Hypermarcas grows 17.7% in 3Q17, with Net Revenue of R$954.6 million; Continuing Operations Net Income reaches R$219.4 million, or 19.3% above 3Q16

São Paulo, October 27, 2017 – Hypermarcas S.A. (BM&FBovespa: HYPE3; Reuters: HYPE3.SA; Bloomberg: HYPE3 BZ; ISIN: BRHYPEACNOR0; ADR: HYPMY) announces its financial results for the third quarter of 2017. Financial data disclosed here are taken from quarterly financial information of Hypermarcas S.A., prepared in accordance with norms of the Brazilian Accounting Pronouncement Committee (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Highlights

- **Net Revenue of R$954.6 million in 3Q17**, **a 17.7% increase** over 3Q16
- **Continuing Operations Net Income of R$219.4 million** in 3Q17, **a 19.3% increase** over 3Q16
- **Continuing Operations EBITDA of R$292.0 million,** up 14.3% over 3Q16 and margin of 30.6%

Table 1

(R$ million)	3Q16	% NR	3Q17	% NR	Δ %	Δ p.p.	9M16	% NR	9M17	% NR	Δ %	Δ p.p.
Net Revenue	811.0	100.0%	954.6	100.0%	17.7%	-	2,445.4	100.0%	2,734.8	100.0%	11.8%	-
Gross Profit	608.7	75.0%	712.6	74.6%	17.1%	-0.4 p.p.	1,826.9	74.7%	2,042.9	74.7%	11.8%	0.0 p.p.
S,G&A (ex-Marketing)	(136.7)	-16.9%	(168.8)	-17.7%	23.5%	-0.8 p.p.	(415.8)	-17.0%	(477.5)	-17.5%	14.9%	-0.5 p.p.
Marketing	(227.1)	-28.0%	(254.6)	-26.7%	12.1%	1.3 p.p.	(591.0)	-24.2%	(660.9)	-24.2%	11.8%	0.0 p.p.
Continuing Operations EBITDA	255.5	31.5%	292.0	30.6%	14.3%	-0.9 p.p.	870.7	35.6%	960.3	35.1%	10.3%	-0.5 p.p.
Continuing Operations Net Income	183.9	22.7%	219.4	23.0%	19.3%	0.3 p.p.	477.8	19.5%	710.3	26.0%	48.6%	6.5 p.p.
Continuing Operations Earnings per Share	0.29	-	0.35	-	19.2%	-	0.76	-	1.13	-	49.1%	-
Operating Cash Flow	221.8	27.3%	174.7	18.3%	-21.2%	-9.0 p.p.	703.1	28.8%	724.5	26.5%	3.0%	-2.3 p.p.



Operating Scenario

In the third quarter of 2017, Hypermarcas' Net Revenue increased 17.7% compared to the same period of the prior year, reaching R$954.6 million. This result reflects the expansion of the sell-out demand for the Company's products, as well as the recovery of the order backlog of about R$35,0 million from 2Q17. In 9M17, Net Revenue growth was 11.8%.

The sell-out demand for the Company's products increased 12.6% in the quarter, according to IMS Health data, or 1.5 p.p. above market growth, which was 11.1%. It is worth highlighting that the Branded businesses, which include the Branded Prescription and Consumer Health units, increased 13.3% in this period, or 3.0 p.p. above the market, which advanced 10.3%. The analgesic Alivium and Mantecorp Skincare dermocosmetics were highlights in the quarter.

In operational terms, Continuing Operations EBITDA reached R$292.0 million in 3Q17, a 14.3% growth compared to 3Q16, with 30.6% margin. The operating result growth led the Continuing Operations Net Income to increase 19.3% compared to 3Q16, to R$219.4 million in the quarter.

In terms of cash generation, the Company reached Cash Flow from Operations of R$174.7 million in 3Q17, ending the quarter with a net cash position of R$742.3 million, even after the distribution of R$821.9 million related to the capital reduction completed in July.

Innovation remains one of the Company's key focuses, as it recently opened its new innovation center, known as Hynova, which should significantly contribute to greater assertiveness of launches, aiming at accelerating the expansion of the Company's portfolio in its three business units. In the quarter, Research & Development Expenses reached a level of 2.5% of Net Revenue, up 0.5 p.p. compared to 3Q16, and the innovation index – which measures the percentage of Net Revenue derived from products launched over the past five years – climbed to 31.4%, the highest level in the Company's history.



