contax

Earnings Release
1Q17

São Paulo, May 11, 2017: Contax Participações S.A. ("Company," "Contax") (BM&FBovespa: CTAX3) announces today the results for the first quarter of 2017. The financial information in this report was prepared in accordance with the International Financial Reporting Standards (IFRS) and the accounting practices adopted in Brazil, including the Brazilian Corporate Law and the pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the CVM (Brazilian Securities and Exchange Committee) applicable to the Company's operations.

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Conference Call in Portuguese
May 12, 2017

Schedule:
9:00 a.m. (US EST) / 10:00 a.m. (Brasilia)

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Replay: Available until May 18, 2017
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HIGHLIGHTS

- **Adjusted EBITDA** of **R$1.3 million in** 1Q17 with a 0.3% margin, affected negatively by first quarter seasonality and by the standing contract adjustment with some clients. It is the third consecutive quarter with positive EBITDA;
- **Adjusted Net Revenue stabilization**, at **R$455.2 million** in **1Q17**, compared to R$461.1 million in 4Q16;
- Acquisition of **three new clients, in the consumption and services sector,** in **Trade Marketing** and **Tele Marketing** segment, reinforcing the Company as an **integrated relationship player, both online and offline;**
- **Innovation department:** focused on developing cross and up selling;
- **Decrease of R$60 million (or 13%) in the Cost of Rendered Services (CRS*) compared to 1Q16**, as a result of the cost reduction initiative and adaptation of the installed capacity;
- **13% decrease in the total number of operators** over 1Q16, due to better operating efficiency;
- Evolution of the **Ownership Simplification** process, with the approval for the consolidation of the operating activities at Contax-Mobitel;
- **Approval of the Outsourcing Bill**, beefing up the sector's legal security and potentially speeding the expansion of the Company's business.

**Net of contingencies, depreciation and amortization.*

1. Message to our Shareholders

At the beginning of 2017, Contax took another important step in its turnaround process. With a better operational structure, the Company intensified its focus on developing new relationship products and solutions to add new revenue and higher profitability to existing operations. This work in innovation, which is so fundamental for the industry's survival, has gained relevance and today is the top strategic priority at the Company.

At the end of 2016, the focus on innovation led to the structuring of a specific department for Products and Solutions, which was created from scratch and gathers specialists from the market and from several areas within Contax. Since then, this team has worked on projects that involve new technologies and advanced analytics tools to develop new services, which predominantly explore opportunities in the clients' businesses – such as cross selling, remotely-assisted technical support for more complex problems and preventive churn actions.

The initiatives focused on cross selling have already generated good results. In the last 12 months, total sales in the cross selling of services such as Customer Service and Retention amounted to R$1.4 billion in revenue for the Company's clients, generating R$41 million in additional revenue for Contax. In addition to contributing to the margin increase of traditional telemarketing services, the cross-selling actions gain relevance in the clients' sales strategy, as their results are boosted.

Supported by these initiatives and by an intensive operational efficiency work, Contax ended the first quarter of 2017 with positive Adjusted EBITDA for the third consecutive quarter. Although impacted by seasonality – fewer working days result in lower revenue, without a proportional reduction in expenses – the strong work toward cost reduction on several fronts and for the improvement of processes allowed the maintenance of the positive result.

The operational efficiency gains were bolstered by larger-scale actions such as the renegotiation of contracts with suppliers. In the first months of the year, the Company continued its wide-ranging action to identify savings and contract adaptation opportunities. As a result of this action, in place since 2016, the Company saved approximately R$80 million, quarter-over-quarter. The revision of contracts included those regarding benefits, rental, software licenses and telecommunications, among others.

In line with the improvement initiatives, Contax furthered its Ownership Simplification program that aims to eliminate potential inefficiencies by concentrating the operating cash generation at Contax Mobitel, the main operational company within the Group. In the first quarter, the Company obtained formal approval from several stakeholders to proceed with the incorporation of Todo Soluções – the technology and IT support arm of the group – into Contax-Mobitel. Also in March, Todo Engenharia was incorporated into its parent company Todo Soluções, creating conditions for the consolidation of IT operations at Contax-Mobitel in the second quarter of this year.

This first quarter was also marked by Governance improvements. Contax revised and modernized several internal policies, with the following highlights: (i) Risk Management Policy; (ii) Securities Trading Policy; and (iii) Information Disclosure Policy. The Company also reformulated its Code of Ethics and Conduct, supported by an external consultancy that is a market leader in the development of ethical environments. At the Ordinary General Meeting on April 19, the Board of Directors was confirmed with 83% of independent members, consolidating the important achievements in terms of governance, following the migration to the Novo Mercado segment.

In the regulatory framework, two measures turned the spotlights to the telemarketing segment. One such measure was the publication of the Provisional Measure 774/2017, which withdraws the payroll tax exemption from several sectors, including contact center. The Measure may bring adverse effects to the sector, as the pass-through of costs to clients tends to be gradual. Amid this scenario, the main companies in these sectors have acted together through the ABT (Brazilian Association of Teleservices) with the aim of excluding the sector from the scope of the Provisional Measure. Among the arguments for the maintenance of the payroll tax exemption are the risk of subtracting about 100 thousand jobs and R$125 million in wages, in addition to lowering tax collection by R$178 million.

