Earnings Release - 3Q13

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AREZZO | SCHUTZ | Alexandre Birman | ANACAPRI


Belo Horizonte, September 30, 2013. Arezzo&Co (BM&FBOVESPA: ARZZ3), Brazil's women's footwear, handbags and accessories industry leader, is reporting its earnings for the 3rd quarter of 2013. 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 2012 (3Q12) unless otherwise stated.

ARZZ3 share price on 10.29.13:

R$ 33.52

Market value on 10.29.13:

R$ 2,971.1 million

Earnings conference call:

Thursday, October 31st, 2013

11:00AM (Brasília Time)

Connection phone numbers:

Participants calling from Brazil:
+ 55 (11) 4003-9004
Participants calling from other countries:
+ 1-866-866-2673
Password: Arezzo&Co

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

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Arezzo&Co records 9.6% growth in EBITDA in 3Q13 and 15.9% growth in the first nine months of 2013

HIGHLIGHTS

• Net revenue reached R$266.7 million in 3Q13, 8.1% higher than in 3Q12. In the first nine months of 2013, net revenues increased by 16.1% in relation to the same period of the previous year;

• Gross profit was R$116.1 million in 3Q13, a growth of 8.4% compared to 3Q12, with a margin expansion of 10 bps. Year-to-date, gross profit increased by 17.9%;

• EBITDA amounted to R$46.8 million in 3Q13, or a 17.5% margin, representing an increase of 9.6% and margin expansion of 20 bps against 3Q12. In the first nine months of 2013, EBITDA totaled R$115.9 million, a recurring growth of 15.9%;

• In this quarter, Arezzo&Co opened 12 stores and expanded 3 stores to add 18.2% to the sales area in the last twelve months.

Summary of Results	3Q12	3Q13	Growth or spread%	9M12	9M13	Growth or spread%
Net Revenues	246,655	266,671	8.1%	607,484	705,349	16.1%
Gross Profit	107,049	116,079	8.4%	264,157	311,570	17.9%
Grosss Margin	43.4%	43.5%	0.1 p.p.	43.5%	44.2%	0.7 p.p.
EBITDA [1]	42,656	46,756	9.6%	91,958	115,870	26.0%
Ebitda Margin	17.3%	17.5%	0.2 p.p.	15.1%	16.4%	1.3 p.p.
Net Income	28,586	29,387	2.8%	65,201	77,810	19.3%
Net Margin	11.6%	11.0%	-0.6 p.p.	10.7%	11.0%	0.3 p.p.

Operating Indicators	3Q12	3Q13	Growth or spread%	9M12	9M13	Growth or spread%
# of pairs sold ('000)	2,650	2,805	5.8%	6,270	7,212	15.0%
# of handbags sold ('000)	134	183	36.6%	364	452	24.2%
# of employees	2,105	2,007	-4.7%	2,105	2,007	-4.7%
# of stores *	377	429	52	377	429	52
Owned Stores	53	56	3	53	56	3
Franchises	324	373	49	324	373	49
Outsorcing (as % os total production)	88.9%	91.8%	2.9 p.p	87.0%	90.7%	3.7 p.p
SSS [2] Sell-in (franchises)	14.2%	0.6%	-13.6 p.p.	11.9%	4.3%	-7.6 p.p.
SSS [2] Sell-out (owned stores + franchises)	n/a	-5.1%	n/a	n/a	0.5%	n/a

* 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, 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.

