Financial Statements

Arezzo Indústria e Comércio S.A.

December 31, 2013 and 2012
with Independent Auditor's Report

Arezzo Indústria e Comércio S.A.

Financial Statements

December 31, 2013

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A free translation from Portuguese into English of Independent Auditor's Report on Individual Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, and on Consolidated Financial Statements prepared in Brazilian currency in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil

Independent auditor's report on financial statements

To the
Shareholders, Board of Directors and Officers of
Arezzo Indústria e Comércio S.A.
Belo Horizonte - MG

We have audited the accompanying individual and consolidated financial statements of Arezzo Indústria e Comércio S.A. (Company), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2013 and the related income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and for the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Uma empresa-membro da Ernst & Young Global Limited

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Opinion on individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Arezzo Indústria e Comércio S.A. as at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arezzo Indústria e Comércio S.A. as at December 31, 2013, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As mentioned in Note 2.1, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Arezzo Indústria e Comércio S.A., these practices differ from IFRS applicable to separate financial statements solely with respect to the measurement of investments in subsidiaries under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (SVA), for the year ended December 31, 2013, prepared under Company's management responsibility, whose presentation is required by Brazilian corporation law for publicly-traded companies and as supplementary information under IFRS, which do not require SVA presentation. These statements were submitted to the same audit procedures previously described and, in our opinion, are fairly presented in all material respects, in relation to the overall financial statements.

Porto Alegre, February 28, 2014.

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

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

Arezzo Indústria e Comércio S.A.

Balance sheets
December 31, 2013 and 2012
(In thousands of reais)

		Company		Consolidated	
Assets	Note	2013	2012	2013	2012
Current assets					
Cash and cash equivalents	5	**8,761**	6,771	**13,786**	11,518
Short-term investments	6	**154,119**	167,288	**171,905**	190,636
Trade accounts receivable	7	**214,256**	199,389	**247,498**	208,756
Inventories	8	**29,845**	33,723	**85,108**	76,133
Taxes recoverable	9	**14,253**	9,252	**19,188**	14,280
Other receivables	10	**10,431**	6,406	**15,608**	12,239
Total current assets		**431,665**	422,829	**553,093**	513,562
Noncurrent assets					
Long-term receivables					
Short-term investments	6	**-**	-	**23**	20
Related parties	12	**15,186**	10,937	**-**	-
Judicial deposits	20	**4,676**	4,523	**6,622**	6,879
Taxes recoverable	9	**-**	377	**-**	377
Deferred income and social contribution taxes	11.a	**4,800**	5,997	**5,514**	6,264
Other receivables	10	**1,635**	577	**2,957**	577
		26,297	22,411	**15,116**	14,117
Investments	13	**130,296**	93,006	**-**	-
Property, plant and equipment	14	**21,748**	20,729	**68,543**	61,090
Intangible assets	15	**26,230**	9,694	**67,114**	47,822
		178,274	123,429	**135,657**	108,912
Total noncurrent assets		**204,571**	145,840	**150,773**	123,029
Total assets		**636,236**	568,669	**703,866**	636,591

Liabilities and equity	Note	Company		Consolidated	
		2013	**2012**	**2013**	**2012**
Current liabilities					
Loans and financing	16	**34,350**	31,313	**59,835**	42,843
Trade accounts payable	17	**28,072**	25,691	**34,859**	35,507
Tax and social liabilities		**7,671**	6,231	**18,154**	19,428
Labor liabilities	18	**8,186**	9,602	**13,568**	15,408
Dividend and interest on equity payable	22	**7,598**	8,945	**7,598**	8,945
Other liabilities		**3,388**	2,167	**9,846**	5,287
Total current liabilities		**89,265**	83,949	**143,860**	127,418
Noncurrent liabilities					
Loans and financing	16	**22,303**	23,222	**38,583**	51,241
Related parties	12	**-**	-	**873**	973
Provision for labor, tax and civil contingencies	20	**3,849**	2,397	**4,843**	3,038
Provision for investment loss	13	**5,112**	5,202	**-**	-
Other liabilities		**1,165**	-	**1,165**	22
Total noncurrent liabilities		**32,429**	30,821	**45,464**	55,274
Equity					
Capital	21.1	**157,186**	106,857	**157,186**	106,857
Capital reserve	21.2	**128,288**	173,498	**128,288**	173,498
Income reserves	21.3	**208,174**	153,162	**208,174**	153,162
Proposed additional dividend	22	**20,894**	20,382	**20,894**	20,382
		514,542	453,899	**514,542**	453,899
Total liabilities and equity		**636,236**	568,669	**703,866**	636,591

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Income statements
Years ended December 31, 2013 and 2012
(In thousands of reais, except earnings per share)

	Note	Company		Consolidated	
		2013	2012	2013	2012
Net operating revenue	24	**848,050**	760,967	**962,950**	860,335
Cost of sales and services		**(539,608)**	(487,655)	**(537,221)**	(484,530)
Gross profit		**308,442**	273,312	**425,729**	375,805
Operating income (expenses):					
Selling		**(94,970)**	(89,091)	**(204,438)**	(178,526)
General and administrative		**(69,210)**	(61,191)	**(73,812)**	(64,326)
Equity pickup	13	**(4,835)**	277	**-**	-
Other operating income (expenses), net	29	**245**	(6,109)	**1,011**	(4,748)
		(168,770)	(156,114)	**(277,239)**	(247,600)
Income before financial income (expenses)		**139,672**	117,198	**148,490**	128,205
Financial income (expenses)	28				
Financial expenses		**(4,971)**	(6,471)	**(12,374)**	(12,334)
Financial income		**18,582**	18,214	**20,457**	18,169
Foreign exchange variation, net		**(250)**	(389)	**(456)**	(536)
		13,361	11,354	**7,627**	5,299
Income before income and social contribution taxes		**153,033**	128,552	**156,117**	133,504
Income and social contribution taxes	11.b				
Current		**(41,281)**	(28,141)	**(44,812)**	(32,882)
Deferred		**(1,197)**	(3,537)	**(750)**	(3,748)
Net income for the year		**110,555**	96,874	**110,555**	96,874
Basic earnings per share - R$	23	**1.25**	1.09	**1.25**	1.09
Diluted earnings per share - R$	23	**1.25**	1.09	**1.25**	1.09

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Statements of comprehensive income (loss)
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Net income for the year	**110,555**	96,874	**110,555**	96,874
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income for the year	**110,555**	96,874	**110,555**	96,874

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Statement of changes in equity
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Note	Capital	Capital reserve	Income reserves			Proposed additional dividend	Retained earnings	Total
				Legal reserve	Investment reserve	Retained profits			
Balances at December 31, 2011		40,917	237,723	8,183	2,683	94,541	-	-	384,047
Capital increase	21.1	65,940	(65,000)	-	-	-	-	-	940
Stock options granted	21.2	-	775	-	-	-	-	-	775
Net income for the year		-	-	-	-	-	-	96,874	96,874
Legal reserve	21.3	-	-	4,844	-	-	-	(4,844)	-
Allocation:									
Interest on equity	22	-	-	-	-	-	-	(21,751)	(21,751)
Dividend paid	22	-	-	-	-	-	-	(6,986)	(6,986)
Proposed dividend	22	-	-	-	-	-	20,382	(20,382)	-
Retained profits	21.3	-	-	-	-	42,911	-	(42,911)	-
Balances at December 31, 2012		106,857	173,498	13,027	2,683	137,452	20,382	-	453,899
Capital increase	21.1	**50,329**	**(49,143)**	**-**	**-**	**-**	**-**	**-**	**1,186**
Stock options granted	21.2	**-**	**3,933**	**-**	**-**	**-**	**-**	**-**	**3,933**
Net income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**110,555**	**110,555**
Legal reserve	21.3	**-**	**-**	**5,528**	**-**	**-**	**-**	**(5,528)**	**-**
Allocation:									
Interest on equity	22	**-**	**-**	**-**	**-**	**-**	**-**	**(21,323)**	**(21,323)**
Dividend paid	22	**-**	**-**	**-**	**-**	**-**	**(20,382)**	**-**	**(20,382)**
Intercalary dividend	22	**-**	**-**	**-**	**-**	**-**	**-**	**(13,326)**	**(13,326)**
Proposed dividend	22	**-**	**-**	**-**	**-**	**-**	**20,894**	**(20,894)**	**-**
Retained profits	21.3	**-**	**-**	**-**	**-**	**49,484**	**-**	**(49,484)**	**-**
Balances at December 31, 2013		**157,186**	**128,288**	**18,555**	**2,683**	**186,936**	**20,894**	**-**	**514,542**

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Cash flow statements
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Operating activities				
Income before income and social contribution taxes	**153,033**	128,552	**156,117**	133,504
Adjustments to reconcile net income to cash generated by operating activities:				
Depreciation and amortization	**4,946**	3,657	**10,970**	7,558
Loss on disposal of permanent assets	**2,738**	618	**6,041**	2,410
Equity pickup	**4,835**	(277)	**-**	-
Provision for labor, tax and civil risks	**1,452**	(419)	**1,805**	(1,220)
Interest and exchange variation	**5,973**	502	**9,671**	767
Gains from short-term investments	**(11,811)**	(11,601)	**(13,168)**	(11,732)
Provision for inventory losses	**338**	457	**338**	457
Allowance for doubtful accounts	**(182)**	3	**(316)**	148
Stock option plan	**3,933**	775	**3,933**	775
Decrease (increase) in assets				
Trade accounts receivable	**(45,688)**	(31,344)	**(38,426)**	(29,316)
Inventories	**3,540**	(7,937)	**(9,313)**	(19,206)
Taxes recoverable	**(4,624)**	(1,025)	**(4,531)**	(4,109)
Changes in other assets	**(5,083)**	3,165	**(5,749)**	(652)
Judicial deposits	**(153)**	(621)	**257**	(1,016)
(Decrease) increase in liabilities				
Trade accounts payable	**2,381**	(1,866)	**(648)**	(1,779)
Labor liabilities	**(1,416)**	1,765	**(1,840)**	3,256
Tax and social liabilities	**1,569**	6,479	**(2,803)**	8,350
Changes in other liabilities	**2,386**	(260)	**5,702**	735
Payment of income and social contribution taxes	**(44,433)**	(35,604)	**(46,306)**	(37,708)
Net cash provided by operating activities	**73,734**	55,019	**71,734**	51,222
Investing activities				
Acquisitions of property, plant and equipment and intangible assets	**(25,239)**	(18,419)	**(43,756)**	(57,446)
Short-term investments	**(337,590)**	(335,338)	**(344,794)**	(361,338)
Redemption short-term investments	**362,570**	337,677	**376,690**	340,520
Capital contribution in subsidiaries	**(11,212)**	(21,917)	**-**	-
Net cash used in investing activities	**(11,471)**	(37,997)	**(11,860)**	(78,264)
Financing activities - third parties				
Funding activities	**36,437**	44,630	**36,645**	83,844
Loan repayments	**(38,817)**	(27,766)	**(40,350)**	(27,822)
Interest paid on loans	**(1,475)**	(1,365)	**(1,632)**	(1,365)
Payables to related parties, except shareholders	**(4,249)**	(322)	**-**	-
Net cash generated by (used in) financing activities - third parties	**(8,104)**	15,177	**(5,337)**	54,657
Loans from members				
Paid interest on equity	**(19,647)**	(19,532)	**(19,647)**	(19,532)
Profit distribution	**(33,708)**	(13,101)	**(33,708)**	(13,101)
Receivables from (payables to) shareholders	**-**	-	**(100)**	68
Share issue	**1,186**	940	**1,186**	940
Net cash generated by (used in) financing activities - shareholders	**(52,169)**	(31,693)	**(52,269)**	(31,625)
Increase (decrease) in cash and cash equivalents	**1,990**	506	**2,268**	(4,010)
Cash and cash equivalents				
Cash and cash equivalents - opening balance	**6,771**	6,217	**11,518**	15,528
Merger	**-**	48	**-**	-
Cash and cash equivalents - closing balance	**8,761**	6,771	**13,786**	11,518
Increase (decrease) in cash and cash equivalents	**1,990**	506	**2,268**	(4,010)
Additional information to cash flow statement				
Noncash transactions:				
Capital contribution in subsidiaries with credits	**31,003**	-	**-**	-

See accompanying notes.

Arezzo Indústria e Comércio S.A.

Statements of value added
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Revenues	**1,013,824**	927,490	**1,182,276**	1,070,578
Inputs acquired from third parties	**(768,532)**	(698,467)	**(780,001)**	(699,621)
Cost of sales and services rendered	**(685,216)**	(619,244)	**(632,453)**	(561,766)
Electricity, third-party services and other expenses	**(79,981)**	(76,952)	**(141,643)**	(130,417)
Cost of sales and services rendered	**(3,335)**	(2,271)	**(5,905)**	(7,438)
Gross value added	**245,292**	229,023	**402,275**	370,957
Depreciation and amortization	**(4,946)**	(3,657)	**(10,970)**	(7,558)
Net value added produced by the Company	**240,346**	225,366	**391,305**	363,399
Value added received in transfer	**17,734**	13,512	**25,249**	14,573
Equity pickup	**(4,835)**	277	**-**	-
Financial income, including exchange variation gains	**22,324**	19,344	**24,238**	19,321
Other revenues	**245**	(6,109)	**1,011**	(4,748)
Total value added to be distributed	**258,080**	238,878	**416,554**	377,972
Personnel	**59,163**	52,982	**107,482**	98,014
- Salaries, benefits and FGTS	**52,539**	47,173	**100,858**	91,922
- Employee profit sharing	**2,691**	5,034	**2,691**	5,317
- Stock option plan	**3,933**	775	**3,933**	775
Taxes	**75,518**	77,178	**146,690**	142,956
- Federal	**85,772**	69,685	**111,645**	96,559
- State	**(10,420)**	7,213	**34,213**	45,649
- Municipal	**166**	280	**832**	748
Debt remuneration	**12,844**	11,844	**51,827**	40,128
- Interest	**2,399**	1,984	**4,480**	2,309
- Rent	**3,881**	3,854	**35,216**	26,106
- Financial expenses, including exchange losses	**6,564**	6,006	**12,131**	11,713
Equity remuneration	**110,555**	96,874	**110,555**	96,874
- Interest on equity and dividend	**55,543**	49,119	**55,543**	49,119
- Retained profits for the year	**55,012**	47,755	**55,012**	47,755
Distribution of value added	**258,080**	238,878	**416,554**	377,972

See accompanying notes.

1. Company information

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

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

At December 31, 2013, the Company held 395 franchises in Brazil and 8 abroad, 54 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.

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

ZZAB Comércio de Calçados Ltda. ("ZZAB")

ZZAB is engaged in the retail sale of shoes, handbags and belts, and has active stores in the cities of São Paulo, Brasília, Porto Alegre, Belo Horizonte and Curitiba. At January 02, 2012, ZZAB merged ZZARIO Comércio de Calçados Ltda. and ZZCAPRI Comércio de Calçados Ltda.

ZZSAP Indústria e Comércio de Calçados Ltda. ("ZZSAP")

ZZSAP is engaged in the manufacturing and selling leather shoes, handbags, and belts, footwear components, articles of clothing, fashion accessories, as well as import and export of these products.

1. Company information (Continued)

Arezzo & Co. International ("Arezzo Int.")

Arezzo Int., formerly named Schutz International Corporation, a Miami, US-based company, is engaged in the sale of footwear and business intermediation. Arezzo Int. was merged by ARZZ LLC on August 17, 2012.

ARZZ International Inc. ("ARZZ Inc.")

ARZZ Inc. was established on August 01, 2012, a Delaware, US-based company engaged in the sale of footwear and business intermediation. ARZZ Inc. holds direct interest in ARZZ LLC and Schutz 655 LLC.

ARZZ LLC

ARZZ LLC was established on August 1, 2012, a Delaware, US-based company engaged in the sale of footwear and business intermediation. On August 17, 2012, ARZZ LLC merged Arezzo & Co. International ("Arezzo Int.").

Schutz 655 LLC

Schutz 655 LLC was established on August 1, 2012, a Delaware, US-based company engaged in the retail sale of footwear, handbags and belts.

ZZARIO Comércio de Calçados Ltda. ("ZZARIO")

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

ZZCAPRI Comércio de Calçados Ltda. ("ZZCAPRI")

Established in September 2008, ZZCAPRI is engaged in the retail sale of footwear, handbags and belts. ZZCAPRI was merged by ZZAB on January 2, 2012.