The other Measure, which is more favorable for the sector, was the publication of Law no. 13.429/17, known as the Outsourcing Law. The new legislation, which is more modern and aligned with the concepts adopted in more developed markets, dispels the possibility of interpretation of an employment status between employees of outsourcing companies and the companies hiring the services. The Law contributes very positively to the sector, beefing up legal security and expanding the addressable market in contact center and BPO.

Against this backdrop of changes, Contax remains committed to furthering the operational turnaround, prioritizing the efficiency actions and the development of new solutions that contribute to the increase in revenue and higher margins. This view of the future is underpinned by two fundamental pillars for business sustainability, which are client and employee satisfaction.

2. Operating and Financial Ratios

Financial Indicators (R$ million)	1Q17	4Q16	1Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Net Operating Revenue	445.6	529.4	518.1	-14.0%	-15.8%
Gross Profit	23.1	69.4	42.0	-45.0%	-66.7%
Gross Margin	5.2%	13.1%	8.1%	-2,9 p.p.	-7,9 p.p.
EBITDA	(8.3)	62.5	(36.1)	-76.9%	-113.3%
EBITDA Margin	-1.9%	11.8%	-7.0%	5.1 p.p.	-13.7 p.p.
EBIT	(36.9)	11.9	(70.9)	-47.9%	-409.8%
EBIT Margin	-8.3%	2.3%	-13.7%	5.4 p.p.	-10.5 p.p.
Net Profit (Loss)	(78.1)	(22.2)	(81.3)	-3.9%	251.2%
Net Margin	-17.5%	-4.2%	-15.7%	-1.8 p.p.	-13.3 p.p.
Net Debt	1,276.1	1,109.0	1,243.7	2.6%	15.1%
Capex	5.7	4.5	1.7	235.6%	25.5%
Capex/Net Revenue - %	1.3%	0.9%	0.3%	1.0 p.p.	0.4 p.p.

Financial Indicators (R$ million)	1Q17 Adjusted[1]	4Q16 Adjusted[1]	1Q16 Adjusted[1]	1Q17 Adjusted vs. 1Q16 Adjusted	1Q17 Adjusted vs. 4Q16 Adjusted
Net Operating Revenue	455.2	461.1	518.1	-12.1%	-1.3%
Gross Profit	32.7	47.0	42.0	-22.2%	-30.4%
Gross Margin	7.2%	10.2%	8.1%	-0.9 p.p.	-3.0 p.p.
EBITDA	1.3	7.0	(36.1)	n.m.	-82.0%
EBITDA Margin	0.3%	1.5%	-7.0%	7.2 p.p.	-1.2 p.p.
EBIT	(27.3)	(43.6)	(70.9)	-61.5%	-37.3%
EBIT Margin	-6.0%	-9.4%	-13.7%	7.7 p.p.	3.4 p.p.
Net Profit (Loss)	(69.1)	(50.4)	(81.3)	-14.9%	37.1%
Net Margin	-15.2%	-10.9%	-15.7%	0.5 p.p.	-4.3 p.p.
Net Debt	1,276.1	1,109.0	1,243.7	2.6%	15.1%
Capex	5.7	4.5	1.7	235.6%	25.5%
Capex/Net Revenue - %	1.3%	1.0%	0.3%	1.0 p.p.	0.3 p.p.

1. Amounts adjusted for non-recurring items in the period. Adjusted Net Income calculated based on the theoretical income tax rate, i.e., it does not consider other tax effects related to deferred tax.

Operational Indicators	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q16 vs. 4Q16
Workstations - Installed	28,233	37,133	28,517	-24.0%	-1.0%
Employees	55,619	63,339	57,370	-12.2%	-3.1%
Contact Center	51,387	58,649	53,286	-12.4%	-3.6%
Trade Marketing	1,359	1,616	1,331	-15.9%	2.1%
ICT	188	332	212	-43.4%	-11.3%
Administrative	2,685	2,742	2,541	-2.1%	5.7%

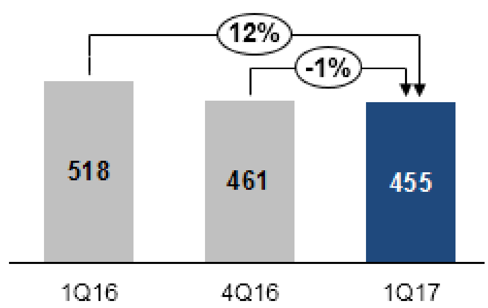
3. Net Operating Revenue

In the **first quarter of 2017 (1Q17)**, the Company registered **Adjusted Net Operating Revenue (NOR)** of **R$455.2 million**, a 12.1% drop versus 1Q16 and 1.3% down from Adjusted NOR in 4Q16. The 1.3% decline in the quarter-on-quarter period for Adjusted NOR is related to seasonality in the first quarter of the year, characterized by fewer working days generating lower revenue in the period.

The NOR adjustment is related to the booking of revenue based on the new contracts that changed the way and the period for measuring services. The adjustment resulted in a negative R$9.6 million impact.