Earnings Discussion

Income Statement

The following table is a summary of Hypermarcas' Income Statement:

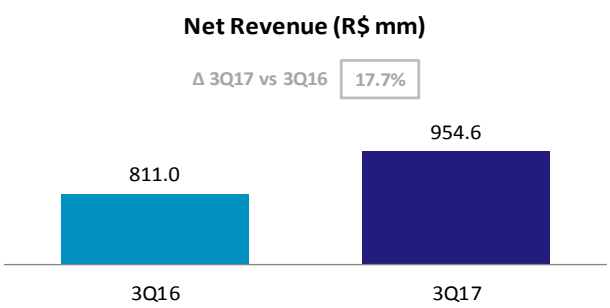
Table 2

(R$ million)	3Q16	% NR	3Q17	% NR	Δ %	9M16	% NR	9M17	% NR	Δ %
Net Revenue	**811.0**	***100.0%***	**954.6**	***100.0%***	***17.7%***	**2,445.4**	***100.0%***	**2,734.8**	***100.0%***	***11.8%***
Gross Profit	**608.7**	***75.0%***	**712.6**	***74.6%***	***17.1%***	**1,826.9**	***74.7%***	**2,042.9**	***74.7%***	***11.8%***
Marketing Expenses	(227.1)	*-28.0%*	(254.6)	*-26.7%*	*12.1%*	(591.0)	*-24.2%*	(660.9)	*-24.2%*	*11.8%*
Selling Expenses	(101.3)	*-12.5%*	(121.6)	*-12.7%*	*20.0%*	(300.8)	*-12.3%*	(338.7)	*-12.4%*	*12.6%*
General and Administrative Expenses	(35.4)	*-4.4%*	(47.2)	*-4.9%*	*33.4%*	(115.0)	*-4.7%*	(138.8)	*-5.1%*	*20.8%*
Other Operational Net Expenses	(5.1)	*-0.6%*	(15.5)	*-1.6%*	*203.1%*	3.9	*0.2%*	1.8	*0.1%*	*-54.4%*
Equity in Subsidiaries	0.6	*0.1%*	(0.0)	*0.0%*	-	1.6	*0.1%*	0.5	*0.0%*	*-69.8%*
Continuing Operations EBIT	**240.4**	***29.6%***	**273.7**	***28.7%***	***13.9%***	**825.6**	***33.8%***	**906.8**	***33.2%***	***9.8%***
Net Financial Expenses	0.7	*0.1%*	9.4	*1.0%*	*1266.9%*	(199.2)	*-8.1%*	49.4	*1.8%*	-
Income Tax and CSLL	(57.2)	*-7.1%*	(63.8)	*-6.7%*	*11.4%*	(148.6)	*-6.1%*	(245.9)	*-9.0%*	*65.5%*
Continuing Operations Net Income (Loss)	183.9	*22.7%*	219.4	*23.0%*	*19.3%*	477.8	*19.5%*	710.3	*26.0%*	*48.6%*
Net Income from Discontinued Operations	18.7	*2.3%*	(42.0)	*-4.4%*	-	909.2	*37.2%*	(154.5)	*-5.6%*	-
Net Income (Loss)	202.5	*25.0%*	177.3	*18.6%*	*-12.4%*	1,387.0	*56.7%*	555.8	*20.3%*	*-59.9%*
Continuing Operations EBITDA	**255.5**	***31.5%***	**292.0**	***30.6%***	***14.3%***	**870.7**	***35.6%***	**960.3**	***35.1%***	***10.3%***



Net Revenue

Graph 1



Graph 2

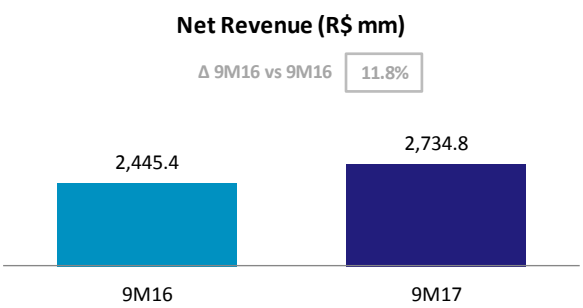


Table 3

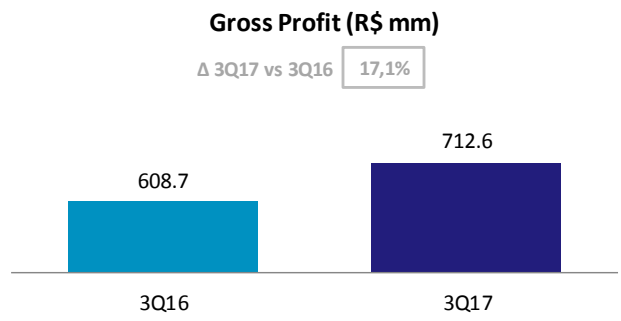
(R$ million)	3Q16	3Q17	Δ %	9M16	9M16	Δ %
Net Revenue	811.0	954.6	*17.7%*	2,445.4	2,734.8	*11.8%*

Net Revenue grew 17.7% compared to 3Q16, mostly driven by volume increases in all three business units and by the fulfillment of the remaining order backlog from 2Q17. In 9M17, the expansion was 11.8%, with the Branded Prescription and Consumer Health businesses as highlights.

