1Q13 Earnings Release

AREZZO &CO

AREZZO

SCHUTZ

Alexandre Birman

ANACAPRI

Earnings Release - 1Q13

AREZZO

SCHUTZ

Alexandre Birman

ANACAPRI

Belo Horizonte, April 25, 2013. Arezzo&Co (BM&FBOVESPA: ARZZ3), Brazil's women's footwear, handbags and accessories industry leader, is reporting its earnings for the 1st 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 (1Q12) unless otherwise stated.

ARZZ3 share price on 04.24.13:

R$ 40.41

Market value on 04.24.13:

R$ 3,579.8 million

Earnings conference call:

Friday, April 26th, 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

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 24.6% growth in net revenue in 1Q13, with EBITDA of R$28.6 million

HIGHTLIGHTS

- Net revenue reached R$201,0 million in 1Q13, 24.6% higher than in 1Q12;

- Company's gross profit was R$89.4 million in 1Q13, growth of 33.1% compared to the gross profit in 1Q12;

- Company's gross margin reached 44.5% in 1Q13, 2.9 p.p. over the margin for 1Q12;

- EBITDA amounted to R$28.6 million in 1Q13, an increase of 95.2% over 1Q12, with a margin of 14.2%. Excluding the non-recurring effect in 1Q12, the growth in EBITDA would have been 26.3%:

- Net profit for 1Q13 was R$19.4 million, a 78.5% increase when compared to 1Q12. Without the non-recurring effect in 1Q12, the growth in net profit would have reached 20.0%.

Summary of Results	1Q12	1Q13	Growth ou spread (%)
Net Revenues	161,361	201,039	24.6%
Gross Profit	67,173	89,433	33.1%
Grosss Margin	41.6%	44.5%	2.9 p.p.
EBITDA [1]	14,668	28,636	95.2%
Ebitda Margin	9.1%	14.2%	5.1 p.p.
Net Income	10,852	19,366	78.5%
Net Margin	6.7%	9.6%	2.9 p.p.

Indicadores Operacionais	1Q12	1Q13	Growth ou spread (%)
# of pairs sold ('000)	1,713	2,110	23.2%
# of handbags sold ('000)	105	141	34.3%
# of employees	1,952	2,105	7.8%
# of stores *	345	400	15.9%
Owned Stores	46	57	23.9%
Franchises	299	343	14.7%
Outsorcing (as % os total production)	86.0%	90.0%	4.0 p.p
SSS [2] Sell-in (franchises)	6.5%	8.3%	1.8 p.p.
SSS [2] Sell-out (owned stores + franchises)	n/a	6.7%	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	1Q12	Part%	1Q13	Part%	Growth or spread%
Total Gross Revenue	**208,830**		**257,451**		**23.3%**
Exports market	**7,545**	**3.6%**	**15,915**	**6.2%**	**110.9%**
Domestic Market	**201,285**	**96.4%**	**241,536**	**93.8%**	**20.0%**
By brand					
Arezzo	*130,226*	*64.7%*	*150,719*	*62.4%*	*15.7%*
Schutz	*63,066*	*31.3%*	*78,976*	*32.7%*	*25.2%*
Other brands [1]	*7,993*	*4.0%*	*11,841*	*4.9%*	*48.1%*
By channel					
Franchises	*97,553*	*48.5%*	*116,904*	*48.4%*	*19.8%*
Multibrand stores	*55,725*	*27.7%*	*59,967*	*24.8%*	*7.6%*
Owned Stores [2]	*44,474*	*22.1%*	*61,412*	*25.4%*	*38.1%*
Others [3]	*3,533*	*1.7%*	*3,253*	*1.4%*	*-7.9%*

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

Brands

Arezzo&Co's platform includes 4 important brands: Arezzo, Schutz, Alexandre Birman and Anacapri, which are distributed through a network of Owned Stores, Franchises, Multi-brand Stores and Web Commerce with a presence in all Brazilian states. Products are also sold internationally through several channels: Owned Stores, Franchises, Multi-brand Stores and Department Stores.

The first quarter of the year is marked by clearance sales of the summer collection, which are held between January and February, and this year they posted a healthy performance. At the beginning of March the stores started displaying the new winter collection, which was well received by shoppers. All the domestic network points of sales simultaneously received new merchandising materials and products, and marketing campaigns were developed and delivered in parallel, in a variety of vehicles and media.

