

Quarterly Information

Arezzo Indústria e Comercio S/A

June 30, 2012

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Statements of Changes in Equity

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Company Data / Capital Breakdown

Number of shares (In thousands)	Current quarter 6/30/2012
Paid-in capital	
Common shares	88,542
Preferred shares	0
Total	88,542
Held in treasury	
Common shares	0
Preferred shares	0
Total	0

Company Data / Cash Proceeds

Event	Approval	Cash proceeds	Beginning of payment	Share type	Share class	Earnings per share (Reais / Share)
Annual General Meeting	4/24/2012	Dividends	5/31/2012	Common shares		0.07000
Meeting of the Board of Directors	8/9/2011	Interest on equity	1/31/2012	Common shares		0.09000
Meeting of the Board of Directors	12/21/2011	Interest on equity	1/31/2012	Common shares		0.01646

Individual financial statements / Balance sheets – Assets**(In thousands of reais)**

Account code	Account description	Current quarter 6/30/2012	Prior year 12/31/2011
1	Total assets	523,980	485,642
1.01	Current assets	384,070	371,662
1.01.01	Cash and cash equivalents	4,102	6,217
1.01.02	Short-term investments	201,020	157,901
1.01.02.01	Short-term investments measured at fair value	201,020	157,901
1.01.02.01.01	Securities for trading	201,020	157,901
1.01.03	Accounts receivable	131,969	167,471
1.01.03.01	Trade accounts receivable	131,969	167,471
1.01.04	Inventories	34,382	22,900
1.01.06	Taxes recoverable	4,765	7,625
1.01.06.01	Current taxes recoverable	4,765	7,625
1.01.08	Other current assets	7,832	9,548
1.01.08.03	Other	7,832	9,548
1.02	Non-current assets	139,910	113,980
1.02.01	Long-term receivables	27,166	25,283
1.02.01.06	Deferred taxes	8,365	9,534
1.02.01.06.01	Deferred income and social contribution taxes	8,365	9,534
1.02.01.08	Receivables from related parties	13,774	11,000
1.02.01.08.03	Receivables from controlling shareholders	13,774	11,000
1.02.01.09	Other non-current assets	5,027	4,749
1.02.01.09.03	Taxes recoverable	360	358
1.02.01.09.04	Legal deposits	4,233	3,902
1.02.01.09.05	Other receivables	434	489
1.02.02	Investments	87,677	73,158
1.02.02.01	Equity interests	87,677	73,158
1.02.02.01.02	Investments in subsidiaries	87,677	73,158
1.02.03	Property plant and equipment	16,641	8,303
1.02.03.01	Property, plant and equipment in progress	16,641	8,303
1.02.04	Intangible assets	8,426	7,236
1.02.04.01	Intangible assets	8,426	7,236
1.02.04.01.02	Trademarks and patents	2,628	2,623
1.02.04.01.03	Store use rights	125	125
1.02.04.01.04	System use rights	5,673	4,488

Individual financial statements / Balance sheets – Liabilities and equity**(In thousands of reais)**

Account code	Account description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	523,980	485,642
2.01	Current liabilities	81,519	76,904
2.01.01	Labor and social charges	8,299	8,576
2.01.01.01	Social charges	1,059	1,087
2.01.01.02	Labor obligations	7,240	7,489
2.01.02	Trade accounts payable	33,088	27,311
2.01.02.01	Domestic suppliers	32,741	27,013
2.01.02.02	Foreign suppliers	347	298
2.01.03	Tax liabilities	3,037	4,619
2.01.03.01	Federal tax liabilities	2,945	4,574
2.01.03.01.02	Other federal tax liabilities	2,945	4,574
2.01.03.02	State tax obligations	78	32
2.01.03.03	Local tax obligations	14	13
2.01.04	Loans and financing	25,528	20,845
2.01.04.01	Loans and financing	25,528	20,845
2.01.04.01.01	In domestic currency	3,988	3,936
2.01.04.01.02	In foreign currency	21,540	16,909
2.01.05	Other payables	11,567	15,553
2.01.05.02	Other	11,567	15,553
2.01.05.02.01	Dividends and interest on equity payable	9,701	14,327
2.01.05.02.04	Other	1,866	1,226
2.02	Non-current liabilities	33,014	24,691
2.02.01	Loans and financing	25,484	17,689
2.02.01.01	Loans and financing	25,484	17,689
2.02.01.01.01	In domestic currency	25,484	17,689
2.02.02	Other payables	5,222	4,290
2.02.02.01	Payables to related parties	15	0
2.02.02.02	Other	5,207	4,290
2.02.02.02.04	Advances from third parties	0	85
2.02.02.02.05	Other	0	1,073
2.02.02.02.06	Provision for capital deficiency	5,207	3,132
2.02.04	Provisions	2,308	2,712
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	2,308	2,712
2.02.04.01.02	Provisions for social security and labor contingencies	1,452	2,070
2.02.04.01.04	Provisions for civil contingencies	856	642
2.03	Equity	409,447	384,047
2.03.01	Paid-in capital	105,917	40,917
2.03.02	Capital reserve	172,830	237,723
2.03.02.02	Special goodwill reserve on merger	21,470	21,470
2.03.02.04	Options granted	107	0
2.03.02.07	Issue of shares	151,253	216,253
2.03.04	Income reserve	105,407	105,407
2.03.04.01	Legal reserve	8,183	8,183
2.03.04.05	Retained earnings reserve	94,541	94,541
2.03.04.07	Tax incentives reserve	2,683	2,683
2.03.05	Retained earnings/accumulated losses	25,293	0

Individual financial statements / Income statements**(In thousands of reais)**

Account code	Account description	Current quarter 4/1/2012 to 6/30/2012	Accumulated in the current period 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated in same prior period 1/1/2011 to 6/30/2011
3.01	Revenue from sale of products and/or services	174,383	316,982	139,656	266,561
3.02	Cost of goods sold and/or services provided	-108,515	-199,344	-88,962	-170,162
3.03	Gross profit	65,868	117,638	50,694	96,399
3.04	Operating expenses/income	-36,052	-75,310	-25,090	-51,813
3.04.01	Selling expenses	-20,879	-39,426	-15,849	-31,489
3.04.02	General and administrative expenses	-14,512	-26,420	-11,173	-21,955
3.04.04	Other operating income	59	0	250	421
3.04.05	Other operating expenses	0	-7,730	0	0
3.04.06	Equity pickup	-720	-1,734	1,682	1,210
3.05	Income before financial income (expenses) and taxes	29,816	42,328	25,604	44,586
3.06	Financial income and expenses	2,370	5,524	3,659	5,572
3.06.01	Financial income	5,251	10,460	5,984	9,683
3.06.01.01	Financial income	4,597	9,417	5,641	9,340
3.06.01.02	Foreign exchange gains	654	1,043	343	343
3.06.02	Financial expenses	-2,881	-4,936	-2,325	-4,111
3.06.02.01	Financial expenses	-2,028	-3,580	-1,681	-3,070
3.06.02.02	Foreign exchange losses	-853	-1,356	-644	-1,041
3.07	Income before income taxes	32,186	47,852	29,263	50,158
3.08	Income and social contribution taxes	-6,423	-11,237	-5,224	-11,391
3.08.01	Current	-4,823	-10,068	-4,336	-5,829
3.08.02	Deferred	-1,600	-1,169	-888	-5,562
3.09	Net income from continued operations	25,763	36,615	24,039	38,767
3.11	Income/loss for the period	25,763	36,615	24,039	38,767
3.99	Earnings per share – (reais/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common share	0.29097	0.41353	0.27150	0.44732

Individual financial statements / Statements of comprehensive income

(In thousands of reais)

Account code	Account description	Current quarter	Accumulated in the current period	Same quarter of prior year	Accumulated in same prior period
		4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011
4.01	Net income for the period	25,763	36,615	24,039	38,767
4.03	Comprehensive income for the period	25,763	36,615	24,039	38,767

Individual financial statements/ Cash flow statements – Indirect method

(In thousands of reais)

Account code	Account description	Accumulated in the current period 1/1/2012 to 6/30/2012	Accumulated in same prior period 1/1/2011 to 6/30/2011
6.01	Net cash from operating activities	68,955	48,218
6.01.01	Cash from operating activities	45,293	43,509
6.01.01.01	Income before income and social contribution taxes	47,852	50,158
6.01.01.02	Depreciation and amortization	1,541	917
6.01.01.03	Income (loss) from disposal of property, plant & equipment	0	92
6.01.01.04	Equity pickup	1,734	-1,210
6.01.01.05	Provision for labor, tax and civil contingencies	-508	-471
6.01.01.06	Interest and foreign exchange variation	814	979
6.01.01.07	Short-term investment income	-6,604	-6,885
6.01.01.08	Other	3	-71
6.01.01.09	Supplement of provision for inventory loss	354	0
6.01.01.10	Stock option plans	107	0
6.01.02	Changes in assets and liabilities	34,725	11,550
6.01.02.01	Trade accounts receivable	36,076	21,254
6.01.02.02	Inventories	-8,493	-16,556
6.01.02.03	Variation of other current assets	1,882	-609
6.01.02.04	Taxes recoverable	3,481	3,015
6.01.02.05	Legal deposits	-331	-1,013
6.01.02.07	Trade accounts payable	5,531	8,359
6.01.02.08	Labor obligations	-597	-2,353
6.01.02.09	Tax and social security liabilities	-2,262	-1,273
6.01.02.10	Other payables	-562	726
6.01.03	Other	-11,063	-6,841
6.01.03.01	Payment of income and social contributions taxes	-11,063	-6,841
6.02	Net cash from investing activities	-65,313	-186,691
6.02.01	Acquisition of property, plant and equipment and intangible assets	-10,329	-2,526
6.02.02	Short-term investments	-177,201	-248,693
6.02.03	Redemption of short-term investments	140,811	64,528
6.02.04	Capital contribution in subsidiaries	-18,594	0
6.03	Net cash from financing activities	-5,805	134,704
6.03.01	Loans raised	26,175	6,804
6.03.02	Payment of loans	-14,511	-22,255
6.03.03	Credit (debit) with related parties, except shareholders	-3,144	-4,889
6.03.05	Profit sharing	-14,325	-28,025
6.03.06	Credit (debit) with shareholders	0	1,060
6.03.07	Capital increase – Issue of shares	0	182,009
6.05	Increase (decrease) in cash and cash equivalents	-2,163	-3,769
6.05.01	Opening balance of cash and cash equivalents	6,265	5,585
6.05.02	Closing balance of cash and cash equivalents	4,102	1,816

Individual financial statements / Statements of changes in equity / SCE – 1/1/2012 to 6/30/2012

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserve, options granted and treasury stock	Income reserve	Retained earnings/ accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	40,917	237,723	105,407	0	0	384,047
5.03	Adjusted opening balances	40,917	237,723	105,407	0	0	384,047
5.04	Capital transactions with shareholders	65,000	-64,893	0	-11,322	0	-11,215
5.04.01	Capital increase	65,000	-65,000	0	0	0	0
5.04.03	Recognized options granted	0	107	0	0	0	107
5.04.07	Interest on equity	0	0	0	-11,322	0	-11,322
5.05	Total comprehensive income	0	0	0	36,615	0	36,615
5.05.01	Net income for the period	0	0	0	36,615	0	36,615
5.07	Closing balances	105,917	172,830	105,407	25,293	0	409,447

Individual financial statements / Statements of changes in equity / SCE – 1/1/2011 to 6/30/2011

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserve, options granted and treasury stock	Income reserve	Retained earnings/ accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	21,358	71,019	53,841	0	0	146,218
5.03	Adjusted opening balances	21,358	71,019	53,841	0	0	146,218
5.04	Capital transactions with shareholders	19,559	167,067	-16,062	-8,442	0	162,122
5.04.01	Capital increase	19,559	176,029	0	0	0	195,588
5.04.02	Expenses from share issuance	0	-8,962	0	0	0	-8,962
5.04.06	Dividends	0	0	-16,062	0	0	-16,062
5.04.07	Interest on equity	0	0	0	0	0	-8,442
5.05	Total comprehensive income	0	0	0	38,767	0	38,767
5.05.01	Net income for the period	0	0	0	38,767	0	38,767
5.07	Closing balances	40,917	238,086	37,779	30,325	0	347,107

Individual financial statements / Statements of value added**(In thousands of reais)**

Account code	Account description	Accumulated in the current period	Accumulated in same prior period
		1/1/2012 to 6/30/2012	1/1/2011 to 6/30/2011
7.01	Revenue	386,907	323,285
7.01.01	Sale of goods, products and services	398,313	332,189
7.01.02	Other revenue	-11,403	-8,974
7.01.04	Set up/reversal of allowance for doubtful accounts	-3	70
7.02	Inputs purchased from third parties	-287,052	-245,105
7.02.01	Cost of products, goods and services sold	-253,135	-216,079
7.02.02	Materials, electric power, outsourced services and other	-33,216	-28,330
7.02.04	Other	-701	-696
7.03	Gross value added	99,855	78,180
7.04	Withholdings	-1,541	-917
7.04.01	Depreciation, amortization and depletion	-1,541	-917
7.05	Net value added produced	98,314	77,263
7.06	Value added received in transfer	996	11,314
7.06.01	Equity pickup	-1,734	1,210
7.06.02	Financial income	10,460	9,683
7.06.03	Other	-7,730	421
7.07	Total unpaid value added	99,310	88,577
7.08	Payment of value added	99,310	88,577
7.08.01	Personnel	23,580	18,755
7.08.01.01	Direct compensation	18,546	14,520
7.08.01.02	Benefits	1,528	1,249
7.08.01.03	Government Severance and Indemnity Fund for Employees (FGTS)	1,609	1,199
7.08.01.04	Other	1,897	1,787
7.08.01.04.01	Profit sharing - employees	1,623	1,245
7.08.01.04.02	Other	167	542
7.08.01.04.03	Stock option plan	107	0
7.08.02	Taxes, fees and contributions payable	32,325	26,041
7.08.02.01	Federal	27,833	23,158
7.08.02.02	State	4,289	2,800
7.08.02.03	Local	203	83
7.08.03	Debt remuneration	6,790	5,014
7.08.03.01	Interest	938	710
7.08.03.02	Rental	1,854	903
7.08.03.03	Other	3,998	3,401
7.08.04	Equity remuneration	36,615	38,767
7.08.04.01	Interest on equity	11,322	8,442
7.08.04.03	Retained earnings/accumulated loss for the period	25,293	30,325

Consolidated financial statements / Balance sheets - Assets**(In thousands of reais)**

Account code	Account description	Current quarter 6/30/2012	Prior year 12/31/2011
1	Total assets	546,889	510,628
1.01	Current assets	441,382	432,376
1.01.01	Cash and cash equivalents	4,799	15,528
1.01.02	Short-term investments	201,020	158,022
1.01.02.01	Short-term investments measured at fair value	201,020	158,022
1.01.02.01.01	Securities for trading	201,020	158,022
1.01.03	Accounts receivable	150,687	179,589
1.01.03.01	Trade accounts receivable	150,687	179,589
1.01.04	Inventories	65,718	57,384
1.01.06	Taxes recoverable	7,393	10,191
1.01.06.01	Current taxes recoverable	7,393	10,191
1.01.08	Other current assets	11,765	11,662
1.01.08.03	Other	11,765	11,662
1.02	Non-current assets	105,507	78,252
1.02.01	Long-term receivables	16,135	16,818
1.02.01.01	Short-term investments measured at fair value	98	79
1.02.01.01.01	Securities for trading	98	79
1.02.01.06	Deferred taxes	8,705	10,012
1.02.01.06.01	Deferred income and social contribution taxes	8,705	10,012
1.02.01.09	Other non-current assets	7,332	6,727
1.02.01.09.03	Taxes recoverable	360	358
1.02.01.09.04	Legal deposits	6,504	5,863
1.02.01.09.05	Other receivables	468	506
1.02.03	Property plant and equipment	47,693	30,293
1.02.03.01	Property, plant and equipment in progress	47,693	30,293
1.02.04	Intangible assets	41,679	31,141
1.02.04.01	Intangible assets	41,679	31,141
1.02.04.01.02	Trademarks and patents	2,725	2,722
1.02.04.01.03	Store use rights	32,880	23,536
1.02.04.01.04	System use rights	6,074	4,883

Consolidated financial statements / Balance sheets – Liabilities and equity**(In thousands of reais)**

Account code	Account description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	546,889	510,628
2.01	Current liabilities	107,458	102,318
2.01.01	Labor and social charges	15,908	14,861
2.01.01.01	Social charges	2,488	2,710
2.01.01.02	Labor obligations	13,420	12,151
2.01.02	Trade accounts payable	43,328	37,286
2.01.02.01	Domestic suppliers	42,981	36,988
2.01.02.02	Foreign suppliers	347	298
2.01.03	Tax liabilities	8,839	11,711
2.01.03.01	Federal tax liabilities	5,450	7,254
2.01.03.01.01	Income and social contribution taxes payable	626	660
2.01.03.01.02	Other federal tax liabilities	4,824	6,594
2.01.03.02	State tax obligations	3,354	4,420
2.01.03.03	Local tax obligations	35	37
2.01.04	Loans and financing	25,548	20,885
2.01.04.01	Loans and financing	25,548	20,885
2.01.04.01.01	In domestic currency	4,008	3,976
2.01.04.01.02	In foreign currency	21,540	16,909
2.01.05	Other payables	13,835	17,575
2.01.05.02	Other	13,835	17,575
2.01.05.02.01	Dividends and interest on equity payable	9,701	14,327
2.01.05.02.04	Other	4,009	3,248
2.01.05.02.05	Tax in installments	125	0
2.02	Non-current liabilities	29,984	24,263
2.02.01	Loans and financing	25,569	17,774
2.02.01.01	Loans and financing	25,569	17,774
2.02.01.01.01	In domestic currency	25,569	17,774
2.02.02	Other payables	1,277	2,231
2.02.02.01	Payables to related parties	975	905
2.02.02.01.03	Payables to controlling shareholders	975	905
2.02.02.02	Other	302	1,326
2.02.02.02.03	Tax in installments	168	168
2.02.02.02.04	Advances from third parties	0	85
2.02.02.02.05	Other	134	1,073
2.02.04	Provisions	3,138	4,258
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	3,138	4,258
2.02.04.01.02	Provisions for social security and labor contingencies	2,261	3,594
2.02.04.01.04	Provisions for civil contingencies	877	664
2.03	Consolidated equity	409,447	384,047
2.03.01	Paid-in capital	105,917	40,917
2.03.02	Capital reserve	172,830	237,723
2.03.02.02	Special goodwill reserve on merger	21,470	21,470
2.03.02.04	Options granted	107	0
2.03.02.07	Issue of shares	151,253	216,253
2.03.04	Income reserve	105,407	105,407
2.03.04.01	Legal reserve	8,183	8,183

