

AREZZO **&CO**

Conference Call
1Q14

Important Disclaimer

Information contained in this document may include forward-looking statements and reflect Management's current view and estimates of the evolution of the macroeconomic environment, industry conditions, Company's performance and financial results. Any statements, expectations, capabilities, plans and assumptions contained in this document, which do not describe historical facts, such as information about declaration of dividend payment, future direction of operations, implementation of relevant operating and financial strategies, investment program and factors or trends affecting the financial condition, liquidity or results of operations, are forward-looking statements, as set forth in the "U.S. Private Securities Litigation Reform Act of 1995", and involve several risks and uncertainties. There is no guarantee that these results will occur. Forward-looking statements are based on several factors and expectations, including economic and market conditions, industry competitiveness and operational factors. Any changes in such expectations and factors may cause actual results to differ from current expectations.

The Company's consolidated financial statements presented herein are in accordance with the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, based on the audited financial statements. Non-financial information and other operating information have not been subject to an audit by independent auditors.

1Q14 Highlights

Gross Revenue

Gross revenue reached R\$257.8 million in the 1Q14, an increase of 7.1% against 1Q13, highlighting a **10.3% growth in the domestic market**.

Gross Profit

In **1Q14, gross profit was R\$92.1 million**, a growth of 2.9% against 1Q13, and the gross margin reached 43.1%.

EBITDA

EBITDA for 1Q14 amounted **R\$27.3 million**, a reduction of 4.7% in relation to 1Q13, with a margin of 12.8%;

Net Profit

In **1Q14, net income** reached **R\$17.4 million**, with net margin of 8.2%

Sales Area Expansion

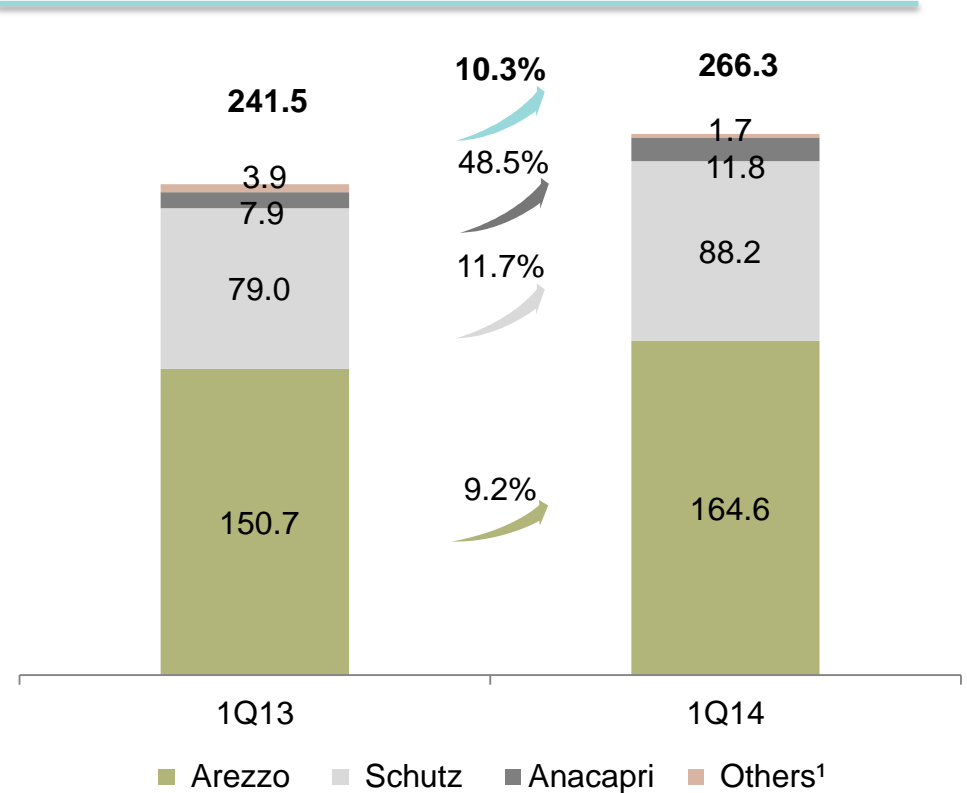
In this quarter, **Arezzo&Co opened 3 stores and expanded 1 store**, with growth of 20.6% in sales area over the last 12 months.

