AREZZO SCHUTZ ANACAPRI ALEXANDRE BIRMAN FIEVER ALME

EARNINGS RELEASE 3Q19

Belo Horizonte, October 30, 2019. Arezzo&Co (BM&FBOVESPA: ARZZ3), leader in the women's footwear, handbags and accessories industry in Brazil, reports its earnings for the third quarter of 2019.

PRICE AND MARKET CAP

10/30/2019
R$ 58.50 e R$ 5.3 Bn

EARNINGS CONFERENCE CALL

Thursday, October 31, 2019
11:30 a.m. (Brazil) / 10:30 a.m. (NY)

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HIGHLIGHTS – PRO-FORMA*

- Net Revenue in 3Q19 reached R$ 440.9 million, a 7.4% increase against 3Q18;
- The web commerce channel grew 27.6% compared to 3Q18, representing 11.9% of the company's domestic revenues.
- Relevant increase in omnichannel initiatives penetration in the stores;
- In 3Q19, Gross Profit totaled R$ 200.7 million (gross margin of 45.5%) a 5.3% increase;
- EBITDA for 3Q19 totaled R$ 73.1 million (EBITDA margin of 16.6%) a 3.3% increase against 3Q18;
- In 3Q19, Net Income totaled R$ 41.1 million (net margin of 10.8%) a 2,3% increase;
- Same-Store-Sales sell out growth of 1,1% in the quarter;
- Arezzo&Co opened 19 stores (net) in the quarter and 66 stores in the last twelve months.

**** Results excluding the adoption of IFRS 16 / CPC 06 (R2)***

INVESTOR RELATIONS

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Adoption of IFRS 16 Standard - Key Impacts

The adoption of the IFRS16 standard in January 2019 brought some changes in the way of accounting for the fixed portion of the rentals, qualified as leases. The future commitments of the leases are recognized as liabilities, as a counterpart for the right of use that is recognized as a fixed asset. As a result, rental expenses are replaced by interest on the lease liability and the depreciation of the right of use. Thus, when compared to model IAS 17 / CPC 06, IFRS 16 generates a positive effect on EBITDA, since rentals are reclassified from operating expenses to depreciation expenses and financial expenses.

For a better understanding of the changes, a proforma 3Q19 column was included throughout the earnings release, excluding the adoption of the rule, in the tables related to the main impacted accounts. The impacts of the application of this new standard are shown in notes 12 - Property, Plant and Equipment and 16 - Lease of ITR Notes for 3Q19.

BALANCE SHEET

Assets - Right of Use
+ R$ 217 Million

Liabilities - Lease
+ R$ 221 Million

RESULTS

COGS (Occupation Expense)
(R$ 18) Thousand

SG&A (Occupation Expense)
R$ 78 Thousand

EBITDA
+ R$ 10.5 Million

Lease Depreciation
(R$ 10.1) Million

Lease Financial Expenses
(R$ 1.4) Million

Net Income
(R$ 1.3) Million

Key financial indicators	3Q19 Reported	IFRS 16 Impact	3Q19 Pro forma	9M19 Reported	IFRS 16 Impact	9M19 Pro forma
Gross Revenues	**538.187**	**-**	**538.187**	**1.490.199**	**-**	**1.490.199**
Net Revenues	**440.874**	**-**	**440.874**	**1.211.583**	**-**	**1.211.583**
COGS	**(240.204)**	**(18)**	**(240.222)**	**(654.106)**	**(49)**	**(654.155)**
Depreciation and amortization (cost)	(748)	251	(497)	(2.104)	706	(1.398)
Gross Profit	**200.670**	**(18)**	**200.652**	**557.477**	**(49)**	**557.428**
Gross Margin	45,5%	0,0%	45,5%	46,0%	0,0%	46,0%
SG&A	**(139.413)**	**(78)**	**(139.491)**	**(410.412)**	**(300)**	**(410.712)**
Depreciation and amortization (expenses)	(21.540)	10.106	(11.434)	(57.947)	29.285	(28.662)
% of net revenues	-31,6%	0,0%	-31,6%	-33,9%	0,0%	-33,9%
EBITDA	**83.545**	**(10.454)**	**73.091**	**207.116**	**(30.341)**	**176.775**
EBITDA Margin	18,9%	-2,4%	16,6%	17,1%	-2,5%	14,6%
Financial Results	**(3.882)**	**1.413**	**(2.469)**	**(13.532)**	**4.185**	**(9.347)**
Income before income taxes	**57.375**	**1.317**	**58.692**	**133.533**	**3.836**	**137.369**
Income tax and social contribution	**(17.600)**	**-**	**(17.602)**	**(30.049)**	**-**	**(30.049)**
Net Income	**39.775**	**1.315**	**41.090**	**103.484**	**3.836**	**107.320**
Net Margin	9,0%	0,3%	9,3%	8,5%	0,3%	8,9%

Summary of Results	3Q19	3Q18	Δ (%) 19 x 18	3Q19 Pro forma	Δ (%) 19 x 18
Net Revenues	440.874	410.404	7,4%	440.874	7,4%
Gross Profit	200.670	190.637	5,3%	200.652	5,3%
Gross Margin	45,5%	46,5%	-1,0 p.p.	45,5%	-1,0 p.p.
EBITDA[1]	83.545	70.731	18,1%	73.091	3,3%
EBITDA Margin[1]	18,9%	17,2%	1,7 p.p.	16,6%	-0,6 p.p.
Net Income	39.775	40.164	-1,0%	41.090	2,3%
Net Margin	9,0%	9,8%	-0,8 p.p.	9,3%	-0,5 p.p.

Summary of Results	9M19	9M18	Δ (%) 19 x 18	9M19 Pro forma	Δ (%) 19 x 18
Net Revenues	1.211.583	1.114.448	8,7%	1.211.583	8,7%
Gross Profit	557.477	515.948	8,0%	557.428	8,0%
Gross Margin	46,0%	46,3%	-0,3 p.p.	46,0%	-0,3 p.p.
EBITDA[1]	207.116	168.043	23,3%	176.775	5,2%
EBITDA Margin[1]	17,1%	15,1%	2,0 p.p.	14,6%	-0,5 p.p.
Net Income	103.484	100.401	3,1%	107.320	6,9%
Net Margin	8,5%	9,0%	-0,5 p.p.	8,9%	-0,1 p.p.

