Earnings Release – 4Q10 and 2010

AREZZO &CO

AREZZO

SCHUTZ

Alexandre Birman

ANACAPRI

Earnings Release – 4Q10 and 2010

AREZZO &CO



Belo Horizonte, March 29, 2011. Arezzo&Co (BM&FBOVESPA: ARZZ3), the leading company in the Brazilian women's footwear, handbags and accessories industry, posts its results for the 4th quarter of 2010 (4Q10) and FY 2010. All the Company information contained herein, except when otherwise noted, is based on consolidated figures, in thousands of Reais (BRL), in compliance with the International Financial Reporting Standards (IFRS). All the comparisons refer to the same period of 2009 (4Q09), except when otherwise stated.

ARZZ3 price on 03.28.11:
R$23.80

Market cap on 03.28.11:
R$2,107.3 million
US$1,267.9 million

Conference call:
With simultaneous interpretation

Thursday, March 31, 2011
11:00 a.m. (Brasilia time)

Connection phone numbers:
Calls from Brazil: (11) 4688-6361
Calls from other countries: +1 786-924-6977
Access Code: Arezzo&Co

The slide presentation and the webcast connection (by Internet) will be available 30 minutes earlier on:
www.arezzoco.com.br

Investor Relations:
Thiago Borges
CFO and IR Officer

Daniel Maia
IR Manager

Contact:
Email: ri@arezzoco.com.br
Phone number: +55 11 2132-4300

Arezzo&Co records 2010 increase of 38.7% in revenues and of 57.7% in EBITDA

HIGHLIGHTS

- Net revenue amounted to R$174.8 million in 4Q10, up 26.6% from 4Q09. In 2010, net revenue totaled R$571.5 million, up 38.7% from 2009.
- EBITDA totaled R$31.0 million in 4Q10, with a margin of 17.7% versus 15.3% in 4Q09. In 2010, EBITDA came to R$95.5 million, with a margin of 16.7% versus 14.7% in 2009.
- Net income stood at R$64.5 million in 2010, a year-over-year rise of 32.4%.
- ROIC stood at 42.5% in 2010, compared to 39.9% in 2009.
- A total of 33 new stores - 8 Owned Stores and 25 Franchises - were opened in 2010, leading to a 296 store chain at 2010-close, and with presence in 1,585 Multi-Brand Retail Stores.
- The goal for 2011 is to achieve 334 stores of all the brands.

Message from Management

In 2010, Arezzo&Co posted solid revenue growth and strong earnings; in addition, ROIC remained high. The nationwide expansion of our products distribution network coupled with efficiency and productivity gains in our stores contributed to net revenues of R$571.5 million, 38.7% higher than in 2009.

Our expansion process, implemented over the last few years, also led to higher margins and profitability; our EBITDA and Net Margins ends 2010 at 16.7% and 11.3% respectively, with ROIC of 42.5%.

A multi-channel sales distribution – Franchises, Own Stores and Multi-Brand Retail Stores, greatly strengthens our penetration in the entire country. The number of Franchises and Owned Stores opened by the Company has been increasing by 10 to 15% per year.

Besides increasing the number of stores, we have begun to expand current stores sales areas to allow for a more comprehensive display of our product mix and to improve stocking capacity, thus boosting sales.

Our continuous investments in R&D, Communication and Marketing are key tenets for the Company's development and the ongoing improvement of our brands. In this process, we take into great consideration the uniqueness of each brand and its positioning in terms of lifestyle and behaviors.

For example, as part of the Schutz brand positioning strategy, we launched four Flagship stores over the last 18 months. Not only did the openings produce results in the Flagships, but it also helped boost Schutz sales significantly in other regions and stores. Schutz's sales rose by 55.8% in 2010 over 2009 in the domestic market.

A new Human Resources Department has been structured to develop teams and attract new talents. It will also seek to improve our meritocracy culture, thus allowing us to become a better place to work in which everyone grows together with the Organization.

We highlight the great improvements in our internal structure and teams in 2010 while Arezzo&Co was becoming prepared to go public in February 2011. The Company's stock was successfully listed on BM&FBovespa, which shows that the Company is mature enough to seek further growth.

At Arezzo&Co, we usually say that a goal that is achieved is no more than the springboard to the next level. Hence, we remain motivated and confident with regard to the outlook for 2011.

Management

Summary of Results	4Q09	4Q10	Growth or spread (%)	2009	2010	Growth or spread (%)
Net Revenues	138,069	174,784	26.6%	412,063	571,525	38.7%
Gross Profit	57,637	68,177	18.3%	166,821	231,641	38.9%
Gross Margin	41.7%	39.0%	-2.7 p.p.	40.5%	40.5%	0.0 p.p.
EBITDA[1]	21,079	31,002	47.1%	60,533	95,490	57.7%
EBITDA[1] Margin	15.3%	17.7%	2.5 p.p.	14.7%	16.7%	2.0 p.p.
Net Income	20,919	21,502	2.8%	48,739	64,534	32.4%
Net Margin	15.2%	12.3%	-2.8 p.p.	11.8%	11.3%	-0.5 p.p.
ROIC[2]				39.9%	42.5%	2.6 p.p.