ZZAF Indústria e Comércio de Calçados Ltda. ("ZZAF")

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

1. Company information (Continued)

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

Acquired on July 21, 2008, Shoes For U is engaged in the retail sale of footwear, handbags, belts and accessories. The operations of Shoes For U have been suspended since May 28, 2010. This Company was merged by Arezzo on February 1, 2012.

Corporate Restructuring

On January 02, 2012, subsidiary ZZAB Comércio de Calçados Ltda. merged ZZARIO Comércio de Calçados Ltda. and ZZCAPRI Comércio de Calçados Ltda., also Company subsidiaries, in accordance with the Rationale for the Merger approved on December 31, 2011.

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

Arezzo & Co International was merged into ARZZ LLC on August 17, 2012.

These mergers aimed at streamlining administrative activities. They were performed at book value, do not affect Company operating activities and had no impact on Company financial statements.

1. Company information (Continued)

Corporate restructuring (Continued)

The equity of ZZAF, Allmaness, Shoes for U and Schutz Shoes were accessed on January 31, 2012, based on book value, in accordance with the Accounting Valuation Report for Merger Purposes issued by a specialized independent firm. Net assets merged at book value are as follows:

	Shoes For U	Allmaness	Schutz Shoes	ZZAF	Total
Current assets					
Cash and banks	-	3	-	45	**48**
Short-term investments	-	125	-	-	**125**
Trade accounts receivable	-	-	-	577	**577**
Inventories	-	-	-	3,343	**3,343**
Taxes recoverable	-	21	-	602	**623**
Other receivables	28	-	1	67	**96**
Total current assets	**28**	**149**	**1**	**4,634**	**4,812**
Noncurrent assets					
Related parties	122	-	-	-	**122**
Other receivables	-	-	15	-	**15**
	122	**-**	**15**	**-**	**137**
PPE, net	-	17	575	139	**731**
Intangible assets	-	-	2	5	**7**
Total noncurrent assets	**122**	**17**	**592**	**144**	**875**
Total assets merged	**150**	**166**	**593**	**4,778**	**5,687**

	Shoes For U	Allmaness	Schutz Shoes	ZZAF	Total
Current liabilities					
Trade accounts payable	146	-	-	100	**246**
Tax and social liabilities	2	-	3	21	**26**
Labor liabilities	-	-	-	348	**348**
Other accounts payable	-	-	-	40	**40**
Total current liabilities	**148**	**-**	**3**	**509**	**660**
Noncurrent liabilities					
Related parties	1	-	1	505	**507**
Provision for contingencies	-	-	82	22	**104**
Total noncurrent liabilities	**1**	**-**	**83**	**527**	**611**
Total liabilities assumed	**149**	**-**	**86**	**1,036**	**1,271**
Net assets merged	**1**	**166**	**507**	**3,742**	**4.416**

2. Summary of significant accounting policies

2.1. Basis of preparation and presentation of financial statements

Company individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the rules set forth by the Brazilian Securities and Exchange Commission (CVM) and the accounting pronouncements, interpretations and guidance issued by the Brazilian Accounting Standards Committee ("CPC").

The consolidated financial statements were also prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

In preparing these financial statements, the Company adopted the same accounting practices and calculation methods used in the consolidated financial statements as at December 31, 2012. The Company adopted all the standards, revised standards and interpretations issued by the CPC, by IASB and other standard-setters, in force as at December 31, 2013.

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

The preparation of the financial standard requires the use of certain critical accounting estimates and use of professional judgment by Company management in the process of applying Company accounting practices. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

The areas which require a higher degree of judgment and are more complex, as well as the areas in which assumptions and estimates are significant for the consolidated financial statements, are disclosed in Note 3.

The individual and consolidated financial statements of the Company for the year ended December 31, 2013 were authorized at a Board meeting held on February 20, 2014.

2. Summary of significant accounting policies (Continued)

2.2. Basis of consolidation

The consolidated financial statements include the operations of the Company and the following subsidiaries, whose percentage ownership interest at balance sheet date is summarized as under:

Subsidiaries	Total ownership interest - %			
	12/31/2013		12/31/2012	
	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 when the Company obtains control thereover, 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 all consolidated subsidiaries. All intercompany balances, revenues and expenses as well as unrealized gains and losses arising from intercompany transactions are fully eliminated.

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

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

2.3. Functional currency

These consolidated financial statements are presented in Brazilian Reais (R$), which is the Company's functional currency. Each subsidiary determines its own functional currency, and in those in which functional currency is not the Brazilian Real, the financial statements are translated into Real as of closing date.

2.4. Transactions and balances denominated in foreign currency

Foreign currency transactions are initially recorded at the exchange rate of the functional currency in effect at transaction date. Monetary assets and liabilities stated in foreign currency are then retranslated at the exchange rate prevailing as at balance sheet date. All currency translation differences are recognized in the income statement.

2. Summary of significant accounting policies (Continued)

2.5. Revenue recognition

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

Sales of goods

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

Royalty income

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

Interest income

For all financial instruments stated at amortized cost and interest bearing financial assets, classified as available for sale, financial income or expense is recorded using the effective interest rate, which exactly discounts estimated future cash payments or receipts over the estimated life of the financial instrument or a shorter period, as applicable, to the net book value of the financial asset or liability. Interest income is recorded in income statements under the financial income account.

2.6. Cash and cash equivalents

These include cash, bank account balances and short-term investments redeemable within 90 days of balance sheet dates and with low risk of change in market value. Short-term investments included in cash equivalents are mostly classified as "financial assets at fair value through profit or loss".

2. Summary of significant accounting policies (Continued)

2.7. Trade accounts receivable

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

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

2.8. Inventories

Inventories are carried at cost or net realizable value, whichever is lower. Costs incurred to transport each product to its current location and condition are recorded as follows:

Raw materials – acquisition cost based on average cost.

Finished and in-progress products – cost of direct materials and labor and proportional indirect overhead based on normal operating capacity.

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

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

2.9. Investments in subsidiaries

Investments in subsidiaries are recorded by the equity method, in accordance with CPC 18 (R2), for purposes of financial statements of the Company.

2. Summary of significant accounting policies (Continued)

2.9. Investments in subsidiaries (Continued)

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

Interest held in a subsidiary is stated in the income statement of the Company as equity pickup, representing the net earnings attributable to Company shareholders.

After applying the equity method for purposes of Company individual financial statements, the Company determines whether to recognize additional loss of recoverable value on its investment in its subsidiary. The Company determines, at each balance sheet closing date, if there is objective evidence that investments in subsidiaries have suffered loss by impairment. If so, the amount of loss by impairment is calculated as the difference between Company recoverable amount and book value, recognizing the amount in Company income statement.

2.10. Property, plant and equipment

Property, plant and equipment items are recorded at acquisition or build-up cost. Asset depreciation is calculated under the straight-line method at the rates mentioned in Note 14 and considers the estimated economic useful lives of such assets.

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

A PPE item is written off when sold or when no future economic benefit is expected from its use or sale. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the carrying amount of the asset, and are classified in the income statement for the year in which the asset is derecognized.

2. Summary of significant accounting policies (Continued)

2.10. Property, plant and equipment (Continued)

In 2013, the Company did not determine any indication that any property, plant and equipment items were carried at an amount greater than their recoverable amount, and consequently a provision for impairment loss was not necessary.

Assets net book value and useful lives, as well as depreciation methods, are reviewed at year end, and adjusted on a prospective basis, as the case may be.

2.11. Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost. After initial recognition, intangible assets are recorded at cost, less accumulated amortization and impairment.

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

Intangible assets are assessed as having either a finite or an indefinite useful life.

Intangible assets that have a finite useful life are amortized over their economic useful life and are submitted to impairment tests whenever there are indications of impairment loss. The amortization period and the method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in these assets are recorded by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization charges on finite-lived intangible assets are recognized in the income statement in the expense category consistent with the use of the intangible asset.

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

Gains and losses arising from write-off of an intangible asset are measured as the difference between the net sale price and the book value of the asset, recognized in P&L upon write-off of the asset.

Research and development expenditures are recognized as expenses when incurred.

2. Summary of significant accounting policies (Continued)

2.12. Impairment of nonfinancial assets

Management annually tests the net book value of the assets in order to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is identified and net book value exceeds recoverable amount, a provision for impairment is set up by adjusting net book value to the recoverable amount.

Recoverable amount of an asset item or of a cash-generating unit is defined as the higher of value in use and net sales.

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

2.13. Present value adjustment of assets and liabilities

Current and noncurrent monetary assets and liabilities are adjusted to present value when the effect is considered significant in relation to the overall financial statements.

Present value adjustment is calculated considering contractual cash flows and the explicit, sometimes implicit, interest rates of the corresponding assets and liabilities. Therefore, interest rates accrued on revenues, expenses and costs associated with these assets and liabilities are discounted with a view to recognizing them on an accrual basis. Subsequently, this interest is reallocated to financial income and expenses in the statements of operations by using the effective interest rate method in relation to the contractual cash flows.

The Company periodically assesses the effect of this procedure. For 2013 and 2012, the Company was not engaged in transactions with qualifying noncurrent (or significant current) monetary assets and liabilities.

2. Summary of significant accounting policies (Continued)

2.14. Provisions

General considerations

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

Provisions for tax, civil and labor contingencies

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

2.15. Taxation

Sales taxes

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

- When the sales taxes incurred on the purchase of goods or services are not recoverable from tax authorities, in which case the sales tax is recognized as part of the cost of acquiring of the asset or expense item as applicable;

- When the receivables and payables are presented together with the amount of sales taxes; and

- The net value of sales taxes, recoverable or payable, is included as part of receivables or payables in the balance sheet.

2. Summary of significant accounting policies (Continued)

2.15. Taxation (Continued)

Sales taxes (Continued)

Revenues from sales and services are subject to the following taxes and contributions, at the following statutory rates:

	Rates
State VAT (ICMS)	7.00% to 19.00%
Social Contribution Tax on Gross Revenue for Social Security	7.60%
Social Contribution Tax on Gross Revenue for Social Integration	1.65%
Social Security Tax (INSS) (*)	1.00%
State Sales Tax	0% to 8.875%

(*) Pursuant to Law No. 12546, which addresses payroll tax relief, this tax is levied on revenues of subsidiary ZZSAP. In the period from April to May 2013, INSS of subsidiary ZZAB was computed in accordance with Provisional Executive Order No. 601/2012, which amended Law No. 12546 as concerns payroll tax relief for retail companies and whose effects ceased on June 03, 2013. Law No. 12844/13 was published on July 19, 2013, which extended up until November 1, 2013 the payroll tax relief for retail companies.

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

Current income and social contribution taxes

Current tax assets and liabilities for last and prior years are measured at the estimated amount recoverable from or payable to tax authorities and are stated as current or noncurrent assets or liabilities, based on estimated realization and/or settlement. Tax rates and laws used to calculate the amounts are those in force, or substantially in force, at balance sheet date in those countries where Company and subsidiaries operate and generate taxable profit.

2. Summary of significant accounting policies (Continued)

2.15. Taxation (Continued)

Current income and social contribution taxes (Continued)

In Brazil, the main country in which the Company operates, income taxes comprise both income and social contribution taxes. Income tax is computed on taxable profit at the rate of 15%, plus a 10% surtax on profits exceeding R$ 240 over 12 months, whereas social contribution is computed at the rate of 9% on taxable profit, both recognized on an accrual basis. Additions of temporarily nondeductible expenses to book income, or exclusions therefrom of revenues temporarily nontaxable when determining current taxable profit generate deferred tax assets or liabilities. Prepaid or recoverable taxes are stated under current or noncurrent assets according to their estimated realization.

Current income and social contribution taxes on items directly recorded in equity are also recognized in equity. Management periodically reviews the tax position in situations in which interpretation of tax regulations is required, recording relevant provisions when appropriate.

Deferred taxes

Deferred taxes are generated by temporary differences as of the balance sheet date between assets and liabilities tax bases and their corresponding book values. Deferred tax liabilities are recognized for all temporary tax differences, except:

- when the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at transaction date, does not affect book net income or profit or loss for tax purposes; and

- on temporary differences related to investments in subsidiaries, where the period of reversal of temporary differences can be controlled and the temporary differences are not likely to be reversed in the near future.

2. Summary of significant accounting policies (Continued)

2.15. Taxation (Continued)

Deferred taxes (Continued)

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

- when the deferred tax asset related to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination and, at transaction date, does not affect book net income or profit or loss for tax purposes; and

- on deductible temporary differences concerning investments in subsidiaries. Deferred tax assets are recognized only to the extent that temporary differences are likely to be reversed in the near future and taxable profit is available so that the temporary differences can be used.

Book value of deferred tax assets is reviewed at each balance sheet date and written off, as taxable profit is no longer likely to allow deferred tax assets to be fully or partially used. Deferred tax assets written off are reviewed at each balance sheet date, and are recognized as future taxable profits are likely to allow such tax assets to be recovered.

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

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

Deferred tax assets and liabilities are stated net if there is a legal or contractual right to offset the tax asset against tax liabilities, and deferred taxes are related to the same entity subject to taxation and reporting to the same tax authorities.

2. Summary of significant accounting policies (Continued)

2.16. Other employee benefits

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

2.17. Earnings per share

The Company calculates earnings per share using the weighted average number of total common shares outstanding in the period corresponding to net income, pursuant to Accounting Pronouncement CPC 41 (IAS 33).

Diluted earnings per share are also calculated by means of said average of outstanding shares, adjusted by instruments potentially convertible into shares with dilution effect in the years presented.

2.18. Cash flow statements and statements of value added

Cash flow statements were prepared under the indirect method and are presented in accordance with accounting pronouncement CPC 03 (IAS 7) – Statement of Cash Flows, issued by CPC/IASB.

The statement of value added (SVA) is not required under IFRS, and is presented herein as supplemental information to meet Brazilian Corporation Law requirements, in accordance with CPC 09 - Statement of Value Added. Its purpose is to show the wealth created by the Company over the year and how it was distributed among the different stakeholders.

2.19. Financial instruments

Initial recognition and measurement

These instruments are initially measured at fair value plus transactional costs directly attributable to their acquisition or issue, except for financial assets and liabilities measured at fair value through profit or loss, where such costs are charged directly to income for the year.

2. Summary of significant accounting policies (Continued)

2.19. Financial instruments (Continued)

Initial recognition and measurement (Continued)

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

Major financial liabilities recognized by the Company are: trade accounts payable, loans and financing and derivative financial instruments. These liabilities were classified as other financial liabilities.

Subsequent measurement

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

Company financial assets and liabilities are classified into the following categories:

Financial assets and liabilities measured at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with corresponding gains or losses recognized in the income statement. Interest, monetary restatement, exchange variation and changes arising from measurement at fair value are recognized in the income statement as incurred.

2. Summary of significant accounting policies (Continued)

2.19. Financial instruments (Continued)

Subsequent measurement (Continued)

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments which, however, are not traded in an active market. After initial measurement, these financial assets are carried at amortized cost using the effective interest rate method (effective interest rate), less impairment. Amortized cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs incurred. Amortization of the effective interest rate method is included in financial income in the income statement. The losses arising from impairment are recognized in the income statement as financial expenses.

Other financial liabilities

After initial recognition, interest-bearing loans and financing agreements are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement upon write-off of the liabilities, as well as during the amortization process under the effective interest rate method.

2.20. Derivative financial instruments

The Company uses NonDeliverable Forwards (NDF) and Advances on Exchange Contracts (ACC) as its major financial instruments to hedge against risks related to volatility of exchange rates in connection with the sales of goods in the foreign market.

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

2. Summary of significant accounting policies (Continued)

2.21. Segment information

Due to the concentration of its activities on the development and marketing of women footwear, handbags and accessories, the Company is organized as a single business unit. Company products are distributed under four brand names (Arezzo, Schutz, Alexandre Birman and Anacapri) and through different channels (own stores, franchises, multi-brand and e-commerce), however, they are not controlled and managed by management as a single business segment, and the results therefrom are followed up, monitored and analyzed in an integrated manner.

2.22. Leases

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

Leased items are depreciated over their useful lives. However, when there is no reasonable guarantee that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term.

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

2.23. Share-based payment

On May 25, 2012, the Company set up a Stock Option Plan for officers, employees and service providers of the Company or of other companies under its control, which is managed by the Board of Directors (Note 33).