Consolidated financial statements / Balance sheets – Liabilities and equity
(In thousands of reais)

Account Code	Account description	Current quarter 6/30/2012	Prior year 12/31/2011
2.03.04.05	Retained earnings reserve	94,541	94,541
2.03.04.07	Tax incentives reserve	2,683	2,683
2.03.05	Retained earnings/accumulated losses	25,293	0

Consolidated financial statements / Income statements**(In thousands of reais)**

Account Code	Account description	Current quarter 4/1/2012 to 6/30/2012	Accumulated in the current period 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated in same prior period 1/1/2011 to 6/30/2011
3.01	Revenue from sale of goods and/or services	199,468	360,829	152,240	290,835
3.02	Cost of goods sold and/or services provided	-109,533	-203,721	-86,532	-168,682
3.03	Gross profit	89,935	157,108	65,708	122,153
3.04	Operating expenses/income	-57,050	-110,972	-38,380	-74,969
3.04.01	Selling expenses	-41,811	-76,818	-26,476	-52,000
3.04.02	General and administrative expenses	-15,042	-27,308	-11,967	-23,390
3.04.04	Other operating income	0	0	63	421
3.04.05	Other operating expenses	-197	-6,846	0	0
3.05	Income before financial income (expenses) and taxes	32,885	46,136	27,328	47,184
3.06	Financial income and expenses	810	3,195	3,017	4,482
3.06.01	Financial income	5,300	10,674	5,997	9,761
3.06.01.01	Financial income	4,735	9,608	5,578	9,272
3.06.01.02	Foreign exchange gains	565	1,066	419	489
3.06.02	Financial expenses	-4,490	-7,479	-2,980	-5,279
3.06.02.01	Financial expenses	-3,395	-5,864	-2,354	-4,238
3.06.02.02	Foreign exchange losses	-1,095	-1,615	-626	-1,041
3.07	Income before income taxes	33,695	49,331	30,345	51,666
3.08	Income and social contribution taxes	-7,932	-12,716	-6,306	-12,899
3.08.01	Current	-6,164	-11,409	-5,298	-7,265
3.08.02	Deferred	-1,768	-1,307	-1,008	-5,634
3.09	Net income from continued operations	25,763	36,615	24,039	38,767
3.11	Consolidated income/loss for the period	25,763	36,615	24,039	38,767
3.11.01	Attributable to shareholders of parent company	25,763	36,615	24,039	38,767
3.99	Earnings per share – (reais/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common share	0.29097	0.41353	0.27150	0.44732

Consolidated financial statements / Statements of comprehensive income

(In thousands of reais)

Account Code	Account description	Current quarter 4/1/2012 to 6/30/2012	Accumulated in the current period 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated in same prior period 1/1/2011 to 6/30/2011
4.01	Consolidated net income for the period	25,763	36,615	24,039	38,767
4.03	Consolidated comprehensive income for the period	25,763	36,615	24,039	38,767
4.03.01	Attributable to shareholders of parent company	25,763	36,615	24,039	38,767

Consolidated financial statements / Cash flow statements – Indirect method**(In thousands of reais)**

Account Code	Account description	Accumulated in the current period 1/1/2012 to 6/30/2012	Accumulated in same prior period 1/1/2011 to 6/30/2011
6.01	Net cash from operating activities	60,089	48,479
6.01.01	Cash from operating activities	46,850	47,243
6.01.01.01	Income before income and social contribution taxes	49,331	51,666
6.01.01.02	Depreciation and amortization	3,166	1,840
6.01.01.03	Income (loss) from disposal of property, plant & equipment	695	292
6.01.01.05	Provision for labor, tax and civil contingencies	-1,120	-585
6.01.01.06	Interest and foreign exchange variation	814	987
6.01.01.07	Short-term investment income	-6,604	-6,885
6.01.01.08	Other	107	-72
6.01.01.09	Supplement of provision for inventory loss	354	0
6.01.01.10	Stock option plan	107	0
6.01.02	Changes in assets and liabilities	24,891	9,576
6.01.02.01	Trade accounts receivable	28,795	23,896
6.01.02.02	Inventories	-8,687	-18,837
6.01.02.03	Variation of other current assets	-65	-658
6.01.02.04	Taxes recoverable	2,796	2,426
6.01.02.05	Legal deposits	-641	-1,732
6.01.02.07	Trade accounts payable	6,042	8,528
6.01.02.08	Labor obligations	1,269	-2,613
6.01.02.09	Tax and social security liabilities	-4,347	-1,960
6.01.02.10	Other payables	-271	526
6.01.03	Other	-11,652	-8,340
6.01.03.01	Payment of income and social contributions taxes	-11,652	-8,340
6.02	Net cash from investing activities	-68,207	-191,477
6.02.01	Acquisition of property, plant and equipment and intangible assets	-31,799	-7,316
6.02.02	Short-term investments	-177,201	-248,693
6.02.03	Redemption of short-term investments	140,793	64,532
6.03	Net cash from financing activities	-2,611	138,255
6.03.01	Loans raised	26,175	6,804
6.03.02	Payment of loans	-14,531	-22,283
6.03.05	Profit sharing	-14,325	-28,025
6.03.06	Credit (debit) with shareholders	70	-250
6.03.07	Capital increase – Issue of shares	0	182,009
6.05	Increase (decrease) in cash and cash equivalents	-10,729	-4,743
6.05.01	Opening balance of cash and cash equivalents	15,528	8,004
6.05.02	Closing balance of cash and cash equivalents	4,799	3,261

Consolidated financial statements / Statements of changes in equity /SCE – 1/1/2012 to 6/30/2012

(In thousands of reais)

Account Code	Account description	Paid-in Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings or accumulated loss	Other comprehensive income	Equity	Non-controlling interest	Consolidated equity
5.01	Opening balances	40,917	237,723	105,407	0	0	384,047	0	384,047
5.03	Adjusted opening balances	40,917	237,723	105,407	0	0	384,047	0	384,047
5.04	Capital transactions with shareholders	65,000	-64,893	0	-11,322	0	-11,215	0	-11,215
5.04.01	Capital increase	65,000	-65,000	0	0	0	0	0	0
5.04.03	Recognized options granted	0	107	0	0	0	107	0	107
5.04.07	Interest on equity	0	0	0	-11,322	0	-11,322	0	-11,322
5.05	Total comprehensive income	0	0	0	36,615	0	36,615	0	36,615
5.05.01	Net income for the period	0	0	0	36,615	0	36,615	0	36,615
5.07	Closing balances	105,917	172,830	105,407	25,293	0	409,447	0	409,447

Consolidated financial statements / Statements of changes in equity / SCE – 1/1/2011 to 6/30/2011

(In thousands of reais)

Account Code	Account description	Paid-in Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings or accumulated loss	Other comprehensive income	Equity	Non-controlling interest	Consolidated equity
5.01	Opening balances	21,358	71,019	53,841	0	0	146,218	0	146,218
5.03	Adjusted opening balances	21,358	71,019	53,841	0	0	146,218	0	146,218
5.04	Capital transactions with shareholders	19,559	167,067	-16,062	-8,442	0	162,122	0	162,122
5.04.01	Capital increase	19,559	176,029	0	0	0	195,588	0	195,588
5.04.02	Expenses from share issuance	0	-8,962	0	0	0	-8,962	0	-8,962
5.04.06	Dividends	0	0	-16,062	0	0	-16,062	0	-16,062
5.04.07	Interest on equity	0	0	0	-8,442	0	-8,442	0	-8,442
5.05	Total comprehensive income	0	0	0	38,767	0	38,767	0	38,767
5.05.01	Net income for the period	0	0	0	38,767	0	38,767	0	38,767
5.07	Closing balances	40,917	238,086	37,779	30,325	0	347,107	0	347,107

Consolidated financial statements / Statements of value added**(In thousands of reais)**

Account Code	Account description	Accumulated in the current period 1/1/2012 to 6/30/2012	Accumulated in same prior period 1/1/2011 to 6/30/2011
7.01	Revenue	448,585	356,692
7.01.01	Sale of goods, products and services	467,555	368,358
7.01.02	Other revenue	-18,863	-11,736
7.01.04	Set up/reversal of allowance for doubtful accounts	-107	70
7.02	Inputs acquired from third parties	-290,155	-231,249
7.02.01	Cost of products, goods and services sold	-231,127	-169,435
7.02.02	Materials, electric power, outsourced services and other	-55,384	-58,158
7.02.04	Other	-3,644	-3,656
7.03	Gross value added	158,430	125,443
7.04	Withholdings	-3,166	-1,840
7.04.01	Depreciation, amortization and depletion	-3,166	-1,840
7.05	Net value added produced	155,264	123,603
7.06	Value added received in transfer	3,828	10,182
7.06.02	Financial income	10,674	9,761
7.06.03	Other	-6,846	421
7.07	Total unpaid value added	159,092	133,785
7.08	Payment of value added	159,092	133,785
7.08.01	Personnel	44,088	34,810
7.08.01.01	Direct compensation	34,310	26,405
7.08.01.02	Benefits	4,215	3,266
7.08.01.03	Government Severance and Indemnity Fund for Employees (FGTS)	2,987	2,380
7.08.01.04	Other	2,576	2,759
7.08.01.04.01	Profit sharing - employees	1,696	1,471
7.08.01.04.02	Other	773	1,288
7.08.01.04.03	Stock option plan	107	0
7.08.02	Taxes, fees and contributions payable	59,652	48,500
7.08.02.01	Federal	39,151	33,006
7.08.02.02	State	20,060	15,232
7.08.02.03	Local	441	262
7.08.03	Debt remuneration	18,737	11,708
7.08.03.01	Interest	946	718
7.08.03.02	Rental	11,258	6,429
7.08.03.03	Other	6,533	4,561
7.08.04	Equity remuneration	36,615	38,767
7.08.04.01	Interest on equity	11,322	8,442
7.08.04.03	Retained earnings/accumulated loss for the period	25,293	30,325

Management report / comments on performance

1. Company Overview

About Arezzo&Co

Arezzo Indústria e Comércio S.A. ("Company" or "Arezzo&Co") is the leading Company in female footwear sector. With more than 39 years of history, the Company produces over seven million pair of shoes as well as handbags and accessories. Arezzo&Co has a strong platform of 4 relevant brands - Arezzo, Schutz, Anacapri e Alexandre Birman. All products are distinguished by constant innovation, design, comfort and excellent value for money.

Distribution is based on multichannel strategy which enhances capillarity through owned stores, franchises and multi-brand retail stores, present in all Brazilian states. Internationally, the brand products are also sold at franchises, multi-brand shops and department stores. By the end of 2Q12, Arezzo&Co Brazilian chain comprised 301 franchises, 50 owned-stores and present in over 2,224 multi-brand retail stores.

AREZZO

Founded in 1972 by brothers Anderson and Jefferson Birman, the brand, is top of mind among the Brazilian footwear consumers, and it's one of the favorites in this sector and most widely consumed in Brazil. The brand has a trendy positioning, gathering concept, high quality, contemporary design, and customer satisfaction. It's reference in the launching of trends in the country, and launches 7 to 9 collections per year. It's always present in editorials of the most prestigious magazines, newspapers and websites in Brazil, as fast fashion reference in footwear, handbags and accessories.

SCHUTZ

The brand invests significantly in research trends, material development and technology for the creation of its portfolio. Schutz's mission is to offer its audience a product concept connected to design, quality, fashion and freedom of expression. The result is collections designed to reflect the spirit of contemporary young women which impacts, is irreverent and has its own style. Calls to dare, to seek the different, to challenge what is consensus.

Alexandre Birman

The brand Alexandre Birman is a benchmark for Brazilian women's footwear brands sharing space with the biggest names in fashion renowned retail chains in different regions of the world, such as North America, Europe and Asia. The brand is marked by the concept of exclusivity and sophistication, has great recognition abroad, enabling Alexandre Birman to win the prize Vivian Infantino Emerging Talent Award, as a talent in shoes creation in 2009 (the award is recognized as the Oscar of the International Shoe Industry).

ANACAPRI

Founded in November, 2008, with the same name of Anacapri city, the brand has been continuously consolidating its communication and distribution strategy successfully in the Brazilian Market. Its concept seeks for the evaluation of comfort and the offering of shoes in a variety of materials and colors for a more affordable price, presenting a more casual concept of shoes without heels and destined to a pop audience.

Management report / comments on performance

1. Operating and Financial Highlights – 2Q12

Summary of Results	2Q11	2Q12	Growth or Spread(%)	1H11	1H12	Growth or Spread (%)
Net Revenue	152,240	199,468	31.0%	290,835	360,829	24.1%
Gross Profit	65,708	89,935	36.9%	122,153	157,108	28.6%
Gross Margin	43.2%	45.1%	1.9 p.p.	42.0%	43.5%	1.5 p.p.
Ebitda ¹	28,289	34,634	22.4%	49,024	49,302	0.6%
Ebitda Margin ¹	18.6%	17.4%	-1.2 p.p.	16.9%	13.7%	-3.2 p.p.
Net Profit	24,039	25,763	7.2%	38,767	36,615	-5.6%
Net Margin	15.8%	12.9%	-2.9 p.p.	13.3%	10.1%	-3.2 p.p.
Operating Indicators	2Q11	2Q12	Growth or Spread(%)	1H11	1H12	Growth or Spread (%)
# of pairs sold ('000)	1,562	1,907	22.1%	2,994	3,620	20.9%
# of handbags sold ('000)	103	125	21.4%	182	230	26.4%
# of employees	1,755	2,041	16.3%	1,755	2,041	16.3%
# of stores	300	351	17.0%	300	351	17.0%
Owned stores	31	50	61.3%	31	50	61.3%
Franchises	269	301	11.9%	269	301	11.9%
Outsourcing (as % of total production)	83.6%	85.3%	1.7 p.p.	83.6%	85.7%	2.1 p.p.
SSS ² (franchises - sell-in)	24.2%	14.5%		19.1%	10.4%	
SSS ² (owned stores - sell-out)	19.2%	11.2%		15.6%	11.6%	

1-EBITDA = Earnings before Net Financial Expenses, Income and Social Contribution Taxes, Depreciation and Amortization. EBITDA is not a measure used in accounting practices adopted in Brazil, does not represent cash flow for the periods presented and should not be considered as an alternative to Net profit as an operating performance indicator, or as an alternative to Cash Flow, as a liquidity indicator. EBITDA does not have a standardized meaning, and the Company's definition of EBITDA may not be comparable to adjusted EBITDA of other companies. Although EBITDA does not provide an operating cash flow measure in accordance with accounting practices adopted in Brazil, Management uses it to measure operating performance. Additionally, the Company understands that certain financial investors and analysts use EBITDA as an indicator of a company's operating performance and/or 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. From this period, if a franchisee opens a warehouse, its sales will be included in comparable stores' sales if its franchises are operating 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 of Owned Stores – 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.

Management report / comments on performance

Gross Revenue	2Q11	2Q12	Growth or spread%	1H11	1H12	Growth or spread%
Total Gross Revenue	193,912	258,725	33.4%	368,358	467,555	26.9%
Exports market	9,921	9,697	-2.3%	19,732	17,242	-12.6%
Domestic market	183,991	249,028	35.3%	348,626	450,313	29.2%
By brand						
Arezzo	125,890	155,333	23.4%	240,290	285,559	18.8%
Schutz	50,361	81,927	62.7%	96,512	144,993	50.2%
Other brands ¹	7,740	11,768	52.0%	11,824	19,761	67.1%
By channel						
Franchises	90,832	111,792	23.1%	179,380	209,345	16.7%
Multibrand retail stores	60,388	74,030	22.6%	107,808	129,755	20.4%
Owned stores ²	31,810	60,216	89.3%	58,684	104,690	78.4%
Others ³	961	2,990	211.1%	2,754	6,523	136.9%

- (1) Alexandre Birman and Anacapri brands are included in the internal market only.
(2) Owned stores: includes web commerce channel
(3) Internal market revenues which are not specific to the distribution channel are included.

Brands

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

According to the Company's sell-out collection calendar, the winter collection sales are mostly concentrated in the second quarter, and the primary dates of sales are Mother's Day, in May, and Valentine's Day, which in Brazil is celebrated in June.

Arezzo, the group's leading brand in sales, recorded gross revenue of R\$155.3 million in 2Q12, a 23.4% increase compared with 2Q11, accounting for 62.4% of domestic sales. Intensified launches of new shoe models contributed to the result for the period, especially the launch of the *sneakers* line, which gave great exposure to Arezzo in the media.

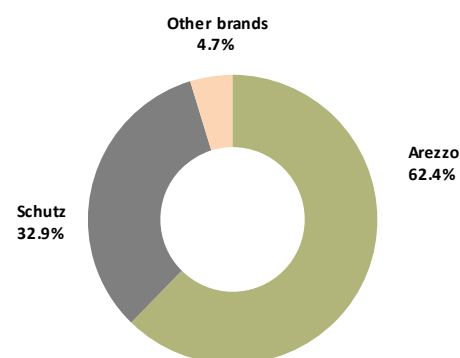
Schutz grew by 62.7% in 2Q12 against the same period of 2011, totaling gross revenue of R\$81.9 million, accounting for 32.9% of domestic sales.

The reopening of Schutz primary Flagship store at Oscar Freire Street in São Paulo, under a new architectural format with 280 sq m of sales area, 64 sq m of which dedicated to non-footwear sales, strengthens its initiative to develop new product categories.

Anacapri continued an ongoing process of development and consolidation in 2Q12. Its presence at the Franca Fair, in June, was really successful, confirming its consistency in the Brazilian multi-brand channel. The retail operation continues presenting positive and growing results.

Alexandre Birman is the first Brazilian footwear brand to operate side-by-side with major fashion names in renowned retail chains, such as: Saks, Neiman Marcus, Bergdorf Goodman, Printemps, among others. Aiming to strengthen the international presence, which represents the greatest part of the brand's sales, its head office is moving to New York, USA, gradually transferring sales, marketing and public relations functions.

Gross revenue by brand - 2Q12*



Domestic market*

Management report / comments on performance

Channels

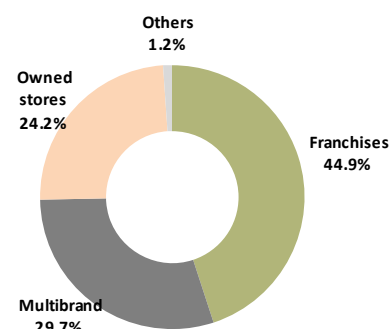
Franchises

As of June 30, 2012, Arezzo&Co had 301 franchises. This is the group's most important sales channel and represented 44.9% of domestic sales in 2Q12.

Sell-in sales (sales made by Arezzo&Co to its franchisees) had an expansion in the same Franchised-stores of 14.5% (SSS – Franchises) in 2Q12 compared with 2Q11. As the winter collection calendar was two weeks longer in 2012, Sell-in sales were positively impacted in the quarter.

