Contents

Company information / Capital composition

Number of shares (in thousands)	Current quarter 9/30/2019
Paid-up capital	
Common shares	90,954
Preferred shares	0
Total	90,954
Treasury stock	
Common shares	-5
Preferred shares	0
Total	-5

Company information / Cash payouts

Event	Approval	Payout	Payment date	Share type	Share class	Payout per share (R$ per share)
Board of Directors' Meeting	6/24/2019	Interest on capital	7/25/2019	Common shares		0.22379

Parent company financial statements / Balance sheet – Assets (R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
1	Total assets	1,064,506	977,519
1.01	Current assets	642,470	574,629
1.01.01	Cash and cash equivalents	223	1,102
1.01.02	Cash investments	209,557	209,174
1.01.02.01	Cash investments measured at fair value through profit or loss	209,557	209,174
1.01.02.01.03	Cash investments measured at fair value	209,557	209,174
1.01.03	Trade and other receivables	316,793	270,476
1.01.03.01	Trade receivables	288,606	255,246
1.01.03.02	Other receivables	28,187	15,230
1.01.03.02.01	Dividends receivable	28,187	15,230
1.01.04	Inventories	60,747	45,320
1.01.06	Taxes recoverable	41,043	36,528
1.01.06.01	Current taxes recoverable	41,043	36,528
1.01.08	Other current assets	14,107	12,029
1.01.08.03	Other	14,107	12,029
1.02	Non-current assets	422,036	402,890
1.02.01	Long-term receivables	71,916	61,608
1.02.01.04	Trade and other receivables	10,829	10,720
1.02.01.04.01	Trade receivables	10,829	10,720
1.02.01.07	Deferred taxes	19,804	15,746
1.02.01.07.01	Deferred income tax and social contribution	19,804	15,746
1.02.01.09	Receivables from related parties	24,507	22,583
1.02.01.09.02	Receivables from subsidiaries	24,507	22,583
1.02.01.10	Other non-current assets	16,776	12,559
1.02.01.10.03	Judicial deposits	16,459	12,014
1.02.01.10.04	Other	317	545
1.02.02	Investments	264,270	282,804
1.02.02.01	Equity interests	261,253	279,480
1.02.02.01.02	Investments in subsidiaries	261,253	279,480
1.02.02.02	Investment property	3,017	3,324
1.02.02.02.01	Investment property	3,017	3,324
1.02.03	Property, plant and equipment	56,483	26,314
1.02.03.01	Property, plant and equipment in operation	56,483	26,314
1.02.04	Intangible assets	29,367	32,164
1.02.04.01	Intangible assets	29,367	32,164
1.02.04.01.02	Trademarks and patents	5,018	4,686
1.02.04.01.04	Software licenses	24,349	27,478

Parent company financial statements / Balance sheet – Liabilities and equity (R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
2	Total liabilities	1,064,506	977,519
2.01	Current liabilities	284,058	173,498
2.01.01	Salaries, vacation pay and social charges payable	28,103	32,898
2.01.01.01	Social charges	2,556	3,118
2.01.01.02	Salaries and vacation pay	25,547	29,780
2.01.02	Trade payables	126,207	90,545
2.01.02.01	Domestic suppliers	126,015	90,344
2.01.02.02	Foreign suppliers	192	201
2.01.03	Taxes payable	15,150	12,131
2.01.03.01	Federal taxes payable	13,791	11,100
2.01.03.01.01	Income tax and social contribution payable	7,157	0
2.01.03.01.02	Other federal taxes payable	6,634	11,100
2.01.03.02	State taxes payable	1,353	1,021
2.01.03.03	Municipal taxes payable	6	10
2.01.04	Borrowings	68,207	8,592
2.01.04.01	Borrowings	68,207	8,592
2.01.04.01.01	In local currency	5,750	8,592
2.01.04.01.02	In foreign currency	62,457	0
2.01.05	Other liabilities	46,391	29,332
2.01.05.02	Other	46,391	29,332
2.01.05.02.01	Dividends and interest on capital payable	25,016	18,172
2.01.05.02.04	Other	14,854	11,160
2.01.05.02.05	Leases	6,521	0
2.02	Non-current liabilities	69,793	92,679
2.02.01	Borrowings	5,118	67,090
2.02.01.01	Borrowings	5,118	67,090
2.02.01.01.01	In local currency	5,118	8,957
2.02.01.01.02	In foreign currency	0	58,133
2.02.02	Other liabilities	27,418	19,563
2.02.02.01	Payables to related parties	3,858	19,563
2.02.02.01.04	Payables to other related parties	3,858	19,563
2.02.02.02	Other	23,560	0
2.02.02.02.04	Leases	23,560	0
2.02.04	Provisions	36,844	5,493
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	5,167	5,493
2.02.04.01.02	Provision for social security and labor contingencies	3,264	3,515
2.02.04.01.04	Provision for civil contingencies	228	303
2.02.04.01.05	Provision for tax contingencies	1,675	1,675
2.02.04.02	Other provisions	31,677	0
2.02.04.02.04	Provision for net capital deficiency	31,677	0
2.02.06	Deferred profit and revenue	413	533
2.02.06.02	Deferred revenue	413	533
2.03	Equity	710,655	711,342
2.03.01	Paid-up capital	352,715	341,073
2.03.02	Capital reserves	49,810	46,725
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470

Parent company financial statements / Balance sheet – Liabilities and equity (R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
2.03.02.05	Treasury shares	-195	-2,332
2.03.02.09	Reserve for share option and restricted stock plans	28,535	27,587
2.03.04	Revenue reserves	226,476	319,202
2.03.04.05	Retained profit reserve	90,033	165,033
2.03.04.07	Tax incentive reserve	136,443	136,443
2.03.04.08	Proposed additional dividend	0	17,726
2.03.05	Retained earnings/accumulated deficit	75,866	0
2.03.08	Other comprehensive income	5,788	4,342

Parent company financial statements / Statement of income (R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Nine months 1/1/2019 to 9/30/2019	Same quarter of prior year 7/1/2018 to 9/30/2018	Nine months 1/1/2018 to 9/30/2018
3.01	Revenue from sales of goods and/or services	335,633	928,030	322,502	883,515
3.02	Cost of sales and/or services	-208,338	-583,702	-200,229	-554,958
3.03	Gross profit	127,295	344,328	122,273	328,557
3.04	Operating income/expenses	-73,624	-219,216	-68,907	-200,521
3.04.01	Selling expenses	-45,490	-126,778	-44,599	-124,352
3.04.02	General and administrative expenses	-28,429	-90,915	-26,841	-80,880
3.04.05	Other operating expenses	5,335	18,373	182	-3,168
3.04.06	Equity in the results of investees	-5,040	-19,896	2,351	7,879
3.05	Profit before finance income and costs and taxes	53,671	125,112	53,366	128,036
3.06	Finance income and costs	-2,135	-3,830	-5,126	-20,892
3.06.01	Finance income	6,168	14,436	6,457	21,472
3.06.01.01	Interest income	3,946	12,028	5,273	16,666
3.06.01.02	Foreign exchange gains	2,222	2,408	1,184	4,806
3.06.02	Finance costs	-8,303	-18,266	-11,583	-42,364
3.06.02.01	Interest expense	-2,895	-8,717	-4,945	-14,930
3.06.02.02	Foreign exchange losses	-5,408	-9,549	-6,638	-27,434
3.07	Profit before income tax and social contribution	51,536	121,282	48,240	107,144
3.08	Income tax and social contribution	-11,761	-17,798	-8,076	-6,743
3.08.01	Current	-13,581	-23,537	-9,188	-20,906
3.08.02	Deferred	1,820	5,739	1,112	14,163
3.09	Profit for the period from continuing operations	39,775	103,484	40,164	100,401
3.11	Profit for the period	39,775	103,484	40,164	100,401
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.43990	1.14450	0.44670	1.11670
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.43970	1.14400	0.43230	1.08070

Parent company financial statements / Statement of comprehensive income (R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Nine months 1/1/2019 to 9/30/2019	Same quarter of prior year 7/1/2018 to 9/30/2018	Nine months 1/1/2018 to 9/30/2018
4.01	Profit for the period	39,775	103,484	40,164	100,401
4.02	Other comprehensive income	-1,469	1,446	1,698	5,600
4.02.01	Foreign exchange differences arising from the translation of foreign operations	-1,469	-1,821	1,893	10,330
4.02.02	Net investment hedge	0	3,267	-195	-4,730
4.03	Comprehensive income for the period	38,306	104,930	41,862	106,001

Parent company financial statements / Statement of cash flows – Indirect method (R$ thousand)

Code	Description	Nine months 1/1/2019 to 9/30/2019	Nine months 1/1/2018 to 9/30/2018
6.01	Net cash provided by operating activities	124,387	88,547
6.01.01	Cash from operations	168,200	123,626
6.01.01.01	Profit before income tax and social contribution	121,280	107,144
6.01.01.02	Depreciation and amortization	20,555	15,612
6.01.01.03	(Profit) loss on disposal of property, plant and equipment and intangible assets	-58	1,376
6.01.01.04	Interest on loans	-2,212	-3,035
6.01.01.05	Equity in results of investees	19,896	-7,879
6.01.01.06	Provision for labor, tax and civil contingencies	-326	13
6.01.01.07	Finance charges and foreign exchange variation on borrowings	11,486	16,778
6.01.01.08	Interest income on cash investments	-8,535	-12,680
6.01.01.09	Provision for impairment of trade receivables	-1,457	1,470
6.01.01.10	Addition to provision for inventory losses	3,775	664
6.01.01.11	Share option and restricted stock plans	3,086	4,163
6.01.01.12	Interest expense on lease liabilities	710	0
6.01.02	Changes in assets and liabilities	-28,912	-32,514
6.01.02.01	Trade receivables	-32,011	-32,182
6.01.02.02	Inventories	-19,202	-21,825
6.01.02.03	Changes in other current and non-current assets	-1,847	-1,553
6.01.02.04	Taxes recoverable	-4,421	-9,338
6.01.02.05	Judicial deposits	-4,444	-548
6.01.02.07	Trade payables	35,791	16,504
6.01.02.08	Salaries and vacation pay	-4,238	6,389
6.01.02.09	Taxes and social charges payable	-2,114	6,058
6.01.02.10	Other liabilities	3,574	3,981
6.01.03	Other	-14,901	-2,565
6.01.03.01	Income tax and social contribution paid	-14,901	-2,565
6.02	Net cash provided by investing activities	8,518	24,454
6.02.01	Purchases of property, plant and equipment and intangible assets	-13,786	-16,125
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	405	84
6.02.03	Cash investments	-431,247	-497,890
6.02.04	Redemption of cash investments	437,917	538,385
6.02.06	Dividends received	15,229	0
6.03	Net cash used in financing activities	-133,784	-116,968
6.03.02	Repayments of borrowings	-6,681	-6,681
6.03.04	Related parties	-17,629	-27,258
6.03.05	Interest on capital paid	-41,175	-41,922
6.03.06	Distribution of dividends	-75,000	-48,798
6.03.08	Increase in share capital – issue of shares	11,642	10,698
6.03.09	Share issue costs	0	-3,007
6.03.10	Lease payments	-4,941	0
6.05	Increase (decrease) in cash and cash equivalents	-879	-3,967
6.05.01	Cash and cash equivalents at the beginning of the period	1,102	4,262
6.05.02	Cash and cash equivalents at the end of the period	223	295

Parent company financial statements / Statement of changes in equity - 1/1/2019 to 9/30/2019 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	341,073	46,725	301,476	17,726	4,342	711,342
5.03	Adjusted opening balances	341,073	46,725	301,476	17,726	4,342	711,342
5.04	Equity transactions with shareholders	11,642	3,085	-75,000	-45,344	0	-105,617
5.04.06	Dividends	0	0	0	-17,726	0	-17,726
5.04.07	Interest on capital	0	0	0	-20,344	0	-20,344
5.04.08	Share options and restricted stock granted	0	3,085	0	0	0	3,085
5.04.09	Share issue	11,642	0	0	0	0	11,642
5.04.13	Interim dividends	0	0	-75,000	-7,274	0	-82,274
5.05	Total comprehensive income	0	0	0	103,484	1,446	104,930
5.05.01	Profit for the period	0	0	0	103,484	0	103,484
5.05.02	Other comprehensive income	0	0	0	0	1,446	1,446
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	-1,821	-1,821
5.05.02.07	Net investment hedge	0	0	0	0	3,267	3,267
5.07	Closing balances	352,715	49,810	226,476	75,866	5,788	710,655

Parent company financial statements / Statement of changes in equity - 1/1/2018 to 9/30/2018 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	330,375	44,369	289,406	2,796	-1,986	664,960
5.03	Adjusted opening balances	330,375	44,369	289,406	2,796	-1,986	664,960
5.04	Equity transactions with shareholders	10,698	1,156	-46,000	-23,797	0	-57,943
5.04.04	Purchase of treasury shares	0	-3,007	0	0	0	-3,007
5.04.07	Interest on capital	0	0	0	-21,001	0	-21,001
5.04.08	Share options and restricted stock granted	0	4,163	0	0	0	4,163
5.04.09	Share issue	10,698	0	0	0	0	10,698
5.04.10	Proposed dividends	0	0	0	-2,796	0	-2,796
5.04.13	Interim dividends	0	0	-46,000	0	0	-46,000
5.05	Total comprehensive income	0	0	0	100,401	5,600	106,001
5.05.01	Profit for the period	0	0	0	100,401	0	100,401
5.05.02	Other comprehensive income	0	0	0	0	5,600	5,600
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	10,330	10,330
5.05.02.07	Net investment hedge	0	0	0	0	-4,730	-4,730
5.07	Closing balances	341,073	45,525	243,406	79,400	3,614	713,018

