



ANNUAL REPORT

2017



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Rio de Janeiro, March 26th, 2018 - MRS Logística S.A. informs its 4Q17 and 2017 outcomes. Comparisons refers to the outcomes of the previous quarter against the same period in 2016, as indicated. Information gathered directly from the Balance Sheet and from the Income Statement, duly revised by independent auditors, excluding non-financial information.

1. 2017 HIGHLIGHTS

Financial and Operational Outcomes	2013	2014	2015	2016	2017	2017 x 2016
Transported Volume (TU million)	156.1	164.1	167.1	168.7	171.0	1.4%
Gross Revenues (R\$ million)	3,323.3	3,380.8	3,502.6	3,635.7	3,870.3	6.5%
Net Revenues (R\$ million)	3,038.1	3,063.1	3,172.7	3,279.4	3,492.8	6.5%
Adjusted EBITDA ¹ (R\$ milhões)	1,217.5	1,213.4	1,216.1	1,307.0	1,429.0	9.3%
Adjusted EBITDA Margin ¹ (%)	40.1%	39.6%	38.3%	39.9%	40.9%	1.0pp
Adjusted Net Income ¹ (R\$ million)	469.4	378.8	295.8	310.1	434.5	40.1%
Gross Debt (R\$ million)	2,856.2	2,963.4	3,382.1	2,780.9	2,695.9	-3.1%
Net Debt (R\$ million)	2,385.1	2,696.5	2,710.6	2,435.7	2,209.2	-9.3%
Net Debt/EBITDA ² (x)	1.96x	2.22x	2.23x	1.66x	1.50x	-0.16x

¹ In the adjusted results, two non-recurring events, which were the sale of assets in 4Q16 and 1Q17 and the agreement with MUSA in 1Q16, were disregarded.

² Last 12 months (unadjusted result, that is, considering the non-recurring events).

MRS ended 2017 with 171.0 million tons transported, 1.4% above previous year, representing the highest volume ever transported by the Company in one year. In 2017, there was a highest participation of General Cargo (a group comprised by agricultural and steel products, cement, containers, among other) in the transported mix, which reached, for the first time in one year, 30% of participation, more than compensating the verified drop in iron ore transportation.

Still on the operating outcomes, in 2017, MRS reduced again the fuel consumption, hitting the historic mark of 2.46 L/kTKB (Liter/One Thousand Gross Tone Kilometer), which represented an economy of 2.3 million liters of diesel in the year, 1.2% less than the previous year.

Iron ore Transit Time, indicator that estimates the transportation time (from origin to destination) of Company's main cargo, also improved, reaching 19.5 hours, best result in the entire historical series. Supporting this result, the average travel speed should be noted, disclosed by ANTT in its 2017 statistics yearbook, in which MRS was highlighted for being the only cargo railway to improve speed from 2006 to 2016, increasing 23% in this period.

On the financial results, in 2017, MRS recorded R\$ 3.5 billion in net sales, its highest in a year, 6.5% higher compared to 2016, mainly reflecting the best fees.

Adjusted EBITDA in 2017 also grew, reaching R\$ 1.4 billion, a result 9.3% higher than the verified in 2016. Therefore, Company's Adjusted Net Profit was R\$ 434.5 million, 40.1% above the verified in 2016. All the necessary reconciliations to correlate the non-recurring adjusted numbers to the original and effectively reached are done in the chapter of financial results.

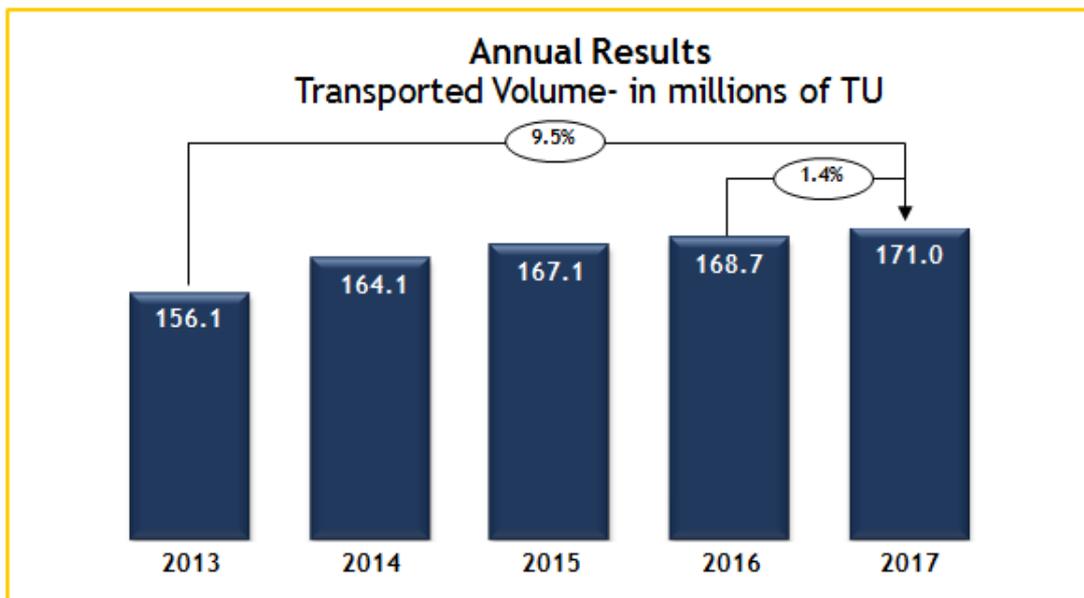
2. BUSINESS AND OPERATING RESULTS

BUSINESS RESULTS

Note: As from release of 4Q17 and 2017 results, transportation group called "Heavy Haul" shall be renamed to "Mining", considering that coal and coke transportation does not have the operational features of a Heavy Haul cargo, in contrast to iron ore transportation. However, since iron ore, coal and coke represent important inputs in the steel process, we decided to maintain their report in the same transportation group, also to compare with the results previously released.

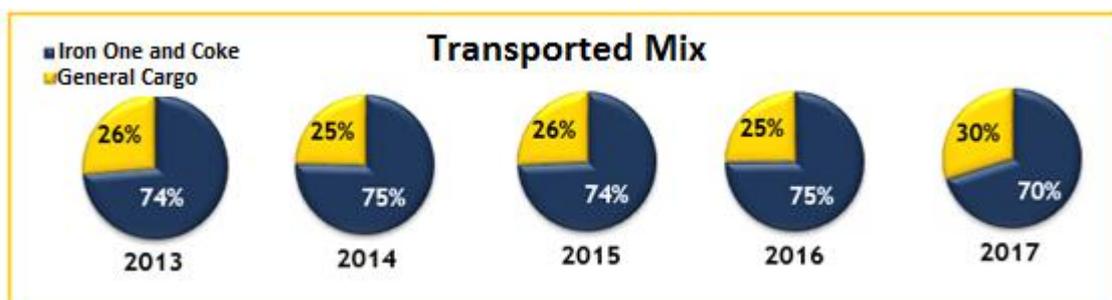
Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Mining	28,707	30,445	30,625	-5.7%	-6.3%	120,026	126,214	-4.9%
Iron Ore	27,837	29,814	29,882	-6.6%	-6.8%	116,867	124,000	-5.8%
Export	24,030	26,017	25,826	-7.6%	-7.0%	101,819	109,014	-6.6%
Domestic Market	3,807	3,797	4,056	0.3%	-6.1%	15,048	14,986	0.4%
Coal and Coke	870	631	743	37.9%	17.1%	3,159	2,214	42.7%
General Cargo	13,601	14,278	9,293	-4.7%	46.4%	50,942	42,439	20.0%
Agricultural Products	9,427	10,077	5,408	-6.5%	74.3%	35,327	27,412	28.9%
Steel Products	1,747	1,640	1,536	6.5%	13.7%	6,208	5,231	18.7%
Container	413	503	445	-17.9%	-7.1%	1,841	1,780	3.4%
Cement	365	415	503	-12.0%	-27.5%	1,561	2,355	-33.7%
Others	1,649	1,643	1,401	0.4%	17.7%	6,005	5,661	6.1%
Total	42,308	44,723	39,919	-5.4%	6.0%	170,968	168,653	1.4%

MRS ended 2017 with 171.0 million tons transported, 1.4% above previous year, representing the highest volume ever transported by the Company in one year. Year after year, MRS keeps registering records of transported volume, showing a 10% growth in the last 5 years.