Operating Indicators	4Q09	4Q10	Growth (%)	2009	2010	Growth (%)
# of pairs sold (in Thousands)	1,584	1,863	17.6%	5,063	6,431	27.0%
# of handbags sold (in Thousands)	140	182	29.8%	337	412	22.2%
# of employees	1,080	1,557	44.2%	1,080	1,557	44.2%
Number of Stores	263	296	12.5%	263	296	12.5%
Own Stores	21	29	38.1%	21	29	38.1%
Franchises	242	267	10.3%	242	267	10.3%
SSS[3] (Franchises – sell-in)	13.0%	17.2%		3.7%	29.1%	
SSS[3] (Own Stores – sell-out)	48.2%	4.7%		28.9%	17.6%	

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

2 ROIC is calculated by dividing Operating Income After Taxes in the last 12 months by the average Invested Capital in the period under analysis. For the Company, Operating Income after Taxes means Earnings before Interest and Taxes less the taxes effectively paid in the period. Average Invested Capital means the average of the Working Capital, Long-Term Assets (less tax credits from goodwill) and Fixed Assets accounts in the current period and in the previous period.

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

Gross Revenue Breakdown	4Q09	4Q10	Growth (%)	2009	2010	Growth (%)
Total Gross Revenues	171,038	218,858	28.0%	512,950	712,867	39.0%
Exports Market	10,360	13,921	34.4%	44,196	50,386	14.0%
Domestic market	160,677	204,936	27.5%	468,754	662,481	41.3%
By brand						
Arezzo	117,358	149,376	27.3%	350,821	479,178	36.6%
Schutz	41,106	53,653	30.5%	111,073	173,072	55.8%
Others	2,213	1,907	-13.8%	6,860	10,231	49.1%
Domestic market	160,677	204,936	27.5%	468,754	662,481	41.3%
By channel						
Franchises	86,821	111,085	27.9%	260,920	358,685	37.5%
Multi-Brand Retail Stores	44,412	56,000	26.1%	133,715	188,372	40.9%
Own Stores	27,822	37,523	34.9%	70,406	109,986	56.2%
Others	1,622	328	-79.8%	3,713	5,438	46.5%

Brands

The Arezzo&Co Group currently holds a platform of four important brands: Arezzo, Schutz, Alexandre Birman and Anacapri.

Its product line stands out for its constant innovation, design, comfort and excellent cost-benefit ratio.

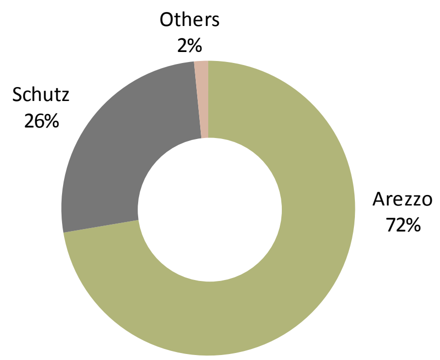
Arezzo, the Group's top-selling brand, recorded in 2010 sales of R$479.2 million, up 36.6% from 2009. It accounted for 67.2% of the Group's sales and 72.3% of the domestic market sales. The brand has been investing heavily in retail sales training. Retail staff from Owned Stores and Franchises received 88,000 hours, only in 2010, of training in topics such as: sales techniques, fashion, product and behavior.

The Schutz brand posted the most significant growth and brought in revenues of R$173.1 million, 55.8% higher year-over-year. The Flagships launches, coupled with more intensive promotion strategy and an ensuing strengthening of the brand, were the main drivers of this result.

Alexandre Birman is the first Brazilian brand to be found side by side with the most prominent designer brands in major international retail chains, such as: Saks, Neiman Markus, Bergdorf Goodman and Printemps, among others. Its Flagship store was also inaugurated in 2010, at a prime location on Oscar Freire Street in São Paulo.

The Anacapri brand introduced a new concept of comfortable, colorful and accessible products in 2010. There are currently 5 Anacapri stores operating in São Paulo. In January 2011, the brand was made available for Multi-Brand Retail Store operators in the Couromoda fair, a channel that will enable Anacapri products to be introduced to various Brazilian cities.

