Contents

Company date / Breakdown of capital

Number of shares (Thousand)	Current Quarter 3/31/2011
Paid-in capital	
Common	88,542
Preferred	0
Total	88,542
Treasury Shares	
Common	0
Preferred	0
Total	0

Individual balance sheets / Balance sheet - assets

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2011	Prior year 12/31/2010
1	Total assets	465,693	247,848
1.01	Current assets	377,141	162,326
1.01.01	Cash and cash equivalents	5,299	5,585
1.01.02	Short-term investments	180,484	5,000
1.01.02.01	Short-term investments measured at fair value	180,484	5,000
1.01.02.01.01	Securities held for trading	180,484	5,000
1.01.03	Accounts receivable	145,713	122,286
1.01.03.01	Trade accounts receivable	145,713	122,286
1.01.04	Inventories	31,574	17,650
1.01.06	Taxes recoverable	7,087	6,362
1.01.06.01	Current taxes recoverable	7,087	6,362
1.01.08	Other current taxes	6,984	5,443
1.01.08.03	Other	6,984	5,443
1.02	Non-current assets	88,552	85,522
1.02.01	Long-term receivables	31,741	28,921
1.02.01.01	Short-term investments measured at fair value	27	27
1.02.01.01.01	Securities for trading	27	27
1.02.01.06	Deferred taxes	13,939	13,996
1.02.01.06.01	Deferred income and social contribution taxes	13,939	13,996
1.02.01.08	Receivables from related parties	11,482	8,717
1.02.01.08.02	Receivables from subsidiaries	11,482	7,657
1.02.01.08.03	Receivables from parent companies	0	1,060
1.02.01.09	Other non-current assets	6,293	6,181
1.02.01.09.03	Taxes recoverable	3,774	3,903
1.02.01.09.04	Judicial deposits	2,507	2,266
1.02.01.09.05	Other receivables	12	12
1.02.02	Investments	44,126	44,734
1.02.02.01	Equity holding	44,126	44,734
1.02.02.01.02	Equity holding in subsidiaries	44,126	44,734
1.02.03	Property, plant and equipment	6,587	6,245
1.02.03.01	Property, plant and equipment in use	6,587	6,245
1.02.04	Intangible assets	6,098	5,622
1.02.04.01	Intangible assets	6,098	5,622
1.02.04.01.02	Trademarks and patents	2,560	2,541
1.02.04.01.03	Store use rights	125	125
1.02.04.01.04	System use rights	3,413	2,956

Individual financial statements/ Balance sheet - liabilities

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2011	Prior year 12/31/2010
2	Total liabilities	465,693	247,848
2.01	Current liabilities	87,564	72,718
2.01.01	Social and labor liabilities	10,832	9,815
2.01.01.01	Social liabilities	929	907
2.01.01.02	Labor liabilities	9,903	8,908
2.01.02	Trade accounts payable	44,708	18,586
2.01.02.01	Domestic suppliers	43,904	18,494
2.01.02.02	Foreign suppliers	804	92
2.01.03	Tax liabilities	4,519	3,485
2.01.03.01	Federal tax liabilities	4,437	3,389
2.01.03.01.01	Income and social contribution taxes payable	0	327
2.01.03.01.02	Other federal liabilities	4,437	3,062
2.01.03.02	State tax liabilities	75	88
2.01.03.03	Municipal tax liabilities	7	8
2.01.04	Loans and financing	12,783	27,330
2.01.04.01	Loans and financing	12,783	27,330
2.01.04.01.01	In local currency	4,613	10,247
2.01.04.01.02	In foreign currency	8,170	17,083
2.01.05	Other liabilities	14,722	13,502
2.01.05.02	Other	14,722	13,502
2.01.05.02.01	Dividends and interest in equity capital payable	11,964	11,964
2.01.05.02.04	Other	2,758	1,538
2.02	Non-current liabilities	30,557	28,912
2.02.01	Loans and financing	20,647	19,273
2.02.01.01	Loans and financing	20,647	19,273
2.02.01.01.01	In local currency	20,647	19,273
2.02.02	Other liabilities	3,080	3,161
2.02.02.01	Liabilities with related parties	1,566	1,539
2.02.02.01.02	Accounts payable to subsidiaries	285	279
2.02.02.01.03	Accounts payable to parent company	1,281	1,260
2.02.02.02	Other	1,514	1,622
2.02.02.02.04	Advances to third parties	340	425
2.02.02.02.05	Other	1,174	1,197
2.02.04	Provisions	6,830	6,478
2.02.04.01	Tax, social security, labor and civil provisions	3,783	3,294
2.02.04.01.02	Social security and labor provisions	2,828	2,367
2.02.04.01.04	Civil provisions	955	927
2.02.04.02	Other provisions	3,047	3,184
2.02.04.02.04	Provision for capital deficiency	3,047	3,184
2.03	Net equity	347,572	146,218
2.03.01	Paid-in capital	40,917	21,358
2.03.02	Capital reserves	238,086	71,019
2.03.02.02	Extraordinary reserve for goodwill in merger	21,470	21,470
2.03.02.07	Issued shares	216,616	49,549
2.03.04	Income reserves	53,841	53,841
2.03.04.01	Legal reserve	4,271	4,271

Individual financial statements / Balance sheet - liabilities

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2011	Prior year 12/31/2010
2.03.04.05	Retained earnings reserve	31,805	31,805
2.03.04.07	Tax incentive reserve	1,703	1,703
2.03.04.08	Additional proposed dividends	16,062	16,062
2.03.05	Retained earnings/ accumulated losses	14,728	0

Individual financial statements / Income statement

(In thousands of reais)

Account Code	Account description	Accumulated Current year 1/1/2011 to 3/31/2011	Accumulated Prior year 1/1/2010 to 3/31/2010
3.01	Sales revenue from goods/ services	126,905	104,139
3.02	Cost of goods/ or services sold /	-81,200	-67,772
3.03	Gross profit	45,705	36,367
3.04	Operating income (expenses)	-26,723	-20,978
3.04.01	Selling	-15,640	-12,175
3.04.02	General and administrative expenses	-10,782	-10,069
3.04.04	Other operating income	170	219
3.04.06	Equity pickup result	-471	1,047
3.05	Income for financial income and tax	18,982	15,389
3.06	Financial income	1,913	-606
3.06.01	Interest/ financial income	3,699	4,072
3.06.01.01	Interest/ financial income	3,699	1,149
3.06.01.02	Foreign exchange gains	0	2,923
3.06.02	Financial losses	-1,786	-4,678
3.06.02.01	Financial losses	-1,389	-1,455
3.06.02.02	Foreign exchange losses	-397	-3,223
3.07	Income before income taxes	20,895	14,783
3.08	Income and social contribution taxes in income	-6,167	-4,413
3.08.01	Current taxes	-1,493	-3,911
3.08.02	Deferred taxes	-4,674	-502
3.09	Net income from continued operations	14,728	10,370
3.11	Income (loss) for the period	14,728	10,370
3.99	Earnings per share - (reais / share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.17000	0.01300

Individual financial statements / cash flow statements – Indirect method

(In thousands of reais)

Account Code	Account description	Accumulated Current year 1/1/2011 to 3/31/2011	Accumulated Prior year 1/1/2010 to 3/31/2010
6.01	Net cash from operating activities	7,908	-162
6.01.01	Cash generated in operations	19,776	14,214
6.01.01.01	Income before income and social contribution taxes	20,895	14,783
6.01.01.02	Depreciation and amortization	441	275
6.01.01.03	Gain from sale of permanent assets	54	0
6.01.01.04	Equity pickup	471	-1,047
6.01.01.05	Provision for labor, tax and civil risks	489	-1,286
6.01.01.06	Interest and foreign exchange variation	586	1,489
6.01.01.07	Investment gains	-3,091	0
6.01.01.08	Other	-69	0
6.01.02	Changes in assets and liabilities	-9,863	-13,952
6.01.02.01	Trade accounts receivable	-23,358	-24,828
6.01.02.02	Inventories	-13,924	-2,401
6.01.02.03	Taxes recoverable	-596	122
6.01.02.04	Judicial deposits	-241	1,548
6.01.02.05	Other receivables	-1,541	995
6.01.02.06	Trade accounts payable	26,122	14,451
6.01.02.07	Labor liabilities	995	-4,295
6.01.02.08	Tax and social liabilities	1,568	927
6.01.02.09	Other liabilities	1,112	-471
6.01.03	Other	-2,005	-424
6.01.03.01	Income and social contribution tax payment	-2,005	-424
6.02	Net cash from investing activities	-173,706	1,052
6.02.01	Acquisitions of property, plant and equipment and intangible assets	-1,313	-712
6.02.02	Short-term investments	-192,193	0
6.02.03	Redemption of short-term investments	19,800	1,764
6.03	Net cash from financing activities	165,512	4,358
6.03.01	Loans raised	3,936	15,433
6.03.02	Loan payments	-17,695	-10,433
6.03.03	Receivables (payables) with related parties except shareholders	-3,819	-398
6.03.04	Interest on equity capital	0	-1,746
6.03.06	Receivables (payables) with shareholders	1,081	1,502
6.03.07	Capital increase – Shares issued	182,009	0
6.05	Increase (decrease) in cash and cash equivalents	-286	5,248
6.05.01	Opening cash and cash equivalents balance	5,585	34,519
6.05.02	Closing cash and cash equivalents balance	5,299	39,767

Individual financial statements / Statement of changes in shareholder's equity - 1/1/2011 to 3/31/2011

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserve, Options approved Treasury shares	Income reserve	Retained earnings/ Accumulated losses	Other comprehensive income	Net 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 increases	19,559	176,029	0	0	0	195,588
5.04.02	Spending on share issue	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 changes in net equity/ - 1/1/2010 to 3/31/2010

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserve, Options approved Treasury shares	Income reserve	Retained earnings/ Accumulated losses	Other comprehensive income	Net equity
5.01	Opening balance	21,358	71,019	27,155	0	0	119,532
5.03	Adjusted opening balances	21,358	71,019	27,155	0	0	119,532
5.04	Capital transactions with shareholders	0	0	0	-1,746	0	-1,746
5.04.07	Interest on equity capital	0	0	0	-1,746	0	-1,746
5.05	Total comprehensive income	0	0	0	10,370	0	10,370
5.05.01	Net income for the period	0	0	0	10,370	0	10,370
5.07	Closing balances	21,358	71,019	27,155	8,624	0	128,156

Individual financial statements / Statements of value added

(In thousands of reais)

Account Code	Account description	Accumulated Current year 1/1/2011 to 3/31/2011	Accumulated Prior year 1/1/2010 to 3/31/2010
7.01	Revenues	153,565	124,492
7.01.01	Sales of goods, products and services	153,565	124,492
7.02	Inputs acquired from third parties	-118,565	-97,863
7.02.01	Costs of goods, products and services sold	-103,110	-85,761
7.02.02	Material, electrical energy, third party services and other	-15,069	-11,796
7.02.04	Other	-386	-306
7.03	Gross added value	35,000	26,629
7.04	Retentions	-441	-275
7.04.01	Depreciation, Amortization and depletion	-441	-275
7.05	Net value added generated	34,559	26,354
7.06	Value added received in transfer	3,398	5,337
7.06.01	Equity pickup	-471	1,047
7.06.02	Financial income	3,699	4,071
7.06.03	Other	170	219
7.07	Total value added to be distributed	37,957	31,691
7.08	Distribution of value added	37,957	31,691
7.08.01	Personnel	8,285	7,559
7.08.01.01	Direct remuneration	6,761	4,326
7.08.01.02	Benefits	635	463
7.08.01.03	FGTS	561	396
7.08.01.04	Other	328	2,374
7.08.01.04.01	Employees' profit sharing	0	1,665
7.08.01.04.02	Other	328	709
7.08.02	Taxes, charges and contributions	12,710	8,726
7.08.02.01	Federal	11,033	8,946
7.08.02.02	State	1,623	-250
7.08.02.03	Municipal	54	30
7.08.03	Remuneration of third party capital	2,234	5,036
7.08.03.01	Interest	391	711
7.08.03.02	Rent	448	359
7.08.03.03	Other	1,395	3,966
7.08.04	Remuneration of equity capital	14,728	10,370
7.08.04.01	Interest on equity capital	0	1,746
7.08.04.03	Retained earnings / accumulated losses for the period	14,728	8,624

