Contents

Company Data / Capital Breakdown

Number of Shares (In thousands)	Current Quarter 03/31/2014
Paid-in Capital	
Common Shares	88,637
Preferred Shares	0
Total	88,637
Treasury Shares	
Common Shares	0
Preferred Shares	0
Total	0

Company Data / Cash Proceeds

Event	Approval	Type	First Payment	Type of Share	Class of Share	Earnings per Share (Reais / Share)
Board of Directors' Meeting	07/30/2012	Interest on Equity (IOE)	01/30/2014	Common		0.09994

Individual Interim Financial Statements / Balance Sheet - Assets

(In thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2014	Prior Year 12/31/2013
1	Total Assets	699,079	636,236
1.01	Current Assets	491,117	431,665
1.01.01	Cash and Cash Equivalents	8,780	8,761
1.01.02	Short-term Investments	186,346	154,119
1.01.02.01	Short-term Investments Measured at Fair Value	186,346	154,119
1.01.02.01.03	Short-term Investments Measured at Fair Value	186,346	154,119
1.01.03	Accounts Receivable	227,164	214,256
1.01.03.01	Trade Accounts Receivable	227,164	214,256
1.01.04	Inventories	40,032	29,845
1.01.06	Taxes Recoverable	16,827	14,253
1.01.06.01	Current Taxes Recoverable	16,827	14,253
1.01.08	Other Current Assets	11,968	10,431
1.01.08.03	Other	11,968	10,431
1.02	Noncurrent Assets	207,962	204,571
1.02.01	Long-term Receivables	29,524	26,297
1.02.01.06	Deferred Taxes	5,883	4,800
1.02.01.06.01	Deferred Income and Social Contribution Taxes	5,883	4,800
1.02.01.08	Receivables from Related Parties	17,870	15,186
1.02.01.08.02	Receivables from Subsidiaries	17,870	15,186
1.02.01.09	Other Noncurrent Assets	5,771	6,311
1.02.01.09.04	Judicial Deposits	4,548	4,676
1.02.01.09.05	Other Receivables	1,223	1,635
1.02.02	Investments	127,215	130,296
1.02.02.01	Equity Interests	127,215	130,296
1.02.02.01.02	Investments in Subsidiaries	127,215	130,296
1.02.03	Property, Plant and Equipment	20,850	21,748
1.02.03.01	Property, Plant and Equipment in Use	20,850	21,748
1.02.04	Intangible Assets	30,373	26,230
1.02.04.01	Intangible Assets	30,373	26,230
1.02.04.01.02	Trademarks and Patents	2,665	2,655
1.02.04.01.03	Store Use Rights	1,078	1,078
1.02.04.01.04	System Use Rights	26,630	22,497

Individual Interim Financial Statements / Balance Sheet - Liabilities

(In thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2014	Prior Year 12/31/2013
2	Total Liabilities	699,079	636,236
2.01	Current Liabilities	126,354	89,265
2.01.01	Social and Labor Liabilities	7,817	9,968
2.01.01.01	Social Liabilities	1,599	1,782
2.01.01.02	Labor Liabilities	6,218	8,186
2.01.02	Trade Accounts Payable	69,131	28,072
2.01.02.01	Domestic Trade Accounts Payable	69,131	28,055
2.01.02.02	Foreign Trade Accounts Payable	0	17
2.01.03	Tax Liabilities	14,353	5,889
2.01.03.01	Federal Tax Liabilities	14,287	5,807
2.01.03.01.01	Income and Social Contribution Taxes Payable	9,684	0
2.01.03.01.02	Other Federal Tax Liabilities	4,603	5,807
2.01.03.02	State Tax Liabilities	58	74
2.01.03.03	Local Tax Liabilities	8	8
2.01.04	Loans and Financing	32,549	34,350
2.01.04.01	Loans and Financing	32,549	34,350
2.01.04.01.01	In Local Currency	7,775	6,572
2.01.04.01.02	In Foreign Currency	24,774	27,778
2.01.05	Other Liabilities	2,504	10,986
2.01.05.02	Other	2,504	10,986
2.01.05.02.01	Dividends and IOE Payable	0	7,598
2.01.05.02.04	Other	2,504	3,388
2.02	Noncurrent Liabilities	39,495	32,429
2.02.01	Loans and Financing	26,273	22,303
2.02.01.01	Loans and Financing	26,273	22,303
2.02.01.01.01	In Local Currency	26,273	22,303
2.02.02	Other Liabilities	1,079	1,165
2.02.02.02	Other	1,079	1,165
2.02.02.02.03	Other	1,079	1,165
2.02.04	Provisions	12,143	8,961
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Contingencies	4,744	3,849
2.02.04.01.02	Provisions for Social Security and Labor Contingencies	1,862	2,162
2.02.04.01.04	Provisions for Civil Contingencies	480	502
2.02.04.01.05	Provisions for Tax Contingencies	2,402	1,185
2.02.04.02	Other Provisions	7,399	5,112
2.02.04.02.04	Provision for Investment Losses	7,399	5,112
2.03	Equity	533,230	514,542
2.03.01	Paid-in Capital	219,186	157,186
2.03.02	Capital Reserves	67,543	128,288
2.03.02.02	Special Reserve for Goodwill on Merger	21,470	21,470
2.03.02.04	Stock Options Granted	5,963	4,708
2.03.02.07	Issue of Shares	40,110	102,110
2.03.04	Income Reserves	229,068	229,068
2.03.04.01	Legal Reserve	18,555	18,555
2.03.04.05	Retained Profits Reserve	186,936	186,936
2.03.04.07	Tax Incentive Reserve	2,683	2,683

Individual Interim Financial Statements / Balance Sheet - Liabilities

(In thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2014	Prior Year 12/31/2013
2.03.04.08	Additional Dividends Proposed	20,894	20,894
2.03.05	Retained Earnings/Accumulated Losses	17,433	0

Individual Interim Financial Statements / Income Statement

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
3.01	Revenue from Sales of Goods and/or Services	192,269	180,430
3.02	Costs of Sales and/or Services	-122,914	-115,733
3.03	Gross Profit	69,355	64,697
3.04	Operating Income (Expenses)	-44,834	-38,564
3.04.01	Selling Expenses	-20,556	-18,835
3.04.02	General and Administrative Expenses	-18,147	-17,325
3.04.04	Other Operating Income	0	555
3.04.05	Other Operating Expenses	-763	0
3.04.06	Equity Pickup	-5,368	-2,959
3.05	Income Before Financial Income (Expenses) and Taxes	24,521	26,133
3.06	Financial Income (Expenses)	4,171	3,401
3.06.01	Financial Income	5,454	4,772
3.06.01.01	Financial Income	5,454	4,285
3.06.01.02	Exchange Gains	0	487
3.06.02	Financial Expenses	-1,283	-1,371
3.06.02.01	Financial Expenses	-1,218	-1,371
3.06.02.02	Exchange Losses	-65	0
3.07	Income Before Income Taxes	28,692	29,534
3.08	Income and Social Contribution Taxes	-11,259	-10,168
3.08.01	Current	-12,342	-10,468
3.08.02	Deferred	1,083	300
3.09	Net Income from Continuing Operations	17,433	19,366
3.11	Income/Loss for the Period	17,433	19,366
3.99	Earnings per Share (Reais/Share)		
3.99.01	Basic Earnings per Share		
3.99.01.01	Registered Common Shares	0.19668	0.21861
3.99.02	Diluted Earnings per Share		
3.99.02.01	Registered Common Shares	0.19630	0.21830

Individual Interim Financial Statements / Statement of Comprehensive Income

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
4.01	Net Income for the Period	17,433	19,366
4.03	Comprehensive Income for the Period	17,433	19,366

Individual Interim Financial Statements / Cash Flow Statement - Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
6.01	Net Cash from Operating Activities	39,416	39,871
6.01.01	Cash from Operations	32,148	34,602
6.01.01.01	Income Before Income and Social Contribution Taxes	28,692	29,534
6.01.01.02	Depreciation and Amortization	1,439	1,305
6.01.01.03	Income from Disposal of Permanent Assets	-223	2,671
6.01.01.04	Equity Pickup	5,368	2,959
6.01.01.05	Provision for Labor, Tax and Civil Contingencies	895	1,035
6.01.01.06	Interest and Exchange Variation	-1,312	-428
6.01.01.07	Short-term Investment Yield, net of Withholding Income Tax	-4,092	-2,941
6.01.01.09	Supplement of Provision for Inventory Losses	126	127
6.01.01.10	Stock Option Plan	1,255	340
6.01.02	Changes in Assets and Liabilities	9,609	8,932
6.01.02.01	Trade Accounts Receivable	-12,908	-17,283
6.01.02.02	Inventories	-10,313	-4,248
6.01.02.03	Changes in Other Current Assets	-1,125	-1,569
6.01.02.04	Taxes Recoverable	-2,574	-1,623
6.01.02.05	Judicial Deposits	128	629
6.01.02.07	Trade Accounts Payable	41,059	37,751
6.01.02.08	Labor Liabilities	-1,968	-4,060
6.01.02.09	Tax and Social Liabilities	-1,720	-261
6.01.02.10	Changes in Other Current Liabilities	-970	-404
6.01.03	Other	-2,341	-3,663
6.01.03.01	Income and Social Contribution Taxes Paid	-2,341	-3,663
6.02	Net Cash from Investing Activities	-32,596	-22,582
6.02.01	Additions to PP&E and Intangible Assets	-6,084	-8,032
6.02.02	Disposal of PP&E and Intangible Assets	1,623	0
6.02.03	Short-term Investments	-84,580	-81,980
6.02.04	Redeemed Short-term Investments	56,445	67,430
6.03	Net Cash from Financing Activities	-6,801	-17,665
6.03.01	Loans Taken Out	10,121	2,080
6.03.02	Repayment of Loans	-6,286	-7,939
6.03.03	Interest Paid on Loans	-354	-341
6.03.04	Receivables from (Payables to) Related Parties. Except Shareholders	-2,684	-2,520
6.03.05	Interest on Equity	-7,598	-8,945
6.05	Increase (Decrease) in Cash and Cash Equivalents	19	-376
6.05.01	Cash and Cash Equivalents at Beginning of Period	8,761	6,771
6.05.02	Cash and Cash Equivalents at End of Period	8,780	6,395

Individual Interim Financial Statements / Statement of Changes in Equity / SCE - 01/01/2014 to 03/31/2014

(In thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening Balances	157,186	128,288	229,068	0	0	514,542
5.03	Adjusted Opening Balances	157,186	128,288	229,068	0	0	514,542
5.04	Capital Transactions with Shareholders	62,000	-60,745	0	0	0	1,255
5.04.01	Capital Increases	62,000	-62,000	0	0	0	0
5.04.03	Stock Options Granted and Recognized	0	1,255	0	0	0	1,255
5.05	Total Comprehensive Income	0	0	0	17,433	0	17,433
5.05.01	Net Income for the Period	0	0	0	17,433	0	17,433
5.07	Closing Balances	219,186	67,543	229,068	17,433	0	533,230