Company Growth

Gross Revenues – Domestic and Export Market (R\$ million)



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

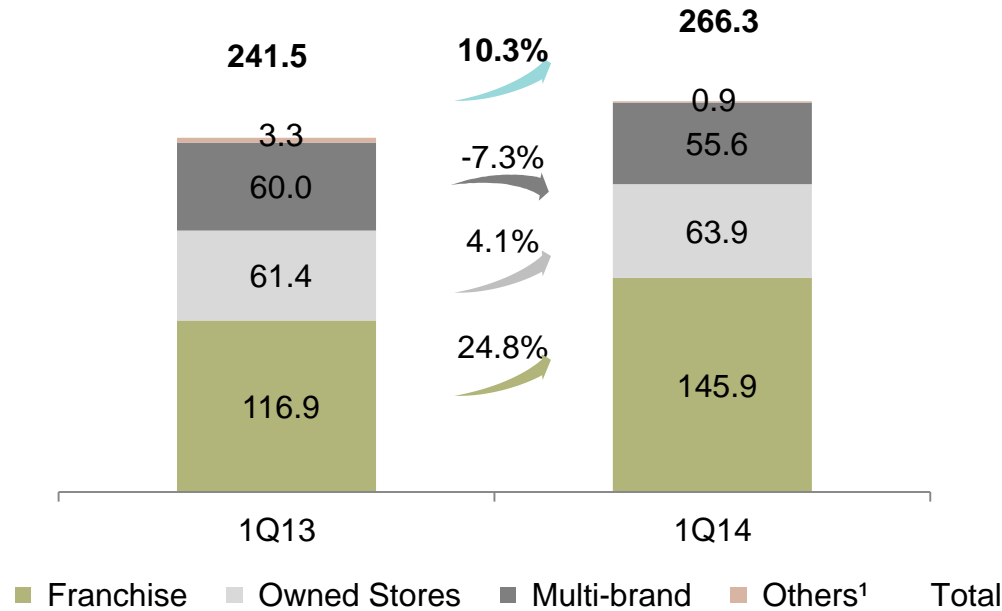


Growth of 10.3% from the domestic market gross revenues, with growth of 9.2% for Arezzo brand, 11.7% for Schutz brand and 48.5% for Anacapri brand.

1) Others: Reduction of 56.2% in the 1Q14.

Gross Revenue Breakdown by Channel – Domestic Market

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



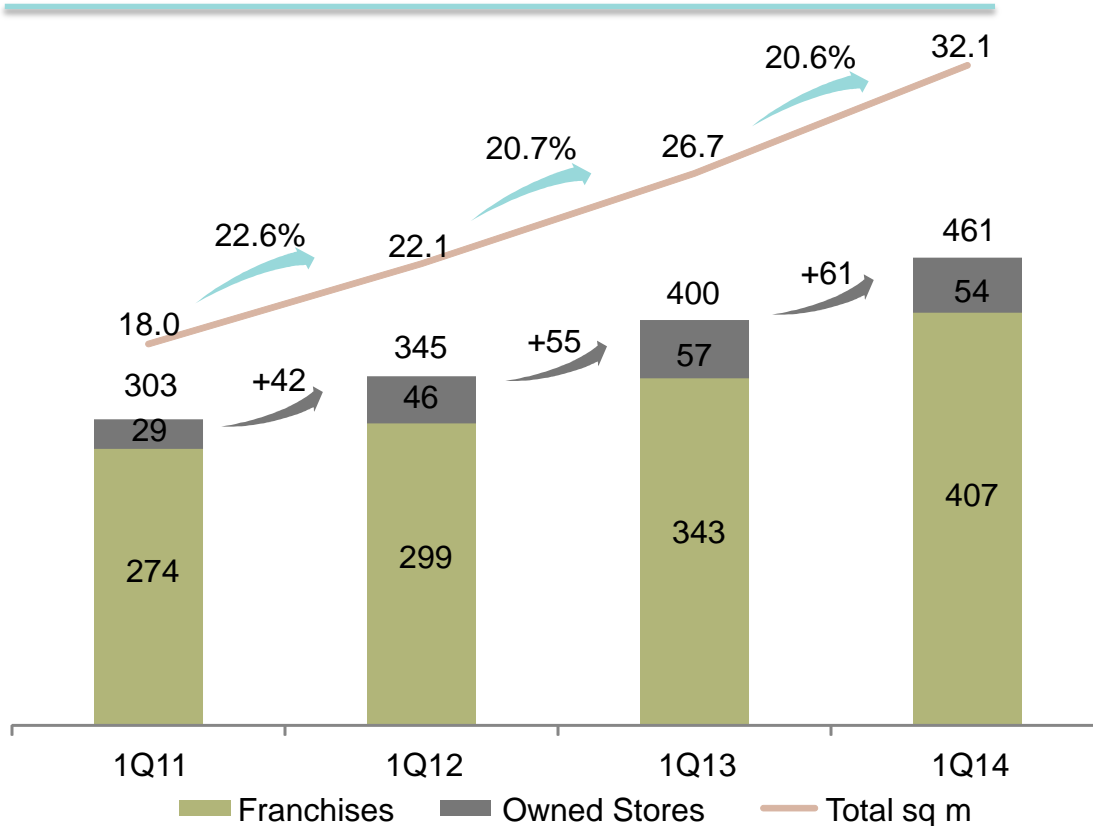
SSS Sell-out (owned stores + web + franchises)	8.4%	3.8%
SSS Sell-out (owned stores + franchises)	6.7%	3.3%
SSS Sell-in (franchises)	8.3%	8.7%

