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Company information / Capital composition

Number of shares (in thousands)	Current quarter 3/31/2018
Paid-up capital	
Common shares	89,766
Preferred shares	0
Total	89,766
Treasury shares	
Common shares	45
Preferred shares	0
Total	45

Company information / Cash proceeds

Event	Approval	Proceeds	Beginning of payment	Share type	Share class	Earnings per share (R$ per share)
Board of Directors' Meeting	12/18/2017	Interest on capital	1/5/2018	Common shares		0.23312

Parent company financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 3/31/2018	Prior year 12/31/2017
1	Total assets	1,073,626	1,032,957
1.01	Current assets	698,714	640,370
1.01.01	Cash and cash equivalents	668	4,262
1.01.02	Cash investments	306,663	298,951
1.01.02.01	Cash investments measured at fair value	306,663	298,951
1.01.02.01.03	Cash investments measured at fair value	306,663	298,951
1.01.03	Trade and other receivables	292,656	250,299
1.01.03.01	Trade receivables	277,426	250,299
1.01.03.02	Other receivables	15,230	0
1.01.03.02.01	Dividends receivable	15,230	0
1.01.04	Inventories	47,306	36,267
1.01.06	Taxes recoverable	37,223	36,850
1.01.06.01	Current taxes recoverable	37,223	36,850
1.01.08	Other current assets	14,198	13,741
1.01.08.03	Other	14,198	13,741
1.02	Non-current assets	374,912	392,587
1.02.01	Long-term receivables	54,672	52,611
1.02.01.03	Trade and other receivables	10,766	11,490
1.02.01.03.01	Trade receivables	10,766	11,490
1.02.01.06	Deferred taxes	11,397	8,408
1.02.01.06.01	Deferred income tax and social contribution	11,397	8,408
1.02.01.08	Receivables from related parties	18,337	18,236
1.02.01.08.02	Receivables from subsidiaries	18,337	18,236
1.02.01.09	Other non-current assets	14,172	14,477
1.02.01.09.04	Judicial deposits	12,598	12,556
1.02.01.09.05	Other	1,574	1,921
1.02.02	Investments	262,857	279,550
1.02.02.01	Equity interests	259,533	276,625
1.02.02.01.02	Investments in subsidiaries	259,533	276,625
1.02.02.02	Investment property	3,324	2,925
1.02.02.02.01	Investment property	3,324	2,925
1.02.03	Property, plant and equipment	20,834	21,561
1.02.03.01	Property, plant and equipment in operation	20,834	21,561
1.02.04	Intangible assets	36,549	38,865
1.02.04.01	Intangible assets	36,549	38,865
1.02.04.01.02	Trademarks and patents	4,139	3,927
1.02.04.01.03	Store use rights	434	818
1.02.04.01.04	Software use rights	31,976	34,120

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 3/31/2018	Prior year 12/31/2017
2	Total liabilities	1,073,626	1,032,957
2.01	Current liabilities	283,697	268,202
2.01.01	Salaries, vacation pay and social charges payable	20,236	29,621
2.01.01.01	Social charges	2,486	3,144
2.01.01.02	Salaries and vacation pay	17,750	26,477
2.01.02	Trade payables	127,100	96,555
2.01.02.01	Domestic suppliers	127,005	96,453
2.01.02.02	Foreign suppliers	95	102
2.01.03	Taxes payable	17,267	9,037
2.01.03.01	Federal taxes payable	16,697	8,490
2.01.03.01.01	Income tax and social contribution payable	7,252	0
2.01.03.01.02	Other federal taxes payable	9,445	8,490
2.01.03.02	State taxes payable	569	544
2.01.03.03	Local taxes payable	1	3
2.01.04	Borrowings	109,042	108,193
2.01.04.01	Borrowings	109,042	108,193
2.01.04.01.01	In local currency	8,907	8,908
2.01.04.01.02	In foreign currency	100,135	99,285
2.01.05	Other liabilities	10,052	24,796
2.01.05.02	Other	10,052	24,796
2.01.05.02.01	Dividends and interest on capital payable	2,796	18,062
2.01.05.02.04	Other	7,256	6,734
2.02	Non-current liabilities	99,301	99,795
2.02.01	Borrowings	15,321	17,548
2.02.01.01	Borrowings	15,321	17,548
2.02.01.01.01	In local currency	15,321	17,548
2.02.02	Other liabilities	77,816	76,121
2.02.02.01	Payables to related parties	77,816	76,121
2.02.02.01.04	Payables to other related parties	77,816	76,121
2.02.04	Provisions	6,164	6,126
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	6,164	6,126
2.02.04.01.02	Provision for social security and labor contingencies	4,233	4,195
2.02.04.01.04	Provision for civil contingencies	256	256
2.02.04.01.05	Provision for tax contingencies	1,675	1,675
2.03	Equity	690,628	664,960
2.03.01	Paid-up capital	330,375	330,375
2.03.02	Capital reserves	45,676	44,369
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.05	Treasury shares	-2,191	-1,199
2.03.02.09	Reserve for share option and restricted stock plans	26,397	24,098
2.03.04	Revenue reserves	289,406	292,202
2.03.04.01	Legal reserve	43,707	43,707
2.03.04.05	Retained profit reserve	178,358	178,358
2.03.04.07	Tax incentive reserve	64,658	64,658

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 3/31/2018	Prior year 12/31/2017
2.03.04.08	Proposed additional dividend	0	2,796
2.03.04.10	Investment reserve	2,683	2,683
2.03.05	Retained earnings/accumulated deficit	27,114	0
2.03.08	Other comprehensive income	-1,943	-1,986

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
3.01	Revenue from sales of goods and/or services	272,095	246,334
3.02	Cost of sales and/or services	-174,657	-156,326
3.03	Gross profit	97,438	90,008
3.04	Operating income/expenses	-66,199	-61,175
3.04.01	Selling expenses	-35,660	-34,089
3.04.02	General and administrative expenses	-26,572	-22,727
3.04.05	Other operating expenses	-1,955	-48
3.04.06	Equity in the results of investees	-2,012	-4,311
3.05	Profit before finance result and taxes	31,239	28,833
3.06	Finance result	1,031	5,220
3.06.01	Finance income	6,003	7,933
3.06.01.01	Interest income	5,825	8,347
3.06.01.02	Foreign exchange gains	178	-414
3.06.02	Finance costs	-4,972	-2,713
3.06.02.01	Interest expense	-4,195	-1,755
3.06.02.02	Foreign exchange losses	-777	-958
3.07	Profit before income tax and social contribution	32,270	34,053
3.08	Income tax and social contribution	-5,156	-11,878
3.08.01	Current	-8,145	-16,120
3.08.02	Deferred	2,989	4,242
3.09	Profit for the period from continuing operations	27,114	22,175
3.11	Profit for the period	27,114	22,175
3.99	Earnings per share (expressed in R$ per share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.30220	0.24961
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.30136	0.24828

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
4.01	Profit for the period	27,114	22,175
4.02	Other comprehensive income	43	643
4.02.01	Foreign exchange differences arising from the translation of foreign operations	150	0
4.02.02	Net investment hedge	-107	0
4.03	Comprehensive income for the period	27,157	22,818

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
6.01	Net cash inflow from operating activities	25,259	60,790
6.01.01	Cash from operations	38,902	41,382
6.01.01.01	Profit before income tax and social contribution	32,270	34,053
6.01.01.02	Depreciation and amortization	5,156	4,731
6.01.01.03	Result on disposal of property, plant and equipment and intangible assets	136	-3
6.01.01.04	Equity in results of investees	2,012	4,311
6.01.01.05	Provision for labor, tax and civil contingencies	38	698
6.01.01.06	Interest and foreign exchange variation on Borrowings	1,366	414
6.01.01.07	Interest income on cash investments	-4,547	-7,069
6.01.01.08	Provision for impairment of trade receivables	402	2,658
6.01.01.09	Addition to provision for inventory losses	-230	448
6.01.01.10	Share option and restricted stock plans	2,299	1,141
6.01.02	Changes in assets and liabilities	-13,643	19,408
6.01.02.01	Trade receivables	-27,203	-14,416
6.01.02.02	Inventories	-10,809	-3,216
6.01.02.03	Changes in other current and non-current assets	-108	-3,813
6.01.02.04	Taxes recoverable	-911	965
6.01.02.05	Judicial deposits	-43	-288
6.01.02.07	Trade payables	30,545	47,414
6.01.02.08	Salaries and vacation pay	-8,726	-5,698
6.01.02.09	Taxes and social charges payable	3,095	-834
6.01.02.10	Other liabilities	517	-706
6.02	Net cash outflow from investing activities	-5,684	-49,160
6.02.01	Purchases of property, plant and equipment and intangible assets	-2,330	-1,181
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	82	5
6.02.03	Cash investments	-154,909	-147,172
6.02.04	Redemption of cash investments	151,473	99,188
6.03	Net cash outflow from financing activities	-23,169	-10,007
6.03.02	Repayments of borrowings	-2,227	-13,898
6.03.03	Payment of interest on borrowings	-624	-383
6.03.04	Related parties	1,594	4,274
6.03.05	Interest on capital	-20,920	0
6.03.09	Purchase of treasury shares	-992	0
6.05	Increase (decrease) in cash and cash equivalents	-3,594	1,623
6.05.01	Cash and cash equivalents at the beginning of the period	4,262	81
6.05.02	Cash and cash equivalents at the end of the period	668	1,704

Parent company financial statements / Statement of changes in equity - 1/1/2018 to 3/31/2018 (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	330,375	44,369	292,202	0	-1,986	664,960
5.03	Adjusted opening balances	330,375	44,369	292,202	0	-1,986	664,960
5.04	Equity transactions with shareholders	0	1,307	-2,796	0	0	-1,489
5.04.04	Purchase of treasury shares	0	-992	0	0	0	-992
5.04.08	Share options and restricted stock granted	0	2,299	0	0	0	2,299
5.04.10	Proposed dividends	0	0	-2,796	0	0	-2,796
5.05	Total comprehensive income	0	0	0	27,114	43	27,157
5.05.01	Profit for the period	0	0	0	27,114	0	27,114
5.05.02	Other comprehensive income	0	0	0	0	43	43
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	150	150
5.05.02.07	Net investment hedge	0	0	0	0	-107	-107
5.07	Closing balances	330,375	45,676	289,406	27,114	-1,943	690,628