Consolidated financial statements / Balance sheets assets

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2011	Prior year 12/31/2010
1	Total assets	480,897	268,156
1.01	Current assets	419,920	209,067
1.01.01	Cash and cash equivalents	6,809	8,004
1.01.02	Short-term investments	180,484	5,000
1.01.02.01	Short-term investments stated at fair value	180,484	5,000
1.01.02.01.01	Securities held for trading	180,484	5,000
1.01.03	Accounts receivable	150,836	132,402
1.01.03.01	Trade accounts receivable	150,836	132,402
1.01.04	Inventories	64,585	48,862
1.01.06	Taxes recoverable	8,889	7,889
1.01.06.01	Current taxes recoverable	8,889	7,889
1.01.08	Other current assets	8,317	6,910
1.01.08.03	Other	8,317	6,910
1.02	Non-current assets	60,977	59,089
1.02.01	Non-current receivables	22,025	22,941
1.02.01.01	Short-term investments stated at fair value	96	98
1.02.01.01.01	Securities held for trading	96	98
1.02.01.06	Deferred taxes	14,440	14,449
1.02.01.06.01	Deferred income and social contribution taxes	14,440	14,449
1.02.01.08	Receivables from related parties	0	1,060
1.02.01.08.03	Receivables from parent companies	0	1,060
1.02.01.09	Other non-current assets	7,489	7,334
1.02.01.09.03	Taxes recoverable	3,774	3,903
1.02.01.09.04	Judicial deposits	3,692	3,362
1.02.01.09.05	Other receivables	23	69
1.02.03	Property, plant and equipment	22,134	21,376
1.02.03.01	Property, plant and equipments in use	22,134	21,376
1.02.04	Intangible assets	16,818	14,772
1.02.04.01	Intangible assets	16,818	14,772
1.02.04.01.02	Trademarks and patents	2,657	2,638
1.02.04.01.03	Store use rights	10,551	8,976
1.02.04.01.04	System use rights	3,610	3,158

Consolidated financial statements / Balance sheets/ Liabilities

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2011	Prior year 12/31/2010
2	Total liabilities	480,897	268,156
2.01	Current liabilities	103,256	93,786
2.01.01	Social and labor liabilities	16,339	15,377
2.01.01.01	Social liabilities	1,529	1,624
2.01.01.02	Labor liabilities	14,810	13,753
2.01.02	Suppliers	50,901	28,744
2.01.02.01	Domestic suppliers	50,096	28,652
2.01.02.02	Foreign suppliers	805	92
2.01.03	Tax liabilities	7,766	7,865
2.01.03.01	Federal tax liabilities	5,519	5,564
2.01.03.01.01	Income and social contribution taxes payable	127	1,190
2.01.03.01.02	Other federal tax liabilities	5,392	4,374
2.01.03.02	State tax liabilities	2,232	2,286
2.01.03.03	Municipal tax liabilities	15	15
2.01.04	Loans and financing	12,813	27,370
2.01.04.01	Loans and financing	12,813	27,370
2.01.04.01.01	In national currency	4,643	10,287
2.01.04.01.02	In foreign currency	8,170	17,083
2.01.05	Other liabilities	15,437	14,430
2.01.05.02	Other	15,437	14,430
2.01.05.02.01	Dividends and interest on equity capital payable	11,964	11,964
2.01.05.02.04	Other	3,473	2,466
2.02	Non-current liabilities	30,069	28,152
2.02.01	Loans and financing	20,773	19,399
2.02.01.01	Loans and financing	20,773	19,399
2.02.01.01.01	National currency	20,773	19,399
2.02.02	Other liabilities	4,039	4,143
2.02.02.01	Liabilities with related parties	2,079	2,075
2.02.02.01.03	Liabilities with parent companies	2,079	2,075
2.02.02.02	Other	1,960	2,068
2.02.02.02.03	Tax installments	446	446
2.02.02.02.04	Advances from third parties	340	425
2.02.02.02.05	Other	1,174	1,197
2.02.04	Provisions	5,257	4,610
2.02.04.01	Tax, social security, labor and civil provisions	5,257	4,610
2.02.04.01.02	Social security and labor provisions	4,302	3,683
2.02.04.01.04	Civil provisions	955	927
2.03	Consolidated net equity	347,572	146,218
2.03.01	Paid-in capital	40,917	21,358
2.03.02	Capital reserves	238,086	71,019
2.03.02.02	Extraordinary reserve for goodwill from merger	21,470	21,470
2.03.02.07	Shares issued	216,616	49,549
2.03.04	Income reserve	53,841	53,841
2.03.04.01	Legal reserve	4,271	4,271
2.03.04.05	Retained earnings reserve	31,805	31,805
2.03.04.07	Tax incentive reserve	1,703	1,703

Consolidated financial statements / Balance sheet liabilities

(In thousands of reais)

Account Code	Account description	Current quarter 3/31/2011	Prior year 12/31/2010
2.03.04.08	Proposed additional dividends	16,062	16,062
2.03.05	Retained earnings/ accumulated losses	14,728	0

Consolidated financial statements / Income statements

(In thousands of reais)

Account Code	Account description	Accumulated Current year 1/1/2011 to 3/31/2011	Accumulated Prior year 1/1/2010 to 3/31/2010
3.01	Sales revenues from goods and/ or services	138,595	112,610
3.02	Cost of goods and services	-82,150	-65,857
3.03	Gross profit	56,445	46,753
3.04	Operating income and expenses	-36,589	-29,985
3.04.01	Selling	-25,524	-20,144
3.04.02	General and administrative expenses	-11,423	-10,088
3.04.04	Other operating expenses	358	247
3.05	Income before financial income and taxes	19,856	16,768
3.06	Financial income	1,465	-1,061
3.06.01	Interest/ financial income	3,764	4,321
3.06.01.01	Interest/ financial income	3,694	1,264
3.06.01.02	Foreign exchange gains	70	3,057
3.06.02	Financial expenses	-2,299	-5,382
3.06.02.01	Financial expenses	-1,884	-2,012
3.06.02.02	Foreign exchange losses	-415	-3,370
3.07	Income before income and social contribution taxes	21,321	15,707
3.08	Income and social contribution taxes	-6,593	-5,337
3.08.01	Current taxes	-1,967	-4,835
3.08.02	Deferred charges	-4,626	-502
3.09	Net income from continued operations	14,728	10,370
3.11	Consolidated income/ loss for the year	14,728	10,370
3.11.01	Allocated to partners in the parent company	14,728	10,370
3.99	Earnings per share- (Reais / share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.17000	0.13000

Consolidated financial statements / Cash flow statements - Indirect method

(In thousands of reais)

Account Code	Account description	Accumulated Current year 1/1/2011 to 3/31/2011	Accumulated Prior year 1/1/2010 to 3/31/2010
6.01	Net cash from operating activities	5,635	-276
6.01.01	Cash generated in operating activities	20,332	16,409
6.01.01.01	Income before income and social contribution expenses	21,321	15,707
6.01.01.02	Depreciation and amortization	879	608
6.01.01.03	Income from the sale of permanent assets	55	0
6.01.01.05	Provision for tax, civil and labor risks	647	-1,395
6.01.01.06	Interest and foreign exchange variation	589	1,489
6.01.01.07	Gains from short-term investments	-3,091	0
6.01.01.08	Other	-68	0
6.01.02	Changes in assets and liabilities	-12,331	-15,829
6.01.02.01	Trade accounts receivable	-18,366	-20,063
6.01.02.02	Inventories	-15,723	-9,270
6.01.02.03	Taxes recoverable	-871	-201
6.01.02.04	Judicial deposits	-330	1,299
6.01.02.05	Other receivables	-1,359	1,090
6.01.02.06	Trade accounts payable	22,157	18,105
6.01.02.07	Labor liabilities	1,057	-4,339
6.01.02.08	Tax and social liabilities	205	-1,695
6.01.02.09	Other liabilities	899	-755
6.01.03	Other	-2,366	-856
6.01.03.01	Payment of income and social contribution taxes	-2,366	-856
6.02	Net cash from investing activities	-176,131	-760
6.02.01	Acquisitions of PP&E and intangible assets	-3,738	-2,524
6.02.02	Short-term investments	-192,193	0
6.02.03	Redemption of short-term investments	19,800	1,764
6.03	Net cash from financing activities	169,301	4,613
6.03.01	Loans raised	3,936	15,433
6.03.02	Loan repayment	-17,708	-10,433
6.03.03	Receivables (payables) from/ to related parties except partners	0	-137
6.03.04	Interest on equity capital	0	-1,746
6.03.06	Receivables (payables) with partners	1,064	1,496
6.03.07	Capital increase – Shares issued	182,009	0
6.05	Increase (decrease) in cash and cash equivalents	-1,195	3,577
6.05.01	Opening balance for cash and cash equivalents	8,004	38,991
6.05.02	Closing balance for cash and cash equivalents	6,809	42,568

Consolidated financial statements / statements of changes in net equity - 1/1/2011 to 3/31/2011

(In thousands of reais)

Account Code	Account description	Capital paid-in	Capital reserves, Options granted Treasury shares	Income reserves	Retained earnings Accumulated losses	Other comprehensive income	Net equity	Minority interest	Consolidated Net 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 partners	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	Spending on share issue	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 / Statement of changes in net equity - 1/1/2010 to 3/31/2010

(In thousands of reais)

Account Code	Account description	Capital Paid-in	Capital reserves, Options granted Treasury shares	Income reserves	Retained earnings Accumulated losses	Other comprehensive income	Net equity	Minority interest	Consolidated Net equity
5,01	Opening balances	21,358	71,019	27,155	0	0	119,532	0	119,532
5,03	Adjusted opening balances	21,358	71,019	27,155	0	0	119,532	0	119,532
5,04	Capital transactions with partners	0	0	0	-1,746	0	-1,746	0	-1,746
5,04,07	Interest on equity capital	0	0	0	-1,746	0	-1,746	0	-1,746
5,05	Total comprehensive income	0	0	0	10,370	0	10,370	0	10,370
5,05,01	Net income for the period	0	0	0	10,370	0	10,370	0	10,370
5,07	Closing balances	21,358	71,019	27,155	8,624	0	128,156	0	128,156

Consolidated financial statements / Statements of value added

(Thousands of reais)

Account Code	Account description	Accumulated Current year 1/1/2011 to 31/03/2011	Accumulated Prior year 1/1/2010 to 3/31/2010
7.01	Revenue	169,367	135,139
7.01.01	Sales of goods, products and services	169,367	135,139
7.02	Inputs acquired from third parties	-114,625	-92,954
7.02.01	Cost of goods, products and services sold	-86,070	-69,458
7.02.02	Materials, electrical energy, outsourced services and other	-26,555	-23,040
7.02.04	Other	-2,000	-456
7.03	Gross value added	54,742	42,185
7.04	Retentions	-879	-608
7.04.01	Depreciation, amortization and depletion	-879	-608
7.05	Net value added produced	53,863	41,577
7.06	Value added received in transfer	4,122	4,620
7.06.02	Financial income	3,764	4,373
7.06.03	Other	358	247
7.07	Total value to be distributed	57,985	46,197
7.08	Distribution of value added	57,985	46,197
7.08.01	Personnel	16,203	13,117
7.08.01.01	Direct remuneration	12,328	8,165
7.08.01.02	Benefits	1,717	1,064
7.08.01.03	FGTS.	1,124	767
7.08.01.04	Other	1,034	3,121
7.08.01.04.01	Employees’ profit sharing	0	1,869
7.08.01.04.02	Other	1,034	1,252
7.08.02	Taxes, charges and contributions	21,782	15,094
7.08.02.01	Federal	14,833	11,649
7.08.02.02	State	6,799	3,405
7.08.02.03	Municipal	150	40
7.08.03	Remuneration of third party capital	5,272	7,616
7.08.03.01	Interest	515	727
7.08.03.02	Rent	2,973	2,183
7.08.03.03	Other	1,784	4,706
7.08.04	Remuneration of own capital	14,728	10,370
7.08.04.01	Interest on equity capital	0	1,746
7.08.04.03	Retained earnings/ losses for the year	14,728	8,624

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 38 years of history, the Company produces over six 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 1Q11, Arezzo&Co Brazilian chain comprised 267 franchises, 29 owned-stores and more than 1,782 multi-brand retail stores.

Both Arezzo and Schutz were named top of mind brands and their shoes are among the most preferred and consumed in Brazil, according to research journal Perspectives Contemporary published in 2009.

AREZZO

Arezzo is the flagship brand, its portfolio of shoes, handbags and accessories is recognized for being trendy, easy to use and eclectic. Established in 1972, the brand has a well-known product distribution strategy in the Brazilian market, being recognized as the best franchisor by the Brazilian Franchising Association from 2004 to 2010.

SCHUTZ

Schutz, in turn, is more focused on young audience, recognized for its innovative and modern style. Its products are fashionable, sexy, provocative and actual.

Alexandre Birman

Alexandre Birman stands outs for its products exclusivity and refinement. The brand has great recognition internationally and provided Alexandre Birman the Vivian Infantino Emerging Talent Award (award known as the industry Oscar) as the talent in shoes designing for the year of 2009.

ANACAPRI

Anacapri highlights comfort by offering shoes in various materials and colors at affordable price.

The portfolio of products offered by Arezzo&Co brands complement each other aiming to reach different audiences, consolidating the strategy of offering products for niche markets and for several occasions.

2. Operating and Financial Highlights – 1Q11

Summary of Results (R$'000)	1Q10	1Q11	Growth or spread (%)
Net Revenue	112,610	138,595	23.1%
Gross Profit	46,753	56,445	20.7%
Gross Margin	41.5%	40.7%	-0.8 p.p.
EBITDA¹	17,376	20,735	19.3%
EBITDA¹ Margin	15.4%	15.0%	-0.5 p.p.
Net Income	10,370	14,728	42.0%
Net Margin	9.2%	10.6%	1.4 p.p.