Operating Indicators	3Q19	3Q18	Δ (%) 19 x 18	9M19	9M18	Δ (%) 19 x 18
# of pairs sold ('000)	3.842	3.710	3,6%	10.180	9.526	6,9%
# of handbags sold ('000)	449	345	30,1%	1.262	1.011	24,8%
# of employees	2.463	2.520	-2,3%	2.463	2.520	-2,3%
# of stores*	715	649	66	715	649	66
Owned Stores	51	54	-3	51	54	-3
Franchises	664	595	69	664	595	69
Outsourcing (as % of total production)	90,3%	91,9%	-1,6 p.p	90,3%	91,4%	-1,1 p.p
SSS[2] Sell-in (franchises)	1,2%	-1,2%	2,4 p.p	1,2%	3,0%	-1,8 p.p
SSS[2] Sell-out (owned stores + franchises + web)	1,1%	1,6%	0,2 p.p	3,0%	4,4%	-1,4 p.p

* Include international stores

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

(2) SSS (Same-store sales): Stores are included in comparable stores' sales as of the 13th month of operation. Variations in comparable stores' sales in the two periods are based on sales, net of returns, for owned stores, and on gross sales for franchises in operation during both periods under comparison. As of 4Q16, the Company started to report the SSS sell-in net of discounts. If a store is included in the calculation of comparable stores' sales for only a portion of one of the periods under comparison, this store will be included in the calculation of the corresponding portion of the other period. When square meters are added to or deducted from a store included in comparable stores' sales, with an impact of over 15% on the sales area, the store is excluded from comparable stores' sales. When a store operation is discontinued, this store's sales are excluded from the calculation of comparable stores' sales for the periods under comparison. As from this period, if a franchisee opens a warehouse, its sales will be included in comparable stores' sales if its franchises operate during both periods under comparison. The so-called "SSS of Franchises – Sell In" refers to comparison of Arezzo&Co's sales with those of each Franchised Store in operation for more than 12 months, serving as a more accurate indicator for monitoring the Group's revenue. On the other hand, "SSS – Sell Out" is based on the point of sales' performance, which, in the case of Arezzo&Co, is a better indicator of Owned Stores' sales behavior and Franchises' sell out sales. The franchise sell-out figures represent the best estimate calculated on the basis of information provided by third parties. Starting in 1Q14, the Company begins to also report SSS sell-out including web commerce.

Gross Revenue	3Q19	Part%	3Q18	Part%	Δ (%) 19 x 18	9M19	Part%	9M18	Part%	Δ (%) 19 x 18
Total Gross Revenue	**538.189**		**497.887**		**8,1%**	**1.490.200**		**1.360.257**		**9,6%**
Foreign Market	**71.552**	**13,3%**	**54.284**	**10,9%**	**31,8%**	**192.724**	**35,8%**	**134.505**	**9,9%**	**43,3%**
Exports	*17.139*	*24,0%*	*21.660*	*39,9%*	*(20,9%)*	*46.089*	*64,4%*	*52.085*	*38,7%*	*(11,5%)*
US Operation	*54.413*	*76,0%*	*32.624*	*60,1%*	*66,8%*	*146.636*	*204,9%*	*82.420*	*61,3%*	*77,9%*
Domestic Market	**466.637**	**86,7%**	**443.603**	**89,1%**	**5,2%**	**1.297.476**	**241,1%**	**1.225.752**	**90,1%**	**5,9%**
By Brand										
Arezzo	*250.569*	*53,7%*	*245.417*	*55,3%*	*2,1%*	*701.489*	*54,1%*	*691.100*	*56,4%*	*1,5%*
Schutz [1]	*122.732*	*26,3%*	*118.071*	*26,6%*	*3,9%*	*352.345*	*27,2%*	*335.770*	*27,4%*	*4,9%*
Anacapri	*71.793*	*15,4%*	*60.539*	*13,6%*	*18,6%*	*182.930*	*14,1%*	*154.137*	*12,6%*	*18,7%*
Others [2]	*21.543*	*4,6%*	*19.576*	*4,4%*	*10,0%*	*60.712*	*4,7%*	*44.745*	*3,7%*	*35,7%*
By Channel										
Franchises	*224.282*	*48,1%*	*210.884*	*47,5%*	*6,4%*	*629.132*	*48,5%*	*587.091*	*47,9%*	*7,2%*
Multibrand	*126.948*	*27,2%*	*118.707*	*26,8%*	*6,9%*	*330.850*	*25,5%*	*308.572*	*25,2%*	*7,2%*
Owned Stores [3]	*59.301*	*12,7%*	*70.139*	*15,8%*	*(15,5%)*	*189.328*	*14,6%*	*211.006*	*17,2%*	*(10,3%)*
Web Commerce	*55.628*	*11,9%*	*43.579*	*9,8%*	*27,6%*	*146.633*	*11,3%*	*117.689*	*9,6%*	*24,6%*
Others [4]	*476*	*0,1%*	*294*	*0,1%*	*61,9%*	*1.533*	*0,1%*	*1.394*	*0,1%*	*10,0%*

(1) Does not include the revenues from the international operation.
(2) Includes only domestic markets for Alexandre Birman, Fiever and Alme brands and other revenues (not attributed to the brands).
(3) Excluding the effect of the conversion of 10 stores (LTM) from owned stores into franchises, the channel would have grown 5.5% in the quarter.
(4) Includes domestic market revenues that are not specific for distribution channels.

Brands

The third quarter of the year marks the transition between winter and summer collections at Arezzo&Co stores. The month of July is characterized by the winter sales period, within the introduction of the season transition collections (Cruise and Resort). These collections represent an important time in the quarter calendar when brands test consumers' behavior and receptivity to new products in a time of changes before the official launches. The months of August and September include both the campaigns and the summer collections of the brands.

The **Arezzo** brand achieved revenues of R$ 250.6 million in the first quarter, an increase of 2.1% over 3Q18, representing 53.7% of Arezzo&Co's domestic revenues. Excluding the effect of the conversion of 5 owned stores into franchises in the last twelve months, the brand's revenue would have grown 3.4%.

As a highlight of the quarter, the Arezzo brand launched its summer collection starring models, actresses, and digital influencers, reinforcing the concept of bonding women of different styles in which together they are inspired, helped, and strengthened. The campaign brought important results related to the connection with the consumers of the brand, and in a survey, 93% of the respondents agree that Arezzo is closer to the Brazilian woman. In August, the brand launched new sneaker bets on the *ZZ product line*: *"ZZYoung"*, *"ZZStreet"* and *"ZZColors"*, reinforcing the sneaker category, which represents 18% of the sales in the period, 4 p.p. above 3Q18. In September, the brand launched the *"Camila"* sandal, in partnership with the Brazilian influencer Camila Coutinho (2.4 million followers on Instagram), a democratic, practical, and comfortable model. The sandal presented inspiring results in the month, selling more than 10,000 pairs with a sell-through of 21% in just a week.

The **Schutz** brand growth reached 12.1% in the period on a global basis. In the domestic market, the brand accounted for 26.3% of the Company's revenues, totaling R$ 122.7 million of gross revenues in 3Q19, a 3.9% growth over the same period last year - continuing the positive performance also presented in the previous three quarters. Excluding the effect of the conversion of owned stores into franchises (5 stores), the brand would have grown by 6.6%. In the foreign market, the US operation grew 51.9% in Reais vs. 3Q18 and 50.7% in Dollars.

As a highlight in Brazil, the handbags category increased its representation in the brand mix to 26.4% (vs. 24.2% in 3Q18) with a 25% volume growth in the period, due to a more assertive mix with new bests sellers covering many occasions of use. This result reflects Schutz consolidation as a top of mind brand in handbags among consumers in its target market.

In July, Schutz also launched its sneakers line *“It Schutz”,* a best seller in the period. During the quarter, acting as a trendsetter, the brand reinvented the ballerinas category with the *“Schutz Ballerinas”* which significantly increased the category's representativeness.

