Condensed Consolidated Interim Financial Information

Wilson Sons Limited

31 March 2017
with Independent Auditor’s Review Report on the Condensed Consolidated Interim Financial Information

Wilson Sons Limited

Condensed consolidated interim financial information

31 March 2017

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Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors and Shareholders' of
Wilson Sons Limited
Hamilton, Bermuda

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Wilson Sons Limited (the "Company") as of March 31, 2017 and the related condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards IAS 34 "Interim Financial Reporting".

Other matters

The consolidated financial statements for the year ended December 31, 2016, whose consolidated statement of financial position is presented for comparison purposes, were audited by other independent auditors who issued an unmodified auditor's report thereon dated March 23, 2017. Additionally, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2016 were reviewed by other independent accountants, who issued an unmodified review conclusion report dated May 10, 2016.

Rio de Janeiro, May 15, 2017.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/F-6

Paulo José Machado
Accountant CRC-1RJ61469/O-4

Wilson Sons Limited

Condensed consolidated interim statements of profit or loss and other comprehensive income
For the three-month period ended 31 March 2017 and 2016 *(Unaudited)*
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Notes	31/03/2017 US$	31/03/2016 US$	31/03/2017 R$	31/03/2016 R$
Revenue	4	117,753	101,710	370,009	396,756
Raw materials and consumables used		(8,938)	(8,963)	(28,092)	(34,864)
Employee charge and benefits expense	5	(40,969)	(30,305)	(128,741)	(118,064)
Depreciation and amortisation expenses		(14,427)	(11,374)	(45,342)	(44,400)
Other operating expenses	6	(32,475)	(27,931)	(102,025)	(108,887)
Profit (loss) on disposal of property, plant and equipment		142	(142)	443	(590)
Results from operating activities		21,086	22,995	66,252	89,951
Share of result of joint ventures	23.2	246	251	788	430
Finance income	7	3,686	9,651	11,716	35,712
Finance costs	7	(3,777)	(3,843)	(11,937)	(14,690)
Exchange gain on translation	7	2,748	4,180	8,850	14,980
Profit before tax		23,989	33,234	75,669	126,383
Income tax expense	8	(9,069)	(11,282)	(28,418)	(43,915)
Profit for the period		14,920	21,952	47,251	82,468
Profit for the period attributable to:					
Owners of the Company		14,536	21,927	46,051	82,365
No-controlling interests		384	25	1,200	103
		14,920	21,952	47,251	82,468
Other comprehensive income					
Items that will never affect profit or loss					
Exchange differences on translation		5,879	15,283	(27,745)	(96,337)
Items that are or may be reclassified to profit or loss					
Effective portion of changes in fair value of cash flow hedges		369	328	1,165	1,009
Total comprehensive income for the period		21,168	37,563	20,671	(12,860)
Total comprehensive income for the period attributable to:					
Owners of the Company		20,728	37,474	19,349	(12,925)
Non-controlling interests		440	89	1,322	65
		21,168	37,563	20,671	(12,860)
Earnings per share from continuing operations					
Basic (cents per share)	21	20.43c	30.82c	64.73c	115.77c
Diluted (cents per share)	21	19.65c	29.71c	62.26c	111.62c

The accompanying notes are an integral part of the condensed consolidated interim financial information.

Wilson Sons Limited

Condensed consolidated interim statements of financial position
For the three-month period ended 31 March 2017 and year ended 31 December 2016
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Notes	31/03/2017	31/12/2016	31/03/2017	31/12/2016
		US$	US$	R$	R$
		(Unaudited)		(Unaudited)	
Assets					
Non-current assets					
Goodwill	9	31,164	30,607	98,740	99,751
Other intangible assets	10	30,622	30,444	97,023	99,220
Property, plant and equipment	11	664,829	646,922	2,106,444	2,108,383
Deferred tax assets	16	27,492	29,055	87,107	94,693
Investment in joint ventures	23.3	22,607	22,230	71,628	72,450
Other trade receivables	13	53,655	55,070	170,001	179,479
Other non-current assets		14,391	13,408	45,597	43,698
Total non-current assets		844,760	827,736	2,676,540	2,697,674
Current assets					
Inventories	12	18,682	15,427	59,192	50,278
Operational trade receivables	13	53,003	54,247	167,934	176,797
Other trade receivables	13	28,583	27,018	90,563	88,053
Short-term investments	14	35,900	37,400	113,746	121,890
Cash and cash equivalents	14	82,112	75,001	260,164	244,436
Total current assets		218,280	209,093	691,599	681,454
Total assets		1,063,040	1,036,829	3,368,139	3,379,128
Equity and liabilities					
Capital and reserves					
Share capital	21	9,905	9,905	26,815	26,815
Capital reserves		89,196	89,196	187,817	187,817
Profit reserve and derivatives		430	61	237	(928)
Share options		10,385	9,790	24,901	23,461
Retained earnings		477,630	463,094	1,108,155	1,062,104
Translation reserve		(50,505)	(56,328)	353,640	381,507
Equity attributable to owners of the Company		537,041	515,718	1,701,565	1,680,776
Non-controlling interests		1,210	770	3,832	2,510
Total equity		538,251	516,488	1,705,397	1,683,286
Non-current liabilities					
Bank loans	15	326,053	325,750	1,033,066	1,061,651
Deferred tax liabilities	16	49,261	48,974	156,079	159,611
Derivatives	25	751	1,182	2,380	3,852
Post-employment benefits	20.2	685	648	2,170	2,111
Provisions for tax, labour and civil risks	17	22,399	20,037	70,969	65,303
Obligations under finance leases	18	849	1,085	2,690	3,536
Total non-current liabilities		399,998	397,676	1,267,354	1,296,064
Current liabilities					
Operational trade payables	19	51,262	49,042	162,418	159,833
Other trade payables	19	16,478	18,621	52,210	60,687
Derivatives	25	687	712	2,178	2,322
Current tax liabilities		3,000	3,299	9,504	10,751
Obligations under finance leases	18	1,248	1,211	3,954	3,947
Bank loans	15	52,116	49,780	165,124	162,238
Total current liabilities		124,791	122,665	395,388	399,778
Total liabilities		524,789	520,341	1,662,742	1,695,842
Total equity and liabilities		1,063,040	1,036,829	3,368,139	3,379,128

The accompanying notes are an integral part of the condensed consolidated interim financial information.

Wilson Sons Limited

Condensed consolidated interim statements of changes in equity
For the three-month period ended 31 March 2017 and 2016 *(Unaudited)*
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

			Capital reserves										
	Notes	Share capital	Share premium	Others	Additional paid-in capital	Derivatives	Profit reserve	Share options	Retained earnings	Translation reserve	Attributable to owners of the Company	Non controlling interests	Total
		US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance at 1 January 2016	21	9,905	67,951	28,383	(2,010)	(3,471)	1,981	6,380	412,644	(88,851)	432,912	1,096	434,008
Profit for the period		-	-	-	-	-	-	-	21,927	-	21,927	25	21,952
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	366	-	-	-	-	366	(38)	328
Other comprehensive income		-	-	-	-	-	-	-	-	15,181	15,181	102	15,283
Total comprehensive income for the period		-	-	-	-	366	-	-	21,927	15,181	37,474	89	37,563
Share options		-	-	-	-	-	-	825	-	-	825	-	825
Purchase of non-controlling interest (Tecon SSA)	22	-	-	-	(5,128)	-	-	-	-	-	(5,128)	(271)	(5,399)
Balance at 31 March 2016	21	9,905	67,951	28,383	(7,138)	(3,105)	1,981	7,205	434,571	(73,670)	466,083	914	466,997
Balance at 1 January 2017	21	9,905	67,951	28,383	(7,138)	(1,920)	1,981	9,790	463,094	(56,328)	515,718	770	516,488
Profit for the period		-	-	-	-	-	-	-	14,536	-	14,536	384	14,920
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	369	-	-	-	-	369	-	369
Other comprehensive income		-	-	-	-	-	-	-	-	5,823	5,823	56	5,879
Total comprehensive income for the period		-	-	-	-	369	-	-	14,536	5,823	20,728	440	21,168
Share options		-	-	-	-	-	-	595	-	-	595	-	595
Balance at 31 March 2017	21	9,905	67,951	28,383	(7,138)	(1,551)	1,981	10,385	477,630	(50,505)	537,041	1,210	538,251

(Continues)

Wilson Sons Limited

Condensed consolidated interim statements of changes in equity
For the three-month period ended 31 March 2017 and 2016 *(Unaudited)*
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

			Capital reserves										
	Notes	Share capital	Share premium	Others	Additional paid-in capital	Derivatives	Profit reserve	Share options	Retained earnings	Translation reserve	Attributable to owners of the Company	Non controlling interests	Total
		R$	R$	R$	R$	R$	R$	R$	R$	R$	R$	R$	R$
Balance at 1 January 2016	21	26,815	136,396	76,018	(3,864)	(9,194)	3,342	15,346	891,601	553,977	1,690,437	4,279	1,694,716
Profit for the period		-	-	-	-	-	-	-	82,365	-	82,365	103	82,468
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	1,047	-	-	-	-	1,047	(38)	1,009
Other comprehensive loss		-	-	-	-	-	-	-	-	(96,337)	(96,337)	-	(96,337)
Total comprehensive income (loss) for the period		-	-	-	-	1,047	-	-	82,365	(96,337)	(12,925)	65	(12,860)
Share options		-	-	-	-	-	-	1,961	-	-	1,961	-	1,961
Purchase of non-controlling interest (Tecon SSA)	22	-	-	-	(20,733)	-	-	-	-	-	(20,733)	(1,090)	(21,823)
Balance at 31 March 2016	21	26,815	136,396	76,018	(24,597)	(8,147)	3,342	17,307	973,966	457,640	1,658,740	3,254	1,661,994
Balance at 1 January 2017	21	26,815	136,396	76,018	(24,597)	(4,270)	3,342	23,461	1,062,104	381,507	1,680,776	2,510	1,683,286
Profit for the period		-	-	-	-	-	-	-	46,051	-	46,051	1,200	47,251
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	1,165	-	-	-	-	1,165	-	1,165
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	(27,867)	(27,867)	122	(27,745)
Total comprehensive income for the period		-	-	-	-	1,165	-	-	46,051	(27,867)	19,349	1,322	20,671
Share options		-	-	-	-	-	-	1,440	-	-	1,440	-	1,440
Balance at 31 March 2017	21	26,815	136,396	76,018	(24,597)	(3,105)	3,342	24,901	1,108,155	353,640	1,701,565	3,832	1,705,397

The accompanying notes are an integral part of the condensed consolidated interim financial information.

Wilson Sons Limited

Condensed consolidated interim statements of cash flows
For the three-month period ended 31 March 2017 and 2016 *(Unaudited)*
(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted)

	Notes	31/03/2017	31/03/2016	31/03/2017	31/03/2016
		US$	US$	R$	R$
Net cash generated by operating activities	27	25,663	28,149	80,646	117,529
Cash flow from investing activities					
Interest received		1,917	1,907	6,019	7,575
Proceeds on disposal of property, plant and equipment		145	794	450	3,188
Purchases of property, plant and equipment		(7,552)	(21,520)	(24,702)	(81,531)
Other intangible assets		(710)	(1,733)	(2,236)	(6,934)
Short-term investment		1,500	(14,035)	4,718	(54,767)
Acquisition of non controlling interest		-	(1,855)	-	(7,500)
Net cash used in investing activities		(4,700)	(36,442)	(15,751)	(139,969)
Cash flow from financing activities					
Repayments of borrowings		(15,099)	(13,101)	(47,880)	(49,795)
Repayments of obligations under finance leases		(226)	(434)	(708)	(1,601)
Derivatives paid		(302)	(229)	(955)	(911)
New borrowings obtained		-	31	-	126
Net cash used in financing activities		(15,627)	(13,733)	(49,543)	(52,181)
Net increase (decrease) in cash and cash equivalents		5,336	(22,026)	15,352	(74,621)
Cash and cash equivalents at the beginning of the period		75,001	90,401	244,436	352,998
Effect of foreign exchange rate changes		1,775	8,379	376	(5,217)
Cash and cash equivalents at the end of the period		82,112	76,754	260,164	273,160

The accompanying notes are an integral part of the condensed consolidated interim financial information.

1. General information

Wilson Sons Limited (the "Group" or "Company") is a limited company incorporated in Bermuda under the Companies Act 1981. The address of the registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The Group is one of the largest providers of integrated port and maritime logistics and supply chain solutions in Brazil. With a business track record of over 180 years, the Company has developed an extensive national network and provides a comprehensive set of services related to domestic and international trade, as well as to the oil and gas industry. The Company's principal activities are divided into the following segments: towage and agency services, port terminals, offshore vessels, logistics and shipyards.

