

(Convenience Translation into English from the
Original Previously Issued in Portuguese)

Vivara Participações S.A.

Individual and Consolidated
Financial Statements
for the Period from
May 23 (Inception Date) to
December 31, 2019 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Vivara Participações S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Vivara Participações S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the period from May 23 (inception date) to December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Vivara Participações S.A. as at December 31, 2019, and its individual and consolidated financial performance and its individual and consolidated cash flows for the period from May 23 (inception date) to December 31, 2019 in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters ("KAMs") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

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Recognition of the effects arising from the adoption of technical pronouncement CPC 06 (R2)/IFRS 16 - Leases

Why is it a KAM?

The Company's subsidiaries entered into operating lease agreements and, beginning January 1, 2019, they are required to account for these transactions pursuant to technical pronouncement CPC 06 (R2)/IFRS 16 - Leases. This new technical pronouncement introduced complex accounting aspects for the measurement of right-of-use assets and lease liabilities.

This matter was considered a KAM in our audit because: (i) it refers to the adoption of a technical pronouncement that had a material effect on the individual and consolidated financial statements, as disclosed in note 28 to the individual and consolidated financial statements; (ii) judgment is exercised with respect to the interest rates considered for calculating the liability amounts; (iii) judgment is exercised in determining the terms to be considered in each lease agreement; and (iv) judgment is exercised on initial recognition in relation to the transition rules.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) discussing the criteria used to identify and classify lease agreements, lease terms and the discount rates used; (ii) analyzing the accounting policies established by Management in comparison to the requirements of technical pronouncement CPC 06 (R2)/IFRS 16; (iii) performing documentation testing procedures, based on a sampling of operating lease agreements, used as a calculation basis, and adjusting the lease flows and calculation criteria to determine the effects on the financial statements; and (iv) involving our specialists to conduct an analysis of Management's assumptions used in the adoption of the discount rate and in the calculations made to determine the effects from the adoption of such new technical pronouncement.

Based on the evidence obtained from performing our procedures described above, we consider that the determination and criteria applicable to assess the effects from adopting technical pronouncement CPC 06 (R2)/IFRS 16, their recognition and related disclosures in the notes to the financial statements are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the period from May 23 (inception date) to December 31, 2019, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. The other information comprises the Management Report, obtained before the date of this auditor's report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information obtained before the date of this auditor's report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, when applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 23, 2020



DELOITTE TOUCHE TOHMATSU
Auditores Independentes



Marcelo de Figueiredo Seixas
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT DECEMBER 31, 2019

(In thousands of Brazilian reais - R\$)

<u>ASSETS</u>	<u>Note</u>	<u>Parent</u>	<u>Consolidated</u>	<u>LIABILITIES AND EQUITY</u>	<u>Note</u>	<u>Parent</u>	<u>Consolidated</u>
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	5	8,239	435,844	Trade payables	12	-	36,421
Trade receivables	6	-	425,833	Borrowings and financing	16	-	190,934
Due from related parties	19	60,775	-	Due to related parties	19	-	88
Inventories	7	-	348,034	Payroll and related taxes	13	309	65,174
Recoverable taxes	8	3,155	95,247	Taxes payable	14	7,601	86,778
Prepaid expenses and other receivables		388	7,671	Taxes in installments	15	-	457
Derivatives	16	-	6,796	Leases payable		-	14,856
Total current assets		<u>72,557</u>	<u>1,319,425</u>	Interest on capital	18.c)	8,124	8,124
				Right-of-use leases payable	28	-	24,119
NONCURRENT ASSETS				Other payables		268	31,863
Escrow deposits	17	-	13,680	Total current liabilities		<u>16,302</u>	<u>458,814</u>
Deferred income tax and social contribution	20.b)	-	54,200				
Derivatives	16	-	2,715	NONCURRENT LIABILITIES			
Recoverable taxes	8	-	168,344	Payroll and related taxes	13	-	9,193
Investments	9	1,033,469	-	Borrowings and financing	16	-	79,420
Property, plant and equipment	10	-	311,620	Taxes in installments	15	-	1,864
Intangible assets	11	-	9,546	Provision for civil, labor and tax risks	17	-	15,234
Total noncurrent assets		<u>1,033,469</u>	<u>560,105</u>	Right-of-use leases payable	28	-	225,281
				Total noncurrent liabilities		-	<u>330,992</u>
				EQUITY			
				Capital	18.a)	1,052,340	1,052,340
				Earnings reserves	18.b)	<u>37,384</u>	<u>37,384</u>
				Total equity		1,089,724	1,089,724
TOTAL ASSETS		<u>1,106,026</u>	<u>1,879,530</u>	TOTAL LIABILITIES AND EQUITY		<u>1,106,026</u>	<u>1,879,530</u>

The accompanying notes are an integral part of these financial statements.

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

INCOME STATEMENTS

FOR THE PERIOD FROM MAY 23 (INCEPTION DATE) TO DECEMBER 31, 2019

(In thousands of Brazilian reais - R\$)

	<u>Note</u>	<u>Parent</u>	<u>Consolidated</u>
NET REVENUE FROM SALES AND SERVICES	21	-	749,667
Costs of sales and services	22	-	(215,869)
GROSS PROFIT		-	533,798
OPERATING INCOME (EXPENSES)			
Selling expenses	22	-	(224,148)
General and administrative expenses	22	(1,164)	(121,398)
Share of profit (loss) of subsidiaries	9	269,429	(88)
Other operating income (expenses), net	24	-	104,758
INCOME BEFORE FINANCE INCOME (COSTS)		268,265	292,922
FINANCE INCOME (COSTS)			
Finance income	25	11	64,709
Finance costs	26	(1)	(40,389)
OPERATING INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		268,275	317,242
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	20.a)	(10,304)	(60,151)
Deferred	20.b)	-	880
PROFIT FOR THE PERIOD		<u>257,971</u>	<u>257,971</u>

The accompanying notes are an integral part of these financial statements.

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM MAY 23 (INCEPTION DATE) TO DECEMBER 31, 2019

(In thousands of Brazilian reais - R\$)

	<u>Consolidated</u>	<u>Parent</u>
PROFIT FOR THE PERIOD	257,971	257,971
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>257,971</u>	<u>257,971</u>

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD FROM MAY 23 (INCEPTION DATE) TO DECEMBER 31, 2019

(In thousands of Brazilian reais - R\$)

	Note	Capital	Earnings reserves	Accumulated losses	Total
BALANCES AS AT MAY 23, 2019 (INCEPTION DATE)		1	-	-	1
Capital contribution - assignment of shares	9	651,908	-	-	651,908
Capital contribution - initial public offering (IPO)	18.a)	453,472	-	-	453,472
Share issuance costs - initial public offering (IPO)	18.a)	(53,041)	-	-	(53,041)
Unrealized earnings from subsidiaries' operations, net of taxes		-	-	(205,084)	(205,084)
Profit for the period		-	-	257,971	257,971
Recognition of legal reserve	18.c)	-	2,644	(2,644)	-
Recognition of statutory reserve	18.c)	-	7,301	(7,301)	-
Distributed dividends	18.c)	-	-	(2,942)	(2,942)
Interest on capital distributed	18.c)	-	-	(12,561)	(12,561)
Additional interest on capital paid	18.c)	-	27,439	(27,439)	-
BALANCES AS AT DECEMBER 31 , 2019		<u>1,052,340</u>	<u>37,384</u>	<u>0</u>	<u>1,089,724</u>

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM MAY 23 (INCEPTION DATE) TO DECEMBER 31, 2019

(In thousands of Brazilian reais - R\$)

	Note	Parent	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		257,971	257,971
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	22	-	29,133
Charges and exchange rate changes on borrowings and financing	16	-	11,973
Charges on right-of-use leases	28	-	14,443
Current and deferred income tax and social contribution	20.b)	10,304	59,271
Allowance for inventory losses	7	-	2,220
Provision for civil, labor and tax risks	17	-	(428)
Expected credit losses	6	-	37
Share of profit (loss) of subsidiaries	9	(269,429)	88
Interest on tax installment payment	15	-	112
Write-off of property, plant and equipment items and intangible assets	24	-	225
Tax credits	8	-	(103,658)
Inflation adjustments to escrow deposits and recoverable taxes		-	(58,944)
Increase (decrease) in operating assets and liabilities:			
Trade receivables		-	(230,130)
Due from related parties		-	24,283
Inventories		-	19,090
Recoverable taxes		(3)	(4,242)
Escrow deposits		-	396
Other receivables		(389)	6,511
Trade payables		-	(1,758)
Payroll and related taxes		309	30,325
Taxes payable		433	38,438
Leases payable		-	5,266
Taxes in installments		-	(527)
Contingencies paid		-	(1,125)
Other payables		268	15,434
Cash provided by operating activities		(536)	114,404
Income tax and social contribution paid		-	(39,700)
Paid interest on borrowings and financing	16	-	(9,194)
Net cash provided by operating activities		(536)	65,510
CASH FLOWS FROM INVESTING ACTIVITIES			
Intragroup loans		-	2,000
Dividends received	18.c)	5,942	-
Intragroup loans received		-	(2,000)
Short-term investments		-	605
Disposal of investments	9	-	1,871
Sale of property, plant and equipment		-	11,608
Capital contribution in subsidiaries	9	(394,657)	-
Purchase of property, plant and equipment	10	-	(34,364)
Purchase of intangible assets	11	-	(4,470)
Net cash used in investing activities		(388,715)	(24,750)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase	18.a)	453,472	453,472
Share issuance costs - public offering	18.a)	(53,041)	(53,041)
Dividends paid	18.c)	(2,942)	(2,942)
Borrowings and financing	16	-	112,636
Repayment of borrowings and financing	16	-	(115,665)
Settlement of SWAP contracts	16	-	1,095
Amortization of right-of-use leases	28	-	(31,368)
Net cash provided by financing activities		397,489	364,187
INCREASE IN CASH AND CASH EQUIVALENTS		8,238	404,947
Opening balance of cash and cash equivalents		1	30,897
Closing balance of cash and cash equivalents		8,239	435,844

The accompanying notes are an integral part of these financial statements.

