Financial Statements

Arezzo Indústria e Comércio S.A.

December 31, 2015 and 2014
with Independent Auditor's Report

Arezzo Indústria e Comércio S.A.

Financial Statements

December 31, 2015

Contents

A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the
Shareholders, Board of Directors and Officers
Arezzo Indústria e Comércio S.A.
Belo Horizonte - MG

We have audited the accompanying individual and consolidated financial statements of Arezzo Indústria e Comércio S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2015, and the related income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Arezzo Indústria e Comércio S.A. as at December 31, 2015, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (*IFRS*) issued by the International Accounting Standards Board (IASB).

Other matters
Statements of value added

We have also audited the individual and consolidated statements of value added (SVA), for the year ended December 31, 2015, prepared under Company's management responsibility, the presentation of which is required by Brazilian corporation law for publicly traded companies and as supplementary information under IFRS, which do not require SVA presentation. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly in all material respects, in relation to the overall financial statements.

Porto Alegre, February 29, 2016.

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

Guilherme Ghidini Neto
Accountant CRC RS-067795/O-5

A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and with Individual Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Arezzo Indústria e Comércio S.A.

Balance sheets
December 31, 2015 and 2014
(In thousands of reais)

		Company		Consolidated	
Assets	Note	2015	2014	2015	2014
Current assets					
Cash and cash equivalents	5	**4,548**	6,110	**8,822**	10,831
Short-term investments	6	**208,044**	189,554	**216,940**	189,554
Accounts receivable	7	**232,035**	239,147	**280,528**	277,913
Inventories	8	**37,303**	37,006	**106,951**	98,131
Taxes recoverable	9	**13,802**	20,773	**21,222**	27,742
Other receivables	10	**17,478**	8,613	**23,740**	14,482
Total current assets		**513,210**	501,203	**658,203**	618,653
Noncurrent assets					
Long-term receivables					
Long-term investments	6	**-**	-	**919**	29
Accounts receivable	7	**14,217**	-	**14,217**	-
Receivables with related parties	12	**42,437**	28,486	**-**	-
Judicial deposits	20	**6,054**	5,242	**8,621**	6,939
Deferred income and social contribution taxes	11.a	**3,231**	2,429	**6,285**	4,124
Other receivables	10	**1,381**	320	**1,381**	921
		67,320	36,477	**31,423**	12,013
Investments	13	**163,745**	133,617	**-**	-
Property, plant and equipment	14	**24,105**	24,386	**73,593**	75,767
Intangible assets	15	**54,516**	51,021	**90,729**	90,076
		242,366	209,024	**164,322**	165,843
Total noncurrent assets		**309,686**	245,501	**195,745**	177,856
Total assets		**822,896**	746,704	**853,948**	796,509

		Company		Consolidated	
Liabilities	**Note**	**2015**	**2014**	**2015**	**2014**
Current liabilities					
Loans and financing	16	**65,521**	37,266	**85,336**	65,081
Trade accounts payable	17	**55,414**	64,368	**64,881**	70,315
Tax and social liabilities	19	**7,286**	5,435	**20,285**	14,891
Labor liabilities	18	**6,315**	11,516	**12,876**	17,105
Other liabilities		**4,301**	3,932	**7,394**	11,411
Total current liabilities		**138,837**	122,517	**190,772**	178,803
Noncurrent liabilities					
Loans and financing	16	**36,973**	33,444	**37,817**	34,329
Transactions with related parties	12	**-**	-	**1,393**	950
Provision for tax, civil and labor contingencies	20	**4,226**	4,505	**5,594**	5,317
Provision for Investments Losses	13	**24,487**	9,129	**-**	-
Other liabilities		**468**	816	**467**	817
Total noncurrent liabilities		**66,154**	47,894	**45,271**	41,413
Equity					
Paid-in Capital	21.1	**261,247**	220,086	**261,247**	220,086
Capital reserve	21.2	**35,377**	70,739	**35,377**	70,739
Income reserves	21.3	**308,079**	250,120	**308,079**	250,120
Equity adjustments	21.4	**(5,502)**	-	**(5,502)**	-
Proposed additional dividends	22	**18,704**	35,348	**18,704**	35,348
		617,905	576,293	**617,905**	576,293
Total liabilities and equity		**822,896**	746,704	**853,948**	796,509

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Income statements
Years ended December 31, 2015 and 2014
(In thousands of reais, except earnings per share)

	Note	Company		Consolidated	
		2015	**2014**	**2015**	**2014**
Net operating revenue	24	**966,356**	918,726	**1,120,557**	1,052,909
Cost of sales	26	**(640,634)**	(595,536)	**(644,658)**	(603,610)
Gross profit		**325,722**	323,190	**475,899**	449,299
Operating income (expenses):					
Selling expenses	26	**(111,617)**	(105,618)	**(249,242)**	(221,352)
General and administrative expenses	26	**(73,619)**	(70,455)	**(82,893)**	(76,169)
Equity pickup	13	**(6,728)**	(6,417)	**-**	-
Other operating expenses, net	29	**(3,310)**	(1,375)	**(2,476)**	(3,708)
		(195,274)	(183,865)	**(334,611)**	(301,229)
Income before financial income (expenses)		**130,448**	139,325	**141,288**	148,070
Financial income (expenses)	28				
Financial expenses		**(8,672)**	(5,751)	**(16,153)**	(14,976)
Financial income		**29,398**	24,045	**29,498**	25,874
Exchange gains (losses), net		**9,808**	2,078	**9,924**	2,519
		30,534	20,372	**23,269**	13,417
Income before income and social contribution taxes		**160,982**	159,697	**164,557**	161,487
Income and social contribution taxes	11.b				
Current		**(42,121)**	(44,574)	**(47,055)**	(47,345)
Deferred		**802**	(2,371)	**2,161**	(1,390)
Net income for the year		**119,663**	112,752	**119,663**	112,752
Basic earnings per share - R$	23	**1.35**	1.27	**1.35**	1.27
Diluted earnings per share - R$	23	**1.35**	1.27	**1.35**	1.27

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Statements of comprehensive income
Years ended December 31, 2015 and 2014
(In thousands of reais)

	Company		Consolidated	
	2015	2014	2015	2014
Net income for the year	**119,663**	112,752	**119,663**	112,752
Other comprehensive income:				
Exchange differences on translation of foreign operations	**(5,502)**	-	**(5,502)**	-
Total comprehensive income for the year	**114,161**	112,752	**114,161**	112,752

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Statements of changes in equity
Years ended December 31, 2015 and 2014
(In thousands of reais)

				Income reserves						
	Note	Capital	Legal reserve	Legal reserve	Investment reserve	Retained profits	Proposed additional dividends	Retained earnings (accumulated losses)	Other comprehensive income (loss)	Total
Balances at December 31, 2013		157,186	128,288	18,555	2,683	186,936	20,894	-	-	514,542
Net income for the year		-	-	-	-	-	-	112,752	-	112,752
Capital increase	21.1	62,000	(62,000)	-	-	-	-	-	-	-
Stock options granted	21.2	-	4,451	-	-	-	-	-	-	4,451
Share issue	21.1	900	-	-	-	-	-	-	-	900
Legal reserve	21.3	-	-	5,638	-	-	-	(5,638)	-	-
Allocation:	22	-	-	-	-	-	-	-	-	-
Interest on equity	22	-	-	-	-	-	-	(24,386)	-	(24,386)
Dividends paid	22	-	-	-	-	-	(20,894)	-	-	(20,894)
Interim dividends paid	22	-	-	-	-	-	-	(11,072)	-	(11,072)
Proposed dividends	22	-	-	-	-	-	35,348	(35,348)	-	-
Retained profits	21.3	-	-	-	-	36,308	-	(36,308)	-	-
Balances at December 31, 2014		220,086	70,739	24,193	2,683	223,244	35,348	-	-	576,293
Net income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**119,663**	**-**	**119,663**
Exchange difference on translation of foreign operations	21.4	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,502)**	**(5,502)**
Capital increase	21.1	**40,111**	**(40,111)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stock options granted	21.2	**-**	**4,749**	**-**	**-**	**-**	**-**	**-**	**-**	**4,749**
Share issue	21.1	**1,050**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,050**
Legal reserve	21.3	**-**	**-**	**5,983**	**-**	**-**	**-**	**(5,983)**	**-**	**-**
Allocation:										
Interest on equity	22	**-**	**-**	**-**	**-**	**-**	**-**	**(33,511)**	**-**	**(33,511)**
Dividends paid	22	**-**	**-**	**-**	**-**	**-**	**(35,348)**	**-**	**-**	**(35,348)**
Interim dividends paid	22	**-**	**-**	**-**	**-**	**-**	**-**	**(9,489)**	**-**	**(9,489)**
Proposed dividends	22	**-**	**-**	**-**	**-**	**-**	**18,704**	**(18,704)**	**-**	**-**
Retained profits	21.3	**-**	**-**	**-**	**-**	**51,976**	**-**	**(51,976)**	**-**	**-**
Balances at December 31, 2015		**261,247**	**35,377**	**30,176**	**2,683**	**275,220**	**18,704**	**-**	**(5,502)**	**617,905**

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Cash flow statements
Years ended December 31, 2015 and 2014
(In thousands of reais)

	Company		Consolidated	
	2015	**2014**	**2015**	**2014**
Operating activities:				
Income before income and social contribution taxes	**160,982**	159,697	**164,557**	161,487
Adjustments to reconcile net income to cash generated by operating activities:				
Depreciation and amortization	**16,937**	6,606	**24,208**	13,230
Disposal of permanent assets	**(21)**	(225)	**1,597**	2,273
Equity pickup	**6,728**	6,417	**-**	-
Provision for tax, civil and labor contingencies	**(279)**	656	**277**	474
Interest and exchange variation	**2,001**	2,856	**2,779**	6,466
Short-term investment yield	**(23,823)**	(15,013)	**(23,970)**	(15,339)
Provision for inventory losses	**2,045**	740	**2,934**	740
Allowance for doubtful accounts	**1,876**	113	**1,876**	123
Stock option plan	**4,749**	4,451	**4,749**	4,451
Decrease (increase) in assets				
Trade accounts receivable	**(8,981)**	(25,004)	**(18,708)**	(30,538)
Inventories	**(2,342)**	(7,901)	**(11,754)**	(13,763)
Taxes recoverable	**(29)**	(6,520)	**(376)**	(8,554)
Changes in other current and noncurrent assets	**(9,926)**	3,133	**(10,597)**	3,162
Judicial deposits	**(812)**	(566)	**(1,682)**	(317)
(Decrease) increase in liabilities				
Trade accounts payable	**(8,954)**	36,296	**(5,434)**	35,456
Labor liabilities	**(5,201)**	3,330	**(4,229)**	3,537
Tax and social liabilities	**7,239**	1,368	**8,830**	42
Increase (decrease) in other liabilities	**21**	194	**(4,367)**	1,215
Income and social contribution taxes paid	**(36,461)**	(51,725)	**(39,443)**	(54,180)
Net cash provided by operating activities	**105,749**	118,903	**91,247**	109,965
Investing activities:				
Income from disposal of property, plant and equipment and intangible assets	**21**	1,777	**3,826**	4,826
Additions to property, plant and equipment and intangible assets	**(20,151)**	(35,587)	**(25,775)**	(50,531)
Short-term investments	**(609,175)**	(436,170)	**(728,605)**	(436,176)
Redeemed short-term investments	**610,460**	415,748	**720,147**	433,860
Capital contribution in subsidiaries	**(27,000)**	(5,721)	**-**	-
Net cash used in investing activities	**(45,845)**	(59,953)	**(30,407)**	(48,021)
Financing activities - third parties:				
Loans taken out	**71,961**	48,856	**72,055**	49,750
Loan repaid	**(40,421)**	(36,138)	**(54,769)**	(52,966)
Interest paid on loans	**(1,757)**	(1,517)	**(2,507)**	(2,258)
Payables to related parties, except shareholders	**(13,951)**	(13,300)	**-**	-
Net cash generated by (used in) financing activities - third parties	**15,832**	(2,099)	**14,779**	(5,474)
Loans from members:				
Interest on equity paid	**(33,511)**	(28,436)	**(33,511)**	(28,436)
Distribution of profits	**(44,837)**	(31,966)	**(44,837)**	(31,966)
Receivables from (payables to) shareholders	**-**	-	**443**	77
Capital increase - issue of shares	**1,050**	900	**1,050**	900
Net cash used in financing activities with shareholders	**(77,298)**	(59,502)	**(76,855)**	(59,425)
Net cash used in financing activities	**(61,466)**	(61,601)	**(62,076)**	(64,899)
Increase (decrease) in cash and cash equivalents	**(1,562)**	(2,651)	**(1,236)**	(2,955)
Cash and cash equivalents				
Effect of exchange variation on cash and cash equivalents	**-**	-	**(773)**	-
Cash and cash equivalents - opening balance	**6,110**	8,761	**10,831**	13,786
Cash and cash equivalents - closing balance	**4,548**	6,110	**8,822**	10,831
Increase (decrease) in cash and cash equivalents	**(1,562)**	(2,651)	**(1,236)**	(2,955)

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Statements of value added
Years ended December 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

	Company		Consolidated	
	2015	**2014**	**2015**	**2014**
Revenues	**1,158,987**	1,109,736	**1,374,917**	1,302,789
Inputs acquired from third parties	**(891,134)**	(842,759)	**(924,156)**	(866,197)
Cost of sales	**(813,504)**	(755,948)	**(761,733)**	(709,004)
Electricity, third-party services and other expenses	**(75,540)**	(84,106)	**(157,969)**	(152,477)
Cost of sales	**(2,090)**	(2,705)	**(4,454)**	(4,716)
Gross value added	**267,853**	266,977	**450,761**	436,592
Depreciation and amortization	**(16,937)**	(6,606)	**(24,208)**	(13,230)
Net value added produced by Company	**250,916**	260,371	**426,553**	423,362
Value added received in transfer	**47,421**	21,521	**55,199**	27,874
Equity pickup	**(6,728)**	(6,417)	**-**	-
Financial income, including exchange gains	**52,710**	28,949	**52,925**	31,218
Other revenues (expenses)	**1,439**	(1,011)	**2,274**	(3,344)
Total value added to be distributed	**298,337**	281,892	**481,752**	451,236
Personnel	**72,913**	64,192	**133,135**	116,371
- Salaries, benefits and FGTS	**67,432**	55,598	**127,683**	107,688
- Employee profit sharing	**732**	4,143	**703**	4,232
- Stock option plan	**4,749**	4,451	**4,749**	4,451
Taxes	**79,527**	92,415	**161,678**	166,246
- Federal	**82,879**	94,144	**113,555**	119,766
- State	**(3,405)**	(2,362)	**47,561**	45,129
- Local	**53**	633	**562**	1,351
Debt remuneration	**26,234**	12,533	**67,276**	55,867
- Interest	**1,933**	2,367	**2,516**	4,208
- Rent	**4,058**	3,956	**37,620**	38,066
- Financial expenses, including exchange losses	**20,243**	6,210	**27,140**	13,593
Equity remuneration	**119,663**	112,752	**119,663**	112,752
- Interest on equity and dividends	**61,704**	70,806	**61,704**	70,806
- Retained profits for the year	**57,959**	41,946	**57,959**	41,946
Value added distributed	**298,337**	281,892	**481,752**	451,236

See accompanying notes.

1. Company information

Arezzo Indústria e Comércio S.A. (“Company”) is a publicly-held corporation headquartered at Rua Fernandes Tourinho, 147 - Rooms 1301 and 1303 in the city of Belo Horizonte - State of Minas Gerais, with shares traded in the Novo Mercado segment of the Securities, Commodities and Futures Exchange (BM&FBOVESPA) under ticker ARZZ3 since February 2, 2011.

The Company, together with its subsidiaries, is engaged in the manufacture, development, molding and sale of footwear, bags, women’s clothing and accessories.

As at December 31, 2015, the Company held 489 franchises in Brazil and five abroad, 48 stores across Brazil and 1 store abroad, and an e-commerce website for sale of products under the brand names Schutz, Arezzo and Anacapri.

The franchise system is controlled by Arezzo, and its own brand stores form part of Company subsidiaries.

Company subsidiaries included in the consolidated financial statements are as follows:

ZZAB Comércio de Calçados Ltda. (“ZZAB”)

ZZAB is engaged in the retail sale of shoes, handbags and belts, and has active stores in the cities of São Paulo, Campinas, Itupeva, São Roque, Cajamar, Rio de Janeiro, São Gonçalo, Brasília, Alexania, Porto Alegre, Novo Hamburgo, Gramado, Belo Horizonte and Curitiba.

ZZSAP Indústria e Comércio de Calçados Ltda. (“ZZSAP”)

ZZSAP is engaged in the manufacturing and selling of leather shoes, handbags, and belts, footwear components, articles of clothing, fashion accessories, as well as import and export of these products.

ARZZ International Inc. (“ARZZ Inc.”)

ARZZ Inc. was established on August 01, 2012, a Delaware, US-based company engaged in the sale of footwear and business intermediation. ARZZ Inc. holds direct interest in ARZZ LLC and Schutz 655 LLC.

ARZZ LLC

ARZZ LLC was established on August 1, 2012, a Delaware, US-based company engaged in the sale of footwear and business intermediation.

Schutz 655 LLC

Schutz 655 LLC was established on August 1, 2012, a Delaware, US-based company engaged in the retail sale of footwear, handbags and belts.

2. Summary of significant accounting policies

2.1. Basis of preparation and presentation of financial statements

Individual financial statements

Company individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions of Brazilian Corporation Law, Law No. 6404/76, as amended by Laws No. 11638/07 and No. 11941/09, and accounting pronouncements, interpretations and guidance issued by the Brazilian FASB (CPC) and approved by the Brazilian SEC (CVM).

Since December 2014, with issue of IAS 27 (Separate Financial Statements), reviewed by IASB, and Brazilian SEC (CVM) Rule No. 733/2014, which approved the Amendment to Accounting Pronouncement No. 07 referring to CPC 18, CPC 35 and CPC 37, issued by the Brazilian FASB (CPC), enforcing referred to amendment to IAS 27, the Company individual financial statements are compliant with International Financial Reporting Standards (IFRS).

Consolidated financial statements

Company consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil through the Brazilian FASB (CPC) and its technical interpretations (ICPC) and guidance (OCPC), approved by the Brazilian Securities and Exchange Commission (CVM).

In preparing these financial statements, the Company adopted the same accounting practices and calculation methods used in the consolidated financial statements as at December 31, 2014. The Company adopted all the standards, revised standards and interpretations issued by the CPC, the IASB and other regulating authorities that were effective as at December 31, 2015.

These financial statements were prepared under the historical cost convention, except for the valuation of certain assets and liabilities as financial instruments, which are measured at fair or amortized value.

Preparation of the financial statements requires the use of certain significant accounting estimates as well as professional judgment by Company management in the process of applying Company accounting practices. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting policies (Continued)

2.1. Basis of preparation and presentation of the financial statements (Continued)

The areas which require a higher degree of judgment and are more complex, as well as the areas in which assumptions and estimates are significant for the consolidated financial statements, are disclosed in Note 3.

The individual and consolidated financial statements of the Company for the year ended December 31, 2015 were authorized at the Board meeting held on February 29, 2016.

