Contents

Company information

Capital composition 1

Cash proceeds 2

Parent company financial statements

Balance sheet – assets 3

Balance sheet – liabilities and equity 4

Statement of income 6

Statement of comprehensive income 7

Statement of cash flows 8

Statement of changes in equity

1/1/2018 to 6/30/2018 9

1/1/2017 to 6/30/2017 10

Statement of value added 11

Consolidated financial statements

Balance sheet – assets 12

Balance sheet – liabilities and equity 13

Statement of income 15

Statement of comprehensive income 16

Statement of cash flows 17

Statement of changes in equity

1/1/2018 to 6/30/2018 18

1/1/2017 to 6/30/2017 19

Statement of value added 20

Comments on company performance 21

Notes to the quarterly information 34

Reports and Declarations

Report on review of quarterly information – without exceptions 61

Report of the Supervisory Board or equivalent body 62

Officers' declaration on the financial statements 63

Officers' declaration on the independent auditor's report 64

Company information / Capital composition

Number of shares (in thousands)	Current quarter 6/30/2018
Paid-up capital	
Common shares	90,303
Preferred shares	0
Total	90,303
Treasury shares	
Common shares	85
Preferred shares	0
Total	85

Company information / Cash proceeds

Event	Approval	Proceeds	Beginning of payment	Share type	Share class	Earnings per share (R$ per share)
Board of Directors' Meeting	6/25/2018	Interest on capital	7/25/2018	Common shares		0.23278
Board of Directors' Meeting	5/17/2018	Dividend	6/1/2018	Common shares		0.51287

Parent company financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	1,061,590	1,032,957
1.01	Current assets	642,903	640,370
1.01.01	Cash and cash equivalents	14,038	4,262
1.01.02	Cash investments	245,898	298,951
1.01.02.01	Cash investments measured at fair value through profit or loss	245,898	298,951
1.01.02.01.03	Cash investments measured at fair value	245,898	298,951
1.01.03	Trade and other receivables	273,746	250,299
1.01.03.01	Trade receivables	258,516	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	52,908	36,267
1.01.06	Taxes recoverable	33,028	36,850
1.01.06.01	Current taxes recoverable	33,028	36,850
1.01.08	Other current assets	23,285	13,741
1.01.08.03	Other	23,285	13,741
1.02	Non-current assets	418,687	392,587
1.02.01	Long-term receivables	80,634	52,611
1.02.01.04	Trade and other receivables	10,569	11,490
1.02.01.04.01	Trade receivables	10,569	11,490
1.02.01.07	Deferred taxes	24,350	8,408
1.02.01.07.01	Deferred income tax and social contribution	24,350	8,408
1.02.01.09	Receivables from related parties	31,224	18,236
1.02.01.09.02	Receivables from subsidiaries	31,224	18,236
1.02.01.10	Other non-current assets	14,491	14,477
1.02.01.10.03	Judicial deposits	13,262	12,556
1.02.01.10.04	Other	1,229	1,921
1.02.02	Investments	278,684	279,550
1.02.02.01	Equity interests	275,360	276,625
1.02.02.01.02	Investments in subsidiaries	275,360	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	24,934	21,561
1.02.03.01	Property, plant and equipment in operation	24,934	21,561
1.02.04	Intangible assets	34,435	38,865
1.02.04.01	Intangible assets	34,435	38,865
1.02.04.01.02	Trademarks and patents	4,227	3,927
1.02.04.01.03	Store use rights	174	818
1.02.04.01.04	Software use rights	30,034	34,120

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2	Total liabilities	1,061,590	1,032,957
2.01	Current liabilities	278,917	268,202
2.01.01	Salaries, vacation pay and social charges payable	28,878	29,621
2.01.01.01	Social charges	2,424	3,144
2.01.01.02	Salaries and vacation pay	26,454	26,477
2.01.02	Trade payables	89,079	96,555
2.01.02.01	Domestic suppliers	89,006	96,453
2.01.02.02	Foreign suppliers	73	102
2.01.03	Taxes payable	8,201	9,037
2.01.03.01	Federal taxes payable	7,302	8,490
2.01.03.01.02	Other federal taxes payable	7,302	8,490
2.01.03.02	State taxes payable	745	544
2.01.03.03	Local taxes payable	154	3
2.01.04	Borrowings	124,629	108,193
2.01.04.01	Borrowings	124,629	108,193
2.01.04.01.01	In local currency	8,908	8,908
2.01.04.01.02	In foreign currency	115,721	99,285
2.01.05	Other liabilities	28,130	24,796
2.01.05.02	Other	28,130	24,796
2.01.05.02.01	Dividends and interest on capital payable	18,091	18,062
2.01.05.02.04	Other	10,039	6,734
2.02	Non-current liabilities	111,117	99,795
2.02.01	Borrowings	13,094	17,548
2.02.01.01	Borrowings	13,094	17,548
2.02.01.01.01	In local currency	13,094	17,548
2.02.02	Other liabilities	91,842	76,121
2.02.02.01	Payables to related parties	91,842	76,121
2.02.02.01.04	Payables to other related parties	91,842	76,121
2.02.04	Provisions	6,181	6,126
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	6,181	6,126
2.02.04.01.02	Provision for social security and labor contingencies	4,254	4,195
2.02.04.01.04	Provision for civil contingencies	252	256
2.02.04.01.05	Provision for tax contingencies	1,675	1,675
2.03	Equity	671,556	664,960
2.03.01	Paid-up capital	341,073	330,375
2.03.02	Capital reserves	45,925	44,369
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.04	Share options granted	22,601	0
2.03.02.05	Treasury shares	-4,004	-1,199
2.03.02.09	Share option and restricted stock plans	5,858	24,098
2.03.04	Revenue reserves	243,406	292,202
2.03.04.01	Legal reserve	43,707	43,707
2.03.04.05	Retained profit reserve	135,041	178,358
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	0	2,683

Parent company financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2.03.05	Retained earnings/accumulated deficit	39,236	0
2.03.08	Other comprehensive income	1,916	-1,986

Parent company financial statements /

Statement of income (R$ thousand)

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	YTD - prior year 1/1/2017 to 6/30/2017
3.01	Revenue from sales of goods and/or services	288,918	561,013	245,078	491,412
3.02	Cost of sales and/or services	-180,072	-354,729	-154,943	-311,269
3.03	Gross profit	108,846	206,284	90,135	180,143
3.04	Operating income/expenses	-65,415	-131,614	-54,798	-115,973
3.04.01	Selling expenses	-44,093	-79,753	-38,457	-72,546
3.04.02	General and administrative expenses	-27,467	-54,039	-25,517	-48,244
3.04.05	Other operating expenses	-1,395	-3,350	-470	-518
3.04.06	Equity in the results of investees	7,540	5,528	9,646	5,335
3.05	Profit before finance result and taxes	43,431	74,670	35,337	64,170
3.06	Finance result	-16,797	-15,766	6,490	11,710
3.06.01	Finance income	9,011	15,014	8,306	16,239
3.06.01.01	Interest income	5,568	11,393	7,158	15,505
3.06.01.02	Foreign exchange gains	3,443	3,621	1,148	734
3.06.02	Finance costs	-25,808	-30,780	-1,816	-4,529
3.06.02.01	Interest expense	-5,790	-9,985	-2,680	-4,435
3.06.02.02	Foreign exchange losses	-20,018	-20,795	864	-94
3.07	Profit before income tax and social contribution	26,634	58,904	41,827	75,880
3.08	Income tax and social contribution	6,489	1,333	-2,557	-14,435
3.08.01	Current	-3,573	-11,718	-3,646	-19,766
3.08.02	Deferred	10,062	13,051	1,089	5,331
3.09	Profit for the period from continuing operations	33,123	60,237	39,270	61,445
3.11	Profit for the period	33,123	60,237	39,270	61,445
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.36930	0.67160	0.44120	0.69040
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.36430	0.66260	0.43820	0.68570

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

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	YTD - prior year 1/1/2017 to 6/30/2017
4.01	Profit for the period	33,123	60,237	39,270	61,445
4.02	Other comprehensive income	3,859	3,902	-1,191	-548
4.02.01	Foreign exchange differences arising from the translation of foreign operations	8,287	8,437	-1,191	-548
4.02.02	Net investment hedge	-4,428	-4,535	0	0
4.03	Comprehensive income for the period	36,982	64,139	38,079	60,897

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

Code	Description	YTD - current year 1/1/2018 to 6/30/2018	YTD - prior year 1/1/2017 to 6/30/2017
6.01	Net cash inflow from operating activities	38,634	103,346
6.01.01	Cash from operations	75,712	77,405
6.01.01.01	Profit before income tax and social contribution	58,904	75,880
6.01.01.02	Depreciation and amortization	10,357	9,440
6.01.01.03	Result on disposal of property, plant and equipment and intangible assets	326	-2
6.01.01.04	Equity in results of investees	-5,528	-5,335
6.01.01.05	Provision for labor, tax and civil contingencies	55	577
6.01.01.06	Interest and foreign exchange variation on borrowings	14,397	813
6.01.01.07	Interest income on cash investments	-8,891	-13,108
6.01.01.08	Provision for impairment of trade receivables	1,516	5,663
6.01.01.09	Addition to provision for inventory losses	214	1,273
6.01.01.10	Share option and restricted stock plans	4,362	2,204
6.01.02	Changes in assets and liabilities	-37,078	36,713
6.01.02.01	Trade receivables	-9,211	32,920
6.01.02.02	Inventories	-16,854	-12,438
6.01.02.03	Changes in other current and non-current assets	1,846	-4,216
6.01.02.04	Taxes recoverable	-8,473	-4,301
6.01.02.05	Judicial deposits	-701	-1,295
6.01.02.07	Trade payables	-7,476	23,517
6.01.02.08	Salaries and vacation pay	-23	1,748
6.01.02.09	Taxes and social charges payable	509	1,050
6.01.02.10	Other liabilities	3,305	-272
6.01.03	Other	0	-10,772
6.01.03.01	Income tax and social contribution paid	0	-10,772
6.02	Net cash inflow (outflow) from investing activities	50,772	-57,276
6.02.01	Purchases of property, plant and equipment and intangible assets	-9,710	-3,443
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	80	11
6.02.03	Cash investments	-274,153	-317,611
6.02.04	Redemption of cash investments	334,555	261,426
6.02.05	Capital contribution to subsidiaries	0	-1,800
6.02.06	Dividends received	0	4,141
6.03	Net cash outflow from financing activities	-79,630	-44,542
6.03.02	Repayments of borrowings	-4,454	-21,572
6.03.03	Payment of interest on borrowings	-2,259	-738
6.03.04	Related parties	-395	10,376
6.03.05	Interest on capital	-20,920	0
6.03.06	Distribution of profits	-48,796	-52,975
6.03.08	Share capital increase – share issue	0	20,367
6.03.09	Share issue cost	-2,806	0
6.05	Increase (decrease) in cash and cash equivalents	9,776	1,528
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	14,038	1,609