The channel showed good performance in this quarter, especially taking into account the strong comparison base of the previous year. In 2Q11, SSS Sell-in reported 24.2% growth.

Gross revenue by channel - 2Q12*



*Domestic market**

Owned Stores

Owned Stores channel represents 24.2% of domestic sales. Out of the 50 Owned Stores, 19 are Arezzo's, 22 are Schutz's, 8 are Anacapri's and 1 is Alexandre Birman's. And, 39 of all stores are located in São Paulo and Rio de Janeiro.

Sales at Same Owned Stores (SSS – Owned Stores) increased by 11.2% in 2Q12 against 2Q11, especially as a result of an increase in the volume of products sold.

Sales at Same Owned Stores performance reflects the good results in all cities where Arezzo&Co operates due to the correct product mix decisions and the good winter collection sell-through level. It is worth mentioning that, due to several expansions and recent openings, Schutz accounted for only a small portion of the store base assessed by SSS metrics.

The relevant increase of 89.3% in Owned Stores gross revenue in 2Q12 when compared with 2Q11 also reflects the 19 openings in the last twelve months, as well as the 6 refurbishments followed by expansion of sales area.

Management report / comments on performance

History - Franchises and Owned Stores ¹	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Sales area - Total (m²)	17,554	17,953	19,280	21,366	21,629	22,625
Sales area - franchises (m ²)	14,587	14,835	15,466	16,680	16,875	17,518
Sales area - owned stores ² (m ²)	2,967	3,118	3,814	4,686	4,754	5,107
Total number of stores	296	300	311	334	338	351
# of franchises	267	269	275	289	292	301
Arezzo	266	268	273	288	290	295
Schutz	1	1	2	1	2	6
# of owned stores	29	31	36	45	46	50
Arezzo	13	14	17	19	18	19
Schutz	10	10	12	17	19	22
Alexandre Birman	1	1	1	1	1	1
Anacapri	5	6	6	8	8	8

1 – Domestic Market

2 - Includes 5 Outlet stores, with a total area of 1,334 sq m

Multi-brands

In June, Arezzo, Schutz and Anacapri brands have participated at the 2012 Franca Fair, a major industry event in which summer collections from main Brazilian brands are exhibited. Together with the Couromoda Fair (winter products), which is held in the beginning of each year, it concentrates an important portion of annual footwear and leather accessories industry total sales for the multi-brand channel.

The 22.6% growth in 2Q12 and the 20.4% growth in 1H12 against the same period of the previous year, were due to the increase in the number of stores, especially in areas not covered by mono-brand stores.

Schutz, Arezzo&Co's leading brand in sales for this channel, continue to deliver strong growth due to the commercial alignment between owned stores and franchises within the multi-brand channel. In some cases 2 channels coexist healthily in the same shopping mall. Despite that, with the development of mono-brand stores throughout the country, a reduction on Schutz growth capacity in multi-brand is expected, consequently impacting Arezzo&Co consolidated growth for the channel.

In 2Q12, when winter collection products represent the greatest portion of products sold, the Group's four brands were distributed across 2,224 stores throughout Brazil compared with 1,612 in 2Q11.

Management report / comments on performance

Main financial indicators	2Q11	2Q12	Growth or spread (%)	1H11	1H12	Growth or spread (%)
Net revenue	152,240	199,468	31.0%	290,835	360,829	24.1%
(-) COGS	(86,532)	(109,533)	26.6%	(168,682)	(203,721)	20.8%
Gross profit	65,708	89,935	36.9%	122,153	157,108	28.6%
<i>Gross margin</i>	43.2%	45.1%	1.9 p.p.	42.0%	43.5%	1.5 p.p.
(-) SG&A	(38,380)	(57,050)	48.6%	(74,969)	(110,972)	48.0%
<i>% of Revenues</i>	25.2%	28.6%	3.4 p.p.	25.8%	30.8%	5.0 p.p.
(-) Selling expenses	(26,085)	(40,895)	56.8%	(51,250)	(75,152)	46.6%
(-) Owned stores	(10,163)	(18,543)	82.5%	(19,647)	(34,042)	73.3%
(-) Sales, logistics and supply	(15,922)	(22,352)	40.4%	(31,603)	(41,110)	30.1%
(-) General and administrative expenses	(11,397)	(14,209)	24.7%	(22,300)	(25,808)	15.7%
(-) Other operating revenues (expenses) ¹	63	(197)	n/a	421	(6,846)	n/a
(-) Depreciation and amortization	(961)	(1,749)	82.0%	(1,840)	(3,166)	72.1%
EBITDA	28,289	34,634	22.4%	49,024	49,302	0.6%
<i>Ebitda Margin</i>	18.6%	17.4%	-1.2 p.p.	16.9%	13.7%	-3.2 p.p.
Net income	24,039	25,763	7.2%	38,767	36,615	-5.6%
<i>Net margin</i>	15.8%	12.9%	-2.9 p.p.	13.3%	10.1%	-3.2 p.p.
Working capital ² - % of revenues	20.9%	21.8%	0.9 p.p.	20.9%	21.8%	0.9 p.p.
Invested capital ³ - % of revenues	24.5%	29.4%	4.9 p.p.	24.5%	29.4%	4.9 p.p.
Total debt	32,276	51,117	58.4%	32,276	51,117	n/a
Net debt ⁴	(167,063)	(154,702)	-7.4%	(167,063)	(154,702)	n/a
Net debt/EBITDA LTM	-1.6 X	-1.3 X	n/a	-1.6 X	-1.3 X	n/a

1 – Includes non-recurring expense for 1Q12 recorded under Other Operating Expenses and Revenues: Arezzo&Co terminated an agreement with Star Export Assessoria e Exportação Ltda. (“Star”), which provided technical support and advisory services for agency and inspection of independent factories and ateliers contracted for manufacturing the products. Accordingly, a payment in the amount of R\$8 million was made, and a 5 year non-competition agreement was imposed on Star. On the same date, an agreement was entered into with another company with equal technical qualification and type of service, under different business conditions to reduce expenses, while keeping the same quality of services.

2 – Working Capital: Current Assets less Cash, Cash Equivalents and Financial Investments less Current Liabilities, Loans and Financing and Dividends payable.

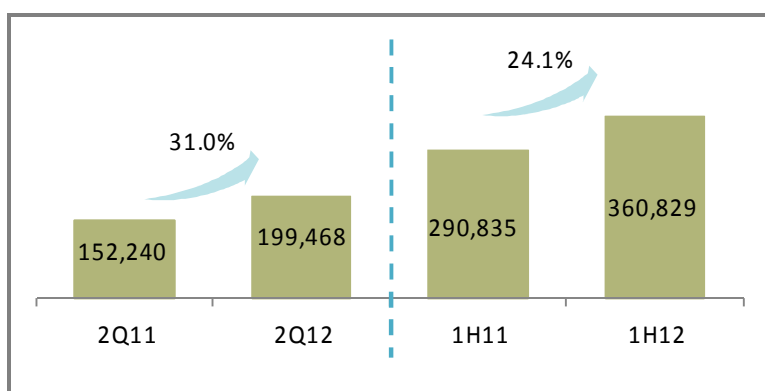
3 – Invested Capital: Working Capital plus Permanent Assets and other Long-term Assets less deferred Income and Social Contribution Taxes.

4 – Net Debt is equivalent to the total interest-bearing debt at the end of a period, less cash and cash equivalents and short-term cash investments.

Net Revenue

The Company’s net revenue totaled R\$199.5 million in this quarter, a 31.0% growth against R\$152.2 million recorded in 2Q11. Some of the primary factors leading to this growth are:

- Expansion in sales areas: 26.0% against 2Q11;
- Opening of 19 Owned Stores in the last 12 months and expansion of 6 owned stores in the same period;
- Increase in stores’ productivity, Same-Store Sales (SSS) concept: Franchises (14.5%) and Owned Stores (11.2%);
- Increase in multi-brand sales.



In the first half of 2012, net revenue totaled R\$360.8 million, a 24.1% growth against the same period of the previous year.

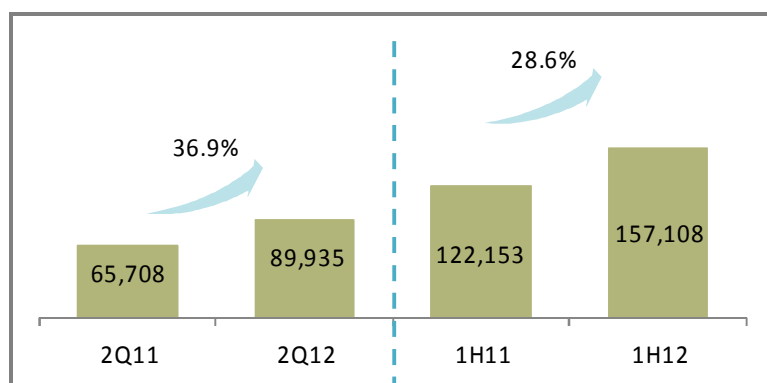
Management report / comments on performance

Gross Profit

Gross Profit in 2Q12 increased by 36.9% against 2Q11, totaling R\$89.9 million, and 45.1% gross margin.

The increase in Gross Profit is primarily due to an increase in revenue by 31.0%.

The increase in gross margin by 1.9 percentage points is mainly a reflection of an increase in Owned Store sales (with greater margins). Despite the increase in margin, the pricing policy remained unchanged and therefore, there was no variation in gross margin levels per channel.



Gross Profit in 1H12 totaled R\$157.1 million, a 28.6% growth against the first half of the previous year. The gross margin for this half-year totaled 43.5%, 1.5 percentage points higher than the same period of 2011.

SG&A

Selling Expenses

The Company's Selling Expenses could be divided into two primary groups:

- i) Selling, Logistics and Supply Expenses:
 - Include sell-in and sell-out operating expenses;
- ii) Owned Store Expenses:
 - Include only Owned Store (sell-out) expenses.

In 2Q12, Selling Expenses increased by 56.8% against 2Q11, totaling R\$40.9 million in this quarter compared with R\$26.1 million in the same period of the previous year. This increase is mainly due to greater store expenses, which totaled R\$18.5 million in 2Q12, an 82.5% increase against the same quarter of the previous year, when the increase in owned store sales totaled 89.3%. Pre-operating expenses relating to the opening of 4 Owned Stores and the expansion in sales areas of 2 stores in 2Q12 also contributed to this increase.

Selling, logistics and supply expenses totaled R\$22.4 million, a 40.4% increase compared with 2Q11, reflecting the continuous structuring of Schutz and Anacapri commercial areas throughout 2H11 and 1H12.

In the first half of this year, Selling Expenses totaled R\$75.2 million, a 46.6% growth from the same period of 2011. Owned Store expenses increased by 73.3% compared with 1H11, totaling R\$34.0 million, while selling, logistics and supply expenses totaled R\$41.1 million, a 30.1% increase compared with the same period of the previous year.

Management report / comments on performance

General and Administrative Expenses

General and Administrative Expenses in 2Q12 totaled R\$14.2 million compared with R\$11.4 million in the same quarter of the previous year, a 24.7% increase. This growth is mainly due to an increase in R&D expenses, when the creation of new products and categories was intensified.

General and Administrative Expenses totaled R\$25.8 million in the first half of 2012, a 15.7% increase against the first half of the previous year.

Other Operating Revenues and Expenses

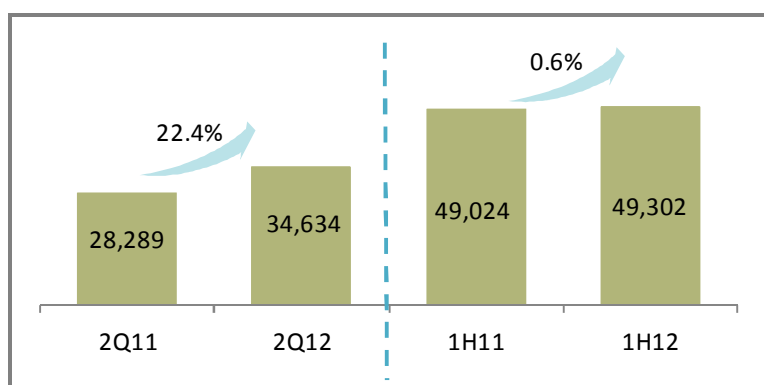
The Company's Other Operating Expenses in 2Q12 totaled R\$197 thousand compared with revenues of R\$63 thousand in 2Q11, a R\$260 thousand increase compared with the same period of the previous year.

Other Operating Expenses in 1H12 totaled R\$6.8 million, a R\$7.3 million negative variation, which was mainly due to the termination of an agreement with its supply agent, resulting in an R\$8.0 million non-recurring expense. The termination imposes a 5 year non-competition clause. Additionally, this expenditure should be offset by no later than 3 years, with the decrease in expenses arising from a new agreement with a company with the same technical qualification and under better commercial terms.

EBITDA and EBITDA Margin (%)

The Company's EBITDA increased by 22.4% in 2Q12 compared with 2Q11, totaling R\$34.6 million. EBITDA Margin in 2Q12 totaled 17.4%. The key factors leading to EBITDA increase in this half year were:

- i) Increase in Net Revenue by 31.0%;
- ii) Expansion in Gross Margin by 1.9 percentage points;
- iii) Increase in G&A by 48.6%.



In the first half year of 2012, Arezzo&Co generated R\$49.3 million EBITDA, which is almost in line with the first half of 2011, and recorded a 13.7% margin, down by 3.2 percentage points against the margin for the same period of the previous year.

Ebitda reconciliation	2Q11	2Q12	1H11	1H12
Net income	24,039	25,763	38,767	36,615
(-) Income tax and social contribution	(6,306)	(7,932)	(12,899)	(12,716)
(-) Financial result	3,017	810	4,482	3,195
(-) Depreciation and amortization	(961)	(1,749)	(1,840)	(3,166)
Ebitda	28,289	34,634	49,024	49,302

Excluding the impact from non-recurring expense in 1Q12, the Company's EBITDA in 1H12 would have increased by 16.9%, totaling R\$57.3 million, with a 15.9% margin.

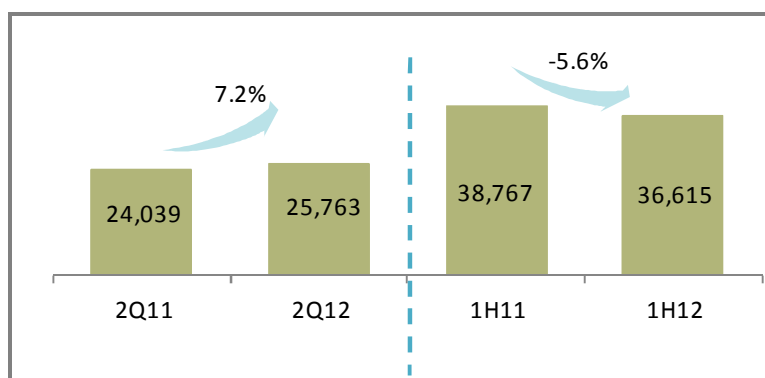
Management report / comments on performance

Net Profit and Net Margin (%)

The Company maintained a good conversion rate of EBITDA, 17.4% margin in 2Q12, into Net Profit, 12.9% margin in 2Q12, which reflects reduced capital investment in property, plant and equipment and, consequently, low depreciation. Distribution of interest on shareholders' equity in the amount of R\$11.3 million also contributed to the result.

Net Profit for 2Q12 totaled R\$25.8 million against R\$24.0 million in 2Q11, a 7.2% increase compared with the same period of the previous year.

Net Profit in 1H12 totaled R\$36.6 million against R\$38.8 million, a 5.6% reduction compared with the same period of the previous year. Excluding impact from the non-recurring expense in 1Q12, the Company's Net Profit in 1H12 would have increased by 8.1%, totaling R\$41.9 million, and an 11.6% margin.



Operating Cash Generation

The Company's operating cash generation in 2Q12 totaled R\$37.9 million. The Company maintained its strong operating cash generation in the quarter. The balance of Accounts Payable slightly stretched due to the greater importance of the Owned Store channel in the sales mix.

Cash flows from operating activities	2Q11	2Q12	Growth or spread	1H11	1H12	Growth or spread
Income before income taxes	30,345	33,695	3,350	51,666	49,331	(2,335)
Depreciation and amortization	961	1,749	788	1,840	3,166	1,326
Others	(4,395)	(1,518)	2,877	(6,263)	(5,647)	616
Decrease (increase) in current assets / liabilities	22,815	16,544	(6,271)	10,747	26,519	15,772
Trade accounts receivable	42,262	22,801	(19,461)	23,896	28,795	4,899
Inventories	(3,114)	(108)	3,006	(18,837)	(8,687)	10,150
Suppliers	(13,629)	(12,798)	831	8,528	6,042	(2,486)
Change in other current assets and liabilities	(2,704)	6,649	9,353	(2,840)	369	3,209
Change in other non current assets and liabilities	(908)	(928)	(21)	(1,171)	(1,628)	(457)
Tax and contributions	(5,974)	(11,652)	(5,678)	(8,340)	(11,652)	(3,312)
Net cash generated by operating activities	42,844	37,890	(4,955)	48,479	60,089	11,610

Management report / comments on performance

Investments – CAPEX

The Company's investments can be broken down into 3 types: 1) investment in expansion or renovation 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.

When comparing 2Q12 with 2Q11, Capex increased substantially due to the opening of Owned Stores and the expansion of existing stores' sales areas. In the period, 4 Owned Stores were opened, 2 Owned Stores were refurbished and expanded and 6 other investments have started for future store openings.

Additionally, corporate investments increased due to the refurbishment for modernization and readjustment of a building which was leased to house Company's new head office, in Campo Bom, State of Rio Grande do Sul. The new space gather many departments of Arezzo&Co, as well as R&D and product development, in a single address, bringing in back office synergies and operational agility.

Summary of investments	2Q11	2Q12	Growth or spread (%)	1H11	1H12	Growth or spread (%)
Total Capex	3,578	14,462	304.2%	7,316	31,799	334.7%
Stores - expansion and reforming	2,133	7,415	247.6%	4,339	20,993	383.8%
Corporate	1,213	6,775	458.5%	2,526	10,328	308.9%
Others	232	272	17.2%	451	478	6.0%

Cash Position and Indebtedness

The Company ended 2Q12 with net cash of R\$154.7 million net cash. The indebtedness policy remained conservative, with the following primary characteristics :

- Total indebtedness of R\$51.1 million in 2Q12 compared with R\$30.8 million in 1Q12;
- Long-term indebtedness of 50.0% in 2Q12 compared with 54.4% in 1Q12;
- The Company's weighted average cost of total debt in 2Q12 remained low.