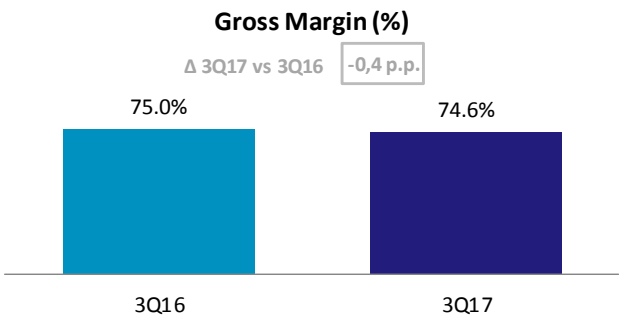


Gross Profit

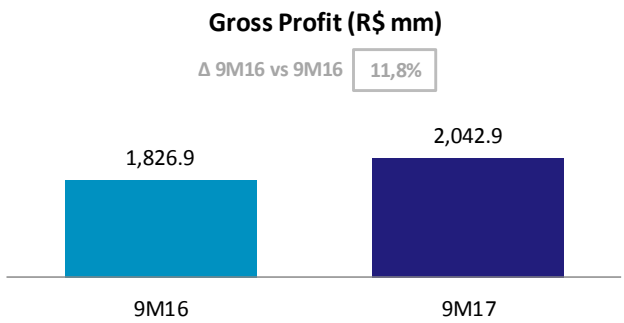
Graph 3



Graph 4



Graph 5



Graph 6

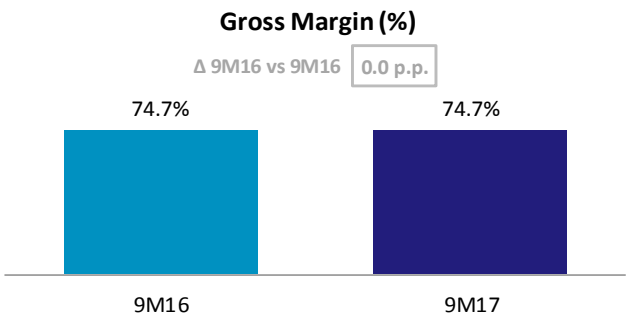


Table 4

(R$ million)	3Q16	% NR	3Q17	% NR	Δ %	Δ p.p.	9M16	% NR	9M17	% NR	Δ %	Δ p.p.
Gross Profit	608.7	*75.0%*	712.6	*74.6%*	*17.1%*	*-0.4 p.p.*	1,826.9	*74.7%*	2,042.9	*74.7%*	*11.8%*	*0.0 p.p.*

Gross Margin reached 74.6% in 3Q17, a 0.4 p.p. reduction compared to 3Q16, but remained stable in 9M17 compared to the same period of the prior year, at 74.7%.



Marketing Expenses

Table 5

(R$ million)	3Q16	% NR	3Q17	% NR	Δ %	9M16	% NR	9M17	% NR	Δ %
Marketing Expenses	(227.1)	-28.0%	(254.6)	-26.7%	12.1%	(591.0)	-24.2%	(660.9)	-24.2%	11.8%
Advertisement and Consumer Promotion	(89.6)	-11.1%	(103.0)	-10.8%	14.9%	(218.3)	-8.9%	(250.4)	-9.2%	14.7%
Trade Deals	(49.3)	-6.1%	(57.5)	-6.0%	16.8%	(125.3)	-5.1%	(144.8)	-5.3%	15.6%
Medical Visits, Promotions and Samples	(88.2)	-10.9%	(94.1)	-9.9%	6.7%	(247.5)	-10.1%	(265.7)	-9.7%	7.4%

Marketing Expenses had nominal increase of 12.1% compared to 3Q16, reaching 26.7% of Net Revenue in the quarter. In 9M17, the increase was 11.8%, to 24.2% of Net Revenue, same level reported in the same period of the prior year.

Selling Expenses

Table 6

(R$ million)	3Q16	% NR	3Q17	% NR	Δ %	9M16	% NR	9M17	% NR	Δ %
Selling Expenses	(101.3)	-12.5%	(121.6)	-12.7%	20.0%	(300.8)	-12.3%	(338.7)	-12.4%	12.6%
Commercial Expenses	(65.0)	-8.0%	(76.2)	-8.0%	17.3%	(189.2)	-7.7%	(211.3)	-7.7%	11.7%
Freight and Logistics Expenses	(20.0)	-2.5%	(21.5)	-2.3%	7.7%	(66.1)	-2.7%	(60.9)	-2.2%	-7.8%
Research & Development	(16.3)	-2.0%	(23.8)	-2.5%	46.2%	(45.6)	-1.9%	(66.4)	-2.4%	45.8%

Selling Expenses increased 0.2 p.p. in 3Q17 compared to 3Q16 and 0.1 p.p. in 9M17 compared to the same period of 2016. Research & Development Expenses corresponded to 2.5% of Net Revenue in the quarter, a 0.5 percentage point increase compared to 3Q16. In 9M17, these expenses reached 2.4% of Net Revenue.