2.2. Basis of consolidation

The consolidated financial statements include the operations of the Company and the following subsidiaries, whose percentage ownership interest at balance sheet date is summarized as under:

		Total ownership interest - %			
Subsidiaries	**Based in**	**2015**		**2014**	
		Direct	**Indirect**	**Direct**	**Indirect**
ZZAB Comércio de Calçados Ltda.	Brazil	**99.99**	**-**	99.99	-
ZZSAP Indústria e Comércio de Calçados Ltda.	Brazil	**99.99**	**-**	99.99	-
ARZZ International INC.	United States	**100.00**	**-**	100.00	-
ARZZ LLC	United States	**-**	**100.00**	-	100.00
Schutz 655 LLC	United States	**-**	**100.00**	-	100,00

The subsidiaries are fully consolidated as from their acquisition date, which is the date when the Company obtains control thereover, and continue being consolidated through the date on which such control ceases to exist. Control occurs when the Company is exposed or has rights to variable returns based on its involvement with the investee and has the ability to affect such returns through power exercised over the investee. It is generally assumed that a majority of voting rights results in control.

The financial statements of the subsidiaries are prepared for the same reporting period of the Company, using accounting practices that are consistent with those adopted by all consolidated subsidiaries. All intercompany balances, revenues and expenses as well as unrealized gains and losses arising from intercompany transactions are fully eliminated.

Changes in ownership interest in a subsidiary which do not result in loss of control are accounted for as transactions between shareholders, in equity.

Net income for the year is fully attributed to the controlling shareholders given that ownership interest held by noncontrolling interest holders corresponds to 0.0001% of the consolidated.

2. Summary of significant accounting policies (Continued)

2.3. Functional currency

The individual and consolidated financial statements are presented in Brazilian Reais (R$), which is the Company's and subsidiaries' reporting currency. Each subsidiary determines its own functional currency, and in those in which functional currency is not the Brazilian Real, the financial statements are translated into Real as of closing date.

2.4. Transactions and balances denominated in foreign currency

i. Transactions and balances

Foreign currency transactions are initially recorded at the exchange rate of the functional currency in effect at the transaction date. Monetary assets and liabilities stated in foreign currency are then retranslated at the functional currency exchange rate in force as of balance sheet date. All currency translation differences are recognized in the income statement.

ii. Subsidiaries

Assets and liabilities of the foreign subsidiaries are translated into reais at the exchange rate in force at the balance sheet date, and the corresponding income statements are translated on a monthly basis at the average exchange rate for the periods. Exchange rate differences arising from the referred to translation are recorded separately in equity. Upon sale of a subsidiary abroad, the accumulated deferred amount recognized in equity referring to such subsidiary abroad is posted to the income statement.

2.5. Revenue recognition

Revenue is recognized to the extent that future economic benefits are likely to flow to the Company in an amount that may be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and eventually concluded that it has been operating as a principal in all its revenue agreements. The following specific criteria should also to be satisfied before revenue recognition:

Sales of products

Revenue from sales of goods is recognized when significant risks and rewards of ownership of the products are transferred to the buyer, which generally occurs upon delivery thereof.

Royalty income

Royalty income is recognized on an accrual basis, based on the nature of applicable contracts.

2. Summary of significant accounting policies (Continued)

2.5. Revenue recognition (Continued)

Interest income

For all financial instruments stated at amortized cost and interest bearing financial assets, classified as available for sale, financial income or expense is recorded using the effective interest rate, which exactly discounts estimated future cash payments or receipts over the estimated life of the financial instrument or a shorter period, as applicable, to the net book value of the financial asset or liability. Interest income is recorded in income statements under the financial income account.

2.6. Trade accounts receivable

Trade accounts receivable represent amounts receivable from customers for sale of goods or services rendered in the Company's normal course of business and are stated at amortized cost. Foreign market trade accounts receivable are restated at the exchange rates of the financial statement date. Trade accounts receivable are recognized as current whenever their realization is likely to occur within the following twelve months. Otherwise, they are stated as noncurrent assets.

The allowance for doubtful accounts was set up through individual analyses of receivables from default-risk customers at an amount considered sufficient by Company management to cover any losses on collection of accounts receivable.

2.7. Inventories

Inventories are carried at cost or net realizable value, whichever is lower. Costs incurred to transport each product to its current location and condition are recorded as follows:

Raw materials – acquisition cost based on average cost.

Finished and in-progress products – cost of direct materials and labor and proportional indirect overhead based on normal operating capacity.

Net realizable value corresponds to the selling price in the normal course of business, less estimated costs of completion and estimated costs necessary for the realization of the sale.

Provisions for slow moving or obsolete inventories are set up when deemed necessary by management.

2. Summary of significant accounting policies (Continued)

2.8. Investments in subsidiaries

Investments in subsidiaries are recorded under the equity method, for purposes of financial statements of the Company.

Based on the equity method, investments in subsidiaries are accounted for in the balance sheet of the Company at cost, plus changes after the acquisition of ownership interest in the subsidiaries.

Interest held in a subsidiary is stated in the income statement of the Company as equity pickup, representing the net earnings attributable to Company shareholders.

After applying the equity method for purposes of Company individual financial statements, the Company determines whether to recognize additional loss of recoverable value on its investment in its subsidiary. The Company determines, at each balance sheet closing date, if there is objective evidence that such investments have been impaired. If so, the Company calculates the impairment loss as the difference between the recoverable amount of the subsidiary and its book value, and recognizes such amount in Company income statement.

2.9. Property, plant and equipment

Property, plant and equipment items are recorded at acquisition or build-up cost. Depreciation is calculated under the straight-line method at the rates mentioned in Note 14 and takes into consideration the estimated useful lives of such assets, as follows:

	Average estimated useful life
Buildings	25 years
Facilities and showroom	10 years
Machinery and equipment	10 years
Furniture and fixtures	10 years
Computers and peripherals	5 years
Vehicles	5 years

Property, plant and equipment items are written off when sold or when no future economic benefits are likely to flow to the Company from the use or sale of these assets. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the carrying amount of the asset, and are classified in the income statement for the year in which the asset is derecognized.

In 2014, the Company did not determine any indication that any property, plant and equipment items were carried at an amount greater than their recoverable amount, and consequently a provision for impairment loss was not necessary.

Assets net book value and useful lives, as well as depreciation methods, are reviewed at year end, and adjusted on a prospective basis, as the case may be.

2. Summary of significant accounting policies (Continued)

2.10. Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost. After initial recognition, intangible assets are recorded at cost, less accumulated amortization and impairment.

Intangible assets are represented substantially by software use rights, trademarks and patents, and store use rights.

Intangible assets are assessed as having either a finite or an indefinite useful life.

Finite-lived intangible assets are amortized over their economic useful lives and are tested for impairment whenever there is any indication of impairment loss. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in these assets are recorded by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization charges on finite-lived intangible assets are recognized in income statement in the expense category consistent with the use of the intangible asset.

Indefinite-lived intangible assets are not amortized, but are submitted to annual impairment tests, either individually or based on the relevant cash generating unit. The useful life of an intangible asset having indefinite life is reviewed annually to determine whether indefinite life assessment remains supportable. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains and losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and classified in the income statement upon disposal.

Research and development expenditures are recognized as expenses when incurred.

2.11. Impairment of nonfinancial assets

Management annually tests the net book value of the assets in order to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is identified and net book value exceeds the recoverable amount, a provision for impairment is set up by adjusting net book value to the recoverable amount.

Recoverable amount of an asset item or of a cash-generating unit is defined as the higher of value in use and net sales.

2. Summary of significant accounting policies (Continued)

2.11. Impairment of nonfinancial assets (Continued)

In estimating value in use of an asset item, estimated future cash flows are discounted to present value at a pretax discount rate reflecting the weighted average capital cost for the industry in which the cash-generating unit operates. The net sale price is determined, whenever possible, considering firm sale contracts on an arm's length basis, between knowledgeable, willing parties, adjusted by costs to sell the asset, or, in the absence of firm sale contracts, based on the observable market price in an active market, or on the most recent transaction price involving similar assets.

2.12. Present value adjustment to assets and liabilities

Current and noncurrent monetary assets and liabilities are adjusted to present value when the effect is considered significant in relation to the overall financial statements.

The present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities. Therefore, interest rates accrued on revenues, expenses and costs associated with these assets and liabilities are discounted with a view to recognizing them on an accrual basis. This interest is subsequently reallocated to financial income and expenses in P&L through use of the effective interest rate method in relation to contractual cash flows.

The Company periodically assesses the effect of this procedure. For 2015 and 2014, the Company was not engaged in transactions with qualifying noncurrent (or significant current) monetary assets and liabilities.

2.13. Provisions

General considerations

Provisions are recorded when the Company has a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, in an amount that can be reliably estimated.

(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting policies (Continued)

2.13. Provisions (Continued)

Provisions for tax, civil and labor contingencies

The Company is party to various legal and administrative proceedings. Provisions are recorded for all litigation contingencies referring to legal proceedings the settlement of which is expected to result in an outflow of economic benefits, in an amount that can reliably estimated. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. The provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable statute of limitations, outcomes of tax inspections, or additional exposures that may be identified based on new issues or court decisions.

2.14. Taxation

Sales taxes

Revenues and expenses are recognized net of sales taxes, except:

- When the sales taxes incurred on the purchase of goods or services are not recoverable from tax authorities, in which case the sales tax is recognized as part of the cost of acquiring of the asset or expense item as applicable;

- When the receivables and payables are presented together with the amount of sales taxes; and

- The net value of sales taxes, recoverable or payable, is included as part of receivables or payables in the balance sheet.

Revenues from sales and services are subject to the following taxes and contributions, at the following statutory rates:

	Rates
State VAT (ICMS)	7.00% to 19.00%
Social Contribution Tax on Gross Revenue for Social Security	7.60%
Social Contribution Tax on Gross Revenue for Social Integration	1.65%
Social Security Tax (INSS) (*)	1.50%
State Sales Tax (United States)	0% to 8.875%

(*) Under Law No. 12546, which addresses payroll tax relief, this tax is levied on revenues of subsidiary ZZSAP at the rate of 1% in 2014 and until November 2015, after which the rate becomes 1.5%, as amended by Law No. 13161/2015, effective as from 12/01/20156. In 2014 and up to November 2015, INSS of the subsidiary ZZAB was also calculated according to Law No. 12546. Since under Law No. 13161/2015 the Company´s adoption of the payroll tax relief became optional, in addition to increasing in the social contribution tax rates on gross revenue, management elected not to continue adopting the payroll tax relief on retail companies.

Sales are stated net of these taxes in the income statement.

2. Summary of significant accounting policies (Continued)

2.14. Taxation (Continued)

<u>Income and social contribution taxes - current</u>

Current tax assets and liabilities for last and prior years are measured at the estimated amount recoverable from or payable to tax authorities and are stated as current or noncurrent assets or liabilities, based on estimated realization and/or settlement. Tax rates and laws used to calculate the amounts are those in force, or substantially in force, at balance sheet date in those countries where Company and subsidiaries operate and generate taxable profit.

In Brazil, the main country in which the Company operates, income taxes comprise both income and social contribution taxes. Income tax is computed on taxable profit at the rate of 15%, plus a surtax of 10% on profits exceeding R$ 240 over 12 months, whereas social contribution is computed at the rate of 9% on taxable profit, both recognized on an accrual basis. Additions of temporarily nondeductible expenses to book income, or exclusions therefrom of revenues temporarily nontaxable when determining current taxable profit generate deferred tax assets or liabilities. Prepaid or recoverable taxes are stated under current or noncurrent assets according to their estimated realization.

Current income and social contribution taxes on items directly recorded in equity are also recognized in equity. Management periodically reviews the tax position in situations in which interpretation of tax regulations is required, recording relevant provisions when appropriate.

<u>Deferred taxes</u>

Deferred taxes are generated by temporary differences as of the balance sheet date between assets and liabilities´ tax bases and their corresponding book values. Deferred tax liabilities are recognized for all temporary tax differences, except:

- when the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at transaction date, does not affect book net income or profit or loss for tax purposes; and

- on temporary differences related to investments in subsidiaries, where the period of reversal of temporary differences can be controlled and the temporary differences are not likely to be reversed in the near future.

2. Summary of significant accounting policies (Continued)

2.14. Taxation (Continued)

Deferred taxes (Continued)

Deferred tax assets are recognized on all deductible temporary differences, credits and unused tax losses, to the extent taxable profit will likely be available so that deductible temporary differences may be realized and unused credits and tax losses may be used, except:

- when the deferred tax asset related to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination and, at transaction date, does not affect book net income or profit or loss for tax purposes; and

- on deductible temporary differences concerning investments in subsidiaries. Deferred tax assets are recognized only to the extent that temporary differences are likely to be reversed in the near future and taxable profit is available so that the temporary differences can be used.

Book value of deferred tax assets is reviewed at each balance sheet date and written off, as taxable profit is no longer likely to allow deferred tax assets to be fully or partially used. Deferred tax assets written off are reviewed at each balance sheet date, and are recognized as future taxable profits are likely to allow such tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate likely to be applicable in the year in which the asset or the liability will be realized or settled, based on the tax rates (and tax law) in force at the balance sheet date.

Deferred taxes related to items recognized directly in equity are also recognized in equity, rather than in the income statement. Deferred tax items are recognized based on the transaction that triggered the deferred tax, in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are stated net if there is a legal or contractual right to offset the tax asset against tax liabilities, and deferred taxes are related to the same entity subject to taxation and reporting to the same tax authorities.

2.15. Other employee benefits

The benefits granted to Company employees and management include, in addition to fixed compensation (salaries and Social Security Tax (INSS), vacation pay and 13th monthly salary), variable compensation amounts such as profit sharing and stock option plan. These benefits are recorded in net income for the year when the Company has a liability accounted for on an accrual basis, as incurred.

2. Summary of significant accounting policies (Continued)

2.16. Earnings per share

The Company calculates earnings per share using the weighted average number of total common shares outstanding in the period corresponding to net income, pursuant to Accounting Pronouncement CPC 41 (IAS 33). Diluted earnings per share are also calculated by means of said average of outstanding shares, adjusted by instruments potentially convertible into shares with dilution effect in the years presented.

2.17. Cash flow statements and statements of value added

Cash flow statements were prepared under the indirect method and are presented in accordance with accounting pronouncement CPC 03 (IAS 7) – Statement of Cash Flows, issued by CPC (IASB).

The statement of value added is not required under IFRS, and is presented herein as supplemental information to meet Brazilian Corporation Law requirements, in accordance with CPC 09 – Statement of Value Added. Its purpose is to show the wealth created during the year and how it was distributed among the different stakeholders.

2.18. Financial instruments

Initial recognition and measurement

These instruments are initially measured at fair value plus transactional costs directly attributable to their acquisition or issue, except for financial assets and liabilities measured at fair value through profit or loss, where such costs are charged directly to net income for the year.

Major financial assets recognized by the Company are: cash and cash equivalents, short-term investments and trade accounts receivable. These assets are classified as financial assets at fair value through profit or loss, and loans and receivables.

Major financial liabilities recognized by the Company are: trade accounts payable, loans and financing and derivative financial instruments. These liabilities were classified as other financial liabilities and financial liabilities at fair value through profit or loss.

Subsequent measurement

Subsequent measurements of financial instruments occur at each balance sheet date according to rules established for each type of financial asset or liability classification into the following categories: financial assets or liabilities measured at fair value through profit or loss, investments held to maturity, loans and receivables, loans and financing and financial assets available for sale. Company financial assets and liabilities are classified into the following categories:

2. Summary of significant accounting policies (Continued)

2.18. Financial instruments (Continued)

Subsequent measurement (Continued)

Financial assets and liabilities measured at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial instruments held for trading and financial assets and liabilities initially measured at fair value through profit or loss. They are classified as held for trading when acquired for the purpose of being sold in the short term.

Short-term investments were designated as financial assets at fair value through profit or loss upon initial recognition. The Company does not have financial assets or liabilities held for trading and has not financial liabilities at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with corresponding gains or losses recognized in the income statement. Interest, monetary restatement, exchange variation and changes arising from measurement at fair value are recognized in the income statement as incurred.

Loans and receivables

These are nonderivative financial assets with fixed or determinable payments, however not traded in an active market. After initial measurement, these financial assets are carried at amortized cost using the effective interest rate method (effective interest rate), less impairment. Amortized cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs incurred. Amortization of the effective interest rate method is included in financial income in the income statement. The losses arising from impairment are recognized in the income statement as financial expenses.

Other financial liabilities

After initial recognition, interest-bearing loans and financing agreements are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement upon write-off of the liabilities, as well as during the amortization process under the effective interest rate method.

2.19. Derivative financial instruments

The Company uses derivative financial instruments, such as currency forward contracts, to hedge against the risk of exchange rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative instrument is taken out and are subsequently restated also at fair value. Derivatives are recorded as financial assets when the financial instrument's fair value is positive and as financial liabilities when negative. Any gains or losses deriving from changes in the fair value of derivatives during the year are directly recorded in the income statement.

2. Summary of significant accounting policies (Continued)

2.20. Segment information

Due to the concentration of its activities on the development and sale of women footwear, handbags and accessories, the Company is organized as a single business unit. Company products are distributed under five brand names (Arezzo, Schutz, Alexandre Birman, Anacapri and Fiever) and through different channels (own stores, franchises, multi-brand and e-commerce). However, they are not controlled and managed by management as independent business segments and the results therefrom are followed up, monitored and analyzed in an integrated manner.

2.21. Leases

The Company enters into store lease agreements as the lessee. The agreements were evaluated by the Company and classified as operating leases.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

2.22. Share-based payment

On May 25, 2012, the Company set up a Stock Option Plan for officers, employees and service providers of the Company or of other companies under its control, which is managed by the Board of Directors (Note 32).

Cost of equity-settled transactions is measured based on fair value on the grant date. To determine the fair value, the Company makes use of an appropriate valuation method.

The cost of equity-settled transactions is recognized together with a corresponding increase in equity, over the period in which the performance and/or service conditions are met, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will be acquired. The income or expense in the income statement for the year is recognized under "Personnel expenses" and represents the changes in accumulated expenses recognized at beginning and end of that year.

3. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the individual and consolidated financial statements of the Company requires that Management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as at the date of the financial statements. However, the relative uncertainty related to these assumptions and estimates could lead to results that require significant adjustment at book value of asset or liability affected in future periods.

Estimates and assumptions are reviewed continuously and recognized on a prospective basis.

Estimates and assumptions

The major assumptions regarding sources of uncertainties in future estimates and other important sources of uncertainties in estimates at the balance sheet dates, involving significant risk of a material adjustment in the book value of assets and liabilities in the next financial year are discussed below:

Impairment of nonfinancial assets

An impairment loss exists when the book value of an asset of cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. Fair value less cost to sell is calculated based on information available about similar assets sold or market prices less additional costs to dispose of the asset item. Value in use is calculated based on the discounted cash flow model. Cash flows derive from budget for the following five years and include no restructuring activities to which the Company is not yet committed or significant investments that may improve the asset base of the cash generating unit subject to tests. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, as well as expected future cash receipts, and to the growth rate used for extrapolation purposes.

Taxes

There are uncertainties related to the interpretation of complex tax regulations and to the amount and time of future taxable profit/loss. Based on reliable estimates, Company records provisions for contingencies that may arise as a result of tax audits by relevant authorities of the jurisdictions in which it operates. The amount of these provisions is based on various factors, such past tax audit experience and different interpretations of tax regulations by the taxable entity and by the competent tax authority. These different interpretations may arise in a wide range of issues, depending on the prevailing conditions in the respective domicile of the Company.

Management’s significant professional judgment is required so as to determine the deferred tax assets amount to be recognized based on probable terms and future taxable profit levels, in addition to future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Fair value of financial instruments

When the fair value of financial assets and liabilities in the balance sheet cannot be obtained in active markets, it shall be determined through measurement techniques, including the discounted cash flow method. These methods use observable market data, whenever possible; otherwise, a given judgment call is required in order to determine the fair value. Judgment includes consideration about the data used such as, for instance, liquidity risk, credit risk and volatility. Changes in assumptions on these factors could affect the reported fair value of financial instruments.

