

Good morning ladies and gentleman. Thank you for waiting and welcome to the Arezzo&Co Conference Call where the results of the 4th quarter 2012 will be presented. All participants are connected only as listeners and later on there will be a Q&A session for which instructions will be given. This call will be translated into English and overseas participants will be able to ask questions. If you need help from an operator during the conference call, press *0.

We remind journalists and other media professionals that this conference call is intended exclusively for financial market professionals as well as current and potential shareholders. Any questions you may have should be addressed to Approach Press Relations whose contact details are available on the company website at www.arezoco.com.br. This conference call and the slides are being broadcasted simultaneously on the internet and can also be accessed on the company website. Should any of you not have a copy of the Arezzo&Co release published yesterday, Wednesday, March 6th, you will be able to obtain this on the company's website.

Finally we remind you that this conference call is being recorded and the audio will be available on the website upon completion. Before we proceed, we would like to clarify that any statements made during this call regarding the company's business prospects as well as projections and operational and financial goals concerning its potential for growth are all forecasts based on the expectations of the management for the future of Arezzo&Co. These expectations are highly dependent on domestic market conditions, on the general economic performance of Brazil and international markets and are therefore subject to change. Now I'd like to hand over to Mr. Alexandre Birman. Mr. Birman, please proceed.

ALEXANDRE: Good morning everyone. I'd like to greet to all our shareholders and investors and analysts following our teleconference for the results of fourth quarter 2012. It was a great pleasure to be able to interact with all of you. Today with me we have Thiago Borges and Daniel Maia, our investor relations.

The fourth quarter of the year is always a very important moment for us and that is because the high summer season and Christmas. We're in fact ending the summer collection cycle right now. Actually, we are closing the summer collection cycle right

now. Before we go into greater details, I'd like to share with you our overview of our performance in 2012.

So there's, the year was marked by healthy growth in all the group plans despite a volatile macroeconomic, proving that the company as a team focused on consolidating its leadership in the footwear, handbag and feminine accessories market throughout Brazil. It's transparent, dynamic investor relations policy enables the company to meet its commitment to keeping its shareholders updated increasingly consistently. Management took part in eight calls for investors in Brazil, USA and Europe and welcomed hundreds of investors to its stores, showrooms and offices throughout the year.

The second edition of the Arezzo&Co day, an event bringing together more than one hundred and twenty investors in our new headquarters in Campo Bom, Rio Grande do Sul took place in October aiming to give a more in depth view of the production and distribution model and the main guidelines for each of the brands. There was a great deal of interaction with our team.

I'd like to invite all of you to take part in the third edition in October this year, God willing, and I hope that we can boost that number to at least 200 investors; it's a very important moment for us.

We managed to meet the goals defined for 2012 thanks to the joint efforts of the whole team. The company's growth, particularly, it reflects its strategy of focusing on retail operations, opening new stores and seeking to boost productivity in 2012. The expansion and sales in new stores were successfully achieved and this is proof of discipline and execution of focus on the network sustainability.

Retail oriented information technology initiatives underpin the store expansion strategy enabling reading of products and stock turn over, guaranteeing continuous improvements in our lead time, making our collections more assertive. The increase in Arezzo Classic products came to 10% of our sales in 2013. Today, the stores and franchises guarantee greater synchronization between the stores in every part of

Brazil. And the investments should be even greater in 2013 so as to have greater integration in the value chain.

The long term investment with regards to the group's main brand, in this case, underwent an intense process of reassessment of its business and customer research model. At the same time, we carried out research which enabled us to place Arezzo top of mind in Brazil which has made us very proud. The goal is to boost performance in each point of sale with increases in productivity and the extra activity of the collection focusing on the client in order to boost the product development and supply processes.

All of the group's brands have maintained consistent communications and marketing plans promoting in store events and publicity carried out in a range of media. We've had publicity campaigns as I said in a range of media. In 2012, Arezzo and Schutz stood out among the fashion industry's main brands by virtue of communication and engagement with customers on social networks combined with continuous investments in R&D in order to give our customers the right product at the right price at the right time.

The company's convinced that a core pillar of its strategy is people talent which is why it focuses on retaining and strengthening the team. The second trainee program proved a success with over 8,000 candidates enrolled, twice as many as in the first program in 2011. In 2012, we launched a program called the Executive Partner Program, reaffirming our culture of thinking like owners within Arezzo&Co, brining the interests of management and shareholders into line. And finally, the training of our team totaled more than 112,000 hours, assuring the ongoing development of all our people, preparing us to meet the new challenges we'll face this year.

Within Arezzo&Co, a goal attained is simply the foundation for the next challenge. That's why our motivation and our confidence in prospects for 2013 still hold. We will all be available to answer questions on the company's results at the end of this presentation.