Cost of equity-settled transactions is measured based on fair value on the grant date. To determine the fair value, the Company makes use of an appropriate valuation method.

2. Summary of significant accounting policies (Continued)

2.23. Share-based payment (Continued)

The cost of equity-settled transactions is recognized, jointly with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, upon completion of the vesting period when the employee acquires vested right to the premium (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will be acquired. The expense or credit is recorded in the income statement under "personnel expenses" and refers to the change in cumulative expenses recognized at beginning and end of period.

2.24. Government assistance

Government grants are recognized when it is reasonably certain that the benefit will be received and that all the corresponding conditions will be met. When the benefit refers to an expense item, it is recognized as income for the period of enjoyment of benefit, on a systematic basis in relation to the costs which the benefit aims at offsetting. When the benefit refers to an asset, it is recognized as deferred income and recorded in the income statement in similar amounts over the estimated useful life of the assets.

3. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of Company individual and consolidated financial statements requires that management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as at the date of the financial statements. However, the relative uncertainty of such assumptions and estimates could lead to results that require a significant adjustment to the carrying amount of the assets or liabilities affected in future periods.

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions

Significant estimates and assumptions related to future estimate uncertainty sources and other significant estimate uncertainty sources as of the balance sheet date, involving material risk of significant adjustment to book value of assets and liabilities for the following financial year, are discussed below:

Impairment of nonfinancial assets

An impairment loss exists when the book value of an asset of cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. Fair value less cost to sell is calculated based on information available about similar assets sold or market prices less additional costs to dispose of the asset item. Value in use is calculated based on the discounted cash flow model. Cash flows derive from budget for the following five years and include no restructuring activities to which the Company is not yet committed or significant investments that may improve the asset base of the cash generating unit subject to tests. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, as well as expected future cash receipts, and to the growth rate used for extrapolation purposes.

Taxes

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

Management's significant professional judgment is required so as to determine the deferred tax assets amount to be recognized based on probable terms and future taxable profit levels, in addition to future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Fair value of financial instruments

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

Transactions involving share-based payments

The Company measures the cost of equity-settled transactions based on the fair value of equity instruments on the grant date. The estimated fair value of share-based payments requires that the most adequate valuation model be determined for the grant of equity instruments, which depends on the terms and conditions of each grant. This also requires determination of the most appropriate data and assumption for the valuation model, including expected life of the option, volatility and free-risk interest rate. Assumptions and models used to estimate share-based payment fair value are disclosed in Note 33.

Provisions for tax, civil and labor contingencies

The Company recognizes a provision for all cases in which the likelihood of loss is rated as probable. Assessment of the likelihood of loss includes examination of available evidence, hierarchy of laws, available precedents, most recent court decisions and their significance to the legal system, as well as the assessment by external legal advisors. Provisions are revised and adjusted considering changes in existing circumstances, such as applicable period of limitation, tax audit conclusions or additional exposures identified based on new court issues or decisions.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties underlying their estimation process.

4. IFRS Pronouncements not in effect as of December 31, 2013

a) Accounting standards issued but not yet effective

Standards and interpretations issued by not yet effective on the financial statement date are as follows. This list of standards and interpretations issued comprises those whose adoption the Company reasonably anticipates will lead to a material impact on Company disclosures, financial situation or performance due to their application on a future date. The Company intends to adopt these standards upon effectiveness thereof.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments explain the meaning of "currently have a legally enforceable right of set-off". The amendments also explain the adoption of the offset criteria of IAS 32 for the settlement systems (such as the clearing house systems), which apply gross mechanisms of settlement that are not simultaneous. These amendments will not have an impact on the Company's financial position, performance or disclosures effective for annual periods beginning on or after January 1, 2014.

IFRS 9 - Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the work carried out by the IASB referring to replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, as defined in IAS 39. This standard was initially effective for annual periods beginning as from January 1, 2013; however, the Amendments to IFRS9 – Mandatory Effective Date and Transition Disclosures, issued in December 2011, changed the mandatory effective date to January 1, 2015. In subsequent stages, the IASB will focus on the accounting procedures for hedge instruments and impairment of financial assets. Management does not anticipate any impact therefrom on Company financial statements.

IFRIC 21 - Levies

IFRIC 21 provides guidance on when to recognize a liability for a tax or levy when the obligating event occurs. For a levy that is triggered upon reaching a given metric, the interpretation indicates that no liability should be recognized before the specified metric is reached. IFRIC 21 is effective for annual periods ended on or after January 1, 2014. Management does not anticipate any material impacts from IFRIC 21 on Company financial statements.

There are no other standards and interpretations issued but not yet adopted that may, in the opinion of Management, significantly impact the Company's disclosed net income or equity.

5. Cash and cash equivalents

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Cash and cash equivalents	**8,761**	6,771	**13,786**	11,518
	8,761	6,771	**13,786**	11,518

Cash and cash equivalents are held so as to meet short-term cash commitments, rather than for investment or other purposes.

6. Short-term investments

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Current				
Fixed income (a)	**24,132**	22,308	**36,336**	45,656
Exclusive investment funds				
Bank Deposit Certificates (CDB)	**23,160**	48,632	**23,160**	48,632
Repurchase agreements	**69,469**	68,896	**69,469**	68,896
Financial bills (CEF)	**16,105**	-	**16,105**	-
Financial Treasury Bills (LFT)	**21,253**	27,452	**26,835**	27,452
	154,119	167,288	**171,905**	190,636
Noncurrent				
Certificate accounts with lottery prizes	**-**	-	**23**	20
Total short-term investments	**154,119**	167,288	**171,928**	190,656

(a) These include Bank Deposit Certificates (CDB) and marketable securities.

Exclusive investment fund

Under CVM Rule 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 December 31, 2013, average remuneration for the investment fund is 100.8% of the Interbank Deposit Certificate (CDI) rate. Fund assets are comprised of 19.84% Financial Treasury Bills (LFT) and 93.3% of the assets have daily liquidity.

6. Short-term investments (Continued)

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 December 31, 2013, the Company has no investments pledged as collateral to financial institutions.

7. Trade accounts receivable

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Trade notes - domestic customers	**155,646**	133,303	**158,507**	136,372
Trade notes - foreign customers	**32,035**	20,146	**39,560**	25,135
Trade notes - related parties (Note 12.a)	**26,825**	43,616	**-**	-
Checks	**2**	20	**131**	412
Credit cards	**-**	2,738	**49,588**	47,441
	214,508	199,823	**247,786**	209,360
(-) Allowance for doubtful accounts	**(252)**	(434)	**(288)**	(604)
	214,256	199,389	**247,498**	208,756

The Company's sale policies are subject to credit policies set up by Company management and seek to minimize any customer default problems. Worth stressing, the retail sector has transactions predominantly represented by "credit cards" and transactions from sales representatives and distributors (franchises), with a structured business relationship with the Company are represented by "Trade notes - domestic customers".

Changes in the allowance for doubtful accounts are as follows:

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Opening balance	**(434)**	(431)	**(604)**	(456)
Additions	**(250)**	(4)	**(250)**	(164)
Realization	**432**	1	**566**	16
Closing balance	**(252)**	(434)	**(288)**	(604)

7. Trade accounts receivable (Continued)

The aging list of trade accounts receivable is as follows:

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Falling due	**207,579**	195,831	**240,857**	205,368
Overdue up to 30 days	**3,463**	2,414	**3,463**	2,414
Overdue from 31 to 60 days	**2,059**	909	**2,059**	909
Overdue from 61 to 90 days	**718**	78	**718**	78
Overdue from 91 to 180 days	**440**	44	**440**	44
Overdue from 181 to 360 days	**1**	106	**1**	106
Overdue over 360 days	**248**	441	**248**	441
	214,508	199,823	**247,786**	209,360

Out of total trade accounts receivable, R$97 (R$1,600 at December 31, 2012) were given in guarantee for surety bond transactions contracted with financial institutions.

8. Inventories

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Raw material	**7,344**	9,272	**12,674**	14,983
Work in process	**-**	-	**7,622**	3,899
Finished goods	**18,644**	19,993	**60,475**	51,523
Advances to suppliers	**4,656**	4,919	**5,136**	6,189
(-) Provision for losses	**(799)**	(461)	**(799)**	(461)
	29,845	33,723	**85,108**	76,133

Raw materials are intended for development of new types of products and collections. Work in process mainly refers to footwear being manufactured by subsidiary ZZSAP. Finished goods mainly refer to inventories of footwear for the formation of strategic stocks to enable immediate replacement to customers and for sale in own stores.

Inventories are periodically scanned for obsolete items, which are then incinerated and the loss is recorded in Company books. Changes in the provision for losses are as follows:

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Opening balance	**(461)**	(4)	**(461)**	(4)
Additions	**(475)**	(882)	**(475)**	(882)
Recovery/realization	**137**	425	**137**	425
Closing balance	**(799)**	(461)	**(799)**	(461)

9. Taxes recoverable

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
ICMS recoverable	**9,539**	922	**10,659**	2,338
Prepaid IRPJ	**3,322**	6,104	**4,113**	6,895
Prepaid CSLL	**944**	2,094	**1,286**	2,435
Other	**448**	509	**3,130**	2,989
	14,253	9,629	**19,188**	14,657
Current	**14,253**	9,252	**19,188**	14,280
Noncurrent	**-**	377	**-**	377

10. Other receivables

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Advance for advertising fund	**4,685**	2,825	**4,685**	2,825
Receivables from franchises	**4,638**	1,818	**6,012**	4,983
Advances to suppliers	**1,086**	755	**2,777**	2,627
Advances to employees	**733**	532	**1,216**	1,006
Advances for business travel	**831**	923	**837**	929
Prepaid expenses	**93**	115	**563**	297
Other receivables	**-**	15	**2,475**	149
	12,066	6,983	**18,565**	12,816
Current	**10,431**	6,406	**15,608**	12,239
Noncurrent	**1,635**	577	**2,957**	577

Advance for advertising fund

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

11. Income and social contribution taxes

a) Deferred taxes

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

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Tax credits from merger (i)	**13,935**	13,935	**13,935**	13,935
(-) Tax amortization	**(13,935)**	(12,774)	**(13,935)**	(12,774)
Tax credits from merger (ii)	**7,535**	7,535	**7,535**	7,535
(-) Tax amortization	**(6,028)**	(4,521)	**(6,028)**	(4,521)
Deferred income and social contribution taxes from merger	**1,507**	4,175	**1,507**	4,175
Deferred income and social contribution taxes on temporary differences and income and social contribution tax losses (iii)	**3,293**	1,822	**4,007**	2,089
Total deferred income and social contribution taxes	**4,800**	5,997	**5,514**	6,264

(i) Goodwill due to the expectation of future profitability stems from the capital increase that BRICS Participações S.A. (BRICS) made in Arezzo at a market value determined by independent experts. The capital was subsequently merged by Arezzo through a downstream merger, net of the provision for the rectification of goodwill provided by CVM Rule No. 319/99 that, in essence, represents the tax benefit stemming from the deductibility of that goodwill. The merged net assets will be amortized in both accounting and tax records over an estimated term of five years and matched against the special goodwill reserve account to be transferred to the capital account to the benefit of the shareholders upon total realization of the tax benefit.

(ii) Goodwill due to the expectation of future profitability stems from the merger by Arezzo of assets through the spin-off of FIGEAC Holdings S.A. ("FIGEAC"), net of the provision provided by CVM Rule No. 319/99 that, in essence, represents the tax benefit stemming from the deductibility of that goodwill. The merged net assets will be amortized in both accounting and tax records over an estimated term of five years and matched against the special goodwill reserve account to be transferred to the capital account to the benefit of the shareholders upon total realization of the tax benefit.

(iii) Deferred tax credits on deductible temporary differences, mainly on provisions for labor, tax and civil contingencies, and income and social contribution tax losses in subsidiary.

11. Income and social contribution taxes (Continued)

a) Deferred taxes (Continued)

Reconciliation of deferred tax assets is as follows:

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Opening balance	**5,997**	9,534	**6,264**	10,012
Total deferred taxes recognized in the income statement	**(1,197)**	(3,537)	**(750)**	(3,748)
Closing balance	**4,800**	5,997	**5,514**	6,264

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

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

	Company	Consolidated
	12/31/2013	**12/31/2013**
2014	**3,928**	**4,165**
2015	**436**	**676**
2016	**436**	**673**
Total	**4,800**	**5,514**

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 expense calculated by applying income and social contribution tax rates is as follows:

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Income before income and social contribution taxes	**153,033**	128,552	**156,117**	133,504
Effective rate	**34%**	34%	**34%**	34%
Expected IRPJ and CSLL expenses at effective rate	**(52,031)**	(43,708)	**(53,080)**	(45,391)
Deferred income and social contribution taxes on losses other than those from subsidiaries	**-**	-	**(3,624)**	(2,708)
Income and social contribution tax effects on permanent differences:				
Benefits from expenses with research and technological innovation - Law No. 11196/05	**4,811**	4,588	**4,811**	4,588
Equity pickup	**(1,644)**	94	**-**	-
Interest on equity	**7,250**	7,395	**7,250**	7,395
Expense with stock option plan	**(1,337)**	(263)	**(1,337)**	(263)
Tax incentives (Workers' Meal Program (PAT), Lei Rounet, among others)	**489**	266	**550**	283
Set up of deferred taxes on losses in subsidiaries referring to prior years	**-**	-	**891**	-
Other permanent differences	**(16)**	(50)	**(1,023)**	(534)
Income and social contribution taxes in net income for the year	**(42,478)**	(31,678)	**(45,562)**	(36,630)
Current	**(41,281)**	(28,141)	**(44,812)**	(32,882)
Deferred	**(1,197)**	(3,537)	**(750)**	(3,748)
Total	**(42,478)**	(31,678)	**(45,562)**	(36,630)
Effective rate - %	**27.76%**	24.64%	**29.18%**	27.44%

11. Income and social contribution taxes (Continued)

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

On September 17, 2013 and November 12, 2013, respectively, Brazilian IRS (RFB) Revenue Procedure No. 1397 (IN 1.397) and Provisional Executive Order (MP) No. 627 were published, to: (i) repeal the so-called Transition Tax Regime (RTT) as from 2015 and create a new tax model; (ii) amend Decree Law No. 1598/77 with respect to income tax calculation for legal entities and to the legislation concerning social contribution on net profit. The new tax regime instituted by MP No. 627 is effective as from 2014, for entities electing to adopt such model. Worth stressing, MP No. 627 provisions which set forth the tax treatment for payment of profits and dividend, interest on equity calculation base and equity pick-up calculation criterion while RTT remains effective.

The Company analyzed the potential effects of MP No. 627 and IN No. 1397 and concluded that these effects are immaterial on Company operations and financial statements for the year ended December 31, 2013, based on our best understanding of referred to MP. The Company awaits any amendments to MP No. 627 in order to decide on its elective adoption as from 2014.

12. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling interest holders

Company	12/31/2013						
	Current assets	Noncurrent assets		Current liabilities	Noncurrent liabilities	Transactions	
	Accounts receivable	Credits	Loan	Trade accounts payable	Loan	Revenues	Purchases
Subsidiaries							
ARZZ Co LLC	**1,334**	**7,963**	**-**	**1,333**	**-**	**-**	**-**
ARZZ International INC	**-**	**7,160**	**-**	**-**	**-**	**13,745**	**-**
ZZAB Comércio de Calçados Ltda.	**25,347**	**-**	**63**	**549**	**-**	**104,942**	**25**
ZZSAP Indústria e Comércio de Calçados Ltda.	**144**	**-**	**-**	**102**	**-**	**262**	**82,938**
Total - Company	**26,825**	**15,123**	**63**	**1,984**	**-**	**118,949**	**82,963**
Consolidated							
Controlling interest					**873**		
Total - Consolidated	**-**	**-**	**-**	**-**	**873**	**-**	**-**

12. Balances and transactions with related parties (Continued)

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

Company	12/31/2012						
	Current assets	Noncurrent assets		Current liabilities	Noncurrent liabilities	Transactions	
	Accounts receivable	Credits	Loan	Trade accounts payable	Loan	Revenues	Purchases
Subsidiaries							
Arezzo & Co International	-	9,114	-	-	-	2,500	4
ARZZ International INC	-	1,718	29	-	-	2,254	-
ZZAB Comércio de Calçados Ltda.	43,104	-	28	191	-	85,310	50
ZZAF Indústria e Comércio de Calçados Ltda.	-	-	-	-	-	10	187
ZZSAP Indústria e Comércio de Calçados Ltda.	512	-	48	317	-	257	96,661
Total - Company	43,616	10,832	105	508	-	90,331	96,902
Consolidated							
Controlling interest					973		
Total - Consolidated	-	-	-	-	973	-	-

12. Balances and transactions with related parties (Continued)

b) Nature, terms and conditions of transactions - subsidiaries

Related-party transactions are carried out under commercial and financial conditions mutually agreed upon by the parties concerned. The most common transaction is the sale of the Company footwear and accessories (Company) to ZZAB stores 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. Day sales outstanding (DSO) for related parties is 74 days, while day purchases outstanding (DPO) by related parties is 11days.