Transactions involving share-based payments

The Company measures the cost of equity-settled transactions based on the fair value of equity instruments on the grant date. The estimated fair value of share-based payments requires that the most adequate valuation model be determined for the grant of equity instruments, which depends on the terms and conditions of each grant. This also requires determination of the most appropriate data and assumption for the valuation model, including expected life of the option, volatility and free-risk interest rate. Assumptions and models used to estimate share-based payment fair value are disclosed in Note 32.

Provisions for tax, civil and labor contingencies

The Company recognizes provisions for all claims whose likelihood of loss is estimated as probable. Assessment of the likelihood of loss includes examination of available evidence, hierarchy of laws, available precedents, most recent court decisions and their significance to the legal system, as well as the assessment by external legal advisors. Provisions are revised and adjusted considering changes in existing circumstances, such as applicable period of limitation, tax audit conclusions or additional exposures identified based on new court issues or decisions.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on a quarterly basis.

4. New or revised standards

a) New or revised standards adopted for the first time in 2015

The Company is of the understanding that the standards and revised standards issued by the IASB and effective as from January 1, 2015 had no significant impacts on its financial statements.

b) New or revised standards not effective as at December 31, 2015

The standards and interpretations issued but not yet adopted until the date of Company financial statements are presented as follows. The Company plans to adopt these standards, if applicable, when they come into effect.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, which replaces IAS 39 – Financial Instruments: Recognition and Measurement, and all prior versions of IFRS 9. IFRS 9 combines the three aspects of recording of the project´s financial instruments: classification and measurement, impairment loss and hedge accounting. IFRS 9 will become effective for annual periods beginning on or after January 1, 2018 and early application thereof is permitted. Except for hedge accounting, retrospective adoption is required, but presentation of comparative information is not mandatory. Hedge accounting requirements are usually adopted prospectively, with few exceptions.

In 2015, the Company made its first assessment of the possible impacts of classification and measurement under IFRS 9. This preliminary assessment is based on currently available information and may be subject to change due to further detailed analysis or appropriate information that can be evidenced and that is available to the Company in the future. In general, the Company does not expect a significant impact on its balance sheet and equity. The Company also will conduct a detailed analysis in the future to determine the extent of the possible effects of these two aspects, as well as of adopting the impairment requirements of IFRS 9.

4. New or revised standards (Continued)

b) New or revised standards not effective as at December 31, 2015 (Continued)

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, issued in May 2014, establishes a new model of five steps that will be applied to revenue generated from contracts with customers. According to IFRS 15, revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

This new standard replaces all current revenue recognition requirements under IFRS. Full or modified retrospective adoption is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is analyzing the effects of IFRS 15 on its financial statements and disclosures.

Amendments to IAS 1 – Disclosure Initiative

Amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change existing IAS 1, as follows:

- Materiality requirements under IAS 1;
- Disaggregation of items of specific lines in the income statements and other comprehensive income and in the balance sheet;
- Entities have flexibility as to the order of presentation of the notes to financial statements;
- The share of other comprehensive income of associates and joint ventures accounted for using the equity method shall be presented in an aggregate form as a single line item, and classified into items that will and will not subsequently be reclassified to the income statement.

The amendments also clarify the requirements that apply when additional subtotals are presented in the balance sheet and the statements of income and of other comprehensive income. This standard is applicable to annual periods beginning on or after January 1, 2016, and early adoption is permitted. The amendments should not significantly impact the Company’s financial statements.

There are no other standards and interpretations issued and not yet adopted that, in management’s opinion, could significantly impact the income statement or equity reported by the Company.

(In thousands of reais, unless otherwise stated)

5. Cash and cash equivalents

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Cash	**136**	15	**646**	544
Banks	**4,412**	6,095	**8,176**	10,287
	4,548	6,110	**8,822**	10,831

6. Short-term investments

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Current				
Fixed income (a)	**31,417**	26,781	**40,313**	26,781
Exclusive investment fund				
Bank Deposit Certificates (CDB)	**11,584**	15,441	**11,584**	15,441
Repurchase agreements	**23,704**	51,911	**23,704**	51,911
Financial bills (CEF)	**85,746**	-	**85,746**	-
Financial Treasury Bills (LFTs)	**55,593**	95,421	**55,593**	95,421
	208,044	189,554	**216,940**	189,554
Noncurrent				
Certificate accounts with lottery prizes	**-**	-	**919**	29
Total short-term investments	**208,044**	189,554	**217,859**	189,583

(a) These include Bank Deposit Certificates (CDB) and marketable securities.

Exclusive investment fund

Under CVM Rule No. 408/04, the investment fund in which the Company holds exclusive participation has been consolidated.

Investment fund ZZ Referenciado DI Crédito Privado is a private credit fixed-income investment fund managed and under custody of Banco Santander S.A. There is no grace period for the redemption of shares, which are readily redeemable without significant loss.

At December 31, 2015, average remuneration for the investment fund is 101.2% of the Interbank Deposit Certificate (CDI) rate. Fund assets are comprised of 25% Financial Treasury Bills (LFT) and 61.7% of the assets have daily liquidity.

The Company has financial investment policies determining that investments will be concentrated on low-risk securities and short-term investments in top-tier financial institutions (understood as Brazil’s 10 top tier financial institutions), substantially corresponding to investments remunerated at the CDI rate.

At December 31, 2015, the Company has no investments pledged as collateral to financial institutions.

(In thousands of reais, unless otherwise stated)

7. Accounts receivable

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Trade notes - domestic customers	**180,275**	190,616	**183,221**	192,231
Trade notes - foreign customers	**39,402**	24,663	**53,681**	34,258
Trade notes - related parties (Note 12.a)	**28,800**	24,233	**-**	-
Checks	**16**	-	**266**	119
Credit cards	**-**	-	**59,864**	51,716
	248,493	239,512	**297,032**	278,324
(-) Allowance for doubtful accounts	**(2,241)**	(365)	**(2,287)**	(411)
	246,252	239,147	**294,745**	277,913
Current	**232,035**	239,147	**280,528**	277,913
Noncurrent	**14,217**	-	**14,217**	-

The Company's sale policies are subject to credit policies set up by Company management and seek to minimize any customer default problems. Worth stressing, the retail sector has transactions predominantly represented by "credit cards" and transactions from sales representatives and distributors (franchises), with a structured business relationship with the Company are represented by "Trade notes - domestic customers".

Changes in the allowance for doubtful accounts are as follows:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Balance at beginning of year	**(365)**	(252)	**(411)**	(288)
Additions	**(2,034)**	(365)	**(2,034)**	(515)
Realization	**158**	252	**158**	392
Balance at end of year	**(2,241)**	(365)	**(2,287)**	(411)

The aging list of trade accounts receivable is as follows:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Falling due	**224,313**	227,946	**271,960**	266,758
Overdue within 30 days	**16,025**	3,245	**16,416**	3,245
Overdue from 31 to 60 days	**3,819**	1,061	**3,866**	1,061
Overdue from 61 to 90 days	**2,856**	625	**2,856**	625
Overdue from 91 to 180 days	**1,409**	3,548	**1,431**	3,548
Overdue from 181 to 360 days	**71**	2,751	**99**	2,751
Overdue over 360 days	**-**	336	**404**	336
	248,493	239,512	**297,032**	278,324

Some customers are facing difficulties as a result of the current economic scenario. Given this context and based on credit analysis, the Company renegotiated extension of the term for certain agreements. Furthermore, with a view to minimizing the Company´s credit risk, the credit and security interest analysis criteria were strengthened. Such negotiations are documented by specific legal instruments, guarantee structures and restatement of amounts with rates pegged to the CDI. The aging list of accounts receivable considers the terms of these negotiations.

(In thousands of reais, unless otherwise stated)

7. Accounts receivable (Continued)

At December 31, 2015, negotiations reclassified to noncurrent accounts receivable total R$14,217. In addition, the net amount of R$499 was written down to income for the year ended December 31, 2015. Of the total accounts receivable classified as noncurrent, 63% will be received in 2017.

The Company assessed the recoverability of accounts receivable that had a higher risk of recovery based primarily on criteria for assessment of domestic credit and guarantees linked to each agreement. The surplus amount of such agreements was recorded in income, as selling expenses.

Of total accounts receivable in December 2015, R$97 (R$97 at December 31, 2014) is given as collateral for letters of guarantee contracted with financial institutions.

8. Inventories

	Company		Consolidated	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Raw material	**5,672**	6,407	**12,359**	13,161
Work in process	**-**	-	**9,831**	9,739
Finished goods	**33,422**	27,865	**87,163**	70,867
Advances to suppliers	**1,793**	4,273	**2,071**	5,903
(-) Provision for losses	**(3,584)**	(1,539)	**(4,473)**	(1,539)
	37,303	37,006	**106,951**	98,131

Raw materials are intended for development of new types of products and collections, and for footwear production in subsidiary ZZSAP. Work in process mainly refers to footwear being manufactured by subsidiary ZZSAP. Finished goods mainly refer to inventories of footwear and handbags for the formation of strategic stocks to enable immediate replacement to customers and for sale in own stores.

Inventories are periodically scanned for obsolete items, which are then incinerated and the loss is recorded in Company books. Changes in the provision for losses are as follows:

	Company		Consolidated	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Balance at beginning of year	**(1,539)**	(799)	**(1,539)**	(799)
Additions	**(2,529)**	(1,054)	**(3,418)**	(1,054)
Recovery/realization	**484**	314	**484**	314
Balance at end of year	**(3,584)**	(1,539)	**(4,473)**	(1,539)

(In thousands of reais, unless otherwise stated)

9. Taxes recoverable

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
State VAT (ICMS) recoverable	**7,013**	11,165	**8,301**	11,985
Prepaid Corporate Income Tax (IRPJ)	**4,787**	6,061	**5,610**	6,867
Prepaid Social Contribution Tax on Net Profit (CSLL)	**1,562**	1,986	**1,942**	2,357
Other	**440**	1,561	**5,369**	6,533
	13,802	20,773	**21,222**	27,742

10. Other receivables

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Advance for advertising fund	**10,002**	4,268	**10,002**	4,268
Receivables from franchises	**2,453**	2,457	**2,453**	3,903
Advances to suppliers	**2,222**	975	**4,444**	2,525
Advances to employees	**701**	332	**1,172**	850
Advances for business travel	**289**	846	**334**	848
Prepaid expenses	**2,688**	55	**3,775**	201
Other receivables	**504**	-	**2,941**	2,808
	18,859	8,933	**25,121**	15,403
Current	**17,478**	8,613	**23,740**	14,482
Noncurrent	**1,381**	320	**1,381**	921

Advance for advertising fund

In order to advertise and promote the Arezzo Franchise Chain nationally (“Rede de Franquias Arezzo”, “Rede de Franquias Schutz” and “Rede de Franquias Anacapri”), franchisees agree to allocate a percentage of their gross revenue from sales to a national advertising fund, known as the “Arezzo Chain Cooperative Advertising and Promotion Fund”, the “Schutz Chain Cooperative Advertising and Promotion Fund” and the “Anacapri Chain Cooperative Advertising and Promotion Fund”. The amounts corresponding to this percentage are deposited every month by the franchisees and allocated to the development of marketing and publicity strategies, including advertising and promotion of the Arezzo franchise chain, the Schutz franchise chain and the Anacapri franchise chain, the costs of service providers that create and develop advertising campaigns, as well as any other activity related to advertising and promotion in Brazil. The amounts collected are managed by the franchisor and accountability for their use is rendered on an annual basis. During the year, Arezzo makes prepayments to honor its total advertising fund commitments.

(In thousands of reais, unless otherwise stated)

11. Income and social contribution taxes

a) Deferred taxes

Deferred Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) are calculated on IRPJ and CSLL tax losses and corresponding temporary differences between the tax calculation bases on assets, liabilities and carrying amounts in the financial statements. The tax rates currently defined for calculation of deferred taxes are 25% for income tax and 9% for social contribution tax.

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Deferred income and social contribution taxes:				
Temporary differences:	**3,231**	2,429	**3,551**	2,382
Income and social contribution tax losses	**-**	-	**2,734**	1,742
Total deferred income and social contribution taxes (i)	**3,231**	2,429	**6,285**	4,124

(i) Deferred tax asset stems from deductible temporary differences, mainly on provisions for labor, tax and civil contingencies and on income and social contribution tax losses in subsidiary.

Reconciliation of deferred tax assets is as follows:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Opening balance	**2,429**	4,800	**4,124**	5,514
Total deferred taxes recognized in the income statement	**802**	(2,371)	**2,161**	(1,390)
Closing balance	**3,231**	2,429	**6,285**	4,124

The studies and projections made by Company management indicate the generation of future taxable profit at an amount that allows for the offset of future tax credits over the next years.

Based on projected future taxable profits, the estimate for recoverability of deferred income and social contribution taxes is stated as follows:

	Company	Consolidated
	12/31/2015	12/31/2015
2015	**2,653**	**3,669**
2016	**289**	**1,308**
2017	**289**	**1,308**
Total	**3,231**	**6,285**

(In thousands of reais, unless otherwise stated)

11. Income and social contribution taxes (Continued)

b) Reconciliation between the income and social contribution tax expenses at the statutory and effective rates

Reconciliation of the expense calculated by applying income and social contribution tax rates is as follows:

	Company		Consolidated	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Income before income and social contribution taxes	**160,982**	159,697	**164,557**	161,487
Effective rate	**34%**	34%	**34%**	34%
Expected IRPJ and CSLL expenses at effective rate	**(54,734)**	(54,297)	**(55,949)**	(54,906)
Deferred income and social contribution taxes on losses other than those from subsidiaries	**-**	-	**(3,351)**	(3,217)
Income and social contribution tax effects on permanent differences:				
Benefits on expenses with research and technological innovation - Law No. 11196/05	**4,412**	4,819	**4,412**	4,819
Equity pickup	**(2,288)**	(2,182)	**-**	-
Interest on equity	**11,394**	8,291	**11,394**	8,291
Expense with stock option plan	**(1,615)**	(1,513)	**(1,615)**	(1,513)
Tax incentives (Workers' Meal Program (PAT), Rounet Act, among others)	**707**	375	**707**	375
Inventory losses treated as nondeductible	**-**	(915)	**-**	(915)
Other permanent differences	**805**	(1,523)	**(492)**	(1,669)
Income and social contribution taxes income statements	**(41,319)**	(46,945)	**(44,894)**	(48,735)
Current	**(42,121)**	(44,574)	**(47,055)**	(47,345)
Deferred	**802**	(2,371)	**2,161**	(1,390)
Total	**(41,319)**	(46,945)	**(44,894)**	(48,735)
Effective rate - %	**25.67%**	29.40%	**27.28%**	30.18%

(In thousands of reais, unless otherwise stated)

12. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling interest holders

	12/31/2015						
	Current assets	Noncurrent assets		Current liabilities	Noncurrent liabilities	Transactions	
	Accounts receivable	Receivables	Loan	Trade accounts payable	Loan	Revenues	Purchases
Company							
Subsidiaries							
ARZZ Co LLC	**-**	**12,940**	**-**	**-**	**-**	**-**	**-**
ARZZ International INC	**-**	**28,442**	**1,055**	**-**	**-**	**27,195**	**-**
ZZAB Comércio de Calçados Ltda.	**28,797**	**-**	**-**	**357**	**-**	**146,806**	**-**
ZZSAP Indústria e Comércio de Calçados Ltda.	**3**	**-**	**-**	**4,091**	**-**	**1,289**	**108,008**
Total - Company	**28,800**	**41,382**	**1,055**	**4,448**	**-**	**175,290**	**108,008**
Consolidated							
Controlling interest holders	**-**	**-**	**-**	**-**	**1,393**	**-**	**-**
Total - Consolidated	**-**	**-**	**-**	**-**	**1,393**	**-**	**-**

	12/31/2014						
	Current assets	Noncurrent assets		Current liabilities	Noncurrent liabilities	Transactions	
	Accounts receivable	Receivables	Loan	Trade accounts payable	Loan	Revenues	Purchases
Company							
Subsidiaries							
ARZZ Co LLC	-	10,379	-	-	-	-	-
ARZZ International INC	-	12,191	-	-	-	16,493	-
ZZAB Comércio de Calçados Ltda.	23,418	-	-	433	-	126,401	13
ZZSAP Indústria e Comércio de Calçados Ltda.	815	-	5,916	-	-	374	94,704
Total – Company	24,233	22,570	5,916	433	-	143,268	94,717
Consolidated							
Controlling interest holders	-	-	-	-	950	-	-
Total – Consolidated	-	-	-	-	950	-	-

b) Nature, terms and conditions of transactions - subsidiaries

The Company's transactions with related parties are carried out under commercial and financial conditions mutually agreed upon by the parties concerned. The most common transaction is the sale of the Company footwear and accessories (Company) to ZZAB stores and ARZZ International Inc. (subsidiaries), and the acquisition of footwear and accessories from manufacturer ZZSAP (subsidiary).

The sales transactions performed by these related parties are in accordance with specific pricing policies and terms established between the parties. Day sales outstanding (DSO) for related parties is 69 days, while day purchases outstanding (DPO) by related parties is 13 days.

(In thousands of reais, unless otherwise stated)

12. Balances and transactions with related parties (Continued)

c) Key management personnel compensation

Management compensation is through management fees and profit sharing. As at December 31, 2015, Company management compensation related to short-term benefits (management fees and profit sharing) totaled to R$5,613 (R$4,329 at December 31, 2014), as follows:

	12/31/2015	12/31/2014
Annual fixed compensation / management fees	**4,897**	3,370
Variable compensation - bonuses	**716**	959
Total compensation	**5,613**	4,329

The Company grants a share-based payment plan (Note 32). At December 31, 2015, the expense from officers' stock option plan amounted to R$1,133 (R$949 at December 31, 2014), stated as operating expenses before financial income/(expenses).

Company and subsidiaries do not grant post-employment benefits, severance pay or other long-term benefits to management and employees.

d) Transactions or relations with shareholders

Certain Company officers hold, either directly or indirectly, a total 52.8% interest in Company shares at December 31, 2015.

e) Transactions with other related parties

The Company has a legal advisory service agreement in the civil, labor and tax areas with Escritório de Advocacia Procópio de Carvalho, owned by Mr. José Murilo Procópio de Carvalho, a member of Company Board of Directors, as well as with Ethos Desenvolvimento S/C Ltda., owned by Mr. José Ernesto Beni Bolonha, who renders human resources management consulting services and is also a member of the Company Board of Directors. At December 31, 2015, these companies received R$278 and R$624 (R$417 and R$592 at December 31, 2014), respectively.

In 2013, the Company hired business advisory services from Instituto de Desenvolvimento Gerencial S.A., company in which Mr. Wellerson Cavalieiri, a member of Company Board of Directors, holds interest. At December 31, 2015, the referred to firm received the amount of R$630 (R$2,904 at December 31, 2014).

(In thousands of reais, unless otherwise stated)

13. Investments

								Investment/provision for investment losses		Equity pickup	
Description	Assets	Liabilities	Equity	Capital	Net revenue	Income (loss) for the period	% Interest held	12/31/2015	12/31/2014	12/31/2015	12/31/2014
ZZAB Com. de Calçados Ltda.	**186,209**	**53,659**	**132,550**	**93,614**	**237,896**	**6,350**	99,99	**132,550**	126,678	**6,350**	5,353
ZZSAP Ind. e Com. de Calçados Ltda.	**44,451**	**13,256**	**31,195**	**27,592**	**84,237**	**(3,222)**	99,99	**31,195**	6,939	**(3,222)**	(2,034)
Investments								**163,745**	133,617	**3,128**	3,319
ARZZ International INC.	**39,833**	**64,320**	**(24,487)**	**24,270**	**58,793**	**(9,856)**	100,00	**(24,487)**	(9,129)	**(9,856)**	(9,736)
Provision for investment losses								**(24,487)**	(9,129)	**(9,856)**	(9,736)
								139,258	124,488	**(6,728)**	(6,417)

	Company	
	12/31/2015	12/31/2014
Balance at beginning of period, net of provision for losses	**124,488**	125,184
Capital payment	**27,000**	5,721
Other comprehensive income (loss)	**(5,502)**	-
Equity pickup	**(6,728)**	(6,417)
Balance at end of period, net of provision for losses	**139,258**	124,488

(In thousands of reais, unless otherwise stated)

13. Investments (Continued)

Capital increase:

In 2014, the capital of subsidiary ARZZ International Inc. increased from US$6,589 thousand to US$ 9,139 thousand, i.e., an increase by US$2,550 thousand, which equals R$5,721 contributed in cash in the year.