We shall also avail ourselves of today's forum to discuss the transition we announced late last Monday whereby I myself, Alexandre, will be taking on the position of company CEO, which is a great honor, while Anderson Birman will take up the position of Executive Chairman. At the end of our explanation I'll touch on this topic once more.

Now beginning the presentation, turn to page three please. I'd like to comment on the main highlights of the fourth quarter 2012. Financial highlights for the quarter, growth revenue came to R\$327.1 million up 27.9% over the fourth quarter of 2011. In 2012, gross revenue came to R\$1,108 million up by 28.5% over 2011 and for the first time breaking the 1 billion dollar, real rather, barrier. The greater, the gross margin came to 44.2% for the quarter and in the consolidated year the expansion was 2.2 percentage points coming to 43.7% of gross margin. Leveraged by greater participation of owned stores, therefore, EBITDA grew 32.1% in the quarter coming to R\$43.8 million with a margin of 17.3%. For the year, EBITDA came to R\$135.8, growth of 15.3% with a margin of 15.8%. Ignoring the non-recurring effects of the first quarter, EBITDA would have come to R\$143.8 million, up 22.1% on 2011, a gross margin of 16.7%. Net profit for the quarter came to R\$31.7 million with a net margin of 12.5% and a growth of 17.7% over the same period last year. Net profit for the year was R\$96.9 million with a net margin of 11.3%. Excluding the non-recurring impact from the first quarter, net profit would have come to R\$102.2 million, a growth of 11.5%, a margin of 11.9%.

To finalize highlights for the period, we ended the year with the opening of 58 stores in line with the guidance disclosed in 2011. 11 owned stores in Brazil, one for Alexandre Birman and Schutz, plus a further 45 franchises in Brazil, 23 of which were Arezzo, 22 Schutz and 2 stores overseas. One is a Schutz owned store in New York and in the last 2 years we have met the goal laid down when we went public and added 1,000 square meters to the sales areas of stores by December 2012. Now, please I would like to ask Thiago Borges to continue with the presentation.

THIAGO: Thank you Alexandre. Good morning. Now going to page 4 and broadening our analysis of the results, we see that the company's gross revenue came to R\$327.1 million in this quarter. A good performance in the domestic market growing 32.6%. A crude figure for the year shows growth revenue coming to R\$1,108 million, up 28.5% over the same period in 2011.

Now we'll go to slide 5 with the gross revenue by distribution challenge, channel, where we see strong growth both for the quarter and for the year, above all, in the owned stores channel. When we analyze the franchise channel, our principal distribution channel, we find 27% growth in gross revenue for the quarter, 22% for the year. Good growth in the franchise channel is the result of opening 46 stores in the last 12 months and same stores sales fell in with 13.1% in the quarter.

The owned stores channel continues to grow strongly, 49.9% in the quarter, 68.1% for the year and accumulated gross income of \$R256 million for the year. Sales in the channel were driven strongly by the opening of 12 stores and there expansion of another 5 stores in the last 12 months leading to a 27.6% growth in sales area for the period. This increase in sales was impacted by the same stores sales of 6.3% accumulated for the year.

Because the Schutz roll out began in the third quarter '11, the brand has hardly any impact on the owned stores as I first indicated. The minority Schutz stores analyzed by the indicator were opened in the last 15 months and owing to the novelty effect, the fourth quarter '12 was impacted negatively, the novelty effect of actions to promote the inauguration. Additionally, investments have consolidated in the handbag segment lead to adjustments in the supply process and product mix in order to assure sustainable long term growth and this impacted the course of results.

The multi-brand channel in 2012, all the group's brands grew 28% over the same period, 22.1% in 2012, strengthening branding for all brands. Page 6 shows growth revenue by brand. We can see strong growth in the group's major brands in this quarter. Arezzo, our main brand, in the third to fourth quarters grew 13.3% quarter on quarter, 17% year on year. We carried out an in-depth, in-house study to enhance our business model in 2012. It's called the GTM Arezzo Project. We mapped opportunities for growth in the different channels as well as areas for in-house and internal processes such as seeking improved productivity in stores. The project will be carried out in 2013.

Schutz grew 87% in the quarter anchored, above all, by the growth of the owned stores channel and the brand intensification in the franchise channel with 7 stores opened in the process. The brand achieved a gross income of R\$256.5 million for the

entire year, a growth of 65.2%. Inaugurating its new store project in the third quarter '11, the Schutz brand has undergone an intense expansion process inaugurating 37 stores in Brazil as well as 7 expansions in its main points of sale. The brand continues to make major investments in social media and store inauguration as well as CRM activities.

Web commerce has been operational for one year and has stood out with sales over those of the networks largest store. Under other brands, Anacapri has, is still focusing on improving the architectural design of its stores and developing its branding. Alexandre Birman has strengthened its presence in international multibrand and department stores, while reinforcing relations with Brazilian customers and opinion leaders. These brands are both still being developed.