Individual Interim Financial Statements / Statement of Changes in Equity / SCE - 01/01/2013 to 03/31/2013

(In thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening Balances	106,857	173,498	173,544	0	0	453,899
5.03	Adjusted Opening Balances	106,857	173,498	173,544	0	0	453,899
5.04	Capital Transactions with Shareholders	0	340	0	0	0	340
5.04.03	Stock Options Granted and Recognized	0	340	0	0	0	340
5.05	Total Comprehensive Income	0	0	0	19,366	0	19,366
5.05.01	Net Income for the Period	0	0	0	19,366	0	19,366
5.07	Closing Balances	106,857	173,838	173,544	19,366	0	473,605

Individual Interim Financial Statements / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
7.01	Revenues	232,448	215,469
7.01.01	Sales of Goods, Products and Services	232,448	215,469
7.02	Inputs Acquired from Third Parties	-173,422	-165,361
7.02.01	Costs of Goods, Products and Services Sold	-155,793	-146,963
7.02.02	Materials, Electricity, Third-party Services and Other Expenses	-16,823	-17,722
7.02.04	Other	-806	-676
7.03	Gross Value Added	59,026	50,108
7.04	Retention	-1,439	-1,305
7.04.01	Depreciation, Amortization and Depletion	-1,439	-1,305
7.05	Net Value Added Generated	57,587	48,803
7.06	Value Added Received in Transfer	-1,884	2,368
7.06.01	Equity Pickup	-5,368	-2,959
7.06.02	Financial Income	4,249	4,772
7.06.03	Other	-765	555
7.07	Total Value Added to Be Distributed	55,703	51,171
7.08	Value Added Distributed	55,703	51,171
7.08.01	Personnel	14,108	12,738
7.08.01.01	Direct Compensation	11,031	10,883
7.08.01.02	Benefits	993	763
7.08.01.03	Unemployment Compensation Fund (FGTS)	1,037	920
7.08.01.04	Other	1,047	172
7.08.01.04.01	Employees’ Profit Sharing	-284	-199
7.08.01.04.02	Other	76	31
7.08.01.04.03	Stock Option Plan	1,255	340
7.08.02	Taxes, Charges and Contributions	23,060	16,809
7.08.02.01	Federal	22,883	19,002
7.08.02.02	State	-1,075	-2,291
7.08.02.03	Local	1,252	98
7.08.03	Debt Remuneration	1,102	2,258
7.08.03.01	Interest	447	753
7.08.03.02	Rental	1,024	887
7.08.03.03	Other	-369	618
7.08.03.03.01	Financial Expenses	-369	618
7.08.04	Equity Remuneration	17,433	19,366
7.08.04.03	Retained Earnings (Accumulated Losses) for the Period	17,433	19,366

Consolidated Interim Financial Statements / Balance Sheet - Assets

(In thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2014	Prior Year 12/31/2013
1	Total Assets	753,035	703,866
1.01	Current Assets	596,400	553,093
1.01.01	Cash and Cash Equivalents	10,973	13,786
1.01.02	Short-term Investments	196,580	171,905
1.01.02.01	Short-term Investments Measured at Fair Value	196,580	171,905
1.01.02.01.03	Short-term Investments Measured at Fair Value	196,580	171,905
1.01.03	Accounts Receivable	244,997	247,498
1.01.03.01	Trade Accounts Receivable	244,997	247,498
1.01.04	Inventories	102,756	85,108
1.01.06	Taxes Recoverable	24,775	19,188
1.01.06.01	Current Taxes Recoverable	24,775	19,188
1.01.08	Other Current Assets	16,319	15,608
1.01.08.03	Other	16,319	15,608
1.02	Noncurrent Assets	156,635	150,773
1.02.01	Long-term Receivables	16,743	15,116
1.02.01.01	Short-term Investments Measured at Fair Value	27	23
1.02.01.01.03	Short-term Investments Measured at Fair Value	27	23
1.02.01.06	Deferred Taxes	8,292	5,514
1.02.01.06.01	Deferred Income and Social Contribution Taxes	8,292	5,514
1.02.01.09	Other Noncurrent Assets	8,424	9,579
1.02.01.09.04	Judicial Deposits	6,061	6,622
1.02.01.09.05	Other Receivables	2,363	2,957
1.02.03	Property, Plant and Equipment	69,435	68,543
1.02.03.01	Property, Plant and Equipment in Use	69,435	68,543
1.02.04	Intangible Assets	70,457	67,114
1.02.04.01	Intangible Assets	70,457	67,114
1.02.04.01.02	Trademarks and Patents	2,787	2,778
1.02.04.01.03	Store Use Rights	40,653	41,495
1.02.04.01.04	System Use Rights	27,017	22,841

Consolidated Interim Financial Statements / Balance Sheet - Liabilities

(In thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2014	Prior Year 12/31/2013
2	Total Liabilities	753,035	703,866
2.01	Current Liabilities	175,809	143,860
2.01.01	Social and Labor Liabilities	13,900	16,892
2.01.01.01	Social Liabilities	2,832	3,324
2.01.01.02	Labor Liabilities	11,068	13,568
2.01.02	Trade Accounts Payable	74,259	34,859
2.01.02.01	Domestic Trade Accounts Payable	74,259	34,842
2.01.02.02	Foreign Trade Accounts Payable	0	17
2.01.03	Tax Liabilities	18,950	14,830
2.01.03.01	Federal Tax Liabilities	15,298	8,888
2.01.03.01.01	Income and Social Contribution Taxes Payable	9,684	542
2.01.03.01.02	Other Federal Tax Liabilities	5,614	8,346
2.01.03.02	State Tax Liabilities	3,642	5,908
2.01.03.03	Local Tax Liabilities	10	34
2.01.04	Loans and Financing	59,680	59,835
2.01.04.01	Loans and Financing	59,680	59,835
2.01.04.01.01	In Local Currency	23,511	20,311
2.01.04.01.02	In Foreign Currency	36,169	39,524
2.01.05	Other Liabilities	9,020	17,444
2.01.05.02	Other	9,020	17,444
2.01.05.02.01	Dividends and IOE Payable	0	7,598
2.01.05.02.04	Other	9,020	9,846
2.02	Noncurrent Liabilities	43,996	45,464
2.02.01	Loans and Financing	36,972	38,583
2.02.01.01	Loans and Financing	36,972	38,583
2.02.01.01.01	In Local Currency	36,972	38,583
2.02.02	Other Liabilities	1,434	2,038
2.02.02.01	Payables to Related Parties	355	873
2.02.02.01.03	Payables to Controlling Shareholders	355	873
2.02.02.02	Other	1,079	1,165
2.02.02.02.03	Other	1,079	1,165
2.02.04	Provisions	5,590	4,843
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Contingencies	5,590	4,843
2.02.04.01.02	Provisions for Social Security and Labor Contingencies	2,317	2,765
2.02.04.01.04	Provisions for Civil Contingencies	502	524
2.02.04.01.05	Provisions for Tax Contingencies	2,771	1,554
2.03	Equity (Consolidated)	533,230	514,542
2.03.01	Paid-in Capital	219,186	157,186
2.03.02	Capital Reserves	67,543	128,288
2.03.02.02	Special Reserve for Goodwill on Merger	21,470	21,470
2.03.02.04	Stock Options Granted	5,963	4,708
2.03.02.07	Issue of Shares	40,110	102,110
2.03.04	Income Reserves	229,068	229,068
2.03.04.01	Legal Reserve	18,555	18,555
2.03.04.05	Retained Profits Reserve	186,936	186,936
2.03.04.07	Tax Incentive Reserve	2,683	2,683

Consolidated Interim Financial Statements / Balance Sheet - Liabilities

(In thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2014	Prior Year 12/31/2013
2.03.04.08	Additional Dividends Proposed	20,894	20,894
2.03.05	Retained Earnings/Accumulated Losses	17,433	0

Consolidated Interim Financial Statements / Income Statement

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
3.01	Revenue from Sales of Goods and/or Services	213,425	201,039
3.02	Costs of Sales and/or Services	-121,364	-111,606
3.03	Gross Profit	92,061	89,433
3.04	Operating Income (Expenses)	-67,981	-63,382
3.04.01	Selling Expenses	-47,721	-45,299
3.04.02	General and Administrative Expenses	-19,324	-18,478
3.04.04	Other Operating Income	0	395
3.04.05	Other Operating Expenses	-936	0
3.05	Income Before Financial Income (Expenses) and Taxes	24,080	26,051
3.06	Financial Income (Expenses)	2,917	2,040
3.06.01	Financial Income	6,006	5,377
3.06.01.01	Financial Income	5,919	4,690
3.06.01.02	Exchange Gains	87	687
3.06.02	Financial Expenses	-3,089	-3,337
3.06.02.01	Financial Expenses	-3,089	-3,337
3.07	Income Before Income Taxes	26,997	28,091
3.08	Income and Social Contribution Taxes	-9,564	-8,725
3.08.01	Current	-12,342	-10,468
3.08.02	Deferred	2,778	1,743
3.09	Net Income from Continuing Operations	17,433	19,366
3.11	Consolidated Net Income for the Period	17,433	19,366
3.11.01	Attributable to Shareholders of Parent Company	17,433	19,366
3.99	Earnings per Share (Reais/Share)		
3.99.01	Basic Earnings per Share		
3.99.01.01	Registered Common Shares	0.19668	0.21861
3.99.02	Diluted Earnings per Share		
3.99.02.01	Registered Common Shares	0.19630	0.21830

Consolidated Interim Financial Statements / Statement of Comprehensive Income

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
4.01	Consolidated Net Income for the Period	17,433	19,366
4.03	Consolidated Comprehensive Income for the Period	17,433	19,366
4.03.01	Attributable to Shareholders of Parent Company	17,433	19,366