Breakdown by brands[1]



1 – Domestic market

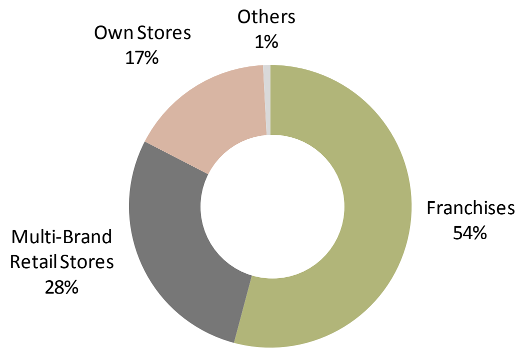
Channels

The multi-channel strategy provides greater capillarity for the Company in its distribution through its Owned Stores, Franchises and Multi-Brand Retail Stores being present in all states of Brazil.

Internationally, the brands are also marketed through Franchisees, Multi-Brand Retail Stores and Department Stores.

Owned Stores and Franchises exclusive points of sale for each brand. They all adopt standardized services quality for each brand. The Stores have the same visual merchandising material and simultaneously offer the same collections, in line with the consumer habits in each Brazilian region.

Breakdown by channels[1]



1 – Domestic market

Franchises

At the close of 2010, Arezzo&Co had 267 franchises. This is the most important sales channel for the Group and accounts for 54.1% of the sales in the domestic market.

Over the year 25 new Franchise Stores were opened. In addition, sales area of current Franchise Stores also increased; totaling an area expansion of 1,738 m^2. In 4Q10, 14 new Franchise Stores were opened and the total area increased by 765 m^2.

The Sell-In same store-sales (SSS – Franchises), that is, sales from Arezzo&Co to its Franchisees, increased of 29.1% in 2010 over 2009 and of 17.3% in 4Q10 over 4Q09.

Owned Stores

This channel accounts for 16.6% of Arezzo&Co's sales. There are 29 Owned Stores: 13 Arezzo stores, 10 Schutz stores, 5 Anacapri stores and one Alexandre Birman store. Of this total, 26 stores are located in São Paulo and Rio de Janeiro.

During the course of 2010, 8 Owned Stores were opened, 2 of which were Schutz Flagship Stores, intended to strengthen its brand awareness and give it greater visibility in major Brazilian cities. Another 6 Owned Stores of the other 3 brands: Arezzo, Alexandre Birman and Anacapri were also inaugurated.

In 2010, the increase in total sales area amounted to 900.2 m^2, 93.0 m^2 of which in 4Q10.

Same Owned Stores Sales (SSS – Owned Stores) rose by 17.6% in 2010 over 2009.

In 4Q10, the SSS – Owned Store stood at 4.7%. The 4Q10 results were impacted by the performance in Rio de Janeiro, where a process is being conducted to change key management positions and also to open new stores in order to reinforce brand positioning and performance.

Owned Stores are mainly found in the cities of São Paulo and Rio de Janeiro, one of which can, therefore, impact the channel results significantly.

History – Franchises and Owned Stores	2009	1Q10	2Q10	3Q10	2010
Sales Area – Total (m²)	**14,919**	**15,317**	**15,799**	**16,700**	**17,558**
Sales Area – Franchise (m²)	12,853	13,175	13,329	13,826	14,591
Sales Area – Owned Store (m²)	2,067	2,142	2,470	2,874	2,967[1]
# of Owned Stores	**263**	**267**	**273**	**280**	**296**
# of Franchises	**242**	**245**	**248**	**253**	**267**
Arezzo	240	243	247	252	266
Schutz	1	1	1	1	1
Others	1	1	-	-	-
# of Owned Stores	**21**	**22**	**25**	**27**	**29**
Arezzo	9	10	11	13	13[1]
Schutz	9	9	9	10	10
Alexandre Birman	-	-	1	1	1
Anacapri	3	3	4	3	5

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

Multi-Brand Retail Stores

At the end of 2010, the Group brands were distributed among 1,585 Multi-Brand Retail Stores in all Brazilian states.

The Company redesigned its commercial policy for this channel and improved the service level to store operators. This change contributed to an increase in sales.

Currently, this channel is especially important for the Schutz brand, for which Multi-Brand Retail Stores accounts for 75.6% of the brand sales in Brazil. All products are distributed to every Brazilian states, which increases the capillarity of Arezzo&Co.

The Anacapri brand started to structure in late 2010 its plan to access the Multi-Brand Retail Stores throughout Brazil in order to speed up the offering of products in the country.

Communication and Marketing

Arezzo&Co promotes its brands by means of several campaigns run in different media outlets and means of communication. In 2010, Arezzo&Co exposed itself on the media on a regular basis. These were:

- 343 TV spots and 620 movie theater spots
- 117 print media advertisements on 225 pages
- 423,000 accesses to the Arezzo website per month and 96,000 accesses per month to the Schutz website
- 206 features in fashion editorials

Communication and Marketing also pervade all the aspects of each Store, which are constantly renewed according to the concept of each of the 7 to 9 new collections in order to arouse new shopping desires.

