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Company information / Capital composition

Number of shares (in thousands)	Current quarter 9/30/2016
Paid-up capital	
Common shares	88,836
Preferred shares	0
Total	88,836
Treasury shares	
Common shares	0
Common shares	0
Total	0

Company information / Cash proceeds

Event	Approval	Proceeds	Beginning of payment	Share type	Share class	Earnings per share (R$ per share)
Annual General Meeting	4/29/2016	Dividend	5/20/2016	Common shares		0.21080
Board of Directors' Meeting	6/21/2016	Interest on capital	7/15/2016	Common shares		0.24660

Parent company financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 9/30/2016	Prior year 12/31/2015
1	Total assets	880,712	822,896
1.01	Current assets	565,370	513,210
1.01.01	Cash and cash equivalents	432	4,548
1.01.02	Cash investments	195,644	208,044
1.01.02.01	Cash investments measured at fair value	195,644	208,044
1.01.02.01.03	Cash investments measured at fair value	195,644	208,044
1.01.03	Trade and other receivables	296,885	232,035
1.01.03.01	Trade receivables	296,885	232,035
1.01.04	Inventories	46,996	37,303
1.01.06	Taxes recoverable	12,331	13,802
1.01.06.01	Current taxes recoverable	12,331	13,802
1.01.08	Other current assets	13,082	17,478
1.01.08.03	Other	13,082	17,478
1.02	Non-current assets	315,342	309,686
1.02.01	Long-term receivables	76,348	67,320
1.02.01.03	Trade and other receivables	13,896	14,217
1.02.01.03.01	Trade receivables	13,896	14,217
1.02.01.06	Deferred taxes	7,038	3,231
1.02.01.06.01	Deferred income tax and social contribution	7,038	3,231
1.02.01.08	Receivables from related parties	42,422	42,437
1.02.01.08.02	Receivables from subsidiaries	42,422	42,437
1.02.01.09	Other non-current assets	12,992	7,435
1.02.01.09.04	Judicial deposits	9,303	6,054
1.02.01.09.05	Other	3,689	1,381
1.02.02	Investments	168,529	163,745
1.02.02.01	Equity interests	167,352	163,745
1.02.02.01.02	Investments in subsidiaries	167,352	163,745
1.02.02.02	Investment property	1,177	0
1.02.02.02.01	Investment property	1,177	0
1.02.03	Property, plant and equipment	21,250	24,105
1.02.03.01	Property, plant and equipment in operation	21,250	24,105
1.02.04	Intangible assets	49,215	54,516
1.02.04.01	Intangible assets	49,215	54,516
1.02.04.01.02	Trademarks and patents	3,475	3,330
1.02.04.01.03	Store use rights	1,078	1,078
1.02.04.01.04	Software use rights	44,662	50,108

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2016	Prior year 12/31/2015
2	Total liabilities	880,712	822,896
2.01	Current liabilities	174,191	138,837
2.01.01	Salaries, vacation pay and social charges payable	16,279	8,326
2.01.01.01	Social charges	1,883	2,011
2.01.01.02	Salaries and vacation pay	14,396	6,315
2.01.02	Trade payables	96,292	55,414
2.01.02.01	Domestic suppliers	96,056	55,401
2.01.02.02	Foreign suppliers	236	13
2.01.03	Taxes payable	6,884	5,275
2.01.03.01	Federal taxes payable	6,755	5,268
2.01.03.01.01	Income tax and social contribution payable	2,208	0
2.01.03.01.02	Other federal taxes payable	4,547	5,268
2.01.03.02	State taxes payable	126	0
2.01.03.03	Local taxes payable	3	7
2.01.04	Borrowings	38,392	65,521
2.01.04.01	Borrowings	38,392	65,521
2.01.04.01.01	In local currency	11,513	9,456
2.01.04.01.02	In foreign currency	26,879	56,065
2.01.05	Other liabilities	16,344	4,301
2.01.05.02	Other	16,344	4,301
2.01.05.02.01	Dividends and interest on capital payable	11,257	0
2.01.05.02.04	Other	5,087	4,301
2.02	Non-current liabilities	51,561	66,154
2.02.01	Borrowings	28,683	36,973
2.02.01.01	Borrowings	28,683	36,973
2.02.01.01.01	In local currency	28,683	36,973
2.02.02	Other liabilities	204	468
2.02.02.02	Other	204	468
2.02.02.02.04	Advances from third parties	0	468
2.02.04	Provisions	22,674	28,713
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	5,425	4,226
2.02.04.01.02	Provision for social security and labor contingencies	3,475	2,311
2.02.04.01.04	Provision for civil contingencies	275	240
2.02.04.01.05	Provision for tax contingencies	1,675	1,675
2.02.04.02	Other provisions	17,249	24,487
2.02.04.02.04	Provision for net capital deficiency	17,249	24,487
2.03	Equity	654,960	617,905
2.03.01	Paid-up capital	310,008	261,247
2.03.02	Capital reserves	38,371	35,377
2.03.02.02	Special reserve for goodwill arising from merger	21,469	21,469
2.03.02.04	Share options granted	16,902	13,908
2.03.04	Revenue reserves	261,249	326,783
2.03.04.01	Legal reserve	30,176	30,176
2.03.04.05	Retained profit reserve	228,390	275,220
2.03.04.07	Tax incentive reserve	2,683	2,683
2.03.04.08	Proposed additional dividend	0	18,704

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2016	Prior year 12/31/2015
2.03.05	Retained earnings/accumulated deficit	47,182	0
2.03.06	Carrying value adjustments	-1,850	-5,502

Parent company financial statements /

Statement of income (R$ thousand)

Code	Description	Current quarter 7/1/2016 to 9/30/2016	YTD – current year 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	YTD - prior year 1/1/2015 to 9/30/2015
3.01	Revenue from sales of goods and/or services	298,171	763,491	281,035	740,273
3.02	Cost of sales and/or services	-195,157	-509,000	-185,110	-488,827
3.03	Gross profit	103,014	254,491	95,925	251,446
3.04	Operating income/expenses	-58,224	-159,825	-54,539	-154,068
3.04.01	Selling expenses	-38,921	-101,761	-32,381	-84,854
3.04.02	General and administrative expenses	-19,705	-55,832	-19,993	-56,839
3.04.05	Other operating expenses	-2,357	-3,856	-41	-2,157
3.04.06	Equity in the results of investees	2,759	1,624	-2,124	-10,218
3.05	Profit before finance result and taxes	44,790	94,666	41,386	97,378
3.06	Finance result	5,247	12,072	12,542	25,291
3.06.01	Finance income	7,488	25,735	23,427	44,768
3.06.01.01	Interest income	7,245	24,559	7,067	21,252
3.06.01.02	Foreign exchange gains	243	1,176	16,360	23,516
3.06.02	Finance costs	-2,241	-13,663	-10,885	-19,477
3.06.02.01	Interest expense	-2,241	-6,503	-2,140	-6,323
3.06.02.02	Foreign exchange losses	0	-7,160	-8,745	-13,154
3.07	Profit before income tax and social contribution	50,037	106,738	53,928	122,669
3.08	Income tax and social contribution	-14,597	-26,406	-17,846	-36,506
3.08.01	Current	-17,438	-30,213	-18,327	-39,014
3.08.02	Deferred	2,841	3,807	481	2,508
3.09	Profit for the period from continuing operations	35,440	80,332	36,082	86,163
3.11	Profit for the period	35,440	80,332	36,082	86,163
3.99	Earnings per share (expressed in R$ per share)				
3.99.1	Basic earnings per share				
3.99.01.01	Common shares	0.39920	0.90500	0.40680	0.97150
3.99.2	Diluted earnings per share				
3.99.02.01	Common shares	0.39780	0.90160	0.40590	0.96920

Parent company financial statements / Statement of comprehensive income (R$ thousand)

Code	Description	Current quarter 7/1/2016 to 9/30/2016	YTD - current year 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	YTD - prior year 1/1/2015 to 9/30/2015
4.01	Profit for the period	35,440	80,332	36,082	86,163
4.02	Other comprehensive income	-158	3,652	-4,199	-5,831
4.02.01	Foreign exchange differences arising from the translation of foreign operations	-158	3,652	-4,199	-5,831
4.03	Comprehensive income for the period	35,282	83,984	31,883	80,332

Parent company financial statements / Statement of cash flows – indirect method (R$ thousand)

Code	Description	YTD - current year 1/1/2016 to 9/30/016	YTD - prior year 1/1/2015 to 9/30/2015
6.01	Net cash provided by operating activities	48,101	59,562
6.01.01	Cash from operations	96,770	143,944
6.01.01.01	Profit before income tax and social contribution	106,738	122,669
6.01.01.02	Depreciation and amortization	13,726	12,559
6.01.01.03	Result on disposal of property, plant and equipment	152	-21
6.01.01.04	Equity in results of investees	-1,624	10,218
6.01.01.05	Provision for labor, tax and civil contingencies	1,199	-169
6.01.01.06	Interest and foreign exchange variation on borrowings	-5,406	5,110
6.01.01.07	Interest income on cash investments	-21,140	-14,173
6.01.01.08	Provision for impairment of trade receivables	-718	2,034
6.01.01.09	Addition to provision for inventory losses	850	2,186
6.01.01.10	Share option plan	2,993	3,531
6.01.02	Changes in assets and liabilities	-31,805	-62,259
6.01.02.01	Trade receivables	-64,511	-70,064
6.01.02.02	Inventories	-10,543	-12,095
6.01.02.03	Changes in other current and non-current assets	2,088	-13,055
6.01.02.04	Taxes recoverable	-4,381	2,608
6.01.02.05	Judicial deposits	-3,249	-460
6.01.02.07	Trade payables	40,877	29,403
6.01.02.08	Salaries and vacation pay	8,081	2,643
6.01.02.09	Taxes and social charges payable	-694	-953
6.01.02.10	Other liabilities	527	-286
6.01.03	Other	-16,864	-22,123
6.01.03.01	Income tax and social contribution paid	-16,864	-22,123
6.02	Net cash provided by (used in) investing activities	16,445	-21,019
6.02.01	Purchases of property, plant and equipment and intangible assets	-6,289	-15,725
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	90	21
6.02.03	Cash investments	-412,721	-448,835
6.02.04	Redemption of cash investments	440,934	464,520
6.02.05	Capital contribution to subsidiaries	-5,569	-21,000
6.03	Net cash used in financing activities	-68,662	-42,044
6.03.01	Proceeds from borrowings	34,978	60,398
6.03.02	Repayments of borrowings	-63,585	-31,543
6.03.03	Payment of interest on borrowings	-1,404	-1,356
6.03.04	Related parties	15	-10,203
6.03.05	Interest on capital	-21,893	-15,553
6.03.06	Distribution of profits	-18,704	-44,837
6.03.08	Share capital increase – share issue	1,931	1,050
6.05	Increase (decrease) in cash and cash equivalents	-4,116	-3,501
6.05.01	Cash and cash equivalents at the beginning of the period	4,548	6,110
6.05.02	Cash and cash equivalents at the end of the period	432	2,609

Parent company financial statements / Statement of changes in equity - 1/1/2016 to 9/30/2016 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	261,247	35,377	326,783	0	-5,502	617,905
5.03	Adjusted opening balances	261,247	35,377	326,783	0	-5,502	617,905
5.04	Equity transactions with shareholders	48,761	2,994	-65,534	-33,150	0	-46,929
5.04.01	Share capital increases	46,830	0	-46,830	0	0	0
5.04.03	Options granted	0	2,994	0	0	0	2,994
5.04.06	Dividends	0	0	-18,704	0	0	-18,704
5.04.07	Interest on capital	0	0	0	-21,893	0	-21,893
5.04.08	Interim dividend	0	0	0	-11,257	0	-11,257
5.04.09	Share issue	1,931	0	0	0	0	1,931
5.05	Total comprehensive income	0	0	0	80,332	3,652	83,984
5.05.01	Profit for the period	0	0	0	80,332	0	80,332
5.05.02	Other comprehensive income	0	0	0	0	3,652	3,652
5.05.02.06	Carrying value adjustments	0	0	0	0	3,652	3,652
5.07	Closing balances	310,008	38,371	261,249	47,182	-1,850	654,960

Parent company financial statements / Statement of changes in equity - 1/1/2015 to 9/30/2015 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	220,086	70,739	285,468	0	0	576,293
5.03	Adjusted opening balances	220,086	70,739	285,468	0	0	576,293
5.04	Equity transactions with shareholders	41,161	-36,580	-35,348	-25,042	0	-55,809
5.04.01	Share capital increases	40,111	-40,111	0	0	0	0
5.04.03	Options granted	0	3,531	0	0	0	3,531
5.04.07	Interest on capital	0	0	0	-15,553	0	-15,553
5.04.08	Interim dividend	0	0	0	-9,489	0	-9,489
5.04.09	Share issue	1,050	0	0	0	0	1,050
5.04.10	Dividends paid	0	0	-35,348	0	0	-35,348
5.05	Total comprehensive income	0	0	0	86,163	-5,831	80,332
5.05.01	Profit for the period	0	0	0	86,163	0	86,163
5.05.02	Other comprehensive income	0	0	0	0	-5,831	-5,831
5.05.02.04	Carrying value adjustments	0	0	0	0	-5,831	0
5.07	Closing balances	261,247	34,159	250,120	61,121	-5,831	600,816

Parent company financial statements / Statement of value added (R$ thousand)