The **Anacapri** brand achieved revenues of R$ 71.8 million, a strong 18.6% growth compared to 3Q18, ending the quarter with 15.4% of the Company's domestic market revenue, compared to 13.6% in 3Q18. The performance is the result of the net opening of 36 franchises in the last 12 months (8 stores only in 3Q19) and the growing relevance of the web commerce channel. It is worth mentioning the performance of the handbags category in the brand, which already represents 8.8% of the product mix, 2.3 p.p. above 3Q18.

As a highlight of the quarter, the brand launched the “Paola” sneaker – and the category already represents 44% of Anacapri sales. The *“Paola”* sneaker had a 360º strategy plan, including motivational tools, products showcase and customer-driven communication.

The **Alexandre Birman** brand showed 64.6% global growth, with a highlight for SSS in the domestic market and the sales in the foreign market. In August, Alexandre Birman opened its third international store in Dallas at the North Park Center mall. Also, in August, the brand launched its Resort collection that reached record sales, with a highlight to the web commerce channel. The channel grew by 125% in Brazil, with an increase of new customers and full price sales. For the second time, in September, the brand made a partnership with the renowned Harrods department store to hold activations in store as well as posting Alexandre Birman products on its Instagram account.

The **Fiever** brand was highlighted in the quarter by the web commerce channel, which already represents 17.8% of the brand's revenue. In August, Fiever expanded its portfolio of men's products and launched its father's day campaign, with many activations, bringing the representation of men's SKUs to 26% during the period. Also, the brand launched a new line of shoes, the *"Fiever BEAT",* which for the first time had the launch of the women's and men's model simultaneously. The model already represents 28% of brand sales since its launch.

Alme, the group's sixth brand, featured in the quarter the opening of its first franchise, located at the Morumbi mall in São Paulo. In addition to the franchise, the brand also opened an owned store at the traditional Iguatemi São Paulo mall. The month of August represented the repositioning of the brand, launching the concept *#agorasomosAlme* (#nowweareAlme) to the end customer. In addition, Alme showed its new purpose with the slogan “taking care of yourself is taking care of everyone” that seeks to inspire self-care to generate more balance in relationships between people and the world. Besides, the brand has conducted many studies to improve the perception of comfort in its products and meet the growing demand of consumers in this market.

At the beginning of October, Arezzo&Co signed a contract to become the exclusive distributor of the **Vans®** brand in Brazil. The partnership was the first step that aims the complementation of the owned brand portfolio of the Company, with a consequent increase in its addressable market - through operations in the men's, apparel and, children's segments. Under the terms of the agreement, Arezzo&Co may (i) open and operate Vans stores - either owned or franchises; (ii) operate its web commerce and (iii) establish relationships with authorized dealers within the sports and multi-brand channels.

The agreement has an initial term of 5 (five) years from January 1, 2020, with the possibility of extension for another 2 (two) years, subject to the achievement of certain operational and financial metrics. Within the business model foreseen for Vans®, Arezzo&Co will, among other initiatives, increase the relevance of local sourcing, as well as the automatic replenishment mechanisms in its three business channels.

Channels

Monobrand - Franchises, Owned Stores and Web Commerce

Reflecting the Company's strategy to strengthen monobrand stores, the Arezzo&Co point of sales network (Owned Stores + Franchises + Web Commerce) posted a 3.9% increase in 3Q19 sell-out sales compared to 3Q18, mainly due to the strong growth of the online channel and the net opening of 60 monobrand stores in the last 12 months, as well as the same-store-sales increase of 1.1% in 3Q19.

Following the Company's asset-light strategy, and reinforcing the attractiveness of the franchise model for our franchisees, in the last twelve months, 10 owned stores (5 Arezzo brand and 5 Schutz brand) were converted into franchisees, implying a revenue decline in the Owned Stores channel to the benefit of the Franchise channel. Excluding this effect, the Owned Stores channel would have grown 5.5%.

The sales area stores in Brazil and abroad was 5.5% higher in the quarter compared to 3Q18, with the net addition of 36 Anacapri stores, 22 Arezzo stores (mostly in light format) and, 2 Alme stores, totaling 2,330 m² (excluding outlets).

The franchise channel accounted for 48.1% of domestic sales in 3Q19 and recorded SSS sell-in of 1.2%. For comparison purposes, it is recommended that SSS sell-in and SSS sell-out indicators shall be analyzed over a period of 12 months, thus avoiding possible calendar effects, which are usual to the Company's operation.

The web commerce channel grew 27.6% compared to 3Q18, representing 11.9% of the company's domestic revenues. It is worth mentioning several initiatives implemented by the team in the quarter, such as the “ZZ Content” - owned content platforms designed for the customers of each brand, as well as the pilot of the annual subscription for free express freight in the Schutz brand.

Multibrand

In 3Q19, multibrand channel revenues grew by 6.9% compared to 3Q18, over a comparable base of 7.2% comparison basis. The Arezzo brand demonstrated excellent performance in the channel, continuing to show high sell-through and attractiveness to the clients. Also, it is worth to mention the ongoing recovery of Schutz brand performance.

The group's six brands were distributed through 2,659 stores in 3Q19, up 8.5% over 3Q18, and are present in 1,385 cities.

Foreign Market

In the United States, the revenue recorded a 66.8% growth. In dollars, the increase was 65.4%. All channels of both Schutz and Alexandre Birman brands - Wholesale (department stores and online stores), Owned Stores and Web Commerce - showed significant growth in the period, with a highlight to the performance of department stores, whose sales were leveraged by the dropship* model growth, as well as the regular sale of products through the web commerce of those stores.

In addition to Wholesale channel growth, the Owned Stores channel showed an outstanding performance due to the opening of 6 stores in the last twelve months. In the quarter, another Alexandre Birman brand store was opened in Dallas at the NorthPark Center. Additionally, the online operation has achieved significant growth in both brands, resulting from increased investments in marketing and brand awareness, with a direct impact on traffic and conversion indicators.

The exports to the rest of the world had a retraction of 20.9% in Reais in 3Q19 compared to the same period of 2018, due to relevant issues in important markets for the Company, such as Argentina and Chile

In consolidated terms, in the 3Q19, the Company's foreign market revenue was 31.8% higher than in 3Q18, representing 13.3% of total revenue versus 10.9% in the same period of the previous year.

**Dropship: availability of products in owned inventory in the United States in the websites of stores such as Nordstrom, Bloomingdale's, Saks Fifth Avenue, Dillards and Neiman Marcus*

Digital Transformation

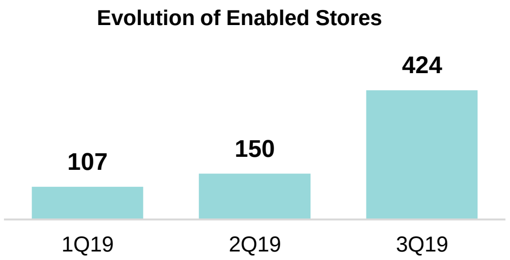
In 2018 Arezzo&Co started its process of Digital Transformation through the implementation of agile methodologies based in squads that aim the integration of all sales channels, digitizing the business with the implementation of BI and merchandising technology.

The channel integration front has made significant progress with the increase in the number of stores able to operate omnichannel tools and the higher franchisees' engagement to improve store conversion and Arezzo&Co's shopping experience.

Click n Collect

Click n Collect consist in the purchase of the product in the web commerce with free withdrawal in the physical store, in shorter times.