In 1T14, monobrand stores (Franchises and Owned Stores) increased 17.7%, highlighting the growth of 24.8% in Franchise channel. The SSS Sell Out growth 3.8% in the 1Q14.

1) Others: Decreasing 73.1% in 1Q14.

Distribution Channel Expansion

Owned Stores and Franchises Expansion



AREZZO

Franchises	349
Owned Stores ¹	17
Multi Brands ²	1,048

SCHUTZ

Franchises	41
Owned Stores ¹	28
Multi Brands ²	1,425

Alexandre Birman

Owned Stores ¹	2
Multi Brands ²	10

ANACAPRI

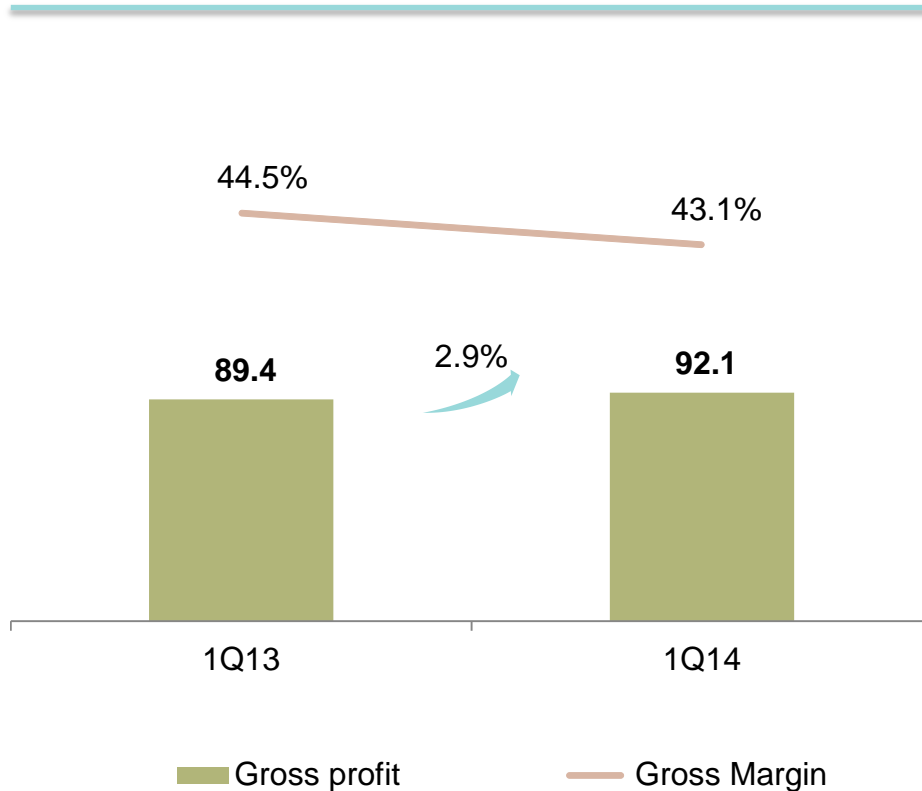
Franchises	17
Owned Stores ¹	7
Multi Brands ²	936

The sales area increased 20.6% in the 1Q14, due to the opening of 61 stores and expansion of 14 stores in the last 12 months.

