EARNINGS RELEASE

AREZZO &CO

2Q2019

AREZZO SCHUTZ ANACAPRI ALEXANDRE BIRMAN FIEVER ALME

EARNINGS RELEASE 2Q19

Belo Horizonte, August 06th, 2019. Arezzo&Co (BM&FBOVESPA: ARZZ3), leader in the women's footwear, handbags and accessories industry in Brazil, reports its earnings for the second quarter of 2019.

PRICE AND MARKET CAP

08/06/2019
R$ 52,03 e R$ 4,7 Bn

EARNINGS CONFERENCE CALL

Wednesday, August 07th, 2019
11:00 a.m. (Brazil) / 10:00 a.m. (NY)

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HIGHLIGHTS – PRO FORMA*

- Net revenue in 2Q19 reached R$ 393.5 million, a 5.3% increase against 2Q18;
- In 1Q19, Gross Profit totaled R$ 184.3 million (gross margin of 46.8%), a 3.1% increase against 2Q18;
- EBITDA for 2Q19 totaled R$ 58.8 million (EBITDA margin of 14.9%), a 4.0% increase against 2Q18;
- In 2Q19, Net Income totaled R$ 42.4 million (net margin of 10.8%) a 27,9% increase against 2Q18;
- Same-Store-Sales sell-out growth of 4.1% in the quarter;
- Arezzo&Co opened 6 stores (net) in the quarter and ended 2Q19 with 5.4% in store area growth in the last twelve months.

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

INVESTOR RELATIONS

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Adoption of IFRS 16 Standard - Key Impacts

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

For a better understanding of the changes, a proforma 2Q19 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 2Q19.

BALANCE SHEET

Assets - Right of Use
+ R$ 205 Million

Liabilities - Lease
+ R$ 208 Million

RESULTS

COGS (Occupation Expense)
(R$ 19) Thousand

SG&A (Occupation Expense)
R$ 316 Thousand

EBITDA
+ R$ 10.2 Million

Lease Depreciation
(R$ 10.2) Million

Lease Financial Expenses
(R$ 1.5) Million

Net Income
(R$ 1.8) Million

Key financial indicators	2Q19 Reported	IFRS 16 Impact	2Q19 Pro forma	1S19 Reported	IFRS 16 Impact	1S19 Pro forma
Gross Revenues	**489.482**	**-**	**489.482**	**952.012**	**-**	**952.012**
Net Revenues	**393.546**	**-**	**393.546**	**770.709**	**-**	**770.709**
COGS	**(209.215)**	**(19)**	**(209.234)**	**(413.902)**	**(31)**	**(413.933)**
Depreciation and amortization (cost)	(743)	274	(469)	(1.356)	455	(901)
Gross Profit	**184.331**	**(19)**	**184.312**	**356.807**	**(31)**	**356.776**
Gross Margin	46,8%	0,0%	46,8%	46,3%	-36,3%	10,0%
SG&A	**(135.210)**	**316**	**(134.894)**	**(270.999)**	**(222)**	**(271.221)**
Depreciation and amortization (expenses)	(19.125)	10.193	(8.932)	(36.407)	19.179	(17.228)
% of net revenues	-34,4%	0,1%	-34,3%	-35,2%	0,0%	-35,2%
EBITDA	**68.989**	**(10.171)**	**58.818**	**123.571**	**(19.888)**	**103.683**
EBITDA Margin	17,5%	-2,6%	14,9%	16,0%	-2,6%	13,5%
Financial Results	**(4.403)**	**1.489**	**(2.914)**	**(9.650)**	**2.772**	**(6.878)**
Income before income taxes	**44.718**	**1.786**	**46.504**	**76.158**	**2.519**	**78.677**
Income tax and social contribution	**(4.150)**	**-**	**(4.148)**	**(12.449)**	**-**	**(12.447)**
Net Income	**40.568**	**1.788**	**42.356**	**63.709**	**2.521**	**66.230**
Net Margin	10,3%	0,5%	10,8%	8,3%	0,3%	8,6%

Summary of Results	2Q19	2Q18	Δ (%) 19 x 18	2Q19 Pro forma	Δ (%) 19 x 18
Net Revenues	393.546	373.859	5,3%	393.546	5,3%
Gross Profit	184.331	178.751	3,1%	184.312	3,1%
Gross Margin	46,8%	47,8%	-1,0 p.p.	46,8%	-1,0 p.p.
EBITDA[1]	68.989	56.552	22,0%	58.818	4,0%
EBITDA Margin[1]	17,5%	15,1%	2,4 p.p.	14,9%	-0,2 p.p.
Net Income	40.568	33.123	22,5%	42.356	27,9%
Net Margin	10,3%	8,9%	1,4 p.p.	10,8%	1,9 p.p.

Summary of Results	1S19	1S18	Δ (%) 19 x 18	1S19 Pro forma	Δ (%) 19 x 18
Net Revenues	770.709	704.044	9,5%	770.709	9,5%
Gross Profit	356.807	325.311	9,7%	356.776	9,7%
Gross Margin	46,3%	46,2%	0,1 p.p.	46,3%	0,1 p.p.
EBITDA[1]	123.571	97.313	27,0%	103.683	6,5%
EBITDA Margin[1]	16,0%	13,8%	2,2 p.p.	13,5%	-0,3 p.p.
Net Income	63.709	60.237	5,8%	66.230	9,9%
Net Margin	8,3%	8,6%	-0,3 p.p.	8,6%	0,0 p.p.