Whenever a new collection is introduced, each Point of Sale receives new materials, such as: catalogues, packaging materials and visual merchandising materials, among others.

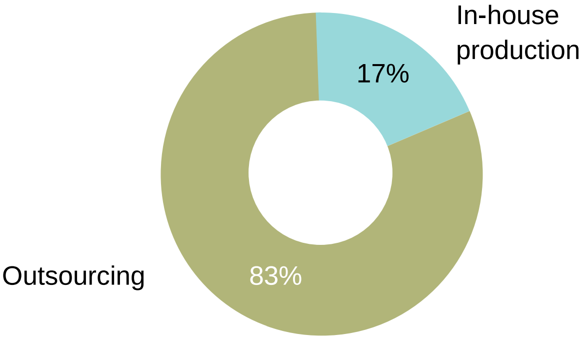
Sourcing process

A flexible supply process combining outsourcing and in-house production by the Company itself, mainly in the Vale dos Sinos region, in Rio Grande do Sul State, allows Arezzo&Co to adapt its production capacity to the market demand in a nimble manner throughout the year.

The design of the production process provides great efficiency, with low use of capital, cost control, quality control and on-time delivery.

Both the internal and the outsourced production processes are certified and audited to ensure quality and on-time delivery (ISO 9001 certification in 2008).

Sourcing profile[1]



1 – Breakdown as a percentage of pairs in 2010.

Main financial Indicators	4Q09	4Q10	Growth or spread (%)	2009	2010	Growth or spread (%)
Net Revenues	138,069	174,784	26.6%	412,063	571,525	38.7%
(-) COGS	(80,432)	(106,607)	32.5%	(245,242)	(339,884)	38.6%
Gross Profit	57,637	68,177	18.3%	166,821	231,641	38.9%
Gross Margin	41.7%	39.0%	-2.74 p.p.	40.5%	40.5%	0.05 p.p.
(-) SG&A[1]	(37,040)	(37,998)	2.6%	(107,942)	(138,821)	28.6%
% of Revenues	-26.8%	-21.7%	5.09 p.p.	-26.2%	-24.3%	1.91 p.p.
(-) Selling expenses	(26,337)	(27,633)	4.9%	(73,666)	(96,597)	31.1%
(-) Own Stores	(7,771)	(11,526)	48.3%	(22,212)	(36,562)	64.6%
(-) Sales, Logistics and Supplies	(18,566)	(16,107)	-13.2%	(51,454)	(60,035)	16.7%
(-) General and Administrative Expen	(11,030)	(11,199)	1.5%	(36,929)	(45,679)	23.7%
(-) Depreciation	(483)	(823)	70.4%	(1,655)	(2,670)	61.3%
(-) Other (Expenses) and Revenues	327	834	155.0%	2,653	3,455	30.2%
EBITDA	21,079	31,002	47.1%	60,533	95,490	57.7%
EBITDA Margin	15.3%	17.7%	2.47 p.p.	14.7%	16.7%	2.02 p.p.
(-) Taxes payable	834	(8,029)	-1062.4%	(10,113)	(24,755)	144.8%
Net Income	20,919	21,502	2.8%	48,739	64,534	32.4%
Net Margin	15.2%	12.3%	-2.85 p.p.	11.8%	11.3%	-0.54 p.p.
Working Capital - % of Revenues	-	-	-	21.4%	24.8%	3.33 p.p.
Invested Capital - % of Revenues	-	-	-	29.7%	28.0%	-1.65 p.p.
Total Debt	39,318	46,769	19.0%	39,318	46,769	19.0%
Net Debt[2]	(5,574)	33,765	n/a	(5,574)	33,765	n/a
Net Debt/EBITDA	-	-	-	-0.1 X	0.4 X	n/a

1 SG&A is the sum of General, Administrative and Commercial expenses for the company including Depreciation, Amortization and Other Operational revenues and expenses.
2 Net Debt: Company's total outstanding debt at the close of a period minus cash and cash equivalents and short-term cash investments.