Operating Indicators	1Q10	1Q11	Growth or spread (%)
# of pairs sold (in Thousands)	1,236	1,432	15.8%
# of handbags sold (in Thousands)	70	80	14.2%
# of employees	1,299	1,587	22.2%
Number of Stores	267	296	10.9%
Owned Stores	22	29	31.8%
Franchises	245	267	9.0%
Outsourcing (as % of Sales)	78.0%	84.0%	6.0 p.p.
SSS² (Franchises – sell-in)	53.4%	9.0%	
SSS² (Owned Stores – sell-out)	21.9%	11.0%	

1- EBITDA = Earnings Before Interests, Income Tax and Social Contribution on Earnings, Depreciation, Amortization and Result from Fixed Asset Write-Offs. EBITDA is not used as a measure under Brazilian accounting practices and does not indicate the cash flow in the periods under comparison. It should not be considered an alternative for net income as an indicator for operating performance or an alternative for the cash flow as an indicator for liquidity. EBITDA does not have a standard definition, and the Company's definition for EBITDA cannot be compared to the adjusted EBITDA of other companies. Although EBITDA is not a valid indicator for the operating cash flow under BR-GAAP, Management uses it to assess operating performance. In addition, the Company is aware that certain investors and financial analysts use EBITDA as an indicator for the operating performance of a Company and/or its cash flow.

2- SSS (Same Store Sales): The sales of a given store are included as sales of comparable stores as of the 13th month of operation. The changes in the sales of comparable stores between the two periods are based on the net sales of stores which were in operation in both comparable periods. If a store is included in the calculation of comparative store sales for only a portion of one of the two periods compared, then that store will be included in the calculation for only the comparable portion of the other period. When the square meters of a store that is included in comparable store sales are increased or decreased, that store is excluded in the comparable store sales calculation. When a store is closed, its sales are excluded from the calculation of comparable store sales for the periods compared. The so-called Franchise SSS – Sell-In, refers to the comparison of Arezzo&Co sales through each Franchisee store operating for over 12 months. It is a more accurate indicator for monitoring the Company’s Revenue. In contrast, the Owned Store SSS – Sell-Out is based on the sales of each point of sale, a better indicator for Owned Store sales in the case of Arezzo&Co.

Gross Revenue Breakdown (R$'000)	1Q10	Share %	1Q11	Share %	Growth (%)
Total Gross Revenue	139,233	100.0%	174,445	25.3%	25.3%
Exports Market	11,264	8.1%	9,811	-12.9%	-12.9%
Domestic market	127,969	91.9%	164,634	28.7%	28.7%
By brand					
Arezzo	95,434	68.5%	114,400	19.9%	19.9%
Schutz	30,394	21.8%	46,150	51.8%	51.8%
Other Brands²	2,141	1.5%	4,084	90.7%	90.7%
Domestic market	127,969	91.9%	164,634	28.7%	28.7%
By channel					
Franchises	73,852	53.0%	88,547	19.9%	19.9%
Multi-Brand Retail Stores	33,804	24.3%	47,421	40.3%	40.3%
Owned Stores	19,389	13.9%	26,873	38.6%	38.6%
Others²	924	0.7%	1,793	94.0%	94.0%

1- Other Brands: Includes Alexandre Birman and Anacapri brands (domestic market only).
2- Others: Includes other domestic market Revenue not connected to any specific distribution channel.

Brands

The Arezzo&Co platform currently features four key brands: Arezzo, Schutz, Alexandre Birman and Anacapri, distributed and sold via a network of Owned, Franchise and Multi-Brand stores present in all Brazilian states. Internationally, the products are sold by Franchises and Multi-Brand stores as well as Department Stores.

In 1Q11, in the week after the Brazilian carnival holiday, the group's main brands launched the new winter collection. All national store chain's points of sale received new merchandising material and products at the same time, while marketing campaigns were developed and released to customers via various vehicles and media formats such as: movie theaters, magazines and in the Internet – respecting the profile of each brand.

Arezzo – the group's main brand from a sales perspective – recorded net revenue of R$114.4mn or +19.9% y/y, representing 65.6% of consolidated sales and 69.5% of domestic market sales. The brand continues to invest in training its retail sales team, with 14,000 total training hours in the 1Q11 alone.

Schutz posted strong Revenue grew to R$46.2mn (+51.8% y/y). In the first quarter, the Company started to conduct an in-depth strategic analysis of Schutz growth potential in sales channels already developed by Arezzo&Co, as well as other alternative channels.

Alexandre Birman is the first Brazilian brand to feature alongside the best known fashion names at some of the world's most renowned international retail store chains, such as: Saks, Neiman Marcus, Bergdorf Goodman and Printemps. Several actions were implemented in 1Q11 to strengthen its brand positioning, which included stepping up PR work internationally and investing in international social networks and blogs.

In 2010, *Anacapri* introduced a new concept: comfortable, colorful and accessible products. The brand which currently holds 5 stores in the city of São Paulo, has introduced in the 1Q11 itself to Multi-Brand clients at the *Couromoda* Trade Fair, where the brand was well accepted.

Channels

Franchises

At the end of 1Q11, Arezzo&Co had 267 franchises. This is the most important sales channel for the Group and accounts for 50.8% of the sales in the domestic market.

The Sell-In same store-sales (SSS – Franchises), that is, sales from Arezzo&Co to its Franchisees, increased 9.0% y/y in 1Q11.

Owned Stores

This channel represents 15.4% of Arezzo&Co sales. In the 1Q11, there are 29 Owned Stores, as follows: 13 Arezzo, 10 Schutz, 5 Anacapri and 1 Alexandre Birman brand store. Out of total Owned Store base, 26 are located in either São Paulo or Rio de Janeiro.

Owned Store SSS grew 11.0% y/y in 1Q11, mainly driven by a higher volume of products sold.

History – Franchises and Owned Stores	1Q10	2Q10	3Q10	4Q10	1Q11
Sales Area – Total (m²)	**15,317**	**15,799**	**16,700**	**17,558**	**17,554**
Sales Area – Franchise (m²)	13,175	13,329	13,826	14,591	14,587
Sales Area – Owned Store (m²)	2,142	2,470	2,874	2,967	2,967[1]
# of Owned Stores	**267**	**273**	**280**	**296**	**296**
# of Franchises	**245**	**248**	**253**	**267**	**267**
Arezzo	243	247	252	266	266
Schutz	1	1	1	1	1
Others	1	-	-	-	-
# of Owned Stores	**22**	**25**	**27**	**29**	**29**
Arezzo	10	11	13	13	13[1]
Schutz	9	9	10	10	10
Alexandre Birman	-	1	1	1	1
Anacapri	3	4	3	5	5

1 – Including 3 Outlet stores with a total area of 936 m2

Multi-Brands

1Q11 saw the staging of Feira Couromoda (a trade fair for fashionable, leather-based products), the largest Brazilian event for the sale of winter collection shoes and fashion accessories to Multi-Brand clients. In 1Q11, for the first time ever, the Anacapri brand was presented alongside with the traditional Arezzo and Schutz brands to Multi-Brand store operators. The new brand was well accepted, thanks to its new product concept and helped by the Arezzo&Co sales platform.

In addition, the Company strengthened all brands sales force for the channel improving the Multi-Brand stores service level during the year, at both at the trade fairs and outside these events. In 1Q11, the 4 brands were distributed via 1,782 stores throughout Brazil.

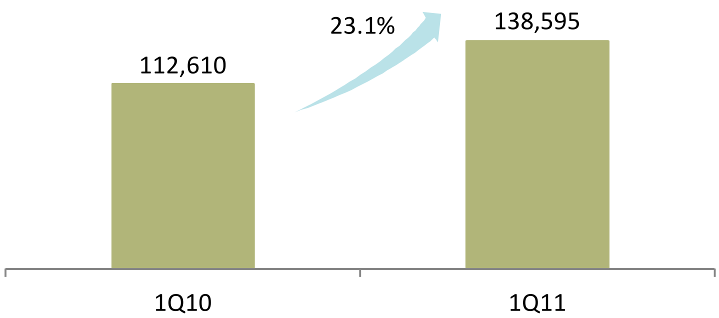
Main financial Indicators	1Q10	1Q11	Growth or spread (%)
Net Revenue	112,610	138,595	23.1%
(-) COGS	(65,857)	(82,150)	24.7%
Gross Profit	46,753	56,445	20.7%
Gross Margin	41.5%	40.7%	-0.8 p.p.
(-) SG&A[1]	(29,985)	(36,589)	22.0%
% of Revenues	-26.6%	-26.4%	0.2 p.p.
(-) Selling expenses	(19,817)	(25,164)	27.0%
(-) Own Stores	(7,290)	(9,483)	30.1%
(-) Sales, Logistics and Supplies	(12,527)	(15,681)	25.2%
(-) General and Administrative Expenses	(9,807)	(10,904)	11.2%
(-) Other (Expenses) and Revenues	247	358	44.8%
(-) Depreciation	(608)	(879)	44.6%
EBITDA	17,376	20,735	19.3%
EBITDA Margin	15.4%	15.0%	-0.5 p.p.
Net Income	10,370	14,728	42.0%
Net Margin	9.2%	10.6%	1.4 p.p.
Working Capital - % of Revenues	23.1%	25.1%	-
Invested Capital[2] - % of Revenues	25.2%	28.1%	-
Total Debt	45,807	33,586	-26.7%
Net Debt[3]	(898)	(153,707)	n/a
Net Debt/EBITDA	0.0 X	-1.6 X	n/a

1- Net Working Capital is calculated as Current Assets less Cash, Cash Equivalents and Short Term Investments minus: Current Liabilities less Loans and Financing, Dividends and Interests on Equity Payable.
2- Invested Capital: Net Working Capital plus Fixed Asset and Other Long Term Assets less Deferred Income and Social Contribution Taxes.
3- Net Debt: Total Interest-Bearing Debt minus Cash, Cash Equivalents and Short Term Investments

Net Revenue

The Company grew its Revenue 23.1% y/y, from R$112.6mn in 1Q10 to R$138.6mn in 1Q11, mainly due to:

i) Sales area expansion of 14.6% y/y compared to 1Q10;
ii) Maturation of 29 Owned Stores and Franchise Stores opened in the last 12 months;
iii) Greater store productivity, in Same Store Sales concept: Franchises (+9.0%) and Owned Stores (+11.0%);
iv) Growth in Multi-Brands channel.



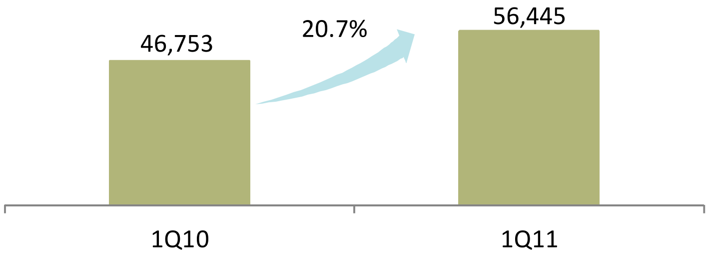
Gross Profit

Gross Profit rose 20.7% y/y to R$56.4mn, resulting in gross margin of 40.7%.

Stronger Gross Profit is mainly due to the 23.1% Revenue growth.

As expected, 1Q11 gross margin was impacted by a calendar effect. The period of summer collection promotions and clearance sales usually ends shortly after the Carnival holiday. The Company followed this strategy in 2010 and 2011 and, as a result, 1Q11 clearance sales period was extended by 2 weeks vis-à-vis 1Q10.

The Owned Stores channel was affected by this calendar effect, while the other distribution channels – Franchises and Multi-Brands – maintained 1Q11 Gross Margin similar to 1Q10 levels.



SG&A

Selling Expenses

The company's selling expenses can be divided into two main groups:

i) Selling, Logistics and Supplies:
- Comprising expenses of the sell-in and sell-out operation;

ii) Owned Store:
- Only features expenses of Owned stores (sell-out);

Selling expenses rose 27.0% y/y to R$25.2mn when compared to R$19.8mn in 1Q10, due to higher Selling, Logistics and Supplies expenses related to the sales teams new hiring and training, mainly to the Multi-Brand channel sales force. These adjustments are crucial to supporting the company's period of higher growth in the future.

General and Administrative Expenses

General and Administrative Expenses rose 11.2% to R$10.9mn when compared to R$9.8mn in 1Q10, reflecting the 2010 structuring process of the company's support areas, especially the development of the Human Resources department and its initiatives, such as: training the sales team and creating the Intern and Trainee Programs.