Operating Indicators	2Q19	2Q18	Δ (%) 19 x 18	1S19	1S18	Δ (%) 19 x 18
# of pairs sold ('000)	3.185	3.075	3,6%	6.338	5.817	9,0%
# of handbags sold ('000)	436	308	41,9%	813	666	22,1%
# of employees	2.515	2.468	1,9%	2.515	2.468	1,9%
# of stores*	696	636	60	696	636	60
Owned Stores	54	52	2	54	52	2
Franchises	642	584	58	642	584	58
Outsourcing (as % of total production)	90,3%	91,8%	-1,5 p.p	90,2%	91,1%	-0,9 p.p
SSS[2] Sell-in (franchises)	1,3%	7,3%	-6,0 p.p	1,2%	5,4%	-4,2 p.p
SSS[2] Sell-out (owned stores + franchises + web)	4,1%	3,9%	0,2 p.p	4,0%	5,9%	-1,9 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	2Q19	Part%	2Q18	Part%	Δ (%) 19 x 18	1S19	Part%	1S18	Part%	Δ (%) 19 x 18
Total Gross Revenue	**489.482**		**454.679**		**7,7%**	**952.012**		**862.370**		**10,4%**
Foreign Market	**65.946**	**13,5%**	**49.740**	**10,9%**	**32,6%**	**121.172**	**24,8%**	**80.221**	**9,3%**	**51,0%**
Exports	*17.315*	*26,3%*	*21.151*	*42,5%*	*(18,1%)*	*28.949*	*43,9%*	*30.425*	*37,9%*	*(4,9%)*
US Operation	*48.631*	*73,7%*	*28.589*	*57,5%*	*70,1%*	*92.223*	*139,8%*	*49.795*	*62,1%*	*85,2%*
Domestic Market	**423.536**	**86,5%**	**404.939**	**89,1%**	**4,6%**	**830.840**	**169,7%**	**782.149**	**90,7%**	**6,2%**
By Brand										
Arezzo	*228.114*	*53,9%*	*226.952*	*56,0%*	*0,5%*	*450.920*	*54,3%*	*445.683*	*57,0%*	*1,2%*
Schutz [1]	*117.334*	*27,7%*	*114.478*	*28,3%*	*2,5%*	*229.613*	*27,6%*	*217.699*	*27,8%*	*5,5%*
Anacapri	*56.775*	*13,4%*	*48.277*	*11,9%*	*17,6%*	*111.137*	*13,4%*	*93.598*	*12,0%*	*18,7%*
Others [2]	*21.313*	*5,0%*	*15.232*	*3,8%*	*39,9%*	*39.170*	*4,7%*	*25.169*	*3,2%*	*55,6%*
By Channel										
Franchises	*196.514*	*46,4%*	*184.789*	*45,6%*	*6,3%*	*404.850*	*48,7%*	*376.207*	*48,1%*	*7,6%*
Multibrand	*107.402*	*25,4%*	*104.163*	*25,7%*	*3,1%*	*203.902*	*24,5%*	*189.865*	*24,3%*	*7,4%*
Owned Stores [3]	*69.461*	*16,4%*	*74.955*	*18,5%*	*(7,3%)*	*130.027*	*15,7%*	*140.867*	*18,0%*	*(7,7%)*
Web Commerce	*49.519*	*11,7%*	*40.745*	*10,1%*	*21,5%*	*91.004*	*11,0%*	*74.110*	*9,5%*	*22,8%*
Others [4]	*640*	*0,2%*	*287*	*0,1%*	*123,0%*	*1.057*	*0,1%*	*1.100*	*0,1%*	*(3,9%)*

(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 7 stores in the last 12 months from owned stores to franchises, the channel would have grown 8.2% in the quarter.
(4) Includes domestic market revenues that are not specific for distribution channels.

Brands

The second quarter of the year is characterized by the predominance of winter collections of Arezzo&Co's six brands. This period is marked by two important commemorative dates - Mother's Day (May) and Valentine's Day (June), which feature exclusive campaigns and activations. Shortly after Valentine's Day, the brands began the mark-down period and in parallel launched their transition collections (*Cruise* and *Resort*) - an important period to test consumers' receptivity to next season's new trends (summer). All brands had sell-out SSS positive performances in the quarter and gross revenue growth, especially Mother's Day, which for the second consecutive year had its historical daily sales record (in the Saturday before the date). It is worth mentioning the representativeness of handbags in the mix, which reached 20.0% of Arezzo&Co sell-out, especially the Schutz brand, in which the category already represents 26.6% of the mix.

Arezzo brand reached R$ 228.1 million in revenues in the second quarter, 0.5% higher versus 2Q18, representing 53.9% of Arezzo&Co domestic sales. Excluding the effect of the conversion of 2 owned stores into franchises in the last twelve months, the brand would have grown 1.5%.

As a highlight of the quarter, Arezzo launched its Mother's Day campaign, focusing on mothers and daughters - and featured women such as Sabrina Sato (Brazilian TV Hostess) and her mother Kika, the actress Débora Bloch and her daughter Julia, among others, within the purpose #JUNTASSOMOS (#WEARETOGETHER), which seeks to include women of different generations, ethnicities and physical characteristics as brand ambassadors. In this collection, Arezzo brought classic and timeless models as well as gift kits with excellent perceived value. As a result, the Saturday before Mother's Day recorded Arezzo's highest sales in history, with 54,000 mothers gifted. In addition to the campaign, Arezzo has partnered with jewelry brand Vivara for a capsule collection linking the universe of jewelry to shoes. In June, Arezzo has launched the "*ZZFUN*"- the new line of fabric sneakers in seven color variations. Such sneakers of this campaign achieved inspiring results, with 60% turnover in June alone.

Schutz brand growth reached 9.9% in the period in a global basis. In the domestic market, brand accounted for 27.7% of the Company's sales, amounting to a R$ 117.3 million gross revenue in 2Q19, a 2.5% growth versus the same period of the previous year - continuing the positive performance also shown in the last two quarters. Excluding the effect of the conversion of 5 owned stores into franchises, the brand would have grown 5.8%.

In the foreign market, Schutz U.S. operation recorded a 68.3% growth in the country in Brazilian Reais versus 2Q18 and 54.6% in U.S. Dollars..

For Mother's Day in May, Schutz launched the “Mom Your Way” campaign aimed at highlighting the different facets of women in their role as mothers. Also in May, Schutz partnered with Sephora cosmetics store and launched three handbag models accompanied by a pencil and lipstick from Sephora Collection. In June, the brand launched the “Reflective Love” collection focusing on self-love and featuring an *art wall* installed on Oscar Freire *flagship store* in São Paulo, developed by the British artist Fanakapan - recognized for his technique of mirrored painting.

The rollout of refurbishments to the Digital Store new concept, as well as the growing incentive to the omnichannel initiatives, with important tests, carried out in its largest territory - the city of São Paulo - integrating its owned stores and franchises to the webcommerce channel, aiming an increased conversion and customer satisfaction.