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED

FOR THE PERIOD FROM MAY 23 (INCEPTION DATE) TO DECEMBER 31, 2019

(In thousands of Brazilian reais - R\$)

	<u>Note</u>	<u>Parent</u>	<u>Consolidated</u>
REVENUE			
Sales of goods, products and services	21	-	963,142
Other income	24	-	104,735
Expected credit losses	24	-	36
INPUTS ACQUIRED FROM THIRD PARTIES			
Costs of sales and services		-	(200,107)
Supplies, power, outside services and other inputs		(202)	(143,696)
GROSS VALUE ADDED		(202)	724,110
Depreciation and amortization	10 and 11	-	(29,133)
WEALTH CREATED BY THE COMPANY		(202)	694,977
WEALTH RECEIVED IN TRANSFER			
Profit sharing of subsidiaries/associates	9	269,429	(88)
Finance income	25	11	64,709
TOTAL WEALTH FOR DISTRIBUTION		<u>269,238</u>	<u>759,598</u>
WEALTH DISTRIBUTED			
Personnel:			
Salaries and wages		790	133,276
Benefits		-	17,841
Severance Pay Fund (FGTS)		-	9,048
		<u>790</u>	<u>160,165</u>
Taxes, fees and contributions:			
Federal		10,476	140,079
State		-	148,907
Municipal		-	1,304
		<u>10,476</u>	<u>290,290</u>
Lenders and lessors:			
Interest and banking expenses	26	1	36,707
Rentals		-	12,564
Royalties		-	1,901
		<u>1</u>	<u>51,172</u>
Shareholders:			
Dividends and interest on capital	19.c)	42,942	42,942
Retained earnings		<u>215,029</u>	<u>215,029</u>
		257,971	257,971
TOTAL WEALTH DISTRIBUTED		<u>269,238</u>	<u>759,598</u>

The accompanying notes are an integral part of these financial statements.

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM MAY 23 (INCEPTION DATE) TO DECEMBER 31, 2019
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

Vivara Participações S.A. ("Vivara Participações" or "Company") is the holding company controlling Vivara Group, established in 1962, which is engaged in the manufacturing and sale of jewelry and other articles. The consolidated financial statements comprise the financial statements of the Company and subsidiaries Tellerina Comércio de Presentes e Artigos para Decoração S.A. ("Tellerina") and Conipa Indústria e Comércio de Presentes, Metais e Artigos de Decoração Ltda. ("Conipa"). The Company's controlling shareholders are mentioned in note 20.

Vivara Participações, with registered head office in the city of São Paulo, State of São Paulo, is primarily engaged in holding equity interests in other entities, as a shareholder, besides operating as a holding company of non-financial institutions and intellectual property agent. The Company was established on May 23, 2019 and, pursuant to the equity interest transfer agreement dated June 15, 2019, the equity interests held in Tellerina and Conipa were transferred. All rights and obligations of any nature, including the effects and results of such equity interest transfer, are assigned to Vivara Participações beginning June 1, 2019, pursuant to the instrument of consent signed by shareholders.

Tellerina established its registered head office in the city of Manaus, State of Amazonas, and administrative center in the city of São Paulo, State of São Paulo. Through a chain of stores under the brand "VIVARA", Tellerina is primarily engaged in the import, export and retail and wholesale trade of jewelry, costume jewelry, articles made from non-precious metals and their alloys, plated jewelry, precious stones, watches, chronometric instruments, leather goods and similar goods, besides providing jewelry design and repair services in general. As at December 31, 2019, Tellerina had 197 stores and 56 kiosks operating in Brazil.

Conipa has its registered head office in the city of Manaus, State of Amazonas and is primarily engaged in the manufacture of jewelry, goldsmithery and watch items, selling these products in the retail and wholesale markets, besides providing jewelry and watch repair services.

2. BASIS OF PREPARATION OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

The individual and consolidated financial statements have been prepared based on the historical cost, unless otherwise stated. The historical cost is generally based on the fair value of the consideration given in exchange for an asset.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market players at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Management takes into account the characteristics of the asset or liability if market players would take those characteristics into account when pricing the asset or liability at the measurement date.

2.2. Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM"), and the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB").

2.3. Statement of relevance

In preparing the individual and consolidated financial statements, Management only disclosed relevant information that could support their users in the decision-making process, without failing to comply with the existing minimum requirements. In addition, Management asserts that all relevant information is being disclosed and corresponds to the information used in managing the business.

2.4. Functional and reporting currency

Items included in the individual and consolidated financial statements are measured in Brazilian reais (R\$), the currency of the economic environment in which the Group operates, which is adopted as the Group's functional and reporting currency.

2.5. Use of estimates and judgments

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Accounting Pronouncements Committee ("CPC") and the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), which require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates and assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and in any future years affected.

The main accounts subject to assumptions and estimates are included in the following notes:

- Notes 10 and 11 – useful lives and impairment test of property, plant and equipment and intangible assets.
- Note 16 – fair value of securities and derivative financial instruments.
- Note 17 - provision for civil, labor and tax risks.
- Note 20.b) – deferred income tax and social contribution.

2.6. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over an investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company achieves control over the subsidiary and ceases when the Company loses control over the subsidiary.

In preparing the consolidated financial statements, financial statements for the same reporting period were used, which are consistent with the Company's accounting policies.

When necessary, accounting adjustments are made to the subsidiaries' financial statements to conform their accounting policies to those used by the Company.

All transactions and receivables and payables, as well as investments proportionately to the investor's interest in the equity and profit or loss of subsidiaries, and unrealized earnings, less income tax and social contribution, between the companies included in the consolidated financial statements are fully eliminated.

In the Company's individual financial statements, the investments in subsidiaries are recognized under the equity method.

The consolidated financial statements comprise the financial statements of the Company and its direct subsidiaries, as shown below:

<u>Subsidiaries</u>	<u>Equity interest (%)</u>
Tellerina	99.99
Conipa	99.99

3. SIGNIFICANT ACCOUNTING POLICIES

a) General principles and revenue recognition criteria

Sales revenue is recognized in the income statement when a performance obligation is satisfied through the transfer of promised goods and related control to a customer, as well as when the price is identifiable and the performance obligations are met. Sales revenue is stated net of deductions, including taxes on sales.

b) Foreign currency-denominated transactions

Foreign currency-denominated transactions are initially recognized at the fair value of the corresponding currencies at the date the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated into Brazilian reais (R\$) at the quoted market rates prevailing at the balance sheet dates. Any differences in the payment or translation of monetary items are recognized in finance income (costs).

c) Financial instruments

Classification and measurement of financial assets and financial liabilities

The classification of financial assets and financial liabilities under CPC 48/IFRS 9 is generally based on the business model within which financial assets are managed and on their contractual cash flow characteristics.

In accordance with CPC 48/IFRS 9, upon initial recognition, financial assets are classified as measured at: amortized cost; fair value through other comprehensive income ("FVTOCI"); or fair value through profit or loss ("FVTPL").

The following accounting policies are applicable to the subsequent measurement of financial assets:

Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognized in profit or loss. Any gains or losses arising on the derecognition are also recognized in profit or loss.
Financial assets measured at FVTOCI	These assets are measured at fair value through other comprehensive income as they are designated for trading before maturity.

Under CPC 48/IFRS 9, a financial asset is measured at amortized cost provided that the following conditions are met and it is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

A financial asset is measured at FVTOCI provided that the following conditions are met and it is not designated as measured at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

The following table includes the measurement categories under CPC 48/IFRS 9 for each class of financial assets and/or financial liabilities.

Consolidated CPC 48/IFRS 9			
Assets	Note	Category	Carrying amounts
Cash and cash equivalents	5	Amortized cost	435,844
Trade receivables	7	Amortized cost	425,833
Derivatives – swap	30	FVTPL	9,511
Total financial assets			<u>871,188</u>
Trade payables	13	Amortized cost	36,421
Borrowings	17	Amortized cost	270,354
Right-of-use leases payable	29	Amortized cost	249,400
Total financial liabilities			<u>556,175</u>

Derivatives

Management uses derivative financial instruments classified as swaps to hedge foreign currency-denominated contracts and contracts subject to fixed rates. These derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date. These contracts should have the same maturity dates, interest and principal repayment dates and be executed with the same financial conglomerate associated with the hedged item.

These instruments are classified as financial instruments "measured at fair value" and their variations are recognized in finance income (costs).

d) Statement of value added

The purpose of this statement is to disclose the wealth created by the Company and its subsidiaries and its distribution during a certain reporting period, and is presented by the Companies, as required by the Brazilian Corporate Law, as an integral part of their individual and consolidated financial statements.

This statement was prepared based on information obtained from the accounting records used as a basis for the preparation of individual and consolidated financial statements and supplementary records, and pursuant to the provisions of CPC 09 - Statement of Value Added.

e) Cash and cash equivalents

Comprise cash and banks and short-term investments maturing within up to 90 days from investment date.

Short-term investments substantially refer to Bank Deposit Certificates ("CDBs") and are carried at cost, plus income earned through the end of the reporting period, which does not exceed their realizable value.

f) Trade receivables and allowance for expected credit losses

Trade receivables correspond to proceeds from the sale of goods and are recorded at their original amounts, less the allowance for expected credit losses.

Trade receivables are initially recorded at the transaction amount, which corresponds to the selling price, and are subsequently measured according to the portfolio: (i) at fair value through other comprehensive income, for receivables from credit card companies; and (ii) at amortized cost, for all other portfolios.

The allowance for expected credit losses is measured on the transaction date, taking into account the lifetime of receivables. The Company adopts a credit risk matrix considering the historical experience of losses, based on the average aging list of receivables.

g) Inventories

Measured at the acquisition or production costs and other costs incurred on bringing the inventories to their present locations and conditions. In the case of finished product and work-in-process inventories, cost includes a proportional share of manufacturing overheads based on normal operating capacity.

Inventories are stated at the weighted average cost, less any estimated losses, when applicable.

h) Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are measured at the historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, when applicable.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the Companies themselves includes costs of materials and direct labor, as well as any other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

Any gains and losses on disposals are measured as the difference between the disposal proceeds and the carrying amount and are recognized in "Other operating income (expenses), net" in the income statement.

