AREZZO &CO

Conference Call

1Q17

Important Disclaimer

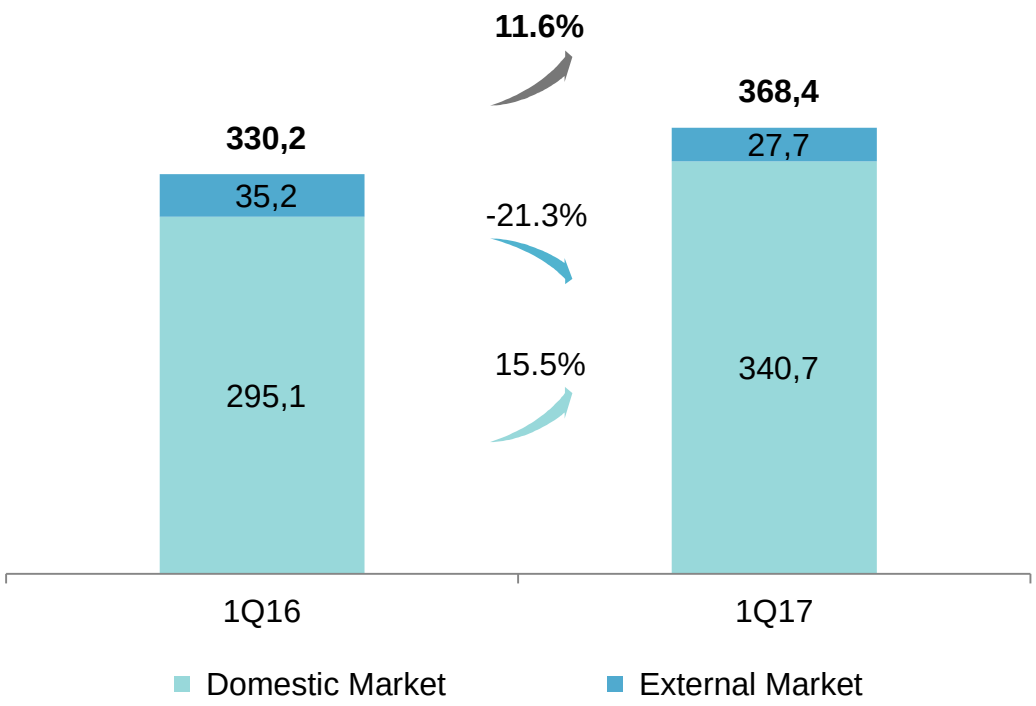
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1Q17 Highlights

Net Revenue	**Net revenue in 1Q17 reached R$297.2 million,** a 15.4% increase against 1Q16.
Gross Profit	**Gross profit totaled R$130.1 million**, with a 16.4% increase against 1Q16, and margin of 43.8% (growth of 40bps).
EBITDA	**EBITDA totaled R$36.0 million**, with a 36.8% increase against 1Q16, and margin of 12.1% (growth of 190bps).
Net Income	**Net income was R$22.2 million**, with a growth of 51.1% and margin of 7.5% (growth of 180bps).
Sales Area	Arezzo&Co ended the 1Q17 with a **2.7% growth** in its store area over the last twelve months.