Parent company financial statements / Statement of value added (R$ thousand)

Code	Description	Nine months 1/1/2019 to 9/30/2019	Nine months 1/1/2018 to 9/30/2018
7.01	Revenue	1,079,984	1,025,055
7.01.01	Sales of goods, products and services	1,078,527	1,026,525
7.01.04	Provision for/reversal of impairment of trade receivables	1,457	-1,470
7.02	Inputs acquired from third parties	-837,968	-790,721
7.02.01	Cost of sales and services	-741,209	-704,709
7.02.02	Materials, electricity, outsourced services and other	-93,359	-83,327
7.02.04	Other	-3,400	-2,685
7.03	Gross value added	242,016	234,334
7.04	Deductions	-20,555	-15,612
7.04.01	Depreciation, amortization and depletion	-20,555	-15,612
7.05	Net value added generated by the entity	221,461	218,722
7.06	Value added received through transfer	17,400	32,358
7.06.01	Equity in the earnings of subsidiaries	-19,896	7,879
7.06.02	Finance income	14,437	21,472
7.06.03	Other	22,859	3,007
7.07	Total value added to distribute	238,861	251,080
7.08	Distribution of value added	238,861	251,080
7.08.01	Personnel	86,419	89,621
7.08.01.01	Direct compensation	58,075	56,226
7.08.01.02	Benefits	6,776	6,022
7.08.01.03	Government severance indemnity fund for employees (FGTS)	5,719	4,970
7.08.01.04	Other	15,849	22,403
7.08.01.04.01	Employee profit sharing	3,337	10,227
7.08.01.04.02	Other	8,024	6,001
7.08.01.04.03	Share option and restricted stock plans	4,488	6,175
7.08.02	Taxes and contributions	25,429	14,267
7.08.02.01	Federal	54,151	40,922
7.08.02.02	State	-29,262	-26,994
7.08.02.03	Municipal	540	339
7.08.03	Lenders and creditors	23,529	46,791
7.08.03.01	Interest	2,957	9,106
7.08.03.02	Rentals	5,262	4,427
7.08.03.03	Other	15,310	33,258
7.08.03.03.01	Finance costs	15,310	33,258
7.08.04	Shareholders	103,484	100,401
7.08.04.01	Interest on capital	20,344	21,001
7.08.04.02	Dividends	7,274	0
7.08.04.03	Profits reinvested / loss for the period	75,866	79,400

Consolidated financial statements / Balance sheet – Assets (R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
1	Total assets	1,391,641	1,045,032
1.01	Current assets	949,191	842,001
1.01.01	Cash and cash equivalents	7,657	8,501
1.01.02	Cash investments	267,687	227,300
1.01.02.01	Cash investments measured at fair value through profit or loss	267,687	227,300
1.01.02.01.03	Cash investments measured at fair value through profit or loss	267,687	227,300
1.01.03	Trade and other receivables	415,431	382,728
1.01.03.01	Trade receivables	415,431	382,728
1.01.04	Inventories	180,736	150,861
1.01.06	Taxes recoverable	56,891	49,370
1.01.06.01	Current taxes recoverable	56,891	49,370
1.01.08	Other current assets	20,789	23,241
1.01.08.03	Other	20,789	23,241
1.02	Non-current assets	442,450	203,031
1.02.01	Long-term receivables	59,248	49,338
1.02.01.04	Trade and other receivables	10,829	10,720
1.02.01.04.01	Trade receivables	10,829	10,720
1.02.01.07	Deferred taxes	22,099	17,491
1.02.01.07.01	Deferred income tax and social contribution	22,099	17,491
1.02.01.10	Other non-current assets	26,320	21,127
1.02.01.10.03	Judicial deposits	23,777	18,402
1.02.01.10.04	Other	2,543	2,725
1.02.02	Investments	3,017	3,324
1.02.02.02	Investment property	3,017	3,324
1.02.02.02.01	Investment property	3,017	3,324
1.02.03	Property, plant and equipment	317,786	83,201
1.02.03.01	Property, plant and equipment in operation	317,786	83,201
1.02.04	Intangible assets	62,399	67,168
1.02.04.01	Intangible assets	62,399	67,168
1.02.04.01.02	Trademarks and patents	6,212	5,802
1.02.04.01.03	Store use rights	28,167	30,643
1.02.04.01.04	Software licenses	28,020	30,723

Consolidated financial statements / Balance sheet – Liabilities and equity (R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
2	Total liabilities	1,391,641	1,045,032
2.01	Current liabilities	482,982	255,889
2.01.01	Salaries, vacation pay and social charges payable	40,526	43,111
2.01.01.01	Social charges	3,973	4,949
2.01.01.02	Salaries and vacation pay	36,553	38,162
2.01.02	Trade payables	148,756	110,121
2.01.02.01	Domestic suppliers	148,564	109,920
2.01.02.02	Foreign suppliers	192	201
2.01.03	Taxes payable	22,666	24,178
2.01.03.01	Federal taxes payable	18,866	17,868
2.01.03.01.01	Income tax and social contribution payable	10,346	4,201
2.01.03.01.02	Other federal taxes payable	8,520	13,667
2.01.03.02	State taxes payable	3,796	6,326
2.01.03.03	Municipal taxes payable	4	-16
2.01.04	Borrowings	183,678	43,978
2.01.04.01	Borrowings	183,678	43,978
2.01.04.01.01	In local currency	5,827	8,709
2.01.04.01.02	In foreign currency	177,851	35,269
2.01.05	Other liabilities	87,356	34,501
2.01.05.02	Other	87,356	34,501
2.01.05.02.01	Dividends and interest on capital payable	25,016	18,172
2.01.05.02.04	Other	22,723	16,329
2.01.05.02.05	Leases	39,617	0
2.02	Non-current liabilities	198,004	77,801
2.02.01	Borrowings	5,414	67,440
2.02.01.01	Borrowings	5,414	67,440
2.02.01.01.01	In local currency	5,414	9,307
2.02.01.01.02	In foreign currency	0	58,133
2.02.02	Other liabilities	182,732	1,443
2.02.02.01	Payables to related parties	1,551	1,443
2.02.02.01.04	Payables to controlling shareholders	1,551	1,443
2.02.02.02	Other	181,181	0
2.02.02.02.03	Leases	181,181	0
2.02.04	Provisions	9,445	8,385
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	9,445	8,385
2.02.04.01.02	Provision for social security and labor contingencies	7,135	6,016
2.02.04.01.04	Provision for civil contingencies	266	325
2.02.04.01.05	Provision for tax contingencies	2,044	2,044
2.02.06	Deferred profit and revenue	413	533
2.02.06.02	Deferred revenue	413	533
2.03	Consolidated equity	710,655	711,342
2.03.01	Paid-up capital	352,715	341,073
2.03.02	Capital reserves	49,810	46,725
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.05	Treasury shares	-195	-2,332
2.03.02.09	Reserve for share option and restricted stock plans	28,535	27,587

Consolidated financial statements / Balance sheet – Liabilities and equity (R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
2.03.04	Revenue reserves	226,476	319,202
2.03.04.05	Retained profit reserve	90,033	165,033
2.03.04.07	Tax incentive reserve	136,443	136,443
2.03.04.08	Proposed additional dividend	0	17,726
2.03.05	Retained earnings/accumulated deficit	75,866	0
2.03.08	Other comprehensive income	5,788	4,342

Consolidated financial statements / Statement of income (R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Nine months 1/1/2019 to 9/30/2019	Same quarter of prior year 7/1/2018 to 9/30/2018	Nine months 1/1/2018 to 9/30/2018
3.01	Revenue from sales of goods and/or services	440,874	1,211,583	410,404	1,114,448
3.02	Cost of sales and/or services	-240,204	-654,106	-219,767	-598,500
3.03	Gross profit	200,670	557,477	190,637	515,948
3.04	Operating income/expenses	-139,413	-410,412	-130,575	-375,786
3.04.01	Selling expenses	-109,150	-303,158	-96,775	-272,267
3.04.02	General and administrative expenses	-39,000	-128,833	-33,941	-99,725
3.04.05	Other operating expenses	8,737	21,579	141	-3,794
3.05	Profit before finance income and costs and taxes	61,257	147,065	60,062	140,162
3.06	Finance income and costs	-3,882	-13,532	-6,300	-17,956
3.06.01	Finance income	15,105	25,299	7,269	36,416
3.06.01.01	Interest income	4,704	14,237	5,636	17,801
3.06.01.02	Foreign exchange gains	10,401	11,062	1,633	18,615
3.06.02	Finance costs	-18,987	-38,831	-13,569	-54,372
3.06.02.01	Interest expense	-7,586	-21,245	-6,537	-18,259
3.06.02.02	Foreign exchange losses	-11,401	-17,586	-7,032	-36,113
3.07	Profit before income tax and social contribution	57,375	133,533	53,762	122,206
3.08	Income tax and social contribution	-17,600	-30,049	-13,598	-21,805
3.08.01	Current	-18,888	-36,338	-15,554	-34,544
3.08.02	Deferred	1,288	6,289	1,956	12,739
3.09	Profit for the period from continuing operations	39,775	103,484	40,164	100,401
3.11	Consolidated profit for the period	39,775	103,484	40,164	100,401
3.11.01	Attributable to owners of the parent	39,775	103,484	40,164	100,401
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.43990	1.14450	0.44670	1.11670
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.43970	1.14400	0.43230	1.08070

Consolidated financial statements / Statement of comprehensive income (R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Nine months 1/1/2019 to 9/30/2019	Same quarter of prior year 7/1/2018 to 9/30/2018	Nine months 1/1/2018 to 9/30/2018
4.01	Consolidated profit for the period	39,775	103,484	40,164	100,401
4.02	Other comprehensive income	-1,469	1,446	1,698	5,600
4.02.01	Foreign exchange differences arising from the translation of foreign operations	-1,469	-1,821	1,893	10,330
4.02.02	Net investment hedge	0	3,267	-195	-4,730
4.03	Consolidated comprehensive income for the period	38,306	104,930	41,862	106,001
4.03.01	Attributable to owners of the parent	38,306	104,930	41,862	106,001

Consolidated financial statements / Statement of cash flows – Indirect method (R$ thousand)

Code	Description	Nine months 1/1/2019 to 9/30/2019	Nine months 1/1/2018 to 9/30/2018
6.01	Net cash provided by operating activities	143,430	82,812
6.01.01	Cash from operations	208,736	160,874
6.01.01.01	Profit before income tax and social contribution	133,531	122,206
6.01.01.02	Depreciation and amortization	60,051	27,880
6.01.01.03	(Profit) loss on disposal of property, plant and equipment and intangible assets	-3,181	2,918
6.01.01.04	Interest on loans	-3,400	-3,184
6.01.01.06	Provision for labor, tax and civil contingencies	1,060	434
6.01.01.07	Finance charges and foreign exchange variation on borrowings	22,462	17,408
6.01.01.08	Interest income on cash investments	-10,685	-13,714
6.01.01.09	Provision for impairment of trade receivables	-1,121	1,851
6.01.01.10	Addition to provision for inventory losses	2,748	912
6.01.01.11	Share option plan	3,086	4,163
6.01.01.12	Interest expense on lease liabilities	4,185	0
6.01.02	Changes in assets and liabilities	-36,722	-64,066
6.01.02.01	Trade receivables	-31,691	-50,007
6.01.02.02	Inventories	-32,623	-34,924
6.01.02.03	Changes in other current assets	-1,319	-7,317
6.01.02.04	Taxes recoverable	-5,894	-8,171
6.01.02.05	Judicial deposits	-5,375	-1,158
6.01.02.07	Trade payables	42,712	23,129
6.01.02.08	Salaries and vacation pay	-1,609	9,791
6.01.02.09	Taxes and social charges payable	-7,200	612
6.01.02.10	Changes in other current liabilities	6,277	3,979
6.01.03	Other	-28,584	-13,996
6.01.03.01	Income tax and social contribution paid	-28,584	-13,996
6.02	Net cash provided by (used in) investing activities	-68,341	23,443
6.02.01	Purchases of property, plant and equipment and intangible assets	-43,566	-35,966
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	6,910	684
6.02.03	Cash investments	-773,203	-730,371
6.02.04	Redemption of cash investments	741,518	789,096
6.03	Net cash used in financing activities	-76,148	-114,039
6.03.01	Proceeds from borrowings	105,076	54,748
6.03.02	Repayments of borrowings	-41,514	-86,017
6.03.05	Interest on capital paid	-41,175	-41,922
6.03.06	Distribution of dividends	-75,000	-48,798
6.03.07	Receivables from (payables to) shareholders	108	259
6.03.08	Increase in share capital – issue of shares	11,642	10,698
6.03.09	Share issue costs	0	-3,007
6.03.10	Lease payments	-35,285	0
6.04	Foreign exchange variation on cash and cash equivalents	215	1,018
6.05	Increase (decrease) in cash and cash equivalents	-844	-6,766
6.05.01	Cash and cash equivalents at the beginning of the period	8,501	10,156
6.05.02	Cash and cash equivalents at the end of the period	7,657	3,390