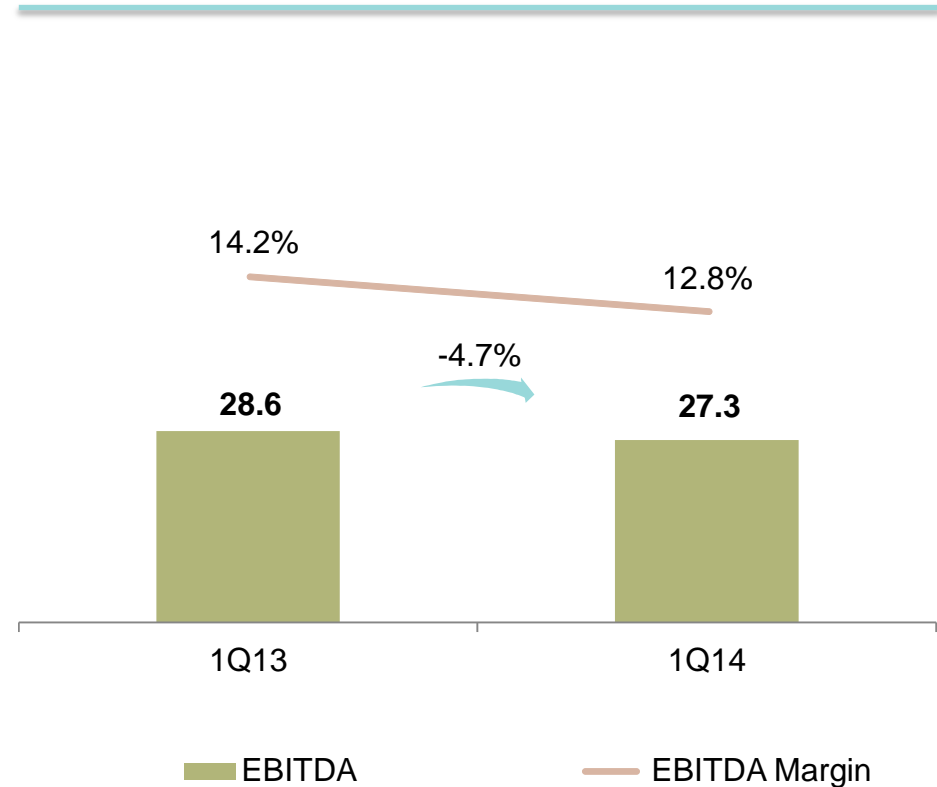
1) Includes 6 outlets with total area of 2,217 sqm
 2) Domestic Market

Gross Profit and EBITDA

Gross Profit (R\$ million)



EBITDA (R\$ million)

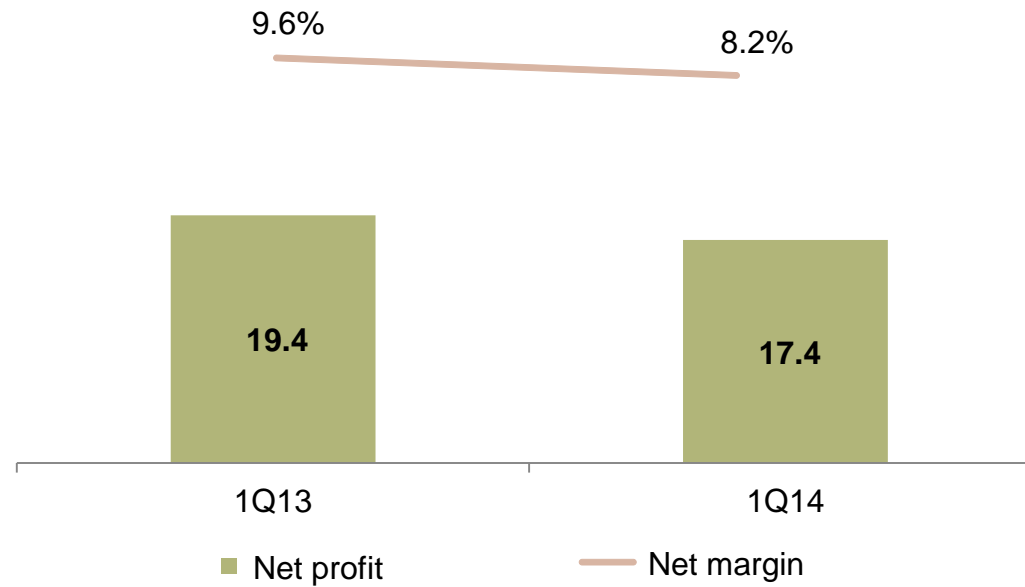


In 1Q14, gross profit reached R\$92,1 million, and the gross margin was 43.1%, impacted by the change in the mix of channels in the quarter.