Anacapri brand reached R$ 56.8 million in revenues, a strong 17.6% growth vs. 2Q18, closing the quarter representing 13.4% of the Company's revenues in domestic market, versus 11.9% in 1Q18. The good performance is the result of consistent SSS, the opening of 33 franchises in the last 12 months (4 stores in 2Q19) and the growing relevance of the multibrand channel. It is worth highlighting the performance of the handbag category in the brand, which already represents 8.8% of the mix.

Among the main achievements of the brand in the quarter, the Mother’s Day campaign was the highlight, featuring a 360° product launch and product mix with attractive prices. For Valentine's Day, Anacapri launched a campaign reinforcing self-esteem and freedom with the slogan “free to be yourself” and also held a *collab* with the cosmetics brand Quem Disse Berenice? (owned by Brazilian Company O Boticário), which, in addition to increasing the average ticket in the stores, had a relevant customer flow exchange between the brands.

Alexandre Birman brand showed a 50.6% global growth, with a highlight for SSS in the domestic market and sales in the foreign market. In May, Alexandre Birman was the only Brazilian brand for the second consecutive year at the MET Gala in New York - a ball promoted by the renowned *Metropolitan Museum of Art* - and considered one of the top fashion events in the world. The results were very positive: 2,000 followers gained on the brand's Instagram account on the day of the event, 55% increase in website conversion rate on subsequent days, and about 50 million views around the world. In June, the brand opened its new showroom in New York in one of the most iconic buildings in the city - the Revlon Building. In the same month, the brand participated in the *CFDA Awards*, an annual event celebrating the most prominent names in American fashion.

Fiever brand achieved 15.3% growth in 2Q19 compared to 2Q18, highlighting the webcommerce channel, which already represents 13.2% of brand revenues and grows above the average of other channels. For the first time, in April, Fiever presented a collection in partnership with Disney for the release of the movie Dumbo. For both Mother's Day and Valentine's Day, Fiever has launched campaigns aligned with its consumers' young and contemporary language through its *hashtags #coisademãe and #freelove*. Also, in the quarter, supporting the freedom of expression and diversity, the brand supported São Paulo's LGBTQI + pride parade - an event that attracts thousands of people from the whole world.

Owme, the group's sixth brand, posted a 69.7% growth as compared to the previous year. After one year of learning, the brand has shown a strategy evolution. Among the main adjustments is the name change to "Alme", seeking to facilitate the understanding by the consumer public. In addition, we highlight the broadening of the product mix and the reduction of the average price, in order to make the brand more affordable and expand its reach in A/B market of women footwear. Brand communication will further reinforce the comfort attribute as well as product differentials involving technology, engineering and materials.

The transition process has begun at the end of May, with the *sell-in* sale for the multi-brand channel, and will last up to the end of August, with the launching of a marketing campaign to the target audience. In the quarter, the brand participated for the second time in the Francal fair and had an outstanding performance, with excellent acceptance of new products. Alme ended the quarter with 292 customers in the channel, up 3x versus the same period last year. In addition, the brand shall go ahead with the opening of physical stores throughout the second half of 2019.

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 8.0% growth in sell-out sales in 2Q19 as compared to 2Q18, mainly due to the strong growth of the online channel and the net opening of 54 monobrand stores in the last 12 months, in addition to the increase in same-store-sales, which reached 4.1% in 2Q19.

In 2018, continuing the company's asset-light strategy, 7 owned stores (2 from Arezzo brand and 5 from Schutz brand) were transferred to franchisees, implying a revenue decline in the Owned Stores channel to the benefit of Franchise channel. Excluding the aforementioned transfers, the channel would have grown 8.2%.

The sales area of stores in Brazil and abroad was 5.4% higher when compared to 2Q18, with the net addition of 33 Anacapri stores, 18 Arezzo, 1 Schutz, 1 Alme and 1 Fiever, amounting to 2,277 m² (excluding outlets).

The franchise channel accounted for a 46.2% share of domestic sales in 2Q19 and recorded sell-in SSS at 1.3%, compared to 7.3% in 2Q18. 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. In the last twelve months, Arezzo&Co has shown a SSS sell in of 2.7% and a SSS sell-out of 3.3%.

The Web Commerce channel grew 21.5% compared to 2Q18, representing 11.3% of the company's domestic revenues. The main initiatives of the quarter include (i) the expansion of the dedicated web distribution center; (ii) the launch of Schutz Speed Factory - a new concept that enables the express production of website's out of stock models as well as to test the consumer's acceptance of new products before production; and (iii) the enhancement of Schutz brand APP - to be launched in August. In addition to the mentioned points, it is worth highlight the hiring of two executives during the quarter: Mr. Pedro Correa de Souza, Director of Web Commerce, and Mr. Rodrigo Ribeiro, Director of Technology, both with renowned Brazilian retailers. Additionally, to reinforce the innovative thinking and focus on the Digital Transformation of the business, we invited Mr. Silvio Meira, a big name in the area of innovation, technology, and entrepreneurship in Brazil to join our Strategy, Brands and Innovation Committee.

Within the Digital Transformation initiatives, the channel integration front has made strong progress.

Arezzo&Co ended the quarter with:

- 304 stores operating in *Click n Collect* mode;
- 37 stores operating in the *Store shipping* model;
- 442 stores enabled to sell the webcommerce inventory through mobile devices ("Infinite Shelf") and;
- 326 stores enabled to sell remotely via online payment link to their customers.

Multibrand

In 2Q19, Multibrand channel revenues showed a 3.1% growth versus 2Q18, over a comparable base of 18.9%. The channel positive performance reflects the combination of several Company's actions, including the attraction of new customers and the continuous effort to increase cross-sell among the group's brands in the same points of sale. Anacapri brand has shown a great performance in the channel, with continuous high turnover and attractiveness to merchants. Also noteworthy are the ongoing recovery of Schutz brand performance and the significant growth path of Fiever and Alme brands.

It is worth mentioning that revenues in the cities where the light franchises of the Arezzo brand were opened grew 24.7% in the period.

The group's six brands are now distributed through 2,621 stores in 2Q19, a 11.9% growth versus 2Q18, and are present in 1,361 cities.