In the year ended December 31, 2015, the subsidiary ZZSAP Ind. e Com. De Calçados Ltda. increased capital by R$27,000, contributed in cash in the year.

14. Property, plant and equipment

	12/31/2015			12/31/2014		
Company	Cost	Depreciation	Net	Cost	Depreciation	Net
Computers and peripherals	**11,200**	**(6,184)**	**5,016**	9,619	(4,662)	4,957
Furniture and fixtures	**7,484**	**(3,192)**	**4,292**	7,019	(2,554)	4,465
Machinery and equipment	**6,596**	**(2,632)**	**3,964**	5,963	(2,000)	3,963
Facilities and showroom	**15,130**	**(5,010)**	**10,120**	14,320	(3,589)	10,731
Vehicles	**242**	**(107)**	**135**	236	(67)	169
Land	**578**	**-**	**578**	101	-	101
Total	**41,230**	**(17,125)**	**24,105**	37,258	(12,872)	24,386

	12/31/2015			12/31/2014		
Consolidated	Cost	Depreciation	Net	Cost	Depreciation	Net
Computers and peripherals	**13,609**	**(7,605)**	**6,004**	11,552	(5,690)	5,862
Furniture and fixtures	**21,185**	**(7,511)**	**13,674**	19,045	(5,479)	13,566
Machinery and equipment	**16,402**	**(6,903)**	**9,499**	14,459	(5,381)	9,078
Facilities and showroom	**62,842**	**(19,139)**	**43,703**	61,371	(14,380)	46,991
Vehicles	**255**	**(120)**	**135**	249	(80)	169
Land	**578**	**-**	**578**	101	-	101
Total	**114,871**	**(41,278)**	**73,593**	106,777	(31,010)	75,767

(In thousands of reais, unless otherwise stated)

14. Property, plant and equipment (Continued)

Detailed information on Company property, plant and equipment is as follows:

Company	Computers and peripherals	Furniture and fixtures	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
Balances at 12/31/2013	2,375	4,401	3,586	9,752	133	1,501	21,748
Acquisitions	3,568	622	798	2,160	52	-	7,200
Depreciation	(984)	(558)	(410)	(1,181)	(16)	-	(3,149)
Write-offs	(2)	-	(11)	-	-	(1,400)	(1,413)
Balances at 12/31/2014	4,957	4,465	3,963	10,731	169	101	24,386
Acquisitions	**1,581**	**465**	**633**	**810**	**27**	**477**	**3,993**
Depreciation	**(1,522)**	**(638)**	**(632)**	**(1,421)**	**(61)**	**-**	**(4,274)**
Balances at 12/31/2015	**5,016**	**4,292**	**3,964**	**10,120**	**135**	**578**	**24,105**
Average depreciation rate	20%	10%	10%	10%	20%	-	

Consolidated	Computers and peripherals	Furniture and fixtures	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
Balances at 12/31/2013	3,360	11,840	7,750	43,959	133	1,501	68,543
Acquisitions	3,860	4,105	2,458	10,608	52	-	21,083
Depreciation	(1,339)	(1,778)	(1,091)	(5,460)	(16)	-	(9,684)
Write-offs	(19)	(601)	(39)	(2,116)	-	(1,400)	(4,175)
Balances at 12/31/2014	5,862	13,566	9,078	46,991	169	101	75,767
Acquisitions	**2,028**	**2,159**	**1,972**	**2,709**	**27**	**477**	**9,372**
Depreciation	**(1,939)**	**(2,143)**	**(1,539)**	**(5,722)**	**(61)**	**-**	**(11,404)**
Write-offs	**(18)**	**(245)**	**(12)**	**(2,111)**	**-**	**-**	**(2,386)**
Foreign exchange variation	**71**	**337**	**-**	**1,836**	**-**	**-**	**2,244**
Balances at 12/31/2015	**6,004**	**13,674**	**9,499**	**43,703**	**135**	**578**	**73,593**
Average depreciation rate	20%	10%	10%	10%	20%	-	

Given the significance of PPE to their overall financial statements, the Company and its subsidiaries assessed the useful life of these assets and concluded that there were no significant adjustments or changes to be recognized at December 31, 2015.

(In thousands of reais, unless otherwise stated)

15. Intangible assets

Company	12/31/2015 Cost	12/31/2015 Amortization	12/31/2015 Net	12/31/2014 Cost	12/31/2014 Amortization	12/31/2014 Net
Trademarks and patents	**3,330**	**-**	**3,330**	2,812	-	2,812
Store use rights	**1,078**	**-**	**1,078**	1,078	-	1,078
Software use rights	**75,760**	**(25,652)**	**50,108**	60,120	(12,989)	47,131
Total	**80,168**	**(25,652)**	**54,516**	64,010	(12,989)	51,021

Consolidated	12/31/2015 Cost	12/31/2015 Amortization	12/31/2015 Net	12/31/2014 Cost	12/31/2014 Amortization	12/31/2014 Net
Trademarks and patents	**3,459**	**-**	**3,459**	2,928	-	2,928
Store use rights	**36,679**	**-**	**36,679**	39,598	-	39,598
Software use rights	**76,816**	**(26,225)**	**50,591**	61,017	(13,467)	47,550
Total	**116,954**	**(26,225)**	**90,729**	103,543	(13,467)	90,076

Detailed information on changes in Company balances is as follows:

Company	Trademarks and patents	Store use rights	Software use rights	Total
Balances at 12/31/2013	2,655	1,078	22,497	26,230
Acquisitions	294	2	28,091	28,387
Amortization	-	-	(3,457)	(3,457)
Write-offs	(137)	(2)	-	(139)
Balances at 12/31/2014	2,812	1,078	47,131	51,021
Acquisitions	**518**	**-**	**15,640**	**16,158**
Amortization	**-**	**-**	**(12,663)**	**(12,663)**
Balances at 12/31/2015	**3,330**	**1,078**	**50,108**	**54,516**
Average estimated useful life	Indefinite	Indefinite	5 years	

Consolidated	Trademarks and patents	Store use rights	Software use rights	Total
Balances at 12/31/2013	2,778	41,495	22,841	67,114
Acquisitions	298	892	28,258	29,448
Amortization	-	-	(3,546)	(3,546)
Write-offs	(148)	(2,789)	(3)	(2,940)
Balances at 12/31/2014	2,928	39,598	47,550	90,076
Acquisitions	**517**	**117**	**15,769**	**16,403**
Amortization	**-**	**-**	**(12,804)**	**(12,804)**
Write-offs	**-**	**(3,036)**	**(1)**	**(3,037)**
Foreign exchange variation	**14**	**-**	**77**	**91**
Balances at 12/31/2015	**3,459**	**36,679**	**50,591**	**90,729**
Average estimated useful life	Indefinite	Indefinite	5 years	

15. Intangible assets (Continued)

Finite-lived intangible assets refer to software and license use rights acquired from third parties, which are amortized on a straight-line basis over their estimated useful life and matched against the general and administrative expenses.

The major investments in "software use rights" are related to the development and implementation of the new integrated company management system and the new platform for e-commerce stores. The management software selected by the Company was SAP, which began operating in the first half of 2015, with additional investment in 2015 of R$5,574. The e-commerce platform selected by the Company was Hybris, with additional investment in 2015 of R$5,823.

Indefinite-lived intangible assets refer to trademarks and patents and store use rights, the latter corresponding to expenditures incurred by the Company in connection with use of stores located in leased commercial properties. These assets will be recovered when the commercial properties are sold or subject impairment.

Store use rights are acquired through payments in cash for release of the commercial property; therefore, there are no other liabilities stemming from these acquisitions in the Company's liabilities. These negotiations are usual in this type of commercial transaction due to their business characteristic.

At December 31, 2015, the amount of R$16,220 (R$17,716 at December 31, 2014) was recognized in the Company and consolidated income statements (R$17,716 at December 31, 2014) referring to expenses with research and development of new Company products.

Impairment testing of indefinite-lived intangible assets

The Company determined impairment of its intangible assets using the "value in use" concept, through discounted cash flow models of cash-generating units, represented by its stores.

The process for determining value in use involves assumptions, judgments and estimates on cash flows, such as the growth rate of income, costs and expenses, estimates of future investments, working capital and discount rates. Assumptions forecast growth, cash flow and future cash flows are based on Company business plan, approved by management, as well as on market comparables, and reflect management's best estimate of the economic conditions that will exist over the economic life of the various cash-generating units, groups of assets that contribute to the generation of cash flows. Future cash flows were discounted at capital cost rate.

(In thousands of reais, unless otherwise stated)

15. Intangible assets (Continued)

Consistently with economic valuation techniques, value in use calculation is made over a period of 5 years, and considering perpetual assumptions thereafter, given the ability to continue as a going concern for an indefinite period.

The growth rates used to extrapolate forecast data beyond the 5-year period was of 4%. Estimated future cash flows were discounted at a rate of 14% per year, for each cash-generating unit analyzed.

Major assumptions used in estimating value in use are as follows:

- Revenues - Revenues were forecast for the period from 2016 to 2020, considering the growth of the customer base of the various cash-generating units;

- Operating costs and expenses - Costs and expenses were projected to be in line with the Company's historical performance and revenue growth;

- Capital investments - Capital investments were estimated considering the infrastructure required for making the product offer available, based on Company history.

Key assumptions were based on the subsidiary's historical performance and reasonable macroeconomic assumptions grounded on financial market projections, documented and approved by Company management.

The impairment testing of Company intangible assets did not indicate that impairment losses should be recognized for the year ended December 31, 2015, since their estimated value in use is greater than the net carrying amount as of the measurement date.

16. Loans and financing

Loans and financing can be summarized as under:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Working capital	-	-	**19,654**	13,331
Banco do Brasil (FINAME)	-	12	**1,005**	1,055
Advance on Exchange and Contracts (ACC)	**56,065**	29,493	**56,065**	29,493
FINEP	**46,429**	41,205	**46,429**	41,205
BNDES Progeren	-	-	-	14,323
Other	-	-	-	3
	102,494	70,710	**123,153**	99,410
Current	**65,521**	37,266	**85,336**	65,081
Noncurrent	**36,973**	33,444	**37,817**	34,329

(In thousands of reais, unless otherwise stated)

16. Loans and financing (Continued)

Interest and other loan charges are as follows:

(i) Working capital in the USA: denominated in USD, increased by LIBOR plus interest of 1.35% fixed p.a.

(ii) Finame – 6% per year.

(iii) Advance on Exchange and Contracts (ACC): denominated in USD, plus interest rate + Bank spread, average at December 31, 2015 of 1.69% p.a.

(iv) FINEP: Rate between 4% and 5.25% p.a., or indexed at the Long-Term Interest Rate (TJLP).

(v) BNDES Progeren Working capital Rate: TJLP + 2.5% p.a.

Loan agreement maturities

- Working capital (Bank of America): maturing in September 2015;
- FINAME: monthly installments with final maturity in October 2024;
- ACC: various contracts with final maturity in September 2016; and
-
- FINEP: maturing between 2014 and September 2021.

The amounts recorded in noncurrent liabilities at December 31, 2015 present the following payment schedule:

	Company	**Consolidated**
2017	**10,522**	**10,743**
2018	**8,908**	**9,063**
2018 onwards	**17,543**	**18,011**
Total	**36,973**	**37,817**

(In thousands of reais, unless otherwise stated)

16. Loans and financing (Continued)

Loans are guaranteed by the collateral signatures of the Company´s controlling shareholders and bank letters of guarantee, and do not have covenants on financial ratios. FINAME contracts are guaranteed by the items subject matter of the contracts.

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A, in order to maintain credit facilities intended for Arezzo franchisees in business ventures within the bank's area of operations. Funds of the Constitutional Northeast Region Finance Fund (FNE) are used for financing the modernization of its stores (of third parties) in accordance with standards established by the Company, as well as costs associated with these operations, by way of working capital requirements, if necessary.

The Company is the guarantor of these transactions through a surety bond, as engaged by shop owners. As at December 31, 2015 and December 31, 2014, there were no transactions of this nature engaged by shop owners and, as a consequence, the Company was not the guarantor of any such operation.

The Company has a technical and financial cooperation agreement with Banco Alfa to maintain credit facilities intended for Arezzo franchisees in business ventures, using BNDES funds for financing the modernization of its stores (of third parties) in accordance with standards established by the Company, as well as costs associated with these operations. The Company is the guarantor of these transactions. At December 31, 2015, the balance of transactions guaranteed by the Company amounted to R$3,855 (R$3,693 at December 31, 2014). As at December 31, 2013, there were no transactions of this nature guaranteed by the Company.

There is not history of losses on transactions of this nature.

17. Trade accounts payable

Breakdown of trade accounts payable is as follows:

	Company		Consolidated	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Trade accounts payable - domestic	**50,953**	63,891	**64,868**	70,271
Related Parties (Note 12.a)	**4,448**	433	**-**	-
Foreign trade accounts payable	**13**	44	**13**	44
	55,414	64,368	**64,881**	70,315

(In thousands of reais, unless otherwise stated)

18. Labor liabilities

Breakdown of labor liabilities is as follows:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Salaries payable	**33**	5,810	**1,830**	7,398
Accrued for vacation pay and payroll taxes	**6,282**	5,706	**11,046**	9,707
	6,315	11,516	**12,876**	17,105

19. Tax and social liabilities

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
ICMS on sales	**-**	-	**5,826**	5,357
Withholding income tax	**3,641**	1,053	**4,273**	1,333
Social charges	**2,049**	1,905	**3,887**	3,337
PIS and COFINS	**150**	1,037	**2,661**	2,853
IRPJ and CSLL	**-**	-	**1,950**	298
Other taxes	**1,446**	1,440	**1,688**	1,713
	7,286	5,435	**20,285**	14,891

20. Provision for tax, civil and labor contingencies

The Company and its subsidiaries are party to legal and administrative proceedings arising in the normal course of business, on tax, social security, labor and civil matters. Management, based on information provided by its legal counsel and analysis of ongoing litigation, set up a provision in an amount deemed sufficient to cover probable losses for those cases assessed as involving a probable unfavorable outcome and related to judicial deposits, as follows:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Civil	**240**	484	**240**	507
Tax	**1,675**	1,675	**2,044**	2,044
Labor	**2,311**	2,346	**3,310**	2,766
	4,226	4,505	**5,594**	5,317

Civil - Company and subsidiaries are party to civil proceedings mainly seeking compensation for pain and suffering, material damages and collection of securities. Management, based on the opinion of Company legal advisors, and on the history of results in similar cases, believes that the amounts provisioned are sufficient to cover probable losses.

Tax - Company and subsidiary ZZSAP are parties to tax proceedings discussing the increase in the Accident Prevention Factor (FAP) rate, regarding which judicial deposits at the same amounts have been made. Management, based on the opinion of Company legal advisors, and on the history of results in similar cases, believes that the amounts provisioned are sufficient to cover probable losses.

(In thousands of reais, unless otherwise stated)

20. Provision for tax, civil and labor contingencies (Continued)

Labor – Company and subsidiaries are parties to labor proceedings mainly relating to overtime and respective social charges, health exposure premium, hazard pay, pay parity and inclusion of amounts in the claimant's salary. Management, based on the opinion of Company legal advisors, and on the history of results in similar cases, believes that the amounts provisioned are sufficient to cover probable losses.

Management, based on information provided by its legal counsel and analysis of ongoing litigation, set up provision in an amount deemed sufficient to cover probable losses for those cases assessed as probable loss, as follows:

Company	Civil	Tax	Labor	Total
Balances at 12/31/2013	502	1,185	2,162	3,849
Additions/restatements	540	1,217	875	2,632
Reversals/payments	(558)	(727)	(691)	(1,976)
Balances at 12/31/2014	484	1,675	2,346	4,505
Additions/restatements	**3**	**-**	**318**	**321**
Reversals/payments	**(247)**	**-**	**(353)**	**(600)**
Balances at 12/31/2015	**240**	**1,675**	**2,311**	**4,226**

Consolidated	Civil	Tax	Labor	Total
Balances at 12/31/2013	524	1,554	2,765	4,843
Additions/restatements	541	1,217	2,389	4,147
Reversals/payments	(558)	(727)	(2,388)	(3,673)
Balances at 12/31/2014	507	2,044	2,766	5,317
Additions/restatements	**32**	**-**	**1,216**	**1,248**
Reversals/payments	**(299)**	**-**	**(672)**	**(971)**
Balances at 12/31/2015	**240**	**2,044**	**3,310**	**5,594**

In March 2014, the Company provisioned the amount of R$1,217 relating to a tax deficiency notice served by the Brazilian IRS on May 31, 2013 for nonpayment of Corporate Income Tax (IRPJ), Social Contribution Tax on Net Profit (CSLL) and Tax on Financial Transactions (IOF) on loans in the period from June 2008 to December 2009. On August 1, 2014, part of the provision amounting to R$727 referring to IOF was reversed by virtue of the adoption of the federal tax installment program established by Law No. 12973 of 2014. The Company paid the consolidated installment amount of R$423 in cash on August 22, 2014. The IRPJ and CSLL proceeding is currently at the administrative level.

In addition, the Company and subsidiaries are involved in other proceedings of a civil, tax and labor nature in the administrative and/or judicial spheres amounting to R$51,864, Company and Consolidated, whose likelihood of loss was assessed as possible by the legal advisors and as such, required no provision to be set up.

20. Provision for tax, civil and labor contingencies (Continued)

Some of these proceedings are as follows:

i) Tax delinquency notice concerning IRPJ and CSLL issued against the Company by the Brazilian IRS on June 11, 2013, which discusses the deduction, for tax purposes, of the amortization of goodwill on the acquisition of interest in the Company by BRICS Participações S.A. (BRICS) at a market value determined by independent experts, which was subsequently merged into the Company through a downstream merger (Note 21).2. Until 2014, when it was fully amortized for tax purposes, the goodwill merged was net of restated provision, as required by CVM Ruling No. 319/99, representing the tax benefit from deductibility of the mentioned goodwill. The proceeding referring to the notice served is currently at the administrative level and the related rapporteur was defined in December 2015. Upon judgment by the Lower Board of the Administrative Board of Tax Appeals (CARF), the parties will be able to file appeal with the Higher Board, regardless of the decision. The Company and its legal advisors concluded that the likelihood of loss is rated as possible, in the amount of R$8,065.

ii) Tax delinquency notice issued by the Rio Grande do Sul State Finance Office on April 2, 2013, concerning State VAT (ICMS) credits unduly taken, in connection with goods shipped to buyers established in the Free Economic Zone of Manaus (ZFM) and Free Trade Areas (ALCs), in the period from February 2008 to December 2011, requiring payment of ICMS in the amount of R$5,244. The case is currently at the administrative level and, according to the Company’s legal advisors, the likelihood of loss is assessed as possible.

Ruling legislation

Pursuant to the legislation prevailing in Brazil, federal, state and municipal taxes and social charges are subject examination by tax authorities for periods varying from five to thirty years. U.S. legislation (country in which certain Company subsidiaries operate) provides for different periods of limitation.