The Arezzo brand recorded gross revenue of R$150.7 million in 1Q13, a 15.7% increase compared to 1Q12, accounting for 62.4% of total domestic sales. An important milestone in 1Q13 was the expansion of the Arezzo store in São Paulo's Iguatemi Shopping Mall, with a new architectural project, named Contemporary. The project offers an improved shopping experience and a 60% increase in products on display in the same sales area.

The Schutz brand grew by 25.2% in 1Q13 against 1Q12, with gross revenue reaching R$79.0 million, or 32.7% of domestic market sales. This growth is due to the major expansion process started in 3Q11, with 29 stores openings and 3 stores expansions in the last 12 months. Investment in digital marketing showed returns above expectations, and web commerce continues to take pride of being the network's best-selling store, with a strong growth in 1Q13, and reaching R$5.2 million in revenues in the period.

The Anacapri brand continues to grow strongly, leveraged mainly by deliveries of the Multi-brand channel distributed more evenly throughout the quarter, by the good performance of Couromoda and a healthy clearance sale in Owned Stores. In line with the strategy for reinforcing the brand's strategy, it continues to invest in digital media campaigns, product development and the new concept for store layout.

The Alexandre Birman brand continues to boost its international presence, and has been mentioned in specialist fashion media as one of the brands with the capacity to take advantage of worldwide growth in the luxury footwear market. In 1Q13 the brand hosted international events with opinion-makers in order to increase brand visibility. The new collection was launched at the Paris Fashion Week at a press showing, which was attended by fashion editors and world famous celebrities.

Channels

Mono-brands – Franchises and Owned Stores

In line with Arezzo&Co´s strategic view of higher focus on sell-out, starting in 1Q13 the Company will report results of franchises and owned stores in a single session, named Mono-brands. After sucessfully integrating franchises and owned stores in a single system, assuring better information synchronism, the Company reinforces its focus on reading and fast action based on sell out data, always aiming to have the right product, at the right time, in the right place.

With the opening of 55 stores in the last 12 months, 1Q13 ended with 400 mono-brand stores in Brazil and overseas, 339 of them under the Arezzo brand, 51 Schutz, 8 Anacapri and 2 Alexandre Birman. The Mono-brand Stores accounted for 73.8% of domestic sales in 1Q13, compared with 70.6% in 1Q12.

The growth of the mono-brand stores revenues was 25.6% in 1Q13 compared to 1Q12, mainly due to an increase of 20.7% in sales area and, in particular, the owned stores channel grew 38.1%, with the opening and expansion of 11 Schutz brand stores in the last 12 months.

Same stores sales for the sell-out (Owned Stores + Franchises) showed an increase of 6.7% in 1Q13 when compared to 1Q12, due to the positive impact of the main brands on the indicator.

The Franchise channel is the group’s main channel, with 343 stores in Brazil and overseas, of which 320 are Arezzo brand and 23 Schutz brand. This channel accounted for 48.4% of domestic sales in 1Q13, a 19.8% increase compared to 1Q12, due mainly to the opening of 22 Arezzo brand franchises and 21 Schutz brand franchises in the last 12 months, as a consequence of Schutz roll-out which began in 3Q11.

Sell-in sales, i.e. those made by Arezzo&Co to its franchisees, increased by 8.3% in the same Franchises (SSS – Franchises) in 1Q13 against 1Q12, due mainly to an increase in the volume of shoes and handbags.

History - Franchises and Owned Stores[1]	1Q12	2Q12	3Q12	4Q12	1Q13
Sales area [1,3] - Total (m²)	**22,085**	**23,112**	**24,531**	**26,543**	**26,659**
Sales area - franchises (m²)	17,331	18,005	19,125	20,646	20,731
Sales area - Owned stores[2] (m²)	4,754	5,107	5,406	5,897	5,928
Total number of domestic stores	**338**	**351**	**368**	**390**	**391**
# of franchises	**292**	**301**	**316**	**334**	**335**
Arezzo	290	295	300	311	312
Schutz	2	6	16	23	23
# of owned stores	**46**	**50**	**52**	**56**	**56**
Arezzo	18	19	19	19	19
Schutz	19	22	24	27	27
Alexandre Birman	1	1	2	2	2
Anacapri	8	8	7	8	8
Total number of international stores	**7**	**8**	**9**	**9**	**9**
# of franchises	7	8	8	8	8
# of owned stores	0	0	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 m2
3. Includes areas in square meters of stores expansion

Multi-brand

The Multi-brand channel's revenues increased 7.6% in 1Q13 over the same period for the previous year, due to its focus on increasing share of wallets and fortifying its brands, in particular Arezzo and Anacapri, compensating for the impact on the channel caused by the growth in Schutz brand franchises.

