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Company information / Capital composition

Number of shares (in thousands)	Current quarter 9/30/2017
Paid-up capital	
Common shares	89,766
Preferred shares	0
Total	89,766
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

Company information / Cash proceeds

Event	Approval	Proceeds	Beginning of payment	Share type	Share class	Earnings per share (R$ per share)
Board of Directors' Meeting	8/28/2017	Dividend	9/27/2017	Common shares		0.98960
Board of Directors' Meeting	6/26/2017	Interest on capital	7/28/2017	Common shares		0.23995

Parent company financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
1	Total assets	839,351	835,206
1.01	Current assets	515,905	509,572
1.01.01	Cash and cash equivalents	1,220	81
1.01.02	Cash investments	188,666	198,310
1.01.02.01	Cash investments measured at fair value	188,666	198,310
1.01.02.01.03	Cash investments measured at fair value	188,666	198,310
1.01.03	Trade and other receivables	267,189	244,979
1.01.03.01	Trade receivables	267,189	244,979
1.01.04	Inventories	40,634	39,559
1.01.06	Taxes recoverable	3,942	15,352
1.01.06.01	Current taxes recoverable	3,942	15,352
1.01.08	Other current assets	14,254	11,291
1.01.08.03	Other	14,254	11,291
1.02	Non-current assets	323,446	325,634
1.02.01	Long-term receivables	63,004	73,914
1.02.01.03	Trade and other receivables	10,368	13,676
1.02.01.03.01	Trade receivables	10,368	13,676
1.02.01.06	Deferred taxes	13,352	5,551
1.02.01.06.01	Deferred income tax and social contribution	13,352	5,551
1.02.01.08	Receivables from related parties	24,854	40,998
1.02.01.08.02	Receivables from subsidiaries	24,854	40,998
1.02.01.09	Other non-current assets	14,430	13,689
1.02.01.09.04	Judicial deposits	12,161	10,361
1.02.01.09.05	Other	2,269	3,328
1.02.02	Investments	200,167	183,221
1.02.02.01	Equity interests	197,761	182,316
1.02.02.01.02	Investments in subsidiaries	197,761	182,316
1.02.02.02	Investment property	2,406	905
1.02.02.02.01	Investment property	2,406	905
1.02.03	Property, plant and equipment	20,800	21,961
1.02.03.01	Property, plant and equipment in operation	20,800	21,961
1.02.04	Intangible assets	39,475	46,538
1.02.04.01	Intangible assets	39,475	46,538
1.02.04.01.02	Trademarks and patents	3,596	3,521
1.02.04.01.03	Store use rights	1,078	1,078
1.02.04.01.04	Software use rights	34,801	41,939

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
2	Total liabilities	839,351	835,206
2.01	Current liabilities	152,962	110,878
2.01.01	Salaries, vacation pay and social charges payable	28,409	19,066
2.01.01.01	Social charges	2,166	2,420
2.01.01.02	Salaries and vacation pay	26,243	16,646
2.01.02	Trade payables	97,377	52,569
2.01.02.01	Domestic suppliers	97,346	52,132
2.01.02.02	Foreign suppliers	31	437
2.01.03	Taxes payable	10,831	7,893
2.01.03.01	Federal taxes payable	10,385	7,764
2.01.03.01.01	Income tax and social contribution payable	4,978	0
2.01.03.01.02	Other federal taxes payable	5,407	7,764
2.01.03.02	State taxes payable	441	127
2.01.03.03	Local taxes payable	5	2
2.01.04	Borrowings	8,908	26,201
2.01.04.01	Borrowings	8,908	26,201
2.01.04.01.01	In local currency	8,908	10,522
2.01.04.01.02	In foreign currency	0	15,679
2.01.05	Other liabilities	7,437	5,149
2.01.05.02	Other	7,437	5,149
2.01.05.02.04	Other	7,437	5,149
2.02	Non-current liabilities	56,150	54,629
2.02.01	Borrowings	19,775	26,456
2.02.01.01	Borrowings	19,775	26,456
2.02.01.01.01	In local currency	19,775	26,456
2.02.02	Other liabilities	0	117
2.02.02.02	Other	0	117
2.02.02.02.04	Advances from third parties	0	117
2.02.04	Provisions	36,375	28,056
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	6,186	5,548
2.02.04.01.02	Provision for social security and labor contingencies	4,255	3,585
2.02.04.01.04	Provision for civil contingencies	256	288
2.02.04.01.05	Provision for tax contingencies	1,675	1,675
2.02.04.02	Other provisions	30,189	22,508
2.02.04.02.04	Provision for net capital deficiency	30,189	22,508
2.03	Equity	630,239	669,699
2.03.01	Paid-up capital	330,375	310,008
2.03.02	Capital reserves	43,268	39,554
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.04	Share options granted	21,798	18,084
2.03.04	Revenue reserves	217,024	321,999
2.03.04.01	Legal reserve	35,983	35,983
2.03.04.05	Retained profit reserve	178,358	230,358
2.03.04.07	Tax incentive reserve	2,683	2,683
2.03.04.08	Proposed additional dividend	0	52,975
2.03.05	Retained earnings/accumulated deficit	40,754	0

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
2.03.06	Carrying value adjustments	-1,182	-1,862

Parent company financial statements /

Statement of income (R$ thousand)

Code	Description	Current quarter 7/1/2017 to 9/30/2017	YTD - current year 1/1/2017 to 9/30/2017	Same quarter of prior year 7/1/2016 to 9/30/2016	YTD - prior year 1/1/2016 to 9/30/2016
3.01	Revenue from sales of goods and/or services	300,902	792,314	298,171	763,491
3.02	Cost of sales and/or services	-187,791	-499,060	-195,157	-509,000
3.03	Gross profit	113,111	293,254	103,014	254,491
3.04	Operating income/expenses	-62,453	-178,426	-58,224	-159,825
3.04.01	Selling expenses	-43,198	-115,744	-38,921	-101,761
3.04.02	General and administrative expenses	-23,208	-71,452	-19,705	-55,832
3.04.05	Other operating expenses	-137	-655	-2,357	-3,856
3.04.06	Equity in the results of investees	4,090	9,425	2,759	1,624
3.05	Profit before finance result and taxes	50,658	114,828	44,790	94,666
3.06	Finance result	3,194	14,904	5,247	12,072
3.06.01	Finance income	6,936	22,725	7,488	25,735
3.06.01.01	Interest income	6,936	22,441	7,245	24,559
3.06.01.02	Foreign exchange gains	0	284	243	1,176
3.06.02	Finance costs	-3,742	-7,821	-2,241	-13,663
3.06.02.01	Interest expense	-1,894	-6,329	-2,241	-6,503
3.06.02.02	Foreign exchange losses	-1,848	-1,492	0	-7,160
3.07	Profit before income tax and social contribution	53,852	129,732	50,037	106,738
3.08	Income tax and social contribution	-16,171	-30,606	-14,597	-26,406
3.08.01	Current	-18,641	-38,407	-17,438	-30,213
3.08.02	Deferred	2,470	7,801	2,841	3,807
3.09	Profit for the period from continuing operations	37,681	99,126	35,440	80,332
3.11	Profit for the period	37,681	99,126	35,440	80,332
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.42220	1.11060	0.39920	0.90500
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.41900	1.10240	0.39780	0.90160

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

Code	Description	Current quarter 7/1/2017 to 9/30/2017	YTD - current year 1/1/2017 to 9/30/2017	Same quarter of prior year 7/1/2016 to 9/30/2016	YTD - prior year 1/1/2016 to 9/30/2016
4.01	Profit for the period	37,681	99,126	35,440	80,332
4.02	Other comprehensive income	1,228	680	-158	3,652
4.02.01	Foreign exchange differences arising from the translation of foreign operations	1,228	680	-158	3,652
4.03	Comprehensive income for the period	38,909	99,806	35,282	83,984

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

Code	Description	YTD - current year 1/1/2017 to 9/30/2017	YTD - prior year 1/1/2016 to 9/30/2016
6.01	Net cash provided by operating activities	131,765	48,101
6.01.01	Cash from operations	129,634	96,770
6.01.01.01	Profit before income tax and social contribution	129,732	106,738
6.01.01.02	Depreciation and amortization	14,151	13,726
6.01.01.03	Result on disposal of property, plant and equipment	-7	152
6.01.01.04	Equity in results of investees	-9,425	-1,624
6.01.01.05	Provision for labor, tax and civil contingencies	638	1,199
6.01.01.06	Interest and foreign exchange variation on Borrowings	1,139	-5,406
6.01.01.07	Interest income on cash investments	-18,832	-21,140
6.01.01.08	Provision for impairment of trade receivables	7,522	-718
6.01.01.09	Addition to provision for inventory losses	1,002	850
6.01.01.10	Share option plan	3,714	2,993
6.01.02	Changes in assets and liabilities	20,782	-31,805
6.01.02.01	Trade receivables	-27,924	-64,511
6.01.02.02	Inventories	-2,076	-10,543
6.01.02.03	Changes in other current and non-current assets	-1,904	2,088
6.01.02.04	Taxes recoverable	665	-4,381
6.01.02.05	Judicial deposits	-1,800	-3,249
6.01.02.07	Trade payables	44,811	40,877
6.01.02.08	Salaries and vacation pay	9,595	8,081
6.01.02.09	Taxes and social charges payable	-2,758	-694
6.01.02.10	Other liabilities	2,173	527
6.01.03	Other	-18,651	-16,864
6.01.03.01	Income tax and social contribution paid	-18,651	-16,864
6.02	Net cash provided by investing activities	21,324	16,445
6.02.01	Purchases of property, plant and equipment and intangible assets	-5,960	-6,289
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	40	90
6.02.03	Cash investments	-423,937	-412,721
6.02.04	Redemption of cash investments	448,840	440.934
6.02.05	Capital contribution to subsidiaries	-1,800	-5,569
6.02.06	Dividends received	4,141	0
6.03	Net cash used in financing activities	-151,950	-68,662
6.03.01	Proceeds from borrowings	0	34,978
6.03.02	Repayments of borrowings	-24,049	-63,585
6.03.03	Payment of interest on borrowings	-1,065	-1,404
6.03.04	Related parties	16,144	15
6.03.05	Interest on capital	-21,540	-21,893
6.03.06	Distribution of profits	-141,807	-18,704
6.03.08	Share capital increase – share issue	20,367	1,931
6.05	Increase (decrease) in cash and cash equivalents	1,139	-4,116
6.05.01	Cash and cash equivalents at the beginning of the period	81	4,548
6.05.02	Cash and cash equivalents at the end of the period	1,220	432

Parent company financial statements / Statement of changes in equity - 1/1/2017 to 9/30/2017 (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	310,008	39,554	321,999	0	-1,862	669,699
5.03	Adjusted opening balances	310,008	39,554	321,999	0	-1,862	669,699
5.04	Equity transactions with shareholders	20,367	3,714	-104,975	-58,372	0	-139,266
5.04.03	Options granted	0	3,714	0	0	0	3,714
5.04.06	Dividends	0	0	-52,975	0	0	-52,975
5.04.07	Interest on capital	0	0	0	-21,540	0	-21,540
5.04.08	Interim dividends	0	0	-52,000	-36,832	0	-88,832
5.04.09	Share issue	20,367	0	0	0	0	20,367
5.05	Total comprehensive income	0	0	0	99,126	680	99,806
5.05.01	Profit for the period	0	0	0	99,126	0	99,126
5.05.02	Other comprehensive income	0	0	0	0	680	680
5.05.02.06	Carrying value adjustments	0	0	0	0	680	680
5.07	Closing balances	330,375	43,268	217,024	40,754	-1,182	630,239

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 dividends	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 value added (R$ thousand)