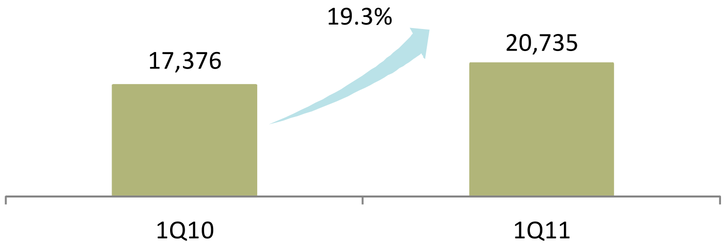
EBITDA and EBITDA Margin (%)

The company's EBITDA rose 19.3% y/y to R$20.7mn, with EBITDA margin of 15.0%. The main EBITDA growth drivers in 1Q11 were:

i) 23.1% net Revenue growth y/y;

ii) 20.7% growth in Gross Profit, with a decline in gross margin, due to the calendar effect that extended the clearance sales period at Owned Stores;

iii) Dilution of SG&A expenses as a percentage of net Revenue.

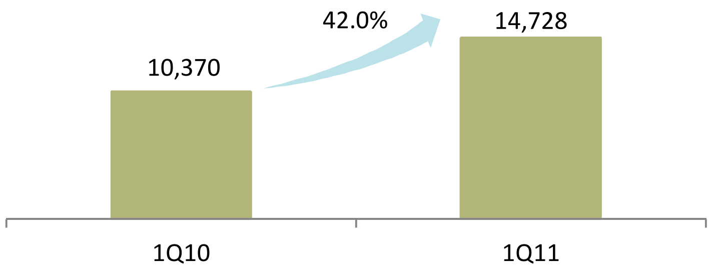


EBITDA Reconciliation	1Q10	1Q11
Net Income	10,370	14,728
(-) Income Tax and Social Contribution	(5,337)	(6,593)
(-) Financial Results	(1,061)	1,465
(-) Depreciation and amortization	(608)	(879)
EBITDA	17,376	20,735

Net Profit and Net Margin (%)

The Company maintained a high conversion from EBITDA (15.0% EBITDA margin in 1Q11) into Net Profit (10.6% net margin in 1Q11), reflecting its low financial leverage and low use of capital in PP&E – a characteristic of its business model that, thus, has low depreciation.

Net Profit rose 42.0% y/y to R$14.7mn when compared to R$10.4mn in 1Q10.



Operational Cash Generation

In 1Q11, the company's operational cash generation was R$5.6mn, while working capital investment in the period totaled R$12.3mn.

Operational results in 1Q11 enabled the Company to generate positive Operational Cash Flow despite of cash consumption of R$15.7mn in inventories and R$18.4mn in accounts receivable – typical at the beginning of the year.

Cash flows from operating activities	1Q10	1Q11	Variation
Income before income taxes	15,707	21,321	5,614
Depreciation and amortization	608	879	271
Other	94	(1,868)	(1,962)
Decrease (increase) in assets	(27,145)	(36,649)	(9,504)
Trade accounts receivable	(20,063)	(18,366)	1,697
Inventories	(9,270)	(15,723)	(6,453)
Recoverable taxes	(201)	(871)	(670)
Other current assets	2,389	(1,689)	(4,078)
(Decrease) increase in liabilities	11,316	24,318	13,002
Suppliers	18,105	22,157	4,052
Tax and contributions	(1,695)	205	1,900
Other current liabilities	(5,094)	1,956	7,050
Decrease (increase) in Working Capital	(15,829)	(12,331)	3,498
Tax and contributions	(856)	(2,366)	(1,510)
Net cash generated by operating activities	(276)	5,635	5,911

Investments – CAPEX

The company's investments can be divided into three different groups: 1) investment in expanding or reforming Owned points of sale; 2) corporate investments, including IT, installations, showrooms and offices; and 3) other investments, mainly related to the modernization of industrial operations.

Capex rose R$1.1mn between 1Q10 and 1Q11, mainly due to selling area expansion and higher investments in Systems and Information Technology. Store investments rose 31.1% y/y to R$2.2mn. These funds were invested in points of sales (POS) scheduled to be opened during 2011.

Summary of investments (R$'000)	1Q10	1Q11	Growth (%)
CAPEX - total	2,517	3,661	45.5%
Stores – expansion and reforming	1,689	2,215	31.1%
Corporate	709	1,237	74.5%
Others	119	209	75.9%

Cash Position and Indebtedness

Arezzo&Co concluded its IPO on February 2, 2011, with 10,294,118 shares sold in the primary issuance, strengthening the company's cash position by R$182.0mn. It ended 1Q11 with a net cash position of R$153.7mn.

The company maintained its conservative indebtedness policy, as shown below:

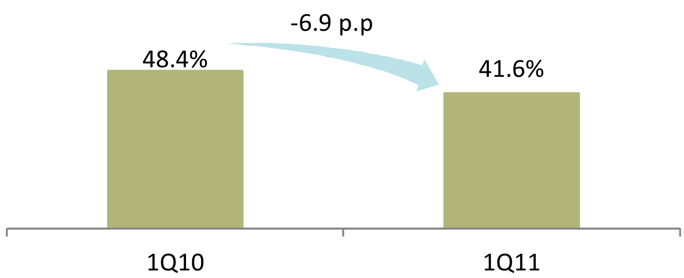
- Total debt was R$33.6mn in 1Q11 versus R$46.8mn in 4Q10;
- Long-term debt represented 61.9% of total debt in 1Q11 versus 41.5% in 4Q10;
- The average weighted cost of total debt in 1Q11 was kept at very low levels.

Cash Position and Indebtness	1Q10	4Q10	1Q11
Cash and cash equivalents	46,705	13,004	187,293
Total Debt	45,807	46,769	33,586
Short Term Debt	28,755	27,370	12,813
As % of Total Debt	*62.8%*	*58.5%*	*38.1%*
Long Term Debt	17,052	19,399	20,773
As % of Total Debt	*37.2%*	*41.5%*	*61.9%*
Net Debt	(898)	33,765	(153,707)

ROIC (Return on Invested Capital)

In line with its strategic planning, the company invested heavily in Working Capital in the quarter, especially in inventories and accounts receivable.

As a result of the 49.0% rise in the capital invested in the operation, the company's ROIC was 41.6% in 1Q11 versus 48.4% in 1Q10.

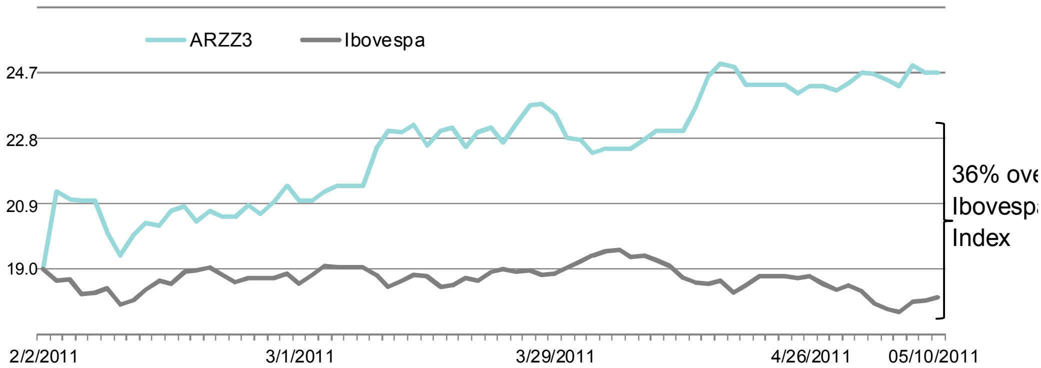


3. Stock Market and Corporate Governance

On February 2nd, 2011 Arezzo&Co successfully concluded its Initial Public Offering (IPO), having its shares traded at Novo Mercado segment from BM&FBOVESPA (ticker ARZZ3), the Brazilian listing segment designed for companies commitment to the best corporate governance practices.

As of March 31st, 2011 the Company's Market capitalization amounted to R$2.0 bn (US$ 1.4 bn) (share price R$22.75) equivalent to a 19.7% rise in share price since listing. As of May 10th accumulated performance since listing was 30.1%, compared to negative 4.4% performance of Ibovespa index, equivalent to a 36% superior performance.

Arezzo&Co	
O/S	88,542,410
Ticker	ARZZ3
Listing	2/2/2011
Share price (03/31/2011)	22.75
Market Cap (R$)	2,014 mn
Share price (05/10/2011)	24.72
Market Cap (R$)	2,189 mn
Share performance	
1Q11¹	19.7%
2011²	30.1%



1- From 02/02/2011 to 03/31/2011.
2- From 02/02/2011 to 05/10/2011.

4. Arbitration Clause

The Company is subject to the arbitration of the Market Arbitration Chamber in conformity with a Commitment Clause in the Company's Bylaws.

5. Independent Auditors

Arezzo&Co financial statements related to first quarter 2011 were audited by Ernst Young & Terco Auditores Independentes SS. 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.

6. 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

The information contained herein may include forward-looking information and reflects the executive office's current perception and prospects for the macroeconomic environment, the industry situation, the Company's performance and financial results. Any statements, expectations, capacities, plans and projections contained herein which do not describe historical facts, such as information about the dividend payment statement, the future course of operations, the introduction of relevant financial strategies, the investment program and the factors or trends affecting the financial condition, liquidity or the operating results are considered forward-looking information as defined by the "U.S. Securities Litigation Reform Act" of 1995 and involve a number of risks and uncertainties. These results are not guaranteed to materialize. These statements are based on several factors and expectations, including the economic and market conditions, level of competition in the industry and operating factors. Any changes in these expectations and factors may lead to real results materially different from the current expectations.

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

1. Company information

Arezzo Indústria e Comércio S.A. (the "Company") is a publicly held corporation, having its registered offices at Rua Fernandes Tourinho, 147 – rooms 1301 to 1303 in the city of Belo Horizonte – Minas Gerais State, with shares traded on the "*Novo Mercado"* segment of São Paulo Stock Exchange - BM&FBOVESPA S.A. under the symbol ARZZ3 since 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, 2011, the Company held 267 franchises in Brazil and abroad and 29 own brand stores across Brazil. The franchise system is controlled by the Company, and its own brand stores form part of its subsidiaries.

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

<u>ZZAB Comércio de Calçados Ltda. ("ZZAB")</u>

ZZAB's business purpose is the retail sale of footwear, bags and belts, trough stores in the cities of São Paulo, Brasília and Porto Alegre. ZZAB merged ZZAH and ZZAIBI as of June 1, 2010 (as defined below).

<u>ZZSAP Indústria e Comércio de Calçados Ltda. ("ZZSAP")</u>

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 the import and export of these products.

<u>ZZARIO Comércio de Calçados Ltda. ("ZZARIO")</u>

ZZARIO was formed in September 2008 and is engaged in the retail sale of footwear, bags and belts through seven stores in the city of Rio de Janeiro.

<u>ZZAF Indústria e Comércio de Calçados Ltda. ("ZZAF")</u>

ZZAF was formed 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 the import and export of these products.

1. Company information (Continued)

ZZCAPRI Comércio de Calçados Ltda. ("ZZCAPRI")

ZZCAPRI was formed in November 2008 and is engaged in the retail sale of footwear, bags and belts, through five stores in the city of São Paulo.

ZZAH Comércio de Calçados Ltda. ("ZZAH") and ZZAIBI Comércio de Calçados Ltda. ("ZZAIBI")

ZZAH and ZZAIBI began their activities in February 2009 and are engaged in the retail sale of shoes, bags and belts. These two companies were fully merged into ZZAB in June 2010.

Schutz International Corporation ("Schutz Int.")

Schutz Int., located in Miami, United States of America, is engaged in the sale of footwear and business intermediation.

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

Acquired in July 21, 2008, Shoes For U is engaged in the retail sale of footwear, bags, belts and accessories. Since May 28, 2010 its operations have been suspended.

2. Accounting policies

2.1 Basis of preparation and presentation of interim financial statements

The individual and consolidated interim financial statements were prepared for the three months period ended March 31, 2011 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"), and are in accordance with CPC 21 – Interim Financial Reporting.

The consolidated interim financial statements were also prepared for the three months period ended March 31, 2011 in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), and are in accordance with IAS 34 – Interim Financial Reporting.

2. Accounting policies (Continued)

2.1 Basis of preparation and presentation of financial statements (Continued)

The same accounting policies and methods of calculation were used in the preparation of these Interim Financial Statements as they were applied in the Consolidated Financial Statements as of December 31, 2010, and the Company adopted all standards, revised standards and interpretations issued by the CPC, IASB and other standard-setters, in force as of March 31, 2011. The interim financial statements were prepared based on historical cost, except for certain assets and liabilities as financial instruments, measured at fair value.

The preparation of 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 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 its estimates and assumptions regularly, within a period not to exceed one year.

The areas which involve greater judgment calls and more complexity or where there are assumptions and estimates that are significant for the interim financial statements are stated in Note 3.

The individual and consolidated interim financial statements of the Company for the three months period ended March 31, 2011 were authorized in a board meeting held in May 03, 2011.

