

# **AREZZO** **&CO**

**4Q10 and 2010 Conference Call**

# Important 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.

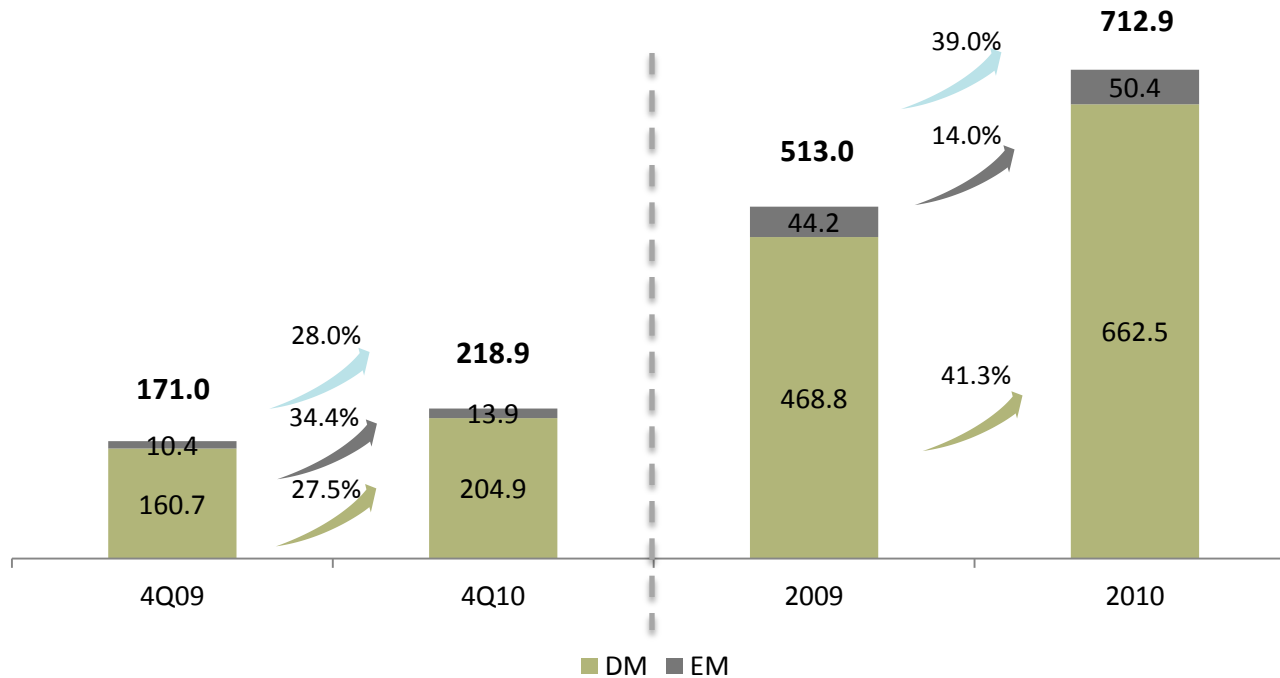
The consolidated financial information of Arezzo Indústria e Comércio S/A – Arezzo&Co presented here complies with the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB, based on audited financial information. The non-financial information, as well as other operating information, was not audited by the independent auditors.

# 4Q10 and 2010 Highlights

Net Revenues	<b>Net Revenues</b> increased by <b>26.6% in 4Q10 and 38.7% year-over-year</b>
Area Expansion	<b>33 new stores in 2010</b> , leading to a 296 store chain at 2010-close. <b>Sales area expanded by 17.7% in 2010</b>
EBITDA	<b>17.7% EBITDA Margin in 4Q10. In 2010, EBITDA amounted to R\$95.5 million</b> , a 57.7% year-over-year rise combined with 16.7% margin
Net Income	<b>Net Income amounted to R\$64.5 million</b> , up 32.4% from 2009
ROIC	<b>ROIC stood at 42.5%</b> in 2010, compared to 39.9% in 2009

# Company Growth

Gross Revenues – DM<sup>1</sup> and EM<sup>2</sup> (R\$ million)