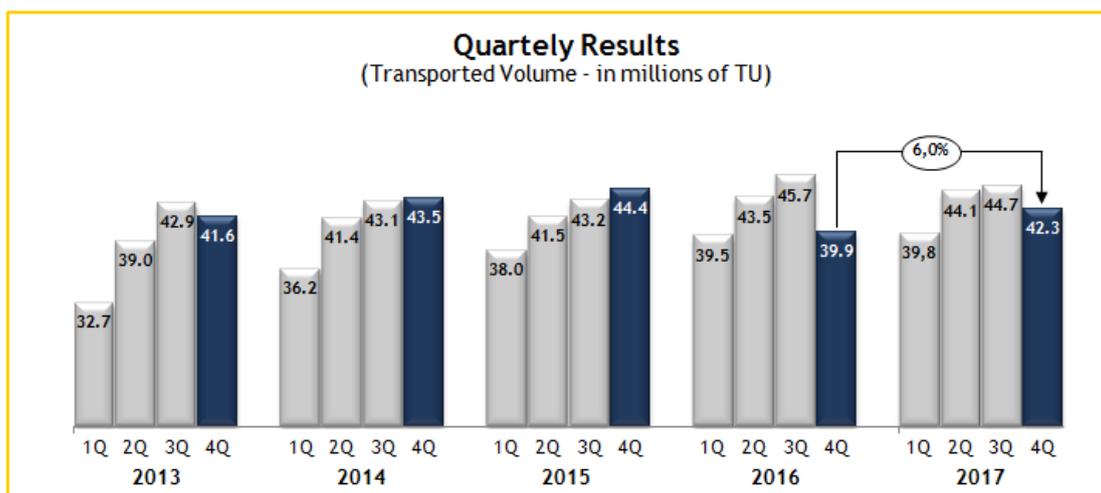


Among the transported cargo in 2017, it was verified a better performance in agricultural and steel products, coal and containers, which showed a growth in relation to 2016, while the iron ore and cement transportation showed a drop when compared to the volumes of 2017 and 2016.

The mix of products transported in 2017 showed a major participation from General Cargo (group comprised by agricultural and steel products, cement, containers, among other), which reached, for the first time in a year, 30% of participation, more than compensating the drop in the iron ore transportation.



By analyzing the quarter result, 4Q17 had a 6.0% growth compared with the same result of 2016, mostly because of the growth of General Cargo group, particularly reflecting the increase of 74.3% verified in the agricultural products transportation.



The business results for the main products transported are explained in the topics below.

MINING

The transported volume of Mining group in 2017 was of 120.0 million tons, 4.9% lower than 2016. There was also a drop of 6.3% in the 4Q17, when compared to the same period of 2016, which recorded 28.7 million tons. These results reflect the lower volume of iron ore intended to export.

Iron Ore

Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Iron Ore	27,837	29,814	29,882	-6.6%	-6.8%	116,867	124,000	-5.8%
Export	24,030	26,017	25,826	-7.6%	-7.0%	101,819	109,014	-6.6%
Domestic Market	3,807	3,797	4,056	0.3%	-6.1%	15,048	14,986	0.4%

Export

In 2017, 101.8 million tons of iron ore were transported to the foreign market, 6.6% below than in 2016, while in the 4Q17, 24.0 million tons were transported, a drop of 7.0% regarding 4Q16.

In 2017, some business conditions of this product in the international market changed due to the iron and silica contents therein. In addition, some mines served by the Company are being adjusted, postponing or not promoting the product trade.

Domestic Market

For servicing the domestic market, 15.0 million tons of iron ore were transported in 2017, 0.4% higher than 2016, and 3.8 million tons in the 4Q17, 6.1% below in 4Q16.

Steel industry, which uses iron ore as raw material in its production process, is under recovery, which allowing the verification of an increase in the iron ore consumption - domestic market throughout 2017. The drop in the mineral volume - domestic market in the 4Q17, related to the same period from previous year, is due to the uncommon volume checked on October 2016, when there was a resumption of blast furnace from an important client.

Coal and Coke

Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Coal and Coke	870	631	743	37.9%	17.1%	3,159	2,214	42.7%

In 2017, 3.2 million tons of coal and coke were transported, an increase of 42.7% when compared to 2016. In 4Q17, 870 thousand tons were transported, 17.1% higher than the same period in 2016.

The increase of coal and coke transportation is directly related to the resumption of the production in the steel industry.

GENERAL CARGO

In 2017, 51.0 million tons of General Cargo's group were transported, 20.0% above the result of 2016, representing an historical record for this group. In the 4Q17, 13.6 million tons were verified, 46.4% above the volume recorded in 4Q16. The increase in the volume of agricultural products transported by the Company and other railways through the remunerated right-of-way contributed for the good result of this group, as well as the steel industry recovery.

Agricultural Products

Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Agricultural Products	9,427	10,077	5,408	-6.5%	74.3%	35,327	27,412	28.9%
Corn	5,405	5,904	1,184	-8.5%	398.8%	12,125	6,462	87.6%
Sugar	2,758	2,897	3,223	-4.8%	-10.1%	10,009	10,553	-5.2%
Soy	237	383	201	-38.1%	90.5%	9,403	7,152	31.5%
Soybean Meal	1,027	893	800	15.0%	11.6%	3,790	3,245	16.8%

The volume of farm products transported through the MRS railroad network, either by the Company itself or by other railways through the remunerated right-of-way, amounted to 35.3 million tons in 2017 and 9.4 million tons in the 4Q17, being, respectively, 28.9% and 74.3% above the results checked in the same periods in 2016.

The good performance both in 2017 and 4Q17 is explained by the higher corn volumes, with 12.1 million tons in the year, growth of 87.6% regarding 2016, soil volumes, with 9.4 million tons, increasing of 31.5% compared to the previous year, and soy bran volumes, recording 3.8 million tons, 16.8% higher than the volume checked in 2016.

In its turn, sugar transportation showed a drop of 5.2% in 2017 when compared to the previous year. It is worth noting that, in 2016, due to the grain crop failure, there was a substantial increase in sugar transportation. However, in 2017, the resumption of corn and soil crops, as well as the operational improvements in the load and unload processes of such products, resulted in the prioritization of the transportation of these grains.

Steel Products

Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Steel Products	1,747	1,640	1,536	6.5%	13.7%	6,208	5,231	18.7%

In 2017, 6.2 million tons of goods from the steel sector were transported, an increase of 18.7% compared to 2016. In the 4Q17, 1.7 million tons were recorded, 13.7% above the volume recorded in 4Q16.

The improvement in the result along 2017 and in the 4Q17 is explained through the recovery process of this sector, after a strong downturn period. In addition, operational changes made by one of the Company's clients increased the plate transportation for servicing a mill in the state of São Paulo.

Containers

Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Container	413	503	445	-17.9%	-7.1%	1,841	1,780	3.4%

The container transportation is one of the positive highlights of 2017, with 1.8 million tons transported in 2017, 3.4% above the recorded in 2016. The railway mode is shoring up in this segment, due to the logistic and safety solutions presented. It was established an operational

model in the Company for this sector, with servicing fixed hours to the different routes in the main economic centers of Brazil's southeast region.

Cement

Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Cement	365	415	503	-12.0%	-27.5%	1,561	2,355	-33.7%

The cement transportation by the Company is directly related to the performance of the civil engineering sector, which retracted in 2017. Thus, the volumes transported in 2017, 1.6 million tons accrued in the year and 365 thousand tons in the 4Q, 33.7% and 27.5%, respectively, were lower than the volumes checked in 2016.

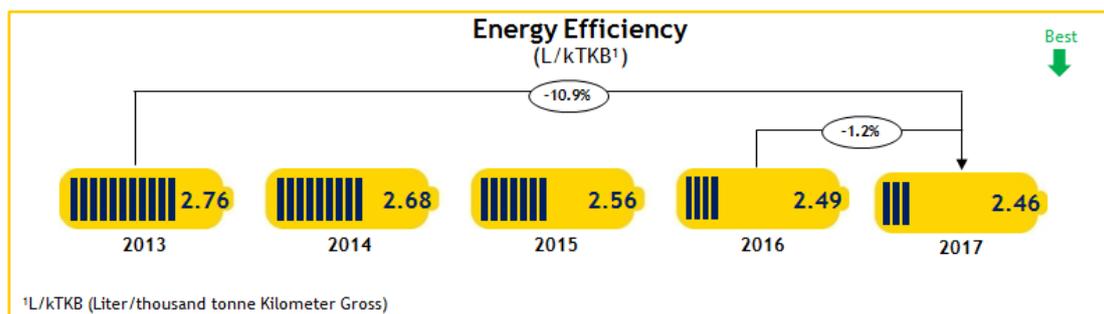
Others

Transported Volume TU Millions	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Others	1,649	1,643	1,401	0.4%	17.7%	6,005	5,661	6.1%

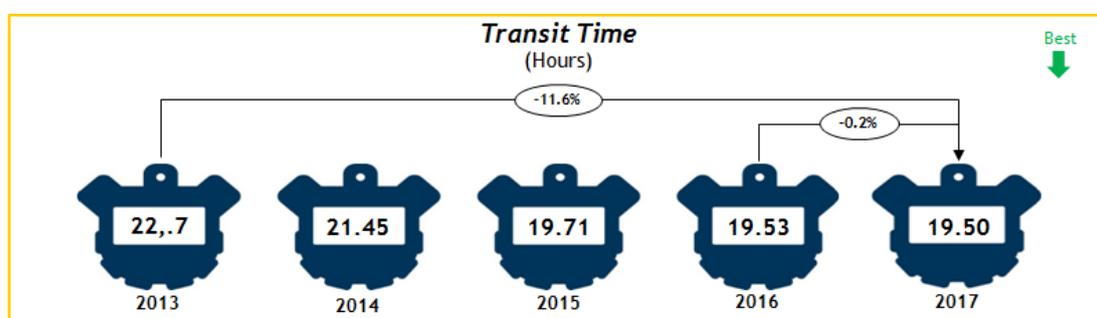
Other products amounted 6.0 million tons in 2017, 6.1% above the result checked in 2016, and 1.6 million tons in the 4Q17, 17.7% above the recorded in the same period of 2016. The transportation of several cargos by the Company and by the other railways through the remunerated right-of-way is included in this result, with good performance verified in the inputs flows complementary to the steel industry, compensating the drop verified in sand, limestone, and bauxite transportations.