Judicial deposits

As at December 31, 2015, judicial deposits amount to R$6,054, Company (R$5,242 at December 31, 2014), and R$8,620, consolidated (R$6,939 at December 31, 2014).

21. Capital and reserves

21.1. Capital

On March 31, 2014, the Board of Directors approved a capital increase amounting to R$62,000, by means of partial capitalization of capital reserve, with no issue of new shares.

On July 28, 2014, the Board of Directors approved a capital increase amounting to R$ 900 through Stock Options exercised by certain beneficiaries, in the total amount of 45 thousand book-entry registered common shares with no par value, of Lot II of the first grant of options, as decided in the Board meeting held on May 28, 2012, under the terms of Company Stock Option Plan.

On March 30, 2015, the Board of Directors approved a capital increase amounting to R$40,111, by means of partial capitalization of capital reserve, with no issue of new shares.

On August 3, 2015, the Board of Directors approved a capital increase amounting to R$1.050 through Stock Options exercised by certain beneficiaries, in the total amount of 53 thousand book-entry registered common shares with no par value, of Lot II of the first grant of options, as decided in the Board meeting held on May 28, 2012, under the terms of Company Stock Option Plan.

	Shares (in thousands)	**Capital R$**
Balance at December 31, 2013	88,637	157,186
Capital increase via capitalization of capital reserve	-	62,000
Share issue with stock option plan	45	900
Balance at December 31, 2014	88,682	220,086
Capital increase via capitalization of capital reserve	**-**	**40,111**
Share issue with stock option plan	**53**	**1,050**
Balance at December 31, 2015	**88,735**	**261,247**

21. Capital and reserves (Continued)

21.2. Capital reserve

The capital reserve was initially set up due to the corporate restructuring in 2007, matched against the merged net assets, and represents the value of the tax benefit obtained from the amortization of the merged goodwill. The special goodwill reserve portion corresponding to the benefit may be capitalized to the benefit of shareholders at the end of each financial year through the issue of new shares, as provided by CVM Rule No 319/99.

The corporate events which gave rise to the capital reserve in connection with the Company's restructuring are as follows:

a) On November 8, 2007, the Company issued 3,203,808 new registered common shares on behalf of BRICS, with no par value, for the total issue price of R$50,000. Of this total, R$ 25,000 was paid in on the occasion by BRICS, R$2,500 of which was allocated for capital increase, and R$22,500 for capital reserve;

b) On June 1, 2008, BRICS was merged into the Company, and the merged net assets comprised of goodwill paid on acquisition of the investment in the Company was based on future profitability, net of the provision set forth by CVM Rule No. 319/99, in the amount of R$13,935. Once BRICS was merged out of existence, the equity interest in this company was transferred to FIGEAC;

c) On November 18, 2008, FIGEAC paid in R$12,500, allocated as follows: R$ 1,250 for setting up of the capital increase and R$ 11,250 for capital reserve, plus monetary restatement incurred for R$1,559;

d) On November 6, 2009, FIGEAC paid in the remaining R$12,500, allocated as follows: R$1,250 for capital increase and R$11,250 for capital reserve, plus monetary restatement incurred for R$2,990;

e) On December 1, 2009, FIGEAC was merged into the Company, and the merged net assets comprised of goodwill paid on acquisition of the investment in the Company, was based on future profitability, net of the provision set forth by CVM Rule No. 319/99, in the amount of R$7,535.

Also, on February 2, 2011, in the initial public offering net funds of R$182,009 were raised, R$167,067 of which were recognized as capital reserve, net of the public offering costs amounting to R$13,579 (R$8,962, net of tax effects). Of this total, R$10,663 refers to payment of bank and brokerage fees, and the remainder is for the payment of legal, consulting, audit fees and other costs.

21. Capital and reserves (Continued)

21.2. Capital reserve (Continued)

On September 30, 2011, the Company recorded a complement to the reserve for public offering costs amounting to R$550 (R$363, net of tax effects), and this net amount was reduced from Capital reserve.

Due to the implementation of the Stock Option Plan, the Company set up the Options Granted Reserve in the amount of R$13,908 (Note 32). Out of this total, R$4,749 were recognized in 2015 (R$4,451 in 2014, R$3,933 in 2013 and R$775 in 2012).

21.3. Reserves and retained profits

Legal reserve

The legal reserve is set at a 5% ratio of the net profit determined for each year under the terms of Article 193 of Law No. 6404/76, as amended (Brazilian Corporation Law) up to the limit of 20% of Company capital.

Investment reserve

This refers to the reserve for research and development (R&D) of new products, based on the capital budget prepared by management and approved at the Annual Shareholders' Meeting. As at December 31, 2015 and 2014, this reserve balance amounts to R$2,683.

Retained profits

The retained profits reserve was set up under the terms of article 196 of Law No. 6404/76, for use in future investments. The retention accumulated up to 2014 amounts to R$223,244 and is based on capital budget prepared by management and approved at the Annual Shareholders' Meeting held on April 24, 2015.

Allocation of retained profits reserve surplus will be submitted for approval of the Annual Shareholders' Meeting, in accordance with article 196 of Law No. 6404/76.

21.4. Other comprehensive income (loss)

Reserve for exchange differences on translation of foreign operations

The Company recognized as other comprehensive income, in a specific line of equity, exchange differences on translation of foreign operations, represented by its subsidiaries located in the United States, whose functional currency is the US Dollar. For the year ended December 31, 2015, the total was of R$5,502.

(In thousands of reais, unless otherwise stated)

22. Paid and proposed dividends and interest on equity

Dividends

In accordance with Company´s Articles of Incorporation, the shareholders are entitled to minimum mandatory dividend, equivalent to 25% of net income for the year, adjusted by the legal reserve set up, as prescribed by Brazilian Corporation Law. Interest on equity, when calculated, is considered profit distribution for determining the minimum dividend to be paid out.

Dividends were calculated as follows:

	2015	2014
Net income for the year	**119,663**	112,752
Legal reserve - 5%	**(5,983)**	(5,638)
Net income to be allocated	**113,680**	107,114
Minimum dividend proposed as per Articles of Incorporation	**25%**	25%
Mandatory minimum dividend	**28,420**	26,779
Dividends and interest on equity		
Interest on equity paid	**33,511**	24,386
Withholding Income Tax (IRRF) on interest on equity	**(4,865)**	(3,546)
Interim dividend paid	**9,489**	11,072
Additional dividends proposed	**18,704**	35,348
Total	**56,839**	67,260
Dividend proposed in excess of mandatory minimum dividend	**28,419**	40,481
Dividend proposed in excess of mandatory minimum per share - R$	**0,3203**	0,4565

On March 2, 2015, the Company´s Board of Directors approved the proposed allocation of net income for the year ended December 31, 2014, with payment of additional dividend amounting to R$35,348 (R$0.40 per share). On April 24, 2015, the proposed dividend distribution was approved at the Annual Shareholders´ Meeting, with payment on May 14, 2015.

At the Board of Directors' meeting held on August 3, 2015, the Company approved the payment of interim dividends of R$9,489 (R$0.11 per share). These interim dividends were paid on August 27, 2015. Interim dividends paid in the year are considered prepayment of mandatory minimum dividend.

The Company´s Executive Board will submit a proposal for allocation of net income for the year ended December 31, 2015 for approval by the Board of Directors at a meeting to be held on February 29, 2016, also comprising the proposal for payment of additional dividend in the amount of R$18,704 (R$0.21), subject to approval at the Annual Shareholders' Meeting.

22. Paid and proposed dividends and interest on equity (Continued)

Interest on equity - Law No. 9249/95

In order to comply with relevant tax rules, the Company recognized interest on equity paid or credited in 2014, matched against financial expenses. For purposes of preparing these financial statements, such interest was reversed from P&L against retained earnings, as determined by the applicable accounting practices. Withholding income tax at 15% was paid on such interest amount, except for shareholders confirmedly tax exempt or tax immune, or shareholders domiciled in countries or jurisdictions of which legislation establishes a different tax rate.

On March 17, 2014, the Board of Directors approved the dividend payment policy for 2014 and 2015. The amounts payable for purposes of interest on equity, amounted to R$9,750 for each six-month period, paid on June 30 and December 30 of each year.

On June 20, 2014, the Company recorded interest on equity of R$12,235 (R$10,441 net of IRRF), of which R$9,750 was approved at the Board meeting of March 17, 2014 and R$2,485 on June 20, 2014, in the gross amount of R$0.1099 and R$0.0280 per share, respectively.

On December 16, 2014, the Company recorded interest on equity of R$12,151 (R$10,397 net of IRRF), of which R$9,750 was approved at the Board meeting of March 17, 2014 and R$2,401 on December 16, 2014, in the gross amount of R$0.11 and R$0.03 per share, respectively.

On June 30, 2015, the Company recorded interest on equity of R$15,553 (R$13,294 net of IRRF), of which R$9,750 was approved at the Board meeting of March 17, 2014 and R$5,803 on June 15, 2015, in the gross amount of R$0.11 and R$0.09 per share, respectively.

On December 30, 2015, the Company recorded interest on equity of R$17,958 (R$15,352 net of IRRF), of which R$9,750 was approved at the Board meeting of March 17, 2014 and R$8,208 on December 14, 2015, in the gross amount of R$0.11 and R$0.07 per share, respectively.

Interest on equity credited over the year constitutes prepayment of the mandatory minimum dividend.

23. Earnings per share

In order to comply with Accounting Pronouncement CPC 41 (IAS 33), the Company presents below detailed information on earnings per share for the years ended December 31, 2015 and 2014.

a) Basic earnings per share

Calculation of basic earnings per share is made by dividing net income for the year, attributed to common shareholders, by the weighted average number of common shares available in the year.

	12/31/2015	12/31/2014
Net income for the year (in thousands of reais)	**119,663**	112,752
Weighted average of shares issued (in thousands)	**88,704**	88,657
Basic earnings per share - R$	**1.3490**	1.2718

b) Diluted earnings per share

Calculation of diluted earnings per share is made by dividing net income for the year, attributed to Company common shareholders, by the weighted average number of common shares available in the period, plus the weighted average number of common shares that would be issued should all potentially dilutive common shares be converted into common shares. The Company has a type of potentially dilutive common share that refers to the stock purchase option, as follows:

	12/31/2015	12/31/2014
Net income for the year (in thousands of reais)	**119,663**	112,752
Weighted average of common shares issued (in thousands)	**88,704**	88,657
Adjustment as per stock options (in thousands)	**205**	90
Weighted average of common shares for diluted earnings per share (in thousands)	**88,909**	88,747
Diluted earnings per share - R$	**1.3459**	1.2705

There were no other transactions involving common or potential common shares between balance sheet date and the date of conclusion of these financial statements.

24. Net sales revenue

Net sales revenue is broken down as follows:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Gross sales revenue				
Domestic market	**1,093,826**	1,089,467	**1,307,096**	1,281,800
Foreign market	**90,350**	58,101	**127,563**	76,195
Sales returns	**(22,101)**	(36,431)	**(56,654)**	(52,291)
Discounts and rebates	**(1,212)**	(1,289)	**(1,212)**	(1,289)
Sales taxes	**(194,507)**	(191,122)	**(256,236)**	(251,506)
Net operating revenue	**966,356**	918,726	**1,120,557**	1,052,909

(In thousands of reais, unless otherwise stated)

25. Segment information

This view is supported by the following factors:

- there is no segregation in its structure for the management of different product lines, brand names or sale distribution channels;
- its manufacturing unit operates under more than one brand name and through more than one sales distribution channel;
- the strategic decisions of the Company are based on studies that indicate market opportunities and not only on performance by product, brand name or channel.

Company products are distributed under different brand names (Arezzo, Schutz, Anacapri, Alexandre Birman and Fiever) and through different channels (franchises, multi-brand, own stores and e-commerce). However, they are controlled and managed by management as a single business segment, and the results therefrom are followed up, monitored and analyzed in an integrated manner.

For management purposes, Company management monitors the consolidated gross revenue by brand name and sales distribution channel, set out as under:

	Consolidated	
Brand name	**12/31/2015**	**12/31/2014**
Gross revenue	**1,434,659**	1,357,995
Arezzo - domestic market	**737,549**	766,782
Schutz - domestic market	**467,119**	434,063
Anacapri - domestic market	**93,177**	71,748
Other	**9,251**	9,207
Foreign market	**127,563**	76,195

	Consolidated	
Channel	**12/31/2015**	**12/31/2014**
Gross revenue	**1,434,659**	1,357,995
Franchises	**638,293**	661,349
Multi-brand stores	**305,194**	299,612
Own stores	**291,540**	271,534
E-commerce	**68,760**	43,812
Other	**3,309**	5,493
Foreign market	**127,563**	76,195

Revenue from foreign market is not segregated by geographic area since it represents 9% of the gross revenue at December 31, 2015 (6% at December 31, 2014). There are no customers individually accountable for more than 5% of the sales in both domestic and foreign markets.

(In thousands of reais, unless otherwise stated)

26. Expenses by nature

The Company elected to present the consolidated income statements by function. In accordance with the IFRS, detailed information on expenses by nature is as under:

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Expenses by function				
Cost of sales	**(640,634)**	(595,536)	**(644,658)**	(603,610)
Selling expenses	**(111,617)**	(105,618)	**(249,242)**	(221,352)
Administrative and general expenses	**(73,619)**	(70,455)	**(82,893)**	(76,169)
Other operating expenses, net	**(3,310)**	(1,375)	**(2,476)**	(3,708)
	(829,180)	(772,984)	**(979,269)**	(904,839)

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Expenses by nature				
Depreciation and amortization	**(16,937)**	(6,606)	**(24,208)**	(13,230)
Personnel expenses	**(88,154)**	(78,478)	**(151,877)**	(132,600)
Raw material and supplies	**(642,027)**	(597,456)	**(648,119)**	(604,752)
Freight	**(19,690)**	(17,914)	**(24,438)**	(20,495)
Store occupancy expenses	**-**	-	**(31,503)**	(32,255)
Other operating expenses	**(62,372)**	(72,530)	**(99,124)**	(101,507)
	(829,180)	(772,984)	**(979,269)**	(904,839)

27. Objectives and policies of financial risk management

a) Fair value

Below are presented the book value of Company financial assets and liabilities as at December 31, as well as their respective fair values calculated by Company management:

	Consolidated			
	12/31/2015		12/31/2014	
	Book value	Fair value	Book value	Fair value
Cash and cash equivalents	**8,822**	**8,822**	10,831	10,831
Short-term investments	**217,859**	**217,859**	189,583	189,583
Trade and other accounts receivable	**294,745**	**294,745**	277,913	277,913
Loans and financing	**123,153**	**123,153**	99,410	99,410
Trade and other accounts payable	**64,881**	**64,881**	70,315	70,315

27. Objectives and policies of financial risk management (Continued)

a) Fair value (Continued)

At December 31, 2015, Company´s consolidated financial assets and liabilities are classified into the following financial instrument categories:

	Measurement	
	Fair value	**Amortized cost**
Assets		
Loans and receivables		
Cash and cash equivalents	-	8,822
Trade and other accounts receivable	-	294,745
Financial assets at fair value through profit or loss		
Short-term investments	217,859	-
Liabilities		
Other financial liabilities		
Trade and other accounts payable	-	64,881
Loans and financing	-	123,153

The following methods and assumptions were used in determining the fair value:

- Short-term investments - the book values stated in the balance sheet are equal to fair value due to fact that their remuneration rates are based on the CDI, CDB and LFT variation (Note 6);

- Cash and cash equivalents, trade and other accounts receivable, trade and other accounts payable - derive directly from the Company's and its subsidiaries' transactions, measured at amortized cost and recorded at their original value, less provision for losses and present value adjustment, when applicable. Book value approximates fair value due to the short-term settlement of these transactions;

- Loans and financing – classified as financial liabilities not measured at fair value and recorded under the amortized cost method, under contractual conditions. This definition was adopted as the amounts are not held for trading, which, according to management´s understanding, reflects the most significant accounting information. The fair values of these financing are equivalent to their book values, as these instruments have rates equivalent to their market rates and feature specific characteristics.

(In thousands of reais, unless otherwise stated)

27. Objectives and policies of financial risk management (Continued)

a) Fair value (Continued)

a.1) Fair value hierarchy

The Company classifies and discloses the fair value of financial instruments based on measurement techniques:

Level 1 – prices quoted (without adjustments) at in active markets for identical assets or liabilities;

Level 2 – other techniques for which all data that has significant effect on the recorded fair value is observable, whether directly or indirectly; and

Level 3 – techniques that using data that have a significant effect on the fair value recorded which are not based on observable market data.

For fair value measurement of its financial instruments, the Company adopts the valuation technique of prices quoted in active markets (Level 1) and the observable price valuation technique (Level 2).

b) Exposure to currency risks

Income from the Company's and its subsidiaries' operations is subject to US Dollar currency risk due to the fact that part of sales revenues is linked to this currency. To minimize currency risk, nearly all exports have financing pegged to that currency.

At December 31, 2015 and 2014, net exposure to US Dollar is represented by:

	Consolidated	
	12/31/2015	**12/31/2014**
Trade accounts receivable	**39,402**	24,663
Loans and financing	**(56,065)**	(29,493)
Net exposure	**(16,663)**	(4,830)

With a view to analyzing the sensitivity of Company assets and liabilities in foreign currency exposed to currency risk as of December 31, 2015, three different scenarios were defined, and a sensitivity analysis of the effects of currency exchange rate fluctuations was performed.

(In thousands of reais, unless otherwise stated)

27. Objectives and policies of financial risk management (Continued)

b) Exposure to currency risks (Continued)

Three scenarios are considered in the table below, with the probable scenario being adopted by the Company. These scenarios were defined based on management's expectation for exchange rate variations on the maturity dates of the corresponding agreements subject to these risks.

Additionally to this scenario, Ruling No. 475 of December 17, 2008 of the Brazilian SEC (CVM) determined that two other scenarios be presented, with appreciation of 25% and 50% of the risk variables considered. These scenarios are presented in accordance with CVM rules.

Operation	Currency	Probable scenario (Book value)	Scenario A	Scenario B
Currency rate appreciation				
Accounts receivable in foreign currency	R$	39,402	49,253	59,103
Loans and financing in foreign currency	R$	(56,065)	(70,081)	(84,098)
Rate appreciation with			25%	50%
reference to exchange rate				
US Dollar	R$	3.90	4.88	5.85
Effect on income before taxes			(4,165)	(8,332)

In October 2012, the Company entered into a derivative hedging instrument in the amount of US$3,025 thousand with a view to reducing currency exposure on its export sales operations, considering the value of portfolio orders, maturing on October 6, 2014. At December 31, 2015, there were no new hedging agreements.

Adjustments arising from derivative instruments had the following effects:

Income statement	12/31/2015	12/31/2014
Gain/(loss) recognized in financial income/(expenses)	-	(180)

(In thousands of reais, unless otherwise stated)

27. Objectives and policies of financial risk management (Continued)

c) Exposure to interest rate risks

The Company is exposed to risks related to interest rates due to contracted loan agreements linked to the TJLP. The rates incurred are stated in Note 16.

At December 31, 2015, breakdown of loans and financing in terms of interest rates is as under:

	Consolidated	
	12/31/2015	%
Fixed interest	**57,070**	46%
Interest based on TJLP and Libor	**66,083**	54%
	123,153	100%

With a view to analyzing the sensitivity of changes in index rates in relation to Company loans and financing exposed to interest rate risk as of December 31, 2015, three different scenarios were defined, and a sensitivity analysis of the effects of changes in index rates was performed.

Three scenarios are considered in the table below, with the probable scenario being adopted by the Company. Based on the TJLP and Libor prevailing at December 31, 2015, the probable scenario was defined for 2015 together with the 25% and 50% variations, as required by CVM Ruling No. 475.