Gross Revenue	3Q12	Part%	3Q13	Part%	Growth%	9M12	Part%	9M13	Part%	Growth%
Total Gross Revenue	**314,125**		**337,798**		**7.5%**	**781,680**		**900,705**		**15.2%**
Exports market	**12,677**	**4.0%**	**18,243**	**5.4%**	**43.9%**	**29,919**	**3.8%**	**45,732**	**5.1%**	**52.9%**
Domestic market	**301,448**	**96.0%**	**319,555**	**94.6%**	**6.0%**	**751,761**	**96.2%**	**854,973**	**94.9%**	**13.7%**
By brand										
Arezzo	*188,122*	*62.4%*	*201,670*	*63.1%*	*7.2%*	*473,681*	*63.0%*	*523,936*	*61.3%*	*10.6%*
Schutz	*99,324*	*32.9%*	*106,510*	*33.3%*	*7.2%*	*244,317*	*32.5%*	*296,087*	*34.6%*	*21.2%*
Other brands [1]	*14,002*	*4.7%*	*11,375*	*3.6%*	*-18.8%*	*33,763*	*4.5%*	*34,950*	*4.1%*	*3.5%*
By channel										
Franchises	*151,135*	*50.1%*	*167,586*	*52.4%*	*10.9%*	*360,480*	*48.0%*	*418,981*	*49.0%*	*16.2%*
Multibrand retail stores	*83,184*	*27.6%*	*82,811*	*25.9%*	*-0.4%*	*212,939*	*28.3%*	*230,386*	*26.9%*	*8.2%*
Owned Stores [2]	*62,978*	*20.9%*	*68,376*	*21.4%*	*8.6%*	*167,668*	*22.3%*	*199,627*	*23.3%*	*19.1%*
Others [3]	*4,151*	*1.4%*	*782*	*0.3%*	*-81.2%*	*10,674*	*1.4%*	*5,979*	*0.8%*	*-44.0%*

(1) Includes only domestic markets for Anacapri, Alexandre Birman and other revenues non brand specific.

(2) Owned Stores: including Web Commerce sales channel.

(3) Includes domestic market revenues that are not specific for distribution channels.

Brands

The Arezzo&Co platform includes 4 major brands: Arezzo, Schutz, Anacapri and Alexandre Birman, which are distributed through a network of owned stores, franchises, multibrand stores and Web Commerce with presence in all Brazilian states. Products are also sold internationally through various channels: Owned Stores, Franchises, Multibrand stores and Department Stores.

The third quarter marks the transition from winter to summer collections. In July, the Group’s Owned Stores and Franchises closed the clearance sale of winter products to start offering a summer collection preview. The month of August marked the change of collections, and store windows started to display only summer items, antecipation of 10 days compared to the previous year.

As the group’s primary brand, Arezzo recorded gross revenue of R$201.7 million in 3Q13, a 7.2% increase compared to 3Q12, accounting for 63.1% of domestic sales. In this quarter, products received at the stores were already developed under the new supply methodology, with a change in the distribution of collections over the season and delivery frequency in line with their life cycles. An important milestone was the beginning of new sell-out supply models. Additionally, the new model of assistance to franchisees enables access to a greater number of products in a shorter time, thus reducing the purchasing process lead time, delivering the right product, at the right time, at the right price. As a result of this new dynamics, franchisees can monitor the suggested product mix according to each store's profile. This strategy provides a better feedback from the sell out, more frequent best sellers in stores, and greater precision in collections.

The Schutz brand grew 7.2% in 3Q13 against 3Q12, with gross revenue of R$106.5 million, or 33.3% of domestic market sales. The web commerce channel continued to report strong growth, with revenues of R$16.5 million in the first nine months of 2013, up 174.4% against the previous year. The handbags category, due to its new strategy and collection structure, reported a healthy performance, with an increase of 99.5% in revenues compared to 3Q12, representing 9.4% of the brand's revenues. In this quarter, the brand celebrated 655 Madison store's first anniversary with the launch of the winter collection in New York, with products which were positively welcomed by US customers. It is worth mentioning that this store, as well as sales to department stores, are part of a project that is still undergoing investment phase.

The Anacapri brand recorded revenues of R$9,7 million in the quarter, beginning the roll out of the franchise channel. After launching in the previous quarter a new architectural model for stores intended to enhance its identity and style, the brand opened its first two franchise stores in 3Q13, which meant the official beginning of its expansion in this channel. Initial results were positive, and 10 franchised stores should be opened in 2013.

Alexandre Birman, the only Brazilian brand included in the international luxury market for its segment, continued to strengthen its positioning. In 3Q13, it held meetings with retailers and opinion makers attending the Paris fashion week, when the brand launched its spring collection with the purpose of boosting its branding on the European market.

Channels

Mono-brands – Franchises and Owned Stores

With the opening of 12 stores, the Company ended 3Q13 with 420 mono-brand stores in Brazil and 9 stores overseas. Of those stores in Brazil, 344 were Arezzo brand stores, 62 Schutz, 12 Anacapri and 2 Alexandre Birman.