2. Significant accounting policies and critical accounting judgements

Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board - IASB.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to that used by the Company's management.

Basis of preparation

The condensed consolidated interim financial information is presented in US Dollars, which is the Company's functional currency, because that is the currency of the primary economic environment in which the Group operates. Entities with a functional currency other than US Dollars are included in accordance with the accounting policies described below. All financial information presented in dollar has been rounded to the nearest thousands, except when otherwise indicated.

These interim financial statements are presented in accordance with International Financial Reporting Standards IAS 34 "Interim Financial Reporting".

The condensed consolidated interim financial information has been prepared on the historical cost basis except for derivatives that are measured at fair values, as explained in the accounting policies.

The accounting policies and most significant judgments adopted by the Group's management were not modified in relation to those presented in the consolidated financial statements for the year ended 31 December 2016 approved on 23 March 2017.

As allowed by IAS 21 - The Effects of Changes in Foreign Exchange Rates, the Company also presents condensed consolidated interim financial information considering the Brazilian Real (R$) as presentation currency. The following procedures have been applied:

- Assets and liabilities for each statement of financial position presented have been translated at the closing, exchange rate at the date of that statement of financial position;

- Income and expenses for each statement of comprehensive income or separate income statement presented have been translated at average rate for the period, and

- All resulting exchange differences have been recognised as foreign currency translation in other comprehensive income.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Estimates
The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, significant judgments were made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2016.

3. Segment information

Reportable segments
For management purposes, the Group is currently organised into five reportable segments: towage and agency services, port terminals, offshore vessels, logistics and shipyards. These divisions are reported for the purposes of resource allocation and assessment of segment performance.

Finance costs relating to liabilities were allocated to reporting segments based on the loans taken to finance the acquisition or the construction of fixed assets in that segment. Finance income arising from bank balances held by Brazilian operating segments, including foreign exchange differences on such balances, were also allocated to the reporting segments.

Administrative expenses are presented as non-segment activities.

Segment information relating to these businesses is presented below:

	2017							
	Towage and agency services	Port terminals	Offshore	Logistics	Shipyard	Non segmented activities	Elimination	Consolidated
31 March 2017	US$	US$	US$	US$	US$	US$	US$	US$
(Three-month period ended)								
Revenue	51,149	47,488	-	12,912	6,544	-	(340)	117,753
Operating profit	16,223	13,543	-	(573)	(1,166)	(7,997)	1,056	21,086
Finance income	28	1,670	-	100	-	1,888	-	3,686
Finance costs	(1,824)	(1,933)	-	(38)	(205)	326	(103)	(3,777)
Operating profit adjusted by finance income and cost	14,427	13,280	-	(511)	(1,371)	(5,783)	953	20,995
Share of result of joint ventures	-	-	246	-	-	-	-	246
Exchange gain on translation	-	-	-	-	-	-	-	2,748
Profit before tax	-	-	-	-	-	-	-	23,989
Other information:								
Capital expenditures	(2,360)	(21,618)	-	(121)	(51)	(338)	-	(24,488)
Depreciation and amortisation	(6,650)	(5,734)	-	(419)	(698)	(926)	-	(14,427)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

	2016							
	Towage and agency services	**Port terminals**	**Offshore**	**Logistics**	**Shipyard**	**Non segmented activities**	**Elimination**	**Consolidated**
31 March 2016	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
(Three-month period ended)								
Revenue	51,930	34,334	-	10,582	14,948	-	(10,084)	101,710
Operating profit	19,786	8,482	-	620	(731)	(5,704)	542	22,995
Finance income	(5)	6,943	-	25	-	2,688		9,651
Finance costs	(1,513)	(2,817)	-	(77)	(223)	787	-	(3,843)
Operating profit adjusted by finance income and cost	18,268	12,608	-	568	(954)	(2,229)	542	28,803
Share of result of joint ventures	-	-	251	-	-	-	-	251
Exchange gain on translation	-	-	-	-	-	-	-	4,180
Profit before tax	-	-	-	-	-	-	-	33,234
Other information:								
Capital expenditures	(30,674)	(10,291)	-	(54)	(75)	(226)	-	(41,320)
Depreciation and amortisation	(5,164)	(4,439)	-	(332)	(27)	(1,412)	-	(11,374)

	2017							
	Towage and agency services	**Port terminals**	**Offshore**	**Logistics**	**Shipyard**	**Non segmented activities**	**Elimination**	**Consolidated**
31 March 2017	**R$**	**R$**	**R$**	**R$**	**R$**	**R$**	**R$**	**R$**
(Three-month period ended)								
Revenue	160,706	149,222	-	40,589	20,570	-	(1,078)	370,009
Operating profit	50,875	42,585	-	(1,771)	(3,660)	(25,085)	3,308	66,252
Finance income	89	5,373	-	315	-	5,939	-	11,716
Finance costs	(5,732)	(6,217)	-	(119)	(645)	1,097	(321)	(11,937)
Operating profit adjusted by finance income and cost	45,232	41,741	-	(1,575)	(4,305)	(18,049)	2,987	66,031
Share of result of joint ventures	-	-	788	-	-	-	-	788
Exchange gain on translation	-	-	-	-	-	-	-	8,850
Profit before tax	-	-	-	-	-	-	-	75,669
Other information:								
Capital expenditures	(7,451)	(67,417)	-	(377)	(161)	(1,062)	-	(76,468)
Depreciation and amortisation	(20,902)	(18,018)	-	(1,317)	(2,193)	(2,912)	-	(45,342)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

	2016							
	Towage and agency services	**Port terminals**	**Offshore**	**Logistics**	**Shipyard**	**Non segmented activities**	**Elimination**	**Consolidated**
31 March 2016	**R$**	**R$**	**R$**	**R$**	**R$**	**R$**	**R$**	**R$**
(Three-month period ended)								
Revenue	202,602	133,820	-	41,426	57,187	-	(38,279)	396,756
Operating profit	77,200	33,100	-	2,588	(3,257)	(22,174)	2,494	89,951
Finance income	(19)	25,122	-	94	-	10,515	-	35,712
Finance costs	(5,919)	(10,728)	-	(300)	(873)	3,130	-	(14,690)
Operating profit adjusted by finance income and cost	71,262	47,494	-	2,382	(4,130)	(8,529)	2,494	110,973
Share of result of joint ventures	-	-	430	-	-		-	430
Exchange gain on translation	-	-	-	-	-		-	14,980
Profit before tax	-	-	-	-	-		-	126,383
Other information:								
Capital expenditures	(111,729)	(40,854)	-	(248)	(204)	(891)	-	(153,926)
Depreciation and amortisation	(20,185)	(17,308)	-	(1,299)	(89)	(5,519)	-	(44,400)

Geographical information

The Group's operations are mainly located in Brazil where it earns income and incurs expenses. The Group earns income on cash and cash equivalents and short-term investments in Bermuda and in Brazil. The Group, through its participation in an Offshore Vessel Joint Venture in Panama, earns income in that country and in Uruguay.

4. Revenue

The following is an analysis of the Group's revenue from continuing operations for the year (excluding investment income - Note 7).

	31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
	US$	**US$**	**R$**	**R$**
Sales of services	111,535	96,846	350,475	377,848
Revenue from construction contracts	6,218	4,864	19,534	18,908
Total	117,753	101,710	370,009	396,756

5. Employee charges and benefits expenses

	31/03/2017	**31/03/2016**	**31/03/2017**	**31/03/2016**
	US$	**US$**	**R$**	**R$**
Salaries and benefits	(33,472)	(24,849)	(105,202)	(96,923)
Payroll taxes	(6,602)	(4,417)	(20,722)	(17,082)
Pension costs	(300)	(214)	(942)	(836)
Long-term incentive plan	(595)	(825)	(1,875)	(3,223)
Total	(40,969)	(30,305)	(128,741)	(118,064)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

6. Other operating expenses

	31/03/2017 US$	31/03/2016 US$	31/03/2017 R$	31/03/2016 R$
Service cost	(8,237)	(6,858)	(25,878)	(26,715)
Rent of tugs	(5,105)	(6,693)	(16,029)	(26,174)
Container handling	(4,958)	(3,149)	(15,590)	(12,248)
Energy, water and communication	(3,638)	(3,391)	(11,422)	(13,217)
Other rentals	(3,261)	(2,964)	(10,263)	(11,464)
Freight	(2,482)	(1,873)	(7,798)	(7,339)
Other taxes	(1,679)	(1,519)	(5,288)	(5,952)
Insurance	(1,092)	(848)	(3,429)	(3,313)
Other expenses	(2,023)	(636)	(6,328)	(2,465)
Total	(32,475)	(27,931)	(102,025)	(108,887)

7. Finance income and finance costs

	31/03/2017 US$	31/03/2016 US$	31/03/2017 R$	31/03/2016 R$
Interest on investments	1,841	2,349	5,795	9,172
Exchange gain on loans	1,649	6,938	5,307	25,104
Other interest income	196	364	614	1,436
Total finance income	3,686	9,651	11,716	35,712
Interest on bank loans	(3,340)	(2,661)	(10,496)	(10,364)
Exchange loss on investments	(188)	(972)	(660)	(3,487)
Interest on obligations under finance leases	(82)	(107)	(258)	(417)
Total bank and investment costs	(3,610)	(3,740)	(11,414)	(14,268)
Other interest	(167)	(103)	(523)	(422)
Total finance costs	(3,777)	(3,843)	(11,937)	(14,690)
Exchange gain on translation	2,748	4,180	8,850	14,980

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

8. Income tax expense

Income tax recognised in profit or loss:

	31/03/2017 US$	31/03/2016 US$	31/03/2017 R$	31/03/2016 R$
Current				
Brazilian taxation				
Income tax	(5,044)	(6,949)	(15,817)	(27,002)
Social contribution	(2,297)	(2,568)	(7,201)	(9,965)
Total Brazilian current tax	(7,341)	(9,517)	(23,018)	(36,967)
Deferred tax				
Total deferred tax	(1,728)	(1,765)	(5,400)	(6,948)
Total income tax expense	(9,069)	(11,282)	(28,418)	(43,915)

Brazilian income tax is calculated at 25% of the taxable profit for the period. Brazilian social contribution taxis calculated at 9% of the taxable profit for the period.

The income tax expense for the year can be reconciled to the accounting profit as follows:

	31/03/2017 US$	31/03/2016 US$	31/03/2017 R$	31/03/2016 R$
Profit before tax	23,989	33,234	75,669	126,383
Tax at the standard Brazilian tax rate (34%)	(8,156)	(11,300)	(25,727)	(42,970)
Deferred tax items not included in determining taxable profit				
Retranslation of non-current asset valuation	3,718	9,749	11,929	35,978
Exchange variance on loans	(2,732)	(7,266)	(8,775)	(26,557)
Tax effect of subsidiary losses not recognised in deferred tax assets	(2,616)	(1,828)	(8,288)	(6,507)
Total deferred tax	(1,630)	655	(5,134)	2,914
Income/(expenses) not included in determining taxable profit				
Tax effect of foreign exchange gain or loss on monetary items	934	1,421	3,009	5,093
Tax effect of share of results of joint ventures	84	85	269	146
Others	(101)	(1,447)	(208)	(6,504)
Income/(expenses) incurred outside of Brazil				
Share option scheme	(203)	(280)	(637)	(1,095)
Effect of different tax rates in other jurisdictions	3	(416)	10	(1,499)
Income tax expense	(9,069)	(11,282)	(28,418)	(43,915)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

9. Goodwill

	31/03/2017	31/12/2016
	US$	US$
Cost and carrying amount attributed to:		
Brasco	16,274	15,821
Tecon Rio Grande	12,410	12,306
Tecon Salvador	2,480	2,480
Total	31,164	30,607

	31/03/2017	31/12/2016
	R$	R$
Cost and carrying amount attributed to:		
Brasco	51,561	51,561
Tecon Rio Grande	39,321	40,107
Tecon Salvador	7,858	8,083
Total	98,740	99,751

The goodwill associated with each cash-generating unit (Brasco, Tecon Salvador and Tecon Rio Grande) is attributed to the Terminals segment.

As part of the annual impairment test, the carrying value of goodwill has been assessed with reference to its value in use reflecting the projected discounted cash flows of each cash-generating unit to which goodwill has been allocated. The cash-flows are based on the remaining life of the concession. Future cash flows are derived from the most recent financial budget and for the period of concession remaining.