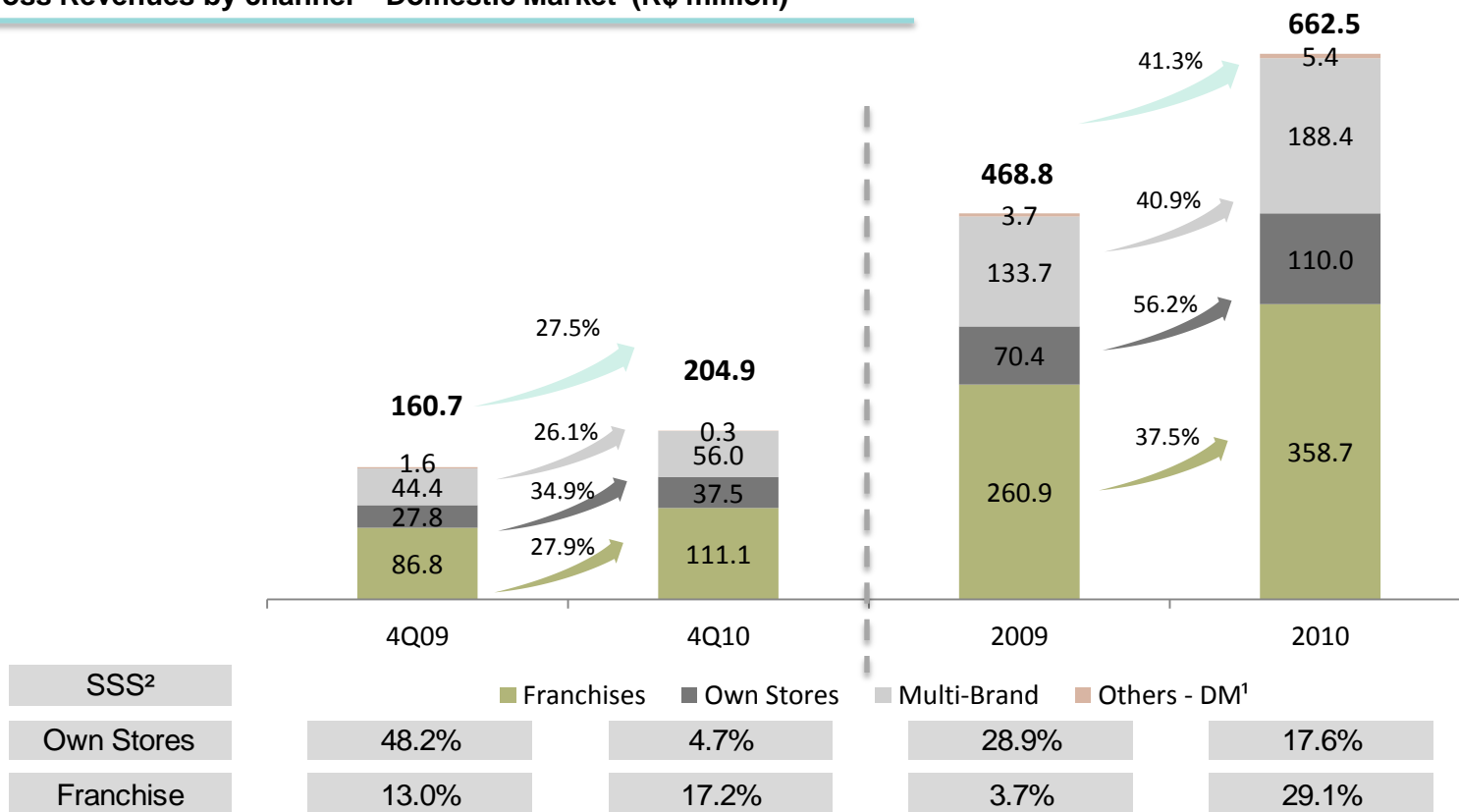
The Company's Gross Revenues amounted to R\$712.9 million, a 39.0% year-over-year rise

<sup>1</sup> DM: Domestic Market.

<sup>2</sup> EM: Export Market.