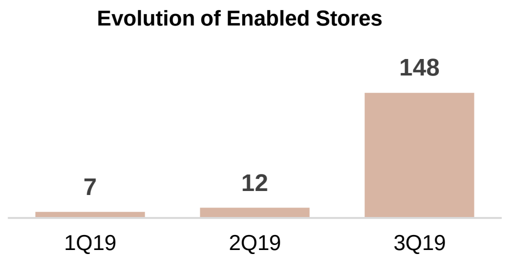
Currently 424 stores are qualified to receive orders and operate this tool.



Store Shipping

Store Shipping consist in the purchase of the product through the web commerce and same-day delivery to the customer's home.

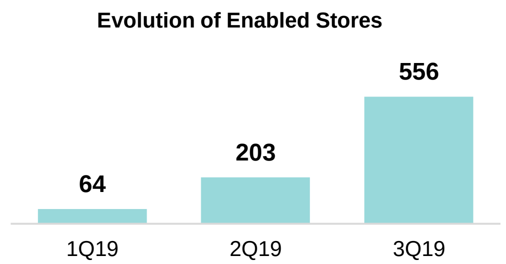
Currently, 148 stores are qualified to receive orders and operate this tool.



Infinite Shelf

The Infinite Shelf allows online shopping in the store environment when the consumer does not find the desired model/size available.

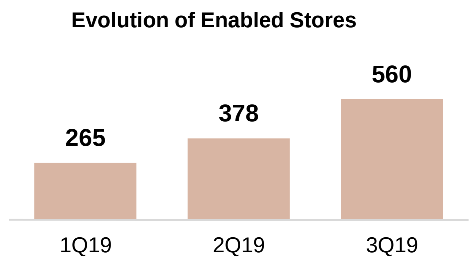
Currently, 556 stores are qualified to receive orders and operate this tool.



Remote Sell

Remote Sell consist in the remote sale made through the physical store. The store is able to sell its products remotely by sending a credit card payment link through Whatsapp.

Currently, 560 stores are qualified to receive orders and operate this tool.



Expansion of the Monobrand Channel

Arezzo&Co ended the quarter with 715 stores, (700 in Brazil and 15 abroad) - an increase of 5.5%, with 66 net openings in the last 12 months.

In 3Q19, 19 stores (net) were opened: 9 Arezzo brand stores (7 light format), 8 Anacapri, 2 Alme and 1 Alexandre Birman (international).

Store Information	3Q18	4Q18	1Q19	2Q19	3Q19
Sales area¹,³ - Total (m²)	**42.504**	**43.965**	**44.086**	**44.322**	**44.835**
Sales area - franchises (m²)	36.075	37.691	37.704	37.768	38.739
Sales area - owned stores² (m²)	6.429	6.274	6.382	6.553	6.096
Total number of domestic stores	**640**	**673**	**677**	**681**	**700**
# of franchises	**590**	**628**	**632**	**636**	**658**
Arezzo	393	405	405	406	419
Schutz	68	73	74	73	73
Anacapri	129	150	153	157	165
Alme	–	–	–	–	1
# of owned stores	**50**	**45**	**45**	**45**	**42**
Arezzo	14	14	14	14	10
Schutz	22	17	17	17	17
Alexandre Birman	4	4	4	4	4
Anacapri	3	3	3	3	3
Fiever	5	5	5	5	5
Alme	2	2	2	2	3
Total number of international stores	**9**	**12**	**13**	**15**	**15**
# of franchises	5	6	6	6	6
# of owned stores[4]	4	6	7	9	9

(1) Includes areas in square meters of the stores overseas
(2) Includes seven outlet type stores with a total area of 2,217 m²
(3) Includes areas in square meters of expanded stores
(4) Includes Alexandre Birman and Schutz stores, 2 in New York, 2 in Miami, 1 in Los Angeles, 1 in Las Vegas, 1 in New Jersey, and 1 in San Francisco and 1 in Dallas.

Key financial indicators	3Q19	3Q18	Δ (%) 19 x 18	3T19 Pro forma[4]	Δ (%) 19 x 18
Gross Revenues	538.187	497.887	8,1%	538.187	8,1%
Net Revenues	440.874	410.404	7,4%	440.874	7,4%
COGS	(240.204)	(219.767)	9,3%	(240.222)	9,3%
Depreciation and amortization (cost)	(748)	(394)	n/a	(497)	n/a
Gross Profit	200.670	190.637	5,3%	200.652	5,3%
Gross margin	*45,5%*	*46,5%*	*(1,0 p.p)*	*45,5%*	*(1,0 p.p)*
SG&A	(139.413)	(130.574)	6,8%	(139.491)	6,8%
% of net revenues	*(31,6%)*	*(31,8%)*	*0,2 p.p*	*(31,6%)*	*0,2 p.p*
Selling expenses	**(92.058)**	**(89.084)**	**3,3%**	**(101.590)**	**14,0%**
Owned stores and web commerce	(28.019)	(32.102)	(12,7%)	(31.612)	(1,5%)
Selling, logistics and supply	(64.039)	(56.982)	12,4%	(69.978)	22,8%
General and administrative expenses	**(34.553)**	**(31.360)**	**10,2%**	**(35.205)**	**12,3%**
Other operating revenues (expenses)	**8.738**	**142**	**n/a**	**8.738**	**n/a**
Depreciation and amortization (expenses)	**(21.540)**	**(10.272)**	**109,7%**	**(11.434)**	**11,3%**
EBITDA	83.545	70.730	18,1%	73.091	3,3%
EBITDA Margin	*18,9%*	*17,2%*	*1,7 p.p*	*16,6%*	*(0,6 p.p)*
Net Income	39.775	40.164	(1,0%)	41.090	2,3%
Net Margin	*9,0%*	*9,8%*	*(0,8 p.p)*	*9,3%*	*(0,5 p.p)*
Working capital[1] - as % of revenues	24,6%	26,7%	(2,1 p.p)	25,7%	(1,0 p.p)
Invested capital[2] - as % of revenues	43,3%	36,7%	6,6 p.p	37,8%	1,1 p.p
Net cash/EBITDA LTM	**0,3x**	**0,5x**	**-**	**0,4x**	**-**
Cash	275.344	283.745	(3,0%)	275.344	(3,0%)
Total debt	189.092	172.421	9,7%	189.092	9,7%
Net cash[3]	86.252	111.324	(22,5%)	86.252	(22,5%)

(1) Working Capital: current assets minus cash, cash equivalents and financial investments less from current liabilities minus loans and financing and dividends payable.
(2) Invested Capital: working capital plus fixed assets and other long term assets less income tax and deferred social contributions.
(3) Net debt is equal to total interest bearing debt position at the end of a period less cash, cash equivalents and short-term financial investments.
(4) Excluding the impacts of IFRS 16 / CPC 06 (R2)
(5) Includes revenue from the conversion of 4 owned stores and extemporaneous tax credits. It is worth mention that personnel expenses related to own store transfers were allocated in the selling expenses (R$ 1.2 million).