General and Administrative Expenses & Other Operating Revenues / Expenses, net

Table 7

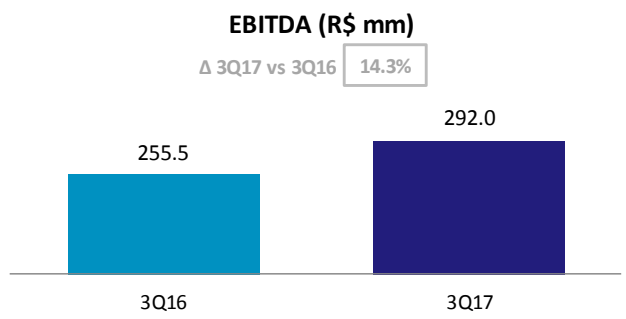
(R$ million)	3Q16	% NR	3Q17	% NR	Δ %	9M16	% NR	9M17	% NR	Δ %
General & Administrative Expenses	(35.4)	-4.4%	(47.2)	-4.9%	33.4%	(115.0)	-4.7%	(138.8)	-5.1%	20.8%
Other Operating Revenues (Expenses)	(5.1)	-0.6%	(15.5)	-1.6%	203.1%	3.9	0.2%	1.8	0.1%	-54.4%

G&A Expenses increased 0.5 p.p. compared to 3Q16, mostly as a function of greater weight of corporate expenses after the sale of the Disposable Products business. It is worth stressing that such expenses reached its lowest level in 2016 during 3Q16.

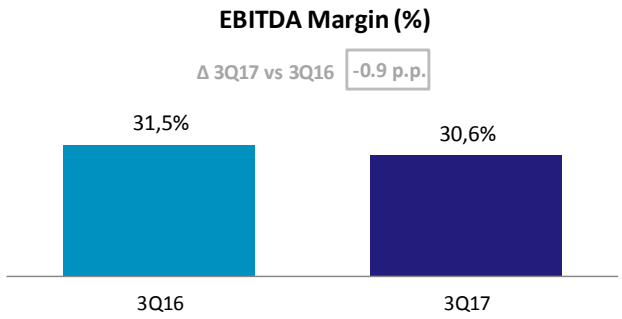


Continuing Operations EBITDA

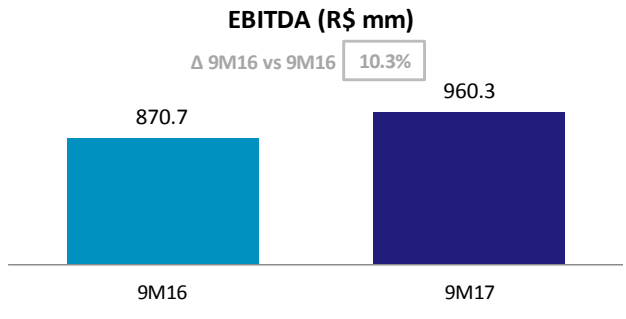
Graph 7



Graph 18



Graph 9



Graph 10

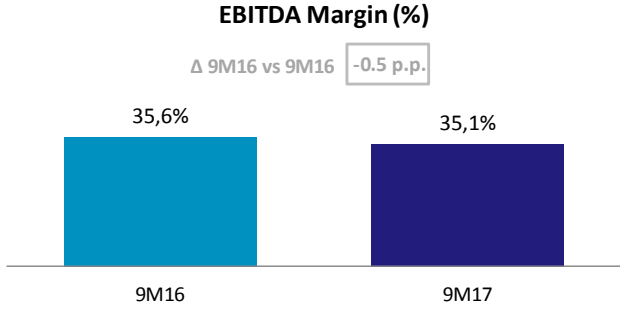


Table 8 – Continuing Operations EBITDA Reconciliation

(R$ million)	3Q16	% NR	3Q17	% NR	Δ %	9M16	% NR	9M17	% NR	Δ %
Net Income	202.5	*25.0%*	177.3	*18.6%*	*-12.4%*	1,387.0	*56.7%*	555.8	*20.3%*	*-59.9%*
(-) Net Income from Discontinued Operations	(18.7)	*-2.3%*	42.0	*4.4%*	-	(909.2)	*-37.2%*	154.5	*5.6%*	-
(+) Income Tax and CSLL	57.2	*7.1%*	63.8	*6.7%*	*11.4%*	148.6	*6.1%*	245.9	*9.0%*	*65.5%*
(+) Net Interest Expenses	(0.7)	*-0.1%*	(9.4)	*-1.0%*	*1266.9%*	199.2	*8.1%*	(49.4)	*-1.8%*	-
Continuing Operations EBIT	240.4	*29.6%*	273.7	*28.7%*	*13.9%*	825.6	*33.8%*	906.8	*33.2%*	*9.8%*
(+) Depreciations / Amortizations	15.1	*1.9%*	18.3	*1.9%*	*21.6%*	45.2	*1.8%*	53.6	*2.0%*	*18.6%*
Continuing Operations EBITDA	**255.5**	***31.5%***	**292.0**	***30.6%***	***14.3%***	**870.7**	***35.6%***	**960.3**	***35.1%***	***10.3%***

Continuing Operations EBITDA reached R$292.0 million in 3Q17, a 14.3% growth compared to 3Q16, with margin of 30.6% of Net Revenue. There was a 0.4 p.p. EBITDA Margin contraction compared to 3Q16 mainly as a result of a combination of lower Gross Margin and higher SG&A (ex-Marketing) and Other Operating Expenses, as percentage of Net Revenue, which was only partially offset by lower Marketing Expenses.



