Earnings Release - 1Q14

AREZZO &CO

AREZZO

SCHUTZ

Alexandre Birman

ANACAPRI

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AREZZO SCHUTZ Alexandre Birman ANACAPRI


Belo Horizonte, April 29, 2014. Arezzo&Co (BM&FBOVESPA: ARZZ3), Brazil's women's footwear, handbags and accessories industry leader, is reporting its earnings for the 1st quarter of 2014. Unless otherwise indicated, data are based on consolidated numbers in thousands of Brazilian reais and are compiled in accordance with International Financial Reporting Standards (IFRS). All comparisons relate to the same period in 2013 (1Q13) unless otherwise stated.

ARZZ3 share price on 04.28.14:

R$ 24.99

Market value on 04.28.14:

R$ 2,215.0 million

Earnings conference call:

Wednesday, April 30th, 2014

11:00AM (Brasília Time)

Connection phone numbers:

Participants calling from São Paulo:
11 3301-3000
Participants calling from Brazil and other countries: +55 11 4003-9004
Participants calling from USA:
+1-866-866-2673
Access code: Arezzo&Co

Presentation of slides and connection via webcast (via internet) will be available 30 minutes before at: www.arezzoco.com.br

Investor Relations:

Thiago Borges
CFO and Investor Relations Officer

Leonardo Pontes dos Reis, CFA
IR Manager

Contact:

E-mail: ri@arezzoco.com.br

Telephone: +55 11 2132-4300

Arezzo&Co records gross revenue growth of 7.1% in 1Q14, with EBITDA of R$27.3 million

HIGHLIGHTS

- In 1Q14, gross revenue was R$275.8 million, up by 7.1% against 1Q13. Namely, internal market presented a 10.3% growth in gross revenues;

- In 1Q14, gross profit was R$92.1 million, a growth of 2.9% against 1Q13;

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

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

- In this quarter, Arezzo&Co opened three stores and expanded one store, with a 20.6% growth in sales area in the last 12 months.

Summary of Results	1Q13	1Q14	Growth or spread%
Net Revenues	201,039	213,425	6.2%
Gross Profit	89,433	92,061	2.9%
Grosss Margin	44.5%	43.1%	-1.4 p.p.
EBITDA [1]	28,636	27,289	-4.7%
Ebitda Margin	14.2%	12.8%	-1.4 p.p.
Net Income	19,366	17,433	-10.0%
Net Margin	9.6%	8.2%	-1.4 p.p.

Operating Indicators	1Q13	1Q14	Cresc. ou spread (%)
# of pairs sold ('000)[3]	1,992	2,058	3.3%
# of handbags sold ('000)[3]	136	162	19.1%
# of employees	2,105	2,077	-1.3%
# of stores *	400	461	61
Owned Stores	57	54	-3
Franchises	343	407	64
Outsorcing (as % os total production)	90.0%	90.3%	0.3 p.p
SSS [2] Sell-in (franchises)	8.3%	8.7%	0.4 p.p
SSS [2] Sell-out (owned stores + franchises)	6.7%	3.3%	-3.4 p.p
SSS [2] Sell-out (owned stores + web + franchises)	8.4%	3.8%	-4.6 p.p

*Including international stores

1- EBITDA = Earnings before interest, income tax and social contribution on net income, depreciation and amortization. EBITDA is not a measure used in accounting practices adopted in Brazil (BR GAAP), does not represent cash flow for the periods presented and should not be considered as an alternative to net income, as an indicator of operating performance, or as an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and Arezzo&Co's EBITDA definition may not be comparable to adjusted EBITDA of other companies. While EBITDA does not provide, in accordance with the accounting practices adopted in Brazil, a measure of operating cash flows, management uses it to measure operating performance. Additionally, The company believes that certain investors and financial analysts use EBITDA as an indicator of operating performance for a company and/ or its cash flow.