Key financial indicators	9M19	9M18	Δ (%) 19 x 18	9M19 Pro forma[4]	Δ (%) 19 x 18
Gross Revenues	1.490.199	1.360.257	9,6%	1.490.199	9,6%
Net Revenues	1.211.583	1.114.448	8,7%	1.211.583	8,7%
COGS	(654.106)	(598.500)	9,3%	(654.155)	9,3%
Depreciation and amortization (cost)	(2.104)	(1.047)	n/a	(1.398)	n/a
Gross Profit	557.477	515.948	8,0%	557.428	8,0%
Gross margin	*46,0%*	*46,3%*	*(0,3 p.p)*	*46,0%*	*(0,3 p.p)*
SG&A	(410.412)	(375.785)	9,2%	(410.712)	9,3%
% of net revenues	*(33,9%)*	*(33,7%)*	*(0,2 p.p)*	*(33,9%)*	*(0,2 p.p)*
Selling expenses	**(259.441)**	**(252.129)**	**2,9%**	**(284.796)**	**13,0%**
Owned stores and web commerce	(86.066)	(94.625)	(9,0%)	(96.750)	2,2%
Selling, logistics and supply	(173.375)	(157.504)	10,1%	(188.046)	19,4%
General and administrative expenses	**(114.603)**	**(93.030)**	**23,2%**	**(118.817)**	**27,7%**
Other operating revenues (expenses)	**21.579**	**(3.794)**	**n/a**	**21.563**	**n/a**
Depreciation and amortization (expenses)	**(57.947)**	**(26.832)**	**116,0%**	**(28.662)**	**6,8%**
EBITDA	207.116	168.043	23,3%	176.775	5,2%
EBITDA Margin	*17,1%*	*15,1%*	*2,0 p.p*	*14,6%*	*(0,5 p.p)*
Net Income	103.484	100.401	3,1%	107.320	6,9%
Net Margin	*8,5%*	*9,0%*	*(0,5 p.p)*	*8,9%*	*(0,1 p.p)*
Working capital[1] - as % of revenues	24,6%	26,7%	(2,1 p.p)	25,7%	(1,0 p.p)
Invested capital[2] - as % of revenues	43,3%	36,7%	6,6 p.p	37,8%	1,1 p.p
Net cash/EBITDA LTM	**0,3x**	**0,5x**	**-**	**0,4x**	**-**
Cash	275.344	283.745	(3,0%)	275.344	(3,0%)
Total debt	189.092	172.421	9,7%	189.092	9,7%
Net cash[3]	86.252	111.324	(22,5%)	86.252	(22,5%)

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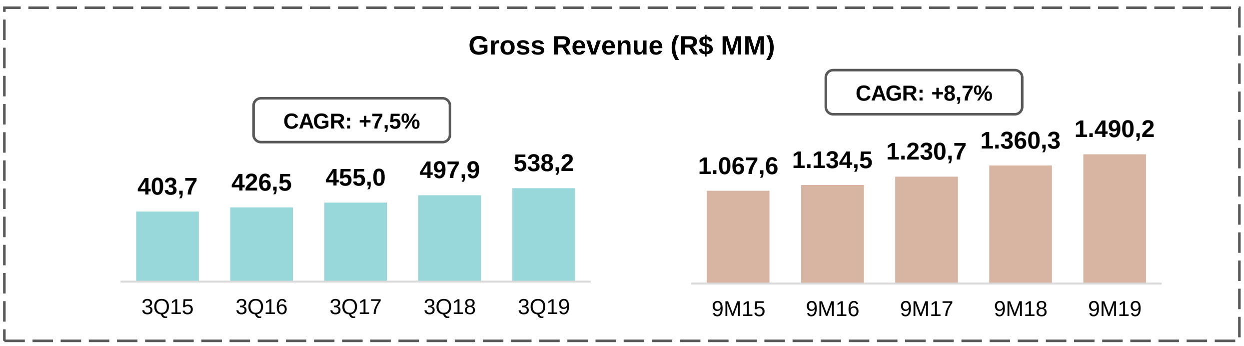
(3) Net debt is equal to total interest bearing debt position at the end of a period less cash, cash equivalents and short-term financial investments.
(4) Excluding the impacts of IFRS 16 / CPC 06 (R2)

Gross Revenue

The company's Gross Revenue in this quarter totaled R$ 538.2 million, 7.4% increase against 3Q18. Among the primary factors driving this growth, worthy of mention are:

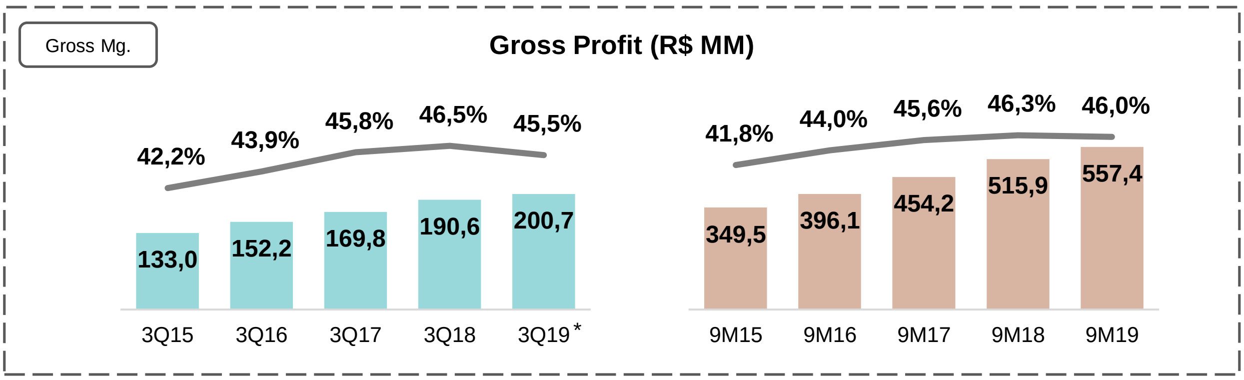
- Growth of 6.9% in the Franchise channel;
- Revenue increase of 18.6% in the Anacapri brand;
- Growth of 27.6% in the Web-Commerce channel;
- Growth of 66,8% in the US Operation.



Gross Profit (Pro forma)

Gross Profit for 3Q19 totaled R$ 200.7 million, a 5.3% increase against 3Q18, with the gross margin down by 100 bps reaching 45.5% in 3Q19.

Among the factors responsible for the gross margin, the positively highlight goes to: (i) web commerce channel in the mix of revenue, and negatively (ii) the decrease in the multibrand channel margin, (iii) the lower share of the owned stores, in the mix after the conversion of 10 stores into franchises in the last twelve months (5 Arezzo and 5 Schutz)



**Gross profit before the adoption of IFRS 16 / CPC 06 (R2)*

Operating Expenses (Pro forma)

Arezzo&Co remains loyal to its organic brand development policy, and mostly of the expenses presented below reflect the investments in new brands and new markets/geographies.

Selling Expenses

In 3Q19, there was a 12.8% expansion of commercial expenses when compared to 3Q18, reaching R$100.8 million. It is worth mentioning that commercial expenses include:

(i) Expenses of Owned Stores and Web-Commerce (sell-out channels), which totaled R$ 31.6 million - an increase of 1.5% compared to 3Q18, below the 27.6% growth in the Web-Commerce channel and in line with the lower representation of owned stores in the mix.

