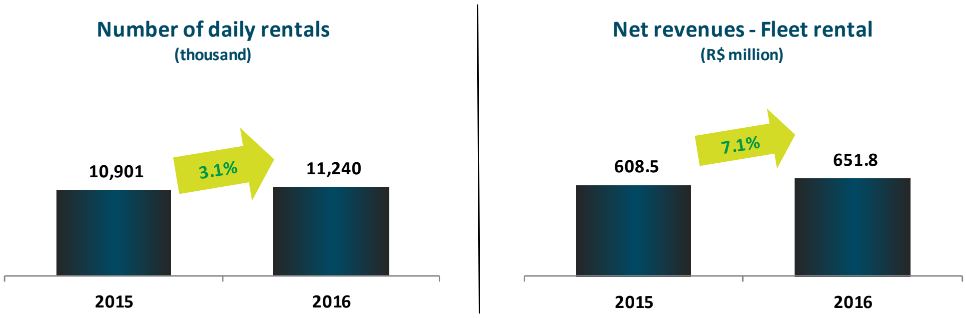
(iii) growth of 19.0% in sales revenue of the decommissioned cars for fleet renewal, due to the increase of 8.5% in the average price and of 9.7% in the number of cars sold.

Despite items (i) and (ii) described above, the annual average revenue per operational car was practically stable in comparison with 2015 due to the increase in the rate of use of the fleet, which compensated the decrease of 5.8% in the average rate.



- *Fleet rental:* Increase of 2.3% in total net revenues motivated by:

  (i) growth of 3.1% in the volume of daily rentals and 3.8% of the average rental rate; and



  (ii) partial offset by the decrease of 5.6% in sales revenues of decommissioned cars for fleet renewal, due to the 8.0% decrease in the number of cars sold partially offset by an increase of 2.6% in the average price of cars sold.

Costs: The consolidated costs of the Company increased 17.1% in 2016. As a percentage of consolidated net revenue, costs increased 2.4 p.p., from 68.5% in 2015 to 70.9% in 2016.

The increase in the cost in 2016 was attributable to the increase of:

(i) 19.2% in the cost of cars sold;

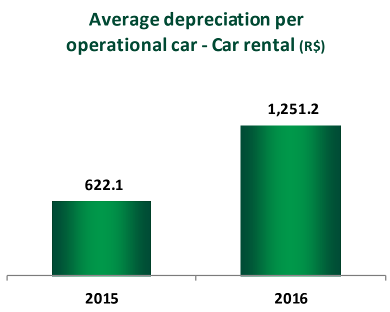
(ii) 11.3% in wage costs, charges on compensation, benefits and profit sharing;

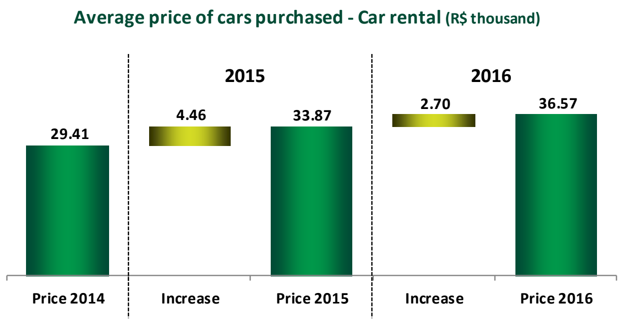
(iii) 19.1% in the cost of property rental, affected mainly by inflation and the addition of 13 new Car Rental locations;

(iv) 14.9% in expenditures with car maintenance and Car Tax (IPVA), in line with the increase in the fleet; and

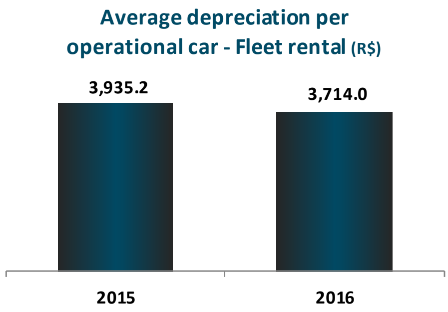
(v) 26.2% in the fleet depreciation cost. The annualized average depreciation per car in 2016 in the Car Rental Division was R$1,251.2, an increase of R$629.1 mainly due to a lower increase in the price of new cars that resulted in a lower increase in the sales price of pre-owned cars.

See further details of the costs in note 20 to the financial statements.





In the Fleet Rental Division, the annualized depreciation per car in 2016 was R$3,714.0, a decrease of 5.6% as compared to the depreciation of 2015. Due to the longer cycle, the car depreciation of that division is benefited from the increase in the prices of pre-owned cars, which occurs during the useful life of the car.



Operating expenses: Operating expenses increased 3.0% in 2016, which was basically due to an average growth of 4.9% in wage costs, charges on compensation, benefits, profit sharing, third-party services and property rental. See further details of the operating expenses in note 20 to the financial statements.

Net financial expenses: Consolidated net financial expenses increased by 20.2% in 2016, compared with 2015. The variation was mainly due to: (i) increase in the average net debt, (ii) increase of R$40.9 million in net financial expenses resulting from the increase in the average net debt, and (iii) in 2015 , the mark-to-market was subject to a reversal that caused a positive impact of R$9.9 million. The increase in the expenses was partially offset by the increase of R$27.7 million in interest income from short-term investments. See further details of the operating income and expenses in note 21 to the financial statements.

Income tax and social contribution: The income tax and social contribution expenses decreased by 9.3% in 2016 in relation to 2015, mainly due to the highest representativeness of interest on capital in relation to the profit before income tax and social contribution (see note 15(b) to the financial statements).

Net income: Consolidated net income remained broadly in line with 2015, with an increase of 1.7% in 2016, from R$402.4 million in 2015 to R$409.3 million in 2016.

EBITDA and EBIT: The reconciliation of net income with EBITDA and EBIT is as follows:

	R$ million		
	2015	**2016**	**Variance (%)**
Net income	**402.4**	**409.3**	**1.7**
Finance expenses, net	202.7	243.6	20.2
Income tax and social contribution	130.4	118.3	-9.3
EBIT	**735.5**	**771.2**	**4.9**
Depreciation of cars and other	199.3	244.5	22.7
EBITDA	**934.8**	**1,015.7**	**8.7**

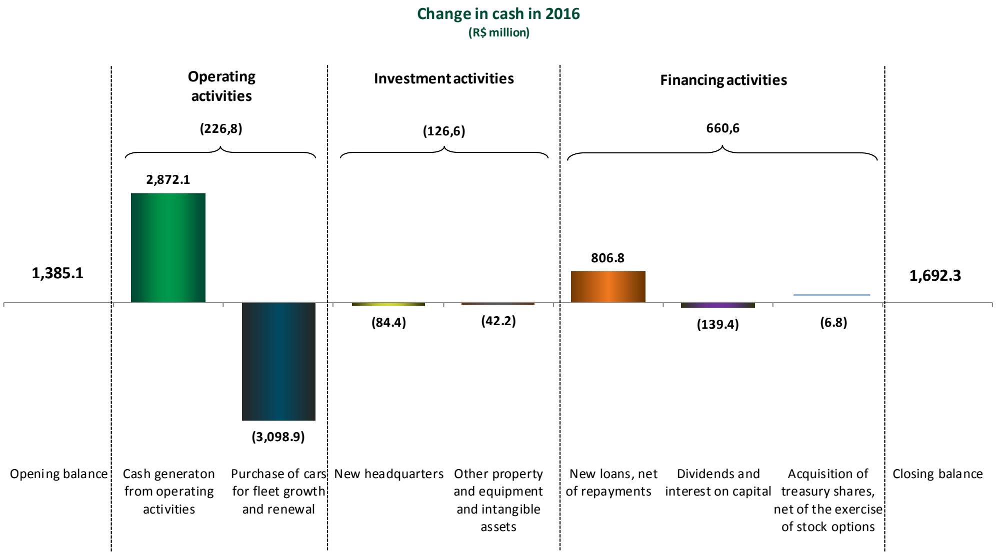
10- CONSOLIDATED BALANCE SHEET ANALYSIS

	12/31/2015		12/31/2016		Variation
	In R$ million	% of total assets	In R$ million	% of total assets	%
ASSETS					
Current assets					
Cash and cash equivalents	1,385.1	22.6	1,692.3	22.8	22.2
Trade receivables	486.1	7.9	424.5	5.7	-12.7
Other current assets	102.6	1.7	117.2	1.6	14.2
Decommissioned cars for fleet renewal	31.8	0.5	8.8	0.1	-72.3
Total current assets	**2,005.6**	**32.8**	**2,242.8**	**30.2**	11.8
Non-current assets					
Escrow deposits	52.9	0.9	60.1	0.8	13.6
Other non-current assets	50.4	0.8	10.7	0.2	-78.8
Property and equipment					
Cars	3,610.9	59.0	4,614.8	62.2	27.8
Other property and equipment	314.1	5.1	405.8	5.5	29.2
Intangible assets	89.1	1.5	83.1	1.1	-6.7
Total non-current assets	**4,117.4**	**67.2**	**5,174.5**	**69.8**	25.7
Total assets	**6,123.0**	**100.0**	**7,417.3**	**100.0**	**21.1**

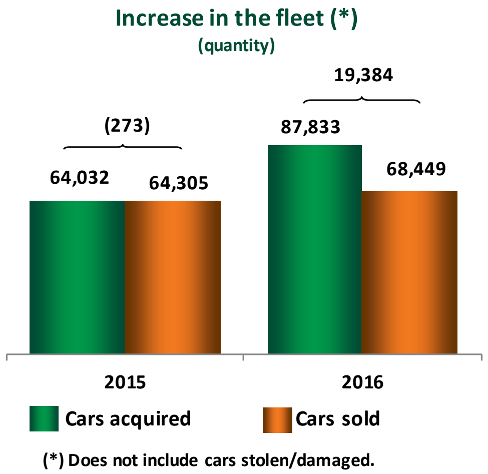
	12/31/2015		12/31/2016		Variation
	In R$ million	% of total liabilities	In R$ million	% of total liabilities	%
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade accounts payable	690.6	11.3	910.9	12.3	31.9
Social and labor obligations	85.6	1.4	95.0	1.3	11.0
Loans, financing, debentures and swap	422.4	6.9	654.6	8.8	55.0
Dividends and interest on capital	29.3	0.5	39.7	0.5	35.5
Other current liabilities	128.2	2.1	141.5	1.9	10.4
Total current liabilities	**1,356.1**	**22.1**	**1,841.7**	**24.8**	35.8
Non-current liabilities					
Loans, financing and debentures	2,596.9	42.4	3,131.3	42.3	20.6
Deferred income tax and social contribution	141.6	2.3	171.9	2.3	21.4
Other non-current liabilities	86.9	1.4	75.4	1.0	-13.2
Total non-current liabilities	**2,825.3**	**46.1**	**3,378.6**	**45.6**	19.6
Shareholders' equity	**1,941.6**	**31.7**	**2,197.0**	**29.6**	13.2
Total liabilities and equity	**6,123.0**	**100.0**	**7,417.3**	**100.0**	**21.1**

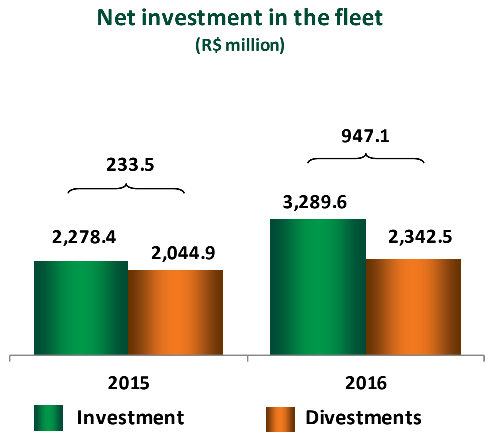
The analyses of the main changes in assets and liabilities accounts are as follows:

Cash and cash equivalents: cash and cash equivalents totaled R$1,692.3 million as of December 31, 2016, representing 22.8% of total assets and presenting an increase of 22.2% compared to the balance of R$ 1,385.1 million as of December 31, 2015, which represented 22.6% of total assets as of that year. The cash flow from the Company's operating, investing and financing activities is as follows:



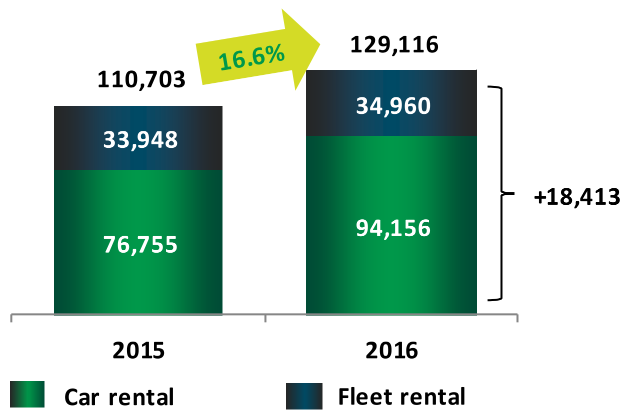
Property and equipment – cars: The increase of 27.8% in property and equipment is related to the increase of 19,384 cars in the fleet in 2016, which resulted in a net investment of R$947.1 million. The purchase of new cars in the period resulted from the need to increase the fleet to accompany the growth of 27.5% in the number of cars rented from the Car Rental division in 4Q16. On the other hand, the depreciation of cars increased by 26.1%, mainly due to the lower increase in the sales price of decommissioned cars for fleet renewal, in line with the downturn of the increase in the price of new cars.





On December 31, 2016, the network of pre-owned cars was comprised of 84 stores distributed among 53 cities in Brazil, an increase of 7 stores as compared to 2015. Most of the stores rapidly attain the desired volume of sales within three months, and a smaller part takes up to 6 months to attain the expected volume.

Period-end fleet (quantity)



Property and equipment – other: An increase of 29.2% from R$314.1 million in 2015 to R$405.8 million in 2016, primarily due to the investment of R$84.4 million in 2016 in the construction of the new headquarters.

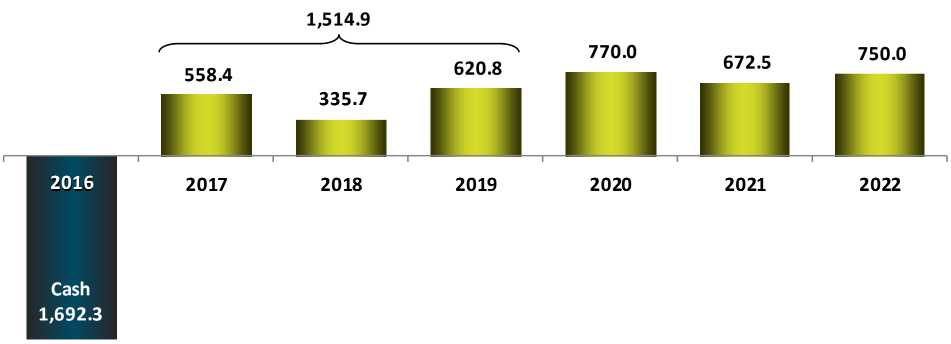
Suppliers: The increase of 31.9% in trade accounts payable, from R$690.6 million in 2015 to R$910.9 million in 2016, basically refers to the increase of 32.3% in the balance payable to the car manufacturers due to the purchase of cars at the end of 2016 to meet the growth of 28.1% in the volume of daily car rentals and 8.1% in the Fleet Rental, in the 4Q16.

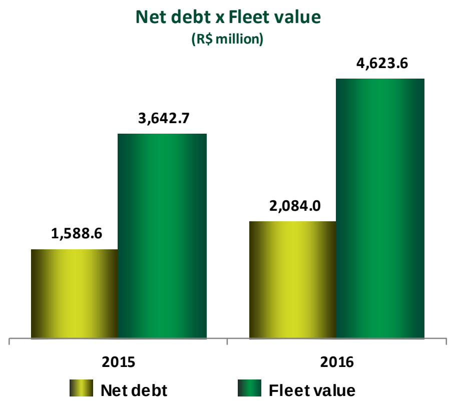
Loans, financing, debentures and swap: The main funding and repayments of loans, financing, debentures and swaps in 2016 are summarized below:

Category	Funding (R$ million)	Repayments (R$ million)	Event date	Notes
6th issuance of Debentures - Localiza	-	(30.0)	10/17/16	Payment of principal
7th issuance of Debentures - Localiza	-	(75.0)	3/30/16 and 9/30/16	Payment of principal
10th issuance of Debentures - Localiza	200.0	-	1/8/16	Maturity of 5 years
11th issuance of Debentures - Localiza	500.0	-	12/12/16	Maturity of 5 years and 1 month
2nd issuance of Debentures - Localiza Fleet	250.0	-	11/28/16	Maturity of 5 years and 6 months
Total	**950.0**	**(105.0)**		

Management believes that the Company has a comfortable debt profile in line with business cycle and the macroeconomic environment.

Debt repayment profile as of 12/31/16 - Principal (R$ milllion)





Balances at the end of the period	2015	2016
Net debt / Fleet value	44%	45%
Net debt / EBITDA	1.7x	2.1x
Net debt / Equity	0.8x	0.9x
EBITDA / Net financial expenses	4.6x	4.2x

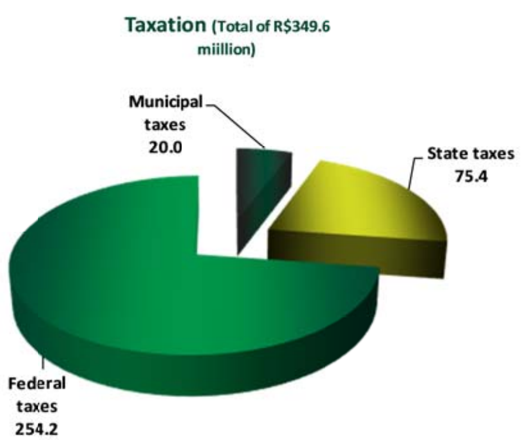
In addition, the corporate rating of Localiza at the local level with the three main rating agencies is brAA+/Negative by Standard & Poor's, AAA(bra)/Stable by Fitch Ratings and Aa1.br/Negative by Moody's.

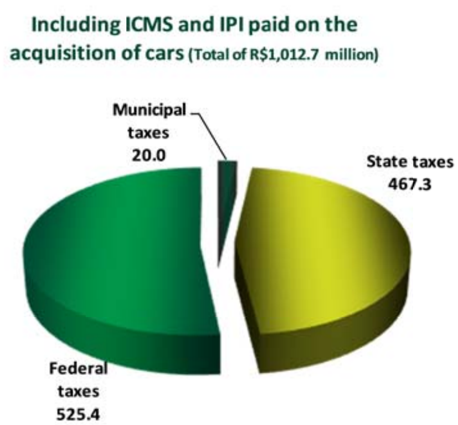
Dividends and interest on capital: Dividends increased by 35.5%, from R$29.3 million in 2015 to R$39.7 million in 2016. The increase in the balance payable arises from the increase of 40.7% in interest on capital approved in December 2016 in relation to December 2015.

Deferred income tax and social contribution liabilities, net: Deferred income tax and social contribution liabilities increased by 21.4%, from R$141.6 million in 2015 to R$171.9 million in 2016, mainly due to: (i) increase in temporary differences of depreciation of cars in the amount of R$10.1 million; and (ii) increase in leasing in the purchase of property and equipment in the amount of R$ 37.4 million, partially offset by an increase of R$ 17.3 million in asset temporary differences. See the Analysis of balances in note 15(a) to the financial statements.

11- TAXATION

The chart below shows the distribution of taxes by area of government:





12- AWARDS

In 2016, the Company won several awards, including:

Awards and recognition	Promoting institution
25th most valuable Brazilian brand	*Interbrand*
33rd most valued brand of Brazil	IstoÉ Dinheiro Magazine
Best car rental company	Best and Largest Transportation Company in 2016
Best car rental company for consumers	*Reclame Aqui* Portal / *Época* Magazine
Outstanding company in ethics and transparency	*Guia Exame de Sustentabilidade 2016*
Best CEO, best CFO, best Investor Relations professional, best Investor Relations program and best website	*Institucional Investor* magazine
Excellence in Corporate Finance	IBF – Brazilian Institute of Finance Executives
Ser Humano Award, people management and social responsibility category	ABRH-MG – Brazilian Association of Human Resources
One of the most admired HR departments in Brazil	*Gestão RH* Magazine
Companies that Best Communicate with Journalists	*Negócios da Comunicação* Magazine
Global Award of Excellence in IT and one of the 20 best CIOs in the world	*ICMG Think Architecture*
Brazil's most internationalized brand	Brazilian Multinationals Ranking of *Fundação Dom Cabral*
Viaja São Paulo Award - Favorite Car Rental Company	Datafolha Institute
Best Car Rental Company of Brazil	Top Aviesp 2016

13- SUSTAINABILITY

In line with our vision of being an admired company, Localiza operates actively in the pursuit of economic and financial sustainability, in order to perpetuate our business and add value to our investors, but taking into account also the ESG tripod (environment, social responsibility and corporate governance).

Environment

The Company's fleet is new and presents efficient fuel consumption. Approximately 75% of the cars have their consumption classified as A or B (more efficient and less polluting), according to the National Institute of Metrology, Standardization and Industrial Quality (INMETRO), and are dual-fuel (flex-fuel), whenever available in the model, which can reduce the emission of CO_2 in up to 89% (www.etanolverde.com.br – a study of The State University of Campinas – Unicamp). Localiza also has hybrid cars in its fleet.

The Company uses a dry cleaning system in its cars, which reduces the consumption of water and the product used is biodegradable. This system also generates a reduction in energy consumption and less residue.

The project of installation of solar panels in the car rental locations of Localiza is being implemented. Up to the end of 2017, there will be 280 car rental locations generating and consuming solar energy for its operation, representing 662,706 KWH/month. The excess generated will be placed in the distribution network.

The new headquarters of Localiza, which is under construction, will have several sustainability initiatives that will optimize the use of water and energy resources: smart elevators and air conditioning, building automation system, efficient lighting, reduction of paved surface and garden on the parking lot floor, interlocked block floor (which allows the return of water to the water table), central air conditioning system and acoustic isolation, acoustic treatment for areas with higher noise, rain water and gray water (used in sinks) recycling, devices to reduce water consumption, automatically activated faucets, permeable areas 10% larger than the legal requirement, planting of native trees, preservation of species of environmental significance, intelligent and automated irrigation of plants and an internal street in order to alleviate traffic in the public street, among others.

In the maintenance of vehicles, solid waste is collected in our locations by certified companies and the Company only works with suppliers who effect the proper disposal of tires.

Additionally, Localiza Fleet:

(i) has the Ecovadis Environmental Responsibility silver seal, which analyzes the Company in the following areas: social, environmental, ethics and supply chain;
(ii) has an Environmental Management Plan (EMP) audited by an independent company, which aims to adapt and systematize the environmental aspects of its operations, in addition to meeting the standards of sustainability of multinational customers;
(iii) provides customers with online training on sustainable driving, or eco-driving, which teaches drivers how to use their cars in order to minimize the environmental impacts of vehicle use, such as reduction of accidents, reduction of polluting gases emission, renovation and maintenance of the fleet, among others; and
(iv) carries out an analysis of the carbon emission of the current fleet of its customers and potential customers, through which it is possible to offer them more environmentally efficient fleet alternatives and estimated costs to neutralize carbon emissions through the use of ethanol and tree planting.

Social responsibility

The Company participates in social action programs, through projects that focus on culture, social actions and education, and invested about R$ 2.1 million in 2016 in: social institutions supported through the Rouanet law, sports incentive law, a social fund for children and teenagers, elderly incentives law, support to people with special needs and oncology care support. The Company allocated income tax resources to previously selected and qualified institutions that have a good track record and reputation.

Oasis Bananal Project: The new headquarters of Localiza is near the Bananal Community and, for the construction of a good and lasting relationship with the neighborhood, focused on its development, Localiza implemented the Oasis Bananal Project, in partnership with Bridge Consultoria, Associação Nossa Cidade and Oasis Belo Horizonte. The Oasis Bananal project volunteers constructed a leisure area for the children, gardens, painted alleys, implemented lighting and constructed an urban area called “parklet” for the community meetings.

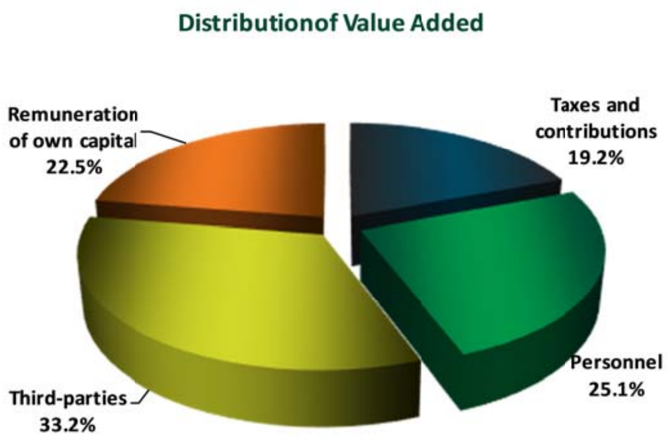
Blood and bone marrow donation campaign: In partnership with Hemominas, Localiza collects blood in the Company's headquarters and registers donors in the National Registry of Bone Marrow Donors (REDOME). Awareness campaigns are made in the car rental locations, with the presentation of the criteria for donation and of closest blood donor centers.

Walk groups: With the support of sports advisors, Localiza organizes walks with groups of employees. The purpose is to encourage the practice of physical activities and fight against idleness.

Educational lectures: Every year, Localiza prepares a timetable to discuss various subjects, the objective of which is to make its team aware of subjects, such as financial guidance, oral health, respiratory illnesses, heart diseases, eye care, among others.

Suppliers: The contracts with suppliers require that they comply with rules related to the environmental responsibility and labor laws.

Statement of Value Added (DVA): Such statement presents the Company's representativeness for the society, responsible for the generation of wealth in the amount of R$1,818.4 million in 2016 (R$1,683.3 million in 2015) distributed as follows:



Corporate governance

The Company has focused on keeping the highest corporate governance practices with regard to fairness, compliance, accountability and transparency, aiming at adding value to shareholders and the general market. Since its IPO, the Company has been listed on the *Novo Mercado* (New Market) the highest corporate governance level of São Paulo Securities, Commodities and Futures Exchange (BM&FBovespa), granting tag along rights to 100% of its shares.

The Company is managed by a Board of Directors with eight members and a Board of Executive Officers with five members. In line with the governance practices required by the *Novo Mercado* Listing Rules, the Company's Board of Directors has four independent members. Localiza currently has no Statutory Audit Board.

The Company’s Board of Directors has established the following committees: (i) Audit, Risk Management and Compliance, (ii) Personnel Management and (iii) Strategy, which are formed only by board members, in their majority independent members, as well as the coordinator.

In addition, the Company has Ethics and Disclosure Committees, which are internal and subordinated to the Board of Directors and are formed by officers and employees of the Company. The Ethics Committee is subordinated to the CEO and the Disclosure Committee to the CFO.

Board of Executive Officers and Board of Directors: As of December 31, 2016, the Board of Directors and the Board of Executive Officers were formed by the following members:

BOARD OF DIRECTORS

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

STATUTORY EXECUTIVE OFFICERS

Name	Title
Eugênio Pacelli Mattar	CEO of Localiza and Subsidiaries
Roberto Mendes	CFO and IR Officer of Localiza and Subsidiaries
Edmar Vidigal Paiva	Statutory Executive Officer of Localiza and Subsidiaries
Eugênia Maria Rafael de Oliveira	Statutory Executive Officer of Localiza and Subsidiaries
Heros di Jorge	Statutory Executive Officer of Localiza and Subsidiaries
Daltro Barbosa Leite Júnior	Statutory Executive Officer of Rental Brasil
João Alberto Mazoni Andrade	Statutory Executive Officer of Localiza Fleet

NON-STATUTORY EXECUTIVE OFFICERS

Name	Name	Name
Alberto Wagner Teixeira Campos	Cláudio Zattar	José Carlos Batista
Ana Cristina Carvalho Chaves	Cristina Vaz Amaral	Leandro Franco Bacchin
Antonio Hiroyuki Hyodo	Daniel Tadeu Pereira	Marcelo Hiroshi Nagassaki
Bernardo Dias Gomide	Guilherme Ude Braz	Nora Mascarenhas Lanari
Bruno Sebastian Lasansky	Herbert Viana Andrade	Paulo Henrique de Almeida Pires
Cláudio Luciano Marques	João Hilário De Ávila Valgas Filho	

Submission to the Arbitration Chamber: Under the terms of Article 40 of the Company Bylaws, the Company itself, its shareholders, management and members of the Board of Directors undertake to settle, by means of arbitration, any and all disputes and controversies that may arise among them, whether related to or arising from, in particular, the application, validity, effectiveness, interpretation, breach and the effects thereof, of the provisions set forth in Law 6,404/76, the Company's Bylaws, the rules issued by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities Commission, as well as any other rules applicable to the operation of capital markets in general, as well as those set forth in the *Novo Mercado* Listing Rules, the *Novo Mercado* Agreement and the Market Arbitration Chamber Rules.

ABRASCA Code of Self-Regulation and Good Practices: In line with best Corporate Governance practices, Localiza adhered to the ABRASCA Code of Self-regulation and Good Practices of Publicly-held Companies ("ABRASCA Self-regulation Code").

Anti-Corruption Law Compliance Program: The Anti-corruption Law Compliance Program of Localiza is a set of procedures and guidelines essential for maintaining an ethical and transparent conduct in all the Company's professional relationships, in order to avoid and fight acts of corruption against the public administration.

Implemented in 2015, the Compliance Program covers the whole Localiza team, including franchisees, and is structured on eight fundamental pillars: support from senior management, risk assessment, internal policies and controls, communication and training, diligence, monitoring and auditing, researching and reporting, and periodic review of the Program.

In April 2016, aware of the importance and impact of the subject, the Company engaged in the Corporate Pact for Integrity and against Corruption (“Pact”), an initiative of Ethos Institute in partnership with the United Nations Development Program (UNDP), the World Economic Forum, the Global Compact Network Brazil and Patri Relações Governamentais & Políticas Públicas. Based on the principles of the Pact, Localiza assumes in public various commitments which objective is to fight against corruption.

In recognition of its Compliance practices, in November 2016 the Company was in an outstanding position in the *Guia Exame de Sustentabilidade* in the category of Ethics and Transparency.

Code of Ethics: The Company has adopted a Code of Ethics since 1995 with the purpose of: (i) reducing the subjectivity of interpretations of ethical principles; (ii) being a formal and institutional reference for the employees' professional conduct, becoming a standard for the Company's relationship with customers, employees, suppliers, shareholders, the competition, society, government, the press, and the community where it operates; and (iii) ensuring that concerns about efficiency, competitiveness, and profitability do not take priority over ethical standards and the legislation.

Risk Management and Reporting Channel: The Company has an Internal Controls and Risk Management Policy, prepared in compliance with the Code of Self-regulation of ABRASCA (Brazilian Association of Listed Capital Companies), in order to establish controls and procedures to prevent the occurrence of errors/frauds and risk analysis that could affect the Company.

The Company adopts the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), for mapping processes and internal controls.

As part of the Internal Audit activities, rotating fleet inventories are performed in car rental locations and pre-owned car stores as well as in workshops and accredited service providers, and compliance with standards and internal operating procedures are also evaluated. Any non-compliance identified is reported to the board responsible for its analysis and treatment. In addition, internal audit carries out audits of the Company's processes aimed at assessing the efficacy and effectiveness of internal controls. Any weaknesses identified generate action plans for implementation by the responsible areas. Periodically, the results of the internal audit work are reported to the Audit, Risk Management and Compliance Committee.

The Company has a reporting channel that can be used by Localiza staff and other stakeholders with whom the Company has a relationship, such as suppliers and service providers, customers and investors, among others, to report unethical and/or illegal situations occurring in the Localiza Platform. The reporting channel is operated by a specialized external company and permits the registration of anonymous complaints and monitoring, by the complainant, of the progress of the investigation of the complaint.

Aiming at a higher level of security and tranquility to the employees, as well as promoting and encouraging the use of the reporting channel, in March 2016 the Reporting and Non-retaliation Policy was implemented, prohibiting retaliation of any nature against a complainant in good faith or against employees who become witnesses in internal procedures of verification, in addition to prescribing punishment measures against those responsible for the act.

The reporting channel is available on a 24x7x365 basis and can be accessed through the following means: (i) telephones: 0800 979 2055 (for calls originating from Brazil – toll free) and +55 (11) 3232 0786 (for calls originating from abroad – collect call); (ii) website: www.canalconfidencial.com.br/localiza; and (iii) e-mail: localiza@canalconfidencial.com.br.

The Internal Audit and Human Resources areas are responsible for managing the reporting channel, as well as the computations of the reports received. In 2016, the findings of the complaints received and considered valid generated actions that ranged from reorientations of conduct to cases of greater significance that culminated in the dismissal of employees and the disqualification of suppliers, besides contributing to the improvement of the internal control of processes. Periodically, internal campaigns are realized in order to promote and encourage the use of this channel.

Relationship with Independent Auditors: Localiza has a policy according to which it does not contract consulting services of the external auditor which issues an opinion on the financial statements, so as to avoid potential conflicts that could interfere with the independence of the audit work.

PricewaterhouseCoopers Auditores Independentes, responsible for auditing the Company's financial statements, was also contracted in 2016 for a strategic consulting referring to the acquisition of the operations of Hertz in Brazil, IFRS training and advisory in the diagnosis of the IT CobiT level of maturity.

In 2016, the fees for these engagements were R$ 308.3 thousand, R$ 5.3 thousand and R$85.8 thousand, respectively, corresponding to 53.6% of the financial statements audit fees. The auditors believe that the aforementioned additional services do not represent a loss of independence of the independent auditors related to the audit work. Management also believes that they are not included in the impediments established in article 23 of CVM Instruction 308/99, and are in line with Resolution CFC 1,311.

The Board of Directors meeting held on December 15, 2016 approved the engagement of the independent auditor firm Deloitte Touche Tohmatsu Auditores Independentes for the performance of the audit work as from the first quarter of 2017, in compliance with the good practices of the corporate governance, through the rotation of audit firms.

14- PEOPLE MANAGEMENT

Localiza acknowledges and values its team. The Company's Human Resources practices are based on merit and guided by competitive compensation and appreciation of the employees' performance. In order to retain talents, the Company offers its employees career opportunities and professional training.

Benefits and development

The Company conducts salary and wage surveys on an ongoing basis to attract and retain its team. The goal of such surveys is to determine compensation competitiveness relative to the market and update the relevant corporate policies.

Promotions, internal employee leverage and professional development are Localiza's values. In 2016, 420 employees were promoted, and the Company invested R$1.0 million in training courses.

In addition to health care and dental plans and meal vouchers, the Company currently has seven stock purchase option plans, which grant options to subscribe for common shares of Localiza to a group of executives. In order to participate in the Plans, the employees that are eligible for the program must invest in the shares of the Company the equivalent of 15%, 25%, 30% or 50% of the amount of the participation in the profits received, depending on the hierarchical level. For each invested share, the Company grants a consideration of four options which are exercised by the average price quotation of the share of Localiza ("RENT3") for the last 40 (forty) trading days preceding the date of payment of profit sharing. The options may be exercised from the third year after the grant.

The payments of participation in profit are based on the achievement of individual goals and the stock purchase options program aligns the interests of the employees with those of the Company's shareholders, which contribute to talent retention and a long-term perspective in the decision-making process.

The Company has also a Pension Plan to supplement official social security benefits. This plan is established in a "defined contribution" manner and is managed by a major independent pension fund manager. There are no actuarial and investment risks to be assumed by the Company as its sponsor; consequently, no actuarial valuation is required and there is no possibility of recognizing actuarial gains or losses. Due to the competitive environment and economic and political fragility of Brazil, in the first six-month period of 2016 the investments made by the Company to the pension plans were suspended. However, on June 23, 2016, the Board of Directors approved the return of the Company's contribution to the complementary pension plan of its employees and officers as from July 1, 2016.

In addition, a template comprised of seven competences (six for all the employees and one more that is exclusive of the leaders) was prepared. It determines the behaviors necessary to sustain the future growth of the Company and the development of its employees.

In 2016, the general turnover of Localiza was 12.8%, demonstrating a good stability in the levels of leadership. Our Company's growth is secured by talented employees committed to our mission and values, who are also adequately compensated, based on merit, and capable of outstanding performance.

Localiza has always dedicated itself to sustainable Human Resources practices, through the respect and well-being of its employees, significant levels of diversity in its leadership and investment in training courses for all its staff. Furthermore, the Company was one of the first companies in Brazil to have a structured program of profit sharing in 1990, before the regulation of such practice.

The Company also has policies about:

- Health and security of the employees with training directed to them;
- Working conditions;
- Supply of Personal Protective Equipment;
- Structured relationship with representatives of the employees;
- Investment in training, development and career of the employees;
- SESMT – Specialized Service in Safety Engineering and Occupational Medicine;
- CIPA – In-house Accident Prevention Commissions;
- PPRA – Environmental Hazard Prevention Program;
- PCMSO – Occupational Health Medical Control Program;
- Commitment to not exploiting child labor or slavery in its operations or those of its suppliers;
- Human rights of everyone who is involved in its businesses; and
- Labor rights assured, as determined by the law.