(R$ million)	1Q17 Adjusted	1Q16	4Q16 Adjusted	1Q17 vs. 1Q16	1Q17 vs. 4Q16 Adj
Brazil	**455.2**	**518.1**	**461.1**	**-12.1%**	**-1.3%**
Contact Center & BPO	426.5	475.0	427.5	-10.2%	-0.2%
Customer and e-Care	210.8	247.1	215.8	-14.7%	-2.3%
CRM Services	125.1	111.1	114.7	12.6%	9.0%
Debt Collection	26.3	30.6	33.0	-14.3%	-20.3%
Other Services	64.4	86.1	64.0	-25.2%	0.6%
Trade Marketing	21.0	27.2	23.2	-22.9%	-9.7%
ITC	7.7	15.9	10.3	-51.7%	-25.7%

Adjusted Net Revenue (R$ MM)



We highlight below the remaining points that influenced the change in revenue:

(i) ***<u>Contact Center:</u>*** 10.2% reduction in adjusted revenue in the quarter compared with 1Q16 and a 0.2% decline from the prior quarter, driven by the change resulting mainly from (i) the general impact from the still challenging macroeconomic context, (ii) volume reduction mostly from the Customer Service and e-Care segment; (iii) renegotiation of contract with one of the Company's main client. These declines were partially eased by the rise in revenue with some significant clients in telecommunications.

(ii) ***<u>Trade Marketing:</u>*** reduction of 22.9% in 1Q17 versus 1Q16 and of 9.7% compared with the prior quarter. Year-over-year, the result also reflects the slowing economic activity in retail, with the subsequent review of commercial activities by the clients. Quarter-over-quarter, the drop reflects the positive seasonality of the segment in the fourth quarter, leading to higher revenue in this period due to the holiday season.

(iii) ***<u>ITC:</u>*** reduction of 51.7% in 1Q17 versus 1Q16 and of 25.7% compared with the prior quarter. The decrease is explained by the discontinuation of contracts that were not aligned with the Company's core business, or did not offer adequate margins.

4. Cost of Rendered Services

In the chart below we present the numbers without depreciation for EBITDA purposes. In Attachment II, we present the consolidated Income Statement according to IFRS, considering depreciation.

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Cost of Rendered Services	**(422.5)**	**(476.1)**	**(460.1)**	**-11.3%**	**-8.2%**
Personnel	(335.7)	(372.4)	(337.7)	-9.9%	-0.6%
Labor Contingencies	(18.9)	(12.5)	(48.1)	50.5%	-60.8%
Third-Party Services	(43.1)	(60.9)	(51.1)	-29.2%	-15.6%
Rent and Insurance	(21.0)	(25.9)	(21.7)	-19.2%	-3.2%
Other	(3.8)	(4.3)	(1.6)	-10.9%	139.2%

In the first three months of the year, the Company continued its site vacating process, promoting the closing of two operational units. This, as well as the other initiatives in the turnaround process, is related to the Company's capacity adjustment, considering the new volume demanded by clients. This adaptation is very important to bring margins to levels that are compatible with the most important players in the industry.

Cost of Rendered Services (CRS) totaled **R$422.5 million** in **1Q17**, down by 11.3% from 1Q16 and by 8.2% from 4Q16. Adjusted Gross Income in 1Q17 reached R$32.7 million, compared with R$42.0 million in 1Q16 and R$47.0 million in 4Q16, with a 7.2% margin (compared to 8.1% in 1Q16 and 10.2% in 4Q16).

The main causes for these cost reductions on a year-over-year basis are: (i) lower personnel costs, (ii) adaptation of contracts with suppliers, and (iii) optimization of the installed capacity. These initiatives led to the decrease in almost all cost-related items.

Personnel – reduction of **R$36.7 million**, or **9.9%**, compared with 1Q16, and of **R$2.0 million**, or **0.6%** compared with 4Q16, mainly due to lower payroll costs stemming from the operational adaptation process in the Contact Center & BPO segment. The Company ended the quarter with 51.4 thousand employees in the Contact Center operation (58.6 thousand in 1Q16 and 53.3 thousand in 4Q16).

Third-Party Services – reduction of **R$17.8 million** or **29.8%** from 1Q16, and of **R$8.0 million** or **15.6%** compared with **4Q16**, stemming from the decline in expenses with plant maintenance services and lower electricity and telecommunications costs, derived from the savings due to contract renegotiations and fewer sites in the period. Another significant contributor to lowering third-party services costs is the wide-ranging actions aimed at identifying opportunities, resulting in savings and third-party contract renegotiation.

Rent and Insurance – reduction of **R$4.9 million**, or **19.2%**, compared with **1Q16** and of **R$0.7 million**, or **3.2%** from **4Q16**, resulting from the renegotiation of rental contracts and fewer sites in operation.

Labor Contingencies – cost of **R$18.9 million** in **1Q17**, compared with **R$12.5 million** in **1Q16** and to **R$48.1 million** in **4Q16**. Year-over-year, the increase is explained by specific increases in labor contingency in 1Q17. The reduction from 4Q16 is explained by the one-time negative impact of R$29.2 million in the previous quarter, stemming from the additional, non-recurring provision made for some labor lawsuits in that quarter.

5. Total Expenses

In the charts below we present the numbers without depreciation for EBITDA purposes. In Attachment II, we present the consolidated Income Statement according to IFRS, considering depreciation.