OPERATING INCOME

About the operating outcomes in 2017, MRS improved again the energy efficiency, hitting the historic mark of 2.46 L/kTKB (Liter/One Thousand Gross Tone Kilometer), representing an economy of 2.3 million liters of diesel in the year, besides the lower pollutant gas emission in the atmosphere, mentioned in the chapter 8 of this Annual Report. This result is due to the continuous work of the Company in managing the production costs, from using modern locomotives that consume less diesel, to using software, such as AESS, that automatically runs the diesel motor start and shutdown, optimizing fuel consumption, in addition to continuous operational improvements in the train driving process.



The iron ore Transit Time, indicator that estimates the time elapsed in the cargo transportation from origin to the destination, also improved, reaching 19.50 hours, best result in the entire historical series, reflecting the investments made by the Company in the previous years, such as purchasing GE AC-44 locomotives and CBTC (Communication Based Train Control) system, making the operation safest and more productive.



3. FINANCIAL RESULTS

Period	4Q17	3Q17	4Q16	4Q17 x 3Q17	4Q17 x 4Q16	2017	2016	2017 x 2016
Gross Revenues (R\$ million)	1,000.5	996.4	901.0	0.4%	11.0%	3,870.3	3,635.7	6.5%
Gross Average Tariff (R\$/ton)	23.6	22.3	22.6	5.8%	4.4%	22.6	21.6	4.6%
Net Revenues (R\$ million)	904.0	896.5	809.9	0.8%	11.6%	3,492.8	3,279.4	6.5%
Net Average Tariff (R\$/ton)	21.4	20.0	20.3	7.0%	5.4%	20.4	19.4	5.2%
Adjusted EBITDA ¹ (R\$ milhões)	298.4	409.3	297.3	-27.1%	0.4%	1,429.0	1,307.0	9.3%
Adjusted EBITDA Margin ¹ (%)	33.0%	45.7%	36.7%	-12.7pp	-3.7pp	40.9%	39.9%	1.0pp
Adjusted Net Income ¹ (R\$ million)	68.0	145.4	44.5	-53.2%	52.8%	434.5	310.1	40.1%
Net Debt/EBITDA ² (x)	1.50x	1.39x	1.66x	0.11x	-0.15x	1.50x	1.66x	-0.15x

¹ In the adjusted results, two non-recurring events, which were the sale of assets in 4Q16 and 1Q17 and the agreement with MUSA in 1Q16, were disregarded.

² Last 12 months (unadjusted result, that is, considering the non-recurring events).

To better reflect Company's operational cash generation and the net income, two non-recurring events of 2017 and 2016 were adjusted, which are: (i) sale of the Company's obsolete assets in 2017 and 2016; and (ii) the agreement celebrated with Mineração Usiminas S.A. ("MUSA") in 2016. In the table below, the settlement of these adjustments from accounting outcomes can be checked:

Reconciliation do EBITDA (R\$ million)	4Q17	4Q16	4Q17 x 4Q16	2017	2017 x 2016
Net Income for the Year	68.0	54.0	25.9%	461.2	10.4%
(+) Taxes on Profit	46.7	48.9	-	254.0	-
(+) Depreciation and Amortization	144.1	143.8	-	566.9	-
(+) Net Financial Result	39.5	65.7	-	187.3	-
(=) EBITDA	298.3	312.5	-4.5%	1,469.5	-0.05%
(-) Non-recurring Events ¹	-	15.2	-	40.5	=
(=) Adjusted EBITDA	298.3	297.3	0.3%	1,429.0	9.3%

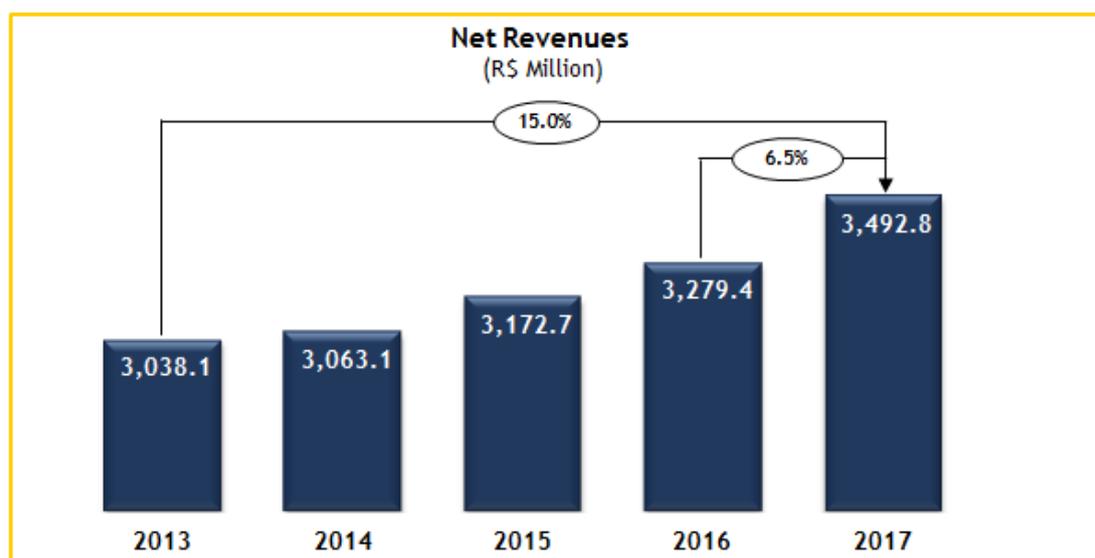
¹ Net of taxes (PIS and COFINS, when incidents)

Reconciliation of Net Income (R\$ million)	4Q17	4Q16	4Q17 x 4Q16	2017	2017 x 2016
Net Income for the Year	68.0	54.0	25.9%	461.2	10.4%
(-) Non-recurring Events ²	-	9.5	-	26.7	-
(=) Adjusted Net Income	68.0	44.5	52.8%	434.5	40.1%

² Net of taxes (PIS, COFINS, IRPJ and CSLL, when incidents)

Net Operating Revenue

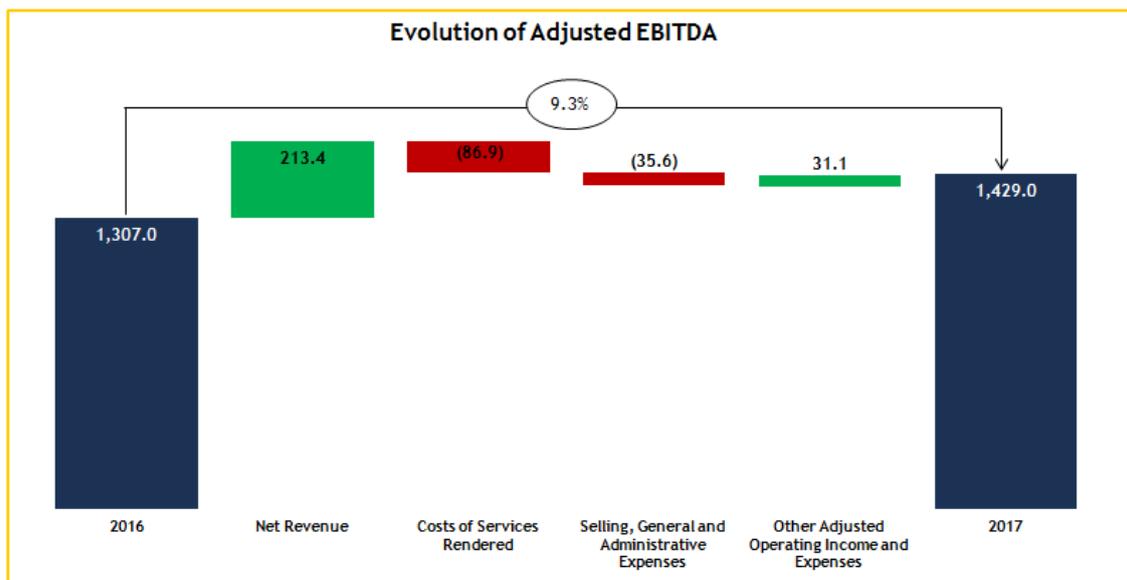
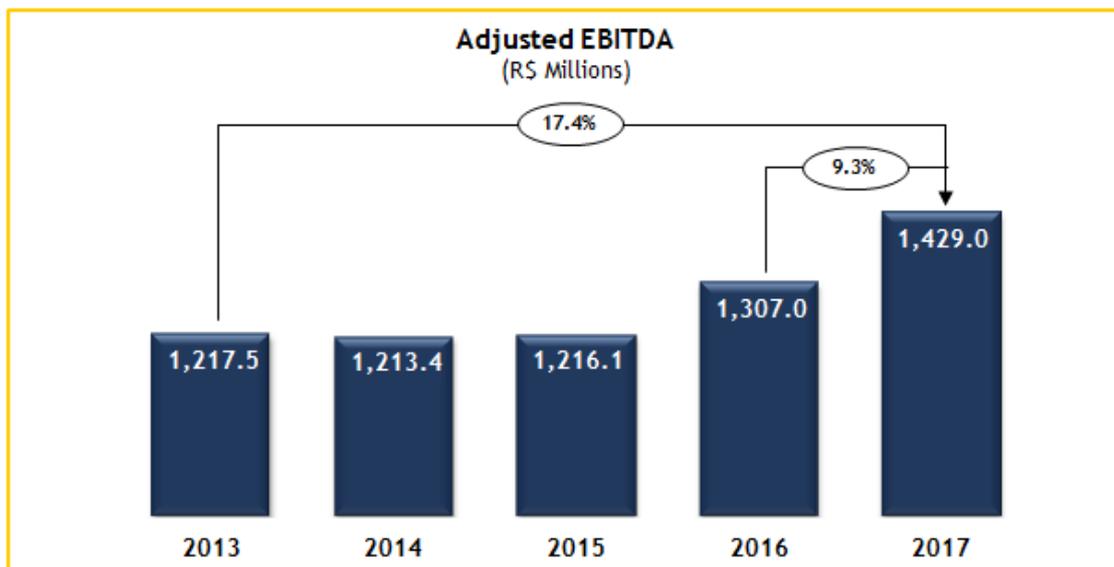
In 2017, MRS registered a record of R\$ 3.5 billion in net sales, an increase of 6.5% regarding 2016, reflecting, primarily, the best fees, in addition to the highest volume transported. In the last 5 years, the verified increase in the Net Revenue was of 15.0%.