The key assumptions used in determining value in use relate to growth rate, discount rate, inflation and interest rate. Further projections include sales and operating margins, which are based on past experience, taking into account the effect of known or likely changes in market or operating conditions.

Each cash-generating unit is assessed for impairment annually and whenever there is an indication of impairment.

The estimated average growth rate used does not exceed the historical average for Tecon Rio Grande and Tecon Salvador. Growth rate of 3.7% above inflation has been estimated for Brasco, and a discount rate of 7.6% for all business units has been used. These growth rates reflect the products, industries and countries in which the businesses operate. These medium to long-term growth rates have been reviewed by management during the annual impairment test for 2016 and are considered to be appropriate for the period.

The Directors have considered the following individual sensitivities and are confident that no impairment would arise in any of the cash-generating units in any of the following two circumstances:

- If the discount rate was increased by 30%; or
- If the cash flow projections of all businesses were reduced by 30%.

After testing goodwill as mentioned above, no impairment losses were recognised for the periods presented.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

The goodwill of Tecon Rio Grande relates to both the acquisition of that subsidiary, and the merger of other subsidiaries with Tecon Rio Grande. As Tecon Rio Grande subsidiary has Brazilian Real as its functional currency, the part of the goodwill resulting from the merger of Tecon Rio Grande with other subsidiaries is subject to exchange rate effects.

10. Other intangible assets

	US$	R$
Cost		
At 1 January 2016	53,949	210,660
Additions	5,277	18,932
Disposals	(292)	(986)
Exchange differences	5,988	-
Foreign currency effect in respect of translation into Brazilian Real	-	(17,018)
At 31 December 2016	64,922	211,588
Additions	710	2,236
Disposals	(72)	(222)
Exchange differences	1,052	-
Foreign currency effect in respect of translation into Brazilian Real	-	(2,547)
At 31 March 2017	66,612	211,055
Accumulated amortisation		
At 1 January 2016	27,675	108,065
Charge for the year	5,248	18,305
Disposals	(291)	(983)
Exchange differences	1,846	-
Foreign currency effect in respect of translation into Brazilian Real	-	(13,019)
At 31 December 2016	34,478	112,368
Charge for the period	1,235	3,884
Disposals	(72)	(222)
Exchange differences	349	-
Foreign currency effect in respect of translation into Brazilian Real	-	(1,998)
At 31 March 2017	35,990	114,032
Carrying amount		
31 March 2017	30,622	97,023
31 December 2016	30,444	99,220

The breakdown of intangibles by type is as follows:

	31/03/2017 US$	31/12/2016 US$
Lease right - Brasco Caju	14,115	13,853
Lease right - Tecon Salvador	5,155	5,049
Computer software - SAP	1,403	1,970
Other computer software	9,766	9,371
Other intangibles	183	201
Total	30,622	30,444

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

	31/03/2017	31/12/2016
	R$	R$
Lease right - Brasco Caju	44,722	45,148
Lease right - Tecon Salvador	16,331	16,455
Computer software - SAP	4,445	6,421
Other computer software	30,943	30,541
Other intangibles	582	655
Total	97,023	99,220

In November 2016 the subsidiary Tecon Salvador S.A signed the second amendment to the terminal lease agreement, which extends the term of validity of lease until March 2050. Therefore, the amortisation expense for the lease right will be measured considering the validity of the lease contract (2050). Details are disclosed in Note 11.

11. Property, plant and equipment

	Land and buildings	Vessels	Vehicles, plant and equipment	Assets under construction	Total
	US$	US$	US$	US$	US$
Cost or valuation					
At 1 January 2016	255,694	392,157	177,187	29,326	854,364
Additions	7,259	29,874	36,602	23,406	97,141
Transfers	(187)	53,071	(152)	(52,732)	-
Exchange differences	38,581	-	30,148	-	68,729
Disposals	(209)	(17,227)	(9,811)	-	(27,247)
At 31 December 2016	301,138	457,875	233,974	-	992,987
Additions	1,058	1,528	20,478	714	23,778
Transfers	30	468	(87)	(411)	-
Exchange differences	6,814	-	5,475	-	12,289
Disposals	(6)	(1,284)	(652)	-	(1,942)
At 31 March 2017	309,034	458,587	259,188	303	1,027,112
Accumulated depreciation					
At 1 January 2016	63,596	139,831	93,752	-	297,179
Charge for the year	10,824	19,809	16,703	-	47,336
Elimination on construction contracts	-	1,068	-	-	1,068
Exchange differences	11,356	-	14,817	-	26,173
Disposals	(169)	(16,808)	(8,714)	-	(25,691)
At 31 December 2016	85,607	143,900	116,558	-	346,065
Charge for the period	2,578	6,211	4,403	-	13,192
Elimination on construction contracts	-	31	-	-	31
Exchange differences	2,121	-	2,813	-	4,934
Disposals	(6)	(1,284)	(649)	-	(1,939)
At 31 March 2017	90,300	148,858	123,125	-	362,283
Carrying amount					
31 March 2017	218,734	309,729	136,063	303	664,829
31 December 2016	215,531	313,975	117,416	-	646,922

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

	Land and buildings	Vessels	Vehicles, plant and equipment	Assets under construction	Total
	R$	R$	R$	R$	R$
Cost or valuation					
At 1 January 2016	998,434	1,531,293	691,884	114,512	3,336,123
Additions	24,852	104,322	128,890	84,506	342,570
Transfers	(736)	186,482	(412)	(185,334)	-
Disposals	(736)	(58,733)	(37,691)	-	(97,160)
Foreign currency effect in respect of translation into Brazilian Real	(40,375)	(271,107)	(20,125)	(13,684)	(345,291)
At 31 December 2016	981,439	1,492,257	762,546	-	3,236,242
Additions	3,332	4,813	63,814	2,273	74,232
Transfers	97	1,493	(277)	(1,313)	-
Disposals	(19)	(3,985)	(2,026)	-	(6,030)
Foreign currency effect in respect of translation into Brazilian Real	(5,705)	(41,589)	(2,847)	-	(50,141)
At 31 March 2017	979,144	1,452,989	821,210	960	3,254,303
Accumulated depreciation					
At 1 January 2016	248,332	546,009	366,086	-	1,160,427
Charge for the year	37,554	68,488	57,951	-	163,993
Elimination on construction contracts	-	3,952	-	-	3,952
Disposals	(577)	(57,137)	(33,851)	-	(91,565)
Foreign currency effect in respect of translation into Brazilian Real	(6,308)	(92,328)	(10,312)	-	(108,948)
At 31 December 2016	279,001	468,984	379,874	-	1,127,859
Charge for the period	8,103	19,521	13,834	-	41,458
Elimination on construction contracts	-	96	-	-	96
Disposals	(19)	(3,986)	(2,017)	-	(6,022)
Foreign currency effect in respect of translation into Brazilian Real	(979)	(12,972)	(1,581)	-	(15,532)
At 31 March 2017	286,106	471,643	390,110	-	1,147,859
Carrying amount					
31 March 2017	693,038	981,346	431,100	960	2,106,444
31 December 2016	702,438	1,023,273	382,672	-	2,108,383

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US$3.1 million (R$9.9 million) (2016: US$3.2 million (R$10.4 million)) in respect of assets held under finance leases.

Land and buildings with a net carrying amount of US$0.2 million (R$0.7 million) (2016: US$0.2 million (R$0.8 million)) and Plant and Equipment with a net carrying amount of US$0.3 million (R$1.0 million) (2016: US$0.3 million (R$1.0 million)) have been pledged as collateral for various tax lawsuits.

The Group has pledged assets with a carrying amount of approximately US$287.0 million (R$666.1 million) (2016: US$290.5 million (R$946.9 million)) to secure loans granted to the Group.

The amount of borrowing costs capitalised in 2017 is US$0.2 million (R$0.7 million) (2016: US$0.8 million (R$2.8 million)), at an average interest rate of 3.11% (2016: 3.12%).

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

In March 2017, the Group had contractual commitments to suppliers for the acquisition and construction of property, plant and equipment amounting to US$6.0 million (R$19.2 million) (2016: US$20.4 million (R$66.6 million)). The amount mainly refers to the expansion of Brasco Caju, investments in Tecon Salvador and Tecon Rio Grande.

In November 2016 the subsidiary Tecon Salvador S.A signed the second amendment to the terminal lease agreement, which extends the term of validity of lease until March 2050. According to management's expectation and technical evidence presented in a report prepared by a specialized engineer, the estimated useful lives of the quay, patio, administrative building, warehouse, electrical substation, office and storage building are higher than the lease contract termination. Therefore, the depreciation expense for the above mentioned assets will be measured considering the validity of the lease contract (2050). The useful life of the portainers is 20 years, according to management's expectation and builder's technical specifications. As a result of the above mentioned changes in estimated useful lives of Tecon Salvador assets, the depreciation expense of Tecon Salvador, on 31 December 2016, was US$4.0 million (R$13.8 million) (against US$4.5 million (R$15.6 million) that would have been recorded if the change had not occurred).

12. Inventories

	31/03/2017	**31/12/2016**
	US$	**US$**
Operating materials	10,611	10,278
Raw materials for construction contracts (external customers)	8,071	5,149
Total	18,682	15,427

	31/03/2017	**31/12/2016**
	R$	**R$**
Operating materials	33,620	33,497
Raw materials for construction contracts (external customers)	25,572	16,781
Total	59,192	50,278

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

13. Operational and other trade receivables

	31/03/2017	31/12/2016
	US$	US$
Operational trade receivables		
Receivable for services rendered	53,789	55,434
Allowance for bad debts	(786)	(1,187)
Total operational trade and other trade receivables	53,003	54,247
Other trade receivables		
Income tax recoverable	7,794	7,466
Recoverable taxes and levies	36,588	36,571
Intergroup loans	29,128	28,995
Prepayment	3,104	4,031
Other trade receivables	5,624	5,025
Total other trade receivables	82,238	82,088
Total	135,241	136,335
Total operational trade receivables current	53,003	54,247
Total other trade receivables current	28,583	27,018
Total other trade receivables non-current	53,655	55,070

	31/03/2017	31/12/2016
	R$	R$
Operational trade receivables		
Receivable for services rendered	170,425	180,666
Allowance for bad debts	(2,491)	(3,869)
Total operational trade and other trade receivables	167,934	176,797
Other trade receivables		
Income tax recoverable	24,696	24,332
Recoverable taxes and levies	115,925	119,189
Intergroup loans	92,289	94,498
Prepayment	9,835	13,137
Other trade receivables	17,819	16,376
Total other trade receivables	260,564	267,532
Total	428,498	444,329
Total operational trade receivables current	167,934	176,797
Total other trade receivables current	90,563	88,053
Total other trade receivables non-current	170,001	179,479

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Trade receivables disclosed are classified as financial assets measured at amortised cost.

Non-current trade receivables with maturities over 365 days refer principally to: (i) recoverable taxes related to PIS, COFINS, ISS, ICMS and INSS; and (ii) Intergroup loans. There is no impairment evidence related to these receivables.

As a matter of routine, the Group reviews taxes and levies impacting its business to ensure that payments of such amounts are correctly made and that no amounts are paid unnecessarily. The Group is developing a plan to use its tax credits, respecting the legal term for use of tax credits from prior years and, if the inability to recover them by offsetting is evidenced, requesting reimbursement of these values from the *Receita Federal do Brasil* (Brazilian Revenue Service).

The aging list of receivables for services rendered is as follows:

	31/03/2017	31/12/2016
	US$	US$
Current	47,811	45,048
Overdue but not impaired		
01 to 30 days	3,594	6,177
31 to 90 days	961	2,178
91 to 180 days	637	844
Impaired		
More than 180 days	786	1,187
Total	53,789	55,434

	31/03/2017	31/12/2016
	R$	R$
Current	151,484	146,818
Overdue but not impaired		
01 to 30 days	11,388	20,131
31 to 90 days	3,044	7,098
91 to 180 days	2,018	2,750
Impaired		
More than 180 days	2,491	3,869
Total	170,425	180,666

Generally, interest of one percent per month plus a two-percent penalty is charged on balances overdue. The Group has recognised an allowance for bad debts taking into account all receivables over 180 days because historical experience shows that receivables that are past due beyond 180 days are not recoverable. Allowances for bad debts are recognised as a reduction of receivables, and are recognised whenever a loss is identified.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Changes in allowance for bad debts are as follows:

	US$	R$
At 1 January 2016	846	3,303
Increase in allowance	163	566
Exchange difference	178	-
At 31 December 2016	1,187	3,869
Decrease in allowance	(439)	(1,378)
Exchange difference	38	-
At 31 March 2017	786	2,491

Management believes that no additional accrual is required for the allowance for bad debts.