(ii) Sales, Logistics, and Supply expenses, totaled R$68.8 million – an increase of 20,8% over 3Q18. Excluding incremental expenses related to the Company's strategic planning deliberations, such as investments in the US operation and development of its business channels with the opening and operation of new stores, expansion of department store doors, and evolution of its web commerce - expenses would have declined by 3.8%, lower than the growth in sales of sales channels (multibrand, franchise, and export), which was 4.9%.

General and Administrative Expenses

In 3Q19, general and administrative expenses increased R$ 5.0 million, an increase of 15.9% over 3Q18, of which R$ 1.7 million related to the Brazilian operation - highlighting IT investments (including software licenses) - and R$ 3.3 million related to the US operation.

**Expenses before the adoption of IFRS 16 / CPC 06 (R2)*

EBITDA and EBITDA Margin (Pro forma)

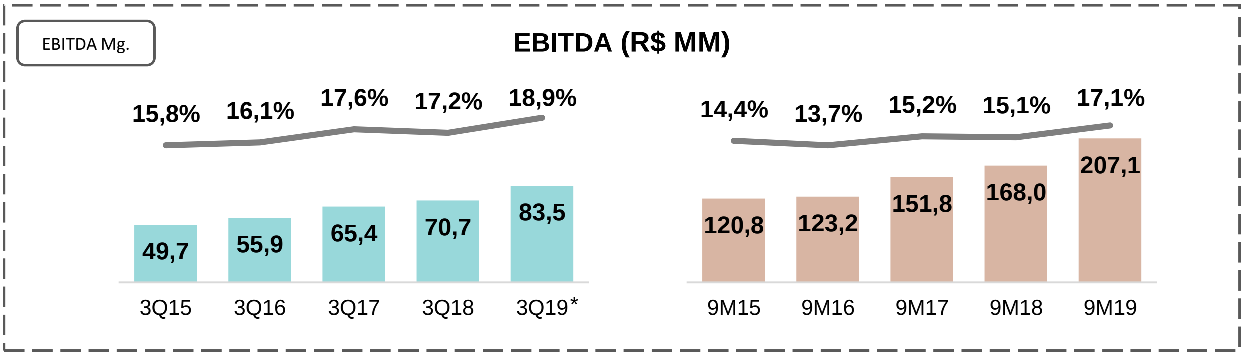
The Company's adjusted EBITDA totaled R$ 73.1 million in 3Q19, which represents a margin of 16.6% and an increase of 3.3% against the results reported in 3Q18. Among the main reasons are:

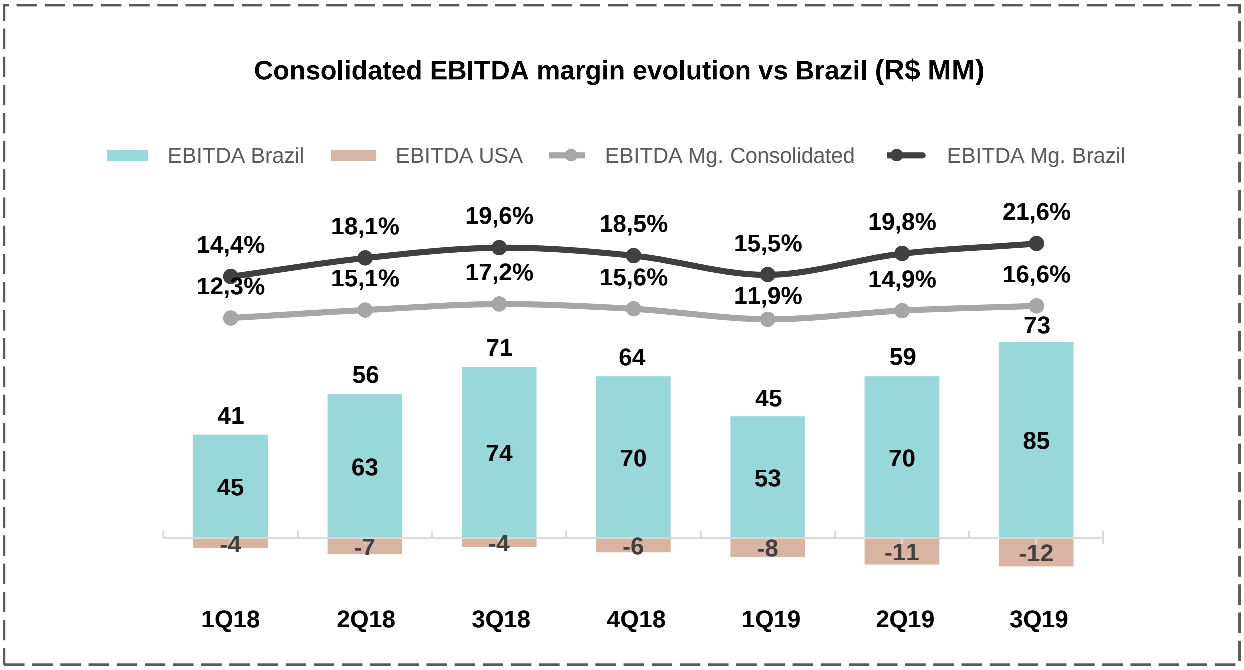
- Net Revenue growth of 7,4% against 3Q18;
- A 5,3% increase in Gross Profit (100bps pressure in gross margin).
- EBITDA margin of the Brazilian operation increased 210 bps, from 19.6% in 3Q18 to 21.6% in 3Q19;

EBITDA and EBITDA Margin (Pro forma)

- Excluding the US Operation, the Company's consolidated EBITDA margin would have increased by 500 bps in the quarter, due to the continuous investment in the Company's international expansion.
    - Excluding some non-recurring elements, this margin pressure from the United States was 400bps (or R$ 4 million).

	3Q19 (R$ MM)				3Q18 (R$ MM)			
	Consolidated	Brazil	US	Impact	Consolidated	Brazil	US	Impact
Net Revenue	440,9	394,5	46,4		410,4	380,6	29,8	
EBITDA	73,1	85,2	(12,1)	*500 bps*	70,7	74,4	(3,7)	*232 bps*
EBITDA Mg.	***16,6%***	***21,6%***	-		***17,2%***	***19,6%***	-	



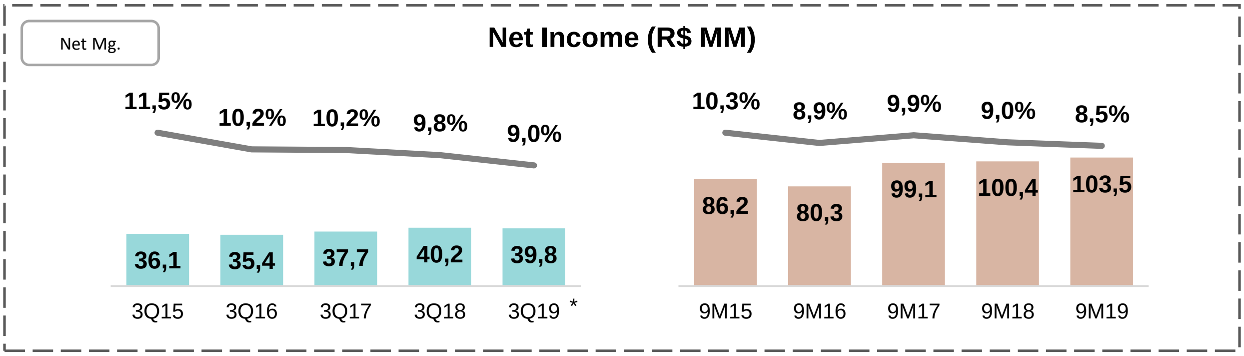


**EBITDA before the adoption of IFRS 16 / CPC 06 (R2)*

Net Income and Net Margin (Pro forma)

The Company posted a net margin of 9.3% in 3Q19 and a net income of R$ 41.1 million, 2.3% higher against 3Q18.