In the 4Q17, the Net Revenue was R\$ 904.0 million, 11.6% above the one recorded in the same period of 2016, driven by the increase of 6.0% in the transported volume in the same reported period.

EBITDA and Net Profits

Adjusted EBITDA in 2017 also grew, reaching R\$ 1.4 billion, 9.3% above the result checked in 2016, with Adjusted EBITDA Margin of 40.9%, 1 p.p. above the recorded in 2016.



In the order shown from the chart above, the most relevant issues from EBITDA in 2017 are as follows:

- I. **Net Revenue:** Increase of R\$ 213.4 million, reflecting the fee adjustments combined with cargo superior volume.
- II. **Service Costs:** They were 5.2%, or R\$ 86.9 million, higher than 2016, due to the higher costs with maintenance of permanent road services, manpower, and right-of-way paid to other railways. In the other hand, the costs with fuel and electrical power were lower than in 2016.
- III. **Sales, General, and Administrative Expenses:** Sales expenses of 2016 account launch of reversal of R\$ 51.8 million in Estimated Losses for Doubtful Accounts (PECLD) for MMX Mineração e Metálicos S.A., under judicial reorganization. However, the net effect of this reversal in the Company's EBITDA was R\$ 20.5 million after renegotiation with MMX. The difference between both amounts was allocated to Other Revenues and Other Operational Expenses. Isolating this reversal affecting 2016 outcome, a decrease of 7.2% in regular general and administrative expenses was checked, equal to an economy of R\$ 14.0 million.
- IV. **Other Adjusted Revenues and Other Adjusted Operational Expenses:** The result reported in the graph above account the adjustments made in Other Operating Revenue, referring to the non-recurring events from the assets sell and the agreement with MUSA. In 2016, there were entries due to the renegotiation with MMX, mentioned in item III above, totalizing a net value of about R\$ 31.5 million. Not considering this value, the net income from Other Adjusted Revenues and Other Adjusted Operational Expenses is practically the same of the previous year.

Debt

In R\$ Millions	4Q17	3Q17	4Q17 x 3Q17	4Q16	4Q17 x 4Q16
Gross Debt¹	2,695.9	2,653.3	1.6%	2,780.9	-3.1%
Gross Debt in Reais	2,229.2	2,181.1	2.2%	2,534.1	-12.0%
Gross Debt in US\$ ²	466.6	472.2	-1.2%	246.8	89.1%
Cash³	486.7	585.2	-16.8%	345.2	41.0%
Net Debt	2,209.2	2,068.1	6.8%	2,435.7	-9.3%
EBITDA⁴	1,469.5	1,483.5	-0.9%	1,470.2	-0.05%
Net Debt/EBITDA (x) ⁴	1.50x	1.39x	7.1%	1.66x	-11.8%

¹ The difference in relation to the sum of the Lines of Loans and Financing (Balance Sheet) corresponds to the Transaction Costs.

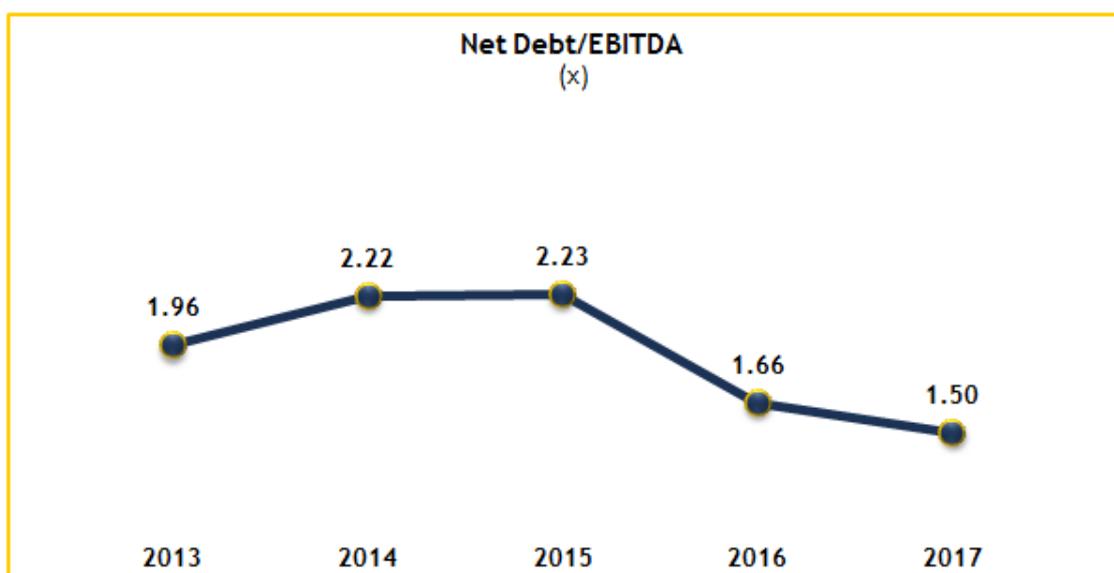
² Incorpora o valor justo dos instrumentos derivativos.

³ Includes restricted cash.

⁴ EBITDA accumulated in the last 12 months (unadjusted result, that is, considering non-recurring events)

In 2017, Company accomplished, approximately, R\$ 650.0 million in raisings, including the 8th Issue of Debentures. Still, the Gross Debt was 3.1% below the one verified in 2016, recording R\$ 2.7 billion. This result is explained by the strong volume of amortizations occurred in 2017, with emphasis for: i) Second and penultimate amortization installment from the 5th issue of debentures, of R\$ 100.0 million; and ii) amortization of the 1st installment from the 6th issue of debentures, of R\$ 100.0 million.

2017's Net Debt also decreased regarding 2016, recording R\$ 226.5 million less, a drop of 9.3%. In addition to highest levels of amortizations against raisings, the Company recorded a strong cash generation to support this turnover. Comparing 4Q17 to 3Q17, an increase in Net Debt is verified due to the lower cash from 4Q17, specially by the payment of dividends related to 2016.