Cash position and indebtedness	2Q11	1Q12	2Q12
Cash and cash equivalents	199,339	166,741	205,819
Total indebtedness	32,276	30,844	51,117
Short term	12,547	14,059	25,548
<i>As % of total debt</i>	<i>38.9%</i>	<i>45.6%</i>	<i>50.0%</i>
Long term	19,729	16,785	25,569
<i>As % of total debt</i>	<i>61.1%</i>	<i>54.4%</i>	<i>50.0%</i>
Net debt	(167,063)	(135,897)	(154,702)

During 2Q12, a new credit line of R\$27.4 million was approved within FINEP (in portuguese, Funding for Studies and Projects), out of which R\$9.8 million has been already received by Arezzo&Co. This is a long-term contract with a cost of 5.25% per year.

Management report / comments on performance

ROIC (Return on Invested Capital)

In line with the Company's strategic direction, Capital investment levels in 2012 are higher than those for the previous year, especially due to the openings of Owned Stores.

Reflecting the increase of capital invested in operating, ROIC totaled 35.8% in 2Q12 compared with 48.4% in 2Q11, a decrease of 12.6 percentage points.

Excluding the impact of non-recurring expense in 1Q12, 2Q12 ROIC would have reached 38.2%, 10.2 percentage points lower than the same period of the previous year.

Operating Result	2Q10	2Q11	2Q12	Growth or Spread (%)
EBIT (LTM)	77,119	100,857	112,623	11.7%
(+) Income tax and social contribution (LTM)	(13,238)	(26,889)	(33,656)	25.2%
NOPLAT	63,881	73,968	78,967	6.8%
Working capital ¹	90,844	130,740	163,354	24.9%
Permanent assets	28,740	41,332	89,372	116.2%
Other long term assets ²	5,622	8,353	7,430	-11.0%
Invested capital	125,206	180,425	260,156	44.2%
Average invested capital³		152,816	220,291	44.2%
ROIC⁴		48.4%	35.8%	-12.6 p.p.

1 – Working Capital: Current Assets less Cash, Cash Equivalents and Financial Investments less Current Liabilities, Loans and Financing and Dividends payable.

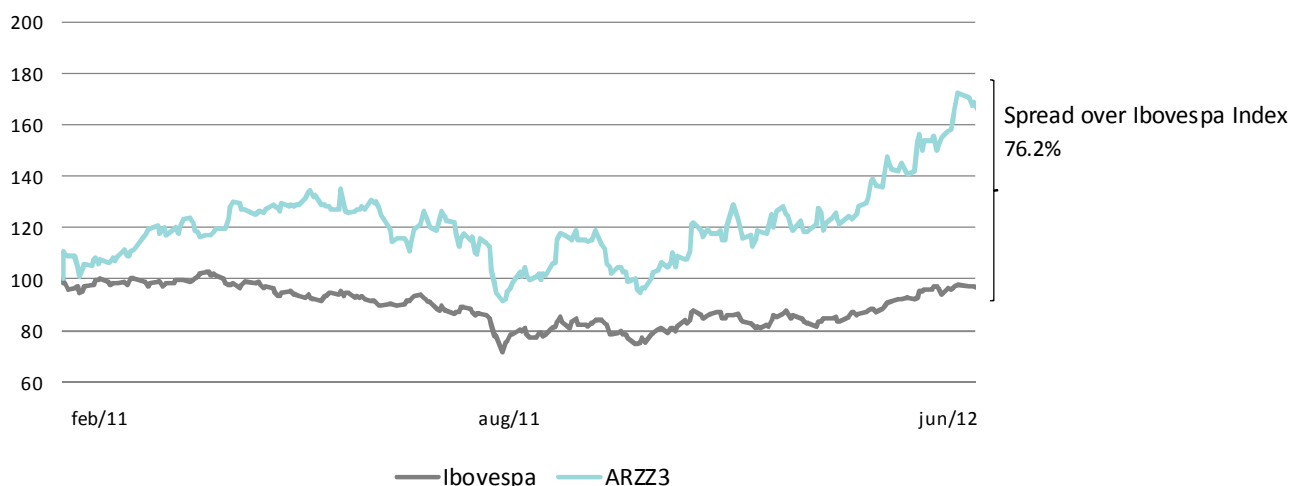
2 – Net of deferred Income and Social Contribution Taxes.

3 – Average capital invested in the period and in the same period of the previous year.

4 - ROIC: Noplat of the last 12 months divided by the average capital invested

2. Stock Market and Corporate Governance

As of June 30, 2012 the Company's Market capitalization amounted to R\$ 2.6 bn (share price R\$ 29,7), increase of 56% since listing, compared to negative 20% performance of Ibovespa index.



Management report / comments on performance

Arezzo&Co	
Shares	88,542,410
Ticker	ARZZ3
Listing	2/2/2011
Share price (06/29/12)	29.70
Market Cap	2,629.9 million
Share performance	
02/02/11 to 06/29/12	56%
12/29/11 to 06/29/12	29%

3. Independent Auditors

Arezzo&Co financial statements related to second quarter 2012 were reviewed by Ernst Young & Terco Auditores Independentes S.S. The Company's policy adopted for hiring non related services from its independent auditors aims to assure that there is neither conflict of interest, loss of independence nor objectivity.

4. Investor Relations

Shareholders, analysts and market participants have at their disposal information available on the Company's IR webpage, www.arezzoco.com.br, CVM webpage, www.cvm.gov.br, and at BM&FBOVESPA webpage, www.bmfbovespa.com.br.

For further information, direct contact can be made with IR department by the e-mail ri@arezzoco.com.br, or telephone +55 (11) 2132-4300.

Disclaimer

Statements regarding the Company's future business perspectives and projections of operational and financial results are merely estimates and projections, and as such they are subject to different risks and uncertainties, including, but not limited to, market conditions, domestic and foreign performance in general and in the Company's line of business. These risks and uncertainties cannot be controlled or sufficiently predicted by the Company management and may significantly affect its perspectives, estimates, and projections. Statements on future perspectives, estimates, and projections do not represent and should not be construed as a guarantee of performance. The operational information contained herein, as well as information not directly derived from the financial statements, have not been subject to a special review by the Company's independent auditors and may involve premises and estimates adopted by the management.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****1. Company information**

Arezzo Indústria e Comércio S.A. (the “Company”) is a publicly held corporation, having its registered offices at Rua Fernandes Tourinho, 147 – suites 1301 and 1303 in the city of Belo Horizonte – Minas Gerais State, with shares traded on the “Novo Mercado” segment of the Brazilian Securities, Commodities and Futures Exchange (BM&FBOVESPA) (“ARZZ3”) beginning February 2, 2011.

The business purpose of the Company, together with its subsidiaries, is the manufacture, development, molding and sale of footwear, bags, and women’s clothing accessories.

At June 30, 2012, the Company held 301 franchises in Brazil and 7 abroad and 50 own brand stores across Brazil, in addition to a web commerce channel to sell Schutz and Ana Capri-branded products. The franchise system is controlled by Arezzo, and its own brand stores form part of its subsidiaries.

The Company subsidiaries included in the consolidated interim financial statements are as follows:

ZZAB Comércio de Calçados Ltda. (“ZZAB”)

ZZAB’s business purpose is the retail sale of footwear, bags and belts. It has stores in operation in the cities of São Paulo, Brasília, Porto Alegre, Belo Horizonte and Curitiba. ZZAB merged ZZARIO and ZZCAPRI (as defined further below) as of January 2, 2012.

ZZSAP Indústria e Comércio de Calçados Ltda. (“ZZSAP”)

ZZSAP’s business purpose is the manufacture and sale of leather shoes, bags, and belts, footwear components, articles of clothing, fashion accessories, as well as import and export of these products.

Arezzo & Co. International (“Arezzo Int.”)

Arezzo Int., formerly known as Schutz International Corporation, with head offices in Miami, United States, is engaged in sale of footwear and business intermediation.

ZZARIO Comércio de Calçados Ltda. (“ZZARIO”)

ZZARIO was incorporated in September 2008 and is engaged in the retail sale of footwear, bags and belts. ZZARIO was merged by ZZAB on January 2, 2012.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****1. Company information (Continued)**ZZCAPRI Comércio de Calçados Ltda. (“ZZCAPRI”)

ZZCAPRI was incorporated in November 2008 and is engaged in the retail sale of footwear, bags and belts. ZZCAPRI was merged by ZZAB on January 2, 2012.

ZZAF Indústria e Comércio de Calçados Ltda. (“ZZAF”)

ZZAF was incorporated in November 2008 and is engaged in the sale of leather shoes, bags, and belts, footwear components, articles of clothing, fashion accessories, as well as import and export of these products. ZZAF was merged by Arezzo on February 1, 2012.

Shoes For U Comércio de Calçados e Acessórios Ltda. (“Shoes For U”)

Shoes For U, company acquired as of July 21, 2008, is engaged in the retail sale of footwear, bags, belts and accessories. Its operations have been suspended since May 28, 2010. Shoes For U was merged by Arezzo on February 1, 2012.

Corporate restructuring

On January 2, 2012, subsidiary ZZAB Comércio de Calçados Ltda. merged the companies ZZARIO Comércio de Calçados Ltda. and ZZCAPRI Comércio de Calçados Ltda., also the Company's subsidiaries, according to Explanatory Record for the Merger approved on December 31, 2011.

On January 31, 2012, the Company approved the merger of its subsidiaries Allmaness Calçados Ltda., Shoes For U Comércio de Calçados e Acessórios Ltda., Schutz Shoes Design Comércio de Calçados Ltda. and ZZAF Indústria e Comércio de Calçados Ltda.

The purpose of these mergers is to streamline the Company's administrative activities. Such mergers were realized at book value. They did not affect the Company's operating activities and had no impact on the Company's interim financial statements.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

1. Company information (Continued)

Corporate restructuring (Continued)

The equity of ZZAF, Allmaness, and Shoes for U and Schutz Shoes were valued on January 31, 2012 based on their carrying amount, according to the Book Valuation Report for Merger Purposes issued by a specialized independent company. The merged book net worth is shown below:

	Shoes For U	Allmaness	Schutz Shoes	ZZAF	Total
Current assets					
Cash and banks	-	3	-	45	48
Short-term investments	-	125	-	-	125
Trade accounts receivable	-	-	-	577	577
Inventories	-	-	-	3,343	3,343
Taxes recoverable	-	21	-	602	623
Other receivables	28	-	1	67	96
Total current assets	28	149	1	4,634	4,812
Non-current assets					
Related parties	122	-	-	-	122
Other receivables	-	-	15	-	15
	122	-	15	-	137
Property, plant and equipment, net	-	17	575	139	731
Intangible assets	-	-	2	5	7
Total non-current assets	122	17	592	144	875
Total merged assets	150	166	593	4,778	5,687
Current liabilities					
Trade accounts payable	146	-	-	100	246
Tax and social security liabilities	2	-	3	21	26
Labor obligations	-	-	-	348	348
Other payables	-	-	-	40	40
Total current liabilities	148	-	3	509	660
Non-current liabilities					
Related parties	1	-	1	505	507
Provision for risks	-	-	82	22	104
Total non-current liabilities	1	-	83	527	611
Total liabilities assumed	149	-	86	1,036	1,271
Merged net worth	1	166	507	3,742	4,416

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices****2.1 Basis of preparation and presentation of interim financial statements**

The individual and consolidated interim financial statements were prepared for the quarter ended June 30, 2012 in accordance with accounting practices adopted in Brazil, which comprise the rules established by the Brazilian Securities and Exchange Commission (CVM) and pronouncements, interpretations and guidance issued by the Brazilian Accounting Standards Committee (CPC), as well as under CPC 21 (R1) – Interim Financial Reporting.

The consolidated interim financial statements for the quarter ended June 30, 2012 were also prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and with IAS 34 - Interim Financial Reporting.

The Company adopted the same accounting practices and computation methods as those applied in the consolidated financial statements at December 31, 2011, as well as all standards, revised standards and interpretations issued by the CPC, by IASB and other standard-setters, in force as of June 30, 2012.

The interim financial statements were prepared based on historic cost, except for the valuation of certain assets and liabilities such as financial instruments, which are measured at fair value.

The preparation of the interim financial statements requires the use of certain critical accounting estimates as well as the exercise of judgment by Company management in applying the Company accounting policies. The settlement of the transactions involving those estimates might result in amounts that are significantly different from the ones recorded in the financial statements due to the inaccuracies inherent to the estimate process. The Company reviews its estimates and assumptions periodically, within a period not to exceed one year.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial statements are disclosed in Note 3.

The individual and consolidated interim financial statements of the Company for the six-month period ended June 30, 2012 were authorized in a board meeting held on July 30, 2012.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.2 Basis for consolidation**

The consolidated interim financial statements include the operations of the Company and the subsidiaries below, the ownership interest in which at the balance sheet date is summarized as follows:

Subsidiaries	Total ownership interest - %	
	6/30/2012	12/31/2011
ZZAB Comércio de Calçados Ltda.	99.9999	99.9999
ZZSAP Indústria e Comércio de Calçados Ltda.	99.9999	99.9999
Arezzo & Co. International	99.9999	99.9999
ZZAF Indústria e Comércio de Calçados Ltda.	-	99.9999
Allmaness Calçados Ltda.	-	99.9999
Schutz Shoes Design Comércio de Calçados Ltda.	-	99.9999
Shoes For U Comércio de Calçados e Acessórios Ltda.	-	99.9999
ZZARIO Comércio de Calçados Ltda.	-	99.9999
ZZCAPRI Comércio de Calçados Ltda.	-	99.9999

Subsidiaries are consolidated as from the acquisition date, when the Company takes control, and such consolidation continues until the date when Company ceases to be their controlling shareholder. The subsidiary's financial statements are prepared for the same reporting period used by the Company, under consistent accounting practices. All intercompany balances, revenues and expenses, as well as unrealized gains and losses arising from intercompany transactions are totally eliminated.

Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as transactions between shareholders, in equity.

Net income for the year is fully allocated to the controlling shareholders given that ownership interest held by noncontrolling interest holders corresponds to 0.0001% of the consolidated.

2.3 Functional currency

The interim financial statements are presented in Brazilian Reais (R\$), which is the Company's functional currency. Each subsidiary determines its functional currency and financial statements for entities using functional currency other than the Brazilian Real are translated into reais at the balance sheet date.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.4 Transactions and balances in foreign currency**

Transactions in foreign currency are initially recorded at the exchange rate to functional currency of transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate to functional currency of balance sheet date. Currency translation differences are recognized in the income statement.

2.5 Revenue recognition

Revenue is recognized to the extent economic benefits are likely to be generated for the Company and its amount can be reliably measured. Revenue is measured based on fair value of the consideration received, less discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and eventually concluded that it has been operating as a principal in all its revenue agreements. The following specific criteria should also be satisfied before revenue recognition:

Sales of goods

Revenue from sales of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer, which generally occurs upon their delivery.

Royalty income

Royalty income is recognized on the accrual basis of accounting, based on the nature of applicable contracts.

Interest income

For all financial instruments measured at amortized cost and interest-yielding financial assets classified as available for sale, financial income or expense is recognized using the effective interest rate method, which exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Interest income is recognized under financial income, in the income statement.

2.6 Cash and cash equivalents

These include cash, banks and short-term investments redeemable within 90 days from the respective transaction dates and posing low risk of any change in market value. Short-term investments included in cash equivalents are most classified as “financial assets at fair value through profit or loss”.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.7 Trade accounts receivable**

Trade accounts receivable represent amounts receivable from customers for sale of goods or services rendered in the Company's normal course of businesses and are stated at amortized cost, and foreign market trade accounts receivable are restated at the exchange rates of the interim financial statement date. Trade accounts receivable are recognized as current whenever their realization is likely to occur within the following twelve months. Otherwise, they are stated as non-current assets.

The allowance for doubtful accounts was set up through individual analyses of receivables from default-risk customers at an amount considered sufficient by the Company's management to cover any losses on collection of accounts receivable.

2.8 Inventories

Inventories are measured at the lower of cost or net realizable value. Costs incurred in bringing each product to its current location and conditions are accounted as follows:

Raw materials - purchase cost on average cost.

Finished goods and work in progress - costs of direct material, labor, and a proportion of the manufacturing overhead, based on normal operating capacity.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management.

2.9 Investments in subsidiaries

The Company's investments in subsidiaries are accounted for under the equity method, in accordance with CPC 18, for purposes of Company interim financial statements.

Based on the equity method, investments in subsidiaries are accounted for in the balance sheet of the Company at cost, plus changes after the acquisition of ownership interest in the subsidiaries.

Equity investment in a subsidiary is stated in the income statement of the Company as equity pickup, representing the net earnings attributable to the Company's shareholders.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.9 Investments in subsidiaries (Continued)**

After applying the equity method for purposes of Company individual interim financial statements, the Company determines if recognition of loss from impairment of the Company's investment in its subsidiary is required. The Company determines, at each balance sheet closing date, whether there is objective evidence that investment in subsidiaries suffered impairment. If so, the Company calculates impairment as the difference between subsidiary's recoverable and book value, and recognizes the resulting amount in the Company's income statement.

2.10 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or build-up cost. Depreciation is calculated by the straight-line method at the rates mentioned in Note 14 which take into consideration the estimated useful lives of the assets, as follows:

	Average estimated useful life
Buildings	25 years
Facilities and showroom	10 years
Machinery and equipment	10 years
Furniture and fixture	10 years
Computers and peripherals	5 years
Vehicles	5 years

A property, plant and equipment item is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses, if any, arising from the asset derecognition (computed as the difference between the net disposal proceeds and the carrying amount of the asset) are classified in the income statement for the year when the asset is derecognized.

During the year, the Company did not determine any indication that any property, plant and equipment items were carried at an amount greater than their recoverable amount, and consequently a provision for impairment loss was not necessary.

Residual value and useful life of the assets as well as the depreciation methods are reviewed at year end, and adjusted prospectively, when applicable.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.11 Intangible assets**

Intangible assets separately acquired are measured at cost at initial recognition. After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets are represented substantially by software use rights, trademarks and patents and store use rights.

The useful life of an intangible asset must be assessed as either finite or indefinite.

Finite-lived intangible assets are amortized over their economic useful lives and are tested for impairment whenever there is any indication of impairment loss. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization charges on finite-lived intangible assets are recognized in the income statement in the expense category consistent with the use of the intangible asset.

Indefinite-lived intangible assets are not amortized, but are submitted to annual impairment tests, either individually or at cash-generating-unit level. The useful life of an intangible asset having indefinite life is reviewed annually to determine whether indefinite life assessment remains supportable. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and classified in the income statement on disposal.

Research expenses are recorded as expense when incurred.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.12 Impairment of non-financial assets**

Management reviews annually the net book value of assets in order to evaluate events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. When such evidence is found, and the net book value exceeds the recoverable amount, a provision for impairment is set up to adjust the net book value to the recoverable amount.

The recoverable amount of an asset or a cash generating unit is defined as the higher of value in use and fair value less costs to sell.