Consolidated Interim Financial Statements / Cash Flow Statement - Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
6.01	Net Cash from Operating Activities	33,882	34,432
6.01.01	Cash from Operations	27,022	29,858
6.01.01.01	Income Before Income and Social Contribution Taxes	26,997	28,091
6.01.01.02	Depreciation and Amortization	3,209	2,585
6.01.01.03	Gain (Loss) on Disposal of Permanent Assets	-47	653
6.01.01.05	Provision for Labor, Tax and Civil Contingencies	747	1,441
6.01.01.06	Interest and Exchange Variation	-953	10
6.01.01.07	Short-term Investment Yield, net of Withholding Income Tax	-4,310	-3,269
6.01.01.08	Other	-2	-120
6.01.01.09	Supplement of Provision for Inventory Losses	126	127
6.01.01.10	Stock Option Plan	1,255	340
6.01.02	Changes in Assets and Liabilities	9,202	8,237
6.01.02.01	Trade Accounts Receivable	2,503	-2,374
6.01.02.02	Inventories	-17,774	-11,474
6.01.02.03	Changes in Other Current Assets	-117	171
6.01.02.04	Taxes Recoverable	-5,588	-1,516
6.01.02.05	Judicial Deposits	562	904
6.01.02.07	Trade Accounts Payable	39,400	33,513
6.01.02.08	Labor Liabilities	-2,500	-4,519
6.01.02.09	Tax and Social Liabilities	-6,373	-6,304
6.01.02.10	Changes in Other Current Liabilities	-911	-164
6.01.03	Other	-2,342	-3,663
6.01.03.01	Income and Social Contribution Taxes Paid	-2,342	-3,663
6.02	Net Cash from Investing Activities	-27,766	-22,360
6.02.01	Additions to PP&E and Intangible Assets	-9,860	-11,227
6.02.02	Disposal of PP&E and Intangible Assets	2,463	0
6.02.03	Short-term Investments	-84,585	-82,139
6.02.04	Redeemed Short-term Investments	64,216	71,006
6.03	Net Cash from Financing Activities	-8,929	-15,163
6.03.01	Loans Taken Out	10,291	2,080
6.03.02	Repayment of Loans	-10,718	-7,953
6.03.03	Interest Paid on Loans	-386	-341
6.03.05	Interest on Equity	-7,598	-8,945
6.03.07	Receivables from (Payables to) Shareholders	-518	-4
6.05	Increase (Decrease) in Cash and Cash Equivalents	-2,813	-3,091
6.05.01	Cash and Cash Equivalents at Beginning of Period	13,786	11,518
6.05.02	Cash and Cash Equivalents at End of Period	10,973	8,427

Consolidated Interim Financial Statements / Statement of Changes in Equity / SCE - 01/01/2014 to 03/31/2014

(In thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves Options Granted and Treasury Shares	Income Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Equity	Noncontrolling Interest	Equity (Consolidated)
5.01	Opening Balances	157,186	128,288	229,068	0	0	514,542	0	514,542
5.03	Adjusted Opening Balances	157,186	128,288	229,068	0	0	514,542	0	514,542
5.04	Capital Transactions with Shareholders	62,000	-60,745	0	0	0	1,255	0	1,255
5.04.01	Capital Increases	62,000	-62,000	0	0	0	0	0	0
5.04.03	Stock Options Granted and Recognized	0	1,255	0	0	0	1,255	0	1,255
5.05	Total Comprehensive Income	0	0	0	17,433	0	17,433	0	17,433
5.05.01	Net Income for the Period	0	0	0	17,433	0	17,433	0	17,433
5.07	Closing Balances	219,186	67,543	229,068	17,433	0	533,230	0	533,230

Consolidated Interim Financial Statements / Statement of Changes in Equity / SCE - 01/01/2013 to 03/31/2013

(In thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves Options Granted and Treasury Shares	Income Reserves	Retained Earnings / Accumulated Losses	Other Comprehensive Income	Equity	Noncontrolling Interest	Equity (Consolidated)
5.01	Opening Balances	106,857	173,498	173,544	0	0	453,899	0	453,899
5.03	Adjusted Opening Balances	106,857	173,498	173,544	0	0	453,899	0	453,899
5.04	Capital Transactions with Shareholders	0	340	0	0	0	340	0	340
5.04.03	Stock Options Granted and Recognized	0	340	0	0	0	340	0	340
5.05	Total Comprehensive Income	0	0	0	19,366	0	19,366	0	19,366
5.05.01	Net Income for the Period	0	0	0	19,366	0	19,366	0	19,366
5.07	Closing Balances	106,857	173,838	173,544	19,366	0	473,605	0	473,605

Consolidated Interim Financial Statements / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated in Current Year 01/01/2014 to 03/31/2014	Accumulated in Prior Year 01/01/2013 to 03/31/2013
7.01	Revenues	264,106	246,276
7.01.01	Sales of Goods, Products and Services	264,104	246,156
7.01.04	Set-up/Reversal of Allowance for Doubtful Accounts	2	120
7.02	Inputs Acquired from Third Parties	-174,435	-164,118
7.02.01	Costs of Goods, Products and Services Sold	-140,788	-128,996
7.02.02	Materials, Electricity, Third-party Services and Other Expenses	-32,039	-33,962
7.02.04	Other	-1,608	-1,160
7.03	Gross Value Added	89,671	82,158
7.04	Retention	-3,209	-2,585
7.04.01	Depreciation, Amortization and Depletion	-3,209	-2,585
7.05	Net Value Added Generated	86,462	79,573
7.06	Value Added Received in Transfer	3,930	5,772
7.06.02	Financial Income	4,866	5,377
7.06.03	Other	-936	395
7.07	Total Value Added to Be Distributed	90,392	85,345
7.08	Value Added Distributed	90,392	85,345
7.08.01	Personnel	26,067	24,115
7.08.01.01	Direct Compensation	19,826	19,042
7.08.01.02	Benefits	2,419	2,236
7.08.01.03	Unemployment Compensation Fund (FGTS)	1,971	1,611
7.08.01.04	Other	1,851	1,226
7.08.01.04.01	Employees' Profit Sharing	-264	-199
7.08.01.04.02	Other	860	1,085
7.08.01.04.03	Stock Option Plan	1,255	340
7.08.02	Taxes, Charges and Contributions	35,690	30,645
7.08.02.01	Federal	25,819	23,004
7.08.02.02	State	8,433	7,376
7.08.02.03	Local	1,438	265
7.08.03	Debt Remuneration	11,202	11,219
7.08.03.01	Interest	1,136	1,343
7.08.03.02	Rental	9,254	7,882
7.08.03.03	Other	812	1,994
7.08.03.03.01	Financial Expenses	812	1,994
7.08.04	Equity Remuneration	17,433	19,366
7.08.04.03	Retained Earnings (Accumulated Losses) for the Period	17,433	19,366

2. Company Overview

About Arezzo&Co

Arezzo&Co is Brazil's leading manufacturer of ladies' footwear, handbags and accessories. With a history of 41 years, it currently sells over 10 million pairs of shoes a year, in addition to handbags and accessories. It has four relevant brands - Arezzo, Schutz, Anacapri and Alexandre Birman.

Its product lines are distinguished by their innovation, design, comfort and excellent value for money.

The multichannel strategy enhances the group's capillarity through owned stores, franchises, multibrand stores and Web Commerce, with a presence in every Brazilian state. Internationally, the brand products are also sold in franchises, owned stores, multibrand stores and department stores. The company ended the 1st quarter of 2014 with a presence through 407 franchises, 54 owned stores and 2,355 multibrand stores.

AREZZO

Founded in 1972 by the brothers Anderson and Jefferson Birman, in addition to occupying top of mind of consumers of Brazilian ladies' shoes, the brand is one of the most preferred in this segment and most consumed in Brazil. The brand has a trendy positioning, combining concept, high quality, contemporary design and consumer satisfaction. It is the benchmark in launching trends in Brazil and is always to be found in the editorials of the most prestigious magazines, newspapers and sites in Brazil as a reference for fast fashion in ladies' footwear, handbags and accessories.

SCHUTZ

The Schutz brand invests heavily in researching trends and developing materials and technology in order to create its portfolio. Its mission is to offer the public a concept of products where design, quality, fashion and freedom of expression all come together. The result is collections developed to reflect the spirit of the young, contemporary woman who makes an impact, is irreverent and has her own style. It is an invitation to be daring, to look for something different and to challenge the norm.

ANACAPRI

The Anacapri brand, specializing in flats of the Arezzo&Co Group, was founded in 2008 with the purpose of simplifying the lives of its consumers with versatile fashion full of personality, but without relinquishing comfort. It produces different models and colors every year, which are presented in three large collections and in limited editions.

Alexandre Birman

The Alexandre Birman brand is a reference among Brazilian brands of ladies' shoes, vying for room with the top fashion names in well-know retail chains around the world, such as in North America, Europe and Asia. The brand's hallmark is the concept of exclusiveness and sophistication, which is widely recognized abroad, and for which the Alexandre Birman brand was awarded the Vivian Infantino Emerging Talent Award as the 2009 talent in footwear creation (an award acknowledged as the Oscar of the international footwear industry).

3. Operating and Financial Highlights

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

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

*Including international stores

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

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

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

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

(1) Includes only domestic markets for Alexandre Birman and other revenues.

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

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

Brands

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

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

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

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

Brands

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

Channels

Mono-brands – Franchises and Owned Stores

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

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

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

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

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

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

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

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

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

Channels

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

1. Includes areas in square meters of 9 international stores
2. Includes 6 outlet-type stores with a total area of 2,217 m²
3. Includes areas in square meters of stores expansion

Multi-brand

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

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

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

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

Net revenue

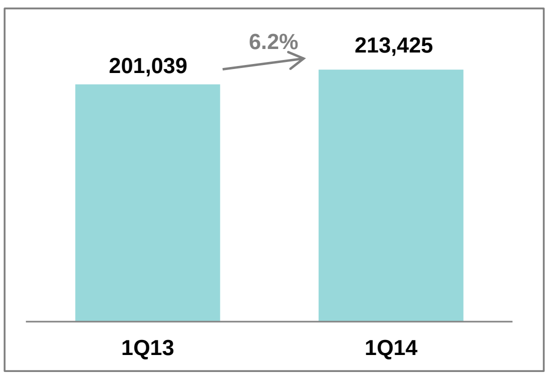
The Company's net revenue totaled R$213,4 million in the quarter, a growth of 6.2% over 1Q13. Namely, internal market presented a growth of 10.3% in gross revenues in the quarter. Some of the primary factors leading to this growth are:

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

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

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

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

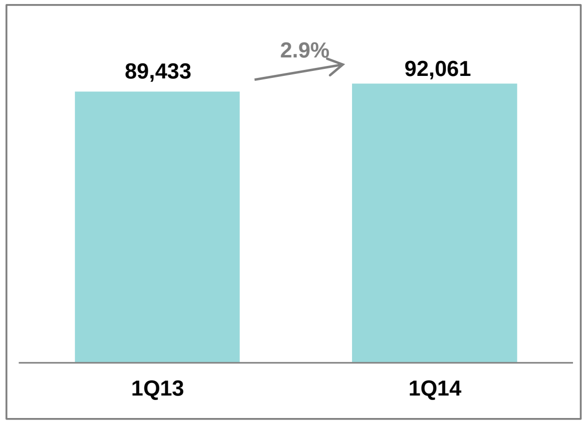


Gross Profit

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

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

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



SG&A

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

Selling expenses

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

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

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

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

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

General and Administrative Expenses

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

Other Operating Revenues (Expenses)