The growth in revenues from mono-brand stores, which comprise franchises and owned stores, was up 10.2% in 3Q13 against 3Q12, mainly due to a 18.2% increase in sales area in the last twelve months. The Franchise channel grew 10.9% in the quarter and accounted for 52.4% of domestic sales in 3Q13, driven by the opening of 49 franchises in the last 12 months, of which 28 under the Arezzo brand, 19 Schutz, and 2 Anacapri. In addition, 10 Arezzo branded franchise stores were expanded in the last 12 months, thus adding 340.8 m² to the channel's sales area. Mono-brand stores accounted for 73.8% of domestic sales in 3Q13.

Sell-in sales, i.e. those made by Arezzo&Co to its franchisees, recorded an increase of 0.6% in the same Franchises (SSS - Franchises) in 3Q13 against 3Q12. Due to the constant focus on sell out, sales to franchisees aim to balance sales potential with healthy inventory levels in the network. In this sense, year-to-date, SSS sell in is aligned with SSS sell out of the franchisees. In addition, this same indicator was impacted by the acceleration in opening Shutz brand franchise stores in the past 12 months (bigger inventory on their first order) and by the high basis of comparison (14.2% in 3Q12), influenced by the effect of sneakers.

Owned stores' sales area was up 7.7% in the quarter against the same period of last year, partly due to net openings of 3 stores and expansion of 2 owned stores in the last 12 months, adding 74.2 m² to the channel's sales area. Arezzo&Co's sell out sales grew by 8.3% in 3Q13 against 3Q12, while same-stores sales sell-out (Owned Stores + Franchises) decreased by 5.1% in the period. In relation to SSS sell out in 2013, it is worth mentioning that:

i) There was an improvement in the sales mix between the collections, with lower SSS in the winter clearance sale vis-à-vis a positive SSS for the summer collection. In September, comprised mainly of summer collection, presented a positive SSS;

ii) In 3Q12, sneakers accounted for 12.7% of the shoes sold to the network, representing 510 bps above the basis of comparison with 2Q12, increasing the relevance of its impact in the basis of comparison in the current quarter. It is worth mentioning that sneakers accounted for 3.7% of the basis of comparison in 4Q12;

iv) Many of the Schutz stores analyzed by the indicator were opened in the last 15 months and due to the "novelty effect" of strong communication strategies and the opening of stores, 3Q13 was negatively impacted by 100 bps; and

v) The indicator does not include on-line sales. If included in the base, on-line sales would cause a positive impact of 100 bps in the indicator.

Channels

History of Stores	3Q12	4Q12	1Q13	2Q13	3Q13
Sales area [1,3] - Total (m²)	**24,531**	**26,543**	**26,659**	**27,996**	**28,999**
Sales area - franchises (m²)	19,125	20,646	20,731	22,154	23,174
Sales area - Owned stores[2] (m²)	5,406	5,897	5,928	5,842	5,825
Total number of domestic stores	**368**	**390**	**391**	**408**	**420**
# of franchises	**316**	**334**	**335**	**353**	**365**
Arezzo	300	311	312	324	328
Schutz	16	23	23	29	35
Anacapri	0	0	0	0	2
# of owned stores	**52**	**56**	**56**	**55**	**55**
Arezzo	19	19	19	17	16
Schutz	24	27	27	27	27
Alexandre Birman	2	2	2	2	2
Anacapri	7	8	8	9	10
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 5 outlet-type stores with a total area of 1,227 m^2
3. Includes areas in square meters of stores expansion

Multi-brand

The multibrand channel's revenues was relatively stable in 3Q13 over the same period of the previous year, primarily due to the impact of Schutz mono-brand stores' growth. Due to the roll out in mono-brand stores, Schutz brand, which accounted for 61.7% of gross revenues of the multibrand channel in 3Q13, started to disqualify some multibrand stores with the purpose of preserving its branding, thus impacting the channel's growth. The expansion of Schultz in mono-brand stores, with greater exposure of products and enchanced purchase experience for final customers aims to increase the perception of the brand and the value of the Company. The Arezzo brand continues to grow in the multibrand channel.