Because of more extensive capillarity throughout Brazil, the group's 4 brands went on to be distributed through 2,441 stores, which was 3,8% more than in the 1Q12, with presence in 1.152 cities.

Key financial indicators	1Q12	1Q13	Growth or spread%
Net revenues	161,361	201,039	24.6%
COGS	(94,188)	(111,606)	18.5%
Gross profit	67,173	89,433	33.1%
Gross margin	*41.6%*	*44.5%*	*2.9 p.p.*
SG&A	(53,922)	(63,382)	17.5%
% of Revenues	*-33.4%*	*-31.5%*	*1.9 p.p*
Selling expenses	(34,257)	(43,863)	28.0%
Owned stores	(15,499)	(22,337)	44.1%
Selling, logistics and supply	(18,758)	(21,526)	14.8%
General and administrative expenses	(11,599)	(17,329)	49.4%
Other operating revenues (expenses)[1]	(6,649)	395	n/a
Depreciation and amortization	(1,417)	(2,585)	82.4%
Ebitda	14,668	28,636	95.2%
Ebitda margin	*9.1%*	*14.2%*	*5.1 p.p.*
Net income	10,852	19,366	78.5%
Net margin	*6.7%*	*9.6%*	*2.9 p.p.*
Working capital[2] **- as % of revenues**	25.2%	24.6%	-0.6 p.p
Invested capital[3] **- as % of revenues**	32.9%	33.7%	0.8 p.p.
Total debt	30,844	87,880	184.9%
Net debt[4]	(135,897)	(125,426)	n/a
Net debt/EBITDA LTM	-1.2 X	-0.8 X	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.

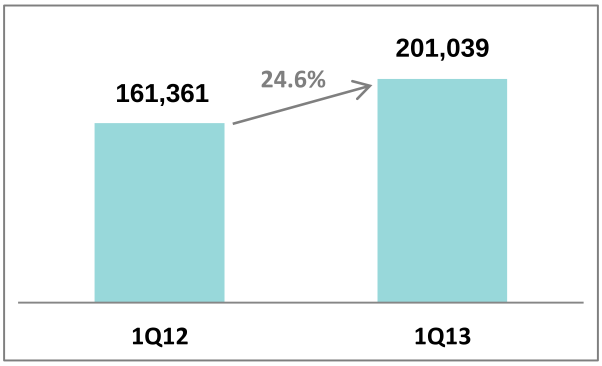
Net revenue

The Company's net revenue totaled R$201.0 million in this quarter, a 24.6% growth over 1Q12. Some of the primary factors leading to this growth are:

i) 20.7% expansion in sales area compared with 1Q12. Owned stores area increased by 24.7%, and franchises area by 19.6%;

ii) Same stores sales sell-in grew by 8.3% in the Franchises channel and the sell out increased 6,7%;

iii) Strong growth in all channels, with the 38.1% increase achieved by the Owned Stores channel being especially of note.

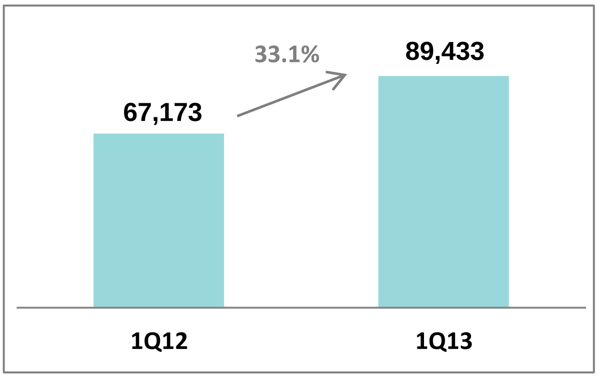


Gross profit

Gross profit in 1Q13 increased by 33.1% against 1Q12, totaling R$89.4 million with a gross margin of 44.5%.

The increase in gross profit for the quarter reflects especially the 24.6% growth in revenues.

Gross margin in 1Q13 was 2.9 percentage points higher than in the same period of the previous year, reflecting the greater share of owned stores in the distribution channel mix for the quarter.



