Earnings Release - 1Q17

AREZZO &CO

AREZZO

SCHUTZ

ALEXANDRE BIRMAN

ANACAPRI

FIEVER

Earnings Release 1Q17

AREZZO | SCHUTZ | ALEXANDRE BIRMAN | ANACAPRI | FIEVER


Belo Horizonte, May 4, 2017. Arezzo&Co (BM&FBOVESPA: ARZZ3), leader in the women's footwear, handbags and accessories industry in Brazil, reports its earnings for the 4th quarter of 2016. The Company's information, except when otherwise indicated, is based on consolidated figures in thousands of Brazilian Reais, and compiled in accordance with the International Financial Reporting Standards (IFRS). All comparisons refer to the same period in 2016 (1Q16), except when otherwise indicated.

Closing price of ARZZ3 in 05.03.17:

R$ 34.04

Market Cap in 05.03.17:

R$ 3,024.0 billions

Earnings conference call:

Thursday, May 5th, 2017
11h00 (Brasília time)

Connection phone numbers:

Participants calling from Brazil and other countries:
+55 11 2820-4001
Participants calling from USA:
+1 786-924-6977
Access code: Arezzo

Presentation of slides and connection via webcast (via internet) will be available 30 minutes before at: www.arezzoco.com.br

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Arezzo&Co recorded a 15.4% increase in net revenue, a 36.8% increase in EBITDA and a 51.1% increase in net income against 1Q16.

HIGHLIGHTS

- Net revenue in 1Q17 reached R$297.2 million, a 15.4% increase against 1Q16;
- In 1Q17, the Company's gross profit totaled R$130.1 million, with a gross margin of 43.8%, and a 16.4% increase against 1Q16;
- EBITDA for 1Q17 totaled R$36.0 million, with a margin of 12.1% and a 36.8% increase against 1Q16;
- In 1Q17, net income was R$22.2 million, with a 7.5% margin and growth of 51.1%;
- Arezzo&Co ended the 1Q17 with a 2.7% growth in its store area over the last twelve months.

Summary of Results	1Q16	1Q17	Δ 16 x 17
Net Revenues	257,547	297,177	15.4%
Gross Profit	111,719	130,064	16.4%
Grosss Margin	43.4%	43.8%	0.4 p.p.
EBITDA[1]	26,343	36,033	36.8%
EBITDA Margin[1]	10.2%	12.1%	1.9 p.p
Net Income	14,679	22,175	51.1%
Net Margin	5.7%	7.5%	1.8 p.p

Operating Indicators	1Q16	1Q17	Δ 16 x 17
# of pairs sold ('000)	2,356	2,560	8.6%
# of handbags sold ('000)	196	267	36.5%
# of employees	2,200	2,307	4.9%
# of stores*	543	562	19
Owned Stores	50	48	(2)
Franchises	493	514	21
Outsourcing (as % of total production)	89.3%	89.2%	(0.1 p.p)
SSS² Sell-in (franchises)	(1.4%)	13.6%	15.0 p.p
SSS² Sell-out (owned stores + franchises)	(4.3%)	2.7%	7.0 p.p
SSS² Sell-out (owned stores + franchises + web commerce)	(3.8%)	2.5%	6.3 p.p