Code	Description	YTD - current year 1/1/2016 to 9/30/2016	YTD - prior year 1/1/2015 to 9/30/2015
7.01	Revenue	897,599	890,187
7.01.01	Sales of goods, products and services	896,881	892,221
7.01.04	Provision for/reversal of impairment of trade receivables	718	-2,034
7.02	Inputs acquired from third parties	-715,997	-678,287
7.02.01	Cost of sales and services	-646,349	-620,733
7.02.02	Materials, energy, outsourced services and other	-67,874	-56,034
7.02.04	Other	-1,774	-1,520
7.03	Gross value added	181,602	211,900
7.04	Deductions	-13,726	-12,559
7.04.01	Depreciation, amortization and depletion	-13,726	-12,559
7.05	Net value added generated by the entity	167,876	199,341
7.06	Value added received through transfer	26,493	35,925
7.06.01	Equity in the results of investees	1,624	-10,218
7.06.02	Finance income	25,735	44,768
7.06.03	Other	-866	1,375
7.07	Total value added to distribute	194,369	235,266
7.08	Distribution of value added	194,369	235,266
7.08.01	Personnel	62,622	57,595
7.08.01.01	Direct compensation	42,966	40,784
7.08.01.02	Benefits	4,938	4,360
7.08.01.03	Government severance indemnity fund for employees (FGTS)	4,318	4,466
7.08.01.04	Other	10,400	7,985
7.08.01.04.01	Employee profit sharing	2,865	2,779
7.08.01.04.02	Other	4,542	1,675
7.08.01.04.03	Share option plan	2,993	3,531
7.08.02	Taxes and contributions	31,632	68,959
7.08.02.01	Federal	53,438	69,106
7.08.02.02	State	-21,899	-198
7.08.02.03	Local	93	51
7.08.03	Lenders and creditors	19,783	22,549
7.08.03.01	Interest	2,417	1,331
7.08.03.02	Rentals	6,120	3,072
7.08.03.03	Other	11,246	18,146
7.08.03.03.01	Finance cost	11,246	18,146
7.08.04	Shareholders	80,332	86,163
7.08.04.01	Interest on capital	21,893	15,553
7.08.04.02	Dividends	11,257	9,489
7.08.04.03	Profits reinvested / loss for the period	47,182	61,121

Consolidated financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 9/30/2016	Prior year 12/31/2015
1	Total assets	923,068	853,948
1.01	Current assets	719,074	658,203
1.01.01	Cash and cash equivalents	7,155	8,822
1.01.02	Cash investments	214,436	216,940
1.01.02.01	Cash investments measured at fair value	214,436	216,940
1.01.02.01.03	Cash investments measured at fair value	214,436	216,940
1.01.03	Trade and other receivables	334,858	280,528
1.01.03.01	Trade receivables	334,858	280,528
1.01.04	Inventories	124,019	106,951
1.01.06	Taxes recoverable	21,468	21,222
1.01.06.01	Current taxes recoverable	21,468	21,222
1.01.08	Other current assets	17,138	23,740
1.01.08.03	Other	17,138	23,740
1.02	Non-current assets	203,994	195,745
1.02.01	Long-term receivables	41,454	31,423
1.02.01.01	Cash investments measured at fair value	0	919
1.02.01.01.03	Cash investments measured at fair value	0	919
1.02.01.03	Trade and other receivables	13,896	14,217
1.02.01.03.01	Trade receivables	13,896	14,217
1.02.01.06	Deferred taxes	10,004	6,285
1.02.01.06.01	Deferred income tax and social contribution	10,004	6,285
1.02.01.09	Other non-current assets	17,554	10,002
1.02.01.09.04	Judicial deposits	13,033	8,621
1.02.01.09.05	Other	4,521	1,381
1.02.02	Investments	1,177	0
1.02.02.02	Investment property	1,177	0
1.02.02.02.01	Investment property	1,177	0
1.02.03	Property, plant and equipment	72,741	73,593
1.02.03.01	Property, plant and equipment in operation	72,741	73,593
1.02.04	Intangible assets	88,622	90,729
1.02.04.01	Intangible assets	88,622	90,729
1.02.04.01.02	Trademarks and patents	3,597	3,459
1.02.04.01.03	Store use rights	39,781	36,679
1.02.04.01.04	Software use rights	45,244	50,591

Consolidated financial statements / Balance sheet – liabilities and equity (R$ thousand)

Code	Description	Current quarter 9/30/2016	Prior year 12/31/2015
2	Total liabilities	923,068	853,948
2.01	Current liabilities	230,221	190,772
2.01.01	Salaries, vacation pay and social charges payable	27,143	16,668
2.01.01.01	Social charges	3,523	3,792
2.01.01.02	Salaries and vacation pay	23,620	12,876
2.01.02	Trade payables	103,050	64,881
2.01.02.01	Domestic suppliers	102,813	64,868
2.01.02.02	Foreign suppliers	237	13
2.01.03	Taxes payable	14,771	16,493
2.01.03.01	Federal taxes payable	11,006	10,675
2.01.03.01.01	Income tax and social contribution payable	3,141	1,953
2.01.03.01.02	Other federal taxes payable	7,865	8,722
2.01.03.02	State taxes payable	3,753	5,782
2.01.03.03	Local taxes payable	12	36
2.01.04	Borrowings	66,424	85,336
2.01.04.01	Borrowings	66,424	85,336
2.01.04.01.01	In local currency	23,128	9,617
2.01.04.01.02	In foreign currency	43,296	75,719
2.01.05	Other liabilities	18,833	7,394
2.01.05.02	Other	18,833	7,394
2.01.05.02.01	Dividends and interest on capital payable	11,257	0
2.01.05.02.04	Other	7,576	7,394
2.02	Non-current liabilities	37,887	45,271
2.02.01	Borrowings	29,361	37,817
2.02.01.01	Borrowings	29,361	37,817
2.02.01.01.01	In local currency	29,361	37,817
2.02.02	Other liabilities	1,208	1,860
2.02.02.01	Payables to related parties	1,208	1,393
2.02.02.01.03	Payables to controlling shareholders	1,208	1,393
2.02.02.02	Other	0	467
2.02.02.02.04	Advances from third parties	0	467
2.02.04	Provisions	7,114	5,594
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	7,114	5,594
2.02.04.01.02	Provision for social security and labor contingencies	4,751	3,310
2.02.04.01.04	Provision for civil contingencies	319	240
2.02.04.01.05	Provision for tax contingencies	2,044	2,044
2.02.06	Deferred profit and revenue	204	0
2.02.06.02	Deferred revenue	204	0
2.03	Consolidated equity	654,960	617,905
2.03.01	Paid-up capital	310,008	261,247
2.03.02	Capital reserves	38,371	35,377
2.03.02.02	Special reserve for goodwill arising from merger	21,469	21,469
2.03.02.04	Share options granted	16,902	13,908
2.03.04	Revenue reserves	261,249	326,783
2.03.04.01	Legal reserve	30,176	30,176
2.03.04.05	Retained profit reserve	228,390	275,220

Consolidated financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2016	Prior year 12/31/2015
2.03.04.07	Tax incentive reserve	2,683	2,683
2.03.04.08	Proposed additional dividend	0	18,704
2.03.05	Retained earnings/accumulated deficit	47,182	0
2.03.06	Carrying value adjustments	-1,850	-5,502

Consolidated financial statements / Statement of income (R$ thousand)

Code	Description	Current quarter 7/1/2016 to 9/30/2016	YTD - current year 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	YTD - prior year 1/1/2015 to 9/30/2015
3.01	Revenue from sales of goods and/or services	346,941	900,240	315,068	836,760
3.02	Cost of sales and/or services	-194,741	-504,180	-182,053	-487,290
3.03	Gross profit	152,200	396,060	133,015	349,470
3.04	Operating income/expenses	-102,804	-292,116	-89,438	-246,708
3.04.01	Selling expenses	-80,003	-223,320	-68,039	-182,932
3.04.02	General and administrative expenses	-21,275	-66,966	-22,708	-63,052
3.04.04	Other operating income	0	0	1,309	0
3.04.05	Other operating expenses	-1,526	-1,830	0	-724
3.05	Profit before finance result and taxes	49,396	103,944	43,577	102,762
3.06	Finance result	3,373	6,518	9,968	20,044
3.06.01	Finance income	7,734	26,566	23,604	44,880
3.06.01.01	Interest income	7,621	25,363	7,146	21,276
3.06.01.02	Foreign exchange gains	113	1,203	16,458	23,604
3.06.02	Finance costs	-4,361	-20,048	-13,636	-24,836
3.06.02.01	Interest expense	-4,361	-12,721	-4,891	-11,682
3.06.02.02	Foreign exchange losses	0	-7,327	-8,745	-13,154
3.07	Profit before income tax and social contribution	52,769	110,462	53,545	122,806
3.08	Income tax and social contribution	-17,329	-30,130	-17,463	-36,643
3.08.01	Current	-20,079	-33,849	-18,513	-40,939
3.08.02	Deferred	2,750	3,719	1,050	4,296
3.09	Profit for the period from continuing operations	35,440	80,332	36,082	86,163
3.11	Consolidated profit for the period	35,440	80,332	36,082	86,163
3.11.01	Attributable to owners of the parent	35,440	80,332	36,082	86,163
3.99	Earnings per share (expressed in R$ per share)				
3.99.1	Basic earnings per share				
3.99.01.01	Common shares	0.39920	0.90500	0.40680	0.97150
3.99.2	Diluted earnings per share				
3.99.02.01	Common shares	0.39780	0.90160	0.40590	0.96920

Consolidated financial statements / Statement of comprehensive income (R$ thousand)

Code	Description	Current quarter 7/1/2016 to 9/30/2016	YTD - current year 1/1/2016 to 9/30/2016	Same quarter of prior year 7/1/2015 to 9/30/2015	YTD - prior year 1/1/2015 to 9/30/2015
4.01	Consolidated profit for the period	35,440	80,332	36,082	86,163
4.02	Other comprehensive income	-158	3,652	-4,199	-5,831
4.02.01	Foreign exchange differences arising from the translation of foreign operations	-158	3,652	-4,199	-5,831
4.03	Consolidated comprehensive income for the period	35,282	83,984	31,883	80,332
4.03.01	Attributable to owners of the parent	35,282	83,984	31,883	80,332

Consolidated financial statements / Statement of cash flows – indirect method (R$ thousand)

Code	Description	YTD - current year 1/1/2016 to 9/30/2016	YTD - prior year 1/1/2015 to 9/30/2015
6.01	Net cash provided by operating activities	56,030	41,997
6.01.01	Cash from operations	107,189	140,815
6.01.01.01	Profit before income tax and social contribution	110,462	122,806
6.01.01.02	Depreciation and amortization	19,282	18,026
6.01.01.03	Result on disposal of property, plant and equipment	-51	54
6.01.01.05	Provision for labor, tax and civil contingencies	1,520	262
6.01.01.06	Interest and foreign exchange variation on borrowings	-5,427	5,759
6.01.01.07	Interest income on cash investments	-21,722	-14,192
6.01.01.08	Provision for impairment of trade receivables	-718	2,034
6.01.01.09	Addition to provision for inventory losses	850	2,535
6.01.01.10	Share option plan	2,993	3,531
6.01.02	Changes in assets and liabilities	-31,950	-74,957
6.01.02.01	Trade receivables	-53,991	-63,630
6.01.02.02	Inventories	-17,917	-25,442
6.01.02.03	Changes in other current assets	6,813	-12,814
6.01.02.04	Taxes recoverable	-5,820	1,339
6.01.02.05	Judicial deposits	-4,412	-970
6.01.02.07	Trade payables	38,169	31,428
6.01.02.08	Salaries and vacation pay	10,744	4,727
6.01.02.09	Taxes and social charges payable	-5,459	-4,604
6.01.02.10	Changes in other current liabilities	-77	-4,991
6.01.03	Other	-19,209	-23,861
6.01.03.01	Income tax and social contribution paid	-19,209	-23,861
6.02	Net cash provided by (used in) investing activities	583	-3,056
6.02.01	Purchases of property, plant and equipment and intangible assets	-20,783	-20,763
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	2,745	2,720
6.02.03	Cash investments	-560,956	-526,391
6.02.04	Redemption of cash investments	579,577	541,378
6.03	Net cash used in financing activities	-57,740	-44,168
6.03.01	Proceeds from borrowings	46,248	60,492
6.03.02	Repayments of borrowings	-63,818	-43,623
6.03.03	Payment of interest on borrowings	-1,321	-2,167
6.03.05	Interest on capital	-21,893	-15,553
6.03.06	Distribution of profits	-18,704	-44,837
6.03.07	Receivables from (payables to) shareholders	-183	470
6.03.08	Share capital increase – share issue	1,931	1,050
6.04	Foreign exchange variation on cash and cash equivalents	-540	-816
6.05	Increase (decrease) in cash and cash equivalents	-1,667	-6,043
6.05.01	Cash and cash equivalents at the beginning of the period	8,822	10,831
6.05.02	Cash and cash equivalents at the end of the period	7,155	4,788

Consolidated financial statements / Statement of changes in equity - 1/1/2016 to 9/30/2016 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	261,247	35,377	326,783	0	-5,502	617,905	0	617,905
5.03	Adjusted opening balances	261,247	35,377	326,783	0	-5,502	617,905	0	617,905
5.04	Equity transactions with shareholders	48,761	2,994	-65,534	-33,150	0	-46,929	0	-46,929
5.04.01	Share capital increases	46,830	0	-46,830	0	0	0	0	0
5.04.03	Options granted	0	2,994	0	0	0	2,994	0	2,994
5.04.06	Dividends	0	0	-18,704	0	0	-18,704	0	-18,704
5.04.07	Interest on capital	0	0	0	-21,893	0	-21,893	0	-21,893
5.04.08	Interim dividend	0	0	0	-11,257	0	-11,257	0	-11,257
5.04.09	Share issue	1,931	0	0	0	0	1,931	0	1,931
5.05	Total comprehensive income	0	0	0	80,332	3,652	83,984	0	83,984
5.05.01	Profit for the period	0	0	0	80,332	0	80,332	0	80,332
5.05.02	Other comprehensive income	0	0	0	0	3,652	3,652	0	3,652
5.05.02.06	Carrying value adjustments	0	0	0	0	3,652	3,652	0	3,652
5.07	Closing balances	310,008	38,371	261,249	47,182	-1,850	654,960	0	654,960

Consolidated financial statements / Statement of changes in equity - 1/1/2015 to 9/30/2015 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	220,086	70,739	285,468	0	0	576,293	0	576,293
5.03	Adjusted opening balances	220,086	70,739	285,468	0	0	576,293	0	576,293
5.04	Equity transactions with shareholders	41,161	-36,580	-35,348	-25,042	0	-55,809	0	-55,809
5.04.01	Share capital increases	40,111	-40,111	0	0	0	0	0	0
5.04.03	Options granted	0	3,531	0	0	0	3,531	0	3,531
5.04.07	Interest on capital	0	0	0	-15,553	0	-15,553	0	-15,553
5.04.08	Interim dividend	0	0	0	-9,489	0	-9,489	0	-9,489
5.04.09	Share issue	1,050	0	0	0	0	1,050	0	1,050
5.04.10	Dividends paid	0	0	-35,348	0	0	-35,348	0	-35,348
5.05	Total comprehensive income	0	0	0	86,163	-5,831	80,332	0	80,332
5.05.01	Profit for the period	0	0	0	86,163	0	86,163	0	86,163
5.05.02	Other comprehensive income	0	0	0	0	-5,831	-5,831	0	-5,831
5.05.02.06	Carrying value adjustments	0	0	0	0	-5,831	-5,831	0	-5,831
5.07	Closing balances	261,247	34,159	250,120	61,121	-5,831	600,816	0	600,816