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Selling, General and Administrative	(30.2)	(66.8)	(42.0)	-54.8%	-28.1%
Personnel	(17.6)	(35.4)	(23.8)	-50.4%	-26.2%
Third-Party Services	(10.2)	(25.6)	(14.4)	-59.9%	-28.9%
Rent and Insurance	(0.9)	(1.5)	(2.3)	-35.9%	-58.8%
Labor Contingencies	(0.8)	(4.6)	(1.3)	-82.1%	-35.4%
Other	(0.6)	0.2	(0.2)	-458.7%	163.1%
Other Operating Revenue and Expenses	(1.2)	(11.3)	35.2	-89.0%	-103.5%
Total Expenses	**(31.4)**	**(78.1)**	**(6.8)**	**-59.7%**	**360.9%**
Total Expenses (%NOR)	**7.1%**	**15.1%**	**1.3%**	**-8.0 p.p.**	**5.8 p.p.**

n.m. – not measurable

Total Expenses in **1Q17** amounted to **R$31.4 million**, compared to **R$78.1 million** in **1Q16** and **R$6.8 million** in **4Q16**. Year-over-year, the reduction occurred mainly due to lower G&A expenses related to Personnel and Third-Party Services. Compared with the previous quarter, a non-recurring revenue from tax recovery in the amount of R$38.4 million was booked in 4Q16, related to social security contributions paid by the Company on indemnifications in previous years. Excluding this effect and the remaining non-recurring items, Total Expenses would **shrink** by about **R$8.5 million** in **1Q17** compared to the previous quarter.

Selling, General and Administrative Expenses (**SG&A**) in **1Q17** totaled **R$30.2 million**, down by **54.8%** from **1Q16** and **28.1%** from **4Q16**. Year-over-year, the reduction was mainly due to (i) lower spending on personnel, considering the reduction in the number of employees, (ii) efforts to rationalize expenses with suppliers, and (iii) reduction in rental expenses, stemming from the administrative sites that were vacated and contract renegotiations. As a result, **SG&A expenses** retreated from **12.9%** of **NOR** in **1Q16** to **6.8%** of **Adjusted NOR** in **1Q17**.

Other Operating Revenue and Expenses equaled **R$1.2 million** in **1Q17**, which compare to **R$11.3 million** recorded in **1Q16** and a positive balance of **R$35.2 million** in **4Q16**. The year-over-year comparison is due to lower provisions for contingencies. Compared to 4Q16, excluding the non-recurring revenue from tax recovery, Other Operating Revenue and Expenses would have been stable in the previous quarter.

6. EBITDA

In **1Q17**, **Adjusted EBITDA** was positive by **R$1.3 million**, with **0.3%** Adjusted EBITDA margin. **Including the non-recurring booking of revenue**, the Company registered **EBITDA** negative by R$8.3 million in this quarter, reflecting the negative seasonality in the period. Excluding this effect, **Adjusted EBITDA** in the period was positive for the third consecutive quarter.

Booking of revenue according to the new contracts' model: some relevant contracts with clients were readjusted to change the manner and the length of measuring rendered services. Such correction resulted in a negative impact of R$9.6 million on 1Q17 revenue.

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Net Operating Revenue	**445.6**	**518.1**	**529.4**	**-14.0%**	**-15.8%**
Net Operating Revenue (Adjusted)	**455.2**	**518.1**	**461.1**	**-12.1%**	**-1.3%**
Cost of Services Rendered	(422.5)	(476.1)	(460.1)	-11.3%	-8.2%
Gross Income	**23.1**	**42.0**	**69.4**	**-45.0%**	**-66.7%**
Gross Income (Adjusted)	**32.7**	**42.0**	**47.0**	**-22.2%**	**-32.7%**
SG&A	(30.2)	(66.8)	(42.0)	-54.8%	-28.1%
Other Operating Revenue and Expenses	(1.2)	(11.3)	35.2	-89.0%	-103.5%
EBITDA	**(8.3)**	**(36.1)**	**62.5**	**-76.9%**	**-113.3%**
EBITDA Margin	**-1.9%**	**-7.0%**	**11.8%**	**5.1 p.p.**	**-13.7 p.p.**
Adjusted EBITDA	**1.3**	**(36.1)**	**7.0**	**n.m.**	**-82.0%**
Adjusted EBITDA Margin	**0.3%**	**-7.0%**	**1.5%**	**7.2 p.p.**	**-1.2 p.p.**
Depreciation and Amortization	(28.6)	(34.8)	(50.6)	-17.9%	-43.6%
EBIT	**(36.9)**	**(70.9)**	**11.9**	**-47.9%**	**-409.8%**
EBIT Margin	**-8.3%**	**-13.7%**	**2.3%**	**5.4 p.p.**	**-10.5 p.p.**

n.m. – not measurable

In **1Q17**, **Adjusted EBITDA** was positive by **R$1.3 million**, which compares with a negative balance of **R$36.1 million** in **1Q16** and an Adjusted EBITDA of **R$7.0 million** in **4Q16**. Adjusted EBITDA margin was **0.3%** (compared to -7.0% in 1Q16 and 1.5% in 4Q16).

Year-over-year, the reversal to a positive Adjusted EBITDA reflects the Company's actions toward the improvement of the operations' profitability, such as the rationalization of costs of rendered services and G&A expenses, in addition to the optimization of business processes.

Quarter-over-quarter, Adjusted EBITDA dropped slightly due to seasonality, as defined by: (i) fewer working days leading to lower revenue and (ii) mismatch between a cost hike related to the annual pay raise and the pass-through of these costs to clients.