Except for loans, the balances receivable from related parties have specific maturity dates. Loans receivable are restated based on the Long-Term Interest Rate ("TJLP") variation, plus interest of 2.5% per year. Loans receivable from foreign transactions are restated by LIBOR rate (12 m), plus interest of 1% per year.

c) Key management personnel compensation

Management compensation is through management fees and profit sharing. As at December 31, 2013, Company's management compensation related to short-term benefits (management fees and profit sharing) totaled to R$3,277 (R$3,826 at December 31, 2012), as follows:

	2013	**2012**
Annual fixed compensation / management fees	**3,106**	3,071
Variable compensation - bonus	**171**	215
Total compensation	**3,277**	3,286

The Company grants a share-based payment plan (Note 33). At December 31, 2013, the expense from officers' stock option plan amounted to R$588 (R$144 at December 31, 2012), stated as "operating expenses before financial income".

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

12. Balances and transactions with related parties (Continued)

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$60 (R$115 at December 31, 2013).

e) Transactions or relations with shareholders

The Company has a lease agreement on the property where its registered offices are located in the municipality of Campo Bom / State of Rio Grande do Sul, which is owned by a company whose member is one of its shareholders (Mr. Anderson Lemos Birman). The lease amount paid in the year ended December 31, 2012 was R$67.

Certain Company officers hold, either directly or indirectly, a total 52.4% interest in Company shares at December 31, 2013.

f) Transactions with other related parties

The Company has a legal advisory service agreement in the civil, labor and tax areas with Escritório de Advocacia Procópio de Carvalho owned by Mr. José Murilo Procópio de Carvalho, a member of Company Board of Directors, as well as with Ethos Desenvolvimento S/C Ltda, owned by Mr. José Ernesto Beni Bolonha, who renders human resources management consulting services and is also a member of Company Board of Directors. At December 31, 2013, these companies received R$451 and R$622 (R$296 and R$346 at December 31, 2012), respectively. In 2013, the Company hired business advisory services from Instituto de Desenvolvimento Gerencial S.A., company in which Mr. Wellerson Cavalieiri, a member of Company Board of Directors, holds interest. At December 31, 2013, referred to company received the amount of R$1,115.

13. Investments

Description	Assets	Liabilities	Equity	Capital	Net revenue	Net income (loss) for the year	% Interest held	Investment / Provision for Investment losses		Equity pickup	
								12/31/2013	12/31/2012	2013	2012
ZZAB Comércio de Calçados Ltda.	170,648	49,323	121,325	93,614	191,767	4,585	99.99	**121,325**	85,738	**4,585**	8,785
ZZSAP Ind. e Com. de Calçados Ltda.	46,406	37,435	8,971	592	65,463	1,703	99.99	**8,971**	7,268	**1,703**	(3,050)
ZZAF Ind. e Com. de Calçados Ltda. (*)	-	-	-	-	-	-	99.99	**-**	-	**-**	(65)
Investments								**130,296**	93,006	**6,288**	5,670
ARZZ International INC.	24,852	29,964	(5,112)	15,432	19,596	(11,123)	100.00	**(5,112)**	(5,202)	**(11,123)**	(2,819)
Arezzo & Co International (**)	-	-	-	-	-	-	99.99	**-**	-	**-**	(2,574)
Provision for investment losses								**(5,112)**	(5,202)	**(11,123)**	(5,393)
								125,184	87,804	**(4,835)**	277

(*) Merged in February 2012 by the Company.

(**) Merged in August 2012 by indirect subsidiary ARZZ LLC.

	Company	
	12/31/2013	12/31/2012
Balance at beginning of year, net of provision for losses	**87,804**	70,026
Capital payment	**42,215**	21,917
Merger of subsidiaries (Note 1)	**-**	(4,416)
Equity pickup	**(4,835)**	277
Balance at end of year, net of provision for losses	**125,184**	87,804

13. Investments (Continued)

Capital increase:

In 2013 and 2012, the Company made capital contributions in its subsidiaries, as follows:

	2013	2012
ZZAB Comércio de Calçados Ltda.	**31,003**	25,773
ARZZ Inc.	**11,212**	3,323
	42,215	29,096
Cash capital contribution	**11,212**	21,917
Credit capital contribution	**31,003**	-
Contribution through merger of subsidiaries	**-**	7,179

In 2012, the capital of subsidiary ZZAB increased from R$38,839 to R$93,614, i.e., an increase by R$56,775, of which R$25,773 were contributed in 2012, R$19,000 were paid on January 09, 2013 and R$12,003 on April 01, 2013.

In 2013, the capital of subsidiary ARZZ International Inc. increased from US$ 1,639 thousand to US$ 6,589 thousand, i.e., an increase by US$ 4,950 thousand, which equals R$11,212 contributed in cash in the year.

14. Property, plant and equipment

Detailed information on Company property and equipment is as follows:

Company:

	Computers and peripherals	Furniture and fixtures	Machinery and equipment	Facilities and showroom	Vehicles	Land	Total
Cost							
Balances at 12/31/2011	4,002	2,299	1,757	3,995	57	1,501	13,611
Mergers	73	65	1,060	170	19		1,387
Acquisitions	1,096	3,554	842	8,793	-	-	14,285
Write-offs	(8)	(11)	-	(737)	-	-	(756)
Balances at 12/31/2012	5,163	5,907	3,659	12,221	76	1,501	28,527
Acquisitions	**1,006**	**1,059**	**1,638**	**1,817**	**120**	**-**	**5,640**
Write-offs	**(116)**	**(569)**	**(27)**	**(1,878)**	**-**	**-**	**(2,590)**
Balances at 12/31/2013	**6,053**	**6,397**	**5,270**	**12,160**	**196**	**1,501**	**31,577**
Accumulated depreciation							
Balances at 12/31/2011	(2,357)	(1,147)	(683)	(1,093)	(28)	-	(5,308)
Merger	(34)	(26)	(493)	(86)	(17)		(656)
Depreciation	(625)	(403)	(194)	(798)	(4)	-	(2,024)
Write-offs	1	-	-	189	-	-	190
Balances at 12/31/2012	(3,015)	(1,576)	(1,370)	(1,788)	(49)	-	(7,798)
Depreciation	**(724)**	**(497)**	**(333)**	**(963)**	**(14)**	**-**	**(2,531)**
Write-offs	**61**	**77**	**19**	**343**	**-**	**-**	**500**
Balances at 12/31/2013	**(3,678)**	**(1,996)**	**(1,684)**	**(2,408)**	**(63)**	**-**	**(9,829)**
Net book value							
Balances at 12/31/2012	2,148	4,331	2,289	10,433	27	1,501	20,729
Balances at 12/31/2013	**2,375**	**4,401**	**3,586**	**9,752**	**133**	**1,501**	**21,748**
Average annual depreciation rate	20%	10%	10%	10%	20%	-	

14. Property, plant and equipment (Continued)

Consolidated:

	Computers and peripherals	Furniture and fixtures	Machinery and equipment	Facilities and showroom	Buildings	Vehicles	Land	Total
Cost								
Balances at 12/31/2011	5,137	7,062	7,307	19,612	530	123	2,001	41,772
Acquisitions	1,571	6,381	2,029	28,569	-	-	-	38,550
Write-offs	(71)	(478)	(7)	(2,181)	-	(34)	-	(2,771)
Balances at 12/31/2012	6,637	12,965	9,329	46,000	530	89	2001	77,551
Acquisitions	**1,337**	**3,752**	**3,068**	**11,547**	**-**	**120**	**-**	**19,824**
Write-offs	**(162)**	**(788)**	**(215)**	**(3,728)**	**(530)**	**-**	**(500)**	**(5,923)**
Balances at 12/31/2013	**7,812**	**15,929**	**12,182**	**53,819**	**-**	**209**	**1,501**	**91,452**
Accumulated depreciation								
Balances at 12/31/2011	(2,717)	(1,996)	(3,054)	(3,533)	(87)	(92)	-	(11,479)
Depreciation	(851)	(934)	(633)	(3,369)	(21)	(4)	-	(5,812)
Write-offs	41	183	7	565	-	34	-	830
Balances at 12/31/2012	(3,527)	(2,747)	(3,680)	(6,337)	(108)	(62)	-	(16,461)
Depreciation	**(1,046)**	**(1,609)**	**(886)**	**(4,868)**	**(21)**	**(14)**	**-**	**(8,444)**
Write-offs	**121**	**267**	**134**	**1,345**	**129**	**-**	**-**	**1,996**
Balances at 12/31/2013	**(4,452)**	**(4,089)**	**(4,432)**	**(9,860)**	**-**	**(76)**	**-**	**(22,909)**
Net book value								
Balances at 12/31/2012	3,110	10,218	5,649	39,663	422	27	2,001	61,090
Balances at 12/31/2013	**3,360**	**11,840**	**7,750**	**43,959**	**-**	**133**	**1,501**	**68,543**
Average annual depreciation rate	20%	10%	10%	10%	4%	20%	-	

Given the significance of PPE to their overall financial statements, the Company and its subsidiaries assessed the useful life of these assets and concluded that there were no significant adjustments or changes to be recognized at December 31, 2013.

15. Intangible assets

Detailed information on intangible assets and changes in Company balances are as follows:

Company:

	Trademarks and patents	Store use rights	Software use rights	Total
Cost				
Balances at 12/31/2011	2,623	125	9,981	12,729
Mergers	2	-	9	11
Acquisitions	4	-	4,130	4,134
Write-offs	-	-	(53)	(53)
Balances at 12/31/2012	2,629	125	14,067	16,821
Acquisitions	**26**	**1,553**	**18,020**	**19,599**
Write-offs	**-**	**(600)**	**(58)**	**(658)**
Balances at 12/31/2013	**2,655**	**1,078**	**32,029**	**35,762**
Accumulated amortization				
Balances at 12/31/2011	-	-	(5,493)	(5,493)
Mergers	**-**	**-**	(2)	(2)
Amortization	**-**	**-**	(1,633)	(1,633)
Write-offs	**-**	**-**	1	1
Balances at 12/31/2012	**-**	**-**	(7,127)	(7,127)
Amortization	**-**	**-**	**(2,415)**	**(2,415)**
Write-offs	**-**	**-**	**10**	**10**
Balances at 12/31/2013	**-**	**-**	**(9,532)**	**(9,532)**
Net book value				
Balances at 12/31/2012	2,629	125	6,940	9,694
Balances at 12/31/2013	**2,655**	**1,078**	**22,497**	**26,230**
Average estimated useful life				
Average estimated useful life	Indefinite	Indefinite	5 years	

15. Intangible assets (Continued)

Consolidated:

	Trademarks and patents	Store use rights	Software use rights	Total
Cost				
Balances at 12/31/2011	2,722	23,536	10,564	36,822
Acquisitions	27	14,577	4,292	18,896
Write-offs	-	(398)	(72)	(470)
Balances at 12/31/2012	2,749	37,715	14,784	55,248
Acquisitions	**29**	**5,795**	**18,108**	**23,932**
Write-offs	**-**	**(2,015)**	**(127)**	**(2,142)**
Balances at 12/31/2013	**2,778**	**41,495**	**32,765**	**77,038**
Accumulated amortization				
Balances at 12/31/2011	-	-	(5,681)	(5,681)
Amortization	-	-	(1,746)	(1,746)
Write-offs	-	-	1	1
Balances at 12/31/2012	-	-	(7,426)	(7,426)
Amortization	**-**	**-**	**(2,526)**	**(2,526)**
Write-offs	**-**	**-**	**28**	**28**
Balances at 12/31/2013	**-**	**-**	**(9,924)**	**(9,924)**
Net book value				
Balances at 12/31/2012	2,749	37,715	7,358	47,822
Balances at 12/31/2013	**2,778**	**41,495**	**22,841**	**67,114**
Average estimated useful life	Indefinite	Indefinite	5 years	

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

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 year ended December 31, 2013, the Company incurred expenses amounting to R$12,117 relating to the acquisition of referred to software license and development of this integrated management system.

15. Intangible assets (Continued)

Indefinite-lived intangible assets refer to trademarks and patents and store use rights, the latter corresponding to expenditures incurred by the Company in connection with use of stores located in leased commercial properties. These assets will be recovered when the commercial properties are sold or subject to impairment.

Store use rights are acquired through payments in cash for release of the commercial property; therefore, there are no other liabilities stemming from these acquisitions in the Company's liabilities. These negotiations are usual in this type of commercial transaction due to their business characteristic.

At December 31, 2013, the amount of R$17,689 (R$16,686 at December 31, 2012) Company and consolidated was recognized in the income statement referring to expenses with research and development of Company new products.

Impairment testing of indefinite-lived intangible assets

The Company determined impairment of its intangible assets using the "value in use" concept, through discounted cash flow models of cash-generating units, represented by its stores.

The process for determining value in use involves assumptions, judgments and estimates on cash flows, such as the growth rate of income, costs and expenses, estimates of future investments, working capital and discount rates. Assumptions on forecast growth, cash flow and future cash flows are based on Company business plan, approved by management, as well as on market comparables and reflect management's best estimate of the economic conditions that will exist over the economic life of the various cash-generating units, groups of assets that contribute to the generation of cash flows. Future cash flows were discounted at capital cost rate.

Consistently with economic valuation techniques, value in use calculation is made over a period of 5 years, and considering perpetual assumptions thereafter, given the ability to continue as a going concern for an indefinite period.

The growth rates used to extrapolate forecast data beyond the 5-year period vary between 1% and 3%. Estimated future cash flows were discounted at a rate varying between 14% and 16% per year, for each cash-generating unit analyzed.

15. Intangible assets (Continued)

Impairment testing of indefinite-lived intangible assets (Continued)

Major assumptions used in estimating value in use are as follows:

- Revenues - Revenues were forecast for the period from 2013 to 2017, considering the growth of the customer base of the various cash-generating units.

- Operating costs and expenses - Costs and expenses were projected to be in line with the Company's historical performance and revenue growth.

- Capital investments - Capital investments were estimated considering the infrastructure required for making the product offer available, based on Company history.

Key assumptions were based on the subsidiary's historical performance and reasonable macroeconomic assumptions grounded on financial market projections, documented and approved by Company management.

The impairment testing of Company intangible assets did not indicate that impairment losses should be recognized for the year ended December 31, 2013 since their estimated value in use is greater than the net carrying amount as of the measurement date.

16. Loans and financing

Loans and financing can be summarized as under:

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Working capital	**-**	-	**11,746**	10,274
Banco do Brasil (FINAME)	**16**	20	**231**	20
Advance on Exchange and Export Contracts (ACC)	**27,778**	27,057	**27,778**	27,057
FINEP	**28,859**	27,458	**28,859**	27,458
BNDES Progeren	**-**	-	**29,767**	29,190
Other	**-**	-	**37**	85
	56,653	54,535	**98,418**	94,084
Current	**34,350**	31,313	**59,835**	42,843
Noncurrent	**22,303**	23,222	**38,583**	51,241

16. Loans and financing (Continued)

Interest and other loan charges are as follows:

(i) Research and Projects Financing, also known as the Brazilian Innovation Agency (FINEP): Rate of 5.25% p.a. or indexed to TJLP if it is higher than 6% p.a.

(ii) Leasing and Machinery and Equipment Financing (Finame): 1.37% p.a.

(iii) Advance on Exchange and Export Contracts (ACC): denominated in USD, plus interest rate + Bank spread, average at December 31, 2013 was 1.62% p.a.

(iv) Working capital in the USA: denominated in USD, increased by LIBOR rate (London Interbank Offered Rate) plus interest of 1.4% p.a.