Net Financial Expenses

Table 9

(R$ million)	3Q16	% NR	3Q17	% NR	Δ R$	9M16	% NR	9M17	% NR	Δ R$
Net Financial Expenses	0.7	*0.1%*	9.4	*1.0%*	8.7	(199.2)	*-8.1%*	49.4	*1.8%*	248.6
Net Interest Expenses	17.0	*2.1%*	18.8	*2.0%*	1.8	4.2	*0.2%*	86.4	*3.2%*	82.2
Cost of Hedge and FX Gains (Losses)	(3.5)	*-0.4%*	(1.8)	*-0.2%*	1.7	(62.0)	*-2.5%*	(10.2)	*-0.4%*	51.8
Debt Pre-Payment Expenses	(4.7)	*-0.6%*	0.0	*0.0%*	4.7	(105.2)	*-4.3%*	0.0	*0.0%*	105.2
Other	(8.1)	*-1.0%*	(7.5)	*-0.8%*	0.5	(36.1)	*-1.5%*	(26.8)	*-1.0%*	9.3

Net Financial Income amounted to R$9.4 million in the quarter, mostly because of a combination of absence of debt pre-payment expenses in 3Q17, compared to R$4.7 million reported in 3Q16, and reduction of hedge costs and FX variation, from R$3.5 million in 3Q16 to R$1.8 million in 3Q17.

Net Income

Table 10

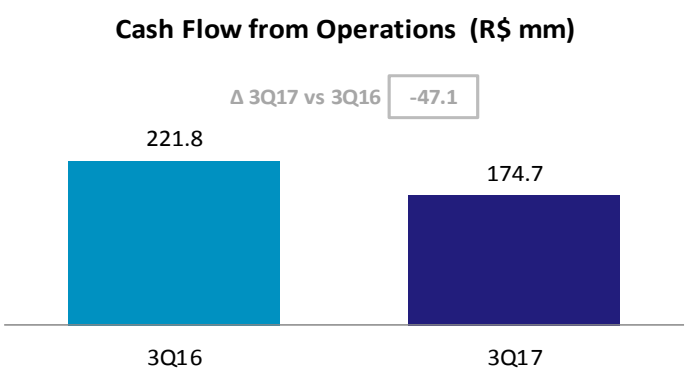
(R$ million)	3Q16	3Q17	Δ %	9M16	9M17	Δ %
Continuing Operations EBIT	240.4	273.7	*13.9%*	825.6	906.8	*9.8%*
(-) Net Financial Expenses	0.7	9.4	*1266.9%*	(199.2)	49.4	-
(-) Income Tax and Social Contribution	(57.2)	(63.8)	*11.4%*	(148.6)	(245.9)	*65.5%*
Continuing Operations Net Income	**183.9**	**219.4**	***19.3%***	**477.8**	**710.3**	***48.6%***
(+) Discontinued Operation Net Income	18.7	(42.0)	-	909.2	(154.5)	-
Net Income	**202.5**	**177.3**	***-12.4%***	**1,387.0**	**555.8**	***-59.9%***
EPS	**0.32**	**0.28**	***-12.5%***	**2.19**	**0.88**	***-59.8%***

Continuing Operations Net Income increased 19.3% compared to 3Q16, to R$219.4 million, as a consequence of the improvement of operational and financial results in the same period.

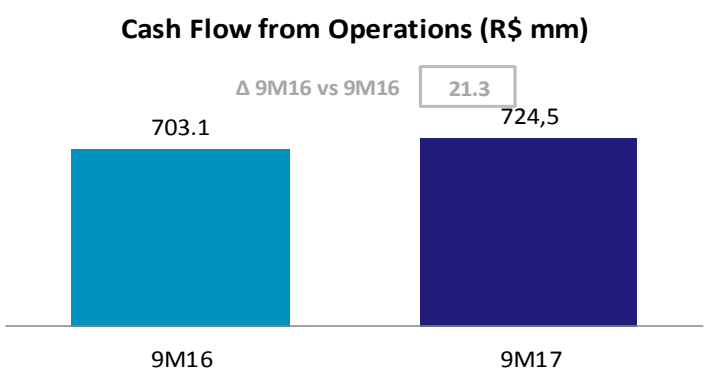


Cash Flow (Continuing and Discontinued Operations)