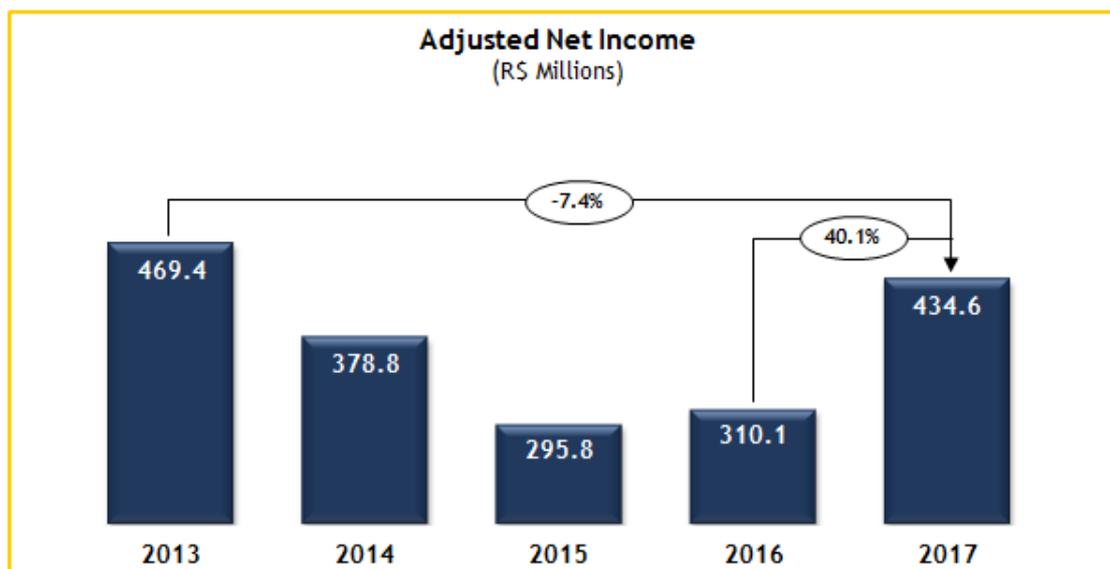


The leverage indicator measured by the relation Net Debt/EBITDA decreased from 1.66x in the closing of 2016 to 1.50x in the closing of 2017, reflecting the lower Net Debt in this period and closing the year in good level regarding the limits agreed with creditors, which are 2.50x and 3.00x. The increase compared to 3Q17, when it was recorded 1.39x, reflects the increase of Net Debt and a lower cash generation. Throughout this Annual Report, 2017 adjusted EBITDA result was reported for non-recurring event. For covenant calculation, EBITDA calculation without this adjustment.

Net Profit

The Company's outcome in 2017 was R\$ 461.3 million in Net Profit, 10.5% above the outcome verified in 2016.

In the graph below, the Net Profit adjusted by the non-recurrent events informed in this Report is shown, in which it is verified a growth of 40.1% in 2017 in comparison to 2016. The outcome accomplished in 2017 combines the increase in the revenue already mentioned, supplemented with cost efficiency and lower level of financial expenses from financing, considering the general drop in the fees defining MRS's debt.



AAA Rating

On October 2017, the risk rating agency, Fitch Ratings, restated a nationwide 'AAA rating (bra)' with stable outlook, for MRS. The main grounds for granting the top risk rating to MRS were the following: i) strong and resilient generation of operating cash; ii) conservative capital structure; iii) robust financial flexibility; iv) expectation of free cash flow; and v) strong business profile.

“Compared to other Brazilian railways, MRS is better ranked, due to constant operating cash flow generation, steady operating margins, positive Free Cash Flow (FCF), low leverage and strong liquidity.”

Also, global ratings were restated for issuer default rating (IDR), 'BBB-', with stable outlook in local currency, and 'BB+', with negative perspective in foreign currency, limited to the upper rating cap.

Cash Flow Statement

The cash balance at the end of 2017 was R\$ 422.8 million, above the balance checked in the end of 2016, R\$ 296.1 million, positively generating R\$ 126.7 million. This increase is explained by the increased inflow obtained from raisings, such as the 8th issue of debentures and financing with Tokyo Bank. Regarding the outflow, in 2017, the volume of investments and paid dividends was above the one verified in 2016.

Cash Flow Statement - R\$ Millions	2017	2016
Beginning	296.1	627.6
Net Income	715.4	661.2
Fixed Asset sale Income	(40.6)	(14.3)
Depreciation and Amortization	566.9	559.8
Monetary, Exchange Rate Variation and Financial Charges	226.8	298.7
Low Residual Assets Value and Investment	33.7	22.7
Allowance for Loan Losses	0.2	(49.1)
Losses Due Reduction to the Recovery Value	1.8	(2.3)
Others	81.9	90.5
Net Income Cash Basis	1,585.9	1,567.2
Asset and Liability	(545.7)	(601.3)
Receivable Accounts and Related Parties	(94.5)	(67.8)
Stocks	6.2	8.4
Taxes to be Recovered	28.1	3.4
Suppliers	12.7	(46.4)
Fiscal Charges	5.0	4.0
Taxes on Profit	(284.1)	(215.8)
Payroll and Social Charges	10.3	10.9
Pay Interest on loans and financing	(182.4)	(227.8)
Others	(47.0)	(70.2)
Net Cash Provided by Operating Activities	1,040.2	965.9
Fixed Assets	(661.8)	(571.4)
Intangible Assets	(17.1)	(5.9)
Proceeds from the sale of property, plant and equipment	83.7	29.5
Investment Activities	(595.3)	(547.8)
Loan and Financing Capture	259.0	29.9
Debentures Capture	394.2	-
Lease	16.9	-
Loan and Financing Payment	(408.7)	(609.3)
Debentures Payment	(381.2)	(100.0)
Payment Lease	(0.2)	-
Dividends Paid	(198.3)	(70.2)
Financing Activities	(318.2)	(749.6)
End of Period Cash	422.8	296.1
Cash Generation	126.7	(331.5)

4. INVESTMENTS

In 2017, MRS invested R\$ 751.8 million, focusing on investment initiatives essential to maintain the business production and sustainability.

Please find below the major investment groups held in 2017:

Investments 2017	R\$ Millions
Permanent Way ¹	374.8
Undercarriage (Locomotive and Wagon) ²	311.4
SMS Program ³	18.3
Electronic System	12.2
Others	35.1
Total	751.8

¹ Infrastructure expansion, reliability and modernization of the permanent road

² Acquisition, reliability and modernization of rolling stock

³ Investments in Health, Environment and Safety

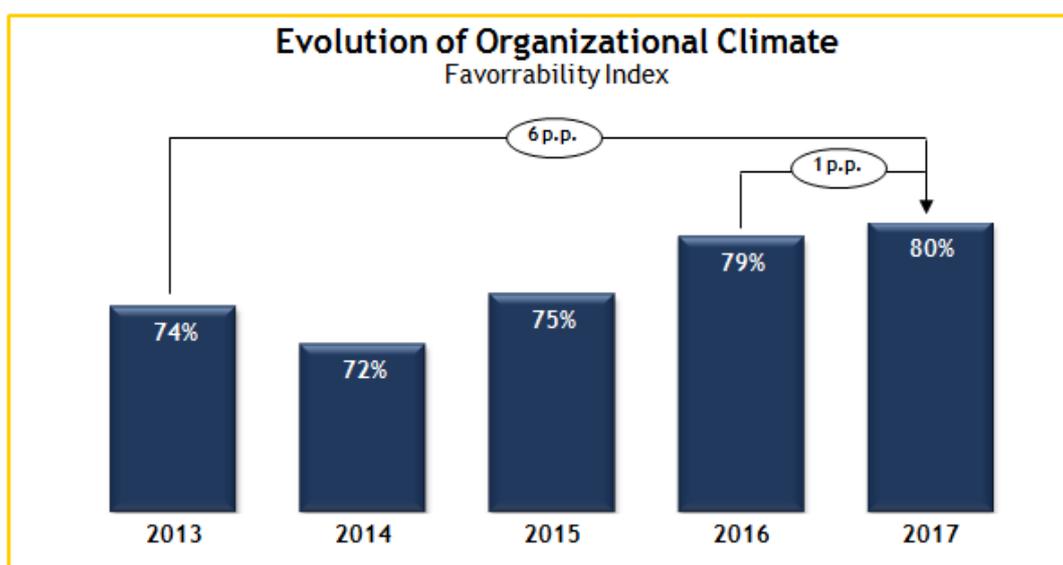
Key investments are as follows:

- **Expansion of permanent way sections and yards:** In 2017, investments for servicing of transportation flows of the General Cargo group were continued, the following being finished: i) Expansion and automatization of signalization in lines of Santos-SP yard; ii) Expansion of Areas yard (Baixada Santista-SP); iii) Duplication of the section between Piaçaguera yard and TIPLAM - SP port terminal; and iv) Conclusion of duplication work of Perequê-Valongo - SP section.
- **Infrastructure reliability:** In order to maintain the strategy of mitigation of risks related to the permanent road reliability, the multiannual program of preventive interventions was continued. In 2017, 38 containment works, 14 interventions in bridges, and 2 works on tunnels were performed, in addition to building manholes and adapting guardrails.
- **Rolling Stock:** Fifteen AC-44 locomotives, which are more efficient and productive, were purchased, and 91 HAT wagons used in mineral transportation were transformed into HPT wagons, proper for grain transportation, aiming to increase the fleet for servicing agricultural products new demands.
- **Asset modernization:** Interventions in locomotives, wagons and railway network were maintained, which provided higher levels of reliability and, consequently, availability of assets, thus allowing greater efficiency and optimization of railway operations.

- **Technological Projects:** Automatic Engine Start Stop (AESS) project, started in 2016, is ongoing. Custom software configuration services were hired for 174 AC 44 and Dash 9 model locomotives, and software update for other 107 AC 44 locomotives, aiming to increase energy efficiency, reducing fuel consumption by reading analogue and digital variables monitored by sensors, which optimize shut on and down locomotive engines. In 2016, the material was purchased and, in 2017, 125 pieces of equipment were installed, the remaining left to be completed in 2018.