Rights of use relating to leased properties are represented by the present value of the fixed or minimum rental payment flows under the lease agreements of the properties where the Company's stores, factory and offices are located. They are amortized over the lease term, subject to automatic renewal for an equal period.

Subsequent costs

These costs are capitalized only when it is probable that the economic benefits embodied in the component will flow to the Companies and its cost can be reliably measured. Recurring maintenance costs are recognized in profit or loss, when incurred.

Depreciation

Property, plant and equipment items are depreciated from the date on which those assets are available for use, or, in the case of internally built assets, from the day construction is completed and the assets are available for use.

Depreciation is calculated to amortize the cost of property, plant and equipment items, less their estimated residual values, on a straight-line basis, over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the relevant amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of their estimated useful lives and the lease term, unless it is reasonably certain that the Companies will obtain ownership of assets at the end of the lease term. Land is not depreciated.

The estimated useful lives of the significant property, plant and equipment items for the current and comparative reporting periods are broken down as follows:

	Useful life - years
Machinery and equipment	10
Facilities	10
Furniture and fixtures	10
Hardware	5
Leasehold improvements	5
Rights of use – leased properties	4 to 10
Company cars	5

The estimated useful lives of property, plant and equipment items are reviewed on an annual basis at the end of the reporting periods. When applicable, the effects of changes in the remaining useful life are recorded on a prospective basis.

i) Intangible assets

Stated at the acquisition cost of points of sale, with amortization over the lease term, which is five years for stores and kiosks. Not all chain's points of sale are acquired, since these costs should not be incurred in certain locations.

Software purchased from third parties and software under development are recorded as well.

j) Investment

Investments are accounted for under the equity method in the individual financial statements.

k) Impairment

Management annually assesses whether there is evidence that an asset might be impaired. If there is any evidence of impairment, the recoverable amount of the asset is estimated, which is the higher of: (i) its fair value less estimated costs to sell; and (ii) its value-in-use. The value-in-use is equivalent to pretax discounted cash flows arising from the continuing use of an asset. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized.

l) Provisions

Recognized when:

- The Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of funds will be required to settle the obligation and the obligation amount can be reliably estimated.
- Provisions are measured at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks. They are adjusted through the end of the reporting period for the probable loss amount, according to the nature of each contingency and based on the legal counsel's opinion.

m) Finance income (costs)

Finance income consists of interest income that is recognized in the income statement under the effective interest method. Finance costs comprise banking expenses that are recognized in the income statement under the effective interest method.

n) Income tax and social contribution

Current and deferred taxes

Current and deferred income tax and social contribution are calculated at the rates of 15% for income tax, plus a 10% surtax on taxable income exceeding R\$240, and 9% on taxable income for social contribution, considering the offset of tax loss carryforwards, limited to 30% of taxable income.

Income tax and social contribution expenses comprise current and deferred taxes, which are recognized in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to taxes payable in relation to prior years.

Deferred tax is recognized on temporary differences and tax loss carryforwards between the carrying amounts of assets and liabilities for accounting purposes and the corresponding tax bases used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied on temporary differences and tax loss carryforwards when realized, pursuant to the laws that have been enacted or substantially enacted through the end of each reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

Deferred income tax and social contribution assets are recognized for all unutilized tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which those tax losses, tax credits and deductible temporary differences can be utilized.

Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable.

Tax incentives - operating profit

As its jewelry factory is located within an area under the jurisdiction of the Amazon Region Development Authority (SUDAM), and pursuant to Declaratory Executive Act No. 146 issued by Manaus Federal Revenue Service Office on November 25, 2011, Conipa is eligible for a tax incentive granting a 75% reduction of income tax on operating profit, applied to sales of own products manufactured in the Manaus Free Trade Zone, which are recognized in profit or loss and subsequently allocated to the capital reserve, in equity.

By virtue of such benefit granted, Conipa is compelled to: (i) comply with the labor and social laws, as well as the environmental protection and control standards; (ii) apply the income tax reduction to activities directly related to manufacturing operations conducted within SUDAM's jurisdiction; (iii) recognize a capital reserve that includes the amount resulting from such reduction, which may be only used for loss absorption or capital increase purposes; (iv) prohibit the distribution to partners or shareholders of any tax amounts unpaid owing to this reduction, under penalty of losing entitlement to such tax incentive and being compelled to collect, in respect of the distributed amounts, the tax amounts unpaid by Conipa, without prejudice to the tax levy on profit distributed as income and the applicable penalties; and (v) annually file the income tax returns, indicating the reduction amount corresponding to the relevant year, pursuant to the applicable standards.

o) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the Companies' owners by the weighted average number of common shares issued during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, in order to assume the conversion of all potential common shares diluted by vested stock options.

p) Operating segments

The operating segments are addressed consistently with the internal report provided to the Group's chief decision maker, i.e., the CEO, who is in charge of allocating funds and assessing the performance of each operating segment.

4. NEW PRONOUNCEMENTS, AMENDMENTS AND INTERPRETATIONS ISSUED BY CPC AND IASB, AND STANDARDS ISSUED AND EFFECTIVE BEGINNING 2019

CPC 06 (R2)/IFRS 16 – Leases

CPC 06 (R2)/IFRS 16 - Leases, which supersedes CPC 06 (R1)/IAS 17 - Leases, eliminates the distinction between operating leases and finance leases beginning January 1, 2019. In addition, the standard requires the recognition of assets (the right to use the leased item) and liabilities related to future leases discounted to present value for virtually all lease agreements.

Operating lease expenses are replaced by depreciation expenses related to the right of use and interest expenses associated with the lease liabilities. Previously, the Company mainly recognized operating lease expenses on a straight-line basis over the lease term, as well as assets and liabilities only to the extent there was a time difference between the actual lease payments and the lease expense period. Therefore, performance indicators such as EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and, to a lesser extent, operating income, will be positively impacted; on the other hand, finance income (costs) will be adversely affected.

Finally, profit will be affected as well, since the total lease expenses (depreciation expenses plus finance costs) are usually higher at the beginning of the lease term and decrease over time, unlike a straight-line charge under the current system. Moreover, net cash from operating activities will be higher, since cash payments of the main portion of lease liabilities and the related interest will be classified as cash flows from financing activities.

The adoption of CPC 06 (R2)/IFRS 16 mostly affected the recognition of operating leases for the Company's stores.

Management elected to adopt the modified retrospective approach as the transition method on January 1, 2019, and prospectively since the beginning of the first applicable period.

Management chose to apply the two recognition exemptions proposed by the standard to the following agreements: (i) short-term leases of assets (shorter than or equal to 12 months); and (ii) property leases involving low-value assets or variable-value assets.

Rentals not included in the initial measurement of liabilities (for example, variable rentals) are classified as operating expenses, as well as the charges on short-term leases, leases of low-value assets or variable-value assets.

The lease term corresponds to the legally applicable period of the agreement, considering the options for termination and renewal through judicial means, whose use by the Companies is reasonably certain.

The rental payment flows are adjusted to present value, considering the remaining term of each lease and applying the discount rate equivalent to the market prices on the execution dates of each lease agreement and equivalent to the funds raised, which represent the total investments made for the opening of new stores. The discount rate was determined based on the nominal rate corresponding to the market prices (reference in % of the Interbank Deposit Certificate (CDI) rate), including the spread and lowering collaterals based on the market rates set by the main financial institutions with which the Company enters into transactions. The future CDI rate curve was considered, based on the different repayment periods set out under the lease agreements.

The Group has 258 (235 as at December 31, 2018) operating lease agreements, out of which 179 (165 in 2018) agreements were classified as right-of-use leases.

Measurement of lease liabilities and right-of-use assets

Regarding the agreements that fall under this standard scope, the Group's Management considered only the fixed minimum rental amount as a lease component for liability measurement purposes. On January 1, 2019, the measurement of lease liabilities comprises total future fixed rental payments, net of taxes, in which the renewals are considered in accordance with the Group's internal policy, which usually occurs one year before the maturity date of the agreements, when the renewals are determined to be reasonably certain.

The measurement of right-of-use assets corresponds to the initial amount of lease liabilities, including the initial direct costs incurred. The Group's Management elected to adopt the practical expedient for transition purposes, without considering the initial costs in the initial measurement of right-of-use assets, so as to maintain the same amount of the initial lease liability.

ICPC 22/IFRIC 23 - Uncertainty over Income Tax Treatments

In December 2018, CPC/IASB issued ICPC 22/IFRIC 23 – Uncertainty over Income Tax Treatments, so as to clarify the accounting recognition when there is uncertainty over income tax treatments governed by CPC 32/IAS 12 – Income Taxes. This technical pronouncement is effective for annual reporting periods beginning January 1, 2019.

The Company is a party to lawsuits involving the recognition of income tax and social contribution credits arising on the calculation of taxable income from prior years, in the amount of R\$9,913, which have already been offset through the payment of other taxes and contributions. Management believes that the adopted tax treatment will be held valid by tax authorities; therefore, the involved amount is disclosed in note 17, as part of the amount of lawsuits assessed as possible losses. There are no other amounts that could materially affect the adoption of such technical pronouncement.

5. CASH AND CASH EQUIVALENTS

	<u>Parent</u> <u>12/31/2019</u>	<u>Consolidated</u> <u>12/31/2019</u>
Cash	-	5,693
Banks - checking account	8,239	39,122
Short-term investments (*)	-	391,029
Total	<u>8,239</u>	<u>435,844</u>

(*) As at December 31, 2019, short-term investments are represented by: (i) automatic investments in the amount of R\$6,481, yielding interest equivalent to 10% of the CDI rate fluctuation; and (ii) repurchase agreements, in the amount of R\$384,548, yielding interest equivalent to 93.9% of the weighted average CDI rate.