Now page 7, we present changes in the number of stores by distribution channel and changes in the total area sales. We ended the 4th quarter with a total of 399 stores, 390 in Brazil, 9 overseas, a total area of 26,500 m², up 21.6% over 2011. In this quarter, we opened 22 stores in the group, 11 for the Arezzo brand, 10 for Schutz and 1 Anacapri.

Now going to page 8, we look at the gross profits for the quarter, R\$111.6 million, 42.2% margin, up 39% over the same period of 2011. The expansion of the gross margin by 3.9 percentage points reflects strong growth in net revenue, above all, for the owned stores channel.

It should be remembered that the company's business model is constituted such that the systematic of pricing in the major distribution channels remains stable. So levels of margins of the channels fluctuate very little. The accumulated totals for the year shows gross profit of R\$375.8 million, up 33.5% on the same period of 2011 and margins of 43.7%, 2.2 percentage points over 2011.

On the same slide we see the performance of the EBITDA in the quarter and the accumulated for the year. We can see on the right hand side, EBITDA for the quarter came to \$R43.8 million, up 32.1% with an EBITDA margin of 17.3%, up 0.6 percentage points over the quarter '11 margin, reflecting growth in gross margin, above all owing

to the growth in the owned stores channel. Accumulated figures for the year show the company generated \$R135.8 million in EBITDA, 15.3% up over the same period last year. If you exclude the effect of non-recurring expenses in the first quarter, EBITDA would have grown by 22.1% to \$R143.8 million for the year with a margin of 16.7%.

On page 9, you can see the performance of net profit for the quarter which came to R\$31.7 million, up 17.7% over the same period 2011. Net margins saw the period was 12.5%, down by 1 percentage point. It's worth commenting that there was a R\$2.5 million fall in the financial results for that period owing strictly to reduced income from financial investments because of a fall in GDI. Net profit for the year came to \$R96.9 million. Excluding the effect of non-recurring expenses in the first quarter, net profit would have come to \$R102.2 million with a growth of 11.5% and a margin 11.9%.

Going to page 10, I'd like to comment on the company's operational cash consumption in the process which as we see was R\$5.2 million, in line with our delivery calendar for the year. For the entire year, the company generated more than R\$51.2 million in operational cash.

Now going to page 11, we see on the left hand side of the slide that CAPEX for 4Q12 fell period on period, quarter on quarter. However, the accumulated figures for the year show growth of R\$27.2 million mainly due to greater investment in stores and for the modernization on the new headquarters in Capo Bom. In 2012 the company opened 12 stores and carried out 5 further remodeling operations at already existing points in the network. On the right, we see that total indebtedness came to 94.1%, million rather, in line with financial policy which remains conservative with a low cost of debt.

Now going to page 12, we'd like to reaffirm our commitment to opening 53 stores in 2013 as announced during investor's day. These have been our comments concerning areas of the company's results of the fourth quarter and the entire year 2012. I'll give the floor back to Alexandre Birman now for the final results.

ALEXANDRE: Thank you Thiago. I'd like to congratulate our whole team for the excellent results in 2012 and thank all our investors for their continued vote of

confidence in the company and in our team which reinforces our efforts to continue growing and evolving our business.

As I said, I'd like to take advantage of this forum to quickly speak to the succession to the position of company CEO, thereby give all investors maximum transparency. Last Monday March 4th, our board of directors determined that the position of CEO held by Anderson Birman should now be held by myself. Anderson will now devote himself entirely to the position of Chairman of the Board of Directors, enabling him to act in more strategic areas for the company and leverage our brand platform. We will now bring a new dynamic to the board and he will continue to support our executive team so that we can peak our results and goals.

I shall now be taking on the role of executive leadership for the entire time, extending the mandate I had as COO in the group in 2007 and as leader and founder of Schutz since 1995. I shall be deeply engaged in implementing strategies defined with the board. The change is going to create space for executives to move up into higher hierarchical positions.

In closing I would like to read you a few words written by Anderson in which he shares with us his point of view concerning this movement: "I've always worked so that key positions in Arezzo&Co should be held by the right people. This movement is happening just as Alexandre's consolidating himself as an experienced executive and as someone ready to take on the executive presidency. My own new role is dedicated to the board of directors so that we can reinforce our commitment to sustainable growth and best practices in cooperate governance, Arezzo&Co going through to 2013." And so I, with this I'd like to open the floor to questions and answers. I'm at your disposal to clarify any inquiries you may have.

HOSTESS: Ladies and gentleman, we will now start the Q&A session. To ask a question press *1. To delete your question from the list press *2. Our first question is from Mr. Ricardo Boiati from Bradesco Bank. Mr. Ricardo, you may proceed.