2- SSS (Same-store sales): Stores are included in comparable stores' sales as of the 13th month of operation. Variations in comparable stores' sales in the two periods are based on sales, net of returns, for owned stores, and on gross sales for franchises in operation during both periods under comparison. If a store is included in the calculation of comparable stores' sales for only a portion of one of the periods under comparison, this store will be included in the calculation of the corresponding portion of the other period. When square meters are added to or deducted from a store included in comparable stores' sales, with an impact of over 15% on the sales area, the store is excluded from comparable stores' sales. When a store operation is discontinued, this store's sales are excluded from the calculation of comparable stores' sales for the periods under comparison. As from this period, if a franchisee opens a warehouse, its sales will be included in comparable stores' sales if its franchises operate during both periods under comparison. The so-called "SSS of Franchises – Sell In" refers to comparison of Arezzo&Co's sales with those of each Franchised Store in operation for more than 12 months, serving as a more accurate indicator for monitoring the Group's revenue. On the other hand, "SSS – Sell Out" is based on the point of sales' performance, which, in the case of Arezzo&Co, is a better indicator of Owned Stores' sales behavior and Franchises' sell out sales. The franchise sell-out figures represent the best estimate calculated on the basis of information provided by third parties. Starting in 1Q14, the Company begins to also report SSS sell-out including web commerce.

3- The volume of pairs of shoes and handbags recorded in 1Q13 was reviewed and totaled 1,992 thousand pairs and 136 thousand handbags.

Gross Revenue	1Q13	Part%	1Q14	Part%	Growth %
Total Gross Revenue	**257,451**		**275,843**		**7.1%**
Exports market	**15,915**	**6.2%**	**9,536**	**3.5%**	**-40.1%**
Domestic market	**241,536**	**93.8%**	**266,307**	**96.5%**	**10.3%**
By brand					
Arezzo	*150,719*	*62.4%*	*164,554*	*61.8%*	*9.2%*
Schutz	*78,976*	*32.7%*	*88,248*	*33.1%*	*11.7%*
Anacapri	*7,940*	*3.3%*	*11,795*	*4.4%*	*48.5%*
Other brands[1]	*3,901*	*1.6%*	*1,710*	*0.7%*	*-56.2%*
By channel					
Franchises	*116,904*	*48.4%*	*145,905*	*54.8%*	*24.8%*
Multibrand	*59,967*	*24.8%*	*55,598*	*20.9%*	*-7.3%*
Owned Stores[2]	*61,412*	*25.4%*	*63,928*	*24.0%*	*4.1%*
Others[3]	*3,253*	*1.4%*	*876*	*0.3%*	*-73.1%*

(1) Includes only domestic markets for Alexandre Birman and other revenues.
(2) Owned Stores: including Web Commerce sales channel.
(3) Includes domestic market revenues that are not specific for distribution channels.

Brands

The first quarter of the year started with a clearance sale for the summer collection from January through the first week of March, ending with a product turnover performance superior to its historical average. In the second half of March, right after carnival, winter collection was launched and was well-received by consumers. The change of collection is an important milestone in Arezzo&Co's business model. The Company executed countless actions, providing a high renovation in the shopping experience, from saleswomen's uniforms to visual merchandising materials and especially a strong product mix. All stores started a new ambience and the sales team was widely trained about main fashion trends with a big sales convention in the beginning of the collection. Additionally, the Company executed its marketing and communication plan, including new campaigns with international top models and actresses, positioning each brand with its target audience, which combined with a structured social media and press relations plan, as well as a series of store events, resulted in increased sales volume.

The Arezzo brand achieved revenue of R$164.6 million in 1Q14 representing a growth of 9.2% in relation to 1Q13, and accounting for 61.8% of domestic sales. Continuing an important initiative of expansion and refurbishment of its stores, in this quarter the brand reopened its flagship store at Oscar Freire Street in São Paulo, also expanding its sales area to 220 m², becoming the largest store in the network, which allows to offer a wide range of products and strengthens the brand with a great shopping experience for the final customer. In 1Q14, the brand opened 4 stores with the new model, which resulted in higher productivity in the refurbished stores. In 2014, renewals should maintain the same pace as in the prior year, when 25 stores had the new layout.