Consolidated financial statements / Statement of changes in equity - 1/1/2019 to 9/30/2019 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	341,073	46,725	301,476	17,726	4,342	711,342	0	711,342
5.03	Adjusted opening balances	341,073	46,725	301,476	17,726	4,342	711,342	0	711,342
5.04	Equity transactions with shareholders	11,642	3,085	-75,000	-45,344	0	-105,617	0	-105,617
5.04.06	Dividends	0	0	0	-17,726	0	-17,726	0	-17,726
5.04.07	Interest on capital	0	0	0	-20,344	0	-20,344	0	-20,344
5.04.08	Share options and restricted stock granted	0	3,085	0	0	0	3,085	0	3,085
5.04.09	Issue of shares	11,642	0	0	0	0	11,642	0	11,642
5.04.13	Interim dividends	0	0	-75,000	-7,274	0	-82,274	0	-82,274
5.05	Total comprehensive income	0	0	0	103,484	1,446	104,930	0	104,930
5.05.01	Profit for the period	0	0	0	103,484	0	103,484	0	103,484
5.05.02	Other comprehensive income	0	0	0	0	1,446	1,446	0	1,446
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	-1,821	-1,821	0	-1,821
5.05.02.07	Net investment hedge	0	0	0	0	3,267	3,267	0	3,267
5.07	Closing balances	352,715	49,810	226,476	75,866	5,788	710,655	0	710,655

Consolidated financial statements / Statement of changes in equity - 1/1/2018 to 9/30/2018 (R$ thousand)

Code	Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	330,375	44,369	289,406	2,796	-1,986	664,960	0	664,960
5.03	Adjusted opening balances	330,375	44,369	289,406	2,796	-1,986	664,960	0	664,960
5.04	Equity transactions with shareholders	10,698	1,156	-46,000	-23,797	0	-57,943	0	-57,943
5.04.04	Purchase of treasury shares	0	-3,007	0	0	0	-3,007	0	-3,007
5.04.07	Interest on capital	0	0	0	-21,001	0	-21,001	0	-21,001
5.04.08	Share options and restricted stock granted	0	4,163	0	0	0	4,163	0	4,163
5.04.09	Issue of shares	10,698	0	0	0	0	10,698	0	10,698
5.04.10	Proposed dividends	0	0	0	-2,796	0	-2,796	0	-2,796
5.04.13	Interim dividends	0	0	-46,000	0	0	-46,000	0	-46,000
5.05	Total comprehensive income	0	0	0	100,401	5,600	106,001	0	106,001
5.05.01	Profit for the period	0	0	0	100,401	0	100,401	0	100,401
5.05.02	Other comprehensive income	0	0	0	0	5,600	5,600	0	5,600
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	10,330	10,330	0	10,330
5.05.02.07	Net investment hedge	0	0	0	0	-4,730	-4,730	0	-4,730
5.07	Closing balances	341,073	45,525	243,406	79,400	3,614	713,018	0	713,018

Consolidated financial statements / Statement of value added (R$ thousand)

Code	Description	Nine months 1/1/2019 to 9/30/2019	Nine months 1/1/2018 to 9/30/2018
7.01	Revenue	1,404,864	1,297,038
7.01.01	Sales of goods, products and services	1,403,743	1,298,889
7.01.04	Provision for/reversal of impairment of trade receivables	1,121	-1,851
7.02	Inputs acquired from third parties	-983,180	-895,573
7.02.01	Cost of sales and services	-760,843	-702,923
7.02.02	Materials, electricity, outsourced services and other	-215,808	-187,544
7.02.04	Other	-6,529	-5,106
7.03	Gross value added	421,684	401,465
7.04	Deductions	-60,051	-27,880
7.04.01	Depreciation, amortization and depletion	-60,051	-27,880
7.05	Net value added generated by the entity	361,633	373,585
7.06	Value added received through transfer	51,363	38,798
7.06.02	Finance income	25,299	36,416
7.06.03	Other	26,064	2,382
7.07	Total value added to distribute	412,996	412,383
7.08	Distribution of value added	412,996	412,383
7.08.01	Personnel	144,335	144,220
7.08.01.01	Direct compensation	100,858	97,871
7.08.01.02	Benefits	14,264	13,520
7.08.01.03	Government severance indemnity fund for employees (FGTS)	9,750	8,745
7.08.01.04	Other	19,463	24,084
7.08.01.04.01	Employee profit sharing	3,345	10,290
7.08.01.04.02	Other	11,630	7,619
7.08.01.04.03	Share option and restricted stock plans	4,488	6,175
7.08.02	Taxes and contributions	80,655	74,388
7.08.02.01	Federal	80,297	71,210
7.08.02.02	State	-1,253	1,835
7.08.02.03	Municipal	1,611	1,343
7.08.03	Lenders and creditors	84,522	93,374
7.08.03.01	Interest	5,301	6,327
7.08.03.02	Rentals	45,691	39,002
7.08.03.03	Other	33,530	48,045
7.08.03.03.01	Finance costs	33,530	48,045
7.08.04	Shareholders	103,484	100,401
7.08.04.01	Interest on capital	20,344	21,001
7.08.04.02	Dividends	7,274	0
7.08.04.03	Profits reinvested / loss for the period	75,866	79,400

1. Company Overview

Arezzo&Co is the leader in the women's footwear, handbags and accessories market in Brazil. With a history of 47 years, it currently sells over 13.5 million pairs of shoes a year, in addition to handbags and accessories. It has six relevant brands - Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever and Alme.

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

The multichannel strategy enhances the group's capillarity through owned stores, franchises, multibrand stores and Web Commerce, with a presence in every Brazilian state. Internationally, the brand products are also sold in franchises, owned stores, multibrand stores and department stores.
The company ended 3Q19 with a presence through 664 franchises, 51 owned stores and 2,659 multibrand stores.

AREZZO

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

SCHUTZ

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

ANACAPRI

The Anacapri brand, specializing in flats of the Arezzo&Co Group, was founded in 2008 with the purpose of simplifying the lives of its consumers with versatile fashion full of personality, but without relinquishing comfort.

ALEXANDRE BIRMAN

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

FIEVER

A wordplay on FIVE (the group's 5th brand) and FEVER was launched in December 2015 as an urban, cool, casual brand dedicated to a younger demographic. The path it has traveled includes engaging its customers in the brand's construction in an effort to always innovate and keep up with this generation's pace. Its icon is the white sole sneakers that translate the brand's essence: convenient, cool, and versatile.

Alme

The Alme brand was created after a year of qualitative and quantitative research with consumers of different ages. The brand seeks to attend a growing demand of consumers that wants comfortable and beautiful shoes for all occasions.

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	RESULTS
Assets - Right of Use + R$ 217 Million	COGS (Occupation Expense) (R$ 18) Thousand
Liabilities - Lease + R$ 221 Million	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%

2. Operational and Financial Performance

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.
EBITDA¹	83.545	70.731	18,1%	73.091	3,3%
EBITDA Margin¹	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.
EBITDA¹	207.116	168.043	23,3%	176.775	5,2%
EBITDA Margin¹	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
SSS² Sell-in (franchises)	1,2%	-1,2%	2,4 p.p	1,2%	3,0%	-1,8 p.p
SSS² 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.

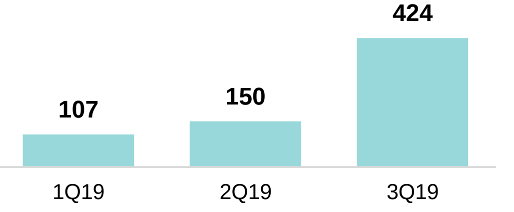
The channel integration front has made significant progress with the increase in the number of stores able to operate omnichannel tools and the higher franchisees' engagement to improve store conversion and Arezzo&Co's shopping experience.

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.

Evolution of Enabled Stores

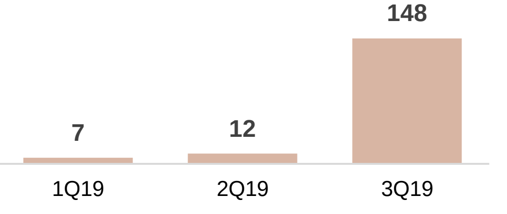


Store Shipping

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.

Evolution of Enabled Stores

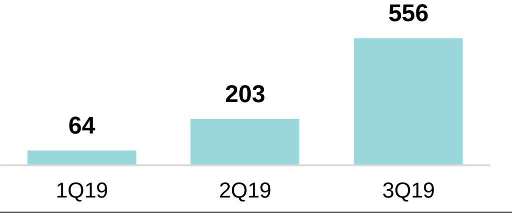


Infinite Shelf

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.

Evolution of Enabled Stores

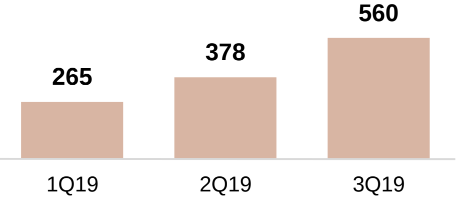


Remote Sell

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.

Evolution of Enabled Stores



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 area[1],[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 stores[2] (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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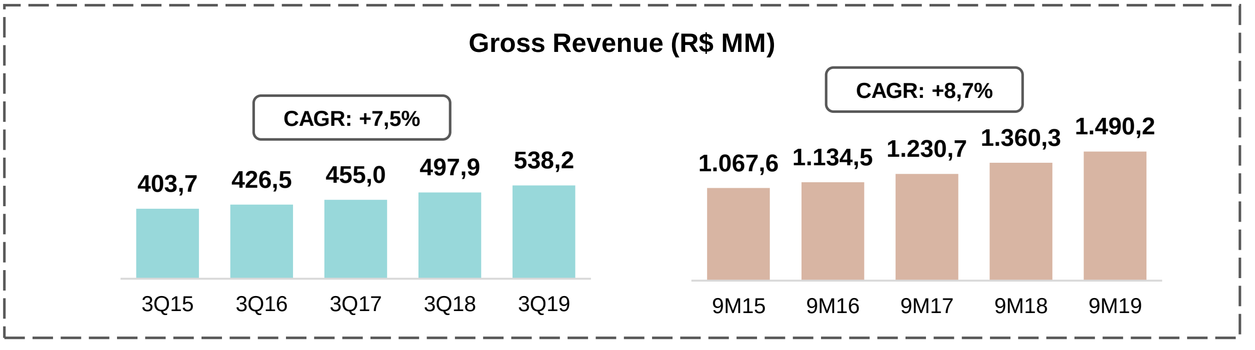
(2) Invested Capital: working capital plus fixed assets and other long term assets less income tax and deferred social contributions.
(3) Net debt is equal to total interest bearing debt position at the end of a period less cash, cash equivalents and short-term financial investments.
(4) Excluding the impacts of IFRS 16 / CPC 06 (R2)

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:

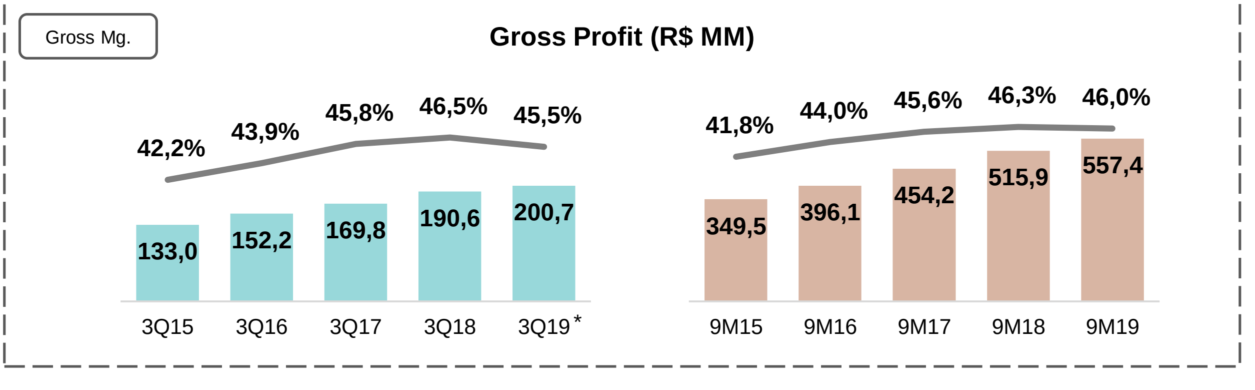
- Growth of 6.9% in the Franchise channel;
- Revenue increase of 18.6% in the Anacapri brand;
- Growth of 27.6% in the Web-Commerce channel;
- Growth of 66,8% in the US Operation.