6. TRADE RECEIVABLES

	<u>Consolidated</u> <u>12/31/2019</u>
Credit card companies	418,610
Checks to be cleared	2,280
Bank slips	5,712
Subtotal	<u>426,602</u>
Allowance for expected credit losses	<u>(769)</u>
Total	<u>425,833</u>

The aging list of trade receivables is as follows:

	<u>Consolidated</u> <u>12/31/2019</u>
Past-due:	
1 to 30 days	1,985
31 to 60 days	15
61 to 90 days	36
91 to 120 days	4
121 to 150 days	15
151 to 180 days	7
Over 180 days	666
Current:	
1 to 30 days	123,974
31 to 60 days	77,586
61 to 90 days	67,105
91 to 120 days	44,099
121 to 150 days	34,141
151 to 180 days	22,983
Over 180 days	53,986
Total	<u>426,602</u>

Management measures the loss allowance in an amount equivalent to lifetime expected credit losses for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix, by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of the current and forecast direction of conditions at the reporting date.

The variations in the allowance for expected credit losses are broken down as follows:

	<u>Consolidated</u> <u>12/31/2019</u>
Balance at the beginning of the period	(805)
Additions	(143)
Reversals	179
Balance at the end of the period	<u>(769)</u>

7. INVENTORIES

	<u>Consolidated</u> <u>12/31/2019</u>
Finished products	235,610
Raw materials	76,506
Consumables and packaging materials	8,169
Inventories in transit and advances to suppliers	33,130
Allowance for inventory losses	(5,381)
Total	<u>348,034</u>

The Company's subsidiaries recognize an allowance for slow-moving inventories and losses on melting gold and silver jewelry from discontinued collections or acquired from customers.

Products not old within one year are classified as slow-moving inventories.

The jewelry melting losses are immaterial, in percentage terms, due to the technology deployed to recover the relevant raw materials (gold, silver and stones).

Variations in the allowance for inventory losses are as follows:

	<u>Consolidated</u> <u>12/31/2019</u>
Balance at the beginning of the period	(3,161)
Additions	(3,030)
Reversals	810
Balance at the end of the period	<u>(5,381)</u>

8. RECOVERABLE TAXES

	<u>Parent</u> <u>12/31/2019</u>	<u>Consolidated</u> <u>12/31/2019</u>
Income tax (IRPJ) (a)	-	34,141
Social contribution (CSLL) (a)	-	24,146
State VAT (ICMS) (b)	-	49,509
Taxes on revenue (PIS and COFINS) (c)	-	148,221
Other	3,155	7,574
Total	<u>3,155</u>	<u>263,591</u>
Current assets:	3,155	95,247
Noncurrent assets	-	168,344
Total	<u>3,155</u>	<u>263,951</u>

(a) Income tax (IRPJ) and social contribution (CSLL)

The IRPJ and CSLL credits were calculated by deducting the ICMS tax incentive in effect in Manaus Free Trade Zone from the related tax bases, corresponding to the period from 2014 to 2016.

The IRPJ and CSLL credits are expected to be realized as follows:

<u>Year</u>	<u>Consolidated</u> <u>12/31/2019</u>
2020	11,497
2021	28,074
2022	18,716
Total	<u>58,287</u>

(b) State VAT (ICMS)

The long-term recoverable amounts refer to ICMS credits arising on accumulated credit balances from the operations of Vivara stores mostly located in the States of Pernambuco, Rio Grande do Norte and Alagoas.

In Pernambuco, which accounts for most of these credit balances, the Group required to join a Special Regime to be exempted from applying the Value-added Margins set out in Appendix 12 of Decree 44650/2017; and, should these preliminary claims not be accepted, a Special Regime would be required for the prepayment of ICMS amounts due, as follows: in the first year: fixed value-added margin of 5%; in the second year: fixed value-added margin of 10%; and, in the third year: fixed value-added margin of 20%.

The ICMS credits are expected to be realized as follows:

<u>Year</u>	<u>Consolidated</u> <u>12/31/2019</u>
2020	8,194
2021	14,171
2022	10,661
2023	7,116
2024	4,699
2025 and thereafter	4,668
Total	<u>49,509</u>

(c) Taxes on revenue (PIS and COFINS)

Recognition of inflation-adjusted PIS and COFINS credits relating to the credit utilization request approved by the Federal Revenue Service in November 2019, and which related certificate final of the unappealable favorable court decision was issued on January 15, 2019, with respect to the ICMS deduction from the tax base of federal contributions. Tax credits amounted to R\$157,358, out of which R\$103,658 corresponds to the principal amount and R\$53,700 refers to inflation adjustments, as described in notes 24 and 25, respectively.

Beginning November 2019, after approval of the by the Federal Revenue Service, Tellerina offset federal taxes in the amount of R\$11,274.

Recoverable PIS and COFINS balances comprise tax credits derived from other operations and inflation adjustment, in the amount of R\$2,137.

The PIS and COFINS credits are expected to be realized as follows:

<u>Year</u>	<u>Consolidated</u> <u>12/31/2019</u>
2020	63,275
2021	69,188
2022	15,758
Total	<u>148,221</u>

9. INVESTMENT

	Equity	Equity interest	Investment	Share of profit (loss) of subsidiaries
Tellerina	466,458	99.99%	466,458	115,458
Conipa	567,011	99.99%	567,011	153,971
Total - direct subsidiaries	<u>1,033,469</u>		<u>1,033,469</u>	<u>269,429</u>

a) Investments in subsidiaries

The Company was established on May 23, 2019 and, pursuant to the equity interest transfer agreement dated June 15, 2019, the equity interests held in Tellerina and Conipa were transferred. All rights and obligations of any nature, including the effects and results of such equity interest transfer, are assigned to Vivara Participações beginning June 1^o, 2019, pursuant to the instrument of consent signed by shareholders.

December 31, 2019

Variations in investments are broken down below:

	Parent
Balance at the beginning of the period	-
Capital contribution – assignment of shares	651,909
Unrealized earnings from subsidiaries' operations, net of taxes	(205,084)
Share of profit (loss) of subsidiaries	269,429
Capital contribution in subsidiaries	394,657
Distributed dividends	(5,942)
Interest on capital receivable	(71,500)
Balance at the end of the period	<u>1,033,469</u>

b) Investments in associates

Vivara Group sold its equity interest in associate PP-NMM Administração de Bens Ltda. ("PP-NMM") to Telop Participações Ltda., at the book value of its interest in the amount of R\$1,871, which is engaged in the acquisition and management of own and third-party assets, for own and third-party use, including, but not limited to, aircraft.

10. PROPERTY, PLANT AND EQUIPMENT

	Annual average depreciation rate - %	Consolidated 12/31/2019	Accumulated depreciation	Residual value
		Cost		
Leasehold improvements	20	73,778	(45,045)	28,733
Furniture and fixtures	10	37,966	(19,266)	18,700
Machinery, equipment and facilities	10	23,329	(10,858)	12,471
Company cars	20	1,443	(1,343)	100
IT equipment	20	18,831	(13,859)	4,972
Land	-	350	-	350
Rights of use – leased properties	10 to 25	274,996	(30,522)	244,474
Advances to suppliers and construction in progress (*)	-	1,820	-	1,820
Total		<u>432,513</u>	<u>(120,893)</u>	<u>311,620</u>

- (*) Refers to the cost of construction works at new points of sale and significant renovations in existing points of sale, which are subsequently transferred to line item "Leasehold improvements" upon the launching or reopening of these points of sale.

The Company's Management did not identify the need to recognize an allowance for impairment losses on property, plant and equipment.

Variations in property, plant and equipment are as follows:

	Consolidated				
	05/31/2019	Additions	Write-offs	Transfers	12/31/2019
Cost:					
Leasehold improvements	56,931	11,565	(7)	5,289	73,778
Furniture and fixtures	32,893	4,398	(7)	682	37,966
Machinery, equipment and facilities	17,353	5,650	(5)	331	23,329
Company cars	1,431	12	-	-	1,443
IT equipment	16,447	2,232	-	152	18,831
Land	350	-	-	-	350
Rights of use – leased properties	232,816	39,389	-	2,791	274,996
Advances to suppliers and construction in progress	560	10,505	-	(9,245)	1,820
	<u>358,781</u>	<u>73,751</u>	<u>(19)</u>	<u>-</u>	<u>432,513</u>
Depreciation:					
Leasehold improvements	(41,228)	(3,818)	1	-	(45,045)
Furniture and fixtures	(17,555)	(1,718)	7	-	(19,266)
Machinery, equipment and facilities	(10,010)	(851)	3	-	(10,858)
Company cars	(1,318)	(25)	-	-	(1,343)
Rights of use – leased properties	(11,268)	(19,254)	-	-	(30,522)
IT equipment	(13,091)	(768)	-	-	(13,859)
	<u>(94,470)</u>	<u>(26,434)</u>	<u>11</u>	<u>-</u>	<u>(120,893)</u>
Total	<u>264,311</u>	<u>47,317</u>	<u>(8)</u>	<u>-</u>	<u>311,620</u>

In the period, the additions amounting to R\$39,859 and referring to "Rights of use – leased properties" correspond to the remeasurement of lease agreements over the contractual adjustment period, without affecting cash when included in property, plant and equipment.

11. INTANGIBLE ASSETS

	Consolidated			
	05/31/2019	Additions	Write-offs	12/31/2019
Cost:				
Points of sale	30,906	-	(361)	30,545
IT systems under implementation	-	1,874	-	1,874
IT system	15,046	2,596	-	17,642
	<u>45,952</u>	<u>4,470</u>	<u>(361)</u>	<u>50,061</u>
Amortization:				
Points of sale	(28,131)	(1,014)	144	(29,001)
IT system	(9,829)	(1,685)	-	(11,514)
	<u>(37,960)</u>	<u>(2,699)</u>	<u>144</u>	<u>(40,515)</u>
Total	<u>7,992</u>	<u>1,771</u>	<u>(217)</u>	<u>9,546</u>

12. TRADE PAYABLES

Substantially consist of purchases of raw materials and goods for resale, with an average payment term of 90 days.