Parent company financial statements / Statement of changes in equity - 1/1/2018 to 6/30/2018 (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	289,406	2,796	-1,986	664,960
5.03	Adjusted opening balances	330,375	44,369	289,406	2,796	-1,986	664,960
5.04	Equity transactions with shareholders	10,698	1,556	-46,000	-23,797	0	-57,543
5.04.04	Purchase of treasury shares	0	-2,805	0	0	0	-2,805
5.04.07	Interest on capital	0	0	0	-21,001	0	-21,001
5.04.08	Share options and restricted stock granted	0	4,361	0	0	0	4,361
5.04.09	Share issue	10,698	0	0	0	0	10,698
5.04.10	Proposed dividends	0	0	0	-2,796	0	-2,796
5.04.13	Interim dividends	0	0	-46,000	0	0	-46,000
5.05	Total comprehensive income	0	0	0	60,237	3,902	64,139
5.05.01	Profit for the period	0	0	0	60,237	0	60,237
5.05.02	Other comprehensive income	0	0	0	0	3,902	3,902
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	8,437	8,437
5.05.02.07	Net investment hedge	0	0	0	0	-4,535	-4.535
5.07	Closing balances	341,073	45,925	243,406	39,236	1,916	671,556

Parent company financial statements / Statement of changes in equity - 1/1/2017 to 6/30/2017 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	310,008	39,554	321,999	0	-1,862	669,699
5.03	Adjusted opening balances	310,008	39,554	321,999	0	-1,862	669,699
5.04	Equity transactions with shareholders	20,367	2,204	-52,975	-21,540	0	-51,944
5.04.03	Options granted	0	2,204	0	0	0	2,204
5.04.06	Dividends	0	0	-52,975	0	0	-52,975
5.04.07	Interest on capital	0	0	0	-21,540	0	-21,540
5.04.09	Share issue	20,367	0	0	0	0	20,367
5.05	Total comprehensive income	0	0	0	61,445	-548	60,897
5.05.01	Profit for the period	0	0	0	61,445	0	61,445
5.05.02	Other comprehensive income	0	0	0	0	-548	-548
5.05.02.06	Carrying value adjustments	0	0	0	0	-548	-548
5.07	Closing balances	330,375	41,758	269,024	39,905	-2,410	678,652

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

Code	Description	YTD - current year 1/1/2018 to 6/30/2018	YTD - prior year 1/1/2017 to 6/30/2017
7.01	Revenue	650,844	570,569
7.01.01	Sales of goods, products and services	652,360	576,232
7.01.04	Provision for/reversal of impairment of trade receivables	-1,516	-5,663
7.02	Inputs acquired from third parties	-504,561	-440,902
7.02.01	Cost of sales and services	-450,449	-395,262
7.02.02	Materials, energy, outsourced services and other	-52,429	-44,376
7.02.04	Other	-1,683	-1,264
7.03	Gross value added	146,283	129,667
7.04	Deductions	-10,357	-9,440
7.04.01	Depreciation, amortization and depletion	-10,357	-9,440
7.05	Net value added generated by the entity	135,926	120,227
7.06	Value added received through transfer	21,553	23,261
7.06.01	Equity in the results of investees	5,528	5,335
7.06.02	Finance income	15,015	16,239
7.06.03	Other	1,010	1,687
7.07	Total value added to distribute	157,479	143,488
7.08	Distribution of value added	157,479	143,488
7.08.01	Personnel	60,353	51,337
7.08.01.01	Direct compensation	37,287	31,576
7.08.01.02	Benefits	3,947	3,454
7.08.01.03	Government severance indemnity fund for employees (FGTS)	3,314	2,627
7.08.01.04	Other	15,805	13,680
7.08.01.04.01	Employee profit sharing	7,958	7,319
7.08.01.04.02	Other	3,485	4,157
7.08.01.04.03	Share option and restricted stock plans	4,362	2,204
7.08.02	Taxes and contributions	3,093	23,380
7.08.02.01	Federal	19,682	39,050
7.08.02.02	State	-16,871	-15,839
7.08.02.03	Local	282	169
7.08.03	Lenders and creditors	33,796	7,326
7.08.03.01	Interest	6,210	862
7.08.03.02	Rentals	3,015	2,797
7.08.03.03	Other	24,571	3,667
7.08.03.03.01	Finance cost	24,571	3,667
7.08.04	Shareholders	60,237	61,445
7.08.04.01	Interest on capital	21,001	21,540
7.08.04.03	Profits reinvested / loss for the period	39,236	39,905

Consolidated financial statements / Balance sheet – assets

(R$ thousand)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	1,056,304	1,049,899
1.01	Current assets	842,426	855,237
1.01.01	Cash and cash equivalents	17,464	10,156
1.01.02	Cash investments	265,708	327,764
1.01.02.01	Cash investments measured at fair value through profit or loss	265,708	327,764
1.01.02.01.03	Cash investments measured at fair value	265,708	327,764
1.01.03	Trade and other receivables	333,982	336,954
1.01.03.01	Trade receivables	333,982	336,954
1.01.04	Inventories	140,861	113,489
1.01.06	Taxes recoverable	48,899	51,127
1.01.06.01	Current taxes recoverable	48,899	51,127
1.01.08	Other current assets	35,512	15,747
1.01.08.03	Other	35,512	15,747
1.02	Non-current assets	213,878	194,662
1.02.01	Long-term receivables	59,363	44,908
1.02.01.04	Trade and other receivables	10,569	11,490
1.02.01.04.01	Trade receivables	10,569	11,490
1.02.01.07	Deferred taxes	25,207	11,533
1.02.01.07.01	Deferred income tax and social contribution	25,207	11,533
1.02.01.10	Other non-current assets	23,587	21,885
1.02.01.10.03	Judicial deposits	20,122	19,117
1.02.01.10.04	Other	3,465	2,768
1.02.02	Investments	3,325	2,925
1.02.02.01	Equity interests	1	0
1.02.02.01.04	Investments in jointly-controlled entities	1	0
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	77,831	67,636
1.02.03.01	Property, plant and equipment in operation	77,831	67,636
1.02.04	Intangible assets	73,359	79,193
1.02.04.01	Intangible assets	73,359	79,193
1.02.04.01.02	Trademarks and patents	4,355	4,051
1.02.04.01.03	Store use rights	37,213	39,603
1.02.04.01.04	Software use rights	31,791	35,539

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

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2	Total liabilities	1,056,304	1,049,899
2.01	Current liabilities	360,659	356,825
2.01.01	Salaries, vacation pay and social charges payable	40,751	39,722
2.01.01.01	Social charges	3,832	5,154
2.01.01.02	Salaries and vacation pay	36,919	34,568
2.01.02	Trade payables	107,352	104,416
2.01.02.01	Domestic suppliers	107,279	104,314
2.01.02.02	Foreign suppliers	73	102
2.01.03	Taxes payable	16,530	19,527
2.01.03.01	Federal taxes payable	12,001	13,203
2.01.03.01.01	Income tax and social contribution payable	3,065	2,123
2.01.03.01.02	Other federal taxes payable	8,936	11,080
2.01.03.02	State taxes payable	4,384	6,318
2.01.03.03	Local taxes payable	145	6
2.01.04	Borrowings	162,002	163,729
2.01.04.01	Borrowings	162,002	163,729
2.01.04.01.01	In local currency	124,759	9,063
2.01.04.01.02	In foreign currency	37,243	154,666
2.01.05	Other liabilities	34,024	29,431
2.01.05.02	Other	34,024	29,431
2.01.05.02.01	Dividends and interest on capital payable	18,091	18,062
2.01.05.02.04	Other	15,933	11,369
2.02	Non-current liabilities	24,089	28,114
2.02.01	Borrowings	13,499	18,016
2.02.01.01	Borrowings	13,499	18,016
2.02.01.01.01	In local currency	13,499	18,016
2.02.02	Other liabilities	1,436	1,232
2.02.02.01	Payables to related parties	1,436	1,232
2.02.02.01.03	Payables to controlling shareholders	1,436	1,232
2.02.04	Provisions	9,154	8,866
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	9,154	8,866
2.02.04.01.02	Provision for social security and labor contingencies	6,852	6,535
2.02.04.01.04	Provision for civil contingencies	258	287
2.02.04.01.05	Provision for tax contingencies	2,044	2,044
2.03	Consolidated equity	671,556	664,960
2.03.01	Paid-up capital	341,073	330,375
2.03.02	Capital reserves	45,925	44,369
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.04	Share options granted	22,601	0
2.03.02.05	Treasury shares	-4,004	-1,199
2.03.02.09	Reserve for share option and restricted stock plans	5,858	24,098
2.03.04	Revenue reserve	243,406	292,202
2.03.04.01	Legal reserve	43,707	43,707
2.03.04.05	Retained profit reserve	135,041	178,358
2.03.04.07	Tax incentive reserve	64,658	64,658
2.03.04.08	Proposed additional dividend	0	2,796

Consolidated financial statements / Balance sheet – liabilities and equity

(R$ thousand)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2.03.04.10	Investment reserve	0	2,683
2.03.05	Retained earnings/accumulated deficit	39,236	0
2.03.08	Other comprehensive income	1,916	-1,986

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

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	YTD - prior year 1/1/2017 to 6/30/2017
3.01	Revenue from sales of goods and/or services	373,859	704,044	328,903	626,080
3.02	Cost of sales and/or services	-195,108	-378,733	-174,572	-341,685
3.03	Gross profit	178,751	325,311	154,331	284,395
3.04	Operating income/expenses	-130,987	-245,211	-110,754	-211,459
3.04.01	Selling expenses	-94,581	-175,492	-81,639	-156,340
3.04.02	General and administrative expenses	-34,319	-65,784	-29,032	-54,584
3.04.05	Other operating expenses	-2,087	-3,935	-83	-535
3.05	Profit before finance result and taxes	47,764	80,100	43,577	72,936
3.06	Finance result	-12,881	-11,656	4,919	9,998
3.06.01	Finance income	22,257	29,147	10,116	20,101
3.06.01.01	Interest income	5,881	12,165	7,970	17,655
3.06.01.02	Foreign exchange gains	16,376	16,982	2,146	2,446
3.06.02	Finance costs	-35,138	-40,803	-5,197	-10,103
3.06.02.01	Interest expense	-6,815	-11,722	-5,197	-8,978
3.06.02.02	Foreign exchange losses	-28,323	-29,081	0	-1,125
3.07	Profit before income tax and social contribution	34,883	68,444	48,496	82,934
3.08	Income tax and social contribution	-1,760	-8,207	-9,227	-21,489
3.08.01	Current	-9,001	-18,990	-9,594	-27,133
3.08.02	Deferred	7,241	10,783	367	5,644
3.09	Profit for the period from continuing operations	33,123	60,237	39,269	61,445
3.11	Consolidated profit for the period	33,123	60,237	39,269	61,445
3.11.01	Attributable to owners of the parent	33,123	60,237	39,269	61,445
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.36930	0.67160	0.44120	0.69040
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.36430	0.66260	0.43820	0.68570

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

Code	Description	Current quarter 4/1/2018 to 6/30/2018	YTD - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	YTD - prior year 1/1/2017 to 6/30/2017
4.01	Consolidated profit for the period	33,123	60,237	39,270	61,445
4.02	Other comprehensive income	3,859	3,902	-1,191	-548
4.02.01	Foreign exchange differences arising from the translation of foreign operations	8,287	8,437	-1,191	-548
4.02.02	Net investment hedge	-4,428	-4,535	0	0
4.03	Consolidated comprehensive income for the period	36,982	64,139	38,079	60,897
4.03.01	Attributable to owners of the parent	36,982	64,139	38,079	60,897