The Schutz brand showed growth of 11.7% in 1Q14 compared to 1Q13, posting gross revenue of R$88.2 million, or 33.1% of domestic market sales. Following its strategy of strengthening the network, monobrand channel sales presented growth of 27.3%, mainly as a result of the opening of 18 stores in the past 12 months. As a result of the strategy to increase its participation in the brand, handbags presented 123% growth in the quarter. Web commerce strategy execution resulted in strong growth of 31.8% in 1Q14. Additionally, aiming to enhance its branding, the brand continues to innovate its communication by signing a long term contract with an international top model and celebrity who has millions of followers in main social medias and, besides featuring the new campaign, became the brand's ambassador, being present in various events and spontaneously promoting the brand's products.

The Anacapri brand recorded revenue of R$11.8 million in 1Q14, up by 48.5% against 1Q13. In the quarter, the brand closed strategic partnerships to strengthen its branding, contributing to a healthy launch of its winter collection. Additionally, the beginning of the roll-out process in the franchise channel, with very positive initial results, enabled a sound growth to the brand, which closed the quarter with 17 stores in the channel.

Brands

The Alexandre Birman brand strengthened its international branding by holding events in various countries. In 1Q14, the brand held an event to introduce its new spring collection at the Museum of Modern Art, in New York, counting with the presence of important opinion makers. Additionally, the winter collection was launched in Paris for the world press.

Channels

Mono-brands – Franchises and Owned Stores

Following the strategy of strengthening the monobrand stores, the sell-out sales of the Arezzo&Co network grew 13.5% in the period against 1Q13, mainly due to the sales area expansion and same stores sales sell-out (owned stores + web commerce + franchises) grew 3.8% in the period. With regard to the SSS sell-out indicator, it is worth mentioning that:

(i) unlike 2013, when it took place in early February, in 2014 carnival was celebrated only in March. Thus, due to carnival calendar effect, this quarter had fewer days with products being sold at full price if compared to the same period in the prior year, negatively impacting the SSS sell-out;

(ii) demonstrating the network health and the consistency of the indicator, all months in the quarter had a positive SSS; and

(iii) the indicator includes on-line sales. Excluding the web commerce channel, SSS would be 3.3%.

Growth in revenue from mono-brand stores, which comprise franchises sell-in and owned stores sell-out, was 17.7% in 1Q14 over 1Q13, mainly due to the 17.6%% increase in sales area in the last 12 months, excluding outlets, and also due to the strong sales growth of 33.0% in handbags in 1Q14 against 1Q13, as a result of a strong focus on product development in the brands. Mono-brand stores accounted for 78.8% of domestic sales in 1Q14.

The Franchise channel grew 24.8%% in the quarter's sell-in, accounting for 54.8% of domestic sales in 1Q14, driven by the opening of 64 franchises in the last 12 months, of which 29 under the Arezzo brand, 18 Schutz and 17 Anacapri. In addition, 11 Arezzo brand franchise stores were expanded in the last 12 months, thus adding 363.7 m² to the channel's sales area.

Sell-in sales, i.e. those made by Arezzo&Co to its franchisees, recorded expansion in the same franchises (SSS – Franchises) of 8.7% in 1Q14 compared to 1Q13, particularly due to increase in volume of pairs and handbags sold. It is important to highlight that the first quarter is characterized by the arrival of the winter collection in the stores, which must have a complete product mix and replenish their inventories after the end of the summer collection.

In regards to Owned Store channel only, sales area was reduced by 5.8% in the quarter against the same period of last year, due to the transfer of some store to the Franchise channel. In the last 12 months, three owned stores were expanded, adding 197.9 m² to the channel's sales area.

Having opened 3 stores, the company ended 1Q14 with 452 mono-brand stores in Brazil and 9 overseas; of those stores in Brazil, 358 were Arezzo brand stores, 68 Schutz, 24 Anacapri and 2 Alexandre Birman.