Net income was impacted by the following factors: positively due to (i) lower exchange variation associated with lower debt balance in USD and negatively due to (ii) impact on effective income tax rate and (iii) lower financial income; lower volume of cash position in the period and the fall in the SELIC rate in the last 12 months.



**Net income before the adoption of IFRS 16 / CPC 06 (R2)*

Operating Cash Flow

Arezzo&Co generated operating cash of R$ 59.3 million in 3Q19, amount higher than 3Q18, due to more depreciation and amortization (IFRS-16 effects) as well as a higher volume of accounts receivable and lower inventory volume compared to 3Q18. Working capital as % of revenues decreased from 26,7% in 3Q18 to 25,7% in 3Q19 (IFRS-16).

Operating Cash Flow	3Q19	3Q18	9M19	9M18
Profits before income tax and social contribution	**57.375**	**53.762**	**133.533**	**122.206**
Depreciation and amortization	**22.288**	**10.667**	**60.051**	**27.880**
Others	**8.903**	**(1.011)**	**15.154**	**10.788**
Decrease (increase) in assets / liabilities	**(22.067)**	**(28.596)**	**(36.722)**	**(64.066)**
Trade accounts receivables	(42.433)	(51.604)	(31.691)	(50.007)
Inventories	(18.693)	(5.883)	(32.623)	(34.924)
Suppliers	37.404	20.193	42.712	23.129
Change in other noncurrent and current assets and liabilities	1.655	8.698	(15.120)	(2.264)
Payment of income tax and social contribution	**(7.170)**	**(7.855)**	**(28.584)**	**(13.996)**
Net cash flow generated by operational activities	**59.329**	**26.967**	**143.432**	**82.812**

Investments - CAPEX

The Company makes investments of three types:

i) Investments in expansion and remodeling of owned stores in Brazil;

ii) Corporate investments that include IT, facilities, showrooms and offices; and

iii) Other investments, mainly related to the US operation and the industrial operation.

In 3Q19, Arezzo&Co invested R$ 17.4 milion in CAPEX, highlighting:

Brazilian Operation: (i) launch of Alme brand Flagship Store at Iguatemi Mall in São Paulo, (ii) expansion of the Web-Commerce distribution center and, (iii) refurbishment and change of location of Alexandre Birman brand store at Iguatemi Mall.

US Operation: (i) opening of Alexandre Birman brand store at North Park Center in Dallas, (ii) softwares and IT investments and, (iii) residual values from the brand new headquarters/showroom and the launch of the Short Hills and San Francisco stores.

Summary of Investments	3Q19	3Q18	Δ 19 x 18 (%)	9M19	9M18	Δ 19 x 18 (%)
Total CAPEX	**17.446**	**13.739**	**27,0%**	**43.566**	**35.966**	**21,1%**
Stores - expansion and refurbishing	5.538	2.247	146,5%	7.881	9.363	(15,8%)
Corporate	5.762	6.417	(10,2%)	13.786	16.124	(14,5%)
Other	6.146	5.075	21,1%	21.899	10.479	109,0%

Cash position and indebtedness

The Company ended 3Q19 with R$ 86.3 million in cash. The debt policy remains conservative, as follows:

- Total indebtedness of R$ 189.1 million in 3Q19 against R$ 161.2 million in 3Q18;
- Net cash of 0.4x versus 0,5x EBITDA in 3Q18.

Cash position and Indebtedness	3Q19	2Q19	3Q18
Cash	**275.344**	**257.135**	**283.745**
Total debt	**189.092**	**175.957**	**172.421**
Short-term	183.678	153.533	161.180
% total debt	97,1%	87,3%	93,5%
Long-term	5.414	22.424	11.241
% total debt	2,9%	12,7%	6,5%
Net cash	**86.252**	**81.178**	**111.324**

ROIC - Return on Invested Capital (Pro forma)

Return on invested capital (ROIC) reached 26.4% compared to 32.6% in 3Q18. The pro forma NOPAT remained in line with the previous year, which in turn had a low LTM IR / CSLL basis in 3Q18, due to an injunction obtained in 4Q17, exempting the company from the payment of income and social contribution taxes (IR and CSLL - 34%) on as ICMS tax benefit retroactive to 2017, which remained valid.

The slight increase in pro-forma working capital is due to higher inventory volumes, reflecting the consolidated sales growth and the increased relevance of the dropship program and prompt delivery items in the US operation, both aiming at greater assertiveness at the point of sale and agility of replacement.

Income from operations	3Q19	3Q19 Pro forma	3Q18	3Q17	Δ 19 x 18 Reported	Δ 19 x 18 Pro forma
EBIT (LTM)	198.182	197.833	184.643	176.535	7,3%	7,1%
+ IR e CS (LTM)	(35.598)	(35.598)	(8.247)	(52.742)	331,6%	331,6%
NOPAT	**162.584**	**162.235**	**176.396**	**123.793**	**(7,8%)**	**(8,0%)**
Working Capital[1]	399.559	439.071	393.950	314.394	1,4%	11,5%
Permanet assets	383.202	166.344	156.666	151.562	144,6%	6,2%
Other long-term assets[2]	37.149	37.149	35.180	32.025	5,6%	5,6%
Invested capital	**819.910**	**642.564**	**585.796**	**497.981**	**40,0%**	**9,7%**
Average invested capital[3]	**702.853**	**614.180**	**541.889**		**29,7%**	**13,3%**
ROIC[4]	**23,1%**	**26,4%**	**32,6%**			

(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.

Balance Sheet

Assets	3Q19	2Q19	3Q18
Current assets	**949.191**	**877.448**	**891.852**
Cash and Banks	7.657	7.842	3.390
Financial Investments	267.687	249.293	280.355
Trade accounts receivables	415.431	370.837	384.438
Inventory	180.736	163.368	147.501
Taxes recoverable	56.891	57.554	46.193
Other credits	20.789	28.554	29.975
Non-current assets	**442.450**	**426.667**	**219.109**
Long-term receivables	59.248	60.003	62.443
Trade accounts receivables	10.829	10.948	11.764
Deferred income and social contribution	22.099	20.811	27.263
Other credits	26.320	28.244	23.416
Investments property	3.017	3.314	3.324
Property, plant and equipment	317.786	299.640	81.843
Intangible assets	62.399	63.710	71.499
Total assets	**1.391.641**	**1.304.115**	**1.110.961**