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

Code	Description	YTD - current year 1/1/2018 to 6/30/2018	YTD - prior year 1/1/2017 to 6/30/2017
6.01	Net cash inflow from operating activities	58,209	94,734
6.01.01	Cash from operations	99,820	95,000
6.01.01.01	Profit before income tax and social contribution	68,444	82,934
6.01.01.02	Depreciation and amortization	17,213	13,412
6.01.01.03	Result on disposal of property, plant and equipment and intangible assets	1,506	-9
6.01.01.05	Provision for labor, tax and civil contingencies	289	1,183
6.01.01.06	Interest and foreign exchange variation on borrowings	14,063	2,241
6.01.01.07	Interest income on cash investments	-9,623	-14,866
6.01.01.08	Provision for impairment of trade receivables	1,897	5,663
6.01.01.09	Addition to provision for inventory losses	1,669	2,238
6.01.01.10	Share option and restricted stock plans	4,362	2,204
6.01.02	Changes in assets and liabilities	-35,470	14,605
6.01.02.01	Trade receivables	1,597	19,511
6.01.02.02	Inventories	-29,041	-14,808
6.01.02.03	Changes in other current assets	-3,665	-4,270
6.01.02.04	Taxes recoverable	-9,927	-8,498
6.01.02.05	Judicial deposits	-1,005	-2,554
6.01.02.07	Trade payables	2,936	22,905
6.01.02.08	Salaries and vacation pay	2,355	3,508
6.01.02.09	Taxes and social charges payable	-3,283	-3,057
6.01.02.10	Changes in other current liabilities	4,563	1,868
6.01.03	Other	-6,141	-14,871
6.01.03.01	Income tax and social contribution paid	-6,141	-14,871
6.02	Net cash inflow (outflow) from investing activities	48,349	-61,689
6.02.01	Purchases of property, plant and equipment and intangible assets	-22,227	-8,860
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	680	37
6.02.03	Cash investments	-408,102	-484,530
6.02.04	Redemption of cash investments	477,998	431,664
6.03	Net cash outflow from financing activities	-100,051	-30,423
6.03.01	Proceeds from borrowings	50,336	39,107
6.03.02	Repayments of borrowings	-75,705	-36,293
6.03.03	Payment of interest on borrowings	-2,364	-647
6.03.05	Interest on capital	-20,920	0
6.03.06	Distribution of profits	-48,796	-52,975
6.03.07	Receivables from (payables to) shareholders	204	18
6.03.08	Share capital increase – share issue	0	20,367
6.03.09	Share issue cost	-2,806	0
6.04	Foreign exchange variation on cash and cash equivalents	801	53
6.05	Increase (decrease) in cash and cash equivalents	7,308	2,675
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	17,464	7,695

Consolidated financial statements / Statement of changes in equity - 1/1/2018 to 6/30/2018 (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	289,406	2,796	-1,986	664,960	0	664,960
5.03	Adjusted opening balances	330,375	44,369	289,406	2,796	-1,986	664,960	0	664,960
5.04	Equity transactions with shareholders	10,698	1,556	-46,000	-23,797	0	-57,543	0	-57,543
5.04.04	Purchase of treasury shares	0	-2,805	0	0	0	-2,805	0	-2,805
5.04.07	Interest on capital	0	0	0	-21,001	0	-21,001	0	-21,001
5.04.08	Share options and restricted stock granted	0	4,361	0	0	0	4,361	0	4,361
5.04.09	Share issue	10,698	0	0	0	0	10,698	0	10,698
5.04.10	Proposed dividends	0	0	0	-2,796	0	-2,796	0	-2,796
5.04.13	Interim dividends	0	0	-46,000	0	0	-46,000	-	-46,000
5.05	Total comprehensive income	0	0	0	60,237	3,902	64,139	0	64,139
5.05.01	Profit for the period	0	0	0	60,237	0	60,237	0	60,237
5.05.02	Other comprehensive income	0	0	0	0	3,902	3,902	0	3,902
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	8,437	8,437	0	8,437
5.05.02.07	Net investment hedge	0	0	0	0	-4,535	-4,535	0	-4,535
5.07	Closing balances	341,073	45,925	243,406	39,236	1,916	671,556	0	671,556

Consolidated financial statements / Statement of changes in equity - 1/1/2017 to 6/30/2017 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	310,008	39,554	321,999	0	-1,862	669,699	0	669,699
5.03	Adjusted opening balances	310,008	39,554	321,999	0	-1,862	669,699	0	669,699
5.04	Equity transactions with shareholders	20,367	2,204	-52,975	-21,540	0	-51,944	0	-51,944
5.04.03	Options granted	0	2,204	0	0	0	2,204	0	2,204
5.04.06	Dividends	0	0	-52,975	0	0	-52,975	0	-52,975
5.04.07	Interest on capital	0	0	0	-21,540	0	-21,540	0	-21,540
5.04.09	Share issue	20,367	0	0	0	0	20,367	0	20,367
5.05	Total comprehensive income	0	0	0	61,445	-548	60,897	0	60,897
5.05.01	Profit for the period	0	0	0	61,445	0	61,445	0	61,445
5.05.02	Other comprehensive income	0	0	0	0	-548	-548	0	-548
5.05.02.06	Carrying value adjustments	0	0	0	0	-548	-548	0	-548
5.07	Closing balances	330,375	41,758	269,024	39,905	-2,410	678,652	0	678,652

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

Code	Description	YTD - current year 1/1/2018 to 6/30/2018	YTD - prior year 1/1/2017 to 6/30/2017
7.01	Revenue	820,491	733,202
7.01.01	Sales of goods, products and services	822,388	738,866
7.01.04	Provision for/reversal of impairment of trade receivables	-1,897	-5,664
7.02	Inputs acquired from third parties	-567,894	-502,213
7.02.01	Cost of sales and services	-444,962	-401,136
7.02.02	Materials, energy, outsourced services and other	-119,746	-98,755
7.02.04	Other	-3,186	-2,322
7.03	Gross value added	252,597	230,989
7.04	Deductions	-17,213	-13,412
7.04.01	Depreciation, amortization and depletion	-17,213	-13,412
7.05	Net value added generated by the entity	235,384	217,577
7.06	Value added received through transfer	29,573	21,769
7.06.02	Finance income	29,147	20,101
7.06.03	Other	426	1,668
7.07	Total value added to distribute	264,957	239,346
7.08	Distribution of value added	264,957	239,346
7.08.01	Personnel	95,944	84,676
7.08.01.01	Direct compensation	64,586	57,013
7.08.01.02	Benefits	8,838	8,150
7.08.01.03	Government severance indemnity fund for employees (FGTS)	5,802	4,830
7.08.01.04	Other	16,718	14,683
7.08.01.04.01	Employee profit sharing	8,014	7,353
7.08.01.04.02	Other	4,342	5,126
7.08.01.04.03	Share option plan	4,362	2,204
7.08.02	Taxes and contributions	42,655	60,357
7.08.02.01	Federal	39,233	58,606
7.08.02.02	State	2,410	921
7.08.02.03	Local	1,012	830
7.08.03	Lenders and creditors	66,121	32,868
7.08.03.01	Interest	3,976	1,555
7.08.03.02	Rentals	25,318	22,765
7.08.03.03	Other	36,827	8,548
7.08.03.03.01	Finance cost	36,827	8,548
7.08.04	Shareholders	60,237	61,445
7.08.04.01	Interest on capital	21,001	21,540
7.08.04.03	Profits reinvested / loss for the period	39,236	39,905

1. Company Overview

About Arezzo&Co

Arezzo&Co is Brazil's leading manufacturer of ladies' footwear, handbags and accessories. With a history of over 45 years, it currently sells over 12 million pairs of shoes a year, in addition to handbags and accessories. It has six relevant brands - Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever and Owme. 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 2Q18 with presence through 584 franchises and 52 owned stores in Brazil and U.S. and 2,342 multibrand stores in Brazil.

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	2Q18	2Q17	Δ 18 x 17	1H18	1H17	Δ 18 x 17
Net Revenues	373,859	328,903	13.7%	704,044	626,080	12.5%
Gross Profit	178,751	154,331	15.8%	325,311	284,395	14.4%
Grosss Margin	47.8%	46.9%	0.9 p.p.	46.2%	45.4%	0.8 p.p.
EBITDA[1]	56,552	50,315	12.4%	97,313	86,348	12.7%
EBITDA Margin [1]	15.1%	15.3%	-0.2 p.p.	13.8%	13.8%	0.0 p.p.
Net Income	33,123	39,270	-15.7%	60,237	61,445	-2.0%
Net Margin	8.9%	11.9%	-3.0 p.p.	8.6%	9.8%	-1.2 p.p.

Operating Indicators	2Q18	2Q17	Δ 18 x 17	1H18	1H17	Δ 18 x 17
# of pairs sold ('000)	3,075	2,587	18.8%	5,817	5,147	13.0%
# of handbags sold ('000)	308	287	7.3%	666	554	20.2%
# of employees	2,468	2,337	5.6%	2,468	2,337	5.6%
# of stores*	636	567	69	636	567	69
Owned Stores	52	49	3	52	49	3
Franchises	584	518	66	584	518	66
Outsourcing (as % of total production)	91.8%	90.3%	1.5 p.p	91.1%	89.8%	1.3 p.p
SSS² Sell-in (franchises)	7.3%	-0.8%	8.1 p.p	5.4%	6.2%	-0.8 p.p
SSS² Sell-out (owned stores + franchises + web)	3.9%	6.8%	-2.9 p.p	5.9%	4.9%	1.0 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	2Q18	Part%	2Q17	Part%	Δ (%) 18 x 17	1H18	Part%	1H17	Part%	Δ (%) 18 x 17
Total Gross Revenue	**454,679**		**407,301**		**11.6%**	**862,370**		**775,698**		**11.2%**
Foreign market	**49,740**	**10.9%**	**47,037**	**11.5%**	**5.7%**	**80,221**	**9.3%**	**74,726**	**9.6%**	**7.4%**
Dosmetic market	**404,939**	**89.1%**	**360,264**	**88.5%**	**12.4%**	**782,149**	**90.7%**	**700,972**	**90.4%**	**11.6%**
By brand										
Arezzo	*226,952*	*56.0%*	*199,806*	*55.5%*	*13.6%*	*445,683*	*57.0%*	*399,182*	*56.9%*	*11.6%*
Schutz [1]	*114,478*	*28.3%*	*119,738*	*33.2%*	*(4.4%)*	*217,699*	*27.8%*	*218,064*	*31.1%*	*(0.2%)*
Anacapri	*48,277*	*11.9%*	*31,862*	*8.8%*	*51.5%*	*93,598*	*12.0%*	*65,622*	*9.4%*	*42.6%*
Others [2]	*15,232*	*3.8%*	*8,858*	*2.5%*	*72.0%*	*25,169*	*3.2%*	*18,104*	*2.6%*	*39.0%*
By channel										
Franchises	*184,789*	*45.6%*	*162,859*	*45.2%*	*13.5%*	*376,207*	*48.1%*	*336,105*	*47.9%*	*11.9%*
Multibrand	*104,163*	*25.7%*	*87,635*	*24.3%*	*18.9%*	*189,865*	*24.3%*	*165,573*	*23.6%*	*14.7%*
Owned Stores	*74,955*	*18.5%*	*76,693*	*21.3%*	*(2.3%)*	*140,867*	*18.0%*	*139,301*	*19.9%*	*1.1%*
Web Commerce	*40,745*	*10.1%*	*32,471*	*9.0%*	*25.5%*	*74,110*	*9.5%*	*57,778*	*8.2%*	*28.3%*
Others [3]	*287*	*0.1%*	*606*	*0.2%*	*(52.6%)*	*1,100*	*0.1%*	*2,215*	*0.3%*	*(50.3%)*

(1) Does not include the revenues from the international operation.
(2) Includes only domestic markets for Alexandre Birman, Fiever and Owme brands and other revenues (not attributed to the brands).
(3) Includes domestic market revenues that are not specific for distribution channels.