RICARDO: Hello. Good afternoon. First of all I'd like to congratulate Alexandre for his new position and new challenge and I have 2 questions. First of all, in relation to the

improvement in the gross margin, if we take a look at the expansion rhythm of the owned stores and the growth of the gross margin in the past quarter, in the fourth quarter you slow down the expansion of owned stores but the gross margin increased much more than the previous quarters. So are there any other reasons for that, that would justify the expansion of the gross margin in the fourth quarter or was it just the change in channel?

The other question in relation to the franchisees I'd like to know if the company now has a current understanding of inventory for the franchisees, if it's distorted, how do you see their inventory? How do you see that channel?

ALEXANDRE: Thank you very much Ricardo for your question and thank you for greeting me for my new position. I'd like to start off talking about the increase in the gross margin in the fourth quarter, even compared to the owned stores sales hasn't grown as much. Well first of all, this quarter, 100% of the sales have been in retail so that's why you already have an improvement. In the other quarters there were some sales, for instance, in the third quarter we call it "Hot Summer Week" which is a summer sale in the middle of the season, it's the middle of the collection so almost eight months in our calendar. In the third quarter we have the sales for winter and then we have the sales from the previous year.

Another thing was to change the cost allocation where part of our samples from our plant, which one important thing of our work is investing and researching in products and producing samples and that's part of the expenses and they were allocated as merchandise sale so, cost of sale and now it's SG&A and we're changing the sample of production to our new headquarters in Camp Bom. So that specifically changed things in the fourth quarter as you mentioned. Would you like to continue, Thiago?

THIAGO: Just to add to what Alexandre mentioned was the change of the sales plant, which was in our own plant and now it's in the new headquarters since, and now we changed, create collections and engineering we do that there. Many of you visited us in October so you noticed that there's a continued flow there. And the entire team was moved into SG&A for samples. So that effect, you'll see that effect in the next quarters of the year in the amount of half a million.

And another thing in relation to our franchisees inventory, today we're very satisfied because we talked about our retail management system and we have data available online about our franchisee sales. We have an internal system that we call ZZNET and we can see things in a more dynamic way, not just the sales but also efficiency in relation to sales people, other rates in our stores. And so with all of that we can also see inventory.

And as we mentioned during the presentation we have an initiative that we call the Classic Arezzo and we're going to have Schutz Essential and also in Anacapri where we're going to have an automatic view to our product inventory and that's going to help us so that we can decrease the rupture in that product.

And our franchisees are in line with our expectations. This week we finished the summer sale all of stores are 100% with winter collection. Some stores that are more in the outskirts and they try to slow the product, the rest of the product they haven't changed yet but this is very healthy that we're now moving into the winter collection.

RICARDO: Okay, thank you very much. If you allow me, I have another question. Could you give me a better idea about the participation, your share in bags and accessories for the Schutz brand?

ALEXANDRE: Well, for Arezzo that result is much more expressive than in the case of Schutz because bags and accessories have been around for a while now but it's constantly evolving especially in relation to sourcing. A couple of years ago we started to import bags from China and China has a quality and exceptional cost benefit in bags which is much better than Schutz. In addition to there are no over tariffs as they have with the case of Schutz.

But in Arezzo we have 15% in relation to the sales of the brand, the share. And for Schutz we're still in the beginning stages of the development for bags and accessories. We're creating a new structure that's focusing specifically on bags and we've already seen exceptional results. But in 2012, the share for Schutz in bags was only 8% in owned stores. The consolidated for the brand, it's even lower. In multi-channel, has a important participation in Schutz brand most people they don't buy bags because of

the calendar, because we can't supply samples the same time as we provide them with the shoes so it's hard to focus on multi-brand for that. And now we're changing that so that we can bring Schutz bags to the multi-brand segment as well.

RICARDO: Okay, thank you very much.

HOSTESS: Our next question, Mr. Marcelo Nashiro from the Bank of America. Mr. Marcelo, you may proceed.

MARCELO: Thank you very much. Congratulations on your results and your new promotion, Alexandre. In relation to the market of design and sophistication of bags and the expectations that you have in the long term for bags and accessories, could you elaborate on that?

ALEXANDRE: Well first of all, we're deciding the price range that we're going to have to work with bags, especially for Arezzo which is in the more evolved stage in bag sales. And you've probably been following that the, lately the imported brands are coming into Brazil and competing so our more expensive bags had a strong competition with these foreign brands and because they're maintaining their prices that they sell in the US and Europe even with the high import tariffs. So we're redefining our product mix.

That's why I say that it's very important that we're looking for more, sourcing is important because we're looking to more competitive products. So the limit would be R\$690 from Arezzo brand. We used to have many more bags that would go up to R\$1,000 and up higher than that range. So, but if you can buy an international brand at that price and so, Arezzo was suffering with that so we're trying to fit our product mix because of that and in addition to that we're bringing in the classic bags concept and it worked very well with shoes towards developing a supply chain in the specific products and bags so that we can have the same criteria for the replenishment for the classic shoes and that way we can increase our bag variety. So there's the product mix versus sourcing. Okay?