# Gross Revenues Breakdown by Channel

Gross Revenues by channel – Domestic Market (R\$ million)



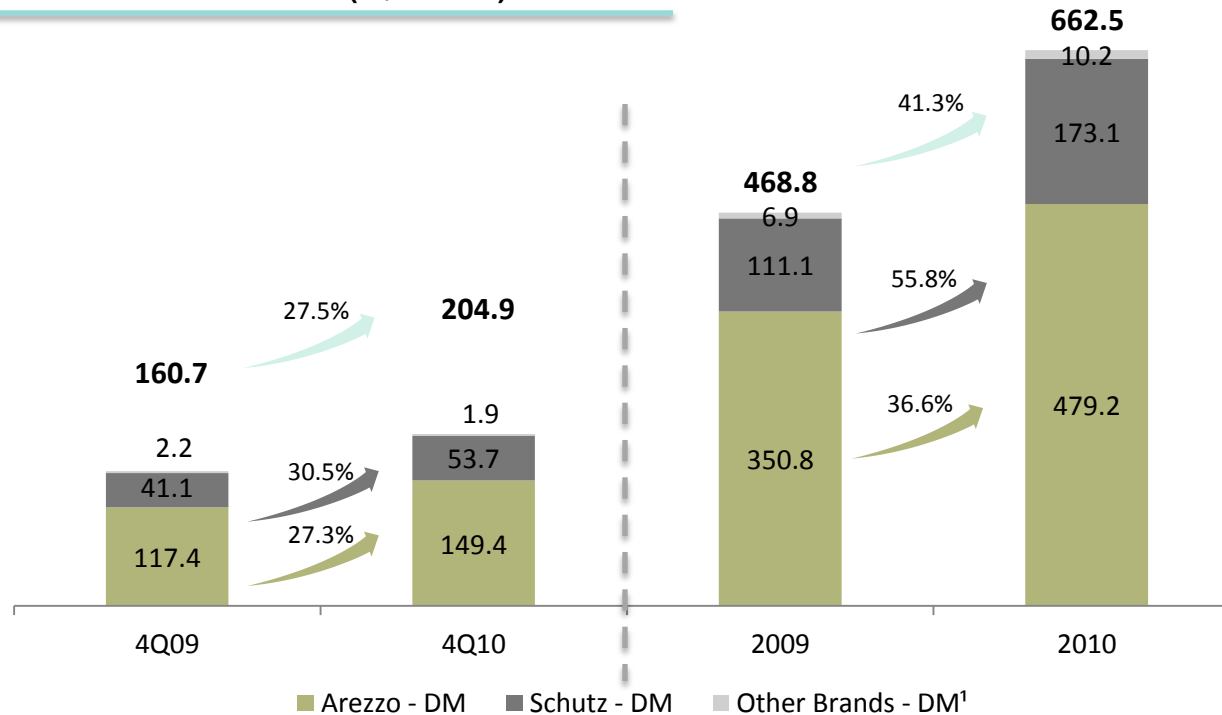
Significant growth among all the distribution channels, both in 4Q10 and 2010

<sup>1</sup>Others: Others channels in Domestic Market. Growth of -79,8% and 46,5% from 4Q09-4Q10 and 2009-2010.

<sup>2</sup>SSS Own Stores (Sell out); SSS Franchisees (Sell In).

# Gross Revenues Breakdown by Brand

Gross Revenues by brand – Domestic Market (R\$ million)



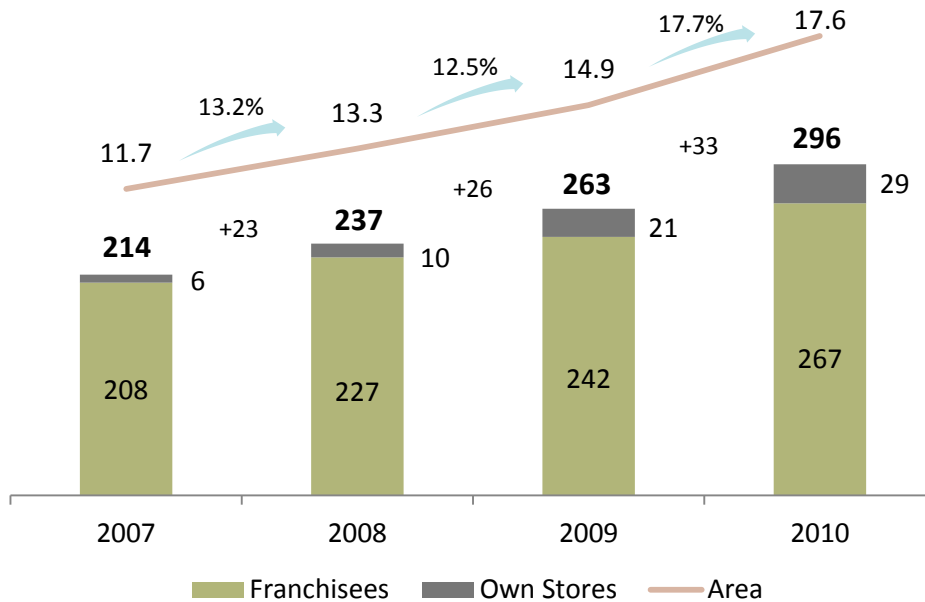
Strong growth for the main brands with special performance delivered by Schutz, presenting a 55.8% year-over-year gross revenues increase