Company Growth

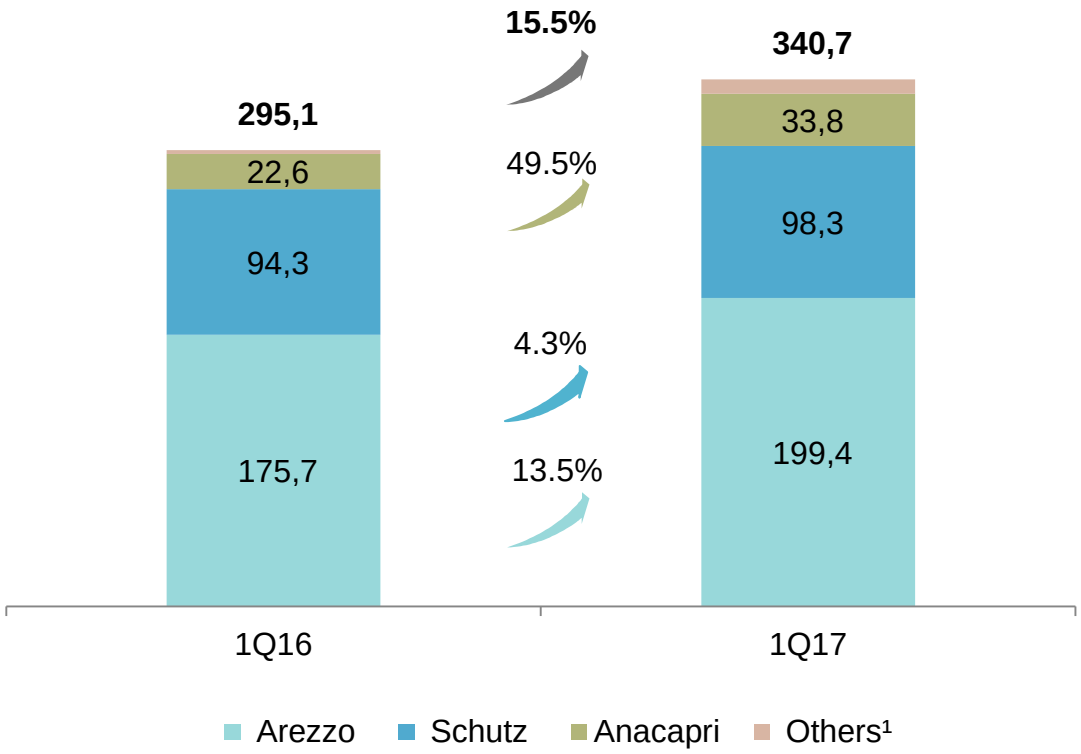
Gross Revenue – Domestic and External Market (R$ million)



The Company achieved a gross revenue of R$368.4 million in the first quarter of 2017, a 11.6% growth compared to the 1Q16, with a highlight to the domestic market, which reached growth of 15.5%.

Gross Revenue Breakdown by Brand – Domestic Market

Gross Revenue Breakdown by Brand – Domestic Market (R$ million)



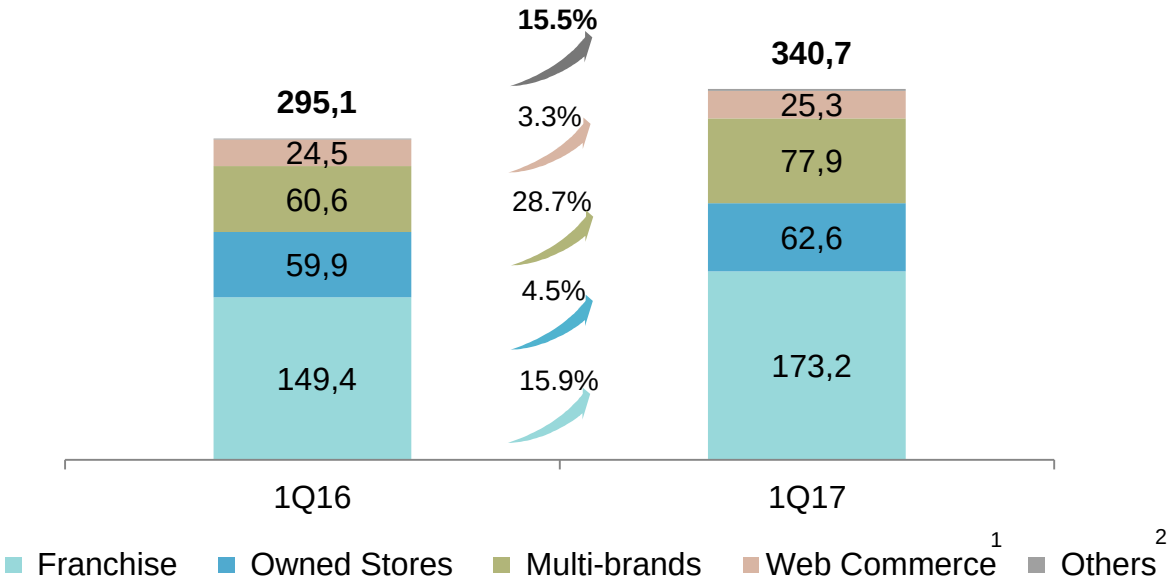
In 1Q17, all brands experienced growth, highlighting Anacapri brand and Arezzo brand, with increase of 49.5% and 13.5% respectively.

1) Others: Increase of 258.2% in 1Q17 (includes only domestic markets for Alexandre Birman and Fiever brands and other revenues).