Consolidated financial statements / Statement of value added (R$ thousand)

Code	Description	YTD - current year 1/1/2016 to 9/30/2016	YTD - prior year 1/1/2015 to 9/30/2015
7.01	Revenue	1,080,310	1,027,214
7.01.01	Sales of goods, products and services	1,079,592	1,029,248
7.01.04	Provision for/reversal of impairment of trade receivables	718	-2,034
7.02	Inputs acquired from third parties	-746,194	-694,487
7.02.01	Cost of sales and services	-597,089	-575,529
7.02.02	Materials, energy, outsourced services and other	-145,700	-115,798
7.02.04	Other	-3,405	-3,160
7.03	Gross value added	334,116	332,727
7.04	Deductions	-19,282	-18,026
7.04.01	Depreciation, amortization and depletion	-19,282	-18,026
7.05	Net value added generated by the entity	314,834	314,701
7.06	Value added received through transfer	27,732	47,688
7.06.02	Finance income	26,566	44,880
7.06.03	Other	1,166	2,808
7.07	Total value added to distribute	342,566	362,389
7.08	Distribution of value added	342,566	362,389
7.08.01	Personnel	112,086	102,092
7.08.01.01	Direct compensation	80,426	73,695
7.08.01.02	Benefits	11,650	10,707
7.08.01.03	Government severance indemnity fund for employees (FGTS)	7,630	7,551
7.08.01.04	Other	12,380	10,139
7.08.01.04.01	Employee profit sharing	2,865	2,749
7.08.01.04.02	Other	6,522	3,859
7.08.01.04.03	Share option plan	2,993	3,531
7.08.02	Taxes and contributions	96,698	122,313
7.08.02.01	Federal	82,059	86,986
7.08.02.02	State	13,869	34,871
7.08.02.03	Local	770	456
7.08.03	Lenders and creditors	53,450	51,821
7.08.03.01	Interest	2,494	2,116
7.08.03.02	Rentals	33,402	26,985
7.08.03.03	Other	17,554	22,720
7.08.03.03.01	Finance cost	17,554	22,720
7.08.04	Shareholders	80,332	86,163
7.08.04.01	Interest on capital	21,893	15,553
7.08.04.02	Dividends	11,257	9,489
7.08.04.03	Profits reinvested / loss for the period	47,182	61,121

Comments on company performance

1. Company overview

About Arezzo&Co

Arezzo&Co is a leader in the women's footwear, handbags and accessories industry in Brazil. With 44 years of history, Arezzo&Co now sells more than 10 million pairs of shoes annually, in addition to handbags and accessories. It has five important brands: Arezzo, Schutz, Anacapri, Alexandre Birman and Fiever.

Across all of its product lines, the Company brings a commitment to constant innovation, design, comfort and excellent cost/quality ratio.

The multichannel marketing strategy allows the Group to distribute its products through different channels, such as Company-owned stores, franchisees, multi-brand channels and web commerce, reaching all states across the country. The products of the brands are sold abroad also through Company-owned stores, franchisees, multi-brand channels, web commerce and department stores. At September 30, 2016, the Company is present in 492 franchise-operated stores, 45 Company-owned stores and 2,091 multi-brand stores in Brazil.

AREZZO

Founded in 1972, the brand is top of mind for consumers in the Brazilian women's footwear industry, and is among the preferred brands in this industry and the most consumed brands in Brazil. Arezzo has been positioned as a trendy brand associated with concept, high quality, contemporary design and customer satisfaction. Arezzo is a reference brand for the launch of the latest fashion trends in Brazil and has always been featured in the editorials of the country's most prestigious magazines, newspapers and websites as a fast fashion model of women's shoes, handbags and accessories.

SCHUTZ

The brand invests significantly in trend research, material and technology development to create its portfolio. Its mission is to offer its consumers a product concept connected with design, quality, fashion and freedom of expression.

The result is delivered in collections designed to reflect the spirit of modern and young women that are sassy, bold and show their own style. Schutz calls women to dare, to seek the unique, and to challenge the consensus.

ANACAPRI

Anacapri is the Arezzo&Co Group brand specializing in flat shoes. The brand was founded in 2008 with the objective of simplifying its customers' lives by offering fashion items that are versatile and full of personality, without giving up comfort. The brand offers shoes of various styles and colors per year, delivering three big collections and limited editions.

ALEXANDRE BIRMAN

Alexandre Birman is a reference among the Brazilian women's shoe brands, sharing space with top brands in renowned retail chains in various parts of the world, including North America, Europe and Asia.

The brand is recognizable by exclusivity and sophistication and is well-known abroad. In 2009, footwear designer Alexandre Birman won the Vivian Infantino Emerging Talent Award (dubbed the Oscar of the international shoe industry).

FIEVER

The brand name is derived from the words 'FIVE' suggesting the 5th brand of the Group and 'FEVER', and was born in December 2015 as an urban, cool and casual brand for young people. The path chosen includes its consumers' involvement in building the brand, always seeking innovation and keeping pace with this generation. The brand's icon is the sneaker with a while sole, which translates the brand's essence: practical, cool and versatile.

1. Company Overview

Summary of Results	3Q15	3Q16	15 x 16	9M15	9M16	15 x 16
Net Revenues	315.068	346.941	10,1%	836.760	900.240	7,6%
Gross Profit	133.015	152.200	14,4%	349.470	396.060	13,3%
Grosss Margin	42,2%	43,9%	1,7 p.p.	41,8%	44,0%	2,2 p.p.
EBITDA[1]	49.698	55.896	12,5%	120.788	123.226	2,0%
EBITDA Margin [1]	15,8%	16,1%	0,3 p.p.	14,4%	13,7%	-0,7 p.p.
Net Income	36.082	35.440	-1,8%	86.163	80.332	-6,8%
Net Margin	11,5%	10,2%	-1,3 p.p.	10,3%	8,9%	-1,4 p.p.

Operating Indicators	3Q15	3Q16	15 x 16	9M15	9M16	15 x 16
# of pairs sold ('000)	2.926	3.231	10,4%	7.533	8.088	7,4%
# of handbags sold ('000)	247	284	15,1%	660	752	13,9%
# of employees	2.124	2.206	3,9%	2.124	2.206	3,9%
# of stores*	525	544	19	525	544	19
Owned Stores	51	47	-4	51	47	-4
Franchises	474	497	23	474	497	23
Outsourcing (as % of total production)	91,0%	89,5%	-1,5 p.p	91,1%	89,6%	-1,5 p.p
SSS² Sell-in (franchises)	-8,1%	2,1%	10,2 p.p	-6,2%	1,0%	7,2 p.p
SSS² Sell-out (owned stores + franchises)	-7,2%	5,6%	12,8 p.p	-2,2%	1,4%	3,6 p.p
SSS² Sell-out (owned stores + franchises + web commerce	-6,8%	6,4%	13,2 p.p	-1,3%	1,9%	3,2 p.p

* Include international stores

3.100 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.

3.101 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	3Q15	Part%	3Q16	Part%	(%) 15 x 16	9M15	Part%	9M16	Part%	(%) 15 x 16
Total Gross Revenue	**403.696**		**426.460**		**5,6%**	**1.067.635**		**1.134.537**		**6,3%**
Exports market	**38.202**	**9,5%**	**36.392**	**8,5%**	**(4,7%)**	**85.507**	**8,0%**	**114.307**	**10,1%**	**33,7%**
Domestic market	**365.494**	**90,5%**	**390.068**	**91,5%**	**6,7%**	**982.127**	**92,0%**	**1.020.230**	**89,9%**	**3,9%**
By brand										
Arezzo	*203.431*	*55,7%*	*220.131*	*56,4%*	*8,2%*	*548.958*	*55,9%*	*585.024*	*57,3%*	*6,6%*
Schutz	*133.547*	*36,5%*	*130.138*	*33,4%*	*(2,6%)*	*358.982*	*36,6%*	*342.756*	*33,6%*	*(4,5%)*
Anacapri	*26.796*	*7,3%*	*33.411*	*8,6%*	*24,7%*	*67.720*	*6,9%*	*79.601*	*7,8%*	*17,5%*
Others[1]	*1.720*	*0,5%*	*6.388*	*1,6%*	*271,4%*	*6.467*	*0,7%*	*12.849*	*1,3%*	*98,7%*
By channel										
Franchises	*175.481*	*48,0%*	*182.108*	*46,7%*	*3,8%*	*476.790*	*48,5%*	*491.035*	*48,1%*	*3,0%*
Multibrand	*102.513*	*28,0%*	*107.102*	*27,5%*	*4,5%*	*257.184*	*26,2%*	*242.830*	*23,8%*	*(5,6%)*
Owned Stores	*67.922*	*18,6%*	*71.313*	*18,3%*	*5,0%*	*200.506*	*20,4%*	*206.939*	*20,3%*	*3,2%*
Web Commerce	*19.340*	*5,3%*	*28.678*	*7,4%*	*48,3%*	*44.998*	*4,6%*	*77.473*	*7,6%*	*72,2%*
Others[2]	*238*	*0,1%*	*867*	*0,2%*	*264,3%*	*2.649*	*0,3%*	*1.953*	*0,2%*	*(26,3%)*

3.99.2 Includes only domestic markets for Alexandre Birman and Fiever brands and other revenues.
3.99.3 Includes domestic market revenues that are not specific for distribution channels.

Brands

Following the Company's calendar of collections, the third quarter marks the transition from the winter to the summer collections. In July, the mono-brand stores ended the sale of winter products in a very healthy way, with an increase in the percentage of sales at full price, less leftovers and, therefore, an increase in the chain's average mark-up. The summer collection preview permitted a reading of the sale behavior and quick and assertive responses in the replenishment orders within the collection, thus contributing to increase sales.

The Arezzo brand reached gross revenues of R$ 220.1 million in 3Q16, a growth of 8.2%, representing 56.4% of domestic sales. Due to the success recorded in winter, the summer campaign once again featured the main Brazilian model of international prominence, which, together with a strong marketing plan, resulted in an impact in the target audience 30% higher than in the last campaign. Additionally, in line with the company's strategy of providing an increasingly differentiated purchasing experience, the brand held the Persona Me campaign, causing an excellent perception in consumers. It should be noted that the high frequency of supplying new collections in the stores – counting on seven summer collections – enables a stronger reaction within the season, based on sell-out reading. This increases the assertiveness of products and boosts the gross margin of mono-brand stores through a higher average mark-up and fewer surpluses at the end of the collections. An important milestone in this quarter was the achievement of 5.9% of the brand sales in the Web Commerce channel, which is completing one year. Moreover, the brand's instagram account has reached the mark of 3 million followers.

The Schutz brand reached gross revenue of R$ 130.1 million or 33.4% of sales in the domestic market. Among the numerous marketing actions that strengthen the innovative and trend-setting brand positioning, noteworthy are the following: Schutz Step Up and Schutz Light On, focused on strengthening the tennis shoes category, and Schutz Trip F.I.S., launch event of the new website. The new Schutz Web platform, named F.I.S. (Fashion Info & Shop), represents another important step in the company's Omni project, by making the website a reference in fashion and trends content, increasing even more consumers' engagement and leveraging the sales channel. The brand's pilot operations in the USA continues to be an important project; with the second owned store, in Los Angeles, completing its second quarter and the wholesale operations preseting healthy growth levels.

The Anacapri brand posted sales of R$ 33.4 million in 3Q16, an increase of 24.7% on the same period of the previous year. The good result is a consequence of a more assertive mix in the summer collection, alongside the consolidation of the brand's positioning and boosted by greater marketing investments.

Alexandre Birman, through a continuous focus on boosting its international branding, saw its sales grow 22.6% against 3Q15. The brand has strengthened its positioning through initiatives aimed at consumers, partnering with key US department stores and obtaining major celebrity endorsements. In the opening ceremony of the Olympics, for instance, an internationally renowned model wore a sandal by the brand.

The Fiever brand continues increasing its performance, tripling its revenue against 2T16. An important event in the quarter was the launch of its online store, which in the first year of the brand reaches consumers throughout the nation.

Channels

Mono-brand – Franchises, Owned Stores and Web Commerce

Reflecting the company's strategy of strengthening the mono-brand stores, the Arezzo&Co stores chain (owned stores + franchises + web commerce) showed growth of 9.8% in sell-out sales in 3Q16 against 3Q15, particularly due to increased same-store sales, and the launch of the Arezzo brand online store in August 2015. Mono-brand same-store sales showed an increase was 6.4% in 3Q16. The stores sales area posted a 4.5% increase against the same quarter of 2015, excluding outlets.

The Company's revenue from mono-brand stores in the domestic market, consisting of sell-in for franchises and sell-out for owned stores and web commerce, showed growth of 7.4% in 3Q16 against 3Q15, mainly due to a 48.3% increase in the web commerce channel. The mono-brand stores accounted for 72.3% of sales in the domestic market in 3Q16.

The franchise channel showed an increase of 3.8% in sell-in for the quarter, with 46.7% of domestic sales in 3Q16, boosted by the opening of 23 franchises in the last 12 months, 5 of them for the Arezzo brand, 7 for Schutz, 11 for Anacapri, adding a total of 1,791 m² to the channel sales area, excluding outlets.

Sell-in sales, i.e., those made by Arezzo&Co to its franchisees, posted growth in same franchises (SSS – franchises) of 2.1% in 3Q16 against 3Q15. This growth is below the SSS sell-out for the quarter, which is consistent with the Company's strategy of keeping a healthy level of inventories with franchises and achieving better gross margins in the chain, with a higher average mark-up and less leftovers at the end of the collections.