Channels

History of Stores	1Q13	2Q13	3Q13	4Q13	1Q14
Sales area [1,3] - Total (m²)	**26,659**	**27,996**	**28,999**	**31,848**	**32,138**
Sales area - franchises (m²)	20,731	22,154	23,174	25,262	25,498
Sales area - Owned stores[2] (m²)	5,928	5,842	5,825	6,586	6,640
Total number of domestic stores	**391**	**408**	**420**	**449**	**452**
# of franchises	**335**	**353**	**365**	**395**	**399**
Arezzo	312	324	328	340	341
Schutz	23	29	35	40	41
Anacapri	0	0	2	15	17
# of owned stores	**56**	**55**	**55**	**54**	**53**
Arezzo	19	17	16	17	17
Schutz	27	27	27	27	27
Alexandre Birman	2	2	2	2	2
Anacapri	8	9	10	8	7
Total number of international stores	**9**	**9**	**9**	**9**	**9**
# of franchises	8	8	8	8	8
# of owned stores	1	1	1	1	1

1. Includes areas in square meters of 9 international stores
2. Includes 6 outlet-type stores with a total area of 2,217 m^2
3. Includes areas in square meters of stores expansion

Multi-brand

The Multibrand channel's revenue in 1Q14 showed a reduction of 7.3%, primarily due to the impact of the growth in Schutz mono-brand stores. Due to the roll-out in mono-brand stores, the Schutz brand, which accounted for 60.9% of the gross revenue of the multibrand channel in 1Q14, started in 3Q13 to disqualify some multibrand channel stores for the purpose of preserving its branding, thus impacting the channel's growth due to the decrease in the base of stores. The Company continues to believe in the strategic importance of the channel, and is working to attract new customers, increase the share of wallet with existing customers and increase cross selling among brands

Due to the disqualification mentioned above, the group's four brands began to be distributed through 2,355 stores, reduction of 3.5% over 1Q13, with a presence in 1,185 cities.

Key financial indicators	1Q13	1Q14	Growth or spread%
Net revenues	201,039	213,425	6.2%
COGS	(111,606)	(121,364)	8.7%
Gross profit	89,433	92,061	2.9%
Gross margin	*44.5%*	*43.1%*	*-1.4 p.p.*
SG&A	(63,382)	(67,981)	7.3%
% of Revenues	*31.5%*	*31.9%*	*0.4 p.p*
Selling expenses	(43,863)	(45,922)	4.7%
Owned stores	(22,337)	(22,571)	1.0%
Selling, logistics and supply	(21,526)	(23,351)	8.5%
General and administrative expenses	(17,329)	(17,914)	3.4%
Other operating revenues (expenses)	395	(936)	n/a
Depreciation and amortization	(2,585)	(3,209)	24.1%
Ebitda	28,636	27,289	-4.7%
Ebitda margin	*14.2%*	*12.8%*	*-1.4 p.p.*
Net income	19,366	17,433	-10.0%
Net margin	*9.6%*	*8.2%*	*-1.4 p.p.*
Working capital[1] - as % of revenues	24.6%	28.0%	3.4 p.p
Invested capital[2] - as % of revenues	33.7%	39.3%	5.6 p.p.
Total debt	87,880	96,652	10.0%
Net debt[3]	(125,426)	(110,901)	-11.6%
Net debt/EBITDA LTM	-0.8x	-0.7x	n/a

1 - Working Capital: current assets minus cash, cash equivalents and marketable securities less current liabilities minus loans and financing and dividends payable.
2 - Invested capital: working capital plus fixed assets and other long-term assets less income tax and deferred social contribution.
3 - Net debt is equal to total interest-bearing debt position at the end of a period less cash and cash equivalents and short-term financial investments.