14. Cash and cash equivalents and short-term investments

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank accounts and short-term investments that are highly liquid and readily convertible to known amounts of cash, and which are subject to an immaterial risk of changes in value.

US dollar-denominated cash and cash equivalents refer principally to investments in deposit certificates placed with major financial institutions, Real-denominated cash and cash equivalents refer principally to investments in deposit certificates and Brazilian treasury bonds.

Short-term investments
Short-term investments comprise investments with maturity dates of more than 90 days but less than 365 days.

The breakdown of cash and cash equivalents and short-term investments is as follows:

	31/03/2017	31/12/2016
	US$	US$
Denominated in US dollar		
Cash and cash equivalents	21,856	22,257
Short-term investments	35,900	37,400
Total	57,756	59,657
Denominated in Brazilian Real		
Cash and cash equivalents	60,256	52,744
Total	118,012	112,401
Total cash and cash equivalents	82,112	75,001
Total short-term investments	35,900	37,400

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

	31/03/2017	31/12/2016
	R$	R$
Denominated in US dollar		
Cash and cash equivalents	69,250	72,539
Short-term investments	113,746	121,890
Total	182,996	194,429
Denominated in Brazilian Real:		
Cash and cash equivalents	190,914	171,897
Total	373,910	366,326
Total cash and cash equivalents	260,164	244,436
Total short-term investments	113,746	121,890

Private investment fund

The Group has investments in a private investment fund called Hydrus Fixed Income Private Credit Investment Fund that is consolidated in this financial information. This fund is managed by Itaú bank and its policies and objectives are determined by the Group's treasury. This fund comprises deposit certificates, financial notes and debentures, with final maturities ranging from April 2017 to January 2023. The fund portfolio is marked to fair value on a daily basis against current earnings. This fund's financial obligations are limited to service fees to the asset management company employed to execute investment transactions, audit fees and other similar expenses. The fund's investments are highly liquid which are readily convertible to known amounts of cash and which is subjected to insignificant risk of changes in value.

Additionally, US Dollar linked investments are made through Itaú Cambial FICFI, the purpose of which is to preserve the US dollar value of the investment.

15. Bank loans

Secured borrowings	Interest rate % p.a.	31/03/2017	31/12/2016
		US$	US$
BNDES - FMM linked to US Dollar[1]	2.07% - 4.13%	159,055	162,408
BNDES - FMM linked to US Dollar[1]	5.00% - 6.00%	5,651	5,977
BNDES - Real	7.50% - 9.69%	25,152	25,466
BNDES - linked to US Dollar	5.07% - 5.36%	4,527	5,069
BNDES - FINAME Real	4.50% - 15.62%	1,927	1,133
BNDES - FMM Real[1]	8.90% - 11.21%	1,846	1,838
Total BNDES		198,158	201,891
BB - FMM linked to US Dollar[1]	2.00% - 3.00%	84,693	85,576
IFC - US Dollar	5.25%	41,677	48,571
Santander - US Dollar	3.01%	30,181	14,005
China Construction Bank - US Dollar	4.36%	19,271	19,047
Eximbank - US Dollar	3.05%	4,189	5,270
Finimp - US Dollar	4.81%	-	1,170
Total others		180,011	173,639
Total		378,169	375,530

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Secured borrowings	Interest rate % p.a.	31/03/2017	31/12/2016
		R$	R$
BNDES - FMM linked to US Dollar[1]	2.07% - 4.13%	503,951	529,305
BNDES - FMM linked to US Dollar[1]	5.00% - 6.00%	17,903	19,480
BNDES - Real	7.50% - 9.69%	79,693	82,996
BNDES - linked to US Dollar	5.07% - 5.36%	14,345	16,520
BNDES - FINAME Real	4.50% - 15.62%	6,104	3,692
BNDES - FMM Real[1]	8.90% - 11.21%	5,848	5,990
Total BNDES		627,844	657,983
BB - FMM linked to US Dollar[1]	2.00% - 3.00%	268,340	278,900
IFC - US Dollar	5.25%	132,050	158,297
Santander - US Dollar	3.01%	95,626	45,642
China Construction Bank - US Dollar	4.36%	61,059	62,077
Eximbank - US Dollar	3.05%	13,271	17,176
Finimp - US Dollar	4.81%	-	3,814
Total others		570,346	565,906
Total		1,198,190	1,223,889

(1) As agents of the Merchant Marine Fund (Fundo da Marinha Mercante - FMM), BNDES and BB finance the construction of tugboats and shipyard facilities.

The breakdown of bank overdrafts and loans by maturity is as follows:

	31/03/2017	31/12/2016
	US$	US$
Within one year	52,116	49,780
In the second year	54,311	49,029
In the third to fifth years (including)	105,662	105,953
After five years	166,080	170,768
Total	378,169	375,530
Total current	52,116	49,780
Total non-current	326,053	325,750

	31/03/2017	31/12/2016
	R$	R$
Within one year	165,124	162,238
In the second year	172,078	159,787
In the third to fifth years (including)	334,781	345,312
After five years	526,207	556,552
Total	1,198,190	1,223,889
Total current	165,124	162,238
Total non-current	1,033,066	1,061,651

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

The analysis of borrowings by currency is as follows:

	Real	Real linked to US Dollars	US Dollars	Total
	US$	US$	US$	US$
31 March 2017				
Bank loans	28,925	253,926	95,318	378,169
Total	28,925	253,926	95,318	378,169
31 December 2016				
Bank loans	28,437	259,030	88,063	375,530
Total	28,437	259,030	88,063	375,530

	Real	Real linked to US Dollars	US Dollars	Total
	R$	R$	R$	R$
31 March 2017				
Bank loans	91,645	804,539	302,006	1,198,190
Total	91,645	804,539	302,006	1,198,190
31 December 2016				
Bank loans	92,678	844,205	287,006	1,223,889
Total	92,678	844,205	287,006	1,223,889

Guarantees
Loans with BNDES rely on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda. For some contracts, the corporate guarantee is additional to: (i) pledge of the respective financed tug boat, (ii) lien of the logistics and port operations equipment financed.

Loans with Banco do Brasil rely on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda., and pledge of the respective financed boats.

Loan agreements Tecon Salvador has with IFC are guaranteed by the totality of its shares, along with receivables, plant and equipment.

The loan agreement between Tecon Rio Grande and the Export-Import Bank of China for equipment acquisition is guaranteed by a standby letter of credit issued by Itaú BBA S.A, which in turn has a pledge on the financed equipment.

The loan agreement between Tecon Rio Grande and Santander for equipment acquisition relies on a corporate guarantee from Wilson, Sons de Administração e Comércio Ltda.

Undrawn credit facilities
At 31 March 2017, the Group had available US$29.0 million (R$91.9 million) of undrawn borrowing facilities. For each disbursement, there is a set of conditions precedent that must be satisfied.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Fair value

Management estimates the fair value of the Group's borrowings as follows:

	31/03/2017	31/12/2016
	US$	US$
Bank loans		
BNDES	198,158	201,891
BB	84,693	85,576
IFC	41,677	48,571
Santander	30,181	14,005
CCB	19,271	19,047
Eximbank	4,189	5,270
Finimp	-	1,170
Total	378,169	375,530

	31/03/2017	31/12/2016
	R$	R$
Bank loans		
BNDES	627,844	657,983
BB	268,340	278,900
IFC	132,050	158,297
Santander	95,626	45,642
CCB	61,059	62,077
Eximbank	13,271	17,176
Finimp	-	3,814
Total	1,198,190	1,223,889

Covenants

Annually, the Wilson, Sons de Administração e Comércio Ltda. (“WSAC”) holding company, as corporate guarantor, has to comply with loan covenants in both Wilson Sons Estaleiros and Brasco Logística Offshore loan agreements signed with BNDES.

The subsidiary Tecon Salvador has to observe affirmative and negative loan covenants according to its loan agreement with the International Finance Corporation - IFC, including the maintenance of specific liquidity and capital structure ratios.

The subsidiary Tecon Rio Grande has to comply with loan covenants in its loan agreement with BNDES and Santander, such as a minimum liquidity ratio and capital structure.

The Company is in compliance with all clauses in the above mentioned loan agreements.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

16. Deferred taxes

The following deferred tax assets and liabilities were recognised by the Group during the current and prior reporting periods:

	Accelerated and divergent depreciation	Exchange differences on loans	Timing differences	Non-monetary items	Total
	US$	US$	US$	US$	US$
At 1 January 2016	(19,087)	41,047	26,225	(68,688)	(20,503)
Charge (credit) to income	(10,124)	(14,305)	3,041	22,376	988
Exchange differences	(900)	1,437	(941)	-	(404)
At 31 December 2016	(30,111)	28,179	28,325	(46,312)	(19,919)
Charge (credit) to income	(2,109)	(3,817)	480	3,718	(1,728)
Exchange differences	(843)	777	(56)	-	(122)
At 31 March 2017	(33,063)	25,139	28,749	(42,594)	(21,769)

	Accelerated and divergent depreciation	Exchange differences on loans	Timing differences	Non-monetary items	Total
	R$	R$	R$	R$	R$
At 1 January 2016	(74,538)	160,281	85,336	(251,139)	(80,060)
Charge (credit) to income	(35,242)	(50,298)	9,027	78,898	2,385
Translation adjustment to real	11,636	(18,143)	(13,273)	32,537	12,757
At 31 December 2016	(98,144)	91,840	81,090	(139,704)	(64,918)
Charge (credit) to income	(6,627)	(12,183)	1,481	11,929	(5,400)
Translation adjustment to real	-	-	(1,971)	3,317	1,346
At 31 March 2017	(104,771)	79,657	80,600	(124,458)	(68,972)

Certain tax assets and liabilities have been offset on an entity-by-entity basis. After offset, deferred tax balances are disclosed in the balance sheet as follows:

	31/03/2017	31/12/2016
	US$	US$
Deferred tax liabilities	(49,261)	(48,974)
Deferred tax assets	27,492	29,055
Total	(21,769)	(19,919)

	31/03/2017	31/12/2016
	R$	R$
Deferred tax liabilities	(156,079)	(159,611)
Deferred tax assets	87,107	94,693
Total	(68,972)	(64,918)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

At the end of the reporting period, the Group has unused tax loss carryforwards of US$51.4 million (R$162.8 million) (2016: US$42.5 million (R$138.4 million)) available for offset against future taxable income.

A deferred tax asset in the amount of US$15.4 million (R$48.7 million) (2016: US$12.4 million (R$40.4 million)) has not been recognised due to the unpredictability of this portion of future flows of related taxable income.

Deferred tax assets and liabilities arise on Brazilian property, plant and equipment, inventories and prepaid expense held in US Dollar functional currency businesses. Deferred taxes are calculated on the difference between the historical US Dollar balances recorded in the Group's accounts and the Real balances used in the Group's Brazilian tax calculations.

Deferred tax assets and liabilities arise from exchange effect on the Group's US dollar-denominated borrowings and the Real-denominated loans pegged to the US dollar that are taxable when settled and not in the period in which the gains arise.

17. Provisions for tax, labour and civil risks

	US$	R$
At 1 January 2016	13,922	54,363
Addition to provision	3,361	10,940
Exchange difference	2,754	-
At 31 December 2016	20,037	65,303
Addition to provision	1,811	5,666
Exchange difference	551	-
At 31 March 2017	22,399	70,969

The breakdown of the provision by type of risk is as follows:

	31/03/2017	31/12/2016
	US$	US$
Labour claims	14,570	13,612
Tax cases	5,898	4,816
Civil cases	1,931	1,609
Total	22,399	20,037

	31/03/2017	31/12/2016
	R$	R$
Labour claims	46,162	44,363
Tax cases	18,688	15,695
Civil cases	6,119	5,245
Total	70,969	65,303

In the ordinary course of business in Brazil, the Group is exposed to numerous local legal claims. It is the Group's policy to vigorously contest such claims, many of which appear to have little substance or merit, and to manage such claims through its lawyers.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

In addition to the cases for which the Group booked the provision there are other tax, civil and labour disputes amounting to US$136.4 million (R$432.2 million) (2016: US129.9 million (R$423.4 million)) with probability of loss was estimated by the legal counsels as possible.

The breakdown of possible claims is described as follows:

	31/03/2017	31/12/2016
	US$	US$
Tax cases	96,802	93,271
Labour claims	27,812	25,232
Civil cases	11,785	11,411
Total	136,399	129,914

	31/03/2017	31/12/2016
	R$	R$
Tax cases	306,709	303,980
Labour claims	88,120	82,233
Civil cases	37,340	37,190
Total	432,169	423,403

The main probable and possible claims against the Group are described below:

Tax cases - The Group litigates against governments in respect of assessments considered inappropriate.