Code	Description	YTD - current year 1/1/2017 to 9/30/2017	YTD - prior year 1/1/2016 to 9/30/2016
7.01	Revenue	922,136	897,599
7.01.01	Sales of goods, products and services	929,658	896,881
7.01.04	Provision for/reversal of impairment of trade receivables	-7,522	718
7.02	Inputs acquired from third parties	-706,758	-715,997
7.02.01	Cost of sales and services	-633,727	-646,349
7.02.02	Materials, energy, outsourced services and other	-70,839	-67,874
7.02.04	Other	-2,192	-1,774
7.03	Gross value added	215,378	181,602
7.04	Deductions	-14,151	-13,726
7.04.01	Depreciation, amortization and depletion	-14,151	-13,726
7.05	Net value added generated by the entity	201,227	167,876
7.06	Value added received through transfer	35,232	26,493
7.06.01	Equity in the results of investees	9,425	1,624
7.06.02	Finance income	22,725	25,735
7.06.03	Other	3,082	-866
7.07	Total value added to distribute	236,459	194,369
7.08	Distribution of value added	236,459	194,369
7.08.01	Personnel	79,779	62,622
7.08.01.01	Direct compensation	48,488	42,966
7.08.01.02	Benefits	5,366	4,938
7.08.01.03	Government severance indemnity fund for employees (FGTS)	4,118	4,318
7.08.01.04	Other	21,807	10,400
7.08.01.04.01	Employee profit sharing	12,334	2,865
7.08.01.04.02	Other	5.759	4,542
7.08.01.04.03	Share option plan	3,714	2,993
7.08.02	Taxes and contributions	45,511	31,632
7.08.02.01	Federal	70,170	53,438
7.08.02.02	State	-24,861	-21,899
7.08.02.03	Local	202	93
7.08.03	Lenders and creditors	12,043	19,783
7.08.03.01	Interest	1,188	2,417
7.08.03.02	Rentals	4,222	6,120
7.08.03.03	Other	6,633	11,246
7.08.03.03.01	Finance cost	6,633	11,246
7.08.04	Shareholders	99,126	80,332
7.08.04.01	Interest on capital	21,540	21,893
7.08.04.02	Dividends	36,832	11,257
7.08.04.03	Profits reinvested / loss for the period	40,754	47,182

Consolidated financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
1	Total assets	912,656	907,148
1.01	Current assets	712,162	706,229
1.01.01	Cash and cash equivalents	4,920	5,020
1.01.02	Cash investments	213,334	237,824
1.01.02.01	Cash investments measured at fair value	213,334	237,824
1.01.02.01.03	Cash investments measured at fair value	213,334	237,824
1.01.03	Trade and other receivables	340,155	315,304
1.01.03.01	Trade receivables	340,155	315,304
1.01.04	Inventories	116,783	110,478
1.01.06	Taxes recoverable	19,966	22,562
1.01.06.01	Current taxes recoverable	19,966	22,562
1.01.08	Other current assets	17,004	15,041
1.01.08.03	Other	17,004	15,041
1.02	Non-current assets	200,494	200,919
1.02.01	Long-term receivables	48,932	41,001
1.02.01.03	Trade and other receivables	10,368	13,676
1.02.01.03.01	Trade receivables	10,368	13,676
1.02.01.06	Deferred taxes	16,907	8,405
1.02.01.06.01	Deferred income tax and social contribution	16,907	8,405
1.02.01.09	Other non-current assets	21,657	18,920
1.02.01.09.04	Judicial deposits	18,568	14,733
1.02.01.09.05	Other	3,089	4,187
1.02.02	Investments	2,406	905
1.02.02.02	Investment property	2,406	905
1.02.02.02.01	Investment property	2,406	905
1.02.03	Property, plant and equipment	68,954	73,052
1.02.03.01	Property, plant and equipment in operation	68,954	73,052
1.02.04	Intangible assets	80,202	85,961
1.02.04.01	Intangible assets	80,202	85,961
1.02.04.01.02	Trademarks and patents	3,718	3,644
1.02.04.01.03	Store use rights	40,753	39,781
1.02.04.01.04	Software use rights	35,731	42,536

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

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
2	Total liabilities	912,656	907,148
2.01	Current liabilities	252,460	201,830
2.01.01	Salaries, vacation pay and social charges payable	39,486	27,863
2.01.01.01	Social charges	3,612	4,224
2.01.01.02	Salaries and vacation pay	35,874	23,639
2.01.02	Trade payables	109,014	66,445
2.01.02.01	Domestic suppliers	108,983	66,007
2.01.02.02	Foreign suppliers	31	438
2.01.03	Taxes payable	20,986	18,637
2.01.03.01	Federal taxes payable	16,290	14,576
2.01.03.01.01	Income tax and social contribution payable	7,456	1,967
2.01.03.01.02	Other federal taxes payable	8,834	12,609
2.01.03.02	State taxes payable	4,686	4,045
2.01.03.03	Local taxes payable	10	16
2.01.04	Borrowings	72,946	78,970
2.01.04.01	Borrowings	72,946	78,970
2.01.04.01.01	In local currency	24,940	10,743
2.01.04.01.02	In foreign currency	48,006	68,227
2.01.05	Other liabilities	10,028	9,915
2.01.05.02	Other	10,028	9,915
2.01.05.02.04	Other	10,028	9,915
2.02	Non-current liabilities	29,957	35,619
2.02.01	Borrowings	20,275	27,079
2.02.01.01	Borrowings	20,275	27,079
2.02.01.01.01	In local currency	20,275	27,079
2.02.02	Other liabilities	1,180	1,214
2.02.02.01	Payables to related parties	1,180	1,214
2.02.02.01.03	Payables to controlling shareholders	1,180	1,214
2.02.04	Provisions	8,502	7,209
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	8,502	7,209
2.02.04.01.02	Provision for social security and labor contingencies	6,172	4,839
2.02.04.01.04	Provision for civil contingencies	286	326
2.02.04.01.05	Provision for tax contingencies	2,044	2,044
2.02.06	Deferred profit and revenue	0	117
2.02.06.02	Deferred revenue	0	117
2.03	Consolidated equity	630,239	669,699
2.03.01	Paid-up capital	330,375	310,008
2.03.02	Capital reserves	43,268	39,554
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.04	Share options granted	21,798	18,084
2.03.04	Revenue reserves	217,024	321,999
2.03.04.01	Legal reserve	35,983	35,983
2.03.04.05	Retained profit reserve	178,358	230,358
2.03.04.07	Tax incentive reserve	2,683	2,683
2.03.04.08	Proposed additional dividend	0	52,975
2.03.05	Retained earnings/accumulated deficit	40,754	0

Consolidated financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2017	Prior year 12/31/2016
2.03.06	Carrying value adjustments	-1,182	-1,862

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

Code	Description	Current quarter 7/1/2017 to 9/30/2017	YTD - current year 1/1/2017 to 9/30/2017	Same quarter of prior year 7/1/2016 to 9/30/2016	YTD - prior year 1/1/2016 to 9/30/2016
3.01	Revenue from sales of goods and/or services	370,793	996,873	346,941	900,240
3.02	Cost of sales and/or services	-200,974	-542,659	-194,741	-504,180
3.03	Gross profit	169,819	454,214	152,200	396,060
3.04	Operating income/expenses	-113,602	-325,061	-102,804	-292,116
3.04.01	Selling expenses	-86,311	-242,651	-80,003	-223,320
3.04.02	General and administrative expenses	-27,009	-81,593	-21,275	-66,966
3.04.05	Other operating expenses	-282	-817	-1,526	-1,830
3.05	Profit before finance result and taxes	56,217	129,153	49,396	103,944
3.06	Finance result	1,996	11,994	3,373	6,518
3.06.01	Finance income	7,677	27,390	7,734	26,566
3.06.01.01	Interest income	7,677	25,332	7,621	25,363
3.06.01.02	Foreign exchange gains	0	2,058	113	1,203
3.06.02	Finance costs	-5,681	-15,396	-4,361	-20,048
3.06.02.01	Interest expense	-4,279	-13,257	-4,361	-12,721
3.06.02.02	Foreign exchange losses	-1,402	-2,139	0	-7,327
3.07	Profit before income tax and social contribution	58,213	141,147	52,769	110,462
3.08	Income tax and social contribution	-20,532	-42,021	-17,329	-30,130
3.08.01	Current	-23,390	-50,523	-20,079	-33,849
3.08.02	Deferred	2,858	8,502	2,750	3,719
3.09	Profit for the period from continuing operations	37,681	99,126	35,440	80,332
3.11	Consolidated profit for the period	37,681	99,126	35,440	80,332
3.11.01	Attributable to owners of the parent	37,681	99,126	35,440	80,332
3.99	Earnings per share (expressed in R$ per share)				
3.99.1	Basic earnings per share				
3.99.01.01	Common shares	0.42220	1.11060	0.39920	0.90500
3.99.2	Diluted earnings per share				
3.99.02.01	Common shares	0.41900	1.10240	0.39780	0.90160

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

Code	Description	Current quarter 7/1/2017 to 9/30/2017	YTD - current year 1/1/2017 to 9/30/2017	Same quarter of prior year 7/1/2016 to 9/30/2016	YTD - prior year 1/1/2016 to 9/30/2016
4.01	Consolidated profit for the period	37,681	99,126	35,440	80,332
4.02	Other comprehensive income	1,228	680	-158	3,652
4.02.01	Foreign exchange differences arising from the translation of foreign operations	1,228	680	-158	3,652
4.03	Consolidated comprehensive income for the period	38,909	99,806	35,282	83,984
4.03.01	Attributable to owners of the parent	38,909	99,806	35,282	83,984

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

Code	Description	YTD - current year 1/1/2017 to 9/30/2017	YTD - prior year 1/1/2016 to 9/30/2016
6.01	Net cash provided by operating activities	127,940	56,030
6.01.01	Cash from operations	159,506	107,189
6.01.01.01	Profit before income tax and social contribution	141,147	110,462
6.01.01.02	Depreciation and amortization	22,630	19,282
6.01.01.03	Result on disposal of property, plant and equipment	121	-51
6.01.01.05	Provision for labor, tax and civil contingencies	1,293	1,520
6.01.01.06	Interest and foreign exchange variation on borrowings	940	-5,427
6.01.01.07	Interest income on cash investments	-21,351	-21,722
6.01.01.08	Provision for impairment of trade receivables	7,522	-718
6.01.01.09	Addition to provision for inventory losses	3,490	850
6.01.01.10	Share option plan	3,714	2,993
6.01.02	Changes in assets and liabilities	-3,655	-31,950
6.01.02.01	Trade receivables	-30,567	-53,991
6.01.02.02	Inventories	-9,794	-17,917
6.01.02.03	Changes in other current assets	-255	6,813
6.01.02.04	Taxes recoverable	-8,148	-5,820
6.01.02.05	Judicial deposits	-3,835	-4,412
6.01.02.07	Trade payables	42,575	38,169
6.01.02.08	Salaries and vacation pay	12,234	10,744
6.01.02.09	Taxes and social charges payable	-5,860	-5,459
6.01.02.10	Changes in other current liabilities	-5	-77
6.01.03	Other	-27,911	-19,209
6.01.03.01	Income tax and social contribution paid	-27,911	-19,209
6.02	Net cash provided by investing activities	28,294	583
6.02.01	Purchases of property, plant and equipment and intangible assets	-13,944	-20,783
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	674	2,745
6.02.03	Cash investments	-665,071	-560,956
6.02.04	Redemption of cash investments	706,635	579,577
6.03	Net cash used in financing activities	-156,235	-57,740
6.03.01	Proceeds from borrowings	50,245	46,248
6.03.02	Repayments of borrowings	-62,531	-63,818
6.03.03	Payment of interest on borrowings	-935	-1,321
6.03.05	Interest on capital	-21,540	-21,893
6.03.06	Distribution of profits	-141,807	-18,704
6.03.07	Receivables from (payables to) shareholders	-34	-183
6.03.08	Share capital increase – share issue	20,367	1,931
6.04	Foreign exchange variation on cash and cash equivalents	-99	-540
6.05	Increase (decrease) in cash and cash equivalents	-100	-1,667
6.05.01	Cash and cash equivalents at the beginning of the period	5,020	8,822
6.05.02	Cash and cash equivalents at the end of the period	4,920	7,155