	<u>Consolidated</u> <u>12/31/2019</u>
Domestic trade payables	21,460
Foreign trade payables	<u>14,961</u>
Total	<u>36,421</u>

13. PAYROLL AND RELATED TAXES

	<u>Parent</u> <u>12/31/2019</u>	<u>Consolidated</u> <u>12/31/2019</u>
Accrued vacation pay	-	16,638
Payroll	128	15,218
Bonuses	-	26,999
Severance pay fund (FGTS)	-	2,300
Social security contribution (INSS)	88	7,400
Withholding income tax (IRRF)	93	5,265
Other	-	547
Total	<u>309</u>	<u>74,367</u>
Current liabilities		65,174
Noncurrent liabilities		<u>9,193</u>
Total		74,367

(*) Includes bonus and reward amounts related to the Public Offering of Shares in the amount of R\$15,381 payable in six annual installments, beginning June 2020.

The amounts classified in noncurrent liabilities mature as follows:

<u>Year</u>	<u>12/31/2019</u>
2021	2,239
2022	2,239
2023	2,239
2024	1,239
2025	<u>1,239</u>
Total	<u>9,195</u>

14. TAXES PAYABLE

	Parent	Consolidated
	12/31/2019	12/31/2019
State VAT (ICMS)	-	33,698
Federal VAT (IPI) (*)	-	19,930
Taxes on revenue (PIS and COFINS)	-	15,919
Income tax (IRPJ) and social contribution (CSLL)	2,731	155
Withholding income tax (IRRF) on interest on capital	4,437	15,162
Other	433	1,914
Total	<u>7,601</u>	<u>86,778</u>

- (*) The subsidiary Tellerina has no longer been paying the Federal VAT (IPI) calculated on a monthly basis since July 2014, pursuant to an preliminary injunction handed down for such purpose, concerning the tax levy on the customs clearance of manufactured goods and on the shipment of goods from an importer's location for sale in the domestic market, thereby equating the importer with the industrial establishment, when the former would not provide any benefits in the industrial field. The relevant amount is adjusted for inflation based on the SELIC rate.

15. TAXES IN INSTALLMENTS

	Consolidated
	12/31/2019
State VAT (ICMS) (a)	518
Federal REFIS – Law 12996/14 (c)	683
Federal REFIS - PERT (d)	1,120
Total	<u>2,321</u>
Current liabilities	457
Noncurrent liabilities	1,864
Total	<u>2,321</u>

- (a) Represented by tax debts corresponding to the period from 2014 to 2017 due to the Federal District and States of Mato Grosso, Mato Grosso do Sul and São Paulo, which are payable in 60 monthly installments for the Federal District and São Paulo, 48 monthly installments for Mato Grosso and 36 monthly installments for Mato Grosso do Sul. The tax installments due to the Federal District were settled in March 2019, and the new installments are payable to the State of São Paulo.
- (b) In November 2009, the Companies joined the Tax Debt Refinancing Program ("REFIS"), introduced by Law 11941/09 and Provisional Measure 470/09, for the payment of social security debts and other tax debts corresponding to 2009 in 180 monthly installments. In August 2017, the Companies opted to partially waive the tax debt refinancing arrangements for debts associated with the Brazilian Federal Revenue Service (RFB), including the remaining debts under the Special Tax Regularization Program ("PERT"). The installment payment was settled in advance in December 2019.
- (c) In November 2014, the Companies joined the Tax Debt Refinancing Program ("REFIS"), introduced by Law 12996/14, for the payment of income tax and social contribution debts corresponding to 2009 in 120 monthly installments.

- (d) In August 2017, the Companies joined the Special Tax Regularization Program ("PERT"), introduced by Law 13496/17, for the payment of remaining debts from other federal tax installment plans. In August 2018, the tax installments were consolidated before the Brazilian Federal Revenue Service (RFB).

The variations in tax installments are broken down as follows:

	<u>Consolidated</u> <u>12/31/2019</u>
Balance at the beginning of the period	2,737
Additions	240
Inflation adjustments	112
Payments	<u>(768)</u>
Balance at the end of the period	<u>2,321</u>

The amounts classified in noncurrent liabilities mature as follows:

<u>Year</u>	<u>Consolidated</u> <u>12/31/2019</u>
2020	457
2021	308
2022 and thereafter	<u>1,556</u>
Total	<u>2,321</u>

16. BORROWINGS AND FINANCING

a) Breakdown of balances

<u>Institution and type</u>	<u>Rate</u>	<u>Maturity</u>	<u>Consolidated</u> <u>12/31/2019</u>
<u>In local currency</u>			
Banco do Brasil - working capital	CDI +2% p.a.	09/2022	44,156
Banco do Brasil - working capital	CDI +1.9% p.a.	06/2021	40,204
Banco Safra - working capital	100% of the daily average CDI rate	04/2020	39,075
Banco Safra - working capital	100% of the daily average CDI rate	01/2023	30,051
National Bank for Economic and Social Development (BNDES)	URTJLP/UMIPCA-M184/Fixed rate from - 0.49% p.m. to 0.81% p.m.	08/2020	<u>2,203</u>
Total borrowings in local currency			<u>155,689</u>
<u>In foreign currency</u>			
Banco Santander - Resolution 4131	LIBOR +0.75% p.m.	09/2020	24,419
Banco Itaú - Resolution 4131	Fixed rate of 4.675% p.a.	06/2021	42,921
Banco Itaú - Resolution 4131	Fixed rate of 0.54% p.a.	03/2020	<u>47,325</u>
Total borrowings and financing in foreign currency			114,665
Total borrowings and financing			<u>270,354</u>
<u>Derivatives (assets) - swap contracts</u>			
Banco Itaú - swap derivative	US\$5.5% p.a.	06/2021	(8,115)
Banco Itaú - swap derivative	EUR 0.72% p.a.	03/2020	<u>(1,396)</u>
Total derivatives (assets) - swap contracts			(9,511)
Total borrowings and financing, net			<u>260,843</u>
Current assets:			(6,796)
Noncurrent assets			(2,715)
Current liabilities			190,934
Noncurrent liabilities			<u>79,420</u>
Total			<u>260,843</u>

b) Variations in borrowings and financing

	<u>Consolidated</u> <u>12/31/2019</u>
Balance at the beginning of the year	259,998
Borrowings	112,636
Principal repayments	(115,665)
Swap contract settlement	2,821
Interest payment	(10,920)
Cash flows from financing activities	(11,128)
Interest incurred	8,962
Finance charges on swap contracts	(947)
Exchange rate changes	3,958
Noncash variations	11,973
Balance at the end of the period	<u>260,843</u>

As at December 31, 2019, the net amounts classified in assets and noncurrent liabilities mature as follows:

<u>Year</u>	<u>Consolidated</u> <u>12/31/2019</u>
From 1 to 2 years	49,538
From 2 to 3 years	27,167
Total	<u>76,705</u>

Certain borrowing and financing agreements entered into with financial institutions are subject to a covenant, under which the Company is required to present annual financial statements duly audited by independent auditors, accepted by the financial institution granting the loans, in accordance with the following conditions:

The net debt-to-EBITDA ratio shall not exceed 2x in 2019 and 2020. The calculation should be based on the combined financial statements of the Vivara Group companies (Tellerina and Conipa), as the contractual amendment to exclude from such calculation Etna Comércio de Móveis e Artigos para Decoração S.A. ("Etna") was completed.

Vivara Group and Etna had agreed on cross-guarantee practices under the borrowing and financing agreements. These companies agreed to waive such cross-guarantees throughout 2019. Negotiations with the financial institutions were completed and documented and Vivara Group companies are not the guarantors of the agreements entered into by Etna. A fee was charged to change the guarantors under the agreements entered into with Banco do Brasil, in the amount of R\$1,554.

As at December 31, 2019, the Group was compliant with those covenants.

17. PROVISION FOR CIVIL, LABOR AND TAX RISKS AND ESCROW DEPOSITS

As at December 31, 2019, the Group was a party to civil, labor and tax lawsuits assessed as probable losses by its legal counsel, as follows:

	Consolidated			
	Civil (a)	Labor (b)	Tax (c)	Total
<u>Provision</u>				
Balance as at May 31, 2019	2,231	1,078	13,477	16,786
Additions	689	4,377	2,775	7,841
Payments	(258)	(867)	-	(1,125)
Reversals	(1,007)	(661)	(6,600)	(8,268)
Balance as at December 31, 2019	<u>1,655</u>	<u>3,927</u>	<u>9,652</u>	<u>15,234</u>
<u>Escrow deposits</u>				
Balance as at May 31, 2019	-	1,241	12,314	13,555
Additions	-	543	55	598
Inflation adjustments	-	271	189	460
Redemptions	-	(411)	(522)	(933)
Balance as at December 31, 2019	<u>-</u>	<u>1,644</u>	<u>12,036</u>	<u>13,680</u>

(a) Civil lawsuits

Refer to lawsuits involving store rental renewals, under which the Group is required to pay provisional rental amounts until a final and unappealable court decision is rendered, recognizing a provision for the difference between the provisional rental amount paid and the amount pleaded under these lawsuits. In addition, for lawsuits involving consumer relations rights, the provision is calculated based on past unfavorable outcomes from all lawsuits and the historical loss amount per type of claim.

(b) Labor lawsuits

Refer to labor lawsuits filed by former employees, mostly claiming overtime pay and related charges, salary equalization, vacation pay and pecuniary bonus, remunerated weekly rest, severance pay, 13th salary, compensation for pain and suffering, bonuses, employment relationship and overtime bank system annulment. The provision is recognized considering lawsuits assessed as probable loss and increased based on the history of loss on the group of lawsuits assessed as possible loss.

(c) Tax lawsuits

Substantially refer to lawsuits on the constitutionality of PIS and COFINS credits taken by the Companies and tax assessment notices relating to State VAT (ICMS) amounts due in the States of São Paulo and Santa Catarina.

Since March 15, 2017, the Companies have been no longer including the State VAT (ICMS) in the tax base of taxes on revenue (PIS and COFINS), pursuant to the decision handed down by the Federal Supreme Court ("STF") on that date. Moreover, the Companies are parties to an ongoing lawsuit on such matter, for which a final and unappealable favorable court decision was rendered on December 13, 2018.

Nearly all recorded reversals correspond to the statute of limitations for Tax Authorities' challenges as to matters subject to litigation, with respect to PIS and COFINS credits taken and the tax base of income tax and social contribution.