* Includes international stores

(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. As of 4Q16, the Company started to report the SSS sell-in net of discounts. 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	1Q16	Part%	1Q17	Part%	Δ (%) 16 x 17
Total Gross Revenue	**330,236**		**368,397**		**11.6%**
Exports market	**35,176**	**10.7%**	**27,689**	**7.5%**	**(21.3%)**
Domestic market	**295,060**	**89.3%**	**340,708**	**92.5%**	**15.5%**
By brand					
Arezzo	*175,651*	*59.5%*	*199,376*	*58.5%*	*13.5%*
Schutz	*94,251*	*31.9%*	*98,326*	*28.9%*	*4.3%*
Anacapri	*22,577*	*7.7%*	*33,760*	*9.9%*	*49.5%*
Others¹	*2,581*	*0.9%*	*9,246*	*2.7%*	*258.2%*
By channel					
Franchises	*149,431*	*50.6%*	*173,246*	*50.8%*	*15.9%*
Multibrand	*60,575*	*20.5%*	*77,938*	*22.9%*	*28.7%*
Owned Stores	*59,923*	*20.3%*	*62,608*	*18.4%*	*4.5%*
Web Commerce	*24,487*	*8.3%*	*25,307*	*7.4%*	*3.3%*
Others²	*644*	*0.2%*	*1,609*	*0.5%*	*149.8%*

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

Brands

In line with the Company's calendar of collections, the first quarter of the year is marked by the transition from the summer to the winter collection. The promotions period - which historically ends after Carnival and which was 20 days longer than in 1Q16 - presented good performance with an increased share of products sold at full price and with lower markdowns, ending the summer collection with a low level of inventories and therefore, with a higher average mark-up for the chain. Still during the promotional period, the stores presented the Pre-Fall collection, introducing trends from the winter collection, which was well received by consumers. The change from one collection to another is an important milestone in Arezzo&Co's business model, with a number of actions being carried out in order to provide novelty in relation to the shopping experience, from new uniforms for the salesgirls to visual merchandising materials and, in particular, the presentation of the new product mix. The stores received a new fashion atmosphere and the sales force was given thorough training in the key fashion trends at a sales convention at the beginning of the collection, which hit the stores between March 8 and March 10.

The Arezzo brand posted gross revenue of R$199.4 million in 1Q17, a 13.5% increase against 1Q16, accounting for 58.5% of domestic sales. Due to the success achieved in the last collections, our winter campaign once again featured the participation of the Brazilian model with the highest international recall. Personalization is an attribute that is increasingly valued both by the brand as well as by its consumers, who in March were able to choose what they would like to print on the shoes and bags that they purchased. Another important action at the start of the winter collection was the launch of the Arezzo monogram, which, fueled by a well-targeted marketing strategy increasingly focused on digital media and micro-influencers, generated great sales results for the stores. Revenue from the brand's franchises continue to register a healthy level of growth, showing the evolution in the Company's business model, with a higher frequency of collections and an increasingly assertive product mix, which has led to an improvement in the chain's performance and reliability. Additionally, the web-commerce channel, which accounted for 5.5% of sales in the quarter, continues to show consistent growth.

Schutz accounted for 28.9% of the Company's domestic sales, adding up to a total of R$98.3 million in 1Q17, or a 4.3% increase against 1Q16. The Owned Stores channel recorded an impact of R$2.1 million as a result of the transfer of 3 stores to franchise operators over the course of the last 12 months, reducing its turnover in the period, but having a positive impact on its margin and on capital employed, in line with the strategy of increasing the Company's return. The Multi-Brand channel, which accounts for 36% of the domestic sales, continues to consolidate its recovery path. At the Couromoda trade show, which is one of the most important events for the channel, Schutz launched a collection developed in partnership with Disney and inspired by villainous characters, reinforcing its positioning as an innovative and exclusive brand, along with generating significant spontaneous media. Additionally, the brand's pilot project in the US continues to evolve, increasingly gaining brand awareness, with a 29% increase in sales in dollar terms and with highlight going to the Wholesale channel.

Anacapri posted revenue of R$33.8 million in 1Q17, an expressive increase of 49.5% against 1Q16. The franchise channel showed growth in relation to the same period of the previous year as a result of the opening of 10 stores during the last 12 months and the increase in same-stores-sales, on account of an assertive positioning in flats, a greater investment in marketing and an increased share of automatic replenishment items in the product mix. In addition, the brand continues to broaden its domestic penetration and the multi-brand channel has already grown to the point where it exceeds 40% of the consolidated revenue.