Consolidated financial statements / Statement of changes in equity - 1/1/2017 to 9/30/2017 (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	310,008	39,554	321,999	0	-1,862	669,699	0	669,699
5.03	Adjusted opening balances	310,008	39,554	321,999	0	-1,862	669,699	0	669,699
5.04	Equity transactions with shareholders	20,367	3,714	-104,975	-58,372	0	-139,266	0	-139,266
5.04.03	Options granted	0	3,714	0	0	0	3,714	0	3,714
5.04.06	Dividends	0	0	-52,975	0	0	-52,975	0	-52,975
5.04.07	Interest on capital	0	0	0	-21,540	0	-21,540	0	-21,540
5.04.08	Interim dividends	0	0	-52,000	-36,832	0	-88,832	0	-88,832
5.04.09	Share issue	20,367	0	0	0	0	20,367	0	20,367
5.05	Total comprehensive income	0	0	0	99,126	680	99,806	0	99,806
5.05.01	Profit for the period	0	0	0	99,126	0	99,126	0	99,126
5.05.02	Other comprehensive income	0	0	0	0	680	680	0	680
5.05.02.06	Carrying value adjustments	0	0	0	0	680	680	0	680
5.07	Closing balances	330,375	43,268	217,024	40,754	-1,182	630,239	0	630,239

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 dividends	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 value added (R$ thousand)

Code	Description	YTD - current year 1/1/2017 to 9/30/2017	YTD - prior year 1/1/2016 to 9/30/2016
7.01	Revenue	1,168,698	1,080,310
7.01.01	Sales of goods, products and services	1,176,220	1,079,592
7.01.04	Provision for/reversal of impairment of trade receivables	-7,522	718
7.02	Inputs acquired from third parties	-795,063	-746,194
7.02.01	Cost of sales and services	-640,622	-597,089
7.02.02	Materials, energy, outsourced services and other	-150,667	-145,700
7.02.04	Other	-3,774	-3,405
7.03	Gross value added	373,635	334,116
7.04	Deductions	-22,630	-19,282
7.04.01	Depreciation, amortization and depletion	-22,630	-19,282
7.05	Net value added generated by the entity	351,005	314,834
7.06	Value added received through transfer	30,309	27,732
7.06.02	Finance income	27,390	26,566
7.06.03	Other	2,919	1,166
7.07	Total value added to distribute	381,314	342,566
7.08	Distribution of value added	381,314	342,566
7.08.01	Personnel	130,149	112,086
7.08.01.01	Direct compensation	86,836	80,426
7.08.01.02	Benefits	12,434	11,650
7.08.01.03	Government severance indemnity fund for employees (FGTS)	7,542	7,630
7.08.01.04	Other	23,337	12,380
7.08.01.04.01	Employee profit sharing	12,369	2,865
7.08.01.04.02	Other	7,254	6,522
7.08.01.04.03	Share option plan	3,714	2,993
7.08.02	Taxes and contributions	102,249	96,698
7.08.02.01	Federal	99,777	82,059
7.08.02.02	State	1,352	13,869
7.08.02.03	Local	1,120	770
7.08.03	Lenders and creditors	49,790	53,450
7.08.03.01	Interest	2,330	2,494
7.08.03.02	Rentals	34,394	33,402
7.08.03.03	Other	13,066	17,554
7.08.03.03.01	Finance cost	13,066	17,554
7.08.04	Shareholders	99,126	80,332
7.08.04.01	Interest on capital	21,540	21,893
7.08.04.02	Dividends	36,832	11,257
7.08.04.03	Profits reinvested / loss for the period	40,754	47,182

1. Company Overview

About Arezzo&Co

Arezzo&Co is Brazil's leading manufacturer of ladies' footwear, handbags and accessories. With a history of 44 years, it currently sells over 11 million pairs of shoes a year, in addition to handbags and accessories. It has four relevant brands - Arezzo, Schutz, Anacapri and Alexandre Birman.

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

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

The Company ended 3Q17 with a presence through 520 franchises, 49 owned stores and 2,289 multibrand stores.

AREZZO

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

SCHUTZ

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

ANACAPRI

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

ALEXANDRE BIRMAN

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

FIEVER

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

1. Company Overview

Summary of Results	3Q17	3Q16	Δ 17 x 16	9M17	9M16	Δ 17 x 16
Net Revenues	370,793	346,941	6.9%	996,873	900,240	10.7%
Gross Profit	169,819	152,200	11.6%	454,214	396,060	14.7%
Grosss Margin	45.8%	43.9%	1.9 p.p.	45.6%	44.0%	1.6 p.p.
EBITDA[1]	65,435	55,896	17.1%	151,783	123,226	23.2%
EBITDA Margin[1]	17.6%	16.1%	1.5 p.p.	15.2%	13.7%	1.5 p.p.
Net Income	37,681	35,440	6.3%	99,126	80,332	23.4%
Net Margin	10.2%	10.2%	0.0 p.p.	9.9%	8.9%	1.0 p.p.

Operating Indicators	3Q17	3Q16	Δ 17 x 16	9M17	9M16	Δ 17 x 16
# of pairs sold ('000)	3,414	3,231	5.7%	8,480	8,088	4.9%
# of handbags sold ('000)	353	284	24.2%	899	752	19.5%
# of employees	2,355	2,206	6.8%	2,355	2,206	6.8%
# of stores*	670	621	49	670	621	49
Owned Stores	94	77	17	94	77	17
Franchises	576	544	32	576	544	32
Outsourcing (as % of total production)	90.7%	89.5%	1.2 p.p	90.1%	89.6%	0.5 p.p
SSS² Sell-in (franchises)	7.2%	2.1%	5.1 p.p	6.5%	1.0%	5.5 p.p
SSS² Sell-out (owned stores + franchises)	1.5%	5.6%	-4.1 p.p	3.2%	1.4%	1.8 p.p
SSS² Sell-out (owned stores + franchises + web comm	2.7%	6.4%	-3.7 p.p	4.4%	1.9%	2.5 p.p

* Includes international stores

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

(2) SSS (Same-store sales): Stores are included in comparable stores' sales as of the 13th month of operation. Variations in comparable stores' sales in the two periods are based on sales, net of returns, for owned stores, and on gross sales for franchises in operation during both periods under comparison. As of 4Q16, the Company started to report the SSS sell-in net of discounts. If a store is included in the calculation of comparable stores' sales for only a portion of one of the periods under comparison, this store will be included in the calculation of the corresponding portion of the other period. When square meters are added to or deducted from a store included in comparable stores' sales, with an impact of over 15% on the sales area, the store is excluded from comparable stores' sales. When a store operation is discontinued, this store's sales are excluded from the calculation of comparable stores' sales for the periods under comparison. As from this period, if a franchisee opens a warehouse, its sales will be included in comparable stores' sales if its franchises operate during both periods under comparison. The so-called "SSS of Franchises – Sell In" refers to comparison of Arezzo&Co's sales with those of each Franchised Store in operation for more than 12 months, serving as a more accurate indicator for monitoring the Group's revenue. On the other hand, "SSS – Sell Out" is based on the point of sales' performance, which, in the case of Arezzo&Co, is a better indicator of Owned Stores' sales behavior and Franchises' sell out sales. The franchise sell-out figures represent the best estimate calculated on the basis of information provided by third parties. Starting in 1Q14, the Company begins to also report SSS sell-out including web commerce.

Gross Revenue	3Q17	Part%	3Q16	Part%	Δ (%) 17 x 16	9M17	Part%	9M16	Part%	Δ (%) 17 x 16
Total Gross Revenue	**454,990**		**426,460**		**6.7%**	**1,230,688**		**1,134,538**		**8.5%**
Exports market	**38,952**	**8.6%**	**36,392**	**8.5%**	**7.0%**	**113,678**	**9.2%**	**114,307**	**10.1%**	**(0.6%)**
Domestic market	**416,038**	**91.4%**	**390,068**	**91.5%**	**6.7%**	**1,117,010**	**90.8%**	**1,020,230**	**89.9%**	**9.5%**
By brand										
Arezzo	*238,068*	*57.2%*	*220,131*	*56.4%*	*8.1%*	*637,250*	*57.0%*	*585,024*	*57.3%*	*8.9%*
Schutz	*125,882*	*30.3%*	*130,138*	*33.4%*	*(3.3%)*	*343,946*	*30.8%*	*342,756*	*33.6%*	*0.3%*
Anacapri	*41,512*	*10.0%*	*33,411*	*8.6%*	*24.2%*	*107,134*	*9.6%*	*79,601*	*7.8%*	*34.6%*
Others[1]	*10,576*	*2.5%*	*6,388*	*1.6%*	*65.6%*	*28,680*	*2.6%*	*12,849*	*1.3%*	*123.2%*
By channel										
Franchises	*201,685*	*48.5%*	*182,108*	*46.7%*	*10.8%*	*537,790*	*48.1%*	*491,035*	*48.1%*	*9.5%*
Multibrand	*110,745*	*26.6%*	*107,102*	*27.5%*	*3.4%*	*276,318*	*24.7%*	*242,830*	*23.8%*	*13.8%*
Owned Stores	*67,916*	*16.3%*	*71,313*	*18.3%*	*(4.8%)*	*207,217*	*18.6%*	*206,939*	*20.3%*	*0.1%*
Web Commerce	*35,342*	*8.5%*	*28,678*	*7.4%*	*23.2%*	*93,120*	*8.3%*	*77,473*	*7.6%*	*20.2%*
Others[2]	*350*	*0.1%*	*867*	*0.2%*	*(59.6%)*	*2,565*	*0.2%*	*1,953*	*0.2%*	*31.3%*

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

Brands

Following the Company's calendar of collections, the third quarter marked the transition from the winter collection to the summer collection. In July, the mono-brand stores finished their clearance sales of winter products in a positive manner, increasing the percentage of sales at full price, reaching a lower volume of items unsold, and, consequently, increasing the chain's average mark-up. The summer collection preview permitted a reading of the sale behavior and quick and assertive responses to replenishment orders within the collection. In addition, there was also the collection designed in partnership with Disney for the Arezzo brand, which was a success in terms of sales and online media coverage, and also contributing to the growth in sales.

The **Arezzo** brand reached gross revenue of R$238.1 million in 3Q17, an increase of 8.1% in comparison with 3Q16, accounting for 57.2% of domestic sales. At the beginning of the quarter, in July, the brand launched its summer preview, the Cruise Collection, at Iguatemi Shopping Mall, in São Paulo, bringing together micro-influencers and TV hostess Isabella Fiorentino for a chat about the different roles of women. This event attracted attention nationwide not only because it was attended by the major fashion vehicles in Brazil, but also due to the strong social media coverage. The transition from the winter collection to the summer collection all over the store chain took place in August, with the launch of a new campaign starred by top model Gisele Bündchen. Weekly product advertising actions were carried out, which together impacted more than 13 million women, increasing their desire for Arezzo products.

In September, we launched the collection designed in partnership with Disney, which features a modern take on characters Mickey and Minnie in line with the brand's democratic approach. Through an effective communication and marketing plan, we reached more than 70 thousand simultaneous connections during the online broadcast of the launch fashion show on social networks. In addition, we organized another major action with the participation of more than 1,000 digital influencers from all over Brazil. As a result, we obtained a strong response from customers, and certain products of the collection accounted for approximately 30% of our sales during the week of the launch, causing the stock of some best-sellers to be replenished in the stores at a record speed.

Finally, gross revenue from sell-in sales remained at a healthy level, showing the evolution of our business model, with an increased frequency of collection launches and an increasingly assertive product mix, boosting our store chain's performance and confidence. Arezzo's web-commerce continued to consolidate as a major sales channel, posting growth of 30.4% during the quarter, and accounting for 7.1% of sales, against 5.9% in 3Q16. Additionally, we should mention the performance of handbags, which increased their share of sell-out sales in brick-and-mortar stores by 110 bps compared to 3Q16, reaching 19.4%.

The **Schutz** brand accounted for 30.3% of total revenues in the domestic market, reaching gross revenue of R$125.8 million in 3Q17, a decrease of 3.3% compared to 3Q16. In line with the strategy to increase its share of sell-out, the handbag category continued to be one positive highlight. Schutz's web-commerce channel reported growth of 10.6% in 3Q17, accounting for 11.8% of the brand's sales in the domestic market, an increase of 150 bps compared to 3Q16. Sales in the multibrand channel, which accounts for 41.4% of total sales in the domestic market, decreased by 2.3% compared to 3Q16. However, in the foreign market, this brand's gross revenues in Reais increased by 8.8% compared to 3Q16.