Labour claims - Most claims involve payment of health risks, additional overtime and other allowances.

Civil and environmental cases - Indemnification claims involving material damages, environmental and shipping claims and other contractual disputes.

Procedure for classification of legal liabilities identifies claims as probable, possible or remote, as assessed by the external lawyers:

Upon receipt of notices of new judicial lawsuits, external lawyers generally classify the claim as possible, recorded at the total amount involved. Wilson Sons uses the criteria of the estimated value at risk and not the total order value involved in each process.

Exceptionally, if there is sufficient knowledge from the beginning that there is very high or very low risk of loss, the lawyer may classify the claim as a probable loss or remote loss.

During the course of the lawsuit and considering, for instance, its first judicial decision, legal precedents, arguments of the claimant, thesis under discussion, applicable laws, documentation for the defense and other variables, the lawyer may re-classify the claim as a probable loss or remote loss.

When classifying the claim as a probable loss, the lawyer estimates the amount at risk for such claim.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

18. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	US$	US$	US$	US$
Amounts payable under finance leases:				
Within one year	1,771	1,669	1,248	1,211
From second to fifth years (including)	1,289	1,721	849	1,085
	3,060	3,390	2,097	2,296
Less future finance charges	(963)	(1,094)	-	-
Present value of lease obligations	2,097	2,296	-	-
Total current	1,248	1,211	-	-
Total non-current	849	1,085	-	-

	Minimum lease payments		Present value of minimum lease payments	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	R$	R$	R$	R$
Amounts payable under finance leases:				
Within one year	5,612	5,439	3,954	3,947
From second to fifth years (including)	4,084	5,609	2,690	3,536
	9,696	11,048	6,644	7,483
Less future finance charges	(3,052)	(3,565)	-	-
Present value of lease obligations	6,644	7,483	-	-
Total current	3,954	3,947	-	-
Total non-current	2,690	3,536	-	-

It is the Group's policy to lease certain of its vehicles and equipment under finance leases. The average original lease term is 60 months, of which an average of 25 months remained outstanding at the March 2017.

For the period ended 31 March 2017, the average effective leasing interest rate was 14.94% (December 2016: 16.43%). Interest rates are set at contract date.

All leases include a fixed repayment and a variable finance charge linked to the Brazilian interest rate. The interest rates range from 14.36% p.a. to 16.53% p.a. Leases are denominated in Reais.

There is a non-significant difference between the fair value and the present value of the Group’s lease obligations. The present value is calculated with its own interest rate over the future instalments of each contract.

The Group’s obligations under finance leases are secured by the lessors’ rights to the leased assets.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

19. Operational and other trade payables

	31/03/2017	31/12/2016
	US$	**US$**
Operational trade payables		
Trade payables	44,016	44,462
Advance from customers for construction contracts	7,246	4,580
Total operational trade payables	51,262	49,042
Other trade payables		
Taxes	10,794	12,583
Accruals and other trade payables	5,464	6,008
Advances from customers	220	30
Total other trade payables	16,478	18,621
Total	67,740	67,663

	31/03/2017	31/12/2016
	R$	**R$**
Operational trade payables		
Trade payables	139,459	144,905
Advance from customers for construction contracts	22,959	14,928
Total operational trade payables	162,418	159,833
Other trade payables		
Taxes	34,201	41,009
Accruals and other trade payables	17,312	19,580
Advances from customers	697	98
Total other trade payables	52,210	60,687
Total	214,628	220,520

Construction contracts in progress at the end of each reporting period:

	31/03/2017	31/12/2016
	US$	**US$**
Contract costs incurred plus recognised revenues less recognised losses to date	9,401	3,925
Less unbilled services	(16,647)	(8,505)
Net liability included in suppliers	(7,246)	(4,580)

	31/03/2017	31/12/2016
	R$	**R$**
Contract costs incurred plus recognised revenues less recognised losses to date	29,785	12,792
Less unbilled services	(52,744)	(27,720)
Net liability included in suppliers	(22,959)	(14,928)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

20. Stock options plan and post-employment benefits

20.1. Stock option plan

On 13 November 2013, the board of Wilson Sons Limited approved a Stock Option Plan, which allowed for the grant of options to eligible participants to be selected by the board. The shareholders in special general meeting approved such plan on the 8 January 2014 including increase in the authorised capital of the Company through the creation of up to 4,410,927 new shares. The options provide participants with the right to acquire shares via Brazilian Depositary Receipts ("BDR") in Wilson Sons Limited at a predetermined fixed price not less than the three day average mid price for the days preceding the date of option issuance. The Stock Option Plan is detailed below:

Options series	Grant date	Original vesting date	Expiry date	Exercise price (R$)	Number	Expired	Vested	Outstanding not Vested	Total Subsisting
07 ESO - 3 Year	10/01/2014	10/01/2017	10/01/2024	31.23	961,653	(146,850)	814,803	-	814,803
07 ESO - 4 Year	10/01/2014	10/01/2018	10/01/2024	31.23	961,653	(146,850)	32,076	782,727	814,803
07 ESO - 5 Year	10/01/2014	10/01/2019	10/01/2024	31.23	990,794	(151,300)	33,048	806,446	839,494
07 ESO - 3 Year	13/11/2014	13/11/2017	13/11/2024	33.98	45,870	(11,880)	4,620	29,370	33,990
07 ESO - 4 Year	13/11/2014	13/11/2018	13/11/2024	33.98	45,870	(11,880)	4,620	29,370	33,990
07 ESO - 5 Year	13/11/2014	13/11/2019	13/11/2024	33.98	47,260	(12,240)	4,760	30,260	35,020
07 ESO - 3 Year	11/08/2016	11/08/2019	11/08/2026	34.03	82,500	-	-	82,500	82,500
07 ESO - 4 Year	11/08/2016	11/08/2020	11/08/2026	34.03	82,500	-	-	82,500	82,500
07 ESO - 5 Year	11/08/2016	11/08/2021	11/08/2026	34.03	85,000	-	-	85,000	85,000
Total					3,303,100	(481,000)	893,927	1,928,173	2,822,100

The options terminate on their expiry date or immediately on the resignation of the director or senior employee, whichever is earlier. Options lapse if not exercised within 6 months of the date that the participant ceases to be employed or hold office within the Group by reason of, among others: injury, disability or retirement; or dismissal without cause.

The following Fair Value expense of the grant to be recorded as a liability in the respective accounting periods was determined using the Binomial model based on the assumptions detailed below:

Period commencing	Projected IFRS2 fair value expense R$	Projected IFRS2 fair value expense US$
10 January 2014	7,507	2,826
10 January 2015	7,848	3,296
10 January 2016	8,234	3,409
10 January 2017	5,606	2,255
10 January 2018	3,061	1,192
10 January 2019	788	256
10 January 2020	386	123
10 January 2021	133	42
Total	33,563	13,399

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

	10 January 2014
Closing share price (in Real)	R$30.05
Expected volatility	28%
Expected life	10 years
Risk free rate	10.8%
Expected dividend yield	1.7%

Expected volatility was determined by calculating the historical volatility of the Group's share price. The expected life used in the model has been adjusted based on management´s best estimate for exercise restrictions and behavioral considerations.

20.2. Post-employment benefits

The Group operates a private medical insurance scheme for its employees which require the eligible employees to pay fixed monthly contributions. In accordance with regulation of the Brazilian law, eligible employees with greater than ten years' service acquire the right to remain in the plan following retirement or termination of employment, generating a post-employment commitment for the Group. Ex-employees remaining in the plan will be liable for paying the full cost of their continued scheme membership. The present value of actuarial liabilities in 31 March 2017 is US$0.7 million (R$2.2 million) (2016: US$0.6 million (R$2.1 million). The future actuarial liability for the Group relates to the potential increase in plan costs resulting from additional claims as a result of the expanded membership of the scheme.

Actuarial assumptions

The calculation of the liability generated by the post-employment commitment involves actuarial assumptions. The following are the principal actuarial assumptions at the reporting date:

Economic and Financial Assumptions

	31/03/2017	**31/12/2016**
Annual interest rate	11.35%	11.35%
Estimated inflation rate in the long-term	5.00%	5.00%
Aging Factor	2.50% p.a.	2.50% p.a.
Medical cost trend rate	2.50% p.a.	2.50% p.a.

Biometric and Demographic Assumptions

	31/03/2017	**31/12/2016**
Employee turnover	22.7%	22.7%
Mortality table	AT-2000	AT-2000
Mortality table for disabled	IAPB-1957	IAPB-1957
Disability table	Álvaro Vindas	Álvaro Vindas
Retirement Age	100% at 62	100% at 62
Employees who opt to keep the health plan after retirement and termination	23%	23%
Family composition before retirement:		
Probability of marriage	90% of the participants	90% of the participants
Age difference for active participants	Men 4 years older than the woman	Men 4 years older than the woman
Family composition after retirement	Composition of the family group	Composition of the family group

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Sensitivity analysis

The present value of future liabilities may change depending on market conditions and actuarial assumptions. Changes on a relevant actuarial assumption, keeping the other assumptions constant, would have affected the defined benefit obligation as shown below:

	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	US$	US$	R$	R$
CiPBO(*) - discount rate + 0.5%	(42)	(41)	(134)	(134)
CiPBO(*) - discount rate - 0.5%	53	52	169	169
CiPBO(*) - Health Care Cost Trend Rate + 1.0%(*)	115	112	364	364
CiPBO(*) - Health Care Cost Trend Rate - 1.0%	(87)	(84)	(274)	(274)

(*) CiPBO means Change in Projected Benefit Obligation.

21. Equity

Share capital

	31/03/2017	31/12/2016
	US$	US$
71,144,000 common shares issued and fully paid	9,905	9,905

	31/03/2017	31/12/2016
	R$	R$
71,144,000 common shares issued and fully paid	26,815	26,815

Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	US$	US$	R$	R$
Profit for the year attributable to owners of the Company	14,536	21,927	46,051	82,365
Weighted average number of common shares	71,144,000	71,144,000	71,144,000	71,144,000
Basic earnings per share (cents per share)	20.43	30.82	64.73	115.77
Weighted average number of common shares	73,966,100	73,793,000	73,966,100	73,793,000
Diluted earnings per share (cents per share)	19.65	29.71	62.26	111.62

Capital reserves

The capital reserves arise principally from transfers from revenue which in prior periods were required by law to be transferred to capital reserves and other profits not available for distribution, share premium on incoming IPO issues and gains/losses on purchase and sale of non-controlling interest.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Profit reserve
An amount equal to 5% of the Company's net profit for the current year is to be credited to a retained earnings account to be called "Profit Reserve" until such account equals 20% of the Company's paid up share capital. The Company does not recognize any further profit reserve, because it has already reached the limit of 20% of share capital.

Additional paid in capital
The additional paid in capital arises from purchase of non-controlling interests in Brasco, sales of shares to non-controlling interests of Tecon Salvador in 2011 and the purchase of non-controlling interests in Tecon Salvador in 2016.

Translation reserve
The translation reserve arises from exchange differences on the translation of operations with a functional currency other than the US Dollar.

22. Subsidiaries

Details of the Company's subsidiaries, and other entities and operations under its control, at the end of the reporting period are as follows:

	Place of incorporation and operation	**Proportion of ownership interest**	
		31/03/2017	**31/12/2016**
Holding company			
Wilson, Sons de Administração e Comércio Ltda.	Brazil	100%	100%
WS Participações S.A.	Brazil	100%	100%
WS Participaciones S.A.	Uruguay	100%	100%
Wilson, Sons Administração de Bens Ltda.	Brazil	100%	100%
Towage			
Saveiros Camuyrano Serviços Marítimos S.A.	Brazil	100%	100%
Shipyard			
Wilson, Sons Comércio, Indústria, e Agência de Navegação Ltda.	Brazil	100%	100%
Wilson, Sons Estaleiro Ltda.	Brazil	100%	100%
Ship Agency			
Wilson, Sons Agência Marítima Ltda.	Brazil	100%	100%
Transamérica Visas Serviços de Despachos Ltda.	Brazil	100%	100%
Logistics			
Wilson, Sons Logística Ltda.	Brazil	100%	100%
EADI Santo André Terminal de Carga Ltda.	Brazil	100%	100%
Consórcio EADI Santo André	Brazil	100%	100%
AllinkTransportes Internacionais Ltda.(1)	Brazil	50%	50%
Port terminal			
Brasco Logística Offshore Ltda.	Brazil	100%	100%
Tecon Rio Grande S.A.	Brazil	100%	100%
Tecon Salvador S.A.	Brazil	100%	100%
Wilport Operadores Portuários Ltda.	Brazil	100%	100%

(1) The Group considers that it controls the subsidiary Allink Transportes Internacionais Ltda, despite having 50% of shares. Allink Transportes Internacionais Ltda controls 100% of Allink Serviços e Gerenciamento de Cargas Ltda.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

On 2 February 2016, Wilson Sons, through its subsidiaries, completed the acquisition of the 7.5% of the ordinary shares of Tecon Salvador S.A. for consideration of US$5.1 million (R$20.7 million) from Intermaritima Terminais Ltda. The consideration included US$2.6 million (R$10.5 million) in cash and the settlement of US$2.8 million (R$11.3 million) in debt. Following completion of the transaction Wilson Sons now holds 100% of the shares of the subsidiary.