Because of more extensive capillarity throughout Brazil, the group's 4 brands started to be distributed through 2,452 stores, which was 5.3% more than in 3Q12, with presence in 1,184 cities.

Key financial indicators	3Q12	3Q13	Growth or spread%	9M12	9M13	Growth or spread%
Net revenues	246,655	266,671	8.1%	607,484	705,349	16.1%
COGS	(139,606)	(150,592)	7.9%	(343,327)	(393,779)	14.7%
Gross profit	107,049	116,079	8.4%	264,157	311,570	17.9%
Gross margin	*43.4%*	*43.5%*	*0.1 p.p.*	*43.5%*	*44.2%*	*0.7 p.p.*
SG&A	(66,436)	(72,130)	8.6%	(177,408)	(203,477)	14.7%
% of Revenues	*26.9%*	*27.0%*	*0.1 p.p*	*29.2%*	*28.8%*	*-0.4 p.p*
Selling expenses	(48,631)	(51,706)	6.3%	(123,783)	(144,151)	16.5%
Owned stores	(20,092)	(21,001)	4.5%	(54,134)	(65,358)	20.7%
Selling, logistics and supply	(28,539)	(30,705)	7.6%	(69,649)	(78,793)	13.1%
General and administrative expenses	(15,303)	(16,980)	11.0%	(41,111)	(52,200)	27.0%
Other operating revenues (expenses)[1]	(459)	(637)	38.8%	(7,305)	651	n/a
Depreciation and amortization	(2,043)	(2,807)	37.4%	(5,209)	(7,777)	49.3%
Ebitda	42,656	46,756	9.6%	91,958	115,870	26.0%
Ebitda margin	*17.3%*	*17.5%*	*0.2 p.p.*	*15.1%*	*16.4%*	*1.3 p.p.*
Net income	28,586	29,387	2.8%	65,201	77,810	19.3%
Net margin	*11.6%*	*11.0%*	*-0.6 p.p.*	*10.7%*	*11.0%*	*0.3 p.p.*
Working capital[2] - as % of revenues	24.3%	27.3%	3.0 p.p	24.3%	27.3%	3.0 p.p
Invested capital[3] - as % of revenues	32.8%	36.9%	4.1 p.p.	32.8%	36.9%	4.1 p.p.
Total debt	55,199	109,042	97.5%	55,199	109,042	97.5%
Net debt[4]	(120,406)	(90,738)	n/a	(120,406)	(90,738)	n/a
Net debt/EBITDA LTM	-1.0x	-0.6x	n/a	-1.0x	-0.6x	n/a

1 - Includes non-recurring expense in 1Q12 in Other Operating Revenues and Expenses: Arezzo&Co terminated its contract with Star Export Assessoria e Exportação Ltda. ("Star"), which had been providing technical support and advice services for procurement and inspection of independent factories and workshops contracted to make products. As part of the termination, a payment of R$ 8 million was made and Star signed a five-year non-compete agreement. On the same date, a contract was signed with another company that has the same technical capability, providing the same type of services on special commercial terms to reduce costs while maintaining the same quality of services.
2 - Working Capital: current assets minus cash, cash equivalents and marketable securities less current liabilities minus loans and financing and dividends payable.
3 - Invested capital: working capital plus fixed assets and other long-term assets less income tax and deferred social contribution.
4 - 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.

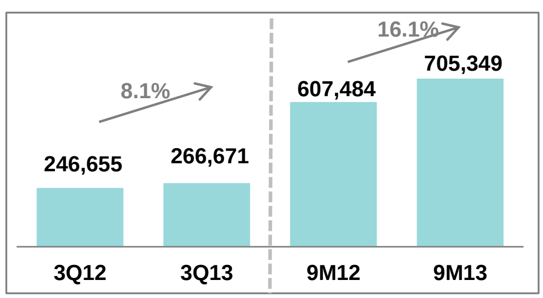
Net revenue

The Company's net revenue totaled R$266.7 million in the quarter, a 8.1% growth over 3Q12. Some of the primary factors leading to this growth are:

i) 18.2% expansion in sales area compared to 3Q12. Owned stores area increased by 7.7% and franchises area by 21.2%;

ii) Same-stores sales sell-in increased by 0.6% and Same-stores sales sell-out decreased by 5.1%;

iii) The multibrand channel was relatively stable against 3Q12, particularly due to the impact caused by the strong growth of Schutz brand's franchises.