Among the main actions carried out by this brand in the quarter, the launch of the summer collection in August stands out, with a campaign starred by brazilian actress Marina Ruy Barbosa which achieved a positive feedback from opinion makers. In addition, during the quarter, the lifestyle concept of this brand in Brazil and the U.S. was reinforced through the organization of two editions of the Schutz Trip, one in New York and one in Paris, thus following the international fashion calendar. In the U.S., the project is still evolving, with a focus on the achievement of brand awareness. The sales of the operations in the U.S. grew by 14.9% in Reais and 17.8% in U.S. dollars compared to 3Q16, especially in the wholesale channel, as a result of the expansion of the brand's presence in department stores.

Anacapri reached revenues of R$41.5 million in 3Q17, an increase of 24.2% compared to 3Q16. The Anacapri brand increased its market share, closing the quarter with 10.0% of gross revenues in the domestic market, against 8.6% in 3Q16. The franchise channel also posted strong growth in comparison with the same period of the previous year, as a result of the opening of six stores in the quarter, and, above all, the increase in SSS, resulting from an assertive positioning in flat shoes and a price point accessible to the A and B classes. In addition, 6.3% of this brand's sales were made through web-commerce, an increase of 30 bps over 3Q16.

The Anacapri brand continues to increase its investments in marketing, both on-line and off-line. The rates of return continue to be high, with actions involving digital influencers, ads in national circulation magazines, the brand's first participation in the São Paulo Fashion Week, with display of products in an exclusive booth throughout the event, as the highlights. Also, the choice of actress Isis Valverde as the brand's poster girl about a year ago has proven extremely right, as this actress represents the casual and uncomplicated nature of this brand's female consumers.

The **Alexandre Birman** brand delivered a strong performance during the quarter, doubling its sales in the domestic market and increasing its sales in the foreign market by 20% compared to 3Q16. In 3Q17, the brand organized several actions abroad, such as the presentation of its new collection to more than a hundred guests and press members at the Ritz Hotel in Paris, thus strengthening its position among the main high-end departments stores in the world. Moving forward with its strategy to expand its operations in Brazil too, Alexandre Birman opened its first store at the Village Mall Shopping Center in Rio de Janeiro.

The **Fiever** brand continued the process for strengthening this brand in the domestic market, posting an increase in revenue of 72.0% in 3Q17 against 3Q16. This quarter marked a major milestone in the history of Fiever: its participation in the Rock In Rio music festival. A special shoe collection was created for this event, inspired by the world of music, and an exclusive store was set up inside the VIP area of the festival, in addition to a number of brand advertising actions carried out during intervals between concerts.

Channels

Monobrand – Franchises, Owned Stores and Web Commerce

In line with the strategy to strengthen mono-brand stores, the Arezzo&Co store chain (owned stores + franchises + web commerce) posted growth of 9.0% in sell-out sales compared to 3Q16, mainly due to the substantial growth in the on-line channel, the net opening of 28 franchises and 4 owned stores over the last twelve months, as well as a 2.7% increase in the same-store-sales of these stores in 3Q17. The retail sales area increased by 4.2% compared to 3Q16, with the addition of 17 Anacapri stores, 6 Schutz stores, 4 Arezzo stores, 3 Fiever stores, and 2 Alexandre Birman stores, reaching a total of 1,959 m², excluding outlet stores.

The Company's revenue from mono-brand stores, consisting of sell-in for franchises and sell-out for owned stores and web commerce, grew by 8.1% in 3Q17 against 3Q16, mainly due to the 10.0% growth in the franchise channel and 23.2% growth in the web-commerce channel. Mono-brand stores accounted for 73.3% of gross revenue in the domestic market in 3Q17.

The franchise channel accounted for 48.5% of the total sales in the domestic market in 3Q17, with SSS sell-in of 7.2%, as a result of a more favorable calendar than in 2Q17 in terms of the concentration of sell-in orders, coupled with the Company's strategy to maintain a healthy inventory level at its franchisees, capturing the increase in the chain's gross profit margin by selling more in periods of sales at full price and less in periods of clearance sales.

History of Stores	3Q16	4Q16	1Q17	2Q17	3Q17
Sales area [1,3]- Total (m²)	**37,687**	**38,828**	**38,623**	**38,930**	**39,351**
Sales area - franchises (m²)	31,410	32,440	32,374	32,660	33,029
Sales area - owned stores[2] (m²)	6,278	6,387	6,249	6,270	6,322
Total number of domestic stores	**537**	**558**	**555**	**560**	**569**
# of franchises	**492**	**510**	**509**	**513**	**520**
Arezzo	365	369	368	369	369
Schutz	55	61	61	61	62
Anacapri	72	80	80	83	89
# of owned stores	**45**	**48**	**46**	**47**	**49**
Arezzo	15	15	15	14	15
Schutz	23	23	22	22	22
Alexandre Birman	2	3	3	3	4
Anacapri	4	4	4	4	4
Fiever	1	3	2	4	4
Total number of international stores	**7**	**7**	**7**	**7**	**7**
# of franchises	5	5	5	5	5
# of owned stores	2	2	2	2	2

(1) Include area in square meters of the seven stores abroad
(2) Includes eight outlet stores with a total area of 1,959 m²
(3) Includes areas in square meters of stores that were expanded

Multibrands

In 3Q17, gross revenue in the Multibrand channel recorded growth of 3.4% against 3Q16, consolidating the recovery of this channel. This positive performance is the result of combined actions by the Company to improve the level of service, a collection featuring a more assertive product mix, the acquisition of new customers, continuous efforts to increase cross-selling between the five brands, as well as the share of handbags in the product mix.

The highlights in this channel during the quarter were Arezzo, which increased its sales by 8.3%, and Anacapri, which increased its sales by 7.4%, compared to 3Q16.

The group's five brands were distributed through 2,289 stores in 3Q17, a 9.5% increase against 3Q16, and can be found in 1,253 cities.

Foreign Market

The Company's revenue in the foreign market, which includes the operations in the U.S. and exports to all other countries, increased by 6.5% compared to 3Q16, accounting for 9.6% of total revenue.

In the U.S., through the Schutz and A. Birman brands in multibrand channels (department stores, online third-party stores and smaller multibrand stores) and owned stores (brick-and-mortar and online stores), the group posted growth of 19.1% in U.S. dollars and 16.1% in Reais, which accounted for 56.0% of the total sales in the foreign market in 3Q17.

Our exports of shoes decreased by 2.6% in Reais in 3Q17 compared to the same period of 2016, due to a significant decrease in our private-label sales volume, offset by the positive performance achieved in terms of the gross profit margin.

Key financial indicators	3Q17	3Q16	Δ (%) 17 x 16	9M17	9M16	Δ (%) 17 x 16
Net revenues	370,793	346,941	6.9%	996,873	900,240	10.7%
COGS	(200,974)	(194,741)	3.2%	(542,659)	(504,180)	7.6%
Gross profit	169,819	152,200	11.6%	454,214	396,060	14.7%
Gross margin	*45.8%*	*43.9%*	*1.9 p.p*	*45.6%*	*44.0%*	*1.6 p.p*
SG&A	(113,602)	(102,804)	10.5%	(325,061)	(292,115)	11.3%
% of net revenues	*(30.6%)*	*(29.6%)*	*(1.0 p.p)*	*(32.6%)*	*(32.4%)*	*(0.2 p.p)*
Selling expenses	(79,149)	(75,208)	5.2%	(226,054)	(209,528)	7.9%
Owned stores and web commerce	(30,876)	(30,625)	0.8%	(91,132)	(89,437)	1.9%
Selling, logistics and supply	(48,273)	(44,583)	8.3%	(134,922)	(120,091)	12.4%
General and administrative expenses	**(24,953)**	**(19,570)**	**27.5%**	**(75,560)**	**(61,476)**	**22.9%**
Other operating revenues (expenses)	**(282)**	**(1,526)**	**(81.5%)**	**(817)**	**(1,830)**	**(55.4%)**
Depreciation and amortization	**(9,218)**	**(6,500)**	**41.8%**	**(22,630)**	**(19,282)**	**17.4%**
EBITDA	65,435	55,896	17.1%	151,783	123,226	23.2%
EBITDA margin	*17.6%*	*16.1%*	*1.5 p.p*	*15.2%*	*13.7%*	*1.5 p.p*
Net income	37,681	35,440	6.3%	99,126	80,332	23.4%
Net margin	*10.2%*	*10.2%*	-	*9.9%*	*8.9%*	*1.0 p.p*
Working capital[1] - as % of revenues	23.5%	29.1%	(5.6 p.p)	23.4%	29.1%	(5.7 p.p)
Invested capital[2] - as % of revenues	38.8%	45.3%	(6.5 p.p)	38.7%	45.3%	(6.6 p.p)
Total debt	93,221	95,785	(2.7%)	110,847	95,785	15.7%
Net debt[3]	(125,033)	(125,806)	(0.6%)	(199,268)	(125,806)	58.4%
Net debt/EBITDA LTM	-0.6x	-0.7x	-	-0.7x	-0.7x	-

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

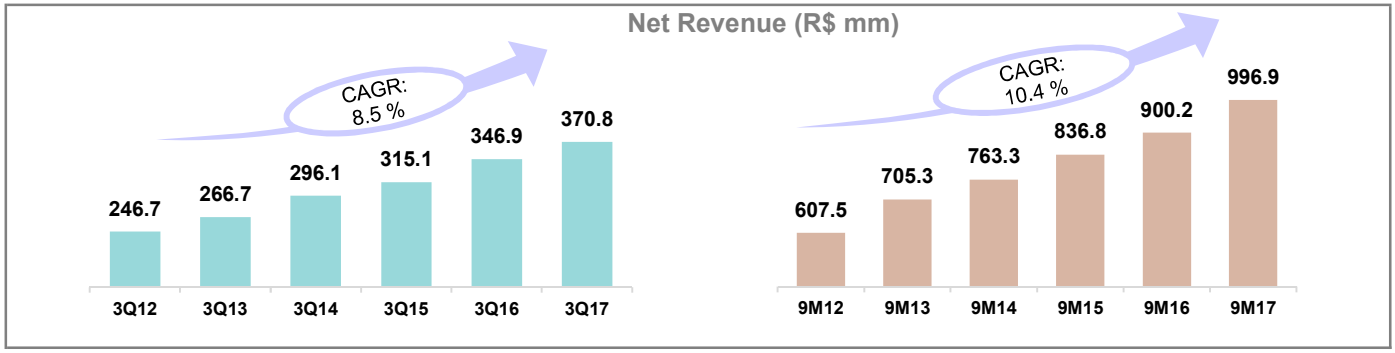
Net Revenue

The company's net revenue in this quarter totaled R$370.8 million, up by 6.9% against 3Q16. Among the primary factors driving this growth, worthy of mention are:

i) 9.9% growth in the Franchises channel, with highlight going to the Arezzo and Anacapri brands;

ii) 23.1% higher revenue on the USA operation than in 3Q16;

iii) 11.3% growth in the web commerce channel, reaching 7.0% of net revenue in the domestic market, against 6.7% in 3Q16, with the Arezzo and Anacapri brands as the positive highlights.