¹Others: Other Brands in Domestic Market. Growth of -13,8% and 49,1% from 4Q09-4Q10 and 2009-2010

# Distribution Channel Expansion

## Own Stores and Franchises Expansion

Note: area given in thousand m<sup>2</sup>



### AREZZO

266 franchises+  
10 Own Stores +  
3 outlets +  
715 Multi-brand clients

### SCHUTZ

1 franchise +  
10 Own Stores +  
1343 Multi-brand clients

Alexandre Birman

1 Own Stores +  
18 Multi-brand clients

### ANACAPRI

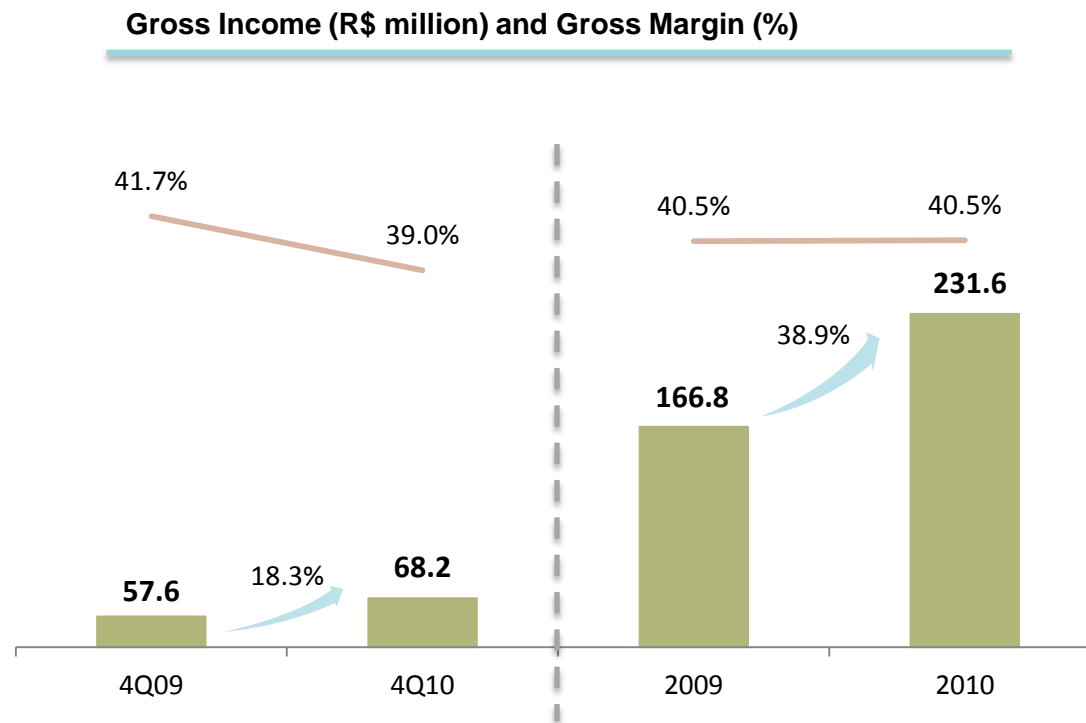
5 Own Stores

### TOTAL

267 Franchises  
+ 26 Own Stores  
+ 3 outlets  
+ 1,585 Multi-brand clients  
= 1,881 points of sale

We ended 2010 with a 296 store chain. Sales area expanded by 17.7%, totaling an increase of 2.6 thousand m<sup>2</sup>