(v) Working capital - BNDES' Support Program to Strengthen Employment and Income Generation (BNDES Progeren), indexed to the Long-Term Interest Rate (TJLP) + 2.5% p.a., 36-month term including 18-month grace period.

Loan agreement maturities

- Working capital (Bank of America): maturing on 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 on November 15, 2015; and
- Other: final amortization in January 2015.

The amounts recorded in noncurrent liabilities at December 31, 2012 present the following payment schedule:

	Company	Consolidated
2015	**6,554**	**22,724**
2016	**6,547**	**6,599**
2017	**4,201**	**4,253**
2018 onwards	**5,001**	**5,007**
Total	**22,303**	**38,583**

16. Loans and financing (Continued)

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

Credit facilities

On November 14, 2011, the Company took out a credit facility with FINEP, in the amount of R$ 27,366. At December 31, 2013, the amount of R$ 6,818 referring to this credit facility was not drawn down and is available for use.

Other guarantees and commitments

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

The Company is guarantor of these transactions through a surety bond issued by Banco Santander. At December 31, 2013, there are no amounts guaranteed by the Company under this agreement (R$84 at December 31, 2012).

17. Trade accounts payable

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Trade accounts payable - domestic	**26,071**	24,946	**34,842**	33,984
Related Parties (Note 12.a)	**1,984**	508	**-**	-
Trade accounts payable - foreign	**17**	237	**17**	1,523
	28,072	25,691	**34,859**	35,507

18. Labor liabilities

Breakdown of labor liabilities is as follows:

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Salaries payable	**2,840**	5,423	**5,561**	7,854
Vacation accrual and related charges	**5,346**	4,179	**8,007**	7,554
	8,186	9,602	**13,568**	15,408

19. Special Installment Payment Program

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

The agreed-upon installments have been paid on time. Accordingly, ZZSAP records monthly expenses of approximately, R$16, thereby making payments in accordance with the conditions provided for in the special installment payment program.

20. Provision for tax, civil and labor contingencies

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

	Company			
	Balance 12/31/2012	**Additions/ Restatements**	**Reversals/ Payments**	**Balance 12/31/2013**
Civil	1,061	**52**	**(611)**	**502**
Tax	-	**1,236**	**(51)**	**1,185**
Labor	1,336	**1,199**	**(373)**	**2,162**
Provision for contingencies	2,397	**2,487**	**(1,035)**	**3,849**

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

	Consolidated			
	Balance 12/31/2012	**Additions/ Restatements**	**Reversals/ Payments**	**Balance 12/31/2013**
Civil	1,088	**53**	**(617)**	**524**
Tax	**-**	**1,605**	**(51)**	**1,554**
Labor	1,950	**1,459**	**(644)**	**2,765**
Provision for contingencies	3,038	**3,117**	**(1,312)**	**4,843**

Civil - Company and subsidiaries are party to civil proceedings mainly seeking compensation for pain and suffering, material damages and collection of securities. Management, based on the opinion of Company legal advisors, and on the history of results in similar cases, believes that the amounts provisioned are sufficient to cover probable losses.

Tax - Company and subsidiary ZZSAP are party to tax proceedings discussing the increase in the Accident Prevention Factor (FAP) rate, regarding which judicial deposits at the same amounts have been made. Management, based on the opinion of Company legal advisors, and on the history of results in similar cases, believes that the amounts provisioned are sufficient to cover probable losses.

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

In addition, Company and subsidiaries are involved in other proceedings of a civil, tax and labor nature in the administrative and/or judicial spheres amounting to approximately R$46,578, Company and Consolidated, whose likelihood of loss was assessed as possible by the legal advisors and as such, required no provision to be set up.

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

Some of these proceedings are as follows:

i) Tax delinquency notice concerning IRPJ and CSLL issued against the Company by the Brazilian IRS on June 11, 2013, which discusses the deduction, for tax purposes, of the amortization of goodwill on the acquisition of interest in the Company by BRICS Participações S.A. (BRICS) at a market value determined by independent experts, which was subsequently merged into the Company through a downstream merger (Note 21.2). The merged goodwill is stated net of the provision for the rectification of goodwill provided by CVM Rule No. 319/99 and represents the tax benefit stemming from the deductibility of that goodwill (Note 11.a - item (i)). 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, in the amount of R$7,379.

ii) Tax delinquency notice issued by the Brazilian IRS on May 31, 2013 regarding unpaid IRPJ, CSLL and IOF amounts on loan transactions, in the period from June 2008 to December 2009, whose restated amount totals R$ 1,171. 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.

iii) 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$5,532 (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.

Ruling legislation

Pursuant to the legislation prevailing in Brazil, federal, state and municipal taxes and social charges are subject examination by tax authorities for periods varying from five to thirty years. U.S. legislation (country in which certain Company subsidiaries operate) provides for different periods of limitation.

Judicial deposits

At December 31, 2013, judicial deposits amount to R$4,676 - Company (R$4,523 at December 31, 2012) and R$6,622 - Consolidated (R$6,879 at December 31, 2012).

21. Capital and reserves

21.1. Capital

The Special Shareholders' Meeting held on December 7, 2010 approved authorized capital limit, whereby the Company was authorized to increase its capital up to the limit of R$ 500,000, regardless amendments to its Articles of Incorporation, by resolution of Company Board of Directors.

On February 29, 2012, the Board of Directors approved the capital increase in the amount of R$ 65,000, by means of partial capitalization of capital reserve, with no issue of new shares.

On July 30, 2012, the Board of Directors approved a capital increase due to the exercise of Stock Options by certain beneficiaries, in the total amount of R$ 940, with issue of 45 thousand new common shares of the Company.

On June 28, 2013, the Board of Directors approved a capital increase amounting to R$49,143, by means of partial capitalization of capital reserve, with no issue of new shares.

On July 29, 2013, the Board of Directors approved a capital increase due to the exercise of Stock Options by certain beneficiaries, in the total amount of R$ 1,186, with issue of 50 thousand new common shares of the Company.

	Shares (in thousands)	**Capital R$**
Balance at December 31, 2011	88,542	40,917
Capital increase via capitalization of capital reserve	-	65,000
Share issue with stock option plan	45	940
Balance at December 31, 2012	88,587	106,857
Capital increase via capitalization of capital reserve	**-**	**49,143**
Share issue with stock option plan	**50**	**1,186**
Balance at December 31, 2013	**88,637**	**157,186**

21. Capital and reserves (Continued)

21.2. Capital reserve

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

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

a) On November 8, 2007, the Company issued 3,203,808 new registered common shares on behalf of BRICS, with no par value, for the total issue price of R$50,000. Out of this total, R$25,000 were paid in on the occasion by BRICS, R$2,500 of which were allocated for capital increase, and R$22,500 for setting up of the capital reserve;

b) On June 1, 2008, BRICS was merged into the Company. The merged net assets comprised the goodwill paid on acquisition of the investment in the Company, based on future profitability, net of the provision set forth by CVM Rule No. 319/99, in the amount of R$13,935.

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

c) On November 18, 2008, FIGEAC paid in R$12,500, allocated as follows: R$1,250 for capital increase and R$11,250 for setting-up of the capital reserve, plus monetary adjustment incurred amounting to R$1,559.

d) On November 6, 2009, FIGEAC paid in the remaining R$12,500, allocated as follows: R$1,250 for capital increase and R$11,250 for setting-up of the capital reserve, plus monetary restatement incurred for R$2,990.

e) On December 1, 2009, FIGEAC was merged into the Company, and the merged net assets comprised of goodwill paid on acquisition of the investment in the Company, was based on future profitability, net of the provision set forth by CVM Rule No. 319/99, in the amount of R$7,535.

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

21. Capital and reserves (Continued)

21.2. Capital reserve (Continued)

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

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

Due to the implementation of the Stock Option Plan, the Company set up the Options Granted Reserve in the amount of R$4,708 (Note 33). Of this total, R$3,933 were recognized in 2013 and R$775 in 2012.

21.3. Retained profits reserve

Legal reserve

The legal reserve is set at a 5% ratio of the net profit determined for each year under the terms of Article 193 of Law No. 6404/76, as amended (Brazilian Corporation Law) up to the limit of 20% of Company capital.

Investment reserve

This refers to the reserve for research and development (R&D) of new products, based on the capital budget prepared by management and approved by the Annual Shareholders' Meeting. At December 31, 2013 and 2012, this reserve balance amounts to R$2,683.

Retained profits

The retained profits reserve was set up under the terms of article 196 of Law No. 6404/76, for use in future investments. The retention accumulated up to 2012 amounts to R$137,452 and is based on capital budget prepared by management and approved in the Annual Shareholders' Meeting held on April 30, 2013.

Allocation of retained profits reserve surplus will be submitted for approval of the Annual Shareholders' Meeting, in accordance with article 196 of Law No. 6404/76.

22. Paid and proposed dividend and interest on equity

Dividend

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

Dividend was calculated as follows:

	2013	2012
Net income for the year	**110,555**	96,874
Legal reserve - 5%	**(5,528)**	(4,844)
Net income for the year	**105,027**	92,030
Minimum dividend proposed as per Articles of Incorporation	**25%**	25%
Mandatory minimum dividend	**26,257**	23,008
Dividend and interest on equity		
Interest on equity paid	**21,323**	21,751
Withholding Income Tax (IRRF) on interest on equity	**(3,029)**	(3,104)
Intercalary dividend paid	**13,326**	6,986
Proposed dividend	**20,894**	20,382
Total	**52,514**	46,015
Dividend proposed in excess of mandatory minimum dividend	**26,257**	23,007
Dividend proposed in excess of mandatory minimum per share - R$	**0.30**	0.26

On March 04, 2013, Company Board of Directors approved the proposed allocation of net income for the year ended December 31, 2012, concerning payment of additional dividend amounting to R$20,382, duly approved at the General Shareholders Meeting. Payments were made on May 14, 2013.

22. Paid and proposed dividend and interest on equity (Continued)

Dividend (Continued)

At the Board of Directors' meeting held on July 29, 2013, the Company approved the payment of intercalary dividend amounting to R$13,326. These dividends were paid on August 30, 2013. Intercalary dividends paid in the year constitute prepayment of mandatory minimum dividend.

Company Executive Board will submit a proposal for allocation of the net income for the year ended December 31, 2013 for approval by the Board of Directors at a meeting to be held on March17, 2014, also comprising the proposal for payment of additional dividend in the amount of R$20,894, subject to the approval from Company Shareholders' Meeting.

Interest on equity - Law No. 9249/95

In order to comply with relevant tax rules, the Company recognized interest on equity paid or credited in 2013, amounting to R$21,323 (R$21,751 at December 31, 2012) matched against financial expenses. For purposes of preparing these financial statements, such interest was reversed from P&L against retained earnings, as determined by the applicable accounting practices. Withholding income tax at 15% was paid on such interest amount, except for shareholders confirmedly tax exempt or tax immune, or shareholders domiciled in countries or jurisdictions of which legislation establishes a different tax rate.

The payment of R$10,885 (R$9,345, net of withholding income tax effects) as interest on equity was made on July 31, 2013, as decided by the Board of Directors' Meeting held on June 28, 2013, and Company-issued shares have been traded ex rights in relation to interest on equity as from July 01, 2013.

At the Board of Directors' meeting held on June 28, 2013, the Company approved additional interest on equity amounting to R$2 (R$1, net of withholding income tax effects) to be paid on July 30, 2013.

22. Paid and proposed dividend and interest on equity (Continued)

Interest on equity - Law No. 9249/95 (Continued)

At the Board of Directors' meeting held on December 18, 2013, the Company approved additional interest on equity amounting to R$1,578 (R$1,353 net of withholding income tax effects) to be paid on December 27, 2013, and Company-issued shares have been traded ex rights in relation to interest on equity as from December 19, 2013.

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

Interest on equity credited over the year constitutes prepayment of the minimum mandatory dividend.

23. Earnings per share

In order to comply with Accounting Pronouncement CPC 41 (IAS 33), the Company presents below detailed information on earnings per share for the years ended December 31, 2013 and 2012.

a) Basic earnings per share

Calculation of basic earnings per share is made by dividing net income for the year, attributed to common shareholders, by the weighted average number of common shares available in the year.

	12/31/2013	12/31/2012
Net income for the year (in thousands of reais)	**110,555**	96,874
Weighted average of common shares issued (in thousands)	**88,608**	88,561
Basic earnings per share - R$	**1.25**	1.09

23. Earnings per share (Continued)

b) Diluted earnings per share

Calculation of diluted earnings per share is made by dividing net income for the year, attributed to Company common shareholders, by the weighted average number of common shares available in the period, plus the weighted average number of common shares that would be issued should all potentially dilutive common shares be converted into common shares. The Company has a type of potentially dilutive common shares which refers to the stock purchase option, as follows:

	2013	2012
Net income for the year (in thousands of reais)	**110,555**	96,874
Weighted average of common shares issued (in thousands)	**88,608**	88,561
Adjustment as per stock options (in thousands)	**161**	144
Weighted average of common shares for diluted earnings per share (in thousands)	**88,769**	88,705
Diluted earnings per share - R$	**1.25**	1.09

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

24. Net sales revenue

Net sales revenue is broken down as follows:

	Company		Consolidated	
	2013	2012	2013	2012
Gross sales revenue				
Domestic market	**996,540**	913,787	**1,170,419**	1,069,612
Foreign market	**53,039**	34,960	**61,666**	39,131
Sales returns	**(34,753)**	(20,343)	**(48,941)**	(37,107)
Discounts and rebates	**(1,184)**	(911)	**(1,184)**	(911)
Sales taxes	**(165,592)**	(166,526)	**(219,010)**	(210,390)
Net operating revenue	**848,050**	760,967	**962,950**	860,335

25. Segment information

The Company has only one operational segment defined as footwear, handbags 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.

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

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

	Consolidated	
Brand name	**2013**	**2012**
Gross revenue	**1,232,085**	1,108,743
Arezzo - domestic market	**716,614**	663,256
Schutz - domestic market	**402,496**	356,510
Anacapri - domestic market	**41,316**	32,203
Other	**9,993**	17,643
Foreign market	**61,666**	39,131

	Consolidated	
Channel	**2013**	**2012**
Gross revenue	**1,232,085**	1,108,743
Franchises	**583,110**	512,383
Multi-brand stores	**288,566**	285,816
Own stores	**291,368**	255,977
Other	**7,375**	15,436
Foreign market	**61,666**	39,131

Revenue from foreign market is not segregated by geographic area since it represents 5% of the gross revenue at December 31, 2013 (4% in 2012).

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

26. Expenses by nature

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

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Expenses by function				
Cost of sales	**(539,608)**	(487,655)	**(537,221)**	(484,530)
Selling expenses	**(94,970)**	(89,091)	**(204,438)**	(178,526)
Administrative and general expenses	**(69,210)**	(61,191)	**(73,812)**	(64,326)
Other operating income (expenses), net	**245**	(6,109)	**1,011**	(4,748)
	(703,543)	(644,046)	**(814,460)**	(732,130)
Expenses by nature				
Depreciation and amortization	**(4,947)**	(3,657)	**(10,970)**	(7,558)
Personnel expenses	**(71,638)**	(63,827)	**(123,179)**	(116,484)
Raw materials, and store and supplies	**(542,875)**	(492,485)	**(540,488)**	(489,360)
Freight	**(17,801)**	(15,447)	**(20,404)**	(17,863)
Store occupancy expenses	**-**	(569)	**(28,537)**	(20,453)
Other operating expenses	**(66,282)**	(68,061)	**(90,882)**	(80,412)
	(703,543)	(644,046)	**(814,460)**	(732,130)

27. Objectives and policies of financial risk management

a) Fair value

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

	Consolidated			
	12/31/2013		12/31/2012	
	Book value	**Fair value**	**Book value**	**Fair value**
Cash and cash equivalents	**13,786**	**13,786**	11,518	11,518
Short-term investments	**171,928**	**171,928**	190,656	190,656
Trade accounts and other accounts receivable	**266,063**	**266,063**	221,572	221,572
Loans and financing	**98,418**	**98,418**	94,084	94,084
Trade accounts and other accounts payable	**45,870**	**45,870**	40,816	40,816

27. Objectives and policies of financial risk management (Continued)

a) Fair value (Continued)

At December 31, 2013, Company 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	-	13,786
Trade accounts and other accounts receivable	-	266,063
Assets at fair value through profit or loss		
Short-term investments	171,928	-
Liabilities		
Other financial liabilities		
Trade accounts and other accounts payable	-	45,870
Loans and financing	-	98,418

Methods and assumptions used for measuring fair value were as follows:

- Short-term investments - the book values stated in the balance sheet are equal 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 recorded under 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 value of these financing amounts is equivalent to book values, as these instruments have rates equivalent to market rates and bear specific characteristics.