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)

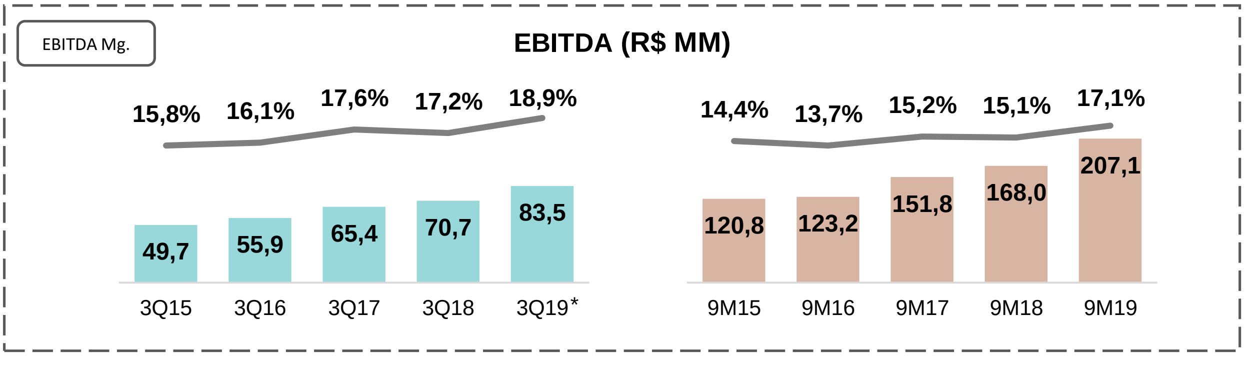
The Company’s adjusted EBITDA totaled R$ 73.1 million in 3Q19, which represents a margin of 16.6% and an increase of 3.3% against the results reported in 3Q18. Among the main reasons are:

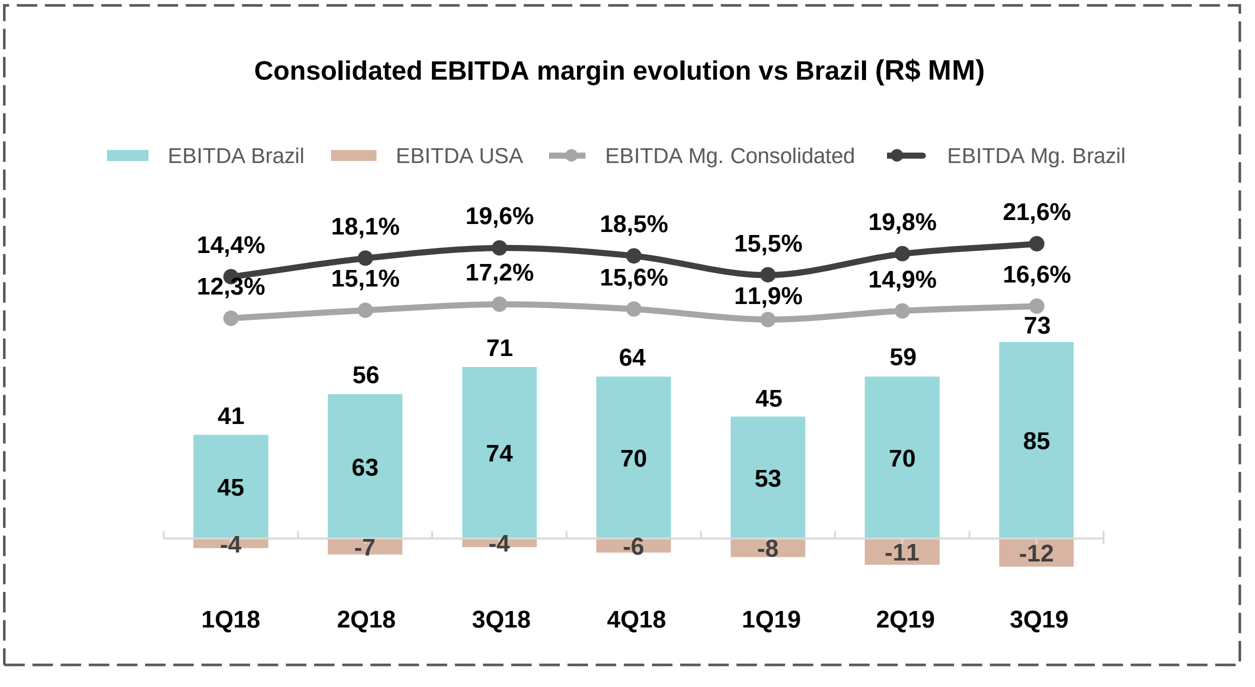
- Net Revenue growth of 7,4% against 3Q18;
- A 5,3% increase in Gross Profit (100bps pressure in gross margin).
- EBITDA margin of the Brazilian operation increased 210 bps, from 19.6% in 3Q18 to 21.6% in 3Q19;

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%***	-	



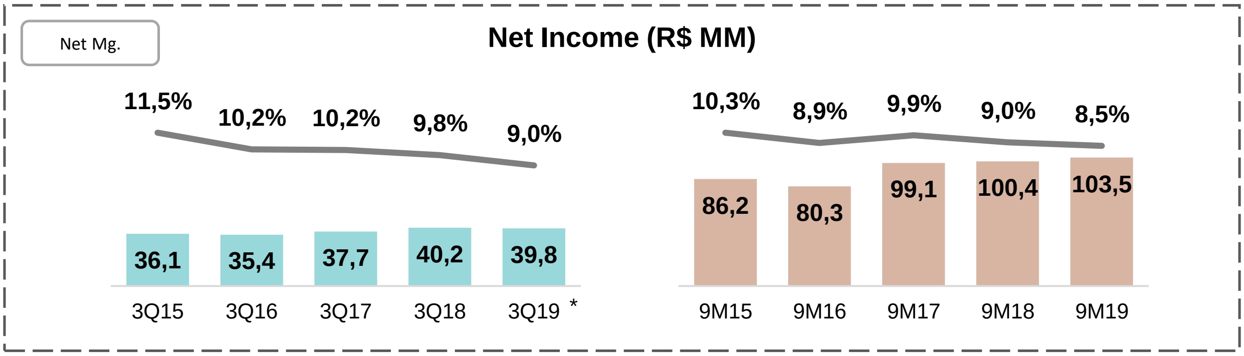


**EBITDA before the adoption of IFRS 16 / CPC 06 (R2)*

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.

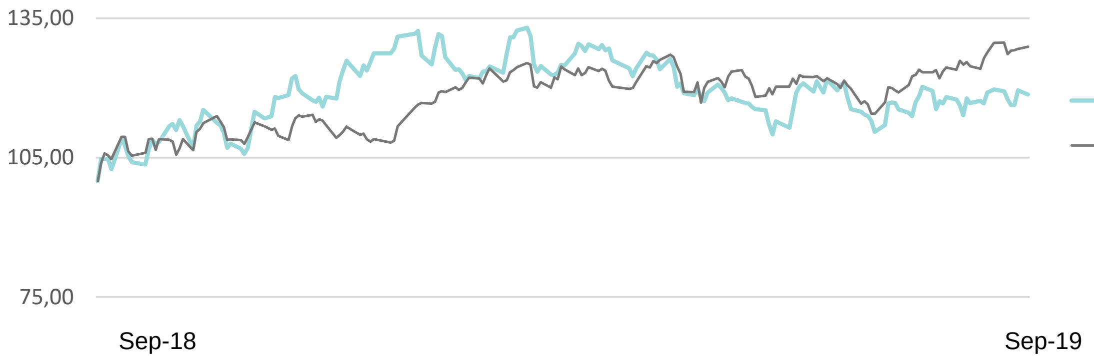
The slight increase in pro-forma working capital is due to higher inventory volumes, reflecting the consolidated sales growth and the increased relevance of the dropship program and prompt delivery items in the US operation, both aiming at greater assertiveness at the point of sale and agility of replacement.

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.

3. Capital Markets and Corporate Governance

On September 30, 2019, the Company's market capitalization was R$4,50 billion (R$ 49,52), an increase of 15,5% when compared to the same period of 2018.



Arezzo&Co	
Number of shares	90.954.280
Ticker	ARZZ3
Listing	02/02/2011
Share price (06/28/2019)	49,52
Market Cap	4.504.055.946
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	(24%)
2014[4]	(9%)
2015[5]	(22%)
2016[6]	27%
2017[7]	118%
2018[8]	(2%)
2019[9]	(10%)

(1) From 02/02/2011 to 29/12/2011
(2) From 29/12/2011 to 28/12/2012
(3) From 28/12/2012 to 30/12/2013
(4) From 30/12/2013 to 30/12/2014
(5) From 30/12/2014 to 30/12/2015
(6) From 04/01/2016 to 29/12/2016
(7) From 01/01/2017 to 28/12/2017
(8) From 01/01/2018 to 28/12/2018
(9) From 01/01/2019 to 30/09/2019

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

Reference Date	Payment Date	Remuneration	R$	Gross amount by ordinary share (R$)
2018	01/15/2019	Interest on Equity	R$ 0,23099332338	R$ 20.847.214,20
2019	04/02/2019	Dividends	R$ 0,83102226964	R$ 75.000.000,00
2019	10/15/2019	Dividends	R$ 0,19641373027	R$ 17.726.395,92
2019	07/25/2019	Interest on Equity	R$ 0,22379624077	R$ 20.343.561,91
2019	10/15/2019	Dividends	R$ 0,07997447187	R$ 7.273.604,00

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

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

4. Independent Auditors

Arezzo&Co’s financial statements relative to the business year ending on September 30, 2019, were audited by PricewaterhouseCoopers Auditores Independentes (“PwCAI”).

5. Investor Relations

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

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

6. Officer’s Statement

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors’ report and financial statements for the quarter ended on September 30, 2019, according and pursuant to CVM Normative Instruction No. 480/09.

Disclaimer

The information contained here may include forward-looking information and reflects the executive office’s current perception and prospects for the macroeconomic environment, the industry situation, the Company's performance and financial results. Any statements, expectations, capacities, plans and projections contained here which do not describe historical facts, such as information about the dividend payment statement, the future course of operations, the introduction of relevant financial strategies, the investment program and the factors or trends affecting the financial condition, liquidity or the operating results are considered forward-looking information as defined by the “U.S. Securities Litigation Reform Act” of 1995 and involve a number of risks and uncertainties. These results are not guaranteed to materialize. These statements are based on several factors and expectations, including the economic and market conditions, level of competition in the industry and operating factors. Any changes in these expectations and factors may lead to real results materially different from the current expectations. The consolidated financial information of Arezzo Indústria e Comércio S/A – Arezzo&Co presented here complies with the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB, based on audited financial information. The non-financial information, as well as other operating information, was not audited by the independent auditors.

1. Company information

Arezzo Indústria e Comércio S.A. (the "Company" or "Parent company") is a listed company headquartered at Rua Fernandes Tourinho, 147 – sala 402, in the city of Belo Horizonte, State of Minas Gerais. The Company has shares traded on the "Novo Mercado" (New Market) listing segment of the São Paulo Commodities, Futures and Stock Exchange ("BM&FBOVESPA") under the ticker symbol ARZZ3 since February 2, 2011.

The Company and its subsidiaries manufacture, develop, mold and sell women's shoes, handbags, clothing and accessories.

At September 30, 2019, the Company had 658 franchise-operated stores in Brazil and 6 abroad; 42 company-operated stores in Brazil and 9 abroad, one of which is a pop-up store opened in May 2018; and an e-commerce channel to sell its products of Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever and Alme brands.

The franchise system is controlled by the Company and company-owned stores form part of Company subsidiaries.

Given its characteristics, the footwear industry is subject to variances in sales volume over the year. Higher sales are usually expected in the second half of the year rather than in the first six months. Due to the seasonal nature of this segment, accounts receivable, inventories and accounts payable are subject to significant changes between the periods according to order placements and delivery schedule based on the calendar of collections and special sales. This information is provided to allow for a better understanding of the results, however management considers that the Company's business is not impacted by these effects to the extent of being regarded as 'highly seasonal' as defined in CPC 21 (R1)/IAS 34, such that the presentation of additional financial information would be required.

2. Accounting policies

2.1. Basis of preparation and presentation of the financial statements

The condensed parent company and consolidated interim financial information included in the Quarterly Information Form ("ITR") has been prepared and is being presented for the nine-month period ended September 30, 2019, in accordance with the accounting standard CPC 21 (R1), Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee ("CPC"), and International Accounting Standard IAS 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"), as well as according to the standards issued by the Brazilian Securities Commission ("CVM"), applicable to the preparation of the ITR.

The accounting principles, estimates, practices, methods of computation and standards adopted in preparing this condensed interim financial information included in the ITR are consistent with those reflected in the last annual financial statements at December 31, 2018, except for the adoption of new accounting standard CPC 06 (R2)/IFRS 16 Leases, and ICPC 22/IFRIC 23 Uncertainty over Income Tax Treatments, as described in Note 4.

The condensed interim financial information included in the ITR has been prepared under the historical cost convention, with the exception of certain financial assets that are measured at fair value or amortized cost.

(All amounts in thousands of reais unless otherwise stated)

2. Accounting policies (Continued)

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

The condensed interim financial information included in the ITR has been prepared by the Company to keep users up to date with the relevant information for the period and should be read in conjunction with the complete financial statements for the year ended December 31, 2018.

To avoid redundancy in the interim financial reporting and to comply with article 29 of CVM Instruction 480/09, the following notes to the annual financial statements at December 31, 2018 are not duplicated in part or in whole in this interim report: 2- Accounting policies (part), 9 – Taxes recoverable, 10 – Other receivables, 18 – Salaries and vacation pay, 19 – Taxes and social charges payable, 20 – Provisions for labor, tax and civil contingencies, and 31 – Insurance.