In estimating the value in use of an asset, estimated future cash flows are discounted to present value, using a pre-tax discount rate, reflecting the weighted average capital cost (WACC) for the industry in which the cash generating unit operates. The net sale price is determined, whenever possible, for firm sale contracts on an arm's length basis, between knowledgeable, willing parties, adjusted by costs to sell the asset, or, in the absence of firm sale contracts, based on the observable market price in an active market, or on the most recent transaction price involving similar assets.

2.13 Present value adjustment of assets and liabilities

Non-current monetary assets and liabilities are discounted to present value and so are current monetary assets and liabilities whenever the effects are considered significant on the interim financial statements taken as a whole.

The present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities. As such, the interest embedded in revenues, expenses and costs associated with these assets and liabilities is discounted in order to conform to the accrual method of accounting. Subsequently, this interest is reallocated to financial income and expenses in the income statement by using the effective interest rate method in relation to the contractual cash flows.

The Company assesses the effect of this procedure periodically. For the six-month period ended June 30, 2012, the Company was not engaged in transactions with qualifying non-current (or little significant current) monetary assets and liabilities.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.14 Provisions**General

Provisions are recognized when the Company has a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, in an amount that can be reliably estimated.

Provisions for tax, civil and labor risks

The Company is a party to various legal and administrative proceedings. Provisions are recorded for all litigation contingencies, the settlement of which is likely to result in an outflow of economic benefits, in an amount that can be reliably estimated. Assessment of the chances of loss includes evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable statute barring period, findings of tax audits or additional exposures identified based on new issues or court decisions.

2.15 TaxationSales taxes

Revenues, expenses and assets are recognized net of sales taxes, except:

- when sales taxes levied on purchase of goods or services are not recoverable from tax authorities, case in which sales taxes are recognized as part of the acquisition cost of the asset or as an expense item, as applicable;
- when the amounts receivable or payable are presented jointly with the amount of sales taxes; and
- the net amount of sales taxes, recoverable or payable, is included as a component of amounts receivable or payable in the balance sheet.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.15 Taxation (Continued)**Sales taxes--Continued

The Company sales and service revenues are subject to the following taxes and social contributions at the statutory rates as under:

	<u>Tax rates</u>
ICMS - State Value-Added Tax	7.00% to 19.00%
COFINS - Social Contribution Tax on Gross Revenues for Social Security Financing	7.60%
PIS - Social Contribution Tax on Gross Revenue for Social Integration Program	1.65%

Sales are stated net of these taxes in the income statement.

Income and social contribution taxes - current

Current tax assets and liabilities for last and prior years are measured at the estimated amount recoverable from or payable to tax authorities, and are stated in current or non-current assets, based on its estimated realization and/or settlement. Tax rates and laws used to calculate the amounts are those in force, or substantially in force, at the balance sheet date in the countries in which the Company operates and produces taxable income.

In Brazil, the main country in which the Company operates, income taxes comprise both income and social contribution taxes. Income tax is calculated on taxable profit at a rate of 15%, plus a surtax of 10% on taxable profit exceeding R\$ 240 over 12 months, while social contribution tax is calculated at a rate of 9% on taxable profit, both recognized on an accrual basis; as such, additions to book income, deriving from temporarily non-deductible expenses, or exclusions of temporarily non-taxable income, in the determination of current taxable profit, generate deferred tax assets or liabilities. Prepaid or recoverable taxes are stated in current or non-current assets, according to their expected realization.

Current income and social contribution taxes on items directly recorded in equity are recognized in equity. Management periodically reviews the tax position of situations where tax regulation requires interpretation and establishes provisions when appropriate.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.15 Taxation (Continued)**Deferred taxes

Deferred taxes arise from temporary differences at balance sheet date between the tax bases of assets and liabilities and their book values. Deferred tax liabilities are recognized on all temporary tax differences, except:

- when a deferred tax liability arises upon initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and
- on temporary tax differences related to investments in subsidiaries, when the period for reversal of such differences can be controlled and the temporary differences are not likely to be reversed in the near future.

Deferred tax assets are recognized on all deductible temporary differences and unused tax credits and losses, to the extent that taxable profit will likely be available so that the deductible temporary differences can be realized, and unused tax credits and losses can be used, except:

- when a deferred tax asset related to the deductible temporary difference arises upon initial recognition of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and
- on deductible temporary tax differences related to investments in subsidiaries, deferred tax assets are recognized to the extent that deductible temporary differences will likely be reversed in the near future and taxable profit will likely be available so that the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and written off to the extent that taxable profits will not likely be available so that deferred tax assets can be used in total or in part. Deferred tax assets written off are reviewed at each balance sheet date and recognized to the extent that future taxable profits are likely allow recovery of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rate likely to be applicable for the year when the asset will be realized or the liability will be settled, based on the tax rates (and tax law) in force at the balance sheet date.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.15 Taxation (Continued)**Deferred taxes (Continued)

Deferred taxes related to items recognized directly in equity are also recognized in equity, rather than in the income statement. Deferred tax items are recognized based on the transaction that triggered the deferred tax, in other comprehensive income or directly in equity.

Deferred tax assets and liabilities will be stated net if there is a legal or contractual right to offset the tax assets against tax liabilities, and when the deferred taxes are related to the same corporate taxpayer and subject to the same tax authority.

2.16 Other employee benefits

The benefits granted to Company employees and management include, in addition to fixed compensation (salaries and Social Security Tax (INSS), vacation pay and 13th monthly salary), variable compensation amounts such as profit sharing and stock option plans. These benefits are recorded in the net income for the year when the Company has a liability accounted for on an accrual basis, as incurred.

2.17 Earnings per share

The Company calculates earnings per share based on the weighted average number of total common shares outstanding in the period corresponding to the net income in accordance with CPC 41 (IAS 33).

2.18 Cash flow statements and Statement of value added

Cash flow statements have been prepared by the indirect method and are presented in accordance with Technical Pronouncement CPC 03 R2 (IAS 7) – Cash Flow Statements, issued by CPC / IASB.

The statement of value added is not required under IFRS, and is presented herein as supplemental information to meet Brazilian Corporation Law requirements, in accordance with CPC 09 – Statement of Value Added. Its purpose is to show the wealth created during the period and how it was distributed among the different stakeholders who created it.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.19 Financial instruments**Initial recognition and measurement

Financial instruments are initially measured at fair value plus transaction costs directly attributable to their acquisition or issuance, except for financial instruments classified as measured at fair value through profit or loss, where such costs are charged directly to P&L.

Major financial assets recognized by the Company are: cash and cash equivalents, short-term investments and trade accounts receivable. These assets were classified as financial assets at fair value through profit or loss and loans and receivables.

Major financial liabilities recognized by the Company are: trade accounts payable, loans and financing and derivative financial instruments.

Subsequent measurement

Subsequent measurements of financial instruments occur at each balance sheet date according to rules established for each type of financial asset or liability classification into the following categories: financial assets and liabilities at fair value through profit or loss; held-to-maturity investments; loans and receivables; loans and financing; and financial assets available for sale.

The Company's financial assets and liabilities were classified into the following categories:

Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit or loss include financial instruments available for sale and financial assets and liabilities initially measured at fair value through profit or loss. They are classified as available for sale when acquired to be sold in the short run.

Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with the related gains and losses recognized in the income statement. Interest, monetary adjustment, foreign exchange gains/losses and fluctuations arising from fair value measurement are recognized in profit or loss, as incurred.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.19 Financial instruments (Continued)***Loans and receivables*

Non-derivative financial assets with fixed or determinable payments which, however, are not traded in an active market. After first-time measurement, such financial assets are recorded at amortized cost, under the effective interest rate method (effective interest rate), less impairment. The amortized cost is calculated taking into consideration any discount or “premium” on acquisition and rates or costs incurred. Amortization under the effective interest rate method is included as financial income in income statements. Impairment losses are recognized as financial expense in income statements.

Loans and financing

After their first-time recognition, interest-bearing loans and financing are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement upon liabilities write-off, as well as over the amortization period under the effective interest rate method.

2.20 Derivative financial instruments

The Company uses Non-Deliverable Forwards (NDF) and Advances on Exchange Contracts (ACCs) as its main financial instrument to hedge against risks related to volatility of foreign currency rates with sales of goods to the foreign market.

These instruments are contracted by establishing the amount of funds in dollar to be released in future at a fixed rate. In the period from the instrument contract date and the funds release date, the Company recognizes these instruments at market value. Although these instruments have been contracted for hedging purposes, hedge accounting is not used to record these transactions and therefore, their effects are recorded in the income statement, as financial income or expenses.

2.21 Segment information

Due to the concentration of its activities on the development and marketing of women footwear, handbags and accessories, the Company is organized as a single business unit. The Company products are distributed under different brand names (Arezzo, Schutz, Alexandre Birman and Anacapri) and through different channels (franchises, multi-brand and own stores), however, they are controlled and managed by management as a single business segment, and the results therefrom are followed up, monitored and analyzed in an integrated manner.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****2. Summary of significant accounting practices (Continued)****2.22 Leases**

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Initial direct costs are also added to the amount capitalized, when applicable. Lease payments are allocated to finance charges less finance lease liabilities so as to achieve a constant rate of interest on the remaining liability balance. Financial charges are recognized in the income statements.

Leased assets are depreciated over their useful life. However, when it is not reasonably sure that the Company will obtain ownership at the end of the lease agreement effective term, asset is depreciated over the shorter of estimated useful life or lease agreement effective term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.23 Share-based payment

On May 25, 2012, the Company set up a Stock Option Plan (“Stock Option”) for management, employees and service providers or other companies under its control. The referred to plan is managed by the Board of Directors, and is detailed in Note 33.

The cost of transactions with employees settled with equity instruments is measured based on their fair value on the granting date. The Company uses an appropriate valuation method to determine fair value.

The cost of transactions settled with equity instruments is recognized, together with a corresponding increase in equity, over the period in which the service performance and/or conditions are fulfilled, ending on the date when the employee becomes fully entitled to the premium (acquisition date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s estimate of the number of shares that will be acquired. The income or expense in income statements is recognized under “general and administrative expenses” and represents the changes in accumulated expenses recognized at the beginning and end of that period.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****3. Significant accounting judgment, estimates and assumptions**Judgment

The preparation of the Company's individual and consolidated interim financial statements requires management to make judgments, estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities as of the reporting date. However, uncertainty relating to these assumptions and estimates could lead to outcomes that require a significant adjustment to the carrying value of the asset or liability affected in future periods.

Estimates and assumptions

Significant assumptions regarding sources of uncertainty in future estimates and other major sources of estimation uncertainty as at the balance sheet date, involving a significant risk that a material adjustment to the carrying amount of assets and liabilities may be required in the next financial year are discussed below.

Impairment of non-financial assets

Impairment loss exists when the book value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of fair value less selling costs and value in use. Fair value less selling costs is calculated based on information available on similar asset sale transactions or market prices less additional asset disposal costs. Value in use is calculated based on the discounted cash flow model. Cash flows derive from the budget for the next five years and do not include reorganization activities which the Company has not yet been committed to or significant future investments that will improve the asset base of the cash generating unit tested. The recoverable amount is sensitive to the discount rate used by the discounted cash flow method, as well as to expected future cash receipts and the growth rate used to extrapolate cash flow projections.

Taxes

There are uncertainties regarding the interpretation of complex tax regulations and the value and time of future taxable income. Based on reasonable estimates, the Company records provisions for contingencies that may arise as a result of tax audits by competent authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and differing interpretations of tax regulations by the taxable entity and by the competent tax authority. These different interpretations may arise in a wide range of issues, depending on the prevailing conditions in the respective domicile of the Company.

Significant judgment by Management is required to determine the value of deferred tax assets that can be recognized based on the probable term and level of future taxable profits together with future tax planning strategies.

The effective rate expected at the end of fiscal year 2012 is consistent with the effective rate for the period of these financial statements, and the Company does not expect significant variations.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****3. Significant judgment, accounting estimates and assumptions
(Continued)**Estimates and premises (Continued)*Fair value of financial instruments*

When the fair value of financial assets and liabilities presented in the balance sheet cannot be obtained in active markets it is determined using valuation techniques, including the method of discounted cash flow. These methods use observable market data, whenever possible; otherwise, a given judgment call is required in order to determine the fair value. The judgment includes consideration of the data used, for example, liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments presented.

Provisions for tax, civil and labor risks

The Company recognizes a provision for all cases in which the likelihood of loss is rated as probable. Assessment of the chances of loss includes evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable statute barring period, findings of tax audits or additional exposures identified based on new issues or court decisions.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the interim financial statements due to uncertainties inherent in the estimate process. The Company reviews the estimates and assumptions at least on a quarterly basis.

Share-based payment transactions

The Group measures the cost of transactions settled with shares to employees based on the fair value of equity instruments at the date of grant. The estimated fair value of share-based payments requires determining the most appropriate assessment model for the grant of equity instruments, which depends on the terms and conditions of the grant. This also requires determining the most appropriate data for the assessment model, including the option's expected life, volatility and risk-free interest rate. The assumptions and models used to estimate the fair value of share-based payments are disclosed in Note 33.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****4. New IFRS and interpretations issued by IFRIC (International Financial Reporting Interpretations Committee under IASB)**a) Current standards and interpretations effective

New accounting pronouncements issued by the IASB and IFRIC interpretations have been published and/or revised and the effective date for their mandatory adoption is beginning January 1, 2011 and 2012. First-time adoption of these new pronouncements and interpretations had no impact on the financial statements of the Company. Below is the Company management's analysis of these new pronouncements and interpretations:

IAS 24 Disclosure Requirements for Government-related Entities and Definition of a Related Party (Revised) - The revised IAS 24 simplifies the disclosure requirements of government-related entities and clarifies the definition of a related party. The revised standard addresses aspects that, according to previous disclosure requirements and definition of related party, were far too complex and difficult to apply in practice, especially in environments where government control is pervasive, thereby providing a partial exemption for government-related entities and a revised definition of a 'related party' concept. This amendment was issued in November 2009, and is effective for annual periods beginning on or after January 1, 2011. This change had no impact on the consolidated financial statements of the Company.

IFRIC 14 Prepayments of a Minimum Funding Requirement - The amendment corrects an unintended consequence of IFRIC 14. This amendment applies only in those situations where an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits this entity to treat the benefit of such an early payment as an asset. This amendment is effective for annual periods beginning on or after January 1, 2011, and had no impact on the consolidated financial statements of the Company.

IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (as revised in 2011) - The amendment to this standard addresses aspects related to presentation of items of other comprehensive income (OCI) in the financial statements and generates the need to separately disclose the items that will not be reclassified to P&L in the future from those that may be reclassified to P&L in the future. This amendment had no impact on the Company consolidated financial statements.

IAS 12 Deferred tax – Recovery of underlying assets - This amendment clarifies the determination of deferred income tax on investment properties measured at fair value in accordance with IAS 40. This amendment had no impact on the Company consolidated financial statements.

IAS 19 Employee Benefits (as revised in 2011) - The amendment to this standard addresses aspects related to accounting for and disclosure of employee benefits. This amendment had no impact on the Company consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements (as revised in 2011) - As a result of the recently issued IFRS 10 and IFRS 12, IAS 27 has been limited to focusing on accounting for subsidiaries, jointly-controlled entities and associates in separate financial statements. This amendment had no impact on the Company consolidated financial statements.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****4. New IFRS and interpretations issued by IFRIC (International Financial Reporting Interpretations Committee under IASB)
(Continued)****a) Current standards and interpretations effective (Continued)**

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) - As a result of the recently issued IFRS 11 and IFRS 12, IAS 28 has been amended and is now IAS 28 Investments in Associates and Joint Ventures, describing how the equity method applies to investments in joint ventures, in addition to investments in associates. This amendment had no impact on the Company consolidated financial statements.

IFRS 7 Financial instruments: Disclosure - Further Disclosures on Derecognition - This amendment enhances disclosures about transferred financial assets that are not derecognized to allow users of financial statements to have a better understanding of the transactions with those assets that are not derecognized and of their corresponding liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized financial assets to allow users of its financial statements to evaluate the nature of the entity's continuing involvement in these derecognized assets, and the extent of associated risks. This amendment had no impact on the Company consolidated financial statements.

b) Accounting standards and interpretations issued but not yet effective

The following standards will become effective for annual periods beginning on or after January 1, 2013:

IFRS 9 Financial Instruments - Classification and Measurement – IFRS 9 completes the first part of the project to replace “IAS 39 Financial Instruments: Recognition and Measurement”. IFRS 9 uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value. The new approach is based on how the entity manages its financial instruments (its business model) and the typical contractual cash flow of the financial assets. The standard also requires the adoption of a single approach to determine impairment loss. This standard is effective for annual periods beginning on or after January 1, 2013. Management does not anticipate any impact therefrom on the financial statements of the Company.

IFRS 10 Consolidated financial statements – It introduces a new control definition, which is used to determine which entities are consolidated and describes the consolidation procedures. This standard does not change the manner of consolidation, but introduces a new control definition and, consequently, the investments that are to be consolidated depending on new valuation criteria (for instance, control over relevant activity). This standard was issued in the second quarter of 2011, being effective for annual periods beginning on or after January 1, 2013. Management does not anticipate any impact therefrom on the financial statements of the Company.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****4. New IFRS and interpretations issued by IFRIC (International Financial Reporting Interpretations Committee under IASB)
(Continued)**b) Accounting standards and interpretations issued but not yet effective (Continued)

IFRS 11 Joint arrangements – It describes accounting of investments under common control; proportional consolidation is not allowed for joint ventures. IFRS currently allow proportional consolidation – line by line - of "joint ventures" or recording thereof by the equity method. Proportional consolidation will no longer be allowed with adoption of IFRS 11. This standard was issued in the second quarter of 2011, being effective for annual periods beginning on or after January 1, 2013. Management does not anticipate any impact therefrom on the financial statements of the Company.

IFRS 12 Disclosure of investments in other entities – It introduces new disclosure requirements related to investments in subsidiaries, joint-ventures, affiliates and "structured entities". This standard was issued in the second quarter of 2011, being effective for annual periods started on or after January 1, 2013. Although this standard does not impact recording or measurement of investments, the Company expects that certain additional disclosures may be necessary in order to fully meet the disclosure requirements of this standard.

IFRS 13 Fair value measurement – It provides new guidelines about how to measure fair value. This standard does not change the current fair value measurement requirements in IFRS, but introduces new disclosure requirements and guidelines in relation to the manner of measuring assets and liabilities at fair value when allowed or required by current IFRS. This standard was issued in the second quarter of 2011, being effective for years started on or after January 1, 2013. Management will evaluate the impact of this new IFRS standard on its policies and procedures for fair value measurement and disclosure.

There are no other standards and interpretations issued but not yet adopted that may, in management's opinion, have a significant impact on P&L or equity disclosed by the Company.