Lawsuits assessed as possible losses

As at December 31, 2019, Management did not identify the need to recognize a provision for potential losses on ongoing lawsuits, which are assessed as possible losses by its legal counsel, as follows:

	<u>Consolidated</u> <u>12/31/2019</u>
Civil	840
Labor lawsuits	16,429
Tax risks (*)	411,890
Total	<u>428,319</u>

(*) Mostly represented by lawsuits and tax assessment notices relating to State VAT (ICMS) amounts due in the States of São Paulo, Rio de Janeiro and Pernambuco.

18. EQUITY

a) Capital

On May 23, 2019, Vivara Participações was established and registered with the Commercial Registry of the State of São Paulo; amendments to the articles of organization were subsequently made on June 15, 2019, changing the Company's corporate type from a limited liability company to a corporation and determining the conversion of shares into registered common shares, without par value.

Under those amendments, fully subscribed and paid-in capital was consolidated, in the amount of R\$651,909.

On August 15, 2019, as decided at the Extraordinary General Meeting, the reverse split of the common shares representing the Company's capital was approved at the ratio of three (3) shares for each one (1) outstanding common share, which fractions were cancelled, resulting in a total of 217,303,107 common shares, all book-entry, registered and without par value.

The limit of the Company's authorized capital corresponds to 40,000,000 common shares.

The meeting of the Company's Board of Directors held on October 8, 2019 approved, within the scope of the Public Offering of Shares, the issuance price of R\$24.00 per share. The price per share was determined based on the result of the Bookbuilding Procedure.

On October 10, 2019, the Public Offering of Shares was conducted and the Company's shares were traded at B3 S/A - Brasil, Bolsa e Balcão under ticker symbol VIVA3. The primary offering totaled 18,894,662 shares (R\$453,472) and the secondary offering totaled 66,131,317 shares (R\$1,587,152).

Share issuance costs within the scope of the Public Offering of Shares include commissions paid to banks and brokers, auditors', advisors' and attorneys' fees, registration fees and other offering-related expenses, in the total amount of R\$53,041.

As at December 31, 2019, capital is held as follows:

	<u>12/31/2019</u>	
<u>Vivara Participações</u>	<u>Common</u> <u>shares</u>	<u>Total</u>
Nelson Kaufman	46,734,605	46,734,605
Marcio Monteiro Kaufman	51,743,159	51,743,159
Marina Kaufman Bueno Netto	33,263,460	33,263,460
Paulo Kruglensky	11,087,819	11,087,819
Outstanding shares	<u>93,368,726</u>	<u>93,368,726</u>
Total	<u>236,197,769</u>	<u>236,197,769</u>

b) Tax incentive reserve

Subsidiaries recognized tax incentive reserves:

- Operating profit, with 75% reduction in the income tax base; the benefit was granted to Tellerina in 2010 and used until August 2016, i.e., the date of the spin-off establishing Conipa, which became entitled to such benefit until December 2024.
- Investment grant and funding, related to the State VAT (ICMS) tax incentive prevailing in Manaus Free Trade Zone, as well as in the States of Rio de Janeiro, Minas Gerais, Bahia and Pará.

The variations in these reserves are broken down as follows:

	Consolidated			
	06/01/2019	Additio ns	Write- offs	12/31/2019
ICMS tax incentive	-	45,892	-	45,892
Tax incentive - operating profit	-	15,510	-	15,510
Total	-	61,402	-	61,402

c) Dividend distribution policy

Dividends will be distributed in accordance with the relevant Bylaws and the Brazilian Corporate Law, which determine the following allocations:

- 5% to the legal reserve.
- Distribution of mandatory minimum dividends at a percentage rate to be set at the General Shareholders' Meeting, pursuant to the prevailing legislation (at least 25% of profit for the year, after the recognition of a legal reserve and reserve for contingencies).
- Pursuant to article 33, paragraph 4 of the Company's Bylaws, the remaining percentage of profit will be allocated to the "Statutory earnings reserve", which is intended to strengthen the Company's working capital and the performance of its activities.

As at December 31, 2019, the Company received dividends from its subsidiaries amounting to R\$5,942 and distributed dividends amounting to R\$2,942 to the controlling shareholders.

On December 20, the meeting of the Board of Directors approved the distribution of mandatory minimum dividends through payment of interest on capital at the ratio of R\$0.163496 per share, totaling R\$40,000 based on profit recognized in 2019. Payment will be made in one single installment, within up to ten days after the Annual General Meeting (AGM) for 2020, with withholding of income tax at source, pursuant to the prevailing laws. Shareholders included in the Company's records on December 27, 2019 will be eligible, and the shares, to be traded "ex-rights" in relation to interest on capital beginning December 30, 2019.

	<u>Consolidated</u> <u>12/31/2019</u>
Profit for the period	257,791
Unrealized earnings from subsidiaries' operations	<u>(205,084)</u>
Legal reserve calculation basis	52,887
Legal reserve (5%)	<u>(2,644)</u>
Dividend calculation basis	<u>50,243</u>
Mandatory minimum dividends (25%)	<u>12,561</u>
Additional interest on capital paid	<u>27,439</u>

The Company will receive from its subsidiaries the gross amount of R\$71,500 (R\$60,775 net of taxes) as interest on capital relating to profit recognized in 2019.

d) Unrealized earnings from subsidiaries' operations

The Company recorded the balances of unrealized earnings from subsidiaries' operations in "Accumulated losses". The unrealized earnings refer to products acquired by Tellerina from its associate Conipa, which were not resold to third parties on the capital contribution date, i.e., June 15, 2019. The balances of such operations were stated net of income tax and social contribution.

19. RELATED PARTIES

<u>Balances</u>	<u>Parent</u> <u>12/31/2019</u>	<u>Consolidated</u> <u>12/31/2019</u>
<u>Assets</u>		
Interest on capital receivable:		
Tellerina	35,275	-
Conipa	<u>25,500</u>	-
Total	<u>60,775</u>	-
<u>Current</u>	<u>60,775</u>	-
Total	<u>60,775</u>	-
<u>Liabilities</u>		
Rent payable:		
Etna Comércio de Móveis e Artigos para Decoração S.A. (a)	-	88
Total	<u>-</u>	<u>88</u>
<u>Current</u>	<u>-</u>	88
Total	<u>-</u>	<u>88</u>

- (a) Rent payable maturing in the subsequent month, annually adjusted based on the IPCA rate, subject to fine of 10% after the due date, pursuant to the non-residential property sublease agreement, effective up to September 2020.

The borrowing from Banco Santander – Resolution 4131 (note 17) was collateralized, at no cost for the Company, by a short-term investment from a company of one of Vivara's shareholders. In November such collateral was replaced and the transaction was collateralized by Tellerina's assets.

On August 15, 2019, the Annual General Meeting approved the Company's overall management compensation for 2019 of up to R\$20,000, and the following amounts were paid and accrued as at December 31, 2019:

	Consolidated 12/31/2019		
	Fixed	Variable	Total
Board of Directors	560	-	560
Statutory officers	<u>2,456</u>	<u>13,470</u>	<u>15,926</u>
Total	<u>3,016</u>	<u>13,470</u>	<u>16,486</u>

On August 15, 2019, at the Annual General Meeting, the Board of Directors approved the Company's "Compensation Policy", based on the individual negotiation with each director, supported by salary surveys in the retail industry, mainly arising from the Company's competitors, subject to the provisions set out in such policy. As at December 31, 2019, payroll, related taxes and benefits are paid and accrued as follows:

	Consolidated 12/31/2019		
	Fixed	Variable	Total
Statutory officers of subsidiaries and executive officers	<u>3,125</u>	<u>10,801</u>	<u>13,926</u>
Total	<u>3,125</u>	<u>10,801</u>	<u>13,926</u>

20. INCOME TAX AND SOCIAL CONTRIBUTION

a) Reconciliation of income tax and social contribution expenses

	Parent 12/31/2019	Consolidated 12/31/2019
Profit before income tax and social contribution	268,275	317,242
Combined statutory rate	34%	34%
Income tax and social contribution at statutory rate	<u>(91,214)</u>	<u>(107,863)</u>
Permanent differences:		
Share of profit (loss) of subsidiaries	91,606	(424)
Other permanent differences	14	4,303
Interest on capital payable	13,600	13,600
Interest on capital receivable	(24,310)	-
Tax incentive - operating profit	-	15,510
Tax incentive - deemed ICMS credits	-	15,603
Total	<u>(10,304)</u>	<u>(59,271)</u>
Current	(10,304)	(60,151)
Deferred	-	880
Total	<u>(10,304)</u>	<u>(59,271)</u>

b) Deferred income tax and social contribution

	<u>Consolidated</u> <u>12/31/2019</u>
Deferred tax assets on temporary differences:	
Allowance for doubtful debts	769
Allowance for inventory losses	5,381
Accrued expenses	58,509
Provision for civil, labor and tax risks	15,234
Tax loss carryforwards	<u>79,519</u>
Total	159,412
Combined statutory rate	<u>34%</u>
Deferred income tax and social contribution assets	<u>54,200</u>

c) Expected realization of deferred income tax and social contribution assets

Deferred income tax and social contribution assets were recognized based on analyses prepared by Management as to the generation of future taxable income to allow these amounts to be fully realized over the coming years, including the expected realization of deductible temporary differences, as outlined below:

<u>As at December 31, 2019</u>	<u>Consolidated</u> <u>Amount</u>
Up to 1 year	24,396
From 1 to 2 years	21,693
From 2 to 3 years	<u>8,111</u>
Total	<u>54,200</u>

21. NET REVENUE FROM SALES AND SERVICES

	<u>Consolidated</u> <u>May 23, 2019 to</u> <u>December 31, 2019</u>
Gross sales revenue	1,136,150
Gross service revenue	3,988
Deductions from gross revenue:	
State VAT (ICMS)	(132,441)
Tax on revenue (COFINS)	(62,113)
Tax on revenue (PIS)	(14,104)
FTI (*)	(4,619)
Service tax (ISS)	(199)
Sales returns/exchanges	<u>(176,995)</u>
Total	<u>749,667</u>

The ICMS amounts are stated net of the tax incentive of same nature mentioned in note 18 (R\$45,892 as at December 31, 2019).