Programs directed to the employee

Welcome to Localiza: This program is attended by every new employee and its objective is to present to them the Company's culture, values, mission and business platform. The integration lasts 14 hours, divided into two days, and counts on the presence of lecturers of the Human Resources area and representatives of the business areas.

New Localiza Leader: Created at the end of 2014, especially for employees promoted to a position of leadership or professionals contracted to work as leaders, the program objective is that the leader should have a good knowledge of the Company's business and be able to apply our personnel management practices, through training, technical visits and follow-up of the HR.

***Qualificar* Program:** *Qualificar* Program covers all the Localiza team, in a series of trainings directed to develop the team's technical and behavioral skills. The definition of the courses of the training plan was based on the analysis of the aspects for improvement of the performance assessment and on the values and competences of the Company. The employees, together with their leaders, choose the areas that need development and improvement and then enroll in the program. The employees are the tutors of the program, becoming a reference in the matter for other employees and creating, therefore, recognition of the tutors and accessibility of all the employees to the crucial matters of the Company.

Lead: With the objective of forming and developing the leaders of Localiza in People Management practices, the Program is divided into three modules in the total of 36 hours. It is given by internal multipliers from the different areas of the Human Resources area.

Inclusion program: Localiza has a program for the inclusion of people with special needs that promotes the inclusion and the incentive to diversity. In addition, it contributes to the qualification of those persons, propitiating knowledge and development in administrative routines and professional behaviors, with the objective of making them able to exercise other positions within the Company.

Among administrative staff and apprentices, Localiza has more than 100 employees and expects that such number keeps growing.

Hiring immigrants: In partnership with the immigrant supporting houses and institutions, the program was created to contract immigrants and was based on the Company's view of offering work opportunities to professionals from various countries who chose Brazil to construct their future and improve life quality. Currently, the Company counts on employees from different countries, such as Haiti, Benin, Angola, Nigeria and Senegal.

Social Service: Guided by the values and principles of the Company, based on respect, ethics and attention to people, the Social Service acts in the social relationships and supports the employees, spouses and children in the event of social problems, identifying resources for to the improvement of the condition of life, such as health, social protection and quality of life.

***Viva Melhor* Program:** Created in 2005, this program deals with matters related to health, awareness and well-being of the employee through measures, such as:

- Road safety campaign**:** During the whole month of May, Localiza involves employees and customers in an awareness campaign for a safer traffic to support the international movement Yellow May. With the proposal of calling the attention of the society to the high index of deaths and injured in the traffic all over the world, the movement's objective is to be an action coordinated between the public power and the civil society, involving actions and spreading knowledge.

- Pink October: The name refers to the pink lace that symbolizes the fight against breast cancer. Through a partnership with Mário Penna Institute, the Company's employees receive, during the current month, several materials related to the prevention and early diagnosis of breast cancer.

- Blue November: The initiative was spread over various countries as a manner of calling the attention to the importance of preventing prostate cancer. Localiza joined the movement and conducts, in November, an awareness campaign about the subject to all employees, who receive various materials related to the prevention and diagnosis of prostate cancer.

- Program to support pregnant employees: With the objective of minimizing possible antenatal and postnatal complications, Localiza created a program to offer appropriate antenatal assistance to employees and their dependents, with the monitoring of a multiprofessional team (psychologists, nutritionists, etc.) focused on the health and well-being of the pregnant woman and the baby.

Social report

			2015			2016
Consolidated social indicators calculation basis - R$ thousand						
Net Revenue (NR)			3,928,095			4,439,273
Profit before taxation (LAIR)			532,844			527,628
Gross payroll (GP)			418,989			448,638
Internal social indicators	**Amount R$/ thousand**	**% on GP**	**% on NR**	**Amount R$/ thousand**	**% on GP**	**% on NR**
Meals	21,630	5%	0%	30,083	7%	1%
Compulsory social charges	90,509	22%	2%	95,254	21%	2%
Health care	28,286	7%	1%	29,627	7%	1%
Training and professional development	2,785	1%	0%	993	0%	0%
Day care center or child care allowance	283	0%	0%	285	0%	0%
Profit sharing	62,459	15%	2%	66,517	15%	1%
Other	9,573	2%	0%	6,707	1%	0%
Total - internal social indicators	**215,525**	**52%**	**5%**	**229,466**	**51%**	**5%**
External social indicators	**Amount R$/ thousand**	**% on EBT**	**% on NR**	**Amount R$/ thousand**	**% on EBT**	**% on NR**
Education	282	0%	0%	306	0%	0%
Culture	1,478	0%	0%	1,199	0%	0%
Other	362	0%	0%	305	0%	0%
Total contributions to society	**2,122**	**1%**	**0%**	**1,810**	**0%**	**0%**
Taxes (excluding social charges) (*)	284,264	53%	7%	282,298	54%	6%
Total - external social indicators	**286,386**	**54%**	**7%**	**284,108**	**54%**	**6%**
Personnel indicators			**2015**			**2016**
Number of employees at the end of the period			6,185			6,324
Number of admissions during the period			1,597			1,454
Number of outsourced employees			239			132
Number of interns			30			20
Number of employees over 45 years old			689			712
Number of women working at the company			2,825			2,774
% of management positions held by women			48.63%			49.34%
Number of people with special needs			226			281

(*) Does not include approximately R$391.9 million of Value-Added Tax on Sales and Services (ICMS) and R$271.2 million of Excise Tax (IPI) paid by the Company and included in the purchase price of cars.

Relevant information regarding corporate citizenship	2016			Goals 2017		
Highest/lowest remuneration ratio			**99.5**			**80 (*)**
Total number of occupational accidents			**54**			**-**
- The social and environmental projects developed by the Company were established by	(x) directors	( ) directors and managers	( ) all employees	(x) directors	( ) directors and managers	( ) all employees
- The safety and health standards in the workplace were established by	( ) directors and managers	( ) all employees	(x) all + CIPA (**)	( ) directors and managers	( ) all employees	(x) all + CIPA (**)
- Regarding union freedom, right to collective bargaining and internal workers representation, the company	( ) is not involved	(x) follows the standards of the ILO (***)	( ) encourages and follows the standards of the ILO (***)	( ) will not be involved	(x) will follow the standards of the ILO (***)	( ) will encourage and follow the standards of the ILO (***)
- The profit sharing plan covers	( ) directors	( ) directors and managers	(X) all employees	( ) directors	( ) directors and managers	(X) all employees
- In selecting suppliers, the same ethical, social responsibility and environmental standards adopted by the company	( ) are not considered	( ) are suggested	(x) are required	( ) will not be considered	( ) will be suggested	(x) will be required
- As to the participation of employees in volunteer work programs, the company	( ) is not involved	( ) supports	(x) organizes and encourages	( ) will not be involved	( ) will support	(x) will organize and encourage
- Total number of complaints and criticisms from consumers	In the company	In Procon (*****)	In court	In the company	In Procon (*****)	In court
	(****)	270	3,191	(****)	n/a	n/a
- % of complaints and criticisms from customers handled or solved	In the company	In Procon (*****)	In court	In the company	In Procon (*****)	In court
	(****)	79.6%	55.2%	(****)	n/a	n/a

(*) To calculate the ratio between the highest and lowest compensation paid in the Company, the head office's salaries were used (Belo Horizonte).
(**) CIPA – Internal Accident Prevention Committee
(***) ILO – International Labor Organization
(****) The customer assistance area answers calls referring to mechanical problems, accidents, doubts about billings, as well as praises and complaints. The Company does not have a record of the number of calls concerning complaints only.
(*****) Procon – Consumer Protection Agency

(A free translation of the original in Portuguese)

Localiza Rent a Car S.A. and subsidiaries

Parent company and consolidated financial statements on December 31, 2016 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Localiza Rent a Car S.A.

Opinion

We have audited the accompanying parent company financial statements of Localiza Rent a Car ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2016 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Localiza Rent a Car S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Localiza Rent a Car and of Localiza Rent a Car S.A. and its subsidiaries as at December 31, 2016, and the financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

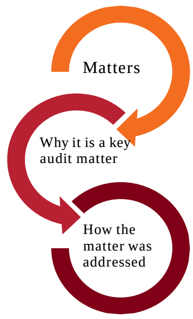
Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Localiza Rent a Car S.A.

Key audit matters

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



Why it is a Key Audit Matter	How the matter was addressed in the audit
Definition of the vehicles' net book value (Note 8) The Company's management considers the best estimates when defining the net book value of its vehicle fleet. The depreciable amount of its fleet corresponds to the difference between the acquisition cost and the estimated net book value (estimated selling amount after the useful life of the asset, net of discounts applied and the estimated selling expenses). We focused on this area because the application of the related accounting practice requires judgment and use, by management, of subjective assumptions and estimates that include the estimated selling price, considering the expected wear and tear, and the direct expenses related to this process, in addition to the significance of the amounts related to the vehicle fleet recorded in property and equipment. Any changes in the assumptions and estimates regarding the effective results could affect the appreciation or depreciation of these assets as well as the depreciation expense.	We tested the management's estimates by performing the following procedures, among others: We obtained, with the Company's management, an understanding of the definition and what are the supporting documents for the main assumptions used, such as the estimated selling price at the end of the related asset's useful life, the sale commissions and other selling expenses, and the discounts applied. We performed consistency tests involving the net book value estimated by the Company and the selling prices of similar cars practiced in the market and disclosed by the media, as well as amounts obtained for transactions carried out during the year. We consider that the conclusions and disclosures by management are consistent with the information obtained in our audit.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Provisions for contingent liabilities (Note 14)	
Localiza and its subsidiaries are parties to civil, tax, social security, and labor proceedings that arise in the normal course of their activities. Management records a provision in the balance sheet for those proceedings whose likelihood of loss is considered by management as probable. In our audit, we focused this area because the mentioned proceedings usually involve discussions about the subject matter and the complex aspects related to them, in addition to the exercise of judgment by management.	Our audit procedures included, among others, the obtaining of an understanding about the significant internal controls involving the identification, the constitution of liabilities, and the disclosures in the explanatory notes. We also obtained an understanding of the calculation method adopted, which takes into consideration the history of unfavorable outcomes in proceedings of the same nature as well as lawyers' opinions on the matters. We performed confirmation procedures with the law firms that are working in the administrative and legal proceedings in order to confirm the assessment on such opinions, the totality of the information, and the correct amount of the provisions. For proceedings considered as more significant, we discussed the reasonableness of the likelihood of loss. We consider that the Company's provisions and disclosures are consistent with the information obtained with lawyers.
Rental revenues	
The Company recognizes its rental revenue on daily bases according to the rental agreements entered into with customers, which involve both individuals and legal entities comprising a diversified customer portfolio. The Company depends on its technology environment and on its underlying automated controls related to the obtaining, recording, and processing of rental revenue information. We consider that this area is significant for our audit because of (i) the complexity that is inherent to the automatic processes of starting, recording, processing, and reporting of information that is used to recognize rental revenue, (ii) the significance of the internal controls established, and (iii) the relevance of the	With the support of our IT specialists, we obtained an understanding and tested the main general controls of the technology environment related to the security aspects, to changes in systems, and to the monitoring of the processes. We also tested the design and effectiveness of significant controls related to the major transactions comprising the recognition of the rental revenue and the related disclosures in the accompanying notes. In addition, we tested the effectiveness and the efficiency of the policies that are relevant for certain rental revenue transactions parametrized in the systems used by the Company. Finally, we tested certain transactions of sales revenue made during the year by reviewing the related bills as well as the subsequent receipt of the

Why it is a Key Audit Matter	How the matter was addressed in the audit
revenue in the financial statements taken as a whole.	transaction amount as paid by the customer and carried out confirmation procedures for certain trade receivables from customers and credit card companies. We consider that the combination of tests of controls and tests of revenue transactions has provided us with appropriate and sufficient evidence for our audit of the financial statements.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

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

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Localiza Rent a Car S.A.

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

Belo Horizonte, February 3, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" MG

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1 "S" MG

LOCALIZA RENT A CAR S.A.

BALANCE SHEETS ON DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais (A free translation of the original in Portuguese)

A S S E T S

		Parent company		Consolidated	
	Note	12/31/16	12/31/15	12/31/16	12/31/15
Current assets					
Cash and cash equivalents	*4*	1,133,711	881,659	1,692,261	1,385,103
Trade receivables	*5*	336,457	374,843	424,528	486,072
Dividends receivable from subsidiaries	*7(a) (iii)*	7,472	10,639	-	-
Other current assets	*6*	87,174	42,862	117,185	102,622
Decommissioned cars for fleet renewal	*8(b)*	441	2,421	8,787	31,780
Total current assets		**1,565,255**	**1,312,424**	**2,242,761**	**2,005,577**
Non-current assets					
Long-term receivables:					
Trade receivables	*5*	-	-	3,169	4,737
Escrow deposits	*14*	38,144	33,552	60,127	52,900
Other non-current assets	*6*	861	46,346	7,469	45,663
Total long-term assets		39,005	79,898	70,765	103,300
Investments in subsidiaries	*7(a)*	851,109	877,015	-	-
Property and equipment	*8(a)*	3,508,455	2,625,539	5,020,596	3,925,027
Intangible assets:					
Software	*9(a)*	55,612	62,118	61,056	67,043
Goodwill on acquisition of investments	*9(b)*	-	-	22,077	22,077
Total non-current assets		**4,454,181**	**3,644,570**	**5,174,494**	**4,117,447**
Total assets		**6,019,436**	**4,956,994**	**7,417,255**	**6,123,024**

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

LOCALIZA RENT A CAR S.A.

BALANCE SHEETS ON DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

		Parent company		Consolidated	
	Note	12/31/16	12/31/15	12/31/16	12/31/15
Current liabilities					
Trade accounts payables	*10*	803,601	589,175	910,901	690,594
Social and labor obligations	*11*	73,224	65,292	94,982	85,590
Loans, financing, debentures and swap	*12*	407,425	167,210	654,586	422,383
Income tax and social contribution payable		8,530	4,883	23,036	28,250
Dividends and interest on capital	*16(b)*	39,749	29,306	39,749	29,306
Other current liabilities	*13*	108,993	87,105	118,445	99,935
Total current liabilities		**1,441,522**	**942,971**	**1,841,699**	**1,356,058**
Non-current liabilities					
Loans, financing, debentures and swap	*12*	2,280,369	1,962,858	3,131,303	2,596,893
Provisions	*14*	48,457	53,539	63,074	68,321
Deferred income tax and social contribution	*15(a)*	46,017	48,575	171,913	141,614
Other non-current liabilities	*13*	6,081	7,474	12,276	18,561
Total non-current liabilities		**2,380,924**	**2,072,446**	**3,378,566**	**2,825,389**
Total liabilities		**3,822,446**	**3,015,417**	**5,220,265**	**4,181,447**
Shareholders' equity					
Capital	*16(a)*	976,708	976,708	976,708	976,708
Capital reserves	*16(c) (i) and (iii)*	129,803	113,911	129,803	113,911
Treasury shares	*16(d)*	(95,826)	(77,988)	(95,826)	(77,988)
Revenue reserves	*16(e) (i) and (ii)*	949,412	928,946	949,412	928,946
Profit retention	*16(f)*	236,893	-	236,893	-
Total shareholders' equity		**2,196,990**	**1,941,577**	**2,196,990**	**1,941,577**
Total liabilities and shareholders' equity		**6,019,436**	**4,956,994**	**7,417,255**	**6,123,024**

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

LOCALIZA RENT A CAR S.A.

INCOME STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	2016	2015	2016	2015
Net revenue	*19*	3,398,560	2,855,228	4,439,273	3,928,095
Costs	*20*	(2,577,830)	(2,098,974)	(3,149,234)	(2,688,826)
Gross profit		**820,730**	**756,254**	**1,290,039**	**1,239,269**
Operating income (expenses):					
Selling	*20*	(286,642)	(268,469)	(364,089)	(346,195)
General, administrative and other expenses	*20*	(124,990)	(130,770)	(154,758)	(157,566)
Equity in the earnings of subsidiaries	*7(a)*	206,931	251,323	-	-
		(204,701)	(147,916)	(518,847)	(503,761)
Profit before finance income and costs		**616,029**	**608,338**	**771,192**	**735,508**
Finance result:	*21*				
Finance income		149,183	119,976	201,948	167,357
Finance costs		(336,101)	(308,262)	(445,512)	(370,021)
		(186,918)	(188,286)	(243,564)	(202,664)
Profit before income tax and social contribution		**429,111**	**420,052**	**527,628**	**532,844**
Income tax and social contribution:	*15(b)*				
Current		(22,354)	(13,643)	(88,014)	(94,818)
Deferred		2,558	(3,982)	(30,299)	(35,599)
		(19,796)	(17,625)	(118,313)	(130,417)
Net income		**409,315**	**402,427**	**409,315**	**402,427**
Net income attributable to shareholders		-	-	409,315	402,427
Earnings per share - R$	*17*				
Basic		1.96574	1.92519	1.96574	1.92519
Diluted		1.96278	1.92033	1.96278	1.92033

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2016	**2015**	**2016**	**2015**
Net income	**409,315**	**402,427**	**409,315**	**402,427**
Other comprehensive income				
Items that will be reclassified to profit or loss in subsequent periods	-	-	-	-
Items that will not be reclassified to profit or loss in subsequent periods	-	-	-	-
Total comprehensive income	**409,315**	**402,427**	**409,315**	**402,427**
Attributable to shareholders	409,315	402,427	409,315	402,427

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

LOCALIZA RENT A CAR S.A.
PARENT COMPANY AND CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

			Capital reserves			Revenue reserves				
	Note	Share capital	Options granted recognized	Goodwill on share subscription	Treasury shares	Legal reserve	Statutory reserve	Profit retention	Retained earnings	Total
On December 31, 2014		**976,708**	**18,083**	**82,513**	**(60,168)**	**80,037**	**558,331**	**-**	**-**	**1,655,504**
Options granted recognized	*16(c) (i)*	-	5,086	-	-	-	-	-	-	5,086
Stock options exercised using treasury shares	*16(c) (ii) and (iii), 16(d)*	-	(8,579)	16,808	9,631	-	-	-	-	17,860
Treasury shares acquired	*16(d)*	-	-	-	(27,451)	-	-	-	-	(27,451)
Net income		-	-	-	-	-	-	-	402,427	402,427
Allocation of net income for the period:										
Legal reserve	*16(e) (i)*	-	-	-	-	20,122	-	-	(20,122)	-
Interest on capital (R$ 0.45 per share)	*16(b)*	-	-	-	-	-	-	-	(110,807)	(110,807)
Proposed dividends (R$ 0.01 per share)	*16(b)*	-	-	-	-	-	-	-	(1,042)	(1,042)
Constitution of statutory reserve	*16(e) (ii)*	-	-	-	-	-	270,456	-	(270,456)	-
On December 31, 2015		**976,708**	**14,590**	**99,321**	**(77,988)**	**100,159**	**828,787**	**-**	**-**	**1,941,577**
Options granted recognized	*16(c) (i)*	-	4,868	-	-	-	-	-	-	4,868
Stock options exercised using treasury share	*16(c) (ii) and (iii), 16(d)*	-	(8,899)	19,923	7,158	-	-	-	-	18,182
Treasury shares acquired	*16(d)*	-	-	-	(24,996)	-	-	-	-	(24,996)
Net income		-	-	-	-	-	-	-	409,315	409,315
Allocation of net income for the period:										
Legal reserve	*16(e) (i)*	-	-	-	-	20,466	-	-	(20,466)	-
Interest on capital (R$ 0.63 per share)	*16(b)*	-	-	-	-	-	-	-	(151,956)	(151,956)
Profit retention	*16(f)*	-	-	-	-	-	-	236,893	(236,893)	-
On December 31, 2016		**976,708**	**10,559**	**119,244**	**(95,826)**	**120,625**	**828,787**	**236,893**	**-**	**2,196,990**

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	**2016**	**2015**	**2016**	**2015**
Cash flows from operating activities:					
Net income for the year		**409,315**	**402,427**	**409,315**	**402,427**
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:					
Depreciation and amortization	*8, 9 and 20*	124,331	73,465	244,470	199,361
Net book value of vehicles written off		1,809,841	1,457,489	2,102,520	1,769,133
Deferred income tax and social contribution	*15(b)*	(2,558)	3,982	30,299	35,599
Equity in the earnings of subsidiaries	*7(a)*	(206,931)	(251,323)	-	-
Other		23,969	13,621	26,953	17,203
(Increase) Decrease in assets:					
Trade receivables	*5*	32,585	(7,045)	56,791	(36,564)
Purchase of cars (see supplementary disclosure below)	*8 and 10*	(2,593,121)	(1,880,600)	(3,098,913)	(2,399,586)
Escrow deposits	*14(a)*	(4,592)	(13,115)	(7,227)	(15,270)
Taxes recoverable		(3,102)	(3,766)	(5,954)	(5,233)
Other assets		(36,439)	10,007	(3,644)	(1,294)
Increase (Decrease) in liabilities:					
Accounts payables (except for car manufacturers)	*10*	25,355	(15,446)	29,587	(16,686)
Social and labor obligations	*11*	7,932	2,181	9,392	(524)
Income tax and social contribution	*15(b)*	22,354	13,643	88,014	94,818
Interest on loans, financing, debentures and swap of fixed rates	*12*	328,691	301,293	438,052	406,585
Insurance premiums		8,577	4,288	8,577	4,288
Other liabilities		(8,590)	8,962	(19,445)	5,903
Cash provided by (used in) operating activities		**(62,383)**	**120,063**	**308,787**	**460,160**
Income tax and social contribution paid		(18,709)	(19,944)	(93,283)	(110,659)
Interest of loans, financing and debentures paid	*12*	(314,370)	(278,872)	(442,292)	(352,902)
Net cash used in operating activities		**(395,462)**	**(178,753)**	**(226,788)**	**(3,401)**
Cash flows from investing activities:					
Redemption of marketable securities		-	-	-	92,552
Decrease of share capital in subsidiary, net of payments	*7(a)*	-	119,661	-	-
Dividends from subsidiaries	*7(a)(iii)*	236,073	377,382	-	-
Purchase of other property and equipment	*8*	(22,238)	(11,833)	(117,800)	(135,357)
Addition to intangible assets	*9*	(6,795)	(15,795)	(8,790)	(17,575)
Net cash provided by (used in) investing activities		**207,040**	**469,415**	**(126,590)**	**(60,380)**

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais

		Parent company		Consolidated	
	Note	2016	2015	2016	2015
Cash flows from financing activities:					
Loans and financing:	*12*				
- Proceeds		-	225,169	266,312	747,223
- Repayments		(1,397)	(125,003)	(297,870)	(368,448)
Debentures:	*12*				
- Proceeds		693,172	496,772	943,395	496,772
- Repayments		(105,000)	(668,000)	(105,000)	(668,000)
Treasury shares acquired	*16(d)*	(24,996)	(27,451)	(24,996)	(27,451)
Exercise of stock options with treasury shares, net	*16(c) and 16(d)*	18,182	17,860	18,182	17,860
Dividends	*16(b)*	(1,042)	(44,660)	(1,042)	(44,660)
Interest on capital	*16(b)*	(138,445)	(94,601)	(138,445)	(94,601)
Net cash provided by (used in) financing activities		**440,474**	**(219,914)**	**660,536**	**58,695**
Cash flows provided (used) during the year		**252,052**	**70,748**	**307,158**	**(5,086)**
Cash and cash equivalents:					
At the beginning of the year	*4*	881,659	810,911	1,385,103	1,390,189
At the end of the year	*4*	1,133,711	881,659	1,692,261	1,385,103
Increase (Decrease) in cash and cash equivalents		**252,052**	**70,748**	**307,158**	**(5,086)**

Supplemental disclosure of cash flow information

		Parent company		Consolidated	
	Note	2016	2015	2016	2015
Acquisition of cars :					
For fleet renewal		(2,106,495)	(1,773,067)	(2,563,639)	(2,278,445)
For fleet growth		(675,697)	-	(725,994)	-
Total car acquisitions	*8*	**(2,782,192)**	**(1,773,067)**	**(3,289,633)**	**(2,278,445)**
Trade accounts payables - car manufacturers	*10*				
Balance at the end of the year		(698,786)	(509,715)	(782,064)	(591,344)
Balance at the beginning of the year		(509,715)	(617,248)	(591,344)	(712,485)
		189,071	(107,533)	190,720	(121,141)
Cash paid for cars purchased		**(2,593,121)**	**(1,880,600)**	**(3,098,913)**	**(2,399,586)**
Revenue from the sale of cars, net of taxes	*19*	1,988,930	1,661,405	2,342,559	2,044,976
Net cash outflow for investment in fleet		**(604,191)**	**(219,195)**	**(756,354)**	**(354,610)**

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

LOCALIZA RENT A CAR S.A.

VALUE ADDED STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	2016	2015	2016	2015
Revenues:					
Gross revenue net of discounts	*19*	3,454,372	2,903,312	4,514,619	4,002,165
Revenues related to the construction of own assets and leasehold improvements		9,703	5,915	9,703	5,915
Constitution of provision for impairment of trade receivables, net of reversals	*5*	(5,801)	(5,834)	(6,321)	(8,507)
Total revenues		**3,458,274**	**2,903,393**	**4,518,001**	**3,999,573**
Costs and expenses acquired from third parties:					
Materials, energy, third-party services and others		(182,590)	(169,506)	(197,663)	(189,640)
Costs of car and fleet rental and of cars sold		(2,067,733)	(1,693,775)	(2,459,417)	(2,094,614)
Total costs and expenses acquired from third parties		**(2,250,323)**	**(1,863,281)**	**(2,657,080)**	**(2,284,254)**
Gross wealth generated		**1,207,951**	**1,040,112**	**1,860,921**	**1,715,319**
Depreciation and amortization	*20*	(124,331)	(73,465)	(244,470)	(199,361)
Net wealth created		**1,083,620**	**966,647**	**1,616,451**	**1,515,958**
Wealth received in transfer:					
Finance income	*21*	149,183	119,976	201,948	167,357
Equity in the earnings of subsidiaries	*7(a)*	206,931	251,323	-	-
Wealth for distribution		**1,439,734**	**1,337,946**	**1,818,399**	**1,683,315**
Wealth distributed					
Taxes and contributions					
- Federal		121,846	116,407	254,221	270,896
- State		53,044	44,587	75,392	66,556
- Municipal		14,919	11,265	20,025	15,517
Personnel					
- Direct remuneration		270,604	248,033	358,810	330,666
- Benefits		55,437	49,845	67,061	60,847
- FGTS (severance pay fund)		18,387	17,335	24,716	23,220
- Others		4,867	4,762	4,867	5,086
Third parties					
- Interest	*21*	336,101	308,262	445,512	370,021
- Property rentals	*20*	142,469	123,975	145,207	126,874
- Other rents		12,745	11,048	13,273	11,205
Shareholders					
- Interest on capital	*16(b)*	151,956	110,807	151,956	110,807
- Dividends	*16(b)*	-	1,042	-	1,042
- Retained earnings		257,359	290,578	257,359	290,578
Wealth distributed and retained		**1,439,734**	**1,337,946**	**1,818,399**	**1,683,315**

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

1. OPERATIONS

Localiza Rent a Car S.A. ("Localiza"), headquartered at Avenida Bernardo Monteiro, 1563, Belo Horizonte, Minas Gerais State, has, since May 2005, been a Brazilian publicly-held company, listed in the BM&FBovespa (São Paulo Securities, Commodities and Futures Exchange) *Novo Mercado*, which characterizes the highest corporate governance level in the Brazilian capital market. Localiza's shares are traded under the ticker symbol RENT3.

The main activities of Localiza and its subsidiaries ("Company") comprise car rental, fleet rental and franchising. In order to renew the fleet, Localiza and its subsidiary Localiza Fleet S.A. ("Localiza Fleet") sell their decommissioned cars, thereby generating cash to pay the car manufacturers that provide the new cars.

On December 31, 2016, the Localiza Platform (including its franchisees in Brazil and abroad) was comprised of 561 car rental locations, being: (i) 491 locations in 360 cities in Brazil, 333 of which were operated by Localiza and the others by franchisees; and (ii) 70 locations in 41 cities in 6 South American countries, all operated by franchisees.

As of December 31, 2016, the fleet of the Localiza Platform was comprised of 143,131 cars on December 31, 2016, of which: (i) 129,116 belonged to the Company, including 94,156 of the Car Rental Division and 34,960 of the Fleet Rental Division; (ii) 8,864 (unaudited) belonged to its franchisees in Brazil; and (iii) 5,151 (unaudited) belonged to franchisees abroad. Decommissioned cars are substantially sold to final consumers through 84 sale locations owned by the Company, located in 53 cities throughout Brazil, without intermediation costs, maximizing cash flow generation for fleet renewal and reducing the depreciation cost.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance

The Company's financial statements comprise the parent company and consolidated financial statements, being identified as "Parent company" and "Consolidated”, and are prepared and presented in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and also in accordance with the accounting practices adopted in Brazil. These accounting practices include those established in the Brazilian Corporate Law as well as the technical pronouncements, instructions, and interpretations issued by the Brazilian Accounting Pronouncements Committee (“CPC”) and approved by the Brazilian Securities Commission (“CVM”), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by Management in the performance of its duties.

2.2. Basis of preparation

The financial statements have been prepared based on historical cost, normally at the fair value of the consideration paid in exchange for an asset, except for the remuneration costs relating to the Stock Option Plan and the derivative financial instruments, which are measured at fair value.

2.3. Consolidation basis and investments in subsidiaries

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

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

The Company's direct and indirect subsidiaries are summarized in note 7(a).

2.4. Key accounting judgments and sources of estimation uncertainties

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

The significant estimates and assumptions are used mainly in the: (i) accounting for the provision for impairment losses on trade receivables from customers (provision for impairment of trade receivables (note 5)); (ii) definition of the useful lives and net book values of property and equipment items (note 8); (iii) accounting for provisions (note 14); (iv) accounting for deferred income tax and social contribution (note 15(a)); (v) measurement of remuneration costs relating to the Stock Option Plan (note 16(c) (i)); and (vi) determination of the fair value of financial instruments (note 22(c)).

The Company reviews its estimates and assumptions on an ongoing basis and at least annually. The effects of these reviews are recognized in the period in which the estimates are reviewed and changed, if they impact only that period, or also in subsequent periods, if they impact both current and future periods.

2.5. Functional and reporting currency

The Brazilian Real is the functional currency of Company and the reporting currency of the parent company and consolidated financial statements. Financial information is presented in thousands of Brazilian Reais, unless otherwise indicated, and is rounded to the nearest thousand. The financial statements of dormant foreign subsidiaries are translated into Brazilian Reais at the foreign exchange rates prevailing on the balance sheet dates. The effects of such translation on net income (R$ 99 in 2016 and R$ 83 in 2015) and shareholders' equity are immaterial.

2.6. Statement of value added

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

The statement of value added has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements and following the requirements in CPC 09 - Statement of Value Added. The first part shows the wealth created by the Company, represented by revenues (gross revenue net of discounts, revenues related to the construction of own assets and leasehold improvements and constitution of provision for impairment of trade receivables, net of reversals), by costs and expenses acquired from third parties (materials, energy, third-party services, costs of car and fleet rental and of cars sold considering the effects of depreciation and amortization) and value added received in transfer (finance income and equity in the earnings of subsidiaries). The second part presents the distribution of wealth among taxes and contributions, personnel and remuneration of third-party and own capital.

2.7. Summary of significant accounting practices

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

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

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

- **Fleet rental:** Fleet rental revenues are recognized on a monthly basis over the rental contract period;

- **Sale of decommissioned cars:** The proceeds from the sales of decommissioned cars for fleet renewal are recorded on signature of the purchase and sale contracts, which is the moment when the ownership of the cars is transferred to the buyer;

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

- **Interest:** Interest income from financial assets is recognized based on the time and effective interest rate on the outstanding principal amount on the balance sheet dates.

Costs and expenses are recorded in the income statement when incurred, on the accrual basis of accounting.

2.7.2. Adjustment to present value - Monetary assets and liabilities are calculated and adjusted to present value only when the effect is considered material in relation to the financial statements taken as a whole. For accounting purposes and significance determination, the adjustments to present value are calculated taking into account contractual cash flows and the effective average cost of the Company's debt. On December 31, 2016 and 2015, the Company concluded that it was not necessary to make adjustments to the present value since its current and non-current assets and liabilities do not show significant effects when adjusted to present value.

2.7.3. Impairment of non-financial assets - The Company evaluates at least annually if there is any indication of an extraordinary impairment of property and equipment, and intangible assets - softwares.

If there is any indication of impairment, the recoverable amount of the asset is estimated to measure the impairment loss. In 2016 and 2015, no adjustments of this nature were recognized.

In addition, Localiza tests for impairment the goodwill on acquisition of an investment at least annually. No impairments were recorded in 2016 and 2015 as the tests did not indicate losses.

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

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

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS AND INTERPRETATIONS

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

Through Resolution No. 739/15, CVM approved the review of several accounting pronouncements (“Review of Technical Pronouncements No. 08”), equivalent to the “Annual Improvements to IFRS 2012-2014 Cycles” that came into force in the current year, being adopted, when applicable, by the Company in its financial statements for the year ended December 31, 2016. Such review had no material effects in the present financial statements.

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

The following IFRSs were issued by IASB but did not come into force in 2016. The early adoption of standards, even though encouraged by IASB, is not permitted in Brazil by the CPC. Management is studying the full impact of their adoption:

- **Review of IAS 7 - Statement of Cash Flows:** The amendments require additional disclosures allowing the users of the financial statements to understand and assess changes in liabilities resulting from financing activities, including changes arising or not from cash flows. In December 2016, CVM issued its Decision 761/16 and approved the Review of Technical Pronouncements No. 10, which is the equivalent to this IAS. The adoption will be required as from January 1, 2017.

- **Review of IAS 12 - Taxes on profit:** The amendments clarify the accounting of deferred tax assets for unrealized losses in debt instruments measured at fair value. The entities must consider whether there is any restriction in the tax legislation regarding the sources of taxable profit against which they will be able to make deduction on the reversal of such deductible temporary difference. Furthermore, guidelines are established regarding how an entity must determine future taxable profit, explaining the circumstances where the taxable profit can include the recovery of certain assets at amounts that exceed their carrying amount. In December 2016, CVM issued its Decision 761/16 and approved the Review of Technical Pronouncements No. 10, which is the equivalent to this IAS. The adoption will be required as from January 1, 2017.

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

- **IFRS 9 - Financial Instruments:** In July 2014, IASB issued the IFRS 9 pronouncement, which addresses the recognition and measurement of financial assets and liabilities, as well as contracts for purchase and sale of non-financial items. This standard replaces IAS 39 - Financial Instruments: Recognition and Measurement. In December 2016, CVM issued its Decision 763/16 and approved CPC 48, which is the equivalent to this IFRS. The adoption will be required as from January 1, 2018.

- **IFRS 15 - Revenue from Contracts with Customers:** In May 2014, IASB issued IFRS 15, which addresses the recognition of customer contract revenues in accordance with the transfer of the goods and services involved to the customer, at values that reflect the payment to which the entity expects to be entitled upon the transfer of goods and services, and it replaces IAS 18 - Revenue, IAS 11 - Construction Contracts and related interpretations. In December 2016, CVM issued its Decision 762/16 and approved CPC 47, which is the equivalent to this IFRS. The adoption will be required as from January 1, 2018.

- **IFRS 16 - Leases:** The new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts could be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning as from January 1, 2019 and replaces IAS 17 - Leases and corresponding interpretations. The CVM has not approved this standard yet.

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows:

	Parent company		Consolidated	
	12/31/16	**12/31/15**	**12/31/16**	**12/31/15**
Cash and banks	2,781	5,280	5,222	7,377
Bank Deposit Certificates (“CDB”)	52,517	56,683	70,967	77,553
Financial investments with guarantee of repurchase	237,228	140,603	301,014	349,935
Fixed-income investment fund quotas	841,185	679,093	1,315,058	844,986
Investment in Financial Bills	-	-	-	105,252
Total	**1,133,711**	**881,659**	**1,692,261**	**1,385,103**

On December 31, 2016, investments in CDB, financial investments with guarantee of repurchase, and fixed-income investment fund quotas had an average yield of 104.2% of the Interbank Deposit Certificates (“CDI”) rate variation (105.3% on December 31, 2015) and have immediate liquidity and insignificant risk of change in value.

5. TRADE RECEIVABLES

The breakdown of trade receivables is as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Car rental	265,343	291,112	265,341	291,725
Fleet rental	-	-	75,743	73,209
Sale of decommissioned cars	95,130	101,298	113,514	143,646
Franchising	1,942	2,590	10,193	13,002
	362,415	**395,000**	**464,791**	**521,582**
Provision for impairment of trade receivables (*)	(25,958)	(20,157)	(37,094)	(30,773)
Total	**336,457**	**374,843**	**427,697**	**490,809**
Current	**336,457**	**374,843**	**424,528**	**486,072**
Non-current	**-**	**-**	**3,169**	**4,737**

(*) The provision for impairment of trade receivables increased in December 31, 2016 due to the increased risk of default resulting from the current macroeconomic scenario.