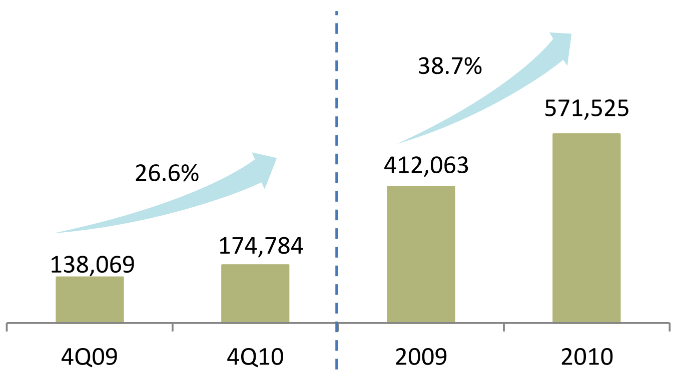
Net Revenues

The Company's revenues rose by 26.6%, from R$138.1 million in 4Q09 to R$174.8 million in 4Q10. In 2010, there was a 38.7% increase, totaling R$571.5 million. The main drivers of the 2010 growth were:

i) Expansion of the sales area by 17.7% in 2010 when compared with 2009;

ii) Maturation of the 26 Owned Stores and Franchises opened throughout 2009;

iii) Higher store productivity under the SSS concept, both in Franchises (29.1%) and Owned Stores (17.6%);



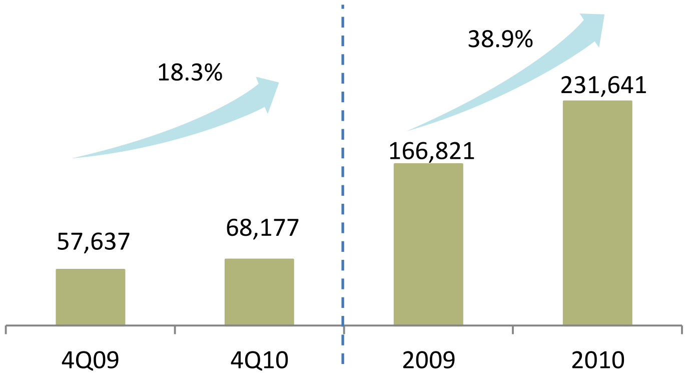
iv) Growth of the Multi-Brand Retail Store channel.

Gross Profit

Gross profit rose by 18.3% in 4Q10 year-over-year to R$68.2 million, with a gross margin of 39.0%.

In 4Q10, the gross margin was mainly impacted by the fluctuation of the exports margin. In addition, a CRM initiative that involved giving top customers handbags (c. 40 thousand pieces) as gifts, impacted margins since these handbags were sold with very low gross margins levels to Franchisees and Owned Stores operators.

In 2010, Gross Profit amounted to R$231.6 million, rising by 38.9% versus the R$166.8 million gross profit recorded in 2009. The 2010 gross margin was 40.5%, stable in relation to 2009.



SG&A

Profit Sharing Program (PSP)

In 4Q10, provision for profit sharing totaled R$1.7 million and R$11.2 million in 2010 versus R$7.0 million in 4Q09 and R$8.4 million in 2009. These expenses are included in both Selling Expenses and General and Administrative Expenses.

Selling Expenses

The Company's Selling Expenses could be broken down into two major groups:

1. Selling, Logistics and Supplies:
    - Includes expenses on sell-in and sell-out operations;
2. Owned Store Expenses:
    - Include just the expenses on Owned stores – sell-out operations.

Selling Expenses climbed by 4.9% in 4Q10 versus 4Q09 and came to R$27.6 million. New store openings led an increase on Owned Store Expenses, which came to R$11.5 million in 4Q10, up 48.3% from 4Q09, due to 22 new inaugurations in the last 24 months.

In 2010, Selling Expenses amounted to R$96.6 million, up 31.1% year-over-year. Selling, Logistics and Supply Expenses amounted to R$60.0 million against R$51.5 million in 2009, a 16.7% rise. Owned Store Expenses stood at R$36.6 million versus R$22.2 million in 2009, a 64.6% increase also due to the opening of many new Owned Stores.

General and Administrative Expenses

General & Administrative Expenses (net of depreciation) amounted to R$10.4 million in 4Q10 versus R$10.6 million in 4Q09, representing a 1.6% drop.

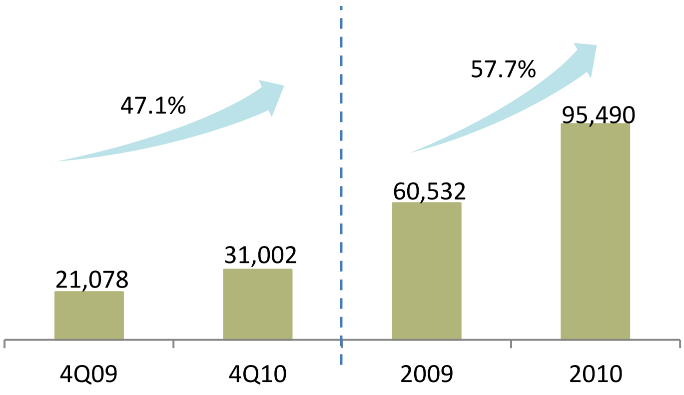
In 2010, General & Administrative Expenses (net of depreciation) amounted to R$43.0 million, 21.9% higher than the R$35.3 million recorded in 2009.