(*) The "Fundo de Fomento ao Turismo, Infraestrutura, Serviço e Interiorização do Desenvolvimento do Estado do Amazonas (F.T.I.)" is a state tax levied on Conipa's sales of products manufactured in Manaus Free Trade Zone to other Brazilian States.

22. EXPENSES BY NATURE

Vivara Group's income statement is presented based on a classification of expenses according to their function. The information on the nature of these expenses recognized in the income statement is as follows:

a) Costs of sales and services

	Consolidated May 23, 2019 to December 31, 2019
Acquisition cost of inputs and raw materials and goods for resale	(200,174)
Personnel	(13,258)
Rentals and common area maintenance fees	10
Depreciation and amortization	(939)
Electric power, water and telephone	(364)
Freight	(1,144)
	<u>(215,869)</u>

b) Selling expenses

	Consolidated May 23, 2019 to December 31, 2019
Personnel	(111,763)
Freight	(14,376)
Marketing/selling expenses	(33,671)
Professional services	(7,959)
Rentals and common area maintenance fees	(28,651)
Commission on credit cards	(15,941)
Electric power, water and telephone	(3,516)
Other expenses by nature	(8,271)
	<u>(224,148)</u>

c) General and administrative expenses

	Parent May 23, 2019 to December 31, 2019	Consolidated May 23, 2019 to December 31, 2019
Personnel	(948)	(50,742)
Professional services	(72)	(24,183)
Rentals and common area maintenance fees	-	(76)
Electric power, water and telephone	-	(1,039)
Depreciation and amortization	-	(28,194)
Other expenses by nature	(144)	(17,164)
	<u>(1,164)</u>	<u>(121,398)</u>

23. SEGMENT REPORTING

The Group's activities are conducted in one single operating segment, i.e., the retail industry. The Group is organized as a single business unit for commercial and managerial purposes, and its performance is evaluated on such basis. The information is consistently provided to the Group's chief decision maker, i.e., the CEO, who is in charge of allocating funds and assessing the operations.

Such view is based on the following factors:

- The plant's production is exclusively targeted at the Group's retail stores, online sales and B2B sales.
- The Group's strategic decisions are focused on:
 - Seeking remarkable quality, certified inputs, as well as new technologies to be deployed in the production lines.
 - Conducting analyses on business expansion opportunities, jewelry market trends, international fashion trends and distribution channels.
- The Group's revenue is measured by category and sales channel.

The Group's products are controlled and overseen by Management as a single business segment. Those products are distributed by category and through different sales channels; however, the CEO evaluates the Group's performance as a whole, as well as the selling, managerial and administrative results, taking into account that the structure of costs and expenses is entirely shared among all product categories.

For managerial purposes, Management monitors the consolidated gross revenue by category and sales channel, as shown below:

	Consolidated May 23, 2019 to December 31, 2019
<u>Gross revenue, less returns</u>	
Jewelry	489,239
Life	286,736
Watches	155,128
Accessories	28,051
Services	3,988
Total	<u>963,142</u>
Stores	882,510
Online	71,173
Other	9,459
Total	<u>963,142</u>

24. OTHER OPERATING INCOME (EXPENSES), NET

	Consolidated May 23, 2019 to December 31, 2019
Provision for civil, labor and tax risks	(284)
Expected credit losses	(36)
Tax credits (*)	103,658
Write-off of property, plant and equipment items	227
Other income	1,007
Total	<u>104,758</u>

(*) PIS and COFINS credits as mentioned in note 9.

25. FINANCE INCOME

	Parent	Consolidated
	May 23, 2019 to December 31, 2019	May 23, 2019 to December 31, 2019
Income from short-term investments	11	4,320
Inflation adjustments (*)	-	58,944
Other finance income	-	1,445
Total	<u>11</u>	<u>64,709</u>

(*) Substantially refers to inflation adjustments to PIS and COFINS credits, as mentioned in note 9.

26. FINANCE COSTS

	Parent	Consolidated
	May 23, 2019 to December 31, 2019	May 23, 2019 to December 31, 2019
Interest on borrowings and financing	-	(11,973)
Charges on right-of-use leases	-	(14,443)
Tax on financial transactions (IOF)	-	(839)
Charges on advanced receivables from credit card companies	-	(2,591)
Bank fees	-	(1,981)
Interest and fines on taxes and accessory obligations	-	(1,852)
Exchange losses	-	(3,012)
Other finance costs	(1)	(3,698)
Total	<u>(1)</u>	<u>(40,389)</u>

27. EARNINGS PER SHARE

The table below shows the profit attributable to shareholders and the weighted average number of outstanding shares used to calculate basic and diluted earnings. The Group does not enter into any transactions affecting the dilution of earnings.

	Parent and Consolidated
	May 23, 2019 to December 31, 2019
Profit for the period	257,971
Basic denominator:	
Weighted average number of outstanding shares for the period	224,282,216
Basic and diluted earnings per share (in R\$)	<u>1.15021</u>

28. RIGHT-OF-USE LEASES

The Company initially recognized its lease right-of-use assets and liabilities based on the net portion deducted by PIS and COFINS credits. After analyzing the guidance in Circular Letter CVM/SNC/SEP 02/2019, the Company carried out the accumulated adjustment as at December 31, considering in the initial measurement and subsequent remeasurements the gross lease portion, without deducting PIS and COFINS credits.

As at December 31, 2019, the Group entered into 258 agreements for the lease of their stores, kiosks, factory and administrative center with third parties. Of this total, 80 agreements were eligible to the exemption criteria for the recognition of the right of use and were classified as operating leases.

The variable rentals, determined under short-term leases or leases of low-value assets that were not recognized as rights of use for the period, are recorded in line item "Rentals and common area maintenance fees", in the total amount of R\$12,563, as stated in note 23.

The Company determined its discount rates based on the BM&FBovespa benchmark rate of DIXpre, 252 dias business days, obtained at B3, for the first-time adoption date (risk-free interest rate in the Brazilian market), over its agreement terms, adjusted to the Company's reality (credit spread). Spreads were obtained based on surveys with the main banks with which the Company enters into loan transactions.

The 178 lease agreements, classified as right-of-use leases, mature between four and 10 years and the weighted average discount rate in the period is 11.50% per year.

The table below shows the discount and future inflation rates adopted, compared to the contractual terms:

Agreements per term and discount rate			
Agreement term	Number of agreements	Discount rate	Average future inflation rate
4 years	2	10.09%	4.10%
5 years	10	10.67%	3.98%
6 years	38	11.05%	3.88%
7 years	16	11.36%	3.83%
8 years	30	11.55%	3.75%
9 years	49	11.72%	3.72%
10 years	33	11.88%	3.64%
Total	178		

The balances and variations in right-of-use liabilities for the period are broken down as follows:

	Consolidated May 23, 2019 to December 31, 2019
Balance at the beginning of the period	226,936
Addition of new agreements	16,730
Remeasurement	22,658
Finance charges recognized	14,443
Lease payments	(31,368)
Balance at the end of the period	249,400
Current liabilities	24,119
Noncurrent liabilities	225,281
Total	249,400

As prescribed by CPC 06 (R2), the Company shows in the table below the analysis of its agreement maturities, undiscounted installments, reconciled with the balance in the balance sheet as at December 31, 2019:

Agreement maturity	Consolidated 12/31/2019
Installment maturity:	
2020	43,452
2021	43,452
2022	43,452
2023	43,364
2024	42,808
2025 and thereafter	105,684
Total undiscounted installments	322,212
Embedded interest	(72,812)
Balance of right-of-use lease liability	249,400

As at December 31, 2019, the potential PIS and COFINS credit on the gross contractual flow is R\$29,805 and that adjusted to present value over the weighted average term is R\$23,069.

The variations in the balances of the right-of-use assets are shown in the table below:

	Consolidated May 23, 2019 to December 31, 2019
Balance at the beginning of the period	232,817
Addition of new agreements	16,730
Remeasurement	22,658
Direct costs – points of sale	2,791
Balance at the end of the period	274,996
Amortization expenses in the period	(19,254)

The Company, in accordance with CPC 06 (R2)/IFRS 16, in measuring and remeasuring its lease liabilities and right-of-use assets, used the discounted cash flow method considering the nominal rate and without considering the effects from the future projected inflation on the discounted flows.

Accordingly, in view of the current scenario for long-term interest rates in the Brazilian economic environment, in order to protect the fair presentation of the information and to comply with the guidance from CVM's technical areas, the Company calculated the amounts considering the future projected inflation, based on the average inflation between the CDI x IPCA rate obtained at the B3's website, as at January 2, 2020.

Below are the comparative balances between the amounts calculated in accordance with CPC 06 (R2)/IFRS 16 and the projected inflation scenario for the year ended December 31, 2019:

Analysis of the difference impact

Lease liability balance			
	IFRS 16	CVM Official Letter	
2020	248,876	267,157	7.35%
2021	226,028	239,394	5.91%
2022	191,295	207,120	8.27%
2023	153,042	169,719	10.90%
2024	110,898	127,147	14.65%
2025	73,067	87,776	20.13%
2026	43,438	55,612	28.02%
2027	18,344	26,171	42.67%
2028	3,415	6,951	103.53%
2029	-	-	-
Finance costs			
	IFRS 16	CVM Official Letter	
2020	(27,429)	(27,766)	1.23%
2021	(26,003)	(25,835)	(0.65%)
2022	(23,298)	(23,347)	0.21%
2023	(19,125)	(20,207)	5.66%
2024	(14,574)	(16,323)	12.00%
2025	(10,060)	(11,937)	18.66%
2026	(6,574)	(8,229)	25.18%
2027	(3,605)	(4,785)	32.74%
2028	(1,306)	(1,926)	47.44%
2029	-	-	-
Right of use, net			
	IFRS 16	CVM Official Letter	
2020	234,399	248,712	6.11%
2021	204,031	218,878	7.28%
2022	165,268	185,761	12.40%
2023	127,094	149,261	17.44%
2024	89,372	109,801	22.86%
2025	57,278	74,145	29.45%
2026	34,131	46,169	35.27%
2027	15,207	21,524	41.54%
2028	3,933	5,820	47.99%
2029	-	-	-