23. Joint ventures and joint operations

The Group holds the following significant interests in joint operations and joint ventures at the end of the reporting period:

	Place of incorporation and operation	Proportion of ownership interest	
		31/03/2017	31/12/2016
Towage			
Consórcio de Rebocadores Barra de Coqueiros [1]	Brazil	50%	50%
Consórcio de Rebocadores Baia de São Marcos [1]	Brazil	50%	50%
Logistics			
Porto Campinas, Logística e Intermodal Ltda. [1]	Brazil	50%	50%
Offshore			
Wilson, Sons Ultratug Participações S.A. [2]	Brazil	50%	50%
Atlantic Offshore S.A. [3]	Panamá	50%	50%

(1) Joint Operations.
(2) Wilson, Sons Ultratug Participações S.A. controls Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A. These latter two companies are indirect joint ventures of the Company.
(3) Atlantic Offshore S.A. controls South Patagonia S.A. This company is indirect joint venture of Wilson Sons Limited.

23.1. Joint operations

The following amounts are included in the Group's financial information as a result of proportionate consolidation of joint operations listed in the previous chart:

	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	US$	US$	R$	R$
Income	4,059	3,256	12,759	12,661
Expenses	(2,004)	(1,655)	(6,306)	(6,383)
Net income	2,055	1,601	6,453	6,278

	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	US$	US$	R$	R$
Intangible assets	44	47	139	152
Property, plant & equipment	2,830	2,798	8,967	9,118
Inventories	355	340	1,124	1,107
Trade and other trade receivables	2,891	2,615	9,163	8,524
Cash and cash equivalents	1,618	614	5,125	2,002
Total assets	7,738	6,414	24,518	20,903
Trade and other trade payables	(7,720)	(6,362)	(24,459)	(20,733)
Deferred tax liabilities	(18)	(52)	(59)	(170)
Total liabilities	(7,738)	(6,414)	(24,518)	(20,903)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

23.2. Joint ventures

The following amounts are not consolidated in the Group's financial information as they are considered as joint ventures. The Group's interests on joint ventures are equity accounted.

	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	US$	US$	R$	R$
Revenue	34,552	29,402	108,570	114,598
Raw materials and consumable used	(2,125)	(1,513)	(6,676)	(5,996)
Employee benefits expense	(11,986)	(8,843)	(37,687)	(34,488)
Depreciation and amortisation expenses	(10,053)	(9,046)	(31,594)	(35,380)
Other operating expenses	(3,860)	(3,716)	(12,141)	(14,496)
Loss on disposal of property, plant and equipment	-	(2,136)	-	(8,652)
Results from operating activities	6,528	4,148	20,472	15,586
Finance income	319	337	995	1,403
Finance costs	(5,055)	(5,528)	(15,890)	(21,486)
Exchange gain on translation	2,087	4,738	6,721	17,276
Profit before tax	3,879	3,695	12,298	12,779
Income tax expense	(3,387)	(3,194)	(10,722)	(11,921)
Profit for the year	492	501	1,576	858
Participation	50%	50%	50%	50%
Equity result	246	251	788	430

	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	US$	US$	R$	R$
Property, plant and equipment	664,799	674,476	2,106,349	2,198,185
Long-term investment	2,072	2,066	6,565	6,733
Other assets	3,705	3,752	11,739	12,226
Trade and other trade receivables	41,005	42,494	129,920	138,492
Derivatives	305	261	966	851
Cash and cash equivalents	14,954	10,859	47,380	35,391
Total assets	726,840	733,908	2,302,919	2,391,878
Bank loans	525,750	533,771	1,665,786	1,739,613
Other non-current liabilities	32,531	30,295	103,071	98,734
Trade and other trade payables	81,228	82,114	257,362	267,617
Equity	87,331	87,728	276,700	285,914
Total liabilities	726,840	733,908	2,302,919	2,391,878

Guarantees
Loan agreements of Wilson, Sons Offshore S.A. (subsidiary of Wilson, Sons Ultratug Participações S.A.) with BNDES are guaranteed by a lien on the financed supply vessels, and in the majority of the contracts, a corporate guarantee from both Wilson Sons Administração e Comércio and Remolcadores Ultratug Ltda, each guaranteeing 50% of its subsidiary's debt balance with BNDES.

Magallanes Navegação Brasileira's (subsidiary of Wilson, Sons Ultratug Participações S.A.) loan agreement with Banco do Brasil is guaranteed by a pledge on the financed supply vessels. The security package also includes a standby letter of credit issued by Banco de Crédito e Inversiones -Chile for part of the debt balance, assignment of Petrobras' long-term contracts and a corporate guarantee issued by Inversiones Magallanes Ltda - Chile. A cash reserve account, accounted for under long term investments, funded with US$2.1 million (R$6.6 million) should be maintained until full repayment of the loan agreement.

The loan agreement that Atlantic Offshore has with Deutsche Verkehrs-Bank “DVB” and Norddeutsche Landesbank Girozentrale Trade “Nord/LB” for the financing of the offshore support vessel "Pardela" is guaranteed by a pledge on the vessel, the shares of Atlantic Offshore and a corporate guarantee for half of the credit from Wilson, Sons de Administração e Comércio. Remolcadores Ultratug Ltda which is the partner in the business, guarantee the other half of the loan.

Covenants
Annually, the joint venture subsidiary Magallanes Navegação Brasileira S.A. has to comply with specific financial covenants. For the year ended 2016, the company was in compliance with all clauses in the loan agreements.

Atlantic Offshore S.A. has to comply with specific financial covenants on its two loan agreements with Deutsche Verkehrs-Bank “DVB” and Norddeutsche Landesbank Girozentrale Trade “Nord/LB”. Atlantic Offshore S.A. received a temporary waiver of non-compliance with Debt Service Coverage Ratio for both loans up to 31 March 2017, and is in compliance with the remaining covenants.

Provisions for tax, labour and civil risks
In its ordinary course of business in Brazil, the Wilson, Sons Ultratug Offshore S.A. (WSUT) remains exposed to numerous local legal claims. It is the WSUT policy to vigorously contest such claims, many of which appear to have little substance in merit, and to manage such claims through its legal counsel.

WSUT booked provisions related to labour claims amounting to US$0.04 million (R$0.1 million) (2016: US$0.02 million (R$0.1 million)), whose probability of loss was estimated as probable.

In addition to the cases for which WSUT booked the provision, there are other tax, civil and labour disputes amounting to US$15.1 million (R$47.7 million) (2016: US$13.9 million (R$45.1 million)), whose probability of loss was estimated by the legal counsel as possible.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

The breakdown of possible losses is described as follows:

	31/03/2017	**31/12/2016**
	US$	**US$**
Tax cases	10,584	10,066
Labour claims	4,478	3,784
Civil cases	1	-
Total	15,063	13,850

	31/03/2017	**31/12/2016**
	R$	**R$**
Tax cases	33,533	32,805
Labour claims	14,189	12,331
Civil cases	2	-
Total	47,724	45,136

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

23.3. Investment in joint ventures

The investments valued by using the equity accounting method are shown as follows:

	31/03/2017								
	Currency	Number of shares	Ownership interest - %	Share capital	Investee's adjusted shareholders' equity	Elimination of profit on Construction Contracts	Investee's adjusted profit or loss	Equity in subsidiaries	Book value of investment
Wilson, Sons Ultratug Participações S.A.	US$	45,816,550	50.00	25,131	82,981	(42,118)	1,936	968	20,432
Atlantic Offshore S.A.	US$	10,000	50.00	8,010	4,350	-	(1,444)	(722)	2,175
Total					87,331	(42,118)	492	246	22,607
Wilson, Sons Ultratug Participações S.A.	R$	45,816,550	50.00	45,817	262,917	(133,446)	6,122	3,061	64,736
Atlantic Offshore S.A.	R$	10,000	50.00	18,345	13,783	-	(4,546)	(2,273)	6,892
Total					276,700	(133,446)	1,576	788	71,628

	31/12/2016								
	Currency	Number of shares	Ownership interest - %	Share capital	Investee's adjusted shareholders' equity	Elimination of profit on Construction Contracts	Investee's adjusted profit or loss	Equity in subsidiaries	Book value of investment
Wilson, Sons Ultratug Participações S.A.	US$	45,816,550	50.00	25,131	81,975	(43,269)	22,850	11,425	19,353
Atlantic Offshore S.A.	US$	10,000	50.00	8,010	5,753	-	(6,704)	(3,352)	2,877
Total					87,728	(43,269)	16,146	8,073	22,230
Wilson, Sons Ultratug Participações S.A.	R$	45,816,550	50.00	45,817	267,164	(141,018)	77,746	38,873	63,074
Atlantic Offshore S.A.	R$	10,000	50.00	18,345	18,750	-	(24,726)	(12,363)	9,376
Total					285,914	(141,018)	53,020	26,510	72,450

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

The reconciliation of the investment in joint ventures balance, including the impact of profit recognised by joint ventures:

	Investments	
	US$	**R$**
At 1 January 2016	18,301	71,462
Share of result of joint ventures	8,073	26,510
Elimination on construction contracts	(4,278)	(13,782)
Derivatives	134	427
Foreign currency loss in respect of translation into Brazilian Reais	-	(12,167)
At 31 December 2016	22,230	72,450
Share of result of joint ventures	246	788
Elimination on construction contracts	110	343
Derivatives	21	64
Foreign currency loss in respect of translation into Brazilian Reais	-	(2,017)
At 31 March 2017	22,607	71,628

24. Operating lease arrangements and other obligations

The Group as lessee

The lease payments under operating leases recognised in net income at 31 March 2017 was US$4.5 million (R$14.3 million) (2016: US$3.6 million (R$13.9 million)).

Lease commitments for operational areas and buildings with a term between five and sixty years are recognised as an expense on a straight-line basis over the lease term.

There are operating lease arrangements mainly concluded between Tecon Rio Grande and the Rio Grande port authority, and between Tecon Salvador and the Salvador port authority.

Tecon Rio Grande

The Tecon Rio Grande minimum period extends to 2022 and has an option to renew the concession for a maximum period of 25 years.

In respect of the option to renew the lease of Tecon Rio Grande, the port authority of Rio Grande has, in consideration of investments made, ensured the Company the right to renew the contract, provided the State government remains the delegated authority of the area or has in other legal way, ownership of the same.

The Tecon Rio Grande guaranteed payments consist of two elements: a fixed rental, and fee per 1,000 containers moved based on minimum forecast volumes.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Tecon Salvador
On 16 November 2016, subsidiary Tecon Salvador S.A signed the second Amendment to the Lease Agreement which extends the term of validity of lease for an additional period of 25 years, until March 2050. The Company is obligated to complete minimum expansion and maintenance capital expenditure through the end of the concession. Minimum expansion civil works investments are budgeted at approximately R$398 million using values of base date December 2013. These investments will be completed in three phases during concession, expanding the terminal's dynamic capacity to 925 thousand TEUs per year. The first phase construction is expected to commence in nine months after the Amendment signature and will be completed by twenty four months after the commencement of the works (total gross investment of R$255 million using values of base date December 2013). The second phase construction limit is by 2030 (total gross investment of R$29 million using values of base date December 2013). And the third phase construction limit is by 2034 (total gross investment of R$114 million using values of base date December 2013). Additionally, there are investments totalling R$317 million, related to the maintenance of the current operating area and replacement of equipment that will be completed up to 2050.

Tecon Salvador guaranteed payments consist of three elements: a fixed rental, a fee per container handled based on minimum forecast volumes and a fee per ton of non-containerized cargo handled based on minimum forecast volumes.