EBITDA and EBITDA Margin (%)

The Company's EBITDA climbed by 47.1% in 4Q10 over 4Q09, to R$31.0 million. The Company's EBITDA margin increased by 2.4 percentage points to 17.7% in 4Q10 versus 15.3% in 4Q09, deriving from the dilution of the SG&A expenses.

In 2010, Arezzo&Co recorded EBITDA of R$95.5 million with annual growth of 57.7% and EBITDA margin of 16.7%, versus an EBITDA of R$ 60.5 million and EBITDA margin of 14.7% in 2009.

EBITDA margin improvement resulted from the dilution of SG&A expenses.



EBITDA Reconciliation	4Q09	4Q10	2009	2010
Net Income	20,919	21,502	48,739	64,534
(-) Income Tax and Social Contribution	834	(8,029)	(10,113)	(24,755)
(-) Financial Result	(512)	(648)	(27)	(3,531)
(-) Depreciation and amortization	(483)	(823)	(1,655)	(2,670)
EBITDA	21,079	31,002	60,533	95,490

Provision for Income Tax and Social Contribution

The nominal rate for the period remained at 34.0%. The effective rate was 27.6% in 2010 versus 17.2% in 2009.

In 2009, the Company started recording tax benefits connected to Law 11,196, of November 21, 2005 (*Lei do Bem*), which allows deducting technological innovation expenses from its tax base.

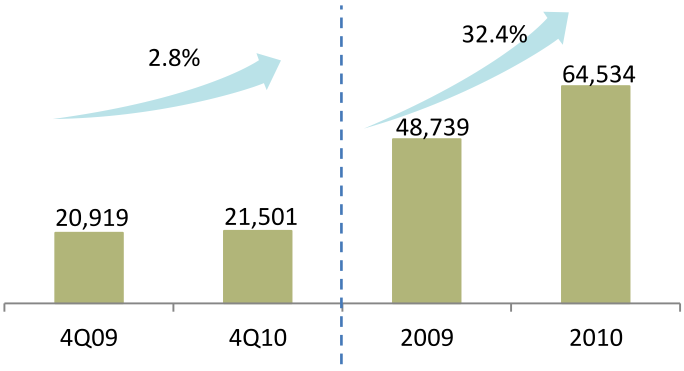
Total tax benefits from *Lei do Bem* totaled R$ 8.5 million in 2009, being R$ 7.0 million in 4Q09. In 2010, this tax benefit came to R$ 4.9 million being R$ 1.4 million in 4Q10.

Net Income and Net Margin (%)

Arezzo&Co preserved its high conversion from EBITDA (16.7% margin in 2010) into Net Income (11.3% margin in 2010), due to the low financial leverage and asset light business model based on low use of capital in PP&E and, therefore, low depreciation.

4Q10 Net Income was up 44.6% adjusting by the Lei do Bem benefits impact. Disregarding such adjustment, the 4Q10 Net Income would have gone up by 2.8% period-over-period.

Annual income rose by 48.2% in 2010 over 2009, without the Lei do Bem tax benefits impact. Disregarding such adjustment, in 2010, Net Income amounted to R$ 64.5 million, with a Net Margin of 11.3%, a 32.4% rise in relation to 2009.



Operating Cash Generation

In spite of the sharp rise in EBITDA and Net Income, the Company's operating cash generation in 2010 was impacted primarily from the rise in working capital needs, due to: i) extension in the cash conversion cycle and ii) growth in sales.

Working capital increases intends to allow stores to have a more efficient inventory level, thus reducing sales disruption due to the lack of a given size or color of an item, for example.

On top of that, the Company started to increase inventory levels by anticipating product purchases, leveraging on its balance sheet and bargaining power to get better price conditions.

Cash flows from operating activities	4Q09	4Q10	Variation	2009	2010	Variation
Income before income taxes	20,085	29,531	9,446	58,852	89,289	30,437
Depreciation and amortization	483	823		1,655	2,670	
Other	(1,560)	976		(7,261)	1,735	
Decrease (increase) in assets	(13,752)	(24,533)	(10,781)	(25,743)	(57,730)	(31,987)
Trade accounts receivable	(14,405)	(20,709)		(13,218)	(29,170)	
Inventories	3,125	2,536		(6,914)	(27,657)	
Recoverable taxes	(1,333)	(5,410)		(1,810)	(4,063)	
Other current assets	(391)	(510)		(2,387)	3,108	
Judicial deposits	(335)	(491)		(1,382)	47	
Other receivables	(413)	51		(32)	5	
(Decrease) increase in liabilities	3,917	(5,700)	(9,617)	24,889	9,035	(15,854)
Trade accounts payable	(7,652)	(14,615)		12,483	(330)	
Labor liabilities	5,314	(2,084)		6,052	2,843	
Tax and contributions	6,194	10,696		6,077	7,719	
Other current liabilities	61	303		277	(1,197)	
Tax and contributions	(2,966)	(11,695)	(8,729)	(12,481)	(24,542)	(12,061)
Net cash generated by operating activities	6,207	(10,598)	(16,805)	39,911	20,457	(19,454)

Capital Expenditures - CAPEX

The Company invests in three different categories: 1) expansion or remodeling of points of sale; 2) corporate investments that include IT, showrooms and office expenditure 3) Other Investments, which is mainly maintenance and modernization of industrial operation.

