Contents

Company Data / Capital Composition

Number of Shares (In thousands)	Current Quarter 3/31/2012
Paid-in capital	
Common shares	88,542
Preferred shares	0
Total	88,542
Held in treasury	
Common shares	0
Preferred shares	0
Total	0

Company Data / Cash Proceeds

Event	Approval	Cash proceeds	Beginning of payment	Share type	Share class	Earnings per share (Reais / Share)
Annual General Meeting	4/24/2012	Dividends	5/31/2012	Common shares		0.07000
Meeting of the Board of Directors.	8/9/2011	Interest on equity	1/31/2012	Common shares		0.09000
Meeting of the Board of Directors.	12/21/2011	Interest on equity	1/31/2012	Common shares		0.01646

Individual financial statements / Balance sheets - Assets

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2012	Prior year 12/31/2011
1	Total assets	500,530	485,642
1.01	Current assets	371,115	371,662
1.01.01	Cash and cash equivalents	5,138	6,217
1.01.02	Short-term investments	160,528	157,901
1.01.02.01	Short-term investments measured at fair value	160,528	157,901
1.01.02.01.01	Securities for trading	160,528	157,901
1.01.03	Trade accounts receivable	157,137	167,471
1.01.03.01	Clients	157,137	167,471
1.01.04	Inventories	35,269	22,900
1.01.06	Taxes recoverable	6,601	7,625
1.01.06.01	Current taxes recoverable	6,601	7,625
1.01.08	Other current assets	6,442	9,548
1.01.08.03	Other	6,442	9,548
1.02	Non-current assets	129,415	113,980
1.02.01	Long-term receivables	26,893	25,283
1.02.01.06	Deferred taxes	9,965	9,534
1.02.01.06.01	Deferred income and social contribution taxes	9,965	9,534
1.02.01.08	Related parties	11,706	11,000
1.02.01.08.03	Receivables from controlling shareholders	11,706	11,000
1.02.01.09	Other non-current assets	5,222	4,749
1.02.01.09.03	Taxes recoverable	350	358
1.02.01.09.04	Legal deposits	4,276	3,902
1.02.01.09.05	Other receivables	596	489
1.02.02	Investments	83,366	73,158
1.02.02.01	Equity interests	83,366	73,158
1.02.02.01.02	Investments in subsidiaries	83,366	73,158
1.02.03	Property, plant and equipment	11,771	8,303
1.02.03.01	Property, plant and equipment in progress	11,771	8,303
1.02.04	Intangible assets	7,385	7,236
1.02.04.01	Intangible assets	7,385	7,236
1.02.04.01.02	Trademarks and patents	2,628	2,623
1.02.04.01.03	Store use rights	125	125
1.02.04.01.04	System use rights	4,632	4,488

Individual quarterly information / Balance sheets – Liabilities and equity

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2012	Prior year 12/31/2011
2	Total liabilities and equity	500,530	485,642
2.01	Current liabilities	81,361	76,904
2.01.01	Labor and social obligations	5,805	8,576
2.01.01.01	Social charges	1,070	1,087
2.01.01.02	Labor obligations	4,735	7,489
2.01.02	Trade accounts payable	44,583	27,311
2.01.02.01	Domestic suppliers	43,275	27,013
2.01.02.02	Foreign suppliers	1,308	298
2.01.03	Tax liabilities	8,653	4,619
2.01.03.01	Federal tax liabilities	8,611	4,574
2.01.03.01.01	Income and social contribution taxes payable	5,244	0
2.01.03.01.02	Other federal tax liabilities	3,367	4,574
2.01.03.02	State tax obligations	21	32
2.01.03.03	Local tax liabilities	21	13
2.01.04	Loans and financing	14,029	20,845
2.01.04.01	Borrowings and financing	14,029	20,845
2.01.04.01.01	In domestic currency	3,961	3,936
2.01.04.01.02	In foreign currency	10,068	16,909
2.01.05	Other payables	8,291	15,553
2.01.05.02	Other	8,291	15,553
2.01.05.02.01	Dividends and interest on equity payable	6,117	14,327
2.01.05.02.04	Other	2,174	1,226
2.02	Non-current liabilities	24,270	24,691
2.02.01	Loans and financing	16,699	17,689
2.02.01.01	Loans and financing	16,699	17,689
2.02.01.01.01	In domestic currency	16,699	17,689
2.02.02	Other payables	4,843	4,290
2.02.02.02	Other	4,843	4,290
2.02.02.02.04	Advances from third parties	0	85
2.02.02.02.05	Other	1,073	1,073
2.02.02.02.06	Provision for capital deficiency	3,770	3,132
2.02.04	Provisions	2,728	2,712
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	2,728	2,712
2.02.04.01.02	Provisions for social security and labor contingencies	1,877	2,070
2.02.04.01.04	Provisions for civil litigation	851	642
2.03	Equity	394,899	384,047
2.03.01	Paid-in capital	105,917	40,917
2.03.02	Capital reserve	172,723	237,723
2.03.02.02	Special goodwill reserve on merger	21,470	21,470
2.03.02.07	Issue of shares	151,253	216,253
2.03.04	Income reserve	105,407	105,407
2.03.04.01	Legal reserve	8,183	8,183
2.03.04.05	Retained earnings reserve	94,541	94,541
2.03.04.07	Tax incentives reserve	2,683	2,683
2.03.05	Retained earnings/accumulated losses	10,852	0

Individual Financial Statements / Income statements

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter Prior year 1/1/2011 to 3/31/2011
3.01	Revenue from sale of goods and/or services	142,599	126,905
3.02	Cost of goods sold and/or services provided	-90,829	-81,200
3.03	Gross profit	51,770	45,705
3.04	Operating expenses/income	-39,258	-26,723
3.04.01	Selling expenses	-18,547	-15,640
3.04.02	General and administrative expenses	-11,908	-10,782
3.04.04	Other operating income	-7,789	170
3.04.06	Equity pickup	-1,014	-471
3.05	Income before financial income (expenses) and taxes	12,512	18,982
3.06	Financial income and expenses	3,154	1,913
3.06.01	Financial income	5,209	3,699
3.06.01.01	Financial income	4,820	3,699
3.06.01.02	Foreign exchange gains	389	0
3.06.02	Financial expenses	-2,055	-1,786
3.06.02.01	Financial expenses	-1,552	-1,389
3.06.02.02	Foreign exchange losses	-503	-397
3.07	Income before income taxes	15,666	20,895
3.08	Income and social contribution taxes	-4,814	-6,167
3.08.01	Current	-5,245	-1,493
3.08.02	Deferred	431	-4,674
3.09	Net income from continued operations	10,852	14,728
3.11	Income/loss for the period	10,852	14,728
3.99	Earnings per share – (reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common share	0.12256	0.17375

Individual Financial Statements / Statements of comprehensive income

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter Prior year 1/1/2011 to 3/31/2011
4.01	Net income for the period	10,852	14,728
4.03	Comprehensive income for the period	10,852	14,728

Individual financial statements / Cash flow statements – Indirect method

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter Prior year 1/1/2011 to 3/31/2011
6.01	Net cash from operating activities	32,648	7,908
6.01.01	Cash from operating activities	12,750	19,776
6.01.01.01	Income before income and social contribution taxes	15,666	20,895
6.01.01.02	Depreciation and amortization	676	441
6.01.01.03	Income (loss) from disposal of property, plant & equipment	0	54
6.01.01.04	Equity pickup	1,014	471
6.01.01.05	Provision for labor, tax and civil contingencies	-88	489
6.01.01.06	Interest and foreign exchange variation	-522	586
6.01.01.07	Short-term investment income	-3,861	-3,091
6.01.01.08	Other	-135	-69
6.01.02	Changes in assets and liabilities	19,898	-9,863
6.01.02.01	Trade accounts receivable	10,912	-23,358
6.01.02.02	Inventories	-8,890	-13,924
6.01.02.03	Variation of other current assets	3,108	-1,541
6.01.02.04	Taxes recoverable	1,654	-596
6.01.02.05	Legal deposits	-374	-241
6.01.02.07	Trade accounts payable	17,025	26,122
6.01.02.08	Labor obligations	-3,102	995
6.01.02.09	Tax and social security liabilities	-1,253	1,568
6.01.02.10	Other payables	818	1,112
6.01.03	Other	0	-2,005
6.01.03.01	Payment of income and social contributions taxes	0	-2,005
6.02	Net cash from investing activities	-17,193	-173,706
6.02.01	Acquisition of property, plant and equipment and intangible assets	-3,553	-1,313
6.02.02	Short-term investments	-69,420	-192,193
6.02.03	Redemption of short-term investments	70,780	19,800
6.02.04	Capital contribution in subsidiaries	-15,000	0
6.03	Net cash from financing activities	-16,582	165,512
6.03.01	Loans raised	0	3,936
6.03.02	Payment of loans	-7,283	-17,695
6.03.03	Credit (debit) with related parties, except shareholders	-1,090	-3,819
6.03.05	Profit sharing	-8,209	0
6.03.06	Credit (debit) with shareholders	0	1,081
6.03.07	Capital increase – Issue of shares	0	195,588
6.03.08	Cost of issue of shares	0	-13,579
6.05	Increase (decrease) in cash and cash equivalents	-1,127	-286
6.05.01	Opening balance of cash and cash equivalents	6,265	5,585
6.05.02	Closing balance of cash and cash equivalents	5,138	5,299

Individual Financial Statements / Statements of changes in equity / SCE – 1/1/2012 to 3/31/2012

(In thousands of reais)

Account Code	Account description	Paid-in capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings or accumulated loss	Other comprehensive income	Equity
5.01	Opening balances	40,917	237,723	105,407	0	0	384,047
5.03	Adjusted opening balances	40,917	237,723	105,407	0	0	384,047
5.04	Capital transactions with shareholders	65,000	-65,000	0	0	0	0
5.04.01	Capital increase	65,000	-65,000	0	0	0	0
5.05	Total comprehensive income	0	0	0	10,852	0	10,852
5.05.01	Net income for the period	0	0	0	10,852	0	10,852
5.07	Closing balances	105,917	172,723	105,407	10,852	0	394,899

Individual Financial Statements / Statements of changes in equity / SCE – 1/1/2011 to 3/31/2011

(In thousands of reais)

Account Code	Account description	Paid-in capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings or accumulated loss	Other comprehensive income	Equity
5.01	Opening balances	21,358	71,019	53,841	0	0	146,218
5.03	Adjusted opening balances	21,358	71,019	53,841	0	0	146,218
5.04	Capital transactions with shareholders	19,559	167,067	0	0	0	186,626
5.04.01	Capital increase	19,559	176,029	0	0	0	195,588
5.04.02	Expenses from share issuance	0	-8,962	0	0	0	-8,962
5.05	Total comprehensive income	0	0	0	14,728	0	14,728
5.05.01	Net income for the period	0	0	0	14,728	0	14,728
5.07	Closing balances	40,917	238,086	53,841	14,728	0	347,572

Individual Financial Statements / Statements of value added

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter Prior year 1/1/2011 to 3/31/2011
7.01	Revenue	174,203	153,565
7.01.01	Sale of goods, products and services	174,203	153,565
7.02	Inputs acquired from third parties	-132,384	-118,565
7.02.01	Cost of sale of goods, products and services sold	-115,338	-103,110
7.02.02	Materials, electric power, outsourced services, others	-16,632	-15,069
7.02.04	Other	-414	-386
7.03	Gross value added	41,819	35,000
7.04	Withholdings	-676	-441
7.04.01	Depreciation, amortization and depletion	-676	-441
7.05	Net value added produced	41,143	34,559
7.06	Value added received in transfer	-3,594	3,398
7.06.01	Equity pickup	-1,014	-471
7.06.02	Financial income	5,209	3,699
7.06.03	Other	-7,789	170
7.07	Total unpaid value added	37,549	37,957
7.08	Payment of value added	37,549	37,957
7.08.01	Personnel	10,590	8,285
7.08.01.01	Direct compensation	8,854	6,761
7.08.01.02	Benefits	723	635
7.08.01.03	Government Severance and Indemnity Fund for Employees (FGTS)	700	561
7.08.01.04	Other	313	328
7.08.01.04.01	Profit sharing - employees	156	0
7.08.01.04.02	Other	157	328
7.08.02	Taxes, fees and contributions payable	13,060	12,710
7.08.02.01	Federal	11,120	11,033
7.08.02.02	State	1,876	1,623
7.08.02.03	Municipal	64	54
7.08.03	Compensation on third-party capital	3,047	2,234
7.08.03.01	Interest	411	391
7.08.03.02	Rentals	992	448
7.08.03.03	Other	1,644	1,395
7.08.04	Compensation on equity	10,852	14,728
7.08.04.03	Retained earnings/accumulated loss for the period	10,852	14,728

Consolidated financial statements / Balance sheets - Assets

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2012	Prior year 12/31/2011
1	Total assets	521,249	510,628
1.01	Current assets	426,413	432,376
1.01.01	Cash and cash equivalents	6,213	15,528
1.01.02	Short-term investments	160,528	158,022
1.01.02.01	Short-term investments measured at fair value	160,528	158,022
1.01.02.01.01	Securities for trading	160,528	158,022
1.01.03	Trade accounts receivable	173,595	179,589
1.01.03.01	Clients	173,595	179,589
1.01.04	Inventories	66,099	57,384
1.01.06	Taxes recoverable	9,734	10,191
1.01.06.01	Current taxes recoverable	9,734	10,191
1.01.08	Other current assets	10,244	11,662
1.01.08.03	Other	10,244	11,662
1.02	Non-current assets	94,836	78,252
1.02.01	Long-term receivables	17,896	16,818
1.02.01.01	Short-term investments measured at fair value	88	79
1.02.01.01.01	Securities for trading	88	79
1.02.01.06	Deferred taxes	10,473	10,012
1.02.01.06.01	Deferred income and social contribution taxes	10,473	10,012
1.02.01.09	Other non-current assets	7,335	6,727
1.02.01.09.03	Taxes recoverable	350	358
1.02.01.09.04	Legal deposits	6,381	5,863
1.02.01.09.05	Other receivables	604	506
1.02.03	Property, plant and equipment	37,627	30,293
1.02.03.01	Property, plant and equipment in progress	37,627	30,293
1.02.04	Intangible assets	39,313	31,141
1.02.04.01	Intangible assets	39,313	31,141
1.02.04.01.02	Trademarks and patents	2,725	2,722
1.02.04.01.03	Store use rights	31,568	23,536
1.02.04.01.04	System use rights	5,020	4,883

Consolidated financial statements / Balance sheets – Liabilities and equity

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2012	Prior year 12/31/2011
2	Total liabilities and equity	521,249	510,628
2.01	Current liabilities	103,212	102,318
2.01.01	Labor and social obligations	11,593	14,861
2.01.01.01	Social charges	2,273	2,710
2.01.01.02	Labor obligations	9,320	12,151
2.01.02	Trade accounts payable	56,126	37,286
2.01.02.01	Domestic suppliers	54,818	36,988
2.01.02.02	Foreign suppliers	1,308	298
2.01.03	Tax liabilities	11,588	11,711
2.01.03.01	Federal tax liabilities	9,213	7,254
2.01.03.01.01	Income and social contribution taxes payable	5,359	660
2.01.03.01.02	Other federal tax liabilities	3,854	6,594
2.01.03.02	State tax obligations	2,321	4,420
2.01.03.03	Local tax liabilities	54	37
2.01.04	Loans and financing	14,059	20,885
2.01.04.01	Loans and financing	14,059	20,885
2.01.04.01.01	In domestic currency	3,991	3,976
2.01.04.01.02	In foreign currency	10,068	16,909
2.01.05	Other payables	9,846	17,575
2.01.05.02	Other	9,846	17,575
2.01.05.02.01	Dividends and interest on equity payable	6,117	14,327
2.01.05.02.04	Other	3,729	3,248
2.02	Non-current liabilities	23,138	24,263
2.02.01	Loans and financing	16,785	17,774
2.02.01.01	Loans and financing	16,785	17,774
2.02.01.01.01	In domestic currency	16,785	17,774
2.02.02	Other payables	2,120	2,231
2.02.02.01	Payables to related parties	879	905
2.02.02.01.03	Payables to controlling shareholders	879	905
2.02.02.02	Other	1,241	1,326
2.02.02.02.03	Tax in installments	168	168
2.02.02.02.04	Advances from third parties	0	85
2.02.02.02.05	Other	1,073	1,073
2.02.04	Provisions	4,233	4,258
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	4,233	4,258
2.02.04.01.02	Provisions for social security and labor contingencies	3,360	3,594
2.02.04.01.04	Provisions for civil litigation	873	664
2.03	Consolidated equity	394,899	384,047
2.03.01	Paid-in capital	105,917	40,917
2.03.02	Capital reserve	172,723	237,723
2.03.02.02	Special goodwill reserve on merger	21,470	21,470
2.03.02.07	Issue of shares	151,253	216,253
2.03.04	Income reserve	105,407	105,407
2.03.04.01	Legal reserve	8,183	8,183
2.03.04.05	Retained earnings reserve	94,541	94,541
2.03.04.07	Tax incentive reserve	2,683	2,683