The sell-out channels on their own, revenue grew 14.6% in 3Q16. Although there were fewer owned stores in the domestic market, the channel had a positive performance, growing 5.0% against 3Q15. Additionally, the Web Commerce channel, boosted by the launch of the Arezzo online store – which is completing one year – and the increase in Anacapri sales, contributed to the increase in sell-out.

The company ended 3Q16 with 537 mono-brand stores in Brazil and seven overseas. The numbers in Brazil are 380 for Arezzo, 78 for Schutz, 76 for Anacapri, two for Alexandre Birman and one for the Fiever brand.

Multi-brands

In 3Q16, sales in the multibrand channel were up by 4.5% against 3Q15, resuming growth. The channel's good performance reflects the combination of the Company's effort to constantly increase the service level, a collection with the proper mix of products and signs of recovery in confidence among storeowners. Noteworthy is the growth recorded by Anacapri, which captured new customers in the period and increased sales by over 30% in the channel. Additionally, Fiever has also increased its penetration among multi-brand customers.

As from 3Q15, the group's four brands are distributed through 2,091 stores in 3Q16, 7.6% fewer than in 3Q15, and can be found in 1,200 cities.

1. Company Overview

History of Stores	3T15	4T15	1T16	2T16	3T16
Sales area [1,3]- Total (m²)	**36.053**	**37.342**	**37.296**	**37.653**	**37.687**
Sales area - franchises (m²)	29.649	31.087	31.033	31.131	31.410
Sales area - owned stores² (m²)	6.404	6.255	6.264	6.522	6.278
Total number of domestic stores	**519**	**537**	**536**	**537**	**537**
# of franchises	**469**	**489**	**488**	**489**	**492**
Arezzo	360	367	366	365	365
Schutz	48	52	52	52	55
Anacapri	61	70	70	72	72
# of owned stores	**50**	**48**	**48**	**48**	**45**
Arezzo	16	15	15	15	15
Schutz	28	26	26	26	23
Alexandre Birman	2	2	2	2	2
Anacapri	4	4	4	4	4
Fiever	–	1	1	1	1
Total number of international stores	**6**	**6**	**7**	**7**	**7**
# of franchises	5	5	5	5	5
# of owned stores	1	1	2	2	2

3.99.3 Includes areas in square meters of international stores
3.99.4 Includes 7 outlet-type stores with a total area of 1,952 m²
3.99.5 Includes areas in square meters of stores expansion

Exports

The Company's sales in the foreign market posted a 4.7% decrease against the same period of the previous year due to the currency appreciation and a calendar effect of orders from international customers. Disregarding the foreign exchange effect, total exports sales for all channels - USA pilot operation, export of owned brands to the rest of the world and private label – would have been positive by 4.1%.

1. Company Overview

Key financial indicators	3Q15	3Q16	(%) 15 x 16	9M15	9M16	(%) 15 x 16
Net revenues	315.068	346.941	10,1%	836.760	900.240	7,6%
COGS	(182.053)	(194.741)	7,0%	(487.290)	(504.180)	3,5%
Gross profit	133.015	152.200	14,4%	349.470	396.060	13,3%
Gross margin	*42,2%*	*43,9%*	*1,7 p.p*	*41,8%*	*44,0%*	*2,2 p.p*
SG&A	(89.437)	(102.804)	14,9%	(246.708)	(292.115)	18,4%
% of net revenues	*28,4%*	*29,6%*	*1,2 p.p*	*29,5%*	*32,4%*	*2,9 p.p*
Selling expenses	(63.817)	(75.208)	17,8%	(170.591)	(209.528)	22,8%
Owned stores and web commerce	(27.155)	(30.625)	12,8%	(75.221)	(89.437)	18,9%
Selling, logistics and supply	(36.663)	(44.583)	21,6%	(95.371)	(120.091)	25,9%
General and administrative expenses	(20.808)	(19.570)	(5,9%)	(57.366)	(61.476)	7,2%
Other operating revenues (expenses)	1.309	(1.526)	n/a	(724)	(1.830)	152,7%
Depreciation and amortization	(6.121)	(6.500)	6,2%	(18.026)	(19.282)	7,0%
EBITDA	49.699	55.896	12,5%	120.789	123.226	2,0%
EBITDA margin	*15,8%*	*16,1%*	*0,3 p.p*	*14,4%*	*13,7%*	*(0,7 p.p)*
Net income	36.082	35.440	(1,8%)	86.163	80.332	(6,8%)
Net margin	*11,5%*	*10,2%*	*(1,3 p.p)*	*10,3%*	*8,9%*	*(1,4 p.p)*
Working capital[1] - as % of revenues	30,3%	29,1%	(1,2 p.p)	30,3%	29,1%	(1,2 p.p)
Invested capital[2] - as % of revenues	44,4%	45,3%	0,9 p.p	44,4%	45,3%	0,9 p.p
Total debt	126.928	95.785	(24,5%)	126.928	95.785	(24,5%)
Net debt[3]	(66.558)	(125.806)	89,0%	(66.558)	(125.806)	89,0%
Net debt/EBITDA LTM	-0,4x	-0,7x	-	-0,4x	-0,7x	-

3.100 Working Capital: current assets minus cash, cash equivalents and marketable securities less current liabilities minus loans and financing and dividends payable.
3.101 Invested capital: working capital plus fixed assets and other long-term assets less income tax and deferred social contribution.
3.102 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 revenue

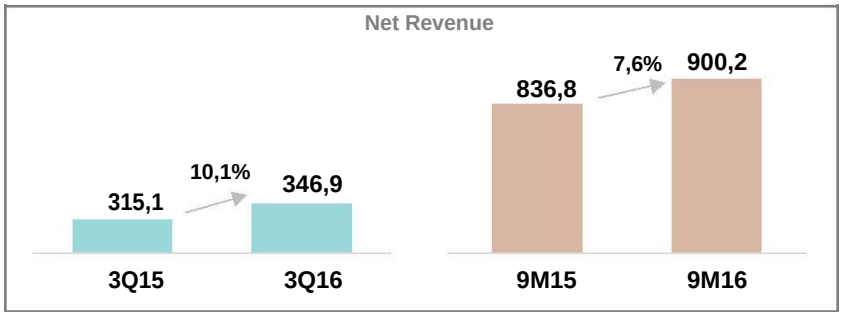
The company's net revenue grew to R$ 346.9 million in this quarter, up 10.1% against 3Q15. Among the primary factors driving this growth, worthy of mention are:

3.99.2 expansion of 48.3% in the web commerce channel, which now accounts for 7.4% of domestic market against 5.3% in 3Q15, highlighting the Arezzo brand, whose online store is completing one year;

3.99.3 5.0% sales growth in physical owned stores;

3.99.4 4.5% increase in the multi-brand channel, which resumed growth after 3 quarters of fall, particularly for Anacapri and Fiever;

3.99.5 a 4.7% fall in sales in the foreign market due to the appreciated exchange rate.



Gross Profit

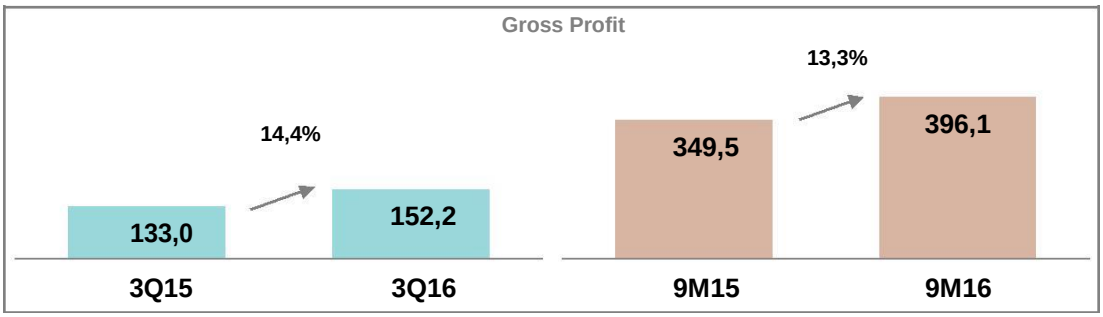
Gross profit totaled R$ 152.2 million in 3Q16, a 14.4% increase against 3Q15, with gross margin up by 170 bps to 43.9% no 3Q16. The main factors were:

3.99.3 a 48.3% growth in the web commerce channel, whose gross margin is higher than the average, accounting for 7.4% of sales versus 5.3% no 3Q15;

3.99.4 a positive 200bps impact in the gross margin due to ICMS tax benefits from the start-up of the new distribution center;

3.99.5 decrease in the export margin due to the exchange rate.

It should be remembered that the company's strategy is to keep the gross margin for each channel stable, with some variation in owned stores, web commerce and export channels.



Operating Expenses

The company works hard to adjust the level of expenses to the growth in sales. However, this quarter expenses were under pressure for four main reasons, as follows: (i) losses in renegotiations with delinquent debtors; (ii) the continuation of phase two of the pilot operation in the USA; (iii) expenses with the new distribution center; (iv) increase in payroll taxes.

Selling Expenses

Selling expenses grew by 17.8% in 3Q16 against 3Q15, reaching R$ 75.2 million for the quarter. It should be noted that selling expenses include costs of owned stores and web commerce, which amounted to R$ 30.6 million for the quarter, 12.8% more than in 3Q15, as well as sales, logistics and supply costs, which accounted for R$ 44.6 million and rose by 21.6% against the same period of the previous year.

Expenses for owned stores and web commerce were below the 14.6% increase in revenues from these channels, despite the impact of the R$1.5 million increase in payroll taxes.

Incremental expenses affected sales, logistics and supplies due to (i) losses in renegotiation with debtors in arrears of R$ 3.4 million; (ii) the pilot operation in the USA, in the amount of 1.9 million, particularly due to the opening of the store in California; e (iii) expenses for the new distribution center of R$ 1.3 million. Excluding these impacts, the total would be R$ 38.0 million, a 3.8% growth, below the increase in the company's revenue.

General and Administrative Expenses

In 3Q16, general and administrative expenses totaled R$ 19.6 million, a fall of 5.9% against 3Q15, evidencing the company's effort to keep its expenses under control.

EBITDA and EBITDA margin

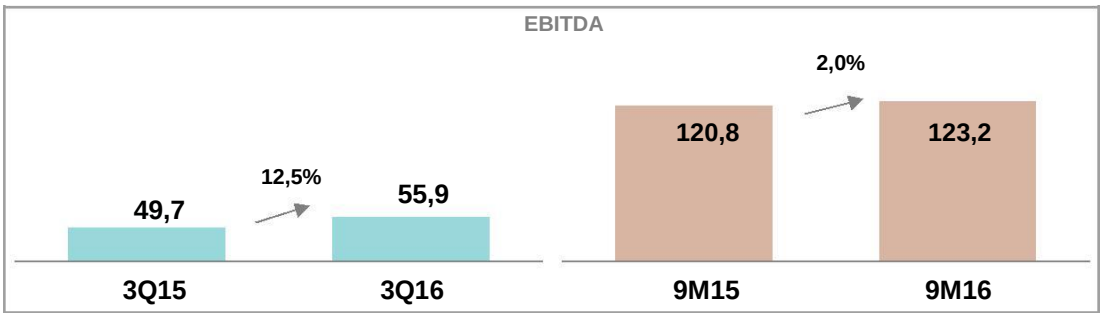
The company's EBITDA totaled R$ 55.9 million in 3Q16, with a margin of 16.1% and growth of 12.5% as compared to the results posted in 3Q15. Among the main reasons, the highlights were:

i) 10.1% growth in net revenue against the same period of the previous year;

ii) a 170bps increase in gross margin, closing 3Q16 at 43.9%;

iii) higher incremental operating expenses for initiatives reaching maturity, such as the pilot operation in the USA, and the new distribution center;

In line with the impact shown in the previous quarters, excluding the pilot operation in the USA, the company's consolidated EBITDA margin would've been 150bps higher.

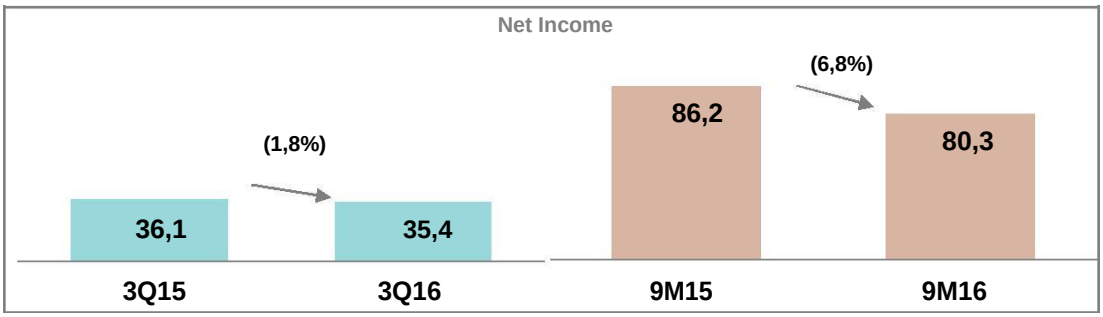


EBITDA Reconciliation	3Q15	3Q16	9M15	9M16
Net income	36.082	35.440	86.163	80.332
(-) Income tax and social contribution	(17.463)	(17.329)	(36.643)	(30.130)
(-) Financial results	9.968	3.373	20.044	6.518
(-) Depreciation and amortization	(6.121)	(6.500)	(18.026)	(19.282)
(=) EBITDA	49.699	55.896	120.788	123.226

Net income and net margin

The company's EBITDA margin of 16.1% in 3Q16 converted into a net margin of 10.2%, reflecting a lower financial result in 3Q16 against 3Q15, attributable to an exchange variation less favorable than in the same period of the previous year.

Net income for 3Q16 amounted to R$ 35.4 million. Excluding currency fluctuations, the company's net income would have increased 14,5% against 3Q15.



Operating cash flow

Arezzo&Co generated R$ 26.0 million cash from operations in 3Q16 and R$ 56.0 million year-to-date, with levels higher than in 3Q15, mainly due to lower consumption of working capital in the period. It should be noted that these changes do not represent changes in the company's sales policies, but reflect seasonal effects and the company's efforts to manage working capital more effectively.