Gross Revenue Breakdown by Channel – Domestic Market

AREZZO &CO

Gross Revenues by channel – Domestic Market (R$ million)



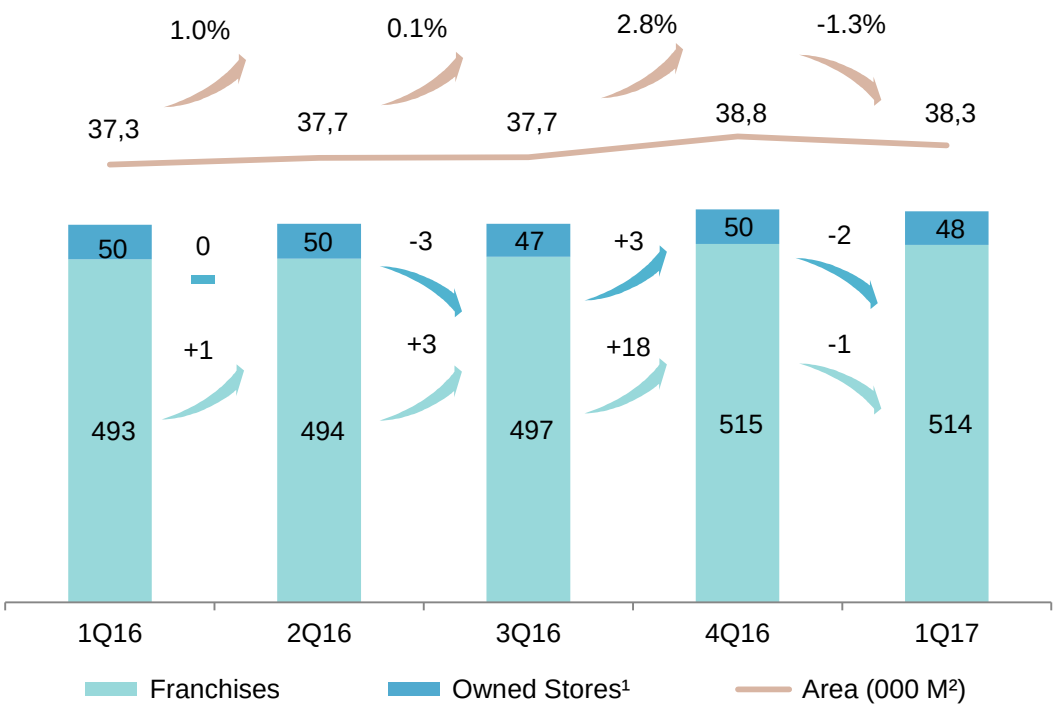
SSS *Sell-in* (franchises)	-1.4%	13.6%
SSS *Sell-out* (Owned Stores + franchises)	-4.3%	2.7%
SSS *Sell-out* (Owned Stores + web + franchises)	-3.8%	2.5%

In 1Q17, all channels experienced growth, highlighting a increase of 28.7% in the Multi-brands channel and a growth in Franchises channel of 15.9%.

1) *Web Commerce: impacted by "sales cut-off".*
2) *Others : Increase of 150% no 1Q17 (includes domestic market revenues that are not specific for distribution channels).*

Distribution Channel Expansion

Owned Stores and Franchises Expansion[1]