On Stores Capex, in 4Q10, the opening of 2 Owned-stores demanded R$2.7 million, or 42.1% less than in 4Q09, when a larger expansion of 4 stores absorbed more capital. Corporate investments grew by R$3.9 million, totaling R$5.8 million, this growth is mainly due to the acquisition of an area where the Company plans to build its future Headquarters in the city of Campo Bom-RS, south of Brazil and investments in IT.

When comparing 2010 and 2009, total Capex grew R$4.2 million mainly due to corporate investments.

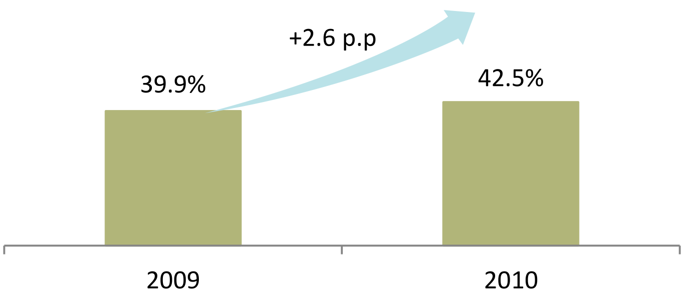
Summary of investments	4Q09	4Q10	Growth (%)	2009	2010	Growth (%)
CAPEX - total	5,752	6,058	5.3%	11,141	15,365	37.9%
Stores – expansion and refurbishments	4,675	2,708	-42.1%	8,930	7,869	-11.9%
Plant	946	2,975	214.5%	1,879	5,752	206.1%
Others	131	375	186.3%	332	1,744	425.1%

ROIC

Arezzo&Co's business model combines good operating margins with a reduced need for capital, due to its sourcing model and also its distribution strategy where Franchises and Multi-Brand Retail Stores play a major role.

This combination allows the Company to record a 2010 ROIC (Return on Invested Capital) of 42.5% versus 39.9% in 2009, an increase of 2.6 percentage points.

ROIC has expanded in 2010, even though the Company has increased its investments in Working Capital and in Capex, as described above, which reinforces Arezzo&Co's ability to generate value to shareholders.



Key Awards in 2010

The Arezzo&Co group was awarded by several prestigious organizations in Brazil, which shows the market recognition for its business.

Organization	Award	Category
Brazilian Franchising Association (ABF)	*Selo de Excelênciaem Franchising* (Franchising Excellence Seal)	
Alshop	*Prêmio Alshop Lojista* (Hors Concurs) (Alshop Store owner Award – Category Leadership)	Women's Footwear
Alshop	Prêmio Alshop Lojista Centro-Oeste (Alshop Mid-West Region Store owner Award)	Women's Footwear
Revista Globo Rural (Globo Rural Magazine)	Best in Agribusiness	Leather and Footwear
Exame Magazine	*Premiação do Melhores e Maiores* (Bigger and Better companies award)	
Valor Econômico Magazine	Ranking among the 1,000 Largest Companies	
Shopper Experience/ Consumidor Moderno	The company which respects consumers the most	Footwear

Disclaimer

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

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

Balance Sheet – IFRS (4Q09/4Q10 and 2009/2010)

Assets	12/31/2010	12/31/2009
Current assets		
Cash and cash equivalents	8,004	38,991
Short-term investments	5,000	5,901
Trade accounts receivable	132,402	103,290
Inventories	48,862	21,205
Taxes recoverable	7,889	3,418
Other receivables	6,910	10,018
Total current assets	209,067	182,823
Non-current assets		
Long-term assets	-	-
Financial investments	98	116
Taxes recoverable	3,903	4,311
Deferred income and social contribution taxes	14,449	19,697
Other receivables	4,491	7,644
Investments	-	-
Property, plant and equipment	21,376	12,403
Intangible assets	14,772	11,033
Total non-current assets	59,089	55,204
Total assets	**268,156**	**238,027**