SG&A

The Company'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 1Q13, selling expenses increased 28.0% against 1Q12, reaching R$43.9 million for the quarter against R$34.3 million in the same period of the previous year. The increase derives mainly from higher expenses with owned stores, reaching R$22.3 million, an increase of 44.1% against the same period of the previous year, while the channel sales increased 38.1% in the 1Q13. The expenses related to the strategy for fortifying brands through marketing investments, promoting the Web Commerce, and investments in owned stores personnel also contributed to the increase in expenses.

Selling, logistics and supply expenses totaled R$21.5 million, a 14.8% rise against 1Q12, in line with the increase in sell in revenues in the period.

General and Administrative Expenses

In 1Q13, general and administrative expenses amounted to R$17.3 million against R$11.6 million in the same quarter of the previous year, a 49.4% rise, related to greater expenditure on research and development for new products, and an addition to the contingencies provision of R$1.5 million during the quarter. Additionally, due to the organization of the new headquarter and inclusion of the samples team under the R&D department, there was a R$1.4 million impact in general and administrative expenses, previously allocated at COGS, when compared with 1Q12.

Other operating revenues (expenses)

In 1Q13, the Company showed R$395 thousand in other operating revenues compared with R$6.6 million in 1Q12. In 1Q12, as published, a non-recurring amount of R$8 million was expensed due to a contract termination with a supply agent.

EBITDA and EBITDA margin

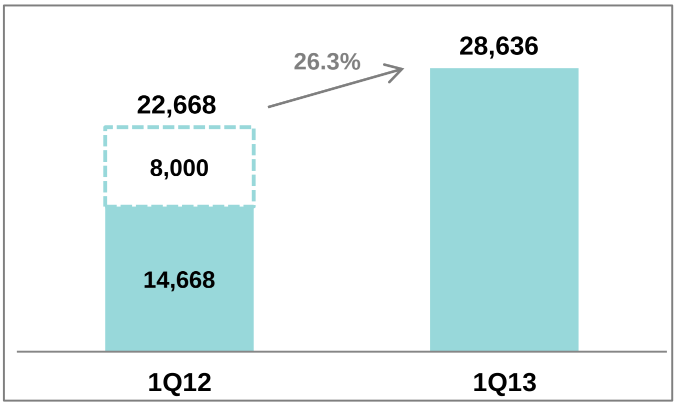
The Company's EBITDA grew 95.2% in 1Q13 compared to 1Q12, totaling R$28.6 million. EBITDA margin in 1Q13 was 14.2% against 9.1% in 1Q12. The primary factors leading to the EBITDA growth in this quarter were:

i) Increase in Net Revenue by 24.6%;

ii) Expansion of 2.9 percentage points in Gross Margin;

iii) Non-recurring expense of R$8 million in 1Q12.

Without the non-recurring effect in 1Q12, EBITDA for 1Q13 would have grown 26.3% in relation to 1Q12, with the margin increasing by 0.2 percentage points.



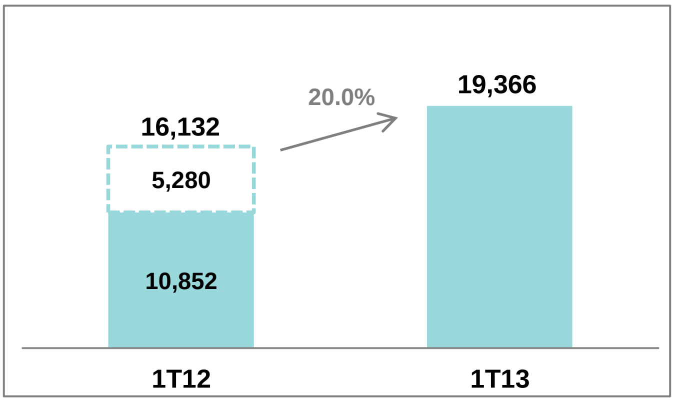
EBITDA Reconciliation	1Q12	1Q13
Net income	10,852	19,366
(-) Income tax and social contribution	(4,784)	(8,725)
(-) Financial results	2,385	2,040
(-) Depreciation and amortization	(1,417)	(2,585)
(=) EBITDA	14,668	28,636

Net income and net margin (%)

The Company maintained a high EBITDA (14.2% margin in 1Q13) to Net Income (9.6% margin in 1Q13) ratio, which is due to reduced capital investment in property, plant and equipment and, consequently, low depreciation.