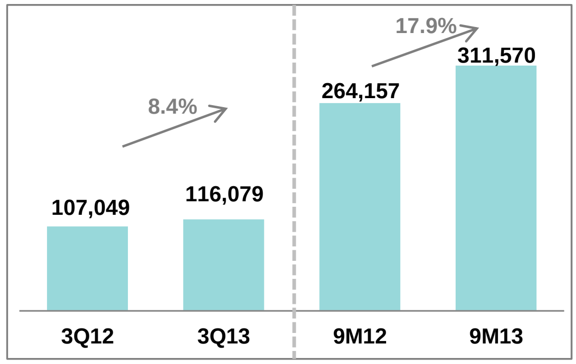
iv) Despite altering the channel mix, net profit was positively impacted in the amount of R$3.8 million due to a temporary reduction of the ICMS tax rate in the quarter.

Gross profit

Gross profit in 3Q13 increased by 8.4% against 3Q12, totaling R$116.1 million with a gross margin of 43.5%.

The increase in gross profit in 3Q13 particularly reflected the 8.1% growth in net revenues.

The Company pursues a strategy of maintaining stable margins per channel, and the Owned Stores channel is subject to more variation.



SG&A

Selling expenses

Arezzo's Selling Expenses may be divided into two primary groups:

i) Owned Store expenses:
• include only owned-store (sell out) expenses

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

In 3Q13, selling expenses increased 6.3% against 3Q12, reaching R$51.7 million against R$48.6 million in the same period of previous year. Selling, logistics and supplies expenses totaled R$30.7 million in the period and increased 7.6% against the same quarter of the previous year, in line with sell-in sales growth in the period.

Owned store expenses totaled R$21.0 million in 3Q13, an increase of 4.5% against 3Q12, below the 8.6% growth in owned stores sell-out in the period, particularly due to a reduction in stores' personnel expenses.

General and Administrative Expenses

In 3Q13, general and administrative expenses amounted to R$17.0 million against R$15.3 million in the same quarter of the previous year, showing an increase of 11.0%. In line with data reported in previous quarters, and due to the organization of the new headquarter and inclusion of the samples team under the R&D department, there was a reallocation of R$1.5 million in sample production expenses from COGS to General and Administrative Expenses in comparison with 3Q12.

Other operating revenues (expenses)

In 3Q13, the Company presented expenses of R$637 thousand in "Other Operating Expenses" compared with expenses of R$459 thousand in 2012.

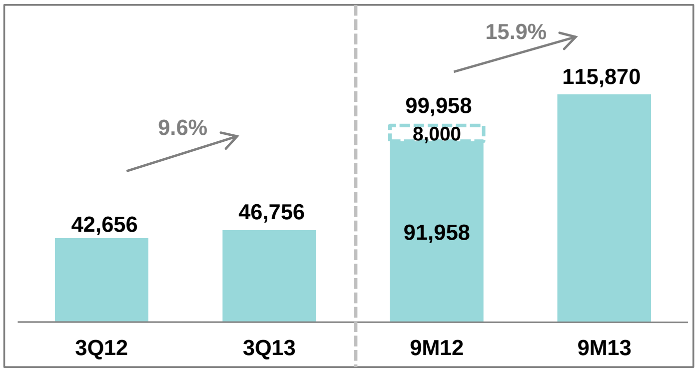
EBITDA and EBITDA margin

The Company's EBITDA grew 9.6% in 3Q13 compared to 3Q12, totaling R$46.8 million. EBITDA margin in 3Q13 was 17.5% against 17.3% in 3Q12. The primary factors leading to EBITDA growth in this quarter were:

i) Increase in net revenue by 8.1%;

ii) Increase in gross profit by 8.4%;

iii) Steady operating expenses at 27.0% of revenue against 26.9% in 3Q12.



Excluding the non-recurring effect in 1Q12, EBITDA for 9M13 would have grown 15.9% in relation to 9M12.