Parent company financial statements / Statement of changes in equity - 1/1/2017 to 3/31/2017 (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	0	1,141	0	0	0	1,141
5.04.03	Options granted	0	1,141	0	0	0	1,141
5.05	Total comprehensive income	0	0	0	22,175	643	22,818
5.05.01	Profit for the period	0	0	0	22,175	0	22,175
5.05.02	Other comprehensive income	0	0	0	0	643	643
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	643	643
5.07	Closing balances	310,008	40,695	321,999	22,175	-1,219	693,658

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
7.01	Revenue	319,208	287,306
7.01.01	Sales of goods, products and services	319,610	289,066
7.01.04	Provision for/reversal of impairment of trade receivables	-402	-1,760
7.02	Inputs acquired from third parties	-246,663	-221,417
7.02.01	Cost of sales and services	-221,787	-198,509
7.02.02	Materials, energy, outsourced services and other	-24,095	-22,320
7.02.04	Other	-781	-588
7.03	Gross value added	72,545	65,889
7.04	Deductions	-5,156	-4,731
7.04.01	Depreciation, amortization and depletion	-5,156	-4,731
7.05	Net value added generated by the entity	67,389	61,158
7.06	Value added received through transfer	4,337	4,715
7.06.01	Equity in the results of investees	-2,012	-4,311
7.06.02	Finance income	6,004	7,933
7.06.03	Other	345	1,093
7.07	Total value added to distribute	71,726	65,873
7.08	Distribution of value added	71,726	65,873
7.08.01	Personnel	27,956	23,358
7.08.01.01	Direct compensation	18,178	14,967
7.08.01.02	Benefits	1,905	1,836
7.08.01.03	Government severance indemnity fund for employees (FGTS)	1,689	1,241
7.08.01.04	Other	6,184	5,314
7.08.01.04.01	Employee profit sharing	1,842	2,948
7.08.01.04.02	Other	2,043	1,225
7.08.01.04.03	Share option and restricted stock plans	2,299	1,141
7.08.02	Taxes and contributions	10,160	16,264
7.08.02.01	Federal	19,048	24,230
7.08.02.02	State	-8,994	-8,069
7.08.02.03	Local	106	103
7.08.03	Lenders and creditors	6,496	4,076
7.08.03.01	Interest	2,610	384
7.08.03.02	Rentals	1,523	1,363
7.08.03.03	Other	2,363	2,329
7.08.03.03.01	Finance cost	2,363	2,329
7.08.04	Shareholders	27,114	22,175
7.08.04.03	Profits reinvested / loss for the period	27,114	22,175

Consolidated financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 3/31/2018	Prior year 12/31/2017
1	Total assets	1,072,759	1,049,899
1.01	Current assets	875,500	855,237
1.01.01	Cash and cash equivalents	8,292	10,156
1.01.02	Cash investments	325,046	327,764
1.01.02.01	Cash investments measured at fair value	325,046	327,764
1.01.02.01.03	Cash investments measured at fair value	325,046	327,764
1.01.03	Trade and other receivables	345,085	336,954
1.01.03.01	Trade receivables	345,085	336,954
1.01.04	Inventories	128,153	113,489
1.01.06	Taxes recoverable	51,568	51,127
1.01.06.01	Current taxes recoverable	51,568	51,127
1.01.08	Other current assets	17,356	15,747
1.01.08.03	Other	17,356	15,747
1.02	Non-current assets	197,259	194,662
1.02.01	Long-term receivables	48,992	44,908
1.02.01.03	Trade and other receivables	10,766	11,490
1.02.01.03.01	Trade receivables	10,766	11,490
1.02.01.06	Deferred taxes	15,075	11,533
1.02.01.06.01	Deferred income tax and social contribution	15,075	11,533
1.02.01.09	Other non-current assets	23,151	21,885
1.02.01.09.04	Judicial deposits	19,265	19,117
1.02.01.09.05	Other	3,886	2,768
1.02.02	Investments	3,324	2,925
1.02.02.02	Investment property	3,324	2,925
1.02.02.02.01	Investment property	3,324	2,925
1.02.03	Property, plant and equipment	68,843	67,636
1.02.03.01	Property, plant and equipment in operation	68.843	67,636
1.02.04	Intangible assets	76,100	79,193
1.02.04.01	Intangible assets	76,100	79,193
1.02.04.01.02	Trademarks and patents	4,261	4,051
1.02.04.01.03	Store use rights	38,327	39,603
1.02.04.01.04	Software use rights	33,512	35,539

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

Code	Description	Current quarter 3/31/2018	Prior year 12/31/2017
2	Total liabilities	1,072,759	1,049,899
2.01	Current liabilities	355,966	356,825
2.01.01	Salaries, vacation pay and social charges payable	30,247	39,722
2.01.01.01	Social charges	3,869	5,154
2.01.01.02	Salaries and vacation pay	26,378	34,568
2.01.02	Trade payables	132,837	104,416
2.01.02.01	Domestic suppliers	132,742	104,314
2.01.02.02	Foreign suppliers	95	102
2.01.03	Taxes payable	21,202	19,527
2.01.03.01	Federal taxes payable	18,069	13,203
2.01.03.01.01	Income tax and social contribution payable	7,762	2,123
2.01.03.01.02	Other federal taxes payable	10,307	11,080
2.01.03.02	State taxes payable	3,101	6,318
2.01.03.03	Local taxes payable	32	6
2.01.04	Borrowings	156,354	163,729
2.01.04.01	Borrowings	156,354	163,729
2.01.04.01.01	In local currency	109,179	9,063
2.01.04.01.02	In foreign currency	47,175	154,666
2.01.05	Other liabilities	15,326	29,431
2.01.05.02	Other	15,326	29,431
2.01.05.02.01	Dividends and interest on capital payable	2,796	18,062
2.01.05.02.04	Other	12,530	11,369
2.02	Non-current liabilities	26,165	28,114
2.02.01	Borrowings	15,758	18,016
2.02.01.01	Borrowings	15,758	18,016
2.02.01.01.01	In local currency	15,758	18,016
2.02.02	Other liabilities	1,238	1,232
2.02.02.01	Payables to related parties	1,238	1,232’
2.02.02.01.03	Payables to controlling shareholders	1,238	1,232
2.02.04	Provisions	9,169	8,866
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	9,169	8,866
2.02.04.01.02	Provision for social security and labor contingencies	6,838	6,535
2.02.04.01.04	Provision for civil contingencies	287	287
2.02.04.01.05	Provision for tax contingencies	2,044	2,044
2.03	Consolidated equity	690,628	664,960
2.03.01	Paid-up capital	330,375	330,375
2.03.02	Capital reserves	45,676	44,369
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.05	Treasury shares	-2,191	-1,199
2.03.02.09	Reserve for share option and restricted stock plans	26,397	24,098
2.03.04	Revenue reserves	289,406	292,202
2.03.04.01	Legal reserve	43,707	43,707
2.03.04.05	Retained profit reserve	178,358	178,358

Consolidated financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 3/31/2018	Prior year 12/31/2017
2.03.04.07	Tax incentive reserve	64,658	64,658
2.03.04.08	Proposed additional dividend	0	2,796
2.03.04.10	Investment reserve	2,683	2,683
2.03.05	Retained earnings/accumulated deficit	27,114	0
2.03.08	Other comprehensive income	-1,943	-1,986

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
3.01	Revenue from sales of goods and/or services	330,185	297,177
3.02	Cost of sales and/or services	-183,625	-167,113
3.03	Gross profit	146,560	130,064
3.04	Operating income/expenses	-114,224	-100,706
3.04.01	Selling expenses	-80,911	-74,953
3.04.02	General and administrative expenses	-31,465	-25,683
3.04.05	Other operating expenses	-1,848	-70
3.05	Profit before finance result and taxes	32,336	29,358
3.06	Finance result	1,225	5,079
3.06.01	Finance income	6,890	10,140
3.06.01.01	Interest income	6,284	9,685
3.06.01.02	Foreign exchange gains	606	455
3.06.02	Finance costs	-5,665	-5,061
3.06.02.01	Interest expense	-4,907	-3,781
3.06.02.02	Foreign exchange losses	-758	-1,280
3.07	Profit before income tax and social contribution	33,561	34,437
3.08	Income tax and social contribution	-6,447	-12,262
3.08.01	Current	-9,989	-17,539
3.08.02	Deferred	3,542	5,277
3.09	Profit for the period from continuing operations	27,114	22,175
3.11	Consolidated profit for the period	27,114	22,175
3.11.01	Attributable to owners of the parent	27,114	22,175
3.99	Earnings per share (expressed in R$ per share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.30220	0.24961
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.30136	0.24828

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
4.01	Consolidated profit for the period	27,114	22,175
4.02	Other comprehensive income	43	643
4.02.01	Foreign exchange differences arising from the translation of foreign operations	150	643
4.02.02	Net investment hedge	-107	0
4.03	Consolidated comprehensive income for the period	27,157	22,818
4.03.01	Attributable to owners of the parent	27,157	22,818

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
6.01	Net cash inflow from operating activities	30,161	53,953
6.01.01	Cash from operations	40,923	38,257
6.01.01.01	Profit before income tax and social contribution	33,561	34,437
6.01.01.02	Depreciation and amortization	8,425	6,675
6.01.01.03	Result on disposal of property, plant and equipment and intangible assets	57	-10
6.01.01.05	Provision for labor, tax and civil contingencies	304	877
6.01.01.06	Interest and foreign exchange variation on borrowings	1,205	-299
6.01.01.07	Interest income on cash investments	-5,018	-7,978
6.01.01.08	Provision for impairment of trade receivables	402	2,658
6.01.01.09	Addition to provision for inventory losses	-312	756
6.01.01.10	Share option and restricted stock plans	2,299	1,141
6.01.02	Changes in assets and liabilities	-7,372	16,146
6.01.02.01	Trade receivables	-8,207	-1,939
6.01.02.02	Inventories	-14,352	-9,346
6.01.02.03	Changes in other current assets	-2,660	-2,601
6.01.02.04	Taxes recoverable	-891	-4,812
6.01.02.05	Judicial deposits	-148	-936
6.01.02.07	Trade payables	28,421	46,587
6.01.02.08	Salaries and vacation pay	-8,190	-5,691
6.01.02.09	Taxes and social charges payable	-2,502	-5,358
6.01.02.10	Changes in other current liabilities	1,157	242
6.01.03	Other	-3,390	-450
6.01.03.01	Income tax and social contribution paid	-3,390	-450
6.02	Net cash inflow (outflow) from investing activities	804	-42,150
6.02.01	Purchases of property, plant and equipment and intangible assets	-7,213	-3,254
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	682	31
6.02.03	Cash investments	-226,044	-231,078
6.02.04	Redemption of cash investments	233,379	192,151
6.03	Net cash outflow from financing activities	-32,852	-8,051
6.03.01	Proceeds from borrowings	4,566	6,330
6.03.02	Repayments of borrowings	-14,833	-14,001
6.03.03	Payment of interest on borrowings	-679	-346
6.03.05	Interest on capital	-20,920	0
6.03.07	Receivables from (payables to) shareholders	6	-34
6.03.09	Purchase of treasury shares	-992	0
6.04	Foreign exchange variation on cash and cash equivalents	23	-98
6.05	Increase (decrease) in cash and cash equivalents	-1,864	3,654
6.05.01	Cash and cash equivalents at the beginning of the period	10,156	5,020
6.05.02	Cash and cash equivalents at the end of the period	8,292	8,674