The aging list of trade receivables is as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Current	288,456	326,370	350,351	419,619
Up to 30 days overdue	27,041	20,885	50,810	36,237
31 to 60 days overdue	9,954	7,476	13,129	11,791
61 to 90 days overdue	6,437	6,557	7,386	8,365
91 to 180 days overdue	11,675	12,860	13,306	15,800
Over 181 days overdue	18,852	20,852	29,809	29,770
Total	**362,415**	**395,000**	**464,791**	**521,582**

The receivables balance includes amounts overdue at the end of the year, for which the Company did not record a provision for impairment of trade receivables as there was no significant change in the credit quality and the amounts are still considered recoverable (see accounting practices in note 22(a)(ii)). The aging list of past-due amounts not included in the provision for impairment of trade receivables is as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Up to 60 days overdue	34,095	26,461	60,673	45,460
61 to 180 days overdue	13,806	16,205	16,063	20,024
Over 181 days overdue	4,240	8,423	5,490	10,211
Total	**52,141**	**51,089**	**82,226**	**75,695**

The changes in the provision for impairment of trade receivables are as follows:

	Parent company	Consolidated
Balance as of December 31, 2014	**(14,323)**	**(22,266)**
New provision	(12,771)	(21,459)
Reversal	6,937	12,952
Balance as of December 31, 2015	**(20,157)**	**(30,773)**
New provision	(12,083)	(18,440)
Reversal	6,282	12,119
Balance as of December 31, 2016	**(25,958)**	**(37,094)**

The composition of the provision for impairment of trade receivables is as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Current(*)	(4,140)	(2,616)	(4,880)	(4,505)
Up to 60 days overdue	(2,900)	(1,900)	(3,266)	(2,568)
61 to 180 days overdue	(4,306)	(3,212)	(4,629)	(4,141)
Over 181 days overdue	(14,612)	(12,429)	(24,319)	(19,559)
Total	**(25,958)**	**(20,157)**	**(37,094)**	**(30,773)**

(*) For details on the credit risk management policy, see note 22(a) (ii).

6. OTHER CURRENT AND NON-CURRENT ASSETS

The composition of other current and non-current assets is as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Taxes recoverable (*)	14,702	11,597	31,539	25,498
Amounts receivable from insurance company (**)	54,320	25,476	61,994	65,425
Other receivables – subsidiaries (note 7(b) (i))	1,329	216	-	-
Derivative instruments – swap (note 12)	2,210	-	2,210	-
Advance to suppliers	2,459	305	2,925	793
Other current assets	12,154	5,268	18,517	10,906
Total other current assets	**87,174**	**42,862**	**117,185**	**102,622**
Other receivables – subsidiaries (note 7(b) (i))	778	683	-	-
Derivative instruments – swap (note 12)	-	45,580	7,386	45,580
Other non-current assets	83	83	83	83
Total other non-current assets	**861**	**46,346**	**7,469**	**45,663**
Total in other current and non-current assets	**88,035**	**89,208**	**124,654**	**148,285**

(*) Changes in the "taxes recoverable" account basically refer to taxes withheld on redemptions of financial investments of R$ 2,719 in Parent company and R$ 7,238 in Consolidated, partially offset through the reduction of the Corporate Income Tax (IRPJ) overpaid via offsetting of credits amounting to R$ 1,293 in the Consolidated.
(**) Expenses incurred on claims, cost of stolen cars and amounts receivable from the insurance company due to insurance intermediation services (note 2.7.5). The intermediation service for insurance contracting was performed by Localiza upon the rental of the vehicle and by Localiza Prime upon inspection of the vehicle when it is returned. As from April, 2016, Localiza started to perform the car inspection at the time of the return, service that was previously performed by Localiza Prime, which justifies the increase of R$ 28,844 of the balance receivable in the parent company in 2016 and stability in Consolidated.

7. INVESTMENTS IN SUBSIDIARIES AND RELATED-PARTY TRANSACTIONS

(a) Information on subsidiaries

The businesses of car rental, fleet rental and franchises in Brazil and abroad are conducted by Localiza or one of its subsidiaries.

The operations of the main subsidiaries are as follows:

- **Localiza Fleet S.A. ("Localiza Fleet")**: Privately-held corporation engaged in the fleet rental.

- **Localiza Serviços Prime S.A. ("Localiza Prime")**: Privately-held corporation mainly operating in the intermediation of sales of decommissioned cars previously used by Localiza and Localiza Fleet.

- **Rental Brasil Administração e Participação S.A. ("Rental Brasil"):** Privately-held corporation, which corporate purpose is the management and ownership of interests in other companies as quotaholder or stockholder, purchase, sale, and rental of owned real estate.

- **Localiza Franchising Brasil S.A. ("Franchising Brasil")**: Privately-held corporation engaged in franchising the "Localiza" brand in Brazil.

The other subsidiaries of the Company, Rental International LLC ("Rental International"), Car Assistance Serviços de Administração de Sinistros S.A. ("Car Assistance"), Localiza Franchising International S.R.L. ("LFI S.R.L.") and FR Assistance Serviços de Administração de Sinistros S.A. ("FR Assistance") are also wholly-owned subsidiaries and privately-held corporations.

The Extraordinary Meeting of Localiza Fleet held on December 28, 2015, approved a capital decrease of R$ 120,000, from R$ 520,000 to R$ 400,000. This decrease was made as a result of the Company's strategic guidelines establishing that there must exist a balance between own capital and the third-party capital applied in its operations.

The interest in the capital, shareholders' equity and net income/loss of the direct and indirect subsidiaries are as follows:

	Number of shares		Participation					
			In capital (%)		In shareholders' equity		Net income (loss)	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	2016	2015
Direct subsidiaries:								
Localiza Fleet	103,280,354	103,280,354	100.0	100.0	551,289	553,977	189,181	197,996
Rental Brasil	15,000,000	15,000,000	100.0	100.0	150,107	151,932	(176)	1,736
Localiza Prime	15,000	15,000	100.0	100.0	104,208	126,041	(11,913)	22,682
Car Assistance	200,000	200,000	100.0	100.0	15,389	14,691	20,199	19,268
Franchising Brasil	399,069	399,069	100.0	100.0	7,869	8,149	9,687	10,060
LFI S.R.L.	130,078	130,078	98.0	98.0	170	118	52	(273)
Rental International (*)	1,000	1,000	100.0	100.0	-	-	(99)	(72)
Localiza Cuiabá (**)	-	-	-	-	-	-	-	(74)
					829,032	**854,908**	**206,931**	**251,323**
Goodwill and fair value increment in the acquisition of investments:								
Goodwill (note 9(b))					22,077	22,077	-	-
Fair value adjustments of property and equipment items, net of the realizations					-	30	-	-
Total					**851,109**	**877,015**	**206,931**	**251,323**
Indirect subsidiary:								
FR Assistance	150,000	150,000	100.0	100.0	150	150	-	-
Indirect interest:								
LFI S.R.L.	2,160	2,160	2.0	2.0	4	4	-	-

(*) On December 31, 2016, Localiza recognized in its liabilities a provision for net capital deficiency related to the subsidiary Rental International amounting to R$ 99 (R$ 72 on December 31, 2015).
(**) Wholly owned subsidiary merged on April 30, 2015, as approved at the Ordinary and Extraordinary General Meeting of Shareholders of April 29, 2015.

Changes in investments in subsidiaries were as follows:

	12/31/16	12/31/15
At the beginning of the year	**854,908**	**1,063,915**
Increase of capital in subsidiary	-	339
Decrease of capital in subsidiary	-	(120,000)
Merger of subsidiary	-	(4,674)
Equity in the earnings of subsidiaries	206,931	251,323
Dividends from subsidiaries (item (iii) below)	(232,906)	(336,067)
Provision for net capital deficiency of subsidiary Rental International	99	72
Balance at the end of the year	**829,032**	**854,908**

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

(i) Balance sheet

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

12/31/15	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.	Rental International
Assets							
Current assets	349,447	157,215	157,391	21,426	24,568	184	25
Non-current assets							
Long-term assets	13,170	-	3,422	-	3,090	-	-
Investment	4	-	-	-	-	-	-
Property and equipment	1,088,628	210,639	149	-	42	-	-
Intangible assets	3,855	-	-	-	1,070	-	-
Total	**1,455,104**	**367,854**	**160,962**	**21,426**	**28,770**	**184**	**25**
Liabilities							
Current liabilities	378,200	6,479	26,157	6,735	8,521	19	-
Non-current liabilities	522,927	209,443	8,764	-	12,100	43	683
Shareholders' equity	553,977	151,932	126,041	14,691	8,149	122	(658)
Total	**1,455,104**	**367,854**	**160,962**	**21,426**	**28,770**	**184**	**25**

(ii) Income Statement

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

2015	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.	Localiza Cuiabá	Rental International
Net revenue	974,187	-	81,940	21,643	15,018	-	-	-
Gross result	375,653	-	75,571	21,250	10,811	(201)	(69)	-
Results before income tax and social contribution	299,798	2,328	27,815	22,209	12,383	(273)	(73)	(72)
Net income (loss)	**197,996**	**1,736**	**22,682**	**19,268**	**10,060**	**(273)**	**(74)**	**(72)**

(iii) Dividends from subsidiaries

2016	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	Total
2015 dividends	-	-	3,307	4,817	2,515	**10,639**
Mandatory minimum supplementary dividends to the mandatory minimum in 2015	43,096	1,649	9,920	14,451	7,545	**76,661**
Prepaid dividends for 2016	148,773	-	-	-	-	**148,773**
Total dividends paid	**191,869**	**1,649**	**13,227**	**19,268**	**10,060**	**236,073**
2016 proposed dividends	-	-	-	5,050	2,422	**7,472**
Total	**191,869**	**1,649**	**13,227**	**24,318**	**12,482**	**243,545**

2015	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	Total
2014 dividends	43,476	3,729	-	2,016	2,733	**51,954**
Mandatory minimum supplementary dividends to the mandatory minimum in 2014	130,428	-	-	-	-	**130,428**
Prepaid dividends for 2015	195,000	-	-	-	-	**195,000**
Total dividends paid	**368,904**	**3,729**	**-**	**2,016**	**2,733**	**377,382**
2015 proposed dividends	-	-	3,307	4,817	2,515	**10,639**
Total	**368,904**	**3,729**	**3,307**	**6,833**	**5,248**	**388,021**

(b) Balances and transactions with related parties

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

	Localiza Fleet		Other subsidiaries		Total	
	12/31/16	**12/31/15**	**12/31/16**	**12/31/15**	**12/31/16**	**12/31/15**
Balances:						
Trade receivables	4,470	159	38	54	4,508	213
Dividends receivable	-	-	7,472	10,639	7,472	10,639
Other receivables (current and non-current) (note 6)	667	-	1,440	899	2,107	899
Trade payables	1,060	1	-	-	1,060	1
Other payables (note 13)	-	1,278	812	709	812	1,987

	Localiza Fleet		Other subsidiaries		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Transactions:						
Recovery of costs and expenses	17,297	15,797	5,371	5,116	22,668	20,913
Revenue	30,460	20,041	60	18	30,520	20,059

On December 31, 2016, there were collateral agreements related to guarantees for loans, financing, and debentures, amounting to: (i) R$ 1,897,673 (R$ 1,252,862 on December 31, 2015) issued by Localiza Fleet to Localiza; (ii) R$ 905,073 (R$ 679,262 on December 31, 2015) issued by Localiza to Localiza Fleet; and (iii) R$ 191,795 (R$ 209,802 on December 31, 2015) issued by Localiza to Rental Brasil. There were also collateral agreements between companies when bank guarantees and guarantee insurances were contracted for several lawsuits totaling R$ 50,718 (R$ 35,649 on December 31, 2015). Additionally, the

Company has a guarantee insurance with Pottencial Seguradora, a company in which 40% of share capital is jointly held by Salim Mattar and Eugenio Mattar, the founding partners of Localiza. In transactions made under normal market conditions, the amount of the accumulated premium paid by December 31, 2016 was R$ 861 (R$ 749 on December 31, 2015) related to surety bonds in the current insured value of R$ 80,596 (R$ 39,862 on December 31, 2015). Aiming at cost reduction, the Company is migrating from bank guarantees to surety bonds in the legal proceedings.

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

(ii) Key Management compensation

	Parent company		Consolidated	
	2016	**2015**	**2016**	**2015**
Compensation of the Board of Directors	13,779	12,770	13,779	12,770
Management and Executive Board				
Fees and compensation	13,947	13,908	23,120	23,291
Social charges	3,701	3,490	5,860	5,731
Options granted recognized	3,898	4,240	3,898	4,240
Supplementary pension plan (note 25) (*)	218	3,121	345	4,963
Total	**35,543**	**37,529**	**47,002**	**50,995**

(*) On December 31, 2016, the Company had a pension plan for Management, but the Company's contribution with it remained suspended from January 1, 2016 to June 30, 2016 (see details in note 25). Except for this plan, the Company does not have other pension programs for Management.

8. PROPERTY AND EQUIPMENT

(a) Company's accounting practice

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

The depreciable amount corresponds to the positive difference between the acquisition cost and the estimated net book value, net of the average discounts granted on retail and wholesale sales and estimated sales expenses. In the Car Rental Division, depreciation is recognized based on the estimated useful life of each asset on the straight-line basis. In the Fleet Rental Division, cars are depreciated under the sum of digits or exponential methods, because these are the methods that best reflect the pattern of consumption of the economic benefits that decrease during the useful lives of the cars: depreciation is recorded so that the amount to be depreciated is fully written off up to the end of the useful life.

If the depreciable value of cars is underestimated, the net residual value would be higher than the market value, which would result in the recognition of losses when cars are sold. On the other hand, the overestimation of the depreciable value of cars could give rise to an increase in the rentals charged to customers, which would reduce the Company's competitiveness.

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

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

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

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

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

	2016	2015
Cars:		
Car Rental Division	2.9%	1.6%
Fleet Rental Division	8.2%	9.4%
Other property and equipment:		
Leasehold improvements	20%	20%
Furniture and fixture	10%	10%
IT equipment	20%	20%
Construction in owned real estate	4%	4%
Other	10%	10%

Tangible assets pledged as collateral for liabilities correspond to those assets acquired under finance leases (see note 23).

The changes in cost, accumulated depreciation and net book value of property and equipment in each of the years are as follows:

	Parent company			Consolidated		
	Cars	Other property and equipment	Total	Cars	Other property and equipment	Total
Cost:						
On December 31, 2014	**2,302,717**	**233,647**	**2,536,364**	**3,620,026**	**323,239**	**3,943,265**
Additions	1,773,067	11,833	**1,784,900**	2,278,445	135,357	**2,413,802**
Write-offs/transfers (*)	(1,514,093)	37	**(1,514,056)**	(1,973,929)	(81)	**(1,974,010)**
On December 31, 2015	**2,561,691**	**245,517**	**2,807,208**	**3,924,542**	**458,515**	**4,383,057**
Additions	2,782,192	22,238	**2,804,430**	3,289,633	117,800	**3,407,433**
Write-offs/transfers (*)	(1,857,213)	(6,745)	**(1,863,958)**	(2,223,048)	(6,745)	**(2,229,793)**
On December 31, 2016	**3,486,670**	**261,010**	**3,747,680**	**4,991,127**	**569,570**	**5,560,697**
Accumulated depreciation:						
On December 31, 2014	**(59,872)**	**(117,885)**	**(177,757)**	**(341,985)**	**(119,422)**	**(461,407)**
Additions	(38,862)	(24,917)	**(63,779)**	(163,543)	(25,106)	**(188,649)**
Write-offs/transfers (*)	59,789	78	**59,867**	191,905	121	**192,026**
On December 31, 2015	**(38,945)**	**(142,724)**	**(181,669)**	**(313,623)**	**(144,407)**	**(458,030)**
Additions	(87,814)	(23,216)	**(111,030)**	(206,320)	(23,373)	**(229,693)**
Write-offs/transfers (*)	49,461	4,013	**53,474**	143,609	4,013	**147,622**
On December 31, 2016	**(77,298)**	**(161,927)**	**(239,225)**	**(376,334)**	**(163,767)**	**(540,101)**
Net book value:						
On December 31, 2015	2,522,746	102,793	**2,625,539**	3,610,919	314,108	**3,925,027**
On December 31, 2016	3,409,372	99,083	**3,508,455**	4,614,793	405,803	**5,020,596**

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

The composition of the main classes in "other property and equipment", as well as their net book values, is as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Leasehold improvements	53,348	60,143	53,348	60,143
Furniture and fixture	17,410	16,364	17,716	16,736
IT equipment	9,484	8,588	9,524	8,629
New headquarters (letter (c))	-	-	276,163	191,754
Property and equipment in progress	6,200	4,063	6,200	4,126
Lands	681	681	29,279	19,503
Other	11,960	12,954	13,573	13,217
Total	**99,083**	**102,793**	**405,803**	**314,108**

As of December 31, 2016, the consolidated balances of "cars" and "other property and equipment" include the book values of property and equipment items acquired as finance leases in the amount of R$ 536,430 (R$ 548,784 as of December 31, 2015). For further details on finance leases, see note 23.

(b) Decommissioned cars for fleet renewal

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

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

The balances at each year are as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Cost	459	2,544	11,230	41,915
Accumulated depreciation	(18)	(123)	(2,443)	(10,135)
Net book value	**441**	**2,421**	**8,787**	**31,780**

(c) Construction of the new headquarters of the Company

The expected investment for construction of the new headquarters amounts to approximately R$ 330,000. This investment will allow: (i) the reduction of expenses from property rentals in the future; (ii) productivity gain with the centralization of administration and support activities, which are currently located in four rented buildings; and (iii) support of the growth of the Company allowing the integration and same location of the central management. By December 31, 2016, R$ 276,163 were spent (R$ 191,754 up to December 31, 2015) in the construction of the new headquarters.

9. INTANGIBLE ASSETS

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

(a) Softwares

The changes in cost, accumulated amortization and net book value in each of the years are as follows:

	Parent company	Consolidated
Cost:		
On December 31, 2014	**70,552**	**76,364**
Additions	15,795	17,575
Write-offs/transfers	(77)	(77)
On December 31, 2015	**86,270**	**93,862**
Additions	6,795	8,790
On December 31, 2016	**93,065**	**102,652**
Accumulated amortization:		
On December 31, 2014	**(14,466)**	**(16,107)**
Additions	(9,686)	(10,712)
On December 31, 2015	**(24,152)**	**(26,819)**
Additions	(13,301)	(14,777)
On December 31, 2016	**(37,453)**	**(41,596)**
Net book value:		
On December 31, 2015	**62,118**	**67,043**
On December 31, 2016	**55,612**	**61,056**

Expenses on amortization of software are allocated under the captions "cost", "selling expenses" and "general, administrative and other expenses", in profit or loss, according to their nature and allocation. Intangible assets are not pledged as collateral for liabilities, except for those acquired as finance leases (note 23). There are no fully amortized material intangible assets still in use by the Company.

(b) Goodwill on acquisition of investments

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

Goodwill is comprised as follows:

	Consolidated	
	12/31/16	**12/31/15**
Goodwill on acquisition of non-controlling interest in subsidiaries, net of amortization	4,508	4,508
Goodwill on acquisition of investments in companies	17,569	17,569
Net book value (note 7(a))	**22,077**	**22,077**

10. TRADE ACCOUNTS PAYABLE

Trade accounts payable are comprised as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Car manufacturers (*)	698,786	509,715	782,064	591,344
Maintenance services and parts	24,703	23,052	39,147	33,590
Rentals	12,923	9,635	12,923	9,635
Insurance premiums	34,916	29,769	34,916	29,769
IT services and others	32,273	17,004	41,851	26,256
Total	**803,601**	**589,175**	**910,901**	**690,594**

(*) Balances payable to car manufacturers refer to cars purchased at the end of each period bearing no financial charges and maturing in up to 45 days. The increase in trade payables to car manufacturers is basically due to the purchase of cars in 4Q16 to support the increase in the volume of rentals for the Car Rental Division.

11. SOCIAL AND LABOR OBLIGATIONS

Social and labor obligations are as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Accrued vacation pay	25,825	23,179	32,812	29,852
Provision for employee profit sharing	38,521	33,595	50,252	44,566
National Institute of Social Security Fund (INSS)	5,342	4,875	7,105	6,497
Government Severance Indemnity Fund for Employees (FGTS)	1,195	1,091	1,625	1,435
Other	2,341	2,552	3,188	3,240
Total	**73,224**	**65,292**	**94,982**	**85,590**

The Company has a profit sharing program, established as required by Law 10,101/00, based on the results of operations achieved in each year. The annual amount payable is determined through the combination of the results of operations and the Company's performance indicators, which establish the maximum amount of the profit sharing. Also, the individual performance of each employee is considered and is calculated based on objective indicators and goals included in the management contract and the annual budget approved by the Board of Directors.

Localiza pays profit sharing to employees in April and July, which are classified as "cost", "selling expenses", and "general, administrative and other expenses", in the income statement, according to the functional allocation of the respective employees.

12. LOANS, FINANCING, DEBENTURES AND SWAP

The composition of loans, financing, debentures and swaps are as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
In Brazilian currency				
Debentures - 6th issuance (a)	277,399	308,499	277,399	308,499
Debentures - 7th issuance (a)	438,591	516,340	438,591	516,340
Debentures - 8th issuance (a)	520,233	520,441	520,233	520,441
Debentures - 9th issuance (a)	509,732	508,746	509,732	508,746
Debentures - 10th issuance (a)	212,685	-	212,685	-
Debentures - 11th issuance (a)	499,803	-	499,803	-
Localiza Fleet debentures (a)	-	-	253,225	-
Working capital (b)	-	-	346,017	347,522
Others (c)	1,197	2,687	500,050	544,373
In foreign currency				
Loans in U.S. dollar (d)	228,154	273,355	228,154	273,355
	2,687,794	**2,130,068**	**3,785,889**	**3,019,276**
Loans, financing, debentures and swap:				
Current liabilities	407,425	167,210	654,586	422,383
Non-current liabilities	2,280,369	1,962,858	3,131,303	2,596,893
	2,687,794	**2,130,068**	**3,785,889**	**3,019,276**
Derivative instruments – swap				
Current assets (note 6)	(2,210)	-	(2,210)	-
Non-current assets (note 6)	-	(45,580)	(7,386)	(45,580)
Total loans, financing and debentures, net of swap	**2,685,584**	**2,084,488**	**3,776,293**	**2,973,696**

The changes in loans, financing and debentures, net of swap are as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Opening balance	**2,084,488**	**2,133,129**	**2,973,696**	**2,712,466**
Proceeds	693,172	721,941	1,209,707	1,243,995
Interest and financial charges (*)	328,691	301,293	438,052	406,585
Repayment of principal	(106,397)	(793,003)	(402,870)	(1,036,448)
Interest paid	(314,370)	(278,872)	(442,292)	(352,902)
Closing balance	**2,685,584**	**2,084,488**	**3,776,293**	**2,973,696**

(*) The Consolidated balance includes the net amount of R$ 2,621 (interest of R$ 25,674 and credit effect of the marked-to-market swap of R$ 23,053) on December 31, 2016 and R$ 46,476 on December 31, 2015 (interest of R$ 24,356 and debit effect of the marked-to-market swap of R$ 22,120), relating to borrowings of Rental Brasil capitalized according to CPC 20.

The main characteristics of loans, financing and debentures are presented as follows:

(a) Debentures

In accordance with CVM Instruction 476, Localiza made, on January 8, 2016, the 10th issuance of debentures, amounting to R$ 200,000 and for a final term of 5 years. On December 12, 2016, it made the 11th issuance of debentures, amounting to R$ 500,000 and for a final term of 5 years and 1 month.

Localiza Fleet made, on November 28, 2016, its 2nd issuance of debentures, amounting to R$ 250,000, for a final term of 5 years and 6 months and in accordance with CVM Instruction 476.

On December 31, 2016, Localiza had six outstanding debenture issuances and Localiza Fleet, one, all non-convertible into shares. These issuances are subject to early maturity in the event of, but not being limited to: (i) request or declaration of bankruptcy by the issuer or third parties that is not duly resolved within the legal term; (ii) default of individual or aggregate amount equal to or higher than R$ 25,000 (6th to 10th issuance of Localiza) or 3% of the consolidated average shareholders' equity calculated over the last three quarters (11th issuance of Localiza and 2nd issuance of Localiza Fleet); (iii) Localiza capital decrease and/or repurchase of its own shares for cancellation, except if previously authorized by the debenture holders; (iv) fusion, merger or spin-off of Localiza, except if under the terms of article 231 of the Law 6,404/76, the spun-off portion or the company resulting from the fusion or merger remains in the current Controlling Group of the issuer; (v) non-maintenance of quarterly financial ratios, based on the Company's consolidated financial statements; and (vi) downgrading of the Company's rating, as follows:

Issuance	Downgrading of the rating, in the national scale (*)
6th issuance	If rating is downgraded to brA+ (BR, A, positive) by Standard & Poor's (**).
7th issuance	Corporate rating granted by Moody's, Standard & Poor's or Fitch Ratings to the Issuer for the following levels of classification of risks or less, in national scale: Aa3, AA- and AA- respectively.
8th issuance	Downgraded in two or more levels in relation to the rating brAAA (BR, triple A) by Standard & Poor's (**).
9th issuance	Downgraded in two or more notches, by two corporate rating agencies in relation to the rating brAAA (BR, triple A) by Standard & Poor´s and AAA (BR, triple A) by Fitch.
10th and 11th issuance	Downgraded in two or more notches, by Fitch, in relation to the rating AAA (BR, triple A) (**).
2nd issuance - Localiza Fleet	Downgraded in two or more notches, by Fitch, in relation to the rating AAA (BR, triple A) (**).

(*) Ratings of corporate credit in national scale in force on December 31, 2016: Standard & Poor's (brAA+/negative); Moody's (Aa1.br/negative); and Fitch Ratings (AAA(bra)/stable).
(**) Due to any change in shareholding structure that results in the loss, transfer or disposal of the Company's controlling power by the current controlling shareholders.

The General Meeting of Debenture holders of the 9th Public Issuance held on June 22, 2016 approved certain amendments to the deed: (i) change in the hypothesis of automatic early maturity events of the debentures to a non-automatic early maturity; (ii) change of the interest period of the debentures, so that the percentage of remuneration of the debentures be applied as from the date of that Meeting; (iii) change in the quorum to, at least, 80% of the outstanding debentures, for approval of the resolution of debenture holders, not to declare the debentures early maturity; (iv) possibility of optional prepayment, in whole or in part, of the debentures, at the sole discretion of the Company through payment of premium to the debenture holders.

As shown below, financial covenants were complied on December 31, 2016 and 2015:

Covenants	Limits	12-months ended on 12/31/16	12-months ended on 12/31/15
Net debt / adjusted EBITDA (*)	Lower than 4.0	2.04	1.69
Adjusted EBITDA / net financial expenses	Greater than 1.5	4.19	4.64

(*) EBITDA corresponds to the issuer's net income or loss, on a consolidated basis, for the last 12-month period, before: (i) financial result; (ii) income tax and social contribution; and (iii) depreciation and amortization expenses. For all issuances, the EBITDA is also adjusted by stock option costs, non-recurring expenses and impairment.

The Company's Management understands that the restrictive clauses applicable to loans, financing and debentures are being complied with on December 31, 2016.

The other specific characteristics of each issuance of debentures are as follows:

Issue	Issue date	Maturity date	Average effective interest rate	Quantity	Financial settlement	Objective	Repayments	Surety/ Guarantee	Expense incurred with issue (*)
6th issuance	10/15/12	10/15/19	CDI + 1.07% p.a.	30,000	R$ 300,000	- Prepaid repayments of debt - Fleet investments	10% in 2016 10% in 2017 40% in 2018 40% in 2019	No	R$ 1,107
7th issuance	9/30/13	9/30/21	113.6% of CDI	50,000	R$ 500,000	- Prepaid repayments of debt - Reinforcement of working capital	15% in 2016 15% in 2017 15% in 2018 15% in 2019 20% in 2020 20% in 2021	Localiza Fleet	R$ 3,724
8th issuance	9/10/14	9/10/20	110.9% of CDI	50,000	R$ 500,000	- Prepaid repayments of debt	50% in 2019 50% in 2020	No	R$ 2,699
9th issuance	4/30/15	4/30/21	113.9% of CDI	50,000	R$ 500,000	- Prepaid repayments of debt	10% in 2019 30% in 2020 60% in 2021	Localiza Fleet	R$ 3,847
10th issuance	1/8/16	1/8/21	116.7% of CDI	20,000	R$ 200,000	- Reinforcement in working capital	50% in 2020 50% in 2021	Localiza Fleet	R$ 2,588
11th issuance	12/12/16	1/12/22	113.6% of CDI	50,000	R$ 500,000	- Reinforcement in working capital	100% in 2022	Localiza Fleet	R$ 4,240
2nd issuance - Localiza Fleet	11/28/16	5/28/22	107.0% of CDI	250,000	R$ 250,000	- Reinforcement in working capital	100% in 2022	Localiza	R$ 54

(*) Expenses incurred on the issuance of debentures, including taxes, commissions and other costs are classified under the same caption as the respective debentures and are recognized over the total debt period. On December 31, 2016, the amount to be recognized was R$ 13,084 (R$ 8,525 on December 31, 2015), presented net in the respective debenture caption.

(b) Working capital

On December 31, 2016 Localiza Fleet had working capital operations with the following characteristics:

	Consolidated	
	12/31/16	
Contract date	12/29/11	12/29/15
Final maturity	12/15/19	02/15/21
Contracted amount	R$ 130,000	R$ 250,000
Interest rate	109.7% of CDI	112,5% of CDI
Amortizations	Annual from 2014 to 2019	Annual from 2018 to 2021
Balance at:		
12/31/15	R$ 102,919	R$ 244,603
12/31/16	R$ 96,570	R$ 249,447
Expense incurred	R$ 3,739	R$ 5,692
Expenses to be recognized on:		
12/31/15	R$ 1,710	R$ 5,692
12/31/16	R$ 1,031	R$ 5,498
Surety / Guarantee	Localiza	Localiza
Covenants	Identical to the hypotheses (i) and (ii) of the debentures	

(c) Others

On June 25, 2014, Rental Brasil contracted a Real Estate Bank Credit Note loan of R$ 190,000 to finance the construction of the new headquarters. The maturity term is seven years, with monthly repayments as from the 61st month. The transaction incurs interest of 9.5% p.a. and restatement of the debt balance by the Reference Rate (“TR”). Simultaneously, beginning on the same date as the release of funds, a swap transaction (plain vanilla) was contracted, under identical conditions of amounts, term and payment, exchanging the exposure of the TR variation plus interest for 98.75% of the CDI interest rate. On December 31, 2016, the result of the swap operations represented an asset amounting to R$ 7,386 recorded in other non-current assets (notes 6 and 22(d) (ii)). The loan is subject to certain early maturity events, which include the maintenance, by the Company, of quarterly financial ratios that are identical to those required for debentures, based on the consolidated financial statements. On December 31, 2016, the outstanding balance was R$ 195,063 (R$ 190,192 on December 31, 2015). Expenses incurred in contracting the loan, including taxes, commissions and other costs, totaled R$ 6,448. On December 31, 2016, the amount to be recognized was R$ 4,117 (R$ 5,050 on December 31, 2015), presented net in the respective Real Estate Bank Credit Note.

Localiza and Localiza Fleet also had, on December 31, 2016, finance leases amounting to R$ 300,448, which were contracted by Localiza Fleet, with an average interest rate of 15.34% p.a. (R$ 334,428, at the average rate of 15.32% p.a., on December 31, 2015). See details of these transactions in note 23.

In addition, the amount includes the balance payable from swap of fixed rates operations in the amount R$ 4,539 (see detail in note 22(d)).

(d) Loans in foreign currency

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

Contracted swap transactions are solely for protection purposes, and their specific characteristics are set out in note 22(d).

On April 2, 2015, Localiza borrowed US$ 70,000 thousand from Banco de Tokyo-Mitsubishi UFJ Brasil S.A., with maturity of the principal on March 31, 2017. This amount was translated into Brazilian reais at the rate of R$ 3.21 for each US$ 1.00, which amounted to R$ 224,959. Simultaneously, a swap transaction (plain vanilla) was contracted to eliminate the foreign currency exposure risk, exchanging foreign exchange variation plus spread for 98.5% and 105.5% of CDI variation.

On May 8, 2015, Localiza settled in advance the full amount of the foreign currency-denominated loan of US$ 75,000 thousand, obtained from the Merrill Lynch bank, translated into Brazilian Reais at the rate of R$ 3.04 per US$ 1.00, which totaled a settled amount of R$ 228,000, with maturity dates in 2015, 2016 and 2017. Simultaneously, the swap transaction (plain vanilla), which had been contracted to eliminate the foreign exchange exposure risk, was also settled.

This transaction is matched and formally consists of a loan agreement and a swap transaction contract, with the same maturity and counterparty, and that should be simultaneously settled at the same account. This transaction has a Localiza Fleet surety and certain early maturity events similar to the 6th issuance of debentures of Localiza. On December 31, 2016, the result of this swap transaction corresponded to an asset amounting to R$ 2,210 (R$ 45,580 on December 31, 2015) recorded in "other non-current assets".

Considering the above information, Localiza and its subsidiaries are not subject to the risk of changes in foreign exchange rates, since there are swap transactions, contracted simultaneously aimed at protecting these changes.

13. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities are comprised as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Payables to related parties (note 7(b) (i))	812	1,987	-	-
Federal taxes withheld from third parties	8,375	6,404	10,985	10,228
Municipal tax obligations	1,493	1,034	2,568	3,332
Advances from car rental and decommissioned sale customers	43,536	38,362	44,297	39,704
Insurance premiums to transfer (*)	46,382	37,804	46,779	38,239
Deferred revenue (**)	30	48	5,284	6,880
Other	8,365	1,466	8,532	1,552
Total other current liabilities	**108,993**	**87,105**	**118,445**	**99,935**
Deferred revenue (**)	108	42	5,053	9,333
Other	5,973	7,432	7,223	9,228
Total other non-current liabilities	**6,081**	**7,474**	**12,276**	**18,561**
Total other current and non-current liabilities	**115,074**	**94,579**	**130,721**	**118,496**

(*) Premiums received from customers that contracted insurance for rented cars and which are transferred by Localiza to the insurance company (note 2.7.5).
(**) Basically refers to integration fee revenue billed to franchisees for granting the right to use Localiza's brand. This revenue is recognized in the income statement during the contract terms, which is usually 60 months (see accounting practices for revenues in note 2.7.1).

14. PROVISIONS AND ESCROW DEPOSITS

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

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

(a) Changes in provisions and escrow deposits

During 2016, there were changes in the provisions for contingencies, as follows:

	Parent company				
	Tax	Social security	Labor	Civil	Total
On December 31, 2015	**2,075**	**11,361**	**29,284**	**10,819**	**53,539**
Recording of provisions, net of reversals	-	(2,998)	5,440	10,969	**13,411**
Payments (*)	-	-	(12,813)	(5,564)	**(18,377)**
Inflation adjustment, net	110	(226)	-	-	**(116)**
On December 31, 2016	**2,185**	**8,137**	**21,911**	**16,224**	**48,457**

	Consolidated				
	Tax	Social security	Labor	Civil	Total
On December 31, 2015	**5,190**	**12,645**	**37,607**	**12,879**	**68,321**
Recording of provisions, net of reversals	489	(2,886)	7,119	11,031	**15,753**
Payments (*)	-	-	(15,165)	(5,853)	**(21,018)**
Inflation adjustment, net	110	(92)	-	-	**18**
On December 31, 2016	**5,789**	**9,667**	**29,561**	**18,057**	**63,074**

(*) The increase in the provision for labor and civil lawsuits in 2016 resulted from judicial agreements in specific lawsuits and with more relevant amounts.