5. Cash and cash equivalents

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Cash and cash equivalents	4,102	6,217	4,799	15,528
	4,102	6,217	4,799	15,528

Cash equivalents are held to meet short-term cash commitments not for investment or other purposes.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****6. Short-term investments**

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Current				
Fixed-income (a)	201,020	157,901	201,020	158,022
Non-current				
Capitalization fund	-	-	98	79
Total short-term investments	<u>201,020</u>	<u>157,901</u>	<u>201,118</u>	<u>158,101</u>

(a) These include Bank Deposit Certificates (CDBs) and investments in marketable securities.

At June 30, 2012, average remuneration for the investment fund is 102.5% of the Interbank Deposit Certificate (CDI) rate. Fund assets are comprised of 12% Financial Treasury Bills (LFT) and 76% are daily liquid assets.

The Company has financial investment policies determining that investments will be concentrated on low-risk securities and investments in top-tier banks (understood as Brazil's 10 top-tier banks), substantially corresponding to investments remunerated at the CDI rate.

At December 31, 2011, R\$ 5,589 were given in guarantee for surety bond transactions contracted with financial institutions.

7. Trade accounts receivable

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Trade notes receivable – domestic customers	103,529	125,247	108,999	130,908
Trade notes receivable – foreign customers	10,024	16,365	10,024	16,365
Trade notes receivable – related parties (Note 12.a)	16,882	24,215	-	-
Checks	36	37	889	1,209
Credit card	1,932	2,038	31,338	31,563
	<u>132,403</u>	<u>167,902</u>	<u>151,250</u>	<u>180,045</u>
(-) Allowance for doubtful accounts	(434)	(431)	(563)	(456)
	<u>131,969</u>	<u>167,471</u>	<u>150,687</u>	<u>179,589</u>

The Company's sale policies are subordinate to the credit policies set by management and seek to minimize any customer default problems. It is important to highlight that the retail sector has transactions predominantly represented by credit cards and transactions from sales representatives and distributors, with a structured business relationship with the Company (franchises), are represented by "Trade notes receivable - customers".

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****7. Accounts receivable (Continued)**

Changes in the allowance for doubtful accounts are stated as follows:

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Balance at the beginning of the period	(431)	(500)	(456)	(524)
Additions	(3)	(13)	(107)	(14)
Recoveries/realization	-	82	-	82
Balance at the end of the period	<u>(434)</u>	<u>(431)</u>	<u>(563)</u>	<u>(456)</u>

The aging list of accounts receivable is as follows:

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Falling due	131,117	166,733	149,915	178,655
Overdue by 30 days	226	311	275	335
Overdue from 31 to 60 days	168	213	168	239
Overdue from 61 to 90 days	66	77	66	94
Overdue from 91 to 180 days	223	103	223	144
Overdue from 181 to 360 days	169	34	169	147
Overdue for more than 360 days	434	431	434	431
	<u>132,403</u>	<u>167,902</u>	<u>151,250</u>	<u>180,045</u>

Of total accounts receivable, R\$ 4,366 (R\$ 25,670 at December 31, 2011) were given in guarantee for surety bond transactions contracted with financial institutions.

8. Inventories

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Materials and supplies	8,803	5,127	14,797	12,440
Goods in process	-	-	4,020	5,525
Finished goods	23,962	15,302	44,519	36,006
Advances to suppliers	1,828	2,475	2,593	3,417
(-) Provision for losses	(211)	(4)	(211)	(4)
	<u>34,382</u>	<u>22,900</u>	<u>65,718</u>	<u>57,384</u>

Items in storeroom mainly refer to raw materials intended for development of new types of products and collections. Goods in process mainly refers to footwear that is being manufactured by Company and subsidiary ZZSAP. Finished goods mainly refer to inventories of footwear and handbags for the formation of strategic stocks to enable immediate replacement to customers and trading at the Company's own stores.

Inventories are periodically scanned for obsolete items, which are then incinerated and the loss is recorded in the accounts.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****8. Inventory (Continued)**

Changes in provision for losses are as follows:

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Balance at the beginning of the period	(4)	(22)	(4)	(22)
Additions	(354)	(843)	(354)	(843)
Recoveries/realization	147	861	147	861
Balance at the end of the period	(211)	(4)	(211)	(4)

9. Taxes recoverable

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
ICMS recoverable	703	4,154	1,521	4,448
Prepaid IRPJ	3,189	2,666	4,054	3,847
Prepaid CSLL	793	822	1,131	1,261
Other	440	341	1,047	993
	<u>5,125</u>	<u>7,983</u>	<u>7,753</u>	<u>10,549</u>
Current	4,765	7,625	7,393	10,191
Non-current	360	358	360	358

10. Other receivables

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Prepaid expenses	359	310	448	325
Advances to employees	-	492	144	806
Advances to suppliers	3,643	1,006	4,987	2,256
Advances for business travel	408	308	414	312
Advance for advertising fund	2,235	6,902	2,235	6,903
Other receivables	1,621	1,019	4,005	1,566
	<u>8,266</u>	<u>10,037</u>	<u>12,233</u>	<u>12,168</u>
Current	7,832	9,548	11,765	11,662
Non-current	434	489	468	506

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****10. Other receivables (Continued)**Advance for advertising fund

In order to advertise and promote the Arezzo Franchise Chain nationally, franchisees agree to allocate a percentage of their gross revenue from sales to a national advertising fund, known as the “Arezzo Chain Cooperative Advertising and Promotion Fund”. The amounts corresponding to this percentage are deposited every month by the franchisees and allocated to the development of marketing and publicity strategies including advertising and promotion performed to build the profile of the Arezzo Franchise Chain, the costs of service providers that create and develop advertising campaigns, as well as any other activity related to advertising and promotion in Brazil. The amounts collected are managed by the franchisor and accountability for their use is rendered on an annual basis. Over the year, the Company makes prepayments to honor its total advertising fund commitments.

11. Income and social contribution taxesa) Deferred taxes

Deferred Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) are calculated on IRPJ and CSLL tax losses and corresponding temporary differences between the tax calculation bases on assets, liabilities and carrying amounts in the interim financial statements. The tax rates currently defined for calculation of deferred taxes are 25% for income tax and 9% for social contribution tax.

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Tax credits - from merger (i)	13,935	13,935	13,935	13,935
(-) Tax amortization	(11,380)	(9,987)	(11,380)	(9,987)
Tax credits - from merger (ii)	7,535	7,535	7,535	7,535
(-) Tax amortization	(3,767)	(3,014)	(3,767)	(3,014)
Deferred income and social contribution taxes from merger	6,323	8,469	6,323	8,469
Deferred income and social contribution taxes on temporary differences (iii)	2,042	1,065	2,382	1,543
Total deferred income and social contribution taxes	8,365	9,534	8,705	10,012

Notes to quarterly information

Arezzo Indústria e Comércio S.A.**11. Income and social contributions taxes (Continued)**a) Deferred taxes (Continued)

- (i) Goodwill due to the expectation of future profitability stems from the capital increase that BRICS made in Arezzo at a market value determined by independent experts. The capital was subsequently merged by Arezzo through a downstream merger, net of the provision for the rectification of goodwill provided by CVM Ruling No. 319/99 that, in essence, represents the tax benefit stemming from the deductibility of that goodwill. The merged net assets will be amortized in both accounting and tax records over an estimated term of five years and matched against the special goodwill reserve account to be transferred to the capital account to the benefit of the shareholders upon total realization of the tax benefit.
- (ii) Goodwill due to the expectation of future profitability stems from the merger by Arezzo of assets through the spin-off of FIGEAC Holdings S.A. ("FIGEAC"), net of the provision provided by CVM Ruling No. 319/99 that, in essence, represents the tax benefit stemming from the deductibility of that goodwill. The merged net assets will be amortized in both accounting and tax records over an estimated term of five years and matched against the special goodwill reserve account to be transferred to the capital account to the benefit of the shareholders upon total realization of the tax benefit.
- (iii) Deferred tax asset stems from deductible temporary differences, mainly on provisions for labor, tax and civil contingencies.

Deferred income tax asset reconciliation is as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>6/30/2012</u>	<u>12/31/2011</u>	<u>6/30/2012</u>	<u>12/31/2011</u>
Opening balance	9,534	13,996	10,012	14,449
Tax credit on share issue costs	-	4,804	-	4,804
Income tax expense in income statement	(1,169)	(9,266)	(1,307)	(9,241)
	<u>8,365</u>	<u>9,534</u>	<u>8,705</u>	<u>10,012</u>

The studies and projections made by Company management indicate the generation of taxable future profit at an amount that allows for the offset of future tax credits over the next few years.

Based on the projection of future taxable profit, the estimate for recoverability of the deferred income and social contribution taxes (Company and consolidated) is stated as follows:

	<u>Company</u>	<u>Consolidated</u>
	<u>6/30/2012</u>	<u>6/30/2012</u>
2012	3,666	3,778
2013	2,930	3,044
2014	1,769	1,883
Total	<u>8,365</u>	<u>8,705</u>

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

11. Income and social contributions taxes (Continued)

b) Reconciliation between the income and social contribution tax expenses at the statutory and effective rates

The reconciliation between the income and social contribution tax expenses at the statutory and effective rates is as follows:

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Income before income and social contribution taxes	47,852	50,158	49,331	51,666
Current rate	34%	34%	34%	34%
Expected IRPJ and CSLL expenses at statutory rate	(16,270)	(17,054)	(16,773)	(17,566)
Effect of IRPJ and CSLL on permanent differences:				
Tax benefit on expenses with research and technological innovation - Law No. 11196/05	1,765	2,158	1,765	2,158
Equity pickup	(590)	411	-	-
Interest on equity	3,849	2,870	3,849	2,870
Other permanent differences	9	224	(1,557)	(361)
Income and social contribution taxes in the income statement	(11,237)	(11,391)	(12,716)	(12,899)
Current	(10,068)	(5,829)	(11,409)	(7,265)
Deferred	(1,169)	(5,562)	(1,307)	(5,634)
Total	(11,237)	(11,391)	(12,716)	(12,899)
Effective rate - %	23.48%	22.71%	25.78%	24.97%

12. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling interest holders

Company	6/30/2012						
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Accounts receivable	Credits	Loans	Trade accounts payable	Loans	Revenue	Purchase
Subsidiaries							
Arezzo & Co International	-	7,767	843	4	-	510	4
ZZAB Comércio de Calçados Ltda.	16,431	-	5,161	129	-	31,701	21
ZZAF Indústria e Comércio de Calçados Ltda.	-	-	-	-	-	10	187
ZZSAP Indústria e Comércio de Calçados Ltda.	451	-	3	540	15	42	47,137
Total Company	16,882	7,767	6,007	673	15	32,263	47,349
Consolidated							
Controlling interest holders							
Shareholders	-	-	-	-	975	-	-

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

12. Balances and transactions with related parties (Continued)

a) Balances and transactions with subsidiaries and controlling interest holders (Continued)

Company	12/31/2011					6/30/2011	
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Accounts receivable	Credits	Loans	Trade accounts payable	Loans	Revenue	Purchase
Subsidiaries							
Arezzo & Co International	-	6,701	-	-	-	2,467	-
Schutz Shoes Design	-	-	1	-	-	48	-
Shoes For U Comércio de Calçados e Acessórios Ltda.	-	-	1	-	-	-	-
ZZAB Comércio de Calçados Ltda.	8,839	-	-	253	-	13,633	1,165
ZZAF Indústria e Comércio de Calçados Ltda.	-	-	1,380	2,461	-	80	23,495
ZZARIO Comércio de Calçados Ltda.	11,648	-	2,714	20	-	3,949	215
ZZCAPRI Comércio de Calçados Ltda.	3,369	-	200	7	-	685	4
ZZSAP Indústria e Comércio de Calçados Ltda.	359	-	3	7,845	-	-	66,748
Total Company	24,215	6,701	4,299	10,586	-	20,862	91,627
Consolidated							
Controlling interest holders							
Shareholders	-	-	-	-	905	-	-

b) Nature, terms and conditions of transactions – Subsidiaries

The Company's transactions with related parties are carried out under commercial and financial conditions mutually agreed between the parties concerned. The most common transaction is the sale of the Company footwear and accessories (Company) to ZZAB store (subsidiary) in 2012, and to ZZAB, ZZARIO and ZZCAPRI stores in 2011, and the acquisition of footwear from manufacturers ZZAF and ZZSAP (subsidiaries).

The sales transactions performed by these related parties are in accordance with specific pricing policies and terms established between the parties. Days sales outstanding (DSO) for related parties is 96 days, while days purchases outstanding (DPO) by related parties is 3 days.

Except for loans, the balances receivable from related parties have specific maturity dates. Loans receivable, and dividends payable, if any, are restated based on the long-term interest rate (TJLP) variation, plus interest of 2.5% per year.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****12. Balances and transactions with related parties (Continued)**c) Management compensation

Management compensation is through management fees and profit sharing. For the six-month period ended June 30, 2012, Company's management compensation related to short-term benefits (management fees and profit sharing) totaled R\$ 1,744 (R\$ 3,108 at December 31, 2011), as follows:

	<u>6/30/2012</u>	<u>6/30/2011</u>
Annual fixed compensation Salary / Management fees	1,529	1,292
Variable compensation Bonus	215	353
Total compensation	<u>1,744</u>	<u>1,645</u>

The Company and its subsidiaries do not grant post-employment benefits, severance pay packages or other long-term benefits to its management and employees.

d) Guarantees

The Company is the guarantor of a lease agreement entered into in November 2009 by its subsidiary ZZSAP, in the amount of R\$ 105 (R\$ 125 at December 31, 2011).

e) Transactions or relations with shareholders

The Company has a lease agreement on the property where its registered offices are located in the municipality of Campo Bom, Rio Grande do Sul State, which is owned by a company having as member one of its shareholders (Mr. Anderson Lemos Birman). The rent paid in the quarter ended June 30, 2012 was R\$ 62 (R\$ 47 at June 30, 2011). The agreement is effective for 60 months and the amounts are restated by reference to the General Market Price Index (IGP-M) every 12 months.

Certain Company directors hold directly a total 52.8% interest in the Company at June 30, 2012.

f) Transactions with other related parties

The Company has a legal advisory service agreement in the civil, labor and tax areas with Escritório de Advocacia Procópio de Carvalho owned by Mr. José Murilo Procópio de Carvalho, a member of the Company's Board of Directors, as well as with Ethos Desenvolvimento S/C Ltda, owned by Mr. José Ernesto Beni Bolonha, who renders human resources management consulting services and who is also a member of the Company's Board of Directors. In the six-month period ended June 30, 2012, these companies received R\$ 256 and R\$ 189 (R\$ 202 and R\$ 219 at June 30, 2011), respectively.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

13. Investments

Description	Capital	Adjusted equity	Income for the period	% interest	Investments/Provision for capital deficiency		Equity pickup	
					6/30/2012	12/31/2011	6/30/2012	6/30/2011
ZZAB Com.de Calçados Ltda.	64,252	79,128	2,175	99.99	79,128	49,558	2,175	1,223
ZZARIO Com.de Calçados Ltda. (*)	-	-	-	99.99	-	6,853	-	(964)
ZZCAPRI Com.de Calçados Ltda. (*)	-	-	-	99.99	-	1,948	-	(420)
ZZSAP Ind.e Com.de Calçados Ltda.	591	8,549	(1,769)	99.99	8,549	10,320	(1,769)	1,220
ZZAF Ind.e Com.de Calçados Ltda. (***)	350	-	(65)	99.99	-	3,806	(65)	435
Allmaness Calçados Ltda. (**)	-	-	-	99.99	-	165	-	5
Schutz Shoes Design Exp.e Imp.de Calç. Ltda. (**)	-	-	-	99.99	-	507	-	(131)
Shoes For U Com.de Calçados e Acessórios Ltda. (**)	-	-	-	99.99	-	1	-	(263)
Investments					87,677	73,158	341	1,105
Arezzo & Co Intemational	122	(5,207)	(2,075)	99.99	(5,207)	(3,132)	(2,075)	105
Provision for capital deficiency					(5,207)	(3,132)	(2,075)	105
					82,470	70,026	(1,734)	1,210

(*) Merged in January 2012 into ZZAB Com. de Calçados Ltda.

(**) Operating companies whose activities have been suspended and were merged in February 2012 by Company.

(***) Merged in February 2012 by Company.

	Company	
	6/30/2012	12/31/2011
Balance at the beginning of period, net of allowance for losses	70,026	41,550
Payment of capital	18,594	24,553
Merger of subsidiaries (Note 1)	(4,416)	-
Equity pickup	(1,734)	3,923
Balance at the beginning of period, net of allowance for losses	82,470	70,026

Arezzo Indústria e Comércio S.A.

13. Investments (Continued)

Capital increase:

At November 8, 2011, the Company made a capital increase in its subsidiaries in the amount of R\$ 24,553, as follows:

	R\$
ZZAB Comércio de Calçados Ltda.	20,801
ZZARIO Comércio de Calçados Ltda.	1,381
ZZCAPRI Comércio de Calçados Ltda.	650
Shoes For U Comércio de Calçados e Acessórios Ltda.	650
Schutz Shoes Design Comércio de Calçados Ltda.	1,071
	<u>24,553</u>
Cash capital contribution	10,654
Credit capital contribution	13,899

In the quarter ended June 30, 2012, subsidiary ZZAB increased its capital by R\$ 27,412 as follows:

	R\$
Cash capital contribution	18,594
Merger of ZZARIO	6,866
Merger of ZZCAPRI	1,952
	<u>27,412</u>

14. Property, plant and equipment

Details of the Company property, plant and equipment are set out as follows:

Company:

	Computers and peripherals	Furniture and fixture	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
Gross cost							
Balance at 12/31/2011	4,002	2,299	1,757	3,995	57	1,501	13,611
Mergers	73	65	1,060	170	19	-	1,387
Acquisitions	453	1,636	669	5,680	-	-	8,438
Write-offs	-	-	-	-	-	-	-
Balance at 6/30/2012	<u>4,528</u>	<u>4,000</u>	<u>3,486</u>	<u>9,845</u>	<u>76</u>	<u>1,501</u>	<u>23,436</u>
Accumulated depreciation							
Balance at 12/31/2011	(2,357)	(1,147)	(683)	(1,093)	(28)	-	(5,308)
Mergers	(34)	(26)	(493)	(86)	(17)	-	(656)
Depreciation	(288)	(172)	(84)	(285)	(2)	-	(831)
Write-offs	-	-	-	-	-	-	-
Balance at 6/30/2012	<u>(2,679)</u>	<u>(1,345)</u>	<u>(1,260)</u>	<u>(1,464)</u>	<u>(47)</u>	<u>-</u>	<u>(6,795)</u>
Net book value							
Balance at 12/31/2011	1,645	1,152	1,074	2,902	29	1,501	8,303
Balance at 6/30/2012	1,849	2,655	2,226	8,381	29	1,501	16,641

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

14. Property, plant and equipment (Continued)

Consolidated:

	Computers and peripherals	Furniture and fixture	Machinery and equipment	Facilities and showroom	Buildings	Vehicles	Land	Total
Gross cost								
Balance at 12/31/2011	5,137	7,062	7,307	19,612	530	123	2,001	41,772
Acquisitions	648	2,799	1,106	15,529	-	-	-	20,082
Write-offs	(27)	(295)	(7)	(147)	-	(34)	-	(510)
Balance at 6/30/2012	5,758	9,566	8,406	34,994	530	89	2,001	61,344
Accumulated depreciation								
Balance at 12/31/2011	(2,717)	(1,996)	(3,052)	(3,534)	(89)	(91)	-	(11,479)
Depreciation	(395)	(418)	(278)	(1,297)	(11)	(2)	-	(2,401)
Write-offs	18	144	3	30	-	34	-	229
Balance at 6/30/2012	(3,094)	(2,270)	(3,327)	(4,801)	(100)	(59)	-	(13,651)
Net book value								
Balance at 12/31/2011	2,420	5,066	4,255	16,078	441	32	2,001	30,293
Balance at 6/30/2012	2,664	7,296	5,079	30,193	430	30	2,001	47,693

Given the significance of PPE to their overall interim financial statements, the Company and its subsidiaries assessed the useful life of these assets and concluded that there were no significant adjustments or changes to be recognized at June 30, 2012.