Consolidated financial statements / Balance sheets – Liabilities and equity

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2012	Prior year 12/31/2011
2.03.05	Retained earnings/accumulated losses	10,852	0

Consolidated financial statements / Income statements

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter prior year 1/1/2011 to 3/31/2011
3.01	Revenue from sale of goods and/or services	161,361	138,595
3.02	Cost of goods sold and/or services provided	-94,188	-82,150
3.03	Gross profit	67,173	56,445
3.04	Operating expenses/income	-53,922	-36,589
3.04.01	Selling expenses	-35,007	-25,524
3.04.02	General and administrative expenses	-12,266	-11,423
3.04.04	Other operating income	-6,649	358
3.05	Income before financial income (expenses) and taxes	13,251	19,856
3.06	Financial income and expenses	2,385	1,465
3.06.01	Financial income	5,374	3,764
3.06.01.01	Financial income	4,873	3,694
3.06.01.02	Foreign exchange gains	501	70
3.06.02	Financial expenses	-2,989	-2,299
3.06.02.01	Financial expenses	-2,469	-1,884
3.06.02.02	Foreign exchange losses	-520	-415
3.07	Income before income taxes	15,636	21,321
3.08	Income and social contribution taxes	-4,784	-6,593
3.08.01	Current	-5,245	-1,967
3.08.02	Deferred	461	-4,626
3.09	Net income from continued operations	10,852	14,728
3.11	Consolidated income/loss for the period	10,852	14,728
3.11.01	Attributable to shareholders of parent company	10,852	14,728
3.99	Earnings per share – (reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common share	0.12256	0.17375

Consolidated financial statements / Statements of comprehensive income

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter prior year 1/1/2011 to 3/31/2011
4.01	Consolidated net income for the period	10,852	14,728
4.03	Consolidated comprehensive income for the period	10,852	14,728
4.03.01	Attributable to shareholders of parent company	10,852	14,728

Consolidated financial statements / Cash flow statements – Indirect method

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter prior year 1/1/2011 to 3/31/2011
6.01	Net cash from operating activities	22,199	5,635
6.01.01	Cash from operating activities	12,924	20,332
6.01.01.01	Income before income and social contribution taxes	15,636	21,321
6.01.01.02	Depreciation and amortization	1,417	879
6.01.01.03	Income (loss) from disposal of property, plant & equipment	414	55
6.01.01.05	Provision for labor, tax and civil contingencies	-25	647
6.01.01.06	Interest and foreign exchange variation	-522	589
6.01.01.07	Short-term investment income	-3,861	-3,091
6.01.01.08	Other	-135	-68
6.01.02	Changes in assets and liabilities	9,275	-12,331
6.01.02.01	Trade accounts receivable	5,994	-18,366
6.01.02.02	Inventories	-8,579	-15,723
6.01.02.03	Variation of other current assets	1,313	-1,359
6.01.02.04	Taxes recoverable	465	-871
6.01.02.05	Legal deposits	-518	-330
6.01.02.07	Trade accounts payable	18,840	22,157
6.01.02.08	Labor obligations	-2,831	1,057
6.01.02.09	Tax and social security liabilities	-5,615	205
6.01.02.10	Other payables	206	899
6.01.03	Other	0	-2,366
6.01.03.01	Payment of income and social contributions taxes	0	-2,366
6.02	Net cash from investing activities	-15,986	-176,131
6.02.01	Acquisition of property, plant and equipment and intangible assets	-17,337	-3,738
6.02.02	Short-term investments	-69,420	-192,193
6.02.03	Redemption of short-term investments	70,771	19,800
6.03	Net cash from financing activities	-15,528	169,301
6.03.01	Loans raised	0	3,936
6.03.02	Payment of loans	-7,293	-17,708
6.03.05	Profit sharing	-8,209	0
6.03.06	Credit (debit) with shareholders	-26	1,064
6.03.07	Capital increase – Issue of shares	0	195,588
6.03.08	Cost of issue of shares	0	-13,579
6.05	Increase (decrease) in cash and cash equivalents	-9,315	-1,195
6.05.01	Opening balance of cash and cash equivalents	15,528	8,004
6.05.02	Closing balance of cash and cash equivalents	6,213	6,809

Consolidated financial statements / Statements of changes in equity /SCE – 1/1/2012 to 3/31/2012

(In thousands of reais)

Account Code	Account description	Paid-in capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings or accumulated loss	Other comprehensive income	Equity	Non-controlling interest	Consolidated equity
5.01	Opening balances	40,917	237,723	105,407	0	0	384,047	0	384,047
5.03	Adjusted opening balances	40,917	237,723	105,407	0	0	384,047	0	384,047
5.04	Capital transactions with shareholders	65,000	-65,000	0	0	0	0	0	0
5.04.01	Capital increase	65,000	-65,000	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	10,852	0	10,852	0	10,852
5.05.01	Net income for the period	0	0	0	10,852	0	10,852	0	10,852
5.07	Closing balances	105,917	172,723	105,407	10,852	0	394,899	0	394,899

Consolidated financial statements / Statements of changes in equity /SCE – 1/1/2011 to 3/31/2011

(In thousands of reais)

Account Code	Account description	Paid-in capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings or accumulated loss	Other comprehensive income	Equity	Non-controlling interest	Consolidated equity
5.01	Opening balances	21,358	71,019	53,841	0	0	146,218	0	146,218
5.03	Adjusted opening balances	21,358	71,019	53,841	0	0	146,218	0	146,218
5.04	Capital transactions with shareholders	19,559	167,067	0	0	0	186,626	0	186,626
5.04.01	Capital increase	19,559	176,029	0	0	0	195,588	0	195,588
5.04.02	Expenses from share issuance	0	-8,962	0	0	0	-8,962	0	-8,962
5.05	Total comprehensive income	0	0	0	14,728	0	14,728	0	14,728
5.05.01	Net income for the period	0	0	0	14,728	0	14,728	0	14,728
5.07	Closing balances	40,917	238,086	53,841	14,728	0	347,572	0	347,572

Consolidated financial statements / Statements of value added

(In thousands of reais)

Account Code	Account description	Current quarter 1/1/2012 to 3/31/2012	Same quarter prior year 1/1/2011 to 3/31/2011
7.01	Revenue	200,500	169,367
7.01.01	Sale of goods, products and services	200,500	169,367
7.02	Inputs acquired from third parties	-134,489	-114,625
7.02.01	Cost of sale of goods, products and services sold	-106,247	-86,070
7.02.02	Materials, electric power, outsourced services, others	-26,471	-26,555
7.02.04	Other	-1,771	-2,000
7.03	Gross value added	66,011	54,742
7.04	Withholdings	-1,417	-879
7.04.01	Depreciation, amortization and depletion	-1,417	-879
7.05	Net value added produced	64,594	53,863
7.06	Value added received in transfer	-1,275	4,122
7.06.02	Financial income	5,374	3,764
7.06.03	Other	-6,649	358
7.07	Total unpaid value added	63,319	57,985
7.08	Payment of value added	63,319	57,985
7.08.01	Personnel	19,852	16,203
7.08.01.01	Direct compensation	15,856	12,328
7.08.01.02	Benefits	1,793	1,717
7.08.01.03	Government Severance and Indemnity Fund for Employees (FGTS)	1,345	1,124
7.08.01.04	Other	858	1,034
7.08.01.04.01	Profit sharing - employees	188	0
7.08.01.04.02	Other	670	0
7.08.02	Taxes, fees and contributions payable	23,993	21,782
7.08.02.01	Federal	15,187	14,833
7.08.02.02	State	8,619	6,799
7.08.02.03	Municipal	187	150
7.08.03	Compensation on third-party capital	8,622	5,272
7.08.03.01	Interest	414	515
7.08.03.02	Rentals	5,633	2,973
7.08.03.03	Other	2,575	1,784
7.08.04	Compensation on equity	10,852	14,728
7.08.04.03	Retained earnings/accumulated loss for the period	10,852	14,728

1. Company Overview

About Arezzo&Co

Arezzo Indústria e Comércio S.A. (“Company” or “Arezzo&Co”) is the leading Company in female footwear sector. With more than 39 years of history, the Company produces over seven million pair of shoes as well as handbags and accessories. Arezzo&Co has a strong platform of 4 relevant brands - Arezzo, Schutz, Anacapri e Alexandre Birman. All products are distinguished by constant innovation, design, comfort and excellent value for money.

Distribution is based on multichannel strategy which enhances capillarity through owned stores, franchises and multi-brand retail stores, present in all Brazilian states. Internationally, the brand products are also sold at franchises, multi-brand shops and department stores. By the end of 1Q12, Arezzo&Co Brazilian chain comprised 292 franchises, 46 owned-stores and present in over 2,170 multi-brand retail stores.

AREZZO

Founded in 1972 by brothers Anderson and Jefferson Birman, the brand, is top of mind among the Brazilian footwear consumers, and it’s one of the favorites in this sector and most widely consumed in Brazil. The brand has a trendy positioning, gathering concept, high quality, contemporary design, and customer satisfaction. It’s reference in the launching of trends in the country, and launches 7 to 9 collections per year. It’s always present in editorials of the most prestigious magazines, newspapers and websites in Brazil, as fast fashion reference in footwear, handbags and accessories.

SCHUTZ

The brand invests significantly in research trends, material development and technology for the creation of its portfolio. Schutz’s mission is to offer its audience a product concept connected to design, quality, fashion and freedom of expression. The result is collections designed to reflect the spirit of contemporary young women which impacts, is irreverent and has its own style. Calls to dare, to seek the different, to challenge what is consensus.

Alexandre Birman

The brand Alexandre Birman is a benchmark for Brazilian women's footwear brands sharing space with the biggest names in fashion renowned retail chains in different regions of the world, such as North America, Europe and Asia. The brand is marked by the concept of exclusivity and sophistication, has great recognition abroad, enabling Alexandre Birman to win the prize Vivian Infantino Emerging Talent Award, as a talent in shoes creation in 2009 (the award is recognized as the Oscar of the International Shoe Industry).

ANACAPRI

Founded in November, 2008, with the same name of Anacapri city, the brand has been continuously consolidating its communication and distribution strategy successfully in the Brazilian Market. Its concept seeks for the evaluation of comfort and the offering of shoes in a variety of materials and colors for a more affordable price, presenting a more casual concept of shoes without hills and destined to a pop audience.

Management report / comments on performance

1. Operating and Financial Highlights – 1Q12

Summary of Results	1Q11	1Q12	Growth or Spread(%)
Net Revenue	138,595	161,361	16.4%
Gross Profit	56,445	67,173	19.0%
Gross Margin	40.7%	41.6%	0.9 p.p.
Ebitda¹	20,735	14,668	-29.3%
Ebitda Margin¹	15.0%	9.1%	-5.9 p.p.
Net Profit	14,728	10,852	-26.3%
Net Margin	10.6%	6.7%	-3.9 p.p.

Operating Indicators	1Q11	1Q12	Growth or Spread(%)
# of pairs sold ('000)	1,432	1,713	19.6%
# of handbags sold ('000)	80	105	31.3%
# of employees	1,587	1,952	23.0%
# of stores	296	338	14.2%
Owned stores	29	46	58.6%
Franchises	267	292	9.4%
Outsourcing (as % of total production)	84.0%	86.0%	2.0 p.p.
SSS² (franchises - sell-in)	9.0%	6.5%	
SSS² (owned stores - sell-out)	11.0%	12.1%	

1- EBITDA = Earnings before Financial Income, Income and Social Contribution Taxes, Depreciation and Amortization. EBITDA is not a measure used in accounting practices adopted in Brazil, as it does not represent the cash flow for the periods stated, and should not be deemed as an alternative to Net Earnings, as an operating performance indicator, or as an alternative to cash flow, as a liquidity indicator. EBITDA does not have a standardized meaning, and the Company's definition of EBITDA may not be compatible with the adjusted EBITDA of other companies. In spite of the fact that EBITDA does not provide an operating cash flow measure in accordance with accounting practices adopted in Brazil, the Management uses it to measure operating performance. Additionally, the Company understands that certain financial investors and analysts use EBITDA as an operating performance indicator of a Company and/or of its cash flow.

2- SSS (Same Store Sales): Stores are included in comparable stores' sales as from the 13th month of operation. Variations in comparable stores' sales between the two periods are based on sales net of returns, for owned stores' sales, and on gross sales for franchises that were operating during both periods under comparison. If a store is included in the calculation of comparable stores' sales for only one portion of one of the two periods under comparison; then this store will be included in the calculation of the corresponding portion of the other period. When store area is increased or reduced for a store included in comparable stores' sales, the store is excluded from comparable stores' sales. When the operation of a store is discontinued, the sales of this store are excluded from the calculation of comparable stores' sales for the periods under comparison. It was considered that when a franchised operator opens a warehouse, its sales will be included in comparable stores' sales if the operator's franchises are operating during both periods under comparison. The so-called "SSS of Franchises - Sell In" refers to the comparison of Arezzo&Co 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 Income. On the other hand, "SSS of Owned Stores – Sell Out" is based on the point of sale performance, which, in the case of Arezzo&Co, better states the Owned Stores' sales behavior.

Management report / comments on performance

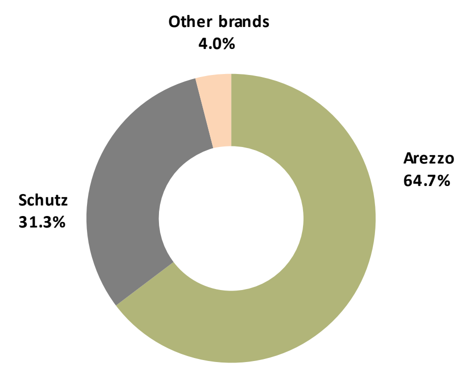
Gross Revenue	1Q11	1Q12	Growth or spread%
Total Gross Revenue	**174,445**	**208,830**	**19.7%**
Exports market	**9,811**	**7,545**	**-23.1%**
Domestic market	**164,634**	**201,285**	**22.3%**
By brand			
Arezzo	114,400	130,226	13.8%
Schutz	46,150	63,066	36.7%
Other brands[1]	4,084	7,993	95.7%
By channel			
Franchises	88,547	97,553	10.2%
Multibrand retail stores	47,421	55,725	17.5%
Owned stores[2]	26,873	44,474	65.5%
Others[3]	1,793	3,533	97.0%

(1) Alexandre Birman and Anacapri brands are only included in the domestic market.
(2) Owned Stores includes Web commerce sales channel.
(3) It includes domestic market revenue that are not specific to distribution channels.

Brands

Arezzo&Co's platform includes 4 important brands: Arezzo, Schutz, Alexandre Birman and Anacapri, which are distributed through a network of Owned Stores, Franchises, Multi-brands and Web Commerce, operating in every Brazilian state. Products are also marketed internationally through Franchises, Multi-brand Stores and Department Stores.

Gross revenue by brand - 1Q12*



*Domestic market**

The first quarter is marked by summer collection clearance sales between January and February and by the beginning of winter collection. Therefore, this is the period when the Owned Stores' channel is most subject to gross margin fluctuations.

The Group's monobrand store network increased its sales area by 263 sq m in 1Q12, 36 sq m of which is due to the expansion of existing stores.

Arezzo, the group's leading brand in sales, reached R$ 130.2 million in gross revenue in 1Q12, a 13.8% increase compared with 1Q11, representing 64.7% of domestic sales. In 1Q12, a reassessment of the brand's current distribution and supply model in Brazil was initiated. The Arezzo team is planning to structure, throughout 2012, its long term growth plan.

Schutz grew 36.7% in 1Q12 compared to 1Q11 to R$ 63.1 million in gross revenue, 31.3% of domestic sales. The brand continues to expand its monobrand store network. In 1Q12, the second Franchise was opened, in Joinville, as well as two other Owned Stores, while the Morumbi Shopping Mall store, in São Paulo, was refurbished and expanded.

Alexandre Birman brand is a reference among Brazilian women's shoe brands, alongside principal fashion names in renowned retail chains, in several regions of the world, such as North America, Europe and Asia. 1Q12 was important for the brand positioning consolidation with the inclusion of the name Alexander Birman between the Top 10 Shoe Designers by Footwear News magazine edition.

Anacapri increasingly continues consolidating and distributing its brand in the Brazilian market. In 1Q12, the brand significantly strengthened its presence within digital media and social network, and also started a pilot project for selling its products in department stores in the country.

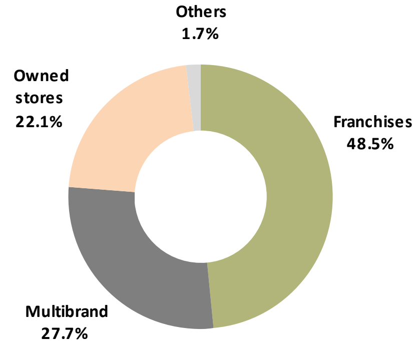
Channels

Franchises

On March 31, 2012, Arezzo&Co had 292 franchises. This is the group's most important sales channel and represented 48.5% of its domestic sales in 1Q12.

Sell-in sales (sales made by Arezzo&Co to its franchisees); had a 6.5% expansion in the same Franchised-stores sales (SSS - Franchises) in 1Q12 compared with 1Q11.