The Alexandre Birman brand, by means of its continued focus on strengthening its international branding, showed strong growth in the quarter in relation to 1Q16, doubling its sales on the domestic market and posting 23% growth on the foreign market in dollar terms. The brand has been reinforcing its positioning, benefiting from the frequent spontaneous use by celebrities and opinion makers, coupled with a well-structured marketing plan and its increased presence at major international department stores.

The Fiever brand continuous expanding. In addition to its brick-and-mortar and online stores, which doubled their turnover in relation to 1Q16, the brand has also achieved a growing presence in the multi-brand channel. With its more casual and urban positioning, it has been gaining customers all over the country.

Channels

Monobrand – Franchises, Owned Stores and Web Commerce

In line with the Company's strategy of strengthening the monobrand stores, the Arezzo&Co store chain (owned stores + franchises + web commerce) posted 6.2% growth in sell-out sales in 1Q17 against 1Q16, largely due to the growth of franchises and online channel of Arezzo and Anacapri brands. Same-store sales showed a 2.5% increase in 1Q17. It should be reminded that the summer collection's sales period was longer this year, due to the carnival calendar, which combined with the reduced level of inventories, led to lower sales volume in the period up until March 7, but a higher average selling price. However, March 8 onward, when the winter collections were launched in the stores, same-store sales presented expressive growth, consistent with the sell-in performance.

The Company's revenue from monobrand stores, represented by franchises sell-in and sell-out from owned stores and web commerce, posted 11.7% growth in 1Q17 against 1Q16, mainly due to the 15.9% increase in the franchise channel. Monobrand stores accounted for 76.7% of the turnover on the domestic market in 1Q17.

The franchise channel accounted for 50.8% of domestic sales in 1Q17 and recorded a 13.6% SSS sell-in, which is greater than the SSS sell-out, reflecting the expectation of a positive performance from the winter collection by the franchise operators. In addition, the channel's performance was boosted by the net opening of 21 franchises over the course of the last 12 months, 2 of which were Arezzo franchises, 9 were Schutz franchises and 10 were Anacapri franchises, increasing the channel's sales area by a total of 1,342 m2.

Looking exclusively at the sell-out channels, there was 4.2% growth in revenue in 1Q17, on account of the longer promotional period and the fact that the winter collection was launched after carnival. The Owned Stores channel registered growth of 4.5%, notwithstanding the transfer of owned stores during the period to franchisees, while the web commerce channel posted 3.3% growth. Starting in this quarter, we have improved the web commerce channel's revenue recognition criteria (sales “cut-off”). Excluding this effect, the web commerce channel would have posted growth of 11.9%.

The Company ended 1Q17 with 555 monobrand stores in Brazil and 7 abroad. In Brazil, 383 stores were for the Arezzo brand, 83 for Schutz, 84 for Anacapri, 3 for Alexandre Birman and 2 for Fiever.

History of Stores	1Q16	2Q16	3Q16	4Q16	1Q17
Sales area [1,3]- Total (m²)	**37,296**	**37,653**	**37,687**	**38,828**	**38,322**
Sales area - franchises (m²)	31,033	31,131	31,410	32,440	32,374
Sales area - owned stores² (m²)	6,264	6,522	6,278	6,387	5,947
Total number of domestic stores	**536**	**537**	**537**	**558**	**555**
# of franchises	**488**	**489**	**492**	**510**	**509**
Arezzo	366	365	365	369	368
Schutz	52	52	55	61	61
Anacapri	70	72	72	80	80
# of owned stores	**48**	**48**	**45**	**48**	**46**
Arezzo	15	15	15	15	15
Schutz	26	26	23	23	22
Alexandre Birman	2	2	2	3	3
Anacapri	4	4	4	4	4
Fiever	1	1	1	3	2
Total number of international stores	**7**	**7**	**7**	**7**	**7**
# of franchises	5	5	5	5	5
# of owned stores	2	2	2	2	2