Net revenue

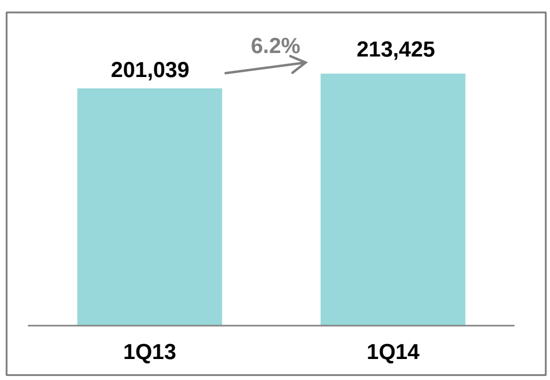
The Company's net revenue totaled R$213,4 million in the quarter, a growth of 6.2% over 1Q13. Namely, internal market presented a growth of 10.3% in gross revenues in the quarter. Some of the primary factors leading to this growth are:

i) Excluding outlets, expansion of 17.6% in sales area compared to 1Q13, the highlight being a growth of 23.0% in the Franchise area;

ii) Increase of 8.7% in the same store sales sell-in indicator, and a growth of 3.8% in sell-out;

iii) The multibrand channel declined by 7.3% against 1Q13, primarily due to the impact caused by strong growth of Schutz brand franchises;

iv) In spite of the change in the channel mix, net revenue was positively impacted in R$1.6 million, due to a temporary reduction of the ICMS tax rate in the quarter.

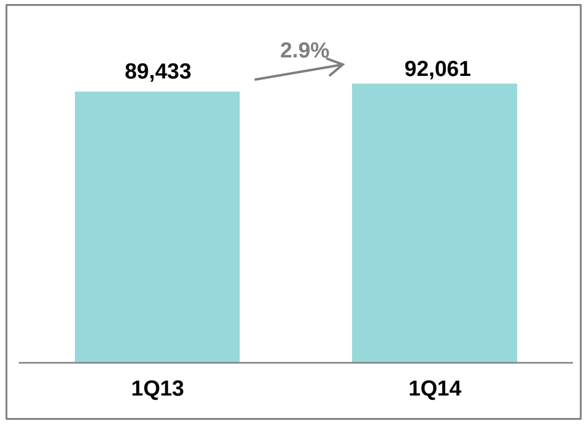


Gross Profit

Gross profit in 1Q14 grew 2.9% in comparison with 1Q13, totaling R$92.1 million, with a gross margin of 43.1%.

The growth in gross profit in 1Q14 particularly reflected the 6.2% growth in net revenue.

The Company pursues a strategy of maintaining stable margins per channel, and the owned stores channel are subject to greater variation. In 1Q14, there was a higher participation of the Franchises channel, and the change in the mix of channels impacted the consolidated margin. Moreover, unlike of 1Q13, when it occurred in February, this quarter carnival occurred only in March. Thus, this quarter showed a greater number of days with products being sold with discount in the owned stores when compared to 1Q13.



SG&A

The Company is strongly focused on adjusting the level of expenses to the Company's growth. In the second half of 2013, and in 1Q14, there was a sharp deceleration in expenses, which, in this quarter, excluding the non-recurring expenses, were in line with the percentage of revenues compared to 1Q13.

Selling expenses

The Company's selling expenses may be divided into two primary groups:

i) Owned stores expenses:
- include only owned store (sell-out) expenses.

ii) Selling, Logistics and Supply expenses:
- include sell-in and sell-out operating expenses.

In 1Q14, selling expenses increased by 4.7% against 1Q13, reaching R$45.9 million in the quarter against R$43.9 million in the same period of the previous year. Selling, logistics and supplies expenses totaled R$23.4 million in the period, increasing by 8.5% against the same quarter of the previous year, in line with sell-in sales growth.

Owned store expenses totaled R$22.6 million in 1Q14, up 1.0% in comparison with 1Q13, and below the growth of 3.0% in owned store sell-out in the same period, primarily due to the reduction in store personnel expenses during the second half of 2013.

General and Administrative Expenses

In 1Q14, general and administrative expenses amounted to R$17.9 million against R$17.3 million in the same quarter of the previous year, an increase of 3.4% due primarily to non-recurring expenses with tax provisions in the amount of R$1.2 million.

Other Operating Revenues (Expenses)

In 1Q14, the Company amounted to an expense of R$936 thousand in the other operating expenses, compared to an income of R$395 thousand in 1Q13, mainly due to the higher expense of R$1.3 million in the Company´s stock option program.