MARCELO: And, based on your, how has been the classic bag experience in the stores?

ALEXANDRE: Bags from the second quarter in the summer and summer collections are going to be bags that are ongoing and also it's going to have a differentiated value as well with the Arezzo brand but things, that, convenient things about bags that women need in their day to day. So we're developing an exclusive supplier to make these bags and we're also checking into the leather. We're going to have an extremely good and attractive cloth for the raw materials for this product and as from August together with the Classic Arezzo shoes you're going to have the classic bag. Thank you very much. Thank you for your attention and for your question.

HOSTESS: Our next question is from Ms. Juliana Rozenbaum. You may proceed.

JULIANA: Hello, good afternoon. Congratulations Alexandre. My first question is about now in your new position as CEO. Are there any specific projects or areas that you deserve special attention, that deserve special attention from you now in 2013?

ALEXANDRE: Hi Juliana. Thank you very much for your kind words. In relation to my new position it's an honor to be here and to answer your question, there is the GTM Arezzo Project and we're absolutely sure that although we have an excellent business model, everything can be improved. And this project, in addition to having this established these specific expansion project or expansions not only for new stores in the Arezzo brand but also to have a higher share in the multi-brand channel. You're going to see some expressive results in the first quarter and the continuity of that type of growth throughout the year.

Most, more specifically what we're talking about here by, so city sizes and we've noticed that there was low share in those cities as a result of our commercial structure which mainly focused on franchising. So we're having an internal remake so we can face the multi-brand channels in a single manner where we're going to have one single head thinking of Arezzo&Co in multi-brand which is different because now they're segmented according to you and we're going to focus on a one single person focusing on multi-brand.

And also in addition, another thing in this project is we're defining our sale-in calendar. That's how we call it internally. That's what guides our activities in the company in relation to research and our sales area. We're going to have, we're going to focus on more frequent launches. Instead of having 8 collections throughout the year we are going to have 3 major collections and the franchises can come in and make their purchases and we're going to have launches every 15 days where the sales system will be a bit more different, more automatized and we're going to have a room where they can come in more often and see more new things in the stores. So in general the GTM Arezzo Project is a project that I'm going to dedicate myself to and if you want to learn more about project details I can talk to you about that later on. Thank you.

JULIANA: Thank you very much Alexandre. And just one further question in regards to Anacapri can you tell me about the project, if this year we're going to see something more specific in terms of growth and what are your first impressions in relation to the advances about the last type of store architecture for the recently inaugurated store?

ALEXANDRE: Well, the first good news about Anacapri is that they actually, there's a growth that we see every month after month and it's very strong. Anacapri has 30-40% in terms of figures and the results have been very positive but we are still not comfortable with the architecture, with the design. Today, even though the store is working very well it's not conveying the branding that we want to sustain our roll out at the country level. There are some technical aspects that are difficulties, service inside the store to our clients and the way we developed the furniture, it's not very resistant so it's requiring a lot of maintenance for the furniture as well.

So now we're going into the third version of the project. In the 8 stores I think we have 4 different projects and now we're into the third one which is the Bourbon shopping mall store inaugurated in December and it still doesn't meet our needs. This store's identity is a bit too much pop and not too much glamour, shine and although it's having excellent results we're not satisfied with the design yet.

Now we're moving on to the fourth design and answering your question, we're trying to, looking more into the strategy and one of my major focuses is to find the right design for the Anacapri stores. We're going to inaugurate a store in the El Dorado shopping mall in 45 days with a new store, a new concept where I'm trying to see

everything that we need because it seems like a simple equation to solve but in the end it's not. It's, it has to represent the brand and provide growth and the positive results, as we have with the Schutz store, and that's what really helped to build the brand so the store has to be even practical, it has to be feasible to be able to operate this Anacapri segment in small areas.

The limit is 45 to 50 m² because our focus is to be in a large franchisee system within the Brazilian tax regime "Simples", so 50m² is the maximum size and usually the larger the store the higher the cost so with air conditioning so the fixed cost doesn't vary according to square meter. So when we solve this equation then we're going to be ready for the stores. And it's very hard but I'm sure that this is going to be resolved in the first quarter because in 2013 we want to open some franchise operations. So I hope that this project really works now, we're putting in a lot of effort to that.

And now I'd like to talk about Arezzo. I know this is not really your question but I'd like to invite everyone to the inauguration of the Arezzo store in the Iguatemi Mall that's going to take place in March. We're going to have the final architectural design for the Arezzo store this, we're extremely confident about it, we're doubling the sales area in the Iguatemi store and this, we're already building three other stores with the same design as the design in Iguatemi and we're very confident about the Arezzo's continuity and growth. Thank you very much Juliana.

JULIANA: Thank you, Alexandre, once again.