For each scenario, gross financial expense was calculated, not taking into consideration the taxes levied and the maturity flow of each agreement. The base date used for financing was December 31, 2015, with projection of the rates over one year and assessment of the sensitivity in each scenario.

Operation	Currency	Probable scenario	Scenario A	Scenario B
Increase in financial expenses				
Financing - TJLP	R$	3,250	4,063	4,875
Financing – Libor	R$	155	194	233
		3,405	4,257	5,108
Rate appreciation at reference to financial liabilities			25%	50%
TJLP		7.00%	8.75%	10.50%
Libor		0.79%	0.99%	1.19%

(In thousands of reais, unless otherwise stated)

27. Objectives and policies of financial risk management (Continued)

d) Credit risk

This risk arises from difficulty in collection of trade accounts receivable for goods sold and services rendered.

Company and subsidiaries are also subject to credit risk from their short-term investments.

Trade accounts receivable are substantially denominated in reais and are spread across various customer accounts. In order to reduce credit risk, the Company makes an individual analysis when acquiring new customers but, as a market practice, it only requires advance payment of receivables from customers that are considered high risk. There are no customers that represent more than 5% of the accounts receivable as of December 31, 2015 and 2014.

Management monitors the receivables portfolio risks on a weekly basis and, in case of risk of non-recovery, the Company´s income statement is adjusted. The analysis is conducted on receivables overdue for more than 30 days, customer payment history, guarantees offered and renegotiations made with sureties. Recording of effective losses or provision for losses reflect non-recoverable accounts receivable and cases of high risk of non-recovery.

As regards the credit risk associated with the financial institutions, Company and subsidiaries use top-tier financial institutions

e) Liquidity risk

Liquidity risk is defined as the possibility that Company and subsidiaries will not have sufficient funds to honor their commitments given the different currencies and settlement terms of their rights and obligations.

Company and subsidiaries' cash flow and liquidity control is monitored daily by Company management so as to ensure that cash generation and preliminary fund raising, when needed, are sufficient to cover their scheduled commitments, thereby not exposing Company and subsidiaries to liquidity risk. The table below presents contractual payments required for Company financial liabilities:

The table below presents contractual payments required for the Company´s financial liabilities:

	Projection including future interest			
	Within 1 year	From 1 to 5 years	Over 5 years	Total
Loans and financing	87,279	40,933	223	128,435
Trade accounts and other payable	64,881	-	-	64,881

(In thousands of reais, unless otherwise stated)

27. Objectives and policies of financial risk management (Continued)

f) Capital management

The objective of Company capital management is to ensure maintenance of a strong credit rating with institutions and an optimum capital relationship in order to support Company business and maximize shareholder value.

The Company controls its capital structure through adjustments and adaptation to current economic conditions. The procedures adopted to maintain an adjusted structure include dividend payment, capital return to shareholders, new loans, issue of debentures, issue of promissory notes, and engaging in operations with derivatives. There have been no changes in capital structure objectives, policies or processes in 2015 and 2014.

The Company includes loans and financing less cash and cash equivalents and short-term investments in its Net Debt structure.

28. Financial income (expenses)

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Financial income:				
Interest income	**5,440**	5,341	**5,458**	5,352
Short-term investments yield	**23,823**	18,000	**23,970**	18,710
Other revenues	**135**	704	**70**	1,812
	29,398	24,045	**29,498**	25,874
Financial expenses:				
Banking expenses	**(2,516)**	(1,806)	**(2,974)**	(2,254)
Interest on financing	**(1,933)**	(2,367)	**(2,516)**	(4,190)
Credit card administration fee	**-**	-	**(5,927)**	(4,998)
Notary public fees	**(2,386)**	(924)	**(2,424)**	(924)
Other expenses	**(1,837)**	(654)	**(2,312)**	(2,610)
	(8,672)	(5,751)	**(16,153)**	(14,976)
Exchange gains (losses), net	**9,808**	2,078	**9,924**	2,519
Total	**30,534**	20,372	**23,269**	13,417

29. Other operating income (expenses), net

	Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Stock option plan	**(4,749)**	(4,451)	**(4,749)**	(4,451)
Franchise fees	**1,152**	2,603	**1,152**	2,603
Recovered of expenses	**700**	109	**713**	115
Gain (loss) on disposal of property; plant and equipment and intangible assets items	**21**	225	**(1,597)**	(1,578)
Other operating income (expenses)	**(434)**	139	**2,005**	(397)
	(3,310)	(1,375)	**(2,476)**	(3,708)

(In thousands of reais, unless otherwise stated)

30. Operating lease agreements - store lease

At December 31, 2015, the Company had entered into lease agreements with third parties. Management analyzed these agreements and concluded that they could be classified as operating lease agreements.

Future minimum rent amounts payable under noncancellable operating leases are as follows:

	Minimum payments at 12/31/2015 (Consolidated)
Within 1 year	**16,759**
Over one year and up to five years	**18,968**

The average monthly expense with lease payments is R$2,422 (R$1,828 in 2014). The effective terms of the referred to lease agreements range between four and five years, subject to financial charges based on the annual IGPM variation, as specified in each agreement.

As at December 31, 2015, lease expenses net of taxes recoverable totaled R$29,064 (R$21,936 at December 31, 2014). The lease payable balance is of R$875 (R$3,643 at December 31, 2014).

A substantial portion of the lease agreements is related to store billing and a minimum amount has been established. In addition, the grace period set out in the agreements is not significant so as to meet the expected expense alignment.

31. Insurance coverage

Company and subsidiaries have insurance coverage with top-tier insurance companies in Brazil, which takes into consideration the nature and degree of risk involved. At December 31, 2015, the Company had insurance coverage against fire and miscellaneous risks on its property, plant and equipment items and inventories at amounts considered sufficient by management to cover possible losses, as follows:

Assets covered	Risks covered	Insured amount - R$
Inventories and property, plant and equipment	Fire	133,720
	Civil liability	10,000

32. Stock option plan

At the Special Shareholders' Meeting held on May 25, 2012, the Company's shareholders approved a Stock Option Plan for officers, employees and service providers of the Company or of other companies under its control, which became effective as from that same date. The Stock Option Plan is managed by the Board of Directors, which, at its discretion, may set up a Committee to manage the Stock Option Plan.

The Stock Option Plan is limited to the maximum number of options resulting in a dilution of 5% of Company capital. The dilution corresponds to the percentage represented by the maximum number of shares underlying the options by the total number of shares issued by the Company.

On April 28, 2012, the Board of Directors approved the first options grant within the scope of the Stock Option Plan. The first grant in connection with Company Stock Option Plan totaled 386,404 options, 68,231 of which are stock options for Lot I, and 318,173 for Lot II.

On May 27, 2013, the Board of Directors approved the second options grant within the scope of the Stock Option Plan. The second grant in connection with Company Stock Option Plan totals 686,901 options, 25,757 of which are stock options for Lot I, and 661,144 for Lot II.

On May 26, 2014, the Board of Directors approved the third options grant within the scope of the Stock Option Plan. The third grant in connection with Company Stock Option Plan totals 974,237 options, 29,395 of which are stock options for Lot I and 944,842 for Lot II.

On May 25, 2015 the Board of Directors approved the fourth options grant within the scope of the Stock Option Plan. The fourth grant in connection with Company Stock Option Plan totals 942,079 options, 73,955 of which are stock options for Lot I and 942,079 for Lot II.

The Stock Option Plan provides for the following Lot I options granted to the Plan participants: (i) they will become exercisable on the business day subsequent to the respective granting date; (ii) they may be exercised within 30 days from the date on which they become exercisable; and (iii) the shares stemming from the exercise may not be traded over a 3-year Black-Out period from the exercise date. If within the 3-year Black-Out period the participant withdraws from the Company, at his/her own will, quitting the job, resigning from the officer position or terminating the service agreement; or in case of Company's decision, through dismissal for cause, removal from position due to violation of duties and responsibilities as an officer, or termination of the service rendering agreement, the Company may, at its sole discretion, repurchase the restricted stocks for the exercise price paid by the participant for acquisition of restricted stocks.

In turn, Stock Option Plan participants may exercise their Lot II options within a period of up to 3 years from the exercise date. The vesting period will be up to 3 years for each release, which will be in the following proportion: 25% from the first anniversary of the respective granting date; 25% from the second anniversary of the respective granting date; and 50% from the third anniversary of the respective granting date.

32. Stock option plan (Continued)

1st Grant - June 2012

On June 11 and 13, 2012, the Company handed in the Stock Option Grant Agreement to participants providing for Plan terms and conditions. This agreement should be signed and returned to the Company within a 30-day term, jointly with the notice of exercise of Lot I and the proof of transfer of funds referring to the exercise of Lot I options, when applicable. Had one of these conditions not been met within the term set up, the participant would have not been eligible for the plan.

The exercise price of the Stock Option Plan is set at R$20.86 per share, equivalent to the average of 90 closing quotations of Company shares at BM&F Bovespa, which occurred before the grant approval, with a 30% discount.

In July 2012, the adhesion to the Stock Option Plan was perfected, with all initial conditions met, express statement from the eligible participants through formalization of the Grant Agreements and, when applicable, notice of the exercise of Lot I and the corresponding transfer of funds.

2nd Grant - June 2013

On June 11, 2013, the Company handed in the Stock Option Grant Agreement to participants providing for Plan terms and conditions. This agreement should be signed and returned to the Company within a 30-day term, jointly with the notice of exercise of Lot I and the proof of transfer of funds referring to the exercise of Lot I options, when applicable. Had one of these conditions not been met within the term set up, the participant would have not been eligible for the plan.

The exercise price of the Stock Option Plan is set at R$27.61 per share, equivalent to the average of 90 closing quotations of Company shares at BM&F Bovespa, which occurred before the grant approval, with a 30% discount.

In July 2013, the adhesion to the Stock Option Plan was perfected, with all initial conditions met, express statement from the eligible participants through formalization of the Grant Agreements and, when applicable, notice of the exercise of Lot I and the corresponding transfer of funds.

(In thousands of reais, unless otherwise stated)

32. Stock option plan (Continued)

3rd Grant - June 2014

On June 12, 2014, the Company handed in the Stock Option Grant Agreement to participants providing for Plan terms and conditions. This agreement should be signed and returned to the Company within a 30-day term, jointly with the notice of exercise of Lot I and the proof of transfer of funds referring to the exercise of Lot I options, when applicable. Had one of these conditions not been met within the term set up, the participant would have not been eligible for the plan.

The exercise price of the Stock Option Plan is set at R$18.42 per share, equivalent to the average of 90 closing quotations of Company shares at BM&F Bovespa, which occurred before the grant approval, with a 30% discount.

In July 2014, the adhesion to the Stock Option Plan was perfected, with all initial conditions met, express statement from the eligible participants through formalization of the Grant Agreements and, when applicable, notice of the exercise of Lot I and the corresponding transfer of funds.

4th Grant - June 2015

On June 12, 2015, the Company handed out the Stock Option Grant Agreement to participants providing for Plan terms and conditions. This agreement was signed and returned to the Company within a 30-day term, jointly with the notice of exercise of Lot I and the proof of transfer of funds referring to the exercise of Lot I options, when applicable.

The exercise price of the Stock Option Plan is set at R$19.91 per share, equivalent to the average of 90 closing quotations of Company shares at BM&F Bovespa, which occurred before the grant approval, with a 20% discount.

In July 2015, the adhesion to the Stock Option Plan was perfected, with all initial conditions met, express statement from the eligible participants through formalization of the Grant Agreements and, when applicable, notice of the exercise of Lot I and the corresponding transfer of funds.

Structure, changes and fair value of options

Breakdown of Company Stock Option Plan, considering the grace periods for the exercise of options is as follows:

	Maximum number of shares			
Vesting period as from grant	1st Grant	2nd Grant	3rd Grant	4th Grant
Up to 30 days from the grant date	45,059	22,539	21,744	52,741
From first anniversary	54,731	158,228	195,787	162,992
From second anniversary	54,731	158,228	195,787	162,992
From third anniversary	109,462	316,455	391,572	325,984
Total	263,983	655,450	804,890	704,709

(In thousands of reais, unless otherwise stated)

32. Stock option plan (Continued)

Structure, changes and fair value of options (Continued)

Changes in Company Stock Option Plan are as follows:

	1st Grant	2nd Grant	3rd Grant	4th Grant
Balance at 12/31/2013	178,875	631,911	-	-
Shares granted	-	-	804,890	-
Shares exercised	(23,957)	-	(21,744)	-
Shares written off (*)	(36,089)	(125,207)	(31,376)	-
Balance at 12/31/2014	118,829	506,704	751,770	-
Shares granted	**-**	**-**	**-**	**704,709**
Shares exercised	**-**	**-**	**-**	**(52,741)**
Shares written off (*)	**(58,023)**	**(99,198)**	**(56,686)**	**(8,040)**
Balance at 12/31/2015	**60,806**	**407,506**	**695,084**	**643,928**

(*) Options written off due to termination of employees who participated in the Company´s stock option plan.

Pursuant to IFRS 2/ CPC 10, the Company calculated the options fair value, based on aforementioned grace periods. At December 31, 2015, the Company calculated the amount of R$4,749 (R$4.451 at December 31, 2014) referring to the stock option plan expense recognized in the income statement matched against equity in the “Capital reserve” specific account. In 2012, the pricing of options fair value was based on the Black & Scholes method, whereas in 2013 and 2014, management opted for the binomial valuation model.

Assumptions used for determining the stock options fair value were as follows:

	1st Grant June/2012		2nd Grant June/2013		3rd Grant June/2014		4th Grant June/2015	
Lot	I	II	I	II	I	II	I	II
Number of shares								
1st Maturity	68,231	79,543	25,757	165,286	29,395	236,211	73,955	217,031
2nd Maturity	N/A	79,543	N/A	165,286	N/A	236,211	N/A	217,031
3rd Maturity	N/A	159,087	N/A	330,572	N/A	472,420	N/A	434,062
Exercise price - (R$)	20.86	20.86	27.61	27.61	18.42	18.42	19.91	19.91
Fair value through per share - (R$)								
1st Maturity	6.66	9.05	7.36	13.82	4.95	9.82	1.55	8.52
2nd Maturity	N/A	11.33	N/A	16.37	N/A	10.22	N/A	9.23
3rd Maturity	N/A	13.32	N/A	16.72	N/A	11.47	N/A	9.84
Dividend yield	-	-	4.85%	4.85%	5.03%	5.03%	1.89%	1.89%
Share price volatility	40.36%	40.36%	36.29%	41.18%	27.95%	40.91%	24.93%	31.69%
Risk-free interest rate								
1st Maturity	8.50%	7.81%	7.86%	10.47%	10.81%	11.75%	13.41%	12.48%
2nd Maturity	N/A	8.59%	N/A	10.60%	N/A	11.80%	N/A	12.33%
3rd Maturity	N/A	9.35%	N/A	10.69%	N/A	11.86%	N/A	12.25%
Period expected to maturity - (calendar days)								
1st Maturity	30	365	30	365	30	365	30	365
2nd Maturity	N/A	730	N/A	730	N/A	730	N/A	730
3rd Maturity	N/A	1.095	N/A	1,095	N/A	1,095	N/A	1,095

33. Government grants

ICMS Matching Credit

In February 2013, through its Parent, the Company entered into an agreement with the government of the state of Rio Grande do Sul, concerning the grant of ICMS tax benefits. This agreement was in effect up until March 31, 2014.

The Company did not make use of the tax benefit for the year ended December 31, 2015 (R$2,830 at December 31, 2014). This amount was recorded in net income for the period, less expenses with sales taxes, pursuant to CPC 07 (IAS 20) - Accounting for Government Grants and Disclosure of Government Assistance.

2015Financial Statements & Attachment

- Attachment I - Capital Budget
- Attachment II A - Officer's Statement with regard to the Financial Statements
- Attachment II B - Officer's Statement with regard to the Independent Auditor's Report
- Attachment III - Management Report

Attachment I
Budgte Capital

Company's Administration Proposal for Capital Budget

In R$ Thousand

	2015
Retained Profits (article 196 law 6,404/76)	51,975
- Internal Funds Reserve Sub-Account for Research and Technology Investments	1,601
- Remaining Balance	50,373
Sources	**51,975**

Financing of Working Capital	32,195
Expansion of owned stores and franchises	5,185
Investments in Operational Improvements	10,395
Financing expansion and strategy partnership	2,599
Investments in Research and Technology	1,601
Allocation	**51,975**

Attachment II - A
Officer's Statemen

STATEMENT PURSUANT TO ARTICLE 25 OF CVM NORMATIVE INSTRUCTION No. 480/09

<u>Officer's Statement with regard to the Financial Statements</u>

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 ("Company"), hereby state that they reviewed, discussed and agree with the financial statements of the Company for the fiscal year ended December 31, 2015, as provided for and for the purposes of § 1, item VI of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, February 23rd, 2016.

Alexandre Café Birman – Chief Executive Officer
Thiago Lima Borges – Vice President of Corporate, Chief Financial Officer and Investor Relations Officer
Marco Antônio Ferreira Coelho - Officer with no specific designation
David Nery Python - Officer with no specific designation

Attachment II - B
Officer's Statement

STATEMENT PURSUANT TO ARTICLE 25 OFCVM NORMATIVE INSTRUCTION No. 480/09

Officer's Statement with regard to the Independent Auditor's Report

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 ("Company"), hereby state that they reviewed, discussed and agree with the opinions expressed in the independent auditors' report relating to the financial statements of the Company for the fiscal year ended December 31, 2015, as provided for and for the purposes of § 1, item V of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, February 29th, 2016.

Alexandre Café Birman – Chief Executive Officer
Thiago Lima Borges – Vice President of Corporate, Chief Financial Officer and Investor Relations Officer
Marco Antônio Ferreira Coelho - Officer with no specific designation
David Nery Python - Officer with no specific designation

Attachment III
Management Report

1. Management Report

Arezzo&Co continues to consolidate its position as leader in women's footwear, handbags and fashion accessories. Notwithstanding the challenging macroeconomic scenario, the Company presented a sales performance that exceeded that of the market.

The Investor Relations policy strengthens the company's strategy of dynamism and transparency. During the year, management hosted in the stores, offices and showrooms various investors and analysts, in addition to participating in 10 national and international panels and conferences. In November, the city of São Paulo saw the 5th edition of the Arezzo&Co's Investor Day, with over 120 participants, enhancing the company's business model and knowledge about its key guidelines and competitive strategies. In 2015, the company was nominated for five different categories in the IR Magazine Awards - Brazil 2015, including greatest evolution in investor relations - small & mid cap, consolidating Arezzo&Co's commitment to continuously improving its relations with the financial market.

The volumes of pairs and handbags totaled 10.4 million and 897 thousand, respectively. Given the challenging growth scenario, the company's multibrand and multichannel strategy once again proved to be resilient, paving the way for an increase of 5.6% in gross revenue, the highlights being the international market, the web commerce channel and the Anacapri brand, which saw their revenues increase by 67.4%, 56.9% and 29.9%, respectively. On the domestic market, turnover was up by 2.0%, in the wake of the net opening of 29 stores, 8 expansions and 15 refurbishments – adding 2,390m² of sales area, or growth of 7.3% when compared with 2014, excluding outlets. Same store sales sell-out indicator, in turn, declined 2.7% in 2015; however, the company remained focused on the price-fashion-product triad which, when combined with the strategies for increasing conversion, managed to partially offset the lower traffic in the stores.