Consolidated financial statements / Statement of changes in equity - 1/1/2018 to 3/31/2018 (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	330,375	44,369	292,202	0	-1,986	664,960	0	664,960
5.03	Adjusted opening balances	330,375	44,369	292,202	0	-1,986	664,960	0	664,960
5.04	Equity transactions with shareholders	0	1,307	-2,796	0	0	-1,489	0	-1,489
5.04.04	Purchase of treasury shares	0	-992	0	0	0	-992	0	-992
5.04.08	Share options and restricted stock granted	0	2,299	0	0	0	2,299	0	2,299
5.04.10	Proposed dividends	0	0	-2,796	0	0	-2,796	0	-2,796
5.05	Total comprehensive income	0	0	0	27,114	43	27,157	0	27,157
5.05.01	Profit for the period	0	0	0	27,114	0	27,114	0	27,114
5.05.02	Other comprehensive income	0	0	0	0	43	43	0	43
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	150	150	0	150
5.05.02.07	Net investment hedge	0	0	0	0	-107	-107	0	-107
5.07	Closing balances	330,375	45,676	289,406	27,114	-1,943	690,628	0	690,628

Consolidated financial statements / Statement of changes in equity - 1/1/2017 to 3/31/2017 (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	0	1,141	0	0	0	1,141	0	1,141
5.04.03	Options granted	0	1,141	0	0	0	1,141	0	1,141
5.05	Total comprehensive income	0	0	0	22,175	643	22,818	0	22,818
5.05.01	Profit for the period	0	0	0	22,175	0	22,175	0	22,175
5.05.02	Other comprehensive income	0	0	0	0	643	643	0	643
5.05.02.06	Carrying value adjustments	0	0	0	0	643	643	0	643
5.07	Closing balances	310,008	40,695	321,999	22,175	-1,219	693,658	0	693,658

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

Code	Description	YTD - current year 1/1/2018 to 3/31/2018	YTD - prior year 1/1/2017 to 3/31/2017
7.01	Revenue	389,211	349,573
7.01.01	Sales of goods, products and services	389,613	351,333
7.01.04	Provision for/reversal of impairment of trade receivables	-402	-1,760
7.02	Inputs acquired from third parties	-272,470	-246,176
7.02.01	Cost of sales and services	-215,789	-195,990
7.02.02	Materials, energy, outsourced services and other	-55,392	-49,050
7.02.04	Other	-1,289	-1,136
7.03	Gross value added	116,741	103,397
7.04	Deductions	-8,425	-6,675
7.04.01	Depreciation, amortization and depletion	-8,425	-6,675
7.05	Net value added generated by the entity	108,316	96,722
7.06	Value added received through transfer	7,789	11,212
7.06.02	Finance income	6,890	10,141
7.06.03	Other	899	1,071
7.07	Total value added to distribute	116,105	107,934
7.08	Distribution of value added	116,105	107,934
7.08.01	Personnel	45,392	39,671
7.08.01.01	Direct compensation	31,401	27,112
7.08.01.02	Benefits	4,325	4,303
7.08.01.03	Government severance indemnity fund for employees (FGTS)	2,911	2,383
7.08.01.04	Other	6,755	5,873
7.08.01.04.01	Employee profit sharing	1,890	2,982
7.08.01.04.02	Other	2,566	1,750
7.08.01.04.03	Share option and restricted stock plans	2,299	1,141
7.08.02	Taxes and contributions	25,417	29,674
7.08.02.01	Federal	25,201	30,053
7.08.02.02	State	-308	-894
7.08.02.03	Local	524	515
7.08.03	Lenders and creditors	18,182	16,414
7.08.03.01	Interest	1,486	681
7.08.03.02	Rentals	12,517	11,352
7.08.03.03	Other	4,179	4,381
7.08.03.03.01	Finance cost	4,179	4,381
7.08.04	Shareholders	27,114	22,175
7.08.04.03	Profits reinvested / loss for the period	27,114	22,175

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 1Q18 with a presence through 571 franchises, 47 owned stores and 2,379 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 na 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 diferente 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.

OWME

The OWME - composed by two words, own and me, which, together express the "owning herself" attitude - was created after a year of qualitative and quantitative research with consumers of different ages. The brand seeks to attend a growing demand of consumers that wants comfortable and beautiful shoes for all occasions.

2. Operational and Financial Performance

Summary of Results	1Q18	1Q17	Δ 18 x 17
Net Revenues	330.185	297.177	11,1%
Gross Profit	146.560	130.064	12,7%
Grosss Margin	44,4%	43,8%	0,6 p.p.
EBITDA*	40.761	36.033	13,1%
EBITDA Margin*	12,3%	12,1%	0,2 p.p.
Net Income	27.114	22.175	22,3%
Net Margin	8,2%	7,5%	0,7 p.p.

Operating Indicators	1Q18	1Q17	Δ 18 x 17
# of pairs sold ('000)	2.742	2.560	7,1%
# of handbags sold ('000)	358	267	34,1%
# of employees	2.419	2.307	4,9%
# of stores*	625	562	63
Owned Stores	49	48	1
Franchises	576	514	62
Outsourcing (as % of total production)	90,3%	89,2%	1,1 p.p
SSS² Sell-in (franchises)	3,7%	13,6%	-9,9 p.p
SSS² Sell-out (owned stores + franchises + web)	8,4%	2,5%	5,9 p.p

* Include 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	1Q18	Part%	1Q17	Part%	Δ (%) 18 x 17
Total Gross Revenue	**407.691**		**368.397**		**10,7%**
Foreign market	**30.481**	**7,5%**	**27.689**	**7,5%**	**10,1%**
Dosmetic market	**377.210**	**92,5%**	**340.708**	**92,5%**	**10,7%**
By brand					
Arezzo	*218.731*	*58,0%*	*199.376*	*58,5%*	*9,7%*
Schutz	*103.221*	*27,4%*	*98.326*	*28,9%*	*5,0%*
Anacapri	*45.321*	*12,0%*	*33.760*	*9,9%*	*34,2%*
Others[1]	*9.937*	*2,6%*	*9.246*	*2,7%*	*7,5%*
By channel					
Franchises	*191.418*	*50,7%*	*173.246*	*50,8%*	*10,5%*
Multibrand	*85.702*	*22,7%*	*77.938*	*22,9%*	*10,0%*
Owned Stores	*65.912*	*17,5%*	*62.608*	*18,4%*	*5,3%*
Web Commerce	*33.365*	*8,8%*	*25.307*	*7,4%*	*31,8%*
Others[2]	*813*	*0,2%*	*1.609*	*0,5%*	*(49,5%)*

(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

The first quarter of the year is marked by the transition from the summer collection to the winter collection in stores. Following the positive trend of December, the brands showed a good performance of same store sales (SSS) throughout the quarter, all of which presented revenue growth vs. the previous year.

The sales period, which begins in January and ends after Carnival, was 14 days shorter than in 1Q17 and showed an increase in the share of products at full price, in addition to a lower level of markdowns. Thus, the summer collection ended with a reduced level of leftovers and, therefore, with a higher average mark-up.

Still during the summer sales period, the Pre Fall collection was introduced in stores, bringing the trends of the winter collection and at the same time testing the receptiveness of consumers to the products - in advance and with enough time for reaction. The collection transition period is always an important moment for Arezzo&Co's business model, with several actions carried out to bring news in the shopping experience, as well as wide dissemination in social networks - a marketing and customer engagement tool increasingly used by all theArezzo&Co brands.

The **Arezzo** brand posted R$ 218.7 million in gross revenue in 1Q18, an increase of 9,7% against 1Q17, representing 58.0% of domestic sales. In January, the brand introduced its Pre Fall collection in stores and partnered with Vogue Magazine, with main collection bets being released on social networks - the brand's and the magazine's. The month of February was marked by participation in the traditional Brazilian Vogue Ball, positioning the brand in the most prestigious fashion event of the year. Still in February, Arezzo reached the mark of 4 million followers on Instagram. In March, Arezzo launched its winter collection, which had once again the uber model Gisele Bundchen as the star of the campaign. The month also featured a talk show broadcast live on social networks with TV presenters and renowned actresses, which generated strong mobilization of clients and digital influencers around #SerMulher (#BeWomen) communication campaign.

The sales in the Franchises and Multi-brands channels of the brand ("sell-in") increased by 7.1% and 16.1% respectively over the same period in 2017. Arezzo's Web Commerce continued its consolidation as an important channel for the brand, with growth of 40.3% in the quarter, representing 7.0% of sales, compared to 5.5% in 1Q17. Additionally, it is worth mentioning the performance of handbags, which increased their representativeness in the sell-out of physical stores to 20.7%.

The **Schutz** brand accounted for 27.4% of the Company's domestic market revenues, totaling R$ 103.2 million of gross revenues in 1Q18, an increase of 5.0% over the same period of the previous year. Following the strategy to increase its participation in sell out, the handbags category continues being a positive highlight, representing 23.6%. The Web Commerce channel posted a growth of 15.9% in the quarter and already represents 13.9% of the brand's sales. The Multibrand channel grew by 9.2%. In the foreign market, brand revenue grew by 7.6% in Reais in 1Q18 compared to 1Q17.

Schutz now is entering a new cycle, which brings in three important front of actions. The first one is the renewal of the store concept, which is to offer a differentiated purchasing experience for customers through (i) the use of innovative technologies (such as smart-mirror with RFID reader, touch-screen TV with web channel integration and hologram of products from future collections), (ii) development of a new store model with a more cozy concept, a "living room" feeling with remote checkout bringing comfort and convenience and (iii) revised product mix and exclusive collections. The brand began the year with the re-inauguration of its flagship store on Oscar Freire Street in the new concept of digital store, following the reopening of Madison Avenue stores in New York and JK Iguatemi Shopping in São Paulo. As in the Iguatemi SP store, which was reopened in December 2017, the three stores renewed during the quarter had a positive impact on the same store sales (SSS) of more than 15% on average. Among the next steps are the roll-out of the concept for the remaining owned-stores and adaptation of it for subsequent adoption by the network of franchisees.