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

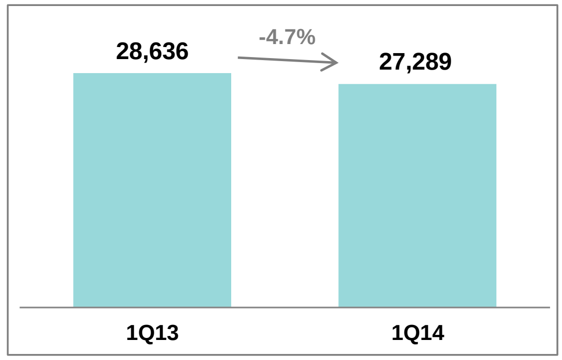
EBITDA and EBITDA margin

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

i) Increase of 6.2% in net revenue;

ii) Increase of 2.9% in gross profit;

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



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

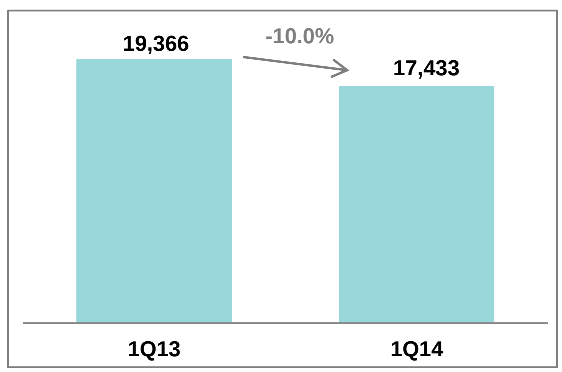
EBITDA Reconciliation	1Q13	1Q14
Net income	19,366	17,433
(-) Income tax and social contribution	(8,725)	(9,564)
(-) Financial results	2,040	2,917
(-) Depreciation and amortization	(2,585)	(3,209)
(=) EBITDA	28,636	27,289

Net income and net margin (%)

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

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

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



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

Operating Cash Flow

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

Operating Cash Flow	1Q13	1Q14	Change in R$	Change in %
Income before income tax and social contribution	**28,091**	**26,997**	**(1,094)**	**-3.9%**
Depreciation and amortization	**2,585**	**3,209**	**624**	**24.1%**
Other	**(818)**	**(3,184)**	**(2,366)**	**289.2%**
Decrease (increase) in current assets / liabilities	**8,237**	**9,202**	**965**	**11.7%**
Trade accounts receivables	(2,374)	2,503	4,877	n/a
Inventories	(11,474)	(17,774)	(6,300)	54.9%
Suppliers	33,513	39,400	5,887	17.6%
Change in other noncurrent and current assets and liabilities	(11,428)	(14,927)	(3,499)	30.6%
Payment of income tax and social contribution	**(3,663)**	**(2,342)**	**1,321**	**-36.1%**
Net cash flow generated by operational activities	**34,432**	**33,882**	**(550)**	**-1.6%**

Investments - Capex

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

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

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

Cash position and Indebtedness

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

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

Cash position and Indebtedness	1Q13	4Q13	1Q14
Cash	**213,306**	**185,691**	**207,553**
Total debt	87,880	98,418	96,652
Short term	41,226	59,835	59,680
% total debt	46.9%	60.8%	61.7%
Long-term	46,654	38,583	36,972
% total debt	53.1%	39.2%	38.3%
Net debt	**(125,426)**	**(87,273)**	**(110,901)**

ROIC (Return on Invested Capital)

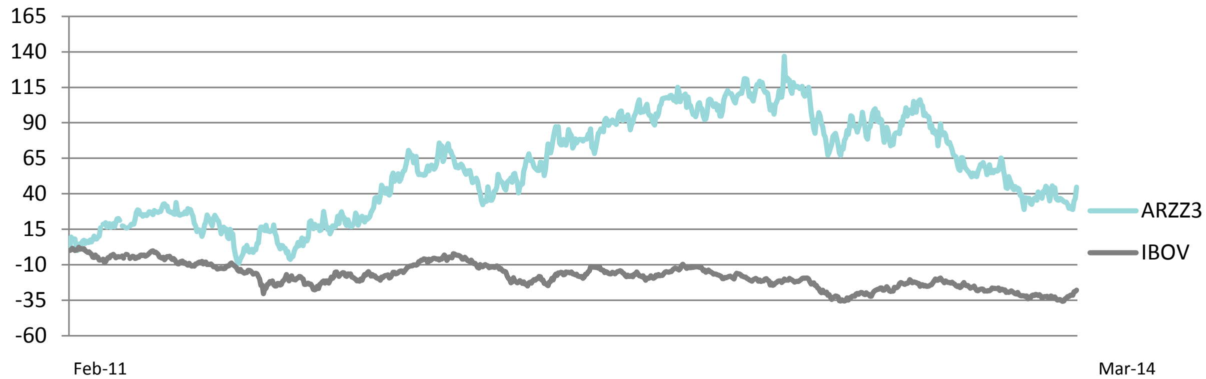
In line with the Company's strategic direction, levels of investment in Capital Employed exceeded those of previous years, especially due to the opening of owned stores from 2010 on. Return on Invested Capital (ROIC) was 26.1% in 1Q14, and was affected by the higher working capital requirements as already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

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

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

4. Capital Market and Corporate Governance

As of March 31, 2014 the Company's Market capitalization amounted to R$2.4 bn (stock price R$27.50), a decrease of 32% against 2013.



Arezzo&Co	
Listing	88,637,034
Ticker	ARZZ3
Listing	2/2/2011
Share Price (03/31/2014)	27.50
Market Cap	2,437,518,435
Performance	
2011[1]	20%
2012[2]	71%
2013 [3]	-24%
2014 [4]	-13%

(1) From 02/02/2011 to 12/29/2011
(2) From 12/29/2011 to 12/28/2012
(3) From 12/28/2012 to 12/30/2013
(4) From 12/30/2013 até 03/31/2014

To ensure greater predictability and transparency to shareholders, the Company has seminnanual distribution of dividends for its shareholders.

Projected payments [1]:

Reference date	Payment date	Interest on equity	(R$)	Gross amount by ordinary share (R$)
7/30/2012	1/30/2014	Interest on equity	8,858,746.90	0.09994

(1) Subject to tax withholding at a source rate of 15%, except for proven immune or exempt shareholders, or shareholders domiciled in countries or jurisdictions to which the rules establish different aliquot.

It also provides that the Company shall distribute the dividends, including interest on capital, dividends from other, equivalent to at least 25% of Net income to shareholders. For more information about Arezzo&Co' s remuneration policy, please see: www.arezzoco.com.br.

5. Independent Auditors

Arezzo&Co's financial statements related to the quarter ended on March 31st, 2014 were audited by Ernst Young & Terco Auditores Independentes SS. 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.

6. 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

7. Officer's Statement with regard to the Financial Statements

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors' report and financial statements for the quarter ended on March 31st, 2014, according and pursuant to CVM Normative Instruction No. 480/09

Disclaimer

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

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

1. Company information

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

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

At March 31, 2014, the Company held 399 franchises in Brazil and 8 abroad; 53 own brand stores across Brazil and 1 own brand store abroad; in addition to a web commerce channel to sell Schutz-branded products.

The franchise system is controlled by Arezzo, and its own brand stores form part of its subsidiaries.

The footwear industry, due to its characteristics, can present variations in sales volume throughout the year, given that a higher volume is expected in the second half of every year. Owing to this seasonality, the balances of Accounts Receivable, Inventories and Accounts Payable may vary significantly between the periods according to order intake and schedule of deliveries depending on the calendars of collections and special sales. This information is provided to allow for a better understanding of the results since, based on management’s judgment, the Company’s businesses are not impacted by these effects to the extent of being regarded as "highly seasonal", as defined by CPC 21 (IAS 34), which would require additional disclosures or information in the explanatory notes.

2. Summary of significant accounting practices

2.1. Basis of preparation and presentation of financial statements

The individual and consolidated interim financial statements were prepared for the three-month period ended March 31, 2014 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 March 31, 2014 were also prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (IASB), and in accordance with IAS 34 - Interim Financial Reporting.

2. Summary of significant accounting practices (Continued)

2.1. Basis of preparation and presentation of financial statements (Continued)

In preparing these interim financial statements, the Company adopted the same accounting principles, estimates, practices and calculation methods and standards consistently to those used in the financial statements as at December 31, 2013, unless otherwise disclosed.

These interim financial statements were prepared under the historical cost convention, except for certain assets and liabilities classified as financial instruments, which are measured at fair value.

These interim financial statements were prepared by the Company to keep users current on material information presented for the period and must be read in conjunction with the financial statements for the year ended December 31, 2013.

The individual and consolidated interim financial statements of the Company for the three-month period ended March 31, 2014 were authorized at the Executive Board's meeting held on April 25, 2014.

2.2. Basis of consolidation

The consolidated interim financial statements include the Company's operations and that of the following subsidiaries, whose ownership interest percentage, at the balance date, is summarized as follows:

	Total ownership interest - %			
Subsidiaries	**2014**		**2013**	
	Direct	**Indirect**	**Direct**	**Indirect**
ZZAB Comércio de Calçados Ltda.	**99.99**	**-**	99.99	-
ZZSAP Indústria e Comércio de Calçados Ltda.	**99.99**	**-**	99.99	-
ARZZ International INC.	**100.00**	**-**	100.00	-
ARZZ LLC	**-**	**100.00**	-	100.00
Schutz 655 LLC	**-**	**100.00**	-	100.00

The subsidiaries are fully consolidated as from their acquisition date, which is the date on which the Company obtains their control, and continue being consolidated through the date on which such control ceases to exist. The financial statements of the subsidiaries are prepared for the same reporting period of the Company, using accounting practices that are consistent with those adopted by the consolidated subsidiaries. All intercompany balances, revenues and expenses as well as unrealized gains and losses on intercompany transactions are eliminated in full.

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

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

3. Significant accounting judgments, estimates and assumptions

Significant accounting judgments, estimates and assumptions are the same as those adopted in the preparation of the financial statements for the year ended December 31, 2013.

4. IFRS pronouncements not yet effective at December 31, 2013

There are no pronouncements, interpretations and guidance issued by the CPC or the IASB during the period that may significantly impact the Company's individual and consolidated interim financial statements.

5. Cash and cash equivalents

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Cash	**10**	16	**365**	529
Banks	**8,770**	8,745	**10,608**	13,257
	8,780	8,761	**10,973**	13,786

6. Short-term investments

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Current				
Fixed income (a)	**24,720**	24,132	**32,765**	36,336
Exclusive investment fund				
Bank Deposit Certificates (CDBs)	**28,392**	23,160	**28,392**	23,160
Repurchase agreements	**79,157**	69,469	**79,157**	69,469
Financial bills (CEF)	**-**	16,105	**-**	16,105
Financial Treasury Bills (LFTs)	**54,077**	21,253	**56,266**	26,835
	186,346	154,119	**196,580**	171,905
Noncurrent				
Certificate accounts with lottery prizes	**-**	-	**27**	23
Total short-term investments	**186,346**	154,119	**196,607**	171,928

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

Exclusive investment fund

Under CVM Ruling No. 408/04, the investment fund in which the Company holds exclusive participation has been consolidated.