The condensed interim financial information included in the ITR for the nine-month period ended September 30, 2019 was approved at the Board of Directors' meeting on October 28, 2019.

2.2. Basis of consolidation

The condensed consolidated interim financial information contained in the ITR includes the operations of the Company and the following subsidiaries in which the Company directly or indirectly has a controlling financial interest, as summarized below:

		Total ownership interest			
Subsidiaries	**ntry of incorpora**	**2019**		**2018**	
		Direct	**Indirect**	**Direct**	**Indirect**
ZZAB Comércio de Calçados Ltda.	Brazil	**99,99%**	-	99,99%	-
ZZSAP Indústria e Comércio de Calçados Ltda.	Brazil	**99,99%**	-	99,99%	-
ZZEXP Comercial Exportadora S/A	Brazil	**99,99%**	-	99,99%	-
ARZZ International INC.	USA	**100,00%**	-	100,00%	-
ARZZ Co. LLC	USA	-	**100,00%**	-	100,00%
Schutz 655 LLC	USA	-	**100,00%**	-	100,00%
Schutz Cali LLC	USA	-	**100,00%**	-	100,00%

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that control ceases. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is an assumption that the majority of voting rights results in control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies for all consolidated entities. All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are fully eliminated.

2. Accounting policies (Continued)

2.2. Basis of consolidation (Continued)

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control is accounted for as equity transactions within equity.

3. Critical accounting judgments, estimates and assumptions

Critical accounting judgments, estimates and assumptions are the same as those adopted for the preparation of the financial statements for the year ended December 31, 2018.

4. New or revised pronouncements

As from January 1, 2019 the Company's accounting policies in respect of leases are consistent with CPC 06 (R2)/IFRS 16 Leases and with ICPC 22/IFRIC 23 Uncertainty over Income Tax Treatments.

4.1. CPC 06 (R2) Leases

The IASB published in January 2016 new lease guidance IFRS 16, equivalent to Brazilian standard CPC 06 (R2). IFRS 16 significantly changes how a lessee recognizes and measures leases.

Under IFRS 16, with few exceptions, all leases will be accounted for on the lessee's balance sheet by recognizing:

- a liability for the future lease payments; and
- a right-of-use asset.

The lease expense will be recorded as interest expense and amortization. This will result in higher amounts of lease expense recognized early in the life of the lease and the variable elements of the lease payments are excluded for calculation of the lease liability and are now recorded as operating expense.

From now on, the definition of a lease applies to all contracts that conveys the right to control the use of an identifiable asset, including rental contracts and potentially some components of service contracts.

CPC 06 (R2) came into effect on January 1, 2019 and permits entities to follow one of two approaches in adopting the new standard: the retrospective approach or the modified approach.

4. New or revised pronouncements (Continued)

4.1. CPC 06 (R2) Leases (Continued)

The Company elected the modified retrospective approach, meaning the rule was applied to all contracts existing on the date of initial application, without restatement of comparative information.

The new standard provides optional practical expedients. The Company has applied the following practical expedients on transition:

- The Company did not reassess whether a contract is, or contains, a lease at the date of initial application. Instead, it applied the standard to contracts that were previously identified as leases under CPC 06 (R2), (IAS 17) and ICPC 03 (IFRIC 4);
- The Company elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component;
- The Company applied the recognition exemption to leases for which the lease term ends within 12 months of the date of initial application;
- The Company applied the recognition exemption to leases for which the underlying asset, when new, is of low value (with a value of R$ 20 or less);
- The Company excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The Company used hindsight, e.g. in determining the lease term if the contract contains options to extend or terminate the lease, among others; and

The Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). For this reason, the rate varies from 1.9% to 3.2%.

The impacts of applying this new standard are shown in Notes 12 and 16.

4.2. ICPC 22 (IFRIC 23) Uncertainty over Income Tax Treatments

ICPC 22/IFRIC 23 clarifies how to apply the recognition and measurement requirements in CPC 32 when there is uncertainty over income tax treatments. The Company's management shall recognize and measure its current or deferred tax asset or liability applying the requirements in CPC 32 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The Interpretation was approved on December 21, 2018 and is effective for annual periods beginning on or after January 1, 2019.

The Company assesses that no material impacts are expected to result from this Interpretation because all procedures adopted for determining and paying income taxes are supported by law and administrative and judicial precedents.

There are no other IFRSs or IFRIC interpretations that are not yet effective that, in management's opinion, would be expected to have a material impact on the Company's profit or equity.

(All amounts in thousands of reais unless otherwise stated)

5. Cash and cash equivalents

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Cash	**206**	283	**620**	1.168
Banks	**17**	819	**7.037**	7.333
Total cash and cash equivalents	**223**	1.102	**7.657**	8.501

6. Cash investments

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Current				
Fixed income (a)	**113**	3.149	**305**	3.443
Exclusive investment fund				
Certificates of bank deposit (CDB)	**2.739**	21.109	**3.497**	22.936
Financial bills (CEF)	**8.726**	41.155	**11.139**	44.717
Financial Treasury bills (LFT)	**197.979**	143.761	**252.746**	156.204
Total cash investments	**209.557**	209.174	**267.687**	227.300

Exclusive investment fund

ZZ Referenciado DI Crédito Privado is a private fixed-income investment fund under management, administration and custody of Banco Santander S.A. There is no specified holding period for this investment fund and so shares can be redeemed without a material risk of loss. The investment fund does not have significant financial obligations. Financial obligations include asset management fees, custody fees, audit fees and expenses.

The fund is solely for the benefit of the Company and its subsidiaries. Thus, in accordance with CVM Instruction 408/04, the investment fund in which the Company invests exclusively has been consolidated.

At September 30, 2019, the average rate of return of the investment fund and other cash investments is 100.2% of the Interbank Deposit Certificate rate (CDI) (December 31, 2018 – 99.0%). LFTs account for 92.0% of the investment fund assets and 95.9% of the assets provide daily liquidity.

The Company has cash investment policies in place that require it to concentrate its investments in low-risk securities that substantially provide a return based on the CDI variance and to place its investments with top-tier financial institutions (top 10 financial institutions in the country).

At September 30, 2019, the Company has no investment pledged as collateral to financial institutions.

(All amounts in thousands of reais unless otherwise stated)

7. Trade receivables

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Trade notes - domestic customers	**295.037**	259.932	**306.337**	265.141
Trade notes - foreign customers	**4.059**	10.493	**58.575**	58.861
Trade notes - related parties (Note 10.a)	**3.676**	355	**-**	-
Checks	**45**	25	**121**	96
Credit cards	**-**	-	**65.349**	74.593
	302.817	270.805	**430.382**	398.691
(-) Provision for impairment of trade receivables	**(3.382)**	(4.839)	**(4.122)**	(5.243)
Total trade receivables	**299.435**	265.966	**426.260**	393.448
Current	**288.606**	255.246	**415.431**	382.728
Non-current	**10.829**	10.720	**10.829**	10.720

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
USD	**4.026**	10.429	**57.390**	55.488
EUR	**33**	64	**1.185**	3.373
	4.059	10.493	**58.575**	58.861

Changes in the provision for impairment of trade receivables are as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
At the beginning of the period	**(4.839)**	(2.843)	**(5.243)**	(2.889)
Additions/reversals	**(1.113)**	(3.826)	**(1.450)**	(4.184)
Realization	**2.570**	1.830	**2.570**	1.830
At the end of the period	**(3.382)**	(4.839)	**(4.122)**	(5.243)

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional provision of R$1,450 for the period ended September 30, 2019 (September 30, 2018 - R$2,892) and R$4,479 (September 30, 2018 - R$4,060) of losses on accounts receivable, which was classified in selling expenses. Management believes that the provision is sufficient to cover losses on uncollectible accounts.

(All amounts in thousands of reais unless otherwise stated)

8. Inventories

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Finished products	**58.309**	39.781	**156.873**	126.041
Raw material	**4.114**	5.348	**18.089**	18.108
Work in progress	**-**	-	**6.759**	6.297
Advances to suppliers	**3.756**	3.051	**4.647**	4.502
(-) Provision for losses	**(5.432)**	(2.860)	**(5.632)**	(4.087)
Total inventories	**60.747**	45.320	**180.736**	150.861

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
At the beginning of the period	**(2.860)**	(2.954)	**(4.087)**	(3.548)
Additions/reversals	**(3.775)**	(1.840)	**(2.748)**	(2.473)
Realization	**1.203**	1.934	**1.203**	1.934
At the end of the period	**(5.432)**	(2.860)	**(5.632)**	(4.087)

(All amounts in thousands of reais unless otherwise stated)

9. Income tax and social contribution

a) Deferred taxes

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Basis of calculation of deferred income tax and social contribution				
Unrealized profit on inventories	**19.398**	18.877	**19.398**	18.877
Provision for foreign exchange variation	**6.825**	1.329	**3.358**	(1.268)
Provision for inventory losses	**5.432**	2.860	**5.632**	4.087
Provision for labor, tax and civil contingencies	**5.166**	5.693	**9.444**	8.586
Provision for impairment of trade receivables	**5.088**	5.457	**5.088**	5.457
Provision for share option plan	**4.432**	3.369	**4.432**	3.369
Provision for commissions	**4.094**	2.954	**4.094**	2.954
Provision for employee profit sharing	**3.693**	-	**3.693**	-
Tax loss	**-**	-	**4.712**	3.144
Foreign exchange hedge	**-**	4.951	**-**	4.951
Other provisions	**4.120**	823	**5.144**	1.286
Deferred tax assets	**58.248**	**46.313**	**64.995**	**51.443**
Deferred income tax and social contribution	**19.804**	15.746	**22.099**	17.491

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Opening balance	**15.746**	8.408	**17.491**	11.533
Tax expense recognized in the statement of income	**5.739**	5.657	**6.289**	4.277
Deferred income tax recognized in other comprehensive income	**(1.681)**	1.681	**(1.681)**	1.681
Balance at the end of the period	**19.804**	15.746	**22.099**	17.491

The studies and projections carried out by the Company’s management indicate that there will be sufficient future taxable profit to allow the related tax benefit to be utilized in the next years.

(All amounts in thousands of reais unless otherwise stated)

9. Income tax and social contribution (Continued)

Based on projections of future taxable profits, deferred tax assets are expected to be recovered as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
2019	**10.496**	8.266	**10.701**	9.107
2020	**4.654**	3.740	**5.699**	4.192
2021	**4.654**	3.740	**5.699**	4.192
Total deferred income tax and social contribution	**19.804**	15.746	**22.099**	**17.491**

b) Reconciliation of tax charges between statutory and effective tax rates

A reconciliation of tax expense calculated at the statutory tax rates to tax expense at the effective tax rate is as follows:

	Parent company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Profit before income tax and social contribution	**121.282**	107.144	**133.533**	122.206
Statutory tax rate	**34,0%**	34,0%	**34,0%**	34,0%
Expected income tax and social contribution expense at the statutory tax rate	**(41.236)**	(36.429)	**(45.401)**	(41.550)
Deferred income tax and social contribution on unrecognized losses of subsidiaries	**-**	-	**(17.833)**	(9.408)
Effect of income tax and social contribution on permanent differences:				
Tax benefit from technological research and innovation expense - Law 11,196/05	**4.516**	4.609	**4.516**	4.609
Equity in the results of investees	**(6.765)**	2.679	**-**	-
Interest on capital	**6.917**	7.140	**6.917**	7.140
Government subsidies	**19.084**	14.686	**22.482**	17.765
Share option plan expense	**(902)**	(1.043)	**(902)**	(1.043)
Tax incentives (Workers' Meal Program (PAT), Rouanet Law, other)	**565**	284	**665**	351
Other permanent differences	**23**	1.331	**(493)**	331
Income tax and social contribution expense	**(17.798)**	(6.743)	**(30.049)**	(21.805)
Current	**(23.537)**	(20.906)	**(36.338)**	(34.544)
Deferred	**5.739**	14.163	**6.289**	12.739
Income tax and social contribution expense	**(17.798)**	(6.743)	**(30.049)**	(21.805)
Effective tax rate	**14,7%**	6,3%	**22,5%**	17,8%

(All amounts in thousands of reais unless otherwise stated)

10. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	9/30/2019						
	Current assets		Non-current	Current liabilities	Non-current	Transactions	
	Trade notes receivable	Dividends	Receivables	Trade payables	Loans	Revenues	Purchases
Parent company							
ARZZ Co LLC	-	-	15.258	-	-	-	-
ARZZ International INC	-	-	9.249	-	3.858	249	-
ZZAB Comércio de Calçados Ltda.	2.846	-	-	115	-	152.027	4.523
ZZSAP Indústria e Comércio de Calçados Ltda.	484	-	-	803	-	490	83.632
ZZEXP Comercial Exportadora S/A	346	28.187	-	-	-	99	-
Total - Parent company	3.676	28.187	24.507	918	3.858	152.865	88.155
Consolidated							
Controlling shareholders	-	-	-	-	1.428	-	-
Total - Consolidated	-	-	-	-	1.428	-	-

	12/31/2018					9/30/2018	
	Current assets		Non-current	Current liabilities	Non-current	Transactions	
	Trade notes receivable	Dividends	Receivables	Trade payables	Loans	Revenues	Purchases
Parent company							
ARZZ Co LLC	-	-	13.977	-	-	-	-
ARZZ International INC	-	-	8.606	-	19.563	383	-
ZZAB Comércio de Calçados Ltda.	-	-	-	1.792	-	146.291	-
ZZSAP Indústria e Comércio de Calçados Ltda.	149	-	-	-	-	34	80.763
ZZEXP Comercial Exportadora S/A	206	15.230	-	-	-	-	-
Total - Parent company	355	15.230	22.583	1.792	19.563	146.708	80.763
Consolidated							
Controlling shareholders	-	-	-	-	1.443	-	-
Total - Consolidated	-	-	-	-	1.443	-	-

b) Nature, terms and conditions of transactions with subsidiaries

The transactions with related parties are conducted on commercial and financial terms agreed upon between the parties concerned. The most common transaction is the sale of shoes and accessories by the Company (parent) to ZZAB stores and to ARZZ (subsidiaries) and the purchase of shoes and accessories from manufacturer ZZSAP (subsidiary). In September 2016, ZZEXP (subsidiary) began to purchase from ZZSAP and sell to ARZZ.