(In thousands of reais, except stated otherwise)

2. Accounting policies (Continued)

2.2 Basis of consolidation

The consolidated interim financial statements include the operations of the Company and the following subsidiaries, whose percentage ownership interest at the balance sheet date is summarized as under:

	Total ownership interest - %	
Subsidiaries	**03/31/2011**	**12/31/2010**
ZZAB Comércio de Calçados Ltda.	**99.9999**	99.9999
ZZSAP Indústria e Comércio de Calçados Ltda.	**99.9999**	99.9999
Allmaness Calçados Ltda.	**99.9999**	99.9999
Schutz Shoes Design Comércio de Calçados Ltda (*)	**99.9999**	99.9999
Schutz International Corporation	**99.9999**	99.9999
ZZARIO Comércio de Calçados Ltda.	**99.9999**	99.9999
ZZAF Indústria e Comércio de Calçados Ltda.	**99.9999**	99.9999
ZZCAPRI Comércio de Calçados Ltda.	**99.9999**	99.9999
Shoes For U Comércio de Calçados e Acessórios Ltda.	**99.9999**	99.9999

(*) Formerly named Schutz Shoes Design Exp. e Imp. de Calçados Ltda.

The subsidiaries are fully consolidated as from their acquisition date, which is the date when the Company obtains their control, and continue being consolidated through the date when such control ceases to exist. The financial statements of the subsidiaries are prepared for the same reporting period of the Company, using accounting practices that are consistent with those adopted by the Company. All intercompany balances, revenues and expenses as well as unrealized gains and losses are eliminated.

A change in ownership interest in a subsidiary that does not result in loss of its control is accounted for as a transaction between shareholders, in equity.

Net income for the year is fully attributed to the controlling shareholders given that ownership interest held by non-controlling interest holders correspond to 0.0001% of the consolidated.

2. Accounting policies (Continued)

2.3 Revenue recognition

Revenue is recognized to the extent economic benefits are likely to flow to the Company and when its amount can be reliably measured. Revenue is measured based on the fair value of the compensation received, less discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or as 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.

Royalties revenue

Royalties revenue 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 through 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.

2.4 Translation of foreign currency denominated balances

The consolidated interim financial statements are presented in Reais (R$), which is the functional currency of the Company. Each subsidiary determines its functional currency and financial statements for entities whose functional currency is not the Brazilian Real are translated into reais at the balance sheet date.

2. Accounting policies (Continued)

2.4 Translation of foreign currency denominated balances (Continued)

Transactions in foreign currency are initially recorded at the functional currency exchange rate at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies were 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 Cash and cash equivalents

Includes cash, banks and short-term investments redeemable within ninety days of 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” as stated in Note 5.

2.6 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 stated at the exchange rates of the 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.

2.7 Inventories

Inventories are recorded at cost or net realizable value, when these do not exceed market value, less the provision for loss when applicable, whichever is lower. Costs incurred in bringing each product to its current location and conditions are accounted as follows:

2. Accounting policies (Continued)

2.7 Inventories (Continued)

<u>Raw materials</u> - purchase cost on average cost.

<u>Finished goods and work in progress</u> - 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.

2.8 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 results, representing the net earnings attributable to the Company's shareholders.

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.

(In thousands of reais, except stated otherwise)

2. Accounting policies (Continued)

2.9 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 takes into consideration the estimated useful lives of the, as follows:

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

Property, plant and equipment items are written off when sold or when no future economic benefits are likely to flow to the Company from the use or sale of these assets. Gains and losses, if any, arising therefrom are determined by comparing the net sale price with the book value of each asset and are recorded in the income statement for the year in which the asset is written off.

During the three months period ended March 31, 2011 and the year ended December 31, 2010, 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 and the depreciation methods are reviewed at year end, and adjusted prospectively, when applicable.

2. Accounting policies (Continued)

2.10 Intangible assets

Intangible assets acquired separately are measured upon initial 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.

Intangible assets are assessed as having a finite or indefinite useful life.

Intangible assets with a finite useful life are amortized over their economic useful life and, when there are indications of impairment losses, they are submitted to impairment tests. The amortization period and the 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 intangible asset with finite lives 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 based on the relevant cash generating unit. 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 write-off of an intangible asset are measured as the difference between the net sale price and the book value of the asset, recognized in the income statement at the write-off of the asset.

Research expenses are recorded as expense when incurred.

2. Accounting policies (Continued)

2.11 Impairment of non-financial assets

Management annually tests the net book value of 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.

2.12 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 financial statements taken as a whole.

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 regularly evaluates the effect of this procedure and for the three months period ended March 31, 2011 and for the year ended December 31, 2010, did not engage in long-term transactions (or significant short-term transactions) which required adjustments.

2. Accounting policies (Continued)

2.13 Provisions

General considerations

Provisions are recorded when the Company has a 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 labor, tax and civil contingencies

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

2.14 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.

2. Accounting policies (Continued)

2.14 Taxation (Continued)

Sales taxes (Continued)

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

	Tax rates
ICMS – State Value Added Tax	7.00% to 19.00%
COFINS – Social Contribution Tax on Gross Revenue 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 calculated at 9% on taxable profit, both recognized on an accrual basis. Therefore, additions to book income deriving from nondeductible temporary expenses or exclusions of temporarily non-taxable revenues, in the determination of current taxable profit, generate deferred tax assets or liabilities. Prepaid or recoverable taxes are stated in current or non-current assets based on estimated realization thereof.

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.

2. Accounting policies (Continued)

2.14 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 the temporary 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 taxable profit is likely to be available so that the deductible temporary differences can be realized, and unused tax credits and losses can be used, except:

- when a deferred income 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 deductible temporary differences are likely to be reversed in the near future and taxable profit is likely to be available so that the temporary differences can be used.

Net book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent taxable profits are no longer likely to 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 future taxable profits are likely to 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.

2. Accounting policies (Continued)

2.14 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.

2.15 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.

2.16 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).

2.17 Cash flow statements and Statement of value added

Cash flow statements were prepared using the indirect method and are presented in accordance with CPC 03 R2 (IAS 7) - Cash Flow Statement, 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 year and how it was distributed among the different stakeholders who created it.

2. Accounting policies (Continued)

2.18 Financial instruments

Initial recognition and measurement

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.

Subsequent measurement

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

2. Accounting policies (Continued)

2.18 Financial instruments (Continued)

<u>Subsequent measurement</u> (Continued)

Loans and receivables

Non-derivative financial assets with fixed or determinable payments which, however, are not traded in an active market. After their initial recognition, they are measured at amortized cost using the effective interest rate method, less impairment, if any. 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 the income statement. Impairment losses, if any, are recognized as financial expense in the income statement.

Loans and financing

After their initial 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.

2.19 Derivative financial instruments

The Company uses 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 (refer to Note 27.c).

A part of 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. Accounting policies (Continued)

2.20 Segment information

Due to the concentration of its activities in the development and commercialization 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, 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.

2.21 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. Finance charges are recognized in the income statement.

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 judgments, estimates and assumptions

<u>Judgments</u>

The preparation of the individual and consolidated interim financial statements of the Company requires management to make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as at the date of the financial statements. However, the relative uncertainty of such assumptions and estimates could lead to results that require a significant adjustment to the carrying amount of the assets or liabilities affected in future periods.

<u>Estimates and assumptions</u>

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

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. Major assumptions used to determine the recoverable amount of the cash generating units are detailed in Note 15.

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Taxes

There are uncertainties in relation to the interpretation of complex tax regulations, the amount and time of future taxable results. Based on reasonable estimates, the Company records provisions for contingencies that may arise as a result of tax reviews by competent authorities in the jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and different 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 calls are required of Management in order to determine the amount of deferred tax assets that can be recognized, based on probable period and level of future taxable profits, together with future tax planning strategies.

The projected effective rate for the end of fiscal year 2011 is consistent with the effective rate for the period of these interim financial statements and no significant changes are expected.

Fair value of financial instruments

When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained in active markets, this is determined 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. Judgment includes considerations about the data used such as, for instance, liquidity risk, credit risk and volatility. Changes in the assumptions regarding these factors could affect the stated fair value of the financial instruments.

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Provisions for labor, tax and civil 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 to the legal system, as well as the assessment by external legal advisors. Provisions are revised and adjusted considering changes in existing circumstances such as applicable period of limitation, tax review 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 its estimates and assumptions on a quarterly basis.

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

New accounting pronouncements issued by the IASB and IFRIC interpretations have been published and/or revised and the effective date for their elective or mandatory adoption is beginning January 1, 2011. Management does not anticipate any significant impacts from first-time adoption of these new pronouncements and interpretations on the financial statements of the Company. Below is the Company management's analysis of the impacts from first-time adoption 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 concerns that previous disclosure requirements and the definition of a related party were 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 interim financial statements of the Company.

(In thousands of reais, except stated otherwise)

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

- IFRS 9 Financial Instruments – Classification and Measurement - *IFRS 9 Financial Instruments* completes the first part of 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 contractual cash flow characteristics of the financial assets. The standard also requires the adoption of a single approach to determine impairment loss. This standard is effective for fiscal years beginning on or after January 1, 2013. Company management does not anticipate significant impacts from first-time adoption of this standard on its financial statements.

- 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 fiscal years beginning on or after January 1, 2011. This amendment had no impact on the consolidated interim financial statements of the Company.

In the opinion of management, there are no other standards and interpretations issued and not yet adopted that may have a significant impact on the net income or equity disclosed by the Company.

5. Cash and cash equivalents

	Company		Consolidated	
Description	**03/31/2011**	**12/31/2010**	**03/31/2011**	**12/31/2010**
Cash and banks	**5,299**	5,585	**6,809**	8,004
Total	**5,299**	5,585	**6,809**	8,004

(In thousands of reais, except stated otherwise)

5. Cash and cash equivalents (Continued)

Cash and cash equivalents are held to meet short-term cash commitments and not for investment or other purposes. Cash equivalents are construed by the Company as short-term investments immediately convertible into a known cash amount, posing low risk of any change in market value, represented by short-term investments in Interbank Deposit Certificates (DI funds), Bank Deposit Certificates (CDBs) and repurchase agreements, which are redeemable within 90 days of the respective transaction dates. Short-term investments are classified as cash equivalents, as described in CPC 3 (IAS 7).

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

6. Short-term investments

	Company		Consolidated	
Description	**03/31/2011**	**12/31/2010**	**03/31/2011**	**12/31/2010**
Current				
Exclusive funds (a)	**180,484**	-	**180,484**	
CDB/CDI – fixed income (b)	**-**	5,000	**-**	5,000
Total current	**180,484**	5,000	**180,484**	5,000
Non-current				
Capitalization fund	**27**	27	**96**	98
Total short-term investments	**180,511**	5,027	**180,580**	5,098

(a) Exclusive fund set up on February 2, 2011 the initial application of which refers to amounts raised in the public share offer as mentioned in Note 21. These assets are comprised of Brazilian national treasury securities, bank deposit certificates ("CDBs") and debentures issued by financial institutions that hold an AAA rating.

On March 31, 2011, average remuneration for the investment fund is 101.7% of the CDI. Fund assets are comprised of 30% Financial Treasury Bills (LFT) and 53% of the assets are highly liquid.

(b) Substantially correspond to investments remunerated at the CDI rate. The agreed rates for these investments vary from 100% to 103% of CDI.

(In thousands of reais, except stated otherwise)

7. Trade accounts receivable

Description	Company		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Trade notes receivable – customers	**130,361**	106,722	**136,099**	112,414
Trade notes receivable – related parties (Note 12.a)	**14,865**	14,748	**-**	-
Checks	**33**	46	**842**	1,291
Credit card	**885**	1,270	**14,351**	19,221
(-) Allowance for doubtful Accounts	**(431)**	(500)	**(456)**	(524)
Total	**145,713**	122,286	**150,836**	132,402

Customer sales policies are subordinate to the credit policy 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.

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

	Company		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Balance at beginning of the period	**(500)**	(442)	**(524)**	(466)
Additions	**(13)**	(58)	**(14)**	(58)
Recoveries/ realization	**82**	-	**82**	-
Balance at end of the period	**(431)**	(500)	**(456)**	(524)

The aging list of accounts receivable is as follows:

	Company		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Falling due	**144,021**	120,257	**148,728**	129,822
Overdue by 30 days	**590**	689	**703**	993
Overdue from 31 to 60 days	**319**	148	**423**	190
Overdue from 61 to 90 days	**257**	203	**307**	229
Overdue from 91 to 180 days	**95**	561	**168**	666
Overdue from 181 to 360 days	**-**	3	**54**	41
Overdue for more than 360 days	**431**	425	**453**	461
	145,713	122,286	**150,836**	132,402

Of total accounts receivable, R$ 23,929 (R$23,560 in December 31, 2010) is given in guarantee for surety bonds contracted with financial institutions.

(In thousands of reais, except stated otherwise)

8. Inventories

Description	Company 03/31/2011	Company 12/31/2010	Consolidated 03/31/2011	Consolidated 12/31/2010
Warehouse	**2,677**	2,126	**11,150**	10,951
Work in process	**1,222**	813	**8,527**	9,437
Finished goods	**21,618**	11,601	**37,499**	24,135
Advances to suppliers	**6,079**	3,132	**7,431**	4,361
(-) Provision for losses	**(22)**	(22)	**(22)**	(22)
Total	**31,574**	17,650	**64,585**	48,862

Goods stored in warehouses mainly refer to raw materials intended for the development of new types of products and collections. Work in process mainly refers to footwear that is being manufactured by subsidiary “ZZSAP”. Finished goods mainly refer to inventories of footwear for the formation of strategic stocks to enable immediate replacement to customers.