Gross revenue by channel - 1Q12*



*Domestic market**

Owned Stores

Owned Stores accounted for 22.1% of domestic sales in 1Q12 compared to 16.3% in 1Q11. The domestic sales increase in 1Q12 was 65.5% compared to the same period of the previous year. The Company ended the quarter with 4,754 sq m of sales area in 46 Owned Stores: 18 of Arezzo, 19 of Schutz, 8 of Anacapri and 1 of Alexandre Birman.

Sales at Same Owned Stores (SSS – Owned Stores) increased by 12.1% in 1Q12. The stores presented a constant performance along the tree months of the quarter, confirming the results consistence.

History - Franchises and Owned Stores	1Q11	2Q11	3Q11	4Q11	1Q12
Sales area - Total (m²)	**17,554**	**17,953**	**19,280**	**21,366**	**21,629**
Sales area - franchises (m²)	14,587	14,835	15,466	16,680	16,875
Sales area - owned stores¹ (m²)	2,967	3,118	3,814	4,686	4,754
Total number of stores	**296**	**300**	**311**	**334**	**338**
# of franchises	**267**	**269**	**275**	**289**	**292**
Arezzo	266	268	273	288	290
Schutz	1	1	2	1	2
# of owned stores¹	***29***	***31***	***36***	***45***	***46***
Arezzo	13	14	17	19	18
Schutz	10	10	12	17	19
Alexandre Birman	1	1	1	1	1
Anacapri	5	6	6	8	8

1 – Includes 5 Outlet stores, with a total area of 1,334 sq m

Multi-brands

Arezzo&Co follows the strategy of increasing its distribution network through multi-brand stores. As a result of this distribution, the 4 brands reach about 1,200 cities throughout the country.

In 1Q12, the Group's 4 brands were distributed through 2,177 stores across Brazil compared with 1,782 stores in 1Q11, a 22.2% increase.

Main Financial Indicators

Main financial Indicators	1Q11	1Q12	Growth or spread (%)
Net revenue	138,595	161,361	16.4%
(-) COGS	(82,150)	(94,188)	14.7%
Gross profit	56,445	67,173	19.0%
Gross margin	40.7%	41.6%	0.9 p.p.
(-) SG&A	(36,589)	(53,922)	47.4%
% of Revenues	26.4%	33.4%	7.0 p.p.
(-) Selling expenses	(25,164)	(34,257)	36.1%
(-) Owned stores	(9,483)	(15,499)	63.4%
(-) Sales, logistics and supply	(15,681)	(18,758)	19.6%
(-) General and administrative expenses	(10,904)	(11,599)	6.4%
(-) Other operating revenues (expenses)[1]	358	(6,649)	-1959.7%
(-) Depreciation and amortization	(879)	(1,417)	61.2%
EBITDA	20,735	14,668	-29.3%
Ebitda Margin	15.0%	9.1%	-5.9 p.p.
Net income	14,728	10,852	-26.3%
Net margin	10.6%	6.7%	-3.9 p.p.
Working capital[2] - % of revenues	25.8%	25.2%	-0.6 p.p.
Invested capital[3] - % of revenues	28.5%	32.9%	4.4 p.p.
Total debt	33,586	30,844	-8.2%
Net debt [4]	(153,707)	(135,897)	-11.6%
Net debt/EBITDA LTM	-1.6 X	-1.2 X	n/a

1 – Includes non-recurring expense within the Other Operating Revenue and Expenses: The Company terminated the contract with Star Export Assessoria e Exportação Ltda. ("Star"), which provided technical assistance and advice services to the agency and supervision of factories and independent ateliers. Therefore the Company paid $ 8 million and ordered to Star a non-competition agreement for five years. On the same date, the Company entered into an agreement with another company, with same technical skills, same nature of service and differentiated business conditions, seeking to reduce their costs related to such operational service delivery, while maintaining the same quality of services currently provided.
2 – Working Capital: Current Assets less Cash, Cash Equivalents and Short-term Financial Investments less Current Liabilities, Short-term Loans and Financing and Dividends payable.
3 - Capital Employed: Working Capital plus Permanent Assets and Other Long-term Assets less deferred income and social contribution taxes
4 – Net Debt is equivalent to the Company’s total indebtedness position at the end of a period, less the balance of cash and cash equivalents and Short-term Financial Investments.

Net Revenue

The Company's revenue totaled R$ 161.4 million in 1Q12, a 16.4% increase compared to R$ 138.6 million obtained in the same period of 2011. Some of the key factors that led the Company to this growth are:

i) Expansion in sales area of 23.2% compared with the same period of 2011, and a 60.2% increase in the area of the Owned Stores' channel ;

ii) Same Store Sales for Owned Stores of 12.1% and increase in the Same Store Sales for the Franchise channel of 6.5% in the 1Q12;

iii) Multi-brand channel sales increase of 17.5% in 1Q12.

Gross Profit

Gross Profit in 1Q12 increased by 19.0% compared with 1Q11, totaling R$ 67.2 million, with a 41.6% gross margin.

The higher gross profit in this quarter mainly reflects the 16.4% growth in revenue in this quarter and the increase in the importance of Owned Stores, which gross margin is higher, in the channel mix.

The representativeness of owned stores channel, in the domestic market, increased from 16.3% in 1Q11 to 22.1% of domestic sales in 1Q12. However, it is noteworthy that the first quarter is characterized by the markdown of summer collection between January and February as well as the beginning of winter collection. Thus, owned stores gross margin in first quarter is lower than in the rest of the year.

SG&A

Selling Expenses

The Company's selling expenses may be broken down into two main groups:

i) Selling, Logistic and Supply Expenses:
- Include expenses from the sell-in and sell-out operations;

ii) Owned Store Expenses:
- Include only the expenses with Owned Stores (sell-out).

In 1Q12, there was a 36.1% increase in Selling Expenses when compared with 1Q11, reaching R$ 34.3 million in this quarter compared with R$ 25.2 million in the same period of the previous year. As noted in the previous quarter, the increase in selling expenses arises from the opening of owned stores, changes in sales team structures and variable expenses which fluctuates depending on revenue levels, such as freight, sourcing agency and commissions.

Owned Stores' expenses in the quarter totaled R$ 15.5 million, increasing 63.4% against 1Q11, which is less than the channel's increase in gross sales of 65.5%, also impacted by the pre-operating expenses related to the opening and refurbishment of 8 stores.

Selling, logistics and supply expenses totaled R$ 18.8 million, a 19.6% increase compared with 1Q11, which is mainly explained by commercial team changes and reinforcement.

General and Administrative Expenses

In 1Q12, General and Administrative Expenses totaled R$ 11.6 million compared with R$ 10.9 million in the same quarter of the previous year, a 6.4% increase aligned with management expectations.

Other Operating Revenues (Expenses)

In 1Q12, the Company totaled R$ 6.6 million in Other Operating Expenses compared with R$ 358 thousand in Other Operating Revenues in 1Q11. The change in 1Q12 occurred due to the termination of the commercial contract with the sourcing agent, Star, resulting on a non-recurring expense of R$ 8.0 million in 1Q12. The termination agreement imposes a 5-year non-competition clause on Star. Besides that, the payback period for such expenditure should be shorter than 3 years by reducing sourcing expenses, as a result of a better commercial agreement signed with a company with similar technical expertise.

EBITDA and EBITDA Margin (%)

Company's EBITDA in 1Q12 was R$ 14.7 million, with a 9.1% margin. Some of the key factors for the variation in EBITDA in this quarter are:

i) A 16.4% increase in Net Revenue;

ii) A 0.9 p.p. increase in Gross Margin;

iii) Increase in Selling Expenses relevance, which represent 21.7% of Net Revenue in 1Q12 compared with 18.4% in 1Q11;

iv) An R$ 8.0 million non-recurring expense due to termination of agreement entered into with the prior sourcing agent.

Ebitda reconciliation	1Q11	1Q12
Net income	14,728	10,852
(-) Income tax and social contribution	(6,593)	(4,784)
(-) Financial result	1,465	2,385
(-) Depreciation and amortization	(879)	(1,417)
Ebitda	20,735	14,668

Excluding the non-recurring impact in 1Q12, EBITDA would have increased by 9.3% and would be R$ 22.7 million with 14.0% margin.

Net Profit and Net Margin (%)

Company maintained EBITDA conversion (9.1% margin in 1Q12) into Net Profit (6.7% margin in 1Q12), which reflects the low use of capital for PP&E and consequently the low level of depreciation.

Net Profit in 1Q12 totaled R$ 10.9 million compared to R$ 14.7 million in 1Q11 in the same period of the previous year.

Excluding the impact of non-recurring expense in 1Q12, the Company's Net Profit would have increased by 9.5% and would be R$ 16.1 million, with 10.0% margin.

Operating Cash Generation

In 1Q12, Arezzo&Co generated R$ 22.2 million in cash from operating activities. In the first quarter the Company regular seasonality reflects in an increase in accounts payable to suppliers, as the Winter Collection deliveries started being done between February and March. It is noteworthy that there was a shorter term extent offered to franchisees in 4Q11 and 1Q12 compared to 4Q10 and 1Q11, improving cash generation in 1Q12 in comparison with 1Q11.

Cash flows from operating activies	1Q11	1Q12	Growth or spread
Income before income taxes	21,321	15,636	(5,685)
Depreciation and amortization	879	1,417	538
Others	(1,868)	(4,129)	(2,261)
Decrease (increase) in current assets / liabilities	(12,068)	9,975	22,043
			-
Trade accounts reveivable	(18,366)	5,994	24,360
Inventories	(15,723)	(8,579)	7,144
Suppliers	22,157	18,840	(3,317)
Change in other current assets and liabilities	(136)	(6,280)	(6,144)
Change in other non current assets and liabilities	(263)	(700)	(437)
Tax and contributions	(2,366)	-	2,366
Net cash generated by operating activities	5,635	22,199	16,564

Investments – CAPEX

The Company's investments may be broken down into three types: (1) investments in the expansion or renovation of Owned Stores; (2) corporate investments, which include IT, facilities, showrooms and offices; and (3) other investments, which are mainly related to the modernization of its industrial operations.

Total Capex in 1Q12 increased significantly when compared with 1Q11, mainly due to Owned Store openings. In 1Q12, 2 Owned Stores were inaugurated in the period, adding 182 sq m to the network, and 1 existing store had its sales area expanded by 36 sq m. Besides that, about 70% of investments in stores in 1Q12 are related to the purchase of points of sale and refurbishing expenses for 8 future openings and expansions, being 2 refurbishments associated to Flagship stores.

Sumary of investments	1Q11	1Q12	Growth or spread (%)
Total Capex	3,738	17,337	363.8%
Stores - expansion and reforming	2,206	13,578	515.5%
Corporate	1,313	3,553	170.6%
Others	219	206	-5.9%

Cash Position and Indebtedness

The Company ended 1Q12 with a position of R$ 166.7 million in cash and cash equivalents. The indebtedness policy remained conservative, and its primary characteristics were:

- Total debt of R$ 30.8 million in 1Q12 against R$ 38.7 million in 4Q11;
- Long-term debt represented 54.4% of total debt in 1Q12 compared with 46.0% in 4Q11;
- Arezzo&Co's weighted-average cost of capital remained very low in the 1Q12.

Cash position and indebtedness	1Q11	4Q11	1Q12
Cash and cash equivalents	187,293	173,550	166,741
Total indebtedness	33,586	38,659	30,844
Short term	12,813	20,885	14,059
As % of total debt	*38.1%*	*54.0%*	*45.6%*
Long term	20,773	17,774	16,785
As % of total debt	*61.9%*	*46.0%*	*54.4%*
Net debt	(153,707)	(134,891)	(135,897)

ROIC (Return on Invested Capital)

The change in the level of Returns on Invested Capital in 1Q12 was mainly due to 17 openings and 5 expansions and refurbishments of Owned Stores in the last 12 months, as well as from the investment in 8 points of sale and from refurbishing expenses for future openings and expansions. The net operating profit less adjusted taxes (NOPLAT) from these recent stores is relatively low, especially because 10 openings and 2 expansions were delivered just in the last 6 months.

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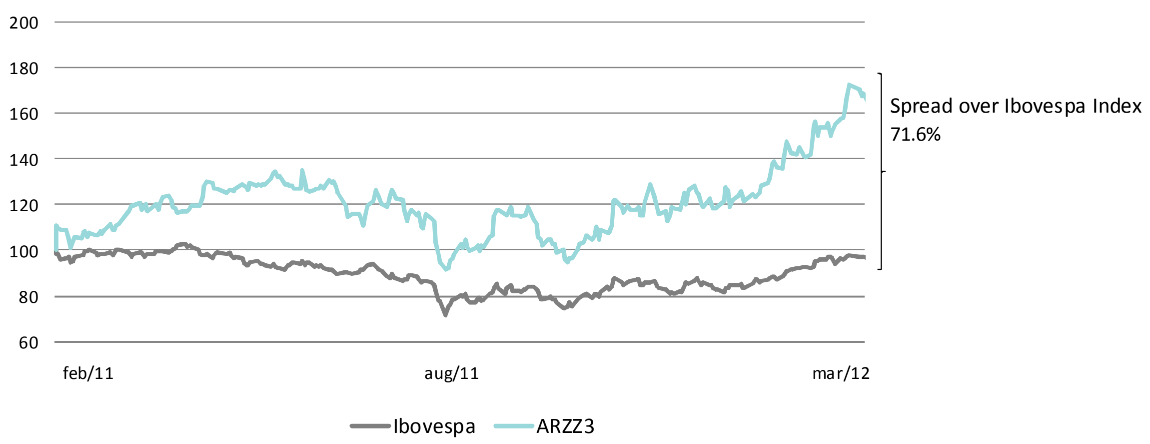
Operating Result	1Q10	1Q11	1Q12	Growth or Spread (%)
EBIT (LTM)	66,313	95,989	107,066	11.5%
(+) Income tax and social contribution (LTM)	(11,662)	(26,092)	(32,030)	22.8%
NOPLAT	**54,651**	**69,897**	**75,036**	**7.4%**
Working capital[1]	103,357	154,148	176,637	14.6%
Permanent assets	25,352	38,952	76,940	97.5%
Other long term assets[2]	11,219	7,585	7,423	-2.1%
Invested capital	**139,928**	**200,685**	**261,000**	**30.1%**
Average invested capital[3]		**170,307**	**230,843**	**35.5%**
ROIC[4]		**41.0%**	**32.5%**	**-8.5 p.p.**

1 – Working Capital: Current Assets less Cash, Cash Equivalents and Financial Investments less Current Liabilities, Loans and Financing and Dividends Payable.
2 – Less Deferred Income and Social Contribution Taxes.
3 – Average capital invested in the period and in the same period of the previous year.
4 – ROIC: Noplat of the last 12 months divided by the average capital invested

2. Stock Market and Corporate Governance

As of March 30, 2012 the Company's Market capitalization amounted to R$ 2.8 bn (share price R$ 31.68), increase of 66.7% since listing, compared to negative 4.9% performance of Ibovespa index.



Arezzo&Co	
Shares	88,542,410
Ticker	ARZZ3
Listing	2/2/2011
Share price (03/30/12)	31.68
Market Cap	2,805 million
Share performance	
02/02/11 to 03/30/12	66.7%
12/29/11 to 03/30/12	37.5%

3. Independent Auditors

Arezzo&Co financial statements related to first quarter 2012 were reviewed by Ernst Young & Terco Auditores Independentes S.S. The Company's policy adopted for hiring non related services from its independent auditors aims to assure that there is neither conflict of interest, loss of independence nor objectivity.

4. Investor Relations

Shareholders, analysts and market participants have at their disposal information available on the Company's IR webpage, 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.

Disclaimer

Statements regarding the Company's future business perspectives and projections of operational and financial results are merely estimates and projections, and as such they are subject to different risks and uncertainties, including, but not limited to, market conditions, domestic and foreign performance in general and in the Company's line of business. These risks and uncertainties cannot be controlled or sufficiently predicted by the Company management and may significantly affect its perspectives, estimates, and projections. Statements on future perspectives, estimates, and projections do not represent and should not be construed as a guarantee of performance. The operational information contained herein, as well as information not directly derived from the financial statements, have not been subject to a special review by the Company's independent auditors and may involve premises and estimates adopted by the management.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

1. Company information

Arezzo Indústria e Comércio S.A. (the “Company”) is a publicly held corporation, having its registered offices at Rua Fernandes Tourinho, 147 – suites 1301 and 1303 in the city of Belo Horizonte – Minas Gerais State, with shares traded on the *“Novo Mercado”* segment of the Brazilian Securities, Commodities and Futures Exchange (BM&FBOVESPA) (“ARZZ3”) beginning February 2, 2011.

The business purpose of the Company, together with its subsidiaries, is the manufacture, development, molding and sale of footwear, bags, and women’s clothing accessories.

At March 31, 2012, the Company held 292 franchises in Brazil and abroad and 46 own brand stores across Brazil, in addition to a web commerce channel to sell Schutz-branded products. The franchise system is controlled by Arezzo, and its own brand stores form part of its subsidiaries.