Foreign Market

In the United States, the revenue of this operation recorded a 70.1% growth. As expressed in U.S. dollars, such growth was 56.3%. 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 increased number of doors as compared to the previous quarter (78 doors) and the "dropship" (i.e., 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). It is worth mentioning that both brands have inaugurated own showrooms in the Company's new office in New York, located at *The Revlon Building*. Besides that, a change in distribution center was carried out to enable greater scalability and efficiency in the operation of the brands.

In addition to Wholesale channel growth, the Owned Stores channel showed an outstanding performance due to the opening of 7 stores in the last twelve months. In the quarter, two more Schutz stores were opened, the first in New Jersey (Short Hills Mall) and the other in San Francisco (Westfield San Francisco Center), continuing the openings in the commercial store model aiming at higher profitability compared to flagship stores. 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.

Exports of our footwear to the rest of the world had a 18.1% retraction in Brazilian Reais in 2Q19 compared to the same period of 2018, a result partially explained by the drop in the volume of Brazilian footwear exports to other countries, with a 9.5% decline in the period, according to Abicalçados.

On a consolidated basis, in 2Q19, the Company's revenues in the foreign market were 32.6% higher versus 2Q18, representing 13.5% of total revenues, compared to 10.9% in the same period of the previous year.

Expansion of the Monobrand Channel

Arezzo&Co ended the quarter with 696 stores, 681 in Brazil and 15 abroad - an increase of 5.4%, with 60 net openings in the last 12 months.

In 2Q19, 6 stores (net) were opened, including 2 stores of Schutz abroad.

Store Information	2Q18	3Q18	4Q18	1Q19	2Q19
Sales area[1],[3] - Total (m²)	**42.044**	**42.504**	**43.965**	**44.086**	**44.322**
Sales area - franchises (m²)	35.567	36.075	37.691	37.704	37.768
Sales area - owned stores² (m²)	6.477	6.429	6.274	6.382	6.553
Total number of domestic stores	**627**	**640**	**673**	**677**	**681**
# of franchises	**579**	**590**	**628**	**632**	**636**
Arezzo	388	393	405	405	406
Schutz	67	68	73	74	73
Anacapri	124	129	150	153	157
# of owned stores	**48**	**50**	**45**	**45**	**45**
Arezzo	14	14	14	14	14
Schutz	22	22	17	17	17
Alexandre Birman	4	4	4	4	4
Anacapri	3	3	3	3	3
Fiever	4	5	5	5	5
Alme	1	2	2	2	2
Total number of international store:	**9**	**9**	**12**	**13**	**15**
# of franchises	5	5	6	6	6
# of owned stores[4]	4	4	6	7	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, 3 in New York, 2 in Miami, 1 in Los Angeles, 1 in Las Vegas, 1 in New Jersey, and 1 in San Francisco.

Key financial indicators	2Q19	2Q18	Δ (%) 19 x 18	2Q19 Pro forma[4]	Δ (%) 19 x 18
Gross Revenues	489.482	454.679	7,7%	489.482	7,7%
Net Revenues	393.546	373.859	5,3%	393.546	5,3%
COGS	(209.215)	(195.108)	7,2%	(209.234)	7,2%
Depreciation and amortization (cost)	(743)	(329)	n/a	(469)	n/a
Gross Profit	184.331	178.751	3,1%	184.312	3,1%
Gross margin	*46,8%*	*47,8%*	*(1,0 p.p)*	*46,8%*	*(1,0 p.p)*
SG&A	(135.210)	(130.987)	3,2%	(134.894)	3,0%
% of net revenues	*(34,4%)*	*(35,0%)*	*0,6 p.p*	*(34,3%)*	*0,7 p.p*
Selling expenses	**(84.011)**	**(88.314)**	**(4,9%)**	**(91.976)**	**4,1%**
Owned stores and web commerce	(29.009)	(31.059)	(6,6%)	(32.546)	4,8%
Selling, logistics and supply	(55.002)	(57.255)	(3,9%)	(59.430)	3,8%
General and administrative expenses	**(43.488)**	**(32.126)**	**35,4%**	**(45.384)**	**41,3%**
Other operating revenues (expenses)[5]	**11.414**	**(2.088)**	**n/a**	**11.398**	**n/a**
Depreciation and amortization (expenses)	**(19.125)**	**(8.459)**	**126,1%**	**(8.932)**	**5,6%**
EBITDA	68.989	56.552	22,0%	58.818	4,0%
EBITDA Margin	*17,5%*	*15,1%*	*2,4 p.p*	*14,9%*	*(0,2 p.p)*
Net Income	40.568	33.123	22,5%	42.356	27,9%
Net Margin	*10,3%*	*8,9%*	*1,4 p.p*	*10,8%*	*1,9 p.p*
Working capital[1] - as % of revenues	24,4%	26,3%	(1,9 p.p)	25,2%	(1,1 p.p)
Invested capital[2] - as % of revenues	42,7%	36,9%	5,8 p.p	37,4%	0,5 p.p
Net cash/EBITDA LTM	**0,3x**	**0,5x**	**-**	**0,3x**	**-**
Cash	257.135	283.172	(9,2%)	257.135	(9,2%)
Total debt	175.957	175.501	0,3%	175.957	0,3%
Net cash[3]	81.178	107.671	(24,6%)	81.178	(24,6%)

(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) Net non-recurring effect of R$ 8.4 million due to the recovery of extemporaneous tax credits arising from the exclusion of income tax and social contribution on the ICMS tax benefit in 2016.