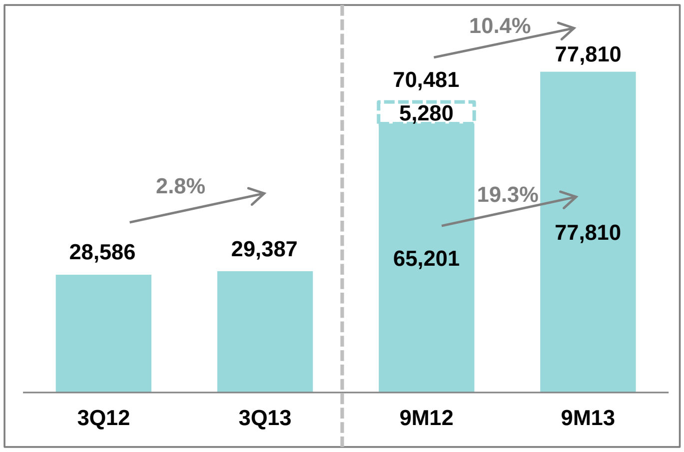
EBITDA Reconciliation	3Q12	3Q13	9M12	9M13
Net income	28,586	29,387	65,201	77,810
(-) Income tax and social contribution	(13,703)	(16,243)	(26,419)	(34,670)
(-) Financial results	1,676	1,681	4,871	4,387
(-) Depreciation and amortization	(2,043)	(2,807)	(5,209)	(7,777)
(=) EBITDA	42,656	46,756	91,958	115,870

Net income and net margin (%)

The Company's EBITDA margin was 17.5% compared to a net income margin of 11.0% in 3Q13, reflecting an increase in fixed capital during 2012 as a result of more owned stores.

Due to higher fixed assets in 3Q13 compared to 3Q12, depreciation increased 37.4% in the period. Income tax and social contribution increased over 3Q12 reflecting higher operating income and higher effective income tax and social contribution rates in the period.

Net profit in 3Q13 totaled R$29.4 million against R$28.6 million in 3Q12, showing an increase of 2.8% over the same quarter of the previous year.



Net profit increased 19.3% in 9M13 over the same period of 2012. Excluding the non-recurring effect in 1Q12, net profit in 9M13 would have grown 10.4% compared with the same period of the previous year.

Operating Cash Flow

Arezzo&Co generated R$10.8 million in operating cash in 3Q13, primarily due to higher operating profit, and a higher need for working capital in the period, primarily related to temporary differences in taxes payable.

Operating Cash Flow	3Q12	3Q13	Growth%	9M12	9M13	Growth%
Income before income tax and social contribution	**42,289**	**45,630**	**7.9%**	**91,620**	**112,480**	**22.8%**
Depreciation and amortization	**2,043**	**2,807**	**37.4%**	**5,209**	**7,777**	**49.3%**
Other	**(1,032)**	**(3,882)**	**276.2%**	**(6,679)**	**53**	**n/a**
Decrease (increase) in current assets / liabilities	**(36,822)**	**(27,875)**	**-24.3%**	**(11,931)**	**(39,160)**	**228.2%**
Trade accounts receivables	(50,566)	(41,250)	-18.4%	(21,771)	(32,153)	47.7%
Inventories	(17,341)	(9,595)	-44.7%	(26,028)	(23,785)	-8.6%
Suppliers	21,837	22,559	3.3%	27,879	30,608	9.8%
Change in other noncurrent and current assets and liabilities	9,248	411	-95.6%	7,989	(13,830)	n/a
Payment of income tax and social contribution	**(10,166)**	**(5,907)**	**-41.9%**	**(21,818)**	**(23,505)**	**7.7%**
Net cash flow generated by operational activities	**(3,688)**	**10,773**	**n/a**	**56,401**	**57,645**	**2.2%**

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 3Q13 decreased 36.4% compared to 3Q12, primarily due to less investment in owned stores. In 3Q13, the Company opened a new Anacapri store in Rio de Janeiro and, aiming to increase the brand's visibility, launched a flagship store at Oscar Freire Street, in addition to refurbishments and future openings. In the quarter, the Company started to deploy its new transaction system in order to provide greater sustainability to its growth, as well as efficiency gains, with increased investments in IT.