The Company subsidiaries included in the consolidated interim financial statements are as follows:

ZZAB Comércio de Calçados Ltda. (“ZZAB”)

ZZAB’s business purpose is the retail sale of footwear, bags and belts. It has stores in operation in the cities of São Paulo, Brasília, Porto Alegre, Belo Horizonte and Curitiba. ZZAB merged ZZARIO and ZZCAPRI (as defined further below) as of January 2, 2012.

ZZSAP Indústria e Comércio de Calçados Ltda. (“ZZSAP”)

ZZSAP’s business purpose is the manufacture and sale of leather shoes, bags, and belts, footwear components, articles of clothing, fashion accessories, as well as import and export of these products.

Arezzo & Co. International (“Arezzo Int.”)

Arezzo Int., formerly known as Schutz International Corporation, with head offices in Miami, United Stated, is engaged in sale of footwear and business intermediation.

ZZARIO Comércio de Calçados Ltda. (“ZZARIO”)

ZZARIO was incorporated in September 2008 and is engaged in the retail sale of footwear, bags and belts through 7 stores in the city of Rio de Janeiro. ZZARIO was merged by ZZAB on January 2, 2012.

Arezzo Indústria e Comércio S.A.

1. Company information--Continued

ZZCAPRI Comércio de Calçados Ltda. ("ZZCAPRI")

ZZCAPRI was incorporated in November 2008 and is engaged in the retail sale of footwear, bags and belts through 5 stores in the city of São Paulo. ZZCAPRI was merged by ZZAB on January 2, 2012.

ZZAF Indústria e Comércio de Calçados Ltda. ("ZZAF")

ZZAF was incorporated in November 2008 and is engaged in the sale of leather shoes, bags, and belts, footwear components, articles of clothing, fashion accessories, as well as import and export of these products. ZZAF was merged by Arezzo on February 1, 2012.

Shoes For U Comércio de Calçados e Acessórios Ltda. ("Shoes For U")

Shoes For U, company acquired as of July 21, 2008, is engaged in the retail sale of footwear, bags, belts and accessories. Its operations have been suspended since May 28, 2010. Shoes For U was merged by Arezzo on February 1, 2012.

Corporate restructuring

On January 2, 2012, subsidiary ZZAB Comércio de Calçados Ltda. merged the companies ZZARIO Comércio de Calçados Ltda. and ZZCAPRI Comércio de Calçados Ltda., also subsidiaries of the Company, according to the Merger agreement approved on December 31, 2011.

On January 31, 2012, the Company approved the merger of its subsidiaries Allmaness Calçados Ltda., Shoes For U Comércio de Calçados e Acessórios Ltda., Schutz Shoes Design Comércio de Calçados Ltda. and ZZAF Indústria e Comércio de Calçados Ltda.

The purpose of these mergers is to streamline the Company's administrative activities. Such mergers were realized at book value. They did not affect the Company's operating activities and had no impact on the Company's interim financial statements.

Arezzo Indústria e Comércio S.A.

1. Company information--Continued

Corporate restructuring--Continued

The equity of ZZAF, Allmaness, Shoes for U and Schutz Shoes were valuated on January 31, 2012 based on their carrying amount, according to the Valuation Report for Merger Purposes issued by a specialized independent company. The merged book net worth is as follows:

	Shoes For U	Allmaness	Schutz Shoes	ZZAF	Total
Current assets					
Cash and banks	-	3	-	45	**48**
Short-term investments	-	125	-	-	**125**
Trade accounts receivable	-	-	-	577	**577**
Inventories	-	-	-	3,343	**3,343**
Taxes recoverable	-	21	-	602	**623**
Other receivables	28	-	1	67	**96**
Total current assets	**28**	**149**	**1**	**4,634**	**4,812**
Non-current assets					
Related parties	122	-	-	-	**122**
Other receivables	-	-	15	-	**15**
	122	**-**	**15**	**-**	**137**
Property, plant & equipment, net	-	17	575	139	**731**
Intangible assets	-	-	2	5	**7**
Total non-current assets	**122**	**17**	**592**	**144**	**875**
Total merged assets	**150**	**166**	**593**	**4,778**	**5,687**

	Shoes For U	Allmaness	Schutz Shoes	ZZAF	Total
Current liabilities					
Trade accounts payable	146	-	-	100	**246**
Tax and social security liabilities	2	-	3	21	**26**
Labor obligations	-	-	-	348	**348**
Other payables	-	-	-	40	**40**
Total current liabilities	**148**	**-**	**3**	**509**	**660**
Non-current liabilities					
Related parties	1	-	1	505	**507**
Provision for risks	-	-	82	22	**104**
Total non-current liabilities	**1**	**-**	**83**	**527**	**611**
Total liabilities assumed	**149**	**-**	**86**	**1,036**	**1,271**
Merged net worth	**1**	**166**	**507**	**3,742**	**4,416**

Arezzo Indústria e Comércio S.A.

2. Summary of significant accounting practices

2.1 Basis of preparation and presentation of financial statements

The individual and consolidated interim financial statements were prepared for the quarter ended March 31, 2012 in accordance with accounting practices adopted in Brazil, which comprise the rules established by the Brazilian Securities and Exchange Commission (CVM) and pronouncements, interpretations and guidance issued by the Brazilian Accounting Standards Committee (CPC), as well as under CPC 21 – Interim Financial Reporting.

The consolidated interim financial statements for the quarter ended March 31, 2012 were also prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and with IAS 34 - Interim Financial Reporting.

The Company adopted the same accounting practices and computation methods as those applied in the consolidated financial statements at December 31, 2011, as well as all standards, revised standards and interpretations issued by the CPC, by IASB and other standard-setters, in force as of March 31, 2012. The interim financial statements were prepared under historical cost convention, except for certain assets and liabilities classified as financial instruments, which are measured at fair value

The preparation of the interim financial statements requires the use of certain critical accounting estimates as well as the exercise of judgment by Company management in applying the Company accounting policies. The settlement of the transactions involving those estimates might result in amounts that are significantly different from the ones recorded in the financial statements due to the inaccuracies inherent to the estimate process.
The Company reviews its estimates and assumptions periodically, within a period not to exceed one year.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial statements are disclosed in Note 3.

The individual and consolidated interim financial statements of the Company for the quarter ended March 31, 2012 were authorized in a board meeting held on April 25, 2012.

2. Accounting practices--Continued

2.2 Basis for consolidation

The consolidated interim financial statements include the operations of the Company and the subsidiaries below, the ownership interest in which at the balance sheet date is summarized as follows:

	Total ownership interest - %	
Subsidiaries	**3/31/2012**	**12/31/2011**
ZZAB Comércio de Calçados Ltda.	**99.9999**	99.9999
ZZSAP Indústria e Comércio de Calçados Ltda.	**99.9999**	99.9999
Arezzo & Co. International	**99.9999**	99.9999
ZZSAP Indústria e Comércio de Calçados Ltda.	**-**	99.9999
Allmaness Calçados Ltda.	**-**	99.9999
Schutz Shoes Design Comércio de Calçados Ltda.	**-**	99.9999
Shoes For U Comércio de Calçados e Acessórios Ltda.	**-**	99.9999
ZZARIO Comércio de Calçados Ltda.	**-**	99.9999
ZZCAPRI Comércio de Calçados Ltda.	**-**	99.9999

Subsidiaries are consolidated as from the acquisition date, when the Company takes control, and such consolidation continues until the date when Company ceases to be their controlling shareholder. The subsidiary's financial statements are prepared for the same reporting period used by the Company, under consistent accounting practices. All intercompany balances, revenues and expenses, as well as unrealized gains and losses arising from intercompany transactions are totally eliminated.

Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as transactions between shareholders, in equity.

Net income for the year is fully allocated to the controlling shareholders given that ownership interest held by noncontrolling interest holders corresponds to 0.0001% of the consolidated.

2.3 Functional currency

The interim financial statements are presented in Brazilian Reais (R$), which is the Company's functional currency. Each subsidiary determines its functional currency and financial statements for entities using functional currency other than the Brazilian Real are translated into reais at the balance sheet date.

2. Accounting practices--Continued

2.4 Transactions and balances in foreign currency

Transactions in foreign currency are initially recorded at the functional currency exchange rate effective on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into reais at the functional currency exchange rate of the balance sheet date. Currency translation differences are recognized in the income statement.

2.5 Revenue recognition

Revenue is recognized to the extent economic benefits are likely to flow to the Company and when it can be reliably measured. Revenue is measured at the fair value of the consideration received, net of sales discounts, rebates and related taxes or charges. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and eventually concluded that it has been operating as a principal in all its revenue agreements. The following specific criteria should also be satisfied before revenue recognition:

Sales of goods

Revenue from sales of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer, which generally occurs upon their delivery.

Royalty income

Royalty income is recognized on the accrual basis of accounting, based on the nature of applicable contracts.

Interest income

For all financial instruments measured at amortized cost and interest-yielding financial assets classified as available for sale, financial income or expense is recognized using the effective interest rate method, which exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Interest income is recognized under financial income, in the income statement.

2.6 Cash and cash equivalents

These include cash, banks and short-term investments redeemable within 90 days from the respective transaction dates and posing low risk of any change in market value. Short-term investments, in their majority, are classified as “financial assets measured at fair value through profit or loss”.

Arezzo Indústria e Comércio S.A.

2. Accounting practices--Continued

2.7 Trade accounts receivable

Trade accounts receivable represent amounts receivable from customers for sale of goods or services rendered in the Company's normal course of businesses and are stated at amortized cost and foreign market trade accounts receivable are restated at the exchange rates of the interim financial statement date. Trade accounts receivable are recognized as current whenever their realization is likely to occur within the following twelve months. Otherwise, they are stated as non-current assets.

The allowance for doubtful accounts was set up through individual analyses of receivables from default-risk customers at an amount considered sufficient by the Company's management to cover any losses on collection of accounts receivable.

2.8 Inventories

Inventories are carried at cost or net realizable value, whichever is lower. Costs incurred in bringing each product to its current location and conditions are accounted as follows:

Raw materials - purchase cost on average cost.

Finished goods and work in progress - costs of direct material, labor, and a proportion of the manufacturing overhead, based on normal operating capacity.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Provisions for slow moving or obsolete inventories are made when deemed necessary by management.

2.9 Investments in subsidiaries

The Company's investments in subsidiaries are accounted for under the equity method, in accordance with CPC 18, for purposes of Company individual interim financial statements.

Based on the equity method, investments in subsidiaries are accounted for in the balance sheet of the Company at cost, plus changes after the acquisition of ownership interest in the subsidiaries.

Equity investment in a subsidiary is stated in the income statement of the Company as equity pickup, representing the net earnings attributable to the Company's shareholders.

2. Accounting practices--Continued

2.9 Investments in subsidiaries--Continued

After applying the equity method for purposes of Company individual interim financial statements, the Company determines if recognition of loss from impairment of the Company's investment in its subsidiary is required. The Company determines, at each balance sheet date, if there is objective evidence that such investments have been impaired. If yes, the Company calculates the impairment loss as the difference between the recoverable amount of the subsidiary and its book value, and recognizes such amount in the Company's income statement.

2.10 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or build-up cost. Depreciation is calculated by the straight-line method at the rates mentioned in Note 14 which take into consideration the estimated useful lives of the assets, as follows:

	Average estimated useful life
Buildings	25 years
Facilities and showroom	10 years
Machinery and equipment	10 years
Furniture and fixture	10 years
Computers and peripherals	5 years
Vehicles	5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the carrying amount of the asset, and are classified in the income statement for the year in which the asset is derecognized.

During the year, the Company did not determine any indication that any property, plant and equipment items were carried at an amount greater than their recoverable amount, and consequently a provision for impairment loss was not necessary.

The net book value and useful life of the assets as well as the depreciation methods are reviewed at year end, and adjusted prospectively, when applicable.

Arezzo Indústria e Comércio S.A.

2. Accounting practices--Continued

2.11 Intangible assets

Intangible assets acquired separately are measured upon first-time recognition at acquisition cost and later deducted from accumulated amortization and impairment losses, when applicable.

Intangible assets are represented substantially by software use rights, trademarks and patents and store use rights.

The useful life of an intangible asset must be assessed as either finite or indefinite.

Finite-lived intangible assets are amortized over their economic useful lives and are tested for impairment whenever there is any indication of impairment loss. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization charges on finite-lived intangible assets are recognized in the income statement in the expense category consistent with the use of the intangible asset.

Indefinite-lived intangible assets are not amortized, but are submitted to annual impairment tests, either individually or at cash-generating-unit level. The useful life of an intangible asset having indefinite life is reviewed annually to determine whether indefinite life assessment remains supportable. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and classified in the income statement on disposal.

Research expenses are recorded as expense when incurred.

Arezzo Indústria e Comércio S.A.

2. Accounting practices--Continued

2.12 Impairment of non-financial assets

Management annually tests the net book value of the assets in order to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is found, and the net book value exceeds the recoverable amount, a provision for impairment is set up to adjust the net book value to the recoverable amount.

The recoverable amount of an asset or a cash generating unit is defined as the higher of value in use and fair value less costs to sell.

In estimating the value in use of an asset, estimated future cash flows are discounted to present value, using a pre-tax discount rate, reflecting the weighted average capital cost (WACC) for the industry in which the cash generating unit operates. The net sale price is determined, whenever possible, for firm sale contracts on an arm's length basis, between knowledgeable, willing parties, adjusted by costs to sell the asset, or, in the absence of firm sale contracts, based on the observable market price in an active market, or on the most recent transaction price involving similar assets.

2.13 Present value adjustment to assets and liabilities

Non-current monetary assets and liabilities are discounted to present value and so are current monetary assets and liabilities whenever the effects are considered significant on the interim financial statements taken as a whole.

The present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities. As such, the interest embedded in revenues, expenses and costs associated with these assets and liabilities is discounted in order to conform to the accrual method of accounting. This interest is subsequently reallocated to financial income and expenses in P&L through use of the effective interest rate method in relation to contractual cash flows.

The Company assesses the effect of this procedure periodically. For the quarter ended March 31, 2012, the Company was not engaged in transactions with qualifying non-current (or little significant current) monetary assets and liabilities.

2. Accounting practices--Continued

2.14 Provisions

General considerations

Provisions are recognized when the Company has a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, in an amount that can be reliably estimated.

Provisions for tax, civil and labor contingencies

The Company is a party to various legal and administrative proceedings. Provisions are recorded for all litigation contingencies, the settlement of which is likely to result in an outflow of economic benefits, in an amount that can be reliably estimated. Assessment of the likelihood of loss includes examination of available evidence, hierarchy of laws, available precedents, most recent court rulings and their relevance in the legal system, as well as the assessment of external legal advisors. Provisions are revised and adjusted considering changes in circumstances, such as applicable period of limitations, tax audit conclusions or additional exposures identified based on new court issues or decisions.

2.15 Taxation

Sales taxes

Revenues, expenses and assets are recognized net of sales taxes, except:

- when sales taxes levied on purchase of goods or services are not recoverable from tax authorities, case in which sales taxes are recognized as part of the acquisition cost of the asset or as an expense item, as applicable;

- when the amounts receivable or payable are presented jointly with the amount of sales taxes; and

- the net amount of sales taxes, recoverable or payable, is included as a component of amounts receivable or payable in the balance sheet.

Arezzo Indústria e Comércio S.A.

2. Accounting practices--Continued

2.15 Taxation--Continued

Sales taxes--Continued

The Company sales and service revenues are subject to the following taxes and social contributions at the statutory rates as under:

	Tax rates
ICMS - State Value-Added Tax	7.00% to 19.00%
COFINS - Social Contribution Tax on Gross Revenues for Social Security Financing	7.60%
PIS - Social Contribution Tax on Gross Revenue for Social Integration Program	1.65%

Sales are stated net of these taxes in the income statement.

Income and social contribution taxes - Current

Current tax assets and liabilities for last and prior years are measured at the estimated amount recoverable from or payable to tax authorities, and are stated in current or non-current assets, based on its estimated realization and/or settlement. Tax rates and laws used to calculate the amounts are those in force, or substantially in force, at the balance sheet date in the countries in which the Company operates and produces taxable income.

In Brazil, the main country in which the Company operates, income taxes comprise both income and social contribution taxes. Income tax is calculated at the rate of 15%, plus a surtax of 10% on taxable profit exceeding R$ 240 over 12 months, while social contribution is computed at 9% on taxable profit, both recognized on an accrual basis; as such, additions to book income, deriving from temporarily non-deductible expenses, or exclusions of temporarily non-taxable income, in the determination of current taxable profit, generate deferred tax assets or liabilities. Prepaid or recoverable amounts are stated in current or non-current assets, based on their estimated realization.

Current income and social contribution taxes on items directly recorded in equity are recognized in equity. Management periodically reviews the tax position in situations in which interpretation of tax regulations is required, recording relevant provisions when appropriate.

Arezzo Indústria e Comércio S.A.

2. Accounting practices--Continued

2.15 Taxation--Continued

Deferred taxes

Deferred taxes arise from temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book value. Deferred tax liabilities are recognized on all temporary tax differences, except:

- when a deferred tax liability arises upon initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and

- on temporary tax differences related to investments in subsidiaries, when the period for reversal of such differences can be controlled and the temporary differences are not likely to be reversed in the near future.