Liabilities	3Q19	2Q19	3Q18
Current liabilities	**482.982**	**420.301**	**375.337**
Loans and financing	183.678	153.533	161.180
Lease	39.617	36.390	0
Suppliers	148.756	111.810	127.548
Other liabilities	110.931	118.568	86.609
Non-current liabilities	**198.004**	**204.966**	**22.606**
Loans and financing	5.414	22.424	11.241
Related parties	1.551	1.428	1.492
Other liabilities	9.858	9.715	9.873
Lease	181.181	171.399	0
Shareholder's Equity	**710.655**	**678.848**	**713.018**
Capital	352.715	352.715	341.073
Capital reserve	49.810	49.035	45.525
Profit reserves	90.033	90.033	178.748
Tax incentive reserve	136.443	136.443	64.658
Other comprehensive income	5.788	7.257	3.614
Accumulated Profit	75.866	43.365	79.400
Total liabilities and shareholders' equity	**1.391.641**	**1.304.115**	**1.110.961**

Income Statement

Income Statement - IFRS	3Q19	3Q18	Var. %	3Q19 Pro forma	Var. %
Net operating revenue	**440.874**	**410.404**	**7,4%**	**440.874**	**7,4%**
Cost of goods sold	(240.204)	(219.767)	9,3%	(240.222)	9,3%
Gross profit	**200.670**	**190.637**	**5,3%**	**200.652**	**5,3%**
Operating income (expenses):	**(139.413)**	**(130.575)**	**6,8%**	**(139.491)**	**6,8%**
Selling	(109.150)	(96.775)	12,8%	(109.363)	13,0%
Administrative and general expenses	(39.000)	(33.941)	14,9%	(38.865)	14,5%
Other operating income, net	8.737	141	6096,5%	8.737	6096,5%
Income before financial result	**61.257**	**60.062**	**2,0%**	**61.161**	**1,8%**
Financial income	(3.882)	(6.300)	-38,4%	(2.469)	-60,8%
Income before income taxes	**57.375**	**53.762**	**6,7%**	**58.692**	**9,2%**
Income tax and social contribution	(17.600)	(13.598)	29,4%	(17.602)	29,4%
Current	(18.888)	(15.554)	21,4%	(18.888)	21,4%
Deferred	1.288	1.956	-34,2%	1.286	-34,3%
Net income for period	**39.775**	**40.164**	**-1,0%**	**41.090**	**2,3%**

Income Statement - IFRS	9M19	9M18	Var. %	9M19 Pro forma	Var. %
Net operating revenue	**1.211.583**	**1.114.448**	**8,7%**	**1.211.583**	**8,7%**
Cost of goods sold	(654.106)	(598.500)	9,3%	(654.155)	9,3%
Gross profit	**557.477**	**515.948**	**8,0%**	**557.428**	**8,0%**
Operating income (expenses):	**(410.412)**	**(375.786)**	**9,2%**	**(410.712)**	**9,3%**
Selling	(303.158)	(272.267)	11,3%	(303.751)	11,6%
Administrative and general expenses	(128.833)	(99.725)	29,2%	(128.524)	28,9%
Other operating income, net	21.579	(3.794)	-668,8%	21.563	-668,3%
Income before financial result	**147.065**	**140.162**	**4,9%**	**146.716**	**4,7%**
Financial income	(13.532)	(17.956)	-24,6%	(9.347)	-47,9%
Income before income taxes	**133.533**	**122.206**	**9,3%**	**137.369**	**12,4%**
Income tax and social contribution	(30.049)	(21.805)	37,8%	(30.049)	37,8%
Current	(36.338)	(34.544)	5,2%	(36.338)	5,2%
Deferred	6.289	12.739	-50,6%	6.289	-50,6%
Net income for period	**103.484**	**100.401**	**3,1%**	**107.320**	**6,9%**

Cash Flow

Cash Flow	3Q19	3Q18	9M19	9M18
Operating activities				
Income before income tax and social contribution	57.375	53.762	133.533	122.206
Adjustments to reconcile net income with cash from operational activities	**31.191**	**9.656**	**75.205**	**38.668**
Depreciation and amortization	22.288	10.667	60.051	27.880
Income from financial investments	(3.492)	(4.091)	(10.685)	(13.714)
Payments of Interest on loans	(2.393)	(820)	(3.400)	(3.184)
Interest and exchange rate	16.254	3.345	22.462	17.408
Other	(1.466)	555	6.777	10.278
Decrease (increase) in assets				
Trade accounts receivables	(42.433)	(51.604)	(31.691)	(50.007)
Inventory	(18.693)	(5.883)	(32.623)	(34.924)
Recoverable taxes	1.685	1.756	(5.894)	(8.171)
Change in other current assets	5.242	(3.652)	(1.319)	(7.317)
Judicial deposits	(1.073)	(153)	(5.375)	(1.158)
(Decrease) increase in liabilities				
Suppliers	37.404	20.193	42.712	23.129
Labor liabilities	2.580	7.436	(1.609)	9.791
Fiscal and social liabilities	(6.133)	3.895	(7.200)	612
Variation in other liabilities	(646)	(584)	6.277	3.979
Payment of income tax and social contribution	(7.170)	(7.855)	(28.584)	(13.996)
Lease	-	-	-	-
Net cash flow from operating activities	**59.327**	**26.967**	**143.430**	**82.812**
Investing activities				
Sale of fixed and intangible assets	5.923	4	6.910	684
Acquisition of fixed and intangible assets	(17.446)	(13.739)	(43.566)	(35.966)
Financial Investments	(243.094)	(322.269)	(773.203)	(730.371)
Redemption of financial investments	227.704	311.098	741.518	789.096
Net cash used in investing activities	**(26.913)**	**(24.906)**	**(68.341)**	**23.443**
Financing activities with third parties				
Increase in loans	25.111	4.412	105.076	54.748
Payments of loans	(25.837)	(10.312)	(41.514)	(86.017)
Instalment Lease	(11.916)	-	(35.285)	-
Net cash used in financing activities with third parties	**(12.642)**	**(5.900)**	**28.277**	**(31.269)**
Financing activities with shareholders				
Interest on equity	(20.328)	(21.002)	(41.175)	(21.002)
Profit distribution	-	(2)	(75.000)	(69.718)
Receivables (payables) with shareholders	124	55	108	259
Issuing of shares	-	10.698	11.642	10.698
Repurchase of shares	-	(201)	-	(3.007)
Net cash used in financing activities	**(20.204)**	**(10.452)**	**(104.425)**	**(82.770)**
Increase (decrease) in cash and cash equivalents	**(432)**	**(14.291)**	**(1.059)**	**(7.784)**
Cash and cash equivalents				
Foreign exchange effect on cash and cash equivalents	247	217	215	1.018
Cash and cash equivalents - Initial balance	7.842	17.464	8.501	10.156
Cash and cash equivalents - Closing balance	7.657	3.390	7.657	3.390
Increase (decrease) in cash and cash equivalents	**(432)**	**(14.291)**	**(1.059)**	**(7.784)**

Important notice

Information contained herein may include forward-looking statements and reflects management's current view and estimates concerning the evolution of the macro-economic environment, industry conditions, company performance, and financial results. Any statements, expectations, capabilities, plans and assumptions contained in this document that do not describe historical facts, such as statements regarding declaration or payment of dividends, the future course of operations, the implementation of material operational and financial strategies, the investment program, and the factors or trends affecting financial condition, liquidity or results from operations, are deemed forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. There is no guarantee that these results will actually materialize. Statements are based on many assumptions and factors, including economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

Arezzo&Co's consolidated financial information presented herein complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on audited financial data. Non-financial and other operating information has not been audited by independent auditors.