Operating Cash Flow	3Q15	3Q16	15 x 16 (R$)	15 x 16 (%)	9M15	9M16	15 x 16 (R$)	15 x 16 (%)
Income before income tax and social contribution	**53.545**	**52.769**	**(776)**	**(1,4%)**	**122.806**	**110.462**	**(12.344)**	**(10,1%)**
Depreciation and amortization	**6.121**	**6.500**	**379**	**6,2%**	**18.026**	**19.282**	**1.256**	**7,0%**
Others	**1.169**	**(880)**	**(2.049)**	**n/a**	**(17)**	**(22.555)**	**(22.538)**	**n/a**
Decrease (increase) in assets / liabilities	**(46.494)**	**(21.674)**	**24.820**	**(53,4%)**	**(74.957)**	**(31.950)**	**43.007**	**(57,4%)**
Trade accounts receivables	(50.216)	(50.634)	(418)	0,8%	(63.630)	(53.991)	9.639	(15,1%)
Inventories	(5.839)	3.741	9.580	n/a	(25.442)	(17.917)	7.525	(29,6%)
Suppliers	15.857	21.930	6.073	38,3%	31.428	38.169	6.741	21,4%
Change in other noncurrent and current assets and liabilities	(6.296)	3.289	9.585	n/a	(17.313)	1.789	19.102	n/a
Payment of income tax and social contribution	**(9.733)**	**(10.672)**	**(939)**	**9,6%**	**(23.861)**	**(19.209)**	**4.652**	**(19,5%)**
Net cash flow generated by operational activities	**4.608**	**26.043**	**21.435**	**465,2%**	**41.997**	**56.030**	**14.033**	**33,4%**

Investments - CAPEX

The company makes investments of three types:

i) Investment in expansion or refurbishment of owned stores;
ii) Corporate investments, including IT, facilities, showrooms and offices; and
iii) Other investments, chiefly related to the modernization of its industrial operations.

Total Capex in 3Q16 was R$ 5.3 million mainly due to the purchase and renewal of software licenses and investments in logistics.

Summary of investments	3Q15	3Q16	15 x 16 (%)	9M15	9M16	15 x 16 (%)
Total CAPEX	**4.680**	**5.343**	**14,2%**	**20.763**	**20.783**	**0,1%**
Stores - expansion and refurbishing	1.158	856	(26,0%)	3.197	5.801	81,4%
Corporate	3.241	3.174	(2,1%)	14.820	8.336	(43,8%)
Other	281	1.313	366,5%	2.746	6.646	142,0%

Cash position and indebtedness

The company ended 3Q16 with R$ 221.6 in cash. The debt policy remains conservative, with the following primary characteristics:

- Total indebtedness of R$ 95.8 million in 3Q16 against R$ 97.5 million in 2Q16;
- Long term indebtedness of 30.7% of total debt in 3Q16, compared to 32.7% no 1Q16;
- Weighted average cost of the company's total debt in 3Q16 remained at low levels.

Cash position and Indebtedness	3Q15	2Q16	3Q16
Cash	**193.486**	**223.764**	**221.591**
Total debt	**126.928**	**97.535**	**95.785**
Short term	98.422	65.642	66.424
% total debt	77,5%	67,3%	69,3%
Long-term	28.506	31.893	29.361
% total debt	22,5%	32,7%	30,7%
Net debt	**(66.558)**	**(126.229)**	**(125.806)**

ROIC (Return on Invested Capital)

Return on invested capital (ROIC) in 3Q16 was 19.4%. Despite the growth in NOPAT, ROIC was pressed by a higher average level of capital employed. However, the balance of capital employed grew only 1%, showing stability in the last 12 months, as a result of an investment level close to depreciation and actions to control working capital.

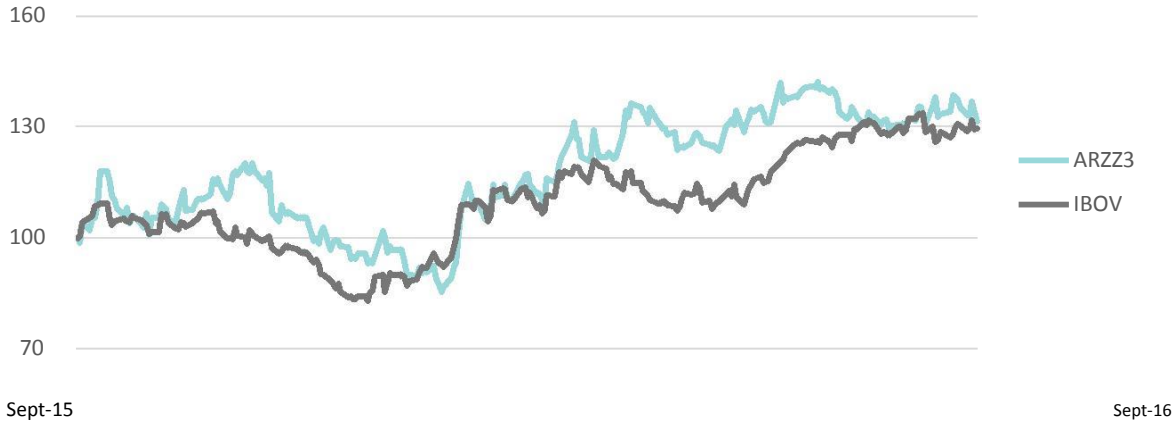
Income from operations	3Q14	3Q15	3Q16	15 x 16 (%)
EBIT (LTM)[1]	151.794	145.373	142.470	(2,0%)
+ IR and CS (LTM)[2]	(50.070)	(46.200)	(38.381)	(16,9%)
NOPAT	**101.724**	**99.173**	**104.089**	**5,0%**
Working Capital[3]	302.987	341.839	344.943	0,9%
Permanent assets	156.237	168.276	162.540	(3,4%)
Other long-term assets	8.107	23.276	31.450	35,1%
Invested capital[4]	**467.331**	**533.391**	**538.933**	**1,0%**
Average invested capital[5]		**500.361**	**536.162**	**7,2%**
ROIC[6]		**19,8%**	**19,4%**	

(1) Does not include a non-cash, non-recurring impact of R$8.7 million due to the implementation of the new ERP in 4Q14.
(2) An impact of R$2.8 million has been made to reflect the above-mentioned effect on EBIT for the last 12 months.
(3) Working Capital: current assets minus cash, cash equivalents and financial investments less current liabilities minus loans and financing and dividends payable.
(4) Less deferred income tax and social contribution.
(5) Average invested capital in the period and same period previous year.
(6) ROIC: NOPAT for the last 12 months divided by average invested capital.

Comments on company performance

3. Capital market and Corporate governance

At September 30, 2016, the Company had a market capitalization of R$2.32 billion (at a share price of R$ 26.18), representing an increase of 31.6% compared to the same period of 2015.



Arezzo&Co	
Shares issued	88,836,247
Ticker symbol	ARZZ3
Start date of trading	2/2/2011
Share price (9/30/2016)	26.18
Market cap	2,325,732,946
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	(24%)
[4]	(9%)
[5]	(22%)
[6]	50%

(1) Period from 2/2/2011 to 12/29/2011
(2) Period from 12/29/2011 to 12/28/2012
(3) Period from 12/28/2012 to 12/30/2013
(4) Period from 12/30/2013 to 12/30/2014
(5) Period from 12/30/2014 to 12/30/2015
(6) Period from 12/30/2015 to 9/30/2016

In order to ensure greater predictability and transparency, the Company has a policy for semiannual distribution of profits to its shareholders.

Forecast payments [1]:

Reference date	Date of payment	Payments	R$	Gross amount per common share (R$)
NA	NA	NA	NA	NA

(1) Subject to withholding income tax at the rate of 15%, except for shareholders that are tax-exempt or shareholders domiciled in countries or jurisdictions in which the legislation establishes a different tax rate.

In addition, the Company must distribute profits to its shareholders in the form of interest on capital, dividends among others, at least equal to 25% of the profit for the year. For further information on the profit distribution policy of Arezzo&Co, visit www.arezzoco.com.br.

Comments on company performance

4. Independent auditors

The audit of the financial statements of Arezzo&Co for the period ended September 30, 2016 was performed by PricewaterhouseCoopers Auditores Independentes. There were no non-audit services provided by this audit firm or any of its related firms to Arezzo.

5. Investor Relations

Shareholders, analysts and the market in general can find up-to-date information about the Company through the Investor Relations section of the company's website at www.arezzoco.com.br, and on CVM website www.cvm.gov.br, and BM&FBOVESPA website www.bmfbovespa.com.br.

For further information, please contact the Investor Relations Department via e-mail ri@arezzo.com.br or telephone: (11) 2132-4300.

6. Officers' declaration

Under the terms of CVM Instruction 480/09, the officers of Arezzo Indústria e Comércio S.A. do hereby declare that they have reviewed, discussed and agree with the financial statements for the period ended September 30, 2016 and with the opinions expressed in the auditor's report.

Forward-looking statements

The information included in this document may contain forward-looking information and reflects the executive officers' current perception and expectations regarding the macroeconomic environment, industry conditions, financial performance and results of the Company. Any statements, expectations, capacities, plans and projections included in this document that are not based on historical facts, such as information about dividend payment, future direction of operations, implementation of relevant operational and financial strategies, investment program and factors or trends affecting the financial condition, liquidity or operating results, constitute forward-looking information or statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. There can be no assurance that these results will materialize. The forward-looking statements are based on several factors and expectations, including economic and market conditions, competitiveness within the industry and operating factors. Any changes in these expectations and factors could cause actual results to differ materially from current expectations.

The consolidated financial information of Arezzo Indústria e Comércio S.A. presented herein is in accordance 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.

AREZZO INDÚSTRIA E COMÉRCIO S.A.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED INTERIM INFORMATION FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016

All amounts in thousands of reais unless when otherwise stated

1. Company information

Arezzo Indústria e Comércio S.A. (the "Company") is a listed company headquartered at Rua Fernandes Tourinho, 147 - salas 1301 e 1303, in the city of Belo Horizonte, State of Minas Gerais. The Company has shares traded on the "Novo Mercado" (New Market) listing segment of the São Paulo Commodities, Futures and Stock Exchange (BM&FBOVESPA) under the ticker symbol ARZZ3 since February 2, 2011.

The Company and its subsidiaries manufacture, develop, mold and sell women's shoes, handbags, clothing and accessories.

At September 30, 2016, the Company had 492 franchise-operated stores in Brazil and 5 abroad; 45 company-operated stores in Brazil and 2 abroad, and a web commerce channel to sell its products of Arezzo, Schutz, Anacapri and Fiever brands.

The franchise system is controlled by the Company and company-owned stores form part of Company subsidiaries.

Given its characteristics, the footwear industry is subject to variances in sales volume over the year. Second half-year sales tend to be higher than in the first half of the year. Because of this seasonality, accounts receivable, inventories and accounts payable are subject to significant changes between the periods according to customer orders placed and delivery schedule based on the calendar of collections and special sales. This information is being provided to develop a better understanding of the results and, in the management's judgment, the Company's business is not impacted by these effects to the extent of being regarded as highly seasonal, as defined in CPC 21 (R1)/IAS 34, which would require the Company to provide additional disclosures or information.

2. Accounting policies

2.1. Basis of preparation and presentation of the financial statements

The condensed parent company and consolidated interim financial information included in the Quarterly Information Form (ITR) has been prepared and is being presented for the nine-month period ended September 30, 2016, in accordance with the accounting standard CPC 21 (R1), Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as according to the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information Form (ITR).

The accounting principles, estimates, practices, calculation methods and standards adopted in preparing this condensed interim financial information are consistent with those stated in the financial statements for the year ended December 31, 2015, unless otherwise stated.

2. Accounting policies (Continued)

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

The condensed interim financial information included in the Quarterly Information Form (ITR) has been prepared under the historical cost convention, with the exception of certain financial assets and financial liabilities measured at fair value.

The condensed interim financial information included in the Quarterly Information Form (ITR) has been prepared by the Company to keep users up to date with the relevant information for the period and should be read in conjunction with the complete financial statements for the year ended December 31, 2015.

To avoid redundancy in the interim financial reporting and to comply with article 29 of CVM Instruction 480/09, the Company presents the number of the notes to the annual financial statements at December 31, 2015 that were not replicated in part or in whole in this interim financial information: 9 – Taxes recoverable, 10 – Other receivables, 18 – Labor liabilities, 19 – Tax and social liabilities, and 31 – Insurance coverage.

The Company's management has reclassified the line item "proceeds from borrowings" to "repayments of borrowings" within financing activities with third parties in the statement of cash flows for the period ended September 30, 2015, presented for comparison purposes. The reclassification of the line items does not have any effect on total from financing activities with third parties or any other totals in the statement of cash flows.

The condensed interim financial information included in the Quarterly Information Form (ITR) for the nine-month period ended September 30, 2016 was approved at the Board of Directors' meeting on October 31, 2016.

2.2. Basis of consolidation

The condensed consolidated interim financial information contained in the Quarterly Information Form (ITR) includes the operations of the Company and the following subsidiaries in which the Company directly or indirectly owns an interest, as summarized below:

Subsidiaries	Total ownership interest - %			
	2016		2015	
	Direct	Indirect	Direct	Indirect
ZZAB Comércio de Calçados Ltda.	**99.99**	**-**	99.99	-
ZZSAP Indústria e Comércio de Calçados Ltda.	**99.99**	**-**	99.99	-
ZZEXP Comercial Exportadora S/A	**99.99**	**-**	-	-
ARZZ International, INC.	**100.00**	**-**	100.00	-
ARZZ Co LLC	**-**	**100.00**	-	100.00
Schutz 655 LLC	**-**	**100.00**	-	100.00
Schutz Cali LLC	**-**	**100.00**	-	-

2. Accounting policies (Continued)

2.2. Basis of consolidation (Continued)

The new subsidiaries Schutz Cali LLC and ZZEXP Comercial Exportadora S/A were established and opened on April 21 and 26, 2016, respectively. Schutz Cali is an

exclusive Schutz brand store and ZZEXP will engage in all export transactions for the Group.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that control ceases. The interim financial information of subsidiaries is prepared for the same reporting period as the parent company, using consistent accounting policies for all consolidated entities. All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are fully eliminated.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control is accounted for as equity transactions within equity.

The profit for the period is fully attributable to owners of the parent since non-controlling interests represent 0.0001% of the consolidated equity.

3. Critical accounting judgments, estimates and assumptions

Critical accounting judgments, estimates and assumptions are the same as those adopted for the preparation of the financial statements for the year ended December 31, 2015.