Deferred tax assets are recognized on all deductible temporary differences and unused tax credits and losses, to the extent that taxable profit will likely be available so that the deductible temporary differences can be realized, and unused tax credits and losses can be used, except:

- when a deferred tax asset related to the deductible temporary difference arises upon initial recognition of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and

- on deductible temporary tax differences related to investments in subsidiaries, deferred tax assets are recognized to the extent that deductible temporary differences will likely be reversed in the near future and taxable profit will likely be available so that the temporary differences can be used.

The book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent that taxable profits will not likely be available so that deferred tax assets can be used in total or in part. Deferred tax assets written off are reviewed at each balance sheet date and recognized to the extent that future taxable profits will likely allow recovery of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rate likely to be applicable in the year in which the asset or liability will be realized or settled, based on the tax rates (and tax law) in force at the balance sheet date.

Arezzo Indústria e Comércio S.A.

2. Accounting practices--Continued

2.15 Taxation--Continued

Deferred taxes--Continued

Deferred taxes related to items recognized directly in equity are also recognized in equity, rather than in the income statement. Deferred tax items are recognized based on the transaction that triggered the deferred tax, in other comprehensive income or directly in equity.

Deferred tax assets and liabilities will be stated net if there is a legal or contractual right to offset the tax assets against tax liabilities, and when the deferred taxes are related to the same corporate taxpayer and subject to the same tax authority.

2.16 Other employee benefits

The benefits granted to Company employees and management include, in addition to fixed compensation (salaries and Social Security Tax (INSS), vacation pay and 13th monthly salary), variable compensation amounts such as profit sharing. These benefits are recorded in the net income for the year when the Company has a liability accounted for on an accrual basis, as incurred.

2.17 Earnings per share

The Company calculates earnings per share based on the weighted average number of total common shares outstanding in the period corresponding to the net income in accordance with CPC 41 (IAS 33).

2.18 Cash flow statements and Statement of value added

Cash flow statements have been prepared by the indirect method and are presented in accordance with Technical Pronouncement CPC 03 R2 (IAS 7) – Cash Flow Statements, issued by CPC / IASB.

The statement of value added is not required under IFRS, and is presented herein as supplemental information to meet Brazilian Corporation Law requirements, in accordance with CPC 09 – Statement of Value Added. Its purpose is to show the wealth created during the period and how it was distributed among the different stakeholders who created it.

2. Accounting practices--Continued

2.19 Financial instruments--Continued

<u>First-time recognition and measurement</u>

Financial instruments are initially measured at fair value plus transaction costs directly attributable to their acquisition or issuance, except for financial instruments classified as measured at fair value through profit or loss, where such costs are charged directly to P&L.

Major financial assets recognized by the Company are: cash and cash equivalents, short-term investments and trade accounts receivable. These assets were classified as financial assets at fair value through profit or loss and loans and receivables.

Major financial liabilities recognized by the Company are: trade accounts payable, loans and financing and derivative financial instruments.

<u>Subsequent measurement</u>

Subsequent measurements of financial instruments occur at each balance sheet date according to rules established for each type of financial asset or liability classification into the following categories: financial assets and liabilities at fair value through profit or loss; held-to-maturity investments; loans and receivable; loans and financing; and financial assets available for sale.

The Company's financial assets and liabilities were classified into the following categories:

Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit or loss include financial instruments available for sale and financial assets and liabilities initially measured at fair value through profit or loss. They are classified as available for sale when acquired to be sold in the short run.

Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, and their corresponding gains or losses are recognized in the income statement. Interest, monetary adjustment, foreign exchange gains/losses and fluctuations arising from fair value measurement are recognized in profit or loss, as incurred.

2. Accounting practices--Continued

2.19 Financial instruments--Continued

Loans and receivables

Non-derivative financial assets with fixed or determinable payments which, however, are not traded in an active market. After first-time measurement, such financial assets are recorded at amortized cost, under the effective interest rate method (effective interest rate), less impairment. The amortized cost is calculated taking into consideration any discount or “premium” on acquisition and rates or costs incurred. Amortization under the effective interest rate method is included as financial income in income statements. Impairment losses are recognized as financial expense in income statements.

Loans and financing

After their first-time recognition, interest-bearing loans and financing are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement upon write-off of the liabilities, and during the amortization process under the effective interest rate method.

2.20 Derivative financial instruments

The Company uses Non-Deliverable Forwards (NDF) and Advances on Exchange Contracts (ACCs) as its main financial instrument to hedge against risks related to volatility of foreign currency rates with sales of goods to the foreign market.

These instruments are contracted by establishing the amount of funds in dollar to be released in future at a fixed rate. In the period from the instrument contract date and the funds release date, the Company recognizes these instruments at market value. Although these instruments have been contracted for hedging purposes, hedge accounting is not used to record these transactions and therefore, their effects are recorded in the income statement, as financial income or expenses.

2.21 Segment information

Due to the concentration of its activities on the development and marketing of women footwear, handbags and accessories, the Company is organized as a single business unit. The Company products are distributed under different brand names (Arezzo, Schutz, Alexandre Birman and Anacapri) and through different channels (franchises, multi-brand and own stores), however, they are controlled and managed by management as a single business segment, and the results therefrom are followed up, monitored and analyzed in an integrated manner.

2. Accounting practices--Continued

2.22 Leases

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Initial direct costs are also added to the amount capitalized, when applicable. Lease payments are allocated to finance charges less finance lease liabilities so as to achieve a constant rate of interest on the remaining liability balance. Financial charges are recognized in the income statements.

Leased assets are depreciated over their estimated useful life. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the leased asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

3. Significant accounting judgment, estimates and assumptions

Judgment

The preparation of the Company's individual and consolidated interim financial statements requires management to make judgments, estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities as of the reporting date. However, the uncertainty related to these assumptions and estimates could lead to results that would require significant adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and assumptions

Significant assumptions regarding sources of uncertainty in future estimates and other major sources of estimation uncertainty as at the balance sheet date, involving a significant risk that a material adjustment to the carrying amount of assets and liabilities may be required in the next financial year are discussed below.

3. Significant accounting judgment, estimates and assumptions--Continued

Estimates and premises--Continued

Impairment of non-financial assets

Impairment loss exists when the book value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The calculation of fair value less costs to sell the asset is based on available information about sales of similar assets or observable market prices less additional costs to sell the asset. Value in use is calculated using the discounted cash flow method. Cash flows derive from the budget for the next five years and do not include reorganization activities which the Company has not yet been committed to or significant future investments that will improve the asset base of the cash generating unit tested. The recoverable amount is sensitive to the discount rate used by the discounted cash flow method, as well as to expected future cash receipts and the growth rate used to extrapolate cash flow projections.

Taxes

There are uncertainties regarding the interpretation of complex tax regulations and the value and time of future taxable income. Based on reasonable estimates, the Company records provisions for contingencies that may arise as a result of tax audits by competent authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and differing interpretations of tax regulations by the taxable entity and by the competent tax authority. These different interpretations may arise in a wide range of issues, depending on the prevailing conditions in the respective domicile of the Company.

Significant judgment by Management is required to determine the value of deferred tax assets that can be recognized based on the probable term and level of future taxable profits together with future tax planning strategies.

The effective rate expected at the end of fiscal year 2012 is consistent with the effective rate for the period of these financial statements, and the Company does not expect significant variations.

Fair value of financial instruments

When fair value of financial assets and liabilities presented in the balance sheet cannot be obtained in active markets, it is determined by using valuation techniques, including the discounted cash flow method. These methods use observable market data, whenever possible; otherwise, a given judgment call is required in order to determine the fair value. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Significant accounting judgment, estimates and assumptions--Continued

Estimates and premises--Continued

Provisions for tax, civil and labor contingencies

The Company recognizes a provision for all cases in which the likelihood of loss is rated as probable. Assessment of the likelihood of loss includes examination of available evidence, hierarchy of laws, available precedents, most recent court decisions and their significance in the underlying legal system, as well as the assessment of external legal advisors. Provisions are revised and adjusted considering changes in circumstances, such as applicable period of limitations, tax audit conclusions or additional exposures identified based on new court issues or decisions.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the interim financial statements due to uncertainties inherent in the estimate process. The Company reviews the estimates and assumptions at least on a quarterly basis.

4. New IFRS and interpretations issued by IFRIC (International Financial Reporting Interpretations Committee under IASB)

a) Current standards and interpretations effective

New accounting pronouncements issued by the IASB and IFRIC interpretations have been published and/or revised and the effective date for their mandatory adoption is beginning January 1, 2011 and 2012. First-time adoption of these new pronouncements and interpretations had no impact on the financial statements of the Company. Below is the Company management's analysis of these new pronouncements and interpretations:

IAS 24 Disclosure Requirements for Government-related Entities and Definition of a Related Party (Revised) - The revised IAS 24 simplifies the disclosure requirements of government-related entities and clarifies the definition of a related party. The revised standard addresses aspects that, according to previous disclosure requirements and definition of related party, were far too complex and difficult to apply in practice, especially in environments where government control is pervasive, thereby providing a partial exemption for government-related entities and a revised definition of a 'related party' concept. This amendment was issued in November 2009, and is effective for annual periods beginning on or after January 1, 2011. This change had no impact on the consolidated financial statements of the Company.

4. New IFRS and interpretations issued by IFRIC (International Financial Reporting Interpretations Committee under IASB)--Continued

a) Current standards and interpretations effective--Continued

IFRIC 14 Prepayments of a Minimum Funding Requirement - The amendment corrects an unintended consequence of IFRIC 14. This amendment applies only in those situations where an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits this entity to treat the benefit of such an early payment as an asset. This amendment is effective for annual periods beginning on or after January 1, 2011, and had no impact on the consolidated financial statements of the Company.

IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (as revised in 2011) - The amendment to this standard addresses aspects related to presentation of items of other comprehensive income (OCI) in the financial statements and generates the need to separately disclose the items that will not be reclassified to P&L in the future from those that may be reclassified to P&L in the future. This amendment had no impact on the Company consolidated financial statements.

IAS 12 Income Tax – Recovery of Underlying Assets - This amendment clarifies the determination of deferred income tax on investment properties measured at fair value in accordance with IAS 40. This amendment had no impact on the Company consolidated financial statements.

IAS 19 Employee Benefits (as revised in 2011) - The amendment to this standard addresses aspects related to accounting for and disclosure of employee benefits. This amendment had no impact on the Company consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements (as revised in 2011) - As a result of the recently issued IFRS 10 and IFRS 12, IAS 27 has been limited to focusing on accounting for subsidiaries, jointly-controlled entities and associates in separate financial statements. The Company will initiate an assessment process to identify whether or not this standard will have any impact on its financial statements. This amendment had no impact on the Company consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) - As a result of the recently issued IFRS 11 and IFRS 12, IAS 28 has been amended and is now IAS 28 Investments in Associates and Joint Ventures, describing how the equity method applies to investments in joint ventures, in addition to investments in associates. This amendment had no impact on the Company consolidated financial statements.

4. New IFRS and interpretations issued by IFRIC (International Financial Reporting Interpretations Committee under IASB)--Continued

a) Current standards and interpretations effective--Continued

IFRS 7 Financial Instruments: Disclosure - Further Disclosures on Derecognition - This amendment enhances disclosures about transferred financial assets that are not derecognized to allow users of financial statements to have a better understanding of the transactions with those assets that are not derecognized and of their corresponding liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized financial assets to allow users of its financial statements to evaluate the nature of the entity's continuing involvement in these derecognized assets, and the extent of associated risks. The Company will initiate an assessment process to identify whether or not this standard will have any impact on its financial statements. This amendment had no impact on the Company consolidated financial statements.

b) Accounting standards and interpretations issued but not yet effective effective

The following standards will become effective for annual periods beginning on or after January 1, 2013:

IFRS 9 Financial Instruments - Classification and Measurement – IFRS 9 completes the first part of the project to replace "IAS 39 Financial Instruments: Recognition and Measurement". IFRS 9 uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value. The new approach is based on how the entity manages its financial instruments (its business model) and the typical contractual cash flow of the financial assets. The standard also requires the adoption of a single approach to determine impairment loss. This standard is effective for annual periods beginning on or after January 1, 2013. Management does not anticipate any impact therefrom on the financial statements of the Company.

IFRS 10 Consolidated financial statements – It introduces a new control definition, which is used to determine which entities are consolidated and describes the consolidation procedures. This standard does not change the manner of consolidation, but introduces a new control definition and, consequently, the investments that are to be consolidated depending on new valuation criteria (for instance, control over relevant activity). This standard was issued in the second quarter of 2011, being effective for annual periods beginning on or after January 1, 2013. Management does not anticipate any impact therefrom on the financial statements of the Company.

4. New IFRS and interpretations issued by IFRIC (International Financial Reporting Interpretations Committee under IASB)--Continued

b) Accounting standards and interpretations issued but not yet effective--Continued

IFRS 11 Joint arrangements – It describes accounting of investments under common control; proportional consolidation is not allowed for joint ventures. IFRS currently allow proportional consolidation – line by line - of "joint ventures" or recording thereof by the equity method. Proportional consolidation will no longer be allowed with adoption of IFRS 11. This standard was issued in the second quarter of 2011, being effective for annual periods beginning on or after January 1, 2013. Management does not anticipate any impact therefrom on the financial statements of the Company.

IFRS 12 Disclosure of investments in other entities – It introduces new disclosure requirements related to investments in subsidiaries, joint-ventures, affiliates and "structured entities". This standard was issued in the second quarter of 2011, being effective for annual periods started on or after January 1, 2013. Although this standard does not impact recording or measurement of investments, the Company expects that certain additional disclosures may be necessary in order to fully meet the disclosure requirements of this standard.

IFRS 13 Fair value measurement – It provides new guidelines about how to measure fair value. This standard does not change the current fair value measurement requirements in IFRS, but introduces new disclosure requirements and guidelines in relation to the manner of measuring assets and liabilities at fair value when allowed or required by current IFRS. This standard was issued in the second quarter of 2011, being effective for years started on or after January 1, 2013. Management will evaluate the impact of this new IFRS standard on its policies and procedures for fair value measurement and disclosure.

There are no other standards and interpretations issued but not yet adopted that may, in management's opinion, have a significant impact on P&L or equity disclosed by the Company.

5. Cash and cash equivalents

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Cash and cash equivalents	5,138	6,217	6,213	15,528
	5,138	6,217	6,213	15,528

Cash equivalents are held to meet short-term cash commitments not for investment or other purposes.

Arezzo Indústria e Comércio S.A.

6. Short-term investments

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Current				
Fixed-income (a)	**160,528**	**157,901**	**160,528**	**158,022**
Non-current				
Capitalization fund	**-**	**-**	**88**	**79**
Total short-term investments	**160,528**	**157,901**	**160,616**	**158,101**

(a) These include Bank Deposit Certificates (CDBs) and investments in marketable securities.

At March 31, 2012, average remuneration for the investment fund is 102.5% of the Interbank Deposit Certificate (CDI) rate. Fund assets are comprised of 12% Financial Treasury Bills (LFT) and 76% in daily liquid assets.

The Company has financial investment policies determining that investments will be concentrated on low-risk securities and investments in top-tier banks (understood as Brazil's 10 top-tier banks), substantially corresponding to investments remunerated at the CDI rate.

Of total short-term investments, R$ 5,729 (R$ 5,589 in 2011) were given in guarantee for surety bond transactions contracted with financial institutions.

7. Trade accounts receivable

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Trade notes receivable – customers	**143,073**	**141,612**	**149,106**	**147,273**
Trade notes receivable – related parties (Note 12.a)	**13,202**	**24,215**	**-**	**-**
Checks	**24**	**37**	**888**	**1,209**
Credit card	**1,269**	**2,038**	**24,057**	**31,563**
	157,568	**167,902**	**174,051**	**180,045**
(-) Allowance for doubtful accounts	**(431)**	**(431)**	**(456)**	**(456)**
	157,137	**167,471**	**173,595**	**179,589**

The Company's sale policies are subordinate to the credit policies set by management and seek to minimize any customer default problems. It is important to highlight that the retail sector has transactions predominantly represented by credit cards and transactions from sales representatives and distributors, with a structured business relationship with the Company (franchises), are represented by "Trade notes receivable - customers".

7. Trade accounts receivable--Continued

Changes in the allowance for doubtful accounts are stated as follows:

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Balances at the beginning of the period	(431)	(500)	(456)	(524)
Additions	-	(13)	-	(14)
Recoveries/realization	-	82	-	82
Balance at the end of the period	(431)	(431)	(456)	(456)

The aging list of accounts receivable is as follows:

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Falling due	155,621	166,733	171,961	178,655
Overdue by 30 days	213	311	331	335
Overdue from 31 to 60 days	318	213	318	239
Overdue from 61 to 90 days	745	77	745	94
Overdue from 91 to 180 days	204	103	204	144
Overdue from 181 to 360 days	36	34	36	147
Overdue for more than 360 days	431	431	456	431
	157,568	167,902	174,051	180,045

Of total accounts receivable, R$ 25,841 (R$ 25,670 at December 31, 2011) were given in guarantee for surety bond transactions contracted with financial institutions.