Liabilities	12/31/2010	12/31/2009
Current liabilities		
Loans and financing	27,370	24,583
Trade accounts payable	28,744	29,074
Dividends and interest on equity capital payable	11,964	18,507
Other liabilities	25,708	20,494
Total current liabilities	93,786	92,658
Non-current liabilities		
Loans and financing	19,399	14,735
Related parties	2,075	1,514
Other liabilities	6,678	9,588
Total non-current liabilities	28,152	25,837
Equity		
Capital	21,358	21,358
Capital reserve	71,019	71,019
Income reserves	37,779	27,155
Proposed additinal dividends	16,062	-
Total shareholders' equity	146,218	119,532
Total liabilities and shareholders' equity	**268,156**	**238,027**

Income Statement – IFRS (4Q09/4Q10 and 2009/2010)

Income statement - IFRS	4Q10	4Q09	2010	2009
Net operating revenue	174,784	138,069	571,525	412,063
Cost of sales and services	(106,607)	(80,432)	(339,884)	(245,242)
Gross profit	68,176	57,637	231,641	166,821
Operating income (expenses):	-	-	-	-
Selling	(27,633)	(26,337)	(96,597)	(73,666)
Administrative and general	(11,199)	(11,031)	(45,679)	(36,929)
Equity results	-	-	-	-
Other operating income, net	836	327	3,455	2,653
Total Operating income (expenses):	(37,997)	(37,041)	(138,821)	(107,942)
Income before financial results	30,179	20,596	92,820	58,879
Financial income (expenses)	(648)	(512)	(3,531)	(27)
Income before income taxes	29,532	20,084	89,289	58,852
Income and social contribution taxes	-	-	-	-
Current	(8,039)	(2,014)	(19,507)	(8,102)
Deferred	(3,653)	2,849	(5,248)	(2,011)
Net income for the year	**17,840**	**20,919**	**64,534**	**48,739**

Cash Flow Statement – IFRS (4Q09/4Q10 and 2009/2010)

Cash Flow Statement - IFRS	4Q10	4Q09	2010	2009
Cash flows from operating activities				
Income before income and social contribution taxes	29,531	20,085	89,289	58,852
Adjustments to reconcile to net cash generated by operating activities				
Depreciation and amortization	823	483	2,670	1,655
Gain from disposal of permanent assets	52	4	131	18
Equity results	-	-	-	-
Provision for labor, tax and civil contingencies	1,430	(12)	(112)	817
Interests and foreign exchange variation	(348)	(1,466)	2,031	(7,634)
Other	(158)	(86)	(315)	(462)
Decrease (increase) in assets				
Trade accounts receivable	(20,709)	(14,405)	(29,170)	(13,218)
Inventories	2,536	3,125	(27,657)	(6,914)
Taxes recoverable	(5,410)	(1,333)	(4,063)	(1,810)
Variation in other current assets	(510)	(391)	3,108	(2,387)
Judicial deposits	(491)	(335)	47	(1,382)
Other accounts receivables	51	(413)	5	(32)
(Decrease) increase in liabilities				
Trade accounts payable	(14,615)	(7,652)	(330)	12,483
Labor liabilities	(2,084)	5,314	2,843	6,052
Tax and social liabilities	10,696	6,194	7,719	6,077
Change in other liabilities	303	61	(1,197)	277
Paid incomes and social contribution taxes	(11,695)	(2,966)	(24,542)	(12,481)
Net cash generated by operating activities	(10,598)	6,207	20,457	39,911
Cash flows from investing activities				
Increase in property, plant and equipment and intangible assets	(4,853)	(5,758)	(14,183)	(11,170)
Short-term investments	(1,392)	(4,189)	(1,392)	(5,779)
Redemption of short-term investments	815	-	2,684	
Advance for capital increase	-	1,140	-	-
Net cash used in financing activities with third parties	(5,430)	(8,807)	(12,891)	(16,949)
Cash flows from financing activities with third parties				
Long-term funding	30,534	6,645	43,204	11,480
Short-term funding	(9,635)	8,388	12,631	18,253
Loan repayment	(11,239)	(12,284)	(50,415)	(44,253)
Receivables from (payables to) related parties, except shareholders	(21)	383	(21)	(992)
Net cash used in financing activities with third parties	9,639	3,132	5,399	(15,512)
Cash flows from financing activities with shareholders				
Interest on equity capital	-	(1,122)	(4,906)	(4,618)
Profit distribution	-	-	(39,485)	(21,315)
Receivables (payables) with shareholders	(113)	(1,249)	439	(11,841)
Capital increase	-	1,250		1,250
Setting-up of capital reserve	-	14,240		14,240
Net cash used in financing activities with shareholders	(113)	13,119	(43,952)	(22,284)
Decrease in cash and cash equivalents	(6,502)	13,651	(30,987)	(14,834)
Cash and cash equivalents				
Cash and cash equivalents - oppening balance	14,506	25,340	38,991	53,825
Cash and cash equivalents - closing balance	8,004	38,991	8,004	38,991
Decrease in cash and cash equivalents	(6,502)	13,651	(30,987)	(14,834)