(1) Includes areas in square meters of the seven stores overseas
(2) Includes eight outlet type stores with a total area of 1,952 m²
(3) Includes areas in square meters of storesexpanded

Multi-brands

In 1Q17, the turnover of the multi-brand channel showed 28.7% growth, consolidating the channel's recovery path. The sound performance posted by the channel reflects the combination of the Company's efforts to improve the service level, an assertive product mix, the gaining of new clients and a greater cross-sell, both in terms of handbags and between brands. It is worth highlighting the growth registered by the Anacapri brand, which gained new customers during the period and boosted its sales in the channel, as well as that registered by Schutz, which is the group's most representative brand for the channel.

The group's five brands were distributed through 2,229 stores in 1Q17, a 0.7% increase against 1Q16, and can be found in 1,230 cities.

Exports

The Company's revenue in the foreign market was 21.3% lower than in 1Q16, representing 7.5% of total revenue. The appreciation of the Real in the period impacted the volumes and revenues of the export operation made from Brazil to the rest of the world, while the US pilot operation showed growth both in dollar and in real terms. It is worthing mentioning that, as of this quarter, we have improved the criteria for recognizing revenue from our exports (sales "cut-off"). Excluding this effect, total revenues in the foreign market would have been 12.7% lower than in 1Q16.

Key financial indicators	1Q16	1Q17	Δ (%) 16 x 17
Net revenues	257,547	297,177	15.4%
COGS	(145,828)	(167,113)	14.6%
Gross profit	111,719	130,064	16.4%
Gross margin	*43.4%*	*43.8%*	*0.4 p.p*
SG&A	(91,647)	(100,706)	9.9%
% of net revenues	*35.6%*	*33.9%*	*(1.7 p.p)*
Selling expenses	(65,218)	(70,244)	7.7%
Owned stores and web commerce	(28,861)	(29,681)	2.8%
Selling, logistics and supply	(36,357)	(40,563)	11.6%
General and administrative expenses	(19,836)	(23,717)	19.6%
Other operating revenues (expenses)	(322)	(70)	(78.3%)
Depreciation and amortization	(6,272)	(6,675)	6.4%
EBITDA	26,343	36,033	36.8%
EBITDA margin	*10.2%*	*12.1%*	*1.9 p.p*
Net income	14,679	22,175	51.1%
Net margin	*5.7%*	*7.5%*	*1.8 p.p*
Working capital[1] - as % of revenues	27.0%	24.1%	(2.9 p.p)
Invested capital[2] - as % of revenues	43.1%	38.9%	(4.2 p.p)
Total debt	114,349	97,191	(15.0%)
Net debt[3]	(134,809)	(195,506)	45.0%
Net debt/EBITDA LTM	-0.8x	-1.0x	-

(1) Working Capital: current assets minus cash, cash equivalents and financial investments less from 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 contributions.
(3) Net debt is equal to total interest bearing debt position at the end of a period less cash, cash equivalents and short-term financial investments.

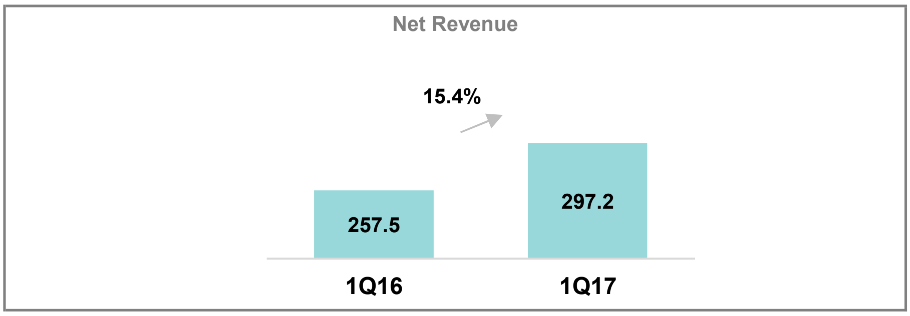
Net Revenue

The company's net revenue in this quarter totaled R$297.2 million, up by 15.4% against 1Q16. Among the primary factors driving this growth, worthy of mention are:

i) revenue on the foreign market was 26.7% lower than in 1Q16 due to the currency impact

ii) increase in the turnover of the Franchise channel, with 15.0% growth, mainly in the Arezzo and Anacapri brands;

iii) strong 29.9% growth in the Multi-Brands channel, with highlight going to the Schutz and Anacapri brands.