Gross Profit

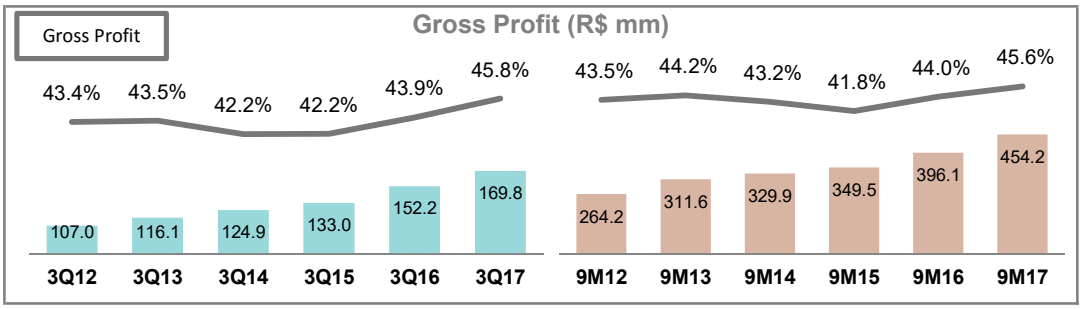
Gross profit for 3Q17 totaled R$169.8 million, a 11.6% increase against 3Q16, with gross margin up by 190 bps, reaching 45.8% in 3Q17. Among the main factors, highlight goes to the following:

(i) increase of 100 bps due to improved gross profit margin in the franchise and multibrand channels, resulting from better management of discounts granted in sell-in channels;

(ii) increase of 40 bps due to improved gross profit margin in owned stores and web commerce, resulting from the Company's continuous focus on sell-out, leading to a higher volume of sales at full price and a lower volume of items unsold;

(iii) increase of 30 bps due to improved gross profit margin in the foreign market, resulting from:
- increase of 90 bps in the export channel, coupled with the more favorable sales mix, featuring a lower volume of private-label products;
- decrease of 60 bps in the operations in the U.S. due to a larger share of the wholesale channel in the sales mix;

(iv) increase of 20 bps due to a larger share of the web-commerce channel, which accounted for 8.5% of the Company's gross revenue in the domestic market, against 7.3% in 3Q16.



Operating expenses

The Company is making a major effort to control its expense levels and to adjust them to the evolution of sales. In 2Q17, expenses were influenced by the main factors: (i) the provision for profit sharing payment "PPR", due to the results posted in the period, (ii) expenses incurred for strategic projects; and (iii) reinforcement of the organizational structure.

Selling Expenses

In 3Q17, selling expenses increased by 5.2% compared to 3Q16, reaching R$79.1 million. It should be pointed out that selling expenses include costs of owned stores and web commerce, which totaled R$30.8 million, an increase of only 0.8% compared to 3Q16, below the inflation rate for the period, despite the 23.2% growth in web commerce, reinforcing the latter's positive contribution to margins.

Sales, Logistics and Supply costs grew by 8.3% in the quarter, an increase of R$3.7 million compared to 3Q16.
Excluding incremental costs with (i) a provision for profit sharing (PPR) of R$2.0 million, the increase in these expenses would be 3.9%, which is below the 7.3% growth in sell-in sales (Multibrand, Franchise and Export channels)..

General and Administrative Expenses

In 3Q17, general and administrative expenses grew by 27.5%, an increase of R$5.4 million against 3Q16, and included incremental costs related to:

(i) the operation in the United States, totaling approximately R$2.0 million;
(ii) strategic projects, totaling approximately R$1.1 million;
(iii) reinforcement of the personnel and corporate governance structure, totaling approximately R$1.8 million.

Excluding these impacts, general and administrative expenses would have increased in line with inflation.

EBITDA and EBITDA margin

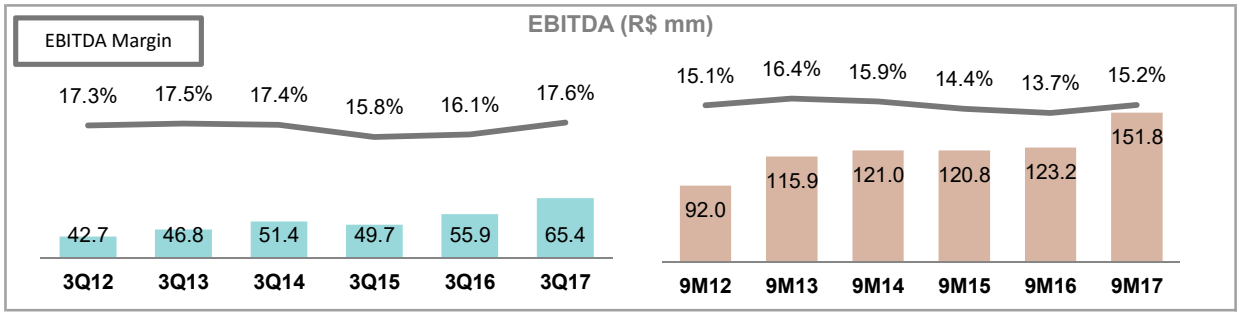
The company's EBITDA totaled R$65.4 million in 3Q17, which represents a margin of 17.6% and a growth of 17.1% against the results reported in 3Q16. Among the main reasons, the highlights were as follows:

i) 6.9% growth in net revenue against the same period of the previous year;

ii) 150 bps increase in gross margin, ending 3Q17 at 45.8%;

iii) increase in expenses related to strategic projects and reinforcement of the personnel and corporate governance structure.

In line with the impact seen in the previous quarters, excluding the operation in the U.S., the Company's consolidated EBITDA margin would have been 180 bps higher in 3Q17.

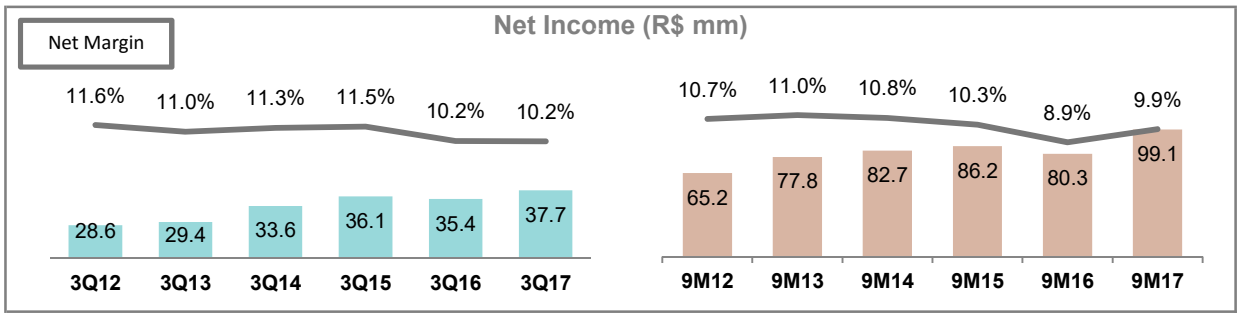


Net income and net margin

The company's EBITDA margin of 17.6% in 3Q17 converted into a net margin of 10.2%. Net income for 3Q17 totaled R$37.7 million, a growth of 6.3% against the results reported in 3Q16.

Among the factors that contributed to a lower growth in Net Income in relation to the growth in EBITDA, the following stand out: (i) the higher effective tax rate in the quarter, due to the non-deductibility of the loss incurred with the operations in the U.S.; (ii) amortization of intangible assets from two Anacapri stores; and (iii) lower financial revenue, due to the decline in the SELIC interest rate over the last twelve months.

EBITDA Reconciliation	3Q17	3Q16	9M17	9M16
Net income	37,681	35,440	99,126	80,332
(-) Income tax and social contribution	(20,532)	(17,329)	(42,021)	(30,130)
(-) Financial results	1,996	3,373	11,994	6,518
(-) Depreciation and amortization	(9,218)	(6,500)	(22,630)	(19,282)
(=) EBITDA	65,435	55,896	151,783	123,226



Operating Cash Flow

Arezzo&Co generated R$33.2 million cash flow from operations in 3Q17, which was greater than the figure observed in 3Q16, as a result of the Company's focus on managing its working capital more efficiently, with a significant improvement in accounts receivable and inventories, as well as a 10.3% increase in pre-tax profits.

Operating Cash Flow	3Q17	3Q16	Δ 17 x 16 (R$)	Δ 17 x 16 (%)	9M17	9M16	Δ 17 x 16 (R$)	Δ 17 x 16 (%)
Income before income tax and social contribution	**58,213**	**52,769**	**5,444**	**10.3%**	**141,147**	**110,462**	**30,685**	**27.8%**
Depreciation and amortization	**9,218**	**6,500**	**2,718**	**41.8%**	**22,630**	**19,282**	**3,348**	**17.4%**
Others	**(2,925)**	**(880)**	**(2,045)**	**232.4%**	**(4,271)**	**(22,555)**	**18,284**	**n/a**
Decrease (increase) in assets / liabilities	**(18,260)**	**(21,674)**	**3,414**	**(15.8%)**	**(3,655)**	**(31,950)**	**28,295**	**(88.6%)**
Trade accounts receivables	(50,078)	(50,634)	556	(1.1%)	(30,567)	(53,991)	23,424	(43.4%)
Inventories	5,014	3,741	1,273	34.0%	(9,794)	(17,917)	8,123	(45.3%)
Suppliers	19,670	21,930	(2,260)	(10.3%)	42,575	38,169	4,406	11.5%
Change in other noncurrent and current assets and liabilities	7,134	3,289	3,845	116.9%	(5,869)	1,789	(7,658)	n/a
Payment of income tax and social contribution	**(13,040)**	**(10,672)**	**(2,368)**	**22.2%**	**(27,911)**	**(19,209)**	**(8,702)**	**45.3%**
Net cash flow generated by operational activities	**33,206**	**26,043**	**7,163**	**27.5%**	**127,940**	**56,030**	**71,910**	**128.3%**

Investments - CAPEX

The Company makes investments of three types:

i) Investments in expansion or refurbishment of owned sales stores;

ii) Corporate investments that include IT, facilities, showrooms and offices; and

iii) Other investments, which are mostly related to the modernization of the industrial operations.

In 3Q17, Arezzo&Co invested R$5.1 million in capex, and the highlights were the opening of two owned stores, one of the Arezzo brand and the other of the Alexandre Birman brand, as well as acquisition of software licenses.

Summary of investments	3Q17	3Q16	Δ 17 x 16 (%)	9M17	9M16	Δ 17 x 16 (%)
Total CAPEX	**5,084**	**5,343**	**(4.9%)**	**13,945**	**20,783**	**(32.9%)**
Stores - expansion and refurbishing	1,798	856	109.9%	5,453	5,801	(6.0%)
Corporate	2,517	3,174	(20.7%)	5,963	8,336	(28.5%)
Other	770	1,313	(41.4%)	2,529	6,646	(62.0%)

Cash Position and Indebtedness

The Company ended 3Q17 with R$125.0 million in net cash. The debt policy remains conservative, with the following primary characteristics:

- Total indebtedness of R$93.2 million in 3Q17 against R$95.7 million in 3Q16;
- Long term indebtedness of 21.7% of total debt in 3Q17, compared to 30.7% in 3Q16;
- The weighted average cost of the company's total debt in 3Q17 remained at low levels.

It is worth mentioning that during 3Q17, the Company distributed the amount of R$ 88.8 million in dividends.

Cash position and Indebtedness	3Q17	2Q17	3Q16
Cash	**218,254**	**310,115**	**221,591**
Total debt	**93,221**	**110,847**	**95,785**
Short term	72,946	88,311	66,424
% total debt	78.3%	79.7%	69.3%
Long-term	20,275	22,536	29,361
% total debt	21.7%	20.3%	30.7%
Net debt	**(125,033)**	**(199,268)**	**(125,806)**

ROIC (Return on Invested Capital)

Once again the return on invested capital (ROIC) posted growth, reaching 23.9% in the 3Q17.
Among the factors behind this improvement are:

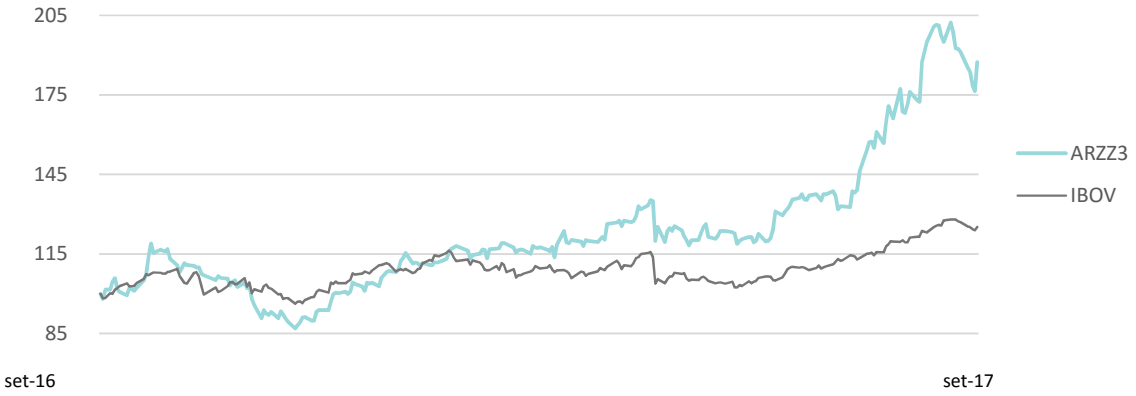
- 18.9% growth in NOPAT against 3Q16;
- Actions taken to improve working capital, with a focus on reducing inventories and accounts receivable;
- Reduction of fixed assets as a result of the lower percentage of owned stores in the Company's mix.