15. Intangible assets

Details of intangible assets and changes in the balances of this group of accounts are set out as follows:

Company:

	Trademarks and patents	Store use rights	System use rights	Total
Gross cost				
Balance at 12/31/2011	2,623	125	9,981	12,729
Mergers	2	-	9	11
Acquisitions	3	-	1,888	1,891
Balance at 6/30/2012	2,628	125	11,878	14,631
Accumulated amortization				
Balance at 12/31/2011	-	-	(5,493)	(5,493)
Mergers	-	-	(2)	(2)
Amortization	-	-	(710)	(710)
Balance at 6/30/2012	-	-	(6,205)	(6,205)
Net book value				
Balance at 12/31/2011	2,623	125	4,488	7,236
Balance at 6/30/2012	2,628	125	5,673	8,426
Average estimated useful life	Indefinite	Indefinite	5 years	

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****15. Intangible assets (Continued)**Consolidated:

	Trademarks and patents	Store use rights	System use rights	Total
Gross cost				
Balance at 12/31/2011	2,722	23,536	10,564	36,822
Acquisitions	3	9,758	1,956	11,717
Write-offs	-	(414)	-	(414)
Balance at 6/30/2012	2,725	32,880	12,520	48,125
Accumulated amortization				
Balance at 12/31/2011	-	-	(5,681)	(5,681)
Amortization	-	-	(765)	(765)
Balance at 6/30/2012	-	-	(6,446)	(6,446)
Net book value				
Balance at 12/31/2011	2,722	23,536	4,883	31,141
Balance at 6/30/2012	2,725	32,880	6,074	41,679
Average estimated useful life	Indefinite	Indefinite	5 years	

Finite life intangible assets refer to software and license use rights acquired from third parties and are amortized on a straight-line basis over their estimated useful life, matched against the general and administrative expenses account.

Indefinite life intangible assets refer to trademarks and patents and store use rights, the latter corresponding to expenses incurred by the Company in connection with use of stores located in leased commercial properties.

The amount of R\$ 5,192, referring to expenses with research and development of new Company products, was charged against net income for the six-month period ended June 30, 2012, Company and consolidated (R\$ 8,546 at June 30, 2011).

Impairment test of indefinite life intangible assets

The impairment test of the intangible assets did not require recognition of loss for the year ended December 31, 2011 since their estimated value in use is greater than the net carrying amount as of the measurement date. In preparing these interim financial statements, the Company assessed the existence of factors that may have an impact on its assets value and did not identify any impairment.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****16. Loans and financing**

Loans and financing can be summarized as follows:

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Working capital				
Banco do Brasil (FINAME)	28	34	28	34
Advances on Exchange Contract (ACC)	21,540	16,909	21,540	16,909
FINEP	29,444	21,507	29,444	21,507
Other	-	84	105	209
	<u>51,012</u>	<u>38,534</u>	<u>51,117</u>	<u>38,659</u>
Current	25,528	20,845	25,548	20,885
Non-current	25,484	17,689	25,569	17,774

Interest rates and charges incurred on loans are the following:

- (i) FINEP: Rate of 5.25% per year, or indexed to TJLP, when this rate is greater than 6% per year;
- (ii) Other: 1.37% per month;
- (iii) Advances on Exchange Contract (ACC): denominated in USD, based on foreign exchange change plus average rate of 2.99% per year.

Loan agreement maturities

- Banco do Brasil S/A: monthly installments with final maturity in August 2015;
- Other: final amortization term in January 2015; and
- FINEP: maturity in August 2017, July 2018 and October 2019.

At June 30, 2012, non-current loans and financing mature as follows:

	Company	Consolidated
2013	2,755	2,796
2014	5,510	5,551
2015	5,509	5,512
After 2016	11,710	11,710
Total	<u>25,484</u>	<u>25,569</u>

Loans are guaranteed by collateral signatures of majority shareholders and also surety bonds and do not have covenants on financial ratios.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****16. Loans and financing (Continued)**Credit facilities

At November 14, 2011, the Company took out a credit facility with FINEP, in the amount of R\$ 27,366. At June 30, 2012, the amount of R\$ 17,449 referring to this credit line is not yet used and is available to the Company.

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with the Banco do Nordeste do Brasil S.A., in order to maintain credit facilities intended for Arezzo franchisees in business ventures within the bank's area of operations. Using funds of the Constitutional Northeast Region Finance Fund (FNE) for financing used in the modernization of its stores in accordance with the standards established by the Company as well as for costs associated with its operations and working capital requirements, if necessary.

The Company is guarantor of these transactions through a bank guarantee letter issued by Banco ABN Amro Real S.A. At June 30, 2012, the amount guaranteed by the Company under this agreement is R\$ 201 (R\$ 312 at December 31, 2011).

17. Trade accounts payable

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Domestic suppliers	32,068	16,427	42,981	36,988
Related parties (Note 12.a)	673	10,586	-	-
Foreign suppliers	347	298	347	298
	<u>33,088</u>	<u>27,311</u>	<u>43,328</u>	<u>37,286</u>

18. Labor liabilities

The balances of salaries and related charges payable are broken down as follows:

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Salaries payable	3,257	4,312	5,965	6,475
Accrued vacation pay and related charges	3,983	3,177	7,455	5,676
	<u>7,240</u>	<u>7,489</u>	<u>13,420</u>	<u>12,151</u>

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****19. Special Installment Payment Program**

Subsidiary ZZSAP joined the Special Installment Payment Program (PAES), governed by Law No. 10684 dated May 30, 2003, enrolling a substantial part of its tax debts maturing up to July 15, 2003. In accordance with that legislation, companies participating in the program must make regular payments of monthly installments and may be excluded from the program if these payments are delayed for three consecutive months or six alternate months, whichever occurs first.

The agreed-upon installments have been paid on time. Accordingly, ZZSAP records monthly expenses of approximately R\$16, thereby making payments in accordance with the conditions provided for in the Special Installment Payment Program.

20. Provisions for labor, tax and civil contingencies

The Company and its subsidiaries are parties to legal and administrative proceedings arising in the normal course of business, on tax, social security, labor and civil matters. Management, based on information provided by its legal counsel and analysis of ongoing litigation, set up a provision in an amount deemed sufficient to cover probable losses for those cases assessed as involving probable unfavorable outcome and related to judicial deposits, as follows:

	Company							Balance at 6/30/2012
	Balance at 12/31/2010	Additions/ Restatements	Reversals/ Payments	Balance at 12/31/2011	Merger	Additions/ Restatements	Reversals/ Payments	
Civil	927	42	(327)	642	-	231	(17)	856
Labor	2,367	2,026	(2,323)	2,070	104	405	(1,127)	1,452
Provision for contingencies	3,294	2,068	(2,650)	2,712	104	636	(1,144)	2,308
Legal deposit	(2,266)	(1,841)	205	(3,902)	-	(834)	503	(4,223)
Total	1,028	227	(2,445)	(1,190)	104	(198)	(641)	(1,925)

	Consolidated						
	Balance at 12/31/2010	Additions/ Restatements	Reversals/ Payments	Balance at 12/31/2011	Additions/ Restatements	Reversals/ Payments	Balance at 6/30/2012
Civil	927	64	(327)	664	231	(18)	877
Labor	3,683	2,629	(2,718)	3,594	484	(1,817)	2,261
Provision for contingencies	4,610	2,693	(3,045)	4,258	715	(1,835)	3,138
Legal deposit	(3,362)	(2,808)	307	(5,863)	(1,164)	523	(6,504)
Total	1,248	(115)	(2,738)	(1,605)	(449)	(1,312)	(3,366)

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****20. Provisions for labor, tax and civil contingencies (Continued)**

Labor – the Company and its subsidiaries are parties to labor proceedings mainly relating to overtime and respective social charges, health exposure premium, hazard pay, salary equality and inclusion of amounts in the claimant's salary. Based on the opinion of its legal counsel, and on the history of results in similar cases, management believes that the amounts provisioned are sufficient to cover probable losses.

In addition, the Company and its subsidiaries are involved in other legal proceedings of a civil and labor nature amounting to approximately R\$ 15,782, Company and consolidated, whose likelihood of success was assessed as possible in the opinion of its legal counsel and as such, required no provision to be made.

Ruling legislation

In accordance with current Brazilian tax legislation, federal, state and municipal taxes and social charges are subject to audit procedures by the respective authorities for periods varying from five to thirty years. Legislation in other countries in which the Company's subsidiaries operate provides for different periods of limitation.

21. Capital and reserves**21.1 Capital**

The Special Shareholders' Meeting (AGE) held on December 7, 2010 approved setting up of an authorized capital limit, and the Company was then authorized to increase its capital up to the limit of R\$ 500,000, regardless of amendments to its Articles of Incorporation, by resolution of the Company's Board of Directors.

On February 2, 2011, new common shares were issued under an initial public offering, set out as under:

On February 29, 2012, the Board of Directors approved capital increase in the amount of R\$ 65,000 upon partial capitalization of the capital reserve without issuance of new shares.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****21. Capital and reserves (Continued)****21.1 Capital (Continued)**

	Shares	Capital
	(In thousands)	R\$
Balance at December 31, 2010	78,248	21,358
Share issue in 2011	10,294	19,559
Balance at June 30, 2011	<u>88,542</u>	<u>40,917</u>
Balance at December 31, 2011	88,542	40,917
Capital increase with capital reserve capitalization	-	65,000
Balance at June 30, 2012	<u><u>88,542</u></u>	<u><u>105,917</u></u>

21.2 Capital reserve

The capital reserve was initially set up due to the corporate restructuring in 2007, matched against the merged net assets, and represents the value of the future tax benefit to be awarded from the amortization of the merged goodwill. The special goodwill reserve portion corresponding to the benefit may be capitalized to the benefit of shareholders at the end of each financial year through the issue of new shares, as provided by CVM Ruling No 319/99.

The corporate events which gave rise to the capital reserve in connection with the Company's restructuring are as follows:

- a) On November 8, 2007, the Company issued 3,203,808 new registered common shares on behalf of BRICS, with no par value, for the total issue price of R\$50,000. Out of this total, R\$ 25,000 were paid in on the occasion by BRICS, R\$2,500 of which were allocated for capital increase, and R\$22,500 for setting up of the capital reserve;
- b) As of June 1, 2008, BRICS was merged into the Company. The merged net assets comprised the goodwill paid on acquisition of the investment in the Company, based on future profitability, net of the provision set forth by CVM Ruling No 319/99, in the amount of R\$13,935.

Once BRICS was merged out of existence, the equity interest in this company was transferred to FIGEAC.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****21. Capital and reserves (Continued)****21.2 Capital reserve**

- c) On November 18, 2008, FIGEAC paid in R\$ 12,500, allocated as follows: R\$1,250 for capital increase and R\$11,250 for setting-up of the capital reserve, plus monetary adjustment incurred amounting to R\$1,559.
- d) On November 6, 2009, FIGEAC paid in the remaining R\$12,500, allocated as follows: R\$1,250 for capital increase and R\$11,250 for setting-up of the capital reserve, plus monetary adjustment incurred for R\$2,990.
- e) On December 1, 2009, FIGEAC was merged into the Company, and the merged net assets comprised of goodwill paid on acquisition of the investment in the Company, was based on future profitability, net of the provision set forth by CVM Ruling No 319/99, in the amount of R\$7,535.

Tax credits resulting from the special goodwill reserve set up upon the merger of BRICS and FIGEAC are set out in Note 11.

Also, on February 2, 2011, in the initial public offering net funds of R\$182,009 were raised, R\$ 167,067 of which were recognized as capital reserve, net of the public offering costs amounting to R\$13,579 (R\$8,962, net of tax effects). Of this total, R\$ 10,663 refers to the payment of bank and brokerage fees, and the remainder is for the payment of legal, consulting, audit fees and other costs.

At September 30, 2011, the Company recorded a complement to the reserve for public offering costs amounting to R\$ 550 (R\$ 363, net of tax effects), and this net amount was reduced from capital reserve.

In addition, after the implementation of the Stock Option Plan, the Company set up a Granted Options Reserve, as described in Note 33.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****21. Capital and reserves (Continued)****21.3 Reserves and retained earnings**Legal reserve

Set up at 5% of the net income for the year, under the terms of Law No. 6404/76, article 193, as amended (“Brazilian Corporation Law”) up to limit of 20% of the capital.

Reserve for investments

Reserve for investments in research and development (R&D) of new products, based on the capital budget prepared by Management and approved in the Annual Shareholders’ Meeting. The balance at June 30, 2012 is R\$ 2,683 (R\$ 2,683 at December 31, 2011).

Retained profit

The retained profits reserve was set up under the terms of article 196 of Law No 6404/76, for use in future investments. The 2011 retention, in the amount of R\$ 94,541, is based on capital budget prepared by management and approved in the Annual Shareholders’ Meeting held on April 24, 2012.

22. Paid and proposed dividends and interest on equity

In accordance with the Company’s Articles of Incorporation, amended at December 7, 2010, the shareholders are entitled to a mandatory minimum dividend, equivalent to 25% of the net income for the year, adjusted by the legal reserve set up, as prescribed by Brazilian Corporation Law. Interest on equity, when calculated, is considered allocation of profit for determining the minimum dividend to be paid out.

Also, at January 6, 2011, the Board of Directors approved, ad referendum of the Company Annual Shareholders’ Meeting, a payout of interim dividends, based on the balance sheet as of September 30, 2010, totaling R\$ 28,026, and Company-issued shares started to be traded “ex-dividend” as from January 6, 2011. Payment of dividends took place on April 20, 2011.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****22. Paid and proposed dividends and interest on equity**
(Continued)

At June 30, 2012, in order to comply with relevant tax rules, the Company recognized interest on equity amounting to R\$ 11,322 (R\$17,868 at December 31, 2011) matched against “financial expenses”. For purposes of preparing these financial statements, such interest was reversed from net income against retained earnings, as determined by applicable accounting practices. Withholding income tax at 15% was paid on such interest amount, except for shareholders confirmedly tax exempt or tax immune, or shareholders domiciled in countries or jurisdictions of which legislation establishes a different tax rate. Payment is scheduled for July 31, 2012, as decided by the Board of Directors’ Meeting of June 29, 2012, and Company shares are to be traded ex rights in relation to interest on equity as from July 2, 2012. Interest on equity credited in the period represent advance on minimum mandatory dividends.

23. Earnings per share

In accordance with CPC 41 (IAS 33) (approved by CVM Rule No. 636 – Earnings per Share), the Company discloses the following information about earnings per share for the six-month period ended June 30, 2012 and 2011.

Basic earnings per share is reached after dividing the net income for the year, attributed to the Company common shareholders, by the weighted average of common shares available during the year.

Diluted earnings per share is reached after dividing the net income attributed to Company common shareholders, by the weighted average of common shares available during the year, plus the weighted average number of common shares that would be issued upon conversion of all potential diluted common shares into common shares. The Company holds diluted common shares related to stock option, which did not reflect in the computation of earnings per share for the period.

The table below presents the net income and share information used in calculating basic and diluted earnings per share:

	<u>6/30/2012</u>	<u>6/30/2011</u>
	<u>Common</u>	<u>Common</u>
	<u>shares</u>	<u>shares</u>
Net income for the period (in thousands of reais)	36,615	38,767
Weighted average of shares issued (in thousands)	88,542	86,665
Earnings per share – basic and diluted – R\$	<u>0.41</u>	<u>0.45</u>

There were no other transactions involving common shares or potential common shares between the balance sheet date and the date on which these financial statements were concluded.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****24. Net operating revenue**

Net operating revenue is broken down as follows:

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Gross operating revenue				
Domestic market	383,094	311,052	450,313	348,626
Foreign market	15,219	21,137	17,242	19,732
Sales returns	(11,403)	(8,974)	(18,863)	(11,735)
Sales taxes	(69,928)	(56,654)	(87,863)	(65,788)
Net operating income	<u>316,982</u>	<u>266,561</u>	<u>360,829</u>	<u>290,835</u>

25. Segment information

The Company has only one operational segment defined as footwear, bags and accessories. The Company is organized, and has its performance evaluated as a single business unit for operating, commercial, managerial and administrative purposes.

This view is supported by the following factors:

- there is no segregation in its structure for the management of different product lines, brand names or sale distribution channels;
- its manufacturing unit operates under more than one brand name and through more than one sale distribution channel;
- the strategic decisions of the Company are based on studies that indicate market opportunities and not only on performance by product, brand name or channel.

The Company products are distributed under different brand names (Arezzo, Schutz, Anacapri and Alexandre Birman) and through different channels (franchises, multi-brand and own stores), however, they are controlled and managed by Management as a single business segment, and the results therefrom are followed up, monitored and analyzed in an integrated manner.

For management purposes, Company management monitors the consolidated gross revenue by brand name and sale distribution channel, set out as under:

Brand name	Consolidated	
	6/30/2012	6/30/2011
Gross revenue	<u>467,555</u>	<u>368,358</u>
Arezzo – domestic market	285,559	240,290
Schutz – domestic market	144,993	96,512
Other	19,761	11,824
Foreign market	17,242	19,732

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****25. Segment information (Continued)**

Channel	Consolidated	
	6/30/2012	6/30/2011
Gross revenue	467,555	368,358
Franchises	209,345	179,380
Multi-brand stores	129,755	107,808
Own stores	104,690	58,684
Other	6,523	2,754
Foreign market	17,242	19,732

Revenue from foreign market is not segregated by geographic area since it represents 4% of the consolidated gross revenue at June 30, 2012.