Brands

The second quarter of the year concentrates the greater part of the winter collection sales of Arezzo&Co's six brands. In addition, the period includes important dates of the Company's calendar, such as Mother's Day (in May) and Valentine's Day (in June), which have exclusive capsule collections. The brands showed a good performance on the mentioned dates, in continuity with the positive results of the winter collection that was launched at the end of the first quarter. It is worth mentioning that, on the Saturday before Mother's Day, Arezzo&Co broke its historic daily sales record. In mid-June, in parallel with the sales period, the brands launched their transition collections (Cruise and Resort), bringing the trends of the new season, in order to test the receptiveness of consumers to the new products with enough time for reactions before the official launch of the summer collections.

The **Arezzo** brand reached R$ 227.0 million in gross revenue in 2Q18, up 13.6% over 2Q17, representing 56.0% of domestic sales. In April, the brand launched a pump shoe named "Nina", a product that had a strong engagement in social media through customers and digital influencers, events in stores and actions with the CRM of the brand. As a result, the product boosted Arezzo Same Store Sales (SSS) becoming the best seller product in the collection, with over 20,000 pairs sold. In May, Arezzo had an excellent performance during Mother's Day, which included customization of gift packaging and exclusive Gisele Bündchen content for the commemorative date. In addition, in May the brand introduced ZZMOV, an important activation in the sneakers category, which featured events in its flagship in Oscar Freire street with the presence of influencers and an area dedicated to the sneakers collection in the store. The Vogue magazine also brought the ZZMOV category in its fashion editorials and included the label "*Vogue Indica*" ("Vogue Recommends") on the brand's products. In June, Arezzo made a co-branding partnership with MAC (cosmetics brand) for the Valentine's Day.

The **Schutz** brand accounted for 28.3% of the Company's internal market revenues, totaling R$ 114.5 million in 2Q18, a decrease of 4.4% in relation to the same period of the previous year. In the foreign market, revenues increased by 11.2% in Reais in 2Q18 compared to 2Q17, with the positive highlight for the United States - an important pillar of the brand international development, which grew 22.3% in the country vs. 2Q17.

In the quarter, Schutz followed the three fronts of action started in 2018, which have already proved very positive for the brand's result, both in terms of SSS and branding. These are (i) strengthening of the brand positioning, (ii) renewal of the physical store concept (digital store) and (iii) a pilot of the new franchise supply model.

On the first front, the brand introduced in May the new concept #BecauseSchutz developed by a renowned US agency, in conjunction with the international media campaign starring model Adriana Lima - both in Brazil and in the United States. The concept combines spontaneity, sensuality and exclusivity along with a differentiated marketing strategy that aims to integrate all Schutz media. In the same month, Schutz opened its pop-up store in Soho (New York City), which featured a launch party event and several activations on social networks and throughout the New York city's outdoor signs.

Regarding the second front, the brand ended the quarter with 7 renewed stores which showed a better performance in Same Store Sales (SSS) compared to the stores in the old concept. As a next step, Schutz will continue the roll-out of renovations of owned stores and has also the remodeling of some franchised stores scheduled for the second half of the year.

Finally, the third front refers to the pilot of the new franchise supply model. 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 and reduction of lead time. On the other hand, the model presupposes the payment of royalties due only in the sell-out moment, which postpones the revenue from our sales in the franchise channel, with a short-term impact on revenue for the quarter. The model obtained positive results so far, with a sell-out performance showing a positive difference between the pilot group and the control group.

The **Anacapri** brand reached revenues of R$ 48.3 million in 2Q18, a significant growth of 51.5% over 2Q17, closing the quarter with 11.9% of the Company's domestic market revenue, compared to 8.8% in 2Q17. The franchises channel showed a strong growth of 77.0%, due to the opening of 5 stores in 2Q18 and 41 stores in the last 12 months - in addition to the increase in SSS itself - as a result of an assertive product mix and an excellent value for money for the customer. Also noteworthy was the penetration increase in the multibrand channel, which grew 49.0%. Among the main achievements of the quarter was the launch of the winter campaign with Brazilian actress Isis Valverde, including the relaunch of the "New Ana" sneaker in several formats, which became the best seller of the brand in the quarter. The success of the product reinforces the growing relevance of the sneakers category for Anacapri.

The **Alexandre Birman** brand presented a significant growth of 34.0% in the quarter vs. 2Q17, with a strong increase in SSS in Brazil as well as total sales abroad. In April, the brand launched its Pre-Fall collection with an exclusive shop in shop in the luxury store Stivali in Lisbon and Alexandre Birman, CEO of Arezzo&Co, participated as a speaker at the renowned Condé Nast International Luxury Conference, where he had the opportunity to address the brand's trajectory and its role in the luxury footwear world. In May, the brand reached a significant milestone in its history opening its first international store on Madison Avenue in New York. The store, which follows the visual identity of the national ones, consolidates the presence of the brand in the North-American luxury market. In the same month, Alexandre Birman participated for the first time in the MET Gala Ball in New York - a ball promoted by the renowned Metropolitan Museum of Art and considered one of the biggest fashion events in the world - an unprecedented participation for a Brazilian brand that generated more than 10 million views in the media and social networks. Simultaneously, the brand launched its international e-commerce. Following its international expansion strategy, Alexandre Birman opened its showroom in Milan, one of the main fashion centers in the world and has already shown an increase in its wholesale customer base in the region.

The **Fiever** brand, in line with its consolidation as a sneakers brand, showed strong performance in the Owned Stores, Web Commerce and Multibrand channels, a 65.5% increase compared to the same period of the previous year. In the quarter, the brand launched its new sneaker, the Bold - a chunky sneaker that stands out for its robust style and the mix of textures and materials. Along with its launch, the new sneaker was featured on the cover of Glamour magazine for the month of May. In addition, the brand continues its process of opening stores and will launch a new unit in the third quarter at Shopping Higienópolis in São Paulo, bringing a new architectural project in order to integrate the growing men's category in its layout.

OWME, the sixth brand of the group that seeks to meet women of the AB1 classes, over 35 years-old, who have a growing demand for comfortable and stylish shoes, inaugurated its flagship store in the beginning of May at Oscar Freire street in São Paulo and its e-commerce operation, surpassing the Company's sales expectations in its first months of operation. The store has been presenting an indicator of pairs per sale above the group average, thus showing the good adherence of the consumer to its products. In the Multibrand channel, OWME was present at SICC Gramado - a multi-brand fair that has gained considerable relevance in the footwear industry - in addition to participating in the traditional Francal fair in São Paulo. As next steps, the brand intends to increase its capillarity via multibrand clients and open another physical store in the third quarter of 2018.

Channels

Monobrand - Franchises, Owned Stores and Web Commerce

Reflecting the company's strategy to strengthen monobrand stores - and despite external events such as the truckers' strike and the World Cup, which negatively impacted traffic in stores - Arezzo&Co points of sale (Owned Stores + Franchises + Web Commerce) showed an increase of 8.5% in sell-out sales in 2Q18 against 2Q17, mainly due to the strong growth of the online channel and the net opening of 66 franchises in the last 12 months, in addition to the increase in sales in the same stores, which was 3.9% in 2Q18.

The sales area of stores in Brazil and abroad increased by 8.0% compared to 2Q17, with the net addition of 40 Anacapri stores, 19 Arezzo stores, 7 Schutz stores, 2 Alexandre Birman stores and 1 Owme store, totaling 3,115 m² (excluding outlets).

The Company's revenue from monobrand stores, represented by Franchises sell-in and Owned Stores and Web Commerce sell-out, grew by 10.3% in 2Q18 compared to 2Q17, mainly due to the growth of the Franchise channel of 13.5% and the 25.5% growth of the Web Commerce channel.

The Franchises channel achieved a share of 45.6% domestic sales in 2Q18 and presented SSS sell-in of 7.3%. 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 that are common to the Company's operation.

Multibrand

In 2Q18, Multibrand channel revenues, which are highly important to our strategy to increase capillarity in smaller cities, grew by 18.9% over 2Q17. The positive performance reflects the combination of the Company's actions in the channel, such as the acquisition of new customers and the continuous effort to boost cross-selling, both among the brands and through the increase of the representativeness of bags in the sales mix.

The six brands of the group were distributed through 2,342 stores in 2Q18, up 7.0% over 2Q17, and are present in 1,270 cities.

Foreign Market

In 2Q18, the Company's foreign revenue, which includes the US operation and exports to the rest of the world, was 5.7% higher than in 2Q17, representing 10.9% of total revenue.

Continuing Arezzo&Co's global expansion strategy, Mr. Wayne Kulkin assumed the position of CEO of Arezzo&Co International Operations in May 2018. Wayne is a renowned professional with 26 years of experience in the fashion shoe industry, being the CEO of a renown shoe premium brand with global presence 17 years. Among his attributions is the sustainable growth of the Schutz and Alexandre Birman brands in the USA, as well as the evolution and expansion of the Alexandre Birman brand in new markets.

In the US, through Schutz and Alexandre Birman brands in Wholesale channels (department stores, third-party online stores, and multibrand stores), Retail (flagship stores) and Web Commerce, revenue from the operation grew 23.8%, with growth in all channels. The operation ended the quarter representing 57.5% of foreign sales. On the other hand, the exports of our products to the rest of the world had an 11.6% retraction in Reais in 2Q18 when compared to the same period in 2Q17, due to the reduction in the private label sales volume.

Expansion of the Monobrand Channel

We ended the quarter with 636 stores, 627 in Brazil and 9 abroad - an increase of 8.0%, with 66 net openings in the last 12 months. In 2Q18, 11 stores were opened (5 Anacapri stores, 3 Arezzo stores - two of them in the Light concept, one Owme store, one Alexandre Birman store and one Schutz store, the last two located in the United States - NY).