8. Inventories

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Materials and supplies	6,861	5,127	13,360	12,440
Goods in process	2,332	-	7,341	5,525
Finished goods	23,197	15,302	42,144	36,006
Advances to suppliers	3,018	2,475	3,393	3,417
Provision for losses	(139)	(4)	(139)	(4)
	35,269	22,900	66,099	57,384

Items in storeroom mainly refer to raw materials intended for development of new types of products and collections. Goods in process mainly refers to footwear that is being manufactured by Company and subsidiary ZZSAP. Finished goods mainly refer to inventories of footwear and handbags for the formation of strategic stocks to enable immediate replacement to customers and trading at the Company's own stores.

Inventories are periodically scanned for obsolete items, which are then incinerated and the loss is recorded in the accounts.

Arezzo Indústria e Comércio S.A.

8. Inventory--Continued

Changes in the provision for losses are as follows:

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Balance at the beginning of the period	(4)	(22)	(4)	(22)
Additions	(282)	(843)	(282)	(843)
Recoveries/realization	147	861	147	861
Balance at the end of the period	(139)	(4)	(139)	(4)

9. Taxes recoverable

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
ICMS recoverable	2,103	4,154	2,896	4,448
Prepaid IRPJ	3,464	2,666	4,688	3,847
Prepaid CSLL	965	822	1,420	1,261
Other	419	341	1,080	993
	6,951	7,983	10,084	10,549
Current	6,601	7,625	9,734	10,191
Non-current	350	358	350	358

10. Other receivables

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Prepaid expenses	262	310	361	325
Advances to employees	115	492	219	806
Advances to suppliers	1,276	1,006	3,386	2,256
Advances for business travel	458	308	461	312
Advance for advertising fund	3,367	6,902	3,367	6,903
Other receivables	1,560	1,019	3,054	1,566
	7,038	10,037	10,848	12,168
Current	6,442	9,548	10,244	11,662
Non-current	596	489	604	506

Arezzo Indústria e Comércio S.A.

10. Other receivables--Continued

Advance for advertising fund

In order to advertise and promote the Arezzo Franchise Chain nationally, franchisees agree to allocate a percentage of their gross revenue from sales to a national advertising fund, known as the “Arezzo Chain Cooperative Advertising and Promotion Fund”. The amounts corresponding to this percentage are deposited every month by the franchisees and allocated to the development of marketing and publicity strategies including advertising and promotion performed to build the profile of the Arezzo Franchise Chain, the costs of service providers that create and develop advertising campaigns, as well as any other activity related to advertising and promotion in Brazil. The amounts collected are managed by the franchisor and accountability for their use is rendered on an annual basis. Over the year, the Company makes prepayments to honor its total advertising fund commitments.

11. Income and social contribution taxes

a) Deferred taxes

Deferred Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) are calculated on IRPJ and CSLL tax losses and corresponding temporary differences between the tax calculation bases on assets, liabilities and carrying amounts in the financial statements. The tax rates currently defined for calculation of deferred taxes are 25% for income tax and 9% for social contribution tax.

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Tax credits - from merger (i)	13,935	13,935	13,935	13,935
(-) Tax amortization	(10,683)	(9,987)	(10,683)	(9,987)
Tax credits - from merger (ii)	7,535	7,535	7,535	7,535
(-) Tax amortization	(3,391)	(3,014)	(3,391)	(3,014)
Deferred income and social contribution taxes from merger	7,396	8,469	7,396	8,469
Deferred income and social contribution taxes on temporary differences (iii)	2,569	1,065	3,077	1,543
Total deferred income and social contribution taxes	9,965	9,534	10,473	10,012

Arezzo Indústria e Comércio S.A.

11. Income and social contributions taxes--Continued

a) Deferred taxes--Continued

(i) Goodwill due to the expectation of future profitability stems from the capital increase that BRICS made in Arezzo at a market value determined by independent experts. The capital was subsequently merged by Arezzo through a downstream merger, net of the provision for the rectification of goodwill provided by CVM Ruling No. 319/99 that, in essence, represents the tax benefit stemming from the deductibility of that goodwill. The merged net assets will be amortized in both accounting and tax records over an estimated term of five years and matched against the special goodwill reserve account to be transferred to the capital account to the benefit of the shareholders upon total realization of the tax benefit.

(ii) Goodwill due to the expectation of future profitability stems from the merger by Arezzo of assets through the spin-off of FIGEAC Holdings S.A. (“FIGEAC”), net of the provision provided by CVM Ruling No. 319/99 that, in essence, represents the tax benefit stemming from the deductibility of that goodwill. The merged net assets will be amortized in both accounting and tax records over an estimated term of five years and matched against the special goodwill reserve account to be transferred to the capital account to the benefit of the shareholders upon total realization of the tax benefit.

(iii) Deferred tax asset stems from deductible temporary differences, mainly on provisions for labor, tax and civil contingencies.

Deferred income tax asset reconciliation is as follows:

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Opening balance	9,534	13,996	10,012	14,449
Tax credit on share issue costs	-	4,804	-	4,804
Income tax expense in income statement	431	(9,266)	461	(9,241)
	9,965	9,534	10,473	10,012

The studies and projections made by Company management indicate the generation of taxable future profit at an amount that allows for the offset of future tax credits over the next few years.

Based on the projection of future taxable profit, the estimate for recoverability of the deferred income and social contribution taxes (Company and consolidated) is stated as follows:

	Company	Consolidated
	3/31/2012	12/31/2011
2012	5,172	5,340
2013	2,977	3,147
2014	1,816	1,986
Total	9,965	10,473

Arezzo Indústria e Comércio S.A.

11. Income and social contributions taxes--Continued

b) Reconciliation between the income and social contribution tax expenses at the statutory and effective rates

The reconciliation between the income and social contribution tax expenses at the statutory and effective rates is as follows:

	Company		Consolidated	
	3/31/2012	3/31/2011	3/31/2012	3/31/2011
Income before income (IRPJ) and social contribution (CSLL) taxes	**15,666**	20,895	**15,636**	21,321
Statutory rate	**34%**	34%	**34%**	34%
Expected IRPJ and CSLL expenses at statutory rate	**(5,326)**	(7,104)	**(5,316)**	(7,249)
Effect of IRPJ and CSLL on permanent differences:				
Tax benefit on expenses with research and technological innovation - Law No. 11196/05	**813**	885	**813**	885
Equity pickup	**(345)**	(160)	**-**	-
Other permanent differences	**44**	212	**(281)**	(229)
Income and social contribution taxes in the income statement	**(4,814)**	(6,167)	**(4,784)**	(6,593)
Current	**(5,245)**	(1,493)	**(5,245)**	(1,967)
Deferred	**431**	(4,674)	**461**	(4,626)
Total	**(4,814)**	(6,167)	**(4,784)**	(6,593)
Effective rate - %	**30.73%**	29.52%	**30.60%**	30.92%

12. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling interest holders

	3/31/2012						
	Current assets	**Non-current assets**		**Current liabilities**	**Non-current liabilities**	**Transactions**	
Company	**Accounts receivable**	**Credits**	**Loans**	**Trade accounts payable**	**Loans**	**Revenue**	**Purchase**
Subsidiaries							
Arezzo & Co International	**-**	**6,658**	**367**	**4**	**-**	**131**	**4**
ZZAB Comércio de Calçados Ltda.	**12,810**	**-**	**4,678**	**215**	**-**	**13,796**	**20**
ZZAF Indústria e Comércio de Calçados Ltda.	**-**	**-**	**-**	**-**	**-**	**10**	**187**
ZZSAP Indústria e Comércio de Calçados Ltda.	**392**	**-**	**3**	**-**	**-**	**36**	**22,130**
Total Company	**13,202**	**6,658**	**5,048**	**219**	**-**	**13,973**	**22,341**
Consolidated							
Controlling interest holders							
Shareholders	**-**	**-**	**-**	**-**	**879**	**-**	**-**

Arezzo Indústria e Comércio S.A.

12. Balances and transactions with related parties--Continued

a) Balances and transactions with subsidiaries and controlling interest holders--Continued

	12/31/2011					3/31/2011	
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
Company	**Accounts receivable**	**Credits**	**Loans**	**Trade accounts payable**	**Loans**	**Revenue**	**Purchase**
Subsidiaries							
Arezzo & Co International	-	6,701	-	-	-	1,055	-
Schutz Shoes Design	-	-	1	-	-	-	-
Shoes For U Comércio de Calçados e Acessórios Ltda.	-	-	1	-	-	-	-
ZZAB Comércio de Calçados Ltda.	8,839	-	-	253	-	6,973	-
ZZAF Indústria e Comércio de Calçados Ltda.	-	-	1,380	2,461	-	21	10,264
ZZARIO Comércio de Calçados Ltda.	11,648	-	2,714	20	-	1,915	-
ZZCAPRI Comércio de Calçados Ltda.	3,369	-	200	7	-	(40)	4
ZZSAP Indústria e Comércio de Calçados Ltda.	359	-	3	7,845	-	-	34,267
Total Company	24,215	6,701	4,299	10,586	-	9,924	44,535
Consolidated							
Controlling interest holders							
Shareholders	-	-	-	-	905	-	-

b) Nature, terms and conditions of transactions – Subsidiaries

The Company's transactions with related parties are carried out under commercial and financial conditions mutually agreed between the parties concerned. The most common transaction is the sale of the Company footwear and accessories (Company) to ZZAB store (subsidiary) in 2012, and to ZZAB, ZZARIO and ZZCAPRI stores in 2011, and the acquisition of footwear from manufacturers ZZAF and ZZSAP (subsidiaries).

The sales transactions performed by these related parties are in accordance with specific pricing policies and terms established between the parties. Days sales outstanding (DSO) for related parties is 86 days, while days purchases outstanding (DPO) by related parties is 1 day.

Except for loans, the balances receivable from related parties have specific maturity dates. Loans receivable, and dividends payable, if any, are restated based on the long-term interest rate (TJLP) variation, plus interest of 2.5% per year.

Arezzo Indústria e Comércio S.A.

12. Balances and transactions with related parties--Continued

c) Management compensation

Management compensation is through management fees and profit sharing. At March 31, 2012, Company's management compensation related to short-term benefits (management fees and profit sharing) totaled R$ 976 (R$ 3,108 at December 31, 2011), as follows:

	3/31/2012	3/31/2011
Annual fixed compensation Salary / Management fees	761	596
Variable compensation Bonus	215	-
Total compensation	**976**	**596**

The Company and its subsidiaries do not grant post-employment benefits, severance pay packages or other long-term benefits to its management and employees.

d) Guarantees

The Company is the guarantor of a lease agreement entered into in November 2009 by its subsidiary ZZSAP, in the amount of R$ 115 (R$ 125 at December 31, 2011).

e) Transactions or relations with shareholders

The Company has a lease agreement on the property where its registered offices are located in the municipality of Campo Bom, Rio Grande do Sul State, which is owned by a company having as member one of its shareholders (Mr. Anderson Lemos Birman). The rent paid in the quarter ended March 31, 2012 was R$ 32 (R$ 22 at March 31, 2011). The agreement is effective for 60 months and the amounts are restated by reference to the General Market Price Index (IGP-M) every 12 months.

Certain Company directors hold directly a total 52.8% interest in the Company at March 31, 2012.

f) Transactions with other related parties

The Company has a legal advisory service agreement in the civil, labor and tax areas with Escritório de Advocacia Procópio de Carvalho owned by Mr. José Murilo Procópio de Carvalho, a member of the Company's Board of Directors, as well as with Ethos Desenvolvimento S/C Ltda, owned by Mr. José Ernesto Beni Bolonha, who renders human resources management consulting services and who is also a member of the Company's Board of Directors. In the quarter ended March 31, 2012, these companies received R$ 232 and R$ 101 (R$ 337 and R$ 124 at March 31, 2011), respectively.

Arezzo Indústria e Comércio S.A.

13. Investments

Description	Capital	Adjusted equity	Income for the period	% interest	Investments/Provision for capital deficiency 3/31/2012	Investments/Provision for capital deficiency 12/31/2011	Equity pickup 3/31/2012	Equity pickup 3/31/2011
ZZAB Com.de Calçados Ltda.	60,657	73,321	(38)	99.99	**73,321**	49,558	**(38)**	(619)
ZZARIO Com.de Calçados Ltda. (*)	-	-	-	99.99	**-**	6,853	**-**	(627)
ZZCAPRI Com.de Calçados Ltda. (*)	-	-	-	99.99	**-**	1,948	**-**	(225)
ZZSAP Ind.e Com.de Calçados Ltda.	591	10,045	(273)	99.99	**10,045**	10,320	**(273)**	663
ZZAF Ind.e Com.de Calçados Ltda. (***)	350	-	(65)	99.99	**-**	3,806	**(65)**	198
Allmaness Calçados Ltda. (**)	-	-	-	99.99	**-**	165	**-**	2
Schutz Shoes Design Exp.e Imp.de Calç. Ltda. (**)	-	-	-	99.99	**-**	507	**-**	(23)
Shoes For U Com.de Calçados e Acessórios Ltda. (**)	-	-	-	99.99	**-**	1	**-**	-
Investments					**83,366**	73,158	**(376)**	(631)
Arezzo & Co International	110	(3,770)	(638)	99.99	**(3,770)**	(3,132)	**(638)**	160
Provision for capital deficiency					**(3,770)**	(3,132)	**(638)**	160
					79,596	70,026	**(1,014)**	(471)

(*) Merged in January 2012 into ZZAB Com. de Calçados Ltda.
(**) Operating companies whose activities have been suspended and were merged in February 2012 by the Company.
(***) Merged in February 2012 by the Company.

	Company 3/31/2012	Company 12/31/2011
Balance at the beginning of period, net of allowance for losses	**70,026**	**41,550**
Payment of capital	**15,000**	**24,553**
Merger of subsidiaries (Note 1)	**(4,416)**	**-**
Equity pickup	**(1,014)**	**3,923**
Balance at the beginning of period, net of allowance for losses	**79,596**	**70,026**

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

13. Investments--Continued

Capital increase:

At November 8, 2011, the Company made a capital increase in its subsidiaries in the amount of R$ 24,553, as follows:

	R$
ZZAB Comércio de Calçados Ltda.	20,801
ZZARIO Comércio de Calçados Ltda.	1,381
ZZCAPRI Comércio de Calçados Ltda.	650
Shoes For U Comércio de Calçados e Acessórios Ltda.	650
Schutz Shoes Design Comércio de Calçados Ltda.	1,071
	24,553

Cash capital contribution	10,654
Credit capital contribution	13,899

In the quarter ended March 31, 2012, subsidiary ZZAB increased its capital by R$ 23,818 as follows:

	R$
Cash capital contribution	15,000
Merger of ZZARIO	6,866
Merger of ZZCAPRI	1,952
	23,818

14. Property, plant and equipment

Details of the Company property, plant and equipment are set out as follows:

Company:

	Computers and peripherals	Furniture and fixture	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
Gross cost							
Balance in 12/31/2011	4,002	2,299	1,757	3,995	57	1,501	13,611
Mergers	73	65	1,060	170	19	-	1,387
Acquisitions	95	397	218	2,368	-	-	3,078
Write-offs	-	-	-	-	-	-	-
Balance in 3/31/2012	**4,170**	**2,761**	**3,035**	**6,533**	**76**	**1,501**	**18,076**
Accumulated depreciation							
Balance in 12/31/2011	(2,357)	(1,147)	(683)	(1,093)	(28)	-	(5,308)
Mergers	(34)	(26)	(493)	(86)	(17)	-	(656)
Depreciation	(134)	(75)	(37)	(94)	(1)	-	(341)
Write-offs	-	-	-	-	-	-	-
Balance in 3/31/2012	**(2,525)**	**(1,248)**	**(1,213)**	**(1,273)**	**(46)**	**-**	**(6,305)**
Net book value							
Balance in 12/31/2011	1,645	1,152	1,074	2,902	29	1,501	8,303
Balance in 3/31/2012	1,645	1,513	1,822	5,260	30	1,501	11,771

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

14. Property, plant and equipment--Continued

Consolidated:

	Computers and peripherals	Furniture and fixture	Machinery and equipment	Facilities and showroom	Buildings	Vehicles	Land	Total
Gross cost								
Balance in 12/31/2011	**5,137**	**7,062**	**7,307**	**19,612**	**530**	**123**	**2,001**	**41,772**
Acquisitions	167	699	408	7,116	-	-	-	8,390
Write-offs	-	-	-	-	-	-	-	-
Balance in 3/31/2012	**5,304**	**7,761**	**7,715**	**26,728**	**530**	**123**	**2,001**	**50,162**
Accumulated depreciation								
Balance in 12/31/2011	**(2,717)**	**(1,996)**	**(3,052)**	**(3,534)**	**(89)**	**(91)**	**-**	**(11,479)**
Depreciation	(188)	(196)	(132)	(534)	(5)	(1)	-	(1,056)
Write-offs	-	-	-	-	-	-	-	-
Balance in 3/31/2012	**(2,905)**	**(2,192)**	**(3,184)**	**(4,068)**	**(94)**	**(92)**	**-**	**(12,535)**
Net book value								
Balance in 12/31/2011	**2,420**	**5,066**	**4,255**	**16,078**	**441**	**32**	**2,001**	**30,293**
Balance in 3/31/2012	**2,399**	**5,569**	**4,531**	**22,660**	**436**	**31**	**2,001**	**37,627**

Given the significance of PPE to their overall interim financial statements, the Company and its subsidiaries assessed the useful life of these assets and concluded that there were no significant adjustments or changes to be recognized at March 31, 2012.