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	US$	US$	R$	R$
Within one year	16,415	16,968	52,009	55,300
In the second to fifth year inclusive	54,533	54,136	172,782	176,435
Greater than five years	207,397	198,725	657,117	647,665
Total	278,345	269,829	881,908	879,400

25. Financial instruments and risk assessment

a) Capital risk management

The Group manages its capital to ensure that its entities will be able to continue as going concerns, while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital structure consists of debt (which includes the borrowing disclosed in Note 15), cash and cash equivalents and short-term investments disclosed in Note 14, and equity attributable to owners of the parent company comprising issued capital, reserves, and retained earnings as disclosed in Note 21.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

b) Categories of financial instruments

	Fair value		Book value	
	31/03/2017	**31/12/2016**	**31/03/2017**	**31/12/2016**
	US$	**US$**	**US$**	**US$**
Financial instruments classified as loans and receivables				
Cash and cash equivalents	82,112	75,001	82,112	75,001
Short-term Investments	35,900	37,400	35,900	37,400
Operational trade receivables	53,003	54,247	53,003	54,247
Other trade receivables	82,238	82,088	82,238	82,088
Total financial instruments - loans and receivables	253,253	248,736	253,253	248,736
Financial instruments classified as amortised cost				
Bank loans	378,169	375,530	378,169	375,530
Operational trade payables	51,262	49,042	51,262	49,042
Other trade payables	16,478	18,621	16,478	18,621
Total financial instruments - amortised cost	445,909	443,193	445,909	443,193
Financial instruments classified as cash flow hedge				
Derivatives	1,438	1,894	1,438	1,894
Total	447,347	445,087	447,347	445,087

	Fair value		Book value	
	31/03/2017	**31/12/2016**	**31/03/2017**	**31/12/2016**
	R$	**R$**	**R$**	**R$**
Financial instruments classified as loans and receivables				
Cash and cash equivalents	260,164	244,436	260,164	244,436
Short-term Investments	113,746	121,890	113,746	121,890
Operational trade receivables	167,934	176,797	167,934	176,797
Other trade receivables	260,564	267,532	260,564	267,532
Total financial instruments - loans and receivables	802,408	810,655	802,408	810,655
Financial instruments classified as amortised cost				
Bank loans	1,198,190	1,223,889	1,198,190	1,223,889
Operational trade payables	162,418	159,833	162,418	159,833
Other trade payables	52,210	60,687	52,210	60,687
Total financial instruments - amortised cost	1,412,818	1,444,409	1,412,818	1,444,409
Financial instruments classified as cash flow hedge				
Derivatives	4,558	6,174	4,558	6,174
Total	1,417,376	1,450,583	1,417,376	1,450,583

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

c) Financial risk management objectives

The Group monitors and manages financial risks related to the operations. A financial risk committee meets regularly to assess financial risks and decide mitigation based on guidelines stated in the Group's financial risk policy.

These risks include market risk, credit risk and liquidity risk. The primary objective is to minimize exposure to those risks by using financial instruments and by assessing and controlling the credit and liquidity risks. The Group may use derivatives and other financial instruments for hedging purposes only.

d) Foreign currency risk management

The operating cash flows are exposed to currency fluctuations because they are denominated partially in Brazilian Real. These proportions vary according to the characteristics of each business.

Cash flows from investments in fixed assets are denominated partly in Brazilian Real. These investments are subject to currency fluctuations between the moment when the prices of those goods or services are settled and the actual payment date. The resources and their application are monitored with purpose of matching the currency cash flows and due dates.

The Group has undertaken part of its debt denominated in Brazilian Real. Cash and cash equivalents are denominated part in Brazilian Real and part in US Dollar.

In general terms, the Group seeks to neutralize the currency risk of operating cash flows by matching revenues and expenses. Furthermore, the Group seeks to generate an operating cash surplus in the same currency in which the debt service of each business is denominated.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	Assets		**Liabilities**	
	31/03/2017	**31/12/2016**	**31/03/2017**	**31/12/2016**
	US$	**US$**	**US$**	**US$**
Amounts denominated in Real	269,751	256,549	213,969	206,286

	Assets		**Liabilities**	
	31/03/2017	**31/12/2016**	**31/03/2017**	**31/12/2016**
	R$	**R$**	**R$**	**R$**
Amounts denominated in Real	854,679	836,118	677,940	672,307

Foreign currency sensitivity analysis

The sensitivity analysis presented in the following sections, which refer to the position on 31 March 2017, estimates the impacts of the Brazilian Real devaluation against the US Dollar. Three exchange rate scenarios are contemplated: the likely scenario (Probable) and two possible scenarios of deterioration of 25% (Possible) and 50% (Remote) in the exchange rate. The Group uses the Brazilian Central Bank's "Focus" report to determine the probable scenario.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

31/03/2017		
Exchange rates (i)		
Probable scenario	**Possible scenario (25%)**	**Remote scenario (50%)**
R$3.2900/ US$1.0000	R$4.1125/ US$1.0000	R$4.9350/ US$1.0000

Operation	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	269,751	Exchange effects	(9,970)	(61,926)	(96,564)
Total liabilities	R$	213,969	Exchange effects	7,908	49,121	76,595
				(2,062)	(12,805)	(19,969)

Operation	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	854,679	Exchange effects	(31,589)	(196,207)	(305,953)
Total liabilities	R$	677,940	Exchange effects	25,057	155,634	242,685
				(6,532)	(40,573)	(63,268)

(i) Information source: Focus BACEN, report from 13 April 2017.

31/12/2016		
Exchange rates (i)		
Probable scenario	**Possible scenario (25%)**	**Remote scenario (50%)**
R$3.5000 / US$1.00	R$4.3750 / US$1.00	R$5.2500 / US$1.00

Operation	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	256,549	Exchange effects	(17,658)	(65,436)	(97,288)
Total liabilities	R$	206,286	Exchange effects	14,198	52,616	78,228
				(3,460)	(12,820)	(19,060)

Operation	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Total assets	R$	836,118	Exchange effects	(57,549)	(213,263)	(317,072)
Total liabilities	R$	672,307	Exchange effects	46,274	171,481	254,952
				(11,275)	(41,782)	(62,120)

(i) Information source: Focus BACEN, report from 20 January 2017

e) Interest rate risk management

The Group holds most of its debts linked to fixed rates. Most of the Group's fixed rates loans are with the FMM.

Other loans exposed to floating rates are as follows:

- TJLP (Brazilian Long Term Interest Rate) for Brazilian Real-denominated funding through FINAME credit line to port operations and Logistics operations;

- DI (Brazilian Interbank Interest Rate) for Brazilian Real-denominated funding in logistics operations, and

- 6-month Libor (London Interbank Offered Rate) for US Dollar-denominated funding for port operations (Eximbank).

The Brazilian Real-denominated investments yield interest rates corresponding to the DI daily fluctuation for privately-issued securities and/or "Selic-Over" government-issued bonds. The US Dollar-denominated investments are time deposits, with short-term maturities.

Interest rate sensitivity analysis

The Group does not account for any financial asset or liability interest rate at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not change the result. The Group uses two important information sources to estimate the probable scenario, BM&F (*Bolsa de Mercadorias e Futuros*) and Bloomberg.

The following analysis concerns a possible fluctuation of revenue or expenses linked to the transactions and scenarios shown, without considering their fair value.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

31/03/2017			
Libor (i), CDI (ii), SELIC (iii) and TJLP			
Transaction	**Probable scenario**	**Possible scenario (25%)**	**Remote scenario (50%)**
Loans - Libor	1.83%	2.28%	2.74%
Loans - SELIC	11.15%	13.94%	16.73%
Loans -TJLP	7.00%	8.75%	10.50%
Investments - Libor	2.22%	2.68%	3.14%
Investments - CDI	11.15%	13.94%	16.73%

Transaction	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans - Libor	Libor	95,185	Interest	(233)	(456)	(678)
Loans - SELIC	SELIC	254	Interest	13	5	(4)
Loans - TJLP	TJLP	27,718	Interest	-	(305)	(606)
Loans - Fixed	None	254,878	None	-	-	-
Total loans		378,035		(220)	(756)	(1,288)
Investments	Libor	56,037	Income	-	157	313
Investments	CDI	56,503	Income	(1,447)	(103)	1,242
Total investments		112,540		(1,447)	54	1,555
			Net income	(1,667)	(702)	267

Transaction	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans - Libor	Libor	301,581	Interest	(739)	(1,445)	(2,150)
Loans - SELIC	SELIC	805		42	15	(12)
Loans - TJLP	TJLP	87,822	Interest	-	(967)	(1,920)
Loans - Fixed	None	807,557	None	-	-	-
Total loans		1,197,765		(697)	(2,397)	(4,082)
Investments	Libor	177,547	Income	-	496	992
Investments	CDI	179,023	Income	(4,585)	(325)	3,936
Total investments		356,570		(4,585)	171	4,928
			Net income	(5,282)	(2,226)	846

(i) Information source: Bloomberg, report from 17 April 2017.
(ii) Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 11 April 2017.
(iii) Information source: BC (Banco Central do Brasil), report from 17 April 2017.

The net effect was obtained by assuming a 12 month period starting 31 March 2017 in which interest rates vary and all other variables are held constant. The scenarios express the difference between the scenario rate and actual rate.

The interest rate risk mix is 49.04% of Libor and 49.45% of CDI.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

31/12/2016			
Libor (i), CDI (ii) and TJLP			
Transaction	**Probable scenario**	**Possible scenario (25%)**	**Remote scenario (50%)**
Loans - Libor	1.70%	2.13%	2.55%
Loans - CDI	11.14%	13.93%	16.71%
Loans -TJLP	7.50%	9.38%	11.25%
Investments - Libor	1.88%	2.31%	2.73%
Investments - CDI	11.14%	13.93%	16.71%

Transaction	Risk	Amount US$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans - Libor	Libor	88,041	Interest	(217)	(420)	(623)
Loans - TJLP	TJLP	27,441	Interest	-	(324)	(643)
Loans - Fixed	None	260,026	None	-	-	-
Total loans		375,508		(217)	(744)	(1,266)
Investments	Libor	51,500	Income	-	195	390
Investments	CDI	51,112	Income	(1,650)	(232)	1,187
Total investments		102,612		(1,650)	(37)	1,577
			Net income	(1,867)	(781)	311

Transaction	Risk	Amount R$	Result	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Loans - Libor	Libor	286,934	Interest	(708)	(1,370)	(2,031)
Loans - TJLP	TJLP	89,433	Interest	-	(1,056)	(2,096)
Loans - Fixed	None	847,450	None	-	-	-
Total loans		1,223,817		(708)	(2,426)	(4,127)
Investments	Libor	167,842	Income	-	635	1,270
Investments	CDI	166,580	Income	(5,379)	(755)	3,868
Total investments		334,422		(5,379)	(120)	5,138
			Net income	(6,087)	(2,546)	1,011

(i) Information source: Bloomberg, report 11 January 2017.
(ii) Information source: BM&F (Bolsa de Mercadorias e Futuros), report from 10 January 2017.

The net effect was obtained by assuming a 12 month period starting 31 December 2016 in which interest rates vary and all other variables are held constant. The scenarios express the difference between the scenario rate and actual rate.

The interest rate risk mix is 46.49% of Libor and 46.14% of CDI.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Derivative financial instruments
The Group may enter into derivative contracts to manage risks arising from interest rate fluctuations. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Group uses cash flow hedges to limit its exposure that may result from the variation of floating interest rates. On 16 September 2013, Tecon Salvador, entered into an interest rate swap agreement with an initial notional amount of US$74.4 million to hedge a portion of its outstanding floating-rate debt with IFC. On 31 March 2017 the notional amount was US$41.7 million, equivalent to the outstanding debt amount on that date. This swap converts floating interest rate based on the London Interbank Offered Rate, or LIBOR, into fixed-rate interest and expires in March 2020.The derivatives were entered into with Santander Brasil as counterparty and its credit rating was AA, as of 31 March 2017, according to Standard & Poor's Brazilian local rating scale.

Tecon Salvador is required to pay the counterparty a stream of fixed interest payments at rates fixed from 0.553% to 4.250%, according to the schedule agreement, and in turn, receives variable interest payments based on 6-month LIBOR. The net receipts or payments from the swap are recorded as financial expense.

	US$ Outflows	**R$ Outflows**
Within one year	(687)	(2,178)
In the second year	(559)	(1,771)
In the third to fifth years (including)	(192)	(609)
Fair value	(1,438)	(4,558)

Fair Value
The swap fair value was estimated based on the yield curve as of 31 March 2017, and represents its carrying value. As of 31 March 2017, the interest rate swap balance in liabilities was US$1.4 million; and the balance in accumulated other comprehensive income on the consolidated balance sheet was US$2.0 million. The net change in fair value of the interest rate swap recorded as other comprehensive income for the period ended 31 March 2017 was an after tax loss of US$0.3 million.