Investment fund ZZ Referenciado DI Crédito Privado is a private credit fixed-income investment fund managed and under custody of Banco Santander S.A. There is no grace period for the redemption of shares, which are readily redeemable without significant loss.

At March 31, 2014, average remuneration for the investment fund is 101.7% of the Interbank Deposit Certificate (CDI) rate. Fund assets are comprised of 34.34% Financial Treasury Bills (LFTs) and 91% of the assets have daily liquidity.

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

At March 31, 2014, the Company has no investments pledged as collateral to financial institutions.

7. Trade accounts receivable

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Trade notes - domestic customers	**167,272**	155,646	**168,319**	158,507
Trade notes - foreign customers	**29,943**	32,035	**36,877**	39,560
Trade notes - related parties (Note 12.a)	**30,198**	26,825	**-**	-
Checks	**3**	2	**156**	131
Credit cards	**-**	-	**39,931**	49,588
	227,416	214,508	**245,283**	247,786
(-) Allowance for doubtful accounts	**(252)**	(252)	**(286)**	(288)
	227,164	214,256	**244,997**	247,498

Changes in the allowance for doubtful accounts are as follows:

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Balance at beginning of period	**(252)**	(434)	**(288)**	(604)
Additions	**-**	(250)	**-**	(250)
Realization	**-**	432	**2**	566
Balance at end of period	**(252)**	(252)	**(286)**	(288)

Out of total trade accounts receivable, R$ 97 (R$ 97 as at December 31, 2013) were given in guarantee for surety bond transactions contracted with financial institutions.

8. Inventories

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Raw material	**7,878**	7,344	**13,801**	12,674
Work in process	**-**	-	**8,090**	7,622
Finished products	**30,602**	18,644	**78,667**	60,475
Advances to suppliers	**2,477**	4,656	**3,123**	5,136
(-) Provision for losses	**(925)**	(799)	**(925)**	(799)
	40,032	29,845	**102,756**	85,108

Changes in the provision for losses are as follows:

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Balance at beginning of period	**(799)**	(461)	**(799)**	(461)
Additions	**(126)**	(475)	**(126)**	(475)
Recoveries/realization	**-**	137	**-**	137
Balance at end of period	**(925)**	(799)	**(925)**	(799)

9. Taxes recoverable

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
State VAT (ICMS) recoverable	**11,623**	9,539	**12,617**	10,659
Prepaid Corporate Income Tax (IRPJ)	**3,670**	3,322	**6,902**	4,113
Prepaid Social Contribution Tax on Net Profit (CSLL)	**1,063**	944	**2,271**	1,286
Other	**471**	448	**2,985**	3,130
	16,827	14,253	**24,775**	19,188

10. Other receivables

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Advance for advertising fund	**7,351**	4,685	**7,351**	4,685
Receivables from franchisees	**3,958**	4,638	**5,105**	6,012
Advances to suppliers	**382**	1,086	**2,023**	2,777
Advances to employees	**25**	733	**284**	1,216
Advances on business travel	**1,254**	831	**1,265**	837
Prepaid expenses	**216**	93	**462**	563
Other receivables	**5**	-	**2,192**	2,475
	13,191	12,066	**18,682**	18,565
Current	**11,968**	10,431	**16,319**	15,608
Noncurrent	**1,223**	1,635	**2,363**	2,957

11. Income and social contribution taxes

a) Deferred taxes

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Tax credits from merger	**7,535**	7,535	**7,535**	7,535
(-) Tax amortization	**(6,405)**	(6,028)	**(6,405)**	(6,028)
Deferred income and social contribution taxes from merger	**1,130**	1,507	**1,130**	1,507
Deferred income and social contribution taxes on temporary differences and tax losses	**4,753**	3,293	**7,162**	4,007
Total deferred income and social contribution taxes	**5,883**	4,800	**8,292**	5,514

Deferred income tax asset reconciliation is as follows:

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Opening balance	**4,800**	5,997	**5,514**	6,264
Deferred tax recognized in income statement	**1,083**	(1,197)	**2,778**	(750)
Closing balance	**5,883**	4,800	**8,292**	5,514

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

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

	Company	Consolidated
	03/31/2014	03/31/2014
2014	**5,153**	**5,352**
2015	**265**	**1,069**
2016	**265**	**1,069**
2017	**200**	**802**
Total	**5,883**	**8,292**

11. Income and social contribution taxes (Continued)

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

Reconciliation of the tax expenses calculated by applying income and social contribution tax rates is as follows:

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Income before income and social contribution taxes	**28,692**	29,534	**26,997**	28,091
Statutory rate (%)	**34%**	34%	**34%**	34%
Expected IRPJ and CSLL expenses at statutory rate	**(9,755)**	(10,042)	**(9,179)**	(9,551)
Deferred income and social contribution taxes on losses other than those from subsidiaries	**-**	-	**(617)**	(751)
Income and social contribution tax effects on permanent differences:				
Benefit on expenses with research and technological innovation – Law No. 11196/05	**874**	856	**874**	856
Equity pickup	**(1,825)**	(1,006)	**-**	-
Expenses with stock option plan	**(426)**	(115)	**(426)**	(115)
Tax incentives (Workers' Meal Program - PAT, Rounet Act, among others)	**25**	-	**25**	-
Deferred taxes on losses in subsidiaries referring to prior years	**-**	-	**-**	687
Other permanent differences	**(152)**	139	**(241)**	149
Income and social contribution taxes per income statement	**(11,259)**	(10,168)	**(9,564)**	(8,725)
Current	**(12,342)**	(10,468)	**(12,342)**	(10,468)
Deferred	**1,083**	300	**2,778**	1,743
Total	**(11,259)**	(10,168)	**(9,564)**	(8,725)
Effective rate - %	**39.24%**	34.43%	**35.43%**	31.06%

c) Provisional Executive Order (MP) No. 627 and Brazil's IRS Revenue Procedure (IN RFB) No. 1397

Management analyzed MP 627/2013 and concluded that the potential effects of this new legislation will be immaterial on the Company's interim financial statements. The Company awaits the MP signing into law to decide on its elective adoption as from 2014.

12. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	03/31/2014						
	Current assets	Noncurrent assets		Current liabilities	Noncurrent liabilities	Transactions	
	Accounts Receivable	Receivables	Loan	Trade accounts payable	Loan	Revenues	Purchases
Company							
Subsidiaries							
ARZZ Co LLC	**-**	**7,321**	**-**	**-**	**-**	**-**	**-**
ARZZ International INC	**-**	**10,549**	**-**	**-**	**-**	**3,390**	**-**
ZZAB Comércio de Calçados Ltda.	**29,947**	**-**	**-**	**652**	**-**	**29,591**	**1**
ZZSAP Indústria e Comércio de Calçados Ltda.	**251**	**-**	**-**	**3,963**	**-**	**144**	**22,305**
Total - Company	**30,198**	**17,870**	**-**	**4,615**	**-**	**33,125**	**22,306**
Consolidated							
Controlling shareholders	**-**	**-**	**-**	**-**	**355**	**-**	**-**
Total - Consolidated	**-**	**-**	**-**	**-**	**355**	**-**	**-**

	12/31/2013					03/31/2013	
	Current assets	Noncurrent assets		Current liabilities	Noncurrent liabilities	Transactions	
	Accounts Receivable	Receivables	Loan	Trade accounts payable	Loan	Revenues	Purchases
Company							
Subsidiaries							
ARZZ Co LLC	1,334	7,963	-	1,333	-	-	-
ARZZ International INC	-	7,160	-	-	-	3,098	-
ZZAB Comércio de Calçados Ltda.	25,347	-	63	549	-	26,940	6
ZZSAP Indústria e Comércio de Calçados Ltda.	144	-	-	102	-	87	19,850
Total - Company	26,825	15,123	63	1,984	-	30,125	19,856
Consolidated							
Controlling shareholders	-	-	-	-	873	-	-
Total - Consolidated	-	-	-	-	873	**-**	**-**

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 Arezzo (Company) footwear and accessories to ZZAB and ARZZ International Inc. (subsidiaries), and the acquisition of footwear and accessories from manufacturer ZZSAP (subsidiary).

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 91 days, while days purchases outstanding (DPO) by related parties is 19 days.

12. Balances and transactions with related parties (Continued)

c) Key management personnel compensation

Management compensation is through management fees and profit sharing. At March 31, 2014, Company management compensation related to short-term benefits (management fees and profit sharing) totaled R$ 951 (R$ 876 at March 31, 2013), as follows:

	03/31/2014	03/31/2013
Annual fixed compensation – salary/ management fees	**951**	705
Variable compensation - bonus	**-**	171
Total compensation	**951**	876

The Company grants a share-based payment plan (Note 31). For the quarter ended March 31, 2014, expenses on officers' stock option plan totaled R$ 209 (R$ 63 at March 31, 2013), stated as "operating expenses before financial income".

The Company and its subsidiaries do not grant post-employment benefits, severance pay packages or other long-term benefits to their 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$ 33 (R$ 60 at December 31, 2013).

e) Transactions or relations with shareholders

Certain Company officers and directors hold, either directly or indirectly, a total 52.9% interest in the Company's shares at March 31, 2014.

f) Transactions with other related parties

The Company has a legal advisory service agreement in the civil, labor and tax areas with law firm Procópio de Carvalho, owned by Mr. José Murilo Procópio de Carvalho, a director of the Company's Board of Directors, as well as with Ethos Desenvolvimento S/C Ltda., owned by Mr. José Ernesto Beni Bolonha, a provider of human resources management consulting services and also a member of the Company's Board of Directors. For the quarter ended March 31, 2014, these entities received R$ 24 and R$ 147 (R$ 24 and R$ 128 at March 31, 2013), respectively.

In the last quarter of 2013, the Company hired business advisory services from Instituto de Desenvolvimento Gerencial S.A., entity in which Mr. Wellerson Cavalieiri, a director of the Company's Board of Directors, holds interest. For the quarter ended March 31, 2014, this entity received R$ 1,065.