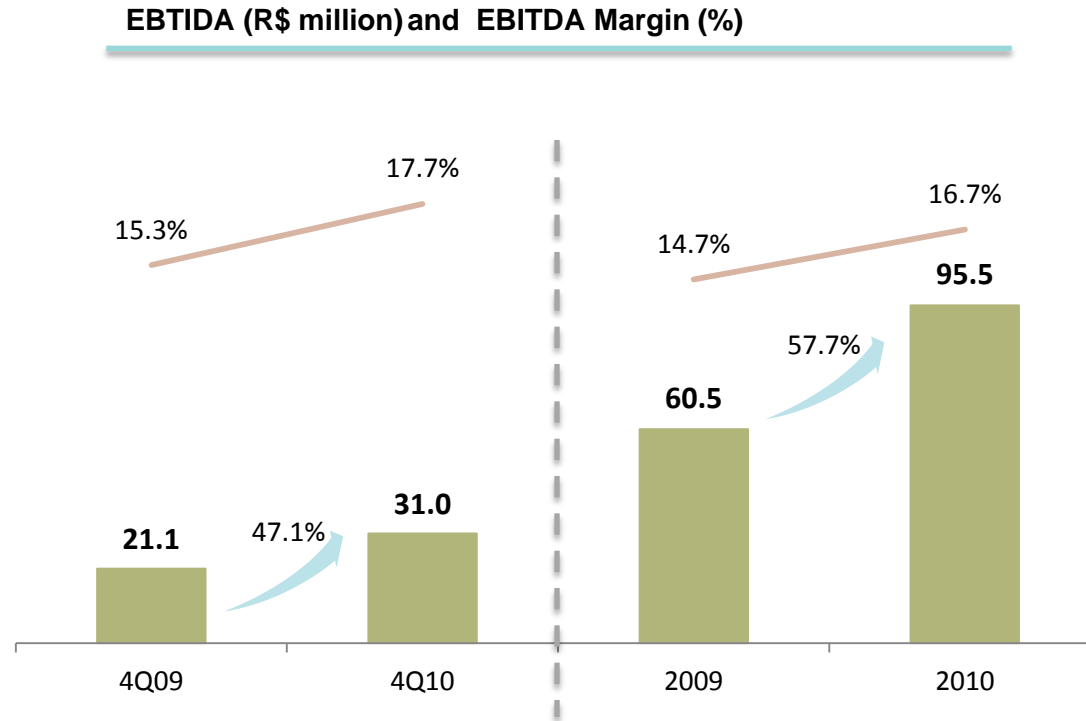
# Gross Profit and Gross Margin



Gross Margin in 4Q10 decreased by 2.7 p.p. as a result of exports margin fluctuation and year-end CRM initiatives. In 2010 Gross Margin stood stable compared to 2009