Gross Profit

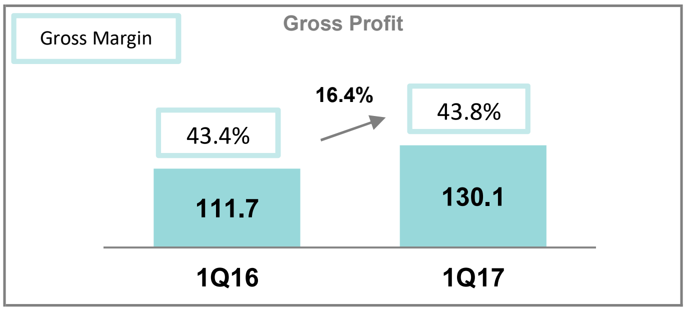
Gross profit for 1Q17 totaled R$130.1 million, a 16.4% increase against 1Q16, with gross margin up by 40 bps, reaching 43.8% in 1Q17. Among the main factors, highlight goes to the following:

i) reduction in the export margin due to the FX rate impact;

ii) effect of the mix of channels in the domestic market, with a negative impact due to the lower share of the company's owned stores and web commerce;

iii) positive impact of 180 bps on gross margin as a result of the fiscal benefit related to the new distribution center in Espírito Santo, which started operating in March 2016;

It should be remembered that the Company's strategy is to maintain stability of gross margin per channel, with some variation in the owned stores, Web Commerce and export channels.



Operating expenses

The Company is making a major effort to control its expense levels and to adjust them to the evolution of sales. In 1Q17, expenses were influenced by two main factors: (i) the provision for profit sharing payment "PPR", due to the results posted in the period and (ii) the increase in the provision for bad debts and losses with clients. In turn, our expenses in relation to the pilot operation in the US were lower than in 1Q16, driven by the appreciation of the Brazilian Real during the period.

<u>Selling Expenses</u>

In 1Q17, there was a 7.7% increase in selling expenses against 1Q16, totaling R$70.2 million in the quarter. It should be stressed that selling expenses includes the owned stores and web commerce channel, which added up to a total of R$29.7 million, a 2.8% increase against 1Q16. In addition, sales, logistics and supply expenses came out to R$40.6 million, or an 11.6% increase over the same period in the previous year.

The increase in expenses for Owned Stores and Web Commerce was not only less than the 4.2% growth in the revenue from these channels, but was also lower than inflation for the period.

Sales, Logistics and Supplies expenses were up by 11.6% in the quarter, an increase of R $ 4.2 million over 1Q16, being affected by incremental expenses with (i) the provision R$1.2 million for PPR and (ii) the increase in the amount of the provision for bad debt and losses, which totaled R$2.0 million. Nevertheless, the increase in Sales, Logistics and Supply expenses was less than the rate of growth for the Company's net revenue.

<u>General and Administrative Expenses</u>

In 1Q17, general and administrative expenses totaled R$23.7 million, an increase of R$ 3.8 million over 1Q16, a 19.6% increase against 1Q16. These expenses were influenced by a number of factors: (i) the provision for PPR payment of R$1.7 million and (ii) systems maintenance recurring expenses of R$0.9 million, which were brought forward to 1Q17.