15. Intangible assets

Details of intangible assets and changes in the balances of this group of accounts are set out as follows:

Company:

	Trademarks and patents	Store use rights	System use rights	Total
Gross cost				
Balance in 12/31/2011	**2,623**	**125**	**9,981**	**12,729**
Mergers	2	-	9	11
Acquisitions	3	-	472	475
Write-offs	-	-	-	-
Balance in 3/31/2012	**2,628**	**125**	**10,462**	**13,215**
Accumulated amortization				
Balance in 12/31/2011	**-**	**-**	**(5,493)**	**(5,493)**
Mergers	-	-	(2)	(2)
Amortization	-	-	(335)	(335)
Write-offs	-	-	-	-
Balance in 3/31/2012	**-**	**-**	**(5,830)**	**(5,830)**
Net book value				
Balance in 12/31/2011	**2,623**	**125**	**4,488**	**7,236**
Balance in 3/31/2012	**2,628**	**125**	**4,632**	**7,385**
Average estimated useful life	Indefinite	Indefinite	5 years	

Arezzo Indústria e Comércio S.A.

15. Intangible assets--Continued

Consolidated:

	Trademarks and patents	Store use rights	System use rights	Total
Gross cost				
Balance in 12/31/2011	2,722	23,536	10,564	36,822
Acquisitions	3	8,446	498	8,947
Write-offs	-	(414)	-	(414)
Balance in 3/31/2012	**2,725**	**31,568**	**11,062**	**45,355**
Accumulated amortization				
Balance in 12/31/2011	-	-	(5,681)	(5,681)
Amortization	-	-	(361)	(361)
Write-offs	-	-	-	-
Balance in 3/31/2012	**-**	**-**	**(6,042)**	**(6,042)**
Net book value				
Balance in 12/31/2011	**2,722**	**23,536**	**4,883**	**31,141**
Balance in 3/31/2012	**2,725**	**31,568**	**5,020**	**39,313**
Average estimated useful life	Indefinite	Indefinite	5 years	

Finite life intangible assets refer to software and license use rights acquired from third parties and are amortized on a straight-line basis over their estimated useful life, matched against the general and administrative expenses account.

Indefinite life intangible assets refer to trademarks and patents and store use rights, the latter corresponding to expenses incurred by the Company in connection with use of stores located in leased commercial properties.

The amount of R$ 2,391, referring to expenses with research and development of new Company products, was charged against net income for the quarter ended March 31, 2012, Company and consolidated (R$ 3,667 at March 31, 2011).

Impairment test of indefinite life intangible assets

The impairment test of the intangible assets did not require recognition of loss for the year ended December 31, 2011 since their estimated value in use is greater than the net carrying amount as of the measurement date. In preparing these interim financial statements, the Company assessed the existence of factors that may have an impact on its assets value and did not identify any impairment.

Arezzo Indústria e Comércio S.A.

16. Loans and financing

Loans and financing can be summarized as follows:

	Company		Consolidated	
	3/31/2012	**12/31/2011**	**3/31/2012**	**12/31/2011**
Working capital				
Banco do Brasil (FINAME)	**31**	**34**	**31**	**34**
Advances on Exchange Contract (ACC)	**10,068**	**16,909**	**10,068**	**16,909**
FINEP	**20,512**	**21,507**	**20,512**	**21,507**
Other	**117**	**84**	**233**	**209**
	30,728	**38,534**	**30,844**	**38,659**
Current	**14,029**	**20,845**	**14,059**	**20,885**
Non-current	**16,699**	**17,689**	**16,785**	**17,774**

Interest rates and charges incurred on loans are the following:

(i) FINEP: Rate of 5.25% per year, or indexed to TJLP, when this rate is greater than 6% per year;

(ii) Other: 1.37% per month;

(iii) Advances on Exchange Contract (ACC): denominated in USD, based on foreign exchange change plus average rate of 2.72% per year.

<u>Loan agreement maturities</u>

- Banco do Brasil S/A: monthly installments with final maturity in August 2015;
- Other: final amortization term in January 2015; and
- FINEP: maturity in August 2017 and July 2018.

At March 31, 2012, non-current loans and financing mature as follows:

	Company	**Consolidated**
2013	3,836	3,879
2014	3,836	3,879
2015	3,833	3,833
After 2016	5,194	5,194
Total	16,699	16,785

Loans are guaranteed by collateral signatures of majority shareholders and also surety bonds and do not have covenants on financial ratios.

Arezzo Indústria e Comércio S.A.

16. Borrowings and financing--Continued

Credit facilities

At November 14, 2011, the Company has a credit facility with FINEP, in the amount of R$ 27,366, not yet used.

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with the Banco do Nordeste do Brasil S.A., in order to maintain credit facilities intended for Arezzo franchisees in business ventures within the bank's area of operations. Using funds of the Constitutional Northeast Region Finance Fund (FNE) for financing used in the modernization of its stores in accordance with the standards established by the Company as well as for costs associated with its operations and working capital requirements, if necessary.

The Company is guarantor of these transactions through a bank guarantee letter issued by Banco ABN Amro Real S.A. At March 31, 2012, the amount guaranteed by the Company under this agreement is R$ 257 (R$ 312 at December 31, 2011).

17. Trade accounts payable

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Domestic suppliers	43,056	16,427	54,818	36,988
Related parties (Note 12.a)	219	10,586	-	-
Foreign suppliers	1,308	298	1,308	298
	44,583	27,311	56,126	37,286

18. Labor liabilities

The balances of salaries and related charges payable are broken down as follows:

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Salaries payable	1,251	4,312	2,897	6,475
Accrued vacation pay and related charges	3,484	3,177	6,423	5,676
	4,735	7,489	9,320	12,151

Arezzo Indústria e Comércio S.A.

19. Special Installment Payment Program

Subsidiary ZZSAP joined the Special Installment Payment Program (PAES), governed by Law No. 10684 dated May 30, 2003, enrolling a substantial part of its tax debts maturing up to July 15, 2003. In accordance with that legislation, companies participating in the program must make regular payments of monthly installments and may be excluded from the program if these payments are delayed for three consecutive months or six alternate months, whichever occurs first.

The agreed-upon installments have been paid on time. Accordingly, ZZSAP records monthly expenses of approximately R$16, thereby making payments in accordance with the conditions provided for in the Special Installment Payment Program.

20. Provisions for labor, tax and civil contingencies

The Company and its subsidiaries are parties to legal and administrative proceedings arising in the normal course of business, on tax, social security, labor and civil matters. Management, based on information provided by its legal counsel and analysis of ongoing litigation, set up a provision in an amount deemed sufficient to cover probable losses for those cases assessed as involving probable unfavorable outcome and related to judicial deposits, as follows:

	Company							
	Balance 12/31/2010	Additions/ Restatements	Reversals/ Payments	Balance 12/31/2011	Merger	Additions/ Restatements	Reversals/ Payments	Balance 3/31/2012
Civil	927	42	(327)	642	-	209	-	851
Labor	2,367	2,026	(2,323)	2,070	104	14	(311)	1,877
Provision for contingencies	**3,294**	**2,068**	**(2,650)**	**2,712**	**104**	**223**	**(311)**	**2,728**
Legal deposit	(2,266)	(1,841)	205	(3,902)	-	(426)	52	(4,276)
Total	**1,028**	**227**	**(2,445)**	**(1,190)**	**104**	**(203)**	**(259)**	**(1,548)**

	Consolidated						
	Balance 12/31/2010	Additions/ Restatements	Reversals/ Payments	Balance 12/31/2011	Additions/ Restatements	Reversals/ Payments	Balance 3/31/2012
Civil	927	64	(327)	664	209	-	873
Labor	3,683	2,629	(2,718)	3,594	92	(326)	3,360
Provision for contingencies	**4,610**	**2,693**	**(3,045)**	**4,258**	**301**	**(326)**	**4,233**
Legal deposit	(3,362)	(2,808)	307	(5,863)	(582)	64	(6,381)
Total	**1,248**	**(115)**	**(2,738)**	**(1,605)**	**(281)**	**(262)**	**(2,148)**

Arezzo Indústria e Comércio S.A.

20. Provisions for labor, tax and civil contingencies--Continued

Labor – the Company and its subsidiaries are parties to labor proceedings mainly relating to overtime and respective social charges, health exposure premium, hazard pay, salary equality and inclusion of amounts in the claimant's salary. Based on the opinion of its legal counsel, and on the history of results in similar cases, management believes that the amounts provisioned are sufficient to cover probable losses.

In addition, the Company and its subsidiaries are involved in other legal proceedings of a civil and tax nature amounting to approximately R$ 14,574, Company and consolidated, whose likelihood of success was assessed as possible in the opinion of its legal counsel and as such, required no provision to be made.

Ruling legislation

In accordance with current Brazilian tax legislation, federal, state and municipal taxes and social charges are subject to audit procedures by the respective authorities for periods varying from five to thirty years. Legislation in other countries in which the Company's subsidiaries operate provides for different periods of limitation.

21. Capital and reserves

21.1 Capital

The Special Shareholders' Meeting (AGE) held on December 7, 2010 approved setting up of an authorized capital limit, and the Company was then authorized to increase its capital up to the limit of R$ 500,000, regardless of amendments to its Articles of Incorporation, by resolution of the Company's Board of Directors.

On February 2, 2011, new common shares were issued under an initial public offering, set out as under:

On February 29, 2012, the Board of Directors approved capital increase in the amount of R$ 65,000 upon partial capitalization of the capital reserve without issuance of new shares.

21. Capital and reserves--Continued

21.1 Capital--Continued

	Shares (In thousands)	Capital R$
Balance at December 31, 2010	78,248	21,358
Share issue in 2011	10,294	19,559
Balance at March 31, 2011	**88,542**	**40,917**
Balance at December 31, 2011	**88,542**	**40,917**
Capital increase with capital reserve capitalization	-	65,000
Balance at March 31, 2012	**88,542**	**105,917**

21.2 Capital reserve

The capital reserve was initially set up due to the corporate restructuring in 2007, matched against the merged net assets, and represents the value of the future tax benefit to be awarded from the amortization of the merged goodwill. The special goodwill reserve portion corresponding to the benefit may be capitalized to the benefit of shareholders at the end of each financial year through the issue of new shares, as provided by CVM Ruling No 319/99.

The corporate events which gave rise to the capital reserve in connection with the Company's restructuring are as follows:

a) On November 8, 2007, the Company issued 3,203,808 new registered common shares on behalf of BRICS, with no par value, for the total issue price of R$50,000. Out of this total, R$ 25,000 were paid in on the occasion by BRICS, R$2,500 of which were allocated for capital increase, and R$22,500 for setting up of the capital reserve;

b) As of June 1, 2008, BRICS was merged into the Company. The merged net assets comprised the goodwill paid on acquisition of the investment in the Company, based on future profitability, net of the provision set forth by CVM Ruling No 319/99, in the amount of R$13,935.

   Once BRICS was merged out of existence, the equity interest in this company was transferred to FIGEAC.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

21. Capital and reserves--Continued

21.2 Capital reserve

c) On November 18, 2008, FIGEAC paid in R$ 12,500, allocated as follows: R$1,250 for capital increase and R$11,250 for setting-up of the capital reserve, plus monetary adjustment incurred amounting to R$1,559.

d) On November 6, 2009, FIGEAC paid in the remaining R$12,500, allocated as follows: R$1,250 for capital increase and R$11,250 for setting-up of the capital reserve, plus monetary adjustment incurred for R$2,990.

e) On December 1, 2009, FIGEAC was merged into the Company, and the merged net assets comprised of goodwill paid on acquisition of the investment in the Company, was based on future profitability, net of the provision set forth by CVM Ruling No 319/99, in the amount of R$7,535.

Tax credits resulting from the special goodwill reserve set up upon the merger of BRICS and FIGEAC are set out in Note 11.

Also, on February 2, 2011, in the initial public offering net funds of R$182,009 were raised, R$ 167,067 of which were recognized as capital reserve, net of the public offering costs amounting to R$13,579 (R$8,962, net of tax effects). Of this total, R$ 10,663 refers to the payment of bank and brokerage fees, and the remainder is for the payment of legal, consulting, audit fees and other costs.

At September 30, 2011, the Company recorded a complement to the reserve for public offering costs amounting to R$ 550 (R$ 363, net of tax effects), and this net amount was reduced from capital reserve.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

21. Capital and reserves--Continued

21.3 Reserves and retained earnings

Legal reserve

Set up at 5% of the net income for the year, under the terms of Law No. 6404/76, article 193, as amended ("Brazilian Corporation Law") up to limit of 20% of the capital.

Reserve for investments

Reserve for investments in research and development (R&D) of new products, based on the capital budget prepared by Management and approved in the Annual Shareholders' Meeting. The balance at March 31, 2011 is R$ 2,683 (R$ 2,683 at December 31, 2011).

Retained profit

The retained profits reserve was set up under the terms of article 196 of Law No 6404/76, for use in future investments. The 2011 retention, in the amount of R$ 94,541, is based on capital budget prepared by management and approved in the Annual Shareholders' Meeting held on April 29, 2011.

22. Paid and proposed dividends and interest on equity

In accordance with the Company's Articles of Incorporation, amended at December 7, 2010, the shareholders are entitled to a mandatory minimum dividend, equivalent to 25% of the net income for the year, adjusted by the legal reserve set up, as prescribed by Brazilian Corporation Law. Interest on equity, when calculated, is considered allocation of profit for determining the minimum dividend to be paid out.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

22. Paid and proposed dividends and interest on equity--Continued

Also, at January 6, 2011, the Board of Directors approved, *ad referendum* of the Company Annual Shareholders' Meeting, a payout of interim dividends, based on the balance sheet as of September 30, 2010, totaling R$ 28,026, and Company-issued shares started to be traded "ex-dividend" as from January 6, 2011. Payment of dividends took place on April 20, 2011.

	12/31/2011
Net income for the year	**91,613**
Legal reserve – 5% (*)	**(3,912)**
Net income for the year - adjusted	**87,701**
Minimum dividend as per Articles of Incorporation	**25%**
Mandatory minimum dividend	**21,925**
Dividends and interest on equity proposed by management	
Interest on equity	**17,868**
IRRF on interest on equity	**(2,060)**
Dividends	**6,117**
	21,925
Mandatory minimum dividends	
Interest on equity	**15,808**
Dividends	**6,117**
Proposed dividends in excess of mandatory minimum dividend	**-**

(*) The Company did not make any allocation for legal reserve in 2010, and it allocated only R$ 3,912 in 2011 since this reserve reached the limit of 20% of the capital.

In order to comply with relevant tax rules, the Company recognized interest on equity paid or credited in 2011, amounting to R$17,868, matched against "financial expenses". For purposes of preparing these financial statements, such interest was reversed from net income against retained earnings, as determined by applicable accounting practices. Withholding income tax at 15% was paid on such interest amount, except for shareholders confirmedly tax exempt or tax immune, or shareholders domiciled in countries or jurisdictions of which legislation establishes a different tax rate. The payment of R$ 8,442 was made on July 29, 2011, as decided by the Board of Directors' Meeting of June 30, 2011, and Company shares have been traded ex rights in relation to interest on equity as from July 1, 2011. At December 30, 2011, the Company recognized supplementary interest on equity in the amount of R$ 9,426 to be paid on January 30, 2012, and Company-issued shares are traded ex rights in relation to interest on equity as from January 2, 2012. Interest on equity capital credited in the period represent advance on minimum mandatory dividends. The balance of R$ 6,117 is recorded in current liabilities and will be paid as from May 31, 2012.

Arezzo Indústria e Comércio S.A.

23. Earnings per share

In accordance with CPC 41 (IAS 33) (approved by CVM Rule No. 636 – Earnings per Share), the Company discloses the following information about earnings per share for the quarter ended March 31, 2012 and 2011.

Basic earnings per share is reached after dividing the net income for the year, attributed to the Company common shareholders, by the weighted average of common shares available during the year.

Diluted earnings per share is reached after dividing the net income attributed to Company common shareholders, by the weighted average of common shares available during the year, plus the weighted average number of common shares that would be issued upon conversion of all potential diluted common shares into common shares. There are no differences between basic and diluted earnings per share calculations due to the nonexistence of potential diluted shares.

The table below presents the net income and share information used in calculating basic and diluted earnings per share:

	3/31/2012	3/31/2011
	Common	Common
Net income for the year (in thousands of reais)	10,852	14,728
Weighted average of shares issued (in thousands)	88,542	84,767
Earnings per share - basic and diluted – R$	0.12	0.17

There were no other transactions involving common shares or potential common shares between the balance sheet date and the date on which these financial statements were concluded.