4. New or revised pronouncements

The amendments or revisions to standards issued by IASB, which became effective on January 1, 2016, did not have a material impact on the Company's financial statements.

5. Cash and cash equivalents

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Cash	**30**	136	**523**	646
Banks	**402**	4,412	**6,632**	8,176
	432	4,548	**7,155**	8,822

6. Cash investments

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Current				
Fixed income (a)	**80**	31,417	**351**	40,313
Exclusive investment fund				
Bank deposit certificate (CDB)	**16,488**	11,584	**18,049**	11,584
Repurchase agreements	**16,843**	23,704	**18,438**	23,704
Financial bills (CEF)	**48,543**	85,746	**53,141**	85,746
Financial Treasury bills	**113,690**	55,593	**124,457**	55,593
	195,644	208,044	**214,436**	216,940
Non-current				
Lottery-linked deposit accounts	**-**	-	**-**	919
Total cash investments	**195,644**	208,044	**214,436**	217,859

(a) Includes bank deposit certificates (CDB) and marketable securities.

Exclusive investment fund

ZZ Referenciado DI Crédito Privado is a private fixed-income investment fund under management, administration and custody of Banco Santander S.A. There is no specified holding period for this investment fund and so shares can be redeemed without a material risk of loss. The investment fund does not have significant financial obligations. Financial obligations include asset management fees, custody fees, audit fees and expenses.

The fund is solely for the benefit of the Company and its subsidiaries. Thus, in accordance with CVM Instruction 408/04, the investment fund in which the Company invests exclusively has been consolidated.

At September 30, 2016, the average rate of return of the investment fund is 101.2% of the Interbank Deposit Certificate rate (CDI). Financial Treasury Bills (LFT) account for 56% of the investment fund assets and 76.02% of the assets provide daily liquidity.

The Company's cash investment policies restrict investments to low-risk securities and investments maintained at top-tier financial institutions (top 10 financial institutions in the country) and that substantially provide a return based on the CDI variance.

6. Cash investments (Continued)

Exclusive investment fund (Continued)

At September 30, 2016, the Company has no investment pledged as collateral to financial institutions.

7. Trade receivables

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Trade notes – domestic customers	**246,118**	180,275	**251,410**	183,221
Trade notes – foreign customers	**29,030**	39,402	**41,870**	53,681
Trade notes – related parties (Note 10.a)	**37,110**	28,800	**-**	-
Checks	**46**	16	**100**	266
Credit cards	**-**	-	**56,943**	59,864
	312,304	248,493	**350,323**	297,032
(-) Provision for impairment of trade receivables	**(1,523)**	(2,241)	**(1,569)**	(2,287)
	310,781	246,252	**348,754**	294,745
Current	**296,885**	232,035	**334,858**	280,528
Non-current	**13,896**	14,217	**13,896**	14,217

Changes in the provision for impairment of trade receivables are as follows:

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
At the beginning of the period	**(2,241)**	(365)	**(2,287)**	(411)
Additions	**(2,954)**	(2,034)	**(2,954)**	(2,034)
Realization	**3,672**	158	**3,672**	158
At the end of the period	**(1,523)**	(2,241)	**(1,569)**	(2,287)

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional provision of R$2,954 for the nine-month period ended September 30, 2016 (September 30, 2015 - R$2,034). Management believes that the balance of the provision is sufficient to cover losses on uncollectible accounts.

In the nine-month period ended September 30, 2016 the Company recognized R$9,124 (September 30, 2015 - R$4,631) of losses on accounts receivable, which was classified in selling expenses in the statement of income, using R$3,672 of provisions recognized.

At September 30, 2016, the Company does not have any trade receivables pledged as collateral for letters of guarantee from financial institutions (December 31, 2015 - R$97).

8. Inventories

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Raw material	**5,921**	5,672	**16,265**	12,359
Work in progress	**-**	-	**3,223**	9,831
Finished products	**40,683**	33,422	**103,636**	87,163
Advances to suppliers	**2,479**	1,793	**2,982**	2,071
(-) Provision for losses	**(2,087)**	(3,584)	**(2,087)**	(4,473)
	46,996	37,303	**124,019**	106,951

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
At the beginning of the period	**(3,584)**	(1,539)	**(4,473)**	(1,539)
Additions	**(1,051)**	(2,529)	**(1,094)**	(3,418)
Reversals	**201**	484	**244**	484
Realization	**2,347**	-	**3,236**	-
At the end of the period	**(2,087)**	(3,584)	**(2,087)**	(4,473)

9. Income tax and social contribution

a) Deferred taxes

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Deferred income tax and social contribution on:				
Temporary differences	**7,038**	3,231	**7,310**	3,551
Tax loss carryforwards	**-**	-	**2,694**	2,734
Total deferred income tax and social contribution	**7,038**	3,231	**10,004**	6,285

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Opening balance	**3,231**	2,429	**6,285**	4,124
Deferred tax recognized in the statement of income	**3,807**	802	**3,719**	2,161
Closing balance	**7,038**	3,231	**10,004**	6,285

The studies and projections carried out by the Company's management indicate that there will be sufficient future taxable profit to allow the tax credits to be utilized in the next years.

9. Income tax and social contribution (Continued)

Based on projections of future taxable profits, deferred tax assets are expected to be recovered as follows:

	Parent company		Consolidated	
	9/30/2016	12/31/2015	**9/30/2016**	12/31/2015
2016	**6,082**	2,653	**6,802**	3,669
2017	**425**	289	**1,401**	1,308
2018	**425**	289	**1,401**	1,308
After 2018	**106**	-	**400**	-
Total	**7,038**	3,231	**10,004**	6,285

b) Reconciliation of tax charges between statutory and effective tax rates

A reconciliation of tax expense calculated at the statutory tax rates to tax expense at the effective tax rate is as follows:

	Parent company	Consolidated

	9/30/2016	9/30/2015	9/30/2016	9/30/2015
Profit before income tax and social contribution	**106,738**	122,669	**110,462**	122,806
Statutory tax rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution expense at statutory tax rate	**(36,291)**	(41,707)	**(37,557)**	(41,754)
Deferred income tax and social contribution on unrecognized losses of subsidiaries	**-**	-	**(607)**	(1,940)
Effect of income tax and social contribution on permanent differences:				
Benefit of research and technological innovation expenses - Law 11,196/05	**2,877**	2,526	**2,877**	2,526
Equity in the results of investees	**552**	(3,474)	**-**	-
Interest on capital	**7,444**	5,288	**7,444**	5,288
Share option plan expense	**(1,018)**	(1,201)	**(1,018)**	(1,201)
Tax incentives (Workers' Meal Program (PAT), Rouanet Law, other)	**350**	646	**350**	646
Other permanent differences	**(320)**	1,416	**(1,619)**	(208)
Income tax and social contribution expense	**(26,406)**	(36,506)	**(30,130)**	(36,643)
Current	**(30,213)**	(39,014)	**(33,849)**	(40,939)
Deferred	**3,807**	2,508	**3,719**	4,296
Total	**(26,406)**	(36,506)	**(30,130)**	(36,643)
Effective tax rate - %	**24.74%**	29.76%	**27.28%**	29.84%

10. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	9/30/2016						
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Trade receivables	Receivables	Loans	Trade payables	Loans	Revenues	Purchases
Parent company							
Subsidiaries							
ARZZ Co LLC	**-**	**7,210**	**-**	**-**	**-**	**-**	**-**
ARZZ International INC	**-**	**35,212**	**-**	**-**	**-**	**19,188**	**-**
ZZAB Comércio de Calçados Ltda.	**37,095**	**-**	**-**	**29**	**-**	**118,862**	**-**
ZZSAP Indústria e Comércio de Calçados Ltda.	**15**	**-**	**-**	**13,021**	**-**	**246**	**98,231**
Total – Parent company	**37,110**	**42,422**	**-**	**13,050**	**-**	**138,296**	**98,231**
Consolidated							
Controlling shareholders	**-**	**-**	**-**	**-**	**1,208**	**-**	**-**
Total – Consolidated	**-**	**-**	**-**	**-**	**1,208**	**-**	**-**

	12/31/2015					9/30/2015	
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Trade receivables	Receivables	Loans	Trade payables	Loans	Revenues	Purchases
Parent company							
Subsidiaries							
ARZZ Co LLC	-	12,940	-	-	-	-	-

ARZZ International INC	-	28,442	1,055	-	-	18,708	-
ZZAB Comércio de Calçados Ltda.	28,797	-	-	357	-	110,058	-
ZZSAP Indústria e Comércio de Calçados Ltda.	3	-	-	4,091	-	1,281	82,694
Total – Parent company	28,800	41,382	1,055	4,448	-	130,047	82,694
Consolidated							
Controlling shareholders	-	-	-	-	1,393	-	-
Total – Consolidated	-	-	-	-	1,393	-	-

b) Nature, terms and conditions of transactions - subsidiaries

The transactions with related parties are conducted on commercial and financial terms agreed upon between the parties concerned. The most common transaction is the sale of shoes and accessories by the Company (parent) to ZZAB stores and to ARZZ International Inc. (subsidiaries) and the purchase of shoes and accessories from manufacturer ZZSAP (subsidiary). In September 2016, ZZEXP (subsidiary) began to purchase from ZZSAP and sell to ARZZ International Inc.

The commercial transactions between such related parties follow price policies and specified terms established between the parties. The average collection period for receivables from related parties is 90 days while the average payment period for payables to related parties is 37 days.

10. Balances and transactions with related parties (Continued)

c) Management compensation

Management compensation is composed of management fees and profit sharing. At September 30, 2016, the compensation paid to management for short-term benefits (management fees and profit sharing) was R$4,449 (September 30, 2015 - R$4,330), as shown below:

	9/30/2016	9/30/2015
Annual fixed compensation – salary/management fees	**3,980**	3,614
Variable compensation - bonus	**469**	716
Total compensation	**4,449**	4,330

The Company has a share-based compensation plan (Note 27). For the nine-month period ended September 30, 2016, the management share option plan expense totaled R$878 (September 30, 2015 - R$845) and is presented as operating expense before finance result.

The Company and its subsidiaries do not provide post-employment benefits, termination benefits or other long-term benefits to their management and employees.

d) Transactions or relationships with shareholders

At September 30, 2016, certain Company officers and directors directly own a total interest of 52.4% in the Company.

e) Transactions with other related parties

The Company has service agreements with firms whose partners or owners are members of the Company's Board of Directors, as described below:

- Legal advisory service agreement for civil, labor and tax matters with the law firm Procópio de Carvalho owned by Mr. José Murilo Procópio de Carvalho. This law firm received R$82 in the nine-month period ended September 30, 2016 (September 30, 2015 - R$260);
- Human resources management consulting agreement with the company Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha. This company received R$422 in the nine-month period ended September 30, 2016 (September 30, 2015 - R$476); and
- Business consulting agreement with Instituto de Desenvolvimento Gerencial S.A., where Mr. Wellerson Cavalieiri is a partner. There was no transaction in the nine-month period ended September 30, 2016 (September 30, 2015 - R$630).

11. Investments

Description	Assets	Liabilities	Equity	Capital	Net revenue	Profit (loss) for the period	Ownership interest %	Investment/Provision for investment losses		Equity in results of investees	
								9/30/2016	12/31/2015	9/30/2016	9/30/2015
ZZAB Com. de Calçados Ltda.	**189,131**	**54,338**	**134,793**	**93,614**	**191,000**	**2,244**	99.99	**134,793**	132,550	**2,244**	1,257
ZZSAP Ind. e Com. de Calçados Ltda.	**51,933**	**20,175**	**31,758**	**27,592**	**81,345**	**565**	99.99	**31,758**	31,195	**565**	(3,109)
ZZEXP Comercial Exportadora S/A	**17,685**	**16,884**	**801**	**200**	**4,101**	**601**	99.99	**801**	-	**601**	-
Investments								**167,352**	163,745	**3,410**	(1,852)
ARZZ International, INC	**44,696**	**61,945**	**(17,249)**	**29,644**	**54,194**	**(1,786)**	100.00	**(17,249)**	(24,487)	**(1,786)**	(8,366)
Provision for investment losses								**(17,249)**	(24,487)	**(1,786)**	(8,366)
								150,103	139,258	**1,624**	(10,218)

	Parent company	
	9/30/2016	12/31/2015
Balance at the beginning of the period, net of provision for losses	**139,258**	124,488
Capital payment	**5,569**	27,000
Cumulative translation adjustments	**3,652**	(5,502)
Equity in the results of investees	**1,624**	(6,728)
Balance at the end of the period, net of provision for losses	**150,103**	139,258

12. Property, plant and equipment

Changes in the property, plant and equipment are as follows:

Parent company	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
At December 31, 2014	4,957	4,465	3,963	10,731	169	101	24,386
Purchases	872	446	516	2,262	27	-	4,123
Depreciation	(1,140)	(476)	(469)	(1,060)	(50)	-	(3,195)
At September 30, 2015	4,689	4,435	4,010	11,933	146	101	25,314
At December 31, 2015	5,016	4,292	3,964	10,120	135	578	24,105
Purchases	**538**	**176**	**280**	**223**	**-**		**1,217**
Depreciation	**(1,215)**	**(490)**	**(501)**	**(1,113)**	**(34)**	**-**	**(3,353)**
Write-offs	**-**	**(153)**	**-**	**(89)**	**-**	**(477)**	**(719)**
At September 30, 2016	**4,339**	**3,825**	**3,743**	**9,141**	**101**	**101**	**21,250**
Average depreciation rate	20%	10%	10%	10%	20%	-	

Consolidated	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
At December 31, 2014	5,862	13,566	9,078	46,991	169	101	75,767
Purchases	1227	2,150	1,572	6,323	27	-	11,299
Depreciation	(1,454)	(1,585)	(1,145)	(4,316)	(50)	-	(8,550)
Write-offs	(4)	(60)	(12)	(1,213)	-	-	(1,289)
At September 30, 2015	5,631	14,071	9,493	47,785	146	101	77,227
At December 31, 2015	6,004	13,674	9,499	43,703	135	578	73,593
Purchases	**741**	**3,422**	**856**	**6,453**	**-**		**11,472**
Depreciation	**(1,526)**	**(1,797)**	**(1,208)**	**(4,265)**	**(34)**	**-**	**(8,830)**
Write-offs	**(17)**	**(589)**	**-**	**(1,188)**	**-**	**(477)**	**(2,271)**
Foreign exchange variation	**(39)**	**(155)**	**-**	**(1,029)**	**-**	**-**	**(1,223)**
At September 30, 2016	**5,163**	**14,555**	**9,147**	**43,674**	**101**	**101**	**72,741**
Average depreciation rate	20%	10%	10%	10%	20%	-	