7. Depreciation/Amortization

Expenses with depreciation and amortization totaled **R$28.6 million** in **1Q17**, which compares to **R$34.8 million** in **1Q16** and **R$50.6 million** in **4Q16**. The year-over-year and quarter-over-quarter reductions are related to the acceleration of the depreciation of assets at sites vacated last year. It should be noted that in 2016 the vacating of sites was more intense compared to the first quarter of this year.

8. Net Financial Income (Expenses)

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Financial Revenues	11.5	25.3	18.1	-54.6%	-36.5%
Financial Expenses	(53.3)	(77.9)	(50.9)	-31.6%	4.6%
Net Financial Result	**(41.8)**	**(52.6)**	**(32.8)**	**-20.5%**	**27.4%**

Net Financial Expenses in **1Q17** totaled **R$41.8 million**, which compare with **R$52.6 million** in **1Q16** and **R$32.8 million** in **4Q16**.

The slide in **Financial Revenues** is explained by the decrease in the average cash position held by the Company in the analyzed periods. The main reason for this reduction was the end of the grace period for interest on the debentures, in effect until December 2016. The cuts in the benchmark Selic rate also contributed to a lower yield on the Company's resources, invested mainly at the benchmark CDI rate.

Financial Expenses fell 31.6% in 1Q17 from the same period last year, stemming from the extraordinary repayment of R$254 million in financial debts following the conclusion of the sale of the Allus division, reducing the interest-bearing position. Compared to 4Q16, Financial Expenses rose 4.6% due to the addition to principal of interest accrued during the grace period, increasing the interest-bearing base and resulting in a higher Financial Expense in 1Q17, compared to 4Q16.

9. Income Tax and Social Contribution (IRPJ/CSLL)

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Results before Taxes	**(78.7)**	**(123.5)**	**(20.9)**	**-36.3%**	**276.7%**
Inc. Tax & Social Contr. Current	(0.0)	(0.8)	(11.3)	-95.0%	-99.7%
Inc. Tax & Social Contr. Deferred	0.7	43.0	9.9	-98.4%	-92.9%
Total Income Tax & Social Contribution	**0.7**	**42.3**	**(1.3)**	**-98.4%**	**n.m.**

n.m. – not measurable

In **1Q17**, The Company's IRPJ/CSLL had a **R$0.7 million** balance, which compares with a credit balance of **R$42.3 million** in **1Q16** and a debit balance of **R$1.3 million** in **4Q16**. The main effects for the reduction of the IRPJ/CSLL balance year-over-year stem from the Company's decision to stop booking deferred tax on losses. Quarter-over-quarter, the reversal to a credit balance is due to the non-recurring reversal in the quarter before the accrued tax loss from the sale of the Allus division.

10. Net Income

Due to the effects explained above, the Company recorded **R$78.1 million** Net Loss in **1Q17**, which compares to the **R$81.3 million** loss in **1Q16** and the Net Loss of **R$22.2 million** in **4Q16**.

11. Investments (CAPEX)

In **1Q17**, capital expenditure totaled **R$5.7 million**, which compares to **R$1.7 million** in the same period of 2016 and **R$4.5 million** in the previous quarter. The increase in investments is related to the improvement in hardware and the purchase of software licenses for the operation of a client in telecommunications.

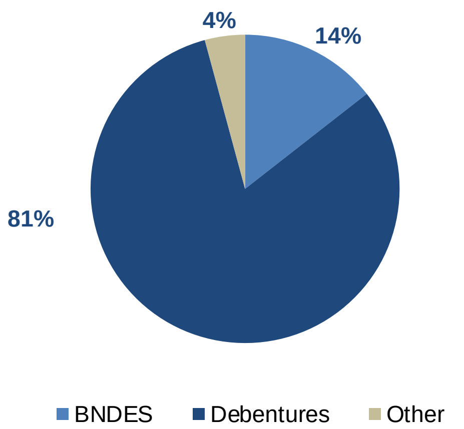
12. Debt

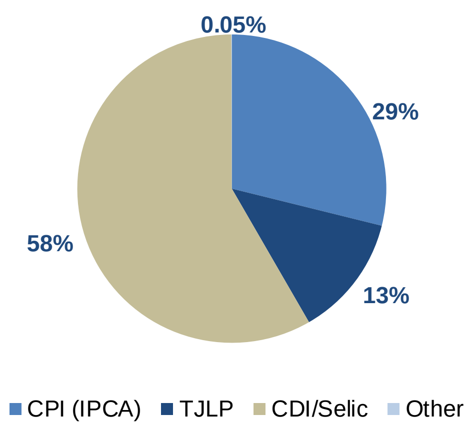
(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
(-) Total Debt	**(1,493.2)**	**(1,493.1)**	**(1,432.9)**	**0.005%**	**4.2%**
Short Term	(163.4)	(52.8)	(64.3)	209.4%	154.0%
Long Term	(1,329.8)	(1,440.3)	(1,368.6)	-7.7%	-2.8%
(+) Cash	**217.1**	**249.4**	**323.9**	**-12.95%**	**-33.0%**
Short term	217.1	249.4	323.9	-13.0%	-33.0%
Long Term	-	-	-	-	-
Net Cash/(Debt)	**(1,276.1)**	**(1,243.7)**	**(1,109.0)**	**2.6%**	**15.1%**

Consolidated Net Debt at the end of **1Q17** was **R$1,276.1 million**, higher by R$32.4 million from 1Q16 and higher by R$167.1 million compared to the previous quarter. In March 2017, the Company paid interest on the debentures, in keeping with the financial debt extension program.