EBITDA and EBITDA margin

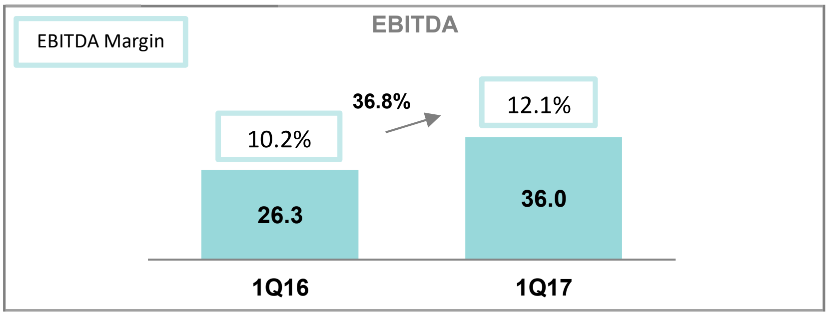
The company's EBITDA totaled R$36 million in 1Q17, which represents a margin of 12.1% and a growth of 36.8% against the results reported in 1Q17. Among the main reasons, the highlights were as follows:

i) 15.4% growth in net revenue against the same period of the previous year;

ii) a 40bps increase in gross margin, ending 1Q17 at 43.8%;

iii) SG&A expenses increased to a lesser degree than the level of growth in revenue;

Excluding the pilot operation in the US, the Company's consolidated EBITDA margin would have been 230 bps higher in 1Q17.

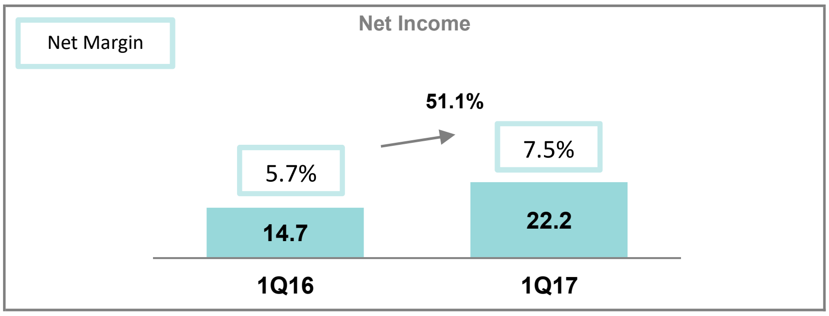


EBITDA Reconciliation	1Q16	1Q17
Net income	14,679	22,175
(-) Income tax and social contribution	(8,795)	(12,262)
(-) Financial results	3,403	5,079
(-) Depreciation and amortization	(6,272)	(6,675)
(=) EBITDA	26,343	36,033

Net income and net margin

The company's EBITDA margin of 12.1% in 1Q17 converted into a net margin of 7.5%.

Net income for 1Q17 totaled R$22.2 million, a growth of 51.1% against the results reported in 1Q16.



Operating cash flow

Arezzo&Co generated R$54 million cash flow from operations in 1Q17, which was more than 120% higher than the figure posted for 1Q16, as a result of the Company's focus on managing working capital more efficiently together with the 47% increase in pre-tax profits.

Operating Cash Flow	1Q16	1Q17	Δ 16 x 17 (R$)	Δ 16 x 17 (%)
Income before income tax and social contribution	**23,474**	**34,437**	**10,963**	**46.7%**
Depreciações e amortizações	**6,272**	**6,675**	**403**	**6.4%**
Others	**(13,057)**	**(2,855)**	**10,202**	**(78.1%)**
Decrease (increase) in assets / liabilities	**7,481**	**16,146**	**8,665**	**115.8%**
Trade accounts receivables	(12,244)	(1,939)	10,305	(84.2%)
Inventories	(15,524)	(9,346)	6,178	(39.8%)
Suppliers	45,767	46,587	820	1.8%
Change in other noncurrent and current assets and liabilities	(10,518)	(19,156)	(8,638)	82.1%
Payment of income tax and social contribution	**-**	**(450)**	**(450)**	**n/a**
Net cash flow generated by operational activities	**24,170**	**53,953**	**29,783**	**123.2%**

Investments - CAPEX

The Company makes investments of three types:

i) Investments in expansion or refurbishment of owned sales stores;
ii) Corporate investments that include IT, facilities, showrooms and offices; and
iii) Other investments, which are mostly related to the modernization of the industrial operations.