Income from operations	3Q17	3Q16	3Q15	Δ 17 x 16 (%)
EBIT (LTM)	176,535	142,470	146,310	23.9%
+ IR e CS (LTM)	(52,742)	(38,381)	(46,200)	37.4%
NOPAT	**123,793**	**104,089**	**100,110**	**18.9%**
Working Capital[1]	314,394	344,943	341,839	(8.9%)
Fixed assets	151,562	162,540	168,276	(6.8%)
Other long-term assets[2]	32,025	31,450	23,276	1.8%
Invested capital	**497,981**	**538,933**	**533,391**	**(7.6%)**
Average invested capital[3]	**518,457**	**536,162**		**(3.3%)**
ROIC[4]	**23.9%**	**19.4%**		

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

3. Capital Market and Corporate Governance

As of September 30, 2017 the Company's Market capitalization amounted to R$4,49bn (stock price R$50.00), a increase of 87.3% against the same period of 2016.



Arezzo&Co	
Number of shares	89,765,882
Ticker	ARZZ3
Listing	02/02/2011
Share Price (09/30/2017)	50.00
Market Cap	4,488,294,100
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	(24%)
2014[4]	(9%)
2015[5]	(22%)
2016[6]	27%
2017[6]	93%

(1) From 02/02/2011 to 12/29/2011
(2) From 12/29/2011 to 12/28/2012
(3) From 12/28/2012 to 12/30/2013
(4) From 12/30/2013 to 12/30/2014
(5) From 12/30/2014 to 12/30/2015
(6) From 01/04/2016 to 12/29/2016
(7) From 01/01/2017 to 00/30/2017

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

Projected payments [1]:

Reference Date	Payment Date	Remuneration	R$	Gross amount by ordinary share (R$)
2016	05/15/2017	Dividends	R$52,975,551.20	R$0.596328
2017	07/28/2017	Interest on Equity	R$21,539,993.13	R$0.239957
2017	09/27/2017	Dividends	R$88,832,940.65	R$0.989607

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

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

4. Independent Auditors

Arezzo&Co's financial statements relative to the period ending on September 30, 2017, were audited by PricewaterhouseCoopers Auditores Independentes. It was not provided any other services by this firm to Arezzo, or others firms related.

5. Investor Relations

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

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

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

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors' report and financial statements for the quarter ended on September 30, 2017, according and pursuant to CVM Normative Instruction No. 480/09.

Disclaimer

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

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

AREZZO INDÚSTRIA E COMÉRCIO S.A.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED INTERIM INFORMATION FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

All amounts in thousands of reais unless otherwise stated

1. Company information

Arezzo Indústria e Comércio S.A. (the "Company") is a listed company headquartered at Rua Fernandes Tourinho, 147 – sala 402, 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, 2017, the Company had 520 franchise-operated stores in Brazil and 5 abroad; 49 company-operated stores in Brazil and 2 abroad, and a web commerce channel to sell its products of Arezzo, Schutz, Anacapri, Alexandre Birman 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, 2017, 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).

For the preparation of this condensed interim financial information, the Company applied the same accounting principles, estimates, practices, methods of computation and standards as in its last annual financial statements at December 31, 2016, 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 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, 2016.

To avoid redundancy in the interim financial reporting and to comply with article 29 of CVM Instruction 480/09, the following notes to the annual financial statements at December 31, 2016 are not duplicated in part or in whole in this interim report: 2- Accounting policies (part), 9 – Taxes recoverable, 10 – Other receivables, 18 – Salaries and vacation pay, 19 – Taxes and social charges payable, 20 – Provisions for labor, tax and civil contingencies, and 31 – Insurance.

The condensed interim financial information included in the Quarterly Information Form (ITR) for the nine-month period ended September 30, 2017 was approved at the Board of Directors' meeting on October 30, 2017.

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 investment of the Company at the balance sheet date is summarized below:

Subsidiaries	Total ownership interest - %			
	2017		2016	
	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)

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, 2016.

4. New or revised pronouncements

The amendments or revisions to standards issued by IASB, which became effective on January 1, 2017, did not have a material impact on the Company's financial statements.

5. Cash and cash equivalents

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
Cash	**53**	78	**376**	938
Banks	**1,167**	3	**4,544**	4,082
	1,220	81	**4,920**	5,020

6. Cash investments

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
Current				
Fixed income (a)	**116**	2,457	**414**	6,828
Exclusive investment fund				
Bank Deposit Certificate (CDB)	**15,930**	15,826	**17,988**	18,665
Repurchase agreements	**7,551**	16,152	**8,527**	19,050
Financial bills (CEF)	**40,334**	56,165	**45,548**	66,243
Financial Treasury bills	**124,735**	107,710	**140,857**	127,038
Total cash investments	**188,666**	198,310	**213,334**	237,824

(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, 2017, the average rate of return of the investment fund is 101.06% of the Interbank Deposit Certificate rate (CDI). Financial Treasury Bills (LFT) account for 65% of the investment fund assets and 78.90% of the assets provide daily liquidity.

The Company has cash investment policies in place that require that investments be restricted to low-risk securities and investments held 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, 2017, the Company has no investment pledged as collateral to financial institutions.

7. Trade receivables

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
Trade notes – domestic customers	**246,810**	207,450	**247,895**	208,973
Trade notes – foreign customers	**7,973**	22,974	**47,110**	53,485
Trade notes – related parties (Note 10.a)	**25,727**	29,837	**-**	-
Checks	**39**	117	**129**	182
Credit cards	**-**	-	**58,427**	68,109
	280,549	260,378	**353,561**	330,749
(-) Provision for impairment of trade receivables	**(2,992)**	(1,723)	**(3,038)**	(1,769)
	277,557	258,655	**350,523**	328,980
Current	**267,189**	244,979	**340,155**	315,304
Non-current	**10,368**	13,676	**10,368**	13,676

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
USD	**6,458**	18,575	**41,828**	47,042
EUR	**1,515**	4,399	**5,282**	6,443
	7,973	22,974	**47,110**	53,485

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

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
At the beginning of the period	**(1,723)**	(2,241)	**(1,769)**	(2,287)
Additions	**(7,522)**	(3,154)	**(7,522)**	(3,154)
Realization	**6,253**	3,672	**6,253**	3,672
At the end of the period	**(2,992)**	(1,723)	**(3,038)**	(1,769)

The present economic scenario is posing financial difficulties for some customers. In this context and based on credit analyses, the Company made negotiations with some customers to extend the collection periods for accounts receivable. In addition, the Company has put more stringent credit analysis and guarantee rules in place to reduce its credit risk. Such negotiations are documented by specific legal documents, guarantee documents and restatement of amounts at rates linked to the Interbank Deposit Certificate rate (CDI).

7. Trade receivables (Continued)

The Company periodically assesses the risk of loss on outstanding accounts receivable and recognized an additional provision of R$7,522 for the period ended September 30, 2017 (September 30, 2016 - R$2,954). Management believes that the balance of the provision is sufficient to cover losses on uncollectible accounts.

Also in the period ended September 30, 2017 the Company recognized R$2,381 (September 30, 2016 - R$6,170) of losses on accounts receivable, which was classified in selling expenses.

8. Inventories

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
Finished products	**33,235**	31,682	**96,644**	89,941
Raw material	**5,562**	5,910	**16,743**	14,598
Work in progress	**-**	-	**3,637**	3,977
Advances to suppliers	**4,017**	4,196	**4,641**	4,693
(-) Provision for losses	**(2,180)**	(2,229)	**(4,882)**	(2,731)
	40,634	39,559	**116,783**	110,478

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
At the beginning of the period	**(2,229)**	(3,584)	**(2,731)**	(4,473)
Additions	**(1,002)**	(992)	**(3,490)**	(1,494)
Realization	**1,051**	2,347	**1,339**	3,236
At the end of the period	**(2,180)**	(2,229)	**(4,882)**	(2,731)

9. Income tax and social contribution

a) Deferred taxes

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
Deferred income tax and social contribution on:				
Temporary differences	**13,352**	5,551	**15,004**	5,711
Tax loss carryforwards	**-**	-	**1,903**	2,694
Total deferred income tax and social contribution (i)	**13,352**	5,551	**16,907**	8,405

(i) Deferred tax asset arising from deductible temporary differences, principally on unrealized profit on inventories and income tax and social contribution losses of subsidiary.

9. Income tax and social contribution (Continued)

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	9/30/2017	12/31/2016	**9/30/2017**	12/31/2016
Opening balance	**5,551**	3,231	**8,405**	6,285
Deferred tax recognized in the statement of income	**7,801**	2,320	**8,502**	2,120
Closing balance	**13,352**	5,551	**16,907**	8,405

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

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

	Parent company		Consolidated	
	9/30/2017	12/31/2016	**9/30/2017**	12/31/2016
2017	**12,010**	4,673	**12,451**	5,623
2018	**767**	439	**2,546**	1,391
2019	**575**	439	**1,910**	1,391
Total	**13,352**	5,551	**16,907**	8,405

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	
	9/30/2017	**9/30/2016**	**9/30/2017**	**9/30/2016**
Profit before income tax and social contribution	**129,732**	106,738	**141,147**	110,462
Statutory tax rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution expense at statutory tax rate	**(44,109)**	(36,291)	**(47,990)**	(37,557)
Deferred income tax and social contribution on unrecognized losses of subsidiaries	**-**	-	**(2,842)**	(607)
Effect of income tax and social contribution on permanent differences:				
Tax benefit from technological research and innovation expenses - Law 11,196/05	**3,080**	2,877	**3,080**	2,877
Equity in the results of investees	**3,205**	552	**-**	-
Interest on capital	**7,323**	7,444	**7,323**	7,444
Share option plan expense	**(1,263)**	(1,018)	**(1,263)**	(1,018)
Tax incentives (Workers' Meal Program (PAT), Rouanet Law, other)	**163**	350	**163**	350
Other permanent differences	**995**	(320)	**(492)**	(1,619)
Income tax and social contribution expense	**(30,606)**	(26,406)	**(42,021)**	(30,130)
Current	**(38,407)**	(30,213)	**(50,523)**	(33,849)
Deferred	**7,801**	3,807	**8,502**	3,719
Total	**(30,606)**	(26,406)	**(42,021)**	(30,130)
Effective tax rate - %	**23.59%**	24.74%	**29.77%**	27.28%

10. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	9/30/2017					
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Transactions	
	Trade receivables	Receivables	Trade payables	Loans	Revenues	Purchases
Parent company						
Subsidiaries						
ARZZ Co LLC	-	7,036	-	-	-	-
ARZZ International INC	-	17,818	-	-	86	-
ZZAB Comércio de Calçados Ltda.	25,679	-	247	-	130,942	-
ZZSAP Ind. e Com.de Calç. Ltda.	1	-	1,462	-	79	64,570
ZZEXP Comercial Exportadora S.A.	47	-	-	-	47	-
Total – Parent company	**25,727**	**24,854**	**1,709**	**-**	**131,154**	**64,570**
Consolidated						
Controlling shareholders	-	-	-	1,180	-	-
Total - Consolidated	**-**	**-**	**-**	**1,180**	**-**	**-**

	12/31/2016				9/30/2016	
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Transactions	
	Trade receivables	Receivables	Trade payables	Loans	Revenues	Purchases
Parent company						
Subsidiaries						
ARZZ Co LLC	-	7,239	-	-	-	-
ARZZ International INC	-	33,759	-	-	19,188	-
ZZAB Comércio de Calçados Ltda.	28,877	-	225	-	118,862	-
ZZSAP Ind. e Com.de Calç. Ltda.	960	-	1,022	-	246	98,231
Total – Parent company	29,837	40,998	1,247	-	138,296	98,231
Consolidated						
Controlling shareholders	-	-	-	1,214	-	-
Total – Consolidated	-	-	-	1,214	-	-

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 59 days while the average payment period for payables to related parties is 11 days.