24. Net operating revenue

Net operating revenue is broken down as follows:

	Company		Consolidated	
	3/31/2012	3/31/2011	3/31/2012	3/31/2011
Gross operating revenue				
Domestic market	172,315	147,253	201,285	164,634
Foreign market	6,829	10,045	7,545	9,811
Sales returns	(4,941)	(3,802)	(8,330)	(5,146)
Sales taxes	(31,604)	(26,591)	(39,139)	(30,704)
Net operating revenue	142,599	126,905	161,361	138,595

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

25. Segment information

The Company has only one operational segment defined as footwear, bags and accessories. The Company is organized, and has its performance evaluated as a single business unit for operating, commercial, managerial 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, brand names or sale distribution channels;
- its manufacturing unit operates under more than one brand name and through more than one sale distribution channel;
- the strategic decisions of the Company are based on studies that indicate market opportunities and not only on performance by product, brand name or channel.

The Company products are distributed under different brand names (Arezzo, Schutz, Anacapri e Alexandre Birman) and through different channels (franchises, multi-brand and own stores), however, they are controlled and managed by Management as a single business segment, and the results therefrom are followed up, monitored and analyzed in an integrated manner.

For management purposes, Company management monitors the consolidated gross revenue by brand name and sale distribution channel, set out as under:

Brand name	3/31/2012	3/31/2011
Consolidated gross revenue	**208,830**	**174,445**
Arezzo – domestic market	**130,226**	**114,400**
Schutz - domestic market	**63,066**	**46,150**
Other	**7,993**	**4,084**
Foreign market	**7,545**	**9,811**

Channel	3/31/2012	3/31/2011
Consolidated gross revenue	**208,830**	**174,445**
Franchises	**97,553**	**88,547**
Multi-brand stores	**55,725**	**47,421**
Own stores	**44,474**	**26,873**
Other	**3,533**	**1,793**
Foreign market	**7,545**	**9,811**

Revenue from foreign market is not segregated by geographic area since it represents 5% of the consolidated gross revenue at March 31, 2012.

There are no customers individually accountable for more than 5% of the sales on both domestic and foreign markets.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

26. Expenses by nature

The Company opted to present the consolidated income statement by function. In accordance with the IFRS, the consolidated income statement by nature is detailed as follows:

	Company		Consolidated	
	3/31/2012	**3/31/2011**	**3/31/2012**	**3/31/2011**
Expenses by function				
Cost of sales	**(90,829)**	(81,200)	**(94,188)**	(82,150)
Selling expenses	**(18,547)**	(15,640)	**(35,007)**	(25,524)
General and administrative expenses	**(11,908)**	(10,782)	**(12,266)**	(11,423)
Other operating income (expenses), net	**(7,789)**	170	**(6,649)**	358
	(129,073)	(107,452)	**(148,110)**	(118,739)
Expenses by nature				
Depreciation and amortization	**(676)**	(441)	**(1,417)**	(879)
Personnel expenses	**(12,933)**	(10,096)	**(23,986)**	(19,230)
Raw material & store and supplies	**(91,834)**	(82,000)	**(95,193)**	(77,727)
Freight	**(2,493)**	(2,323)	**(2,853)**	(2,368)
Operating expenses	**(21,137)**	(12,592)	**(24,661)**	(18,535)
	(129,073)	(107,452)	**(148,110)**	(118,739)

27. Financial risk management objectives and policies

a) Currency risk

Income from the Company's and its subsidiaries' operations is subject to US Dollar currency risk due to the fact that portion of sales revenues are linked to this currency. To minimize foreign exchange risk nearly all exports have financing pegged to that currency.

At March 31, 2012 and 2011, the amount of net exposure to US Dollar is broken down into:

	Consolidated	
	3/31/2012	**12/31/2011**
Accounts receivable	20,333	16,365
Loans and financing	(10,068)	(16,909)
Trade accounts payable	(1,308)	(298)
Net exposure	8,957	(842)

With a view to analyzing the sensitivity of Company assets and liabilities in foreign currency exposed to currency risk as of March 31, 2012, three (3) different scenarios were defined, and a sensitivity analysis of the effects of currency exchange rate fluctuations was performed.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

27. Financial risk management objectives and policies--Continued

a) Currency risk--Continued

The following table presents the three scenarios, and the probable scenario is the one adopted by the Company. These scenarios were defined based on management's expectation regarding the effects of foreign currency rate fluctuations at the maturity dates of the respective contracts subject to such risk.

Further to this scenario, CVM Ruling No. 475, dated December 17, 2008 ("CVM Ruling 475"), requires the presentation of another two scenarios applying depreciation at 25% and 50% of the risk variable under analysis. These scenarios are presented in accordance with CVM rules.

Transaction	Currency	Probable scenario (Book value)	Scenario A	Scenario B
Currency rate depreciation				
Foreign currency accounts receivable	R$	20,333	15,250	10,167
Foreign currency loans and financing	R$	(10,068)	(7,551)	(5,034)
Foreign currency trade accounts payable	R$	(1,308)	(981)	(654)
Rate depreciation at			25%	50%
Foreign currency rate reference				
US Dollar		1.82	1.37	0.91
Effect on income before taxes	R$		(2,239)	(4,479)

In November 2011, the Company entered into a derivative hedging instrument in the amount of US$ 1,500 with a view to reducing currency exposure on its export sales operations, considering the value of portfolio orders. In the quarter ended March 31, 2012, the Company had the following derivative instrument in force:

	3/31/2012 USD (thousand)	12/31/2011 USD (thousand)
Forward – Sale Agreement	**1,500**	**1,500**

27. Financial risk management objectives and policies--Continued

a) Currency risk--Continued

Adjustments arising from derivative instruments would have the following effects:

Derivative financial instruments	3/31/2012	12/31/2011
Amount payable due to loss (fair value)	(117)	(8)
Income statements	**3/31/2012**	**12/31/2011**
Net loss, recognized as financial expenses	109	8

The fair value of derivatives was calculated using official quotes for forward US dollar, by reference to the quote for the first forward dollar before and after the maturity of the derivative instrument at the year end closing date. The weighted average of forward rates was calculated based on such data, so as to estimate the fair value of the transaction at each financial period.

Sensitivity analysis:

Transaction	Notional value	Probable Scenario (I) R$	Possible scenario (II) R$	Remote scenario (III) R$
Operational exposure - NDF	USD 1.5 million	(117)	(146)	(176)
Net exposure		(117)	(146)	(176)

The most probable scenario indicated by management estimate is one of currency stability, for the maturity period, in which case the financial result of the derivatives will be zero. Scenario II sets out a dollar rate at R$ 2.28/US$ and scenario III indicates a dollar rate at R$ 2.73/US$.

Arezzo Indústria e Comércio S.A.

27. Financial risk management objectives and policies--Continued

b) Interest rate risk

The Company is exposed to risks related to interest rates due to contracted loan agreements linked to the TJLP. The rates incurred are stated in Note 16.

At March 31, 2012, loans and financing breaks down as follows in relation to interest rates:

	Consolidated	
	3/31/2012	**%**
Fixed interest	**10,215**	33.2
TJLP-based interest	**20,512**	66.8
	30,727	100.00

With a view to analyzing the sensitivity of changes in index rates in relation to Company loans and financing exposed to interest rate risk at March 31, 2012, three (3) different scenarios were defined, and a sensitivity analysis of the effects of changes in the index rates of such instruments was performed.

The following table presents the three scenarios, and the probable scenario is the one adopted by the Company. Based on the long-term interest rate (TJLP) at March 31, 2012, the probable scenario was defined for 2012 together with the 25% and 50% variations as required by CVM Ruling No. 475.

Gross financial expense was calculated for each scenario not taking into consideration tax levy and the maturity flow of each contract. The reporting date used for financing was March 31, 2012, having the index rates forecast for a year and the respective sensitivity analyzed in each scenario.

Transaction	Currency	Probable scenario (Book value)	Scenario A	Scenario B
Increase in financial expenses				
Financing – TJLP	R$	1,077	1,346	1,615
		1,077	1,346	1,615
Rate appreciation at			25.00%	50.00%
Reference for financial liabilities TJLP		6%	7.5%	9%

Arezzo Indústria e Comércio S.A.

27. Financial risk management objectives and policies--Continued

c) Financial instruments

The Company and its subsidiaries hold financial instruments. The market values of these assets and liabilities do not differ substantially from those recorded in the interim financial statements.

Financial instruments that potentially subject the Company to the concentration of credit risk mainly comprise bank balances, short-term investments, accounts receivable as well as loans and financing agreements.

The Company and its subsidiaries adopt the policy of investing funds with top-tier banks and in short-term highly liquid investments with low levels of risk exposure.

The Company uses ACCs and NDFs as its major financial instruments to hedge against risks related to volatility of foreign currency rates on sales of goods to the foreign market.

These instruments are contracted by establishing the amount of funds in dollar to be released in future at a fixed rate. In the period from the instrument contract date and the funds release date, the Company recognizes these instruments at market value. Although these instruments have been contracted for hedging purposes, hedge accounting is not used to record these transactions and therefore, their effects are recorded in the income statement, as financial income or expenses.

The criteria for measuring the fair value of derivative financial instruments is based on market curves of each derivative, adjusted to present value, at the measurement date. The methods and assumptions take into consideration yield curve interpolation, as in the case of USD and Euro, and according to each market in which the Company is exposed.

Due to fluctuation in market rates, these amounts may change up to the maturity or early settlement of the transactions.

The Company did not have any financial instruments that had not been accounted for as at March 31, 2012 and December 31, 2011.

Arezzo Indústria e Comércio S.A.

27. Financial risk management objectives and policies--Continued

d) Credit risk

This risk arises from difficulty in collection of trade accounts receivable for goods sold and services rendered.

The Company and its subsidiaries are also subject to credit risk from short-term investments.

Trade accounts receivable are mainly denominated in reais and are spread across various customer accounts. In order to reduce credit risk the Company makes an individual analysis when acquiring new customers but, as a market practice, it only requires advance payment of receivables from customers that are considered high risk. There are no customers that represent more than 5% of the accounts receivable at March 31, 2012 and December 31, 2011. The Company's management monitors the trade accounts receivable risks through the recording of an allowance for doubtful accounts.

With respect to credit risk associated with financial institutions, the Company and its subsidiaries endeavor to avoid risk concentration and operate with diverse top-tier financial institutions.

e) Liquidity risk

Liquidity risk is defined as the possibility that the Company and its subsidiaries will not have sufficient funds to honor their commitments given the different currencies and settlement terms of their rights and obligations.

Cash flow and liquidity control of the Company and its subsidiaries is monitored daily by the Company governance areas so as to ensure cash generation from operating activities and preliminary fund raising, when needed, are sufficient to cover their scheduled commitments, thereby not exposing the Company and its subsidiaries to liquidity risk. The expected cash outflows of Company are as follows:

	Projection including future interest			
	Up to 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**
Loans and financing	14,407	18,561	823	33,791

Arezzo Indústria e Comércio S.A.

27. Financial risk management objectives and policies--Continued

f) Capital management

The objective of the Company capital management is to maintain a solid credit rating with the institutions as well as optimal capital ratio to support the Company businesses and maximize value to shareholders.

The Company controls its capital structure by making adjustments, conforming to current economic conditions. The procedures adopted to maintain an adjusted structure include dividends payouts, returns to shareholders, new borrowings, issue of debentures, issue of promissory notes and engaging in transactions involving derivatives. There have been no changes to the capital structure objectives, policies or processes since the year ended December 31, 2008.

The Company includes in its net debt structure: loans and financing less cash, cash equivalents and short-term investments.

28. Financial income and expenses

	Company		Consolidated	
	3/31/2012	**3/31/2011**	**3/31/2012**	**3/31/2011**
Financial income				
Interest income	**317**	160	**318**	165
Income from short-term investments	**4,273**	3,176	**4,279**	3,184
Other	**230**	363	**276**	345
	4,820	3,699	**4,873**	3,694
Financial expenses:				
Bank charges	**(452)**	(269)	**(491)**	(284)
Financing interest	**(411)**	(391)	**(414)**	(515)
Credit card administration charge	**(64)**	(36)	**(788)**	(450)
Other	**(625)**	(693)	**(776)**	(635)
	(1,552)	(1,389)	**(2,469)**	(1,884)
Foreign exchange gains (losses), net:				
Gains	**389**	-	**501**	70
Losses	**(503)**	(397)	**(520)**	(415)
	(114)	(397)	**(19)**	(345)
Total	**3,154**	1,913	**2,385**	1,465

Arezzo Indústria e Comércio S.A.

29. Other operating income (expenses), net

	Company		Consolidated	
	3/31/2012	**3/31/2011**	**3/31/2012**	**3/31/2011**
Termination expenses (i)	**(8,000)**	-	**(8,000)**	-
Franchise fees	**199**	50	**199**	50
Recovery of expenses	**12**	170	**12**	171
Sundry revenue	**-**	-	**4**	(12)
Proceeds (loss) from disposal of PPE and intangible assets	**-**	(50)	**1,136**	149
	(7,789)	170	**(6,649)**	358

(i) On January 21, 2012, the Company terminated an agreement entered into with Star Export Assessoria e Exportação Ltda., which provided assistance and technical support services for engagement and inspection of independent plants and ateliers engaged in manufacturing certain products. Within the referred to termination scope, the Company made a payment in the amount of R$ 8,000. On that same date, the Company entered into an agreement with another company having same technical qualification and providing services of similar nature, but upon different business conditions, in order to reduce operating costs related to provision of services, and maintaining the same quality of the services provided.

30. Operating lease agreements - store lease

At March 31, 2012, the Company had entered into lease agreements with third parties. Such agreements were reviewed by management who concluded that they could be classified as operating lease agreements.

Non-cancellable future minimum lease payments are set out as follows:

	Minimum Payments at 3/31/2012
Up to one year	**14,774**
From one to five years	**44,334**

The average monthly expense with lease payments is R$ 997 (R$ 770 in 2011). The effective terms of the referred to lease agreements range between four and six years, subject to financial charges based on the annual IGPM variation, as specified in each agreement.

Arezzo Indústria e Comércio S.A.

30. Operating lease agreements - store lease--Continued

At March 31, 2012, lease expenses, net of taxes recoverable, totaled R$ 2,991 (R$ 2,311 at March 31, 2011). The “Lease payable” balance is R$ 998 (R$ 1,104 at December 31, 2011).

A substantial portion of lease agreements is related to the billing of stores, with a minimum established amount. In addition, the agreement grace period is not significant to meet the expected expense alignment.

31. Transactions not involving Cash and Cash Equivalents

On February 1, 2012, the Company merged the subsidiaries ZZAF, Allmaness, Schutz Shoes and Shoes for U (see Note 1 – Corporate restructuring).

The merged balances comprise transactions that do not involve cash and are broken down as follows:

Description	Company and Consolidated 3/31/2012
Assets	
Short-term investments	125
Trade accounts receivable	577
Inventories	3,343
Taxes recoverable	623
Other receivables	96
Related parties	122
Other receivables	15
Property, plant and equipment, net	731
Intangible assets	7
Liabilities	
Trade accounts payable	246
Tax and social security liabilities	26
Labor liabilities	348
Other payables	40
Related parties	507
Provision for risks	104

Arezzo Indústria e Comércio S.A.

32. Insurance coverage

The Company and its subsidiaries have insurance coverage with top-tier insurance companies in Brazil, which takes into consideration the nature and degree of risk involved. At March 31, 2012, the Company had insurance coverage against fire and miscellaneous risks on its property, plant and equipment items and inventories at amounts considered sufficient by management to cover possible losses, as follows:

Insured assets	Insured perils	Insured amount – R$
Inventories and property, plant and equipment	Fire	61,000
	Civil liability	400

The scope of our independent auditors work does not include expressing an opinion on the sufficiency of the insurance cover, which was determined and considered by the Company's management to be sufficient to cover any losses.

A free translation from Portuguese into English of Independent Auditor's Review Report on interim financial information in accordance with Brazilian and International Standards on Review Engagements

Reports and Representations / Special Review Report - Unmodified

REPORT ON REVIEW OF QUARTERLY INFORMATION

To Shareholders, Board of Directors and Management of
Arezzo Indústria e Comércio S.A.
Belo Horizonte - MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Arezzo Indústria e Comércio S.A., comprising the balance sheet at March 31, 2012, and the related income statements, statements of changes in equity and cash flow statements for the three-month period then ended, and other explanatory information.

Management is responsible for the preparation of the interim individual financial information in accordance with CPC 21 – Interim Financial Reporting and the interim consolidated financial information in accordance with CPC 21 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as for the fair presentation of such information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (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 financial 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statement of value added (SVA) for the three-month period ended March 31, 2012, which were prepared by the Company's management and the presentation of which in the interim financial information is required by rules issued by the Brazilian Securities and Exchange Commission (CVM), and as supplementary information by IFRS, which do not require SVA presentation. These statements were submitted to the same review procedures described above and, based on our review, we are not aware of any fact that causes us to believe that they are not presented fairly, in all material respects, in relation to the overall individual and consolidated interim financial statements.

Porto Alegre, April 27, 2012.

ERNST & YOUNG TERCO
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