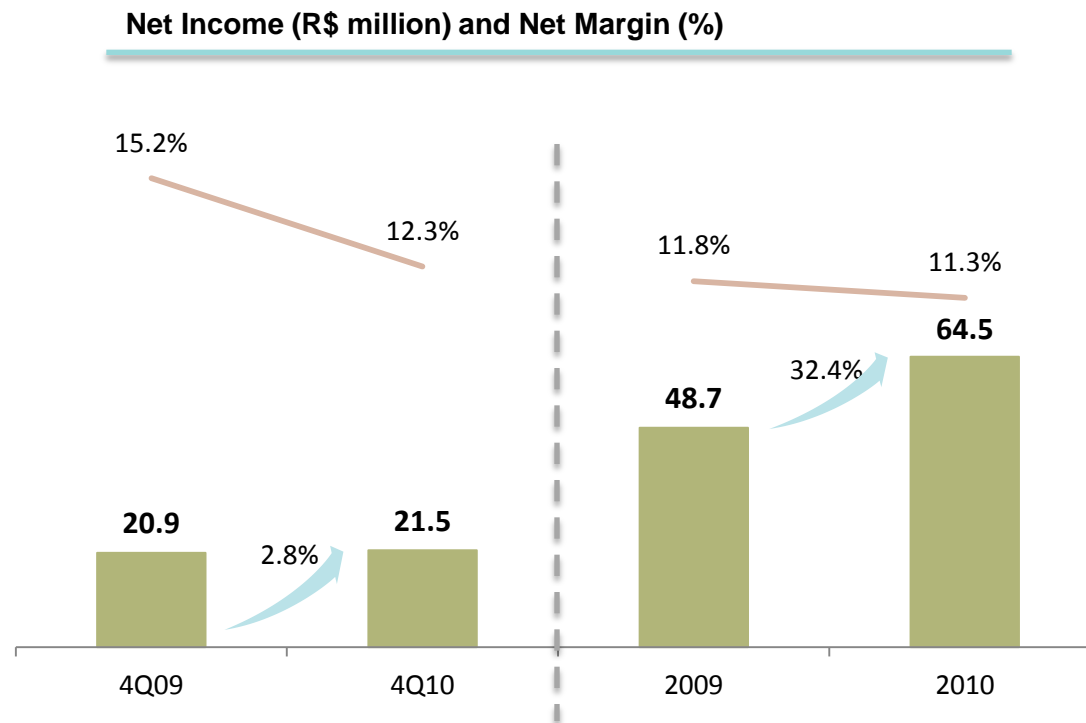


# EBITDA and EBITDA Margin



Expressive EBITDA and EBITDA Margin growth, both in 4Q10 and 2010 (2.47 p.p. and 2.02 p.p, respectively)