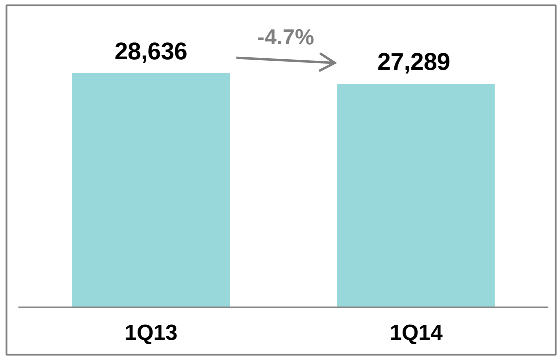
EBITDA and EBITDA margin

The Company's EBITDA declined by 4.7% in 1Q14 against 1Q13, totaling R$27.3 million. EBITDA margin in 1Q14 was 12.8% against 14.2% in 1Q13. The primary factors leading to the EBITDA figure in the quarter were:

i) Increase of 6.2% in net revenue;

ii) Increase of 2.9% in gross profit;

iii) Operating expenses as percentage of revenues at 31.9%, an increase of 40 bps in relation to 1Q13.



It is worth mentioning that 1Q14 results came in line with Company projections and the Management maintains its confidence for 2014. Additionally, excluding non-recurring tax provisions expenses amounting to R$1.2 million, 1Q14 EBITDA would be R$28.5 million, in line with the one presented in 1Q13.

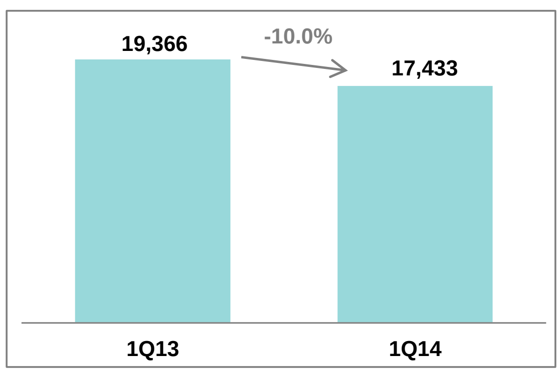
EBITDA Reconciliation	1Q13	1Q14
Net income	19,366	17,433
(-) Income tax and social contribution	(8,725)	(9,564)
(-) Financial results	2,040	2,917
(-) Depreciation and amortization	(2,585)	(3,209)
(=) EBITDA	28,636	27,289

Net income and net margin (%)

The Company's EBITDA margin was 12.8% in 1Q14 compared to net income margin of 8.2% margin in the quarter, reflecting higher allocation of capital to fixed assets in the past two years, as a result of more owned stores and greater investments in IT.

Due to higher fixed assets in 1Q14 compared to 1Q13, depreciation increased by 24.1% in the period.

Additionally, due to higher non deductible expenses with stock options and lower constitution of deferred taxes, income tax rate in 1Q14 was higher than in 1Q13.



Excluding only the factors mentioned above, net income to EBITDA ratio in the quarter would be in line with the one presented in 1Q13. Net income for 1Q14 amounted to R$17.4 million with a net margin of 8.2%.

Operating Cash Flow

Arezzo&Co generated R$33.9 million in operating cash in 1Q14, in line with the cash generation of the same period of the previous year, primarily due to the operating profit in the period and lower need for working capital. In the quarter, net working capital was primarily impacted by temporary differences in taxes payable and by business seasonality, increasing as a percentage of revenues compared to 1Q13.

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 liabilities	(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%**

Investments - Capex

The Company's investments can be broken down into 3 types: 1) investment in expansion or refurbishment of owned points of sale; 2) corporate investments, including IT, facilities, showrooms and offices; and 3) other investments, which are primarily related to modernization of its industrial operations.