Net Profit in 1Q13 totaled R$19.4 million against R$10.9 million in 1Q12, an increase of 78.5%

Due to higher capex, depreciation expenses increased R$1.2 million in 1Q13 in comparison to 1Q12. Income tax and social contribution increased in 1Q13 over 1Q12 in line with operating profit growth.



Excluding the non-recurring effect in 1Q12, net profit would have grown 20.0% compared with the same period of the previous year.

Operating Cash Flow

Arezzo&Co generated R$34.4 million in operating cash in 1Q13, 55.1% more than in 1Q12, primarily due to higher operating profit and lower working capital needs during the quarter, reflecting the business normal sazonality.

Operating Cash Flow	1Q12	1Q13	Var. (%)
Income before income tax and social contribution	**15,636**	**28,091**	**79.7%**
Depreciation and amortization	**1,417**	**2,585**	**82.4%**
Other	**(4,129)**	**(818)**	**-80.2%**
Decrease (increase) in current assets / liabilities	**9,975**	**7,899**	**-20.8%**
Trade accounts receivables	5,994	(2,374)	n/a
Inventories	(8,579)	(11,474)	33.7%
Suppliers	18,840	33,513	77.9%
Change in other current assets and liabilities	(6,280)	(11,766)	87.4%
Change in other noncurrent assets and liabilities	**(700)**	**338**	**n/a**
Payment of income tax and social contribution	**-**	**(3,663)**	**n/a**
Net cash flow generated by operational activities	**22,199**	**34,432**	**55.1%**

Investments - Capex

The Company's investments can be broken down into 3 types: 1) investment in expansion or refurbishments 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 1Q13 decreased 35.2% compared to 1Q12, primarily due to lower investment in owned stores. In 1Q13 the Company refurbished some stores, including the Arezzo store in São Paulo's Iguatemi Shopping Mall, which was also expanded, while acquired one business site for a future store opening. Growth in corporate investment reflects more spending on IT during the quarter.

Summary of investments	1Q12	1Q13	Var. (%)
Total capex	**17,337**	**11,227**	**-35.2%**
Stores - expansion and refurbishing	13,578	2,388	-82.4%
Corporate	3,553	8,032	126.1%
Other	206	807	291.7%

Cash position and Indebtedness

The Company ended 1Q13 with R$125.4 million in net cash. Indebtedness policy remained conservative, with the following primary characteristics:

- Total indebtedness of R$87.9 million in 1Q13 against R$30.8 million in 1Q12;
- Long-term indebtedness of 53.1% of total debt in 1Q13, against 54.4% in 1Q12;
- The Company's weighted average cost of total debt in 1Q13 remained very low.

Cash position and Indebtedness	1Q12	4Q12	1Q13
Cash and cash equivalents and financial investments	**166,741**	**202,154**	**213,306**
Total debt	30,844	94,084	87,880
Short term	14,059	42,843	41,226
% total debt	45.6%	45.5%	46.9%
Long-term	16,785	51,241	46,654
% total debt	54.4%	54.5%	53.1%
Net debt	**(135,897)**	**(108,070)**	**(125,426)**

ROIC (Return on Invested Capital)

In line with the Company's strategic direction, levels of investment in Capital Employed during 1Q13 are greater than those in the previous year, especially due to the opening of Owned Stores in 2012. Return on Invested Capital (ROIC) was 33.1% in 1Q13 against 32.5% in 1Q12, which reflects the Company's increased operating profit.

Income from operations	1Q11	1Q12	1Q13	Growth (%)
EBIT (LTM)	95,989	107,066	141,005	31.7%
+ IR and CS (LTM)	(26,092)	(32,030)	(40,571)	26.7%
NOPAT	**69,897**	**75,036**	**100,434**	**33.8%**
Working Capital [1]	154,148	176,637	221,069	25.2%
Permanent assets	38,952	76,940	116,901	51.9%
Other long-term assets [2]	7,585	7,423	7,650	3.1%
Invested capital	**200,685**	**261,000**	**345,620**	**32.4%**
Average invested capital [3]		**230,843**	**303,310**	**31.4%**
ROIC [4]		**32.5%**	**33.1%**	