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

Changes in the provision for losses are as follows:

	Company 03/31/2011	Company 12/31/2010	Consolidated 03/31/2011	Consolidated 12/31/2010
Balance at beginning of the period	**(22)**	(27)	**(22)**	(27)
Additions	**-**	(535)	**-**	(535)
Recoveries/ realization	**-**	540	**-**	540
Balance at end of the period	**(22)**	(22)	**(22)**	(22)

9. Taxes recoverable

Description	Company 03/31/2011	Company 12/31/2010	Consolidated 03/31/2011	Consolidated 12/31/2010
ICMS recoverable	**5,473**	5,785	**6,152**	6,105
Prepaid IRPJ	**3,597**	3,175	**4,482**	3,953
Prepaid CSLL	**1,232**	1,080	**1,284**	1,115
Other	**559**	225	**745**	619
Total	**10,861**	10,265	**12,663**	11,792
(-) Current	**7,087**	6,362	**8,889**	7,889
Non-current	**3,774**	3,903	**3,774**	3,903

(In thousands of reais, except stated otherwise)

10. Other receivables

Description	Company		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Prepaid expenses	**192**	356	**260**	372
Advances to employees	**1,056**	934	**1,241**	1,313
Advances to suppliers	**741**	471	**1,676**	1,472
Advances for business travel	**584**	441	**586**	442
Advance for advertising fund	**2,801**	3,181	**2,801**	3,181
Other receivables	**1,622**	72	**1,776**	199
Total	**6,996**	5,455	**8,340**	6,979
(-) Current	**6,984**	5,443	**8,317**	6,910
Non-current	**12**	12	**23**	69

Advertising fund

In order to advertise and promote the Company's franchises chain ("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 Networks' 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. During 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.

(In thousands of reais, except stated otherwise)

11. Income and social contribution taxes (Continued)

a) Deferred taxes (Continued)

	Company		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Tax credits - from merger (i)	**13,935**	13,935	**13,935**	13,935
(-) Tax amortization	**(7,896)**	(7,200)	**(7,896)**	(7,200)
Tax credits - from merger (ii)	**7,535**	7,535	**7,535**	7,535
(-) Tax amortization	**(1,884)**	(1,507)	**(1,884)**	(1,507)
Deferred income and social contribution taxes from merger	**11,690**	12,763	**11,690**	12,763
Deferred income and social contribution taxes on temporary differences (iii)	**2,249**	1,233	**2,750**	1,686
Total deferred income and social contribution taxes	**13,939**	13,996	**14,440**	14,449

(i) Goodwill based on the expectation of future profitability resulted from the capital increase that BRICS Participações S.A. ("BRICS") made in the Company at a market value determined by independent experts. BRICS was subsequently merged by the Company through a downstream merger, net of the provision for the rectification of goodwill provided by CVM Rule No. 319/99 that in essence represents the tax benefit from the deductibility of that goodwill. The net assets merged will be amortized both in accounts and tax books in an estimated period 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.

(ii) Goodwill based on the expectation of future profitability resulted from the incorporation by the Company of net assets through the spin-off of FIGEAC Holdings S.A. ("FIGEAC"), net of the provision provided by CVM Rule No. 319/99 that in essence represents the tax benefit from the deductibility of that goodwill. The net assets merged will be amortized both in accounts and tax books in an estimated period of five years and matched against a special goodwill reserve to be transferred to the capital accounts to the benefit of 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	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Beginning balance	**13,996**	19,018	**14,449**	19,697
Income tax expense trough profit and loss	**(4,674)**	(5,022)	**(4,626)**	(5,248)
Income tax trough shareholders' equity	**4,617**	-	**4,617**	-
	13,939	13,996	**14,440**	14,449

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

(In thousands of reais, except stated otherwise)

12. Income and social contribution taxes (Continued)

a) Deferred taxes (Continued)

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

	Company	Consolidated
	03/31/2011	03/31/2011
2012	**4,300**	**4,400**
2013	**4,300**	**4,400**
2014	**4,300**	**4,400**
2015	**520**	**620**
2016	**519**	**620**
Total	**13,939**	**14,440**

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	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
Income before income (IRPJ) and social contribution (CSLL) taxes	**20,895**	14,783	**21,321**	15,707
Statutory rate	**34%**	34%	**34%**	34%
Expected IRPJ and CSLL expenses at statutory rate	**(7,104)**	(5,026)	**(7,249)**	(5,340)
Effect of IRPJ and CSLL on permanent differences:				
Tax benefit on expenses with research and technological innovation - Law No. 11196/05	**885**	-	**885**	-
Equity results	**(160)**	356	**-**	-
Interest on equity capital	**-**	593	**-**	593
Other permanent differences	**212**	(336)	**(229)**	(590)
Income and social contribution taxes in the income statements	**(6,167)**	(4,413)	**(6,593)**	(5,337)
Current	**(1,493)**	(3,911)	**(1,967)**	(4,835)
Deferred	**(4,674)**	(502)	**(4,626)**	(502)
	(6,167)	(4,413)	**(6,593)**	(5,337)
Effective rate - %	**29.52%**	29.85%	**30.92%**	33.98%

(In thousands of reais, except stated otherwise)

12. Balances and transactions with related parties

a) Balances and transactions with related parties (subsidiaries and controlled interest holders)

	03/31/2011							12/31/2010					03/31/2010	
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions		Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
COMPANY	Accounts receivable	Receivables	Loan	Suppliers	Loan	Revenue	Purchases	Accounts receivable	Receivables	Loan	Suppliers	Loan	Revenue	Purchases
SUBSIDIARIES														
Schutz International Corporation	**-**	**4,515**	**-**	**-**	**-**	**1,055**	**-**	-	4,254	-	-	-	503	-
Schutz Shoes Design	**-**	**-**	**984**	**-**	**-**	**-**	**-**	-	-	951	-	-	-	-
Shoes For U Comércio de Calçados e Acessórios Ltda.	**-**	**-**	**1**	**-**	**-**	**-**	**-**	-	-	1	-	-	99	-
ZZAB Comércio de Calçados Ltda.	**6,761**	**-**	**554**	**190**	**-**	**6,973**	**-**	7,394	-	508	385	-	4,431	-
ZZAF Indústria e Comércio de Calçados Ltda.	**13**	**-**	**3,218**	**5,747**	**-**	**21**	**10,264**	5	-	393	2,386	-	22	9,630
ZZAH Comércio de Calçados Ltda.	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	201	-
ZZAIBI Comércio de Calçados Ltda.	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	193	-
ZZARIO Comércio de Calçados Ltda.	**5,962**	**-**	**714**	**11**	**-**	**1915**	**-**	5,264	-	7	2	-	1,720	-
ZZCAPRI Comércio de Calçados Ltda.	**1,694**	**-**	**1,496**	**6**	**-**	**(40)**	**4**	1,761	-	1,543	-	-	2	-
ZZSAP Indústria e Comércio de Calçados Ltda.	**435**	**-**	**-**	**5,097**	**285**	**-**	**34,267**	324	-	-	4,450	279	11	27,299
CONTROLLING INTEREST HOLDERS														
Shareholders	**-**	**-**	**-**	**-**	**1,281**	**-**	**-**	-	-	1,060	-	1,260	-	-
Total company	**14,865**	**4,515**	**6,967**	**11,051**	**1,566**	**9,924**	**44,535**	14,748	4,254	4,463	7,223	1,539	7,182	36,929
CONSOLIDATED														
CONTROLLING INTEREST HOLDERS														
Shareholders	**-**	**-**	**-**	**-**	**2,079**	**-**	**-**	-	-	1,060	-	2,075	-	-

(In thousands of reais, except stated otherwise)

12. Balances and transactions with related parties (Continued)

b) Nature, terms and conditions of the transactions – Subsidiaries

The Company performs transactions with related parties which are carried out under commercial and financial conditions mutually agreed by and between the parties. The most common transaction is the sale of the Company footwear and accessories (Company) to ZZAB and ZZARIO stores (subsidiaries) and the acquisition of the footwear from manufacturers ZZAF and ZZSAP (subsidiaries).

The sales transactions performed by these related parties are in accordance with specific prices and terms established between the parties. Days of sales outstanding (DSO) for related parties is 91 days, while days of purchases outstanding (DPO) by related parties is 30 days.

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.

c) Management compensation

Management compensation is through management fees and profit sharing. In the period ended March 31, 2011, Company’s Management compensation related to short-term benefits (management fees and profit sharing) totaled R$ 596 (R$ 734 at March 31, 2010), as follows:

	03/31/2011	**03/31/2010**
Annual fixed fees		
Salary / drawing	**596**	598
Variable fees		
Bonuses	**-**	136
Total fees	**596**	734

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

12. Balances and transactions with related parties (Continued)

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$179.

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 whose member is one of Company's shareholders (Anderson Lemos Birman). The rent paid in the period ended March 31, 2011 was R$ 22 (R$ 21 at March 31, 2010). 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, either directly or indirectly, a total 54% interest in the Company at March 31, 2011, and the indirect interest is through ALBIR Participações S.A.

f) Transactions with other related parties

The Company has a service agreement with the Procópio de Carvalho Law Firm owned by Mr. José Murilo Procópio de Carvalho, a member of the Company's Executive Board, and with Ethos Desenvolvimento S/C Ltda owned by Mr. José Ernesto Beni Bolonha, who is also a member of the Company's Executive Board. These companies received R$ 37 and R$ 102, respectively, in the three month period ended March 31, 2011(R$337 and R$124 at March 31, 2010).

(In thousands of reais, except stated otherwise)

13. Investments

Details of investments in subsidiaries are set out as follows:

Description	Capital	Adjusted equity	Net income (loss) for the period	% - of equity holdings	Investment/ Provision for losses in subsidiaries 03/31/2011	Investment/ Provision for losses in subsidiaries 12/31/2010	Equity results 03/31/2011	Equity results 03/31/2010
ZZAB Comércio de Calçados Ltda.	16,038	22,975	(619)	99.99	**22,975**	23,594	**(619)**	(419)
Allmaness Calçados Ltda. (**)	10	161	2	99.99	**161**	159	**2**	2
ZZSAP Indústria e Comércio de Calçados Ltda.	591	10,591	663	99.99	**10,591**	9,928	**663**	1,742
ZZARIO Comércio de Calçados Ltda.	6,945	5,644	(627)	99.99	**5,644**	6,271	**(627)**	(511)
ZZAF Ind. e Com. de Calçados Ltda.	350	3,480	198	99.99	**3,480**	3,282	**198**	410
ZZCAPRI Comércio de Calçados Ltda.	3,500	1,275	(225)	99.99	**1,275**	1,500	**(225)**	(309)
ZZAH Comércio de Calçados Ltda.(*)	-	-	-	99.99	**-**	-	**-**	26
ZZAIBI Comércio de Calçados Ltda.(*)	-	-	-	99.99	**-**	-	**-**	(13)
Investments					**44,126**	44,734	**(608)**	928
Schutz Shoes Design Comércio de Calçados Ltda (**)	750	(400)	(23)	99.99	**(400)**	(377)	**(23)**	-
Schutz International Corporation	100	(2,260)	160	99.99	**(2,260)**	(2,420)	**160**	112
Shoes For U Com. de Calçados e Acessórios Ltda. (**)	50	(387)	-	99.99	**(387)**	(387)	**-**	7
Capital deficiency reserve					**(3,047)**	(3,184)	**137**	119
					41,079	41,550	**(471)**	1,047

(*) Merged in June 2010 into subsidiary ZZAB Com. de Calçados Ltda.
(**) Operating companies whose activities have been suspended.