Total Capex in 1Q14 was R$9.9 million main due to investments in IT arising from the implementation of a new transaction system to provide growth sustainability and efficiency gains. In 1Q14, the Company opened its new Arezzo brand flagship store in São Paulo. With an area of 220 m², this has become the brand's largest store. The Company also refurbished its Anacapri brand store at Shopping Morumbi according to the new layout, which resulted in sound productivity growth.

Summary of investments	1Q13	1Q14	Growth %
Total capex	**11,227**	**9,858**	**-12.2%**
Stores - expansion and refurbishing	2,388	3,182	33.2%
Corporate	8,032	6,086	-24.2%
Other	807	590	-26.9%

Cash position and Indebtedness

The Company ended 1Q14 with R$110.9 million in net cash. Indebtedness policy remained conservative, with the following primary characteristics:

- Total indebtedness of R$96.7 million in 1Q14, against R$87.9 million in 1Q13;
- Long-term indebtedness was 38.3% of total debt in 1Q14, against 53.1% in 1Q13;
- The weighted average cost of the Company's total debt in 1Q14 remained at lower levels.

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
% total debt	46.9%	60.8%	61.7%
Long-term	46,654	38,583	36,972
% total debt	53.1%	39.2%	38.3%
Net debt	**(125,426)**	**(87,273)**	**(110,901)**

ROIC (Return on Invested Capital)

In line with the Company's strategic direction, levels of investment in Capital Employed exceeded those of previous years, especially due to the opening of owned stores from 2010 on. Return on Invested Capital (ROIC) was 26.1% in 1Q14, and was affected by the higher working capital requirements as already mentioned, and the concentration of investments in infrastructure which will only bear fruit in the medium and long terms.

Income from operations	1Q12	1Q13	1Q14	Growth %
EBIT (LTM)	107,066	141,005	146,519	3.9%
+ IR and CS (LTM)	(32,030)	(40,571)	(46,401)	14.4%
NOPAT	**75,036**	**100,434**	**100,118**	**-0.3%**
Working Capital [1]	176,637	221,069	272,718	23.4%
Permanent assets	76,940	116,901	139,892	19.7%
Other long-term assets [2]	7,423	7,650	8,451	10.5%
Invested capital	**261,000**	**345,620**	**421,061**	**21.8%**
Average invested capital [3]		**303,310**	**383,341**	**26.4%**
ROIC [4]		**33.1%**	**26.1%**	

1 - Working Capital: current assets minus cash, cash equivalents and financial investments less current liabilities minus loans and financing and dividends payable.
2 - Less deferred income tax and social contribution.
3 - Average invested capital in the period and same period previous year.
4 - ROIC: NOPAT for the last 12 months divided by average invested capital.

Balance sheet

Assets	1Q13	4Q13	1Q14
Current assets	**539,360**	**553,093**	**596,400**
Cash and cash equivalents	8,427	13,786	10,973
Financial Investments	204,879	171,905	196,580
Trade accounts receivables	211,251	247,498	244,997
Inventory	87,481	85,108	102,756
Taxes recoverable	15,797	19,188	24,775
Other credits	11,525	15,608	16,319
Non-current assets	**132,558**	**150,773**	**156,635**
Long-term receivables	15,657	15,116	16,743
Financial Investments	178	23	27
Taxes recoverable	377	0	0
Deferred income and social contribution	8,007	5,514	8,292
Other credits	7,095	9,579	8,424
Property, plant and equipment	63,338	68,543	69,435
Intangible assets	53,563	67,114	70,457
Total Assets	**671,918**	**703,866**	**753,035**

Liabilities	1Q13	4Q13	1Q14
Current liabilities	**146,211**	**143,860**	**175,809**
Loans and financing	41,226	59,835	59,680
Suppliers	69,021	34,859	74,259
Dividends and interest on equity capital payable	0	7,598	0
Other liabilities	35,964	41,568	41,870
Non-current liabilities	**52,102**	**45,464**	**43,996**
Loans and financing	46,654	38,583	36,972
Related parties	969	873	355
Other liabilities	4,479	6,008	6,669
Equity	**473,605**	**514,542**	**533,230**
Capital	106,857	157,186	219,186
Capital reserve	173,838	128,288	67,543
Income reserves	173,544	208,174	229,068
Additional proposed dividend	0	20,894	0
Profit	19,366	0	17,433
Total liabilities and shareholders' equity	**671,918**	**703,866**	**753,035**