The commercial transactions between such related parties follow established policies regarding transaction prices and terms. The average collection period for receivables from related parties is 36 days while the average payment period for payables to related parties is usually 16 days.

(All amounts in thousands of reais unless otherwise stated)

10. Balances and transactions with related parties (Continued)

c) Management compensation

Management compensation is composed of management fees, profit sharing and share option plans. At September 30, 2019, the compensation paid to management totaled R$8,947 (September 30, 2018 - R$8,700), as shown below:

	9/30/2019	9/30/2018
Annual fixed compensation - salary/management fees	**4.031**	4.570
Variable pay - bonus	**2.618**	3.338
Share option and restricted stock plans (Note 26)	**2.298**	792
Total compensation	**8.947**	8.700

The expenses related to the share option and restricted stock plans (Note 26) are presented as operating expense before finance income and costs.

The Company and its subsidiaries do not provide post-employment benefits, termination benefits or other benefits to their management and employees.

d) Transactions or relationships with shareholders

At September 30, 2019, certain Company officers, directors and related party directly own a total interest of 50.8% in the Company.

e) Transactions with other related parties

The Company has a service agreement with the firm Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha, a member of the Company's Board of Directors. In the period ended September 30, 2019, this firm received R$559 (September 30, 2018 - R$559).

(All amounts in thousands of reais unless otherwise stated)

11. Investments

a) Summary of balance sheet and statement of income of subsidiaries

Description	Assets	Liabilities	Equity	Capital	Net revenue	Profit (loss) for the period
ARZZ International INC	264.686	296.363	(31.677)	127.144	124.659	(52.448)
ZZAB Comércio de Calçados Ltda.	272.634	70.103	202.531	93.614	242.080	17.310
ZZSAP Ind.e Com.de Calçados Ltda.	67.374	28.034	39.340	27.592	105.576	(2.063)
ZZEXP Comercial Exportadora S/A	177.306	157.924	19.382	2.000	93.116	17.305

b) Balances of investments and equity in results of investees

Description	Investments		Equity in results of investees	
	9/30/2019	**12/31/2018**	**9/30/2019**	**9/30/2018**
ARZZ International INC	-	23.513	**(52.448)**	(27.670)
ZZAB Comércio de Calçados Ltda.	**202.531**	184.443	**17.310**	10.867
ZZSAP Indústria e Comércio de Calçados Ltda.	**39.340**	41.365	**(2.063)**	3.135
ZZEXP Comercial Exportadora S/A	**19.382**	30.159	**17.305**	21.547
Total investments	**261.253**	279.480	**(19.896)**	7.879
ARZZ International INC	**(31.677)**	-		
Provision for loss on investments	**(31.677)**	-		
Total	**229.576**	279.480	**(19.896)**	7.879

c) Changes in investments

	9/30/2019	**12/31/2018**
Balance at the beginning of the period	**279.480**	276.625
Distribution of dividends	**(28.187)**	(15.230)
Equity in the results of investees	**(19.896)**	9.567
Cumulative translation adjustments (CTA	**(1.821)**	8.518
Balance at the end of the period	**229.576**	279.480

<u>Distribution of dividends</u>

The subsidiary ZZEXP Comercial Exportadora S/A proposed to pay dividends of R$28,187 to the Company out of the profit earned for the year ended December 31, 2018.

(All amounts in thousands of reais unless otherwise stated)

12. Property, plant and equipment

Changes in property, plant and equipment are as follows:

Parent company	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Total
At December 31, 2017	5.040	3.664	4.085	8.626	45	101	-	21.561
Purchases	1.342	1.736	510	6.422	-	-	-	10.010
Depreciation	(1.518)	(556)	(622)	(1.339)	(17)	-	-	(4.052)
Write-offs	(9)	(413)	(83)	(637)	-	-	-	(1.142)
At September 30, 2018	**4.855**	**4.431**	**3.890**	**13.072**	**28**	**101**	**-**	**26.377**
At December 31, 2018	**4.900**	**4.517**	**3.767**	**13.004**	**25**	**101**	**-**	**26.314**
Initial application of CPC	**-**	**-**	**-**	**-**	**-**	**-**	**32.987**	**32.987**
Purchases	**1.650**	**895**	**461**	**2.376**	**-**	**-**	**1.258**	**6.640**
Depreciation CPC 06(R2)	**-**	**-**	**-**	**-**	**-**	**-**	**(5.036)**	**(5.036)**
Depreciation	**(1.605)**	**(625)**	**(540)**	**(1.568)**	**(10)**	**-**	**-**	**(4.348)**
Write-offs	**(2)**	**-**	**-**	**-**	**-**	**(8)**	**(64)**	**(74)**
At September 30, 2019	**4.943**	**4.787**	**3.688**	**13.812**	**15**	**93**	**29.145**	**56.483**
Average depreciation rate	20%	10%	10%	10%	20%	-		

Consolidated	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Total
At December 31, 2017	6.152	13.176	9.172	38.991	44	101	-	67.636
Purchases	1.967	7.287	4.028	14.565	-	-	-	27.847
Depreciation	(1.938)	(2.218)	(1.492)	(6.502)	(16)	-	-	(12.166)
Write-offs	(18)	(1.896)	(83)	(1.286)	-	-	-	(3.283)
Foreign exchange	87	289	-	1.433	-	-	-	1.809
At September 30, 2018	**6.250**	**16.638**	**11.625**	**47.201**	**28**	**101**	**-**	**81.843**
At December 31, 2018	**6.432**	**17.163**	**11.540**	**47.941**	**24**	**101**	**-**	**83.201**
Initial application of CPC	**-**	**-**	**-**	**-**	**-**	**-**	**199.777**	**199.777**
Purchases	**2.221**	**8.866**	**1.513**	**21.172**	**-**	**-**	**39.063**	**72.835**
Depreciation CPC 06(R2)	**-**	**-**	**-**	**-**	**-**	**-**	**(29.990)**	**(29.990)**
Depreciation	**(2.085)**	**(3.044)**	**(1.622)**	**(8.496)**	**(10)**	**-**	**-**	**(15.257)**
Write-offs	**(57)**	**(993)**	**(17)**	**(1.500)**	**-**	**(8)**	**(928)**	**(3.503)**
Foreign exchange	**54**	**242**	**-**	**1.351**	**-**	**-**	**9.076**	**10.723**
At September 30, 2019	**6.565**	**22.234**	**11.414**	**60.468**	**14**	**93**	**216.998**	**317.786**
Average depreciation rate	20%	10%	10%	10%	20%	-		

As described in Note 4, in compliance with CPC 06 (R2), the Company recognized at January 1, 2019 the amounts of R$32,987 (Parent company) and R$199,777 (Consolidated) as right-of-use assets.

The right-of-use asset is depreciated over the estimated useful life of the effective contract. Depreciation ceases upon an adjustment for impairment loss or even when there is cancellation of the contract according to the Company's business conditions and strategy.

(All amounts in thousands of reais unless otherwise stated)

13. Intangible assets

Changes in intangible assets are as follows:

Parent company	Trademarks and patents	Store use rights	Store use rights	Software licenses	Total
At December 31, 2017	3.927	818	-	34.120	38.865
Transfers	-	(694)	694	-	-
Purchases	581	-	-	5.534	6.115
Amortization	-	-	(694)	(10.866)	(11.560)
Write-offs	-	(124)	-	(192)	(316)
At September 30, 2018	**4.508**	**-**	**-**	**28.596**	**33.104**
At December 31, 2018	**4.686**	**-**	**-**	**27.478**	**32.164**
Purchases	**332**	**-**	**-**	**8.072**	**8.404**
Amortization	**-**	**-**	**-**	**(11.171)**	**(11.171)**
Write-offs	**-**	**-**	**-**	**(30)**	**(30)**
At September 30, 2019	**5.018**	**-**	**-**	**24.349**	**29.367**

Consolidated	Trademarks and patents	Store use rights	Store use rights	Software licenses	Total
At December 31, 2017	4.051	39.603	-	35.539	79.193
Transfers	-	(6.377)	6.377	-	-
Purchases	1.601	200	-	6.318	8.119
Amortization	-	-	(4.719)	(10.995)	(15.714)
Write-offs	-	(124)	-	(193)	(317)
Foreign exchange	7	-	-	211	218
At September 30, 2018	**5.659**	**33.302**	**1.658**	**30.880**	**71.499**
At December 31, 2018	**5.802**	**30.643**	**-**	**30.723**	**67.168**
Transfers	**-**	**(2.926)**	**2.926**	**-**	**-**
Purchases	**333**	**450**	**-**	**9.011**	**9.794**
Amortization	**-**	**-**	**(2.926)**	**(11.878)**	**(14.804)**
Write-offs	**-**	**-**	**-**	**(30)**	**(30)**
Foreign exchange variation	**77**	**-**	**-**	**194**	**271**
At September 30, 2019	**6.212**	**28.167**	**-**	**28.020**	**62.399**
Average depreciation rate	Indefinite	Indefinite	Finite	20%	

According to the annual Expansion Plan, the Company revised the useful life of certain intangible assets classified as store use rights from indefinite to finite and set an amortization period of up to one year.

At September 30, 2019, the Company recognized R$22,136 (September 30, 2018 - R$22,592) in expenses associated with the research and development of new products within "General and administrative expenses".

The impairment test performed on the Company's intangible assets did not reveal any need to recognize impairment losses for the year ended December 31, 2018, since the estimated value in use exceeded the net carrying amount at the date of valuation.

(All amounts in thousands of reais unless otherwise stated)

14. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Equipment financing (FINAME) (a)	**-**	-	**373**	467
Advance on foreign exchange contract (ACC) (b)	**-**	-	**81.817**	23.396
Study and project financing (FINEP) (c)	**10.868**	17.549	**10.868**	17.549
Borrowing in foreign currency (d)	**62.457**	58.133	**62.457**	58.133
Export prepayment (PPE) (e)	**-**	-	**33.577**	11.873
Total borrowings	**73.325**	75.682	**189.092**	111.418
Current	**68.207**	8.592	**183.678**	43.978
Non-current	**5.118**	67.090	**5.414**	67.440

The maturities and interest rate and charges on borrowings are as follows:

a) Finame: 6% p.a., with monthly installments and a final maturity in October 2024;
b) ACC: denominated in U.S. dollars plus average interest rate of 3.7% p.a. at September 30, 2019. There are several agreements with a final maturity until September 2020;
c) FINEP: rate of 4.0% and 5.0% p.a. limited to Long-Term Interest Rate (TJLP), with maturities until September 2021;
d) Borrowing in foreign currency: denominated in U.S. dollars plus average interest rate of 3.6% p.a. at September 30, 2019, with a maturity in June 2020;
e) PPE: denominated in U.S. dollars plus average interest rate of 4.9% p.a. at September 30, 2019, with a final maturity in September 2020.

At September 30, 2019, the non-current borrowings mature as follows:

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
2020	**1.279**	63.251	**1.298**	63.324
2021	**3.839**	3.839	**3.911**	3.910
2022	**-**	-	**73**	206
After 2022	**-**	-	**132**	-
Total	**5.118**	67.090	**5.414**	67.440

(All amounts in thousands of reais unless otherwise stated)

14. Borrowings (Continued)

Borrowings are secured by Group entities' guarantee and bank letters of guarantee, and do not contain restrictive covenants. Finame agreements are secured by the financed assets.

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A ("Bank"), to have borrowing facilities available for Arezzo franchisees that are located in the area where the Bank operates, using the funds from the Northeast Region Constitutional Finance Fund (FNE) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees through working capital loans, if needed.

Under the terms of the agreement, the Company shall be the guarantor for these transactions through a surety bond when contracted by store owners. At September 30, 2019, these transactions amounted to R$1,589 (December 31, 2018 - R$1,275).

The Company has a technical and financial cooperation agreement with Banco Alfa, to have borrowing facilities available for Arezzo franchisees, using the funds from the National Bank for Economic and Social Development ("BNDES") to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees. The Company is the guarantor for these transactions. At September 30, 2019, the balance of transactions guaranteed by the Company was R$9,546 (December 31, 2018 - R$10,580).

The Company has no history of loss experience on such transactions.