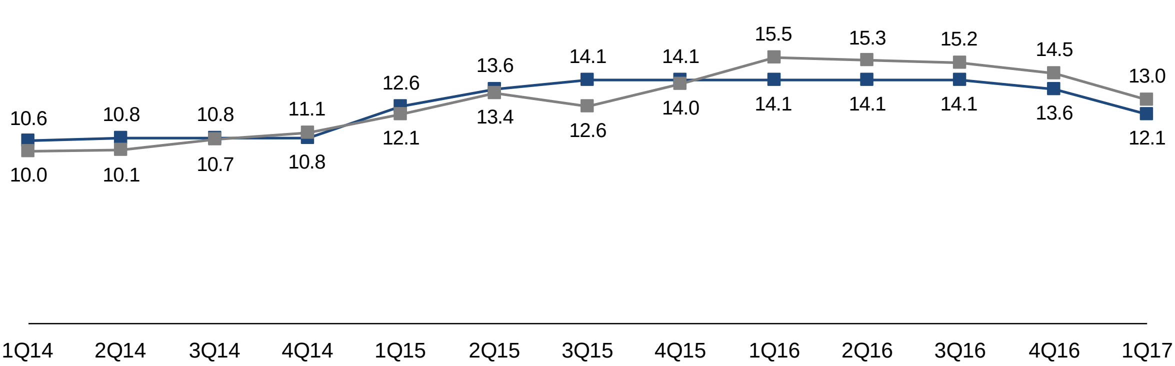
At the end of **1Q17**, 89% of the Company's debt was due in the long term, with an average cost of 13.0% per year, a 1.5 p.p. cut from 4Q16. The reduction of the average debt cost is related to the cut in the Selic interest rate, as approximately 60% of the debt is pegged to the CDI rate.

a. Debt Breakdown and Distribution per Index – 1Q17

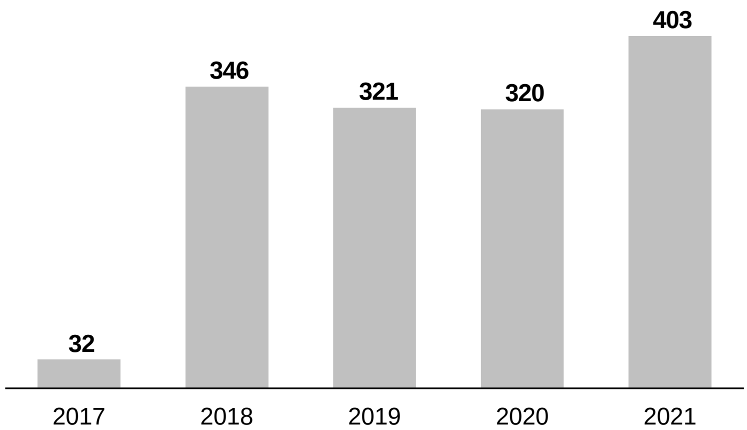




b. Average Debt Cost



c. Debt Repayment Schedule* – R$ million



**Gross Debt equals principal balance without debt service.*

13. Working Capital

(R$ million)	1Q17	1Q16	4Q16
Net Working Capital	**123.8**	**421.2**	**239.1**
Current Asset	782.0	1.467.6	847.9
Current Liability	658.1	1.046.4	608.8

At the end of **1Q17**, the Company had positive **working capital** in the amount of **R$123.8 million**. The reduction is related to the increase in current liabilities owing to the quarterly commitments to creditors from the first quarter of 2018, in compliance with the financial debt extension program.

14. Ownership Structure

	Share in total capital (%)		
Shareholders	**Mar/17**	**Dec/16**	**Mar/16**
Relevant Shareholders[1]	**26.36%**	**16.86%**	**22.73%**
CTX Participações	-	-	22.73%
Telis Participações	8.43%	8.43%	-
Jereissati Telecom	8.43%	8.43%	-
Fundação Atlântico	-	-	1.58%
Skopos	9.50%	-	-
Treasury	**1.63%**	**1.63%**	**1.98%**
FREE FLOAT[2]	**98.37%**	**98.37%**	**73.71%**

[1] Shareholders with more than 5% of a single class of shares. The Extraordinary General Meeting of April 20, 2016 approved the conversion of PN shares to ON shares. As a result, Contax control is diffuse on the market.
[2] For free float calculation, treasury shares and shares owned by board members and managers are excluded.