5. HUMAN RESOURCES

Continued efforts in building improvements in the work environment have provided good results in the “Climate Favorability”¹ category, scoring 80% in 2017.



MRS, at the end of 2017, with a total of 6,016 employees, 86% working on railway operations. Out of them, 56% were located in the State of Minas Gerais, 23% in Rio de Janeiro and 21% in São Paulo. The mean age of the work force is 36 and female participation has been growing up. Between 2010 and 2017 we leveled up in 92.1% the number of female employees, currently accounting for 10.6% of our staff, the highest level ever reached. Along the year, 497 people were promoted, representing an increase of 85%, confirming our policy of valuing of employees.

¹ The Climate Survey involves every employee, who answers to 64 questions on the subjects: Identity, Leadership, Satisfaction/Motivation and Learning/Development.

HR Development

MRS is still investing in training, education, improvement, and specialization of its employees. In 2017, operational and personal safety trainings were administered by Academy MRS, in addition to courses for education and improvement of activities performed in all the several positions. These trainings were available to most employees, with an average course load of 44 hours/class for each student/employee.

MRS's employees have also the Education Incentive Program, in which MRS pays part of the monthly fees of training and improvement courses, such as undergraduate, graduate, technical education and language courses. In 2017, 340 employees completed their studies or continued them through this program.

In 2017, Academy MRS in collaboration with other institutions also taught the following courses:

Course/Training	Institution	Number of Students
Railway Operation Training	Academy MRS and Senai	168
Specialization in the rail freight	Academy MRS and Instituto Militar de Engenharia	21
Industrial learning	Academia MRS, Pronatec and Educamais	460

7. SOCIAL RESPONSIBILITY

Relationship between Public Administration and People

In 2017, MRS expanded its relationship actions with inhabitants surrounding the railway ("surrounding communities" or "community") through partnerships with leaders and Municipal Governments. The main interface between the communities and MRS happens from the work of Regional Committees, which conduct discussions between the Company and leaders and residents in order to find solutions to mitigate rail operation impacts in these communities. The interface between the Company and Municipal Governments also aims at

finding shared solutions to improve the spaces around the railway. In 2017, these actions lead to the building and revitalization of leisure areas in several cities of the States of Minas Gerais, São Paulo, and Rio de Janeiro.

In addition to the consistent role of Regional Committees, the process of relationship with the communities also includes holding some events, namely, "*Espaço Aberto: MRS e Comunidade*" (Open Space: MRS and the Community). In these events, held every year, Company presents a set of actions and investments to the main leaders of the community, Public Administration and City Council representatives of the cities, aiming to minimize impacts of our operations and enrich the relationship. In 2017, this event was held in 5 different locations, gathering approximately 250 community leaders.

Actions for Accident Prevention

In 2017, MRS expanded all community actions to inform and promote public awareness on rail accident risks.

The community actions promoted by the Company reached about 3 thousand people, among adults, children and teenagers. To expand the coverage of these actions, the Company involved partner institutions in sociocultural and sports projects, in which it is estimated that other 50 thousand people were informed on accident risks. In addition, MRS also used media channels, such as TV, newspapers, radio and social media, to promote several awareness campaigns on accidents.

As a result of these actions and campaigns, in 2017, MRS managed to reduce by 3.0% the number of accidents involving communities, compared to 2016.

Social, Cultural and Sport Projects

Using the Childhood and Adolescence Fund (FIA), MRS supported 14 Municipal Councils for the Rights of Children and Adolescents, benefiting a number of projects, in addition to 9 Municipal Councils for the Rights of the Elderly. The Company also sponsored 13 cultural projects and 2 sport projects through Rouanet Law and Sports Incentive Law. Sociocultural and sports investments accounted R\$ 8.5 million in 2017.

8. HEALTH, ENVIRONMENT, AND SAFETY

HEALTH

Along 2017, multiple programs focused on the health of our employees and their families were done, namely:

- **Prevention Program against Abuse of Alcohol and Other Drugs - PPAD:** The program aims to ensure a safe working environment, based on support to the health of our employees, as well as warning them about the effects of abusive use of alcohol and other drugs.
- **Life Quality Campaigns:** They encourage actions that contribute to better quality of life and health care. These campaigns totaled 67 actions held along 2017, approaching topics as “Outubro Rosa” (Pink October), “Novembro Azul” (Blue November), “Dezembro Vermelho” (Red December), dengue, DST’s, smoking, among others. Among these 67 actions, 35 were performed as annual meetings of “Perfil Saúde” (Health Profile) group, which acts with employees needing change of habits for a healthier life.
- **PCA - Hearing Conservation Program:** The program seeks the prevention of hearing system damages by performing, every month, audiometric tests and referring all the employees with changes in these tests to specialized service.
- **Vaccination Campaign for Employees and Dependents - H1N1:** In 2017, 5,800 people, among employees and relatives, were vaccinated.

ENVIRONMENT

In 2017, MRS conducted its activities ensuring compliance with legislation, applicable regulations and other requirements, in order to preserve the environment, in full compliance with all environmental programs relating to the conditions of its Operating License for the railway network and the determinants of the Operating Licenses for the workshops.

The main environmental programs administered in 2017 are mentioned below:

- **Management of Solid Waste Program:** MRS reduced by 25.5% the final disposition of waste in 2017, when compared to 2016.
- **Environmental Education Program:** Activities performed by the Company to promote environmental education and awareness, such as lectures, door-to-door activities, educative blitz, among others. In the railway surrounding communities’ scope, in 2017, 119 activities were performed, reaching 4,531 people, among children, teenagers and adults. In the Company, the program targeted more than 2,000 insured employees of the maintenance workshops and permanent road, through 245 activities approaching the main environmental topics related to sustainability and good practices in their daily work activities.

- **Programa caminhos verdes (Green Paths Program):** In 2017, over 13 thousand tree seedlings were planted in Parque Municipal da Lajinha, located at Juiz de Fora - MG, equivalent to a planted area of about 8 soccer fields.

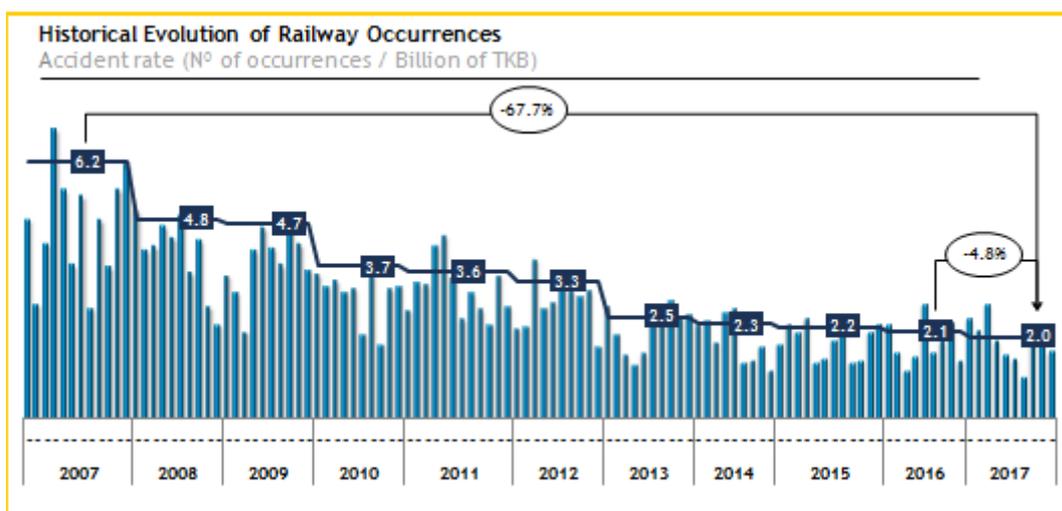
In addition to these programs, in 2017, 15 thousand m² of degraded area were recovered in the state of Minas Gerais.

The Operating License of the Workshop Complex of Barra do Piraí-RJ was also renewed for more 10 years, comprised of the weld workshops, wagons maintenance, locomotives maintenance, and permanent road equipment maintenance.