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

	Parent company				
	Tax	Social security	Labor	Civil	Total
On December 31, 2015	**21,009**	**1,199**	**10,867**	**477**	**33,552**
New provision	431	-	3,930	849	**5,210**
Disposal	(2)	-	(1,502)	(1,068)	**(2,572)**
Inflation adjustment, net	1,881	73	-	-	**1,954**
Transfers	(181)	-	-	181	**-**
On December 31, 2016	**23,138**	**1,272**	**13,295**	**439**	**38,144**

	Consolidated				
	Tax	Social security	Labor	Civil	Total
On December 31, 2015	**37,150**	**1,199**	**14,033**	**518**	**52,900**
New provision	1,946	-	3,899	923	**6,768**
Disposal	(7)	-	(1,659)	(1,149)	**(2,815)**
Inflation adjustment, net	3,198	73	3	-	**3,274**
Transfers	(181)	-	-	181	**-**
On December 31, 2016	**42,106**	**1,272**	**16,276**	**473**	**60,127**

(b) Contingent liabilities in process - provision recorded

The summary of the main administrative and legal proceedings of Localiza and its subsidiaries, at several stages, both in lower and higher courts, on December 31, 2016 and 2015, is as follows:

	Parent company							
	12/31/16				12/31/15			
	Number of lawsuits	Provision	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Provision	Judicial deposit	Bank guarantee/ guarantee insurance
Tax	2	2,185	2,365	-	2	2,075	2,078	-
Social security	7	8,137	1,272	14,832	8	11,361	1,199	12,984
Labor	504	21,911	13,295	-	560	29,284	10,867	-
Civil	720	16,224	439	-	496	10,819	477	-
Total	**1,233**	**48,457**	**17,371**	**14,832**	**1,066**	**53,539**	**14,621**	**12,984**

	Consolidated							
	12/31/16				12/31/15			
	Number of lawsuits	Provision	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Provision	Judicial deposit	Bank guarantee/ guarantee insurance
Tax	6	5,789	5,968	-	6	5,190	5,178	-
Social security	9	9,667	1,272	16,365	31	12,645	1,199	23,257
Labor	623	29,561	16,276	-	646	37,607	14,033	-
Civil	791	18,057	473	-	779	12,879	518	-
Total	**1,429**	**63,074**	**23,989**	**16,365**	**1,462**	**68,321**	**20,928**	**23,257**

- **Tax**

Specifically, these refer to the litigations in which Localiza and its subsidiaries mainly discuss: (i) Services Tax (ISSQN) on franchise activity; (ii) fire incidence rate; and (iii) incidence of PIS on revenues of car rental companies.

- **Social security**

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

- **Labor**

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

- **Civil**

On December 31, 2016, Localiza and its subsidiaries were parties to civil claims related to: (i) indemnity claims arising from damages to third parties in traffic accidents caused by customers driving cars rented from the Company (although not being responsible for the accidents, the Company is frequently sued for being the owner of the car); and (ii) indemnity claims arising from the relations between the Company and the consumers.

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

	Parent company							
	12/31/16				12/31/15			
	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance
Car Tax (IPVA)	163	30,729	15,914	14,172	169	24,375	14,376	11,682
Federal taxes	39	10,212	279	2,111	12	12,676	213	4,542
Labor	16	648	-	-	5	92	-	-
Civil	196	5,087	-	-	12	699	-	-
Total	**414**	**46,676**	**16,193**	**16,283**	**198**	**37,842**	**14,589**	**16,224**

	Consolidated							
	12/31/16				12/31/15			
	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance	Number of proceedings	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance
Car Tax (IPVA)	183	49,815	31,169	19,914	189	40,754	27,305	17,740
Federal taxes	79	15,943	389	2,460	31	3,561	325	2,457
Labor	17	648	-	-	5	92	-	-
Civil	205	5,140	-	-	22	3,329	-	-
Total	**484**	**71,546**	**31,558**	**22,374**	**247**	**47,736**	**27,630**	**20,197**

- **Car Tax (IPVA)**

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

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

The Company does not recognize a provision regarding these challenges as the likelihood of loss is possible, according to the legal advisors, on the basis of the legal and constitutional provisions that govern the IPVA (articles 155, III and 158, III, of CF/88 and articles 120 of CTB, 75, IV and § 1 of the Civil Code, 110 and 127 of CTN).

- **Federal taxes**

At the federal level, Localiza and its subsidiaries are parties to several administrative and legal claims relating to debts resulting from challenges related to the non-approval of requests for offset – DCOMPs.

These proceedings were not provided for since the risk of an unfavorable outcome is considered possible by the legal department/counsel.

(d) Contingent liabilities in process with remote likelihood of loss - no provision recorded

	Parent company							
	12/31/16				12/31/15			
	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance
Value-added Tax on Sales and Services (ICMS)	67	138,478	181	38,389	80	129,032	171	20,069
Services Tax (ISSQN)	143	40,843	4,399	10,919	75	31,211	4,171	10,845
Total	**210**	**179,321**	**4,580**	**49,308**	**155**	**160,243**	**4,342**	**30,914**

	Consolidated							
	12/31/16				12/31/15			
	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance	Number of lawsuits	Discussed amount	Judicial deposit	Bank guarantee/ guarantee insurance
Value-added Tax on Sales and Services (ICMS)	83	144,148	181	38,490	97	154,916	171	40,320
Services Tax (ISSQN)	151	40,961	4,399	11,071	84	31,299	4,171	3,046
Total	**234**	**185,109**	**4,580**	**49,561**	**181**	**186,215**	**4,342**	**43,366**

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

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

On July 7, 2006, the National Council of Fiscal Policy (CONFAZ) issued the Arrangement 64, providing for the payment of ICMS on sales of cars within 12 months of sale. This Arrangement was ratified by the Brazilian States, except for São Paulo. The Company has been obtaining favorable administrative and judicial decisions, many of which final and unappealable, in some states of Brazil.

The legal department/counsel, based on case law, consider that the likelihood of loss in this discussion of ICMS is remote, and therefore no provision was recorded.

- **Services Tax (ISSQN)**

Localiza and Localiza Fleet are parties to lawsuits related to the non-payment of Services Tax (ISSQN) on the amounts received as vehicle rental and the activities inherent to the rent, such as the reimbursement of fuel received from customers and unconditional discounts granted to them.

No provision has been recorded for the amounts involved in the challenge concerning the ISSQN on such rental transactions and related, since the likelihood of loss in these claims is classified as remote by the Company's legal department/counsel, based on case law, more specifically, in the text of Binding Decision 31 of the Federal Supreme Court, which rules out the incidence of ISSQN on such leasing transactions, as well as on the fact that this activity has been excluded from the list of services attached to Complementary Law 116.

15. TAXES ON INCOME - INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution expense represents the sum of current and deferred taxes.

On May 15, 2014, Law 12,973 was enacted, effective as from January 1, 2015. The Company recorded the effects of the new law from January 2015, with no material effect on the results.

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

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

The composition of deferred income tax and social contribution on December 31, 2016 and 2015 is as follows:

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Temporary differences in the deductibility of provisions:				
Judicial and other provisions	15,737	17,880	16,977	19,081
Provision for impairment of trade receivables and other provisions	11,223	7,696	12,253	10,024
Provision for payment of ongoing services and others (*)	20,956	2,879	25,547	5,153
Swap transaction with payment on a cash basis	425	1,095	1,968	1,143
Income tax and social contribution losses	12,861	22,622	18,592	22,651
Total deferred income tax and social contribution assets	**61,202**	**52,172**	**75,337**	**58,052**
Car depreciation (**)	106,551	99,286	129,054	118,915
Leasing in the purchase of property and equipment (***)	668	1,461	118,196	80,751
Total deferred income tax and social contribution liabilities	**107,219**	**100,747**	**247,250**	**199,666**
Total deferred income tax and social contribution, net	**46,017**	**48,575**	**171,913**	**141,614**

(*) Refers, mainly, to deferred tax on temporary differences of the provisions for the fidelity program and other provisions.
(**) Refers to the temporary difference in the calculation of depreciation and residual value, introduced by the new accounting practices (adoption of IFRS). Localiza and Localiza Fleet calculate, for tax purposes, car depreciation expenses based on the depreciation criteria used on December 31, 2007, pursuant to Law 12,973/14. The difference on December 31, 2014, in compliance with Chapter IV, Articles 64, 66 and 67 of Law 12,973/14, is accounted for in asset-related sub-accounts, being adjusted according to the realization as from January 1, 2015.
(***) Refers to the temporary difference of the exclusion of amortization of leasing installments in the purchase of property and equipment items, as an offsetting entry to the addition of depreciation of the income tax and social contribution calculation basis.

The realization of income tax and social contribution deferred credits, referring to temporary differences, depends on future events that will make the provisions that gave rise to them deductible, in accordance with prevailing tax legislation.

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

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

The reconciliation between the statutory and effective rates for the periods ended December 31, 2016 and 2015 is as follows:

	Parent company		Consolidated	
	2016	**2015**	**2016**	**2015**
Net income before taxes	429,111	420,052	527,628	532,844
Standard rate	34%	34%	34%	34%
Expense at statutory rate	**(145,898)**	**(142,818)**	**(179,394)**	**(181,167)**
Adjustments to expense at statutory rate:				
Shareholders' equity in results of subsidiaries	70,357	85,450	-	-
Effect of deduction of interest on capital	51,665	37,674	51,665	37,674
Income tax and social contribution payable by subsidiaries (deemed income)	-	-	6,320	6,499
Other, net	4,080	2,069	3,096	6,577
Expense at effective rate	**(19,796)**	**(17,625)**	**(118,313)**	**(130,417)**
Current income tax and social contribution	**(22,354)**	**(13,643)**	**(88,014)**	**(94,818)**
Deferred income tax and social contribution	**2,558**	**(3,982)**	**(30,299)**	**(35,599)**

(c) Income tax and social contribution payable

Localiza, Localiza Fleet, Localiza Prime and Rental Brasil calculate their income tax and social contribution charges on an actual taxable income basis, as follows: Localiza, Localiza Fleet and Localiza Prime, under the quarterly taxation regime, and Rental Brasil, under the annual taxation regime.

Franchising Brasil and Car Assistance accrued, in 2016, income tax and social contribution under the deemed income regime in the amounts of R$ 2,449 (R$ 2,323 on December 31, 2015) and R$ 3,373 (R$ 2,941 in December 31, 2015), respectively. For this reason, these companies do not record deferred taxes.

Income tax returns are open to review by the tax authorities for a period of five years. Other taxes, rates and contributions are also subject to review, according to applicable legislation.

16. SHAREHOLDERS' EQUITY

(a) Capital

On December 31, 2016 and 2015, the Company's capital was R$ 976,708, divided into 211,793,400 common shares. The ownership of capital and the related reconciliation of the number of outstanding shares were as follows:

	Management				
	Founding partners	Board of Directors and Statutory Board	Treasury shares	Shares outstanding in the market	Number of shares - ON
On December 31, 2014	**58,874,596**	**274,456**	**3,495,429**	**149,148,919**	**211,793,400**
Acquisition (disposal) of shares, net	1,676	(229,643)	-	227,967	-
Exercise of stock options with treasury shares	137,880	334,289	(932,984)	460,815	-
Repurchase of shares	-	-	1,073,500	(1,073,500)	-
On December 31, 2015	**59,014,152**	**379,102**	**3,635,945**	**148,764,201**	**211,793,400**
Acquisition (disposal) of shares, net	-	(62,020)	-	62,020	-
Exercise of stock options with treasury shares	571,111	20,704	(693,409)	101,594	-
Repurchase of shares	-	-	750,100	(750,100)	-
Renting of shares (*)	(557,179)	(8)	-	557,187	-
On December 31, 2016	**59,028,084**	**337,778**	**3,692,636**	**148,734,902**	**211,793,400**

(*) On July 25, 2016, CVM sent to the Company a Letter requesting, from that moment on, the detailed disclosure of information related to the renting of shares.

The Company's bylaws, through its article 6, authorizes the Company to increase its capital up to 257,953,500 registered common shares, regardless of any amendment to the bylaws, which means that another 46,160,100 registered common shares can be issued.

The Company participates in the Level I American Depositary Receipts ("ADR") Program since the approval by CVM on May 22, 2012 and beginning of trading on June 5, 2012. On December 31, 2016, the Company's position was 6,868,001 ADRs issued in the United States (7,096,361 on December 31, 2015). Each ADR corresponds to 01 (one) share of the Company.

(b) Interest on capital and dividends

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

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

Interest on capital and dividends were calculated as follows:

	Parent company	
	2016	2015
Net income for the year	409,315	402,427
Legal reserve (5%)	(20,466)	(20,122)
Adjusted net income for the year - basis for dividends proposal	388,849	382,305
Minimum dividends (25%)	**97,212**	**95,576**
Proposed/distributed dividends and interest on capital:		
Proposed dividends (*)	-	1,042
Distributed interest on capital	151,956	110,807
Subtotal	**151,956**	**111,849**
Withholding Income Tax on interest on capital	(21,861)	(16,273)
Total	**130,095**	**95,576**
Percentage on adjusted net income for the year	33.5%	25.0%
Dividends and interest on capital per share, net of treasury shares at the end of the year (in R$)	**R$ 0.625**	**R$ 0.459**

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

The Company pays interest on capital to shareholders on a quarterly basis. The Board of Directors' meetings decided to pay interest on capital as follows:

2016				
Approval date	Total amount approved	Amount per share (in R$)	Shareholding position date	Payment date
3/17/16	35,423	0.17015	3/31/16	5/12/16
6/23/16	36,781	0.17660	6/30/16	8/17/16
9/29/16	33,044	0.15865	9/30/16	11/23/16
12/15/16	46,708 (*)	0.22446	12/22/16	2/8/17
Total	**151,956**			

(*) This interest on capital had not been paid to shareholders on December 31, 2016.

2015				
Approval date	Total amount approved	Amount per share (in R$)	Shareholding position date	Payment date
3/19/15	22,308	0.10709	3/31/15	5/14/15
6/25/15	25,783	0.12340	6/30/15	8/20/15
9/30/15	29,519	0.14182	9/30/15	11/19/15
12/10/15	33,197	0.15948	12/30/15	1/28/16
Total	**110,807**			

On January 28, 2016, the Company paid interest on capital approved by the Board of Directors at the meeting held on December 10, 2015, totaling R$ 33,197, with amount per share of R$ 0.15948.

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

2016				
Approval date	Total amount approved	Amount per share (in R$)	Shareholding position date	Payment date
4/29/16	1,042	0.00500	4/29/16	5/20/16
Total	**1,042**			

The balance of dividends and interest on capital payable are as follows:

	Consolidated	
	12/31/16	12/31/15
Dividends proposed on net income for the year	-	1,042
Interest on capital proposed on net income for 4Q	46,708	33,197
Withholding Income Tax on interest on capital	(6,959)	(4,933)
Total dividends and interest on capital payable	**39,749**	**29,306**

(c) Capital reserve

(i) Options granted recognized

The purpose of this reserve is to support the Stock Option Plans duly approved at General Meetings, which grant to some Localiza's eligible officers and employees the options to purchase common shares of Localiza in exchange for their work in the Company.

Option costs are measured at fair value on the date of the granting of the stock options and were estimated based on the Black & Scholes options valuation model applied for each tranche of each separate program. The Company adopts the procedure of recognizing the option costs on a straight-line basis during the vesting period, from the grant date to the date on which the employee has the right to exercise the option, with a corresponding increase in (i) shareholders' equity, under the caption "options granted recognized", in "capital reserves", and (ii) in the income statement for the year, under "cost", "selling expenses", and "general, administrative and other expenses", according to the functions of the related employees.

The value of the share, which is to be acquired by the participants when exercising the option, was calculated based on the average quotation of the RENT3, weighted by the volume traded over the last 40 (forty) trading sessions of the BM&FBovespa before the date of payment of the profit sharing.

Currently, the Company maintains two Stock Option Plans, totaling seven programs:

- **2nd Plan (2010 and 2011 Programs):** Approved at the Extraordinary General Meeting of Shareholders on April 26, 2006, the plan established that the stock option plans were to be offered in five annual programs, the first of which beginning on 2007 and the last one on 2011. Each program was divided into four annual tranches, and the number of options per tranche is 25% of total options granted in each of the programs.

- **3rd Plan (2012 to 2016 Programs):** Approved at the Extraordinary General Meeting of Shareholders on April 25, 2011, the plan establishes, for each program, the definition of the consideration to the invested amount (matching) in options. Each program will have only one tranche as from the maturity date and the vesting period for the option is from three to six years. The options can be exercised at any time as from the right acquisition date up to the exercise limit date.

The 2008 and 2009 Programs (2nd Plan) were concluded in May 2015 and 2016, respectively. The vesting period of the 2012 and 2013 Programs (3rd Plan) ended in May 2015 and 2016, respectively, and the options can be exercised by the participants up to May 2018 and 2019.

The characteristics of the stock option programs have remained substantially the same in comparison with those already disclosed.

On April 14, 2016 and April 23, 2015, the Board of Directors approved the Stock Option Programs for 2016 and 2015, respectively, within the 3rd Plan. For these Programs, a consideration comprised of four options for each share invested has been granted. The options can be exercised in full (100%) as from May 2018 and 2019, with a maximum of three years for the partial or full exercise of the option right purchase.

Stock option programs approved in the Board of Directors' meetings have the following characteristics:

	Programs						
	2016	2015	2014	2013	2012	2011	2010
	3rd Plan					2nd Plan	
Date of the meeting of the approval	4/14/2016	4/23/2015	2/13/2014	4/24/2013	7/19/2012	4/28/2011	5/20/2010
Number of granted/approved options	509,432	443,535	520,313	412,228	616,484	1,022,913	970,493
Number of eligible employees	15	17	19	16	18	499	413
Number of options per tranche	509,432	443,535	520,313	412,228	616,484	255,728	242,623
Number of tranches	1	1	1	1	1	4	4
First tranche exercise year	2019	2018	2017	2016	2015	2014	2013
Limit date to exercise the options	May/22	May/21	May/20	May/19	May/18	Mar/18	Mar/17

(*) Other tranches can be exercised annually, beginning on the first tranche date, except for the programs comprising the 3rd Plan and that have only one tranche.

The changes, in number of shares, in the two Stock Option Plans up to the end of the years were as follows:

	Beginning of the period		Granting/Approvals		Terminations		Exercise	End of the period	
Year	Eligible	Options	Eligible	Granted / approved options	Eligible/ Leaving	Options returned	Options exercised	Eligible to the program	Outstanding options
2009 Program									
12/31/15	242	466,641	-	-	(14)	(1,261)	(345,592)	228	119,788
12/31/16	228	119,788	-	-	(4)	(1,846)	(117,665)	224	277 (*)
2010 Program									
12/31/15	279	640,869	-	-	(15)	(8,287)	(256,633)	264	375,949
12/31/16	264	375,949	-	-	(7)	(1,706)	(195,307)	257	178,936
2011 Program									
12/31/15	361	944,600	-	-	(24)	(7,904)	(50,292)	337	886,404
12/31/16	337	886,404	-	-	(13)	(10,752)	(2,193)	324	873,459
2012 Program									
12/31/15	17	641,044	-	-	(3)	-	(27,048)	14	613,996
12/31/16	14	613,996	-	-	-	-	(216,464)	14	397,532
2013 Program									
12/31/15	16	412,228	-	-	(1)	-	-	15	412,228

	Beginning of the period		Granting/Approvals		Terminations		Exercise	End of the period	
Year	Eligible	Options	Eligible	Granted / approved options	Eligible/ Leaving	Options returned	Options exercised	Eligible to the program	Outstanding options
12/31/16	15	412,228	-	-	-	-	(161,780)	15	250,448
2014 Program									
12/31/15	-	-	19	520,313	(1)	-	-	18	520,313
12/31/16	18	520,313	-	-	-	-	-	18	520,313
2015 Program									
12/31/15	-	-	17	443,535	(1)	-	-	16	443,535
12/31/16	16	443,535	-	-	-	-	-	16	443,535
2016 Program									
12/31/16	-	-	15	509,432	-	-	-	15	509,432
Total on 12/31/15	**915**	**3,105,382**	**36**	**963,848**	**(59)**	**(17,452)**	**(679,565)**	**892**	**3,372,213**
Total on 12/31/16	**892**	**3,372,213**	**15**	**509,432**	**(24)**	**(14,304)**	**(693,409)**	**883**	**3,173,932**

(*) Remaining balance to be exercised in 2017.

The table below summarizes the predetermined exercise price (in R$) of the share purchase options for each annual tranche based on the share market value at the end of the year prior to the granting date, contemplating the effect of the share bonus. Exercise amounts are fixed beginning on April each of year:

Program	2013	2014	2015	2016	2017	2018	2019
2010	22.05	23.04	24.05	25.16	-	-	-
2011	-	32.62	34.09	35.62	37.22	-	-
2012	-	-	31.70	-	-	-	-
2013	-	-	-	32.59	-	-	-
2014	-	-	-	-	32.66	-	-
2015	-	-	-	-	-	36.09	-
2016	-	-	-	-	-	-	29.74

On December 31, 2016, the following weighted average assumptions were used to calculate the fair value of each of the tranches of the stock option plans still outstanding:

	Programs						
	2016	2015	2014	2013	2012	2011	2010
	3rd Plan					2nd Plan	
Share price	29.74	36.09	32.66	34.22	33.36	26.46	23.99
Risk-free rate	4.87%	10.00%	11.00%	9.00%	9.45%	10.21%	10.04%
Expected annualized volatility (*)	43.11%	43.64%	43.64%	46.67%	48.49%	50.12%	52.34%
Expected dividends	0.42%	0.41%	0.41%	0.36%	0.39%	0.39%	0.42%
Duration of the program in years	2,4	3.0	2.0	3.0	3.0	4.4	4.2
Option fair value on grant date (R$/share)	12.84	14.54	10.87	12.94	12.82	11.12	12.10

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

In 2016, the consolidated cost of these programs was R$ 4,868 (R$ 5,086 in 2015). The balance of outstanding programs as of December 31, 2016 was R$ 10,559.

Considering the exercise of the options existing on December 31, 2016, the interest dilution percentage to which current shareholders may be subject is 1.5% (1.6% on December 31, 2015).

(ii) Options exercised in 2016

In 2016, 693,409 stock options related to the Stock Option Programs of 2009 to 2013 were exercised, using treasury shares. The weighted average exercise prices of shares, as well as the weighted average fair value of Localiza's shares on the exercise date, were as follows:

Program	Number of options exercised	Fair value (R$)	Calculation by the fair value (R$ thousand)	Weighted average exercise price (R$)	Weighted average market price (R$)
2009 Program	117,665	R$ 12.21	1,484	9.08	31.48
2010 Program	195,307	R$ 12.10	2,524	24.33	34.78
2011 Program	2,193	R$ 11.12	23	34.89	40.61
2012 Program	216,464	R$ 12.82	2,775	31.70	35.41
2013 Program	161,780	R$ 12.94	2,093	32.59	35.41
Total	**693,409**		**8,899**		

(iii) Goodwill on share subscription

This reserve relates to the remaining balance of the goodwill from the primary distribution of Localiza shares in 2006, amounting to R$ 48,174. In addition, on the exercise of 693,409 stock options during 2016, relating to the 2009 to 2013 programs, a goodwill amounting to R$ 19,923 was recorded. In the period from 2011 to 2015, a goodwill amounting to R$ 51,147 was recorded, resulting in a total accumulated balance of R$ 119,244 on December 31, 2016.

(d) Treasury shares

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

At the meeting held on July 21, 2016, the Board of Directors authorized the Company to purchase the maximum number of 11,000,000 shares, through the 8th Share Repurchase Program. This transaction has a maximum term of 365 days from July 23, 2016 to July 22, 2017. By December 31, 2016, 750,100 shares had been purchased under this program.

The cost of acquisition of the treasury shares, including transaction costs, as well as the related changes in 2016, are as follows:

Repurchase Program	Date of approval by the Board of Directors	Proceeds (R$)		
		Minimum	Average	Maximum
1st Program	12/18/07	5.15	10.32	16.55
4th program	7/19/12	33.52	33.64	33.78
6th Program	7/25/14	31.91	32.11	32.39
7th Program	7/23/15	22.80	23.35	23.69
8th Program	7/21/16	33.19	33.37	33.57

	Quantity	Amount
On December 31, 2015	**3,635,945**	**77,988**
Purchase	750,100	24,996
Disposal - stock options exercised	(693,409)	(7,158)
On December 31, 2016	**3,692,636**	**95,826**

The market value of the 3,692,636 treasury shares was R$ 126,362 on December 31, 2016, (quotation of R$ 34.22 per share on December 29, 2016).

(e) Revenue reserves

(i) Legal reserve

This reserve is recorded as prescribed by the Brazilian Corporate Law, through the allocation of 5% of the net income, and is limited: (i) to 20% of the capital or (ii) when the balance of such reserve plus the capital reserves reaches 30% of the capital. The purpose of the legal reserve is to protect capital, and it can only be used to offset losses or increase capital. On December 31, 2016 and 2015, R$ 20,466 and R$ 20,122, respectively, were recorded as the legal reserve. This reserve amounted to R$ 120,625 on December 31, 2016.

(ii) Statutory reserve

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

The Ordinary General Meeting of Shareholders held on April 29, 2016 approved the creation of a statutory reserve amounting to R$ 270,456, arising from the remaining net income balance for 2015.

(f) Profit retention

In order to secure funds for the fleet renewal in 2017, Management prepared the capital budget and, at the Ordinary General Meeting of Shareholders to be held in 2017, will propose the retention of profit amounting to R$ 236,893 related to the remaining profit of 2016, after the deduction of legal reserve and the distribution of interest on capital. This reserve was constituted based on item (g), paragraph 2 of article 24 of Localiza's Bylaws.

(g) Proposal for capital increase with revenue reserves

Management proposal subject to approval by the General Meeting of Shareholders, to be convened on a timely basis, refers to the increase in the subscribed and paid-up capital of R$ 523,292, from R$ 976,708 to R$ 1,500,000, using part of the balance of the Company's statutory reserve, which is not yet recognized in the financial statements.

The capital increase proposed herein, not reflected in the financial statements, will be through a bonus paid in shares at the ratio of 5% (five per cent), with the issue of 10,589,670 new book-entry common shares, with no par value, to be attributed to the shareholders as bonus, in the proportion of 1 (one) new share, of the same type, to each 20 (twenty) shares held. Treasury shares will also receive a bonus, as well as the purchase option programs for shares, which will be adjusted in the same proportion.

This proposal aims at increasing the liquidity of the shares, as the negotiation at a more accessible level combined with a greater number of outstanding shares generates, potentially, more business and more financial volume, resulting in creation of value for the shareholders. The new shares issued will be distributed without charge and will benefit the shareholders in proportion to the shareholding prior to the bonus.

17. EARNINGS PER SHARE

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

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

The table below shows net income information and the number of shares used in the calculation of basic and diluted earnings per share for each of the reporting periods of the income statement:

	Consolidated	
	2016	**2015**
Net income for the year	**409,315**	**402,427**
Basic earnings per share (*):		
Weighted average of outstanding common shares (units)	208,224,821	209,032,158
Basic earnings per share (R$)	**1.96574**	**1.92519**
Diluted earnings per share (*):		
Weighted average of outstanding common shares (units)	208,224,821	209,032,158
Dilutive effect of stock options (units)	313,162	529,440
Total shares subject to dilution (units)	208,537,983	209,561,598
Diluted earnings per share (R$)	**1.96278**	**1.92033**

(*) According to CPC 41 - Earnings per share, all shares (except treasury shares) are considered for the calculation of the weighted average of the outstanding shares.

18. SEGMENT REPORTING

Operating segments are defined as business areas: (i) which can earn revenues and incur expenses; (ii) which operating results are regularly reviewed by the chief operating decision maker on funds to be allocated to the segment and for the evaluation of its performance; and (iii) for which individual financial information is available.

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

- **Car rental:** Division responsible for car rentals in locations located inside and outside airports. Cars are rented by corporations and individuals, as well as by insurance companies that offer replacement vehicles to their customers in the case of accidents during the insurance term. Given the need to renew the fleet, Localiza sells its cars after they have been used for 12 to 18 months. In order to avoid incurring intermediation costs on the sale of decommissioned cars, half of the cars are directly sold to the final consumers. Accordingly, the Company maximizes the recoverable amount of these assets reducing the depreciation of the cars and the net amount invested in fleet renewal, since the selling expense of the Company's own stores is smaller than the discount required by dealers.

- **Fleet rental:** Division responsible for fleet rental to legal entities for long periods, usually 24 to 36 months. The cars are purchased after the signature of the contracts, according to the needs of each customer. The Fleet Rental Division decommissions its cars by the end of the contract. The decommissioned cars with 32 months on average are sold to the final consumers by means of a proprietary network of points of sale and car retailers.

- **Franchising:** Division responsible for the management and granting the right to use the Localiza's brand, including the transfer of the know-how necessary to operate the business.

Localiza

(a) Operating segment financial information

(i) Consolidated assets and liabilities by operating segment

	Car rental		Fleet rental		Franchising		Unallocated balances		Eliminations/ Reclassifications		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Assets												
Cash and cash equivalents	-	-	-	-	-	-	1,692,261	1,385,103	-	-	1,692,261	1,385,103
Trade receivables	338,932	385,618	84,986	94,938	8,287	10,466	-	-	(4,508)	(213)	427,697	490,809
Decommissioned cars for fleet renewal	441	2,421	8,346	29,359	-	-	-	-	-	-	8,787	31,780
Property and equipment	3,814,738	2,836,327	1,205,827	1,088,628	31	42	-	-	-	30	5,020,596	3,925,027
Other assets	241,299	259,820	29,344	36,490	6,871	6,831	-	-	(9,600)	(12,836)	267,914	290,305
Total assets	**4,395,410**	**3,484,186**	**1,328,503**	**1,249,415**	**15,189**	**17,339**	**1,692,261**	**1,385,103**	**(14,108)**	**(13,019)**	**7,417,255**	**6,123,024**
Liabilities												
Trade accounts payable	811,995	594,702	102,967	95,926	412	128	-	-	(4,473)	(162)	910,901	690,594
Loans, financing, debentures and swap	-	-	-	-	-	-	3,785,889	3,019,276	-	-	3,785,889	3,019,276
Other liabilities	351,062	332,426	166,079	132,140	16,726	20,555	-	-	(10,392)	(13,544)	523,475	471,577
Total liabilities	**1,163,057**	**927,128**	**269,046**	**228,066**	**17,138**	**20,683**	**3,785,889**	**3,019,276**	**(14,865)**	**(13,706)**	**5,220,265**	**4,181,447**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**2,196,990**	**1,941,577**	**-**	**-**	**2,196,990**	**1,941,577**
Total liabilities and shareholders' equity	**1,163,057**	**927,128**	**269,046**	**228,066**	**17,138**	**20,683**	**5,982,879**	**4,960,853**	**(14,865)**	**(13,706)**	**7,417,255**	**6,123,024**

(ii) Consolidated income statements by operating segment

	Car rental		Fleet rental		Franchising		Eliminations/Reclassifications		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net revenue	3,423,123	2,934,786	999,237	976,693	16,913	16,616	-	-	4,439,273	3,928,095
Costs	(2,541,597)	(2,072,201)	(593,814)	(602,421)	(10,201)	(9,632)	(3,622)	(4,572)	(3,149,234)	(2,688,826)
Gross profit	**881,526**	**862,585**	**405,423**	**374,272**	**6,712**	**6,984**	**(3,622)**	**(4,572)**	**1,290,039**	**1,239,269**
Operating expenses										
Selling	(321,315)	(297,731)	(44,169)	(50,305)	(564)	(615)	1,959	2,456	(364,089)	(346,195)
General, administrative and other expenses	(128,281)	(133,195)	(27,207)	(26,410)	(933)	(77)	1,663	2,116	(154,758)	(157,566)
Income before financial expenses, net (EBIT)	**431,930**	**431,659**	**334,047**	**297,557**	**5,215**	**6,292**	**-**	**-**	**771,192**	**735,508**
Financial expenses, net									(243,564)	(202,664)
Profit before income tax and social contribution									**527,628**	**532,844**
Income tax and social contribution									(118,313)	(130,417)
Net income									**409,315**	**402,427**

The Company operates in Brazil and, on December 31, 2016, had a network of franchisees in six South American countries (seven on December 31, 2015); its revenues derive mainly from its operations in the Brazilian market. The composition of consolidated net revenues, in Brazil and abroad, is as follows:

	Consolidated	
	2016	2015
Brazilian operations	4,420,754	3,913,701
Export revenue (*)	17,114	12,796
Royalties abroad	1,405	1,598
Net revenue	**4,439,273**	**3,928,095**

(*) Revenue from car rental in Brazil to clients resident and domiciled abroad. The increase of this revenue in 2016 is mainly resulted from the Olympic Games held in Brazil.

(iii) Consolidated depreciation and amortization expenses by operating segment

	Consolidated	
	2016	2015
Car rental		
Car depreciation	(87,814)	(38,889)
Depreciation of other property and equipment and amortization of intangible assets	(32,991)	(31,088)
Fleet rental		
Car depreciation	(118,506)	(124,654)
Depreciation of other property and equipment and amortization of intangible assets	(4,662)	(4,274)
Franchising		
Depreciation of other property and equipment and amortization of intangible assets	(497)	(456)
Total	**(244,470)**	**(199,361)**

19. NET REVENUE

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

	Parent company		Consolidated	
	2016	2015	2016	2015
Gross revenue	3,459,718	2,909,488	4,531,826	4,022,145
Deductions				
Discounts	(5,346)	(6,176)	(17,207)	(19,980)
Taxes on sales (*)	(55,812)	(48,084)	(75,346)	(74,070)
Net revenue	**3,398,560**	**2,855,228**	**4,439,273**	**3,928,095**

(*) Refer to: (i) Services Tax (ISSQN); and (ii) Social Integration Program (PIS) and Social Contribution on Revenues (COFINS), net of generated credits.

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

	Parent company		Consolidated	
	2016	2015	2016	2015
Revenue from car rental	1,408,225	1,192,225	1,427,996	1,258,021
Revenue from fleet rental	-	-	651,805	608,482
Franchising	1,405	1,598	16,913	16,616
Cars sold for fleet renewal	1,988,930	1,661,405	2,342,559	2,044,976
Net revenue	**3,398,560**	**2,855,228**	**4,439,273**	**3,928,095**

20. NATURE OF COSTS AND OPERATING EXPENSES

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

	Costs				Selling, general and administrative expenses and other				Total			
	Parent company		Consolidated		Parent company		Consolidated		Parent company		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Cost of cars sold	(1,737,473)	(1,396,253)	(2,006,914)	(1,682,956)	-	-	-	-	(1,737,473)	(1,396,253)	(2,006,914)	(1,682,956)
Car maintenance, car tax (IPVA) and other	(276,515)	(221,013)	(409,170)	(356,203)	-	-	-	-	(276,515)	(221,013)	(409,170)	(356,203)
Car depreciation	(87,814)	(38,862)	(206,320)	(163,543)	-	-	-	-	(87,814)	(38,862)	(206,320)	(163,543)
Salaries, charges and benefits	(215,423)	(185,942)	(243,066)	(217,475)	(138,401)	(136,006)	(216,431)	(207,139)	(353,824)	(321,948)	(459,497)	(424,614)
Rental of real estate	(97,087)	(80,622)	(98,564)	(82,754)	(45,382)	(43,353)	(46,643)	(44,120)	(142,469)	(123,975)	(145,207)	(126,874)
Third-party services	(24,220)	(29,944)	(33,232)	(37,073)	(66,885)	(62,123)	(72,931)	(69,229)	(91,105)	(92,067)	(106,163)	(106,302)
Profit sharing	(27,406)	(24,801)	(32,772)	(30,374)	(21,355)	(21,819)	(33,745)	(32,085)	(48,761)	(46,620)	(66,517)	(62,459)
Depreciation and amortization of other property and equipment and intangible assets	(20,045)	(19,948)	(21,642)	(21,172)	(16,472)	(14,655)	(16,508)	(14,646)	(36,517)	(34,603)	(38,150)	(35,818)
Water, electricity and telephone	(9,294)	(9,650)	(9,301)	(9,657)	(6,161)	(6,062)	(6,494)	(6,264)	(15,455)	(15,712)	(15,795)	(15,921)
Travel	(7,242)	(9,698)	(7,507)	(9,993)	(5,737)	(7,379)	(7,917)	(8,878)	(12,979)	(17,077)	(15,424)	(18,871)
Publicity	-	-	-	-	(37,305)	(38,313)	(38,189)	(39,094)	(37,305)	(38,313)	(38,189)	(39,094)
Commissions	-	-	-	-	(30,150)	(25,314)	(31,100)	(26,356)	(30,150)	(25,314)	(31,100)	(26,356)
Provision for impairment of receivables and write-off of uncollectibles	-	-	-	-	(24,194)	(17,539)	(24,892)	(22,926)	(24,194)	(17,539)	(24,892)	(22,926)
Others	(75,311)	(82,241)	(80,746)	(77,626)	(19,590)	(26,676)	(23,997)	(33,024)	(94,901)	(108,917)	(104,743)	(110,650)
Total	**(2,577,830)**	**(2,098,974)**	**(3,149,234)**	**(2,688,826)**	**(411,632)**	**(399,239)**	**(518,847)**	**(503,761)**	**(2,989,462)**	**(2,498,213)**	**(3,668,081)**	**(3,192,587)**

21. FINANCIAL RESULT

Financial income (expenses) in the income statement is as follows:

	Parent company		Consolidated	
	2016	2015	2016	2015
Interest income from short-term investments	129,842	108,798	179,957	152,293
PIS/ COFINS on finance income	(7,307)	(3,268)	(9,664)	(4,027)
Other interest income	26,648	14,446	31,655	19,091
Total finance income	**149,183**	**119,976**	**201,948**	**167,357**
Interest expense from loans, financing, debentures and swap	(328,691)	(301,293)	(435,431)	(360,109)
Other interest expenses	(7,410)	(6,969)	(10,081)	(9,912)
Total finance costs	**(336,101)**	**(308,262)**	**(445,512)**	**(370,021)**
Financial expenses, net	**(186,918)**	**(188,286)**	**(243,564)**	**(202,664)**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company adopts the practice of recognizing financial assets and liabilities when Localiza and/or its subsidiaries are parties to the underlying agreement. Financial assets and financial liabilities are initially measured at fair value. Transaction costs, directly attributable to the acquisition or issue of financial assets and liabilities (except for financial assets and liabilities recognized at fair value through profit or loss) are added to or deducted from the differences in the fair value, if applicable, after the initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognized in the income statement. Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to offset recorded amounts and when there is an intention to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets - Financial assets are classified upon initial recognition, when the Company becomes a party to the underlying contract, into one of the following four categories, according to their nature and purpose: (i) financial assets at fair value through profit or loss; (ii) loans and receivables; (iii) held-to-maturity investments; and (iv) financial instruments available for sale. Financial assets are subsequently measured based on their classification into one of the four categories mentioned.

