

Wagner Salaverry, Quantitas:

Good morning. Congratulations on your results. My question to you is the falling in prior periods – the Company had good indicators in some areas and not so good ones in others. In 2016 results, especially in the 4Q, what we observed is a series of good indicators for all the levels we analyzed.

By looking at 2017, I would like to know that if you are confident that this year you will continue to have a more consistent performance in gross margin, same-store sales and in your financial margins; if you believe your results will become ever more consistent with the gradual improvement at all levels, or if the 4Q simply had better indicators that will not be repeat in 2017.

The second question refers to the old DC that you have deactivated. If you are thinking of selling those assets to reduce your leveraging and to contribute towards your equity or net worth.

Guararapes:

Regarding your first question, I would say that yourself mentioned the keyword here. In all of our recent discussion, which is consistent and coherency, as Flávio mentioned during his opening remarks, we came from a period of key changes in our strategic model and business model as a company.

In that quest to create a proof fast fashion players in the Brazilian market, we have changed our logic, our industrial design for this. We have altered our logistic conception and we have enhanced our collection, products and much more. The entire organization has been redesigned to comply with this goal.

The 4Q is a very important quarter because it has pointed towards important signs of positive steps going forward. That is to say we, even with the very difficult and turbulent macroeconomic scenario, were delivering positive results, significant margin extension, resuming the past reference of the Company, that is to say the figures we had in 2013, 2014, but beyond all of that, a synergy among areas and a very clear direction of which will be our future steps.

I can say therefore that consistency is the word of order as of this moment onwards. We know that there are many opportunities before us and processes in some different funds. This will tend further enhance the perception of the products, of our collection and the value proceed by customers in terms of our products and the availability of products.

There are still some steps towards this improvement in the future, but more than ever now what the Company is seeking is consistency in results as these in the near future were quite constable with the margin levels obtained during the semester and all of the other elements that have been developed through prior quarters.

I now go on here on second question that refers to the older Guarulhos DC that has been closed down. Of course the Company is holding and turning on discussion how to deal with it, which is our own. It does have a very specific for the operation. Both who have been there know that this a new format which makes it very difficult to lease or to sell.

Because of this we are still discussing which will be the best solution if we will lease and subsequently sell it, or any combination of these elements, but we have already hired a person specialized in this issue to help us, to that we can make the best decision and obtain the best value of this real estate.

Wagner Salaverry:

Thank you very much and congratulations for your results.

Richard Cathcart, Bradesco:

Good morning to all of you. I have two questions, if you allow me. I would like to gain a better understanding of your growth, margin improvement and which were the underlined factors for this improvement, a reduction in mark down, a better collection structure or have you just been very successful in this collection in the 4Q?

The second question, you have almost a third of the sales of Riachuelo from Guararapes' products. I would like to know if you can increase this share during the coming months or coming years. Thank you.

Flávio Rocha:

Good morning, Richard, and thank you for the question. The improvement in our margin, I think that the main component is the same one that we saw in the sound results that we had in 2013. If you go to a store and of course we are still undergoing a transition, there are stores that clearly are part of a new strategy. This is simples to perceive when you at the geometric format of the store inventory.

We have lower volumes of the product. The same store was 40.000 pieces in the old model, and the new model, you will see that the supply is with a volume based on the expectation of each of the articles in fashion, based on their life expand.

When you change to the high frequency replenishment model the store has a cycle of replenishment and this replenishment cycle is up to five to six days for Brazilian average and will tend towards decreasing as well. So you will see that with the same inventory, we have more alternatives for the customers, many more operations and the immediate impact is lower.

We do not form this residue as all of the pieces are being supplied in the same volumes. If we have too many left overs we have to go on to mark down. This has been having an impact on our margin. I think that we can obtain better results that serve for third, fourth or fifth identical SKU that was sent initially, and item that had had below average performance, will become objects of mark down.

Additionally, they will not decrease the store variety and because if you have all of these SKUs, you are using pressure centimeters on your hangers. I have no doubt what so ever that this is a main sector that has been having an impact on our margin, that frequency replenishment, the decrease of that initial volume sent and sending new products as they are being sold.

Once again, this is a very stringent logistic change that allows us a competitor edge, something that we are building and there is very difficult to replicate in the traditional retail market. We are not seeking only the push and pull jargon that we use in the retail

market, this simply means selling approximately half of what you expect to sell and to be able to replenish your merchandise.

We are referring about a push in the entire chain in terms of loan material at the beginning of the plant level. Throughout the lifespan of a product during a season, that meter of fabric can become several different products, with different colors, with different sizes and for different stores.

So we have become ever more flexible, with incredible variability and we now have a very dynamic fashion market. Richard, too also add to this response and going on to the second question, the idea of the share of the Guararapes products. There has been a resumption of the Guararapes products in the 4Q and I would like to remind you, without going too way back, that Guararapes represented a minimum of 50% of sales to Riachuelo, but in the past the situation was very different.

We had basic products for men and with the development of the strategy, of course, we began to change everything. At present, the Guararapes production is a production made to sell whatever is lacking, that is to say fashionable items are producer of plans, of course, the main driver of our production planning and consequently the Guararapes share is sales is precisely the potential that we have of extracting sales and margin from a shorter time.

This was generating more assertive and more attractive sales as a whole, so the main driver of the Guararapes share follows this line. And also, we have the share of imported products, but what we are doing is exploring a shorter lead time. Another front that has proved to be very promising in the last few years is the partnership with Paraguay, which is still a very small operation. This is a way of obtaining shortly time with a production in countries where the lead time tends to be very short.

Richard Cathcart:

Thank you very much for your answer.

Operator:

Thank. The question and answer session end here. I will now give the floor to Mr. Flávio Rocha, CEO, for his closing remarks.

Flávio Rocha:

I would like to thank all of you for the time that you have devoted to discussing our results and say that as a team we are at your entire disposal to clarify any doubts regarding our earning results. It has been a pleasure to take part in the conference call. Thank you very much.

Operator:

Thank you. The earnings result conference call for Guararapes Riachuelo ends here. You can now disconnect. Have a good day.