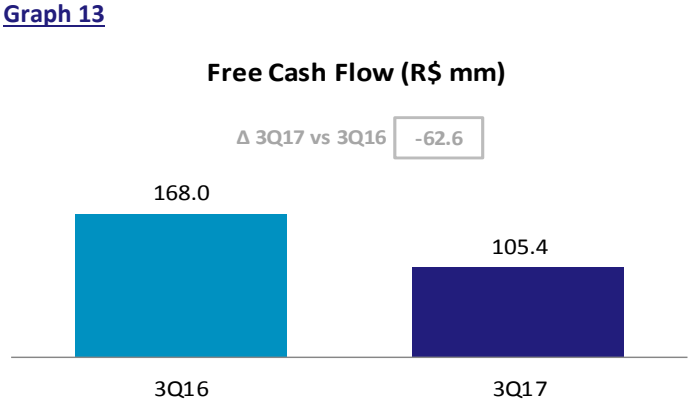
Graph 11



Graph 12



Graph 13



Graph 14

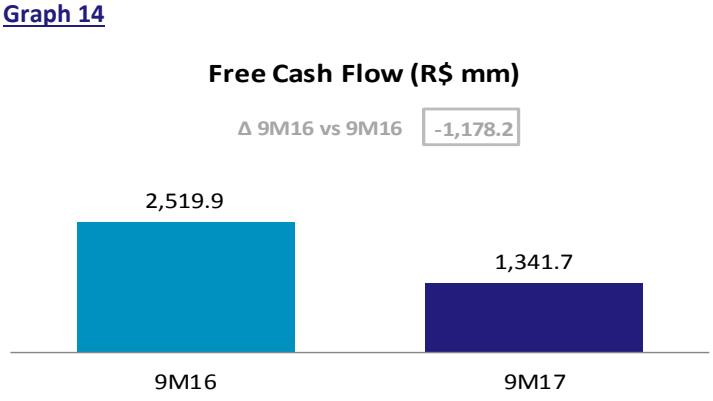


Table 11

(R$ million)	3Q16	3Q17	9M16	9M17
Cash Flow from Operations	221.8	174.7	703.1	724.5
Net Purchase of Property, Plant and Equipment	(46.8)	(57.4)	1,846.0	648.7
Purchase of Property, Plant and Equipment	(59.1)	(25.9)	(122.1)	(123.1)
Sale of Property, Plant and Equipment	12.3	(31.6)	1,968.1	771.7
Purchase of Intangible Assets	(7.0)	(11.9)	(29.2)	(31.4)
(=) Free Cash Flow	**168.0**	**105.4**	**2,519.9**	**1,341.7**

Cash Flow from Operations was R$174.7 million in 3Q17, compared to R$221.8 million in 3Q16. This result was impacted in the quarter by the early payment of media expenses related to the sponsorship of Globo TV's soccer programming in 2018, in the approximated amount of R$50.0 million.



Net Debt

Table 12

(R$ million)	Balance on 3Q17
Loans and Financing	(638.3)
Notes Payable	(20.0)
Gross Debt	**(658.3)**
Cash and Cash Equivalents	1,400.6
Net Cash / (Debt)	**742.3**

The Company has maintained a robust net cash position even after the R$821.9 million capital reduction carried out in early July 2017. By the end of 3Q17, this position amounted to R$742.3 million.



Investor Relations Agenda

Earnings Conference Call

	Portuguese	English
Date:	October 30, 2017	October 30, 2017
Time:	11:00 (Brasília) 09:00 (New York)	11:00 (Brasília) 09:00 (New York)
Phone:	+55 (11) 2188-0155	+1 (646) 843-6054 +1 (866) 890-2584 (USA only)
Code:	Hypermarcas	Hypermarcas
Webcast:	Click here	Click here
Replay:	+55 (11) 2188-0400	+1 (866) 890-2584 (USA only) +55 (11) 2188-0400
Replay Code:	Hypermarcas	Hypermarcas

Contact Information

Phone: +55 (11) 3627-4242
Email: ir@hypermarcas.com.br
Website: www.hypermarcas.com.br/ir

Upcoming events

Table 13

14-15-nov	Bradesco CEO Forum	New York
28-30-nov	JP Morgan Brazil Opportunities Conference	São Paulo
4-dec	HYPE Day	São Paulo
07-11-jan	J.P. Morgan Healthcare Conference	San Francisco
12-jan	Morgan Stanley Latin America Executive Conference	Key Biscayne



Disclaimer

This release contains forward-looking statements that are exclusively related to the prospects of the business, its operating and financial results, and prospects for growth. These data are merely projections and, as such, based exclusively on our management's expectations for the future of the business and its continued access to capital to fund its business plan. These forward-looking statements substantially depend on changing market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors, as well as the risks shown in our filed disclosure documents, and are therefore subject to change without prior notice.

In addition, unaudited information herein reflects management's interpretation of information taken from its quarterly information and their respective adjustments, which were prepared in accordance with market practices and for the sole purpose of a more detailed and specific analysis of our results. Therefore, these additional points and data must also be analyzed and interpreted independently by shareholders and market agents, who should carry out their own analysis and draw their own conclusions from the results reported herein. No data or interpretative analysis provided by our management should be treated as a guarantee of future performance or results and are merely illustrative of our directors' vision of our results.

Our management is not responsible for compliance or accuracy of the management financial data discussed in this report, which must be considered as for informational purposes only, and should not override the analysis of our audited consolidated financial statements or our reviewed quarterly information for purposes of a decision to invest in our stock, or for any other purpose.