Number of Stores – Domestic Market

AREZZO

Franchises	368
Owned Stores	15
Multibrand	1,135

SCHUTZ

Franchises	61
Owned Stores	22
Multibrand	1,236

ANACAPRI

Franchises	80
Owned Stores	4
Multibrand	1,140

ALEXANDRE BIRMAN

Owned Stores	3
Multibrand	18

FIEVER

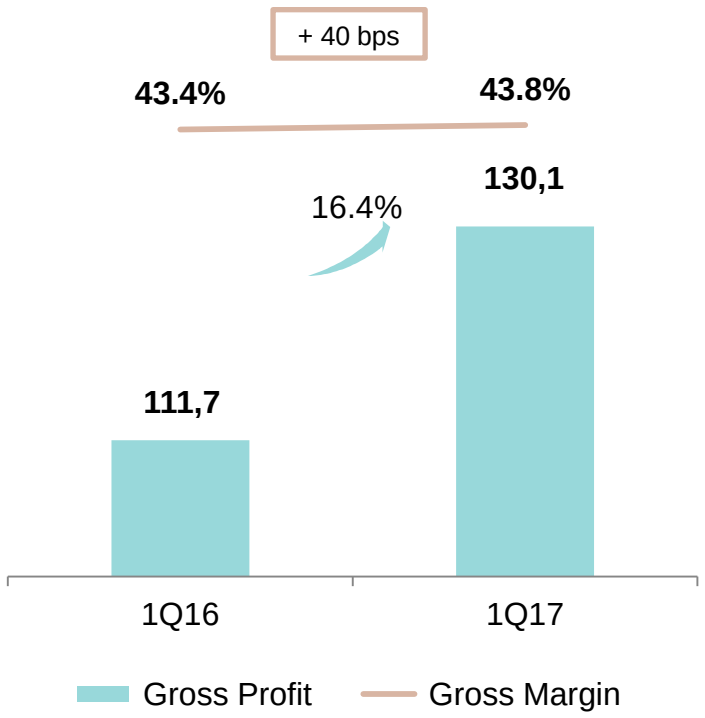
Owned Stores	2
Multibrand	234

Arezzo&Co ended the 1Q17 with a 2.7% growth in its store area over the last twelve months.

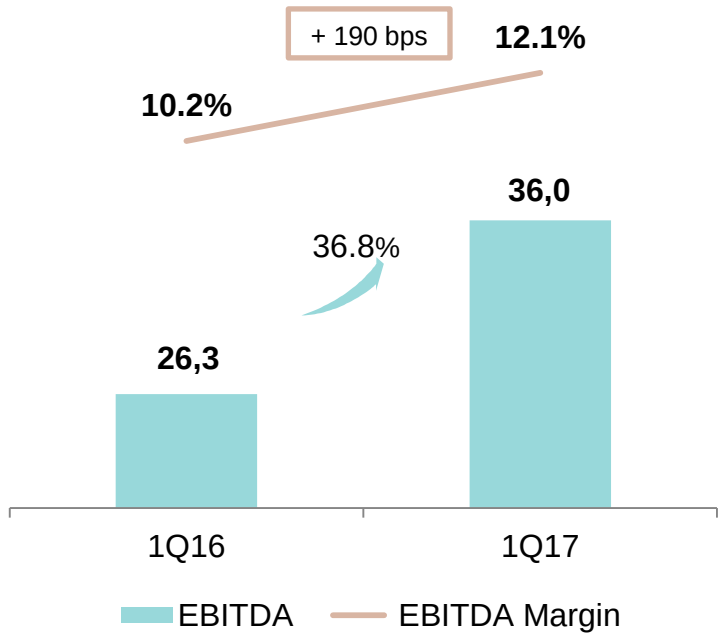
[1]Includes eight outlet type stores with a total area of 1,952 m² and stores overseas.

Gross Profit and EBITDA

Gross Profit (R$ million)



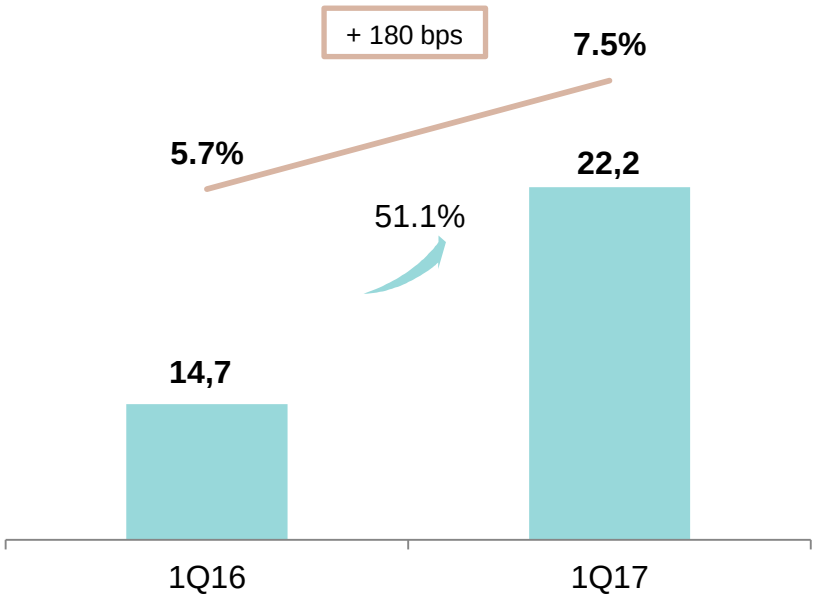
EBITDA (R$ million)



Gross profit reached R$130.1 million in 1Q17, an increase of 16.4% and growth of 40bps in gross margin versus 1Q16. EBITDA grew by 36.8% in 1Q17 to R$36.0 million, with a margin of 12.1%.

Net Income and Net Margin

Net Income (R$ million)



In the quarter, net income totaled R$22.2 million, with a growth of 51.1% and net margin of 7.5%.