Attachment I - Financial Performance

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Net Operating Revenue	**445.6**	**518.1**	**529.4**	**-14.0%**	**-15.8%**
Cost of Rendered Services	(422.5)	(476.1)	(460.1)	-11.3%	-8.2%
Personnel	(335.7)	(372.4)	(337.7)	-9.9%	-0.6%
Provisions for Labor Contingencies	(18.9)	(9.3)	(48.1)	103.6%	-60.8%
Third-Party Services	(43.1)	(64.1)	(51.1)	-32.8%	-15.6%
Rent and Insurance	(21.0)	(25.9)	(21.7)	-19.2%	-3.2%
Other	(3.8)	(4.3)	(1.6)	-10.9%	139.2%
Gross Result	**23.1**	**42.0**	**69.4**	**-45.0%**	**-66.7%**
Expenses	(31.4)	(78.1)	(6.8)	-59.7%	361.0%
Commercial	(1.24)	(0.5)	(0.7)	176.2%	77.0%
General and Administrative	(29.0)	(66.4)	(41.3)	-56.4%	-29.9%
Other Operating Expenses and Revenues	(1.2)	(11.3)	35.2	-89.0%	-103.5%
Result from discontinuing operations Before Income Tax	**-**	**-**	**-**	**-**	**-**
EBITDA	**(8.3)**	**(36.1)**	**62.5**	**-76.9%**	**-113.3%**
Depreciation/Amortization	(28.6)	(34.8)	(50.6)	-17.9%	-43.6%
EBIT	**(36.9)**	**(70.9)**	**11.9**	**-47.9%**	**-409.8%**
Net Financial Result	(41.8)	(52.6)	(32.8)	-20.5%	27.4%
Income Before Income Tax	**(78.7)**	**(123.5)**	**(20.9)**	**-36.3%**	**276.7%**
Inc. Tax & Social Contribution	0.7	42.3	(1.3)	-98.4%	n.m.
Net Profit (Loss) after equity equivalence	**(78.1)**	**(81.3)**	**(22.2)**	**-3.9%**	**251.2%**
Net Result from discontinuing operations (Equity Equivalence)	**-**	**7.1**	**-**	**n.m.**	**-**
Net Income (loss)	**(78.1)**	**(74.2)**	**(22.2)**	**5.3%**	**251.2%**
Adjusted EBITDA	**1.3**	**(36.1)**	**7.0**	**n.m.**	**-82.0%**

n.m. – not measurable

Attachment II – Income Statement – IFRS Consolidated

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Gross Revenue	**494.6**	**575.9**	**586.6**	**-14.1%**	**-15.7%**
Deductions of Gross Revenue	(49.0)	(57.8)	(57.1)	-15.3%	-14.3%
Net Revenue	**445.6**	**518.1**	**529.4**	**-14.0%**	**-15.8%**
Cost of Rendered Services	(446.8)	(508.4)	(507.8)	-12.1%	-12.0%
Gross Income	**(1.2)**	**9.7**	**21.7**	**-112.6%**	**-105.6%**
Commercial	(1.24)	(0.5)	(0.7)	176.4%	77.0%
General and Administrative	(33.2)	(68.9)	(44.2)	-51.8%	-24.9%
Financial Results	(41.8)	(52.6)	(32.8)	-20.5%	27.4%
Financial Revenue	11.5	25.3	18.1	-54.6%	-36.5%
Financial Expenses	(53.3)	(77.9)	(50.9)	-31.6%	4.6%
Other Operating Expenses and Revenues	(1.2)	(11.3)	35.2	-89.0%	-103.5%
Income Before Taxes	**(78.7)**	**(123.5)**	**(20.9)**	**-36.3%**	**276.7%**
Income Tax & Social Contribution	0.7	42.3	(1.3)	-98.4%	n.m.
Net Income (Loss) from continuing operations	**(78.1)**	**(81.3)**	**(22.2)**	**-3.9%**	**251.2%**
Net Result from discontinuing operations Income Before Taxes	**-**	**7.1**	**-**	**n.m.**	**-**
Income Tax & Social Contribution	-	-	-	**-**	**-**
Equity Result	-	-	-	**-**	**-**
Net Profit (Loss) from discontinuing operation	**-**	**7.1**	**-**	**n.m.**	**-**
Net Income (loss)	**(78.1)**	**(74.2)**	**(22.2)**	**5.2%**	**251.2%**
Number of Shares Excluding Treasury (in '000)	3,390	3,389	3,390	0.0%	0.0%

n.m. - not measurable
**Number of shares after reverse split*

Attachment III – EBITDA Reconciliation

(R$ million)	1Q17	1Q16	4Q16	1Q17 vs. 1Q16	1Q17 vs. 4Q16
Net Profit (Loss) from continuing operations	**(78.1)**	**(74.2)**	**(22.2)**	**5.2%**	**251.2%**
(-) Result from discontinuing operations Before Income Tax	-	7.1	-	n.m.	-
(+) Inc. Tax & Social Contribution	(0.7)	(42.3)	1.3	-98.4%	-150.7%
Income Before Taxes	**(78.7)**	**(123.5)**	**(20.9)**	**-36.3%**	**276.7%**
(+) Financial Expenses	53.3	77.9	50.9	-31.6%	4.6%
(-) Financial Revenue	(11.5)	(25.3)	(18.1)	-54.6%	-36.5%
(+) Depreciation/Amortization	28.6	34.8	50.6	-17.9%	-43.6%
EBITDA	**(8.3)**	**(36.1)**	**62.5**	**-76.9%**	**-113.3%**