HOSTESS: Next question from Ms. Irma Guard from Goldman Sachs. Thank you Ms. Irma, you may proceed.

IRMA: Good afternoon. I have two questions. First, in relation to the average price, when I saw the numbers of pairs and bags average price I understand that the average price has been increasing at a high percentage, at least in 2012. So that, is that mainly a result of the mix, the product mix or was there any price increases or more launches at a higher price level? And how about, what do you expect for prices in 2013? That's the first question and the second question for the Schutz brand, I was curious about on average, how are you in ale-in and ale-out because thinking of the franchisee I know

it's still in, going through the maturity curve or the learning curve so I'd like to have an idea about sell-in and sell-out the stores per se and for the Schutz franchise.

ALEXANDRE: Thank you very much. This is Alexandre speaking. I am going to start off with the second part of your question and then Daniel Maia will talk about the first part. We already have over 22 franchises of the Schutz brand, we're very satisfied. We had a strategy about where we should open the stores, where we already had a Schutz store in capitals up north, north-east in addition to being in all major cities in Brazil, looking for other cities in the interior of Sao Paulo, Paraná and others. So the stores were opened in a very precise manner in points of sale that we believe that will, we will really have good results.

So the stores have, the store results are in line with what the owned stores represent in terms of Arezzo brand sales and for 2013, the Schutz brand will continue the expansion process and we'll have the continuity of, because of what has been done in 2012 and which is different than Anacapri, we're still trying to mature that. So everything that you saw with Schutz in 2010, 2011 was very well done in the roll out that continued in 2012 and it will continue to do well in 2013.

DANIEL: Irma, this is Daniel in speaking about the prices. Actually it's not just a, it's not a price increase it's a change in product mix because Schutz has an average price that is higher than Arezzo and it's growing faster than the rest of the company and in owned stores, you take the entire mark-up for the chain. So the sell-out price is higher than the sell-in price so if you remove that effect and you mention the like to like because it's the same product we have the inflation which is similar to what we saw between 0 and 5% depending on the SKUs and for this year it's probably the same thing, mainly focusing on cost management so that happens in the stores.

IRMA: Ok, thank you very much.

HOSTESS: Excuse me, we have a question from the internet. We have a question from Rafael Juan from BBT Asset Management so the question is: what's the strategy for the international market and owned stores in the US? Alexandre is going to answer.

ALEXANDRE: Thank you Rafael for your question. This is a topic which really makes us happy so that we can talk about this. Our international strategy is partly within what we talked about or at least disseminated about our Schutz store opening in New York and internally we have this lab phase, meaning it's an experimental phase. So we're trying out how our brand is accepted, our product mix is accepted, the price range because today in the US our brand fits in because there are no shoes with the quality and the style that Schutz shoes has at a price lower than \$200. You're going to see products like that but above \$350 and most of them are made in Italy so this an experimental phase we're going through and we had an excellent result at the store, during the store inauguration. The product mix was perfect.

Communication and marketing strategies were very well executed. September was exceptional, October is still doing good and since, and then the winter collection was a learning experience for us because what we developed for Brazil and we did some small changes for the US but that's not enough for the very rough, winter that they have and New York had one of the worst winters, it's still cold there. It's about 4 degrees.

So in relation to the winter collection our learning experience, we know that we have to reinforce the boots. We can't use leather heels, it doesn't work in New York, we need rubber. What we used here is a product called nubuck, it's like 70% of our sales here in Brazil but it doesn't work in the US because it gets wet easier. So we have a different type of, need a different type of finish that is resistant to water.

So we're very happy with our results there and now we're very happy there's the summer, we just launched the summer collection in the US and results are improving compared to the winter collection and we want to launch the Schutz brand in department stores like Neiman Marcus, Bloomberg and also online like Amazon for instance.

So it's very interesting, it's very dynamic experience that we're having and throughout 2013 we're going to be prepared better for, to try to have a more defined strategy in relation to the international strategy. Right now we're going through a moment where

we're investing in a way, but we already expected this as we explained in the beginning of this conference call.

HOSTESS: Our next question is from Mr. Tobias Stingelin from Santander. Mr. Tobias, you may proceed.

TOBIAS: Thank you, good morning. I'm sorry for the noise in the background and congratulations Alexandre for this new challenge. I have a question. I am sorry if they already asked this but I'd like you to tell me more about the project to increase the productivity of the Arezzo product specifically. I'm sorry if anybody asked this question before so, what can we expect from that? Thank you again.

ALEXANDRE: So Tobias, this is Alexandre. Thank you very much for your kind words. It really is a huge challenge and I'm very prepared to be successful in this new position. In regards to Arezzo when they asked the main project about 2013 this was my answer so in a way we already talked about the project but it's always a pleasure to talk to you.