The second front of action at Schutz is related to the strengthening of brand positioning, bringing more clarity and innovation to its purpose. During the quarter, we hired an international agency, recognized for its strategic performance in terms of branding, positioning and communication - to operate in an integrated manner in Brazil in the US.

Finally, the brand's third front of action is related to a new franchise supply model, still in the pilot phase reaching just part of the network. In this model, the brand actively participates in the purchase decision of the franchisee and increases the volume of in-season purchases, thus providing greater assertiveness in sales, due to the faster reaction in the entire value chain, reducing lead times. On the other hand, the model presupposes a risk that is shared between franchisee and franchiser, since part of the royalties due are calculated and paid on the monthly sell-out performance not sell-in. The results so far are encouraging, with a difference of performance of sell out around 5% between the pilot group and the control group.

The Anacapri brand continued its expansion process, reaching revenues of R$ 45.3 million in 1Q18, with a strong growth of 34.2% against 1Q17, closing the quarter with a 12% share of the Company's domestic turnover, against 9.9% in 1Q17. The franchise channel saw a strong growth of 60.7%, due to the opening of 5 stores in 1Q18 - 39 stores in the last 12 months - in addition to the increase in SSS itself - as a result of an increasingly assertive product mix and increased penetration of the mark on the domestic market. Moreover, the Web Commerce channel achieved expressive 62.5% growth with increased importance for the brand.

Among the main accomplishments of the quarter is a carnival action with two carnival blocks from the city of São Paulo (Beleza Rara and Banda Eva) - that generated great repercussion and engagement among the consumers. The Winter Collection - well received by customers and franchisees - once again featured the Brazilian actress Isis Valverde as the star of the campaign. In March, Anacapri presented the brand's new sneaker shoes, the "New Ana", which came to reinforce the existing steaker portfolio. The release of the new sneaker had special windows, participation of digital influencers in addition to Instagram posts written by celebrities. Also in March, the brand held weekly meetings within the Women's Month, with special guests in the flagship store on Oscar Freire street in SP.

The **Alexandre Birman** brandgrew 10.7% in 1Q18 against 1Q17, with an increase in SSS in Brazil as well as in total sales abroad. During the quarter, the brand was spontaneously present at the feet of prominent celebrities such as Meryl Streep at the Golden Globes and actress Lupita Nyong'o, who used a brand's custom shoe to host the 2018 Oscar. Alexandre Birman launched his winter collection in Paris Fashion Week through a temporary showroom at the Ritz Hotel and then promoted the launch of a capsule collection in partnership with the renowned German e-commerce My Theresa. Still in March, the brand reopened its store in JK Iguatemi Shopping in São Paulo - the only one in Brazil to have an exclusive area for customization of the best-selling Clarita sandal. As a next step, the brand Alexandre Birman will soon open its first international flagship store (on Madison Avenue in NY) and will expand its presence in Europe through the inauguration of its own showroom in Milan.

Fiever, in line with the strengthening of its presence in the market, was highlighted by the Web Commerce channel, which presented a 79.6% performance in relation to the same period of the previous year. In the quarter, the brand launched the winter collection "Fiever Move in the City" and its new sneaker, the FIV5, which has a more athletic proposal, different from the other models, a little more casual. Following its brand identity linked to music, Fiever was present on the three days of the Lollapalooza SP festival in March, with its product customization store. The brand continues its process of opening stores, which may include franchises until the end of 2018.

OWME, the group's sixth brand, had its official launch on February 22nd, along with the first sale of sell in for the Multibrand channel, concentrated on about 100 customers. The level of sales significantly exceeded the company's expectations. As previously announced, OWME has a timeless style and seeks to meet women of the AB1 classes, age over 35, in growing demand for comfortable and stylish shoes. Its key concept - "wellness" - was born from the idea of simplifying the everyday life of self-confident women ("Own" + "Me"). Among the product differentials are the elastic insoles and linings that guarantee better breath to the skin, thicker and stable heels, and non-slip soles. The brand inaugurated on May 3rd its flagship store at Oscar Freire Street in São Paulo and, unprecedented in Brazil, launched the "test drive", a tool in which the customer can schedule the trial of the product for up to one hour, walking through the neighborhood of Jardins, in the vicinity of the store. In addition to generating a totally innovative sensorial experience for the customer, the tool also helps to increase the CRM base of the brand.

Channels

Monobrand - Franchises, Owned Stores and Web Commerce

Reflecting the Company's strategy to strengthen its single-brand stores, the Arezzo&Co (Owned Stores + Franchises + Web Commerce) POs showed a significant 12.2% growth in sell-out sales in 1Q18 against 1Q17, the strong growth of the online channel and the net opening of 62 franchises in the last 12 months, in addition to the increase in same-store sales, which was 8.4% in 1Q18. The sales area increased by 7.4% compared to 1Q17, with the net addition of 38 Anacapri stores, 6 Schutz stores, 16 Arezzo stores, 2 Fiever stores and 1 Alexandre Birman store, totaling 2,864 m² (excluding outlets).

The Company's revenue from monobrand stores, represented by franchise sell-in and sell-out of owned-stores and Web Commerce, increased 11.3% in 1Q18 compared to 1Q17, mainly due to the growth of the franchise channels by 10.5% and the Web Commerce channel by 31.8%.

The franchise channel achived a share of 50.7% of the domestic sales in 1Q18 and presented a sell-in SSS of 3.7%, ending the period with an adequate and healthy stock level with continuous capture of gross margin in the network. It should be recalled that in 1Q17, the Company presented a 13.6% increase in SSS Sell-in, representing a challenging comparison basis for the period. For comparison purposes, it is recommended that the SSS sell in and SSS sell out indicators should be analyzed over a period of 12 months, thus avoiding possible calendar effects common to the Company's operation.

Multibrands

Turnover in the multibrand channel in 1Q18 was 10.0% higher than in 1Q17. The positive performance reflects a number of initiatives to gain new customers and constant efforts to boost cross-selling between the brands - and a higher share for handbags in the mix.

It is worth mentioning the performance of the Arezzo brand, which increased its sales by 16.1% in the channel in the quarter, while Schutz grew by 9.2% over 1Q17.

The five brands of the group were distributed through 2,379 stores in 1Q18, 6.7% more than in 1Q17, with a presence in 1,253 cities.

Foreign Market

The Company's sales in the foreig market in 1Q18, including the US operation and exports to the rest of the world, were 10.1% higher against Q17, and accounted for 7.5% of total revenue.

In the US, through the Schutz and Alexandre Birman brands in the Wholesale (department stores, third-party online stores and independent stores), Retail (flagship stores) and Online channels, revenue from the operation remained stable, negatively impacted by the billing schedule of the Alexandre Birman brand in the Wholesale channel and by the reduction of sales volume for Schutz in independent stores. On the other hand, this independent store reduction for Schutz was offset by the strong growth in the sales for department stores. The US operation ended the quarter representing 69.6% of total foreign sales.

Exports of our footwear to the rest of the world grew by 39.5% in US dollars in 1Q18 compared to the same period in 1Q17, due to the acquisition of new international customers, located mainly in Asia and Oceania. At the same time, the Company continues its strategy of reducing its private label sales volume, which resulted in a 12.8pp increase in the gross margin of the channel in the quarter.

Store Information	1Q17	2Q17	3Q17	4Q17	1Q18
Sales area [1,3] - Total (m²)	**38.623**	**38.930**	**39.351**	**41.211**	**41.487**
Sales area - franchises (m²)	32.374	32.660	33.029	34.925	35.246
Sales area - owned stores[2] (m²)	6.249	6.270	6.322	6.286	6.242
Total number of domestic stores	**555**	**560**	**569**	**611**	**618**
# of franchises	**509**	**513**	**520**	**563**	**571**
Arezzo	368	369	369	382	385
Schutz	61	61	62	67	67
Anacapri	80	83	89	114	119
# of owned stores	**46**	**47**	**49**	**48**	**47**
Arezzo	15	14	15	15	14
Schutz	22	22	22	22	22
Alexandre Birman	3	3	4	4	4
Anacapri	4	4	4	3	3
Fiever	2	4	4	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) Includes areas in square meters of the stores overseas
(2) Includes seven outlet type stores with a total area of 2,100 m²
(3) Includes areas in square meters of storesexpanded

Key financial indicators	1Q18	1Q17	Δ (%) 18 x 17
Gross Revenues	407.691	368.397	10,7%
Net Revenues	330.185	297.177	11,1%
COGS	(183.625)	(167.113)	9,9%
Gross Profit	146.560	130.064	12,7%
Gross margin	*44,4%*	*43,8%*	*0,6 p.p*
SG&A	(114.548)	(100.706)	13,7%
% of net revenues	*(34,7%)*	*(33,9%)*	*(0,8 p.p)*
Selling expenses	**(74.731)**	**(70.244)**	**6,4%**
Owned stores and web commerce	(31.464)	(29.681)	6,0%
Selling, logistics and supply	(43.267)	(40.563)	6,7%
General and administrative expenses	**(29.544)**	**(23.717)**	**24,6%**
Other operating revenues (expenses)	**(1.848)**	**(70)**	**2.540,0%**
Depreciation and amortization (expenses)	**(8.425)**	**(6.675)**	**26,2%**
Depreciation and amortization (cost)	(324)	-	n/a
EBITDA	40.761	36.033	13,1%
Margin EBITDA	*12,3%*	*12,1%*	*0,2 p.p*
Net Income	27.114	22.175	22,3%
Net Margin	*8,2%*	*7,5%*	*0,7 p.p*
Working capital[1] - as % of revenues	24,8%	24,1%	0,7 p.p
Invested capital[2] - as % of revenues	36,6%	38,9%	(2,3 p.p)
Total debt	172.112	97.191	77,1%
Net debt[3]	(161.226)	(195.506)	(17,5%)
Net debt/EBITDA LTM	-0,8x	-1,0x	-

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

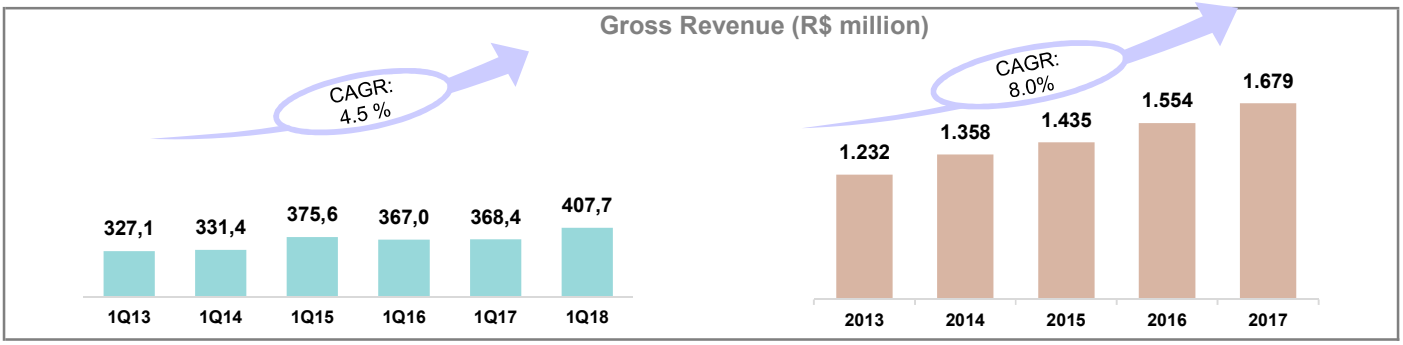
Gross Revenue

The company's Gross revenue in this quarter totaled R$ 407.7 million in the quarter, up by 10.7% against 1Q17. Among the primary factors driving this growth, worthy of mention are:

i) growth of 31.8% in the Web Commerce channel, reaching 8.8% of gross sales in the domestic market, compared to 7.4% in 1Q17;

ii) increase of 9.7% in the Arezzo brand revenue against 1Q17;

iii) increase of 10.5% in the Franchise channel against 1Q17.