SAFETY

Operational Safety

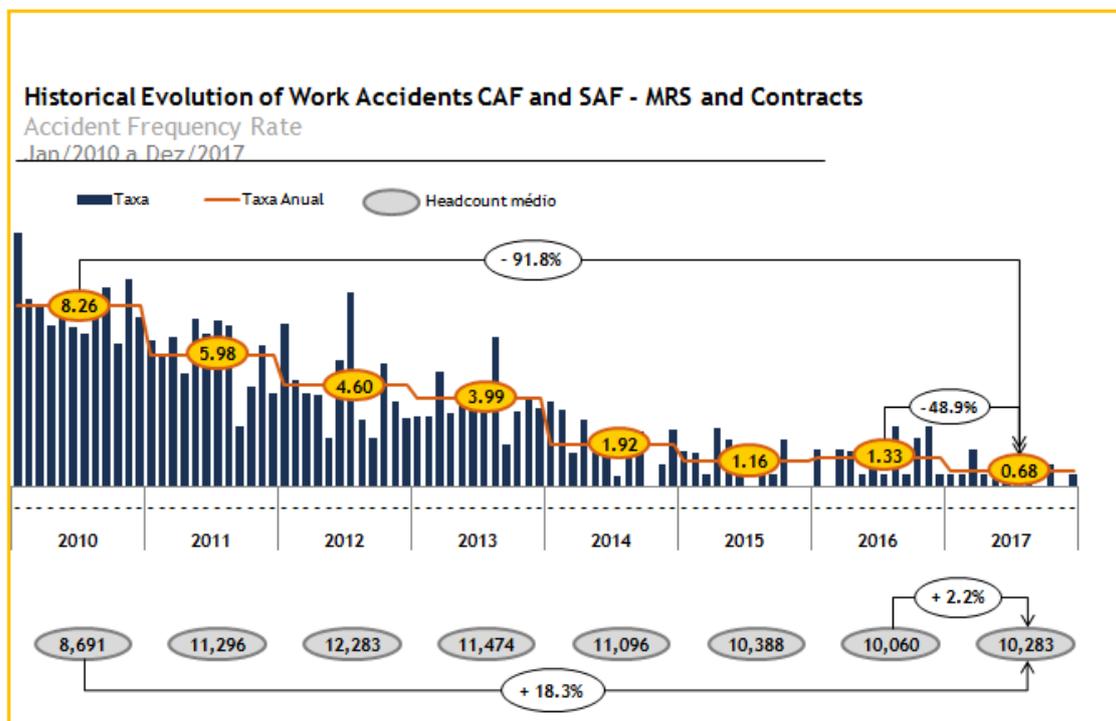
Operational safety indicators of MRS have evolved significantly over recent years. The rate of railway incidents (weighted number of incidents per gross ton shipped) decreased in 4.8% against 2016, from a rate of 2.1 incidents per billion of TKB (ton/gross kilometer) to 2.0. This number includes incidents with direct participation of MRS (related to failures in the operation and maintenance), in addition to incidents in client operation, other railways and communities (run over and collision).



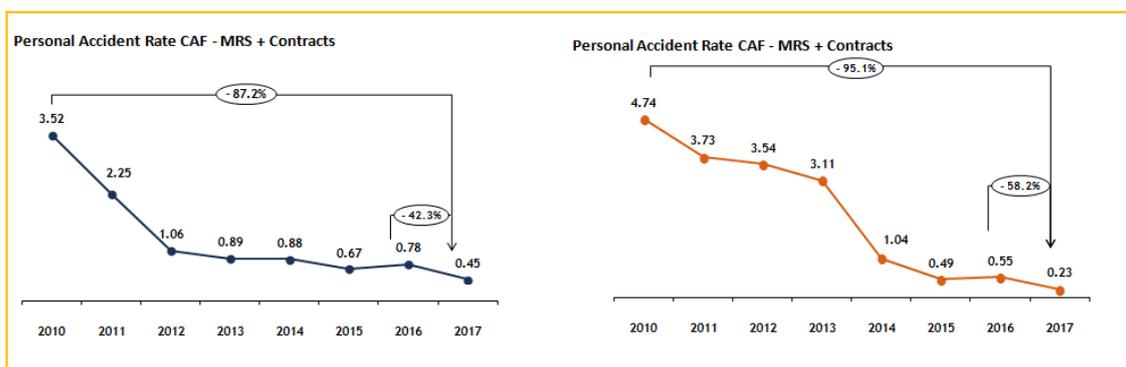
Occupational Safety

The accident frequency rate of 2017 with insourced and outsourced employees, with or without absence, was 0.68, a decrease of 48.9% in relation to 2016, the best result since 2010. Contractors decreased by 70.0% the number of personal accidents compared to 2016

and accomplished 195 days without typical accidents. The number of accidents with insured employees also decreased by 37.0% when compared to the previous year. From 2010 to 2017, MRS decreased by 91.8% the total number of typical personal accidents, despite the 18.3% headcount increase.



When assessed only the accidents with absence, considering insured and outsourced employees, the decrease was also expressive during: 2017, the rate was 0.45 - 42.3 lower than in 2016 -, and 87.2% lower than the rate registered in 2010.



Also, personal accidents without absence rate significantly improved, going from 0.55, in 2016, to 0.23, in 2017, a decrease of 58.2%. A drop of 95.1% was checked in comparison to 2010.

Safety Programs:

In 2017, several actions were held aiming to strengthen the safety in MRS, especially:

- **Mapping of Critical Activities:** System for identification and monitoring of risk factors related to railway operation, which has been implemented in the Engineering and Maintenance Department and Operations Board. In 2017 cycle, more than 70 preventive actions were generated for follow-up, and 172 actions from previous cycles were concluded.
- **Task Observation Program:** Behavior audit program for control of risks due to operating failures. It is a prevention tool with emphasis in identifying conduct deviations of safety when performing procedure activities and in improving through feedbacks of the pointed deviations. The purposes of the program are to mitigate risks when performing operating activities, verify the improvement need, prevent accidents and incidents that threaten the physical integrity of the employees and assets of the company.
- **Safety Program in Terminals (PST):** Audit program with emphasis on operating routines and permanent road condition in client terminals where MRS works. In 2017, 1,500 inspections were held in 147 different terminals.
- **Annual Audit Program SMS:** Deployed in 2017, the purpose of this program is to evaluate application of MRS's Safety Management Model in operating areas, through interviews with managers and their teams, besides to gathering evidence. Diagnoses are based on the cycle of continued improvement - planning, execution, control, and critical analysis. As soon as the reports are disclosed, managers are asked to create an action plan to treat the improvement points identified.
- **Communities Committee:** It is a group consisted of professionals of several areas of MRS, whose work is to fight run overs and collisions involving the community. Every semester, the committee executes the planning stage, defining the actions for the period, based on stratification of accidents and identification and monitoring of risk factors associated with these incidents. Along 2017 cycle, over 400 actions were generated. Additionally, immersions in 14 critical cities were made, aiming to find specific solutions to the region. Also, weekly meetings for control and follow-up were held.
- **Cameras at PNs:** Used to record images of recklessness of walkers and drivers, these cameras in the level walkways generate images that are recorded and used in run over and collision investigations, as well as disclosed in the media as a manner of community awareness.
- **Practical Daily Safety Dialog (DSD):** Simulation of a certain activity that poses risks to employees. The doubts are clarified at the time of the presentation, making the

communication clearer and more direct. Among 2,737 DDSs held along 2017, 207 were practical DDS.

- **Planned Inspections:** Audits aiming to evaluate the environment and workspace conditions and documents related to safety processes. IN 2017, 1,204 inspections were performed, generating over 6 thousand improvement actions.
- **Meetings with Contractors:** The objective is to present the indicators, the results of audits, investigations of accidents and best practices of service providers of MRS. In 2017, a conformity rate of 97.5% was obtained for audited contracts.
- **Safety Blitz:** Intended to regularly verify physical conditions, machinery and equipment, training and qualifications of employees. Along 2017, 28 safety blitzes were held.

Accident Prevention Goal

The accident prevention goal agreed with the National Land Transport Agency - ANTT - was fulfilled, with 22.64% below the rate established for 2017 (7.28 accidents/million.train.km against a goal of 9.40). This result is due, mainly, to investments in operational safety and continuous work of the campaigns implemented by MRS on public prevention and awareness to reduce the number and severity of rail accidents.

9. STRATEGIES & PERSPECTIVES

As already followed and disclosed, the strategy of bigger mining of prioritizing products with higher margins is firmly established. MRS, highly related to this segment, keeps its position, ensuring investments to sustain production, maintenance of its safety and availability indexes, as well as the increasing in cost efficiency.

For other segments, mainly associated with the domestic market, in 2017, a growth was observed - especially in the fourth quarter - which may continue in 2018, especially in steel and container sector. Therefore, we keep aiming to increase yield with better use of locomotives and wagons, among other initiatives. Focus is optimizing investments with improving processes, pursuing a highest competition.

We keep our commitment to production indexes required by Conceding Power throughout all network sections, as well as the maintenance of operational safety level. Therefore, the associated investments are kept.

Regarding the process of anticipated renewal of the current concession for more 30 years, ending on November 2026, MRS filed the Business Plan in April 2017, under the terms and conditions established by the Conceding Power and, since then, negotiations are being conducted with National Land Transport Agency, company responsible for the technical analysis of the said plan, continuing during 2018.

10. INDEPENDENT AUDITORS

Along the ended fiscal year of 2017, PricewaterhouseCoopers Independent Auditors provided audit services on annual statutory financial statements and quarterly reviews.

In compliance with CVM Instruction 381/2003, which addresses the provision of other services by the independent auditors, the Company informs that there are no other services provided by this audit except those mentioned above.

11. OTHER CONCERNS

FACULTATIVE PURCHASE OF DEBENTURES FROM THE 6th ISSUE

On December 27, 2017, the Company repurchased 27,180 6th issue debentures, equivalent to 90.6% of a total of 30,000 papers issued; the value is equal to the value in the curve.