Cash and cash equivalents - These include amounts in cash, bank deposit accounts, investments in CDB, financial investments with a repurchase agreement, investments in fixed income investment funds and applications in financial notes. Cash and cash equivalents are classified as "loans and receivables" and are stated at cost after initial recognition, plus income earned through the balance sheet date, when applicable, which does not exceed their fair or realizable value.

Trade receivables - Trade receivables are amounts receivable from car and fleet rentals, sales of decommissioned cars and franchising. They are initially recognized at fair value less the provision for impairment.

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

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

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Financial assets				
Loans and receivables measured at amortized cost				
Cash and cash equivalents (note 4)	1,133,711	881,659	1,692,261	1,385,103
Trade receivables (note 5)	336,457	374,843	427,697	490,809
Escrow deposits (note 14)	38,144	33,552	60,127	52,900
Financial liabilities				
Other financial liabilities measured at amortized cost				
Trade payables (note 10)	803,601	589,175	910,901	690,594
Loans, financing and debentures, net of swap (note 12)	2,685,584	2,084,488	3,776,293	2,973,696

(a) Risk management

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

The Company's risk management is conducted by the Audit, Risk Management and Compliance Committee. Additionally, the process of identification, analysis and monitoring of risks is performed by the Board of Directors, which has powers to make decisions about the strategies to be adopted by the Company.

(i) Market risk

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

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

- **Interest rate risk** - This is the risk that the fair value or future cash flows of a certain financial instrument will fluctuate due to market interest rate variations.

The Company uses cash from operations to conduct its daily business activities, and finance its fleet renewal and part of its growth. To supplement its cash requirements for growth, the Company obtains loans and financing from major financial institutions in Brazil, and issues debt securities (debentures and promissory notes), that are mostly indexed to the CDI rate. The inherent risk arises from the possibility of significant increases in CDI.

As a strategy to manage interest rate risk, management continuously monitors the CDI in order to, if necessary, adjust car rental fees to mitigate such fluctuations. For the fleet rentals, Localiza Fleet contracts interest rate swaps to exchange the floating rate risk for the fixed rate, thus eliminating the risk of fluctuation in the basic interest rate in long-term contracts. In addition, almost the totality of the Company's cash and cash equivalents balance is indexed to the CDI rate, which is the same index adopted for debts related to car rental.

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

o On December 31, 2016, the Company's net debt totaled R$ 2,084,032. Of this total, R$ 751,934, with fixed cost at an average rate of 15.49% per year, is excluded, as it refers to the transactions contracted at a fixed rate and the amounts corresponding to the hedge realized in the contracting of swap transactions, changing the rates indexed to the CDI for fixed rates. The net debt subject to the CDI rate therefore totaled R$ 1,332,098 on December 31, 2016.

o The probable estimated scenario for the next 12 months estimated at an average CDI rate of 11.58%, which is a probable scenario for 2017 (2016 - effective rate of 14.00%).

	Consolidated		
Description	**Probable scenario (*)**	**Scenario I - 25% deterioration**	**Scenario II - 50% deterioration**
Net debt on December 31, 2016 (letter (b) (i))	**2,084,032**	**2,084,032**	**2,084,032**
(-) Debt at a fixed rate and amounts hedged with swap to a fixed rate (note 12 and note 22(d) (iii))	(751,934)	(751,934)	(751,934)
Net debt subject to the CDI variation	**1,332,098**	**1,332,098**	**1,332,098**
Effective average annualized CDI rate for the 12-months ended on December 31, 2016	14.00%	14.00%	14.00%
Estimated average annual CDI rate, according to stress scenarios	11.58%	14.48%	17.37%
Effect on financial expenses subject to the CDI rate variation:			
- according to effective rates	(186,494)	(186,494)	(186,494)
- according to scenarios	(154,257)	(192,888)	(231,385)
(Increase) Decrease in annual financial expenses	**32,237**	**(6,394)**	**(44,891)**

(*) As required by IFRS 7, and based on the average rate of 11.58%, which is the projected scenario for the next 12 months, as reasonable as possible, based on market information found in the Focus Bulletin of the Brazilian Central Bank, issued on December 30, 2016.

- **Currency risk** - As stated in note 12(d) and note 22(d) (i), the Company is not exposed to currency risk, since it enters into swap transactions tied to foreign currency loans.

(ii) Credit risk

Credit risk is the risk that a counterparty does not comply with its contractual obligations, thereby causing the Company to incur financial losses. The Company's credit risk basically arises from trade accounts receivable and cash and cash equivalents deposited/applied in banks and other financial institutions.

The maximum exposure to credit risk, based on the net book value of the underlying financial assets, is as follows:

	Parent company		Consolidated	
	12/31/16	**12/31/15**	**12/31/16**	**12/31/15**
Loans and receivables				
Cash and cash equivalents:				
Financial investments:				
Minimum of Aa3 (Moody´s scale) or equivalent according to other agencies	1,130,930	876,379	1,687,039	1,377,726
Cash and banks	2,781	5,280	5,222	7,377
Total cash and cash equivalents (note 4)	**1,133,711**	**881,659**	**1,692,261**	**1,385,103**
Trade receivables – customers	292,927	217,539	382,765	320,850
Trade receivables – credit cards:				
Aaa (Moody´s scale)	16,946	69,583	17,144	73,380
Sundry	26,584	87,721	27,788	96,579
Total trade receivables (note 5)	**336,457**	**374,843**	**427,697**	**490,809**
	1,470,168	**1,256,502**	**2,119,958**	**1,875,912**

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

As established by the Board of Directors, the maximum fund allocation limits per financial institution, on a consolidated basis, must comply with the following criteria: (i) the maximum amount of 20% of the total available funds must be allocated only in the financial institutions that are listed in the Investment, Indebtedness, Derivatives and Guarantees Policy and (ii) the maximum amount of 40% of the total available funds must be allocated only in the financial institutions that are listed in the Investment, Indebtedness, Derivatives and Guarantees Policy and whose shareholders' equity is higher than R$ 10 billion.

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

The Company reduces its credit risk by operating significantly with credit cards for car rentals, mainly in transactions with individuals. On December 31, 2016, two of the largest credit card companies represented 4.0% and 3.2% (15.0% and 12.6% on December 31, 2015), individually, of the Company's trade receivables balance. The credit risk in transactions with legal entities for the car rental and fleet rental is reduced by a credit limit granting policy, based on the analysis of the financial position of the customer, past experience and the position of overdue bills. The financial position of customers is continuously monitored in order to evaluate and adjust, if necessary, the credit limit previously granted. The credit risk in the sale of decommissioned cars is reduced through the utilization of financing companies and/or leasing companies with well-known financial and liquidity capacities.

Additionally, the management of credit risk includes the periodic analysis of the recoverability of trade receivables, in which the need to constitute a provision for impairment of trade receivables is analyzed in order to adjust the receivables to their probable realizable values. This analysis, which has the purpose of assigning a risk classification to the customer according to internal criteria defined by Management, takes into consideration the current financial position of the customer, past experience and the position of overdue bills. Therefore, according to the customer risk classification, receivables are adjusted to their likely realizable amounts through the recognition of a provision for impairment of trade receivable, and may be applied both to overdue bills and current bills, depending on the risk classification assigned to the customer.

Credit risk concentration is limited because the customer base is broad. All significant operations and customers are located in Brazil, and there is no customer that individually represents more than 10% of the Company's revenues.

(iii) Liquidity risk

Liquidity risk is the risk of the Company not having enough funds to settle its obligations as they fall due. The management of the liquidity risk seeks to ensure that the Company has the necessary funds to settle its financial liabilities at the maturity dates.

Liquidity risk management is performed by the Finance Department, monitored by the Board of Directors, and conducted considering funding requirements and liquidity management in the short, medium and long terms. The Company manages the liquidity risk by maintaining adequate financial resources available in cash and cash equivalents and by means of credit facilities, based on the continuous monitoring of estimated and realized cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

Management also considers that the access to third party credit is facilitated, considering the corporate credit rating of Localiza according to the main market rating agencies.

The analysis of the undiscounted consolidated contractual cash flows of loans, financing, debentures, and swap using the interest rate contracted for each transaction and a CDI rate of 13.63% as of December 31, 2016, is as follows:

	Parent company						
	2017	2018	2019	2020	2021	2022	Total
Debentures - 6th issue	68,125	153,673	137,046	-	-	-	**358,844**
Debentures - 7th issue	134,641	123,008	112,291	123,008	110,898	-	**603,846**
Debentures - 8th issue	72,286	71,569	312,558	321,569	-	-	**777,982**
Debentures - 9th issue	75,144	74,382	121,158	124,382	301,531	-	**696,597**
Debentures - 10th issue	30,435	29,819	29,819	122,893	107,610	-	**320,576**
Debentures - 11th issue	73,529	73,226	74,137	73,530	72,922	506,258	**873,602**
Leases	1,048	199	-	-	-	-	**1,247**
Foreign currency loans/with swap	229,463	-	-	-	-	-	**229,463**
Total	**684,671**	**525,876**	**787,009**	**765,382**	**592,961**	**506,258**	**3,862,157**

	Consolidated						
	2017	2018	2019	2020	2021	2022	Total
Debentures - 6th issue	68,125	153,673	137,046	-	-	-	**358,844**
Debentures - 7th issue	134,641	123,008	112,291	123,008	110,898	-	**603,846**
Debentures - 8th issue	72,286	71,569	312,558	321,569	-	-	**777,982**
Debentures - 9th issue	75,144	74,382	121,158	124,382	301,531	-	**696,597**
Debentures - 10th issue	30,435	29,819	29,819	122,893	107,610	-	**320,576**
Debentures - 11th issue	73,529	73,226	74,137	73,530	72,922	506,258	**873,602**
Localiza Fleet debentures	35,169	35,017	35,230	35,230	35,230	264,291	**440,167**
Commercial Credit Note (NCC)	69,615	95,783	114,825	95,818	129,500	-	**505,541**
Leases	255,128	104,515	1,939	-	-	-	**361,582**
Foreign currency loans/with swap	229,463	-	-	-	-	-	**229,463**
Bank Credit Note Property (CCBI) - new headquarters/with swap	18,446	18,836	65,473	105,054	48,929	-	**256,738**
Total	**1,061,981**	**779,828**	**1,004,476**	**1,001,484**	**806,620**	**770,549**	**5,424,938**

(b) Capital management

The Company's businesses require intensive long-term capital to finance the fleet, in order to implement its expansion strategy. The main objectives of capital management are to: (i) ensure the Company´s operational continuity; (ii) maintain a strong credit rating; (iii) maximize the return to shareholders; and (iv) guarantee the Company's competitive edge in the raising of funds.

The Company's Management continuously monitors capital, adjusting its capital structure to the economic conditions.

(i) Debt ratio

Capital is monitored based on the Company's indebtedness level, which corresponds to the ratio of net debt to shareholders' equity. Net debt, in turn, is defined by the Company as short and long-term debts, including the positive or negative balances of the swap transactions entered into to hedge these debts, less cash and cash equivalents. The Company's overall capital management strategy has remained unchanged over the last few years.

The table below shows the Company's debt ratios on December 31, 2016 and 2015:

	Consolidated	
	12/31/16	12/31/15
Short and long-term debts, net of the swap transactions classified in current and non-current assets and liabilities (note 12).	3,776,293	2,973,696
Cash and cash equivalents (note 4)	(1,692,261)	(1,385,103)
Net debt	**2,084,032**	**1,588,593**
Shareholders' equity	2,196,990	1,941,577
Debt ratio	**0.95**	**0.82**
Value of the fleet (*)	**4,623,580**	**3,642,699**
Net debt/value of the fleet	**0.45**	**0.44**

(*) Property and equipment, cars and decommissioned cars for fleet renewal (note 8).

(c) Fair value of financial instruments

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

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

The summary of the consolidated fair values of the swap transactions recorded in the "derivative instruments - swap" account is as follows:

	Level 2	
	12/31/16	12/31/15
Fixed rate swap (letter (d) (iii))	(4,539)	(144)
U.S. dollar swap (letter (d) (i))	2,210	45,580
TR swap (letter (d) (ii))	7,386	(19,609)
	5,057	**25,827**

There are no financial instruments measured at fair value in hierarchical levels 1 and 3.

The financial liabilities measured at fair value in the Company's balance sheet on December 31, 2016 and 2015 and the categories of the data related to the respective liabilities are as follows:

	Parent company				Consolidated			
	Carrying amount		Fair value		Carrying amount		Fair value	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Financial liabilities - other financial liabilities:								
Loans, financing and debentures	2,685,584	2,084,488	2,700,209	2,095,346	3,776,293	2,973,696	3,790,918	2,984,554
Swap transactions - amounts receivable	2,210	45,580	2,210	45,580	5,057	25,827	5,057	25,827

Management understands that the carrying amounts of other financial instruments, such as cash and cash equivalents, trade receivables and trade payables, which are recognized in the parent company and consolidated financial statements, do not differ significantly from their fair values, as the maturity dates of a substantial portion of the balances are close to the reporting date.

(d) Derivatives

(i) U.S. dollar x Brazilian real

On December 31, 2016, the Company had a current swap operation (plain vanilla), with an exclusive purpose of protection for its loan in foreign currency, and this is a loan agreement contracted with a major financial institution.

On April 2, 2015, Localiza borrowed US$ 70,000 thousand from Banco de Tokyo-Mitsubishi UFJ Brasil S.A., with maturity of the principal on March 31, 2017. This amount was translated into Brazilian reais at the rate of R$ 3.21 for each US$ 1.00, which amounted to R$ 224,959. Simultaneously, a swap transaction (plain vanilla) was contracted to eliminate the foreign currency exposure risk, exchanging foreign exchange variation plus spread for 98.5% and 105.5% of CDI variation.

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

						Consolidated		
						12/31/16		
				Rates		Notional value		(Payables)/ receivables
Swap transaction	Contract date	Maturity	Counterparty	Assets	Liabilities	R$ thousand	US$ thousand	R$ thousand
U.S. dollar x Brazilian real	4/2/15	3/31/17	Banco de Tokyo	Foreign exchange variations of the U.S. dollar + 2.20% p.a. coupon and foreign exchange variations of the U.S. dollar + 2.30% p.a. coupon	98.5% and 105.5% of CDI variation	224,959	70,000	2,210

The amounts receivable are presented in the "derivative instruments - swap" account (note 12).

(ii) TR x CDI

As of December 31, 2016, the subsidiary Rental Brasil had a current swap operation (plain vanilla), with an exclusive purpose of protection for its loan in the form of CCBI - Bank Credit Note Property, and this is a loan agreement contracted with a major financial institution.

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

Swap transaction	Contract date	Maturity	Counterparty	Rates - Assets	Rates - Liabilities	Consolidated 12/31/16 Notional value R$ thousand	Consolidated 12/31/16 (Payables)/ receivables R$ thousand
TR x CDI	6/25/14	6/15/21	Itaú Unibanco	TR variation + 9.5% p.a. coupon	98.8% of CDI variation	190,000	7,386

The amounts receivable are presented in the "derivative instruments - swap" account (note 12).

(iii) CDI X Fixed rate

Fleet rental contracts vary from 24 to 36 months and include an annual adjustment clause based on the inflation rate. As the rental contracts cannot be adjusted based on the basic interest rate, Localiza Fleet executed swap operations exchanging the CDI variation for a fixed rate in order to protect itself from the risk of losing profitability on rental contracts and maintain its competitiveness.

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

Swap transaction	Contract date	Maturity	Counterparty	Rates - Assets	Rates - Liabilities	Consolidated 12/31/16 Notional value R$ thousand	Consolidated 12/31/16 (Payables)/ receivables R$ thousand
CDI x Fixed rate	6/2/16	7/2/18	Various banks	111.1% of CDI variation	15.6% p.a.	400,000 (*)	(4,539)

(*) The swap's liabilitiy position (fixed rate) corresponds to R$ 451,486 on December 31, 2016 (R$ 194,946 on December 31, 2015).

23. FINANCE LEASES

On December 31, 2016, Localiza Fleet had a fleet of 14,723 cars acquired under finance leases (15,946 on December 31, 2015). These cars were accounted for as part of its property and equipment and are depreciated at an average rate of 11.0% per year (11.9% on December 31, 2015). The contracts have a 24-month term as from the delivery of the asset and the option for the asset at the end of the lease term and are remunerated using the fixed average rate of 15.34% p.a. (15.32% on December 31, 2015). The guaranteed net residual value will be paid after the end of the lease term.

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

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Cars	-	-	534,052	544,832
Hardware	2,378	3,952	2,378	3,952
Total property and equipment	**2,378**	**3,952**	**536,430**	**548,784**
Software	159	345	159	345
Total intangible assets	**159**	**345**	**159**	**345**
Total	**2,537**	**4,297**	**536,589**	**549,129**

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

	Parent company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Minimum payments:				
Future amounts	1,292	2,970	336,445	370,697
Unappropriated interest	(95)	(283)	(35,997)	(36,269)
Present value	**1,197**	**2,687**	**300,448**	**334,428**

On December 31, 2016, the maturity of the minimum future payments of finance leases and their respective present values were as follows:

	Parent company		Consolidated	
	Future payments	Present value	Future payments	Present value
Period after balance sheet date:				
Up to 12 months	85	943	29,698	219,391
Between 13 and 24 months	10	254	6,299	81,057
Total	**95**	**1,197**	**35,997**	**300,448**

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

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

24. RENTAL COMMITMENTS

(a) Property rentals

The Company has property lease contracts for its car rental branches located in and outside (downtown branches) airports, stores and parking lots.

Property rentals for the car rental locations in airports and shopping malls have a fixed and a variable portion, that latter linked to the branch's revenue. The other property rentals for car rental locations, stores and parking lots do not have contingent payment agreements.

In the year ended December 31, 2016, these rental expenses totaled R$ 145,207 (R$ 126,874 on December 31, 2015) in the Consolidated.

The minimum amounts payable for the remainder of the leases contracted up to December 31, 2016 are as follows:

Years	Concessions in airports	Downtown locations, headquarters, stores, and parking lots	Total
2017	35,734	89,206	**124,940**
2018	31,652	78,056	**109,708**
2019	26,914	64,178	**91,092**
2020	23,590	54,050	**77,640**
2021	15,779	42,113	**57,892**
2022 onwards (*)	66,228	144,893	**211,121**
Total	**199,897**	**472,496**	**672,393**

(*) On December 31, 2016, the Company had contracts with an indefinite period and others under renegotiation. For the purposes of calculation regarding the table above, in respect of the mentioned agreements, the average period of the Company's rental agreements was considered.

(b) Minimum contracted revenue from fleet rental

The minimum contracted amounts of fleet rentals to be received by the wholly-owned subsidiary Localiza Fleet are as follows:

Years	Revenue
2017	527,770
2018	274,680
2019	94,427
2020 and onwards	11,024
Total	**907,901**

Fleet management contracts may be terminated upon 30 (thirty) days notice and the contractual fines are up to 50% (fifty percent) of the rents to be due.

25. SUPPLEMENTARY PENSION PLAN

Since August 2011, the Company has had a Pension Plan to supplement official social security benefits. This plan is established as a "defined contribution" and is managed by a major independent pension fund manager.

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

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

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

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

Due to the competitive environment and economic and political fragility of Brazil, in the first six-month period of 2016 the investments made by the Company to the pension plans were suspended. However, on June 23, 2016, the Board of Directors approved that the Company resumes the contribution to the supplementary pension plan of its employees and directors as from July 1, 2016.

In the year ended December 31, 2016, contributions made by the Company totaled R$ 1,007 (R$ 4,672 in 2015) in the Parent company and R$ 1,355 (R$ 5,663 in 2015) in the consolidated, which were allocated to "cost", "selling expenses" and "general, administrative and other expenses" in the income statement.

26. APPROVAL OF THE FINANCIAL STATEMENTS

These parent company and consolidated financial statements were approved and authorized for disclosure by the Board of Directors on February 3, 2017.

27. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Hertz Brazil and strategic alliance with The Hertz Corporation

On December 5, 2016, Localiza and its subsidiary Localiza Fleet entered into a Purchase and Sale Agreement with The Hertz Corporation ("Hertz Corp.") and some of its subsidiaries, through which Localiza Fleet will assume the Brazilian operations of Hertz Corp. through the purchase of 99.99% of the quotas of Car Rental Systems do Brasil Locação de Veículos Ltda. ("Hertz Brasil") and Localiza will buy the remaining 0.01% of the quotas.

The acquisition price of Hertz Brasil is estimated at R$ 337 million, corresponding to the shareholders' equity value plus the debt of Hertz Brazil, which will be settled after the transaction is completed. The final value of the acquisition will be defined in accordance with the balance sheet of Hertz Brazil to be drawn up on the closing date of the deal.

With the acquisition, Localiza Fleet will assume a fleet of approximately 9,200 cars of Hertz Brazil, which includes approximately 3,700 cars in the fleet rental business. Hertz Brazil car rental business has approximately 5,500 cars and a network of 42 car rental locations, of which 16 are located in airports and 26 are located off airports. Such distribution network does not include car rental locations of franchisees.

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

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

- *Referral Agreement* that establishes the inbound and outbound rules of exchange of reserves between Localiza and Hertz Corp.

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

Through the Referral Agreement, Localiza customers will start to be globally served (except for South America) by the Hertz network and Hertz customers will start to be served in Brazil by the Localiza network.

The operation does not comprise the acquisition of any shareholding in Hertz Corp. by Localiza, neither in Localiza by Hertz Corp. Localiza will continue operating its businesses fully independent and autonomous.

The operation will also include the exchange of new technologies, know-how and executives between both companies.

The completion of the operation is subject to the approval of the Administrative Council of Economic Defense (CADE), which is analyzing the documents sent by both companies, for which reason the Company is not required to carry out the evaluation and measurement of assets and liabilities assumed at fair values in accordance with CPC 15 (R1) - Business Combination. During the period of analysis of the transaction, the companies will continue operating independently.

* * *

MANAGEMENT’S STATEMENT ON THE FINANCIAL STATEMENTS

The CEO, CFO and Investor Relations Officer and other Statutory Executive Officers of Localiza Rent a Car S.A. ["Localiza"], a publicly-held company headquartered at Avenida Bernardo Monteiro, 1563, in Belo Horizonte, Minas Gerais, Corporate Taxpayer 16.670.085/0001-55, in conformity with subsection VI, article 25 of CVM Instruction 480, of December 7, 2009, hereby declare that they have:

i. reviewed, discussed and approved Localiza's financial statements for the year ended December 31, 2016.

Belo Horizonte, February 3, 2017.

Eugênio Pacelli Mattar
CEO

Roberto Antônio Mendes
CFO and Investor Relations Officer

Eugênia Maria Rafael de Oliveira
Statutory Executive Officer

Heros di Jorge
Statutory Executive Officer

Edmar Vidigal Paiva
Statutory Executive Officer

MANAGEMENT'S STATEMENT ON THE INDEPENDENT AUDITOR'S REPORT

The CEO, CFO and Investor Relations Officer and other Statutory Executive Officers of Localiza Rent a Car S.A. ["Localiza"], a publicly-held company headquartered at Avenida Bernardo Monteiro, 1563, in Belo Horizonte, Minas Gerais, Corporate Taxpayer 16.670.085/0001-55, in conformity with subsection V, article 25 of CVM Instruction 480, of December 7, 2009, hereby declare that they have:

i. reviewed, discussed and agreed with the opinions expressed in the Independent Auditor's Report of PricewaterhouseCoopers Auditores Independentes on Localiza's financial statements for the year ended December 31, 2016.

Belo Horizonte, February 3, 2017.

Eugênio Pacelli Mattar
CEO

Roberto Antônio Mendes
CFO and Investor Relations Officer

Eugênia Maria Rafael de Oliveira
Statutory Executive Officer

Heros di Jorge
Statutory Executive Officer

Edmar Vidigal Paiva
Statutory Executive Officer

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

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

Statement of the Audit, Risk and Compliance Management Committees Meeting held on February 3, 2017 at 1 pm, at the Company's headquarters

Attendance: Meeting held through a conference call, which involved the following members of the Audit, Risk Management and Compliance Committee: Oscar de Paula Bernardes Neto – Coordinator, Flávio Brandão Resende and Stefano Bonfiglio. Invited: Salim Mattar, Chairman of the Board of Directors, Eugenio Mattar, CEO and Roberto Mendes, Finance Director and Investor Relations Officer (CFO).

Matters discussed and manifestations of the Committee:

1) The Committee apprised and was in favor of: **i)** Management accounts; **ii)** the Management report for the 2016 financial year; **iii)** the parent company and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and in accordance with accounting practices adopted in Brazil for the years 2016 and 2015; and **iv)** the Independent Auditor's Report, without qualifications, on the parent company and consolidated financial statements for 2016.

2) The Committee met with the independent auditors of PricewaterhouseCoopers – CRC2SP000160/O-5"F"MG, represented by the partner Mr. Guilherme Campos, CRC-1SP218254/O-1"S"MG. Mr. Guilherme Campos presented the audit work related to the financial statements referred to in item 1 above and presented the Independent Auditor's Report, to be issued without qualifications. In addition, the auditors reported that the following had not occurred: **i)** any material disagreement between the judgment of the audit team and that of the Management; **ii)** difficulties encountered in performing the audit; and **iii)** discussion about alternative accounting treatments. The members of the Audit Committee had a closed meeting with the auditors, without the presence of Management's members, having no relevant points to be reported.

3) The Committee expressed its support for the proposal: **(i)** allocation of the 2016 profit; **(ii)** non-payment of complementary dividends and **(iii)** profit retention based on capital budget, expressing a favorable opinion on the presented capital budget. The Committee recommended the approval by the Board of Directors and submission to the Ordinary General Meeting of Shareholders.

4) The Committee expressed its support for the proposal of the 2016 profit allocation and the payment of dividends from Localiza's subsidiaries, to be approved by the Board of Directors and submitted to the Ordinary General Meeting of each subsidiary.

5) Regarding the proposed increase in the Company's capital, the Committee became aware of the justifications involved in the proposal, expressing its support for the Management proposal presented about the subject, which suggests a capital increase by incorporating part of the balance of the revenue reserves, specifically of the statutory reserve called "Reserve for Investment" and with bonus paid in shares.

The full text of the minutes of the meeting of the Audit, Risk Management and Compliance Committee, held on February 3, 2017, is filed at the Company's headquarters.

Edmar Vidigal Paiva
Secretary of the Audit, Risk Management and Compliance Committee

COMMENTS ON THE BEHAVIOR OF BUSINESS PROJECTIONS

No projection was disclosed by the Company for the 2017 and 2016 fiscal year.

CAPITAL BUDGET PROPOSAL

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

Capital Budget for Fleet Renewal and proposal for Retention of Earnings

The Management's Proposal for the Ordinary General Meeting of Shareholders is the retention of earnings in the amount of R$ 236,893,778.51, relating to the balance of the net income from 2012, after deducting the legal reserve and the interest on capital distributed over 2016.

The purpose of the proposed retention is to reserve funds for the renewal of the Company's fleet of cars.

In 2017, the Company expects to renew around 75,000 cars in the car rental division. Fleet renewal involves the sale of cars already used in rental activities and the subsequent purchase of new cars to replace the cars sold.

Pursuant to article 196 of Law 6,404/76, to back up the Management's proposal, a capital budget was prepared for fleet renewal, as detailed below:

1. Sources of funds:

The Company's main sources of funds for investment in the fleet are as follows:

- the revenue from the sales of decommissioned cars for fleet renewal. As part of the Company's fleet renewal program, the car rental division decommission their cars after 12 months of use in rentals. Most of the decommissioned cars are sold directly to the final consumer through the Company's own dealer network as it is a cheaper alternative to the discount required by other sales intermediaries;
- the raising of funds in the capital markets and with financial institutions in Brazil and abroad;
- the profit retention, using cash generated by the Company's operations.

2. Capital investments:

The proposed investment of funds will be the acquisition of around 75,000 cars to replace the cars that will be decommissioned and sold in 2017.

3. Calculation of retention of earnings:

The net amount required by the Company for fleet renewal is shown below:

Estimated number of cars to be renewed – Car rental division	Units	75,000
Use of funds:		
Purchase of new cars:		
Average purchase price of cars (*)	R$	37,410
Inflation rate ("IPCA") – 5.1% (*)		5.1%
Average selling price of cars, net of expenses, adjusted by IPCA (*)	R$	39,318
Total amount of funds invested in the purchase of cars for fleet renewal	**R$ thousand**	**2,948,850**

Source of funds:		
Sale of decommissioned cars:		
Average sale price of cars, net of expenses (*)	R$	31,230
Inflation rate (“IPCA”) – 5.1% (*)		5.1%
Average selling price of cars, net of expenses, adjusted by IPCA (*)	R$	32,823
Total amount of funds raised from decommissioned cars sales	R$ thousand	2,461,725
Funds originated from the Company's cash or market funding	R$ thousand	250,232
Proposed retention of earnings	R$ thousand	236,893
Total amount of funds accumulated in the purchase of cars for fleet renewal	**R$ thousand**	**2,948,850**

(*) For the purpose this calculation, the average sale and purchase prices of cars in 2016 were used, plus inflation estimated by the IPCA of 5.1% (Market Expectation by Focus - Brazilian Central Bank), considering that they already reflect the Company's purchase mix.

4. Proposal of the Management:

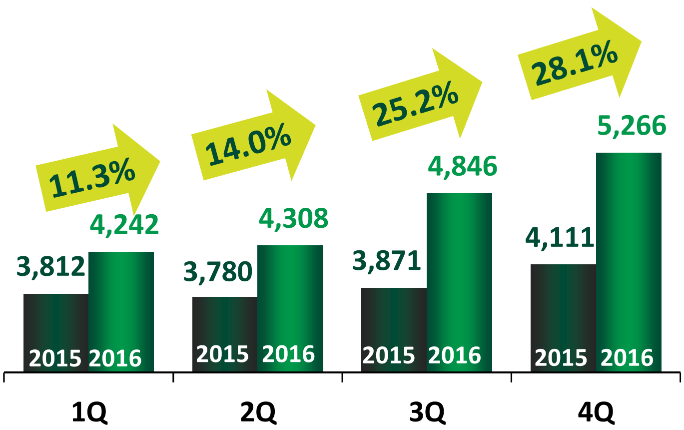
Considering all the factors mentioned above, the Management proposes the approval of the profit retention, supported by the capital budget.

We hereby inform that the retention proposed here is reflected in the Financial Statements dated December 31, 2016, of the Company.

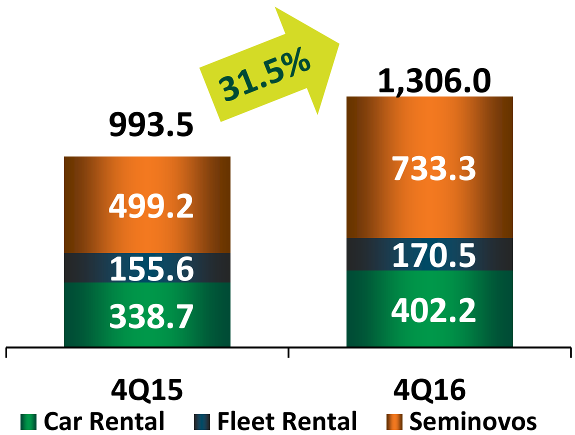
4Q16 and 2016 Earnings Release

4Q16 and 2016 Highlights

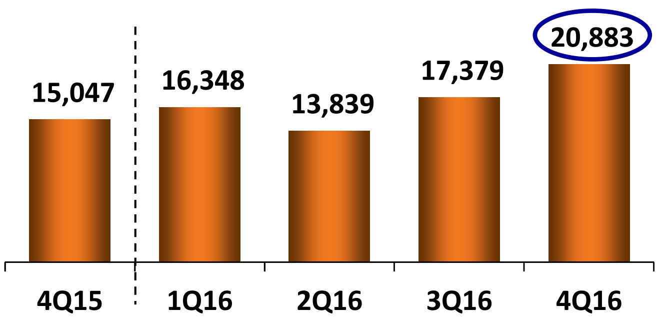
Rental days – Car Rental (Thousand)



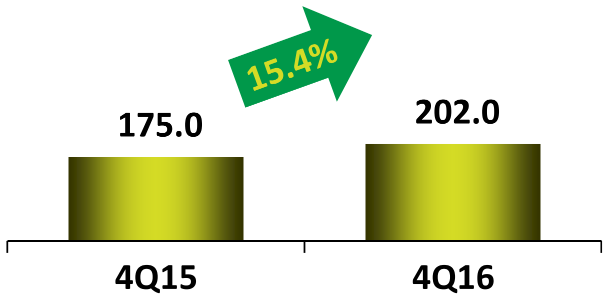
Net revenues (R$ million)



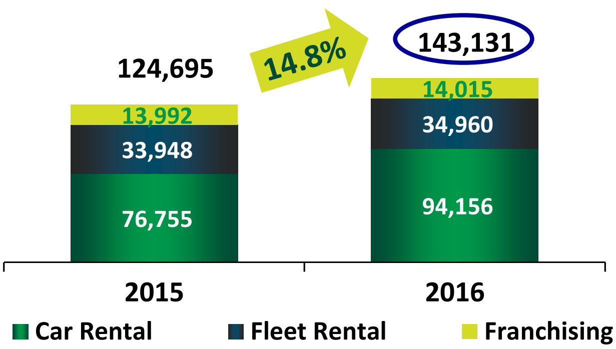
Number of cars sold



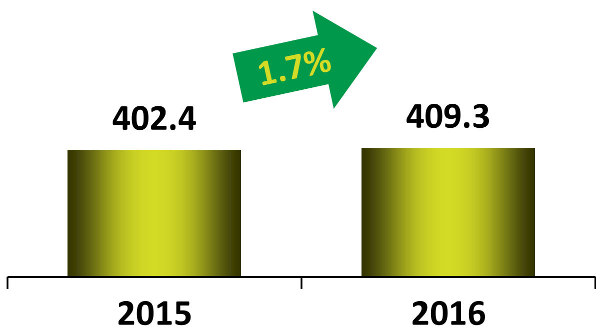
EBIT (R$ million)



Fleet at the end of the year

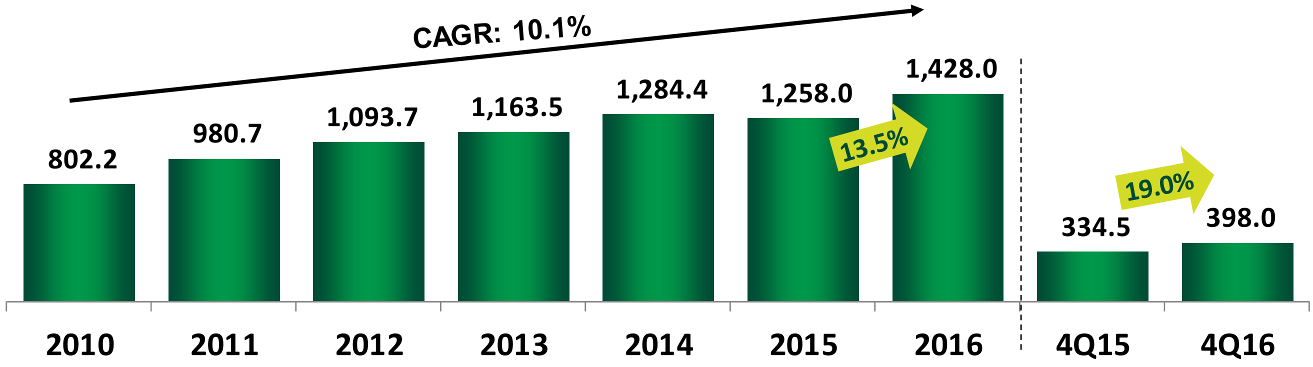


Net Income (R$ million)

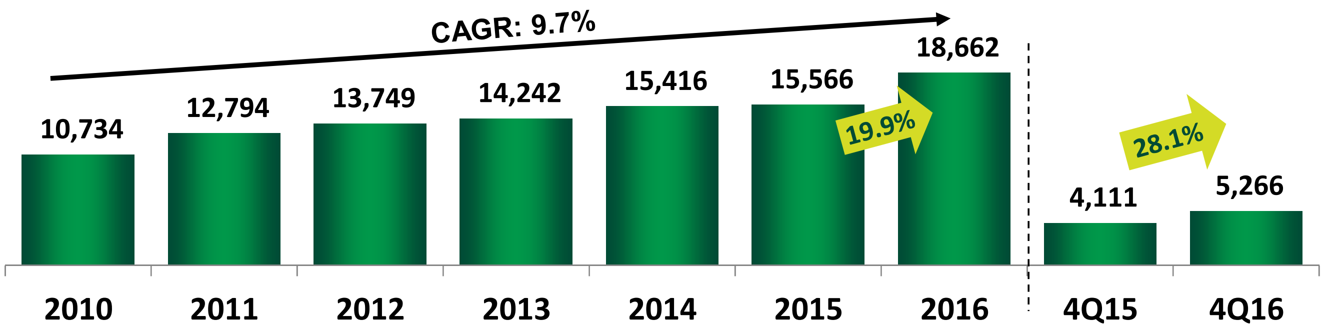


1 – Car Rental

Net Revenues (R$ million)



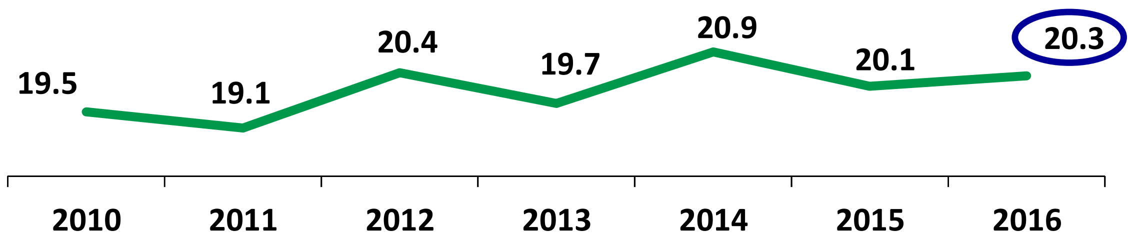
Number of Daily Rentals (thousand)



In 4Q16, **Car Rental Division's** net revenues grew 19.0% when compared with 4Q15 due to an increase of 28.1% in daily rentals that was partially offset by a 7.7% decrease in the average rental rate.