13. Intangible assets

Changes in intangible assets are as follows:

Parent company	Trademarks and patents	Store use rights	Software use rights	Total
At December 31, 2014	2,812	1,078	47,131	51,021
Purchases	517	-	11,085	11,602
Amortization	-	-	(9,364)	(9,364)
At September 30, 2015	3,329	1,078	48,852	53,259
At December 31, 2015	3,330	1,078	50,108	54,516
Purchases	**145**	**-**	**4,927**	**5,072**
Amortization	**-**	**-**	**(10,373)**	**(10,373)**
At September 30, 2016	**3,475**	**1,078**	**44,662**	**49,215**
Estimated average useful life	Indefinite	Indefinite	5 years	

Consolidated	Trademarks and patents	Store use rights	Software use rights	Total
At December 31, 2014	2,928	39,598	47,550	90,076
Purchases	531	117	11,286	11,934
Amortization	-	-	(9,476)	(9,476)
Write-offs	-	(1,485)	-	(1,485)
At September 30, 2015	3,459	38,230	49,360	91,049
At December 31, 2015	3,459	36,679	50,591	90,729
Purchases	**145**	**4,001**	**5,165**	**9,311**
Amortization	**-**	**-**	**(10,452)**	**(10,452)**
Write-offs	**-**	**(899)**	**(2)**	**(901)**
Foreign exchange variation	**(7)**	**-**	**(58)**	**(65)**
At September 30, 2016	**3,597**	**39,781**	**45,244**	**88,622**
Estimated average useful life	Indefinite	Indefinite	5 years	

For the nine-month period ended September 30, 2016, the amount of R$14,101 (September 30, 2015 - R$12,383) of costs of research and development of new products was included in “general and administrative expenses” in the parent company and consolidated statement of income.

Impairment test for indefinite-lived intangible assets

The impairment test performed on the Company’s intangible assets did not reveal any need to recognize impairment losses for the year ended December 31, 2015, since the value in use exceeded the net carrying amount at the date of valuation. In preparing this condensed interim financial information, the Company assessed whether there were any factors that could impact the value of its assets and did not detect any indication that the assets may be impaired.

14. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Working capital (i)	**-**	-	**16,417**	19,654
FINAME (ii)	**-**	-	**893**	1,005
Advance on foreign exchange contract (ACC) (iii)	**26,879**	56,065	**38,280**	56,065
FINEP (iv)	**40,196**	46,429	**40,195**	46,429
	67,075	102,494	**95,785**	123,153
Current	**38,392**	65,521	**66,424**	85,336
Non-current	**28,683**	36,973	**29,361**	37,817

The interest rate and charges on borrowings are as follows:

(i) Working capital in the United States of America: denominated in U.S. dollars, plus average Libor + fixed rate of 1.35% p.a.

(ii) Equipment financing (Finame): 6% p.a.

(iii) Advance on foreign exchange contract (ACC): denominated in U.S. dollars, plus interest rates + bank spread, average of 2.37% p.a. at September 30, 2016.

(iv) Study and project financing (FINEP): rate of 4% and 5.25% p.a. or indexed to Long-Term Interest Rate (TJLP).

Maturity of borrowing agreements

- Working capital (Bank of America): matures in September 2017;
- FINAME: monthly installments with final maturity in October 2024;
- ACC: various agreements with final maturity in January 2017; and
- FINEP: maturities until September 2021.

At September 30, 2016, the non-current borrowings mature as follows:

	Parent company	Consolidated
2017	**2,228**	**2,282**
2018	**8,908**	**9,063**
2019	**8,592**	**8,709**
After 2019	**8,955**	**9,307**
Total	**28,683**	**29,361**

Borrowings are secured by controlling shareholders' guarantee and bank letters of guarantee, and do not contain restrictive covenants. Finame agreements are secured by the financed assets.

14. Borrowings (Continued)

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A, to have borrowing facilities available for Arezzo franchisees that are located in the area where the Bank operates, using the funds from the Northeast Region Constitutional Finance Fund (FNE) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees through working capital loans, if needed.

Under the terms of the agreement, the Company shall be the guarantor for these transactions through a surety bond when contracted by store owners. At September 30, 2016, these transactions amounted to R$1,814 (December 31, 2015 - R$1,631).

The Company has a technical and financial cooperation agreement with Banco Alfa, to have borrowing facilities available for Arezzo franchisees, using the funds from the National Bank for Economic and Social Development (BNDES) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees. The Company is the guarantor for these transactions. At September 30, 2016, the balance of transactions guaranteed by the Company was R$4,596 (December 31, 2015 - R$3,855).

15. Trade payables

Breakdown of trade payables is as follows:

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Domestic suppliers	**83,006**	50,953	**102,813**	64,868
Related parties (Note 10.a)	**13,050**	4,448	**-**	-
Foreign suppliers	**236**	13	**237**	13
	96,292	55,414	**103,050**	64,881

16. Provisions for labor, tax and civil contingencies

The balances are as follows:

	Parent company		Consolidated	
	9/30/2016	**12/31/2015**	**9/30/2016**	**12/31/2015**
Civil	**275**	240	**319**	240
Tax	**1,675**	1,675	**2,044**	2,044
Labor	**3,475**	2,311	**4,751**	3,310
	5,425	4,226	**7,114**	5,594

Based on the information provided by its legal advisors and the analysis of pending lawsuits, management set up a provision at an amount considered sufficient to cover estimated probable losses that may arise from the final outcome of lawsuits in progress, as shown below:

Parent company	**Civil**	**Tax**	**Labor**	**Total**
At December 31, 2014	484	1,675	2,346	4,505
Additions	2	-	245	247
Reversals/payments	(223)	-	(193)	(416)
At September 30, 2015	263	1,675	2,398	4,336
At December 31, 2015	240	1,675	2,311	4,226
Additions	**285**	**-**	**1,164**	**1,449**
Reversals/payments	**(250)**	**-**	**-**	**(250)**
At September 30, 2016	**275**	**1,675**	**3,475**	**5,425**

Consolidated	**Civil**	**Tax**	**Labor**	**Total**
At December 31, 2014	507	2,044	2,766	5,317
Additions	31	-	963	994
Reversals/payments	(224)	-	(508)	(732)
At September 30, 2015	314	2,044	3,221	5,579
At December 31, 2015	240	2,044	3,310	5,594
Additions	**329**	**-**	**2,002**	**2,331**
Reversals/payments	**(250)**	**-**	**(561)**	**(811)**
At September 30, 2016	**319**	**2,044**	**4,751**	**7,114**

16. Provisions for labor, tax and civil contingencies (Continued)

The Company and its subsidiaries have other civil, tax and labor proceedings at the administrative and judicial levels, amounting to approximately R$69,400 (Parent company and Consolidated), involving risks of loss classified by the legal advisors as possible and, therefore, requiring no provision. Of total amount, R$41,962 refers to labor proceedings, R$25,327 to tax proceedings and R$2,111 to civil proceedings.

The proceedings include the following:

i) Income tax and social contribution deficiency notice issued by the Brazilian Revenue Service on June 11, 2013, which, among other things, challenges the tax deductibility of the amortization of goodwill arising from the acquisition by BRICS Participações S.A. (BRICS) of an equity interest in the Company at a market value determined by independent experts, which was subsequently absorbed by the Company through a downstream merger. The goodwill absorbed is shown net of goodwill adjustment provision, as required by CVM Instruction 319/99, and represents the tax benefit resulting from the deductibility of said goodwill. This tax proceeding is currently at the administrative level and the risk of loss is assessed by the Company's legal advisors as possible, amounting to R$8,531.

ii) Tax delinquency notice issued by the Rio Grande do Sul State Finance Office on April 2, 2013, alleging that the Company has recognized improper ICMS credits on shipment of goods to buyers established in the Manaus Free Trade Zone (ZFM) and Free Trade Areas (ALCs) in the periods from February 2008 to December 2011, and thus demanding payment of ICMS. This tax proceeding is currently at the administrative level and the risk of loss is assessed by the Company's legal advisors as possible, amounting to R$5,464.

Judicial deposits

At September 30, 2016, judicial deposits of the parent company are R$9,303 (December 31, 2015 - R$6,054) and consolidated judicial deposits are R$13,033 (December 31, 2015 - R$8,621).

17. Share capital and reserves

17.1. Share capital

On April 27, 2016, the Board of Directors passed a resolution to increase the Company's capital by R$46,830, by means of conversion of part of the revenue reserve with no new share issue.

On June 3, 2016, the Board of Directors approved an increase of R$981 in the Company's capital by reason of the exercise by certain beneficiaries of their respective share options in the amount of 48 thousand registered, book-entry, common shares without par value of Lot II of the first grant of share options, pursuant to resolution passed at the Board of Directors' meeting on May 28, 2012 under the terms of the Share Option Plan.

On July 18, 2016, the Board of Directors approved an increase of R$950 in the Company's capital by reason of the exercise by certain beneficiaries of their respective share options in the amount of 53 thousand registered, book-entry, common shares without par value of Lot I of the fifth grant of share options, pursuant to resolution passed at the Board of Directors' meeting on June 3, 2016 under the terms of the Share Option Plan.

	Shares (in thousands)	**Share capital R$**
At December 31, 2014	88,682	220,086
Share capital increase with conversion of capital reserve	-	40,111
Issuance of shares under share option plan	53	1,050
At September 30, 2015	88,735	261,247
At December 31, 2015	88,735	261,247
Share capital increase with conversion of revenue reserve	-	**46,830**
Issuance of shares under share option plan	**101**	**1,931**
At September 30, 2016	**88,836**	**310,008**

17. Share capital and reserves (Continued)

17.2. Treasury shares

At March 30, 2015, the Company's Board of Directors approved a new share buyback program for the Company to repurchase its own shares with the intention of holding them in treasury and subsequently cancel or sell them. The maximum number of shares that the Company could buy back was 4,238,629 registered, book-entry, common shares without par value, representing 10% of the total number of shares outstanding, according to article 5 of CVM Instruction 10/80. The share buyback program was effective for 365 days from March 30, 2015 through March 29, 2016. The Company did not repurchase any share.

On March 28, 2016, the Board of Directors of the Company approved a new share buyback program for the Company to repurchase its own shares with the intention of holding them in treasury and subsequently cancel or sell them. The maximum number of shares that the Company may buy back is 4,243,903 registered, book-entry, common shares without par value, representing 10% of the total number of shares outstanding, pursuant to article 8, paragraph 3, item I of CVM Instruction 567/15. The share buyback program may be implemented over a 365-day period from March 28, 2016, and therefore expires on March 27, 2017.

18. Dividends and interest on capital paid and proposed

Dividends

In accordance with the Company's bylaws, the shareholders are entitled to a mandatory minimum dividend of 25% of the profit for the year after transfer to legal reserve as required by the Brazilian Corporate legislation. Interest on capital, when calculated, is considered as distribution of profits for purposes of determination of the minimum dividend to be distributed.

At February 29, 2016, the Board of Directors approved the proposal for allocation of profit for the year ended December 31, 2015, in the amount of R$18,704. At April 29, 2016, the proposal for distribution of additional dividends was approved at the General Meeting and the dividend payment was made on May 20, 2016.

On September 26, 2016, the Company approved at a Board of Directors' meeting the payment of interim dividends in the amount of R$11,257. The payment was made on October 26, 2016. The interim dividends paid during the year are an advance payment of the mandatory minimum dividend.

18. Dividends and interest on capital paid and proposed (Continued)

Interest on capital

In order to comply with tax rules, the Company recorded interest on capital paid in the year in "finance costs". For the purposes of this condensed interim financial information, this interest on capital was reversed from the statement of income to retained earnings, as determined by accounting practices. Income tax was withheld at the rate of 15% from the payment of this interest on capital, except for shareholders that are actually tax-exempt or shareholders that are domiciled in countries or jurisdictions in which the tax legislation establishes a different tax rate.

On June 21, 2016, the Board of Directors approved the distribution of R$21,893 of interest on capital relating to the first half of 2016, which was paid on July 15, 2016.

19. Earnings per share

In compliance with CPC 41 (IAS 33), the Company presents below earnings per share information for the nine-month periods ended September 30, 2016 and 2015.

a) Basic earnings per share

	9/30/2016	9/30/2015
Profit for the period (in thousands of reais)	**80,332**	86,163
Weighted average number of outstanding shares (thousands)	**88,769**	88,693
Basic earnings per share - R$	**0.9050**	0.9715

b) Diluted earnings per share

	9/30/2016	9/30/2015
Profit for the period (in thousands of reais)	**80,332**	86,163
Weighted average number of outstanding shares (thousands)	**88,769**	88,693
Adjustments for share options (thousands)	**331**	207
Weighted average number of common shares for diluted earnings per share (thousands)	**89,100**	88,900
Diluted earnings per share - R$	**0.9016**	0.9692

20. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	9/30/2016	**9/30/2015**	**9/30/2016**	**9/30/2015**
Gross sales revenue				
Domestic market	**854,206**	847,262	**1,020,230**	982,127
Foreign market	**68,605**	61,339	**114,307**	85,508
Sales returns	**(24,572)**	(15,840)	**(53,587)**	(37,847)
Discounts and rebates	**(1,358)**	(540)	**(1,358)**	(540)
Taxes on sales	**(133,390)**	(151,948)	**(179,352)**	(192,488)
Net sales revenue	**763,491**	740,273	**900,240**	836,760

21. Segment reporting

The Company has only one operating segment, which is defined as shoes, handbags and accessories. The Company is organized, and has its performance assessed, as a single business unit for operating, commercial, management and administrative purposes. This view is supported by the following factors:

- There is no segregation in its structure for the management of different product lines, brands or sales channels;
- Its manufacturing plant operates for more than one brand and sales channel;
- The Company's strategic decisions are based on studies that indicate market opportunities and not only on performance by product, brand or sales channel.