In the GTM Project, it will change one of the, it will reorganize one of the change, I'm not going to go into expansion and some other details because this is, we have an opportunity to grow the Arezzo brand in the multi-brand channel, especially what we call tier 5 cities with less than 60,000 inhabitants so expanding the areas and the stores and the number of stores as well for the next two years.

Now in relation to what we're doing to improve the productivity of our owned stores is very, it's closely linked to developing an area that's important for our business which is called merchandising where you create product creation, the sales area and the sourcing areas so that in the middle we can create this link which is essential so that we can have, get it right, the right product at the right time at the right price. So we're structuring these areas, these departments have a new system to define the product mix for the collection and highly focused, not only on lowering prices in general but also based per product category, like, so for the high heels, the wedged heels and so on for all the different types of products and then we define our supply calendars.

So we've defined 8 collections per year. So the multi-brand clients or the franchisee can only buy 8 times a year and then there is the automatic supply according to sales. We're going to have 3 major launches and every 15 days we're going to have specific launches for a system called the Web Show Room where the franchisee can buy online and through a e-commerce system and we're going to be able to have more fragmentation in buying the collection. So it's going to be more dynamic in a way that we can have faster action, be it to understand the trends so that we can create products or to resupply them. So if you want to know more details about this you can schedule a meeting with us and we can show you more details about the project.

TOBIAS: Okay, thank you very much Alexandre. Just to take advantage now, another question, another, something else that stood out to me is that in the release you weren't very satisfied with the sales from accessories. I know maybe they already asked you about this but can you tell me what you're doing to improve those sales? Thank you once again and good morning.

ALEXANDRE: Tobias, yeah that was another point that was mentioned but it's a pleasure to talk to you again. So bags and accessories, we're going to split that into different brands. We talked about the main brands Arezzo and Schutz. For Schutz we're still in the initial phase for that, for now, for three years now. We're still growing and then trying to design the shopping structures and product mix about how bags, because many cases the Schutz clients, they're very high end consumers and they may want to have a very, of a high luxury brand instead of buying Schutz. So how are you going to make them buy Schutz?

So for Schutz owned stores bag sales is lower than 8% and for Arezzo brand where the bags segment is already a major business and in the mono-brand stores it's from 15-20% depending on the operation. So what we're doing is we have a, trying to define the product mix better.

So for the fourth quarter, we had a huge impact in Sao Paulo from imported brands that opened up their operations here in Brazil and they're selling bags at the same price that they sell outside Brazil. So with that, the Arezzo bags above R\$700 lost a lot

in sales and that shows us that we have to reinforce our mix at other price levels so that the bag can be more appealing instead of the luxury brands that I mentioned.

In addition to that for the Arezzo brand we have a, the Classic Arezzo Project which is for the basic items so, and we're doing that for Schutz. So right now, what type of classic bags should we have so it can go into the same segment and we can increase our bag mix? So this is essential. We are really, this is really a priority to our company and we know this, that the bag segment could highly contribute or not to our business.

I'd like to add another point just so you don't think that the market's decreasing because of the luxury brands that are coming in but we learned by studying the market more seriously, we noticed that from R\$300 to R\$400 that we didn't take advantage too much is much better than selling R\$800 plus bags. So that's why we're developing new products like Alexandre mentioned through sourcing, focusing on that specific price range.

TOBIAS: Okay, thank you very much. I'm sorry for repeating the questions and congratulations once again.

ALEXANDRE: Thank you Tobias.

HOSTESS: In case you have any questions please type *1. Excuse me, if you wish to ask a question please push *1. Excuse me, in case you have a question please press *1. Our next question is from Ms. Irma Guard from Goldman Sachs. Ms. Irma, you may proceed.

IRMA: Thank you. I have one last, quick question. Thank you very much for giving me this opportunity. I'd like to know about straight margins, there was the EBITDA margin that was effective at the end of the year. I'd like to know what you think about the evolution of the EBITDA margin for 2013. I know that you don't give the guidance but in theory, I know it also depends on the Anacapri potential and the investment that you have to do to support that but, so looking into the Schutz and the Arezzo brand if

you can give us some more clarity about how you see the evolution of that for 2013. Thank you.

THIAGO: Irma this is Thiago. Thank you for your question. In a very objective manner, we're expecting expansion of the EBITDA margin for 2013. And this is a reflection of 2012 but in, first in relation to expenses and then I can talk more about the gross margin, throughout 2012 we've opened stores and there's an SG&A percentage on the net income compared to other stores and multi-brand and franchises. So that has been happening throughout 2012. SG&A on top of net income when you look at the year to date for 2012 it reached a level that we believed is the cap and for 2013 we believe to, that will stay below that cap.

In relation to gross margin the same effect in relation to expenses where it'll be even more relevant in 2013 because it's going to grow above company average and we expect an expansion of the gross margin so the EBITDA margin will expand. That's our expectation. That's one of our main focuses for 2013 and with the gross margin and SG&A.