Consolidated Income Statement (R$ thousand)

Table 14

	3Q16	3Q17	9M16	9M17
Net Revenue	**811,048**	**954,620**	**2,445,408**	**2,734,838**
Cost of Goods Sold	(202,360)	(242,043)	(618,548)	(691,922)
Gross Profit	**608,688**	**712,577**	**1,826,860**	**2,042,916**
Operating Income (Expenses)				
Selling and Marketing Expenses	(328,386)	(376,224)	(891,850)	(999,587)
General and Administrative Expenses	(35,385)	(47,195)	(114,951)	(138,840)
Other Operating Income (Expenses)	(5,099)	(15,453)	3,907	1,781
Equity in Subsidiaries	572	(2)	1,598	483
Operating Income Before Equity Income and Financial Result	**240,390**	**273,703**	**825,564**	**906,753**
Net Financial Expenses	688	9,404	(199,165)	49,404
Financial Expenses	(53,364)	(23,341)	(411,659)	(90,891)
Financial Income	54,052	32,745	212,494	140,295
Profit Before Income Tax and Social Contribution	**241,078**	**283,107**	**626,399**	**956,157**
Income Tax and Social Contribution	(57,225)	(63,751)	(148,591)	(245,896)
Net Income from Contining Operations	**183,853**	**219,356**	**477,808**	**710,261**
Net Results from Discontinued Operations	18,661	(42,015)	909,233	(154,497)
Income for the Period	**202,514**	**177,341**	**1,387,041**	**555,764**
Earnings per Share – R$	**0.32**	**0.28**	**2.19**	**0.88**



Consolidated Balance Sheet (R$ thousand)

Table 15

Assets	31/12/2016	30/09/2017
Current Assets	**5,351,683**	**3,811,736**
Cash and Cash Equivalents	1,348,008	1,400,579
Accounts Receivables	1,227,872	1,461,336
Inventories	379,992	349,500
Recoverable Taxes	158,136	315,216
Financial Derivatives	359,025	76
Other Assets	183,244	270,695
Assets Held for Sale	1,695,406	14,334
Non-Current Assets	**6,133,733**	**6,117,061**
Long Term Assets	**359,546**	**281,919**
Deferred Income Tax and Social Contribution	139,906	20,995
Recoverable Taxes	75,439	108,838
Financial Derivatives	2,891	1,731
Other Assets	141,310	150,355
Investments	**5,774,187**	**5,835,142**
Investments	3,318	3,801
Investment Properties	60,887	157,430
Other Investments	564	564
Property, Plants and Equipments	943,702	890,064
Intangible Assets	4,765,716	4,783,283
Total Assets	**11,485,416**	**9,928,797**

Liabilities and Shareholders' Equity	31/12/2016	30/09/2017
Current Liabilities	**1,741,233**	**1,082,825**
Suppliers	124,901	156,819
Suppliers' Assignment of Receivables	173,386	101,295
Loans, Financing and Debentures	176,110	322,973
Salaries Payable	138,386	154,523
Income Tax and Social Contribution	13,482	7,018
Taxes Payable	42,950	62,836
Accounts Payable	164,396	193,504
Dividends Payable	10	14
Capital Reduction Payable	0	17
Notes Payable	47,402	19,996
Financial Derivatives	18,222	4,754
Liabilities Held for Sale	841,988	59,076
Non-Current Liabilites	**933,581**	**810,503**
Loans, Financing and Debentures	684,048	315,296
Deferred Income Tax and Social Contribution	56,589	310,010
Taxes Payable	100	6,901
Other Accounts Payable	1,599	14,498
Provisions for Contingencies	181,231	163,798
Financial Derivatives	10,014	0
Shareholders' Equity	**8,810,602**	**8,035,469**
Capital	5,270,726	4,448,817
Capital Reserve	1,457,291	1,291,040
Equity Valuation Adjustments	(254,900)	(255,055)
Profit Reserves	1,998,408	1,998,408
Proposed Additional Dividends	409,831	0
Treasury Stock	(70,754)	(3,505)
Income for the Period	0	555,764
Total Liabilities and Shareholders' Equity	**11,485,416**	**9,928,797**



Consolidated Cash Flow Statement (R$ thousand)