31 March 2017	**Notional amount US$**	**Maturity**	**US$ Fair value**	**R$ Fair value**
Financial assets				
Interest rates swap	41,677	Mar/2020	(1,438)	(4,558)
Total			(1,438)	(4,558)

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

Derivative Sensitivity Analysis
This analysis is based on 6-month Libor interest rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores any impact of forecast sales and purchases. Three scenarios were simulated: the likely scenario (Probable) and two possible scenarios of reduction of 25% (Possible) and 50% (Remote) in the interest rate.

31/03/2017					
Probable scenario US$	**Possible scenario (25%) US$**	**Remote scenario (50%) US$**	**Probable scenario R$**	**Possible scenario (25%) R$**	**Remote scenario (50%) R$**
(1,450)	(1,779)	(2,112)	(4,596)	(5,637)	(6,692)

Cash Flow Hedge
The Group applies hedge accounting for transactions in order to manage the volatility in earnings. If a swap is designated and qualifies as a cash flow hedge, the swap is accounted for as an asset or a liability in the accompanying consolidated balance sheets at fair value. The effective portion of changes in fair value of the derivative is recognised in other comprehensive income and presented as an asset revaluation reserve in equity. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting operations, expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively when there is no further expectation for the forecasted transaction, and then the amount stated in the equity is reclassified to the profit or loss.

On the initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged transaction, including the risk management objective and strategy on the implementation of the hedge and the hedged risk, together with the methods that will be used to evaluate the effectiveness of the hedging relationship. The Group is utilizing the dollar offset method to assess the effectiveness of the swap, analysing whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of the respective hedged items attributable to the hedged risk, and if the actual results for each coverage are within the range from 80 - 125 percent.

Under this methodology, the swap was deemed to be highly effective for the period ended 31 March 2017. There was no hedge ineffectiveness recognised in profit or loss for the year ended 31 March 2017.

f) Liquidity risk management
The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Group will encounter difficulty in fulfilling obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Group's approach in managing liquidity is to ensure that the Group always has sufficient liquidity to fulfill the obligations that expire, under normal and stress conditions, without causing unacceptable losses or risk damage to the reputation of the Group.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

The Group ensures that it has sufficient cash reserves to meet the expected operational expenses, including financial obligations. This practice excludes the potential impact of extreme circumstances that cannot be reasonably foreseen, such as natural disasters.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

31 March 2017	**Weighted average effective interest rate %**	**Less than 12 months US$**	**1-5 years US$**	**More than 5 years US$**	**Total US$**
Variable interest rate instruments	3.71%	30,005	81,144	12,142	123,291
Fixed interest rate instruments	2.81%	22,111	78,829	153,938	254,878
		52,116	159,973	166,080	378,169

31 March 2017	**Weighted average effective interest rate %**	**Less than 12 months R$**	**1-5 years R$**	**More than 5 years R$**	**Total R$**
Variable interest rate instruments	3.71%	95,067	257,096	38,470	390,633
Fixed interest rate instruments	2.81%	70,057	249,763	487,737	807,557
		165,124	506,859	526,207	1,198,190

31 December 2016	**Weighted average effective interest rate %**	**Less than 12 months US$**	**1-5 years US$**	**More than 5 years US$**	**Total US$**
Variable interest rate instruments	3.73%	27,762	75,307	12,435	115,504
Fixed interest rate instruments	2.85%	22,018	79,675	158,333	260,026
		49,780	154,982	170,768	375,530

31 December 2016	**Weighted average effective interest rate %**	**Less than 12 months R$**	**1-5 years R$**	**More than 5 years R$**	**Total R$**
Variable interest rate instruments	3.73%	90,479	245,432	40,528	376,439
Fixed interest rate instruments	2.85%	71,759	259,667	516,024	847,450
		162,238	505,099	556,552	1,223,889

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

g) Credit risk

The Group's credit risk can be attributed mainly to balances such as cash and cash equivalents and trade receivables. Trade and other trade receivables disclosed in the balance sheet are shown net of the allowance for bad debts.

The Group invests temporary cash surpluses in government and private bonds, according to regulations approved by management, which follow the Group policy on credit risk concentration. Credit risk on investments in non-government backed bonds is mitigated by investing only in assets issued by leading financial institutions.

The Group's sales policy follows the criteria for credit sales set by management, which seeks to mitigate any loss due to customer default.

		US$		R$	
	Nota	**31/03/2017**	**31/12/2016**	**31/03/2017**	**31/12/2016**
Cash and cash equivalents	14	82,112	75,001	260,164	244,436
Short-term investments	14	35,900	37,400	113,746	121,890
Operational trade receivables	13	53,003	54,247	167,934	176,797
Other trade receivables	13	82,238	82,088	260,564	267,532
Exposed to credit risk		253,253	248,736	802,408	810,655

h) Fair value of financial instruments

The Group's financial instruments are recorded in balance sheet accounts at 31 March 2017 and 31 December 2016 at amounts similar to the fair value at those dates. These instruments are managed though operating strategies aimed to obtain liquidity, profitability and security. The control policy consists of ongoing monitoring of rates agreed versus those in force in the market, and confirmation of whether its short-term financial investments are being properly marked to market by the institutions dealing with its funds.

The determination of estimated realisation values of Company's financial assets and liabilities relies on information available in the market and relevant assessment methodologies. Nevertheless, considerable judgment is required when interpreting market data to derive the most adequate estimated realization value.

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the Group's financial instruments (as disclosed in note 25 b) are considered as level 2. There were no amounts related to levels 1 and 3 at 31 March 2017 and 31 December 2016.

i) Criteria, assumptions and limitations used when computing market values

Cash and cash equivalents
The market values of the bank current account balances are consistent with book balances.

Investments
The carrying amounts of short-term investments approximate their fair value.

Trade and other trade receivables/payables
According to the Group's management the book balances of trade and other trade receivables and payables approximate fair values.

Bank and loans
Fair value of loan arrangements were calculated at their present value determined by future cash flows and at interest rates applicable to instruments of similar nature, terms and risks or at market quotations of these securities. Fair value measurements recognised in the consolidated financial statements are grouped into levels based on the degree to which the fair value is observable.

The fair values of BNDES, BB, IFC, CCB, Santander, Finimp, and Eximbank financing arrangements are similar to their carrying amounts since there are no similar instruments, with comparable maturity dates and interest rates.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

26. Related-party transactions

Transactions between the Company and its related party subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates, joint ventures, other investments, and other related parties are disclosed below.

	Current assets (liabilities)	Revenues	Expenses
	US$	US$	US$
Joint ventures:			
1. Allink Transportes Internacionais Ltda.	3	1	4
2. Consórcio de Rebocadores Barra de Coqueiros	148	-	-
3. Consórcio de Rebocadores Baía de São Marcos	3,267	142	-
4. Wilson, Sons Ultratug and subsidiaries	14,078	792	-
5. Atlantic Offshore S.A.	14,417	-	-
Other:			
6. Gouvêa Vieira Advogados	-	-	22
7. CMMR Intermediação Comercial Ltda.	-	-	50
Three-month period ended 31 March 2017	31,913	935	76
At 31 December 2016	31,784	20,272	374
Three-month period ended 31 March 2016	7,566	3,177	55

	Current assets (liabilities)	Revenues	Expenses
	R$	R$	R$
Joint ventures:			
1. Allink Transportes Internacionais Ltda.	10	2	14
2. Consórcio de Rebocadores Barra de Coqueiros	469	-	-
3. Consórcio de Rebocadores Baía de São Marcos	10,351	448	-
4. Wilson, Sons Ultratug and subsidiaries	44,605	2,502	-
5. Atlantic Offshore S.A.	45,678	-	-
Other:			
6. Gouvêa Vieira Advogados	-	-	69
7. CMMR Intermediação Comercial Ltda.	-	-	158
Three-month period ended 31 March 2017	101,113	2,952	241
At 31 December 2016	103,587	69,205	1,271
Three-month period ended 31 March 2016	26,891	5,047	214

1. Allink Transportes Internacionais Ltda. is 50% owned by the Group and rents terminal warehousing from the Group. Allink Transportes Internacionais Ltda controls 100% of Allink Serviços e Gerenciamento de Cargas Ltda.

2-3. The transactions with the joint operations are disclosed as a result of proportionate amounts not eliminated on consolidation.

4. Intergroup loan with Wilson, Sons Ultratug (interest - 0.3% per month with no maturity) and other trade payables and receivables from Wilson, Sons Offshore and Magallanes.

5. Intergroup loan with Atlantic Offshore S.A.

6. Mr. J.F. Gouvêa Vieira is a partner with the law firm Gouvêa Vieira Advogados. Fees were paid to Gouvêa Vieira Advogados for legal services.

7. Mr. C.M. Marote is a shareholder and director of CMMR Intermediação Comercial Ltda. Fees were paid to CMMR Intermediação Comercial Ltda. for consultancy services to the Wilson Sons towage segment.

The Company has adopted the policy of netting the assets and liabilities of the group related party transactions.

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

27. Notes to the consolidated statement of cash flows

	31/03/2017 US$	31/03/2016 US$	31/03/2017 R$	31/03/2016 R$
Profit before tax	23,989	33,234	75,669	126,383
Less: Finance income	(3,686)	(9,651)	(11,716)	(35,712)
Less: Exchange gain (loss) on translation	(2,748)	(4,180)	(8,850)	(14,980)
Less: Share of result of joint ventures	(246)	(251)	(788)	(430)
Add: Finance costs	3,777	3,843	11,937	14,690
Operating profit from operations	21,086	22,995	66,252	89,951
Adjustments for:				
Depreciation and amortisation expenses	14,427	11,374	45,342	44,400
Gain (loss) on disposal of property, plant and equipment	(142)	142	(443)	590
Provision equity-settled share-based payment	595	825	1,875	3,222
Post-employment benefits	19	48	59	171
Increase in provisions	1,961	1,653	6,168	6,451
Operating cash flows before movements in working capital	37,946	37,037	119,253	144,785
Increase (decrease) in inventories	(3,255)	628	(10,237)	2,451
Decrease (increase) in trade and other trade receivables	811	(6,378)	2,561	(25,281)
Decrease in trade and other trade payables	1,262	8,850	3,955	39,491
Increase in other non-current assets	(983)	(915)	(3,092)	(3,571)
Cash generated by operations	35,781	39,222	112,440	157,875
Income taxes paid	(6,463)	(7,422)	(20,259)	(26,550)
Interest paid – borrowings	(3,423)	(3,540)	(10,806)	(13,365)
Interest paid – leasing	(124)	(81)	(390)	(313)
Interest paid – others	(108)	(30)	(339)	(118)
Net cash from operating activities	25,663	28,149	80,646	117,529

Non-cash transactions

During the current period, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

	31/03/2017 US$	31/03/2016 US$	31/03/2017 R$	31/03/2016 R$
Additions to fixed assets				
Equipment acquisition through finance leases	16,832	171	51,418	664
Capitalised interest	226	476	714	1,883
Effect of acquisition of tugboats	-	(17,420)	-	(62,914)
Acquisition of non controlling interest				
Reversion of debts from purchase of non controlling interest	-	(2,802)	-	(11,329)
Payables from purchase of non controlling interest	-	(742)	-	(3,000)
Taxes settlement				
Income tax offsetting	353	-	1,111	-

(Amounts expressed in thousands of U.S. Dollars and Brazilian Reais, unless otherwise noted) - Unaudited

28. Compensation of key management personnel

Compensation, of the Group's key management personnel, is set out below in aggregate for each of the categories:

	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	US$	US$	R$	R$
Short-term employee benefits	1,437	1,193	4,513	4,623
Post-employment benefits and social charges	349	366	1,097	1,398
Stock Option	595	825	1,875	1,961
Total	2,381	2,384	7,485	7,982

29. Subsequent event

Following Board and Shareholder approval, dividends in the amount of US$0.52 per share (R$1.654119999 per share) totalling US$36,995 (R$117,681) were paid on 9 May 2017 to Shareholders on record as at 27 April 2017.

30. Approval of the consolidated financial information

The consolidated financial statements were approved by the board of directors and authorised for issue on 15 May 2017.

Directors Declaration

In compliance with article 25, section V of CVM Instruction 480 of 7 December 2009, the Directors of WILSON SONS LTD, a publicly traded company, registered at the Brazilian Ministry of Finance under the CNPJ 05.721.735/0001-28, based in Clarendon House, 2 Church Street, Hamilton HM 11 - Bermuda, declare that they have reviewed, discussed and agreed with the Financial Statements and the views expressed in the independent auditor's review report.