10. Balances and transactions with related parties (Continued)

c) Management compensation

Management compensation is composed of management fees, profit sharing and share option plan. In the period ended September 30, 2017, the compensation paid to management totaled R$4,369 (September 30, 2016 - R$5,327), as shown below:

	9/30/2017	9/30/2016
Annual fixed compensation – salary/management fees	**3,418**	3,980
Variable pay	**-**	469
Share option and restricted stock plans (Notes 26 and 27)	**951**	878
Total compensation	**4,369**	5,327

At March 31, 2017, the Company paid a variable compensation of R$1,816 according to the provision recorded in the year ended December 31, 2016.

The expenses related to the share option (Note 26) and restricted stock plans (Note 27) are presented as operating expense before finance result.

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

d) Transactions or relationships with shareholders

At September 30, 2017, certain Company officers, directors and related party directly own a total interest of 51.4% in the Company.

e) Transactions with other related parties

The Company has a service agreement with the firm Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha, a member of the Company's Board of Directors. In the nine-month period ended September 30, 2017, this firm received R$559 (September 30, 2016 - R$422).

11. Investments

								Investment/Provision for investment losses		Equity in results of investees	
Description	**Assets**	**Liabilities**	**Equity**	**Capital**	**Net revenue**	**Profit (loss) for the period**	**Ownership interest %**	**9/30/2017**	**12/31/2016**	**9/30/2017**	**9/30/2016**
ZZAB Com. de Calçados Ltda.	**193,750**	**45,654**	**148,096**	**93,614**	**208,163**	**3,134**	99.99	**148,096**	144,962	**3,134**	2,244
ZZSAP Ind. e Com. de :da.	**51,847**	**16,230**	**35,617**	**27,592**	**81,868**	**2,651**	99.99	**35,617**	32,967	**2,651**	565
ZZEXP Comercial Exportadora S/A	**75,306**	**61,258**	**14,048**	**2,000**	**65,917**	**12,000**	99.99	**14,048**	4,387	**12,000**	601
Investments								**197,761**	182,316	**17,785**	3,410
ARZZ International, INC	**41,035**	**71,224**	**(30,189)**	**29,644**	**57,785**	**(8,360)**	100.00	**(30,189)**	(22,508)	**(8,360)**	(1,786)
Provision for investment losses								**(30,189)**	(22,508)	**(8,360)**	(1,786)
								167,572	159,808	**9,425**	1,624

	Parent company	
	9/30/2017	**12/31/2016**
Balance at the beginning of the period, net of provision for losses	**159,808**	139,258
Capital payment	**1,800**	5,569
Distribution of dividends	**(4,141)**	-
Equity in the results of investees	**9,425**	11,341
Cumulative translation adjustments (CTA)	**680**	3,640
Balance at the end of the period, net of provision for losses	**167,572**	159,808

At June 30, 2017, the subsidiary ZZEXP Comercial Exportadora S.A. distributed dividends of R$4,141 to the Company out of profits for the year ended December 31, 2016, after the transfer to legal reserve as required by the Brazilian Corporate legislation.

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, 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
At December 31, 2016	5,398	3,758	3,793	8,821	90	101	21,961
Purchases	**933**	**348**	**447**	**767**	**-**	**-**	**2,495**
Depreciation	**(1,415)**	**(499)**	**(541)**	**(1,134)**	**(34)**	**-**	**(3,623)**
Write-offs	**(6)**	**(2)**	**-**	**(25)**	**-**	**-**	**(33)**
At September 30, 2017	**4,910**	**3,605**	**3,699**	**8,429**	**56**	**101**	**20,800**
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, 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)	-	-	(1,794)
Foreign exchange Variation	(39)	(155)	-	(1,029)	-	(477)	(1,700)
At September 30, 2016	5,163	14,555	9,147	43,674	101	101	72,741
At December 31, 2016	6,227	14,233	9,360	43,041	90	101	73,052
Purchases	**1,456**	**1,244**	**806**	**4,227**	**-**	**-**	**7,733**
Depreciation	**(1,715)**	**(2,007)**	**(1,305)**	**(5,614)**	**(35)**	**-**	**(10,676)**
Write-offs	**(27)**	**(110)**	**(5)**	**(651)**	**-**	**-**	**(793)**
Foreign exchange variation	**(12)**	**(68)**	**-**	**(282)**	**-**	**-**	**(362)**
At September 30, 2017	**5,929**	**13,292**	**8,856**	**40,721**	**55**	**101**	**68,954**
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 licenses	Total
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
At December 31, 2016	3,521	1,078	41,939	46,538
Purchases	**75**	**-**	**3,390**	**3,465**
Amortization	**-**	**-**	**(10,528)**	**(10,528)**
At September 30, 2017	**3,596**	**1,078**	**34,801**	**39,475**
Estimated average useful life	Indefinite	Indefinite	5 years	

Consolidated	Trademarks and patents	Store use rights	Software licenses	Total
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
At December 31, 2016	3,644	39,781	42,536	85,961
Purchases	**75**	**2,337**	**3,799**	**6,211**
Amortization	**-**	**(1,364)**	**(10,590)**	**(11,954)**
Write-offs	**-**	**(1)**	**-**	**(1)**
Foreign exchange variation	**(1)**	**-**	**(14)**	**(15)**
At September 30, 2017	**3,718**	**40,753**	**35,731**	**80,202**
Estimated average useful life	Indefinite	Finite and indefinite	5 years	

In the periodic review of its Expansion Plan, the Company revised the useful life of certain intangible assets classified as store use rights from indefinite to finite.

The impairment test performed on the Company's intangible assets with an indefinite useful life did not reveal any need to recognize impairment losses for the year ended December 31, 2016, 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.

The amount of R$15,099 (September 30, 2016 - R$14,101) in expenses associated with the research and development of new products were recorded within "General and administrative expenses" in the parent company and consolidated statement of income for the nine-month period ended September 30, 2017.

14. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
Working capital (i)	**-**	-	**15,854**	16,419
FINAME (ii)	**-**	-	**678**	844
Advance on foreign exchange contract – ACC (iii)	**-**	15,679	**48,006**	51,809
FINEP (iv)	**28,683**	36,978	**28,683**	36,977
	28,683	52,657	**93,221**	106,049
Current	**8,908**	26,201	**72,946**	78,970
Non-current	**19,775**	26,456	**20,275**	27,079

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 6-month Libor + fixed rate of 1.35% p.a.

(ii) Equipment financing (FINAME): 2.5% to 6% p.a.

(iii) Advance on foreign exchange contract (ACC): denominated in U.S. dollars, plus average interest rate of 3.05% p.a. at September 30, 2017.

(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 2018;
- FINAME (Santander and Badesul): monthly installments with final maturity in October 2024;
- ACC: various agreements with final maturity until August 2018; and
- FINEP: maturities until September 2021.

At September 30, 2017, the non-current borrowings mature as follows:

	Parent company		Consolidated	
	9/30/2017	12/31/2016	**9/30/2017**	12/31/2016
2018	**2,227**	8,913	**2,258**	9,068
2019	**8,592**	8,592	**8,709**	8,709
2020	**5,118**	5,113	**5,191**	5,185
After 2020	**3,838**	3,838	**4,117**	4,117
Total	**19,775**	26,456	**20,275**	27,079

14. Borrowings (Continued)

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.

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, 2017, these transactions amounted to R$1,847 (December 31, 2016 - R$1,846).

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, 2017, the balance of transactions guaranteed by the Company was R$4,764 (December 31, 2016 - R$5,067).

The Company has no history of loss experience on such transactions.

15. Trade payables

Breakdown of trade payables is as follows:

	Parent company		Consolidated	
	9/30/2017	**12/31/2016**	**9/30/2017**	**12/31/2016**
Domestic suppliers	**95,637**	50,885	**108,983**	66,007
Related parties (Note 10.a)	**1,709**	1,247	**-**	-
Foreign suppliers	**31**	437	**31**	438
	97,377	52,569	**109,014**	66,445

16. Share capital and reserves

16.1. Share capital

On May 29, 2017, the Board of Directors approved an increase of R$20,367 in the Company's share capital by reason of the exercise by certain plan participants of their respective share options in the amount of 930 thousand registered, book-entry, common shares without par value, under the terms of the Share Option Plan.

	Shares (in thousands)	Share capital R$
At December 31, 2015	88,735	261,247
Share capital increase with conversion of capital reserve	-	46,830
Issuance of shares under share option plan	101	1,931
At September 30, 2016	88,836	310,008
At December 31, 2016	88,836	310,008
Issuance of shares under share option plan	**930**	**20,367**
At September 30, 2017	**89,766**	**330,375**

16.2. Treasury shares

On June 23, 2017, the extraordinary general meeting approved the design and implementation of a new restricted stock plan (the "Plan") for the Company. The purpose of the Plan is to permit grants of shares, subject to certain restrictions, to the Company's or a subsidiary's officers and employees ("Recipients") selected by the Board of Directors, as a means of: (i) stimulating the expansion and success of the Company and its subsidiaries and the achievement of their business objectives; (b) promoting improvement in management of the Company and its subsidiaries, giving Recipients the opportunity to become shareholders in the Company, motivating them to optimize all aspects that can increase the Company's value over the long term; (c) aligning the interests of Recipients with those of shareholders; and (d) incentivizing officers and employees to remain with the Company or its subsidiaries.

On August 28, 2017, the Board of Directors approved the execution of restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the First Stock Award Program.

17. 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 March 6, 2017, the Board of Directors approved the proposal for allocation of profit for the year ended December 31, 2016, in the amount of R$52,975, for dividends paid on May 15, 2017.

The Company approved at its Board of Directors' meeting held on August 28, 2017 the distribution of interim dividends of R$88,832, which were paid on September 27, 2017. Of total dividends, the amount of R$36,832 was paid out of net profit for the current year and R$52,000 out of the Company's revenue reserves. The interim dividends paid during the year are an advance payment of mandatory minimum dividend.

Interest on capital

In order to comply with tax rules, the Company recorded interest on capital paid in the period 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 26, 2017, the Board of Directors approved the distribution of R$21,540 of interest on capital relating to the first half of 2017, which was paid on July 28, 2017.

18. 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, 2017 and 2016.

a) Basic earnings per share

	9/30/2017	9/30/2016
Profit for the period (in thousands of reais)	**99,126**	80,332
Weighted average number of outstanding shares (thousands)	**89,258**	88,769
Basic earnings per share - R$	**1,1106**	0,9050

b) Diluted earnings per share

	9/30/2017	9/30/2016
Profit for the period (in thousands of reais)	**99,126**	80,332
Weighted average number of outstanding shares (thousands)	**89,258**	88,769
Adjustments for share options (thousands)	**663**	331
Weighted average number of common shares for diluted earnings per share (thousands)	**89,921**	89,100
Diluted earnings per share - R$	**1,1024**	0,9016

19. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
Gross sales revenue				
Domestic market	**947,127**	854,206	**1,117,010**	1,020,230
Foreign market	**6,449**	68,605	**113,678**	114,307
Sales returns	**(21,785)**	(24,572)	**(52,335)**	(53,587)
Discounts and rebates	**(2,133)**	(1,358)	**(2,133)**	(1,358)
Taxes on sales	**(137,344)**	(133,390)	**(179,347)**	(179,352)
Net sales revenue	**792,314**	763,491	**996,873**	900,240

20. 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.