In 2016, **Car Rental Division's** net revenues grew 13.5% due to an increase of 19.9% in daily rental volume which was partially offset by a 5.8% decrease in the average rental rate.

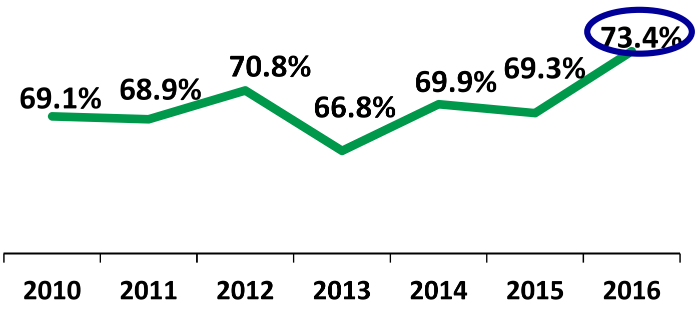
Average annual revenues per operating car
Car Rental (R$ thousand)



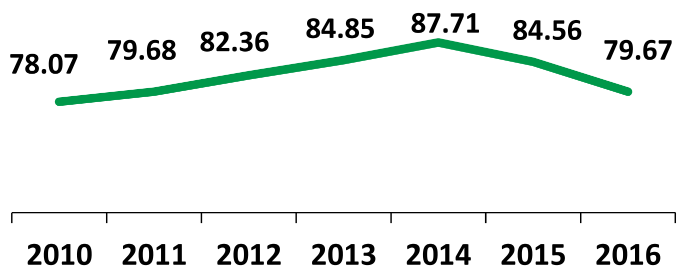
The average annual revenues per operating car were practically stable when compared with 2015, due to the increase of the fleet utilization rate, which offset the drop of 5.8% in the average rental rate.

1.1 – Car Rental

Utilization Rate Evolution Car Rental



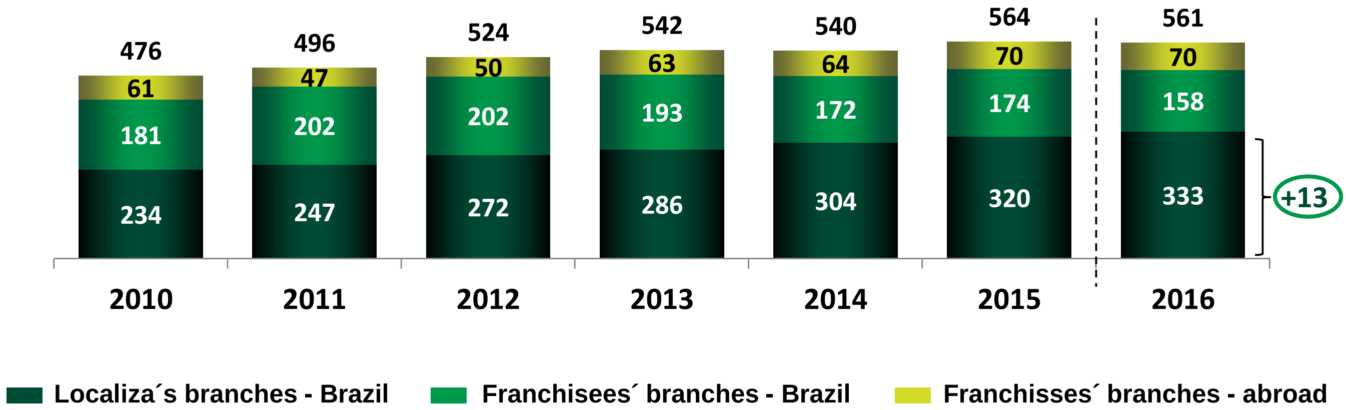
Average daily rental rate evolution Car Rental- In R$



The utilization rate in 2016 was 73.4%, the highest since 2010.
The increase in the utilization rate is a result of the Company's initiative to manage its rates in order to stimulate demand, the mix of segments and of improvement in the fleet management.

1.2 – Distribution network

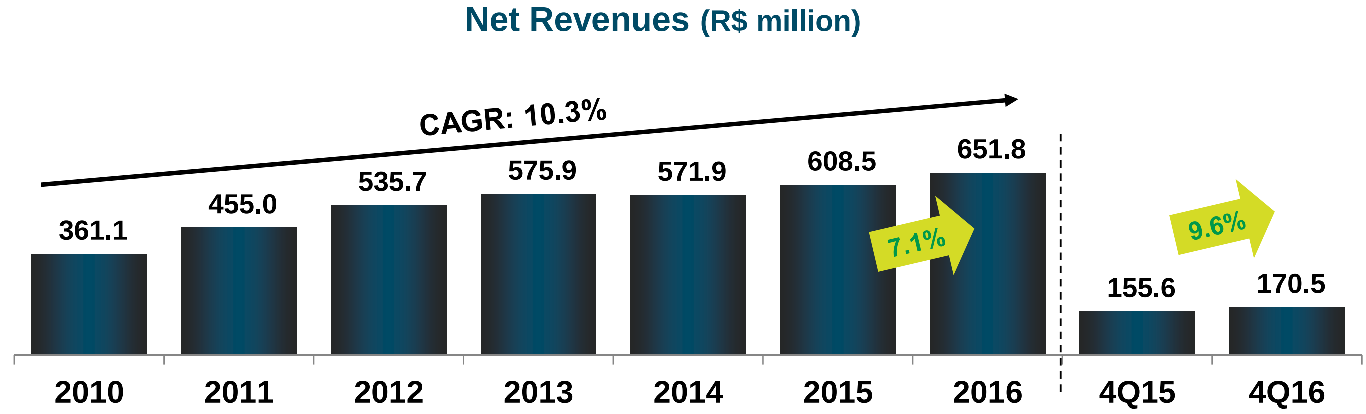
Number of car rental locations (Brazil and abroad)

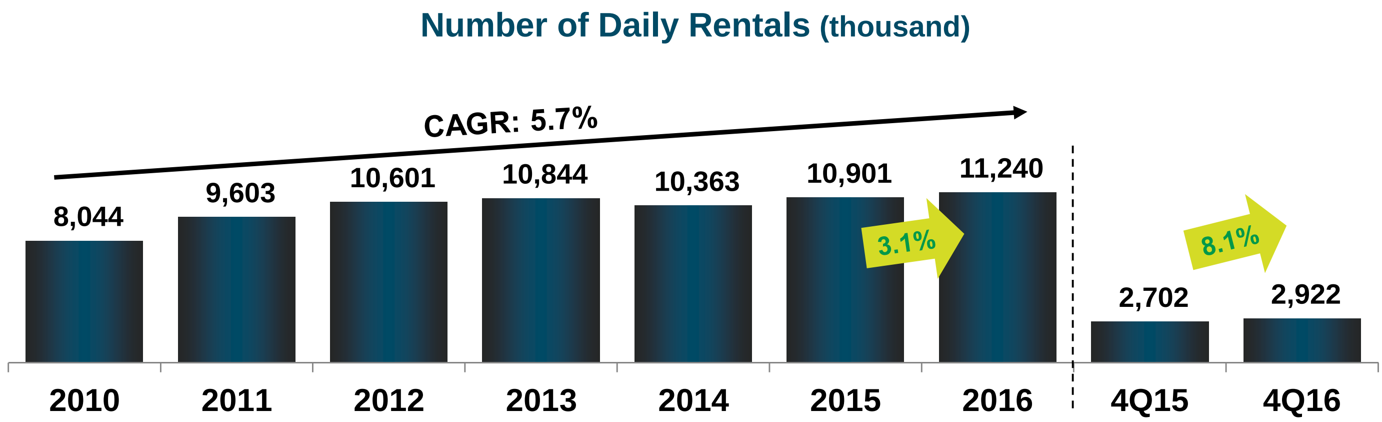


In 2016 the number of corporate branches was increased by 13 locations, from 320 in the end of 2015 to 333 in the end of 2016.

Therefore, as of December 31, 2016, Localiza's system totaled 561 locations in Brazil and in 6 other South American countries.

2 – Fleet Rental



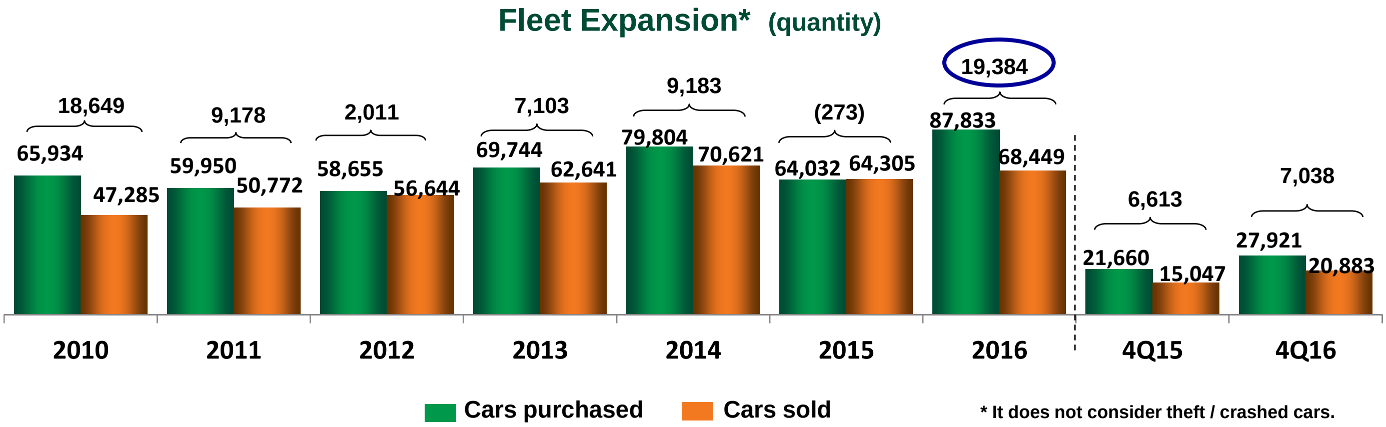


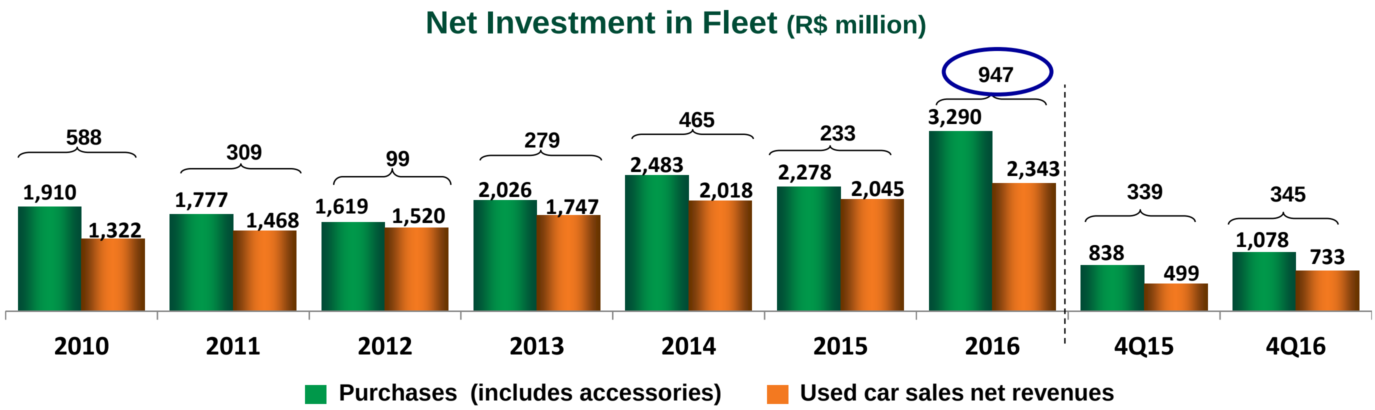
In 4Q16, **Fleet Rental Division's** net revenues presented a growth of 9.6% when compared with 4Q15, due to 8.1% growth in volume and 2.6% in the average daily rental rate.

In 2016, net revenues on this Division grew 7.1% due to a 3.1% growth in volume and a 3.8% increase in the average daily rental rate.

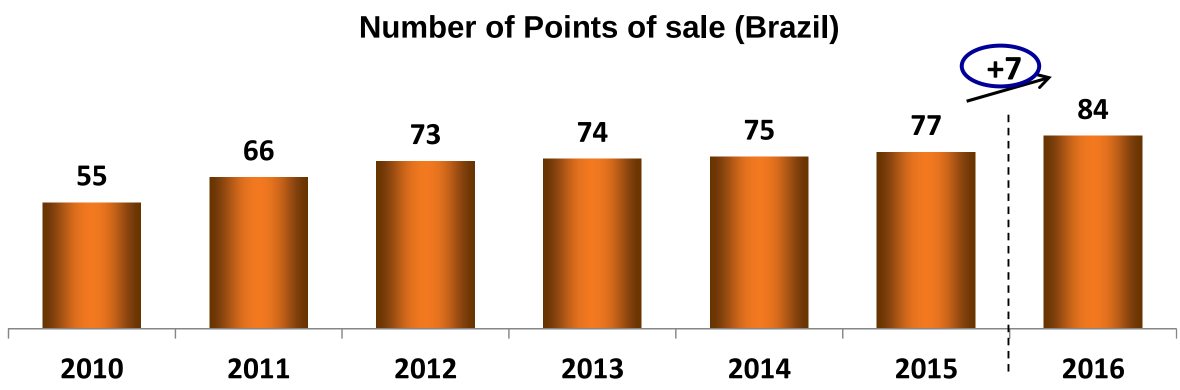
3 – Fleet

3.1 – Net investment in the fleet





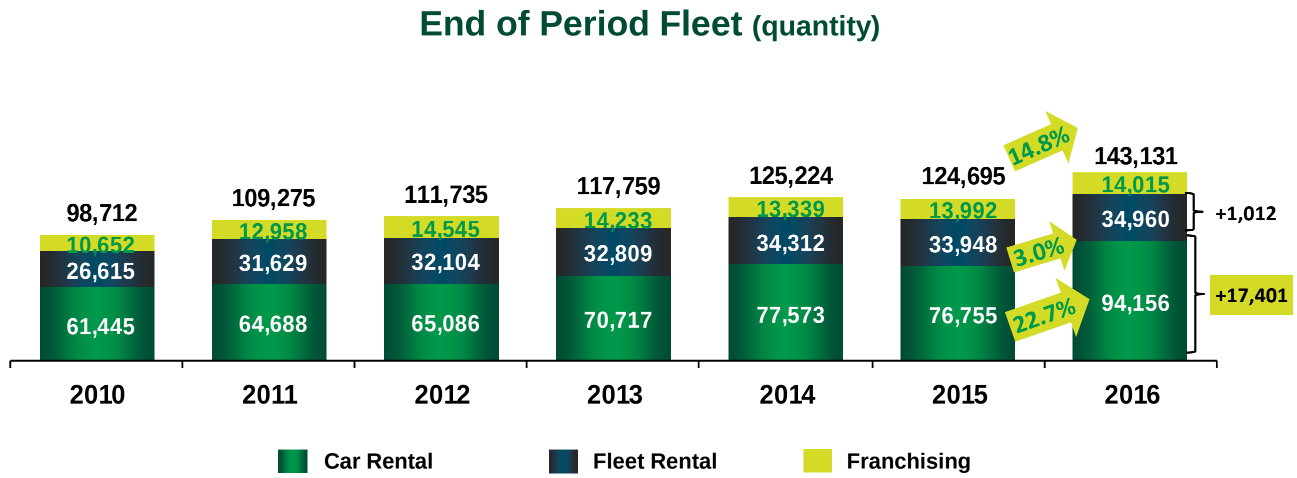
3.2 – Seminovos



As of 12/31/2016, **Seminovos** had 84 stores distributed across 53 Brazilian cities, an increase of 7 stores in relation to 2015. Most stores quickly reach the looked-for sales volume in 3 months, a smaller part takes up to 6 months to reach the expected volume.

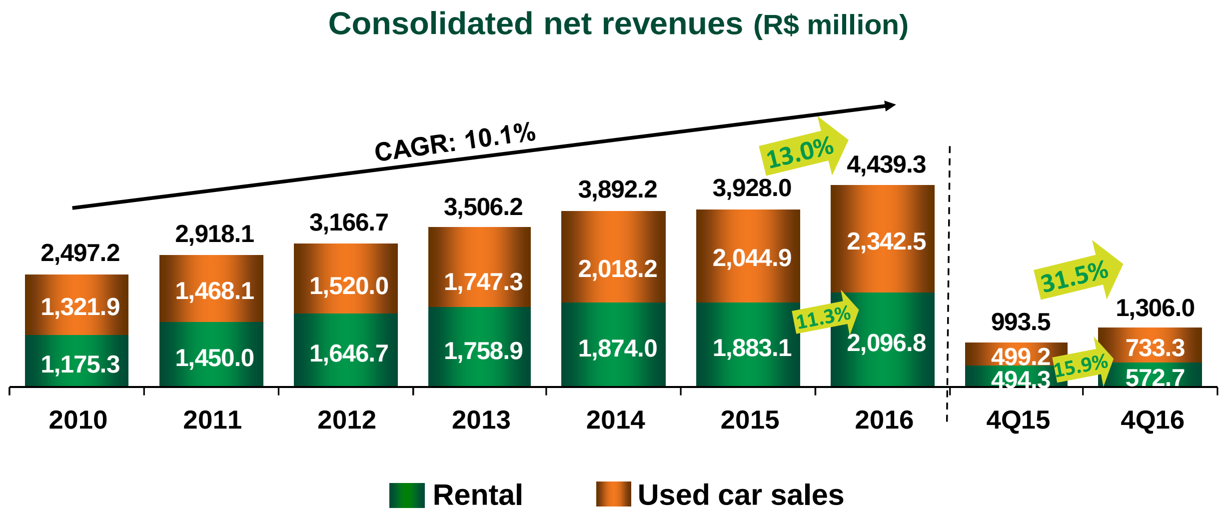
News stores shall be opened, to support the fleet renewal, due to the strong growth of the **Car Rental Division's.**

4 – End of period fleet



The fleet of the **Car Rental Division** grew 17,401 cars in 2016. The increase of the fleet in 22.7%, higher than the 19.9% increase in daily rentals volume, was to support the peak of demand in summer vacations.

5 – Net revenues - consolidated



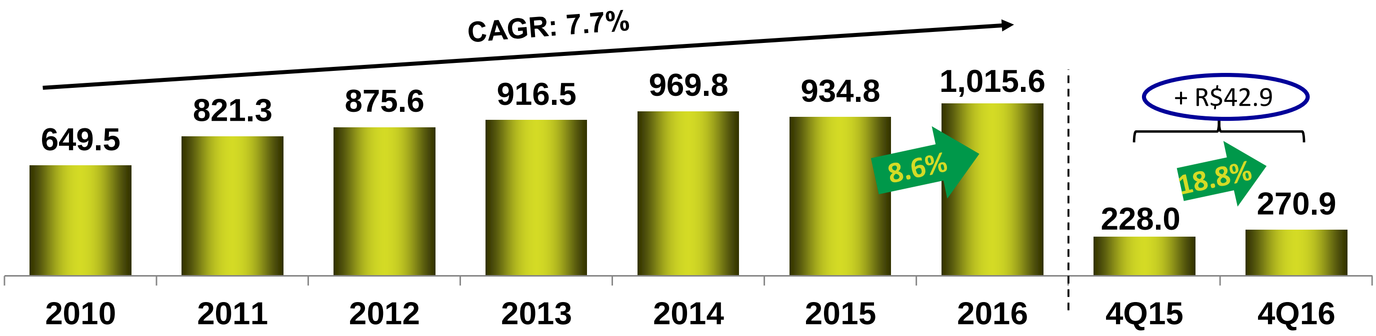
In 4Q16, consolidated net revenues grew 31.5% when compared with 4Q15.

Rental revenues grew 15.9%, being 19.0% growth in the **Car Rental Division's** revenue and 9.6% increase in the **Fleet Rental Division's** revenue.

Net revenue from **Seminovos** in 4Q16 increased 46.9% when compared with 4Q15, due to an increase of 38.8% in the volume of cars sold and 5.9% in the average car sales price.

6 – EBITDA

Consolidated EBITDA (R$ million)



Divisions	2010*	2011*	2012	2013	2014**	2015	2016	4Q15	4Q16
Car Rental	45.3%	46.9%	40.9%	36.8%	38.7%	31.8%	32.3%	30.2%	31.5%
Fleet Rental	68.0%	68.6%	66.4%	65.5%	60.0%	62.2%	64.5%	64.0%	63.8%
Rental Consolidated	52.3%	53.8%	49.3%	46.5%	45.3%	41.7%	42.3%	40.8%	40.8%
Used Car Sales	2.6%	2.8%	4.2%	5.7%	6.0%	7.3%	5.5%	5.2%	5.0%

(*) Up to 2011, accessories and freight of new cars were recorded as permanent assets and depreciated over the cars' useful life. From 2012 on, such values have been registered directly in the cost line, reducing EBITDA and depreciation costs.
(**) It considers the new appropriation criteria of the overhead, which is also appropriated to Seminovos.

In 4Q16, consolidated EBITDA totaled R$270.9 million, 18.8% higher than the same period last year.

In 2016, EBITDA grew 8.6% compared with 2015.

In the **Car Rental Division**, the EBITDA margin was 31.5% in 4Q16, an increase of 1.3 p.p in relation to the 4Q15. This increase is mainly due to the growth of daily rental volume and consequent gains of scale of operating expenses (SG&A).

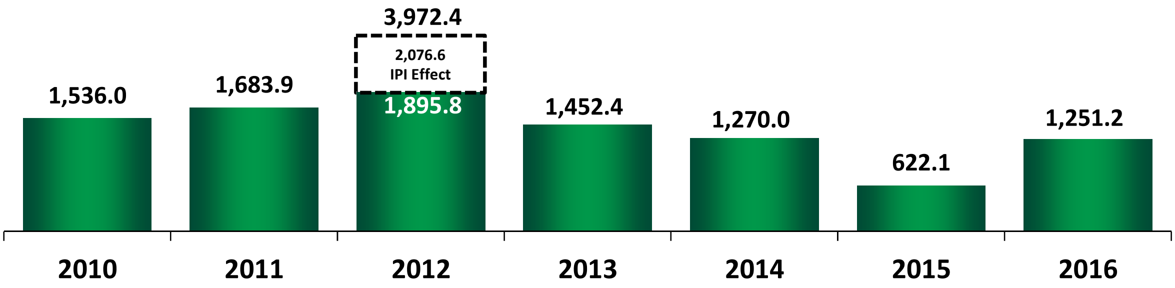
In the **Fleet Rental Division**, EBITDA margin was 63.8% in 4Q16, practically stable in relation to the 4Q15.

Seminovos EBITDA margin was 5.0% in 4Q16.

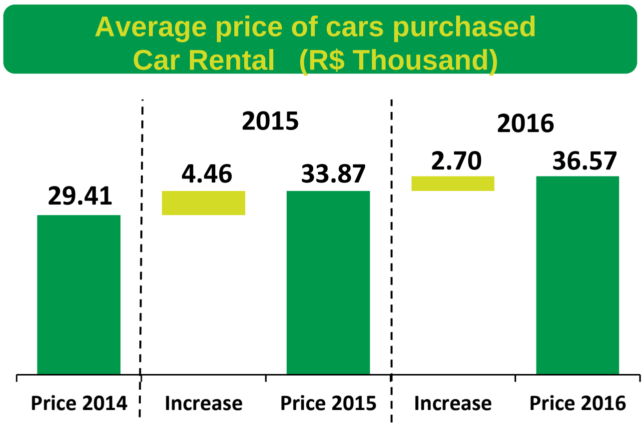
7 – Depreciation

7.1 – Car Rental

Average depreciation per car (R$) – Car Rental

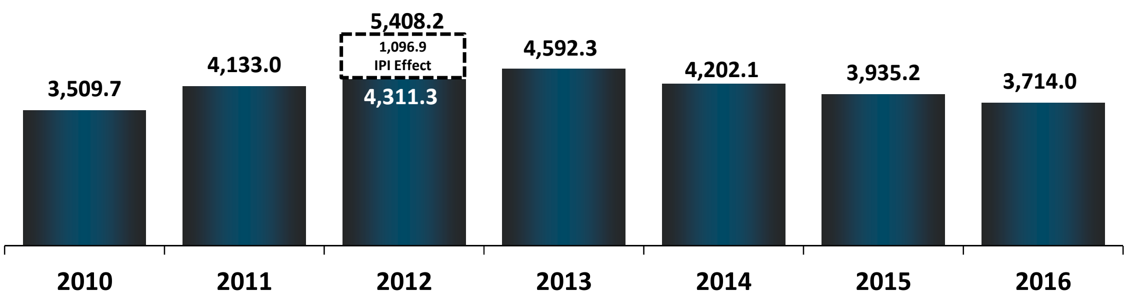


2016 average depreciation per car in the **Car Rental Division** was R$1,251.2, R$629.1 higher, mainly due to the lower increase in new car prices (shown in the graph bellow), which reflects in lower increase in Seminovos' car sale prices. In 4Q16, the deprecition was R$1,573.9 per car, returning to historical levels.



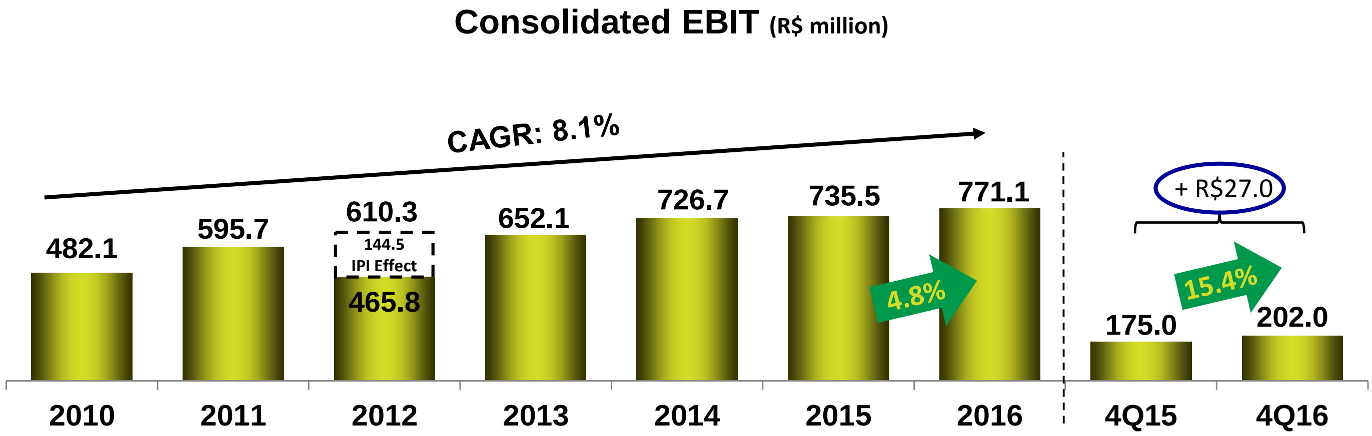
7.2 – Fleet Rental

Average depreciation per car (R$) – Fleet Rental



In the **Fleet Rental Division,** average depreciation per car in 2016 totaled R$3,714.0, a 5.6% decrease comparing with 2015's depreciation. Due to the longer cycle, the car depreciation of this division benefits from the increase in new cars price, which ocurrs during the car's useful life.

8 – EBIT



EBIT margin calculated on rental revenues:

Divisions	2010	2011	2012	2013	2014	2015	2016	4Q15	4Q16
Car Rental	38.5%	38.8%	23.7%	32.8%	36.2%	34.3%	30.2%	28.7%	28.4%
Fleet Rental	46.2%	45.6%	36.9%	45.1%	44.3%	48.9%	51.2%	49.9%	52.4%
Consolidated	41.0%	41.1%	28.3%	37.1%	38.8%	39.1%	36.8%	35.4%	35.3%

Consolidated EBIT increased 15.4% in the 4Q16 when compared with 4Q15.

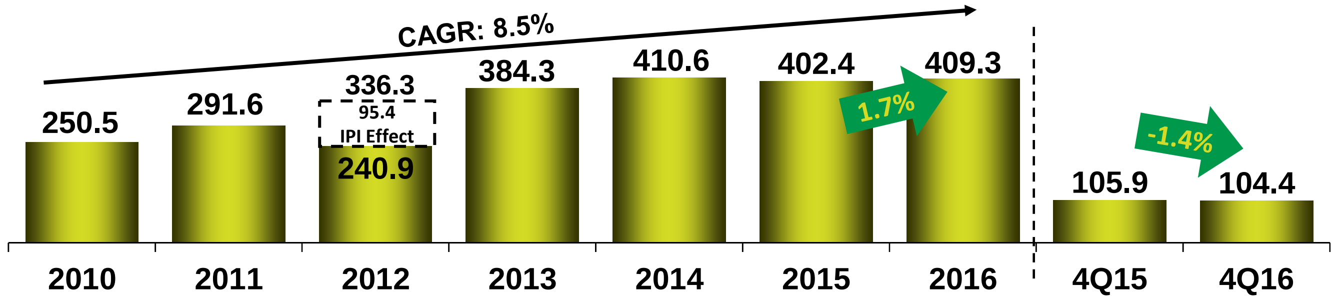
In the accumulated of 12 months, EBIT grew 4.8% compared with the previous year.

The EBIT margin of the **Car Rental Division** in 4Q16 was 28.4%, practically stable when compared with 4Q15, even with the increase of the depreciation per car in R$809.5 in the 4Q15 to R$1,573.9 in the 4Q16 as mentioned in the item 7.1.

The EBIT margin of the **Fleet Rental Division** in the 4Q16 was 52.4%, a 2.5 p.p increase when compared to the same period of the previous year, due to the decrease in the average depreciation that was R$3,979.2 in 4Q15 to R$3,364.2 in 4Q16.

9 – Consolidated net income

Consolidated net income (R$ million)



Reconciliation EBITDA x Net income	2010	2011	2012	2013	2014	2015	2016	Var. R$	Var. %	4Q15	4Q16	Var. R$	Var. %
Consolidated EBITDA	649.5	821.3	875.6	916.5	969.8	934.8	1,015.6	80.8	8.6%	228.0	270.9	42.9	18.8%
Cars depreciation	(146.3)	(201.5)	(232.4)	(229.0)	(207.4)	(163.6)	(206.3)	(42.7)	26.1%	(44.0)	(59.5)	(15.5)	35.2%
Cars additional depreciation – IPI effect	-	-	(144.5)	-	-	-	-	-	-	-	-	-	-
Other property depreciation and amortization	(21.1)	(24.1)	(32.9)	(35.4)	(35.7)	(35.7)	(38.2)	(2.5)	7.0%	(9.0)	(9.4)	(0.4)	4.4%
EBIT	482.1	595.7	465.8	652.1	726.7	735.5	771.1	35.6	4.8%	175.0	202.0	27.0	15.4%
Financial expenses, net	(130.1)	(179.0)	(138.7)	(110.6)	(151.1)	(202.7)	(243.5)	(40.8)	20.1%	(43.5)	(72.7)	(29.2)	67.1%
Income tax and social contribution	(101.5)	(125.1)	(135.3)	(157.2)	(165.0)	(130.4)	(118.3)	12.1	-9.3%	(25.6)	(24.9)	0.7	-2.7%
Income tax and social contribution – IPI effect	-	-	49.1	-	-	-	-	-	-	-	-	-	-
Net income of the period	250.5	291.6	240.9	384.3	410.6	402.4	409.3	6.9	1.7%	105.9	104.4	(1.5)	-1.4%

Net income reached R$104.4 million in 4Q16, a 1.4% decrease compared with 4Q15, mainly due to:

- R$42.9 million increase in EBITDA;

Offset by:

- R$15.9 million increase in depreciation; and
- R$29.2 million increase of net financial expenses, due to: (i) an increase in the average net debt due to the increase in the fleet; and (ii) a reversion of R$9.9 million of swap mark to market, which positively impacted the 4Q15.

In 2016, net income reached R$409.3 million, representing a 1.7% increase when compared with the previous year, due to:

- R$80.8 million increase in EBITDA;
- R$12.1 reduction of income tax and social contribution, due to the R$41.1 million increase in interest on capital approved in 2016.

Offset by:

- R$45.2 million increase in depreciation; and
- R$40.8 million increase of net financial expenses, mainly as a result of the increase in average net debt, due to the fleet increase.