Key financial indicators	1S19	1S18	Δ (%) 19 x 18	1S19 Pro forma[4]	Δ (%) 19 x 18
Gross Revenues	952.012	862.370	10,4%	952.012	10,4%
Net Revenues	770.709	704.044	9,5%	770.709	9,5%
COGS	(413.902)	(378.733)	9,3%	(413.933)	9,3%
Depreciation and amortization (cost)	(1.356)	(653)	n/a	(901)	n/a
Gross Profit	356.807	325.311	9,7%	356.776	9,7%
Gross margin	*46,3%*	*46,2%*	*0,1 p.p*	*46,3%*	*0,1 p.p*
SG&A	(270.999)	(245.211)	10,5%	(271.221)	10,6%
% of net revenues	*(35,2%)*	*(34,8%)*	*(0,4 p.p)*	*(35,2%)*	*(0,4 p.p)*
Selling expenses	**(167.383)**	**(163.045)**	**2,7%**	**(183.206)**	**12,4%**
Owned stores and web commerce	(58.047)	(62.523)	(7,2%)	(65.138)	4,2%
Selling, logistics and supply	(109.336)	(100.522)	8,8%	(118.068)	17,5%
General and administrative expenses	**(80.050)**	**(61.670)**	**29,8%**	**(83.612)**	**35,6%**
Other operating revenues (expenses)[5]	**12.841**	**(3.936)**	**n/a**	**12.825**	**(425,8%)**
Depreciation and amortization (expenses)	**(36.407)**	**(16.560)**	**119,8%**	**(17.228)**	**4,0%**
EBITDA	123.571	97.313	27,0%	103.683	6,5%
EBITDA Margin	*16,0%*	*13,8%*	*2,2 p.p*	*13,5%*	*(0,3 p.p)*
Net Income	63.709	60.237	5,8%	66.230	9,9%
Net Margin	*8,3%*	*8,6%*	*(0,3 p.p)*	*8,6%*	-
Working capital[1] - as % of revenues	24,4%	26,3%	(1,9 p.p)	25,2%	(1,1 p.p)
Invested capital[2] - as % of revenues	42,7%	36,9%	5,8 p.p	37,4%	0,5 p.p
Net cash/EBITDA LTM	**0,3x**	**0,5x**	**-**	**0,3x**	**-**
Cash	257.135	283.172	(9,2%)	257.135	(9,2%)
Total debt	175.957	175.501	0,3%	175.957	0,3%
Net cash[3]	81.178	107.671	(24,6%)	81.178	(24,6%)

(1) Working Capital: current assets minus cash, cash equivalents and financial investments less from current liabilities minus loans and financing and dividends payable.
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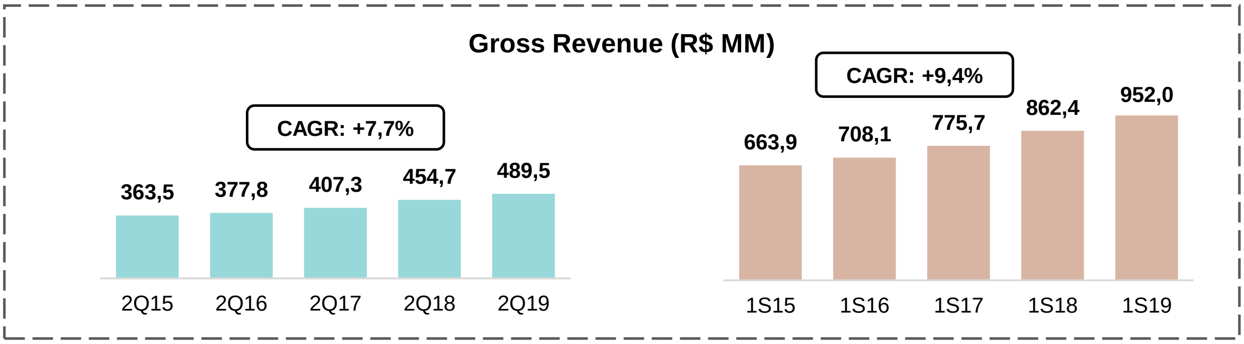
(3) Net debt is equal to total interest bearing debt position at the end of a period less cash, cash equivalents and short-term financial investments.
(4) Excluding the impacts of IFRS 16 / CPC 06 (R2)
(5) Net non-recurring effect of R$ 8.4 million due to the recovery of extemporaneous tax credits arising from the exclusion of income tax and social contribution on the ICMS tax benefit in 2016.

Gross Revenue

The company's Gross Revenue in this quarter totaled R$ 489.5 million, 7.7% increase against 2Q18. Among the primary factors driving this growth, worthy of mention are:

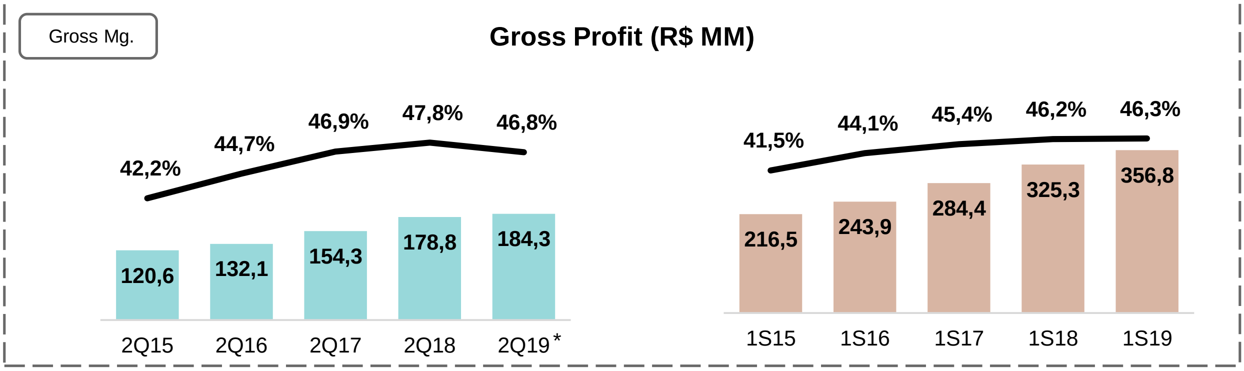
- Growth of 6.3% in the Franchise channel;
- Revenue increase of 17.6% in the Anacapri brand compared to 2Q18;
- Growth of 21.5% in the Web-Commerce channel, reaching 10,2% of Gross Revenue in the domestic market against 10.1% in 2Q18;
- Growth of 70,1% in the US Operation.



Gross Profit (Pro forma)

Gross Profit for 2Q19 totaled R$ 184.3 million, a 3.1% increase against 2Q18, with the gross margin down by 100 bps reaching 46.8% in 2Q19.