# Net Income and Net Margin



2010 Net Income amounted to R\$64.5 million, a year-over-year increase of 32.4%

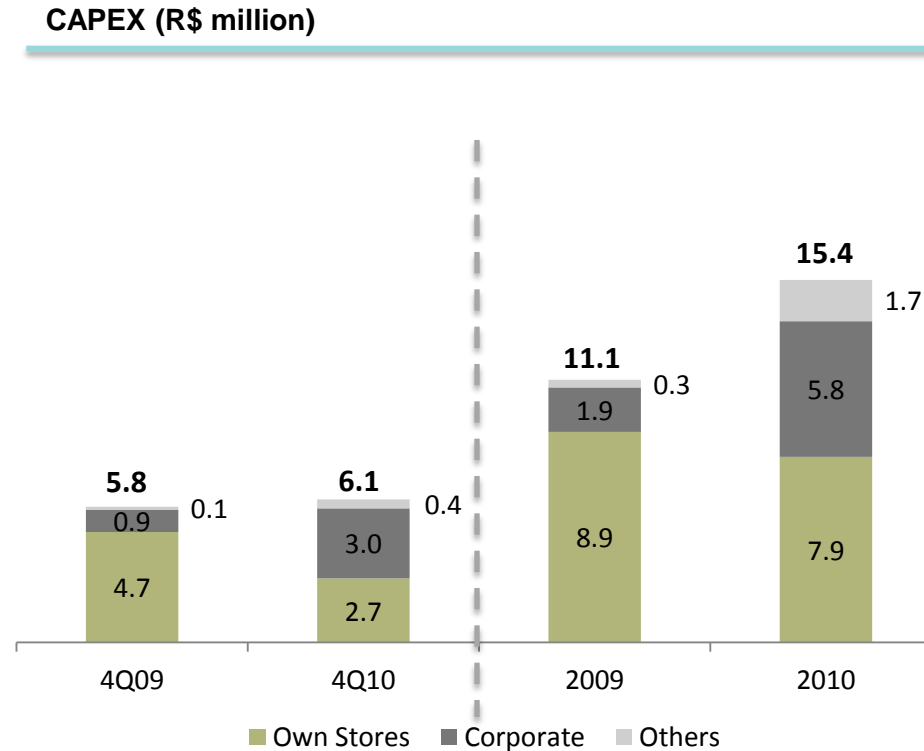
# Cash Generation

## Operating Cash Generation (R\$ thousand)

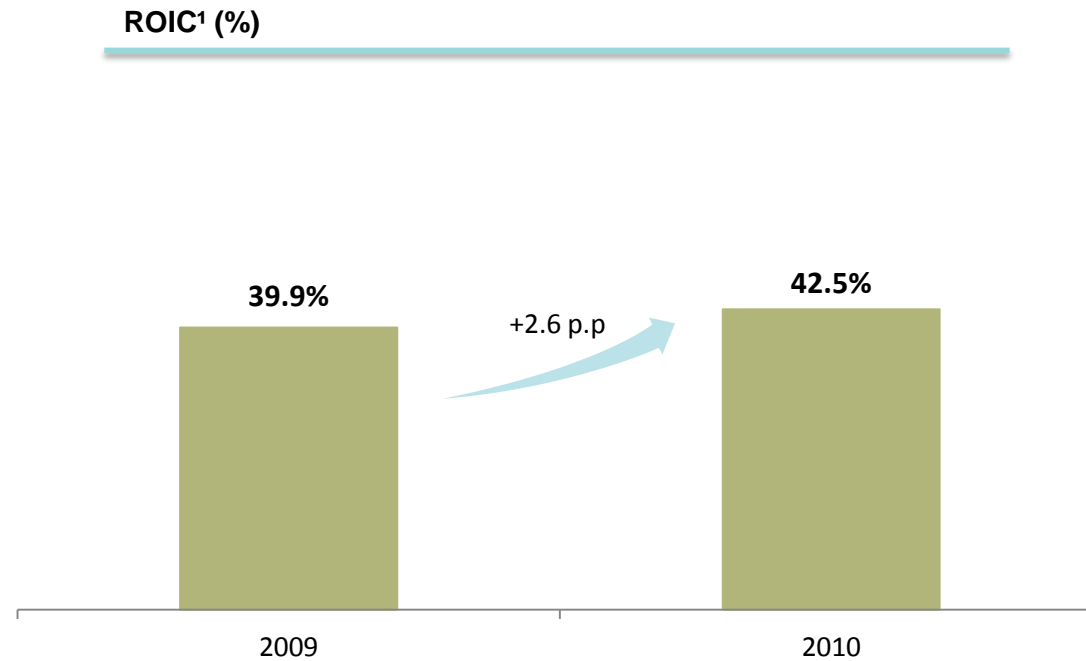
Cash flows from operating activities	4Q09	4Q10	Variation	2009	2010	Dif.
Income before income taxes	20,085	29,531	9,446	58,852	89,289	30,437
Depreciation and amortization	483	823	340	1,655	2,670	1,015
Other	(1,560)	976	2,536	(7,261)	1,735	8,996
Decrease (increase) in assets	(13,752)	(24,533)	(10,781)	(25,743)	(57,730)	(31,987)
Trade accounts receivable	(14,405)	(20,709)	(6,304)	(13,218)	(29,170)	(15,952)
Inventories	3,125	2,536	(589)	(6,914)	(27,657)	(20,743)
Recoverable taxes	(1,333)	(5,410)	(4,077)	(1,810)	(4,063)	(2,253)
Other current assets	(391)	(510)	(119)	(2,387)	3,108	5,495
Judicial deposits	(335)	(491)	(156)	(1,382)	47	1,429
Other receivables	(413)	51	464	(32)	5	37
(Decrease) increase in liabilities	3,917	(5,700)	(9,617)	24,889	9,035	(15,854)
Trade accounts payable	(7,652)	(14,615)	(6,963)	12,483	(330)	(12,813)
Labor liabilities	5,314	(2,084)	(7,398)	6,052	2,843	(3,209)
Tax and contributions	6,194	10,696	4,502	6,077	7,719	1,642
Other current liabilities	61	303	242	277	(1,197)	(1,474)
Tax and contributions	(2,966)	(11,695)	(8,729)	(12,481)	(24,542)	(12,061)
Net cash generated by operating activities	6,207	(10,598)	(16,805)	39,911	20,457	(19,454)

Operating cash consumption in 4Q10 is a result of the increase of sales and higher working capital needs due to strategic inventories and imports

# Capital Expenditure (CAPEX)



In 2010, capital expenditure amounted to R\$15.4 million, out of which R\$7.9 million in Own Stores expansion



Increase of 2.6pp in ROIC as a result of our conservative business model and capital discipline

## **We are confident on 2011 perspectives:**

- ✓ Expansion plan with 38 new openings in 2011;
- ✓ Arezzo brand continues to perform as expected:
  - ✓ Increase of Same Stores productivity;
  - ✓ Area expansion of existing stores;
  - ✓ Ongoing product line diversification growth;
- ✓ Launch of Schutz Go-to-Market project:
  - ✓ Assess *full potential* of retail and Own Stores and Franchises' strategy;
  - ✓ Increase share-of-wallet and capillarity within Multi-Brand distribution channel;
- ✓ Launch of Anacapri Multi-Brand distribution initiative and Own Store pilot project maturation.

# Contacts

CFO and IR Officer

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IR Manager

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✓ Daniel Maia

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