10 – Free cash flow (FCF)

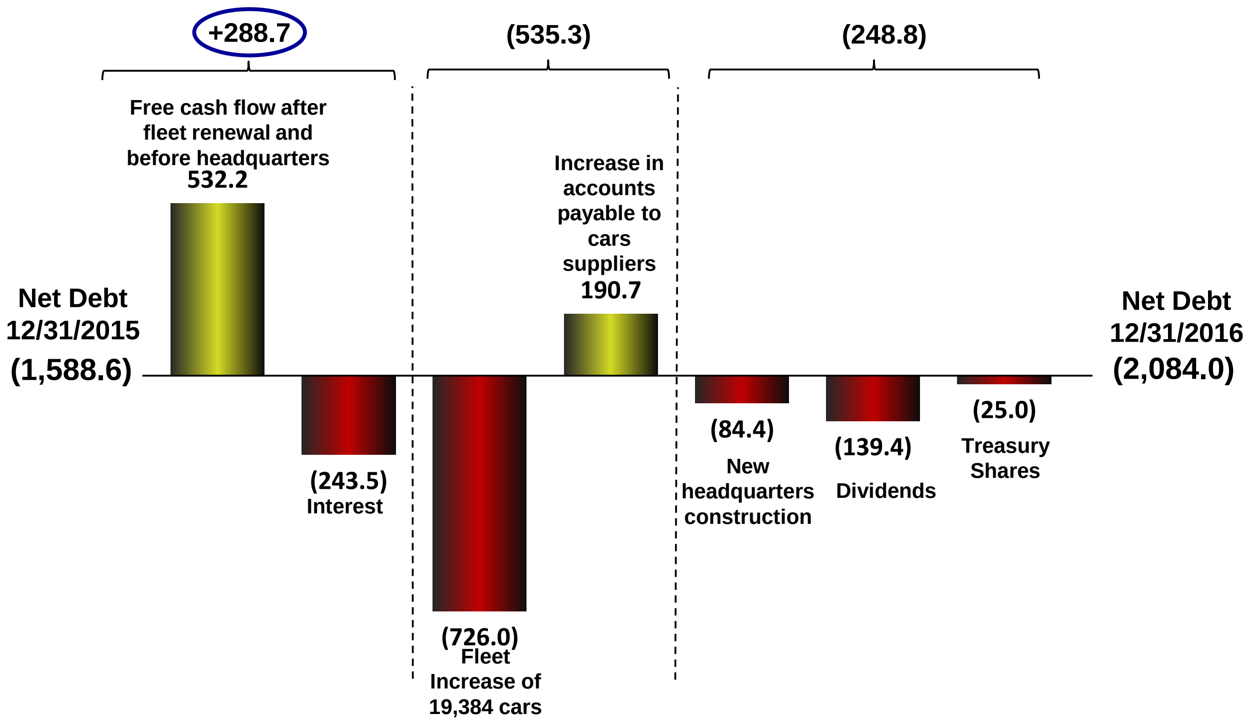
	Free cash flow - R$ million	2010	2011	2012	2013	2014	2015	2016
Operations	EBITDA	649.5	821.3	875.6	916.5	969.8	934.8	1,015.6
	Used car sale revenue, net from taxes	(1,321.9)	(1,468.1)	(1,520.0)	(1,747.3)	(2,018.2)	(2,044.9)	(2,342.5)
	Depreciated cost of cars sold (*)	1,203.2	1,328.6	1,360.2	1,543.8	1,777.0	1,769.1	2,102.5
	(-) Income tax and social contribution	(57.8)	(83.0)	(100.9)	(108.5)	(113.1)	(110.7)	(93.3)
	Change in working capital	54.5	(83.9)	37.1	2.9	(27.1)	(30.0)	113.2
	Cash generated by rental operations	527.5	514.9	652.0	607.4	588.4	518.3	795.5
Capex - Renewals	Used car sale revenue, net from taxes	1,321.9	1,468.1	1,520.0	1,747.3	2,018.2	2,036.3	2,342.5
	Fleet renewal investment	(1,370.1)	(1,504.5)	(1,563.3)	(1,819.7)	(2,197.7)	(2,278.4)	(2,563.6)
	Net investment for fleet renewal	(48.2)	(36.4)	(43.3)	(72.4)	(179.5)	(242.1)	(221.1)
	Fleet renewal – quantity	47,285	50,772	56,644	62,641	70,621	64,032	68,449
	Investment, other property and intangibles	(50.6)	(59.9)	(77.8)	(47.5)	(46.3)	(29.7)	(42.2)
	Free cash flow from operations, net of fleet renewal capex	428.7	418.6	530.9	487.5	362.6	246.5	532.2
Capex - Growth	Fleet growth (investment)	(540.3)	(272.0)	(55.5)	(209.4)	(286.8)	8.6	(726.0)
	Change in accounts payable to car suppliers	111.3	32.7	(116.9)	89.7	334.4	(121.2)	190.7
	Net investment for fleet growth	(429.0)	(239.3)	(172.4)	(119.7)	47.6	(112.6)	(535.3)
	Fleet increase / (reduction) – quantity	18,649	9,178	2,011	7,103	9,183	(273)	19,384
	Free cash flow after growth, and before interest and new HQ	(0.3)	179.3	358.5	367.8	410.2	133.9	(3.1)
	New headquarters construction	(0.5)	(3.1)	(2.4)	(6.5)	(148.3)	(30.7)	(84.4)
	Free cash flow before interest	(0.8)	176.2	356.1	361.3	261.9	103.2	(87.5)

(*) without the technical discounts reduction up to 2010 (see Glossary)

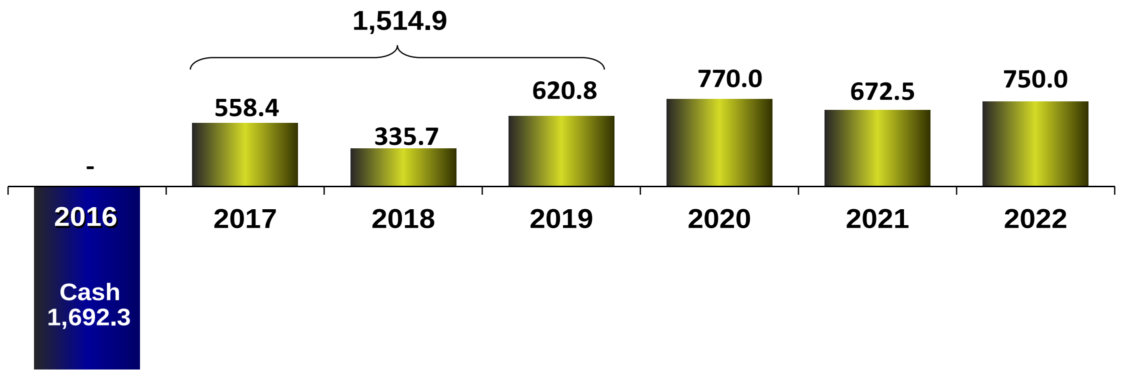
The R$532.2 million cash generated by the rental operations after the net capex to renew the fleet was used to increase the fleet in 19,384 cars having the amount of R$ 535.3 million being invested.

11 – Debt

11.1 – Change in debt – R$ million



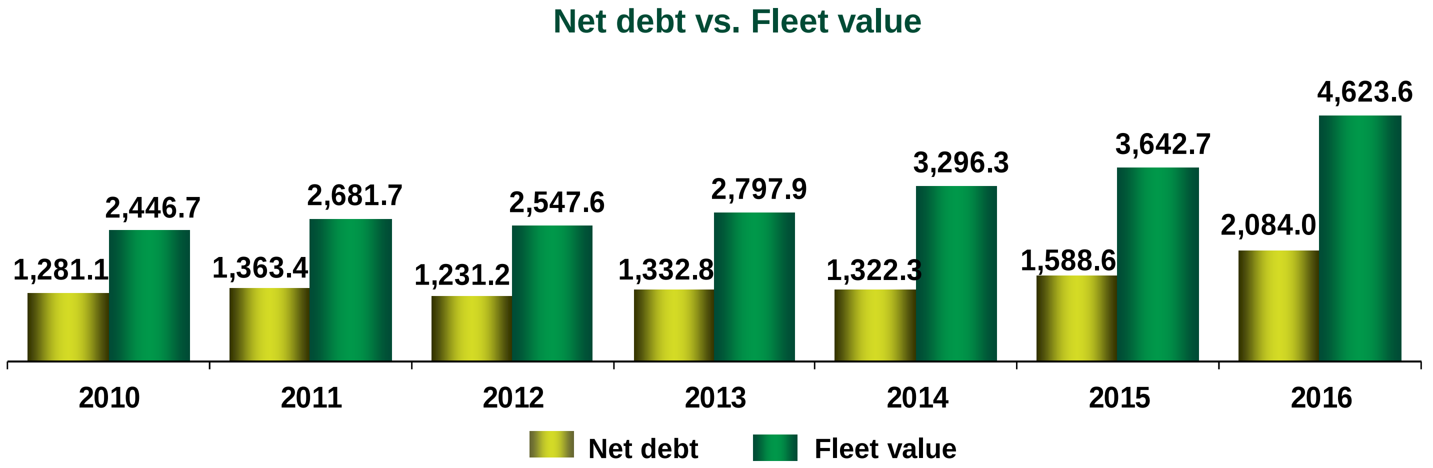
11.2 – Debt maturity profile at December 31, 2016 – Principal – R$ million



Debt	Contract rate	2017	2018	2019	2020	2021	2022	Total
Debentures 6th Issuance	CDI + 0.95% pa	30.0	120.0	120.0	-	-	-	270.0
Debentures 7th Issuance	110.95% CDI	75.0	75.0	75.0	100.0	100.0	-	425.0
Debentures 8th Issuance	109.5% CDI	-	-	250.0	250.0	-	-	500.0
Debentures 9th Issuance	113.2% CDI	-	-	50.0	150.0	300.0	-	500.0
Debentures 10th Issuance	113.9% CDI	-	-	-	100.0	100.0	-	200.0
Debentures 11th Issuance	111.5% CDI	-	-	-	-	-	500.0	500.0
Debentures 2nd Issuance	106.8% CDI	-	-	-	-	-	250.0	250.0
CCBI – New headquarters	98.8% CDI	-	-	47.5	95.0	47.5	-	190.0
Foreign currency loan with *SWAP*	105.5% CDI	225.0	-	-	-	-	-	225.0
Working Capital / Others	Several	228.4	140.7	78.3	75.0	125.0	-	647.4
Interest accrued and paid	-	68.9	-	-	-	-	-	68.9
Cash and cash equivalents on 12/31/2016	-	(1,692.3)	-	-	-	-	-	(1,692.3)
Net debt	-	(1,065.0)	335.7	620.8	770.0	672.5	750.0	2,084.0

Confortable debt profile and cash position to support the growth

11.3 – Debt ratios

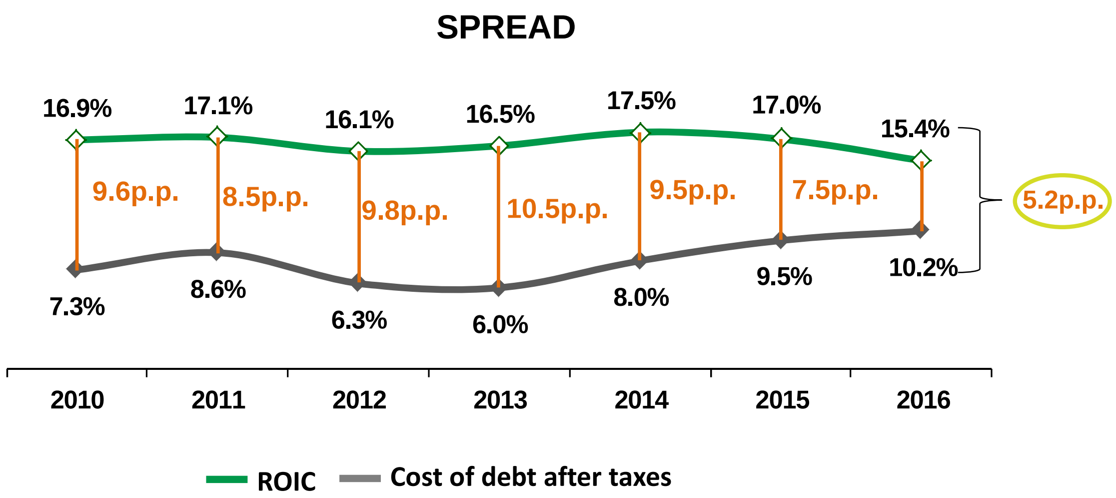


BALANCE AT THE END OF PERIOD	2010(*)	2011	2012	2013	2014	2015	2016
Net debt / Fleet value	52%	51%	48%	48%	40%	44%	45%
Net debt / EBITDA	2.0x	1.7x	1.4x	1.5x	1.4x	1.7x	2.1x
Net debt / Equity	1.4x	1.2x	0.9x	1.0x	0.8x	0.8x	0.9x
EBITDA / Net financial expenses	5.0x	4.6x	6.3x	8.3x	6.4x	4.6x	4.2x

(*) 2010 ratios based on USGAAP financial statements

The Company continue to present comfortable levels of leverage.

12 – Spread (ROIC minus cost of debt after taxes)



2010 to 2014 ROIC considered income tax rate of 30% and 24.5% from 2015 on

2012 ROIC was calculated excluding additional fleet depreciation that was treated as an equity loss since it relates to extraordinary non-recurring event caused by external factors (IPI tax reduction for new cars), following the concepts recommended by Stern Value Management.

5.2 p.p spread in line with the short term Company's strategy and the downtrend in interest rates

13 – Dividends and interest on capital (IOC)

2015 dividends and interest on capital were approved as follow:

Nature	Reference period	Approval date	Shareholding position date	Payment date	Gross amount (R$ million)	Gross amount per share (R$)
IOC	2015	03/19/2015	03/31/2015	05/14/2015	22.3	0.107094
IOC	2015	06/25/2015	06/30/2015	08/20/2015	25.8	0.123396
IOC	2015	09/30/2015	09/30/2015	11/19/2015	29,5	0.141816
IOC	2015	12/10/2015	12/30/2015	01/28/2016	33.2	0.159480
Dividends	2014	04/28/2015	04/30/2015	05/21/2015	44.7	0.214031
				Total	**155.5**	

2016 dividends and interest on capital were approved as follow:

Nature	Reference period	Approval date	Shareholding position date	Payment date	Gross amount (R$ million)	Gross amount per share (R$)
IOC	2016	03/17/2016	03/31/2016	05/12/2016	35.4	0.170149
IOC	2016	06/23/2016	06/30/2016	08/17/2016	36.8	0.176597
IOC	2016	09/29/2016	09/30/2016	11/23/2016	33.0	0.158655
Dividends	2015	04/29/2016	04/29/2016	05/20/2016	1.0	0.005004
IOC	2016	12/15/2016	12/22/2016	02/08/2017	46.7	0.224468
				Total	**152.9**	

The interest on capital deliberated for 2016, net of withholding income tax, represented a distribution of 33.5% of net income after the legal reserve being retained.

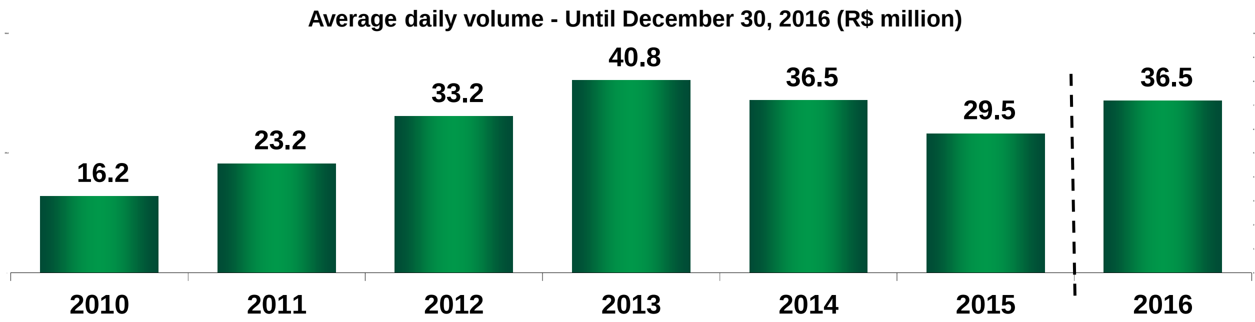
14 – RENT3

On 12/31/2016, the Company had 211,793,400 issued shares, being 3,692,636 held in treasury.

There were 6,868,001 level 1 ADRs issued as of December 31, 2016, compared with 7,096,361 on December 31, 2015.

In 2016, ADTV of RENT3 was R$36.5 million.

In the end of 2016, RENT3 was included in index IBrX 50.



15 – Subsequent Events – Hertz Brazil Acquisition

Localiza and its controlled company Localiza Fleet S.A. **("Localiza Fleet")** entered, on December 5, 2016, into a Purchase and Sale Agreement with The Hertz Corporation **("Hertz Corp")** and some of its subsidiaries, in which Localiza Fleet will assume the Brazilian operations of Hertz Corp through the purchase of 99.99% of the quotas of Car Rental Systems do Brasil Locação de Veículos Ltda. **("Hertz Brazil").**

The Hertz Brazil acquisition is estimated at R$337 million, which corresponds to the sum of the company's equity and debt, which will be settled after the transaction's closing. The final price will be defined based on Hertz Brazil's balance sheet on the closing of the transaction.

By virtue of this acquisition, Localiza Fleet will assume a fleet of approximately 9,200 cars from Hertz Brazil, which includes about 3,700 cars in the fleet rental division and about 5,500 cars in the car rental division – and a network of 42 locations, of which 16 located at airports and 26 located outside airports. Such distribution network does not include franchised locations.

As part of the strategic alliance between the two companies, Localiza and Hertz Corp will establish a global and long-term agreement through:

• a Brand Cooperation Agreement which includes, among other, the use of the combined brand "Localiza Hertz" in Brazil and the use by Hertz of "Localiza" brand in the main airports in USA and Europe that have a significant flow of Brazilian clients; and
• a Referral Agreement that establishes the rules for the exchange of inbound and outbound reservations between Localiza and Hertz Corp.

The Brand Cooperation Agreement and the Referral Agreement will have a term of 20 years and may be renewed for additional 20 years at the discretion of the parties.

Through the Referral Agreement, Localiza clients will be served globally (except for South America) through the Hertz network and the customers from Hertz clients will be served in Brazil through the Localiza network.

The transaction does not include the acquisition of any stake in Hertz Corp by Localiza or in Localiza by Hertz Corp. Localiza will continue to operate its businesses in a totally independent and autonomous way.

The alliance will also include the exchange of new technologies, know-how and executives between the two companies.

The conclusion of the transaction is subject to the approval of Brazilian Administrative Council for Economic Defense (CADE). During the transaction analysis, the companies will continue to operate independently.

About Localiza's financial information:

The financial information is audited and presented in million of Brazilian Reais, unless where otherwise stated, and from 2011 on, is based on financial information prepared in accordance with International Financial Reporting Standards (IFRS), with reconciliation to the financial information in USGAAP. The financial information from 2010 is presented in accordance with USGAAP and, for the purpose of comparison with IFRS figures, net revenues are presented net of taxes on revenue.

16 – Results per division

16.1 –Table 1 – Car Rental – R$ million

CAR RENTAL RESULTS	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Car rental gross revenues (*)	838.0	1,019.4	1,132.3	1,208.4	1,352.1	1,316.9	1,486.9	12.9%	349.9	413.8	18.3%
Taxes on revenues	(35.8)	(38.7)	(38.6)	(44.9)	(67.7)	(58.9)	(58.9)	0.0%	(15.4)	(15.8)	2.6%
Car rental net revenues (**)	**802.2**	**980.7**	**1,093.7**	**1,163.5**	**1,284.4**	**1,258.0**	**1,428.0**	**13.5%**	**334.5**	**398.0**	**19.0%**
Car rental costs	(317.8)	(382.7)	(476.6)	(536.9)	(577.3)	(618.1)	(707.4)	14.4%	(163.4)	(199.1)	21.8%
Gross profit	**484.4**	**598.0**	**617.1**	**626.6**	**707.1**	**639.9**	**720.6**	**12.6%**	**171.1**	**198.9**	**16.2%**
Operating expenses (SG&A)	(121.1)	(137.7)	(170.2)	(197.9)	(209.7)	(239.9)	(258.8)	7.9%	(70.2)	(73.4)	4.6%
Other assets depreciation and amortization	(15.2)	(17.0)	(19.9)	(22.2)	(22.2)	(22.3)	(23.9)	7.2%	(5.6)	(5.9)	5.4%
Operating profit before financial results and taxes (EBIT)	**348.1**	**443.3**	**427.0**	**406.5**	**475.2**	**377.7**	**437.9**	**15.9%**	**95.3**	**119.6**	**25.5%**
Financial expenses, net	(1.0)	(1.9)	(2.7)	(1.3)	(1.5)	(2.0)	(1.4)	-30.0%	(0.6)	(0.4)	-33.3%
Income tax and social contribution	(101.0)	(135.4)	(123.8)	(119.5)	(136.2)	(89.9)	(95.9)	6.7%	(18.2)	(22.2)	22.0%
Net income for the period	**246.1**	**306.0**	**300.5**	**285.7**	**337.5**	**285.8**	**340.6**	**19.2%**	**76.5**	**97.0**	**26.8%**
Net Margin	**30.7%**	**31.2%**	**27.5%**	**24.6%**	**26.3%**	**22.7%**	**23.9%**	**1.2p.p.**	**22.9%**	**24.4%**	**1.5p.p.**
EBITDA	**363.3**	**460.3**	**446.9**	**428.7**	**497.4**	**400.0**	**461.8**	**15.5%**	**100.9**	**125.5**	**24.4%**
EBITDA Margin	**45.3%**	**46.9%**	**40.9%**	**36.8%**	**38.7%**	**31.8%**	**32.3%**	**0.5p.p.**	**30.2%**	**31.5%**	**1.3p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Gross revenues (*)	1,104.7	1,244.7	1,253.6	1,486.1	1,671.4	1,679.2	1,997.8	19.0%	397.2	650.3	63.7%
Taxes on revenues	(3.6)	(3.6)	(3.3)	(3.1)	(3.5)	(2.5)	(2.7)	8.0%	(0.6)	(1.1)	83.3%
Net revenues (**)	**1,101.1**	**1,241.1**	**1,250.3**	**1,483.0**	**1,667.9**	**1,676.7**	**1,995.1**	**19.0%**	**396.6**	**649.2**	**63.7%**
Book value of cars sold	(980.0)	(1,092.0)	(1,068.5)	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	23.7%	(334.2)	(570.1)	70.6%
Gross profit	**121.1**	**149.1**	**181.8**	**211.1**	**239.5**	**280.4**	**267.6**	**-4.6%**	**62.4**	**79.1**	**26.8%**
Operating expenses (SG&A)	(89.0)	(119.1)	(125.6)	(138.7)	(160.7)	(178.8)	(176.8)	-1.1%	(46.7)	(51.5)	10.3%
Cars depreciation	(65.9)	(86.4)	(212.7)	(85.8)	(78.1)	(38.9)	(87.8)	125.7%	(12.9)	(31.8)	146.5%
Other assets depreciation and amortization	(5.1)	(6.1)	(11.5)	(11.7)	(11.3)	(8.8)	(9.1)	3.4%	(2.1)	(2.3)	9.5%
Operating profit (loss) before financial results and taxes (EBIT)	**(38.9)**	**(62.5)**	**(168.0)**	**(25.1)**	**(10.6)**	**53.9**	**(6.1)**	**-111.3%**	**0.7**	**(6.5)**	**-1028.6%**
Financial expenses, net	(86.1)	(121.9)	(92.6)	(76.6)	(106.3)	(138.4)	(174.4)	26.0%	(30.0)	(53.3)	77.7%
Income tax and social contribution	28.1	58.0	83.1	30.3	33.2	17.6	37.2	111.4%	6.6	11.1	68.2%
Net loss for the period	**(96.9)**	**(126.4)**	**(177.5)**	**(71.4)**	**(83.7)**	**(66.9)**	**(143.3)**	**114.2%**	**(22.7)**	**(48.7)**	**114.5%**
Net Margin	**-8.8%**	**-10.2%**	**-14.2%**	**-4.8%**	**-5.0%**	**-4.0%**	**-7.2%**	**-3.2p.p.**	**-5.7%**	**-7.5%**	**-1.8p.p.**
EBITDA	**32.1**	**30.0**	**56.2**	**72.4**	**78.8**	**101.6**	**90.8**	**-10.6%**	**15.7**	**27.6**	**75.8%**
EBITDA Margin	**2.9%**	**2.4%**	**4.5%**	**4.9%**	**4.7%**	**6.1%**	**4.6%**	**-1.5p.p.**	**4.0%**	**4.3%**	**0.3p.p.**

CAR RENTAL TOTAL FIGURES	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Car rental gross revenues (*)	838.0	1,019.4	1,132.3	1,208.4	1,352.1	1,316.9	1,486.9	12.9%	349.9	413.8	18.3%
Car sales for fleet renewal - gross revenues (*)	1,104.7	1,244.7	1,253.6	1,486.1	1,671.4	1,679.2	1,997.8	19.0%	397.2	650.3	63.7%
Total gross revenues (*)	1,942.7	2,264.1	2,385.9	2,694.5	3,023.5	2,996.1	3,484.7	16.3%	747.1	1,064.1	42.4%
Taxes on revenues											
Car rental	(35.8)	(38.7)	(38.6)	(44.9)	(67.7)	(58.9)	(58.9)	0.0%	(15.4)	(15.8)	2.6%
Car sales for fleet renewal	(3.6)	(3.6)	(3.3)	(3.1)	(3.5)	(2.5)	(2.7)	8.0%	(0.6)	(1.1)	83.3%
Car rental revenues - net revenues (**)	802.2	980.7	1,093.7	1,163.5	1,284.4	1,258.0	1,428.0	13.5%	334.5	398.0	19.0%
Car sales for fleet renewal - net revenues (**)	1,101.1	1,241.1	1,250.3	1,483.0	1,667.9	1,676.7	1,995.1	19.0%	396.6	649.2	63.7%
Total net revenues (**)	**1,903.3**	**2,221.8**	**2,344.0**	**2,646.5**	**2,952.3**	**2,934.7**	**3,423.1**	**16.6%**	**731.1**	**1,047.2**	**43.2%**
Direct costs											
Car rental	(317.8)	(382.7)	(476.6)	(536.9)	(577.3)	(618.1)	(707.4)	14.4%	(163.4)	(199.1)	21.8%
Car sales for fleet renewal	(980.0)	(1,092.0)	(1,068.5)	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	23.7%	(334.2)	(570.1)	70.6%
Gross profit	**605.5**	**747.1**	**798.9**	**837.7**	**946.6**	**920.3**	**988.2**	**7.4%**	**233.5**	**278.0**	**19.1%**
Operating expenses (SG&A)											
Car rental	(121.1)	(137.7)	(170.2)	(197.9)	(209.7)	(239.9)	(258.8)	7.9%	(70.2)	(73.4)	4.6%
Car sales for fleet renewal	(89.0)	(119.1)	(125.6)	(138.7)	(160.7)	(178.8)	(176.8)	-1.1%	(46.7)	(51.5)	10.3%
Cars depreciation	(65.9)	(86.4)	(212.7)	(85.8)	(78.1)	(38.9)	(87.8)	125.7%	(12.9)	(31.8)	146.5%
Other assets depreciation and amortization											
Car rental	(15.2)	(17.0)	(19.9)	(22.2)	(22.2)	(22.3)	(23.9)	7.2%	(5.6)	(5.9)	5.4%
Car sales for fleet renewal	(5.1)	(6.1)	(11.5)	(11.7)	(11.3)	(8.8)	(9.1)	3.4%	(2.1)	(2.3)	9.5%
Operating profit before financial results and taxes (EBIT)	**309.2**	**380.8**	**259.0**	**381.4**	**464.6**	**431.6**	**431.8**	**0.0%**	**96.0**	**113.1**	**17.8%**
Financial expenses, net	(87.1)	(123.8)	(95.3)	(77.9)	(107.8)	(140.4)	(175.8)	25.2%	(30.6)	(53.7)	75.5%
Income tax and social contribution	(72.9)	(77.4)	(40.7)	(89.2)	(103.0)	(72.3)	(58.7)	-18.8%	(11.6)	(11.1)	-4.3%
Net income for the period	**149.2**	**179.6**	**123.0**	**214.3**	**253.8**	**218.9**	**197.3**	**-9.9%**	**53.8**	**48.3**	**-10.2%**
Net margin	**7.8%**	**8.1%**	**5.2%**	**8.1%**	**8.6%**	**7.5%**	**5.8%**	**-1.7p.p.**	**7.4%**	**4.6%**	**-2.8p.p.**
EBITDA	**395.4**	**490.3**	**503.1**	**501.1**	**576.2**	**501.6**	**552.6**	**10.2%**	**116.6**	**153.1**	**31.3%**
EBITDA margin	**20.8%**	**22.1%**	**21.5%**	**18.9%**	**19.5%**	**17.1%**	**16.1%**	**-1.0p.p.**	**15.9%**	**14.6%**	**-1.3p.p.**

OPERATING DATA	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Average operating fleet	42,903	51,285	53,548	59,094	61,525	62,513	70,185	12.3%	63,775	80,814	26.7%
Average rented fleet	29,646	35,348	37,932	39,475	42,999	43,315	51,515	18.9%	45,277	57,747	27.5%
Average operating fleet age (in months)	6.3	6.8	7.8	7.2	7.2	7.4	7.9	6.8%	7.7	6.5	-15.6%
End of period fleet	61,445	64,688	65,086	70,717	77,573	76,755	94,156	22.7%	76,755	94,156	22.7%
Number of rental days - in thousands	10,734.3	12,794.3	13,748.8	14,241.7	15,416.0	15,566.1	18,662.4	19.9%	4,110.8	5,265.8	28.1%
Average daily rental revenues per car (R$)	78.07	79.68	82.36	84.85	87.71	84.56	79.67	-5.8%	85.11	78.58	-7.7%
Annualized average depreciation per car (R$)	1,536.0	1,683.9	3,972.4	1,452.4	1,270.0	622.1	1,251.2	101.1%	809.5	1,573.9	94.4%
Utilization rate	69.1%	68.9%	70.8%	66.8%	69.9%	69.3%	73.4%	4.1p.p.	71.1%	71.5%	0.4p.p.
Number of cars purchased	54,320	46,746	47,623	58,826	64,908	52,343	76,071	45.3%	17,635	25,139	42.6%
Number of cars sold	39,658	42,843	46,115	52,759	57,578	52,508	57,596	9.7%	11,844	18,337	54.8%
Average sold fleet age (in months)	15.0	13.7	15.7	15.3	14.4	14.9	16.8	12.8%	16.1	17.0	5.6%
Average total fleet	49,950	59,678	60,773	68,251	70,982	72,169	80,765	11.9%	75,857	94,172	24.1%
Average value of total fleet - R$ million	1,344.2	1,620.9	1,595.9	1,776.8	1,963.8	2,205.9	2,790.2	26.5%	2,463.7	3,374.2	37.0%
Average value per car in the period - R$ thsd	26.9	27.2	26.3	26.0	27.7	30.6	34.5	12.7%	32.5	35.8	10.2%

(*) Gross revenues from car rental and car sales for fleet renewal are net of discounts and cancellations.
(**) For comparability with the financial information presented in accordance with IFRS from 2011 on, net revenues from car rental and car sales for fleet renewal of 2010, which are presented in USGAAP, are net of taxes on revenues.

16.2 – Table 2 – Fleet Rental – R$ million

FLEET RENTAL RESULTS	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Fleet rental gross revenues (*)	374.5	472.9	552.4	592.8	589.5	619.6	664.1	7.2%	157.9	174.3	10.4%
Taxes on revenues	(13.4)	(17.9)	(16.7)	(16.9)	(17.6)	(11.1)	(12.3)	10.8%	(2.3)	(3.8)	65.2%
Fleet rental net revenues (**)	**361.1**	**455.0**	**535.7**	**575.9**	**571.9**	**608.5**	**651.8**	**7.1%**	**155.6**	**170.5**	**9.6%**
Fleet rental costs	(94.7)	(117.8)	(146.3)	(161.1)	(190.8)	(189.3)	(193.7)	2.3%	(45.3)	(51.4)	13.5%
Gross profit	**266.4**	**337.2**	**389.4**	**414.8**	**381.1**	**419.2**	**458.1**	**9.3%**	**110.3**	**119.1**	**8.0%**
Operating expenses (SG&A)	(20.8)	(25.1)	(33.5)	(37.5)	(38.1)	(40.7)	(37.9)	-6.9%	(10.7)	(10.4)	-2.8%
Other assets depreciation and amortization	(0.7)	(0.7)	(1.1)	(1.1)	(1.1)	(2.2)	(2.9)	31.8%	(0.6)	(0.8)	33.3%
Operating profit before financial results and taxes (EBIT)	**244.9**	**311.4**	**354.8**	**376.2**	**341.9**	**376.3**	**417.3**	**10.9%**	**99.0**	**107.9**	**9.0%**
Financial expenses, net	(0.4)	(0.7)	(0.5)	(0.1)	(0.2)	(0.1)	(1.1)	1000.0%	-	-	1.00
Income tax and social contribution	(71.3)	(95.8)	(104.3)	(111.4)	(99.2)	(90.5)	(90.4)	-0.1%	(21.3)	(20.6)	-3.3%
Net income for the period	**173.2**	**214.9**	**250.0**	**264.7**	**242.5**	**285.7**	**325.8**	**14.0%**	**77.7**	**87.3**	**12.4%**
Net Margin	**48.0%**	**47.2%**	**46.7%**	**46.0%**	**42.4%**	**47.0%**	**50.0%**	**3.0p.p.**	**49.9%**	**51.2%**	**1.3p.p.**
EBITDA	**245.6**	**312.1**	**355.9**	**377.3**	**343.0**	**378.5**	**420.2**	**11.0%**	**99.6**	**108.7**	**9.1%**
EBITDA Margin	**68.0%**	**68.6%**	**66.4%**	**65.5%**	**60.0%**	**62.2%**	**64.5%**	**2.3p.p.**	**64.0%**	**63.8%**	**-0.2p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Gross revenues (*)	221.3	227.7	270.2	264.6	350.8	368.6	347.8	-5.6%	102.7	84.2	-18.0%
Taxes on revenues	(0.5)	(0.7)	(0.5)	(0.3)	(0.5)	(0.4)	(0.4)	0.0%	(0.1)	(0.1)	0.0%
Net revenues (**)	**220.8**	**227.0**	**269.7**	**264.3**	**350.3**	**368.2**	**347.4**	**-5.6%**	**102.6**	**84.1**	**-18.0%**
Book value of cars sold	(201.4)	(197.5)	(237.3)	(214.1)	(276.3)	(286.7)	(279.4)	-2.5%	(81.1)	(68.3)	-15.8%
Gross profit	**19.4**	**29.5**	**32.4**	**50.2**	**74.0**	**81.5**	**68.0**	**-16.6%**	**21.5**	**15.8**	**-26.5%**
Operating expenses (SG&A)	(17.1)	(18.1)	(25.1)	(23.4)	(32.6)	(33.6)	(31.0)	-7.7%	(11.1)	(6.4)	-42.3%
Cars depreciation	(80.4)	(115.1)	(164.2)	(143.2)	(129.3)	(124.7)	(118.5)	-5.0%	(31.1)	(27.7)	-10.9%
Other assets depreciation and amortization	(0.1)	-	-	-	(0.6)	(2.0)	(1.8)	-10.0%	(0.6)	(0.3)	-50.0%
Operating profit (loss) before financial results and taxes (EBIT)	**(78.2)**	**(103.7)**	**(156.9)**	**(116.4)**	**(88.5)**	**(78.8)**	**(83.3)**	**5.7%**	**(21.3)**	**(18.6)**	**-12.7%**
Financial expenses, net	(43.0)	(56.3)	(43.8)	(34.0)	(44.9)	(63.8)	(68.7)	7.7%	(13.4)	(19.4)	44.8%
Income tax and social contribution	43.6	49.0	59.9	44.7	38.4	33.7	32.3	-4.2%	7.7	7.1	-7.8%
Net loss for the period	**(77.6)**	**(111.0)**	**(140.8)**	**(105.7)**	**(95.0)**	**(108.9)**	**(119.7)**	**9.9%**	**(27.0)**	**(30.9)**	**14.4%**
Net Margin	**-35.1%**	**-48.9%**	**-52.2%**	**-40.0%**	**-27.1%**	**-29.6%**	**-34.5%**	**-4.9p.p.**	**-26.3%**	**-36.7%**	**-10.5p.p.**
EBITDA	**2.3**	**11.4**	**7.3**	**26.8**	**41.4**	**47.9**	**37.0**	**-22.8%**	**10.4**	**9.4**	**-9.6%**
EBITDA Margin	**1.0%**	**5.0%**	**2.7%**	**10.1%**	**11.8%**	**13.0%**	**10.7%**	**-2.3p.p.**	**10.1%**	**11.2%**	**1.1p.p.**

FLEET RENTAL TOTAL FIGURES	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Fleet rental gross revenues (*)	374.5	472.9	552.4	592.8	589.5	619.6	664.1	7.2%	157.9	174.3	10.4%
Car sales for fleet renewal - gross revenues (*)	221.3	227.7	270.2	264.6	350.8	368.6	347.8	-5.6%	102.7	84.2	-18.0%
Total gross revenues (*)	595.8	700.6	822.6	857.4	940.3	988.2	1,011.9	2.4%	260.6	258.5	-0.8%
Taxes on revenues											
Fleet rental	(13.4)	(17.9)	(16.7)	(16.9)	(17.6)	(11.1)	(12.3)	10.8%	(2.3)	(3.8)	65.2%
Car sales for fleet renewal	(0.5)	(0.7)	(0.5)	(0.3)	(0.5)	(0.4)	(0.4)	0.0%	(0.1)	(0.1)	0.0%
Fleet rental - net revenues (**)	361.1	455.0	535.7	575.9	571.9	608.5	651.8	7.1%	155.6	170.5	9.6%
Car sales for fleet renewal - net revenues (**)	220.8	227.0	269.7	264.3	350.3	368.2	347.4	-5.6%	102.6	84.1	-18.0%
Total net revenues (**)	**581.9**	**682.0**	**805.4**	**840.2**	**922.2**	**976.7**	**999.2**	**2.3%**	**258.2**	**254.6**	**-1.4%**
Direct costs											
Fleet rental	(94.7)	(117.8)	(146.3)	(161.1)	(190.8)	(189.3)	(193.7)	2.3%	(45.3)	(51.4)	13.5%
Car sales for fleet renewal	(201.4)	(197.5)	(237.3)	(214.1)	(276.3)	(286.7)	(279.4)	-2.5%	(81.1)	(68.3)	-15.8%
Gross profit	**285.8**	**366.7**	**421.8**	**465.0**	**455.1**	**500.7**	**526.1**	**5.1%**	**131.8**	**134.9**	**2.4%**
Operating expenses (SG&A)											
Fleet rental	(20.8)	(25.1)	(33.5)	(37.5)	(38.1)	(40.7)	(37.9)	-6.9%	(10.7)	(10.4)	-2.8%
Car sales for fleet renewal	(17.1)	(18.1)	(25.1)	(23.4)	(32.6)	(33.6)	(31.0)	-7.7%	(11.1)	(6.4)	-42.3%
Cars depreciation	(80.4)	(115.1)	(164.2)	(143.2)	(129.3)	(124.7)	(118.5)	-5.0%	(31.1)	(27.7)	-10.9%
Other assets depreciation and amortization											
Fleet rental	(0.7)	(0.7)	(1.1)	(1.1)	(1.1)	(2.2)	(2.9)	31.8%	(0.6)	(0.8)	33.3%
Car sales for fleet renewal	(0.1)	-	-	-	(0.6)	(2.0)	(1.8)	-10.0%	(0.6)	(0.3)	(0.5)
Operating profit before financial results and taxes (EBIT)	**166.7**	**207.7**	**197.9**	**259.8**	**253.4**	**297.5**	**334.0**	**12.3%**	**77.7**	**89.3**	**14.9%**
Financial expenses, net	(43.4)	(57.0)	(44.3)	(34.1)	(45.1)	(63.9)	(69.8)	9.2%	(13.4)	(19.4)	44.8%
Income tax and social contribution	(27.7)	(46.8)	(44.4)	(66.7)	(60.8)	(56.8)	(58.1)	2.3%	(13.6)	(13.5)	-0.7%
Net income for the period	**95.6**	**103.9**	**109.2**	**159.0**	**147.5**	**176.8**	**206.1**	**16.6%**	**50.7**	**56.4**	**11.2%**
Net margin	**16.4%**	**15.2%**	**13.6%**	**18.9%**	**16.0%**	**18.1%**	**20.6%**	**2.5p.p.**	**19.6%**	**22.2%**	**2.6p.p.**
EBITDA	**247.9**	**323.5**	**363.2**	**404.1**	**384.4**	**426.4**	**457.2**	**7.2%**	**110.0**	**118.1**	**7.4%**
EBITDA margin	**42.6%**	**47.4%**	**45.1%**	**48.1%**	**41.7%**	**43.7%**	**45.8%**	**2.1p.p.**	**42.6%**	**46.4%**	**3.8p.p.**

OPERATING DATA	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Average operating fleet	22,916	27,858	30,357	31,188	30,778	31,676	31,908	0.7%	31,301	32,993	5.4%
Average rented fleet	22,343	26,676	29,444	30,121	28,787	30,280	31,222	3.1%	30,024	32,461	8.1%
Average operating fleet age (in months)	15.9	15.8	16.8	18.6	18.0	16.7	18.0	7.8%	16.8	18.4	9.5%
End of period fleet											
Rented Fleet	26,615	31,629	32,104	32,809	34,312	33,948	34,960	3.0%	33,948	34,960	3.0%
Managed Fleet	331	234	162	30	267	207	145	-30.0%	207	145	-30.0%
Number of rental days - in thousands	8,043.8	9,603.4	10,600.7	10,843.7	10,363.3	10,900.9	11,240.0	3.1%	2,702.1	2,921.6	8.1%
Average daily rental revenues per car (R$)	46.27	48.83	51.59	53.83	56.16	56.08	58.23	3.8%	57.31	58.82	2.6%
Annualized average depreciation per car (R$)	3,509.7	4,133.0	5,408.2	4,592.3	4,202.1	3,935.2	3,714.0	-5.6%	3,979.2	3,364.2	-15.5%
Utilization rate	97.5%	95.8%	97.0%	96.6%	93.5%	95.6%	97.9%	2.3p.p.	95.9%	98.4%	2.5p.p.
Number of cars purchased	11,614	13,204	11,032	10,918	14,896	11,689	11,762	0.6%	4,025	2,782	-30.9%
Number of cars sold	7,627	7,929	10,529	9,882	13,043	11,797	10,853	-8.0%	3,203	2,546	-20.5%
Average sold fleet age (in months)	28.4	32.8	31.8	32.4	35.1	33.4	31.4	-6.1%	31.3	31.5	0.8%
Average total fleet	24,049	29,308	31,688	32,488	32,686	33,446	33,436	0.0%	33,965	34,709	2.2%
Average value of total fleet - R$ million	696.7	842.2	886.3	887.3	943.3	1,067.1	1,130.4	5.9%	1,115.4	1,199.7	7.6%
Average value per car in the period - R$ thsd	29.0	28.7	28.0	27.3	28.9	31.9	33.8	6.0%	32.8	34.6	5.5%

(*) Gross revenues from fleet rental and car sales for fleet renewal are net of discounts and cancellations.
(**) For comparability with the financial information presented in accordance with IFRS from 2011 on, net revenues from fleet rental and car sales for fleet renewal of 2010, which are presented in USGAAP, are net of taxes on revenues.