Income statement (IFRS)

Income statement - IFRS	1Q13	1Q14	Growth %
Net operating revenue	**201,039**	**213,425**	**6.2%**
Cost of goods sold	(111,606)	(121,364)	8.7%
Gross profit	**89,433**	**92,061**	**2.9%**
Operating income (expenses):	**(63,382)**	**(67,981)**	**7.3%**
Selling	(45,299)	(47,721)	5.3%
Administrative and general expenses	(18,478)	(19,324)	4.6%
Other operating income net	395	(936)	n/a
Income before financial result	**26,051**	**24,080**	**-7.6%**
Financial income	2,040	2,917	43.0%
Income before income taxes	**28,091**	**26,997**	**-3.9%**
Income tax and social contribution	(8,725)	(9,564)	9.6%
Current	(10,468)	(12,342)	17.9%
Deferred	1,743	2,778	59.4%
Net income for period	**19,366**	**17,433**	**-10.0%**

Cash Flow - IFRS

Statement of cash flow	1Q13	1Q14
Operating activities		
Income before income tax and social contribution	28,091	26,997
Adjustments to reconcile net income with cash from operational activities	**1,767**	**25**
Depreciation and amortization	2,585	3,209
Income from financial investments	(3,269)	(4,310)
Interest and exchange rate	10	(953)
Other	2,441	2,079
Decrease (increase) in assets		
Customer receivables	(2,374)	2,503
Inventory	(11,474)	(17,774)
Recoverable taxes	(1,516)	(5,588)
Variation other current assets	171	(117)
Judicial deposits	904	562
Decrease (increase) in liabilities		
Suppliers	33,513	39,400
Labor liabilities	(4,519)	(2,500)
Fiscal and social liabilities	(6,304)	(6,373)
Variation in other liabilities	(164)	(911)
Payment of income tax and social contribution	(3,663)	(2,342)
Net cash flow from operating activities	**34,432**	**33,882**
Investing activities		
Disposal of fixed and intangible assets	-	2,463
Acquisitions of fixed and intangible assets	(11,227)	(9,860)
Financial Investments	(82,139)	(84,585)
Redemption of financial investments	71,006	64,216
Increased Investments	-	-
Net cash used in investing activities	**(22,360)**	**(27,766)**
Financing activities with third parties		
Funding	2,080	10,291
Payments of loans	(7,953)	(10,718)
Payments of Interest on loans	(341)	(386)
Net cash used in financing activities - third parties	**(6,214)**	**(813)**
Financing activities with shareholders		
Interest on equity capital	(8,945)	(7,598)
Distribution of profits	-	-
Receivables (payables) with shareholders	(4)	(518)
Share Issuance	-	-
Share issuance transaction costs	-	-
Net cash used in financing activities	**(8,949)**	**(8,116)**
Increase (decrease) in cash and cash equivalents	**(3,091)**	**(2,813)**
Cash and cash equivalents		
Cash and cash equivalents - Initial balance	11,518	13,786
Cash and cash equivalents - Closing balance	8,427	10,973
Increase (decrease) in cash and cash equivalents	**(3,091)**	**(2,813)**

Important Notice

Information contained herein may include forward-looking statements and reflects management's current view and estimates concerning the evolution of the macro-economic environment, industry conditions, company performance, and financial results. Any statements, expectations, capabilities, plans and assumptions contained in this document that do not describe historical facts, such as statements regarding declaration or payment of dividends, the future course of operations, the implementation of material operational and financial strategies, the investment program, and the factors or trends affecting financial condition, liquidity or results from operations, are deemed forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. There is no guarantee that these results will actually materialize. Statements are based on many assumptions and factors, including economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. Arezzo&Co's consolidated financial information presented herein complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on audited financial data. Non-financial and other operating information has not been audited by independent auditors.