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	1Q12	4Q12	1Q13
Current assets	**426,413**	**513,562**	**539,360**
Cash and cash equivalents	6,213	11,518	8,427
Financial Investments	160,528	190,636	204,879
Trade accounts receivables	173,595	208,756	211,251
Inventory	66,099	76,133	87,481
Taxes recoverable	9,734	14,280	15,797
Other credits	10,244	12,239	11,525
Non-current assets	**94,836**	**123,029**	**132,558**
Long-term receivables	17,896	14,117	15,657
Financial Investments	88	20	178
Taxes recoverable	350	377	377
Deferred income and social contribution	10,473	6,264	8,007
Other credits	6,985	7,456	7,095
Property, plant and equipment	37,627	61,090	63,338
Intangible assets	39,313	47,822	53,563
Total Assets	**521,249**	**636,591**	**671,918**

Liabilities	1Q12	4Q12	1Q13
Current liabilities	**103,212**	**127,418**	**146,211**
Loans and financing	14,059	42,843	41,226
Suppliers	56,126	35,507	69,021
Dividends and interest on equity capital payable	6,117	8,945	0
Other liabilities	26,910	40,123	35,964
Non-current liabilities	**23,138**	**55,274**	**52,102**
Loans and financing	16,785	51,241	46,654
Related parties	879	973	969
Other liabilities	5,474	3,060	4,479
Equity	**394,899**	**453,899**	**473,605**
Capital	105,917	106,857	106,857
Capital reserve	172,723	173,498	173,838
Income reserves	116,259	153,162	192,910
Additional proposed dividend	0	20,382	0
Total liabilities and shareholders' equity	**521,249**	**636,591**	**671,918**

Income statement (IFRS)

Income statement - IFRS	1Q12	1Q13	Var.%
Net operating revenue	**161,361**	**201,039**	**24.6%**
Cost of goods sold	(94,188)	(111,606)	18.5%
Gross profit	**67,173**	**89,433**	**33.1%**
Operating income (expenses):	**(53,922)**	**(63,382)**	**17.5%**
Selling	(35,007)	(45,299)	29.4%
Administrative and general expenses	(12,266)	(18,478)	50.6%
Other operating income net	(6,649)	395	n/a
Income before financial result	**13,251**	**26,051**	**96.6%**
Financial income	2,385	2,040	-14.5%
Income before income taxes	**15,636**	**28,091**	**79.7%**
Income tax and social contribution	(4,784)	(8,725)	82.4%
Current	(5,245)	(10,468)	99.6%
Deferred	461	1,743	278.1%
Net income for period	**10,852**	**19,366**	**78.5%**

Cash Flow - IFRS

Statement of cash flow	1Q12	1Q13
Operating activities		
Income before income tax and social contribution	15,636	28,091
Adjustments to reconcile net income with cash from operational activities	**(2,712)**	**1,767**
Depreciation and amortization	1,417	2,585
Income from financial investments	(3,861)	(3,269)
Interest and exchange rate	(522)	10
Other	254	2,441
Decrease (increase) in assets		
Customer receivables	5,994	(2,374)
Inventory	(8,579)	(11,474)
Recoverable taxes	465	(1,516)
Variation other current assets	1,313	171
Judicial deposits	(518)	904
Decrease (increase) in liabilities		
Suppliers	18,840	33,513
Labor liabilities	(2,831)	(4,519)
Fiscal and social liabilities	(5,615)	(6,304)
Variation in other liabilities	206	(164)
Payment of income tax and social contribution	-	(3,663)
Net cash flow from operating activities	**22,199**	**34,432**
Investing activities		
Acquisitions of fixed and intangible assets	(17,337)	(11,227)
Financial Investments	(69,420)	(82,139)
Redemption of financial investments	70,771	71,006
Increased Investments	-	-
Net cash used in investing activities	**(15,986)**	**(22,360)**
Financing activities with third parties		
Funding	-	2,080
Payments of loans	(7,293)	(8,294)
Net cash used in financing activities - third parties	**(7,293)**	**(6,214)**
Financing activities with shareholders		
Interest on equity capital	-	(8,945)
Distribution of profits	(8,209)	-
Receivables (payables) with shareholders	(26)	(4)
Share Issuance	-	-
Share issuance transaction costs	-	-
Net cash used in financing activities	**(8,235)**	**(8,949)**
Increase (decrease) in cash and cash equivalents	**(9,315)**	**(3,091)**
Cash and cash equivalents		
Cash and cash equivalents - Initial balance	15,528	11,518
Cash and cash equivalents - Closing balance	6,213	8,427
Increase (decrease) in cash and cash equivalents	**(9,315)**	**(3,091)**

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.