	Company 03/31/2011	Company 12/31/2010
Balance at beginning of year, net of provision for losses in subsidiaries	**41,550**	31,499
Capital contribution	**-**	4,625
Equity results	**(471)**	5,426
Balance at end of year, net of provision for losses in subsidiaries	**41,079**	41,550

(In thousands of reais, except stated otherwise)

14. Property, plant and equipment

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

Company:

Gross PPE cost	**Computers and peripherals**	**Furniture and fixtures**	**Machinery and equipment**	**Facilities and showroom**	**Vehicles**	**Land**	**Total**
Balance at 12/31/2009	2,526	1,427	782	1,861	57	101	6,754
Acquisitions	958	403	451	680	-	1,400	3,892
Write-offs	(8)	(3)	(9)	-	-	-	(20)
Balance at 12/31/2010	3,476	1,827	1,224	2,541	57	1,501	10,626
Acquisitions	195	93	266	23	-	-	577
Write-offs	(32)	-	-	-	-	-	(32)
Balance at 03/31/2011	**3,639**	**1,920**	**1,490**	**2,564**	**57**	**1,501**	**11,171**
Accumulated depreciation							
Balance at 12/31/2009	(1,594)	(871)	(483)	(727)	(19)	-	(3,694)
Depreciation	(338)	(117)	(76)	(157)	(5)		(693)
Write-off	2	4	-	-	-	-	6
Balance at 12/31/2010	(1,930)	(984)	(559)	(884)	(24)	-	(4,381)
Depreciation	(112)	(35)	(28)	(47)	(1)		(223)
Write-off	20	-	-	-	-	-	20
Balance at 03/31/2011	**(2,022)**	**(1,019)**	**(587)**	**(931)**	**(25)**	**-**	**(4,584)**
Net book value							
Balance at 03/31/2011	**1,617**	**901**	**903**	**1,633**	**32**	**1,501**	**6,587**
Balance at 12/31/2010	1,546	843	665	1,657	33	1,501	6,245
Balance at 12/31/2009	932	556	299	1,134	38	101	3,060

Consolidated:

Gross PPE cost	**Computers and peripherals**	**Furniture and fixtures**	**Machinery and equipment**	**Facilities and showroom**	**Buildings**	**Vehicles**	**Land**	**Total**
Balance at 12/31/2009	2,908	2,922	4,417	7,571	920	122	101	18,961
Acquisitions	1,171	1,410	1,839	5,254	18	-	1,400	11,092
Write-offs	(23)	(92)	(18)	(15)	-	-	-	(148)
Balance at 12/31/2010	4,056	4,240	6,238	12,810	938	122	1,501	29,905
Acquisitions	265	293	389	471	-	-	-	1,418
Write-offs	(32)	(1)	-	-	-	-	-	(33)
Balance at 03/31/2011	**4,289**	**4,532**	**6,627**	**13,281**	**938**	**122**	**1,501**	**31,290**
Accumulated depreciation								
Balance at 12/31/2009	(1,743)	(1,252)	(2,174)	(1,229)	(92)	(68)	-	(6,558)
Depreciation	(416)	(298)	(343)	(910)	(6)	(15)	-	(1,988)
Write-off	5	10	-	2	-	-	-	17
Balance at 12/31/2010	(2,154)	(1,540)	(2,517)	(2,137)	(98)	(83)	-	(8,529)
Depreciation	(134)	(94)	(124)	(288)	(4)	(3)	-	(647)
Write-off	20	-	-	-	-	-	-	20
Balance at 03/31/2011	**(2,268)**	**(1,634)**	**(2,641)**	**(2,425)**	**(102)**	**(86)**	**-**	**(9,156)**
Net book value								
Balance at 03/31/2011	**2,021**	**2,898**	**3,986**	**10,856**	**836**	**36**	**1,501**	**22,134**
Balance at 12/31/2010	1,902	2,700	3,721	10,673	840	39	1,501	21,376
Balance at 12/31/2009	1,165	1,670	2,243	6,342	828	54	101	12,403

(In thousands of reais, except stated otherwise)

15. Intangible assets

Details of intangible assets and changes in the Company's balances are set out as follows:

Company:

Gross cost of intangible assets	Trademarks & patents	Store use rights	Software use rights	Total
Balance at 12/31/2009	2,513	125	5,583	8,221
Acquisitions	28	-	1,852	1,880
Write-offs	-	-	-	-
Balance at 12/31/2010	2,541	125	7,435	10,101
Acquisitions	19	-	717	736
Write-offs	-	-	(44)	(44)
Balance at 03/31/2011	**2,560**	**125**	**8,108**	**10,793**
Accumulated amortization				
Balance at 12/31/2009	-	-	(3,876)	(3,876)
Amortization:	-	-	(603)	(603)
Write-off	-	-	-	-
Balance at 12/31/2010	-	-	(4,479)	(4,479)
Amortization	-	-	(218)	(218)
Write-off	-	-	2	2
Balance at 03/31/2011	**-**	**-**	**(4,695)**	**(4,695)**
Estimated average useful life	Indefinite	Indefinite	5 years	
Net book value				
Balance at 03/31/2011	**2,560**	**125**	**3,413**	**6,098**
Balance at 12/31/2010	2,541	125	2,956	5,622
Balance at 12/31/2009	2,513	125	1,707	4,345

(In thousands of reais, except stated otherwise)

16. Intangible assets (Continued)

Consolidated:

Gross cost of intangible assets	Trademarks & patents	Store use rights	Software use rights	Total
Balance at 12/31/2009	2,610	6,514	5,886	15,010
Acquisitions	28	2,462	1,931	4,421
Write-offs	-	-	-	-
Balance at 12/31/2010	2,638	8,976	7,817	19,431
Acquisitions	19	1,575	726	2,320
Write-offs	-	-	(44)	(44)
Balance at 03/31/2011	**2,657**	**10,551**	**8,499**	**21,707**
Accumulated amortization				
Balance at 12/31/2009	-	-	(3,977)	(3,977)
Amortization	-	-	(682)	(682)
Write-off	-	-	-	-
Balance at 12/31/2010	-	-	(4,659)	(4,659)
Amortization	-	-	(232)	(232)
Write-off	-	-	2	2
Balance at 03/31/2011	**-**	**-**	**(4,889)**	**(4,889)**
Estimated average useful life	Indefinite	Indefinite	5 years	
Net book value				
Balance at 03/31/2011	**2,657**	**10,551**	**3,610**	**16,818**
Balance at 12/31/2010	2,638	8,976	3,158	14,772
Balance at 12/31/2009	2,610	6,514	1,909	11,033

Definite 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$ 3,667, referring to expenses with research and development of new Company products, was charged against net income for the period ended March 31, 2011, Company and consolidated (R$ 4,073 in the same period of 2010).

(In thousands of reais, except stated otherwise)

16. Intangible assets (Continued)

Impairment test of indefinite life intangible assets

Impairment testing of the Company's intangible assets did not result in any need to recognize any losses in the period ended December 31, 2010, given that the estimated value in use was greater than the net book value on the valuation date. In the preparation of these interim financial statements the Company assessed the existence of factors that may impact on the value of its assets and did not identify any indications that these may have suffered any impairment.

16. Labor liabilities

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

	Company		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Salaries payable	**6,752**	6,736	**7,262**	7,998
Accrued vacation pay and related charges	**3,151**	2,172	**7,548**	5,755
Total	**9,903**	8,908	**14,810**	13,753

17. Loans and financing

Loans and financing can be summarized as under:

Description	Company 03/31/2011	Company 12/31/2010	Consolidated 03/31/2011	Consolidated 12/31/2010
Working capital				
Banco do Brasil (FINAME)	**44**	48	**44**	48
Banco Votorantin S/A	**-**	278	**-**	278
Banco Santander S/A	**-**	4,058	**-**	4,058
Banco Itaú S/A	**-**	832	**-**	832
BNDES – HSBC	**822**	1,658	**822**	1,658
Advance on Exchange Contract (ACC)	**8,170**	17,083	**8,170**	17,083
FINEP	**24,394**	22,646	**24,394**	22,646
Others	**-**	-	**156**	166
Total	**33,430**	46,603	**33,586**	46,769
(-) Current	**12,783**	27,330	**12,813**	27,370
Non-current	**20,647**	19,273	**20,773**	19,399

(In thousands of reais, except stated otherwise)

17. Loans and financing (Continued)

Interest rates and charges incurred on loans are as follows:

(i) Working capital: weighted average rate of 6.8% per year;
(ii) BNDES: 8.5% per year with a 20% discount for non-default;
(iii) FINEP: Rate of 5.25% per year, or indexed to TJLP, when this rate is greater than 6% per year;
(iv) Others: 1.37% per month;
(v) Advance on exchange contract (ACC): denominated in USD, plus average LIBOR at 2.03% per year.

Loan agreement maturities

- Banco do Brasil S/A: monthly installments with final maturity in October 2012;
- HSBC - BNDES: maturity at June 15, 2011;
- Others: final amortization term in January 2015;
- FINEP: maturity in August 2017.

At March 31, 2011, non-current loans and financing mature as follows:

	Company	Consolidated
2012	**3,788**	**3,833**
2013	**3,779**	**3,825**
2014	**3,779**	**3,809**
After 2014	**9,301**	**9,306**
Total	**20,647**	**20,773**

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

Credit facilities

At March 31, 2011, the Company does not maintain credit lines with unutilized funds.

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.

(In thousands of reais, except stated otherwise)

17. Loans and financing (Continued)

The Company is guarantor of these transactions through a bank guarantee letter issued by Banco ABN AMRO Real S.A. At March 31, 2011, the amount guaranteed by the Company under this agreement is R$485 (R$524 at December 31, 2010).

18. Trade accounts payable

	Company		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Domestic suppliers	**43,904**	18,494	**50,096**	28,652
Foreign suppliers	**804**	92	**805**	92
Total	**44,708**	18,586	**50,901**	28,744

19. Special Installment Payment Program

Subsidiary SAP Schutz joined the Special Installment Payment Program (PAES) (also known as Tax Recovery Program II - REFIS II), 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, SAP Schutz receives monthly expenses of approximately, R$16, thereby making payments in accordance with the conditions provided for in the special installment payment program.

20. Provision for labor, tax and civil contingencies

The Company and its subsidiaries are a party 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:

(In thousands of reais, except stated otherwise)

20. Provision for labor, tax and civil contingencies (Continued)

	Company						
Nature	**Balance 12/31/2009**	**Additions/ Restatement**	**Reversals/ Payments**	**Balance 12/31/2010**	**Additions/ Restatement**	**Reversals/ Payments**	**Balance 03/31/2011**
Tax	4,581	641	(5,222)	-	-	-	**-**
Civil	-	927	-	927	28	-	**955**
Labor	1,419	2,251	(1,303)	2,367	1,489	(1,028)	**2,828**
Total	6,000	3,819	(6,525)	3,294	1,517	(1,028)	**3,783**
Judicial deposit	(5,857)	(1,287)	4,878	(2,266)	(288)	47	**(2,507)**
Total	143	2,532	(1,647)	1,028	1,229	(981)	**1,276**

	Consolidated						
Nature	**Balance 12/31/2009**	**Additions**	**Reversals/ Payments**	**Balance 12/31/2010**	**Additions**	**Reversals/ Payments**	**Balance 03/31/2011**
Tax	4,581	641	(5,222)	-	-	-	**-**
Civil	-	927	-	927	28	-	**955**
Labor	3,385	2,302	(2,004)	3,683	1,647	(1,028)	**4,302**
Total	7,966	3,870	(7,226)	4,610	1,675	(1,028)	**5,257**
Judicial deposit	(6,653)	(1,587)	4,878	(3,362)	(385)	55	**(3,692)**
Total	1,313	2,283	(2,348)	1,248	1,290	(973)	**1,565**

<u>Tax</u> – the Company contested the constitutionality of Service Tax (ISSQN) on revenue from royalties in the municipalities of Belo Horizonte - MG and Campo Bom - RS. Decisions have been handed down on both cases during the year ended December 31, 2010 with the Company winning a favorable decision upon which no further appeals can be brought in Campo Bom, thereby reversing the respective provision amounting to R$ 1,978. The Company did not win a favorable decision in Belo Horizonte, and settled the proceedings in the amount of R$ 3,244.

<u>Labor</u> – 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. Management, based on the opinion of its legal counsel, and on the history of results in similar cases, 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$12,269, Company and consolidated, whose likelihood of success was assessed as possible in the opinion of its legal counsel as such were not subject to the establishment of provisions.

20. Provision for labor, tax and civil contingencies (Continued)

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 07, 2010 approved a four to one split of the 19,562,073 common shares representing the Company's capital, which remained unchanged at R$ 21,358, but represented by 78,248,292 common shares.

In this Special Shareholders' Meeting, definition of the authorized capital limit was also approved, 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, 10,294,118 new common shares were issued under an initial public offering. On that occasion net funds of R$182,009 were raised, of which R$ 19,559 was allocated to the capital increase, which as of that date was comprised of 88,542,410 common shares making a total of R$ 40,917.

Common shares issued and paid in

	Shares (In thousands)	Capital R$
Balance at January 1, 2009	19,562	20,108
Paid-in capital at November 6, 2009	-	1,250
Balance at December 31, 2009	19,562	21,358
Share split in 2010	58,686	-
Balance at December 31, 2010	78,248	21,358
Share issuance at February 2, 2011	10,294	19,559
Balance at March 31, 2011	**88,542**	**40,917**

21. Capital and reserves (Continued)

21.2 Capital reserve

The capital reserve was initially recorded due to the corporate restructuring in 2007, with a contra entry against the net assets merged and represents the future tax benefit to be awarded from the amortization of the goodwill merged. The capital reserve corresponds to the benefit that 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 Rule 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 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 promptly contributed by BRICS, of which R$2,500 were allocated for capital increase, and R$22,500 for the appropriation 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 Rule No. 319/99, in the amount of R$13,935.

   BRICS's shareholding interest in the Company was transferred to FIGEAC after the merger.

c) On November 18, 2008, FIGEAC contributed in R$ 12,500, allocated as follows: R$1,250 for capital increase and R$11,250 for the appropriation of the capital reserve, plus monetary restatement for R$1,559.

d) On November 6, 2009, FIGEAC contributed the remaining R$ 12,500, allocated as follows: R$1,250 for capital increase and R$11,250 for the appropriation of the capital reserve, plus monetary restatement for R$2,990.

e) On December 1, 2009, FIGEAC was merged with the Company, and 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 Rule No. 319/99, in the amount of R$7,535.