Store Information	2Q17	3Q17	4Q17	1Q18	2Q18
Sales area [1,3] - Total (m²)	**38,930**	**39,351**	**41,211**	**41,487**	**42,044**
Sales area - franchises (m²)	32,660	33,029	34,925	35,246	35,567
Sales area - owned stores[2] (m²)	6,270	6,322	6,286	6,242	6,477
Total number of domestic stores	**560**	**569**	**611**	**618**	**627**
# of franchises	**513**	**520**	**563**	**571**	**579**
Arezzo	369	369	382	385	388
Schutz	61	62	67	67	67
Anacapri	83	89	114	119	124
# of owned stores	**47**	**49**	**48**	**47**	**48**
Arezzo	14	15	15	14	14
Schutz	22	22	22	22	22
Alexandre Birman	3	4	4	4	4
Anacapri	4	4	3	3	3
Fiever	4	4	4	4	4
Owme	–	–	–	–	1
Total number of international stores	**7**	**7**	**7**	**7**	**9**
# of franchises	5	5	5	5	5
# of owned stores[4]	2	2	2	2	4

(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 expanded stores
(4) Includes Alexandre Birman and Schutz stores, 3 of them in NYC and 1 in Los Angeles

Key financial indicators	2Q18	2Q17	Δ (%) 18 x 17	1H18	1H17	Δ (%) 18 x 17
Gross Revenues	**454,679**	**407,301**	**11.6%**	**862,370**	**775,698**	**11.2%**
Net Revenues	**373,859**	**328,903**	**13.7%**	**704,044**	**626,080**	**12.5%**
COGS	**(195,108)**	**(174,572)**	**11.8%**	**(378,733)**	**(341,685)**	**10.8%**
Depreciation and amortization (cost)	**(329)**	**-**	**n/a**	**(653)**	**-**	**n/a**
Gross Profit	**178,751**	**154,331**	**15.8%**	**325,311**	**284,395**	**14.4%**
Gross margin	*47.8%*	*46.9%*	*0.9 p.p*	*46.2%*	*45.4%*	*0.8 p.p*
SG&A	**(130,987)**	**(110,753)**	**18.3%**	**(245,210)**	**(211,459)**	**16.0%**
% of net revenues	*(35.0%)*	*(33.7%)*	*(1.3 p.p)*	*(34.8%)*	*(33.8%)*	*(1.0 p.p)*
Selling expenses	**(88,314)**	**(76,661)**	**15.2%**	**(163,045)**	**(146,905)**	**11.0%**
Owned stores and web commerce	(31,059)	(30,575)	1.6%	(62,523)	(60,256)	3.8%
Selling, logistics and supply	(57,255)	(46,086)	24.2%	(100,522)	(86,649)	16.0%
General and administrative expenses	**(32,126)**	**(26,890)**	**19.5%**	**(61,670)**	**(50,607)**	**21.9%**
Other operating revenues (expenses)	**(2,088)**	**(465)**	**349.0%**	**(3,935)**	**(535)**	**635.5%**
Depreciation and amortization (expenses)	**(8,459)**	**(6,737)**	**25.6%**	**(16,560)**	**(13,412)**	**23.5%**
EBITDA	**56,552**	**50,315**	**12.4%**	**97,314**	**86,348**	**12.7%**
Margin EBITDA	*15.1%*	*15.3%*	*(0.2 p.p)*	*13.8%*	*13.8%*	*-*
Net Income	**33,123**	**39,270**	**(15.7%)**	**60,237**	**61,445**	**(2.0%)**
Net Margin	*8.9%*	*11.9%*	*(3.0 p.p)*	*8.6%*	*9.8%*	*(1.2 p.p)*
Working capital[1] - as % of revenues	**26.3%**	**23.4%**	**2.9 p.p**	**26.3%**	**23.4%**	**2.9 p.p**
Invested capital[2] - as % of revenues	**36.9%**	**38.7%**	**(1.8 p.p)**	**36.9%**	**38.7%**	**(1.8 p.p)**
Total debt	**175,501**	**110,847**	**58.3%**	**175,501**	**110,847**	**58.3%**
Net debt[3]	(107,671)	(199,268)	(46.0%)	(107,671)	(199,268)	(46.0%)
Net debt/EBITDA LTM	-0.5x	-1.0x	-	-0.5x	-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.

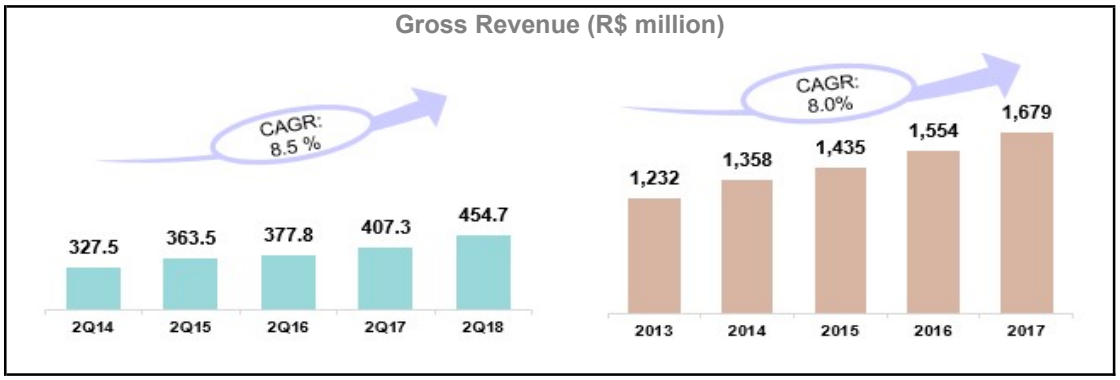
Gross Revenue

The company's Gross revenue in this quarter totaled R$ 454.7 million in the quarter, up by 11.6% against 2Q17. Among the primary factors driving this growth, worthy of mention are:

i) growth of 25.5% in the Web Commerce channel, reaching 10.1% of gross sales in the domestic market, compared to 9.0% in 2Q17;

ii) revenue increase of 13.6% in the Arezzo brand and 51.5% in the Anacapri brand compared to 2Q17;

iii) growth of 13.5% in the Franchise channel and 18.9% in the Multibrand channel against 2Q17.

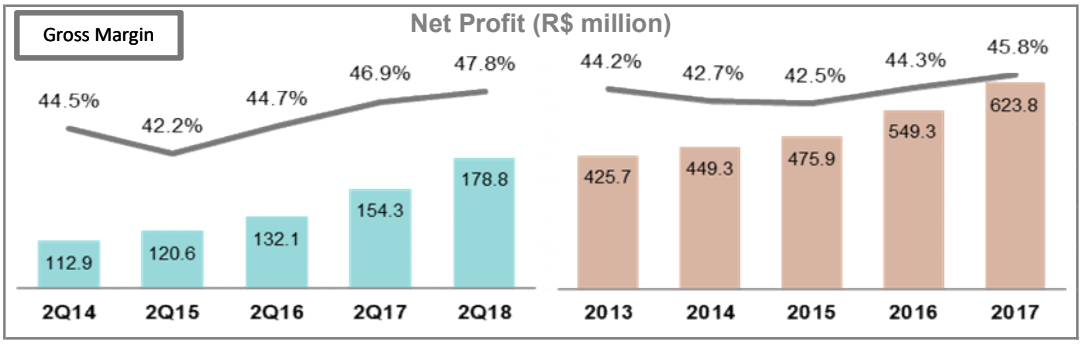


Gross Profit

Gross profit for 2Q18 totaled R$ 178.8 million, a 15.8% increase against 2Q17, with gross margin up by 90 bps, reaching 47.8% in 2Q18.

Among the factors, the highlights are (i) the improvement in gross margin in the sell-out channels (Owned Stores and Web Commerce) and in the sell-in channels (Franchises and Multibrands), due to the exclusion of ICMS from the calculation base of PIS/Cofins, (ii) gross margin improvement in the foreign market and (iii) the increased share of the Web Commerce channel in the mix, which accounted for 10.1% of the Company's gross revenues in the domestic market, compared to 9.0% in 2Q17.

As of 2018, ZZSAP 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. However, In 2Q18, expenses were affected by the following factors: (i) development of the US operation and (ii) expenses related to the Company's strategic projects.

Selling Expenses

In 2Q18, there was a 15.2% expansion of commercial expenses when compared to 2Q17, reaching R$ 88.3 million. It is worth mentioning that commercial expenses include:

(i) Expenses of Own Stores and Web Commerce (sell-out channels), which totaled R$ 31.1 million - an increase of only 1.6% in relation to 2Q17, below the 25.5% growth in the Web Commerce channel;

(ii) Sales, Logistics and Supply expenses totaled R$ 57.3 million - an increase of 24.2% over 2Q17. Excluding incremental expenses related to the Company's strategic planning deliberations, such as the development of the OWME brand, the acceleration of the international expansion of the Alexandre Birman brand, Valorizza (front of CRM) and the roll-out of the Arezzo brand Light store concept - the increase in expenses would be 14.4%, in line with the growth in the sell-in channels (Multibrand, Franchises, and Exports).

General and Administrative Expenses

In 2Q18, general and administrative expenses grew by 19.5%, an increase of R$ 5.2 million compared to 2Q17. This amount includes expenses related to the Company's strategic planning, as follows:

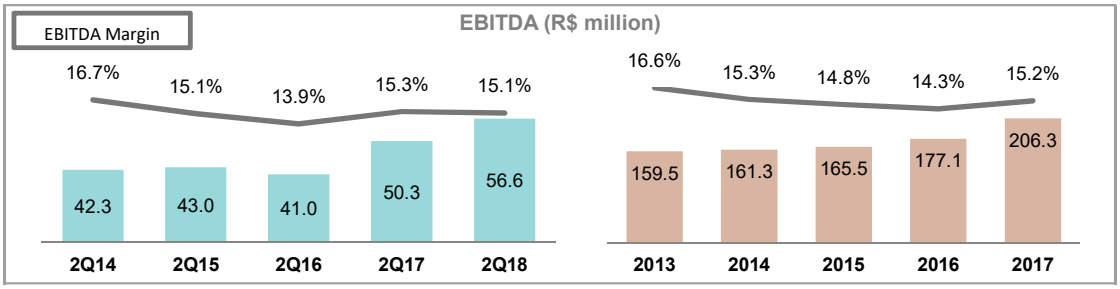
(i) development of the US operation, which mainly includes the strengthening of the organizational structure with the hiring of new executives from the North American market and the new marketing campaigns for Schutz and Alexandre Birman brands.
(ii) Strategic corporate initiatives such as Eternizze (Sustainability Project) and the organizational culture project.

EBITDA and EBITDA margin

The Company's EBITDA totaled R$ 56.6 million in 2Q18, which represents a margin of 15.1% and an increase of 12.4% against the results reported in 2Q17. Among the main reasons are:

- Net revenue growth of 13.7% over the same period of the previous year;
- Expansion of gross margin by 90bps, partially offset by an 18.6% increase in operating expenses, as previously highlighted.

Excluding the US operation, the Company's consolidated EBITDA margin would have increased by 295 bps in the quarter, up from 200 bps recorded in 2Q17 - due to the continuous investment in structuring the Company's international expansion strategy.



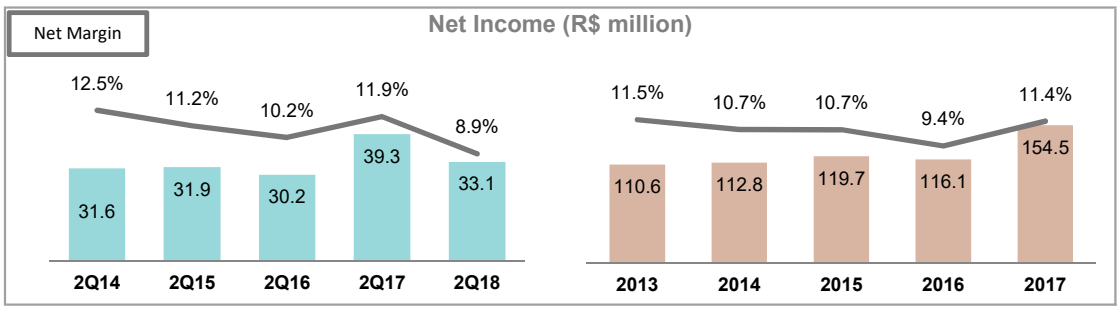
Net income and net margin

The Company posted a net margin of 8.9% in 2Q18 and a net income of R$ 33.1 million, down 15.7% in 2Q17. Excluding the non-cash effect, net income would have reached R$ 46.9 million, 19.4% higher than in 2Q17. Excluding the non-cash effect, net income would have been R$ 46.9 million, 19.4% higher than in 2Q17.