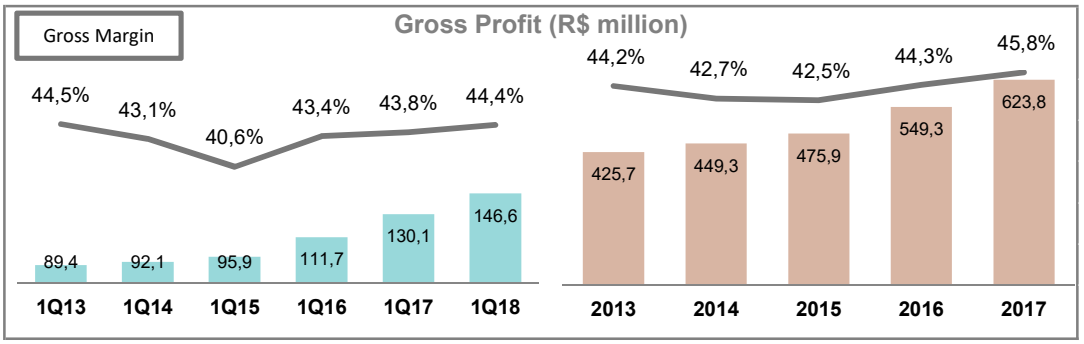


Gross Profit

Gross profit for 1Q18 totaled R$ 146.6 million, a 12.7% increase on 1Q17, with gross margin up by 60 bps, reaching 44.4% in 1Q18.

Among the main factors, highlight goes to the following: (i) the improvement in gross margin in the sell-out channels (Owned Stores and Web Commerce), thanks to the exclusion of ICMS from the calculation base of PIS/Cofins, (ii) increased share of the Web Commerce channel in the mix, which accounted for 8.8% of the Company's gross revenues in the domestic market, compared to 7.4% in 1Q17 and (iii) the improvement in gross margin in the export market.

As from 1T18, ZZAP depreciation (plant) became accounted for as cost and impacted the company's COGS. However, the same amount was deducted from the expenses. Without this effect, the gross margin would have increased by an additional 10 bps.



Operating Expenses

The Company makes every effort to control its expenses levels and adjust them to the evolution of its sales. In 1Q18, expenses were affected by the following factors: (i) strengthening of the personnel and governance structure and (ii) expenses related to the Company's strategic projects.

Selling Expenses

Selling expenses grew by 6,4% in 1Q18 against 1Q17, reaching R$ 74.7 million. It is worth mentioning that selling expenses include commercial expenses from Owned Stores and Web Commerce, which totaled R$ 31.5 million, an increase of 6.0% over 1Q17. This increase was below both the 12.9% growth in revenues from these channels, as well as the inflation of the period.

Sales, Logistics and Supplies expenses increased by 6.7% or R$ 2.7 million higher than 1Q17.

Excluding incremental expenses related to projects in the area of strategy and innovation, such as the launch of the OWME brand, the franchisee meritocracy program, Valorizza (CRM), the light format for Arezzo and the acceleration of the international expansion of the brand Alexandre Birman - the increase in expenses would be of 2.2%, well below the 11,2% growth in the sell-in channels (Mutibrands, Franchises and Exports).

General and Administrative Expenses

In 1Q18, general and administrative expenses grew by 24.6%, an increase of R$ 5.8 million compared to 1Q17. The highlights were as follows:

(i) the growth of the US operation, to the order of R$ 2.5 million;
(ii) the strengthening of the Company's personnel and governance structure, to the order of R$ 2.0 million;
(iii) the "Eternizze" sustainability project, to the order of R$ 0.4 million.

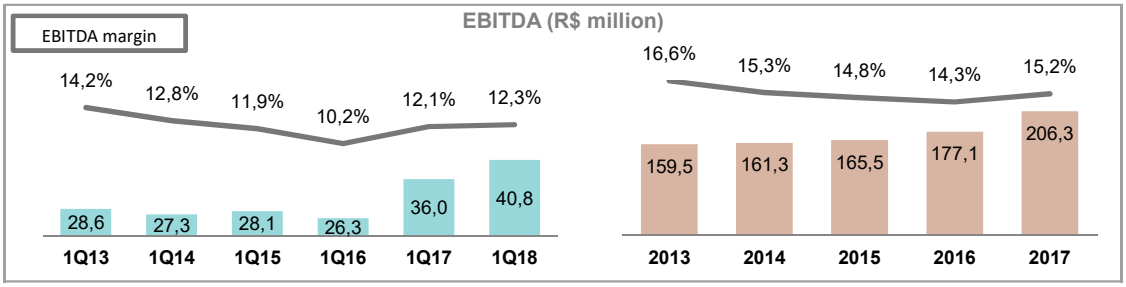
EBITDA and EBITDA margin

The Company's EBITDA totaled R$ 40.8 million in 1Q18, which represents a margin of 12.3% and an increase of 13.1% against the results reported in 1Q17. Among the main reasons are:

- Net revenue growth of 11.1% over the same period of the previous year;

- Expansion of gross margin by 60bps, closing 1Q18 at 44.4%, partially offset by a 13.7% increase in operating expenses, as previously highlighted.

Excluding the US operation, the Company's consolidated EBITDA margin would have increased by 200 bps in the quarter.

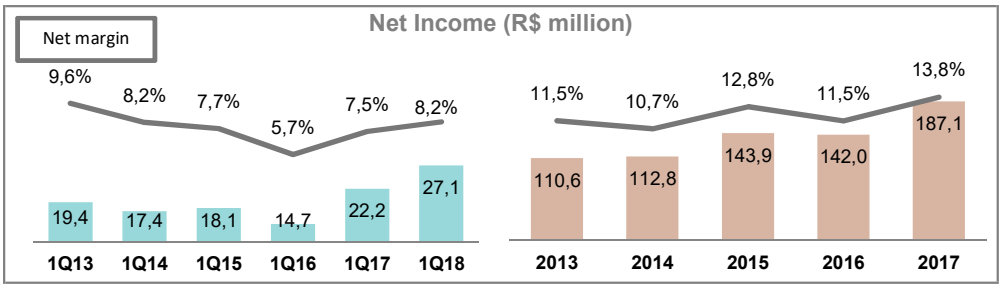


Net income and net margin

The Company posted a net margin of 8.2% in 1Q18 and a net income of R$ 27.1 million, an increase of 22.3% against 1Q17.

It is worth highlighting that in 4Q17 the company obtained an injunction exempting it from the payment of income and social contribution taxes (IR and CSLL) on an ICMS tax benefit , which remained valid during 1Q18. Part of this impact was offset by a lower financial result due to a lower financial revenue on the invested net cash (reduction of the Brazilian basic interest rate).

EBITDA Reconciliation	1Q18	1Q17
Net income	27.114	22.175
(-) Income tax and social contribution	(6.447)	(12.262)
(-) Financial results	1.225	5.079
(-) Depreciation and amortization	(8.425)	(6.675)
(=) EBITDA	40.761	36.033



Operating cash flow

Arezzo&Co generated R$ 30,2 million cash from operations in 1Q18, lower than the amount presented in 1Q17.

It is worth mentioning the payment of Interest on Equity Capital related to the second half of 2017, on January 5th 2018, in the amount of R$ 20.9 million.

In addition, in 1Q17 we had an exceptionally higher inflow of funds from clients in arrears and from a postponement of payments due in 2016 to the beggining of 2017. The accounts payable, in turn, has benefited from seasonal, non-recurring effects in 1Q18. In terms of inventories, the number of days remained stable in relation to the previous year.

Operating Cash Flow	1Q18	1Q17
Profits before income tax and social contribution	**33.561**	**34.437**
Depreciation and amortization	**8.425**	**6.675**
Others	**(1.063)**	**(2.855)**
Decrease (increase) in assets / liabilities	**(7.372)**	**16.146**
Trade accounts receivables	(8.207)	(1.939)
Inventories	(14.352)	(9.346)
Suppliers	28.421	46.587
Change in other noncurrent and current assets and liabilities	(13.234)	(19.156)
Payment of income tax and social contribution	**(3.390)**	**(450)**
Net cash flow generated by operational activities	**30.161**	**53.953**

Investments - CAPEX

The Company makes investments of three types:

i) Investments in expansion or refurbishment of owned stores;

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

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

In 1Q18, Arezzo&Co invested R$ 7.2 million in CAPEX, the main items being (i) the remodeling of Schutz and Alexandre Birman stores in Brazil, (ii) implementation of the IBM data center system and (iii) the remodeling of Schutz flagship store in the United States (Madison Avenue).

Summary of investments	1Q18	1Q17	Δ 18 x 17 (%)
Total CAPEX	**7.213**	**3.254**	**121,6%**
Stores - expansion and refurbishing	3.411	1.679	103,1%
Corporate	2.330	1.181	97,3%
Other	1.472	394	273,6%

Cash position and indebtedness

The Company ended 1Q18 with R$ 161.2 million in cash. The debt policy remains conservative, as follows:

- Total indebtedness of R$ 172.1 million in 1Q18, against R$ 97.2 million in 1Q17;
- Long-term indebtedness of 9.2% of total debt in 1Q18, against 25.5% in 1Q17;
- Weighted average cost of the company's total debt in 1Q18 remained at low levels.