Tax credits resulting from the special goodwill reserve established upon the merger of BRICS and FIGEAC are presented in Note 11.

21. Capital and reserves (Continued)

21.2 Capital reserve (Continued)

On February 2, 2011, 10,294,118 common shares were issued in an initial public offering. On that occasion net funds of R$182,009, were raised of which R$ 167,067 were recognized as a capital reserve, net of public offer 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, auditing fees and other costs.

21.3 Reserves and retained profits

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 ("Stock Corporation Law") up to the limit of 20% of paid–in capital. Accordingly, the Company did not made any allocation for legal reserve in 2010 as this reserve reached the limit of 20% of paid-in capital.

Reserve for investments

In the Board of Directors meeting held on July 21, 2010, the Company decided to set up a research and development reserve amounting to R$1,703.

Retained profits

At March 31, 2011, the "Retained profits" account balance, of R$ 31,805, is comprised of the net income for the year then ended December 31, 2010, in the amount of R$ 64,534, net of prepaid interest on equity capital, amounting to R$ 4,906, proposed dividends at the end of the year, amounting to R$ 28,026, plus the 2009 adjustments identified in 2010, totaling R$ 203. Allocation of the "Retained profits" account balance will be decided at the next Annual Shareholders' Meeting (AGO).

(In thousands of reais, except stated otherwise)

22. Paid and proposed dividends and interest on equity capital

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 (50% up to December 6, 2010), adjusted by the legal reserve set up, as prescribed by Brazilian Corporation Law. Interest on equity capital, when calculated, is considered profit distribution for determining the minimum dividend to be paid out.

In the Annual Shareholders' Meeting (AGO) held on April 29, 2010, the distribution of profits proposed at December 31, 2009, in the amount of R$18,507, was approved, as well as supplemental distributions summing up to R$14,135.

In the Board of Directors' Meeting held on April 29, 2010 and July 21, 2010, the Directors approved the payment of supplemental dividends, based on the existing "Retained profits reserve" balance, in the amount of R$2,087 and R$ 18,891, respectively, fully paid in 2010.

In order to comply with relevant tax rules, the Company recognized interest on equity capital paid in 2010, amounting to R$4,906 (R$4,618 in 2009), matched against financial expenses. This interest was reversed from net income and matched against retained earnings as determined by accounting practices adopted in Brazil for the preparation of financial statements. Withholding income tax at the rate of 15 % is levied on this interest.

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.

Dividends were calculated as under:

	12/31/2010
Net income for the year	64,534
Legal reserve - 5%	-
Adjusted net income	64,534
Mandatory minimum dividend	25%
Total mandatory minimum dividend	16,134
Dividends and interest on equity capital proposed by management	
Interest on equity capital	4,906
IRRF on interest on equity capital	(736)
Dividends	28,026
	32,196
Mandatory minimum dividend	
Interest on equity capital	4,170
Dividends	11,964
Proposed dividends in excess of mandatory minimum dividend	16,062

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 period ended March 31, 2011 and 2010.

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

	03/31/2011	03/31/2010
	Common	**Common**
Net income for the period	**14,728**	**10,370**
Weighted average of shares issued (in thousands)	**84,767**	**78,248**
Earnings per share – basic and diluted - R$	**0,17**	**0,13**

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	
	03/31/2011	**03/31/2010**	**03/31/2011**	**03/31/2010**
Gross operating revenue				
Domestic market	**147,253**	115,899	**164,634**	127,969
Foreign market	**10,045**	11,115	**9,811**	11,264
Sales returns	**(3,802)**	(2,522)	**(5,146)**	(4,094)
Sales taxes	**(26,591)**	(20,353)	**(30,704)**	(22,529)
Net operating revenue	**126,905**	104,139	**138,595**	112,610

(In thousands of reais, except stated otherwise)

25. Operating segments

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	03/31/2011	03/31/2010
Consolidated gross revenue	**174,445**	**139,233**
Arezzo - domestic market	**114,400**	95,434
Schutz - foreign market	**46,150**	30,394
Other	**4,084**	2,141
Foreign market	**9,811**	11,264
Channel		
Consolidated gross revenue	**174,445**	139,233
Franchises	**88,547**	73,852
Multi-brand stores	**47,421**	33,804
Own stores	**26,873**	19,389
Other	**1,793**	924
Foreign market	**9,811**	11,264

(In thousands of reais, except stated otherwise)

25. Operating segments (Continued)

Revenue from foreign market is not segregated by geographic area since it represents 6% of the consolidated gross revenue at March 31, 2011.

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

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	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
Expenses by function				
Cost of sales	**(81,200)**	(67,772)	**(82,150)**	(65,857)
Selling expenses	**(15,640)**	(12,175)	**(25,524)**	(20,144)
General and administrative expenses	**(10,782)**	(10,069)	**(11,423)**	(10,088)
Other operating income, net	**170**	219	**358**	247
	(107,452)	(89,797)	**(118,739)**	(95,842)
Expenses by nature				
Depreciation and amortization	**(439)**	(275)	**(886)**	(608)
Personnel expenses	**(10,096)**	(7,248)	**(19,230)**	(13,932)
Raw material & store and supplies	**(82,000)**	(68,202)	**(77,727)**	(62,792)
Freight	**(2,323)**	(1,828)	**(2,368)**	(1,891)
Other operating expenses	**(12,594)**	(12,244)	**(18,528)**	(16,619)
	(107,452)	(89,797)	**(118,739)**	(95,842)

27. Risk assessment

a) Currency risk

Income from the Company's and its subsidiaries' operations is subject to US Dollar currency risk due to the fact that 10% of sales revenues are linked to this currency. To minimize foreign exchange risk nearly all exports have financing linked to that currency.

(In thousands of reais, except stated otherwise)

27. Risk assessment (Continued)

a) Currency risk (Continued)

At March 31, 2011 and December 31, 2010, the amount of net exposure to the US Dollar is represented by:

	Consolidated	
	03/31/2011	**12/31/2010**
Accounts receivable	**13,546**	16,118
Loans and financing	**(8,170)**	(17,083)
Trade accounts payable	**(805)**	(92)
Net exposure	**4,571**	(1,057)

With a view to analyzing the sensitivity of Company assets and liabilities in foreign currency exposed to currency risk as of March 31, 2011, three (3) different scenarios were defined, and a sensitivity analysis of the effects of currency exchange rate fluctuations was performed.

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.

In addition to the probable scenario, CVM Rule No. 475, dated December 17, 2008 ("Rule CVM 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's regulation.

Operation	Currency	Probable scenario (Book value)	Scenario A	Scenario B
REDUCTION OF FOREIGN CURRENCY RATE				
Foreign currency accounts receivable	R$	13,546	10,160	6,773
Foreign currency loans and financing	R$	(8,170)	(6,128)	(4,085)
Foreign currency trade accounts receivable	R$	(805)	(604)	(403)
Rate depreciation at			25%	50%
Foreign currency rate reference				
US Dollar		1.63	1.22	0.82
Effect on income before taxes	R$		(1,143)	(2,286)

(In thousands of reais, except stated otherwise)

27. Risk assessment (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 17.

At March 31, 2011, loans and financing breakdowns as follows in relation to the interest rates:

	Consolidated	
	03/31/2011	**%**
Fixed interest	**9,192**	27.37%
TJPL-based interest	**24,394**	72.63%
	33,586	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 as of March 31, 2011, 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. These scenarios were defined based on management's expectation regarding the effects of changes in TJLP at the maturity dates of the respective contracts subject to such risk.

In addition to the probable scenario, CVM Rule No. 475 requires the presentation of another two scenarios applying appreciation at 25% and 50% of the risk variable under analysis. These scenarios are presented in accordance with CVM's regulation.

Operation	Currency	Probable scenario (Book value)	Scenario A	Scenario B
INCREASE IN FINANCIAL EXPENSES				
Financing – TJLP	R$	(365)	(457)	(549)
Total		**(365)**	**(457)**	**(549)**
Rate appreciation at			25.00%	50.00%
Reference for financial liabilities				
TJLP		6.00%	7.50%	9.00%

(In thousands of reais, except stated otherwise)

27. Risk assessment (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 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 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.

A part of 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.

At March 31, 2011, these financial instruments are stated as follows:

Contract date	Funds release Date	Contracted amount		Market value 03/31/2011
		US$	R$	
01/21/2011	04/25/2011	3,000	5,076	160
03/14/2011	06/13/2011	1,000	1,690	32

Contract date	Funds release Date	Contracted amount		Market value 03/31/2011
		EURO	R$	
03/14/2011	06/13/2011	500	1,172	(3)

The Company did not have financial instruments that are not recorded in accounts at March 31, 2011 and December 31, 2010.

27. Risk assessment (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 their 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 evaluation when acquiring new customers but as a market practice only requires advance payment of receivables from customers that are considered high risk. There are no clients that represent more than 5% of the accounts receivable as of March 31, 2011 and December 31, 2010. 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 out flows are as follows:

	Projection including future interests			
	Up to 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**
Loans and financing	14,529	26,533	2,511	43,573

(In thousands of reais, except stated otherwise)

27. Risk assessment (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. To keep this structure adjusted, the Company may offer dividend payouts, returns to shareholders, new borrowings, issue of debentures, issue of promissory notes and contracting of 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 (expenses), net

	Company		Consolidated	
Description	**03/31/2011**	**03/31/2010**	**03/31/2011**	**03/31/2010**
Financial income:				
Interest income	**160**	196	**165**	201
Earnings from short-term investments	**3,176**	726	**3,184**	734
Other income	**363**	227	**345**	329
	3,699	1,149	**3,694**	1,264
Financial expenses:				
Bank charges	**(269)**	(210)	**(284)**	(223)
Financing interest	**(391)**	(711)	**(515)**	(727)
Credit card administration charge	**(36)**	(50)	**(450)**	(558)
Other expenses	**(693)**	(484)	**(635)**	(504)
	(1,389)	(1,455)	**(1,884)**	(2,012)
Foreign exchange gain (loss), net:				
Gains	**-**	2,923	**70**	3,057
Losses	**(397)**	(3,223)	**(415)**	(3,370)
	(397)	(300)	**(345)**	(313)
Total	**1,913**	(606)	**1,465**	(1,061)

(In thousands of reais, except stated otherwise)

29. Other operating income, net

Description	Company		Consolidated	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
Franchise fees	**50**	-	**50**	-
Refund of expenses with returns	**-**	94	**-**	94
Recovery of expenses	**170**	123	**171**	124
Reversal of provision for labor, tax and civil contingencies	**-**	-	**-**	-
Miscellaneous income	**-**	2	**(12)**	29
Other income (expenses)	**(50)**	-	**149**	-
Total	**170**	219	**358**	247

30. Operating lease agreements - store lease

At March 31, 2011, the Company had lease agreements entered into with third parties. Such agreements were reviewed by management which concluded that they could be classified as operating lease agreements.

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

	Minimum payments at 03/31/2011
Up to one year	**8,521**
More than one year up to five years	**32,772**
More than five years	**-**

The average monthly expense with lease payments is R$ 770 (R$ 532 in 2010). 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.

At March 31, 2011, lease expenses, net of taxes recoverable, totaled R$ 2,311 (R$ 1,596 in March 31, 2010). The “Lease payable” balance is R$ 440 (R$ 722 in December 31, 2010).

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. 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, 2011, 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	Risks covered	Insured amount R$
Inventories and property, plant and equipment	Fire	43,000
	Civil liability	600

The scope of our auditors work does not include issuing an opinion on the adequacy of insurance coverage which was determined by Company management as sufficient to cover possible losses.

Ernst & Young Terco
Centro Empresarial Mostardeiro
Av. Mostardeiro, 322
10º Andar - Moinhos de Vento
90430-000 - Porto Alegre, RS, Brasil

Tel.: (5551) 2104-2050
Fax: (5551) 2104-2059
www.ey.com.br

A free translation from Portuguese into English of Independent Auditor's Review Report on individual and consolidated interim financial information

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form ("ITR") of Arezzo Indústria e Comércio S.A. ("Company") for the quarter ended March 31, 2011, comprising the balance sheet and the related income statement, statement of changes in equity and cash flow statement for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 – Interim Financial Reporting, and of the consolidated interim financial information in accordance with CPC 21 and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the standards 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 auditing standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

ERNST & YOUNG TERCO

Conclusion on the 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 was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to quarterly information.

Conclusion on the 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 was not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of quarterly information (ITR), and presented consistently with standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to quarterly information.

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statement of value added for the quarter ended March 31, 2011, whose presentation in the interim financial information is required by rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of quarterly information (ITR), and as supplementary information under IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not properly presented, in all material respects, in relation to the individual and consolidated interim financial information, taken as whole.

Porto Alegre, May 06, 2011.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6/F/MG

Américo F. Ferreira Neto
Partner
Accountant CRC-1SP192685/O-9/S/MG