Table 16

	3Q16	3Q17	9M16	9M17
Cash Flows from Operating Activities				
Income (Loss) Before Income Taxes including Discontinued Operations	255,391	220,561	1,985,432	728,874
Depreciation and Amortization	13,684	18,322	51,320	58,050
Asset Impairment	(9,114)	1,348	(9,348)	6,840
Gain on Permanent Asset Disposals	13,294	60,043	(1,449,556)	187,421
Equity Method	13,217	(1,231)	12,191	(2,559)
Foreign Exchange (Gains) Losses	4,588	1,869	85,691	11,773
Interest and Related Expense	(4,122)	(11,238)	137,193	(55,518)
Stock Option Expense	429	4,910	1,143	5,671
Provisions (Delinquency, Inventories and Contingencies)	(5,468)	(2,803)	42,560	19,256
Adjusted Results	**281,899**	**291,781**	**856,626**	**959,808**
Decrease (Increase) in Assets	**(774)**	**(172,434)**	**80,372**	**1,784**
Trade Accounts Receivable	(22,242)	(138,010)	95,300	119,823
Inventories	(22,029)	(4,904)	(79,629)	(21,295)
Recoverable Taxes	(1,073)	(9,442)	48,817	5,290
Judicial Deposits and Others	(1,384)	4,570	(3,725)	(5,967)
Other Accounts Receivable	45,954	(24,648)	19,609	(96,067)
Increase (Decrease) in Liabilities	**(59,336)**	**55,318**	**(233,858)**	**(237,132)**
Suppliers	17,594	29,474	112,273	(6,328)
Suppliers' Assignment of Receivables	(46,838)	(29,463)	(186,558)	(127,792)
Financial Derivatives	(36,601)	(6,875)	(57,330)	(35,971)
Income Tax and Social Contribution Paid	(7,588)	(10,277)	(8,998)	(20,813)
Taxes Payable	(3,965)	5,158	(293)	18,130
Salaries and Payroll Charges	27,690	29,666	32,814	24,753
Accounts Payable	(44,341)	34,326	(151,436)	(65,624)
Operations Interest Paid	14,327	3,619	(14,673)	13,505
Other Accounts Payable	20,386	(310)	40,343	(36,992)
Net Cash Provided by Operating Activities	**221,789**	**174,665**	**703,140**	**724,460**
Cash flows from Investing Activities				
Acquisitions of Subsidiaries, Net of Cash Acquired	1	0	(18,636)	0
Acquisitions of Property, Plant and Equipment	(59,116)	(25,864)	(122,085)	(123,071)
Intangible Assets	(7,021)	(11,879)	(29,183)	(31,445)
Proceeds from the Sale of Assets with Permanent Nature	12,338	(31,553)	1,968,051	771,730
Interest and Others	34,148	18,406	146,031	92,348
Net Cash Used in Investing Activities	**(19,650)**	**(50,890)**	**1,944,178**	**709,562**
Cash Flows from Financing Activities				
Borrowings	(76)	0	16,817	0
Treasury Stock Purchase / Sale	(85,903)	3,809	(85,903)	(111,756)
Repayment of Loans - Principal	(591,477)	(8,847)	(3,577,959)	(265,716)
Repayment of Loans - Interest	(43,859)	(8,845)	(356,534)	(99,723)
Dividends Paid	(158,050)	3	(316,109)	(409,828)
Capital Restitution	0	(821,892)	0	(821,892)
Loan Derivatives	(2,609)	(2,727)	72,460	327,464
Net Cash Used in Financing Activities	**(881,974)**	**(838,499)**	**(4,247,228)**	**(1,381,451)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(679,835)**	**(714,724)**	**(1,599,910)**	**52,571**
Statement of Increase in Cash and Cash Equivalents, Net				
Cash and Cash Equivalents at the Beginning of the Period	1,836,063	2,115,303	2,756,138	1,348,008
Cash and Cash Equivalents at the End of the Period	1,156,228	1,400,579	1,156,228	1,400,579
Change in Cash and Cash Equivalent	**(679,835)**	**(714,724)**	**(1,599,910)**	**52,571**



Other Information

Cash Conversion Cycle – Continuing Operations

Table 17

(Days)	3Q16	4Q16	1Q17	2Q17	3Q17
Receivables [1]	123	121	119	129	126
Inventories [2]	176	150	128	142	130
Payables [2] [3]	(129)	(118)	(101)	(109)	(96)
Cash Conversion Cycle	**170**	**153**	**146**	**162**	**160**

(R$ million)	3Q16	4Q16	1Q17	2Q17	3Q17
Receivables	1,196	1,228	1,369	1,299	1,461
Inventories	397	380	333	340	350
Payables [3]	(290)	(298)	(263)	(260)	(258)
Working Capital	**1,303**	**1,310**	**1,439**	**1,379**	**1,553**
% of Annualized Net Revenue	***40%***	***39%***	***39%***	***40%***	***41%***

(1) Calculated based Continuing Operations Gross Revenue, Net of Discounts.
(2) Calculated based on Continuing Operations of COGS
(3) Includes Suppliers' Assignment of Credit

Starting on 3Q17, Receivables Days will be calculated based on Gross Revenue, net of discounts. Information on earlier quarters shown here have been adjusted under this new standard for comparison reasons.

Goodwill Amortization for Fiscal Purposes / Tax Credits

The Company holds R$714.2 million in goodwill to be amortized for fiscal purposes over the coming years, generating a cash effect of R$242.8 million, according to the following table:

Table 18

Period	R$ million
4Q 2017	121.1
2018	447.7
2019	145.4
Total	**714.2**
Tax Rate	34%
Cash Effect	**242.8**

Source: Hypermarcas

In addition, the Company holds the following tax credits:

i) Federal Recoverable Taxes: R$258.8 million (please refer to Explanatory Note 13 of the Quarterly Financial Information);

ii) Cash effect of Income Tax and Social Contribution Losses Carryforward: R$937.3 million (please refer to Explanatory Note 23(a) of the Quarterly Financial Information).