13. Investments

Description	Assets	Liabilities	Equity	Capital	Net revenue	Net income (loss) for the period	% Interest held	Investment / Provision for investment losses 03/31/2014	Investment / Provision for investment losses 12/31/2013	Equity Pickup 03/31/2014	Equity Pickup 03/31/2013
ZZAB Com. de Calçados Ltda.	**167,825**	**48,407**	**119,418**	**93,614**	**41,950**	**(1,907)**	99.99	**119,418**	121,325	**(1,907)**	(612)
ZZSAP Ind. e Com. de Calçados Ltda.	**43,993**	**36,196**	**7,797**	**592**	**17,499**	**(1,174)**	99.99	**7,797**	8,971	**(1,174)**	(138)
Investments								**127,215**	130,296	**(3,081)**	(750)
ARZZ International INC.	**22,033**	**29,432**	**(7,399)**	**14,908**	**5,227**	**(2,287)**	100.00	**(7,399)**	(5,112)	**(2,287)**	(2,209)
Provision for investment losses								**(7,399)**	(5,112)	**(2,287)**	(2,209)
								119,816	125,184	**(5,368)**	(2,959)

	Company 03/31/2014	Company 12/31/2013
Balance at beginning of period, net of provision for losses	**125,184**	87,804
Capital payment	**-**	42,215
Equity pickup	**(5,368)**	(4,835)
Balance at end of period, net of provision for losses	**119,816**	125,184

14. Property, Plant and Equipment

Company	03/31/2014 Cost	03/31/2014 Depreciation	03/31/2014 Net	12/31/2013 Cost	12/31/2013 Depreciation	12/31/2013 Net
Computers and peripherals	**6,257**	**(3,874)**	**2,383**	6,053	(3,678)	2,375
Furniture and fixtures	**6,581**	**(2,132)**	**4,449**	6,397	(1,996)	4,401
Machinery and equipment	**5,288**	**(1,722)**	**3,566**	5,270	(1,684)	3,586
Facilities and showroom	**12,905**	**(2,683)**	**10,222**	12,160	(2,408)	9,752
Vehicles	**196**	**(67)**	**129**	196	(63)	133
Land	**101**	**-**	**101**	1,501	-	1,501
Total	**31,328**	**(10,478)**	**20,850**	31,577	(9,829)	21,748

Consolidated	03/31/2014 Cost	03/31/2014 Depreciation	03/31/2014 Net	12/31/2013 Cost	12/31/2013 Depreciation	12/31/2013 Net
Computers and peripherals	**8,060**	**(4,733)**	**3,327**	7,812	(4,452)	3,360
Furniture and fixtures	**17,464**	**(4,561)**	**12,903**	15,929	(4,089)	11,840
Machinery and equipment	**12,312**	**(4,620)**	**7,692**	12,182	(4,432)	7,750
Facilities and showroom	**56,565**	**(11,282)**	**45,283**	53,819	(9,860)	43,959
Vehicles	**209**	**(80)**	**129**	209	(76)	133
Land	**101**	**-**	**101**	1,501	-	1,501
Total	**94,711**	**(25,276)**	**69,435**	91,452	(22,909)	68,543

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

Company	Computers and peripherals	Furniture and fixtures	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
Balances at 12/31/2012	2,148	4,331	2,289	10,433	27	1,501	20,729
Acquisitions	198	52	623	290	120	-	1,283
Depreciation	(183)	(128)	(60)	(216)	(2)	-	(589)
Write-offs	(37)	(492)	(8)	(1,534)	-	-	(2,071)
Balances at 03/31/2013	2,126	3,763	2,844	8,973	145	1,501	19,352
Balances at 12/31/2013	2,375	4,401	3,586	9,752	133	1,501	21,748
Acquisitions	**204**	**184**	**74**	**745**	**-**	**-**	**1,207**
Depreciation	**(196)**	**(136)**	**(94)**	**(275)**	**(4)**	**-**	**(705)**
Write-offs	**-**	**-**	**-**	**-**	**-**	**(1,400)**	**(1,400)**
Balances at 03/31/2014	**2,383**	**4,449**	**3,566**	**10,222**	**129**	**101**	**20,850**
Average depreciation rates	20%	10%	10%	10%	20%	-	

Consolidated	Computers and peripherals	Furniture and fixtures	Machinery and equipment	Facilities and showroom	Buildings	Vehicles	Land	Total
Balances at 12/31/2012	3,110	10,218	5,651	39,663	420	27	2,001	61,090
Acquisitions	288	407	999	2,297	-	120	-	4,111
Depreciation	(255)	(405)	(183)	(960)	(5)	(2)	-	(1,810)
Write-offs	(3)	(5)	(8)	(37)	-	-	-	(53)
Balances at 03/31/2013	3,140	10,215	6,459	40,963	415	145	2,001	63,338
Balances at 12/31/2013	3,360	11,840	7,750	43,959	-	133	1,501	68,543
Acquisitions	**248**	**1,535**	**186**	**2,947**	**-**	**-**	**-**	**4,916**
Depreciation	**(276)**	**(398)**	**(244)**	**(1,528)**	**-**	**(4)**	**-**	**(2,450)**
Write-offs	**(5)**	**(74)**	**-**	**(95)**	**-**	**-**	**(1,400)**	**(1,574)**
Balances at 03/31/2014	**3,327**	**12,903**	**7,692**	**45,283**	**-**	**129**	**101**	**69,435**
Average depreciation rates	20%	10%	10%	10%	4%	20%	-	

14. Property, plant and equipment (Continued)

On January 22, 2014, the Company closed the sale of a plot of land, acquired on December 9, 2010, with the municipality of Campo Bom, for R$ 1,608.

15. Intangible assets

	03/31/2014			12/31/2013		
Company	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Trademarks and patents	**2,665**	**-**	**2,665**	2,655	-	2,655
Store use rights	**1,078**	**-**	**1,078**	1,078	-	1,078
System use rights	**36,896**	**(10,266)**	**26,630**	32,029	(9,532)	22,497
Total	**40,639**	**(10,266)**	**30,373**	35,762	(9,532)	26,230

	03/31/2014			12/31/2013		
Consolidated	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Trademarks and patents	**2,787**	**-**	**2,787**	2,778	-	2,778
Store use rights	**40,653**	**-**	**40,653**	41,495	-	41,495
System use rights	**37,700**	**(10,683)**	**27,017**	32,765	(9,924)	22,841
Total	**81,140**	**(10,683)**	**70,457**	77,038	(9,924)	67,114

Details of changes in the Company's balances are as follows:

Company	**Trademarks and patents**	**Store use rights**	**System use rights**	**Total**
Balances at 12/31/2012	2,629	125	6,940	9,694
Acquisitions	4	1,553	5,192	6,749
Amortization	-	-	(716)	(716)
Write-offs	-	(600)	-	(600)
Balances at 03/31/2013	2,633	1,078	11,416	15,127
Balances at 12/31/2013	2,655	1,078	22,497	26,230
Acquisitions	**10**	**-**	**4,867**	**4,877**
Amortization	**-**	**-**	**(734)**	**(734)**
Balances at 03/31/2014	**2,665**	**1,078**	**26,630**	**30,373**
Estimated useful life	Indefinite	Indefinite	5 years	

Consolidated	**Trademarks and patents**	**Store use rights**	**System use rights**	**Total**
Balances at 12/31/2012	2,749	37,715	7,358	47,822
Acquisitions	3	1,923	5,190	7,116
Amortization	-	-	(775)	(775)
Write-offs	-	(600)	-	(600)
Balances at 03/31/2013	2,752	39,038	11,773	53,563
Balances at 12/31/2013	2,778	41,495	22,841	67,114
Acquisitions	**9**	**-**	**4,935**	**4,944**
Amortization	**-**	**-**	**(759)**	**(759)**
Write-offs	**-**	**(842)**	**-**	**(842)**
Balances at 03/31/2014	**2,787**	**40,653**	**27,017**	**70,457**
Estimated useful life	Indefinite	Indefinite	5 years	

15. Intangible assets (Continued)

Major investments in "software use rights" refer to the process of developing and implementing a new integrated management system which will be used by the Company. SAP was the management software chosen by the Company, to replace the integrated management system currently in place. For the quarter ended March 31, 2014, the Company incurred expenses with the acquisition of referred to software license and development of such integrated management system in the amount of R$ 2,665 (R$ 4,379 at March 31, 2013).

For the quarter ended March 31, 2014, the amount of R$ 4,286 (R$ 4,198 at March 31, 2013), Company and consolidated, was recognized in income statement referring to expenses with research and development of new products of the Company.

Impairment test of indefinite-lived intangible assets

The impairment test of the intangible assets did not require recognition of loss for the year ended December 31, 2013 since their estimated value in use is greater than the net carrying amount at the measurement date. In preparing these interim financial statements, the Company evaluated the existence of events that could impact the amount of its assets and found no indications that they may have been impaired.

16. Loans and financing

Loans and financing can be summarized as under:

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Working capital	**-**	-	**11,395**	11,746
Banco do Brasil (FINAME)	**15**	16	**406**	231
Advance on exchange contracts (ACC)	**24,774**	27,778	**24,774**	27,778
FINEP	**34,033**	28,859	**34,034**	28,859
BNDES Progeren		-	**26,032**	29,767
Other		-	**11**	37
	58,822	56,653	**96,652**	98,418
Current	**32,549**	34,350	**59,680**	59,835
Noncurrent	**26,273**	22,303	**36,972**	38,583

Interest rates and charges incurred on loans are as follows:

(i) FINEP: Rate of 5.25% p.a., or indexed to the Long-term Interest Rate (TJLP) if it is higher than 6% p.a.;

(ii) Leasing and Finame: 1.37% p.m.;

(iii) Advance on exchange contracts (ACC): denominated in US dollars, increased by interest rate plus Bank spread, average of 1.62% p.a. at 12/31/13;

(iv) Working capital in the US: denominated in US dollars, increased by the average LIBOR rate plus 1.4% p.a.;

(v) BNDES Progeren working capital: TJLP rate plus 2.5% p.a., maturing within 36 months, including an 18-month grace period.

16. Loans and financing (Continued)

Loan agreement maturities

- Working capital (Bank of America): maturing at September 16, 2014 and October 31, 2014;
- Banco do Brasil: monthly installments with final maturity in August 2015;
- FINEP: maturing from 2014 to November 2019;
- BNDES: maturing at November 15, 2015; and
- Other: final maturity in January 2015.

Loans and financing recorded as noncurrent liabilities as of March 31, 2014 mature as follows:

	Company	Consolidated
2015	**5,856**	**16,336**
2016	**7,750**	**7,845**
2017	**5,404**	**5,499**
After 2017	**7,263**	**7,292**
Total	**26,273**	**36,972**

Loans are guaranteed by collateral signatures of controlling shareholders and also surety bonds, including no covenants on financial ratios.

Other guarantees and commitments

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

The Company is the guarantor of these transactions through a surety bond. At March 31, 2014 and December 31, 2013, there were no transactions of this nature guaranteed by the Company.

The Company has a technical and financial cooperation agreement with Banco Alfa to maintain credit facilities intended for Arezzo franchisees in business ventures, using BNDES funds for financing the modernization of its stores (of third parties) in accordance with standards established by the Company, as well as costs associated with these operations.