Total Capex in 1Q17 was R$3.3 million, with highlight going to two Fiever owned stores to be opened over the next few months, and software licenses acquisition, mainly in relation to the company's Omni Channel project.

Summary of investments	1Q16	1Q17	Δ 16 x 17 (%)
Total CAPEX	**7,904**	**3,255**	**(58.8%)**
Stores - expansion and refurbishing	4,183	1,181	(71.8%)
Corporate	1,873	1,679	(10.3%)
Other	1,848	394	(78.7%)

Cash position and indebtedness

The Company ended 1Q17 with R$292.7 million in cash. The debt policy remains conservative, as follows:

• Total indebtedness of R$97.2 million in 1Q17 against R$106.0 million in 4Q16;
• Long term indebtedness of 25.5% of total debt in 1Q17, compared to 25.5% in 4Q16;
• Weighted average cost of the company's total debt in 1Q17 remained at low levels.

Cash position and Indebtedness	1Q16	4Q16	1Q17
Cash	**249,158**	**242,844**	**292,697**
Total debt	**114,349**	**106,049**	**97,191**
Short term	79,799	78,970	72,385
% total debt	69.8%	74.5%	74.5%
Long-term	34,550	27,079	24,806
% total debt	30.2%	25.5%	25.5%
Net debt	**(134,809)**	**(136,795)**	**(195,506)**

ROIC (Return on Invested Capital)

Once again the return on invested capital (ROIC) posted 23.4% growth in 1Q17. Among the factors behind this improvement are the 19.2% growth in NOPAT, due to the better operating result and the low growth of capital employed, on account of a lower need for investments in Capex, as well as actions taken to improve working capital.

Income from operations	1Q15	1Q16	1Q17	Δ 16 x 17 (%)
EBIT (UDM)	146,317	139,032	160,613	15.5%
+ IR e CS (UDM)	(51,378)	(41,482)	(44,318)	6.8%
NOPAT	**94,939**	**97,550**	**116,295**	**19.2%**
Working Capital[1]	302,429	308,783	307,837	(0.3%)
Permanent assets	170,350	165,318	157,656	(4.6%)
Other long-term assets[2]	9,788	27,637	28,275	2.3%
Invested capital	**482,567**	**501,738**	**493,768**	**(1.6%)**
Average invested capital[3]		**492,153**	**497,753**	**1.1%**
ROIC[4]		**19.8%**	**23.4%**	

(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.

Balance sheet

Assets	1Q16	4Q16	1Q17
Current assets	**707,625**	**706,229**	**769,656**
Cash and cash equivalents	3,210	5,020	8,674
Financial Investments	245,948	237,824	284,023
Trade accounts receivables	293,052	315,304	317,967
Inventory	122,611	110,478	119,069
Taxes recoverable	22,164	22,562	21,388
Other credits	20,640	15,041	18,535
Non-current assets	**199,942**	**200,919**	**199,613**
Long-term receivables	34,624	41,001	41,957
Financial Investments	942	0	0
Trade accounts receivables	13,422	13,676	8,792
Deferred income and social contribution	6,987	8,405	13,682
Other credits	13,273	18,920	19,483
Investments	0	905	2,405
Property, plant and equipment	72,500	73,052	70,712
Intangible assets	92,818	85,961	84,539
Total Assets	**907,567**	**907,148**	**969,269**