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 retroactive to 2017, which remained valid during the first half of 2018.

On the other hand, net income was negatively impacted by the worsening of the financial result - due to (i) higher exchange rate variation in the period (non-cash effect in the Company's results); (ii) higher financial expenses, coupled with higher indebtedness compared to 2Q17 and (iii) lower financial income, due to the reduction of the Selic rate over the last 12 months.

EBITDA Reconciliation	2Q18	2Q17	1H18	1H17
Net income	**33,123**	**39,270**	**60,237**	**61,445**
(-) Income tax and social contribution	(1,760)	(9,227)	(8,207)	(21,489)
(-) Financial results	(12,881)	4,919	(11,656)	9,998
(-) Depreciation and amortization	(8,459)	(6,737)	(16,560)	(13,412)
(=) EBITDA	**56,223**	**50,315**	**96,660**	**86,348**



Operating cash flow

Arezzo&Co generated R$ 28.0 million cash from operations in 2Q18, lower than the amount presented in 2Q17.

It is worth highlighting the payment of supplementary dividends (related to 2017) in the amount of R$ 2.8 million and the payment of interim dividends based on the profits reserve, as of December's 2017 balance sheet, in the amount of R$ 46.0 million. Both payments were made on June 8, 2018.

Operating Cash Flow	2Q18	2Q17	1H18	1H17
Profits before income tax and social contribution	**34,883**	**48,497**	**68,444**	**82,934**
Depreciation and amortization	**8,788**	**6,737**	**17,213**	**13,412**
Others	**15,226**	**1,509**	**14,163**	**(1,346)**
Decrease (increase) in assets / liabilities	**(28,098)**	**(1,541)**	**(35,470)**	**14,605**
Trade accounts receivables	9,804	21,450	1,597	19,511
Inventories	(14,689)	(5,462)	(29,041)	(14,808)
Suppliers	(25,485)	(23,682)	2,936	22,905
Change in other noncurrent and current assets and liabilities	2,272	6,153	(10,962)	(13,003)
Payment of income tax and social contribution	**(2,751)**	**(14,421)**	**(6,141)**	**(14,871)**
Net cash flow generated by operational activities	**28,048**	**40,781**	**58,209**	**94,734**

Investments - CAPEX

The Company makes investments of three types:

i) Investments in expansion and remodeling 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 2Q18, Arezzo&Co invested R$ 15.0 million in CAPEX, the main items being:

Brazilian Operation: (i) Arezzo&Co new office in São Paulo, (ii) opening of OWME's first flagship store at Oscar Freire in São Paulo (iv) remodeling of Schutz stores in Brazil into the new Digital Store concept, (v) design and construction of an additional owned factory, focused on sneakers and comfort shoes.

U.S. Operation: (i) opening of Schutz pop-up store in Soho and Alexandre Birman store on Madison Ave, both in New York (ii) opening of the Alexandre Birman showroom in Europe (Milan).

Summary of investments	2Q18	2Q17	Δ 18 x 17 (%)	1H18	1H17	Δ 18 x 17 (%)
Total CAPEX	**15,014**	**5,606**	**167.8%**	**22,227**	**8,861**	**150.9%**
Stores - expansion and refurbishing	3,705	1,976	87.4%	7,116	3,656	94.7%
Corporate	7,377	2,265	225.7%	9,707	3,446	181.7%
Other	3,932	1,365	188.1%	5,404	1,759	207.2%

Cash position and indebtedness

The Company ended 2Q18 with R$ 107.7 million in cash. The debt policy remains conservative, as follows:

• Total indebtedness of R$ 175.5 million in 2Q18, against R$110.8 million in 2Q17;

• Weighted average cost of the company's total debt in 2Q18 remained at low levels.

• Net cash of 0.5x versus 1.0x in 2Q17.

Cash position and Indebtedness	2Q18	1Q18	2Q17
Cash	**283,172**	**333,338**	**310,115**
Total debt	**175,501**	**172,112**	**110,847**
Short term	162,002	156,354	88,311
% total debt	92.3%	90.8%	79.7%
Long-term	13,499	15,758	22,536
% total debt	7.7%	9.2%	20.3%
Net Debt	**(107,671)**	**(161,226)**	**(199,268)**

ROIC (Return on Invested Capital)

Return on invested capital (ROIC) presented growth in 2Q18, reaching 31.2%. Among the factors responsible for this improvement are:

• The increase of 37.8% NOPAT against 2Q17. It is worth mentioning that part of this increase is due to an injunction obtained in 4Q17 exempting the company from the payment of income and social contribution taxes (IR and CSLL - 34%) on an ICMS tax benefit retroactive to 2017, which remained valid during the first half of 2018.

• Progressive permanent asset reduction, resulting from the lower share of owned stores in the Company's mix.

Income from operations	2Q18	2Q17	2Q16	Δ 18 x 17 (%)
EBIT (LTM)	180,797	169,714	136,651	6.5%
+ IR and CS (LTM)	(15,181)	(49,539)	(38,515)	(69.4%)
NOPAT	**165,616**	**120,175**	**98,136**	**37.8%**
Working Capital[1]	378,688	307,097	327,433	23.3%
Permanent assets	154,515	156,998	165,567	(1.6%)
Other long-term assets[2]	34,156	29,173	29,505	17.1%
Invested capital	**567,359**	**493,268**	**522,505**	**15.0%**
Average invested capital[3]	**530,314**	**507,887**		**4.4%**
ROIC[4]	**31.2%**	**23.7%**		

(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 June 30, 2018, the Company's market capitalization was R$ 4.03 billion (R$ 44.60), an increase of 36.3% when compared to the same period of 2017.



Arezzo&Co	
Number of shares	90,302,408
Ticker	ARZZ3
Listing	02/02/2011
Share price (29/06/2018)	44.60
Market Cap	4,027,487,397
Performance	
2011	20%
2012	71%
2013	(24%)
2014	(9%)
2015	(22%)
2016	27%
2017	118%
2018	(21%)

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 12/28/2017
2018: From 02/01/2018 to 06/30/2018

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$)
2018	07/25/2018	Interest on Equity	R$21,001,339.26	R$0.23278588607

(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 June 30, 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 June 30, 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.

1. Company information

Arezzo Indústria e Comércio S.A. (the "Company") is a listed company headquartered at Rua Fernandes Tourinho, 147 – sala 402, in the city of Belo Horizonte, State of Minas Gerais. The Company has shares traded on the "Novo Mercado" (New Market) listing segment of the São Paulo Commodities, Futures and Stock Exchange (BM&FBOVESPA) under the ticker symbol ARZZ3 since February 2, 2011.

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

At June 30, 2018, the Company had 579 franchise-operated stores in Brazil and 5 abroad; 48 company-operated stores in Brazil and 4 abroad, one of which is a pop-up store opened in May 2018; and a web commerce channel to sell its products of Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever and Owme brands.

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

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

2. Accounting policies

2.1. Basis of preparation and presentation of the financial statements

The condensed parent company and consolidated interim financial information included in the Quarterly Information Form (ITR) has been prepared and is being presented for the six-month period ended June 30, 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 six-month period ended June 30, 2018 was approved at the Board of Directors' meeting on July 30, 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	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Cash	**201**	114	**797**	846
Banks	**13,837**	4,148	**16,667**	9,310
	14,038	4,262	**17,464**	10,156

6. Cash investments

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Current				
Fixed income (a)	**587**	2,686	**750**	3,784
Exclusive investment fund				
Bank Deposit Certificate (CDB)	**35,467**	16,821	**38,307**	18,394
Repurchase agreements	**-**	7,961	**-**	8,706
Financial bills (CEF)	**39,921**	29,187	**43,119**	31,917
Financial Treasury bills	**169,923**	242,296	**183,532**	264,963
	245,898	298,951	**265,708**	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 June 30, 2018, the average rate of return of the investment fund is 100.59% of the Interbank Deposit Certificate rate (CDI). Financial Treasury Bills (LFT) account for 65% of the investment fund assets and 70.10% of the assets provide daily liquidity.

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

At June 30, 2018, the Company has no investment pledged as collateral to financial institutions.

7. Trade receivables

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Trade notes – domestic customers	**229,743**	234,386	**229,001**	234,686
Trade notes – foreign customers	**12,435**	11,558	**44,360**	43,194
Trade notes – related parties (Note 10.a)	**31,019**	18,655	**-**	-
Checks	**53**	33	**114**	115
Credit cards	**-**	-	**75,668**	73,338
	273,250	264,632	**349,143**	351,333
(-) Provision for impairment of trade receivables	**(4,165)**	(2,843)	**(4,592)**	(2,889)
	269,085	261,789	**344,551**	348,444
Current	**258,516**	250,299	**333,982**	336,954
Non-current	**10,569**	11,490	**10,569**	11,490

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
USD	**12,306**	11,464	**40,791**	39,510
EUR	**129**	94	**3,569**	3,684
	12,435	11,558	**44,360**	43,194

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

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
At the beginning of the period	**(2,843)**	(1,723)	**(2,889)**	(1,769)
Additions	**(1,516)**	(9,375)	**(1,897)**	(9,375)
Realization	**194**	8,255	**194**	8,255
At the end of the period	(4,165)	(2,843)	(4,592)	(2,889)

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional provision of R$1,897 for the period ended June 30, 2018 (June 30, 2017 - R$5,663). Management believes that the balance of the provision is sufficient to cover losses on uncollectible accounts.

Also, in the period ended June 30, 2018, the Company recognized R$2,275 (June 30, 2017 - R$1,522) of losses on accounts receivable, which was classified in selling expenses.