Cash position and Indebtedness	1Q18	4Q17	1Q17
Cash	**333.338**	**337.920**	**292.697**
Total debt	**172.112**	**181.745**	**97.191**
Short term	156.354	163.729	72.385
% total debt	90,8%	90,1%	74,5%
Long-term	15.758	18.016	24.806
% total debt	9,2%	9,9%	25,5%
Net Debt	**(161.226)**	**(156.175)**	**(195.506)**

ROIC (Return on Invested Capital)

Return on invested capital (ROIC) again showed growth in 1Q18, reaching 30.2%. Among the factors responsible for this improvement are:

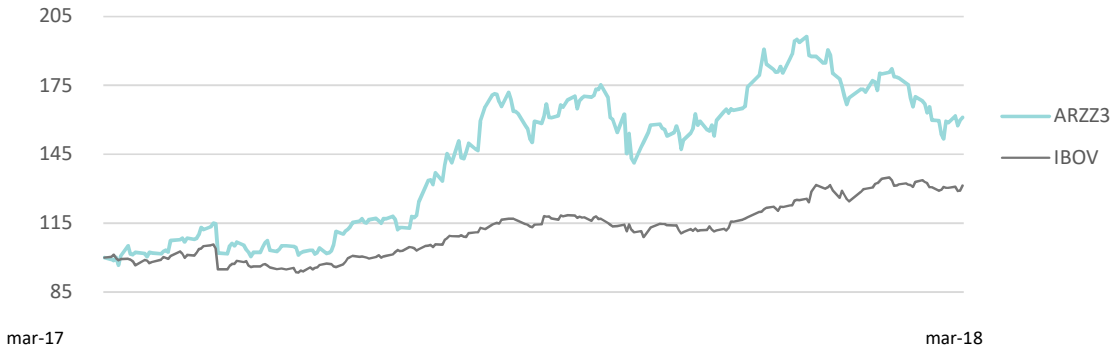
- Increase of 32.4% of NOPAT, against 1Q17;
- Working capital improvement actions, focusing on the reduction of inventories and suppliers;
- Permanent asset reduction, resulting from the lower share of our own stores in the Company's mix.

Income from operations	1Q18	1Q17	1Q16	Δ 18 x 17 (%)
EBIT (LTM)	176.611	160.613	139.032	10,0%
+ IR and CS (LTM)	(22.648)	(44.318)	(41.482)	(48,9%)
NOPAT	**153.963**	**116.295**	**97.550**	**32,4%**
Working Capital[1]	345.346	307.837	308.783	12,2%
Permanent assets	148.267	157.656	165.318	(6,0%)
Other long-term assets[2]	33.917	28.275	27.637	20,0%
Invested capital	**527.530**	**493.768**	**501.738**	**6,8%**
Average invested capital[3]	**510.649**	**497.753**		**2,6%**
ROIC[4]	**30,2%**	**23,4%**		

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

3. Capital Markets and Corporate Governance

On March 31, 2018, the Company's market capitalization was R$ 4.54 billion (R$ 50.55), an increase of 61.1% when compared to the same period of 2017.



Arezzo&Co	
Number of shares	89.765.882
Ticker	ARZZ3
Listing	02/02/2011
Share price (28/12/2017)	50,55
Market Cap	4.537.665.335
Performance	
2011	20%
2012	71%
2013	(24%)
2014	(9%)
2015	(22%)
2016	27%
2017	118%
2018	(10%)

2011: From 02/02/2011 to 12/29/2011
2012: From 12/29/2011 to 12/28/2012
2013: From 12/28/2012 to 12/30/2013
2014: From 12/30/2013 to 12/30/2014
2015: From 12/30/2014 to 12/30/2015
2016: From 01/04/2016 to 12/29/2016
2017: From 01/01/2017 to 28/12/2017
2018: From 02/01/2018 to 29/03/2018

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 byordinary share (R$)
2017	-	Dividends	R$2.795.920,81	R$0,03116590482

(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. Relationship with the Independent Auditors

The audits of Arezzo & Co's financial statements for the period ended March 31, 2018 were performed by PricewaterhouseCoopers Auditores Independentes ("PwCAI"). No other services were provided to Arezzo by that firm or other related firms.

5. Investor Relations

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

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

6. Officer's Statement

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 March 31, 2018, 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 THREE-MONTH PERIOD ENDED MARCH 31, 2018

All amounts in thousands of reais unless otherwise stated

1. Company information

Arezzo Indústria e Comércio S.A. (the "Company" or "Parent 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 March 31, 2018, the Company had 571 franchise-operated stores in Brazil and 5 abroad; 47 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 Company launched the brand OWME on February 22, 2018. The new brand will open its online store and first physical store in São Paulo in May.

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 three-month period ended March 31, 2018, 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).

2. Accounting policies (Continued)

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

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, 2017, unless otherwise stated.

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, 2017.

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, 2017 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 three-month period ended March 31, 2018 was approved at the Board of Directors' meeting on May 7, 2018.

2.2. Basis of consolidation

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

Subsidiaries	Total ownership interest - %			
	2018		2017	
	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**	**-**	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**	-	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, 2017.

4. New or revised pronouncements

As from January 1, 2018 the accounting policies on revenue from contracts with customers and financial instruments are consistent with the new standards (CPC 47/IFRS 15 – Revenue from Contracts with Customers and CPC 48/IFRS 9 – Financial Instruments).

The amendments or revisions to standards issued by IASB, which became effective on January 1, 2018, did not have a material impact on the Company's financial statements.

5. Cash and cash equivalents

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
Cash	**89**	114	**528**	846
Banks	**579**	4,148	**7,764**	9,310
	668	4,262	**8,292**	10,156

6. Cash investments

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
Current				
Fixed income (a)	**77**	2,686	**259**	3,784
Exclusive investment fund				
Bank Deposit Certificate (CDB)	**20,652**	16,821	**21,878**	18,394
Repurchase agreements	**-**	7,961	**-**	8,706
Financial bills (CEF)	**34,691**	29,187	**36,751**	31,917
Financial Treasury bills	**251,243**	242,296	**266,158**	264,963
	306,663	298,951	**325,046**	327,764

(a) Include 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 March 31, 2018, the average rate of return of the investment fund is 100.63% of the Interbank Deposit Certificate rate (CDI). Financial Treasury Bills (LFT) account for 80% of the investment fund assets and 88.97% of the assets provide daily liquidity.

The Company has cash investment policies in place that require it to invest its money in low-risk securities that substantially provide a return based on the CDI variance and to keep its investments in top-tier financial institutions (top 10 financial institutions in the country).

At March 31, 2018, the Company has no investment pledged as collateral to financial institutions.

7. Trade receivables

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
Trade notes – domestic customers	**260,524**	234,386	**260,452**	234,686
Trade notes – foreign customers	**10,579**	11,558	**37,669**	43,194
Trade notes – related parties (Note 10.a)	**20,301**	18,655	**-**	-
Checks	**33**	33	**104**	115
Credit cards	**-**	-	**60,917**	73,338
	291,437	264,632	**359,142**	351,333
(-) Provision for impairment of trade receivables	**(3,245)**	(2,843)	**(3,291)**	(2,889)
	288,192	261,789	**355,851**	348,444
Current	**277,426**	250,299	**345,085**	336,954
Non-current	**10,766**	11,490	**10,766**	11,490

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
USD	**10,483**	11,464	**32,952**	39,510
EUR	**96**	94	**4,717**	3,684
	10,579	11,558	**37,669**	43,194

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

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
At the beginning of the period	**(2,843)**	(1,723)	**(2,889)**	(1,769)
Additions	**(402)**	(9,375)	**(402)**	(9,375)
Realization	**-**	8,255	**-**	8,255
At the end of the period	(3,245)	(2,843)	(3,291)	(2,889)

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional provision of R$402 for the period ended March 31, 2018 (March 31, 2017 - R$2,658). Management believes that the balance of the provision is sufficient to cover losses on uncollectible accounts.

Also, in the period ended March 31, 2018, the Company recognized R$1,270 (March 31, 2017 - R$655) of losses on accounts receivable, which was classified in selling expenses.

8. Inventories

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
Finished products	**42,100**	30,051	**105,181**	90,444
Raw material	**5,037**	5,815	**17,381**	18,209
Work in progress	**-**	-	**5,085**	3,913
Advances to suppliers	**1,887**	3,355	**2,736**	4,471
(-) Provision for losses	**(1,718)**	(2,954)	**(2,230)**	(3,548)
	47,306	36,267	**128,153**	113,489

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
At the beginning of the period	**(2,954)**	(2,229)	**(3,548)**	(2,731)
Additions	**230**	(1,787)	**312**	(3,054)
Realization	**1,006**	1,062	**1,006**	2,237
At the end of the period	**(1,718)**	(2,954)	**(2,230)**	(3,548)

9. Income tax and social contribution

a) Deferred taxes

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
Deferred income tax and social contribution on:				
Temporary differences	**11,397**	8,408	**13,441**	9,769
Tax loss carryforwards	**-**	-	**1,634**	1,764
	11,397	8,408	**15,075**	11,533

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

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
Opening balance	**8,408**	5,551	**11,533**	8,405
Deferred tax recognized in the statement of income	**2,989**	2,857	**3,542**	3,128
Closing balance	**11,397**	8,408	**15,075**	11,533

9. Income tax and social contribution (Continued)

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	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
2018	**10,287**	7,400	**12,125**	8,962
2019	**555**	504	**2,395**	2,067
2020	**555**	504	**555**	504
Total	**11,397**	8,408	**15,075**	11,533

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	
	3/31/2018	**3/31/2017**	**3/31/2018**	**3/31/2017**
Profit before income tax and social contribution	**32,270**	34,053	**33,561**	34,437
Statutory tax rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution expense at statutory tax rate	**(10,972)**	(11,578)	**(11,411)**	(11,709)
Deferred income tax and social contribution on unrecognized losses of subsidiaries	**-**	-	**(2,283)**	(1,436)
Effect of income tax and social contribution on permanent differences:				
Government subsidies	**4,655**	-	**5,518**	-
Tax benefit from technological research and innovation expenses – Law 11,196/05	**1,913**	1,030	**1,913**	1,030
Equity in the results of investees	**(684)**	(1,466)	**-**	-
Share option plan expense	**(782)**	(388)	**(782)**	(388)
Tax incentives (Workers' Meal Program (PAT), Rouanet Law, other)	**208**	37	**208**	37
Other permanent differences	**506**	487	**390**	204
Income tax and social contribution expense	**(5,156)**	(11,878)	**(6,447)**	(12,262)
Current	**(8,145)**	(16,120)	**(9,989)**	(17,539)
Deferred	**2,989**	4,242	**3,542**	5,277
Total	**(5,156)**	(11,878)	**(6,447)**	(12,262)
Effective tax rate - %	**15.98%**	34.88%	**19.21%**	35.61%

10. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	3/31/2018					
	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	-	7,382	-	77,816	-	-
ARZZ International INC	-	10,955	-	-	16	-
ZZAB Comércio de Calçados Ltda.	20,118	-	1,447	-	46,807	-
ZZSAP Ind.e Com.de Calç.Ltda.	13	-	6,858	-	31	27,264
ZZEXP Comercial Exportadora S.A.	170	-	-	-	-	-
Total – Parent company	**20,301**	**18,337**	**8,305**	**77,816**	**46,854**	**27,264**
Consolidated						
Controlling shareholders	-	-	-	1,238	-	-
Total - Consolidated	**-**	**-**	**-**	**1,238**	**-**	**-**

	12/31/2017				3/31/2017	
	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	-	10,889	-	76,121	-	-
ARZZ International INC	-	7,347	-	-	42	-
ZZAB Comércio de Calçados Ltda.	18,394	-	1,346	-	41,975	-
ZZSAP Ind.e Com.de Calç.Ltda.	7	-	4,029	-	36	24,418
ZZEXP Comercial Exportadora S.A.	254	-	-		-	-
Total – Parent company	18,655	18,236	5,375	76,121	42,053	24,418
Consolidated						
Controlling shareholders	-	-	-	1,232	-	-
Total - Consolidated	-	-	-	1,232	-	-

a) 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 40 days while the average payment period for payables to related parties is 28 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 March 31, 2018, the compensation paid to management totaled R$5,755 (March 31, 2017 - R$3,203), as shown below:

	3/31/2018	3/31/2017
Annual fixed compensation – salary/management fees	**1,366**	1,157
Variable pay	**3,338**	1,816
Share option and restricted stock plans (Note 26)	**1,051**	230
Total compensation	**5,755**	3,203

At March 31, 2018, the Company paid a variable compensation of R$3,338 according to the provision recorded in the year ended December 31, 2017.

The expenses related to the share option and restricted stock plans (Note 26) 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 March 31, 2018, 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 three-month period ended March 31, 2018, this firm received R$168 (March 31, 2017 - R$168).

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 %**	**3/31/2018**	**12/31/2017**	**3/31/2018**	**3/31/2017**
ARZZ International Inc.	**123,062**	**68,527**	**54,535**	**127,144**	**18,392**	**(6,716)**	100.00	**54,535**	61,098	**(6,716)**	(4,224)
ZZAB Com. de Calçados Ltda.	**197,609**	**35,214**	**162,395**	**93,614**	**68,080**	**600**	99.99	**162,395**	161,793	**600**	(2,807)
ZZSAP Ind. e Com. de Calçados Ltda.	**55,904**	**18,464**	**37,440**	**27,592**	**31,131**	**1,038**	99.99	**37,440**	36,403	**1,038**	1,015
ZZEXP Comercial Exportadora S/A	**75,742**	**70,579**	**5,163**	**2,000**	**16,565**	**3,066**	99.99	**5,163**	17,331	**3,066**	1,705
Investments								**259,533**	276,625	**(2,012)**	(4,311)

	Parent company	
	3/31/2018	**12/31/2017**
Balance at the beginning of the period, net of provision for losses	**276,625**	159,808
Capital payment	**-**	99,300
Distribution of dividends	**(15,230)**	(4,141)
Equity in the results of investees	**(2,012)**	20,705
Cumulative translation adjustments (CTA)	**150**	953
Balance at the end of the period, net of provision for losses	**259,533**	276,625

The subsidiary ZZEXP Comercial Exportadora S.A. proposed to pay dividends of R$15,230 to the Company out of profits for the year ended December 31, 2017, 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, 2016	5,398	3,758	3,793	8,821	90	101	21,961
Purchases	96	77	51	327	-	-	551
Depreciation	(467)	(165)	(177)	(371)	(12)	-	(1,192)
Write-offs	-	(2)	-	-	-	-	(2)
At March 31, 2017	5,027	3,668	3,667	8,777	78	101	21,318
At December 31, 2017	5,040	3,664	4,085	8,626	45	101	21,561
Purchases	**105**	**90**	**67**	**377**	**-**	**-**	**639**
Depreciation	**(490)**	**(178)**	**(203)**	**(402)**	**(10)**	**-**	**(1,283)**
Write-offs	**-**	**-**	**(83)**	**-**	**-**	**-**	**(83)**
At March 31, 2018	**4,655**	**3,576**	**3,866**	**8,601**	**35**	**101**	**20,834**
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, 2016	6,227	14,233	9,360	43,041	90	101	73,052
Purchases	170	274	132	526	-	-	1,102
Depreciation	(556)	(653)	(429)	(1,465)	(12)	-	(3,115)
Write-offs	(12)	(9)	-	-	-	-	(21)
Foreign exchange variation	(5)	(54)	-	(247)	-	-	(306)
At March 31, 2017	5,824	13,791	9,063	41,855	78	101	70,712
At December 31, 2017	6,152	13,176	9,172	38,991	44	101	67,636
Purchases	**316**	**1,667**	**379**	**3,010**	**-**	**-**	**5,372**
Depreciation	**(607)**	**(674)**	**(471)**	**(1,861)**	**(9)**	**-**	**(3,622)**
Write-offs	**(8)**	**(501)**	**(83)**	**(13)**	**-**	**-**	**(605)**
Foreign exchange variation	**2**	**27**	**-**	**33**	**-**	**-**	**62**
At March 31, 2018	**5,855**	**13,695**	**8,997**	**40,160**	**35**	**101**	**68,843**
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, 2016	3,521	1,078	41,939	46,538
Purchases	75	-	555	630
Amortization	-	-	(3,539)	(3,539)
At March 31, 2017	3,596	1,078	38,955	43,629
At December 31, 2017	3,927	818	34,120	38,865
Purchases	**212**	**-**	**1,479**	**1,691**
Amortization	**-**	**(260)**	**(3,613)**	**(3,873)**
Write-offs	**-**	**(124)**	**(10)**	**(134)**
At March 31, 2018	**4,139**	**434**	**31,976**	**36,549**
Estimated average useful life	Indefinite	Finite and indefinite	5 years	

Consolidated	Trademarks and patents	Store use rights	Software licenses	Total
At December 31, 2016	3,644	39,781	42,536	85,961
Purchases	75	1,232	845	2,152
Amortization	-	-	(3,560)	(3,560)
Write-offs	-	(1)	-	(1)
Foreign exchange variation	(1)	-	(12)	(13)
At March 31, 2017	3,718	41,012	39,809	84,539
At December 31, 2017	4,051	39,603	35,539	79,193
Purchases	**210**	**-**	**1,631**	**1,841**
Amortization	**-**	**(1,152)**	**(3,651)**	**(4,803)**
Write-offs	**-**	**(124)**	**(11)**	**(135)**
Foreign exchange variation	**-**	**-**	**4**	**4**
At March 31, 2018	**4,261**	**38,327**	**33,512**	**76,100**
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, 2017, 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$9,375 (March 31, 2017 – R$5,051) in expenses associated with the research and development of new products was recorded within "General and administrative expenses" in the parent company and consolidated statement of income for the three-month period ended March 31, 2018.

14. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
FINAME (i)	**-**	-	**574**	623
Advance on foreign exchange contract – ACC (ii)	**-**	-	**47,175**	55,381
FINEP (iii)	**24,229**	26,456	**24,229**	26,456
Borrowings in foreign currency – "transaction 4131" (iv)	**100,134**	99,285	**100,134**	99,285
	124,363	125,741	**172,112**	181,745
Current	**109,042**	108,193	**156,354**	163,729
Non-current	**15,321**	17,548	**15,758**	18,016

The interest rate and charges on borrowings are as follows:

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

(ii) Advance on foreign exchange contract (ACC): denominated in U.S. dollars plus average interest rate of 3.07% p.a. at March 31, 2018.

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

(iv) Working capital in foreign currency: denominated in U.S. dollars plus average interest rate of 2.95% p.a. at March 31, 2018. Loan debts in foreign currency under Law 4131.

Maturity of borrowing agreements

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

At March 31, 2018, the non-current borrowings mature as follows:

	Parent company		Consolidated	
	3/31/2018	12/31/2017	**3/31/2018**	12/31/2017
2019	**6,365**	8,592	**6,451**	8,709
2020	**5,118**	5,118	**5,191**	5,191
2021	**3,838**	3,838	**3,910**	3,910
After 2021	**-**	-	**206**	206
Total	**15,321**	17,548	**15,758**	18,016

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 March 31, 2018, these transactions amounted to R$1,491 (December 31, 2017 - R$1,624).

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 March 31, 2018, the balance of transactions guaranteed by the Company was R$11,493 (December 31, 2017 - R$11,912).

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

15. Trade payables

Breakdown of trade payables is as follows:

	Parent company		Consolidated	
	3/31/2018	**12/31/2017**	**3/31/2018**	**12/31/2017**
Domestic suppliers	**39,143**	34,813	**53,185**	48,049
Reverse factoring	**79,557**	56,265	**79,557**	56,265
Related parties (Note 10.a)	**8,305**	5,375	**-**	-
Foreign suppliers	**95**	102	**95**	102
	127,100	96,555	**132,837**	104,416

16. Share capital and reserves

16.1. Share capital

At March 31, 2018, the Company's capital was divided into 89,766 thousand common shares.

	Number of shares - thousands	Share capital R$
At December 31, 2016	88,836	310,008
Issuance of shares under share option plan	930	20,367
At December 31, 2017	89,766	330,375
At March 31, 2018	**89,766**	**330,375**

16.2. Treasury shares

At March 31, 2018, the balance of treasury shares is R$2,191 (December 31, 2017 - R$1,199) consisting of 45,000 common shares at an average acquisition cost of R$48.69.

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.

On March 23, 2018, the Board of Directors approved the proposal for allocation of profit for the year ended December 31, 2017 amounting to R$2,796, at R$0.0311 per share.

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 January 5, 2018, there was payment of interest on capital of R$20,920, at R$0.2331 per share, relating to the second half of 2017.