Liabilities	1Q16	4Q16	1Q17
Current liabilities	**229,483**	**201,830**	**241,510**
Loans and financing	79,799	78,970	72,385
Suppliers	110,648	66,445	113,032
Other liabilities	39,036	56,415	56,093
Non-current liabilities	**42,217**	**35,619**	**34,101**
Loans and financing	34,550	27,079	24,806
Related parties	1,267	1,214	8,086
Other liabilities	6,400	7,326	1,209
Equity	**635,867**	**669,699**	**693,658**
Capital	261,247	310,008	310,008
Capital reserve	36,578	39,554	40,695
Income reserves	308,079	269,024	269,024
Equity Valuation Adjustments	-3,420	-1,862	-1,219
Profit	14,679	0	22,175
Additional proposed dividend	18,704	52,975	52,975
Total liabilities and shareholders' equity	**907,567**	**907,148**	**969,269**

Income statement - IFRS

Income statement - IFRS	1Q16	1Q17	Var.%
Net operating revenue	**257,547**	**297,177**	**15.4%**
Cost of goods sold	(145,828)	(167,113)	14.6%
Gross profit	**111,719**	**130,064**	**16.4%**
Operating income (expenses):	**(91,648)**	**(100,706)**	**9.9%**
Selling	(69,660)	(74,953)	7.6%
Administrative and general expenses	(21,666)	(25,683)	18.5%
Other operating income net	(322)	(70)	-78.3%
Income before financial result	**20,071**	**29,358**	**46.3%**
Financial income	3,403	5,079	49.3%
Income before income taxes	**23,474**	**34,437**	**46.7%**
Income tax and social contribution	(8,795)	(12,262)	39.4%
Current	(9,497)	(17,539)	84.7%
Deferred	702	5,277	651.7%
Net income for period	**14,679**	**22,175**	**51.1%**

Cash Flow - IFRS

Cash Flow - IFRS	1Q16	1Q17
Operating activities		
Income before income tax and social contribution	23,474	34,437
Adjustments to reconcile net income with cash from operational activities	**(6,785)**	**3,820**
Depreciation and amortization	6,272	6,675
Income from financial investments	(7,417)	(7,978)
Interest and exchange rate	(7,646)	(299)
Other	2,006	5,422
Decrease (increase) in assets		
Trade accounts receivables	(12,244)	(1,939)
Inventory	(15,524)	(9,346)
Recoverable taxes	(3,646)	(4,812)
Variation other current assets	1,052	(2,601)
Judicial deposits	(87)	(936)
Decrease (increase) in liabilities		
Suppliers	45,767	46,587
Labor liabilities	972	(5,691)
Fiscal and social liabilities	(8,076)	(5,358)
Variation in other liabilities	(733)	242
Payment of income tax and social contribution	-	(450)
Net cash flow from operating activities	**24,170**	**53,953**
Investing activities		
Sale of fixed and intangible assets	-	31
Acquisitions of fixed and intangible assets	(7,904)	(3,254)
Financial Investments	(177,863)	(231,078)
Redemption of financial investments	155,689	192,151
Net cash used in investing activities	**(30,078)**	**(42,150)**
Financing activities with third parties		
Increase in loans[1]	15,037	6,330
Payments of loans[1]	(13,713)	(14,001)
Payments of Interest on loans	(620)	(346)
Net cash used in financing activities with third parties	**704**	**(8,017)**
Financing activities with shareholders		
Interest on equity	-	-
Distribution of profits	-	-
Receivables (payables) with shareholders	(126)	(34)
Share Issuance	-	-
Net cash used in financing activities	**(126)**	**(34)**
Increase (decrease) in cash and cash equivalents	**(5,330)**	**3,752**
Cash and cash equivalents		
Foreign exchange effect on cash and cash equivalents	(282)	(98)
Cash and cash equivalents - Initial balance	8,822	5,020
Cash and cash equivalents - Closing balance	3,210	8,674
Increase (decrease) in cash and cash equivalents	**(5,330)**	**3,752**

Important Notice

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