8. Inventories

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Finished products	**47,602**	30,051	**118,853**	90,444
Raw material	**4,983**	5,815	**17,401**	18,209
Work in progress	**-**	-	**5,081**	3,913
Advances to suppliers	**2,485**	3,355	**3,737**	4,471
(-) Provision for losses	**(2,162)**	(2,954)	**(4,211)**	(3,548)
	52,908	36,267	**140,861**	113,489

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
At the beginning of the period	**(2,954)**	(2,229)	**(3,548)**	(2,731)
Additions	**(214)**	(1,787)	**(1,669)**	(3,054)
Realization	**1,006**	1,062	**1,006**	2,237
At the end of the period	**(2,162)**	(2,954)	**(4,211)**	(3,548)

9. Income tax and social contribution

a) Deferred taxes

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Basis of calculation of deferred income tax (IRPJ) and social contribution				
Provision for foreign exchange variation	**16,611**	(602)	**9,884**	(566)
Unrealized profit on inventories	**13,606**	10,996	**13,606**	10,996
Provision for employee profit sharing	**12,182**	-	**12,196**	-
Foreign exchange hedge	**8,503**	-	**8,503**	-
Provision for labor, tax and civil contingencies	**6,181**	6,126	**9,154**	8,866
Provision for impairment of trade receivables	**4,165**	2,843	**4,186**	2,889
Provision for interest on loans	**3,128**	-	**3,128**	-
Provision for commissions	**2,972**	1,965	**2,972**	1,965
Provision for inventory losses	**2,162**	2,954	**3,044**	3,548
Bill-and-hold transactions (net)	**1,288**	-	**2,484**	982
Tax loss	**-**	-	**4,443**	5,306
Other temporary differences	**819**	447	**538**	(65)
Basis of calculation of deferred tax assets	**71,617**	24,729	**74,138**	33,921
IRPJ rate - 25%	**17,904**	6,182	**18,535**	8,480
CSLL rate - 9%	**6,446**	2,226	**6,672**	3,053
Deferred income tax and social contribution	**24,350**	8,408	**25,207**	11,533

9. Income tax and social contribution (Continued)

a) Deferred taxes (Continued)

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Opening balance	**8,408**	5,551	**11,533**	8,405
Deferred tax recognized in the statement of income	**13,051**	2,857	**10,783**	3,128
Deferred tax recognized in other comprehensive income	**2,891**	-	**2,891**	-
Closing balance	**24,350**	8,408	**25,207**	11,533

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	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
2018	**23,199**	7,400	**22,466**	8,962
2019	**766**	504	**1,196**	2,067
2020	**385**	504	**1,545**	504
Total	**24,350**	8,408	**25,207**	11,533

9. Income tax and social contribution (Continued)

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	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Profit before income tax and social contribution	**58,904**	75,880	**68,444**	82,934
Statutory tax rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution expense at statutory tax rate	**(20,027)**	(25,799)	**(23,271)**	(28,198)
Deferred income tax and social contribution on unrecognized losses of subsidiaries	**-**	-	**(6,007)**	(1,892)
Effect of income tax and social contribution on permanent differences:				
Government subsidies (*)	**9,233**	-	**10,096**	-
Tax benefit from technological research and innovation expenses – Law 11,196/05	**2,972**	2,182	**2,972**	2,182
Interest on capital	**7,140**	7,323	**7,140**	7,323
Equity in the results of investees	**1,880**	1,814	**-**	-
Share option plan expense	**(671)**	(749)	**(671)**	(749)
Tax incentives (Workers' Meal Program (PAT), Rouanet Law, other)	**272**	125	**272**	125
Other permanent differences	**534**	669	**1,262**	(280)
Income tax and social contribution expense	**1,333**	(14,435)	**(8,207)**	(21,489)
Current	**(11,718)**	(19,766)	**(18,990)**	(27,133)
Deferred	**13,051**	5,331	**10,783**	5,644
Total	**1,333**	(14,435)	**(8,207)**	(21,489)
Effective tax rate - %	**-2.26%**	19.02%	**11.99%**	25.91%

(*) With the enactment of Complementary Law 160 on August 7, 2017, ICMS tax benefits are now considered to be investment subsidy and therefore no longer subject to income tax and social contribution.

10. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	6/30/2018							
	Current assets		Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Trade receivables	Receivables	Dividends	Loans	Trade payables	Loans	Revenues	Purchases
Parent company								
Subsidiaries								
ARZZ Co LLC	-	8,564	-	-	-	-	-	-
ARZZ International INC	-	12,695	-	5,808	-	91,842	74	-
ZZAB Comércio de Calçados Ltda.	30,846	-	-	-	1,584	-	95,337	-
ZZSAP Ind.e Com.de Calç.Ltda.	3	-	-	-	947	-	34	51,836
ZZEXP Comercial Exportadora S.A.	170	-	15,230	4,157	-	-	-	-
Total – Parent company	**31,019**	**21,259**	**15,230**	**9,965**	**2,531**	**91,842**	**95,445**	**51,836**
Consolidated								
Controlling shareholders	-	-	-	-	-	1,436	-	-
Total – Consolidated	**-**	**-**	**-**	**-**	**-**	**1,436**	**-**	**-**

	12/31/2017				6/30/2017	
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Transactions	
	Trade receivables	Receivables	Trade payables	Loans	Revenues	Purchases
Parent company						
Subsidiaries						
ARZZ Co LLC	-	10,889	-	-	-	-
ARZZ International INC	-	7,347	-	76,121	14,082	-
ZZAB Comércio de Calçados Ltda.	18,394	-	1,346	-	75,308	-
ZZSAP Ind.e Com.de Calç.Ltda.	7	-	4,029	-	146	64,499
ZZEXP Comercial Exportadora S.A.	254	-	-		-	-
Total - Parent company	18,655	18,236	5,375	76,121	89,536	64,499
Consolidated						
Controlling shareholders	-	-	-	1,232	-	-
Total – Consolidated	-	-	-	1,232	-	-

b) Nature, terms and conditions of transactions – subsidiaries

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

The commercial transactions between such related parties follow price policies and specified terms established between the parties. The average collection period for receivables from related parties is 60 days while the average payment period for payables to related parties is 9 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 June 30, 2018, the compensation paid to management totaled R$6,793 (June 30, 2017 - R$4,396), as shown below:

	6/30/2018	6/30/2017
Annual fixed compensation – salary/management fees	**2,942**	2,269
Variable pay	**3,338**	1,816
Share option and restricted stock plans (Note 26)	**514**	311
Total compensation	**6,794**	4,396

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 June 30, 2018, certain Company officers, directors and related party directly own a total interest of 51.2% 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 six-month period ended June 30, 2018, this firm received R$391 (June 30, 2017 - R$391).

11. Investments

								Investment		Equity in results of investees	
Description	**Assets**	**Liabilities**	**Equity**	**Capital**	**Net revenue**	**Profit (loss) for the period**	**Ownership interest %**	**6/30/2018**	**12/31/2017**	**6/30/2018**	**6/30/2017**
ARZZ International Inc.	**140,249**	**88,381**	**51,868**	**127,144**	**41,166**	**(17,669)**	100.00	**51,868**	61,098	**(17,669)**	(5,566)
ZZAB Com. de Calçados Ltda.	**223,595**	**53,589**	**170,006**	**93,614**	**149,947**	**8,212**	99.99	**170,006**	161,793	**8,212**	2,117
ZZSAP Ind. e Com. de Calçados Ltda.	**59,762**	**21,469**	**38,293**	**27,592**	**62,299**	**1,890**	99.99	**38,293**	36,403	**1,890**	1,463
ZZEXP Comercial Exportadora S/A	**90,279**	**75,086**	**15,193**	**2,000**	**45,720**	**13,095**	99.99	**15,193**	17,331	**13,095**	7,321
Investments								**275,360**	276,625	**5,528**	5,335

	Parent company	
	6/30/2018	**12/31/2017**
Balance at the beginning of the period	**276,625**	159,808
Capital payment	**-**	99,300
Distribution of dividends	**(15,230)**	(4,141)
Equity in the results of investees	**5,528**	20,705
Cumulative translation adjustments (CTA)	**8,437**	953
Balance at the end of the period	**275,360**	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	589	207	190	391	-	-	1,377
Depreciation	(937)	(330)	(356)	(752)	(23)	-	(2,398)
Write-offs	(6)	(2)	-	-	-	-	(8)
At June 30, 2017	5,044	3,633	3,627	8,460	67	101	20,932
At December 31, 2017	5,040	3,664	4,085	8,626	45	101	21,561
Purchases	**691**	**264**	**468**	**4,623**	**-**	**-**	**6,046**
Depreciation	**(994)**	**(359)**	**(409)**	**(805)**	**(13)**	**-**	**(2,580)**
Write-offs	**(9)**	**-**	**(83)**	**(1)**	**-**	**-**	**(93)**
At June 30, 2018	**4,728**	**3,569**	**4,061**	**12,443**	**32**	**101**	**24,934**
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	945	996	313	2,454	-	-	4,708
Depreciation	(1,130)	(1,327)	(862)	(2,984)	(24)	-	(6,327)
Write-offs	(18)	(9)	-	-	-	-	(27)
Foreign exchange variation	5	9	-	129	-	-	143
At June 30, 2017	6,029	13,902	8,811	42,640	66	101	71,549
At December 31, 2017	6,152	13,176	9,172	38,991	44	101	67,636
Purchases	**1,280**	**5,019**	**1,415**	**10,599**	**-**	**-**	**18,313**
Depreciation	**(1,256)**	**(1,464)**	**(951)**	**(3,929)**	**(12)**	**-**	**(7,612)**
Write-offs	**(18)**	**(1,235)**	**(83)**	**(536)**	**-**	**-**	**(1,872)**
Foreign exchange variation	**65**	**192**	**-**	**1,109**	**-**	**-**	**1,366**
At June 30, 2018	**6,223**	**15,688**	**9,553**	**46,234**	**32**	**101**	**77,831**
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	Store use rights	Software licenses	Total
At December 31, 2016	3,521	1,078	-	41,939	46,538
Purchases	75	-	-	1,991	2,066
Amortization	-	-	-	(7,042)	(7,042)
At June 30, 2017	3,596	1,078	-	36,888	41,562
At December 31, 2017	3,927	124	694	34,120	38,865
Purchases	**300**	**-**	**-**	**3,364**	**3,664**
Amortization	**-**	**-**	**(520)**	**(7,257)**	**(7,777)**
Write-offs	**-**	**(124)**	**-**	**(193)**	**(317)**
At June 30, 2018	**4,227**	**-**	**174**	**30,034**	**34,435**
Estimated average useful life	Indefinite	Indefinite	Finite	5 years	

Consolidated	Trademarks and patents	Store use rights	Store use rights	Software licenses	Total
At December 31, 2016	3,644	39,781	-	42,536	85,961
Purchases	75	1,737	-	2,340	4,152
Amortization	-	-	-	(7,085)	(7,085)
Write-offs	-	(1)	-	-	(1)
Foreign exchange variation	1	-	-	15	16
At June 30, 2017	3,720	41,517	-	37,806	83,043
At December 31, 2017	4,051	36,045	3,558	35,539	79,193
Purchases	**298**	**-**	**-**	**3,616**	**3,914**
Amortization	**-**	**-**	**(2,266)**	**(7,335)**	**(9,601)**
Write-offs	**-**	**(124)**	**-**	**(193)**	**(317)**
Foreign exchange variation	**6**	**-**	**-**	**164**	**170**
At June 30, 2018	**4,355**	**35,921**	**1,292**	**31,791**	**73,359**
Estimated average useful life	Indefinite	Indefinite	Finite	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$14,570 (June 30, 2017 - R$10,694) 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 six-month period ended June 30, 2018.

14. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
FINAME (i)	**-**	-	**535**	623
Advance on foreign exchange contract – ACC (ii)	**-**	-	**25,644**	55,381
FINEP (iii)	**22,001**	26,456	**22,001**	26,456
Borrowing in foreign currency – "transaction 4131" (iv)	**115,722**	99,285	**115,722**	99,285
Export prepayment – PPE (v)	**-**	-	**11,599**	-
	137,723	125,741	**175,501**	181,745
Current	**124,629**	108,193	**162,002**	163,729
Non-current	**13,094**	17,548	**13,499**	18,016

The interest rate and charges on borrowings are as follows:

(i) Equipment financing (FINAME): 3% to 6% p.a.

(ii) Advance on foreign exchange contract (ACC): denominated in U.S. dollars plus average interest rate of 3.36% p.a. at June 30, 2018.

(iii) Study and project financing (FINEP): rate of 4% and 5% 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 3.30% p.a. at June 30, 2018. Loan debts in foreign currency under Law 4131.