27. Objectives and policies of financial risk management (Continued)

a) Fair value (Continued)

a.1) *Fair value hierarchy*

The Company classifies and discloses the fair value of financial instruments based on measurement techniques:

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

Level 2 – other techniques for which all data that has significant effect on the recorded fair value is observable, whether directly or indirectly; and

Level 3 – techniques that use data that has significant effect on the recorded fair value that is not based on 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).

b) Exposure to currency risks

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 is linked to this currency. To minimize currency risk, nearly all exports have financing pegged to that currency.

At December 31, 2013 and 2012, the amount of net exposure to US Dollar is represented by:

	Consolidated	
	12/31/2013	**12/31/2012**
Trade accounts receivable	**39,560**	25,135
Loans and financing	**(39,524)**	(37,331)
Trade accounts payable	**(17)**	(1,523)
Net exposure	**19**	(13,719)

With a view to analyzing the sensitivity of Company assets and liabilities in foreign currency exposed to currency risk as of December 31, 2013, three (3) different scenarios were defined, and a sensitivity analysis of the effects of currency exchange rate fluctuations was performed.

27. Objectives and policies of financial risk management (Continued)

b) Exposure to currency risks (Continued)

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 exchange rate fluctuations at the maturity dates of the respective contracts subject to such risk.

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

Operation	Currency	Probable scenario (Book value)	Scenario A	Scenario B
Currency rate appreciation				
Accounts receivable in foreign currency	R$	**39,560**	49,450	59,340
Loans and financing in foreign currency	R$	**(39,524)**	(49,405)	(59,286)
Trade accounts payable in foreign currency	R$	**(17)**	(21)	(26)
Rate appreciation with reference to exchange rate US Dollar		2.34	25% 2.93	50% 3.51
Effect on income before taxes	R$		(5)	(10)

In October 2012, the Company took out a derivative hedging instrument in the amount of US$ 3,025 thousand with a view to reducing currency exposure on its export sales transactions, considering the value of portfolio orders, maturing on October 6, 2014. At December 31, 2013, the outstanding amount of this hedging instrument is US$ 1,375 thousand.

	12/31/2013 USD (thousand)	12/31/2012 USD (thousand)
Forward - Sale agreement	**1,375**	3,025

Adjustments arising from derivative instruments had the following effects:

Derivative financial instruments	12/31/2013	12/31/2012
Amount receivable (payable) due to net income/(loss) (fair value)	**(254)**	14
Income statement	**12/31/2013**	**12/31/2012**
Gain/(loss) recognized in financial income/(expenses)	**(268)**	14

27. Objectives and policies of financial risk management (Continued)

b) Exposure to currency risks (Continued)

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 year end. The weighted average of forward rates was calculated based on such data, so as to estimate the fair value of the transaction at each financial year.

c) Exposure to interest rate risks

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

At December 31, 2013, breakdown of loans and financing in terms of interest rates is as under:

	Consolidated	
	12/31/2013	**%**
Fixed interest	**28,046**	28.50
Interest based on TJLP and Libor	**70,372**	71.50
	98,418	100.00

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 December 31, 2013, 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 long-term interest rate (TJLP) of December 31, 2013, the probable scenario was defined for 2013 together with the 25% and 50% variations as required by CVM Rule No. 475.

Gross financial expense was calculated for each scenario not taking into consideration tax levy and the maturity flow of each contract. The reporting date used for financing was December 31, 2013, having the index rates forecast for a year and the respective sensitivity analyzed in each scenario.

27. Objectives and policies of financial risk management (Continued)

c) Exposure to interest rate risks (Continued)

Operation	Currency	Probable	Scenario A	Scenario B
Increase in financial expenses				
Financing - TJLP	R$	41	51	62
Financing - Libor	R$	2,931	3,664	4,397
		2,972	3,715	4,459
Rate appreciation with reference to financial liabilities			25%	50%
Libor		0.35%	0.44%	0.53%
TJLP		5.00%	6.25%	7.50%

d) Financial instruments

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

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

Company and subsidiaries adopt the policy of investing funds at top tier banks and in investments exposed to low risk and with high liquidity.

The Company uses NonDeliverable Forwards (NDF) and Advances on Exchange Contracts (ACC) as its major financial instruments to hedge against risks related to volatility of exchange rates in connection with the sales of goods in the foreign market.

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

27. Objectives and policies of financial risk management (Continued)

d) Financial instruments (Continued)

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

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

The Company has no financial instruments not accounted for at December 31, 2013 and 2012.

e) Credit risk

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

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

Trade accounts receivable are substantially denominated in reais and are spread across various customer accounts. In order to reduce credit risk, the Company makes an individual analysis when acquiring new customers but, as a market practice, it only requires advance payment of receivables from customers that are considered high risk. There are no customers that represent more than 5% of the accounts receivable as of December 31, 2013 and 2012. Management monitors the trade accounts receivable risks by recording an allowance for doubtful accounts.

As regards the credit risk associated with the financial institutions, Company and subsidiaries diversify this exposure among top-tier financial institutions

f) Liquidity Risk

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

27. Objectives and policies of financial risk management (Continued)

f) Liquidity risk (Continued)

Company and subsidiaries' cash flow and liquidity control is monitored daily by Company management so as to ensure that cash generation and preliminary fund raising, when needed, are sufficient to cover their scheduled commitments, thereby not exposing Company and subsidiaries to liquidity risk. The table below presents contractual payments required for Company financial liabilities:

	Projection including future interest			
	Up until 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**
Loans and financing	65,154	38,601	2,949	106,704
Trade accounts and other accounts payable	45,870	-	-	45,870

g) Capital management

The objective of Company capital management is to ensure maintenance of a strong credit rating with institutions and an optimum capital relationship in order to support Company business and maximize shareholder value.

The Company controls its capital structure through adjustments and adaptation to current economic conditions. The procedures adopted to maintain an adjusted structure include dividend payment, capital return to shareholders, new loans, issue of debentures, issue of promissory notes, and engaging in operations with derivatives. There have been no changes in capital structure objectives, policies, or processes since the year ended December 31, 2008.

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

28. Financial income (expenses)

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Financial income:				
Interest received	**2,828**	1,395	**2,852**	1,403
Gains from short-term investments	**14,233**	14,483	**15,858**	14,628
Other revenues	**1,521**	2,336	**1,747**	2,138
	18,582	18,214	**20,457**	18,169
Financial expenses:				
Bank charges	**(1,481)**	(1,637)	**(1,645)**	(1,908)
Interest expenses	**(2,399)**	(1,984)	**(4,480)**	(2,309)
Credit card management fee	**(65)**	(262)	**(4,908)**	(4,378)
Other	**(1,026)**	(2,588)	**(1,341)**	(3,739)
	(4,971)	(6,471)	**(12,374)**	(12,334)
Exchange gains (losses), net:				
Assets	**3,742**	1,130	**3,781**	1,152
Liabilities	**(3,992)**	(1,519)	**(4,237)**	(1,688)
	(250)	(389)	**(456)**	(536)
Total	**13,361**	11,354	**7,627**	5,299

29. Other operating income (expenses), net

	Company		Consolidated	
	2013	**2012**	**2013**	**2012**
Contract termination expenses (i)	**-**	(8,000)	**-**	(8,000)
Stock option plan	**(3,594)**	-	**(3,594)**	-
Franchise fees	**2,260**	1,225	**2,260**	1,225
Indemnities	**1,112**	-	**1,112**	-
Recovered expenses	**162**	72	**174**	132
Income (loss) on PPE items and intangible assets disposed of	**(25)**	(464)	**729**	826
Other income	**330**	1,058	**330**	1,069
	245	(6,109)	**1,011**	(4,748)

(i) On January 21, 2012, the Company terminated its agreement with Star Export Assessoria e Exportação Ltda., which provided technical assistance and advisory services for the agency and supervision of independent factories and ateliers contracted out to manufacture certain products. In regard to such termination, the Company paid R$8,000. On the same date, the Company entered into an agreement with another entity, of equal technical competence and engaged in the provision of the same service, under better business conditions aiming at lower operating costs for the service provision, while maintaining the same quality level of the services currently provided.

30. Operating lease agreements - store lease

At December 31, 2013, the Company had entered into lease agreements with third parties. Management analyzed these agreements and concluded that they could be classified as operating lease agreements.

Future minimum rent amounts receivable under noncancellable operating leases are as follows:

	Minimum lease payments 12/31/2013 (Consolidated)
Up until 1 year	**18,342**
After one year and up until five years	**34,005**

The average monthly expense with lease payments is R$1,866 (R$2,074 in 2012). The effective terms of the referred to lease agreements range between four and five years, subject to financial charges based on the annual IGPM variation, as specified in each agreement.

At December 31, 2013, lease expenses, net of taxes recoverable, totaled R$22,386 (R$15,259 at December 31, 2012). The Lease payable balance amounts to R$2,795 (R$1,612 at December 31, 2012).

A substantial portion of the lease agreements is related to store billing and a minimum amount has been established. In addition, the grace period set out in the agreements is not significant so as to meet the expected expense alignment.

31. Noncash transactions

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

The balances merged represent transactions that do not involve cash, represented as follows:

Description	Company 02/01/2012
Assets	
Short-term investments	125
Trade accounts receivable	577
Inventories	3,343
Taxes recoverable	623
Other amounts receivable	111
Related parties	122
PPE, net	731
Intangible assets	7
Liabilities	
Trade accounts payable	246
Tax and social liabilities	26
Labor liabilities	348
Other accounts payable	40
Related parties	507
Provision for contingencies	

32. Insurance coverage

Company and subsidiaries have insurance coverage with top-tier insurance companies in Brazil, which takes into consideration the nature and degree of risk involved. At December 31, 2013, the Company had insurance coverage against fire and miscellaneous risks on its property, plant and equipment items and inventories at amounts considered sufficient by management to cover possible losses, as follows:

Assets covered	Risks covered	Insured amount R$
Inventories and property, plant and equipment	Fire	113,686
	Civil liability	10,000

33. Stock option plan

At a Special General Meeting held on May 25, 2012, the Company's shareholders approved a Stock Option Plan for officers, employees and service providers of the Company or of other companies under its control, which became effective from that same date. The Stock Option Plan is managed by the Board of Directors, which, at its discretion, may set up a Committee to manage the Stock Option Plan.

The Stock Option Plan is limited to the maximum number of options resulting in a dilution of 5% of Company capital. The dilution corresponds to the percentage represented by the maximum number of shares underlying the options by the total number of shares issued by the Company.

On April 28, 2012, the Board of Directors approved the first options grant within the scope of the Stock Option Plan. The first grant in connection with Company Stock Option Plan totaled 386,404 options, 68,231 of which are stock options for Lot I, and 318,173 for Lot II. On April 27, 2013, the Board of Directors approved the second options grant within the scope of the Stock Option Plan. The second grant in connection with Company Stock Option Plan totaled 686,901 options, 25,757 of which are stock options for Lot I, and 661,144 for Lot II.

The Stock Option Plan provides for the following Lot I options granted to the Plan participants: (i) they will become exercisable on the business day subsequent to the respective granting date; (ii) they may be exercised within 30 days from the date on which they become exercisable; and (iii) the shares stemming from the exercise may not be traded over a 3-year Black-Out period from the exercise date. If within the 3-year Black-Out period the participant withdraws from the Company, at his/her own will, quitting the job, resigning from the officer position or terminating the service agreement; or in case of Company's decision, through dismissal for cause, removal from position due to violation of duties and responsibilities as an officer, or termination of the service rendering agreement, the Company may, at its sole discretion, repurchase the restricted stocks for the exercise price paid by the participant for acquisition of restricted stocks.

In turn, Stock Option Plan participants may exercise their Lot II options within a period of up to 3 years from the exercise date. The vesting period will be up to 3 years for each release, which will be in the following proportion: 25% from the first anniversary of the respective granting date; 25% from the second anniversary of the respective granting date; and 50% from the third anniversary of the respective granting date.

33. Stock option plan (Continued)

1st Grant - June 2012:

On June 11 and 13, 2012, the Company handed in the Stock Option Grant Agreement to participants providing for Plan terms and conditions. This agreement should be signed and returned to the Company within a 30-day term, jointly with the notice of exercise of Lot I and the proof of transfer of funds referring to the exercise of Lot I options, when applicable. Had one of these conditions not been met within the term set up, the participant would have not been eligible for the plan.

The exercise price of the Stock Option Plan is set at R$ 20.856948048 per share, equivalent to the average of 90 closing quotations of Company shares at BM&F Bovespa, which occurred before the grant approval, with a 30% discount.

In July 2012, the adhesion to the Stock Option Plan was perfected, with all initial conditions met, express statement from the eligible participants through formalization of the Grant Agreements and, when applicable, notice of the exercise of Lot I and the corresponding transfer of funds.

2nd Grant - June 2013:

On June 11, 2013, the Company handed in the Stock Option Grant Agreement to participants providing for Plan terms and conditions. This agreement should be signed and returned to the Company within a 30-day term, jointly with the notice of exercise of Lot I and the proof of transfer of funds referring to the exercise of Lot I options, when applicable. Had one of these conditions not been met within the term set up, the participant would have not been eligible for the plan.

The exercise price of the Stock Option Plan is set at R$27.613453786 per share, equivalent to the average of 90 closing quotations of Company shares at BM&F Bovespa, which occurred before the grant approval, with a 30% discount.

In July 2013, the adhesion to the Stock Option Plan was perfected, with all initial conditions met, express statement from the eligible participants through formalization of the Grant Agreements and, when applicable, notice of the exercise of Lot I and the corresponding transfer of funds.

33. Stock option plan (Continued)

Breakdown of Company Stock Option Plan, considering the grace periods for the exercise of options is as follows:

	Maximum number of shares	
Vesting period as from grant	1st Grant	2nd Grant
Within 30 days from 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 Company Stock Option Plan are as follows:

	1st Grant	2nd Grant
Opening balance - shares	220,527	-
Shares granted	-	632,911
Shares exercised	(27,026)	-
Shares written off (*)	(14,626)	(1,000)
Closing balance - shares	**178,875**	**631,911**

(*) Shares were written off due to termination of employees who participated in Company stock option plan.

Pursuant to IFRS 2/ CPC 10, the Company calculated the options fair value, which was calculated based on aforementioned grace periods. At December 31, 2013, the Company calculated the amount of R$3,933 (R$775 at December 30, 2012) referring to the stock option plan expense recognized in the income statement matched against equity in the “Capital reserve” specific account. In 2012, the pricing of options fair value was based on the Black & Scholes method, whereas in 2013, management opted for the binomial valuation model. Assumptions used for determining the stock options fair value were as follows:

33. Stock option plan (Continued)

	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$)	20.86	20.86	27.61	27.61
Fair value through per share - (R$)				
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 to maturity - (calendar 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

Maturity of stock options is based on historical data and does not necessarily indicate exercise patterns which may occur. Expected volatility reflects the assumption that volatility history is indicative of future trends, which may not correspond to the actual scenario.

34. Government grants

ICMS Matching Credit

By operation of Decree No. 50066 published on February 14, 2013, the government of Rio Grande do Sul State changed the grant of tax relief in the period from February 1 to May 31, 2013 to manufacturers of footwear or leather goods in connection with interstate shipment operations deriving from sales of own production items, at an amount equal to that resulting from the ICMS matching credit percentage application on the ICMS amount due in the operation.

On February 27, 2013, by means of its subsidiary, the Company entered into an agreement for granting of ICMS tax benefit. The grant term is extended up to May 31, 2014.

The tax benefit to which the Company was entitled up to December 31, 2013 amounted to R$12,640. This amount was recorded in the income statement 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.