20. Segment reporting (Continued)

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

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

	Consolidated	
Brand	**9/30/2017**	**9/30/2016**
Gross revenue	**1,230,688**	1,134,537
Arezzo – domestic market	**637,250**	585,024
Schutz – domestic market	**343,946**	342,756
Anacapri – domestic market	**107,134**	79,601
Other	**28,680**	12,849
Foreign market	**113,678**	114,307

	Consolidated	
Sales channel	**9/30/2017**	**9/30/2016**
Gross revenue	**1,230,688**	1,134,537
Franchises	**537,790**	491,035
Multi-brand stores	**276,318**	242,830
Company-owned stores	**207,217**	206,939
Web commerce	**93,120**	77,473
Other	**2,565**	1,953
Foreign market	**113,678**	114,307

The revenue from foreign market is not shown separately by geographic area as at September 30, 2017 it represents 9.2% of the gross revenue (September 30, 2016 – 10.1%). No single customer accounts for more than 5% of the sales on the domestic and foreign markets.

21. 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	
	9/30/2017	**9/30/2016**	**9/30/2017**	**9/30/2016**
Expenses by function				
Cost of sales	**(499,060)**	(509,000)	**(542,659)**	(504,180)
Selling expenses	**(115,744)**	(101,761)	**(242,651)**	(223,320)
General and administrative expenses	**(71,452)**	(55,832)	**(81,593)**	(66,966)
Other operating expenses, net	**(655)**	(3,856)	**(817)**	(1,830)
	(686,911)	(670,449)	**(867,720)**	(796,296)

	Parent company		Consolidated	
	9/30/2017	**9/30/2016**	**9/30/2017**	**9/30/2016**
Expenses by nature				
Depreciation and amortization	**(14,151)**	(13,726)	**(22,630)**	(19,282)
Personnel expenses	**(93,941)**	(74,947)	**(150,837)**	(130,864)
Raw materials and consumables used	**(501,431)**	(511,087)	**(546,402)**	(507,850)
Freight	**(14,016)**	(13,195)	**(19,940)**	(17,842)
Store occupancy expenses	**-**	-	**(28,946)**	(24,507)
Other operating expenses	**(63,372)**	(57,494)	**(98,965)**	(95,951)
	(686,911)	(670,449)	**(867,720)**	(796,296)

22. Financial risk management objectives and policies

a) Fair value

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

	Consolidated			
	9/30/2017		12/31/2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	**4,920**	**4,920**	5,020	5,020
Cash investments	**213,334**	**213,334**	237,824	237,824
Trade receivables	**350,523**	**350,523**	328,980	328,980
Borrowings	**93,221**	**93,164**	106,049	106,049
Trade payables	**109,014**	**109,014**	66,445	66,445

22. Financial risk management objectives and policies (Continued)

a) Fair value (Continued)

At September 30, 2017, consolidated financial instruments by category are as follows:

	Measured at	
	Fair value	**Amortized cost**
Assets		
Loans and receivables		
Cash and cash equivalents	-	**4,920**
Trade receivables	-	**350,523**
Financial assets at fair value through profit or loss		
Cash investments	**213,334**	**-**
Liabilities		
Other financial liabilities		
Trade payables	-	**109,014**
Borrowings	-	**93,164**

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.

22. 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, 2017 and December 31, 2016, the net exposure to the U.S. dollar is as follows:

	9/30/2017	**12/31/2016**
Trade receivables	**34,657**	42,409
Borrowings	**(48,006)**	(51,809)
Net exposure	**(13,349)**	(9,400)

To measure the sensitivity of the Company's foreign currency-denominated assets and liabilities which expose it to foreign exchange risk at September 30, 2017, three different scenarios were simulated and a sensitivity analysis relating to exchange rate fluctuations was prepared.

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.

22. 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.

Operation	Currency	Probable scenario (Carrying amount)	Scenario A	Scenario B
Appreciation in the exchange rate				
Trade receivables in foreign currency	R$	34,657	43,321	51,986
Borrowings in foreign currency	R$	(48,006)	(60,008)	(72,009)
Appreciation in the exchange rate			25%	50%
against the U.S. dollar		3.17	3.96	4.75
Effect on pre-tax profit	R$		(3,338)	(6,674)

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, 2017, borrowings are subject to the following interest rates:

	Consolidated	
	9/30/2017	%
Fixed interest	**48,684**	52%
Interest based on TJLP and Libor	**44,537**	48%
	93,221	100%

To measure the sensitivity of the Company's borrowings to interest rates to which the Company was exposed at September 30, 2017, three different scenarios were simulated and a sensitivity analysis relating to interest rate shifts was prepared.

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, 2017, the probable scenario for the year 2017 was defined, applying variances of 25% and 50% as required by CVM Instruction 475.

22. Financial risk management objectives and policies (Continued)

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, 2017, projecting the interest rates for one year and verifying the sensitivity of the same rates in each scenario.

Operation	Currency	Probable	Scenario A	Scenario B
Increase in interest expense				
Borrowings – TJLP	R$	2,008	2,510	3,012
Borrowings – Libor	R$	276	345	414
		2,284	2,855	3,426
Increase in the interest rate for financial liabilities			25%	50%
TJLP		7.00%	8.75%	10.50%
Libor		1.74%	2.18%	2.61%

d) Financial instruments

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2016.

e) Credit risk

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2016.

f) Liquidity risk

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2016.

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	74,023	21,354	81	95,458
Trade and other payables	109,014	-	-	109,014

g) Capital management

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2016.

23. Finance result

	Parent company		Consolidated	
	9/30/2017	**9/30/2016**	**9/30/2017**	**9/30/2016**
Finance income:				
Interest income	**3,479**	3,392	**3,487**	3,468
Interest income on cash investments	**17,956**	21,140	**20,377**	21,722
Other income	**1,006**	27	**1,468**	173
	22,441	24,559	**25,332**	25,363
Finance costs:				
Bank charges	**(2,032)**	(1,737)	**(2,714)**	(2,347)
Interest on borrowings	**(1,188)**	(2,417)	**(2,330)**	(2,494)
Credit card administration fee	**-**	-	**(4,784)**	(4,483)
Notary public fees	**(1,587)**	(1,167)	**(1,598)**	(1,210)
Discounts granted	**(1,295)**	(827)	**(1,337)**	(901)
Other costs	**(227)**	(355)	**(494)**	(1,286)
	(6,329)	(6,503)	**(13,257)**	(12,721)
Foreign exchange variation, net	**(1,208)**	(5,984)	**(81)**	(6,124)
Total	**14,904**	12,072	**11,994**	6,518

24. Other operating income (expenses), net

	Parent company		Consolidated	
	9/30/2017	**9/30/2016**	**9/30/2017**	**9/30/2016**
Share option and restricted stock plans (Notes 26 and 27)	**(3,714)**	(2,993)	**(3,714)**	(2,993)
Franchise fees	**1,421**	789	**1,421**	789
Recovery of expenses	**1,644**	623	**1,686**	627
Result on disposal of property, plant and equipment and intangible assets	**7**	(152)	**(121)**	51
Other (expenses) income, net	**(13)**	(2,123)	**(89)**	(304)
	(655)	(3,856)	**(817)**	(1,830)

25. Operating lease commitments – store lease

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

	Minimum lease payments at 9/30/2017 (Consolidated)
Less than one year	**22,635**
More than one year and no later than 5 years	**52,626**

The average monthly lease expenditure for the nine-month period ended September 30, 2017 is R$2,922 (September 30, 2016 - R$2,517). 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, 2017, lease expenditure, net of taxes recoverable, amounted to R$26,306 (September 30, 2016 - R$22,653). The balance of leases payable is R$133 (December 31, 2016 - R$245).

26. Share option plan

Changes in the share option plan are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant
At December 31, 2016	3,329	368,692	609,478	555,520	705,904
Options exercised	**(2,225)**	**(352,114)**	**(574,292)**	**(1,004)**	**-**
Options written off (*)	**(50)**	**(250)**	**(1,000)**	**(81,874)**	**(90,496)**
At September 30, 2017	**1,054**	**16,328**	**34,186**	**472,642**	**615,408**

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

In the nine-month period ended September 30, 2017, the share option plan expense of R$2,622 (September 30, 2016 - R$2,993) was charged to the statement of income with a corresponding entry to a separate capital reserve account within equity.

27. Restricted stock plan

On June 23, 2017, the extraordinary general meeting approved the design and implementation of a new restricted stock plan (the “Plan”) for the Company. On August 28, 2017, the Board of Directors approved the execution of restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the First Stock Award Program.

27. Restricted stock plan (Continued)

The purpose of the Plan is permit grants of shares, subject to certain restrictions, to the Company's or a subsidiary's officers and employees ("Recipients") selected by the Board of Directors, as a means of: (i) stimulating the expansion and success of the Company and its subsidiaries and the achievement of their business objectives; (b) promoting improvement in management of the Company and its subsidiaries, giving Recipients the opportunity to become shareholders in the Company, motivating them to optimize all aspects that can increase the Company's value over the long term; (c) aligning the interests of Recipients with those of shareholders; and (d) incentivizing officers and employees to remain with the Company or its subsidiaries.

For purposes of this Plan, the Board of Directors may, upon prior recommendation of the Committee, grant a certain number of registered, book-entry common shares that must not exceed 5% of the Company's total share capital at the date of approval of the Plan.

Without affecting other terms and conditions laid out in the respective Award Agreements, Recipients shall become fully vested in the restricted stock grant only if they remain continuously employed by the Company or any subsidiary, as applicable, and achieve required performance goals stipulated in each Program and in the respective Award Agreements, in the period between the date of grant and the vesting dates of the respective vesting tranches:

(i) up to 10% after the first anniversary of the grant date;
(ii) up to 10% after the second anniversary of the grant date;
(iii) up to 20% after the third anniversary of the grant date; and
(iv) up to 60% after the fourth anniversary of the grant date.

Notwithstanding the items (i) to (iv) above, a Recipient may receive an additional up to 10% of the total number of restricted shares granted by the Board of Directors if he/she exceeds the applicable performance goals specified in the Program and in the respective Award Agreement, as it may be determined by the Board of Directors, which may at its discretion establish various vesting dates with respect to the restricted shares granted.

In order to satisfy the grant of restricted shares under the Plan, the Company, subject to applicable law and regulation, will dispose of treasury shares through a private transaction at no cost to Recipients, in accordance with CVM Instruction 567.

	Date of grant	Vesting date	Quantity
1st Grant	**8/28/2017**	**N/A**	**534,270**
1st tranche	N/A	8/27/2018	53,427
2nd tranche	N/A	8/27//2019	53,427
3rd tranche	N/A	8/27/2020	106,854
4th tranche	N/A	8/27/2021	320,562

27. Restricted stock plan (Continued)

In compliance with IFRS 2/ CPC 10, the Company determined the fair value of the shares, based on the stated vesting periods. In the period ended September 30, 2017, the Company determined R$1,092 in restricted stock plan expenses, which were recorded in the statement of income with a contra-entry to a separate capital reserve account within equity.

The following assumptions were adopted to determine the fair value of restricted shares:

	1st grant
Number of shares	
1st tranche	53,427
2nd tranche	53,427
3rd tranche	106,854
4th tranche	320,562
Share price - (R$)	**35.50**
Fair value per share (R$)	
1st tranche	34.73
2nd tranche	33.97
3rd tranche	33.24
4th tranche	32.51
Dividend yield	**2.20%**
Volatility of the share price	
1st tranche	32.21%
2nd tranche	36.51%
3rd tranche	36.55%
4th tranche	36.75%
Risk-free interest rate	
1st tranche	7.88%
2nd tranche	8.37%
3rd tranche	8.97%
4th tranche	9.40%
Expected time to maturity (years)	
1st tranche	1
2nd tranche	2
3rd tranche	3
4th tranche	4

28. Government grants

Competitiveness Agreement – State Value-added Tax on Sales and Services (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, 2017, the Company received a tax benefit of R$48,321 (September 30, 2016 – R$24,901), which was recorded in the statement of income, reducing expenses related to taxes on sales.

Arezzo Indústria e Comércio S.A.

Quarterly Information (ITR) at September 30, 2017 and report on review of quarterly information

Report on review of quarterly information

To the Board of Directors and Stockholders
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., included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2017, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month periods 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, 2017. 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.

Porto Alegre, October 30, 2017

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