EBITDA for 1Q14 amounted R\$27.3 million, with a margin of 12.8%.

Net Income and Net Margin

Net Income (R\$ million)



The Company's net income totaled R\$17.4 million in 1Q14, with 8.2% net margin.

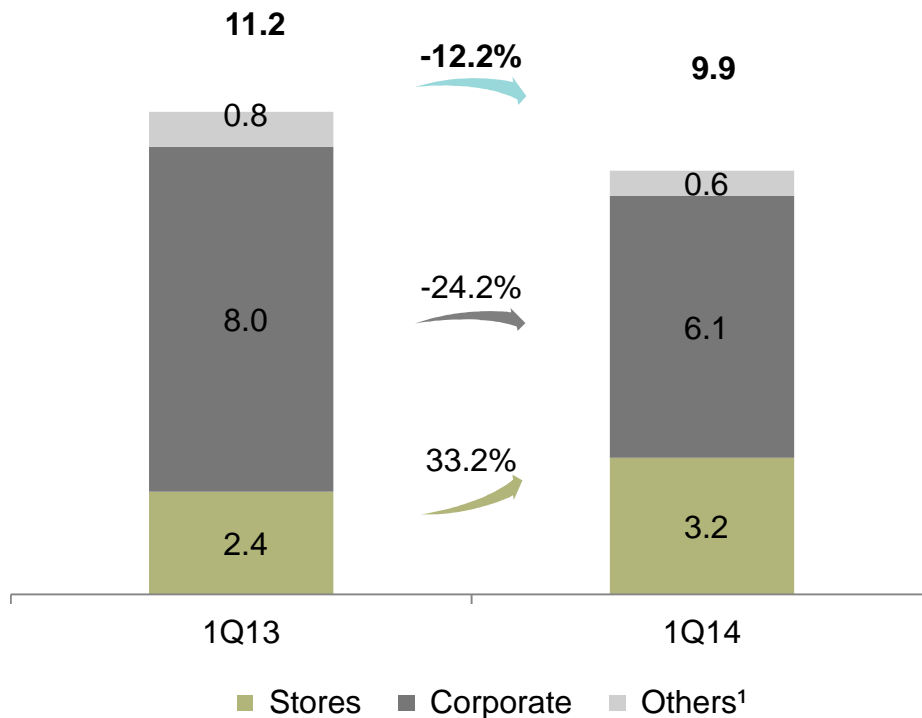
Operating Cash Flow (R\$ thousand)

Operating Cash Flow	1Q13	1Q14	Change in R\$	Change in %
Income before income tax and social contribution	28,091	26,997	(1,094)	-3.9%
Depreciation and amortization	2,585	3,209	624	24.1%
Other	(818)	(3,184)	(2,366)	289.2%
Decrease (increase) in current assets / liabilities	8,237	9,202	965	11.7%
Trade accounts receivables	(2,374)	2,503	4,877	n/a
Inventories	(11,474)	(17,774)	(6,300)	54.9%
Suppliers	33,513	39,400	5,887	17.6%
Change in other noncurrent and current assets and liabil	(11,428)	(14,927)	(3,499)	30.6%
Payment of income tax and social contribution	(3,663)	(2,342)	1,321	-36.1%
Net cash flow generated by operational activities	34,432	33,882	(550)	-1.6%

Arezzo&Co generated R\$33.9 million of net cash flow in 1Q14, in line with the generation of operating cash of the same period last year.

Capital Expenditure (CAPEX) and Indebtedness

CAPEX (R\$ million)



Indebtedness (R\$ million)

Cash position and Indebtedness	1Q13	4Q13	1Q14
Cash	213,306	185,691	207,553
Total debt	87,880	98,418	96,652
Short term	41,226	59,835	59,680
<i>% total debt</i>	46.9%	60.8%	61.7%
Long-term	46,654	38,583	36,972
<i>% total debt</i>	53.1%	39.2%	38.3%
Net debt	(125,426)	(87,273)	(110,901)
EBITDA LTM	149,731	159,460	158,113
Net Debt/EBITDA LTM	-0.8X	-0.5x	-0.7X

In 1Q14, the Company invested R\$9.9 million, a reduction of 12.2% compared with the same period last year. Indebtedness policy remained conservative.

1) Others: reduction of 26.9% in 1Q14.

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