The Company is the guarantor of these transactions. At March 31, 2014, the balance of these transactions guaranteed by the Company amounted to R$ 432. At December 31, 2013, there were no transactions of this nature guaranteed by the Company.

17. Trade accounts payable

Breakdown of trade accounts payable is as follows:

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Domestic trade accounts payable	**64,516**	26,071	**74,259**	34,842
Transactions with related parties (Note 12.a)	**4,615**	1,984	**-**	-
Foreign trade accounts payable	**-**	17	**-**	17
	69,131	28,072	**74,259**	34,859

18. Labor liabilities

Breakdown of labor liabilities is as follows:

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Salaries payable	**984**	2,840	**1,945**	5,561
Accrued vacation pay and payroll taxes	**5,234**	5,346	**9,123**	8,007
	6,218	8,186	**11,068**	13,568

19. Special installment payment program

In January 2014, the Company paid the last installment under the Special Installment Payment Program (PAES).

20. Provisions for labor, tax and civil contingencies

The balances are as follows:

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Civil	**480**	502	**502**	524
Tax	**2,402**	1,185	**2,771**	1,554
Labor	**1,862**	2,162	**2,317**	2,765
	4,744	3,849	**5,590**	4,843

20. Provisions for labor, tax and civil contingencies (Continued)

Based on information provided by its legal advisors and on analysis of ongoing litigation, management set up a provision at an amount deemed sufficient to cover probable losses on existing cases, as follows:

Company	Civil	Tax	Labor	Total
Balances at 12/31/2012	1,061	-	1,336	2,397
Additions/restatement	32	1,185	84	1,301
Reversal/payments	-	-	(266)	(266)
Balances at 03/31/2013	1,093	1,185	1,154	3,432
Balances at 12/31/2013	502	1,185	2,162	3,849
Additions/restatement	511	1,217	161	1,889
Reversal/payments	(533)	-	(461)	(994)
Balances at 03/31/2014	**480**	**2,402**	**1,862**	**4,744**

Consolidated	Civil	Tax	Labor	Total
Balances at 12/31/2012	1,088	-	1,950	3,038
Additions/restatement	34	1,541	161	1,736
Reversal/payments	(4)	-	(291)	(295)
Balances at 03/31/2013	1,118	1,541	1,820	4,479
Balances at 12/31/2013	524	1,554	2,765	4,843
Additions/restatement	511	1,217	197	1,925
Reversal/payments	(533)	-	(645)	(1,178)
Balances at 03/31/2014	**502**	**2,771**	**2,317**	**5,590**

In March 2014, the Company provisioned the amount of R$ 1,217 relating to a tax deficiency notice issued by the Brazilian Internal Revenue Service on May 31, 2013 for nonpayment of Corporate Income Tax (IRPJ), Social Contribution Tax on Net Profit (CSLL) and Tax on Financial Transactions (IOF) on loans with related parties in the period from June 2008 to December 2009. The proceeding relating to this tax notice case is currently at the administrative level, and its likelihood of loss was reassessed as ‘‘probable” by the Company’s legal advisors.

The Company and its subsidiaries are involved in other legal and administrative proceedings of a civil, tax and labor nature amounting to approximately R$ 39,180, Company and Consolidated, whose likelihood of loss was assessed as possible by their legal advisors and as such, no recognition of provision was required.

These other proceedings include the following:

i) Tax deficiency noticed served by the Brazilian IRS on June 11, 2013 referring to IRPJ and CSLL against the Company, questioning the deductibility of the amortization of goodwill arising from the acquisition of equity interest in the Company by BRICS Participações S.A. (BRICS) at market value, which was determined by independent experts, and the subsequent downstream merger by the Company, as described in Note 21.2 of the financial statements as of December 31, 2013. The merged goodwill was recognized net of goodwill adjustment provision, as required by CVM Ruling No. 319/99, and constitutes a tax benefit arising from the deductibility of the referred to goodwill. This case is currently at the administrative level and, according to the Company's legal advisors, the likelihood of loss is “possible”, amounting to R$ 6,461.

20. Provision for labor, tax and civil contingencies (Continued)

ii) Tax delinquency notice issued by the Rio Grande do Sul State Finance Office on April 02, 2013, concerning State VAT (ICMS) credits unduly taken, in connection with goods shipped to buyers established in the Free Economic Zone of Manaus (ZFM) and Free Trade Areas (ALCs), in the period from February 2008 to December 2011, requiring payment of ICMS in the amount of R$ 4,692 (restated). The proceeding relating to this tax notice is currently at the administrative sphere and its likelihood of loss is rated as possible by Company legal advisors.

Judicial deposits

At March 31, 2014, judicial deposits amount to R$ 4,548 - Company (R$ 4,676 at December 31, 2013) and R$ 6,060 - Consolidated (R$ 6,622 at December 31, 2013).

21. Capital and reserves

21.1. Capital

At March 31, 2014, the Board of Directors approved a capital increase in the amount of R$ 62,000, through partial capitalization of the capital reserve, with no new issue of shares.

	Number of shares (in thousands)	**Capital R$**
Balance at December 31, 2012	88,587	106,857
Balance at March 31, 2013	88,587	106,857
Balance at December 31, 2013	88,637	157,186
Capital increase through capitalization of capital reserve	**-**	**62,000**
Balance at March 31, 2014	**88,637**	**219,186**

21.2. Treasury shares

At March 31, 2014, the Board of Directors approved the introduction of a share repurchase program aimed to maintain the Company's own shares in treasury for their subsequent cancellation or disposal ("Buyback Program"). Deals can be conducted within a period of 365 (three hundred sixty-five) days beginning March 31, 2014, i.e., they will be closed by March 31, 2015.

Each deal shall be limited to 4,231,560 (four million, two hundred thirty-one thousand, five hundred sixty) uncertified registered common shares, with no par value at the time of issue, representing 10% (ten percent) of the total outstanding shares issued by the Company, as defined by CVM Ruling No.10/80, article 5.

22. Paid and proposed dividends and interest on equity

Dividends

On March 17, 2014, the Board of Directors approved the proposed allocation of the net income for the year ended December 31, 2013, consisting of additional dividends proposed to be paid in the amount of R$20,894, subject to approval by the Company's General Meeting to be held on April 25, 2014.

Interest on equity - Law No. 9249/95

On March 17, 2014, the Board of Directors approved the policy on cash dividends and interest on equity for fiscal years 2014 and 2015. The semiannual interest on equity payable for FY 2014 is R$ 9,750, to be paid on June 30, 2014 and December 30, 2014.

For 2013, according to its policy of systematic distribution of earnings to shareholders, the Company credited semiannual interest on equity, in the amount of R$ 8,858 (R$ 7,598, net of withholding income tax effects), to shareholders who, at December 31, 2013, were registered in the Company's books as its shareholders. The payment was made on January 30, 2014.

23. Earnings per share

In compliance with CPC 41 (IAS 33), the Company sets out below information on earnings per share for the three-month periods ended March 31, 2014 and 2013.

a) Basic earnings per share

	03/31/2014	**03/31/2013**
Net income for the year (in thousands of reais)	**17,433**	19,366
Weighted average of the shares issued (in thousands)	**88,637**	88,587
Basic earnings per share - R$	**0.1967**	0.2186

b) Diluted earnings per share

	03/31/2014	**03/31/2013**
Net income for the year (in thousands of reais)	**17,433**	19,366
Weighted average of the shares issued (in thousands)	**88,637**	88,587
Adjustment as per stock options (in thousands)	**168**	117
Weighted average number of common shares for diluted earnings per share (in thousands)	**88,805**	88,704
Diluted earnings per share - R$	**0.1963**	0.2183

24. Net sales revenue

Net sales revenue is broken down as follows:

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Gross sales revenue				
Domestic market	**231,787**	206,984	**266,307**	241,536
Foreign market	**6,849**	14,702	**9,536**	15,915
Sales returns	**(5,912)**	(5,731)	**(11,463)**	(10,808)
Discounts and rebates	**(275)**	(352)	**(275)**	(352)
Sales taxes	**(40,180)**	(35,173)	**(50,680)**	(45,252)
Net operating revenue	**192,269**	180,430	**213,425**	201,039

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, as under:

	Consolidated	
Brand name	03/31/2014	03/31/2013
Gross revenue	**275,843**	257,451
Arezzo – domestic market	**164,554**	150,719
Schutz – domestic market	**88,248**	78,976
Anacapri – domestic market	**11,795**	7,940
Other	**1,710**	3,901
Foreign market	**9,536**	15,915

	Consolidated	
Channel	03/31/2014	03/31/2013
Gross revenue	**275,843**	257,451
Franchises	**145,905**	116,904
Multi-brand stores	**55,598**	59,967
Own stores	**63,928**	61,412
Other	**876**	3,253
Foreign market	**9,536**	15,915

25. Segment information (Continued)

Revenue from foreign market is not segregated by geographic area since it represents 4% of the gross revenue at March 31, 2014 (6% at March 31, 2013).

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

26. Expenses by nature

The Company elected to present the consolidated income statements by function. In accordance with the IFRS, detailed information on expenses by nature is as follows:

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Expenses by function				
Costs of sales	**(122,914)**	(115,733)	**(121,364)**	(111,606)
Selling expenses	**(20,556)**	(18,835)	**(47,721)**	(45,299)
General and administrative expenses	**(18,147)**	(17,325)	**(19,324)**	(18,478)
Other operating income (expenses), net	**(763)**	555	**(936)**	395
	(162,380)	(151,338)	**(189,345)**	(174,988)

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Expenses by nature				
Depreciation and amortization	**(1,441)**	(1,305)	**(3,209)**	(2,585)
Personnel	**(17,438)**	(15,564)	**(29,912)**	(28,330)
Raw material, store and supplies	**(123,427)**	(116,183)	**(121,877)**	(112,056)
Freight	**(2,250)**	(3,443)	**(2,882)**	(4,048)
Store occupancy expenses	**-**	-	**(6,438)**	(6,366)
Other operating expenses	**(17,824)**	(14,843)	**(25,027)**	(21,603)
	(162,380)	(151,338)	**(189,345)**	(174,988)

27. Financial risk management objectives and policies

a) Fair value

Below are the major financial instrument transactions engaged, as well as their respective fair values calculated by Company management.

	Consolidated			
	03/31/2014		12/31/2013	
	Book value	Fair value	Book value	Fair value
Cash and cash equivalents	**10,973**	**10,973**	13,786	13,786
Short-term investments	**196,607**	**196,607**	171,928	171,928
Trade and other accounts receivable	**263,679**	**263,679**	266,063	266,063
Loans and financing	**96,652**	**96,652**	98,418	98,418
Trade and other accounts payable	**83,279**	**83,279**	45,870	45,870

At March 31, 2014, the Company's consolidated financial assets and liabilities are classified into the following financial instrument categories:

	Measurement	
	Fair value	Amortized cost
Assets		
Loans and receivables		
Cash and cash equivalents	-	10,973
Trade and other accounts receivable	-	263,679
Financial assets measured at fair value through profit or loss		
Short-term investments	196,607	-
Liabilities		
Other financial liabilities		
Trade and other accounts payable	-	83,279
Loans and financing	-	96,652

27. Financial risk management objectives and policies (Continued)

a) Fair value (Continued)

The following methods and assumptions were used in determining the fair value.