Among the factors responsible for the gross margin, the positively highlight goes to: (i) higher share of US Operation and Web-Commerce channel in the mix of revenue, and negatively (ii) the decrease in the exports margin resulting from the sale of older inventories, (iii) the lower share of the Owned Stores channel in the mix after the conversion of 7 stores into franchises in the last twelve months and (iv) non-recurring effects related to the owned factory margin.



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

Adjusted Operating Expenses (Pro forma)

In 2Q19, expenses were affected by the following factors: (i) development of the US operation and (ii) discretionary expenses related to the Company's strategic projects, focusing on the sustainability of long term growth.

Selling Expenses

In 2Q19, there was a 4.1% expansion of commercial expenses when compared to 2Q18, reaching R$92.0 million. It is worth mentioning that commercial expenses include:

(i) Expenses of Owned Stores and Web-Commerce (sell-out channels), which totaled R$ 32.5 million - an increase of 4.8% compared to 2Q18, below the 21.5% 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$59.4 million – an increase of 3,8% over 2Q18. The increase in expenses was in line with the sales growth of the sell-in channels (Multibrand, Franchise, and Exports), which was 3.6%. It is worth to mention that the incremental expenses related to the deliberations of the Company's strategic planning, such as (i) the expansion of the US Operation, (ii) investments in the digital transformation fronts (structuring of 5 squads) and (iii) logistics investments such as the Web-Commerce Distribution Center expansion are already covered by these expenses.

General and Administrative Expenses

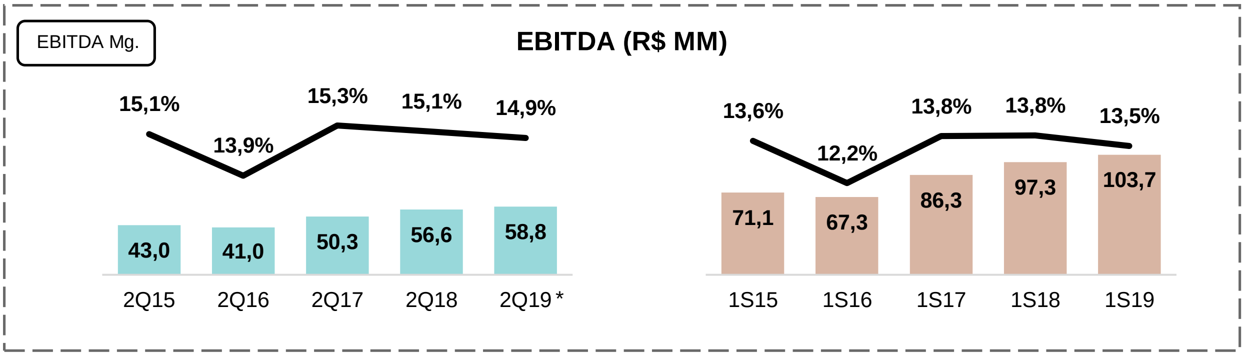
In 2Q19, general and administrative expenses increased R $ 13.3 million, an increase of 41.3% over 2Q18, of which R$ 7.3 million related to the Brazilian operation - highlighting some legal expenses as well as IT investments (including software licenses) - and R$ 5.3 million related to the United States operation. As explained above, this increase includes significant investments in the country's operation, including the new logistics structure, showroom, personnel, marketing, and consulting.

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

EBITDA and EBITDA Margin (Pro forma)

The Company's adjusted EBITDA totaled R$ 58.8 million in 2Q19, which represents a margin of 14.9% and an increase of 4.0% against the results reported in 2Q18. Among the main reasons are:

- Net revenue growth of 5,3% against the same period of 2018;
- Gross profit growth of 3,1% (100bps pressure in gross mg);
- EBITDA margin of the Brazilian operation increased 170 bps, from 18.1% in 2Q18 to 19.8% in 2Q19;
- Excluding the US Operation, the Company's consolidated EBITDA margin would have increased by 485 bps in the quarter, due to the continuous investment in the Company's international expansion.
    - Considering some non-recurring elements that should cease in the coming months, this margin pressure from the United States was 340bps, in line with 1Q19;

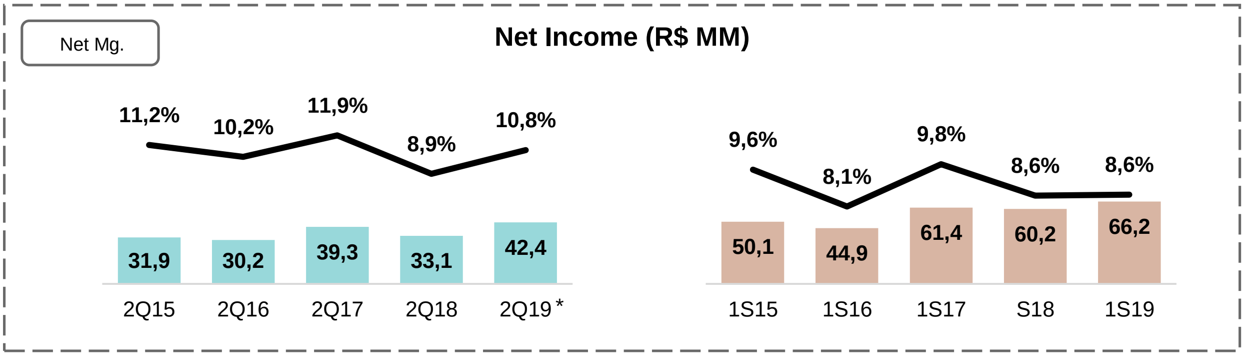


EBITDA before the adoption of IFRS 16 / CPC 06 (R2)

Net Income and Net Margin (Pro forma)

The Company posted a net margin of 10.8% in 2Q19 and a net income of R$ 42.4 million, 27.9% higher against 2Q18.

Net income was impacted by: (i) improvement of financial result arising from a lower currency variation associated with the debt balance in USD; (ii) positive impact on the effective income tax rate and; (iii) reduction of financial revenues; resulting from a lower average cash position in the period and a significant reduction of 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 R$ 41.2 million of operating cash in 2Q19, amount 56% higher than 2Q18. Arezzo & Co generated operating cash of R$ 41.2 million in 2Q19, 56% more than in 2Q18, due to higher depreciation and amortization (IFRS-16 effects) as well as a higher volume of accounts receivable and lower inventory volume compared to 2Q18. Working capital as % of revenues decreased from 26,3% in 2Q18 to 24,4% in 2Q19 (IFRS-16).