2013 Financial Statements
& Attachment

- Attachment I - Capital Budget
- Attachment II A - Officer's Statement with regard to the Financial Statements
- Attachment II B - Officer's Statement with regard to the Independent Auditor's Report
- Attachment III - Management Report

AREZZO&CO

AREZZO

SCHUTZ

Alexandre Birman

ANACAPRI

Attachment I
Budgte Capital

Company's Administration Proposal for Capital Budget

In R$ Thousand

	2013
Retained Profits (article 196 law 6,404/76)	49,484
Sources	**49,484**

Financing of Working Capital	25,774
Expansion of owned stores and franchises	4,936
Investments in Operational Improvements	17,101
Investments in Research and Technology	1,673
Allocation	**49,484**

Attachment II - A
Officer's Statemen

STATEMENT PURSUANT TO ARTICLE 25 OF CVM NORMATIVE INSTRUCTION No. 480/09

Officer's Statement with regard to the Financial Statements

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 ("Company"), hereby state that they reviewed, discussed and agree with the financial statements of the Company for the fiscal year ended December 31, 2013, as provided for and for the purposes of § 1, item VI of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, Fecruary 20th, 2014.

Alexandre Café Birman – Chief Executive Officer
Thiago Lima Borges – Vice President of Corporate, Chief Financial Officer and Investor Relations Officer
Marco Antônio Ferreira Coelho - Officer with no specific designation
David Nery Python - Officer with no specific designation

Attachment II - B
Officer's Statement

STATEMENT PURSUANT TO ARTICLE 25 OFCVM NORMATIVE INSTRUCTION No. 480/09

Officer's Statement with regard to the Independent Auditor's Report

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 ("Company"), hereby state that they reviewed, discussed and agree with the opinions expressed in the independent auditors' report relating to the financial statements of the Company for the fiscal year ended December 31, 2013, as provided for and for the purposes of § 1, item V of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, Fecruary 28th, 2014.

Alexandre Café Birman – Chief Executive Officer
Thiago Lima Borges – Vice President of Corporate, Chief Financial Officer and Investor Relations Officer
Marco Antônio Ferreira Coelho - Officer with no specific designation
David Nery Python - Officer with no specific designation

Attachment III
Management Report

1. Management Report

Arezzo&Co remains focused on consolidating its leadership in the footwear, handbags and accessories market all over Brazil. In 2013, the Company posted growth across all brands and channels despite the challenging macroeconomic environment.

The Company's Investor Relations policy reflects its strategy of being transparent and dynamic. Management attended 11 investor conferences in Brazil, the US and Europe, and has welcomed hundreds of investors in its stores, showrooms and offices in the course of the year. October saw the 3rd Arezzo&Co Day, an event that brought together about 100 investors at our headquarters in Campo Bom (RS), in order to provide a more comprehensive view of the business model, as well as deepen knowledge of Arezzo&Co's main strategic guidelines and competitive advantages.

A great joint effort made by the entire team enabled the Company to gain market share and reach annual sales of over 10 million pairs despite a more challenging growth scenario than previously estimated in early 2013. Highlighting certain issues, such as the strategic disqualification of some multibrand stores in order to maintain and strengthen our network of mono-brand stores, in addition to a high comparison base in 2012 due to strong revenues from a single item (sneakers), the results posted reflect the Company's strategy of attaining sustainable long-term growth by increasing consumer desire for its brands, team commitment and business model consolidation. Net revenues were up by 11.9% as a result of higher gross margins, particularly in the franchise channel, where revenues were up by 13.8%, accounting for 49.8% of the company's sales.

In order to maintain profit margins, despite a different growth rate, the Company showed strong ability to adjust its expenses, recording EBITDA margin in line with the previous year. Additionally, the Company continues to invest in projects that will ensure future growth, such as the rollout of the franchise channel for the Anacapri brand, the investment in e-commerce as a new platform, the strengthening of the mix of Schutz brand handbags, and the most challenging of our projects the pilot operation in the United States. Excluding only the US pilot project, the 2013 EBITDA margin would have been 17.9% against 17.4% in 2012, an increase of 50 bps, reflecting the business's operational leverage.

The network store expansion targets were successfully reached, showing great discipline in execution and focus on sustainability. In 2013, 59 new stores were opened, 12 were expanded and 9 stores were refurbished, with 17.0% growth in sales area excluding outlets.

In 2013, Arezzo, the group's main brand, developed a new supply methodology and altered the distribution of collections per season and delivery frequency of product to match their life cycles. An important milestone was the new service model for franchisees, internally called the 'E-showroom', which enables access to more products in a shorter time by shortening purchasing process lead time and speeding the brand's availability in the stores, which can therefore show the right product at the right time and right price. In addition, franchisees may follow a suggested product mix that fits each store's profile. The new structure provides better sellout feedback, more frequent bestsellers in stores and more assertiveness in collections

Another milestone for the Arezzo brand, following its historical assumption of periodically renewing store layouts and offering a shopping experience constantly geared to female consumers, was the new architectural design to display 50% more products in the same area. The brand ended 2013 with 25 stores based on the new model and aims to continue refurbishing stores on the new pattern at the same pace.

The Schutz brand diversified its product categories and channels even more and increased presence in consumers' mind. The handbags category adopted a new strategy regarding sourcing, collection structure and segmentation by distribution channel in order to meet end-customer needs. It showed strong growth and accounted for 11% of the brand's sales revenue in 2013. The e-commerce channel accounted for 6% of the brand's sales revenues with R$ 23.4 million and a 137% increase on 2012. The brand reached 1.2 million Facebook followers and was recognized as the most active fashion brand on Instagram, with over 500,000 followers currently. The brand is preparing to expand the potential of the online sales channel by enhancing its technology platform.

The Schutz brand is continues to develop its pilot operation in the United States. It should be noted that the project is currently at laboratory phase, where key data collection is proving to be a learning experience for possible growth in the US market. Moreover, this is an investment that enables reverse marketing, thus strengthening its branding in Brazil too, as well as anticipating feedback from consumers, which provides product data that may be used to develop collections for the Brazilian market.

The Anacapri brand is a good example of our pipeline of long-term initiatives. Since its inception as a totally greenfield project five years ago, the brand has matured its value proposition, mapped its target consumers and structured its sourcing, culminating with its new store layout in 2013 as a whole new project that is both extremely efficient and capable of generating enhanced shopping experiences. The brand started its rollout in the franchise channel in the closing months of the year and posted strong sales in the period. Arezzo&Co's know-how in managing a multi-channel business model is also applicable to the Anacapri brand, which opened 15 new franchises in 2013 and surpassed our initial guidance estimates.

The Alexandre Birman brand has increasingly earned recognition worldwide for design and exclusivity. In 2013, the brand opened its New York showroom and consolidated its international distribution in over 30 countries while attending several international fairs and events, especially the 1st Press Day held in Paris during the Fashion Week, which provided strong branding effect.

In order to boost integration through the value chain, the Company is deploying its new ERP system. Internally called Project 2154, the system will allow more integration across the Company’s data and processes, and therefore speedier decision making processes, improving planning and management of routines and results. We have an experienced team working on this project, whose planning started in mid-2013 and is expected to go live in January 2015.

All the group's brands ran consistent communication and marketing plans, comprising a set of well-planned initiatives and carried out to build very close relations with our consumers. Our brands enjoy constant online presence and stand out among leading brands in the fashion industry for their communication and engagement with customers on social networks. We recorded more than 200 views on specific channels on cable TV, with an impact on over 3.2 million people in 2013. In addition, we ran 100 inserts in printed media on 180 pages in the main specialized fashion titles in 2013, with more than 1,300 views in fashion editorials. Another important pillar is the relationship with opinion makers, such as actresses and celebrities, who endorse our brands. In particular, Interbrand chose the Arezzo brand as one of the 25 most valuable brands in Brazil in 2013, showing ability to generate identification, differentiation and value for consumers.

The Company sees the talents of its people as the central pillar of its strategy, and therefore launched new programs to attract and retain talents. The third trainee program proved a success with more than 5,000 applicants. In 2013, the Company launched the internal Talent Program for its employees who wish to grow with us. Reaffirming our culture of “thinking like the owner" at Arezzo&Co, the Company extended its stock option program to align interests of management and shareholders. Finally, training sessions for teams totaled approximately 128,000 hours to ensure continuous development for all our people, preparing them for new challenges in the coming year.

For Arezzo&Co, meeting one target merely lays the basis for the next. So let's keep up the motivation and confidence in relation to prospects for 2014.

The Management

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 2013 with a presence through 403 franchises, 55 owned stores and 2,451 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 - 2013

Summary of Results	2012	2013	Growth or spread (%)
Net Revenues	860,335	962,950	11.9%
Gross Profit	375,805	425,729	13.3%
Grosss Margin	43.7%	44.2%	0.5 p.p.
EBITDA [1]	135,763	159,460	17.5%
Ebitda Margin	15.8%	16.6%	0.8 p.p.
Net Income	96,874	110,555	14.1%
Net Margin	11.3%	11.5%	0.2 p.p.

Operating Indicators	2012	2013	Growth or spread (%)
# of pairs sold ('000)	8,980	10,008	11.4%
# of handbags sold ('000)	552	642	16.3%
# of employees	2,058	2,007	-2.5%
# of stores *	399	458	5900.0%
Owned Stores	57	55	-200.0%
Franchises	342	403	6100.0%
Outsorcing (as % os total production)	88.5%	91.1%	2.6 p.p
SSS [2] **(franchises - Sell-in)**	12.2%	2.0%	-10.2 p.p.
SSS [2] **(owned stores - sell-out)**	n/a	1.1%	n/a

* Including international stores

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

2- SSS (same-store sales): The stores included in comparable store sales as of the 13th month of operation. Changes in comparable store sales between the two periods are based on sales net of returns for same-store sales, and gross sales for franchises that were operating during both periods being compared. If a store is included in the calculation of comparable store sales for only part of one of the two periods being compared, then that store will be included in the calculation of the portion corresponding to the other period. When square meters are added or taken from a store that is included in comparable store sales, that store is excluded from comparable store sales. When the operation of a store is discontinued, its sales are excluded from the calculation of comparable store sales for the periods compared. It is assumed that when a franchise operator opens a deposit, its sale will be included in comparable store sales if the operator's franchise are in operation during both periods being compared. What we have called SSS Franchise - Sell In, refers to the comparison of Arezzo&Co sales with each Franchisee Store that has been operating for more than 12 months, which is used as a more accurate indicator for monitoring the group's revenue. SSS Owned Stores - Sell Out is based on sales performance of the point of sale, which in the case of Arezzo&Co gives a better idea as to how Owned Stores sales are doing.

Gross Revenue	2012	Part%	2013	Part%	Growth or spread (%)
Total Gross Revenue	**1,108,743**		**1,232,085**		**11.1%**
Exports market	39,131	*3.5%*	61,666	*5.0%*	57.6%
Domestic Market	1,069,612	*96.5%*	1,170,419	*95.0%*	9.4%
By brand					
Arezzo	663,256	*62.0%*	716,614	*61.2%*	8.0%
Schutz	356,510	*33.3%*	402,496	*34.4%*	12.9%
Anacapri	32,203	*3.0%*	41,316	*3.5%*	28.3%
Other brands [1]	17,643	*1.7%*	9,993	*0.9%*	-43.4%
By channel					
Franchises	512,383	*47.9%*	583,110	*49.8%*	13.8%
Multibrand retail stores	285,816	*26.7%*	288,566	*24.7%*	1.0%
Owned Stores [2]	255,977	*23.9%*	291,368	*24.9%*	13.8%
Others [3]	15,436	*1.5%*	7,375	*0.6%*	-52.2%

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

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

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

Brands

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

The second half of 2013 accounted for approximately 55% of sales for the year. In August, store windows begin displaying the Summer collection, while the last week in October sees Hot Summer Week, a sell-out period of approximately 10 days that marks the transition for the Summer collection to the High Summer collection where the focus is especially on sales during the end-of-year holiday period, a key moment for sales in the store network.

The Arezzo brand achieved R$716.6 million in gross revenues in 2013, representing growth of 8.0% in relation to 2012, and accounting for 61.2% of total domestic sales. During 2013 the brand developed a new supply methodology, with better distribution of the collections during the seasons and delivery cycles in line with life cycles, with initially positive results in the form of higher product turnover. During the year the brand rolled out its new architectural project designed to offer a better purchasing experience, in addition to an increase of 50% in the volume of products on show in the sales area, ending 2013 with 25 new stores in line with this model, which resulted in higher productivity at the refurbished stores.

The Schutz brand showed an increase of 12.9% in 2013 in comparison with 2012, posting gross revenues of R$ 402.5 million, or 34.4% of domestic market sales, primarily on account of the strategic move to disaccredit several multibrand stores. Since the roll-out of the brand in 3Q11, 56 mono-brand stores have been opened and 8 stores expanded, ending the year 2013 with 67 stores. The web commerce channel posted strong growth of 136.8% for the year, with revenues reaching R$ 23.4 million. Handbags were the highlight, growing by 79.8% in the year, reflecting the strategy of increasing this category's share of the brand. The operation in the United States, including the store at 655 Madison in New York, continues to strengthen branding by raising perception among domestic and international target audiences. It is worth pointing out that the United States operation is a project that is still in the pilot phase.

The Anacapri brand posted growth of 28.3% in comparison with 2012, leveraged primarily by the increase in the number of mono-brand stores and growth in the multibrand channel. During the year, after inaugurating its new store architecture model, adding value to its identity and style, the brand initiated its rollout process in the franchise channel, ending the year 2013 with 15 stores in this channel. The first results were positive, with strong sales at the end-of-year period, and the company is strengthening guidance for opening 25 franchises in 2014.

The Alexandre Birman brand grew by 42.7% in 2013 and continues to strengthen its international presence through product development and bolding international events with opinion formers. In 4Q13 the brand held its market week in New York, an event that further consolidated the brand's positioning in the US market as the only Brazilian brand among the international designers, enabling it to get closer to its target audience.

Channels

Mono-brands - Franchises and Owned Stores

Having opened 29 stores, the company ended 2013 with 449 mono-brand stores in Brazil and 9 overseas, of which 357 in Brazil carry the Arezzo brand, 67 the Schutz brand, 23 Anacapri and 2 Alexandre Birman brand stores.

The company's revenue arising from mono-brand stores, represented by sell-in of franchises and sell-out of owned stores, was up by 13.8% in 2013 over 2012, due primarily to the 17.0% expansion in sales area in the last 12 months, excluding outlets. The franchise channel posted growth of 13.8% in sell-in for the quarter, accounting for 49.8% of domestic sales for the year, driven by the opening of 61 franchises in the last 12 months, of which 29 are the Arezzo brand, 17, Schutz and 15 Anacapri. In addition, 11 Arezzo brand franchises were expanded in the last 12 months, adding 363.7 m² of sales area in this channel. Mono-brand stores accounted for 74.7% of domestic sales in 2013.

Sell-in sales, that is, those by Arezzo&Co to its franchisees grew in the same franchises (SSS – Franchises) by 2.0% in 2013 when compared with 2012. Due to the constant focus on sell-out, sales to franchisees sought to balance the sales potential with healthy inventories across the network. In this sense the SSS sell-in indicator is in line with the SSS sell-out performance of the franchise channel. In addition, the SSS sell-in was affected by the fast-track opening of Schutz brand franchises in the last 12 months (higher inventory on the first purchase).

The owned stores sales channel area grew by 11.7% for the year when compared with the previous year, and was particularly affected by the opening of a 990 m² outlet during the last quarter, and the expansion of 3 owned stores over the last 12 months, adding 134.9 m² to the sales channel area. Sales in the same sell-out stores (owned stores + franchises) showed growth of 1.1% for the period.

History - Franchises and Owned Stores	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Sales area - Total[1] (m²)	**22,084**	**23,112**	**24,531**	**26,543**	**26,659**	**27,996**	**28,999**	**31,848**
Sales area - franchises (m²)	17,330	18,005	19,125	20,646	20,731	22,154	23,174	25,262
Sales area - Owned stores[2] (m²)	4,754	5,107	5,406	5,897	5,928	5,842	5,825	6,586
Total number of domestic stores	**338**	**351**	**368**	**390**	**391**	**408**	**420**	**449**
# of franchises	**292**	**301**	**316**	**334**	**335**	**353**	**365**	**395**
Arezzo	290	295	300	311	312	324	328	340
Schutz	2	6	16	23	23	29	35	40
Anacapri	0	0	0	0	0	0	2	15
# of owned stores	**46**	**50**	**52**	**56**	**56**	**55**	**55**	**54**
Arezzo	18	19	19	19	19	17	16	17
Schutz	19	22	24	27	27	27	27	27
Alexandre Birman	1	1	2	2	2	2	2	2
Anacapri	8	8	7	8	8	9	10	8
Total number of international stores	**7**	**8**	**9**	**9**	**9**	**9**	**9**	**9**
# of franchises	7	8	8	8	8	8	8	8
# of owned stores	0	0	1	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

In 2013, revenues from the multibrand channel showed growth of 1.0%, primarily owing to the effect of the growth in Schutz mono-brand stores. Due to the rollout process in mono-brand store, the Schutz brand persisted with the process initiated in the third quarter of disaccrediting several multibrand stores in order to protect its branding, with an impact on the growth of this channel. The expansion of the Schutz brand in mono-brand stores, where greater control of the shopping experience leads to greater satisfaction for the end consumer superior, seeks to increase brand perception and the value it creates. The company continues to believe in the strategic importance of the multibrand channel by working to capture new customers, grow the share of wallet with existing customers and increase cross selling. In 2014, especially on account of the lower store base during the first semester, there is a possibility that the revenues from the channel will be slightly up on those for 2013.