So speaking for brands specifically in 2012 Schutz had a lot of structuring going on where we opened 22 franchisees and 10 owned stores. So we have this structure that came for the franchise stores and reinforced the teams in our owned stores. The web commerce was another channel that we put a lot of emphasis in 2012 and it's already presenting very positive results which is the largest store with sales in the past month. So this, the Schutz structuring would probably not be as necessary in 2013 as much because it's already established. For Arezzo, there's some internal changes, as Alexandre mentioned before, by creating some other areas like in, based on what Alexandre talked about the GTM Project so some departments will change and there, we're going to be hiring other people so it's a different way to work with our team.

IRMA: Thank you.

Alexandre Birman: Irma this is Alexandre, and about great explanation about our view and our EBITDA margin for 2013 but I'd just like to add that the Anacapri brand, it's still in the initial phases so it doesn't require many investments or restructuring in the

commercial area so. And then with the, the main issue with Anacapri is the design, store design so how we're going to structure that and so we can have great indicators and based on that I'd like to say that our diligence, our, in relation to expenses is very strong, always focusing on structuring our team so we can support our growth.

We don't want to feel the growing pains because we need to know what we're doing and for Schutz it was done in a very smart manner and today our business is very efficient and business management is very high so, as soon as we see that Anacapri is ready to accelerate growth we're going to have the same investments so we can grow that in 2013.

HOSTESS: Our next question is from Mr. Luiz Cesta from Votorantim. Mr. Luis, you may proceed.

LUIS: Good afternoon everyone. As speaking to some retailers and the fourth quarter of 2012 they had some difficulties in, including personal labor for the points, at the points of sale because of salary or even qualifications, training and so on. So I'd like to know what do you think about labor in the stores and if you can tell us about the franchises, if you have any information in relation to labor in your franchises? And for 2013, we're living in a tough market, what would you do to mitigate any increase in expenses for labor and how would you increase qualifications of sales people? So I'd like to know about labor in general. Thank you.

ALEXANDRE: This is Alexandre, thank you for your question. Yeah, definitely this is a very important topic and it's part of our day to day, one of our focus points and in regards to that it's different all over Brazil because you have a lot of difficulty in the north-east. The growth is much higher than the rest of the economy and they're suffering with the training and the qualifications there and also in Sao Paulo. But in other regions in Brazil you don't see that type of problem. Only for us, for our company at least, it's very specific in the two regions that I mentioned.

So what we're doing is, the first thing is we're creating a new work program where we will implement chart times so they only work when there's some higher points of sales, like at the end of the week or Thursday evenings because it's a point where people buy

a lot. So we're trying to improve our work schedule for our sales people so that we can always have the efficiency in servicing our clients during more, when there's more people in the store.

And another project that we have is we want to show the importance that the retail operations are. So in an area with store management and creating marketing and understanding consumers and being close to our consumers is a very important moment when you're creating the career for a professional. And here in Brazil, people think that they work in, people who work in retail it's because they didn't get a job anywhere else so we want to break that paradigm. So we're endeavouring a lot of effort so that we can attract people from universities with a good education level to show people that it's cool to work in retail, that it's cool to work at Anacapri, Schutz and Arezzo. So we have a lot of initiatives, it's not easy, there are some difficulties and we are endeavouring a lot of our efforts so that we can change that scenario here in the country.

LUIS: Thank you.

HOSTESS: Excuse me, there being no further questions I would like to hand over to Mr. Alexandre Burman for his final remarks. Mr. Briman, you may proceed.

ALEXANDRE: Once again, I would like to thank everyone for taking part in this conference call. The, your questions always help us to think more and to challenge what we're doing and the points of attention that we have to have and where we have to focus our investments, identify the risks and it's a very important thing for our business.

I'd also like to take this moment to invite everyone, especially woman, and men as well if they want to get their women gifts, to visit our stores especially today. We're launching our winter collection in all our stores and that way we can help the performance for our stores and I'd also like to mention a very interesting thing for Arezzo brand today.

Today we have a project called Arezzo Mob Party where 330 stores for the brand are simultaneously launching the winter collection and they're connected through a communication network, social media, we're going to post hundreds of pictures from all over Brazil, all the capital cities. We're having a huge event in all the stores. And there are over 90 stores that will have celebrities, DJs, so it's really a change to launch the collection so we can really stimulate the sales.

So half a million consumers are going to be present through social media and we're absolutely sure that's going to leverage our sales even more so it's a very important moment. The year, our winter collection really shows us it's the beginning of a new season and it's going to show us our results for 2013. Thank you very much everyone for your attention and we'll talk once again in a couple of months about our next results. Thank you.

HOSTESS: The Arezzo&Co Conference Call is closed. We would like to thank you all for participating and wish you a good morning, or good afternoon I'm sorry. Thank you.