Operating Cash Flow	2Q19	2Q18	1S19	1S18
Profits before income tax and social contribution	**44.718**	**34.883**	**76.158**	**68.444**
Depreciation and amortization	**19.868**	**8.788**	**37.763**	**17.213**
Others	**665**	**13.541**	**6.251**	**11.799**
Decrease (increase) in assets / liabilities	**(9.758)**	**(28.098)**	**(14.655)**	**(35.470)**
Trade accounts receivables	23.388	9.804	10.742	1.597
Inventories	(1.064)	(14.689)	(13.930)	(29.041)
Suppliers	(36.638)	(25.485)	5.308	2.936
Change in other noncurrent and current assets and liabilities	4.556	2.272	(16.775)	(10.962)
Payment of income tax and social contribution	**(14.309)**	**(2.751)**	**(21.414)**	**(6.141)**
Net cash flow generated by operational activities	**41.184**	**26.363**	**84.103**	**55.845**

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 2Q19, Arezzo&Co invested R$ 17.5 milion in CAPEX, highlighting:

Brazilian Operation: (i) investments in the digital transformation, (ii) expansion of the Web-Commerce distribution center and (iii) investments in the new Alexandre Birman brand factory.

US Operation: (i) new headquarters in the United States with exclusive showroom for Schutz and Alexandre Birman brands, (ii) launch of Schutz store at Short Hills Mall in New Jersey and (iii) launch of Schutz store at Westfield San Francisco Center in San Francisco.

Summary of Investments	2Q19	2Q18	Δ 19 x 18 (%)	1S19	1S18	Δ 19 x 18 (%)
Total CAPEX	**17.486**	**15.014**	**16,5%**	**26.120**	**22.227**	**17,5%**
Stores - expansion and refurbishing	2.209	3.705	(40,4%)	2.343	7.116	(67,1%)
Corporate	4.280	7.377	(42,0%)	8.024	9.707	(17,3%)
Other	10.997	3.932	179,7%	15.753	5.404	191,5%

Cash position and indebtedness

The Company ended 2Q19 with R$ 81.2 million in cash. The debt policy remains conservative, as follows:

- Total indebtedness of R$ 176.0 million in 2Q19 against R$ 175.5 million in 2Q18;
- Net cash of 0.3x versus 0,5x EBITDA in 2Q18.

Cash position and Indebtedness	2Q19	1Q19	2Q18
Cash	**257.135**	**299.755**	**283.172**
Total debt	**175.957**	**174.253**	**175.501**
Short-term	153.533	81.827	162.002
% total debt	87,3%	47,0%	92,3%
Long-term	22.424	92.426	13.499
% total debt	12,7%	53,0%	7,7%
Net debt	**(81.178)**	**(125.502)**	**(107.671)**

ROIC - Return on Invested Capital (Pro forma)

Return on invested capital (ROIC) reached 27.7% compared to 31.2% in 2Q18. The pro forma NOPAT remained in line with the previous year, which in turn had a low LTM IR / CSLL basis, due to an injunction obtained in 4Q17, retroactive to 2017 as a whole.

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	2Q19	2Q19 Pro forma	2Q18	2Q17	Δ 19 x 18 Reported	Δ 19 x 18 Pro forma
EBIT (LTM)	196.988	196.735	180.797	169.714	9,0%	8,8%
+ IR e CS (LTM)	(31.596)	(31.594)	(15.181)	(49.539)	108,1%	108,1%
NOPAT	**165.392**	**165.141**	**165.616**	**120.175**	**(0,1%)**	**(0,3%)**
Working Capital[1]	388.969	425.398	378.688	307.097	2,7%	12,3%
Permanet assets	366.664	161.353	154.515	156.998	137,3%	4,4%
Other long-term assets[2]	39.192	39.192	34.156	29.173	14,7%	14,7%
Invested capital	**794.825**	**625.943**	**567.359**	**493.268**	**40,1%**	**10,3%**
Average invested capital[3]	**681.092**	**596.651**	**530.314**		**28,4%**	**12,5%**
ROIC[4]	**24,3%**	**27,7%**	**31,2%**			

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

Balance Sheet

Assets	2Q19	1Q19	2Q18
Current assets	**877.448**	**928.010**	**842.426**
Cash and Banks	7.842	5.691	17.464
Financial Investments	249.293	294.064	265.708
Trade accounts receivables	370.837	394.770	333.982
Inventory	163.368	162.613	140.861
Taxes recoverable	57.554	42.903	48.899
Other credits	28.554	27.969	35.512
Non-current assets	**426.667**	**404.581**	**213.878**
Long-term receivables	60.003	60.400	59.363
Aplicações financeiras	0	0	0
Trade accounts receivables	10.948	11.070	10.569
Deferred income and social contribution	20.811	20.410	25.207
Other credits	28.244	28.920	23.587
Investments property	3.314	3.324	3.325
Property, plant and equipment	299.640	275.874	77.831
Intangible assets	63.710	64.983	73.359
Total assets	**1.304.115**	**1.332.591**	**1.056.304**

Liabilities	2Q19	1Q19	2Q18
Current liabilities	**420.301**	**428.398**	**360.659**
Loans and financing	153.533	81.827	162.002
Lease	36.390	34.272	0
Suppliers	111.810	148.825	107.352
Other liabilities	118.568	163.474	91.305
Non-current liabilities	**204.966**	**260.079**	**24.089**
Loans and financing	22.424	92.426	13.499
Related parties	1.428	1.452	1.436
Other liabilities	9.715	9.130	9.154
Lease	171.399	157.071	0
Shareholder's Equity	**678.848**	**644.114**	**671.556**
Capital	352.715	341.073	341.073
Capital reserve	49.035	47.909	45.925
Profit reserves	90.033	90.033	178.748
Tax incentive reserve	136.443	136.443	64.658
Other comprehensive income	7.257	5.515	1.916
Accumulated Profit	43.365	23.141	39.236
Total liabilities and shareholders' equity	**1.304.115**	**1.332.591**	**1.056.304**