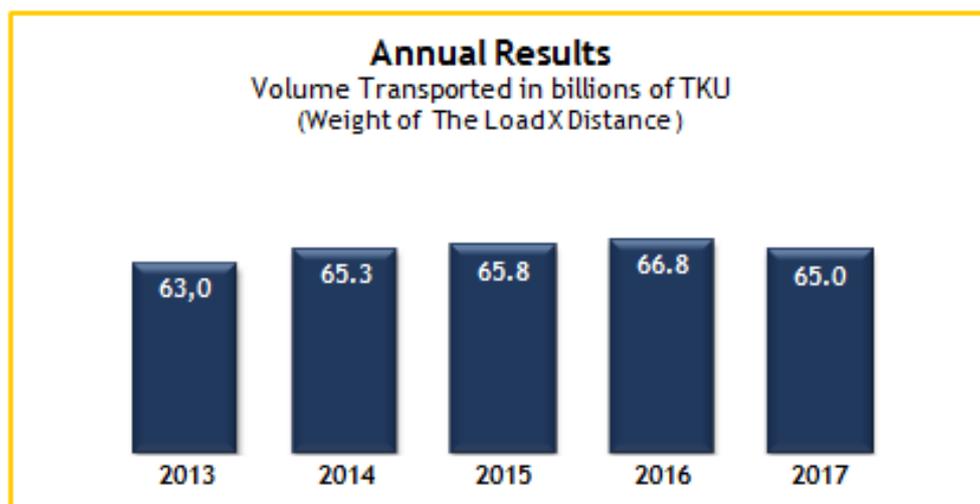
This repurchase was held in the scope of the Company's 8th issue of debentures, in which an exclusive series, 3rd series, was offered to debenture holders of the 6th issue. In a Tender Offer structure, Company committed to repurchase the papers of the 6th issue of the debenture holders of 6th issue which registered investment order in the 3rd series of the 8th issue of debentures.

Debentures from 6th issue repurchased by the Company were place in treasury and are in cancelling process with the bookkeeping bank.

Debentures from 6th and 8th issue of the Company are simple, non-convertible in shares, unsecured, issued via CVM Instruction #476/09.

For additional information on Company's debentures issue, consult Loans and Financing explanatory notes of the Financial Statements.

12. CONSOLIDATED TABLES: FINANCIAL AND OPERATING OUTCOMES



Transported Volume - TU Millions	4Q17	3Q17	4Q16	2017	2016
Mining	27,837	29,814	29,882	116,867	124,000
Iron One	24,030	26,017	25,826	101,819	109,014
Domestic Market	3,807	3,797	4,056	15,048	14,986
Agricultural Products	9,427	10,077	5,408	35,327	27,412
Corn	5,405	5,904	1,184	12,125	6,462
Sugar	2,758	2,897	3,223	10,009	10,553
Soy	237	383	201	9,403	7,152
Soybean Meal	1,027	893	800	3,790	3,245
Steel Products	1,747	1,640	1,536	6,208	5,231
Coal and Coke	870	631	743	3,159	2,214
Container	413	503	445	1,841	1,780
Cement	365	415	503	1,561	2,355
Bauxite	190	217	194	780	856
Others	1,459	1,426	1,207	5,225	4,805
Total	42,308	44,723	39,919	170,968	168,653
Rate R\$/TU (Average)	23.7	22.3	22.6	22.7	21.6

Capex - R\$ Millions	4Q17	3Q17	4Q16	2017	2016
Current	183.6	132.8	145.0	553.4	470.0
Improvements	7.9	4.6	31.6	17.1	47.3
Expansion	46.5	41.5	31.9	181.3	70.3
Total	238.0	178.9	208.5	751.8	587.6
Headcount (Ende of Period)	6,016	6,078	6,081	6,016	6,081
Locomotives in Use (Avarage)	536	548	553	536	557

Income Statement - R\$ Millions	4Q17	3Q17	4Q16	2017	2016
Net Revenue	904.0	896.5	809.9	3,492.8	3,279.4
Costs of Provided Services	(471.4)	(431.4)	(434.6)	(1,755.4)	(1,668.5)
(=) Gross Profit	432.6	465.1	375.3	1,737.4	1,611.0
Income (Expenses)	(134.3)	(55.8)	(62.8)	(268.0)	(140.7)
Sales Expenses	(3.3)	(2.9)	48.2	(11.7)	38.0
General and Administrative Expenses	(54.8)	(40.9)	(55.8)	(181.1)	(195.2)
Other Operating Income	52.6	14.2	75.9	183.1	307.6
Other Operating Expenses	(128.7)	(26.2)	(131.1)	(258.2)	(291.1)
(=) EBITDA	298.4	409.3	312.5	1,469.5	1,470.2
Depreciation/ Amortization	(144.1)	(142.1)	(143.8)	(566.9)	(559.8)
(=) Operating Income Before Financial Effects	154.2	267.2	168.7	902.6	910.5
Financial Income	25.0	55.4	66.7	130.4	343.2
Financial Expenses	(64.5)	(100.2)	(132.4)	(317.7)	(592.5)
(=) Income Before Income Tax and Social	114.7	222.4	102.9	715.3	661.2
IR/CS Current/Deferred	(46.7)	(77.0)	(48.9)	(254.0)	(243.6)
(=) NET INCOME	68.0	145.4	54.0	461.2	417.6

Balance Sheet - R\$ Million								
ASSETS	2017	3Q17	2016	LIABILITIES	2017	3Q17	2016	
CURRENT				CURRENT				
Cash and Bank	422.8	532.8	296.1	Labor Express	163.9	143.4	153.7	
Restricted Cash	62.2	52.4	43.1	Suppliers	221.0	167.5	222.8	
Accounts Receivable	25.8	25.4	28.7	Liabilities with Related Parties	39.5	20.9	3.0	
Accounts Receivable with Related Parties	252.8	125.5	144.1	Income Tax and Social Contribution	131.0	107.4	129.6	
Other Accounts Receivable	3.0	1.3	8.9	Taxes Obligations	28.8	28.7	23.7	
Stocks	85.3	106.4	91.9	Loans and Financing	672.3	750.2	628.6	
Recoverable Taxes	96.1	91.1	107.9	Derivative Financial Instruments	10.1	12.6	24.9	
Prepaid Expenses	17.6	20.8	24.7	Payable Dividends	109.6	198.4	39.3	
Derivative Financial Instruments	33.6	34.5	-	Payable Concessions and Lease	67.1	67.0	67.8	
Other Current Assets	14.3	14.3	7.5	Client Advances	2.2	3.3	3.0	
Total Current Assets	1,020.6	1,004.6	758.8	Provisions	30.6	26.7	24.7	
NOT CURRENT				Other Obligations	3.1	8.2	3.5	
Long term Receivables				Other current liabilities	8.8	-	-	
Restricted Cash	1.7	-	-	Total Current Liabilities	1,494.2	1,550.2	1,393.8	
Accounts Receivable with Related Parties	145.1	145.1	154.6	NOT CURRENT				
Others Accounts Receivable	54.0	52.3	50.0	Long-term liabilities				
Prepaid Expenses	151.3	152.8	160.1	Loans and Financing	2,056.5	1,907.7	2,176.4	
Recoverable Taxes	43.2	49.2	59.5	Suppliers	38.9	39.5	18.5	
Derivative Financial Instruments	35.3	24.6	85.2	Related Party Liabilities	14.6	15.5	16.3	
Others not-current Assets	104.1	101.6	88.9	Payable Concessions and Lease	60.8	62.4	68.4	
Immobilized	6,234.5	6,202.6	6,179.5	Client Advances	-	0.4	0.4	
Intangible	42.3	30.6	35.9	Diferred Taxes	235.6	249.5	270.2	
Total not-current Assets	6,813.3	6,759.5	6,813.7	Provisions	375.1	338.7	322.7	
TOTAL Assets	7,833.9	7,764.1	7,572.8	Other Payable Accounts	3.0	3.1	3.4	
				Total Long term Liabilities	2,784.4	2,616.7	2,876.2	
				TOTAL LIABILITIES	4,278.6	4,167.0	4,270.0	
				STOCKHOLDERS EQUITY				
				Capital Stock	1,537.4	1,537.4	1,487.8	
				Reserve Allocation for Capital	121.1	-	109.6	
				Profit Reserves	1,828.0	1,537.4	1,696.5	
				Legal Reserve	269.3	246.2	246.2	
				Investment Reserve	1,449.2	1,351.1	1,351.1	
				Prepared Additional Dividend	109.5	-	99.2	
				Accumulated Profit	-	393.2	-	
				Equity valuation adjustments	8.3	3.2	8.3	
				Total Stockholders Equity	3,555.3	3,597.2	3,302.8	
				TOTAL LIABILITIES and STOCKHOLDERS	7,833.9	7,764.1	7,572.8	

Investor Relations

Finance General Manager
Felipe Perecmanis
Email: felipe.perecmanis@mrs.com.br

Financial & Investor Relations Manager
Diogo Rocha
Email: diogo.rocha@mrs.com.br

Phone: (21) 2559-4660

Bookkeeping

Bank Bradesco S.A.
Phone: (11) 3684-3749
Email: 4010.acoes@bradesco.com.br

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