The company has maintained strong and consistent investment in the options for short, medium and long-term growth such as: the roll-out of the Anacapri brand in the franchise channel with the opening of 20 stores, the extension of omni platform for Arezzo and Anacapri brand boosting online sales, the greater diversification among categories with increased share of the handbags segment, the strengthen of international presence with the pilot operation in The United States and addressing new target-consumers with the launch of the new Fiever brand, for example. At the same time, the company is also striving for gains in productivity, and even in unfavorable times, it continues to hold expenses at historical levels – take 2015 for example, which showed cash SG&A[1] as 26.0% of revenue, in line with previous years (24.7%, 26.1% and 26.2% in 2014, 2013 and 2012, respectively).

The Arezzo brand continues to enhance its supply methodology through a higher frequency of collections, in an important alignment with the franchise channel, whose procurement decision is consequently more fragmented and closer to the time of sell-out, resulting in important gains in inventory management. Furthermore, thanks to the total deployment of the e-showroom tool, speed in replenishing continuables and best sellers and quick interpretation of sell-out, there was a significant improvement in the performance of the collection turnover, positively affecting the result of the franchise chain. In spite of the decline in same store sales, the Arezzo franchise chain posted higher gross profits, with a positive impact on the operator's cash generation in 2015 over the previous year.

A key milestone for Arezzo in 2015 was the launch of its online store after an extensive process of development and alignment with the franchise chain. The platform's tools are leveraging the sales in physical stores in a variety of ways, enabling the application of the omni channel concept of coexistence and potentiation. As an example of some of the levers, in 2015 the online store carried out more than 24,000 notifications using the "Avise-me quando chegar" [Let me know when it arrives], a tool that provides the physical stores with information about consumers' purchase intentions, thereby increasing conversion in that channel. Additionally, the Arezzo brand ended the year with 102 stores with the current architectural model, by refurbishments and expansions, and will continue to refurbish stores so as to improve the purchasing experience of the consumers, while contributing to brand differentiation.

The Schutz brand continues to consolidate its positioning in the product categories and channels where it operates, with an attractive value proposition for its consumer profile. In the handbags and footwear categories, it leveraged

[1] Sales, general and administrative expenses, excluding depreciation, the operation in The United States, expenses with conceiving the new brand, expenses involving the company's new ERP, reclassification of intermediation expenses, reclassification of expenses with manufacturing samples, tax provisions, fixed asset write-offs and stock options.

its' potential by creating iconic products with attractive designs, supported by a communication plan and well-targeted marketing, with actions like Schutz My Name, My Perfect Pump, Tag Me and Schutz You. This resulted in the handbags category ending 2014 with a share of 20.9% of the brand's sell-out. Moreover, the web commerce channel recorded turnover of R$54.0 million, an increase of 23.2% against 2014, thanks to improved management of the information the channel captures, enabling a better offer mix for customers, a differentiated purchasing experience and targeted marketing.

The year 2015 was an important one for the pilot operation in the United States in terms of its development, thanks to the optimization of the distribution channels, new marketing strategy, creation of products focused on the local public, in addition to better fine-tuning of the supply chain to boost the competitive advantages of the company's business model. Still in the laboratory phase, during the first six months of 2016, another pilot store is to be opened in Los Angeles with the aim of testing what has been learnt in one of the largest footwear markets in the USA.

The Anacapri brand continues its rapid expansion, with 20 new franchises in 2015, accounting for 7.1% of the company's turnover on the domestic market. The launch of the online store in March, combined with the improvement in the communication strategy – based on several partnerships closed during the year to raise brand recall beyond its point of sale – and the synergy from the integrated management of the multibrand channel led to growth of 29.9% in 2015.

The Alexandre Birman brand took advantage of the larger and better supply capability through the new plant to expand its sales in both the domestic and the international markets in 2015, almost doubling the turnover of its stores. Focusing on its international branding through events, relationship building with actresses and celebrities and wide distribution within the major department store chains in the world, the brand continuously expand its awareness bringing greater results.

The successful implementation of the new ERP within the proposed deadline and budget was a major step forward in 2015 for sustaining the long-term growth of Arezzo&Co. As a result, the company is paving the way for new growth projects and efficiency gains, such as, in 2016, the implementation of the new distribution center in Espírito Santo intended to reduce lead time to strategic locations, possible increased procurement in other manufacturing centers and speed of response in replenishing continuables.

One of the central pillars of the company's strategy is its well-trained and motivated personnel, for which reason it continues to maintain a constant focus on programs for attracting, developing and retaining talent. Attracting future leaders, the fifth trainee program was once again hotly contested, with over three thousand applications from different regions of the country. In 2015, the AIR online training tool was extensively used and enhanced, boosting the training of teams in different departments: there are now more than 3,000 users and over 120 courses available, primarily positively influencing the retail teams.

At Arezzo&Co, a target achieved is nothing more than the base for the next one. As a result, we remain motivated and confident with regard to the outlook for 2016.

The Management

2. Company Overview

About Arezzo&Co

Arezzo&Co is Brazil's leading manufacturer of ladies' footwear, handbags and accessories. With a history of 43 years, it currently sells over 10 million pairs of shoes a year, in addition to handbags and accessories. It has four relevant brands - Arezzo, Schutz, Anacapri and Alexandre Birman.

Its product lines are distinguished by their innovation, design, comfort and excellent value for money.

The multichannel strategy enhances the group's capillarity through owned stores, franchises, multibrand stores and Web Commerce, with a presence in every Brazilian state. Internationally, the brand products are also sold in franchises, owned stores, multibrand stores and department stores. The company ended 2015 with a presence through 489 franchises, 48 owned stores and 2,190 multibrand stores.

AREZZO

Founded in 1972 by the brothers Anderson and Jefferson Birman, in addition to occupying top of mind of consumers of Brazilian ladies' shoes, the brand is one of the most preferred in this segment and most consumed in Brazil. The brand has a trendy positioning, combining concept, high quality, contemporary design and consumer satisfaction. It is the benchmark in launching trends in Brazil and is always to be found in the editorials of the most prestigious magazines, newspapers and sites in Brazil as a reference for fast fashion in ladies' footwear, handbags and accessories.

SCHUTZ

The Schutz brand invests heavily in researching trends and developing materials and technology in order to create its portfolio. Its mission is to offer the public a concept of products where design, quality, fashion and freedom of expression all come together. The result is collections developed to reflect the spirit of the young, contemporary woman who makes an impact, is irreverent and has her own style. It is an invitation to be daring, to look for something different and to challenge the norm.

ANACAPRI

The Anacapri brand, specializing in flats of the Arezzo&Co Group, was founded in 2008 with the purpose of simplifying the lives of its consumers with versatile fashion full of personality, but without relinquishing comfort. It produces different models and colors every year, which are presented in three large collections and in limited editions.

ALEXANDRE BIRMAN

The Alexandre Birman brand is a reference among Brazilian brands of ladies' shoes, vying for room with the top fashion names in well-know retail chains around the world, such as in North America, Europe and Asia.
The brand's hallmark is the concept of exclusiveness and sophistication, which is widely recognized abroad, and for which the Alexandre Birman brand was awarded the Vivian Infantino Emerging Talent Award as the 2009 talent in footwear creation (an award acknowledged as the Oscar of the international footwear industry).

FIEVER

A wordplay on FIVE (the group's 5th brand) and FEVER was launched in December 2015 as an urban, cool, casual brand dedicated to a younger demographic. The path it has traveled includes engaging its customers in the brand's construction in an effort to always innovate and keep up with this generation's pace. Its icon is the white sole sneakers that translate the brand's essence: convenient, cool, and versatile.

3. Operating and Financial Highlights - 2015

Summary of Results	2014	2015	Δ (%)
Net Revenues	1,052,909	1,120,557	6.4%
Gross Profit	449,299	475,899	5.9%
Gross Margin	42.7%	42.5%	-0.2 p.p.
EBITDA[1]	161,301	165,496	2.6%
Ebitda Margin	15.3%	14.8%	-0.5 p.p.
Net Income	112,752	119,663	6.1%
Net Margin	10.7%	10.7%	0.0 p.p.
Operating Indicators	**2014**	**2015**	**Δ (%)**
# of pairs sold ('000)	10,622	10,418	-1.9%
# of handbags sold ('000)	827	897	8.5%
# of employees	2,091	2,106	0.7%
# of stores*	516	543	27
Owned Stores	54	49	-5
Franchises	462	494	32
Outsourcing (as % of total production)	90.0%	91.4%	1.4 p.p
SSS[2] Sell-in (franchises)	4.0%	-8.8%	-12.8 p.p
SSS[2] Sell-out (owned stores + franchises)	6.6%	-2.7%	-9.3 p.p
SSS[2] Sell-out (owned stores + web + franchises)	8.0%	-1.6%	-9.6 p.p

*Includes stores outside Brazil

(1) EBITDA = Earnings before interest, income tax and social contribution on net income, depreciation and amortization. EBITDA is not a measure used in accounting practices adopted in Brazil (BR GAAP), does not represent cash flow for the periods presented and should not be considered as an alternative to net income, as an indicator of operating performance, or as an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and Arezzo&Co's EBITDA definition may not be comparable to adjusted EBITDA of other companies. While EBITDA does not provide, in accordance with the accounting practices adopted in Brazil, a measure of operating cash flows, management uses it to measure operating performance. Additionally, The company believes that certain investors and financial analysts use EBITDA as an indicator of operating performance for a company and/ or its cash flow.

(2) SSS (Same-store sales): Stores are included in comparable stores' sales as of the 13th month of operation. Variations in comparable stores' sales in the two periods are based on sales, net of returns, for owned stores, and on gross sales for franchises in operation during both periods under comparison. If a store is included in the calculation of comparable stores' sales for only a portion of one of the periods under comparison, this store will be included in the calculation of the corresponding portion of the other period. When square meters are added to or deducted from a store included in comparable stores' sales, with an impact of over 15% on the sales area, the store is excluded from comparable stores' sales. When a store operation is discontinued, this store's sales are excluded from the calculation of comparable stores' sales for the periods under comparison. As from this period, if a franchisee opens a warehouse, its sales will be included in comparable stores' sales if its franchises operate during both periods under comparison. The so-called "SSS of Franchises – Sell In" refers to comparison of Arezzo&Co's sales with those of each Franchised Store in operation for more than 12 months, serving as a more accurate indicator for monitoring the Group's revenue. On the other hand, "SSS – Sell Out" is based on the point of sales' performance, which, in the case of Arezzo&Co, is a better indicator of Owned Stores' sales behavior and Franchises' sell out sales. The franchise sell-out figures represent the best estimate calculated on the basis of information provided by third parties. Starting in 1Q14, the Company begins to also report SSS sell-out including web commerce.

Gross Revenue	2014	Part%	2015	Part%	Δ (%)
Total Gross Revenue	**1,357,995**		**1,434,659**		**5.6%**
Exports market	**76,195**	**5.6%**	**127,563**	**8.9%**	**67.4%**
Domestic market	**1,281,800**	**94.4%**	**1,307,096**	**91.1%**	**2.0%**
By brand					
Arezzo	*766,782*	*59.8%*	*737,549*	*56.4%*	*-3.8%*
Schutz	*434,063*	*33.9%*	*467,119*	*35.7%*	*7.6%*
Anacapri	*71,748*	*5.6%*	*93,177*	*7.1%*	*29.9%*
Other brands¹	*9,207*	*0.7%*	*9,251*	*0.7%*	*0.5%*
By channel					
Franchises	*661,349*	*51.6%*	*638,293*	*48.8%*	*-3.5%*
Multibrand	*299,612*	*23.4%*	*305,194*	*23.3%*	*1.9%*
Owned Stores²	*271,534*	*21.2%*	*291,540*	*22.3%*	*7.4%*
Web commerce	*43,812*	*3.4%*	*68,760*	*5.3%*	*56.9%*
Others²	*5,493*	*0.4%*	*3,309*	*0.3%*	*-39.8%*

(1) Includes only domestic markets for Alexandre Birman, Fiever and other revenues.
(2) Includes domestic market revenues that are not specific for distribution channels.

Brands

Arezzo&Co distributes the products of its five brands: Arezzo, Schutz, Anacapri, Alexandre Birman, and more recently, Fiever, through a chain of owned stores, franchises, multibrand stores, and web commerce, with a presence in all Brazilian states. Additionally, on the international front, the company sells its products through the same channels, as well as department stores.

The company continues to develop its strategic objective of cementing its leadership in the domestic market of women's footwear, handbags, and fashion accessories, with a 4.5% sell-out increase in the year through its physical and online stores.

The fourth quarter represents the highest sell-out for the brands, as in mid-October a mid-season clearance sale takes place to offload the leftovers from the pre-Summer and Summer I collection and make way for the rollout of the new High Summer collection. The company's strategy of focusing on sell-out, so as to have the right product at the right time and at the right price, brought about a good level of collection turnover which raised the percentage of products sold at full price, thereby improving the stores' gross margins.

The Arezzo brand posted R$737.5 million in gross revenue in 2015, accounting for 56.4% of total domestic market sales. Focusing on the closing months of the year, the brand maintained its agenda of activations backed by a strong advertising and marketing plan that had a positive impact on sales. For instance, the Viva La Vida campaign saw a high level of replenishment of high-turnover models. Furthermore, campaigns The One and Natal Arezzo [Arezzo Christmas], both headed up by important Brazilian entertainment celebrities, led to the recovery in the SSS sell-out performance against the third quarter. The strategy of creating a specific collection for Christmas gifts and another collection focusing on vacations and the New Year, both of which had their delivery coordinated throughout December, yielded excellent sales figures and therefore increasingly higher results during the month. In addition, the brand continued expanding its chain and added four stores in the year. Lastly, after the online store's planned and long-awaited rollout in the third quarter, the brand has been making important inroads into the channel. Five months on, ecommerce now accounts for 1.5% of the brand's domestic market revenue.

The Schutz brand achieved R$467.1 million in gross revenue in the quarter, or 35.7% of domestic market sales. Handbags continued their excellent performance and reached 20.9% of the physical stores' sell-out in 2015. Moreover, by cementing its online presence in the domestic market, the brand's web commerce store accounted for 11.6% of the brand's domestic turnover. In the US throughout 2015, the brand put in a sterling sales performance in all channels and paved the way for a new cycle of tests that include opening a new store in the first half of 2016 and marketing actions intended to raise awareness among consumers.

The Anacapri brand showed a 29.9% growth in the year against 2014, amounting to R$93.2 million in gross revenue, or 7.1% of sales in Brazil. The brand continued expanding its store base and ended the year with 70 franchises and four owned stores, while the online store accounted for 3.7% of Anacapri's turnover in Brazil in 4Q15. The brand kept on increasing its market penetration via advertising and marketing actions focused on the brand's "uncomplicated" concept, based on its offer of flat shoes.

By remaining continuously focused on strengthening its international branding, the Alexandre Birman brand showed 55.9% growth in the year over 2014. The brand has been boosting its positioning through more attention-grabbing collections, product and marketing initiatives honed in on its target audience, and greater presence in top international department stores.

In line with its strategic planning, in December the company launched its fifth brand, Fiever, dedicated to young urban consumers. The brand's pilot store provides a collaborative experience and innovative products such as sneakers with changeable uppers, that is, shoes that can have different uppers on the same sole.

Channels

Mono-brands – Franchises and Owned Stores

Following the company's strategy of strengthening its mono-brand stores, Arezzo&Co same store sales sell-out (owned stores + web commerce + franchises) grew 4.5% in 2015 against 2014, due primarily to the increase in area resulting from store openings and expansions and the launch of the Arezzo and Anacapri brands' online store in 2015. Regarding SSS of physical stores, sales dropped by 2.7% in the year. Nevertheless, there was an important recovery in the last quarter over the figures obtained in 3Q15 as a result of reversal steps taken in 4Q15, such as: launch of an iconic Schutz brand handbag, the Arezzo brand's Christmas campaign, and incentivized Christmas purchases of Anacapri products, among others.

The company's revenue from its mono-brand stores, represented by sell-in by franchises and sell-out by owned stores and web commerce, grew 2.2% in 2015 against 2014 mostly due to the web commerce channel's 56.9% growth. Mono-brand stores accounted for 76.4% of the domestic market turnover in 2015.

The franchise channel's performance, where SSS sell-in sales dropped 8.8% and accounted for 48.8% of domestic sales in 2015, reflected the strategy of making product turnover more efficient to increase the chain's average mark-up. At the turn of the year, such performance also resulted from Carnival festivities held two weeks earlier than usual, which reduced the stores' summer collection inventory levels. Additionally, in line with the strategy of improving product turnover, the greater number of showrooms bringing the franchisees' purchases closer to their sales to customers while providing operators with sales information and in-season reactions allowed the company to achieve a higher volume of sales at full price, less repricing, and lower inventories at the end of the year. Moreover, the channel's performance was partially offset by the net opening of 34 franchises in the last 12 months, of which eight were Arezzo, six were Schutz, and 20 were Anacapri. Furthermore, eight Arezzo brand franchise stores were expanded in the last 12 months, thus adding 254.1 m² to the channel's sales area.

In 2015, the difference between sales performance in same store sales sell-out against sell-in, -2.7% and -8.8%, respectively, proves how hard the company has been working to improve the health of the franchise network. This gap represents an average improvement in 2015 estimated at 341 bps in the network's gross margin and 4.5% estimated gross profit growth.

If we take in to account owned stores and web commerce only, there was growth of 14.3% in revenues in 2015, driven by sales in the online channel, with the Schutz brand reaching maturity and the launch of the Arezzo and Anacapri stores, despite the reduction of 12.8% in the sales area.

Having opened 29 stores, net, in the domestic market, the company ended 2015 with 537 mono-brand stores in Brazil and six abroad. Of those stores in Brazil, 382 were Arezzo brand, 78 were Schutz, 74 Anacapri, two Alexandre Birman, and one Fiever.

History of Stores	2014	1Q15	1H15	9M15	2015
Sales area [1,3] - Total (m²)	**35,641**	**35,735**	**35,235**	**36,053**	**37,342**
Sales area - franchises (m²)	28,466	28,337	28,744	29,649	31,087
Sales area - Owned stores 2 (m²)	7,175	7,398	6,491	6,404	6,255
Total number of domestic stores	**508**	**508**	**519**	**519**	**537**
# of franchises	**455**	**455**	**469**	**469**	**489**
Arezzo	359	356	360	360	367
Schutz	46	46	48	48	52
Anacapri	50	53	61	61	70
Fiever	0	0	0	0	0
# of owned stores	**53**	**53**	**50**	**50**	**48**
Arezzo	19	19	16	16	15
Schutz	27	28	28	28	26
Alexandre Birman	2	2	2	2	2
Anacapri	5	4	4	4	4
Fiever	0	0	0	0	1
Total number of international stores	**8**	**6**	**6**	**6**	**6**
# of franchises	7	5	5	5	5
# of owned stores	1	1	1	1	1

(1) Includes areas in square meters of international stores
(2) Includes 7 outlet-type stores with a total area of 2,090 m²
(3) Includes areas in square meters of stores expansion

Multibrands

In 2015, the multibrand channel grew 1.9% over 2014. It was affected by a stronger comparative base because of the company's strategy to unify the management of all brands in the channel, which began in the second half of 2014, and of store operators' lower confidence stemming from the sell-out performance in the 3Q15. On the other hand, the new customers brought in, growth in the share of wallet among existing customers, and higher cross-selling between brands and categories were fundamental to keep the channel's sales at the levels seen in 2014. Additionally, given the channel's strategic importance, such aspects will serve as the basis for the 2016 performance.

In the year, the group's four brands were distributed through 2,190 stores, a 0.4% reduction over 2014, and can be found in 1,221 cities.