n.m. – not measurable

Attachment IV – Balance Sheet – Consolidated

Assets	03/31/2017	03/31/2016	12/31/2016
Total Assets	**2,074.6**	**2,805.0**	**2,142.7**
Current Assets	**782.0**	**1,467.6**	**847.9**
Cash and equivalents	217.1	249.4	323.9
Accounts Receivable	423.5	279.8	386.8
Deferred and recoverable taxes	101.5	79.2	110.5
Escrow Deposits	-	23.0	-
Balance Receivable from related parties	39.9	38.9	26.7
Assets Available for Sale	-	797.2	-
Total Non-Current Assets	**1,292.7**	**1,338.0**	**1,294.7**
Long Term Assets	**752.1**	**652.5**	**731.3**
Escrow deposits	377.0	290.1	359.5
Credits receivable	339.8	334.5	340.0
Prepaid expenses and other assets	35.3	27.9	31.8
Permanent Assets	**540.5**	**685.5**	**563.4**
Fixed	137.7	240.8	150.5
Intangible	402.8	444.7	412.9
Liabilities	**03/31/2017**	**03/31/2016**	**12/31/2016**
Total Liabilities	**2,074.6**	**2,805.6**	**2,142.6**
Current Liabilities	**658.1**	**1,046.4**	**608.8**
Loans and financings	102.5	52.8	59.3
Debentures and Promissory Notes	60.9	-	5.0
Suppliers	160.7	257.2	159.5
Suppliers restructuring program	-	68.8	66.8
Payroll, taxes and social benefits	238.7	216.2	214.8
Taxes payable	65.9	56.7	76.7
Provisions	0.1	13.5	0.1
Dividends payable	20.7	25.9	20.7
Transfer to Shareholders	-	1.4	-
Balance Payable to related parties	0.2	0.2	0.2
Contingent consideration	-	344.7	-
Other Obligations	8.4	8.9	5.7
Non-Current Liabilities	**1,481.7**	**1,688.4**	**1,521.0**
Loans and financings	220.0	300.1	211.6
Debentures and Promissory Notes	1,109.8	1,140.2	1,157.0
Provisions	140.0	108.2	140.1
Balance Payable to related parties	-	123.6	(0.0)
Deferred taxes	9.3	12.1	9.6
Other	2.6	4.2	2.7
Shareholders' Equity	**(65.2)**	**70.8**	**12.8**
Capital Stock	188.9	181.6	188.9
Other comprehensive income	(8.5)	56.9	(8.5)
Other reserve	(33.2)	(33.2)	(33.2)
Treasury stock	(20.1)	(20.1)	(20.1)
Accrued Loss	(192.3)	(114.5)	(114.2)
Minority Interest	-	0.0	-

Attachment V - Cash Flow – Consolidated

The information reported for the 1Q16 were adjusted for comparison reason, therefore, the line will not be the same as the ones presented at our ITR.

(R$ million)	03/31/2017	03/31/2016	12/31/2016
Net Income (loss)	**(78.1)**	**(74.2)**	**(22.2)**
Depreciation/Amortization	28.6	43.0	50.6
Gains / (Loss) with interest and net monetary variation	45.3	42.9	25.6
Contingencies and Other Provisions	(1.4)	11.2	39.6
Instrument Sheet for Share-based Compensation	-	0.1	-
Deferred Income Tax/Social Contribution Tax	(0.7)	(42.5)	(76.4)
Gains (Losses) from the Sale of Fixed Assets	(0.0)	-	0.8
Gain from the sale of discontinuing operations	-	-	0.0
Increase (Decrease) in Accounts Receivable	(36.7)	(136.4)	(53.0)
Other Assets	(7.1)	(138.7)	(54.0)
Judicial deposits	(14.5)	(1.5)	(9.8)
Increase (Decrease) in Payroll and Related Charges	23.9	3.9	(33.3)
Increase / (Decrease) in Suppliers	1.2	42.1	(12.7)
Advances to suppliers	(66.8)	-	15.0
Suppliers restructuring program	47.6	5.7	-
Other liabilities	(8.1)	10.0	12.4
Net Cash – Operating Activities	**(66.8)**	**(234.3)**	**(117.4)**
Investment in Fixed Asset	(5.7)	(13.4)	(3.0)
Cash received from discontinuing operations	-	-	(0.0)
Cash received from the sale of fixed asset	0.0	-	2.0
Net Cash – Investment Activities	**(5.7)**	**(13.4)**	**(1.0)**
Leasing Payments	(0.2)	-	(2.0)
Financing Obtained	4.2	119.7	1.3
Financing Payments	(2.7)	(63.3)	(56.5)
Debentures	-	-	-
Debentures and Promissory Note Amortization	-	-	(172.9)
Loan to related parties	-	124.9	115.7
Goodwill on equity transaction	(0.0)	-	-
Interest paid	(35.6)	(9.5)	(28.6)
Dividend Payment	-	-	(7.2)
Capital Increase	-	-	7.2
Net Cash – Financing Activities	**(34.3)**	**171.8**	**(143.1)**
Exchange Difference on cash and cash equivalents	**0.0**	**(10.6)**	**(7.0)**
Cash and Cash Equivalents - Beginning of Period	323.9	369.5	592.4
Cash and Cash Equivalents classified as held for sale	-	33.7	-
Cash and Cash Equivalents - End of Period	217.1	249.4	323.9
Increase (Decrease) in Cash and Equivalents	**(106.8)**	**(86.5)**	**(268.5)**

Contax is one of the largest Brazilian companies specializing, in a broad way, in customer relationship management. With a customized operation, Contax offers different communication channels to serve, understand and please the end consumer of the clients that hire its services. Currently, the bulk of its operation is concentrated on Customer Service and e-Care, CRM Services, Debt Collection, Back-office, Technology Services and Trade Marketing. The Company’s strategy seeks to develop long-term relations with its clients, large companies in diverse industries such as telecommunications, finance, air transport, utilities, services, government, healthcare and retail. In March 2017, Contax had physical operations in 10 Brazilian states, having approximately 55 thousand employees.