15. Trade payables

	Parent company		Consolidated	
	9/30/2019	12/31/2018	9/30/2019	12/31/2018
Domestic suppliers	**45.044**	30.597	**68.511**	51.965
Reverse factoring (a)	**80.053**	57.955	**80.053**	57.955
Related parties (Note 10.a)	**918**	1.792	**-**	-
Foreign suppliers	**192**	201	**192**	201
Total trade payables	**126.207**	90.545	**148.756**	110.121

a) The Company has agreements with Banco Itaú Unibanco S.A. ("Bank") to structure with its main suppliers a reverse factoring arrangement. In this arrangement, the suppliers transfer the right to receive their invoices to the Bank which, in turn, will become the creditor in the transaction. Management has reviewed the portfolio of this transaction and concluded that there was no significant change in maturities, prices and conditions that were previously established upon a complete analysis of suppliers by category; therefore, the Company shows this transaction within the account "Trade payables".

(All amounts in thousands of reais unless otherwise stated)

16. Leases

In the context of applying CPC 06 (R2), as described in Note 4, the Company assessed its portfolio of contracts and identified 110 contracts with lease components, of which 53 qualify for exemptions available under CPC 06 (R2) and 57 fall within the scope of lease. These contracts refer to minimum rent of stores, offices, plants and distribution centers.

For contracts falling within the scope of the new standard, the Company recognized a right-of-use asset at an amount equal to the lease liability. The lease liability was recognized at the present value of the remaining lease payments, discounted at the actual market interest rate net of inflation for 2018.

There have been significant changes in the balance sheet accounts as a result of the recognition of all future lease payments under contracts falling within the scope of lease. At the date of initial application, the right-of-use asset is equal to the lease liability of R$32,987 (Parent company) and R$199,777 (Consolidated), discounted to present value.

a) Changes in right-of-use assets:

	Parent company	Consolidated
Initial application at January 1, 2019		
Recognition under CPC 06(R2)	32.987	199.777
Total right-of-use assets at January 1, 2019	32.987	199.777
Additions	1.258	39.063
Write-offs	(64)	(928)
Depreciation	(5.036)	(29.990)
Foreign exchange variation	-	9.076
Total right-of-use assets at September 30, 2019	29.145	216.998

b) Changes in lease liability:

	Parent company	Consolidated
Initial application at January 1, 2019	36.640	218.607
Discount to present value	(3.653)	(18.830)
Lease liability at January 1, 2019	32.987	199.777
Additions	1.258	39.063
Write-offs, net	(64)	(943)
Lease payments	(4.811)	(31.204)
Interest expense on lease liability	711	4.322
Foreign exchange variation	-	9.783
Lease liability at September 30, 2019	30.081	220.798
Current	6.521	39.617
Non-current	23.560	181.181

(All amounts in thousands of reais unless otherwise stated)

16. Leases (Continued)

c) The amounts recorded in non-current liabilities at September 30, 2019 mature as follows:

	Parent company	Consolidated
2020	1.739	10.509
2021	5.157	34.755
2022	3.752	28.553
2023	3.847	26.971
2024	2.807	23.241
After 2025	6.258	57.152
Total	**23.560**	**181.181**

d) Reconciliation of lease payments:

	Parent company	Consolidated
Cash outflow (statement of cash flows)	**(4.941)**	**(35.285)**
Lease payments in the period	(4.810)	(31.205)
Short-term contracts	(29)	(2.987)
Low-value contracts	(102)	(102)
Variable lease payments	-	(991)

17. Share capital and reserves

17.1. Share capital

At September 30, 2019, the Company's capital was divided into 90,954 thousand common shares.

	Number of shares - thousands	Share capital
At December 31, 2017	89.766	330.375
Issuance of shares under share option plan	537	10.698
At December 31, 2018	90.303	341.073
Issuance of shares under share option plan	651	11.642
At September 30, 2019	**90.954**	**352.715**

17.2. Treasury shares

At September 30, 2019, the balance of treasury shares is R$195 (December 31, 2018 - R$2,332) consisting of 5,207 common shares at an average acquisition cost of R$37.37.

18. Dividends and interest on capital proposed and paid

Dividends

In accordance with the Company's bylaws, the shareholders are entitled to a mandatory minimum dividend of 25% of the profit for the year after transfer to legal reserve as required by the Brazilian Corporate legislation. Interest on capital, when calculated, is considered as distribution of profits for purposes of determination of the minimum dividend to be distributed.

On February 20, 2019, the Board of Directors approved the payment of interim dividends totaling R$75,000, at R$0.83102 per share, out of revenue reserve as per balance sheet at December 31, 2018. These interim dividends were paid on April 1, 2019.

On April 30, 2019, the General Shareholders' Meeting approved the distribution of supplementary dividends totaling R$17,726, at R$0.19641 per share, which were paid on October 14, 2019.

On September 30, 2019, the Board of Directors approved the distribution of interim dividends in the total amount of R$7,274, at R$0.07997 per share, out of the profit for the current year as per the financial statements for the quarter ended June 30, 2019. These interim dividends were paid on October 15, 2019.

Interest on capital – Law 9,249/95

In order to comply with tax rules, the Company recorded interest on capital paid in the year in "finance costs". For the purposes of these financial statements, this interest on capital was reversed from the statement of income to retained earnings, as determined by accounting practices. Income tax was withheld at the rate of 15% from the payment of this interest on capital, except for shareholders that are legally tax-exempt or shareholders that are domiciled in countries or jurisdictions in which the tax legislation establishes a different tax rate.

On January 15, 2019, the Company paid R$20,847 of interest on capital out of the revenue reserve.

On June 24, 2019, interest on capital of R$20,344, at R$0.22380 per share, was approved for the period from January to June 2019, based on the equity as per balance sheet at March 31, 2019. This interest on capital was paid on July 25, 2019.

(All amounts in thousands of reais unless otherwise stated)

19. Earnings per share

In compliance with CPC 41 (IAS 33), the Company presents below earnings per share information for the nine-month periods ended September 30, 2019 and 2018.

a) Basic earnings per share

	9/30/2019	9/30/2018
Profit for the period	**103.484**	100.401
Weighted average number of outstanding common shares	**90.420**	89.905
Basic earnings per share - R$	**1,1445**	1,1167

b) Diluted earnings per share

	9/30/2019	9/30/2018
Profit for the period	**103.484**	100.401
Weighted average number of outstanding common shares	**90.420**	89.905
Adjustment for share options	**37**	3.002
Weighted average number of common shares for diluted earnings per share	**90.457**	92.907
Diluted earnings per share - R$	**1,1440**	1,0807

20. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Gross sales revenue				
Domestic market	**1.113.400**	1.042.860	**1.297.476**	1.225.752
Foreign market	**3.982**	8.291	**192.724**	134.505
Sales returns	**(35.954)**	(22.900)	**(83.559)**	(59.643)
Discounts and rebates	**(2.901)**	(1.726)	**(2.898)**	(1.725)
Taxes on sales	**(150.497)**	(143.010)	**(192.160)**	(184.441)
Net sales revenue	**928.030**	883.515	**1.211.583**	1.114.448

(All amounts in thousands of reais unless otherwise stated)

21. Segment reporting

The Company has only one operating segment, which is defined as shoes, handbags and accessories. The Company is organized, and has its performance assessed, as a single business unit for operating, commercial, management and administrative purposes.

This view is supported by the following factors:

- There is no segregation in its structure for the management of different product lines, brands or sales channels;
- Its manufacturing plant operates for more than one brand and sales channel;
- The Company's strategic decisions are based on studies that indicate market opportunities and not only on performance by product, brand or sales channel.

The Company's products are distributed through different brands (Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever and Alme) and multiple channels (franchises, multi-brand stores, company-owned stores and e-commerce), however they are controlled and run by management as a single operating segment, and the results therefrom are monitored and evaluated in a centralized way.

For management purposes, management monitors the consolidated gross revenue by brand and sales channel, as shown below:

Brand	9/30/2019	9/30/2018
Gross revenue	**1.490.200**	1.360.257
Domestic market		
Arezzo	**701.489**	691.100
Schutz	**352.345**	335.770
Anacapri	**182.930**	154.137
Other	**60.712**	44.745
Foreign market	**192.724**	134.505

Sales channel	9/30/2019	9/30/2018
Gross revenue	**1.490.200**	1.360.257
Domestic market		
Franchises	**629.132**	587.091
Multi-brand stores	**330.850**	308.572
Company-owned stores	**189.328**	211.006
E-commerce	**146.633**	117.689
Other	**1.533**	1.394
Foreign market	**192.724**	134.505

The revenue from foreign market is not shown separately by geographic area as at September 30, 2019 it represents 12.9% of the gross revenue (September 30, 2018 – 9.9%). No single customer accounts for more than 5.0% of the sales on the domestic and foreign markets.

(All amounts in thousands of reais unless otherwise stated)

22. Expenses by nature

The Company elected to present its income statement by function. Disclosure of expenses by nature is presented below:

	Parent company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Expenses by function				
Cost of sales	**(583.702)**	(554.958)	**(654.106)**	(598.500)
Selling expenses	**(126.778)**	(124.352)	**(303.158)**	(272.267)
General and administrative expenses	**(90.915)**	(80.880)	**(128.833)**	(99.725)
Other operating income (expenses), net	**18.373**	(3.168)	**21.579**	(3.794)
	(783.022)	(763.358)	**(1.064.518)**	(974.286)

	Parent company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Expenses by nature				
Depreciation and amortization	**(20.555)**	(15.612)	**(60.051)**	(27.880)
Personnel expenses	**(103.381)**	(106.299)	**(168.058)**	(168.036)
Raw and consumable materials	**(586.980)**	(558.111)	**(659.047)**	(603.189)
Freight	**(18.843)**	(17.896)	**(32.196)**	(24.118)
Store rental expenses	**-**	-	**(16.066)**	(30.968)
Advertising costs	**(4.682)**	(3.661)	**(26.746)**	(20.354)
Other operating expenses	**(48.581)**	(61.779)	**(102.354)**	(99.741)
	(783.022)	(763.358)	**(1.064.518)**	(974.286)

As per Note 4, with the adoption of IFRS 16 / CPC 06 (R2), lease expenses are now accounted for also as depreciation expenses and the Company recognized the amounts of R$5,036 (Parent company) and R$29,990 (Consolidated) of depreciation of the right-of-use assets for the period ended September 30, 2019.

(All amounts in thousands of reais unless otherwise stated)

23. Financial risk management objectives and policies

a) Fair value

The table below shows the carrying amounts and fair values of the Company's financial assets and liabilities calculated by the Company's management:

	Consolidated			
	9/30/2019		12/31/2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**7.657**	7.657	**8.501**	8.501
Cash investments	**267.687**	267.687	**227.300**	227.300
Trade receivables	**426.260**	426.260	**393.448**	393.448
Borrowings	**189.092**	188.272	**111.418**	111.441
Trade payables	**148.756**	148.756	**110.121**	110.121
Leases	**220.798**	220.798	**-**	-

At September 30, 2019, consolidated financial instruments by category are as follows:

	Measured at	
	Fair value through profit or loss	Amortized cost
Assets		
Cash and cash equivalents	-	7.657
Trade receivables	-	426.260
Cash investments	267.687	-
Liabilities		
Trade payables	-	148.756
Borrowings	-	188.272
Leases	-	220.798

23. Financial risk management objectives and policies (Continued)

a) Fair value (Continued)

The following methods and assumptions were used for fair value measurement:

• Cash investments – the carrying amounts stated in the balance sheet equal the fair value because the interest rates for the cash investments are based on the variation of the Interbank Deposit Certificate (CDI), Certificate of Bank Deposit (CDB) and Financial Treasury Bills (LFT) (Note 6).

• Cash and cash equivalents, trade and other receivables, trade and other payables – These items derive directly from the operations of the Company and its subsidiaries and are measured at amortized cost. They are stated at original amount less provision for impairment and present value adjustment when applicable. The carrying amount approximates fair value due to the short-term nature of these instruments.

• Borrowings – These are classified as other financial liabilities not measured at fair value and are carried at amortized cost according to the contractual terms. This classification was adopted because the amounts are not held for trading, which management understands is the most relevant financial information. The fair values of the borrowings are equivalent to their carrying amounts as these financial instruments are subject to rates equivalent to market rates and have specific characteristics.

a.1) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company uses quoted prices in active markets (Level 1) and observable prices (Level 2) to measure the fair value of its financial instruments.

b) Foreign exchange risk

The results of operations of the Company and its subsidiaries are exposed to the U.S. dollar exchange rate risk because a portion of their sales revenue is linked to the U.S. dollar. To reduce the foreign exchange risk, almost all of their exports have financing pegged to the respective currency.

(All amounts in thousands of reais unless otherwise stated)

23. Financial risk management objectives and policies (Continued)

b) Foreign exchange risk (Continued)

At September 30, 2019 and December 31, 2018, the net exposure to the U.S. dollar is as follows:

	Consolidated	
	9/30/2019	**12/31/2018**
Trade receivables in foreign currency	28.281	34.690
Borrowings in foreign currency	(115.394)	(35.269)
Net exposure	**(87.113)**	**(579)**

To measure the sensitivity of the Company's foreign currency-denominated assets and liabilities which expose it to foreign exchange risk at September 30, 2019, three different scenarios were simulated and a sensitivity analysis relating to exchange rate fluctuations was prepared.