Thanks to the higher capillarity throughout Brazil, the Group's 4 brands are now distributed through 2,451 stores, an increase of 4.3% over 2013, with a presence in 1,201 cities.

Key financial indicators	2012	2013	Growth or spread (%)
Net revenues	860,335	962,950	11.9%
COGS	(484,530)	(537,221)	10.9%
Gross profit	375,805	425,729	13.3%
Gross margin	43.7%	44.2%	0.5 p.p.
SG&A	(247,600)	(277,239)	12.0%
% of Revenues	28.8%	28.8%	0.0 p.p
Selling expenses	(174,453)	(198,556)	13.8%
Owned stores	(79,979)	(90,851)	13.6%
Selling, logistics and supply	(94,474)	(107,705)	14.0%
General and administrative expenses	(60,841)	(68,724)	13.0%
Other operating revenues (expenses)[1]	(4,748)	1,011	n/a
Depreciation and amortization	(7,558)	(10,970)	45.1%
EBITDA	135,763	159,460	17.5%
EBITDA margin	15.8%	16.6%	0.8 p.p.
Net income	96,874	110,555	14.1%
Net margin	11.3%	11.5%	0.2 p.p.
Working capital[2] - as % of revenues	27.4%	30.2%	2.8 p.p
Invested capital[3] - as % of revenues	35.6%	41.0%	5.4 p.p.
Total debt	94,084	98,418	4.6%
Net debt[4]	(108,070)	(87,273)	-19.2%
Net debt/EBITDA LTM	-0.8 X	-0.5 X	n/a

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

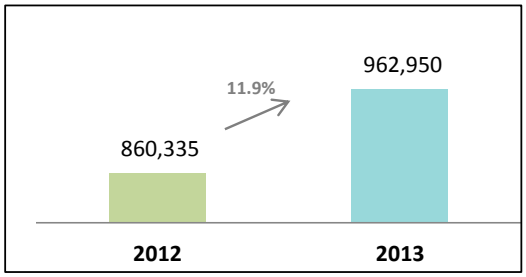
Net revenue

The company's net revenue stood at R$963.0 million for the year, up by 11.9% in relation to the previous year. Among the factors leading to this growth, the highlights are:

i) Excluding outlets, an expansion of 17.0% in sales area over 2012, especially growth of 22.4% in franchises;

ii) Growth in the same store sales sell-in indicator of 2.0% 1.1% growth in sell-out;

iii) The multibrand channel showed growth of 1.0% over 2012, primarily owing to the effect on the channel of the strong growth in Schutz mono-brand stores;

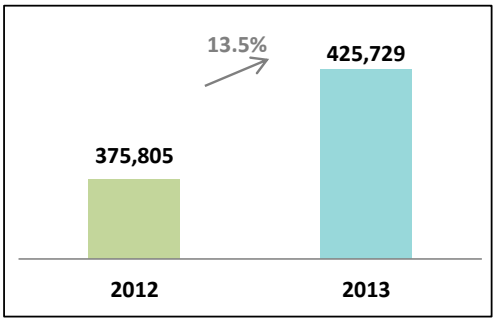


iv) Notwithstanding the change in the mix of channels, there was a positive impact on net revenue of R$12.6 million, thanks to a temporary reduction in the ICMS tax rate for the year.

Gross profit

In 2013, gross profit stood at R$425.7 million, growth of 13.3% over 2012, while the gross margin was 44.2%, an increase of 0.5 p.p. over the previous year.

The company is pursuing its strategy of maintaining stable margins per channel, with the owned stores channel subject to greater variation.



SG&A

The Management of Arezzo&Co is working hard to adjust the levels of expenses to the company's growth. During the second semester of 2013 and especially in the last quarter, there was a sharp deceleration in expenses, with margins in 2013 remaining in line with those shown in 2012.

Selling expenses

The company's selling expenses can be divided into two main groups:

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

ii) Selling, logistics and supply expenses:
- Include expenses from sell-in and sell-out operations.

In 2013 selling expenses grew by 13.8% when compared with 2012, reaching R$198.6 million for the year, against R$174.5 million for the previous year. Sales, logistics and supply expenses totaled R$107.7 million for the year, an increase of 14.0% over 2012 owing to higher investment in the United States operation, as well as non-recurring expenses with marketing process consultants in the search of higher operating efficiency.

Owned store expenses amounted to R$90.9 million in 2013, growth of 13.6% in comparison with 2012, and in line with the growth of the owned stores channel over the same period. This increase reflects higher operating expenses, primarily because of events to strengthen branding and marketing to support the increased traffic on the web commerce channel.

General and Administrative Expenses

General and administrative expenses for the year amounted to R$68.7 million against R$60.8 million for the previous year, growth of 13.0%, reflecting higher research and development expenses thanks to higher production of samples, in addition to the inclusion of the samples department under the R&D department.

Other operating revenues (expenses)

In 2013, the company posted R$1.0 million in Other Operating Expenses, in comparison with negative revenues of R$4.7 million in 2012, primarily on account of R$1.4 million in stock option expenses.

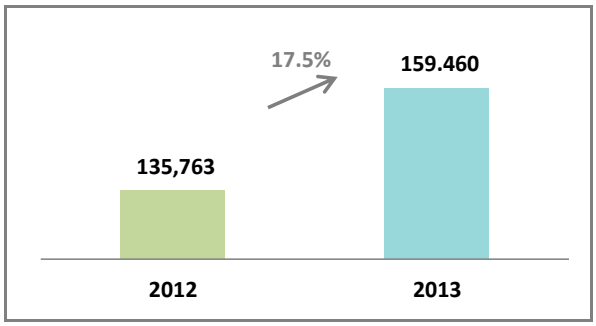
EBITDA and EBITDA margin

The company's EBITDA grew by 17.5% in 2013 over 2012, amounting to R$159.5 million. The EBITDA margin for the year was 16.6% against 15.8% for 2012. The principal factors that led to the EBITDA amount in this quarter were:

i) The increase of 11.9% in net revenue;

ii) Growth of 13.3% in gross profit;

iii) Operating expenses as a percentage of revenue remained at 28.8%.



Stripping out the non-recurring effect of 1Q12, the EBITDA for 2013 would have grown by 10.9% in relation to 2012. Stripping out the US operation, the 2013 EBITDA margin would have been 17.9% in comparison with 17.4% in 2012, an increase of 50 bps, evidencing the expansion in the business margin.

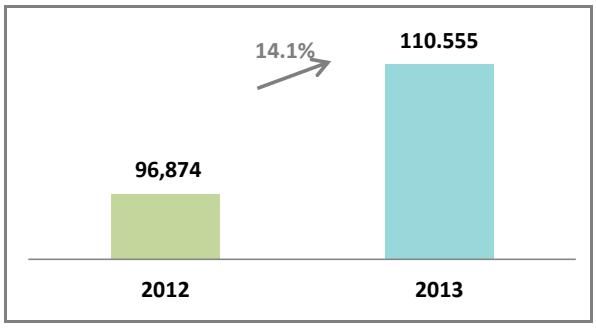
The history of Arezzo&Co has always been one of organic development through pilot projects for growing the brands and channels. In the United States the company is analyzing the attractiveness of the value proposal of the Schutz brand, bearing in mind the price-fashion-product triad, in an effort to evaluate the existence of a future opportunity for offering quality products quickly in that market.

EBITDA Reconciliation	2012	2013
Net income	96,874	110,555
(-) Income tax and social contribution	(36,630)	(45,562)
(-) Financial results	5,299	7,627
(-) Depreciation and amortization	(7,558)	(10,970)
(=) EBITDA	135,763	159,460

Net income and net margin (%)

The company showed an EBITDA conversion with a margin of 16.6% in 2013, to a net profit with a margin of 11.5% for the year, reflecting the increased use of capital in fixed assets during 2012 as a result of the greater number of owned stores.

Given the higher permanent assets in 2013, when compared with 2012, depreciation rose by 45.1% for the year. The rate of income and social contribution taxes remained in line with the same period of 2012.



Net profit for 2013 amounted to R$110.6 million against R$96.9 million in 2012, an increase of 14.1% in comparison with the previous year.

Excluding the non-recurring effect of 1Q12, net profit for 2013 would have grown by 8.2% in relation to the previous year.

Operating Cash Flow

Arezzo&Co generated R$71.7 million of cash from operations in 2013, due primarily to the higher operating profit linked to the greater working capital requirement during the year. There was no change in the policy of terms and payments, however the concentration of invoicing at the end of the period required higher working capital.

Operating Cash Flow	2012	2013	Var. (%)
Income before income tax and social contribution	**133,504**	**156,117**	**16.9%**
Depreciation and amortization	7,558	10,970	45.1%
Other	(8,395)	8,304	n/a
Decrease (increase) in current assets / liabilities	**(43,737)**	**(57,351)**	**31.1%**
Trade accounts receivables	(29,316)	(38,426)	31.1%
Inventories	(19,206)	(9,313)	-51.5%
Suppliers	(1,779)	(648)	-63.6%
Change in other noncurrent and current assets and liabilities	6,564	(8,964)	n/a
Payment of income tax and social contribution	**(37,708)**	**(46,306)**	**22.8%**
Net cash flow generated by operational activities	**51,222**	**71,734**	**40.0%**

Investments - Capex

The company's investments can be broken down into 3 types: 1) investments in the expansion or renovation of owned sales outlets; 2) corporate investments, including IT, facilities, showrooms and offices; and 3) other investments primarily related to the modernization of its industrial operations.

Total Capex in 2013 declined by 23.8% if compared to 2012, due primarily to lower investment in expanding and refurbishing stores, resulting in a reduction of 57.8% in line with the company's strategy of growth through the franchise channel.

Summary of investments	2012	2013	Growth (%)
Total capex	**57,446**	**43,752**	**-23.8%**
Stores - expansion and refurbishing	37,349	15,765	-57.8%
Corporate	18,417	25,244	37.1%
Other	1,680	2,743	63.3%

Cash position and Indebtedness

The company ended 2013 with R$87.3 million in net cash. Indebtedness policy remained conservative, the principal characteristics being:

- Total indebtedness of R$98.4 million in 2013 against R$94.1 million in 2012;
- Long-term indebtedness of 39.2% of the total debt in 2013, against 54.5% in 2012
- The weighted average cost of the company's total debt in 2013 remains at low levels.

Cash position and Indebtedness	2012	2013
Cash and cash equivalents and financial investı	**202,154**	**185,691**
Total debt	94,084	98,418
Short term	42,843	59,835
% total debt	45.5%	60.8%
Long-term	51,241	38,583
% total debt	54.5%	39.2%
Net debt	**(108,070)**	**(87,273)**

ROIC (Return on Invested Capital)

In line with the company's strategic thinking, the levels of investment in capital Employed in 2013 exceed those of the previous year, especially due to the opening of owned stores during 2012. The Return on Invested Capital (ROIC) was 26.1% in 2013, affected by the higher working capital requirements as mentioned previously, and the concentration of investments in infrastructure, whose positive effects will only be felt in the medium-to-long term.

Income from operations	2011	2012	2013	Growth (%)
EBIT (LTM)	113,671	128,205	148,490	15.8%
+ IR and CS (LTM)	(33,839)	(36,630)	(45,562)	24.4%
NOPAT	**79,832**	**91,575**	**102,928**	**12.4%**
Working Capital[1]	191,719	235,778	290,975	23.4%
Permanent assets	61,434	108,912	135,657	24.6%
Other long-term assets[2]	6,805	7,853	9,602	22.3%
Invested capital	**259,957**	**352,543**	**436,234**	**23.7%**
Average invested capital[3]		**306,251**	**394,389**	**28.8%**
ROIC[4]		**29.9%**	**26.1%**	

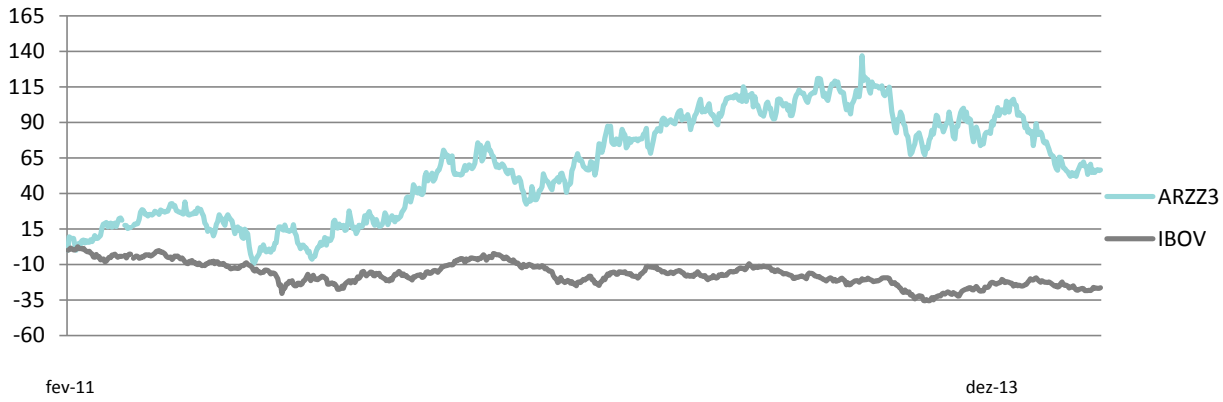
1 - Working Capital: current assets minus cash, cash equivalents and financial investments less current liabilities minus loans and financing and dividends payable.
2 - Less deferred income tax and social contribution.
3 - Average invested capital in the period and same period previous year.
4 - ROIC: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

4. Major awards received in 2013

Organizer	Award	Category
Exame Magazine	The Best and Biggest (Arezzo&Co)	Textiles
Interbrand	Brazil's Most Valuable Brands (Arezzo brand and Schutz brand)	All Sectors
Bittencourt Group	TOP 1 Brazilian Franchising (Arezzo&Co)	The 25 Biggest and Best Franchise Network
Social Index	Most Social Brands (Schutz brand)	Top 10 in engagement on social networks
O Globo Newspaper	Making a Difference (Alexandre Birman)	Fashion
GQ Magazine	Man of the year (Alexandre Birman)	Entrepreneurship

5. Capital Market and Corporate Governance

As of December 31, 2013 the Company's Market capitalization amounted to R$2.6 bn (stock price R$29.75), a decrease of 24% against 2012.



Arezzo&Co	
Listing	88,637,034
Ticker	ARZZ3
Listing	2/2/2011
Share Price (12/30/2013)	29.75
Market Cap	2,636,951,762
Performance	
2011[1]	20%
2012[2]	71%
2013 [3]	-24%

(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

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

Projected payments [3]:

Reference date	Payment date	Interest on equity	(R$)	Gross amount by ordinary share (R$)
8/9/2011	1/31/2013	Interest on equity	7,968,816.90	0.08995
17/12/2012	1/31/2013	Interest on equity	2,460,341.53	0.02777
4/30/2013	5/15/2013	Dividend	20,381,904.31	0.23008
6/28/2013	7/30/2013	Interest on equity	2,026,837.53	0.02288
6/28/2013	7/30/2013	Interest on equity	8,858,746.90	0.09994
7/29/2013	7/31/2013	Dividend	13,326,011.22	0.15034
12/18/2013	12/30/2013	Interest on equity	1,578,182.57	0.01781

(3) 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.

6. Independent Auditors

Arezzo&Co's financial statements related to the year ended on December 31st, 2013 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.

7. 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

8. 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 year ended on December 31st, 2013, 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.