Income Statement

Income Statement - IFRS	2Q19	2Q18	Var.%	2Q19 Pro forma	Var.%
Net operating revenue	**393.546**	**373.859**	**5,3%**	**393.546**	**5,3%**
Cost of goods sold	(209.215)	(195.108)	7,2%	(209.234)	7,2%
Gross profit	**184.331**	**178.751**	**3,1%**	**184.312**	**3,1%**
Operating income (expenses):	**(135.210)**	**(130.987)**	**3,2%**	**(134.894)**	**3,0%**
Selling	(97.908)	(94.581)	3,5%	(98.111)	3,7%
Administrative and general expenses	(48.717)	(34.319)	42,0%	(48.182)	40,4%
Other operating income, net	11.415	(2.087)	-647,0%	11.399	-646,2%
Income before financial result	**49.121**	**47.764**	**2,8%**	**49.418**	**3,5%**
Financial income	(4.403)	(12.881)	-65,8%	(2.914)	-77,4%
Income before income taxes	**44.718**	**34.883**	**28,2%**	**46.504**	**33,3%**
Income tax and social contribution	(4.150)	(1.760)	135,8%	(4.148)	135,7%
Current	(5.381)	(9.001)	-40,2%	(5.381)	-40,2%
Deferred	1.231	7.241	-83,0%	1.233	-83,0%
Net income for period	**40.568**	**33.123**	**22,5%**	**42.356**	**27,9%**

Income Statement - IFRS	2Q19	2Q18	Var.%	2Q19 Pro forma	Var.%
Net operating revenue	**770.709**	**704.044**	**9,5%**	**770.709**	**9,5%**
Cost of goods sold	(413.902)	(378.733)	9,3%	(413.933)	9,3%
Gross profit	**356.807**	**325.311**	**9,7%**	**356.776**	**9,7%**
Operating income (expenses):	**(270.999)**	**(245.211)**	**10,5%**	**(271.221)**	**10,6%**
Selling	(194.008)	(175.492)	10,6%	(194.388)	10,8%
Administrative and general expenses	(89.833)	(65.784)	36,6%	(89.659)	36,3%
Other operating income, net	12.842	(3.935)	-426,4%	12.826	-425,9%
Income before financial result	**85.808**	**80.100**	**7,1%**	**85.555**	**6,8%**
Financial income	(9.650)	(11.656)	-17,2%	(6.878)	-41,0%
Income before income taxes	**76.158**	**68.444**	**11,3%**	**78.677**	**15,0%**
Income tax and social contribution	(12.449)	(8.207)	51,7%	(12.447)	51,7%
Current	(17.450)	(18.990)	-8,1%	(17.450)	-8,1%
Deferred	5.001	10.783	-53,6%	5.003	-53,6%
Net income for period	**63.709**	**60.237**	**5,8%**	**66.230**	**9,9%**

Cash Flow

Cash Flow	2Q19	2Q18	1S19	1S18
Operating activities				
Income before income tax and social contribution	44.718	34.883	76.158	68.444
Adjustments to reconcile net income with cash from operational activities	**20.533**	**22.329**	**44.014**	**29.012**
Depreciation and amortization	19.868	8.788	37.763	17.213
Income from financial investments	(3.478)	(4.605)	(7.193)	(9.623)
Payments of Interest on loans	(190)	(1.685)	(1.007)	(2.364)
Interest and exchange rate	207	12.858	6.208	14.063
Other	4.126	6.973	8.243	9.723
Decrease (increase) in assets				
Trade accounts receivables	23.388	9.804	10.742	1.597
Inventory	(1.064)	(14.689)	(13.930)	(29.041)
Recoverable taxes	(14.305)	(9.036)	(7.579)	(9.927)
Change in other current assets	1.689	(1.005)	(6.561)	(3.665)
Judicial deposits	466	(857)	(4.302)	(1.005)
(Decrease) increase in liabilities				
Suppliers	(36.638)	(25.485)	5.308	2.936
Labor liabilities	6.528	10.545	(4.189)	2.355
Fiscal and social liabilities	3.396	(781)	(1.067)	(3.283)
Variation in other liabilities	6.782	3.406	6.923	4.563
Payment of income tax and social contribution	(14.309)	(2.751)	(21.414)	(6.141)
Lease	-	-	-	-
Net cash flow from operating activities	**41.184**	**26.363**	**84.103**	**55.845**
Investing activities				
Sale of fixed and intangible assets	987	(2)	987	680
Acquisition of fixed and intangible assets	(17.486)	(15.014)	(26.120)	(22.227)
Financial Investments	(243.012)	(182.058)	(530.109)	(408.102)
Redemption of financial investments	290.187	244.619	513.814	477.998
Net cash used in investing activities	**30.676**	**47.545**	**(41.428)**	**48.349**
Financing activities with third parties				
Increase in loans	6.358	45.770	79.965	50.336
Payments of loans	(2.227)	(60.872)	(15.677)	(75.705)
Créditos (débitos) com partes relacionadas, exceto sócios				
Instalment Lease	(10.410)	-	(23.369)	-
Net cash used in financing activities with third parties	**(6.279)**	**(15.102)**	**40.919**	**(25.369)**
Financing activities with shareholders				
Interest on equity	(20.847)	-	(20.847)	-
Profit distribution	(54.153)	(48.796)	(75.000)	(69.716)
Receivables (payables) with shareholders	(24)	198	(16)	204
Issuing of shares	11.642	-	11.642	-
Repurchase of shares	-	(1.814)	-	(2.806)
Net cash used in financing activities	**(63.382)**	**(50.412)**	**(84.221)**	**(72.318)**
Increase (decrease) in cash and cash equivalents	**2.199**	**8.394**	**(627)**	**6.507**
Cash and cash equivalents				
Foreign exchange effect on cash and cash equivalents	(48)	778	(32)	801
Cash and cash equivalents - Initial balance	5.691	8.292	8.501	10.156
Cash and cash equivalents - Closing balance	7.842	17.464	7.842	17.464
Increase (decrease) in cash and cash equivalents	**2.199**	**8.394**	**(627)**	**6.507**

Important notice

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

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