Summary of investments	3Q12	3Q13	Growth%	9M12	9M13	Growth%
Total capex	**16,479**	**10,486**	**-36.4%**	**48,278**	**30,655**	**-36.5%**
Stores - expansion and refurbishing	10,306	3,623	-64.8%	31,299	10,162	-67.5%
Corporate	5,399	6,197	14.8%	15,727	18,203	15.7%
Other	774	666	-14.0%	1,252	2,290	82.9%

Cash position and Indebtedness

The Company ended 3Q13 with R$90.7 million net cash. Indebtedness policy remained conservative, with the following primary characteristics:

- Total indebtedness of R$109.0 million in 3Q13 against R$55.2 million in 3Q12;
- Long-term indebtedness was 38.6% of total debt in 3Q13, against 44.5% in 3Q12;
- The Company's total weighted average cost of debt in 3Q13 remained at lower levels.

Cash position and Indebtedness	3Q12	2Q13	3Q13
Cash	**175,605**	**214,411**	**199,780**
Total debt	55,199	107,862	109,042
Short term	30,626	60,763	66,930
% total debt	55.5%	56.3%	61.4%
Long-term	24,573	47,099	42,112
% total debt	44.5%	43.7%	38.6%
Net debt	**(120,406)**	**(106,549)**	**(90,738)**

ROIC (Return on Invested Capital)

In line with the Company's strategic direction, levels of investment in Capital Employed in 3Q13 were greater than those in the previous year, especially due to the opening of owned stores in 2012. Return on Invested Capital (ROIC) was 29.6% in 3Q13.

Income from operations	3Q11	3Q12	3Q13	Growth%
EBIT (LTM)	111,848	118,751	149,549	25.9%
+ IR and CS (LTM)	(33,837)	(34,450)	(44,881)	30.3%
NOPAT	**78,011**	**84,301**	**104,668**	**24.2%**
Working Capital [1]	163,375	196,310	262,017	33.5%
Permanent assets	49,466	102,605	128,935	25.7%
Other long-term assets [2]	9,170	8,045	8,429	4.8%
Invested capital	**222,011**	**306,960**	**399,381**	**30.1%**
Average invested capital [3]		**264,486**	**353,171**	**33.5%**
ROIC [4]		**31.9%**	**29.6%**	

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	3Q12	2Q13	3Q13
Current assets	**475,879**	**537,059**	**574,288**
Cash and cash equivalents	8,373	7,515	10,748
Financial Investments	167,232	206,896	189,032
Trade accounts receivables	201,253	200,229	241,476
Inventory	82,543	89,821	99,819
Taxes recoverable	3,971	18,460	17,469
Other credits	12,507	14,138	15,744
Non-current assets	**120,042**	**137,303**	**144,964**
Long-term receivables	17,437	15,530	16,029
Financial Investments	98	21	22
Taxes recoverable	360	377	0
Deferred income and social contribution	9,392	6,898	7,600
Other credits	7,587	8,234	8,407
Property, plant and equipment	56,788	65,014	67,683
Intangible assets	45,817	56,759	61,252
Total Assets	**595,921**	**674,362**	**719,252**

Liabilities	3Q12	2Q13	3Q13
Current liabilities	**134,590**	**148,087**	**179,422**
Loans and financing	30,626	60,763	66,930
Suppliers	65,165	43,557	66,115
Dividends and interest on equity capital payable	0	9,346	0
Other liabilities	38,799	34,421	46,377
Non-current liabilities	**29,025**	**54,386**	**49,111**
Loans and financing	24,573	47,099	42,112
Related parties	979	978	801
Other liabilities	3,473	6,309	6,198
Equity	**432,306**	**471,889**	**490,719**
Capital	106,857	156,000	157,186
Capital reserve	173,149	125,190	126,781
Income reserves	98,421	153,162	153,162
Profit	53,879	37,537	53,590
Total liabilities and shareholders' equity	**595,921**	**674,362**	**719,252**

Income statement (IFRS)