The table below shows three scenarios, and the Company adopts the probable scenario. These scenarios were defined based on management's expectations of foreign exchange rate changes at the dates of maturity of the agreements exposed to foreign exchange risk.

In addition to this scenario, the CVM through Instruction 475 of December 17, 2008 (CVM Instruction 475) determined that two other scenarios should be presented, applying an appreciation of 25.0% and 50.0% of the risk variable under analysis. These scenarios are presented according to CVM regulation.

Operation	Currency	Probable scenario Carrying amount	Scenario A	Scenario B
Appreciation in the exchange rate				
Trade receivables in foreign currency	R$	28.281	35.351	42.422
Borrowings in foreign currency	R$	(115.394)	(144.243)	(173.091)
Appreciation in the exchange rate against			25%	50%
US dollar		4,16	5,21	6,25
Effect on pre-tax profit	**R$**		**(21.779)**	**(43.556)**

(All amounts in thousands of reais unless otherwise stated)

23. Financial risk management objectives and policies (Continued)

c) Interest rate risk

The Company is exposed to interest rate risk because of borrowings subject to the Long-term Interest Rate (TJLP). The rates are disclosed in Note 14.

At September 30, 2019, borrowings are subject to the following interest rates:

	Consolidated	
	9/30/2019	**%**
Fixed interest rate	115.767	61
Interest rate based on TJLP and Libor	73.325	39
	189.092	**100**

To measure the sensitivity of the Company's borrowings to interest rates to which the Company was exposed at September 30, 2019, three different scenarios were simulated and a sensitivity analysis relating to interest rate shifts was prepared.

The table below shows three scenarios, and the Company adopted the probable scenario. Based on the amounts of TJLP and Libor in effect at September 30, 2019, the probable scenario for the year 2018 was defined, applying variances of 25.0% and 50.0% as required by CVM Instruction 475.

For each scenario, gross interest expense was calculated, without taking into consideration taxes and the flow of maturities of each agreement. The base date used for borrowings was September 30, 2019, projecting the interest rates for one year and verifying the sensitivity of the same rates in each scenario.

Operation	**Currency**	**Probable scenario**	**Scenario A**	**Scenario B**
Increase in interest expense				
Borrowings - TJLP	R$	647	808	970
Borrowings - Libor	R$	1.252	1.565	1.877
		1.899	**2.373**	**2.847**
Increase in interest rate for financial liabilities			25%	50%
TJLP		5,95%	7,44%	8,93%
Libor		2,00%	2,51%	3,01%

(All amounts in thousands of reais unless otherwise stated)

23. Financial risk management objectives and policies (Continued)

d) Credit risk

Credit risk arises from the difficulty in collecting the amounts due from customers for goods sold and services rendered.

The Company and its subsidiaries are also subject to credit risk arising from their cash investments.

Most of trade receivables are denominated in Brazilian reais and spread across various customers. To reduce the credit risk, the Company performs an individual analysis for new customers but, as a usual market practice, only high-risk customers are required to make advance payments. No single customer accounts for more than 5% of the Company's total accounts receivable at September 30, 2019 and December 31, 2018.

Management monitors the risk of the receivables portfolio on a weekly basis and, if there is the risk of default on a receivable, adjusts the income statement. The analysis covers receivables, customer payment history, guarantees provided and renegotiations completed with collaterals. The amounts recorded as actual losses or provision for losses reflect uncollectible accounts and receivables with low chance of recovery.

With regard to the credit risk associated with financial institutions, the Company and its subsidiaries use top-tier financial institutions.

e) Liquidity risk

Liquidity risk reflects the probability that Company and its subsidiaries will not have sufficient cash on hand to meet their obligations by reason of different currencies and maturities of their receipts and payments.

The liquidity and cash flow of the Company and its subsidiaries is monitored on a daily basis by management to ensure that the amount of cash generated from their normal business operations and borrowing facilities, when needed, are sufficient to meet their scheduled obligations, without exposing the Company and its subsidiaries to the liquidity risk.

The table below shows contractual payments due under financial liabilities:

	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Borrowings	184.031	5.583	-	**189.614**
Trade payables	148.756	-	-	**148.756**
Leases	39.617	124.029	57.152	**220.798**

(All amounts in thousands of reais unless otherwise stated)

23. Financial risk management objectives and policies (Continued)

f) Capital management

The Company's objective when managing capital is to ensure that the Company has a strong credit rating with the institutions and an optimal capital structure to support the Company's business and maximize the value for shareholders.

The Company controls its capital structure by making adjustments to reflect current economic conditions. In order to maintain or adjust the capital structure, the Company can make dividend payments, return capital to shareholders, take new borrowings, issue debentures, issue promissory notes and enter into derivative transactions. There was no change in capital structure objectives, policies or processes at September 30, 2019 and December 31, 2018.

24. Finance income and costs

	Parent company		Consolidated	
	9/30/2019	**9/30/2018**	**9/30/2019**	**9/30/2018**
Finance income				
Interest income	**2.684**	2.810	**2.707**	2.828
Interest income on loans	**-**	104	**-**	-
Interest income on cash investments	**8.128**	12.090	**10.181**	13.082
Other finance income	**1.216**	1.662	**1.349**	1.891
	12.028	16.666	**14.237**	17.801
Finance costs				
Credit card administration fee	**-**	-	**(5.178)**	(4.869)
Discounts granted	**(1.176)**	(1.411)	**(1.412)**	(1.508)
Interest expense on borrowings	**(2.563)**	(5.051)	**(5.301)**	(6.327)
Interest expense on loans from related parties	**(394)**	(4.055)	**-**	-
Interest expense on lease liabilities	**(710)**	-	**(4.185)**	-
Bank charges	**(2.471)**	(2.472)	**(3.644)**	(3.348)
Notary public fees	**(1.164)**	(1.793)	**(1.170)**	(1.816)
Other finance costs	**(239)**	(148)	**(355)**	(391)
	(8.717)	(14.930)	**(21.245)**	(18.259)
Foreign exchange variation, net	**(7.141)**	(22.628)	**(6.524)**	(17.498)
Total	**(3.830)**	(20.892)	**(13.532)**	(17.956)

(All amounts in thousands of reais unless otherwise stated)

25. Other operating income (expenses), net

	Parent company		Consolidated	
	9/30/2019	**9/30/2018**	**9/30/2019**	**9/30/2018**
Share option and restricted stock plans	**(4.488)**	(6.175)	**(4.488)**	(6.175)
Franchise fees	**1.448**	1.349	**1.448**	1.349
Recovery of expenses	**1.219**	864	**1.219**	1.111
Gain (loss) on disposal of property, plant and equipr	**58**	(1.376)	**3.181**	(2.918)
Other income (expenses)	**20.136**	2.170	**20.219**	2.839
Total	**18.373**	(3.168)	**21.579**	(3.794)

The Company obtained a favorable final judicial resolution in the lawsuit challenging the illegality of the inclusion of presumed ICMS credit in the IRPJ and CSLL tax base and in the lawsuit concerning the IRPJ credit due to the change in the calculation of the tax incentive from the workers' meal program. As a result, the Company recognized the right to recover the amounts unduly paid, in the amount of R$19,514 classified as "other income (expenses)" with a contra entry of R$5,102 of attorneys' fees and other legal costs to "administrative expenses", resulting in a net effect of R$14,412 on profit or loss for the period ended September 30, 2019.

26. Share-based compensation

26.1. Share option plan

Changes in the share option plan were as follows:

	3rd grant	**4th grant**	**5th grant**	**Total**
Balance at December 31, 2018	750	18.088	600.138	**618.976**
Options exercised	(1.000)	(50.232)	(600.141)	**(651.373)**
Options written off (*)	250	32.144	3	**32.397**
Balance at September 30, 2019	-	-	-	-

(*) Write-offs due to termination of participant employees.

(All amounts in thousands of reais unless otherwise stated)

26. Share-based compensation (Continued)

26.2. Restricted stock plan

In the nine-month period ended September 30, 2019, the Company determined R$471 (September 30, 2018 - R$1,494) in share option plan expense, which was charged to the statement of income with a contra-entry to a separate capital reserve account within equity.

Changes in the restricted stock plan were as follows:

	1st grant 2017	2nd grant 2018	3rd grant 2019	Total
Balance at December 31, 2017	607.283	-	-	607.283
Granted (*)	-	110.664	-	110.664
Exercised (**)	(51.764)	-	-	(51.764)
Write-offs (***)	(89.643)	-	-	(89.643)
Balance at December 31, 2018	**465.876**	**110.664**	-	**576.540**
Granted (*)	-	-	26.606	26.606
Exercised (**)	(49.830)	(8.995)	-	(58.825)
Write-offs (***)	(17.405)	(20.709)	-	(38.114)
Balance at September 30, 2019	**398.641**	**80.960**	**26.606**	**506.207**

(*) Grant before tax effects and performance conditions of the restricted stock plan.

(**) With the effects of the performance conditions for the restricted stock plan and taxes, at the 2nd vesting date (1st grant 2017) 39,738 shares were exercised and at the 1st vesting date (2nd grant 2018) 7,174 shares were exercised.

(***) Write-offs due to the termination of employees who participated in the share option plan or non-exercise of shares.

In compliance with IFRS 2/ CPC 10, the Company determined the fair value of the shares, based on the stated vesting periods. In the period ended September 30, 2019, the Company determined R$4,016 (September 30, 2018 - R$4,681) in restricted stock plan expense, which was charged to the statement of income with a contra-entry to the capital reserve account within equity.

27. Government tax incentives

Presumed tax credit of State Value-added Tax on Sales and Services (ICMS)

a) Under Regulations 088-R of October 29, 2015 and 077-R of June 1, 2016, the State of Espirito Santo has registered the Company, through its parent and one subsidiary, respectively, to receive ICMS tax benefits under the tax benefit arrangement called Competitiveness Agreement.

b) The State of Rio Grande do Sul, through state internal regulation, grants presumed credits of ICMS on sales of shoes to other states.

(All amounts in thousands of reais unless otherwise stated)

27. Government tax incentives (Continued)

In the nine-month period ended September 30, 2019, the Company determined R$55,317 (September 30, 2018 - R$52,249) in ICMS tax benefits, which were classified into net revenue, as shown below:

	Parent company		Consolidated	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
ICMS tax benefits - State of Espiri	**45.105**	43.195	**55.078**	51.790
ICMS tax benefits - State of Rio Gı	**-**	-	**239**	459
Total	**45.105**	43.195	**55.317**	52.249

(A free translation of the original in Portuguese)

Arezzo Indústria e Comércio S.A.

Quarterly Information (ITR) at September 30, 2019 and report on review of quarterly information

(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Arezzo Indústria e Comércio S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Arezzo Indústria e Comércio S.A ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2019, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Arezzo Indústria e Comércio S.A.

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the nine-month period ended September 30, 2019. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the interim accounting information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

Porto Alegre, 28 de outubro de 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Adriano Machado
Contador CRC PR-042584/O-7

AREZZO INDÚSTRIA E COMÉRCIO S.A.
Public Held Company

CNPJ n.º 16.590.234/0001-76
NIRE 31.300.025.91-8

MINUTES OF FISCAL COUNCIL MEETING
OCTOBER 24, 2019

Attachment

FISCAL COUNCIL OPINION

The Fiscal Council of AREZZO INDÚSTRIA E COMÉRCIO S.A. ("Company"), in the exercise of its attributions and legal responsibilities, at a meeting held on October 24, 2019, at the Company's office located in the City of Campo Grande, State of Rio Grande do Sul, at Liberato Salzano Vieira da Cunha Street, nº 108, CEP 93700-000, proceeded the quarterly financial information of the Company for the period from July 1, 2019, to September 30, and the independent auditor's special review report on said financial data, issued by PriceWaterhouseCoopers Auditores Independentes, according to documents filed and filed in the headquarters of the Company.

Based on the examination carried out and the information and clarifications received, the Fiscal Council is in favor of the quarterly financial information of the Company for the period from July 1, 2019, to September 30, 2019, and the independent auditor's special review report.

Campo Bom, October 24, 2019.

Martin da Silva Gesto

Clóvis José Ceretta

Ricardo Gus Maltz

ATTACHMENT I-A

OFFICER'S STATEMENTS

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

Officer's Statement with regard to the Financial Statements

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 ("Company"), hereby state that they reviewed, discussed and agree with the financial statements of the Company for the fiscal year ended September 30, 2019, as provided for and for the purposes of § 1, item VI of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, October 30, 2019.

Alexandre Café Birman – Chief Executive Officer
Rafael Sachete da Silva – Vice President of Corporate and Chief Financial Officer
Aline Ferreira Penna – Investor Relations Officer

ATTACHMENT II-B

OFFICER'S STATEMENTS

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

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

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 ("Company"), hereby state that they reviewed, discussed and agree with the opinions expressed in the independent auditors' report relating to the financial statements of the Company for the fiscal year ended September 30, 2019, as provided for and for the purposes of § 1, item V of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, October 30, 2019.

Alexandre Café Birman – Chief Executive Officer
Rafael Sachete da Silva – Vice President of Corporate and Chief Financial Officer
Aline Ferreira Penna – Investor Relations Officer