(v) Export prepayment (PPE): denominated in U.S. dollars plus average interest rate of 3.63% p.a. at June 30, 2018.

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;
- Working capital: two agreements with final maturity until December 2018;
- PPE: one agreement with final maturity in May 2019.

14. Borrowings (Continued)

At June 30, 2018, the non-current borrowings mature as follows:

	Parent company		Consolidated	
	6/30/2018	12/31/2017	**6/30/2018**	12/31/2017
2019	**4,138**	8,592	**4,192**	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	**13,094**	17,548	**13,499**	18,016

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 June 30, 2018, these transactions amounted to R$1,282 (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 June 30, 2018, the balance of transactions guaranteed by the Company was R$10,497 (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	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Domestic suppliers	**26,964**	34,813	**47,768**	48,049
Reverse factoring	**59,511**	56,265	**59,511**	56,265
Related parties (Note 10.a)	**2,531**	5,375	**-**	-
Foreign suppliers	**73**	102	**73**	102
	89,079	96,555	**107,352**	104,416

16. Share capital and reserves

16.1. Share capital

At June 30, 2018, the Company's capital was divided into 90,303 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
Issuance of shares under share option plan	537	10,698
At June 30, 2018	**90,303**	**341,073**

16.2. Treasury shares

At June 30, 2018, the balance of treasury shares is R$4,004 (December 31, 2017 - R$1,199) consisting of 85,000 common shares at an average acquisition cost of R$47.11.

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 April 20, 2018, the Annual General Meeting approved the payment of supplementary dividends of R$2,796, at R$ 0.0312 per share, which were paid on June 8, 2018.

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

On May 17, 2018, the Board of Directors approved the payment of interim dividends out of revenue reserve as per balance sheet at December 31, 2017, in the amount of R$46,000, at R$0.5129 per share. These dividends were paid on June 8, 2018.

Interest on capital

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

On June 25, 2018, the Board of Directors approved the payment of interest on capital of R$21,001 relating to the first half of 2018, which was paid on July 25, 2018.

18. Earnings per share

In compliance with CPC 41 (IAS 33), the Company presents below earnings per share information for the six-month periods ended June 30, 2018 and 2017.

a) Basic earnings per share

	6/30/2018	6/30/2017
Profit for the period	**60,237**	61,445
Weighted average number of outstanding shares	**89,696**	89,000
Basic earnings per share - R$	**0.6716**	0.6904

b) Diluted earnings per share

	6/30/2018	6/30/2017
Profit for the period	**60,237**	61,445
Weighted average number of outstanding shares	**89,696**	89,000
Adjustments for share options	**1,214**	612
Weighted average number of common shares for diluted earnings per share	**90,910**	89,612
Diluted earnings per share - R$	**0.6626**	0.6857

19. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Gross sales revenue				
Domestic market	**662,061**	585,544	**782,149**	700,972
Foreign market	**4,159**	4,730	**80,221**	74,726
Sales returns	**(13,135)**	(13,227)	**(39,257)**	(35,431)
Discounts and rebates	**(725)**	(815)	**(725)**	(815)
Taxes on sales	**(91,347)**	(84,820)	**(118,344)**	(113,372)
Net sales revenue	**561,013**	491,412	**704,044**	626,080

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.

The Company's products are distributed through different brands (Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever and Owme) 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.

20. Segment reporting (Continued)

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

	Consolidated	
	6/30/2018	**6/30/2017**
Gross revenue	**862,370**	775,698
Foreign market	**80,221**	74,726
Domestic market	**782,149**	700,972
Domestic market by brand		
Arezzo	**445,683**	399,182
Schutz	**217,699**	218,064
Anacapri	**93,598**	65,622
Other	**25,169**	18,104
Domestic market by sales channel		
Franchises	**376,207**	336,105
Multi-brand stores	**189,865**	165,573
Company-owned stores	**140,867**	139,301
Web-commerce	**74,110**	57,778
Other	**1,100**	2,215

The revenue from foreign market is not shown separately by geographic area as at June 30, 2018 it represents 9.3% of the gross revenue (June 30, 2017 – 9.6%). 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	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Expenses by function				
Cost of sales	**(354,729)**	(311,269)	**(378,733)**	(341,685)
Selling expenses	**(79,753)**	(72,546)	**(175,492)**	(156,340)
General and administrative expenses	**(54,039)**	(48,244)	**(65,784)**	(54,584)
Other operating expenses, net	**(3,350)**	(518)	**(3,935)**	(535)
	(491,871)	(432,577)	**(623,944)**	(553,144)

	Parent company		Consolidated	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Expenses by nature				
Raw materials and consumables used	**(356,846)**	(313,032)	**(381,753)**	(344,345)
Personnel expenses	**(70,434)**	(60,470)	**(110,884)**	(98,151)
Store occupancy expenses	**-**	**-**	**(20,775)**	(19,027)
Depreciation and amortization	**(10,357)**	(9,440)	**(17,213)**	(13,412)
Freight	**(10,650)**	(8,441)	**(14,268)**	(12,263)
Other operating expenses	**(43,584)**	(41,194)	**(79,051)**	(65,946)
	(491,871)	(432,577)	**(623,944)**	(553,144)

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			
	6/30/2018		12/31/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**17,464**	**17,464**	10,156	10,156
Cash investments	**265,708**	**265,708**	327,764	327,764
Trade receivables	**333,982**	**333,982**	348,444	348,444
Borrowings	**175,501**	**175,613**	181,745	181,717
Trade payables	**107,352**	**107,352**	104,416	104,416

At June 30, 2018, consolidated financial instruments by category are as follows:

	6/30/2018	
	Measured at	
	Fair value	Amortized cost
Assets		
Loans and receivables		
Cash and cash equivalents	-	**17,464**
Trade receivables	-	**333,982**
Financial assets at fair value through profit or loss		
Cash investments	**265,708**	**-**
Liabilities		
Other financial liabilities		
Trade payables	-	**107,352**
Borrowings	-	**175,613**

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.

22.Financial risk management objectives and policies (Continued)

a) Fair value (Continued)

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

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 June 30, 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.

22.Financial risk management objectives and policies (Continued)

At June 30, 2018 and December 31, 2017, the net exposure to the U.S. dollar is as follows:

	6/30/2018	12/31/2017
Trade receivables	**35,203**	30,055
Borrowings	**(37,243)**	(55,381)
Net exposure	**(2,040)**	(25,326)

To measure the sensitivity of the Company's foreign currency-denominated assets and liabilities which expose it to foreign exchange risk at June 30, 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$	35,203	44,004	52,805
Borrowings in foreign currency	R$	(37,243)	(46,554)	(55,865)
Appreciation in the exchange rate			25%	50%
against the U.S. dollar		3.86	4.82	5.78
Effect on pre-tax profit	R$		(510)	(1,020)

22.Financial risk management objectives and policies (Continued)

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 June 30, 2018, borrowings are subject to the following interest rates:

	Consolidated	
	6/30/2018	**%**
Fixed interest rate	**37,778**	22%
Interest rate based on TJLP and Libor	**137,723**	78%
	175,501	100%

To measure the sensitivity of the Company's borrowings to interest rates to which the Company was exposed at June 30, 2018, three different scenarios were simulated and a sensitivity analysis relating to interest rate shifts was prepared.

The table below shows three scenarios, being the probable scenario adopted by the Company. Based on the amounts of TJLP and Libor in effect at June 30, 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 June 30, 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$	1,452	1,815	2,178
Borrowings – Libor	R$	3,194	3,992	4,791
		4,646	5,807	6,969
Increase in the interest rate for financial liabilities			25%	50%
TJLP		6.60%	8.25%	9.90%
Libor		2.76%	3.45%	4.14%

e) Financial instruments

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

22.Financial risk management objectives and policies (Continued)

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	162,779	14,074	43	176,896
Trade and other payables	107,352	-	-	107,352

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	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Finance income:				
Interest income on cash investments	**8,478**	12,498	**9,177**	14,192
Interest income on loans to related parties	**39**	-	**-**	-
Interest income	**1,762**	2,309	**1,774**	2,315
Other finance income	**1,114**	698	**1,214**	1,148
	11,393	15,505	**12,165**	17,655
Finance cost:				
Credit card administration fee	**-**	-	**(3,318)**	(3,168)
Interest on borrowings	**(3,417)**	(862)	**(3,976)**	(1,555)
Bank charges	**(1,572)**	(1,215)	**(2,104)**	(1,639)
Interest on loans from related parties	**(2,793)**	-	**-**	-
Notary public fees	**(1,173)**	(993)	**(1,188)**	(1,001)
Discounts granted	**(942)**	(1,195)	**(942)**	(1,237)
Other finance costs	**(88)**	(170)	**(194)**	(378)
	(9,985)	(4,435)	**(11,722)**	(8,978)
Foreign exchange variation, net	**(17,174)**	640	**(12,099)**	1,321
Total	**(15,766)**	11,710	**(11,656)**	9,998

24. Other operating income (expenses), net

	Parent company		Consolidated	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Share option and restricted stock plans (Note 26)	**(4,362)**	(2,204)	**(4,362)**	(2,204)
Result on disposal of property, plant and equipment and intangible assets	**(325)**	2	**(1,501)**	9
Franchise fees	**636**	617	**636**	617
Recovery of expenses	**545**	1,312	**792**	1,354
Other (expenses) income, net	**156**	(245)	**500**	(311)
	(3,350)	(518)	**(3,935)**	(535)

25. Operating lease commitments – store lease

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

	Minimum lease payments at 6/30/2018 (Consolidated)
Less than one year	**23,164**
More than one year and no later than 5 years	**54,798**

The average monthly rent expense for the six-month period ended June 30, 2018 is R$2,958 (June 30, 2017 - R$2,870). 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 six-month period ended June 30, 2018, rent expense, net of taxes recoverable, amounted to R$17,749 (June 30, 2017 - R$17,222). The balance of rents payable is R$189 (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	508,806	633,508
Options exercised	(755)	(16,328)	(33,436)	(458,574)	(33,370)
Options written off (*)	(299)	-	-	-	-
At June 30, 2018	**-**	**-**	**750**	**50,232**	**600,138**

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

In the six-month period ended June 30, 2018, the share option plan expense of R$1,234 (June 30, 2017 - R$2,204) was charged to the statement of income with a corresponding entry to a separate capital reserve account within equity.

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 June 30, 2018, the Company determined R$3,128 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.

In the six-month period ended June 30, 2018, the Company received R$33,361 (June 30, 2017 - R$30,208) in ICMS tax benefits, which were classified into net revenue, as shown below:

	Parent company		Consolidated	
	6/30/2018	6/30/2017	**6/30/2018**	6/30/2017
ICMS tax benefits – State of Espirito Santo (a)	**27,157**	24,619	**33,114**	29,974
ICMS tax benefits – State of Rio Grande do Sul (b)	**-**	-	**247**	234
Total	**27,157**	24,619	**33,361**	30,208

www.pwc.com

(A free translation of the original in Portuguese)

Arezzo Indústria e Comércio S.A.

Quarterly Information (ITR) at June 30, 2018 and Report on Review of Quarterly Information

pwc

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 June 30, 2018, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and six-month periods then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 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 six-month period ended June 30, 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, July 30, 2018.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Mauricio Colombari
Contador CRC 1SP195838/O-3