There are no customers individually accountable for more than 5% of the sales on both domestic and foreign markets.

26. Expenses by nature

The Company opted to present the consolidated income statement by function. In accordance with the IFRS, the consolidated income statement by nature is detailed as follows:

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Expenses by function				
Cost of sales	(199,344)	(170,162)	(203,721)	(168,682)
Selling expenses	(39,426)	(31,489)	(76,818)	(52,000)
General and administrative expenses	(26,420)	(21,955)	(27,201)	(23,390)
Other operating income (expenses), net	(7,730)	421	(6,846)	421
	<u>(272,920)</u>	<u>(223,185)</u>	<u>(314,586)</u>	<u>(243,651)</u>
Expenses by nature				
Depreciation and amortization	(1,541)	(917)	(3,166)	(1,840)
Personnel expenses	(28,489)	(22,634)	(52,990)	(41,842)
Raw material & store and supplies	(201,661)	(172,050)	(206,038)	(170,570)
Freight	(6,057)	(5,223)	(6,859)	(5,496)
Other operating expenses	(35,172)	(22,361)	(45,640)	(23,903)
	<u>(272,920)</u>	<u>(223,185)</u>	<u>(314,693)</u>	<u>(243,651)</u>

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****27. Financial risk management objectives and policies****a) Currency risk**

Income from the Company's and its subsidiaries' operations is subject to US Dollar currency risk due to the fact that portion of sales revenues are linked to this currency. To minimize foreign exchange risk nearly all exports have financing pegged to that currency.

At June 30, 2012 and December 31, 2011, the amount of net exposure to US Dollar is broken down into:

	Consolidated	
	6/30/2012	12/31/2011
Accounts receivable	10,024	16,365
Loans and financing	(21,540)	(16,909)
Trade accounts payable	(347)	(298)
Net exposure	<u>(11,863)</u>	<u>(842)</u>

With a view to analyzing the sensitivity of Company assets and liabilities in foreign currency exposed to currency risk as of June 30, 2012, three different scenarios were defined, and a sensitivity analysis of the effects of currency exchange rate fluctuations was performed.

The following table presents the three scenarios, and the probable scenario is the one adopted by the Company. These scenarios were defined based on management's expectation regarding the effects of foreign currency rate fluctuations at the maturity dates of the respective contracts subject to such risk.

Further to this scenario, CVM Ruling No. 475, dated December 17, 2008 ("CVM Ruling 475"), requires the presentation of another two scenarios applying depreciation at 25% and 50% of the risk variable under analysis. These scenarios are presented in accordance with CVM rules.

Transaction	Currency	Probable scenario (Book value)	Scenario A	Scenario B
Currency rate valuation				
Foreign currency accounts receivable	R\$	10,024	12,530	15,036
Foreign currency loans and financing	R\$	(21,540)	(26,925)	(32,310)
Foreign currency trade accounts payable	R\$	(347)	(434)	(521)
Rate valuation at			25%	50%
Foreign currency rate reference US Dollar		2.02	2.53	3.03
Effect on income before taxes	R\$		<u>(2,966)</u>	<u>(5,932)</u>

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****27. Financial risk management objectives and policies (Continued)**a) Currency risk (Continued)

In November 2011, the Company entered into a derivative hedging instrument in the amount of US\$ 1,500 thousand with a view to reducing currency exposure on its export sales operations, considering the value of portfolio orders. On June 11, 2012, the Company settled the hedging financial instrument.

	<u>6/30/2012</u> USD (thousand)	<u>12/31/2011</u> USD (thousand)
Forward – Sale Agreement	-	1,500

Adjustments arising from derivative instruments would have the following effects:

<u>Derivative financial instruments</u>	<u>6/30/2012</u>	<u>12/31/2011</u>
Amount payable due to loss (fair value)	-	(8)

<u>Income Statements</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Net loss, recognized as financial expenses	(156)	-

The fair value of derivatives was calculated using official quotes for forward US dollar, by reference to the quote for the first forward dollar before and after the maturity of the derivative instrument at the yearend closing date. The weighted average of forward rates was calculated based on such data, so as to estimate the fair value of the transaction at each financial period.

b) Interest rate risk

The Company is exposed to risks related to interest rates due to contracted loan agreements linked to the TJLP. The rates incurred are stated in Note 16.

At June 30, 2012, loans and financing break down as follows in relation to interest rates:

	<u>Consolidated</u>	
	<u>6/30/2012</u>	<u>%</u>
Fixed interest	21,673	42.40
TJLP-based interest	29,444	57.60
	<u>51,117</u>	<u>100.00</u>

With a view to analyzing the sensitivity of changes in index rates in relation to Company loans and financing exposed to interest rate risk at June 30, 2012, three different scenarios were defined, and a sensitivity analysis of the effects of changes in the index rates of such instruments was performed.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****27. Financial risk management objectives and policies (Continued)****b) Interest rate risk (Continued)**

The following table presents the three scenarios, and the probable scenario is the one adopted by the Company. Based on the long-term interest rate (TJLP) at June 30, 2012, the probable scenario was defined for 2012 together with the 25% and 50% variations as required by CVM Ruling No. 475.

Gross financial expense was calculated for each scenario not taking into consideration tax levy and the maturity flow of each contract. The reporting date used for financing was June 30, 2012, having the index rates forecast for a year and the respective sensitivity analyzed in each scenario.

Transaction	Currency	Probable scenario (Book value)	Scenario A	Scenario B
Increase in financial expenses				
Financing – TJLP	R\$	1,546	1,932	2,319
		1,546	1,932	2,319
Rate valuation at			25.00%	50.00%
Reference for financial liabilities		6.00%	7.50%	9.00%
TJLP				

c) Financial instruments

The Company and its subsidiaries hold financial instruments. The market values of these assets and liabilities do not differ substantially from those recorded in the interim financial statements.

Financial instruments that potentially subject the Company to the concentration of credit risk mainly comprise bank balances, short-term investments, accounts receivable as well as loans and financing agreements.

The Company and its subsidiaries adopt the policy of investing funds with top-tier banks and in short-term highly liquid investments with low levels of risk exposure.

The Company uses ACCs and NDFs as its major financial instruments to hedge against risks related to volatility of foreign currency rates on sales of goods to the foreign market.

These instruments are contracted by establishing the amount of funds in dollar to be released in future at a fixed rate. In the period from the instrument contract date and the funds release date, the Company recognizes these instruments at market value. Although these instruments have been contracted for hedging purposes, hedge accounting is not used to record these transactions and therefore, their effects are recorded in the income statement, as financial income or expenses.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****27. Financial risk management objectives and policies (Continued)****c) Financial instruments (Continued)**

The criteria for measuring the fair value of derivative financial instruments is based on market curves of each derivative, adjusted to present value, at the measurement date. The methods and assumptions take into consideration yield curve interpolation, as in the case of USD and Euro, and according to each market in which the Company is exposed.

Due to fluctuation in market rates, these amounts may change up to the maturity or early settlement of the transactions.

The Company did not have any financial instruments that had not been accounted for as at June 30, 2012 and December 31, 2011.

d) Credit risk

This risk arises from difficulty in collection of trade accounts receivable for goods sold and services rendered.

The Company and its subsidiaries are also subject to credit risk from short-term investments.

Trade accounts receivable are mainly denominated in reais and are spread across various customer accounts. In order to reduce credit risk the Company makes an individual analysis when acquiring new customers but, as a market practice, it only requires advance payment of receivables from customers that are considered high risk. There are no customers that represent more than 5% of the accounts receivable at June 30, 2012 and December 31, 2011. The Company's management monitors the trade accounts receivable risks through the recording of an allowance for doubtful accounts.

With respect to credit risk associated with financial institutions, the Company and its subsidiaries endeavor to avoid risk concentration and operate with diverse top-tier financial institutions.

e) Liquidity risk

Liquidity risk is defined as the possibility that the Company and its subsidiaries will not have sufficient funds to honor their commitments given the different currencies and settlement terms of their rights and obligations.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****27. Financial risk management objectives and policies (Continued)**e) Liquidity risk (Continued)

Cash flow and liquidity control of the Company and its subsidiaries is monitored daily by the Company governance areas so as to ensure cash generation from operating activities and preliminary fund raising, when needed, are sufficient to cover their scheduled commitments, thereby not exposing the Company and its subsidiaries to liquidity risk. The expected cash outflows of Company are as follows:

	Projection including future interest			Total
	Up to 1 year	From 1 to 5 years	More than 5 years	
Loans and financing	26,853	18,737	11,731	57,321

f) Capital management

The objective of the Company capital management is to maintain a solid credit rating with the institutions as well as optimal capital ratio to support the Company businesses and maximize value to shareholders.

The Company controls its capital structure by making adjustments, conforming to current economic conditions. The procedures adopted to maintain an adjusted structure include dividends payouts, returns to shareholders, new borrowings, issue of debentures, issue of promissory notes and engaging in transactions involving derivatives. There have been no changes to the capital structure objectives, policies or processes since the year ended December 31, 2008.

The Company includes in its net debt structure: loans and financing less cash, cash equivalents and short-term investments.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****28. Financial income and expenses**

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Financial income:				
Interest income	589	472	591	486
Income from short-term investments	8,055	7,960	8,062	7,975
Other	773	908	955	811
	<u>9,417</u>	<u>9,340</u>	<u>9,608</u>	<u>9,272</u>
Financial expenses:				
Bank charges	(947)	(743)	(1,070)	(779)
Financing interest	(938)	(710)	(946)	(823)
Credit card administration charge	(122)	(69)	(1,853)	(1,019)
Interest on overdue payments	(141)	(51)	(389)	(185)
Notary fees	(569)	(207)	(569)	(207)
Other	(863)	(1,290)	(1,037)	(1,225)
	<u>(3,580)</u>	<u>(3,070)</u>	<u>(5,864)</u>	<u>(4,238)</u>
Foreign exchange gains (losses), net:				
Gains	1,043	343	1,066	489
Losses	(1,356)	(1,041)	(1,615)	(1,041)
	<u>(313)</u>	<u>(698)</u>	<u>(549)</u>	<u>(552)</u>
Total	<u>5,524</u>	<u>5,572</u>	<u>3,195</u>	<u>4,482</u>

29. Other operating income (expenses), net

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Termination expenses (i)	(8,000)	-	(8,000)	-
Franchise fees	249	200	249	200
Recovery of expenses	21	184	30	184
Sundry revenue	-	37	4	37
Proceeds (loss) from disposal of PPE and intangible assets	-	-	871	-
	<u>(7,730)</u>	<u>421</u>	<u>(6,846)</u>	<u>421</u>

- (i) On January 21, 2012, the Company terminated an agreement entered into with Star Export Assessoria e Exportação Ltda., which provided assistance and technical support services for engagement and inspection of independent plants and studios engaged in manufacturing certain products. Within the referred to termination scope, the Company made a payment in the amount of R\$ 8,000. On that same date, the Company entered into an agreement with another company having same technical qualification and providing services of similar nature, but upon different business conditions, in order to reduce operating costs related to provision of services, and maintaining the same quality of the services provided.

Notes to quarterly information

Arezzo Indústria e Comércio S.A.

30. Operating lease agreements - store lease

At June 30, 2012, the Company had entered into lease agreements with third parties. Such agreements were reviewed by management who concluded that they could be classified as operating lease agreements.

Non-cancellable future minimum lease payments are set out as follows:

	Minimum payments 6/30/2012 (Consolidated)
Up to one year	16,760
From one to five years	49,151

The average monthly expense with lease payments is R\$ 1,004 (R\$ 980 in 2011). The effective terms of the referred to lease agreements range between four and five years, subject to financial charges based on the annual IGPM variation, as specified in each agreement.

At June 30, 2012, lease expenses, net of taxes recoverable, totaled R\$ 6,024 (R\$ 5,880 at June 30, 2011). The "Lease payable" balance is R\$ 1,396 (R\$ 1,104 at December 31, 2011).

A substantial portion of lease agreements is related to the billing of stores, with a minimum established amount. In addition, the agreement grace period is not significant to meet the expected expense alignment.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****31. Transactions not involving Cash and Cash Equivalents**

On February 1, 2012, the Company merged the subsidiaries ZZAF, Allmaness, Schutz Shoes and Shoes for U (see Note 1 – Corporate restructuring).

The merged balances comprise transactions that do not involve cash and are broken down as follows:

<u>Description</u>	<u>Company</u> <u>6/30/2012</u>
Assets	
Short-term investments	125
Trade accounts receivable	577
Inventories	3,343
Taxes recoverable	623
Other receivables	111
Related parties	122
Property, plant and equipment, net	731
Intangible assets	7
Liabilities	
Trade accounts payable	246
Tax and social security liabilities	26
Labor liabilities	348
Other payables	40
Related parties	507
Provision for risks	104

32. Insurance coverage

The Company and its subsidiaries have insurance coverage with top-tier insurance companies in Brazil, which takes into consideration the nature and degree of risk involved. At June 30, 2012, the Company had insurance coverage against fire and miscellaneous risks on its property, plant and equipment items and inventories at amounts considered sufficient by management to cover possible losses, as follows:

<u>Insured assets</u>	<u>Insured perils</u>	<u>Insured amount</u> <u>– R\$</u>
Inventories and property, plant and equipment	Fire	93,676
	Civil liability	6,554

The scope of our independent auditors work does not include expressing an opinion on the sufficiency of the insurance cover, which was determined and considered by the Company management to be sufficient to cover any losses.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****33. Stock option plan**

In the Special Shareholders' Meeting held on May 25, 2012, the Company's shareholders approved a Stock Option Plan for management, employees and service providers of the Company and other companies under its control, effective as from that same date. The Stock Option Plan is managed by the Board of Directors, which may set up a management committee for the Stock Option Plan, at its sole discretion.

The Stock Option Plan is limited to up to 5% of the Company's diluted shares. Diluted shares correspond to the percentage of the maximum number of shares that guarantees the option plan shares by total quantity of shares issued by the Company.

In the Board of Directors meeting held on May 28, 2012, the first stock option was granted within the referred to Plan scope. Total shares comprised in the first Stock Option grant amounted to 386,404 – 68,231 belonging to Lot I and 318,173 to Lot II.

Under the Stock Option Plan, shares of Lot I granted to that Plan participants: (i) will be effective on the first business day subsequent to the respective granting date; (ii) must be taken within 30 days, as from the date they are granted; and (iii) shares from the referred to Plan may not be traded during the trading prohibition period of 3 years, as from the granting date. If, before the above-mentioned trading prohibition period, the participant voluntarily terminates his/her employment contract with the Company, relinquishing his/her management position, or terminating his/her service agreement, or upon Company's decision, through dismissal for cause, destitution from position due to violation of management duties and attributions, or termination of service agreement, the Company may repurchase the shares from the referred Plan for the price paid by the Stock Option Plan participant.

Stock Option Plan participants may purchase Lot II shares within the period of 3 years as from the date they become available. The vesting period will be up to 3 years for each release, in the following proportion: 25% as from the first year from the respective granting date, 25% as from the second year from the respective granting date, and 50% as from the third year from the respective granting date.

On June 11 and 13, 2012, the Company delivered to participants the Private Instrument of Granting of options for subscription of shares and the Stock Option Plan conditions. That instrument must be signed and returned to the Company within 30 days, together with notice of purchase of Lot I shares, and receipt of transfer of funds relating to Lot I shares, when applicable. In case one of these events is not completed within the stipulated period, the respective participant is not eligible to the Stock Option Plan.

The price under the referred to Plan is R\$ 20.856948048 per share, equivalent to the average of 90 closing price quotation of the Company's shares at the Brazilian Stock Exchange (BM&FBovespa), prior to granting approval, plus 30% discount.

Notes to quarterly information**Arezzo Indústria e Comércio S.A.****33. Stock Option Plan (Continued)**

At June 30, 2012, eligible participants failed to meet all mandatory events necessary to purchase shares under the Stock Option Plan, since it is necessary to execute the contract, deliver the respective notice and make the deposit. After June 30, 2012, but before the date of approval of these interim financial statements, the Stock Option Plan was completed, and all initial conditions were met, the eligible participants submitted their respective approval by formalizing Grating Instruments and, when applicable, notice of purchase of Lot I shares and the corresponding transfer of funds. Below is the Stock Option Plan breakdown by vesting period:

Vesting period as from grating date	% of shares released for purchase	Maximum number of shares
Up to 30 days from granting date	17%	45,059
As from first year	21%	55,819
As from second year	21%	55,819
As from third year	41%	111,638
Total		268,334

Pursuant to IFRS 2/ CPC 10, the Company calculated the fair value of the shares granted. The amount was calculated based on the vesting periods above. Within the period completed on June 30, 2012, the Company recorded the amount of R\$ 107 referring to stock option plan expenses recognized in income statements as contra entry for equity in a capital reserve specific account. The model used for pricing shares purchased under the stock option plan is the Black & Scholes method. In determining fair value of those shares, the following assumptions were used:

Lot	1 st Grant June/2012	
	I	II
Number of shares		
1 st Maturity date	68,231	79,543
2 nd Maturity date	N/A	79,543
3 rd Maturity date	N/A	159,087
Price – Stock Option Plan (R\$)	20.86	20.86
Fair value per share – (R\$)		
1 st Maturity date	6.66	9.05
2 nd Maturity date	N/A	11.33
3 rd Maturity date	N/A	13.32
Dividend yield	-	-
Price volatility of the share	40.36%	40.36%
Risk-free interest rate		
1 st Maturity date	8.50%	7.81%
2 nd Maturity date	N/A	8.59%
3 rd Maturity date	N/A	9.35%
Expected period until due date – (calendar days)		
1 st Maturity date	30	365
2 nd Maturity date	N/A	730
3 rd Maturity date	N/A	1,095

REPORT ON REVIEW OF QUARTERLY INFORMATION

To Shareholders, Board of Directors and Management of
Arezzo Indústria e Comércio S.A.
Belo Horizonte – MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Arezzo Indústria e Comércio S.A. for the quarter ended June 30, 2012, comprising the balance sheet at June 30, 2012, and the related income statements for the quarter and six-month period then ended, and the related statements of changes in equity and cash flow statements for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim individual financial information in accordance with CPC 21 – Interim Financial Reporting and the interim consolidated financial information pursuant to CPC 21 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as for the fair presentation of such information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários – CVM*) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statement of value added (SVA) for the six-month period ended June 30, 2012, which were prepared by the Company's management and the presentation of which in the interim financial information is required by rules issued by the Brazilian Securities and Exchange Commission (CVM), and as supplementary information by IFRS, which do not require SVA presentation. These statements were submitted to the same procedures described above and, based on our review, we are not aware of any fact that causes us to believe that they are not presented fairly, in all material respects, in relation to the overall individual and consolidated interim financial statements.

Porto Alegre, July 30, 2012.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6/F/MG

Américo F. Ferreira Neto
Accountant CRC-1SP192685/O-9/C/MG