	Depreciation expenses		
	IFRS 16	CVM Official Letter	
2020	(36,111)	(38,452)	6.48%
2021	(38,827)	(40,203)	3.55%
2022	(39,164)	(42,021)	7.29%
2023	(38,502)	(43,814)	13.80%
2024	(37,982)	(45,056)	18.62%
2025	(32,278)	(39,467)	22.27%
2026	(23,263)	(30,489)	31.06%
2027	(18,994)	(26,006)	36.91%
2028	(11,298)	(16,161)	43.04%
2029	-	-	-

29. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	Parent 12/31/2019	Consolidated 12/31/2019
<u>Financial assets</u>		
Amortized cost:		
Cash and cash equivalents	8,239	435,844
Trade receivables	-	425,833
Subtotal	8,239	861,677
Fair value through profit or loss:		
Derivatives	-	9,511
Total financial assets	8,239	871,188
<u>Financial liabilities</u>		
Amortized cost:		
Trade payables	-	36,421
Right-of-use leases payable	-	249,400
Borrowings and financing	-	270,354
Total financial liabilities	-	556,175

b) Financial risks

In the normal course of business, the Companies are exposed to several financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Companies' risk management strategy focuses on the unpredictability of the financial markets and aims to minimize any adverse impacts on their financial performance.

c) Foreign exchange risk management

Due to the financial obligations assumed by the Company, which are denominated in U.S. dollars (US\$), a foreign exchange hedging policy was implemented, establishing exposure limits associated with this risk, under which transactions involving swap derivatives are entered into.

The Company's net foreign exchange exposure is shown below:

Type of transaction	Consolidated 12/31/2019			
	Financial institution	Debt amount	Derivative	Net exposure
Resolution 4131	Santander	24,419	-	24,419
Resolution 4131	Banco Itaú	42,920	(42,949)	(28)
Resolution 4131	Banco Itaú	47,325	(47,350)	(26)
Total borrowings and financing		114,664	(90,299)	24,365
Foreign suppliers (*)	-	14,961	-	14,961
Total foreign exchange exposure		129,625	(90,299)	39,326
US dollar quotation – balance sheet		4,0307	4,0307	4,0307
Total exposure in US dollars		32,160	(22,403)	9,757

(*) The Company's subsidiaries import goods, raw materials and inputs for manufacturing and sale from foreign suppliers. These purchases are substantially denominated in U.S. dollars (US\$) and are exposed to exchange rate changes.

c.1) Derivatives

The Companies entered into swap transactions to minimize the foreign exchange risks arising on foreign currency-denominated borrowings and financing. These transactions consist of swapping the exchange rate changes for a percentage rate equivalent to the CDI fluctuation.

The Company entered into a loan agreement for which no swap derivatives were contracted, due to the interest rates applicable to such transaction.

As at December 31, 2019, the outstanding swap transactions are broken down as follows:

	Consolidated			
Description	Rates	Notional value	Fair value	Cumulative effect up to 12/31/2019 marked to market
<u>Swap contracts</u>				
Long position:				
Exchange rate changes - US\$	US\$5.5% p.a.	34,834	42,949	8,115
Short position:				
CDI fluctuation	CDI + 3.5% p.a.	34,834	34,834	-
Net amount receivable				8,115
<u>Swap contracts</u>				
Long position:				
Exchange rate changes - US\$	EUR 0.72% p.a.	45,954	47,350	1,396
Short position:				
CDI fluctuation	CDI + 3.5% p.a.	45,954	45,954	-
Net amount receivable				1,396
Total net amount receivable				9,511

The asset balance totaling R\$9,511 refers to the net adjustment receivable, calculated at fair value as at December 31, 2019, of derivatives outstanding on that date, which was recorded in line item "Derivatives".

d) Sensitivity analysis

Foreign exchange risk

For purposes of conducting a sensitivity analysis of financial instruments, Management believes that the equivalent liabilities recorded in the balance sheet should be considered, combining both transactions, as shown in the following table:

Total foreign exchange exposure	129,625
Notional amount of derivatives	(90,299)
Foreign exchange exposure, net	<u>39,326</u>

Accordingly, as a result of the considerations above, only the amount of R\$39,326 is being applied for the sensitivity analysis purposes. The US dollar exchange rate was R\$4,0307 at the balance sheet date.

In order to measure the expected net impact on profit or loss for the next 12 months, arising on potential foreign currency fluctuations, a sensitivity analysis considering three scenarios was prepared as to the Companies' exposure to the foreign exchange risks underlying their borrowings.

Under scenario I, an exchange rate of R\$4.3190 was defined based on the future U.S. dollar quotation on B3, limited to 12 months. Under scenarios II and III, a 25% and 50% appreciation in the U.S. dollar was projected, respectively.

Group's risk	Scenario I	Scenario II	Scenario III
Notional amount of the net exposure (in foreign currency)	9,757	9,757	9,757
Notional amount of the net exposure (in local currency)	39,326	39,326	39,326
Projected fair value (in local currency)	42,139	52,674	63,209
Effects of exchange rate changes	2,813	13,348	23,882
U.S. dollar rate	4.3190	5.3987	6.4785

Interest rate risk

Considering that almost all foreign currency-denominated borrowings and financing are hedged by swap contracts as at December 31, 2019, exchanging the foreign-currency liability index for the CDI rate fluctuation, due to the Group's policy to hedge against foreign exchange risks, the Group is, therefore, exposed to the CDI rate fluctuation. The exposure to interest rate risks underlying the transactions pegged to the CDI rate fluctuation is as follows:

Consolidated

Total borrowings and financing pegged to the CDI fluctuation	155,689
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Although the Companies' Management believes there is a low risk of significant fluctuations in the CDI rate throughout 2019, two scenarios were projected for the sensitivity analysis on the risk of CDI rate increase that would affect finance costs, stressing 25% and 50% increases in such rate, respectively.

Group's risk	Scenario I	Scenario II	Scenario III
Financing pegged to the CDI fluctuation	155,689	155,689	155,689
Projected fair value	155,689	158,009	160,329
Effects of CDI fluctuation	-	2,320	4,640
CDI rate	5.96%	7.45%	8.94%

e) Credit risk management

The proceeds from the Companies' sales made to a significant number of customers are substantially derived from credit and debit cards, which minimizes the credit risk.

f) Liquidity risk management

Effectively managing liquidity risks implies maintaining funds available through committed credit facilities and the ability to settle market positions. Management monitors the continuous forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operating needs.

The table below shows in detail the maturity of outstanding financial liabilities:

Transaction	Up to 1 year	Up to 2 years	2 to 5 years	Over 5 years	Total
Trade payables	36,421	-	-	-	36,421
Borrowings and financing	204,817	56,895	28,535	-	290,247
Right-of-use leases payable	43,452	43,452	129,623	105,684	322,211

g) Fair value of financial instruments

When applicable, the Companies adopt CPC 40/IFRS 7 – Financial Instruments: Disclosures for financial instruments measured in the balance sheet at fair value, which requires the disclosure of fair value measurements based on the following hierarchy level:

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Companies can access at the measurement date.
- Level 2 inputs: are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: are unobservable inputs for the asset or liability.

As at December 31, 2019, all of the Companies' derivative financial instruments were grouped into Level 2. The fair value of receivables from credit card companies is measured under Level 2.

30. SHARE-BASED PAYMENT

On September 18, 2019, the Company approved the share-based compensation plan ("Plan"), which is subject to the following terms and conditions:

(a) General terms and conditions

The Plan will be managed by the Board of Directors.

To the extent prescribed by the law and the Company's bylaws, the Board of Directors will have full powers to adopt all measures necessary and appropriate to manage the Plan, including:

- The creation and imposition of general rules related to the granting of Options, under the Plan, and the resolution of doubts related to the Plan's interpretation.
- The election of the Beneficiaries and authorization to grant Options on their behalf, establishing all terms and conditions of the Options to be granted.

- c) The approval of the Option Agreements to be entered into among the Company and each one of the Beneficiaries, subject to the Plan terms and conditions.
- d) The issuance of new Shares within the limit of the authorized capital or authorization to sell Shares held in treasury to fulfill the exercise of the Options granted, pursuant to the Plan and ICVM 567.

In fulfilling its duties, the Board of Directors will be subject only to the limits prescribed by the law, the regulations issued by the CVM and the Plan, and it is understood that Board of Directors can treat differently the officers and employees of the Company or other companies under its control who are in similar condition, without being required, by any isonomy or analogy rule, to extend to all the terms and conditions it considers to be applicable only to some officers and employees on its sole discretion. The Board of Directors can also establish special treatment for those exceptional cases during the validity period of each Option, provided that the rights already granted to the Beneficiaries or the Plan basic principles are not affected. Such exceptional measure shall not constitute precedent to be invoked by other Beneficiaries.

The resolutions of the Board of Directors are binding upon the Company in relation to all Plan-related matters.

As at December 31, 2019, no shares were granted to the beneficiaries.

31. INSURANCE COVERAGE

The Companies adopt an insurance policy that considers mainly the risk concentration and its materiality, according to the nature of their activities and advice from insurance brokers. As at December 31, 2019, the insurance coverage is broken down as follows:

- Inventory damages – R\$172,619 (effective through February 2020).
- Property and fleet damages - R\$14,400 (effective through April 2020).

32. EVENTS AFTER THE REPORTING PERIOD

In the past weeks, Management has been monitoring the events related to COVID-19, paying careful attention to the instructions from Brazilian and international authorities. The Company has been adopting several prevention measures to protect the health of its employees, suppliers and business partners, as well as the health of its business. It is important to stress that the Company is presently unable to determine the impacts arising from COVID-19 on its results of operations in subsequent periods due to the period of isolation of the population at their homes, and the extent and magnitude of the virus spread at the different Brazilian regions.

The Company is in good financial standing with high immediate liquidity, and has trade receivables in the amount of R\$425,833, inventories of precious metals and finished products of R\$348,034, material resources to overcome such challenging period.

33. AUTHORIZATION FOR ISSUANCE OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

These individual and consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 23, 2020.