Income statement - IFRS	3Q12	3Q13	Growth%	9M12	9M13	Growth%
Net operating revenue	**246,655**	**266,671**	**8.1%**	**607,484**	**705,349**	**16.1%**
Cost of goods sold	(139,606)	(150,592)	7.9%	(343,327)	(393,779)	14.7%
Gross profit	**107,049**	**116,079**	**8.4%**	**264,157**	**311,570**	**17.9%**
Operating income (expenses):	**(66,436)**	**(72,130)**	**8.6%**	**(177,408)**	**(203,477)**	**14.7%**
Selling	(49,714)	(53,203)	7.0%	(126,532)	(148,211)	17.1%
Administrative and general expenses	(16,263)	(18,290)	12.5%	(43,571)	(55,917)	28.3%
Other operating income net	(459)	(637)	38.8%	(7,305)	651	n/a
Income before financial result	**40,613**	**43,949**	**8.2%**	**86,749**	**108,093**	**24.6%**
Financial income	1,676	1,681	0.3%	4,871	4,387	-9.9%
Income before income taxes	**42,289**	**45,630**	**7.9%**	**91,620**	**112,480**	**22.8%**
Income tax and social contribution	(13,703)	(16,243)	18.5%	(26,419)	(34,670)	31.2%
Current	(14,390)	(16,945)	17.8%	(25,799)	(36,006)	39.6%
Deferred	687	702	2.2%	(620)	1,336	n/a
Net income for period	**28,586**	**29,387**	**2.8%**	**65,201**	**77,810**	**19.3%**

Cash Flow - IFRS

Statement of cash flow	3Q12	3Q13	9M12	9M13
Operating activities				
Income before income tax and social contribution	42,289	45,630	91,620	112,480
Adjustments to reconcile net income with cash from operational activities	**1,011**	**(1,075)**	**(1,470)**	**7,831**
Depreciation and amortization	2,043	2,807	5,209	7,777
Income from financial investments	(2,927)	(3,728)	(9,531)	(9,893)
Interest and exchange rate	(310)	(1,840)	504	3,227
Other	2,205	1,686	2,348	6,720
Decrease (increase) in assets				
Customer receivables	(50,566)	(41,250)	(21,771)	(32,153)
Inventory	(17,341)	(9,595)	(26,028)	(23,785)
Recoverable taxes	3,421	1,367	6,217	(2,812)
Variation other current assets	(974)	(1,657)	(1,039)	(4,880)
Judicial deposits	(388)	(121)	(1,029)	424
Decrease (increase) in liabilities				
Suppliers	21,837	22,559	27,879	30,608
Labor liabilities	4,656	3,598	5,925	3,417
Fiscal and social liabilities	545	(4,394)	(3,802)	(13,165)
Variation in other liabilities	1,988	1,618	1,717	3,186
Payment of income tax and social contribution	(10,166)	(5,907)	(21,818)	(23,505)
Net cash flow from operating activities	**(3,688)**	**10,773**	**56,401**	**57,646**
Investing activities				
Acquisitions of fixed and intangible assets	(16,479)	(10,487)	(48,278)	(30,656)
Financial Investments	(66,661)	(80,287)	(243,862)	(248,742)
Redemption of financial investments	103,375	101,880	244,168	260,237
Increased Investments	-	-	-	-
Net cash used in investing activities	**20,235**	**11,106**	**(47,972)**	**(19,161)**
Financing activities with third parties				
Funding	11,497	4,703	37,672	29,910
Payments of loans	(7,105)	(1,684)	(21,636)	(18,179)
Net cash used in financing activities - third parties	**4,392**	**3,019**	**16,036**	**11,731**
Financing activities with shareholders				
Interest on equity capital	(11,322)	(9,346)	(11,322)	(18,291)
Distribution of profits	(6,988)	(13,328)	(21,313)	(33,709)
Receivables (payables) with shareholders	5	(177)	75	(172)
Share Issuance	940	1,186	940	1,186
Share issuance transaction costs	-	-	-	-
Net cash used in financing activities	**(17,365)**	**(21,665)**	**(31,620)**	**(50,986)**
Increase (decrease) in cash and cash equivalents	**3,574**	**3,233**	**(7,155)**	**(770)**
Cash and cash equivalents				
Cash and cash equivalents - Initial balance	4,799	7,515	15,528	11,518
Cash and cash equivalents - Closing balance	8,373	10,748	8,373	10,748
Increase (decrease) in cash and cash equivalents	**3,574**	**3,233**	**(7,155)**	**(770)**

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