Operating Cash Flow

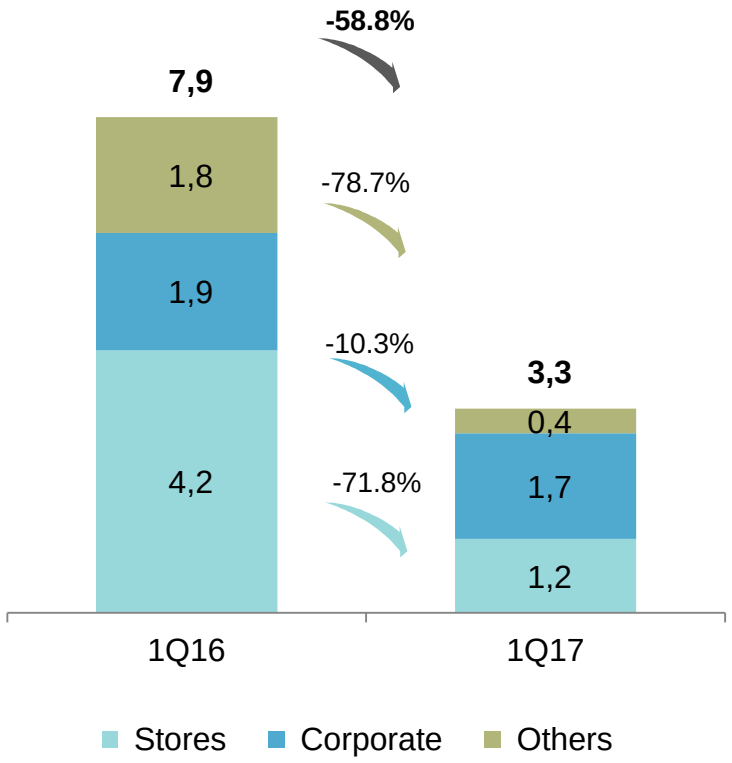
Operating Cash Flow (R$ thousand)

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%**

Arezzo&Co generated R$54 million cash 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.

CAPEX and Indebtedness

CAPEX (R$ millions)



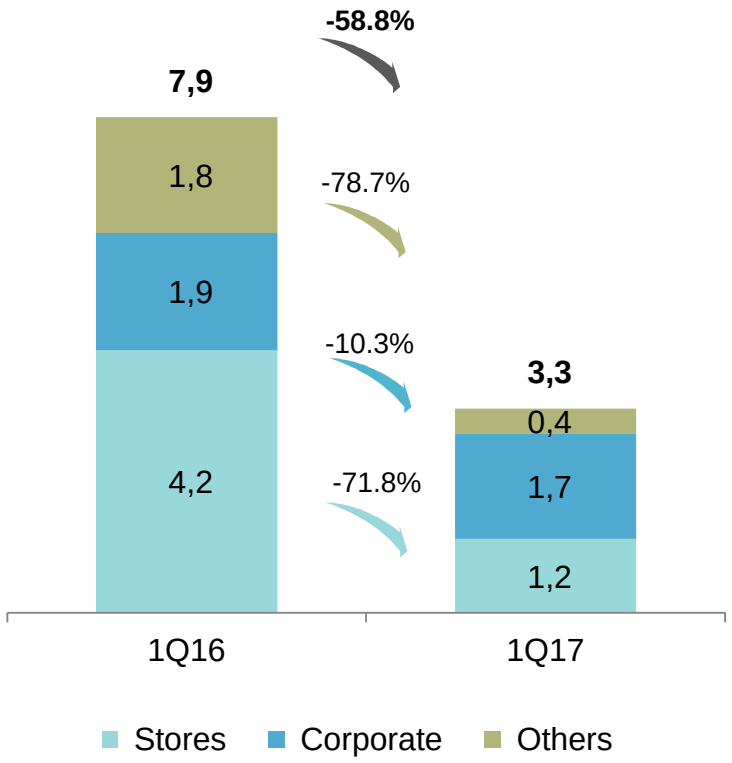
Indebtedness (R$ millions)

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)**
Dívida Líquida/EBITDA	**-0.8x**	**-0.8x**	**-1.0x**

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

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CAPEX (R$ millions)



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ROIC (Return on Invested 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%**	

In 1Q17, ROIC showed a growth, reaching 23.4%. Among the factors, we highlight the 19.2% growth in our operating income and the capital employed stability, on account of a lower need for investments in CAPEX, as well as actions taken to improve working capital.

(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.

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