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

FRANCHISING RESULTS	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Gross revenues(*)	12.8	15.1	18.3	20.6	18.7	17.8	18.0	1.1%	4.5	4.5	0.0%
Taxes on revenues	(0.8)	(0.8)	(1.0)	(1.1)	(1.0)	(1.2)	(1.0)	-16.7%	(0.3)	(0.3)	0.0%
Net revenues (**)	**12.0**	**14.3**	**17.3**	**19.5**	**17.7**	**16.6**	**17.0**	**2.4%**	**4.2**	**4.2**	**0.0%**
Costs	(5.5)	(6.8)	(7.9)	(8.1)	(7.8)	(9.2)	(9.7)	5.4%	(2.5)	(4.2)	68.0%
Gross profit	**6.5**	**7.5**	**9.4**	**11.4**	**9.9**	**7.4**	**7.3**	**-1.4%**	**1.7**	**-**	**-100.0%**
Operating expenses (SG&A)	(0.3)	-	(0.1)	(0.1)	(0.7)	(0.6)	(1.5)	150.0%	(0.3)	(0.3)	-
Other assets depreciation and amortization	-	(0.3)	(0.4)	(0.4)	(0.5)	(0.4)	(0.5)	25.0%	(0.1)	(0.1)	0.0%
Operating profit before financial results and taxes (EBIT)	**6.2**	**7.2**	**8.9**	**10.9**	**8.7**	**6.4**	**5.3**	**-17.2%**	**1.3**	**(0.4)**	**-130.8%**
Financial expenses, net	0.4	1.8	0.9	1.4	1.8	1.6	2.1	31.3%	0.5	0.4	-20.0%
Income tax and social contribution	(0.9)	(0.9)	(1.1)	(1.3)	(1.2)	(1.3)	(1.5)	15.4%	(0.4)	(0.3)	-25.0%
Net income for the period	**5.7**	**8.1**	**8.7**	**11.0**	**9.3**	**6.7**	**5.9**	**-11.9%**	**1.4**	**(0.3)**	**-121.4%**
Net Margin	**47.5%**	**56.6%**	**50.3%**	**56.4%**	**52.5%**	**40.4%**	**34.7%**	**-5.7p.p.**	**33.3%**	**-7.1%**	**-40.4p.p.**
EBITDA	**6.2**	**7.5**	**9.3**	**11.3**	**9.2**	**6.8**	**5.8**	**-14.7%**	**1.4**	**(0.3)**	**-121.4%**
EBITDA Margin	**51.7%**	**52.4%**	**53.8%**	**57.9%**	**52.0%**	**41.0%**	**34.1%**	**-6.9p.p.**	**33.3%**	**-7.1%**	**-40.4p.p.**

(*) Gross revenues are net of discounts and cancellations.
(**) For comparability with the financial information presented in accordance with IFRS from 2011 on, net revenues of 2010, which are presented in USGAAP, are net of taxes on revenues.

16.4 – Table 4 – Consolidated – R$ million

CONSOLIDATED RESULTS	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Car rental gross revenues (*)	838.0	1,019.4	1,132.3	1,208.4	1,352.1	1,316.9	1,486.9	12.9%	349.9	413.8	18.3%
Franchising gross revenues (*)	12.8	15.1	18.3	20.6	18.7	17.8	18.0	1.1%	4.5	4.5	0.0%
Car Rental and Franchising total gross revenues (*)	850.8	1,034.5	1,150.6	1,229.0	1,370.8	1,334.7	1,504.9	12.8%	354.4	418.3	18.0%
Fleet Rental gross revenues (*)	374.5	472.9	552.4	592.8	589.5	619.6	664.1	7.2%	157.9	174.3	10.4%
Car and Fleet Rentals and Franchising total gross revenues (*)	1,225.3	1,507.4	1,703.0	1,821.8	1,960.3	1,954.3	2,169.0	11.0%	512.3	592.6	15.7%
Taxes on revenues - Car and Fleet Rentals and Franchising	(50.0)	(57.4)	(56.3)	(62.9)	(86.3)	(71.2)	(72.2)	1.4%	(18.0)	(19.9)	10.6%
Car and Fleet Rentals and Franchising net revenues (**)	**1,175.3**	**1,450.0**	**1,646.7**	**1,758.9**	**1,874.0**	**1,883.1**	**2,096.8**	**11.3%**	**494.3**	**572.7**	**15.9%**
Car sales gross revenues											
Car sales for fleet renewal - Car Rental (*)	1,104.7	1,244.7	1,253.6	1,486.1	1,671.4	1,679.2	1,997.8	19.0%	397.2	650.3	63.7%
Car sales for fleet renewal - Fleet Rental (*)	221.3	227.7	270.2	264.6	350.8	368.6	347.8	-5.6%	102.7	84.2	-18.0%
Car sales for fleet renewal - total gross revenues (*)	1,326.0	1,472.4	1,523.8	1,750.7	2,022.2	2,047.8	2,345.6	14.5%	499.9	734.5	46.9%
Taxes on revenues - Car sales for fleet renewal	(4.1)	(4.3)	(3.8)	(3.4)	(4.0)	(2.9)	(3.1)	6.9%	(0.7)	(1.2)	71.4%
Car sales for fleet renewal - net revenues (**)	**1,321.9**	**1,468.1**	**1,520.0**	**1,747.3**	**2,018.2**	**2,044.9**	**2,342.5**	**14.6%**	**499.2**	**733.3**	**46.9%**
Total net revenues (**)	**2,497.2**	**2,918.1**	**3,166.7**	**3,506.2**	**3,892.2**	**3,928.0**	**4,439.3**	**13.0%**	**993.5**	**1,306.0**	**31.5%**
Direct costs and expenses:											
Car rental	(317.8)	(382.7)	(476.6)	(536.9)	(577.3)	(618.1)	(707.4)	14.4%	(163.4)	(199.1)	21.8%
Franchising	(5.5)	(6.8)	(7.9)	(8.1)	(7.8)	(9.2)	(9.7)	5.4%	(2.5)	(4.2)	68.0%
Total Car rental and Franchising	(323.3)	(389.5)	(484.5)	(545.0)	(585.1)	(627.3)	(717.1)	14.3%	(165.9)	(203.3)	22.5%
Fleet Rental	(94.7)	(117.8)	(146.3)	(161.1)	(190.8)	(189.3)	(193.7)	2.3%	(45.3)	(51.4)	13.5%
Total Car and Fleet Rentals and Franchising	(418.0)	(507.3)	(630.8)	(706.1)	(775.9)	(816.6)	(910.8)	11.5%	(211.2)	(254.7)	20.6%
Car sales for fleet renewal - Car rental	(980.0)	(1,092.0)	(1,068.5)	(1,271.9)	(1,428.4)	(1,396.3)	(1,727.5)	23.7%	(334.2)	(570.1)	70.6%
Car sales for fleet renewal - Fleet Rental	(201.4)	(197.5)	(237.3)	(214.1)	(276.3)	(286.7)	(279.4)	-2.5%	(81.1)	(68.3)	-15.8%
Total Car sales for fleet renewal (book value)	(1,181.4)	(1,289.5)	(1,305.8)	(1,486.0)	(1,704.7)	(1,683.0)	(2,006.9)	19.2%	(415.3)	(638.4)	53.7%
Total costs	(1,599.4)	(1,796.8)	(1,936.6)	(2,192.1)	(2,480.6)	(2,499.6)	(2,917.7)	16.7%	(626.5)	(893.1)	42.6%
Gross profit	**897.8**	**1,121.3**	**1,230.1**	**1,314.1**	**1,411.6**	**1,428.4**	**1,521.6**	**6.5%**	**367.0**	**412.9**	**12.5%**
Operating expenses											
Advertising, promotion and selling:											
Car rental	(62.6)	(79.5)	(93.3)	(103.5)	(117.8)	(127.9)	(148.6)	16.2%	(35.3)	(46.1)	30.6%
Franchising	(0.3)	(0.1)	(0.1)	(0.1)	(0.8)	(0.6)	(0.6)	0.0%	(0.2)	(0.2)	-
Total car rental and Franchising	(62.9)	(79.6)	(93.4)	(103.6)	(118.6)	(128.5)	(149.2)	16.1%	(35.5)	(46.3)	30.4%
Fleet Rental	(9.8)	(10.5)	(11.6)	(14.4)	(15.1)	(18.2)	(14.0)	-23.1%	(3.4)	(3.5)	2.9%
Car sales for fleet renewal	(98.1)	(129.0)	(150.6)	(162.1)	(172.3)	(191.1)	(191.6)	0.3%	(52.2)	(52.7)	1.0%
Total advertising, promotion and selling	(170.8)	(219.1)	(255.6)	(280.1)	(306.0)	(337.8)	(354.8)	5.0%	(91.1)	(102.5)	12.5%
General, administrative and other expenses	(77.5)	(80.9)	(98.9)	(117.5)	(135.8)	(155.8)	(151.2)	-3.0%	(47.9)	(39.5)	-17.5%
Total Operating expenses	(248.3)	(300.0)	(354.5)	(397.6)	(441.8)	(493.6)	(506.0)	2.5%	(139.0)	(142.0)	2.2%
Depreciation expenses:											
Cars depreciation:											
Car rental	(65.9)	(86.4)	(212.7)	(85.8)	(78.1)	(38.9)	(87.8)	125.7%	(12.9)	(31.8)	146.5%
Fleet Rental	(80.4)	(115.1)	(164.2)	(143.2)	(129.3)	(124.7)	(118.5)	-5.0%	(31.1)	(27.7)	-10.9%
Total cars depreciation expenses	(146.3)	(201.5)	(376.9)	(229.0)	(207.4)	(163.6)	(206.3)	26.1%	(44.0)	(59.5)	35.2%
Other assets depreciation and amortization	(21.1)	(24.1)	(32.9)	(35.4)	(35.7)	(35.7)	(38.2)	7.0%	(9.0)	(9.4)	4.4%
Total depreciation and amortization expenses	(167.4)	(225.6)	(409.8)	(264.4)	(243.1)	(199.3)	(244.5)	22.7%	(53.0)	(68.9)	30.0%
Operating profit before financial results and taxes (EBIT)	**482.1**	**595.7**	**465.8**	**652.1**	**726.7**	**735.5**	**771.1**	**4.8%**	**175.0**	**202.0**	**15.4%**
Financial expenses, net:											
Expense	(168.3)	(239.3)	(199.3)	(187.1)	(276.4)	(370.1)	(445.5)	20.4%	(84.4)	(115.8)	37.2%
Income	38.2	60.3	60.6	76.5	125.3	167.4	202.0	20.7%	40.9	43.1	5.4%
Financial (expenses) revenues, net	(130.1)	(179.0)	(138.7)	(110.6)	(151.1)	(202.7)	(243.5)	20.1%	(43.5)	(72.7)	67.1%
Income before tax and social contribution	**352.0**	**416.7**	**327.1**	**541.5**	**575.6**	**532.8**	**527.6**	**-1.0%**	**131.5**	**129.3**	-1.7%
Income tax and social contribution	(101.5)	(125.1)	(86.2)	(157.2)	(165.0)	(130.4)	(118.3)	-9.3%	(25.6)	(24.9)	-2.7%
Net income for the period	**250.5**	**291.6**	**240.9**	**384.3**	**410.6**	**402.4**	**409.3**	**1.7%**	**105.9**	**104.4**	**-1.4%**
EBITDA	649.5	821.3	875.6	916.5	969.8	934.8	1,015.6	8.6%	228.0	270.9	18.8%
EBIT	482.1	595.7	465.8	652.1	726.7	735.5	771.1	4.8%	175.0	202.0	15.4%
Consolidated EBIT Margin	**41.0%**	**41.1%**	**28.3%**	**37.1%**	**38.8%**	**39.1%**	**36.8%**	**-2.3p.p.**	**35.4%**	**35.3%**	**-0,1p.p.**
Car and Fleet Rentals and Franchising EBITDA	615.1	779.9	812.1	817.3	849.6	785.3	887.8	13.1%	201.9	233.9	15.8%
EBITDA Margin	**52.3%**	**53.8%**	**49.3%**	**46.5%**	**45.3%**	**41.7%**	**42.3%**	**0.6p.p.**	**40.8%**	**40.8%**	**0.0p.p.**
Used Car Sales (Seminovos) EBITDA	34.4	41.4	63.5	99.2	120.2	149.5	127.7	-14.6%	26.1	37.0	41.8%
EBITDA Margin	**2.6%**	**2.8%**	**4.2%**	**5.7%**	**6.0%**	**7.3%**	**5.5%**	**-1.8p.p.**	**5.2%**	**5.0%**	**-0.2p.p.**

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

(**) For comparability with the financial information presented in accordance with IFRS from 2011 on, net revenues of 2010, which are presented in USGAAP, are net of taxes on revenues.

16.5 – Table 5 – Operating data

SELECTED OPERATING DATA	2010	2011	2012	2013	2014	2015	2016	Var.	4Q15	4Q16	Var.
Average operating fleet:											
Car Rental	42,903	51,285	53,548	59,094	61,525	62,513	70,185	12.3%	63,775	80,814	26.7%
Fleet Rental	22,916	27,858	30,357	31,188	30,778	31,676	31,908	0.7%	31,301	32,993	5.4%
Total	65,819	79,143	83,905	90,282	92,303	94,189	102,093	8.4%	95,076	113,807	19.7%
Average rented fleet:											
Car Rental	29,646	35,348	37,932	39,475	42,999	43,315	51,515	18.9%	45,277	57,747	27.5%
Fleet Rental	22,343	26,676	29,444	30,121	28,787	30,280	31,222	3.1%	30,024	32,461	8.1%
Total	51,989	62,024	67,376	69,596	71,786	73,595	82,737	12.4%	75,301	90,208	19.8%
Average age of operating fleet (months)											
Car Rental	6.3	6.8	7.8	7.2	7.2	7.4	7.9	6.8%	7.7	6.5	-15.6%
Fleet Rental	15.9	15.8	16.8	18.6	18.0	16.7	18.0	7.8%	16.8	18.4	9.5%
Average age of total operating fleet	9.6	9.9	11.0	11.1	10.0	10.6	11.0	3.8%	10.8	10.0	-7.4%
Fleet at end of period:											
Car Rental	61,445	64,688	65,086	70,717	77,573	76,755	94,156	22.7%	76,755	94,156	22.7%
Fleet Rental	26,615	31,629	32,104	32,809	34,312	33,948	34,960	3.0%	33,948	34,960	3.0%
Total	88,060	96,317	97,190	103,526	111,885	110,703	129,116	16.6%	110,703	129,116	16.6%
Managed fleet at end period - Fleet Rental	331	234	162	30	267	207	145	-30.0%	207	145	-30.0%
Fleet investment (R$ million)											
Car Rental	1,476.1	1,306.2	1,227.2	1,634.5	1,909.1	1,773.1	2,782.2	56.9%	684.2	951.3	39.0%
Fleet Rental	411.3	439.9	386.4	389.7	571.2	502.0	503.4	0.3%	152.5	125.0	-18.1%
Total	1,887.4	1,746.1	1,613.6	2,024.2	2,480.3	2,275.1	3,285.6	44.4%	836.7	1,076.3	28.6%
Number of rental days (In thousands):											
Car Rental - Total	10,818.8	12,907.7	13,886.3	14,414.7	15,696.2	15,815.8	18,864.8	19.3%	4,166.1	5,313.7	27.5%
Rental days for Fleet Rental replacement service	(84.6)	(113.4)	(137.5)	(173.0)	(280.2)	(249.7)	(202.4)	-18.9%	(55.3)	(47.9)	-13.4%
Car Rental - Net	10,734.3	12,794.3	13,748.8	14,241.7	15,416.0	15,566.1	18,662.4	19.9%	4,110.8	5,265.8	28.1%
Fleet Rental	8,043.8	9,603.4	10,600.7	10,843.7	10,363.3	10,900.9	11,240.0	3.1%	2,702.1	2,921.6	8.1%
Total	18,778.1	22,397.7	24,349.5	25,085.4	25,779.3	26,467.0	29,902.4	13.0%	6,812.9	8,187.4	20.2%
Annualized average depreciation per car (R$)											
Car Rental	1,536.0	1,683.9	3,972.4	1,452.4	1,270.0	622.1	1,251.2	101.1%	809.5	1,573.9	94.4%
Fleet Rental	3,509.7	4,133.0	5,408.2	4,592.3	4,202.1	3,935.2	3,714.0	-5.6%	3,979.2	3,364.2	-15.5%
Total	2,223.2	2,546.0	4,491.9	2,537.1	2,247.7	1,736.3	2,020.9	16.4%	1,853.0	2,092.9	12.9%
Average annual revenues per operating car (R$ thousand)											
Car Rental	19.5	19.1	20.4	19.7	20.9	20.1	20.3	1.1%	20.8	19.6	-5.9%
Fleet Rental	16.2	16.2	17.5	18.2	18.3	18.9	20.1	6.5%	19.5	20.4	4.5%
Average daily rental (R$)											
Car Rental (**)	78.07	79.68	82.36	84.85	87.71	84.56	79.67	-5.8%	85.11	78.58	-7.7%
Fleet Rental	46.27	48.83	51.59	53.83	56.16	56.08	58.23	3.8%	57.31	58.82	2.6%
Utilization rate:											
Car Rental	69.1%	68.9%	70.8%	66.8%	69.9%	69.3%	73.4%	4.1p.p.	71.1%	71.5%	0.4p.p.
Fleet Rental	97.5%	95.8%	97.0%	96.6%	93.5%	95.6%	97.9%	2.3p.p.	95.9%	98.4%	2.5p.p.
Number of cars purchased - consolidated	65,934	59,950	58,655	69,744	79,804	64,032	87,833	37.2%	21,660	27,921	28.9%
Average price of cars purchased (R$ thsd) - consolidated	28.63	29.13	27.51	29.02	31.08	35.53	37.41	5.3%	38.63	38.55	-0.2%
Numbers of cars sold - consolidated	47,285	50,772	56,644	62,641	70,621	64,305	68,449	6.4%	15,047	20,883	38.8%
Average price of cars sold (R$ thsd) (*) - consolidated	25.80	26.30	24.24	25.36	25.90	28.54	31.23	9.4%	29.38	32.40	10.3%

(*) Recalculated as from 2010 to include additional revenues, net of SG&A expenses related to the sale of cars deactivated for fleet renewal.

(**) Not included the rentals for Fleet Rental Division.

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

ASSETS	2010	2011	2012	2013	2014	2015	2016
CURRENT ASSETS:							
Cash and cash equivalents	415.7	711.0	823.9	1,010.7	1,390.2	1,385.1	1,692.3
Trade accounts receivable	274.8	353.4	361.1	408.3	459.6	486.1	424.5
Derivative financial instruments - swap	-	-	-	-	-	-	2.2
Other current assets	40.7	54.1	50.0	57.9	94.6	102.6	115.0
Decommissioning cars to fleet renewal	20.1	29.0	13.3	16.5	18.3	31.8	8.8
Total current assets	**751.3**	**1,147.5**	**1,248.3**	**1,493.4**	**1,962.7**	**2,005.6**	**2,242.8**
NON CURRENT ASSETS:							
Long-term assets:							
Marketable securities	-	-	-	-	92.5	-	-
Derivative financial instruments - swap	-	-	-	-	-	45.6	7.4
Trade accounts receivable	-	-	4.0	7.1	3.2	4.7	3.2
Escrow deposit	24.8	25.0	23.0	38.1	41.9	52.9	60.1
Deferred income tax and social contribution	24.0	19.8	24.5	32.4	-	-	-
Other non current assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total long-term assets	**48.9**	**44.9**	**51.6**	**77.7**	**137.7**	**103.3**	**70.8**
Property and equipment							
Cars	2,427.4	2,652.7	2,534.3	2,781.4	3,278.0	3,610.9	4,614.8
Other	114.9	141.7	171.0	166.1	203.9	314.1	405.8
Intangible:							
Software	7.7	18.3	36.2	47.3	60.3	67.1	61.1
Goodwill on acquisition of investments	4.5	4.5	4.5	12.3	22.0	22.0	22.0
Total non current assets	**2,603.4**	**2,862.1**	**2,797.6**	**3,084.8**	**3,701.9**	**4,117.4**	**5,174.5**
TOTAL ASSETS	**3,354.7**	**4,009.6**	**4,045.9**	**4,578.2**	**5,664.6**	**6,123.0**	**7,417.3**

LIABILITIES AND SHAREHOLDERS' EQUITY	2010	2011	2012	2013	2014	2015	2016
CURRENT LIABILITIES:							
Trade accounts payable	443.0	488.7	356.2	460.5	828.4	690.6	910.9
Social and labor obligations	58.0	58.7	53.2	73.9	86.3	85.6	95.0
Loans, financing and debentures	233.7	130.9	210.1	275.4	300.9	422.4	654.6
Income tax and social contribution	22.7	32.5	26.0	35.2	41.3	28.3	23.0
Dividends and interest on capital	40.2	38.3	18.7	53.1	59.2	29.3	39.7
Other current liabilities	36.1	44.7	70.0	78.6	82.3	99.9	118.5
Total current liabilities	**833.7**	**793.8**	**734.2**	**976.7**	**1,398.4**	**1,356.1**	**1,841.7**
NON CURRENT LIABILITIES:							
Loans, financing and debentures	1,463.1	1,943.5	1,845.0	2,068.1	2,411.6	2,596.9	3,131.3
Provisions	42.5	30.1	35.2	50.9	69.9	68.3	63.1
Deferred income tax and social contribution	81.6	92.4	76.8	111.8	106.0	141.6	171.9
Other non current liabilities	35.1	29.2	30.0	29.5	23.2	18.5	12.3
Total non current liabilities	**1,622.3**	**2,095.2**	**1,987.0**	**2,260.3**	**2,610.7**	**2,825.3**	**3,378.6**
Total liabilities	**2,456.0**	**2,889.0**	**2,721.2**	**3,237.0**	**4,009.1**	**4,181.4**	**5,220.3**
SHAREHOLDERS' EQUITY:							
Capital	601.7	601.7	601.7	976.7	976.7	976.7	976.7
Capital Reserves	12.0	19.0	48.0	30.2	40.4	35.9	34.0
Earnings Reserves	273.9	499.8	675.0	334.3	638.4	929.0	1,186.3
Valuation adjustments to equity	11.1	0.1	-	-	-	-	-
Total shareholders' equity	**898.7**	**1,120.6**	**1,324.7**	**1,341.2**	**1,655.5**	**1,941.6**	**2,197.0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,354.7**	**4,009.6**	**4,045.9**	**4,578.2**	**5,664.6**	**6,123.0**	**7,417.3**

18 – Consolidated financial statements – Income statements and reconciliations - R$/million

STATEMENT OF INCOME	2010 USGAAP	2011 IFRS	2012 IFRS	2013 IFRS	2014 IFRS	2015 IFRS	2016 USGAAP	Reclassifications	2016 IFRS
Total net revenues	**2,497.2**	**2,918.1**	**3,166.7**	**3,506.2**	**3,892.2**	**3,928.0**	**4,514.6**	**(75.3)** (a)	**4,439.3**
COSTS AND EXPENSES:									
Direct costs	(1,599.4)	(1,796.8)	(1,936.6)	(2,192.1)	(2,480.6)	(2,499.6)	(2,917.7)	-	(2,917.7)
Taxes on revenues	-	-	-	-	-	-	(75.3)	75.3 (a)	-
Selling, general, administrative and other expenses	(248.3)	(300.0)	(354.5)	(397.6)	(441.8)	(493.6)	(506.0)	-	(506.0)
Cars depreciation	(146.3)	(201.5)	(376.9)	(229.0)	(207.4)	(163.6)	(206.3)	-	(206.3)
Other assets depreciation and amortization	(21.1)	(24.1)	(32.9)	(35.4)	(35.7)	(35.7)	(38.2)	-	(38.2)
Total costs and expenses	(2,015.1)	(2,322.4)	(2,700.9)	(2,854.1)	(3,165.5)	(3,192.5)	(3,743.5)	75.3	(3,668.2)
Income before financial results and taxes (EBIT)	**482.1**	**595.7**	**465.8**	**652.1**	**726.7**	**735.5**	**771.1**	**-**	**771.1**
FINANCIAL EXPENSES, NET	(130.1)	(179.0)	(138.7)	(110.6)	(151.1)	(202.7)	(243.5)	-	(243.5)
Income before taxes	**352.0**	**416.7**	**327.1**	**541.5**	**575.6**	**532.8**	**527.6**	**-**	**527.6**
INCOME TAX AND SOCIAL CONTRIBUTION									
Current	(80.2)	(106.2)	(106.5)	(130.1)	(139.5)	(94.8)	(88.0)	-	(88.0)
Deferred	(21.3)	(18.9)	20.3	(27.1)	(25.5)	(35.6)	(30.3)	-	(30.3)
	(101.5)	(125.1)	(86.2)	(157.2)	(165.0)	(130.4)	(118.3)	-	(118.3)
Net income	**250.5**	**291.6**	**240.9**	**384.3**	**410.6**	**402.4**	**409.3**	**-**	**409.3**

(a) Refers to reclassification of taxes on revenues to specific account.

Shareholder's equity Reconciliation	Dec 31, 2015	Dec 31, 2016
Shareholders' equity - IFRS	**1,941.6**	**2,197.0**
Dividends proposed	1.0	-
Goodwill, net of income tax and social contribution	21.8	21.8
Shareholders' equity - USGAAP	**1,964.4**	**2,218.8**

19 – Statements of Cash Flows – R$/million

CONSOLIDATED CASH FLOW	2010 USGAAP	2011 IFRS	2012 IFRS	2013 IFRS	2014 IFRS	2015 IFRS	2016 IFRS
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net income	250.5	291.6	240.9	384.3	410.6	402.4	409.3
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:							
Depreciation and amortization	167.4	225.6	409.8	264.4	243.2	199.3	244.5
Net book value of vehicles written off	1,214.3	1,328.6	1,360.2	1,543.8	1,777.0	1,769.1	2,102.5
Deferred income tax and social contribution	21.3	18.9	(20.3)	27.1	25.5	35.6	30.3
Other	6.7	2.7	21.8	33.7	32.0	17.3	26.9
(Increase) decrease in assets:							
Trade receivable	(63.3)	(81.3)	(14.6)	(54.7)	(49.9)	(36.6)	56.8
Purchases of cars (see supplemental disclosure below)	(1,799.1)	(1,743.8)	(1,735.7)	(1,939.4)	(2,150.2)	(2,399.6)	(3,098.9)
Escrow deposits	(1.6)	0.6	0.7	(15.1)	(5.7)	(15.3)	(7.2)
Taxes recoverable	(7.0)	(15.9)	(11.4)	(20.3)	(43.4)	(5.2)	(6.0)
Other assets	(4.2)	10.7	8.5	6.1	(5.7)	(1.3)	(3.6)
Increase (decrease) in liabilities:							
Accounts payable (except car manufacturers)	39.2	13.0	(15.6)	14.6	33.5	(16.7)	29.6
Social and labor obligations	27.9	0.7	(5.5)	20.7	12.4	(0.5)	9.4
Income tax and social contribution	78.3	106.2	106.5	130.1	139.5	94.8	88.0
Interest on loans, financing, debentures and swaps of fixed rates	161.4	231.0	195.9	181.6	281.7	406.6	438.1
Insurance premium	(10.0)	2.6	15.8	4.0	(0.6)	4.4	8.6
Other liabilities	20.8	(17.0)	16.0	1.1	(5.4)	5.9	(19.5)
Cash provided by operating activities	**102.6**	**374.2**	**573.0**	**582.0**	**694.5**	**460.2**	**308.8**
Income tax and social contribution paid	(57.8)	(83.0)	(100.9)	(108.5)	(113.1)	(110.7)	(93.3)
Interest on loans, financing and debentures paid	(169.6)	(237.0)	(190.6)	(152.0)	(328.0)	(352.9)	(442.3)
Net cash provided by operating activities	**(124.8)**	**54.2**	**281.5**	**321.5**	**253.4**	**(3.4)**	**(226.8)**
CASH FLOWS FROM INVESTING ACTIVITIES:							
(Investments) withdraw in marketable securities	-	-	-	-	(92.6)	92.6	-
Acquisition of investment, goodwill and fair value surplus	-	-	-	(12.5)	(14.4)	-	-
Purchases of other property and equipment and addition to intangible assets	(51.1)	(63.0)	(80.8)	(41.5)	(87.3)	(153.0)	(126.6)
Net cash provided by (used in) investing activities	**(51.1)**	**(63.0)**	**(80.8)**	**(54.0)**	**(194.3)**	**(60.4)**	**(126.6)**
CASH FLOWS FROM FINANCING ACTIVITIES:							
Loans and financings:							
Proceeds	427.9	288.1	125.9	112.6	499.1	747.1	266.3
Repayment	(408.9)	(404.5)	(359.9)	(129.4)	(490.4)	(368.4)	(297.9)
Debentures							
Proceeds	370.0	500.0	300.2	496.3	497.3	496.8	943.4
Repayment	(222.1)	-	(90.6)	(220.7)	(90.8)	(668.0)	(105.0)
Treasury shares acquired	-	-	-	(36.8)	-	(27.5)	(25.0)
Exercise of stock options with treasury shares, net	-	-	21.9	12.8	5.5	18.0	18.2
Dividends paid	(6.1)	(23.3)	(26.3)	(255.1)	(38.6)	(44.7)	(1.0)
Interest on capital	(28.8)	(56.2)	(59.0)	(60.4)	(61.7)	(94.6)	(138.4)
Net cash provided by (used in) financing activities	**132.0**	**304.1**	**(87.8)**	**(80.7)**	**320.4**	**58.7**	**660.6**
NET CASH FLOW PROVIDED (USED) IN THE YEAR	**(43.9)**	**295.3**	**112.9**	**186.8**	**379.5**	**(5.1)**	**307.2**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	459.6	415.7	711.0	823.9	1,010.7	1,390.2	1,385.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	415.7	711.0	823.9	1,010.7	1,390.2	1,385.1	1,692.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(43.9)**	**295.3**	**112.9**	**186.8**	**379.5**	**(5.1)**	**307.2**
Supplemental disclosure of cash flow information:							
Cash paid during the period to:							
Statement of the cash paid for cars acquisition							
Cars acquisition in the year/period - renewal	(1,370.1)	(1,504.5)	(1,563.3)	(1,819.7)	(2,197.7)	(2,278.4)	(2,563.6)
Cars acquisition in the year/period - growth	(540.3)	(272.0)	(55.5)	(209.4)	(286.9)	-	(726.0)
Suppliers - automakers:							
Balance at the end of the year	372.6	405.3	288.4	378.1	712.5	591.3	782.0
Balance at the beginning of the year	(261.3)	(372.6)	(405.3)	(288.4)	(378.1)	(712.5)	(591.3)
Cash paid for cars purchased	(1,799.1)	(1,743.8)	(1,735.7)	(1,939.4)	(2,150.2)	(2,399.6)	(3,098.9)

20 – Glossary and other information

• **CAGR:** Compounded average growth rate.

• **CAPEX:** Capital expenditure.

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

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

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

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

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

• **EBIT Margin:** EBIT divided by the net revenues.

• **IPI tax:** Tax over industrialized products. In May, 2012 Government announced an IPI tax exemption valid initially up to August, 2012, however, successively extended in 2012. In 2013 IPI tax for compact cars was increased to 2% and was kept at this level until December 2014. On January 1, 2015 the tax was fully reinstated. Those measures aim at incentivizing the automotive industry by stimulating demand, since the tax reduction tends to be passed on to the final consumer.

• **Net debt:** Short and long term debts minus cash and cash equivalents. The "net debt" term is a Company's measure and cannot be compared with similar terms used by other companies.

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

• **NOPAT:** Net operating profit after tax.

• **Average Rented Fleet:** In the car rental division it is the number of daily rentals in the period divided by the number of days in the period.

• **Operating Fleet:** Operating fleet is comprised by the cars that are at the rental locations, either rented or not, under maintenance, as well as cars in transit from OEMs to car rental locations and those being prepared for sale, and not yet delivered to the Seminovos stores.

• **Utilization Rate:** It is the number of rental days of the period divided by the operating fleet. It is a Company's measure and cannot be compared with similar terms used by other companies.

• **ROIC:** Return on invested capital.