Key financial indicators	2014	2015	Δ (%)
Net revenues	1,052,909	1,120,557	6.4%
COGS	(603,610)	(644,658)	6.8%
Gross profit	449,299	475,899	5.9%
Gross margin	42.7%	42.5%	-0.2 p.p.
SG&A	(301,228)	(334,611)	11.1%
% of net revenues	28.6%	29.9%	1.3 p.p.
Selling expenses	(214,281)	(232,582)	8.5%
Owned stores	(95,233)	(106,595)	11.9%
Selling, logistics and supply	(119,049)	(125,987)	5.8%
General and administrative expenses	(70,009)	(75,345)	7.6%
Other operating revenues (expenses)2	(3,708)	(2,476)	-33.2%
Depreciation and amortization	(13,230)	(24,208)	83.0%
EBITDA	161,301	165,496	2.6%
EBITDA margin	15.3%	14.8%	-0.5 p.p.
Net income	112,752	119,663	6.1%
Net margin	10.7%	10.7%	0.0 p.p.
Working capital[1] - as % of revenues	28.9%	29.2%	0.3 p.p.
Invested capital[2] - as % of revenues	43.4%	44.4%	1.0 p.p.
Total debt	99,410	123,153	23.9%
Net debt[3]	(100,975)	(102,609)	1.6%
Net debt/EBITDA LTM	-0.6x	-0.6x	n/a

(1) Working Capital: current assets minus cash, cash equivalents and marketable securities less current liabilities minus loans and financing and dividends payable.
(2) Invested capital: working capital plus fixed assets and other long-term assets less income tax and deferred social contribution.
(3) Net debt is equal to total interest-bearing debt position at the end of a period less cash and cash equivalents and short-term financial investments.

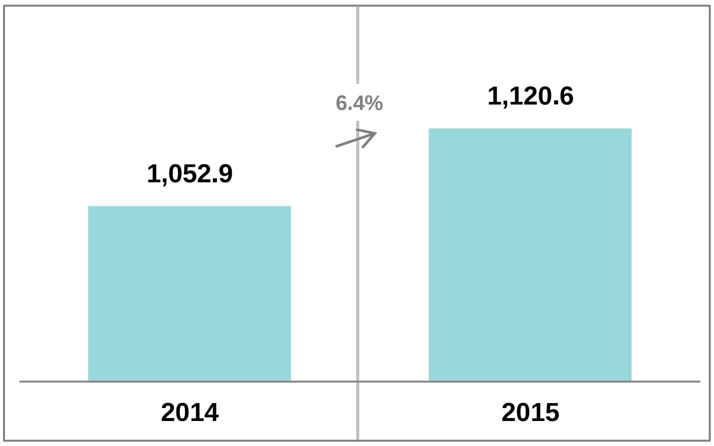
Net revenues

The company's net revenue totaled R$L1.1 billion in the year, up 6.4% over 2014. Some of the noteworthy primary factors are:

i) 67.4% increase in exports, resulting from important gains in price and volume;

ii) Expansion of the web commerce channel for the Arezzo and Anacapri brands which, combined with the Schutz operation, generated 56.9% growth in 2015; and

iii) In line with the strategy of improving the network's average mark-up, and due to the 2.7% reduction in SSS sell-out of physical stores, sell-in in the franchise channel fell by 3.5%.

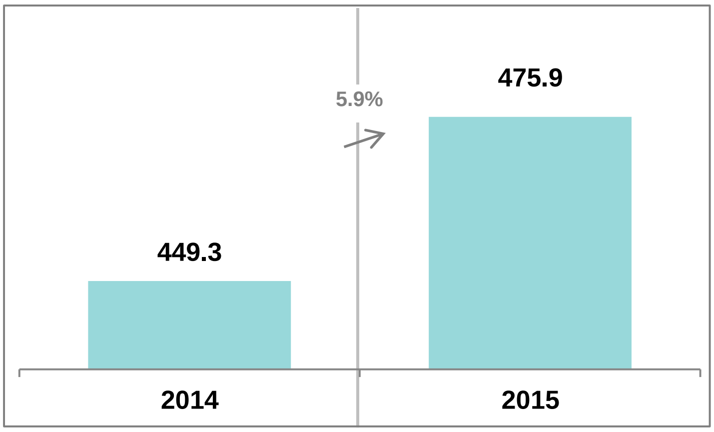


Gross profit

The 2015 gross profit totaled R$475.9 million, with a 42.5% gross margin, and growth of 5.9%

The gross profit growth is explained by the increased share in overall revenues of the web commerce and export channels, the latter showing a significant improvement in gross margin in relation to 2014.

It should be kept in mind that the company follows a strategy of gross margin stability per channel, which allows for some variation in the owned store, web commerce, and export channels.



Operating Expenses

The company is working hard to adjust expense levels to turnover growth. At the end of the year, there was a continuing slowdown in recurring expenses, which grew 8.3%, excluding depreciation, amortization, and other (expenses) revenues, against a 10.5% increase in the first nine months of 2015.

Selling expenses

In 2015, selling expenses increased 8.5% against 2014 to reach R$232.6 million this year. Expenses with owned stores and web commerce totaled R$106.6 million in the year, up 11.9% against 2014, but under the 14.3% growth of these channels' sell-out in the same period.

Selling, logistics, and supplies expenses amounted to R$126 million, 5.8% higher than in 2014 owing to the US operations – where exchange rates increased expenses by R$L3.7 million against the previous year and R$2 million related to the end of past business deals – and expenses in the amount of R$400,000 with the new brand.

General and Administrative Expenses

In 2015, general and administrative expenses totaled R$75.3 million, against R$70 million in 2014, a 7.6% increase owing to higher expenses with the US operation and the impact from the company's new ERP-related expenses in the amount of R$3.2 million.

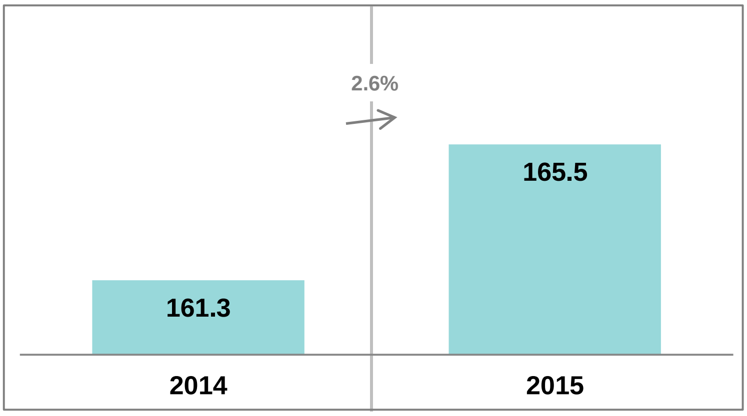
Other Revenues (Expenses)

In 2015, the company had total expenses of R$2.5 million under the item other (expenses) and revenues, against expenses in the amount of R$3.7 million in 2014.

EBITDA and EBITDA margin

The company's EBITDA totaled R$165.5 million in the year, at a 14.8% EBITDA margin, lower by 50 bps. Some of the main reasons include:

i) Net revenue up by 6.4%;
ii) Stable gross margin; and
iii) Operating expenses as a percentage of the revenue, excluding depreciation and amortization, at 27.7%, higher by 35 bps against 2014.



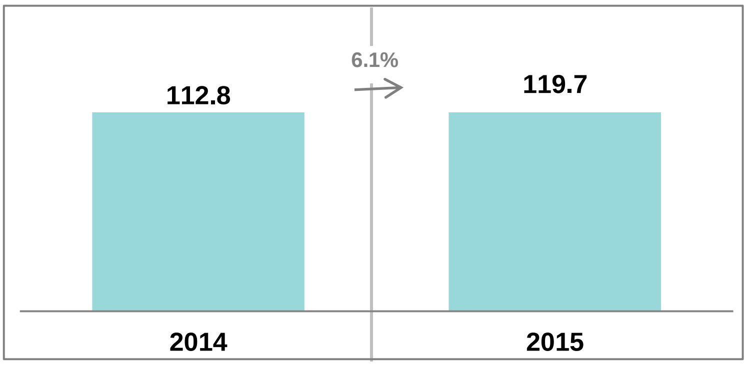
Taking the last 12 months into account, the US operation's impact on the company's 150 bps EBITDA margin, in line with the figures seen in previous years, should be noted.

EBITDA Reconciliation	2014	2015
Net income	112,752	119,663
(-) Income tax and social contribution	(48,735)	(44,894)
(-) Financial results	13,417	23,269
(-) Depreciation and amortization	(13,230)	(24,208)
(=) EBITDA	161,300	165,496

Net Income and net margin (%)

The company's 14.8% EBITDA margin was converted to a 10.7% net margin in 2015 owing to higher investments in fixed assets in recent years, primarily in IT. Moreover, due to higher permanent assets in the year, depreciation rose by 83% in the period.

Net income in the year totaled R$119.7 million, a 6.1% growth over 2014.



Operating cash flow

Arezzo&Co generated cash in the amount of R$91.2 million in the year. Despite the higher operating profit on account of supplier payment policy changes in the second half of 2014 – which had a relevant positive impact in the 2014 cash generation and were maintained in 2015, the cash generated dropped by R$18.7 compared to 2014.

Operating Cash Flow	2014	2015	Δ (R$)	Δ (%)
Income before income tax and social contribution	**161,487**	**164,557**	**3,070**	**1.9%**
Depreciation and amortization	**13,230**	**24,208**	**10,978**	**83.0%**
Other	**(812)**	**(9,758)**	**(8,946)**	**1101.7%**
Decrease (increase) in current assets / liabilities	**(9,760)**	**(48,317)**	**(38,557)**	**395.1%**
Trade accounts receivables	(30,538)	(18,708)	11,830	-38.7%
Inventories	(13,763)	(11,754)	2,009	-14.6%
Suppliers	35,456	(5,434)	(40,890)	n/a
Change in other noncurrent and current assets and liabilities	(915)	(12,421)	(11,506)	1257.5%
Payment of income tax and social contribution	**(54,180)**	**(39,443)**	**14,737**	**-27.2%**
Net cash flow generated by operational activities	**109,965**	**91,247**	**(18,718)**	**-17.0%**

Investments - Capex

The Company's investments can be broken down into three types:

i) Investments in expansion or refurbishment of owned points of sale;
ii) Corporate investments that include IT, facilities, showrooms, and offices; and
iii) Other investments primarily related to the modernization of industrial operations.

Total CAPEX in 2015 was R$25.8 million, due primarily to corporate investments in IT involving the company's omni channel strategy. The lower CAPEX in 2015, compared to the previous year, reflects the completion of the new ERP implementation and the company's guidelines for reducing investments in the year.

Summary of investments	2014	2015	Δ (%)
Total capex	**50,530**	**25,775**	**-49.0%**
Stores - expansion and refurbishing	9,776	3,459	-64.6%
Corporate	35,587	19,249	-45.9%
Other	5,167	3,067	-40.7%

Cash position and indebtedness

The company ended 2015 with R$102.6 million in net cash. The indebtedness policy remained conservative, with the following primary characteristics:

• Total indebtedness of R$123.2 million in 2015, against R$99.4 million the previous year;
• Long-term indebtedness at 30.7% of the total debt at the end of the year, compared to 34.5% in 2014; and
• The weighted average cost of the company's total debt in 2015 remained at low levels.

Cash position and Indebtedness	2014	2015
Cash	**200,385**	**225,762**
Total debt	**99,410**	**123,153**
Short term	65,081	85,336
% total debt	65.5%	69.3%
Long-term	34,329	37,817
% total debt	34.5%	30.7%
Net debt	**(100,975)**	**(102,609)**

ROIC (Return on Invested Capital)

In line with the company's strategic roadmap for sustainability and operational improvements over the long term, the levels of investment in capital allocations exceeded those of previous years. The Return on Invested Capital (ROIC) was 19.4% in 2015, resulting primarily from the concentration of investments in infrastructure and whose positive effects will only materialize in the medium and long terms, such as the investments in implementing the company's new ERP.

Income from operations	2014	2015	Cresc. (%)
EBIT (LTM)	148,069	141,288	-4.6%
+ IR and CS (LTM)	(48,735)	(44,894)	-7.9%
NOPAT	**99,334**	**96,394**	**-3.0%**
Working Capital[1]	304,546	327,005	7.4%
Permanent assets	165,843	164,322	-0.9%
Other long-term assets[2]	7,889	25,138	218.6%
Invested capital	**478,278**	**516,465**	**8.0%**
Average invested capital[3]	**457,256**	**497,372**	**8.8%**
ROIC[4]	**21.7%**	**19.4%**	

1 - Working Capital: current assets minus cash, cash equivalents and financial investments less current liabilities minus loans and financing and dividends payable.
2 - Less deferred income tax and social contribution.
3 - Average invested capital in the period and same period previous year.
4 - ROIC: NOPAT for the last 12 months divided by average invested capital.

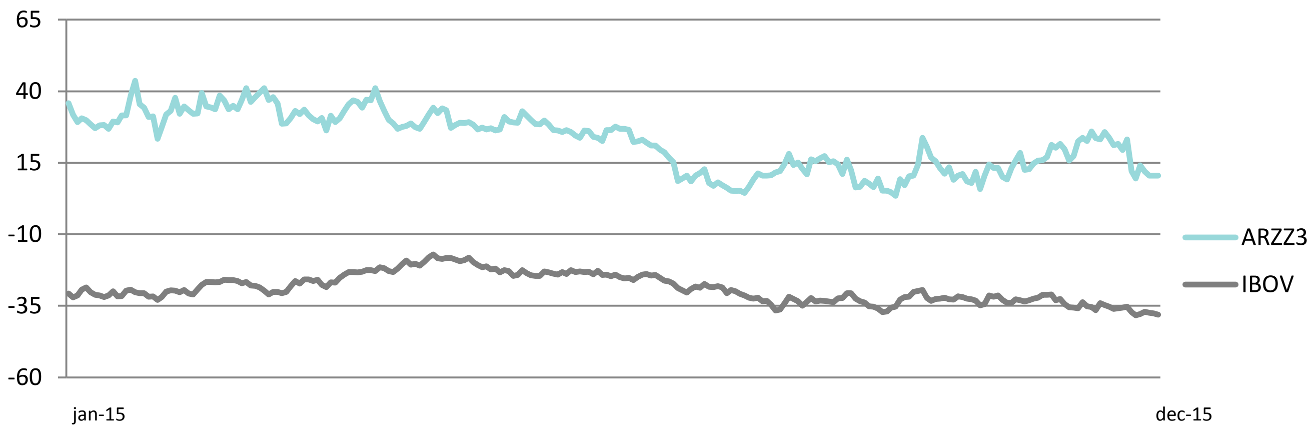
4. Main awards received in 2015

Main awards received in 2015

Organizer	Prize	Category
ABF	Entrepreneur of the Year Award	Entrepreneurship
ALSHOP	Hors Concours Award	Women’s footwear
Época magazine / Reclame Aqui	E-commerce Award	Footwear, Handbags and Accessorie

5. Capital Market and Corporate Governance

As of December 30, 2015 the Company's Market capitalization amounted to R$1.9 bn (stock price R$21.0), a reduction of 22% against the same period of 2014.



Arezzo&Co	
Listing	88,735,476
Ticker	ARZZ3
Listing	2/2/2011
Share Price (12/30/2015)	21.00
Market Cap	1,863,444,996
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	-24%
2014[4]	-9%
2015[5]	-22%

(1) From 02/02/2011 to 12/29/2011
(2) From 12/29/2011 to 12/28/2012
(3) From 12/28/2012 to 12/30/2013
(4) From 12/30/2013 to 12/30/2014
(5) From 12/30/2014 to 12/30/2015

To ensure greater predictability and transparency to shareholders, the Company has seminnanual distribution of dividends for its shareholders.

Projected payments [1]:

Reference date	Payment date	Remuneration	R$	Gross amount by ordinary share (R$)
4/24/2015	5/15/2015	Dividend	35,348,263.62	0.398592393725227
6/15/2015	6/30/2015	Interest on equity	9,750,073.74	0.109943313543499
6/15/2015	6/30/2015	Interest on equity	5,802,596.75	0.0654309629715412
8/3/2015	8/28/2015	Dividend	9,487,923.49	0.106923678304267
12/14/2015	12/30/2015	Interest on equity	9,750,073.74	0.109877967409562
12/14/2015	12/30/2015	Interest on equity	8,208,266.04	0.092557655557195

(1) Subject to tax withholding at a source rate of 15%, except for proven immune or exempt shareholders, or shareholders domiciled in countries or jurisdictions to which the rules establish different aliquot.

It also provides that the Company shall distribute the dividends, including interest on capital, dividends from other, equivalent to at least 25% of Net income to shareholders. For more information about Arezzo&Co' s remuneration policy, please see: www.arezzoco.com.br.

6. Independent Auditors

Arezzo&Co’s financial statements relative to the business year ending on December 31, 2015, were audited by Ernst & Young Auditores Independentes S.S. (“EY”). The services provided by EY to the company in 2015 and connected to audit or review activities can be summarized as follows:

• Full audit conducted according to the Brazilian and international audit standards, of the company’s individual and consolidated financial statements prepared according to the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) for the business year ending on December 31, 2015;
• Reviews of the company’s Quarterly Information on March 31, June 30, and September 30, 2015; and
• Review of the management statements related to Advertising Funds allocated to Arezzo, Schutz, and Anacapri for the business year ending on December 31, 2015.

The fees for the services above were quoted at R$390,000.00.

In addition to recurring audit and review services, other services unrelated to audit or review activities were provided by EY. The fees for these other services totaled R$137,700 and are related to: i) a technical review of a tax study conducted by third parties about indirect taxes’ impacts on the purchase and sale of goods; ii) services related to the technical diagnosis of SPED Fiscal (digital tax bookkeeping); and iii) services assessing the tax impact from relocating the distribution center.

The company’s policy regarding the purchase of services unrelated to external audits aims at preventing conflicts of interest. It is based on principles that uphold the Independent Auditor's independence and basically comprises current international standards such as: (a) auditors must not audit their own work; (b) auditors must not hold management positions in the company; (c) auditors must not advance the company’s interests; and (d) auditors must not provide any services that may be barred by the legislation in force. Additionally, the senior management obtains from the independent auditors a statement that the special services provided do not affect their professional independence.

Independent auditors state that they will report all relationships and other matters existing between the Independent Auditors, or other firms belonging to their organization, and the company, relationships and matters which, according to their professional judgment, may be reasonably related to their independence (including total fees charged for services related or unrelated to audits and provided by the Independent Auditors). Independent Auditors further report on the safeguards they have applied to eliminate threats detected against their independence or reduce them to an acceptable level.

7. Investor Relations

Shareholders, analysts and market participants have at their disposal information available on the Company's IR webpage, www.arezzoco.com.br, CVM webpage, www.cvm.gov.br, and at BM&FBovespa webpage, www.bmfbovespa.com.br.

For further information, direct contact can be made with IR department by the e-mail ri@arezzoco.com.br, or telephone +55 (11) 2132-4300

8. Officer's Statement with regard to the Financial Statements

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors' report and financial statements for the quarter ended on December 30th, 2015, according and pursuant to CVM Normative Instruction No. 480/09

Disclaimer

The information contained here may include forward-looking information and reflects the executive office's current perception and prospects for the macroeconomic environment, the industry situation, the Company's performance and financial results. Any statements, expectations, capacities, plans and projections contained here which do not describe historical facts, such as information about the dividend payment statement, the future course of operations, the introduction of relevant financial strategies, the investment program and the factors or trends affecting the financial condition, liquidity or the operating results are considered forward-looking information as defined by the "U.S. Securities Litigation Reform Act" of 1995 and involve a number of risks and uncertainties. These results are not guaranteed to materialize. These statements are based on several factors and expectations, including the economic and market conditions, level of competition in the industry and operating factors. Any changes in these expectations and factors may lead to real results materially different from the current expectations.

The consolidated financial information of Arezzo Indústria e Comércio S/A – Arezzo&Co presented here complies with the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB, based on audited financial information. The non-financial information, as well as other operating information, was not audited by the independent auditors.