The Company's products are distributed under different brands (Arezzo, Schutz, Anacapri, Alexandre Birman and Fiever) and through different channels (franchisees, multi-brand stores, company-owned stores and web commerce), however they are controlled and run by management as a single business segment, and the results therefrom are monitored and evaluated in a centralized way.

21. Segment reporting (Continued)

For management purposes, management monitors the consolidated gross revenue by brand and sales channel, as shown below:

	Consolidated	
Brand	**9/30/2016**	**9/30/2015**
Gross revenue	**1,134,537**	1,067,635
Arezzo – domestic market	**585,024**	548,958
Schutz – domestic market	**342,756**	358,982
Anacapri - domestic market	**79,601**	67,720
Other	**12,849**	6,467
Foreign market	**114,307**	85,508

	Consolidated	
Sales channel	**9/30/2016**	**9/30/2015**
Gross revenue	**1,134,537**	1,067,635
Franchisees	**491,035**	476,790
Multi-brand stores	**242,830**	257,184
Company-owned stores	**206,939**	200,506
Web commerce	**77,473**	44,998
Other	**1,953**	2,649
Foreign market	**114,307**	85,508

The revenue from foreign market is not shown separately by geographic area as at September 30, 2016 it represents 10.1% of the gross revenue (September 30, 2015 – 8.0%). No single customer accounts for more than 5% of the sales on the domestic and foreign markets.

22. Expenses by nature

The Company elected to present the consolidated statement of income by function. As required by IFRS, additional disclosure of expenses by nature is as follows:

	Parent company		Consolidated	
	9/30/2016	**9/30/2015**	**9/30/2016**	**9/30/2015**
Expenses by function				
Cost of sales	**(509,000)**	(488,827)	**(504,180)**	(487,290)
Selling expenses	**(101,761)**	(84,854)	**(223,320)**	(182,932)
General and administrative expenses	**(55,832)**	(56,839)	**(66,966)**	(63,052)
Other operating expenses, net	**(3,856)**	(2,157)	**(1,830)**	(724)
	(670,449)	(632,677)	**(796,296)**	(733,998)

	Parent company		Consolidated	
	9/30/2016	**9/30/2015**	**9/30/2016**	**9/30/2015**
Expenses by nature				
Depreciation and amortization	**(13,726)**	(12,559)	**(19,282)**	(18,026)
Personnel expenses	**(74,947)**	(69,086)	**(130,864)**	(114,962)
Raw materials and consumables used	**(511,087)**	(489,783)	**(507,850)**	(489,552)
Freight	**(13,195)**	(15,044)	**(17,842)**	(18,466)
Store occupancy expenses	**-**	-	**(24,507)**	(22,573)
Other operating expenses	**(57,494)**	(46,205)	**(95,951)**	(70,419)
	(670,449)	(632,677)	**(796,296)**	(733,998)

23. Financial risk management objectives and policies

a) Fair value

The table below shows the main financial instruments and their respective fair values calculated by the Company's management.

	Consolidated			
	9/30/2016		**12/31/2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	**7,155**	**7,155**	8,822	8,822
Cash investments	**214,436**	**214,436**	217,859	217,859
Trade and other receivables	**348,754**	**348,754**	294,745	294,745
Borrowings	**95,785**	**95,785**	123,153	123,153
Trade and other payables	**103,050**	**103,050**	64,881	64,881

23. Financial risk management objectives and policies (Continued)

a) Fair value (Continued)

At September 30, 2016, consolidated financial instruments by category are as follows:

	Measured at	
	Fair value	**Amortized cost**
Assets		
Loans and receivables		
Cash and cash equivalents	-	**7,155**
Trade and other receivables	-	**348,754**
Financial assets at fair value through profit or loss		
Cash investments	**214,436**	**-**
Liabilities		
Other financial liabilities		
Borrowings	-	**103,050**
Trade and other payables	-	**95,785**

The fair value of the financial instruments has been determined on the basis of the following methods and assumptions:

- Cash investments – the carrying amounts stated in the balance sheet equal the fair value because the interest rates for the cash investments are based on the variation of the Interbank Deposit Certificate (CDI), Bank Deposit Certificate (CDB) and Financial Treasury Bills (LFT) (Note 6).

- Cash and cash equivalents, trade and other receivables, trade and other payables – These items derive directly from the operations of the Company and its subsidiaries and are measured at amortized cost. They are stated at original amount less provision for impairment and present value adjustment when applicable. The carrying amount approximates fair value due to the short-term nature of these instruments.

- Borrowings – These are classified as financial liabilities not measured at fair value and are carried at amortized cost according to the contractual terms. This classification was adopted because the amounts are not held for trading, which management understands is the most relevant financial information. The fair values of the borrowings are equivalent to their carrying amounts as these financial instruments are subject to rates equivalent to market rates and have specific characteristics.

23. Financial risk management objectives and policies (Continued)

a) Fair value (Continued)

a.1) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

The Company uses quoted prices in active markets (Level 1) and observable prices (Level 2) to measure the fair value of its financial instruments.

b) Foreign exchange risk

The results of operations of the Company and its subsidiaries are exposed to the U.S. dollar exchange rate risk because a portion of their sales revenue is linked to the U.S. dollar. To reduce the foreign exchange risk, almost all of their exports have financing pegged to the U.S. dollar.

At September 30, 2016 and December 31, 2015, the net exposure to the U.S. dollar is as follows:

	9/30/2016	**12/31/2015**
Trade receivables	**31,948**	39,402
Borrowings	**(26,879)**	(56,065)
Net exposure	**5,069**	(16,663)

To measure the sensitivity of assets and liabilities in foreign currency to which the Company was exposed at September 30, 2016, three different scenarios were simulated and a sensitivity analysis relating to exchange rate fluctuations was performed.

The table below shows three scenarios, being the probable scenario adopted by the Company. These scenarios were defined based on management's expectations of foreign exchange rate changes at the dates of maturity of the agreements exposed to foreign exchange risk.

23. Financial risk management objectives and policies (Continued)

b) Foreign exchange risk (Continued)

In addition to this scenario, the CVM through Instruction 475 of December 17, 2008 (CVM Instruction 475) determined that two other scenarios should be presented, applying an appreciation of 25% and 50% of the risk variable under analysis. These scenarios are being presented according to CVM regulation.

Transaction	Currency	Probable scenario (Carrying amount)	Scenario A	Scenario B
Depreciation of the exchange rate				
Trade receivables in foreign currency	R$	31,948	39,935	47,922
Borrowings in foreign currency	R$	(26,879)	(33,599)	(40,319)
Rate depreciation			25%	50%
Reference rate - USD		3.25	4.06	4.87
Effect on profit before taxes	R$		1,267	2,534

In March 2016, the Company entered into a hedging derivative instrument of US$294 thousand to reduce its currency exposure in import transactions, considering payments in U.S. dollars, due and settled on June 20, 2016.

The adjustments arising from the derivative instruments produced the following effects:

Statement of income	9/30/2016	9/30/2015
Loss included in “finance result”	**(158)**	-

The fair value of derivatives was calculated based on official USD forward rates, by reference to the first forward rate before and after the maturity of the derivative instrument at the year-end. Based on such data, the weighted average of forward rates was calculated so as to estimate the fair value of the instrument at each period-end.

23. Financial risk management objectives and policies (Continued)

c) Interest rate risk

The Company is exposed to interest rate risk because of borrowings subject to the Long-Term Interest Rate (TJLP). The rates are disclosed in Note 14.

At September 30, 2016, borrowings are subject to the following interest rates:

	Consolidated	
	9/30/2016	**%**
Fixed interest	**39,173**	41%
Interest based on TJLP and Libor	**56,612**	59%
	95,785	100%

To measure the sensitivity of the interest rates of the borrowings to which the Company was exposed at September 30, 2016, three different scenarios were simulated and a sensitivity analysis relating to interest rate shifts was performed.

The table below shows three scenarios, being the probable scenario adopted by the Company. Based on the amounts of TJLP and Libor in effect at September 30, 2016, the probable scenario for the year 2016 was defined, applying variances of 25% and 50% as required by CVM Instruction 475.

For each scenario, gross interest expense was calculated, without taking into consideration taxes and the flow of maturities of each agreement. The base date used for borrowings was September 30, 2016, projecting the interest rates for one year and verifying the sensitivity of the same rates in each scenario.

Transaction	Currency	Probable	Scenario A	Scenario B
Increase in interest expense				
Borrowings – TJLP	R$	3,015	3,768	4,522
Borrowings – Libor	R$	256	320	384
		3,271	4,088	4,906
Interest rate increase			25%	50%
Reference for financial liabilities				
TJLP		7.50%	9.38%	11.25%
Libor		1.56%	1.95%	2.43%

23. Financial risk management objectives and policies (Continued)

d) Financial instruments

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2015.

e) Credit risk

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2015.

f) Liquidity risk

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2015.

The table below shows contractual payments due under financial liabilities:

	Projection including future interest			
	Less than one year	**From 1 to 5 years**	**Over 5 years**	**Total**
Borrowings	67,961	31,354	244	99,559
Trade and other payables	103,050	-	-	103,050

g) Capital management

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2015.

24. Finance result

	Parent company		Consolidated	
	9/30/2016	**9/30/2015**	**9/30/2016**	**9/30/2015**
Finance income:				
Interest income	**3,392**	4,040	**3,468**	4,056
Interest income on cash investments	**21,140**	16,810	**21,722**	16,909
Other income	**27**	402	**173**	311
	24,559	21,252	**25,363**	21,276
Finance costs:				
Bank charges	**(1,737)**	(1,759)	**(2,347)**	(2,079)
Interest on borrowings	**(2,417)**	(1,331)	**(2,494)**	(1,942)
Credit card administration fee	**-**	-	**(4,483)**	(4,054)
Notary public fees	**(1,167)**	(1,822)	**(1,210)**	(1,856)
Other costs	**(1,182)**	(1,411)	**(2,187)**	(1,751)
	(6,503)	(6,323)	**(12,721)**	(11,682)
Foreign exchange variation, net	**(5,984)**	10,362	**(6,124)**	10,450
Total	**12,072**	25,291	**6,518**	20,044

25. Other operating income (expenses), net

	Parent company		Consolidated	
	9/30/2016	**9/30/2015**	**9/30/2016**	**9/30/2015**
Share option plan (Note 27)	**(2,993)**	(3,531)	**(2,993)**	(3,531)
Franchise fees	**789**	855	**789**	855
Recovery of expenses	**623**	442	**627**	454
Result on disposal of property, plant and equipment and intangible assets	**(152)**	21	**51**	(54)
Other (expenses) income, net	**(2,123)**	56	**(304)**	1,552
	(3,856)	(2,157)	**(1,830)**	(724)

26. Operating lease commitments – store lease

The future minimum lease payments under non-cancelable operating leases are as follows:

	Minimum lease payments at 9/30/2016 (Consolidated)
Less than one year	**16,093**
More than one year and no later than 5 years	**30,416**

The average monthly lease expenditure for the nine-month period ended September 30, 2016 is R$2,517 (September 30, 2015 - R$2,301). The lease terms are four to five years, and the lease agreements are subject to finance charges based on IGPM variance p.a., as specified in each agreement.

For the nine-month period ended September 30, 2016, lease expenditure, net of taxes recoverable, amounted to R$22,653 (September 30, 2015 - R$20,705). The balance of leases payable is R$113 (December 31, 2015 - R$875).

27. Share option plan

5th grant – June 2016:

On June 13, 2016, the Company delivered to the plan participants the Option Award Agreement which sets out the terms and conditions of the share option plan. This agreement should be signed and returned to the Company within 30 days, together with the notice of exercise of Lot I and the proof of payment therefor, where applicable. If one of these events does not occur within the established time period, the participant may become ineligible for the plan.

The exercise price of the options has been set at R$17.68 per share, corresponding to the average of the closing prices of the Company shares on the stock exchange (BM&FBovespa) during the 90 trading sessions preceding the approval of the grant, with a negative goodwill of 20%.

The application for the Share Option Plan was finalized in July 2016 upon fulfillment of all initial terms and conditions, express acceptance by eligible participants by signing the Option Award Agreement and, when applicable, the notice of exercise of Lot I and the payment therefor.

27. Share option plan (Continued)

5th grant – June 2016: (Continued)

Changes in the share option plan are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant
At December 31, 2015	60,806	407,506	695,084	643,928	-
Options granted	**-**	**-**	**-**	**-**	**759,639**
Options exercised	**(45,658)**	**-**	**-**	**-**	**-**
Options written off (*)	**(10,823)**	**(98,654)**	**(161,098)**	**(88,408)**	**-**
At September 30, 2016	**4,325**	**308,852**	**533,986**	**555,520**	**759,639**

(*) Options written off due to termination of employees who participated in the share option plan.

In the nine-month period ended September 30, 2016, the share option plan expense of R$2,993 (September 30, 2015 - R$3,531) was charged to the statement of income with a corresponding entry to a separate capital reserve account within equity.

28. Government grants

Competitiveness Agreement – State Value-Added Tax (ICMS)

Under Regulations 088-R of October 29, 2015 and 077-R of June 1, 2016, the State of Espírito Santo has included the Company, through its parent and one subsidiary, respectively, in the Register of Competitiveness Agreement Beneficiaries of the State Secretary of Development to receive ICMS benefits.

In the nine-month period ended September 30, 2016, the Company received a tax benefit of R$24,901, which was recorded in the statement of income, reducing expenses related to taxes on sales.

Opinions and Declarations / Report on review of quarterly information – without exceptions

To the Board of Directors and Shareholders
Arezzo Indústria e Comércio S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Arezzo Indústria e Comércio S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2016, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21 - Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2016. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Corresponding figures

The Quarterly Information (ITR) referred to in the first paragraph includes accounting information related to income and comprehensive income for the quarter and nine-month period ended September 30, 2015, and changes in equity, cash flows and value added for the nine-month period ended September 30, 2015, obtained from the quarterly information (ITR) for that quarter, and to the balance sheet as at December 31, 2015, obtained from the financial statements at December 31, 2015, presented for comparison purposes. The review of the Quarterly Information (ITR) for the quarter ended September 30, 2015 and the audit of the financial statements for the year ended December 31, 2015 were performed by other auditors who issued a review report and an audit report dated November 3, 2015 and February 29, 2016, respectively, without exceptions.

Porto Alegre, October 31, 2016

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