- Short-term investments – the book values stated in the balance sheet are identical to fair value due to fact that their remuneration rates are based on the CDI, CDB and LFT variation (Note 6).

- Cash and cash equivalents, trade and other accounts receivable, trade and other accounts payable - Derive directly from the Company’s and its subsidiaries’ transactions, measured at amortized cost and recorded at their original value, less provision for losses and present value adjustment, when applicable. Book value approximates fair value due to the short-term settlement of these transactions.

- Loans and financing - These are classified as financial liabilities not measured at fair value and are recorded using the amortized cost method, under contractual conditions. This definition was adopted as the amounts are not held for trading, which, according to management understanding, reflects the most significant accounting information. Fair values are equivalent to book values, as these financial instruments have rates equivalent to market rates and feature specific characteristics.

a.1) *Fair value hierarchy*

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments through valuation techniques:

Level 1: prices quoted (without adjustments) at active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, whether directly or indirectly;

Level 3: techniques using inputs that have a significant effect on the recorded fair value other than observable market data.

For fair value measurement of its financial instruments, the Company adopts the valuation technique of prices quoted in active markets (Level 1) and the observable price valuation technique (Level 2).

27. Financial risk management objectives and policies (Continued)

b) Currency risk exposure

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

At March 31, 2014 and December 31, 2013, the amount of net exposure to US Dollar is represented by:

	Consolidated	
	03/31/2014	**12/31/2013**
Accounts receivable	**36,877**	39,560
Loans and financing	**(36,169)**	(39,524)
Net exposure	**708**	36

With a view to analyzing the sensitivity of Company assets and liabilities in foreign currency exposed to currency risk as of March 31, 2014, three (3) 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 IN/475"), requires the presentation of two other scenarios applying depreciation at 25% and 50% of the risk variable under analysis. These scenarios are presented in accordance with CVM rules.

Operation	**Currency**	**Probable scenario (Book value)**	**Scenario A**	**Scenario B**
Currency rate depreciation				
Accounts receivable in foreign currency	R$	36,877	27,658	18,439
Loans and financing in foreign currency	R$	(36,169)	(27,127)	(18,085)
Rate depreciation at			25%	50%
Foreign currency rate reference				
US Dollar		2.26	1.70	1.13
Effect on income before taxes	R$		(177)	(354)

b) Currency risk exposure (Continued)

In October 2012, the Company entered into a derivative hedging instrument in the amount of US$ 3,025 thousand with a view to reducing currency exposure on its export sales operations, considering the value of portfolio orders, maturing on October 6, 2014. At March 31, 2014, the outstanding amount of this hedging instrument is US$ 963 thousand.

	03/31/2014 USD (thousand)	12/31/2013 USD (thousand)
Forward – Sale agreement	**963**	**1,375**

Adjustments arising from derivative instruments would have the following effects:

Derivative financial instruments	03/31/2014	12/31/2013
Amount payable due to P&L (fair value)	**(74)**	(254)

Income statement	03/31/2014	03/31/2013
Gain recognized in financial income (expenses)	**180**	145

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 period 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 period closing date.

c) Interest rate risk exposure

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

At March 31, 2014, breakdown of loans and financing in terms of interest rates is as follows.:

	Consolidated	
	03/31/2014	%
Fixed interest	**25,191**	26%
TJLP and LIBOR-based interest	**71,461**	74%
	96,652	100%

With a view to analyzing the sensitivity of changes in index rates in relation to Company loans and financing exposed to interest rate risk as of March 31, 2014, three (3) different scenarios were defined, and a sensitivity analysis of the effects of changes in index rates was performed.

The following table presents the three scenarios, and the probable scenario is the one adopted by the Company. Based on the TJLP and LIBOR prevailing at March 31, 2014, the probable scenario was defined for 2014 together with the 25% and 50% variations as required by CVM Ruling No. 475.

27. Financial risk management objectives and policies (Continued)

c) Interest rate risk exposure (Continued)

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 March 31, 2014, having the index rates forecast for a year and the respective sensitivity analyzed in each scenario.

Operation	Currency	Probable	Scenario A	Scenario B
Increase in financial expenses				
Financing - TJLP	R$	3,003	3,754	4,505
Financing - LIBOR	R$	38	47	56
		3,041	3,801	4,561
Rate appreciation at			25%	50%
Reference for financial liabilities				
LIBOR		0.33%	0.41%	0.49%
TJLP		5.00%	6.25%	7.50%

d) Financial instruments

There were no changes in the concepts and practices disclosed in the financial statements as of December 31, 2013.

e) Credit risk

There were no changes in the concepts and practices disclosed in the financial statements as of December 31, 2013.

f) Liquidity risk

There were no changes in the concepts and practices disclosed in the financial statements as of December 31, 2013.

The table below presents contractual payments required for the Company's financial liabilities:

	Projection including future interest			
	Within 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**
Loans and financing	62,976	43,507	-	106,483
Trade and other accounts payable	88,387	-	-	88,387

g) Capital management

There were no changes in the concepts and practices disclosed in the financial statements as of December 31, 2013.

28. Financial income (expenses), net

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Financial income:				
Interest income	**878**	665	**882**	677
Short-term investment yield	**4,413**	3,194	**4,734**	3,533
Other	**163**	426	**303**	480
	5,454	4,285	**5,919**	4,690
Financial expenses:				
Banking expenses	**(484)**	(374)	**(576)**	(445)
Interest expenses	**(447)**	(753)	**(1,136)**	(1,343)
Credit card administration fee	**-**	(51)	**(1,016)**	(1,044)
Notary public fees	**(136)**	(97)	**(137)**	(97)
Other	**(151)**	(96)	**(224)**	(408)
	(1,218)	(1,371)	**(3,089)**	(3,337)
Exchange gains (losses), net:	**(65)**	487	**87**	687
Total	**4,171**	3,401	**2,917**	2,040

29. Other operating income (expenses), net

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Stock option plan	**(1,255)**	-	**(1,255)**	-
Franchise fees	**200**	65	**200**	65
Recovery of expenses	**24**	7	**25**	13
Gain (loss) on disposal of property, plant and equipment and intangible assets	**222**	(46)	**48**	(212)
Other operating income	**46**	529	**46**	529
	(763)	555	**(936)**	395

30. Operating lease agreements – store lease

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

	Minimum payments at 03/31/2014 (Consolidated)
Within 1 year	**16,296**
Over 1 year up to 5 years	**27,794**

The average monthly expense with lease payments is R$ 1,538 (R$1,866 in 2013). The effective terms of these lease agreements range between 4 and 5 years, subject to financial charges based on the annual IGPM variation, as specified in each agreement.

At March 31, 2014, lease expenses, net of taxes recoverable, totaled R$ 4,613 (R$ 5,593 at March 31, 2013). The “Lease payable” balance is R$ 1,907 (R$ 2,795 at December 31, 2013).

31. Stock option plan

Breakdown of the stock option plan, considering the grace periods for the exercise of the options, is as follows:

Grace period from the grant date	Maximum number of shares 1st Grant	 2nd Grant
Up to 30 days from the grant date	45,059	22,538
From first anniversary	54,731	158,228
From second anniversary	54,731	158,228
From third anniversary	109,462	316,456
Total	263,983	655,450

Changes in the stock option plan are as follows:

	1st Grant	2nd Grant
Balance at 12/31/12	220,527	-
Options granted	-	632,911
Options exercised	(27,026)	-
Options cancelled (*)	(14,626)	(1,000)
Balance at 12/31/13	**178,875**	**631,911**
Options cancelled (*)	(12,406)	(2,274)
Balance at 03/31/14	**166,469**	**629,637**

(*) Stock options cancelled due to termination of employees who participated in the stock option plan.

For the quarter ended March 31, 2014, the Company calculated the amount of R$ 1,255 (R$ 340 at March 31, 2013) referring to the stock option plan expense recognized in the income statement, matched against equity, in a specific account named “Capital reserve”.

Upon determining the stock options fair value, the following assumptions were used:

	1st Grant June/2012		2nd Grant June/2013	
Lot	I	II	I	II
Number of shares				
1st Maturity	68,231	79,543	25,757	165,286
2nd Maturity	N/A	79,543	N/A	165,286
3rd Maturity	N/A	159,087	N/A	330,572
Exercise price - R$	20.86	20.86	27.61	27.61
Stock option fair value - R$				
1st Maturity	6.66	9.05	7.36	13.82
2nd Maturity	N/A	11,33	N/A	16.37
3rd Maturity	N/A	13,32	N/A	16.72
Dividend yield	-	-	4.85%	4.85%
Share price volatility	40.36%	40.36%	36.29%	41.18%
Risk-free interest rate				
1st Maturity	8.50%	7.81%	7.86%	10.47%
2nd Maturity	N/A	8.59%	N/A	10.60%
3rd Maturity	N/A	9.35%	N/A	10.69%
Period expected up to maturity - (running days)				
1st Maturity	30	365	30	365
2nd Maturity	N/A	730	N/A	730
3rd Maturity	N/A	1,095	N/A	1,095

32. Government grants

ICMS matching credit

The tax benefit used by the Company up to March 31, 2014 amounted to R$ 1,583 (R$ 2,537 at March 31, 2013). This amount was recorded in the income statemer for the period, reducing expenses related to sales taxes, as provided for in CPC 07 (IAS 20) - Accounting for Government Grants and Disclosure of Government Assistance.

A free translation from Portuguese into English of Independent Auditor's Review Report on individual interim financial information in accordance with accounting practices adopted in Brazil and on consolidated interim financial information in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB and accounting practices adopted in Brazil

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INDEPENDENT AUDITOR'S REVIEW REPORT ON QUARTERLY INFORMATION

The Shareholders, Board of Directors and Officers
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. ("Company") for the quarter ended March 31, 2014, comprising the balance sheet and the related income statement, statements of comprehensive income, changes in equity and the cash flow statement for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting, and of the consolidated interim financial information in accordance with CPC 21 (R1) and International Standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly 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 might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the 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 Form referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Conclusion on the 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 Form referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the three-month period ended March 31, 2014, prepared under the responsibility of Company's management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR), and as supplementary information under IFRS, which do not require SVA presentation. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that causes us to believe that they are not fairly prepared, in all material respects, in relation to the overall individual and consolidated interim financial information.

Porto Alegre, April 28, 2014.

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

Guilherme Ghidini Neto
Accountant CRC RS-067795/O-5