18. Earnings per share

In compliance with CPC 41 (IAS 33), the Company presents below earnings per share information for the three-month periods ended March 31, 2018 and 2017.

a) Basic earnings per share

	3/31/2018	3/31/2017
Profit for the period	**27,114**	22,175
Weighted average number of outstanding shares	**89,721**	88,836
Basic earnings per share - R$	**0.3022**	0.2496

b) Diluted earnings per share

	3/31/2018	3/31/2017
Profit for the period	**27,114**	22,175
Weighted average number of outstanding shares	**89,721**	88,836
Adjustments for share options	**250**	476
Weighted average number of common shares for diluted earnings per share	**89,971**	89,312
Diluted earnings per share - R$	**0.3014**	0.2483

19. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	3/31/2018	3/31/2017	3/31/2018	3/31/2017
Gross sales revenue				
Domestic market	**324,502**	294,490	**377,210**	340,708
Foreign market	**866**	395	**30,481**	27,689
Sales returns	**(5,691)**	(5,687)	**(18,011)**	(16,715)
Discounts and rebates	**(67)**	(132)	**(67)**	(132)
Taxes on sales	**(47,515)**	(42,732)	**(59,428)**	(54,373)
Net sales revenue	**272,095**	246,334	**330,185**	297,177

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 through different brands (Arezzo, Schutz, Anacapri, Alexandre Birman and Fiever) and multiple 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	
	3/31/2018	**3/31/2017**
Gross revenue	**407,691**	368,397
Foreign market	**30,481**	27,689
Domestic market	**377,210**	340,708
Domestic market by brand		
Arezzo	**218,731**	199,376
Schutz	**103,221**	98,326
Anacapri	**45,321**	33,760
Outros	**9,937**	9,246
Domestic market by sales channel		
Franchises	**191,418**	173,246
Multi-brand stores	**85,702**	77,938
Company-owned stores	**65,912**	62,608
Web-commerce	**33,365**	25,307
Other	**813**	1,609

The revenue from foreign market is not shown separately by geographic area as at March 31, 2018 it represents 7.5% of the gross revenue (March 31, 2017 – 7.5%). 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	
	3/31/2018	**3/31/2017**	**3/31/2018**	**3/31/2017**
Expenses by function				
Cost of sales	**(174,657)**	(156,326)	**(183,625)**	(167,113)
Selling expenses	**(35,660)**	(34,089)	**(80,911)**	(74,953)
General and administrative expenses	**(26,572)**	(22,727)	**(31,465)**	(25,683)
Other operating expenses, net	**(1,955)**	(48)	**(1,848)**	(70)
	(238,844)	(213,190)	**(297,849)**	(267,819)

	Parent company		Consolidated	
	3/31/2018	**3/31/2017**	**3/31/2018**	**3/31/2017**
Expenses by nature				
Raw materials and consumables used	**(175,643)**	(157,064)	**(184,929)**	(168,317)
Personnel expenses	**(33,312)**	(27,573)	**(53,220)**	(45,903)
Store occupancy expenses	**-**	-	**(10,108)**	(9,415)
Depreciation and amortization	**(5,156)**	(4,731)	**(8,425)**	(6,675)
Freight	**(4,720)**	(5,557)	**(6,398)**	(6,105)
Other operating expenses	**(20,013)**	(18,265)	**(34,769)**	(31,404)
	(238,844)	(213,190)	**(297,849)**	(267,819)

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			
	3/31/2018		12/31/2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	**8,292**	**8,292**	10,156	10,156
Cash investments	**325,046**	**325,046**	327,764	327,764
Trade receivables	**355,851**	**355,851**	348,444	348,444
Borrowings	**172,112**	**172,212**	181,745	181,717
Trade payables	**132,837**	**132,837**	104,416	104,416

22. Financial risk management objectives and policies (Continued)

a) Fair value (Continued)

At March 31, 2018, consolidated financial instruments by category are as follows:

	3/31/2018	
	Measured at	
	Fair value	Amortized cost
Assets		
Loans and receivables		
Cash and cash equivalents	-	**8,292**
Trade receivables	-	**355,851**
Financial assets at fair value through profit or loss		
Cash investments	**325,046**	**-**
Liabilities		
Other financial liabilities		
Trade payables	-	**132,837**
Borrowings	-	**172,212**

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 other 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) Hedges of net investments in foreign operations (net investment hedge)

There was no change in the method of accounting and measurement applied by the Company in relation to what was disclosed at December 31, 2017.

The application of the effectiveness test described in accounting practices demonstrated that the hedges meet the hedge effectiveness criteria. Therefore, at March 31, 2018, no ineffectiveness was recognized in the income statement for net investment hedges and gains or losses were fully recorded in equity.

c) 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 March 31, 2018 and December 31, 2017, the net exposure to the U.S. dollar is as follows:

	3/31/2018	**12/31/2017**
Trade receivables	**27,017**	30,055
Borrowings	**(47,175)**	(55,381)
Net exposure	**(20,158)**	(25,326)

22. Financial risk management objectives and policies (Continued)

c) Foreign exchange risk (Continued)

To measure the sensitivity of the Company's foreign currency-denominated assets and liabilities which expose it to foreign exchange risk at March 31, 2018, 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.

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$	27,017	33,771	40,526
Borrowings in foreign currency	R$	(47,175)	(58,969)	(70,763)
Appreciation in the exchange rate			25%	50%
against the U.S. dollar		3.32	4.15	4.99
Effect on pre-tax profit	R$		(5,040)	(10,079)

d) 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 March 31, 2018, borrowings are subject to the following interest rates:

	Consolidated	
	3/31/2018	%
Fixed interest	**47,749**	28%
Interest based on TJLP and Libor	**124,363**	72%
	172,112	100%

To measure the sensitivity of the Company's borrowings to interest rates to which the Company was exposed at March 31, 2018, three different scenarios were simulated and a sensitivity analysis relating to interest rate shifts was prepared.

22. Financial risk management objectives and policies (Continued)

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 March 31, 2018, the probable scenario for the year 2018 was defined, applying variances of 25% and 50% as required by CVM Instruction 475.

For each scenario, gross interest expense was calculated, without taking into consideration taxes and the flow of maturities of each agreement. The base date used for borrowings was March 31, 2018, 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$	1,635	2,044	2,453
Borrowings – Libor	R$	2,603	3,254	3,905
		4,238	5,298	6,358
Increase in the interest rate for financial liabilities			25%	50%
TJLP		6.75%	8.44%	10.13%
Libor		2.60%	3.25%	3.90%

e) Financial instruments

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2017.

f) Credit risk

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2017.

g) Liquidity risk

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2017.

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	110,057	16,490	43	126,590
Trade and other payables	132,837	-	-	132,837

22. Financial risk management objectives and policies (Continued)

h) Capital management

There has been no change in concepts and practices disclosed in the financial statements as of December 31, 2017.

23. Finance result

	Parent company		Consolidated	
	3/31/2018	**3/31/2017**	**3/31/2018**	**3/31/2017**
Finance income:				
Interest income on cash investments	**4,336**	6,740	**4,785**	7,625
Interest income	**748**	1,155	**753**	1,159
Other income	**741**	452	**746**	901
	5,825	8,347	**6,284**	9,685
Finance costs:				
Credit card administration fee	**-**	-	**(1,561)**	(1,391)
Interest on borrowings	**(1,261)**	(384)	**(1,486)**	(681)
Bank charges	**(736)**	(590)	**(960)**	(760)
Interest on intercompany loans	**(1,349)**	-	**-**	-
Notary public fees	**(539)**	(495)	**(541)**	(498)
Other costs	**(310)**	(286)	**(359)**	(451)
	(4,195)	(1,755)	**(4,907)**	(3,781)
Foreign exchange variation, net	**(599)**	(1,372)	**(152)**	(825)
Total	**1,031**	5,220	**1,225**	5,079

24. Other operating income (expenses), net

	Parent company		Consolidated	
	3/31/2018	**3/31/2017**	**3/31/2018**	**3/31/2017**
Share option and restricted stock plans (Note 26)	**(2,299)**	(1,141)	**(2,299)**	(1,141)
Result on disposal of property, plant and equipment and intangible assets	**(136)**	3	**434**	10
Franchise fees	**235**	334	**235**	334
Recovery of expenses	**284**	952	**284**	956
Other (expenses) income, net	**(39)**	(196)	**(55)**	(229)
	(1,955)	(48)	**(1,401)**	(70)

25. Operating lease commitments – store lease

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

	Minimum lease payments at 3/31/2018 (Consolidated)
Less than one year	**22,521**
More than one year and no later than 5 years	**51,596**

The average monthly rent expense for the three-month period ended March 31, 2018 is R$3,048 (March 31, 2017 - R$2,816). 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 three-month period ended March 31, 2018, rent expense, net of taxes recoverable, amounted to R$9,143 (March 31, 2017 - R$8,451). The balance of rents payable is R$161 (December 31, 2017 - R$184).

The Company's management is still evaluating the impact of the new accounting standard IFRS 16, which will come into effect on January 1, 2019.

26. Share-based compensation

26.1 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, 2017	1,054	16,328	34,186	472,642	615,408
At March 31, 2018	**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 three-month period ended March 31, 2018, the share option plan expense of R$662 (March 31, 2017 - R$1,141) was charged to the statement of income with a corresponding entry to a separate capital reserve account within equity.

26. Share-based compensation (Continued)

26.2 Restricted stock plan

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

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 March 31, 2018, the Company determined R$1,638 in restricted stock plan expense, which was charged to the statement of income with a contra-entry to a separate capital reserve account within equity.

27. Government subsidies

Presumed tax credit of State Value-added Tax on Sales and Services (ICMS)

a) Under Regulations 088-R of October 29, 2015 and 077-R of June 1, 2016, the State of Espírito Santo has registered the Company, through its parent and one subsidiary, respectively, to receive ICMS tax benefits under the tax benefit arrangement called Competitiveness Agreement.

b) The State of Rio Grande do Sul, through state internal regulation, grants presumed credits of ICMS on sales of shoes to other states.

	Parent company		Consolidated	
	3/31/2018	3/31/2017	**3/31/2018**	3/31/2017
ICMS tax benefits – State of Espirito Santo (a)	**13,693**	12,326	**16,072**	14,729
ICMS tax benefits – State of Rio Grande do Sul (b)	**-**	-	**157**	131
Total	**13,693**	12,326	**16,229**	14,860

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Arezzo Indústria e Comércio S.A.

Interim financial statements at March 31, 2018 and report on review



Report on review of interim financial statements

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. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2018, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter 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

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 quarter ended March 31, 2018. 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, May 7, 2018.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Adriano Machado
Contador CRC PR-042584/O-7