EARNINGS RELEASE

AREZZO &CO

4Q2019

AREZZO SCHUTZ ANACAPRI ALEXANDRE BIRMAN FIEVER ALME VANS "OFF THE WALL"

EARNINGS RELEASE 4Q19

Belo Horizonte, March 04, 2019. Arezzo&Co (BM&FBOVESPA: ARZZ3), leader in the women's footwear, handbags and accessories industry in Brazil, reports its earnings for the fourth quarter of 2019.

PRICE AND MARKET CAP

03/04/2020
R$ 58.00 and R$ 5.3 billion

EARNINGS CONFERENCE CALL

Thursday, March 05, 2019
11:00 a.m. (Brazil) / 09:00 a.m. (NY)

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HIGHLIGHTS – PRO FORMA*

- Net Revenue in 4Q19 reached R$ 467.7 million, a 13.4% increase against 4Q18;
- The web commerce channel grew 51.2% compared to 4Q18, representing 13.4% of the company's domestic revenues;
- Same-Store-Sales sell out growth of 5.7% in the quarter;
- In 4Q19, Gross Profit totaled R$ 218.2 million (gross margin of 46.7%), a 12.1% increase;
- EBITDA for 4Q19 totaled R$ 85.1 million (EBITDA margin of 18.2%) a 32.8% increase against 4Q18;
- In 4Q19, Net Income totaled R$ 59.4 million (net margin of 12.7%) a 40.6% increase;
- Arezzo&Co opened 37 stores (net) in the quarter and 67 stores in the last twelve months.

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

INVESTOR RELATIONS

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Message from the Management

A year filled with challenges and achievements: that was our 2019!

We are getting closer to the 50th anniversary of a story that goes way beyond a business.

As a market leader in footwear and handbags for the female AB classes, we showed our strength and resilience, demonstrating solid and consistent results through a highly engaged team, building a successful culture, and creating the path for our future.

The world is fast-changing, with the adoption of disruptive technologies and **important changes in consumer's behavior** – as the demand for the brands carrying a strong purpose, a sturdy social-environmental positioning, and especially, the need to receive a fast, connected and personalized service – which reinforced our motivation to review an already highly winning strategy, with the mindset that what brought us here will not necessarily take us where we want to go. And the dream we have is a big one!

That's how we started a new **strategic planning cycle** at Arezzo&Co – a project that relied on the dedication of our senior management team and the support of one of the most renowned strategy consulting firms in the world.

Here it is worth mentioning the reason we chose "Da Vinci" as the name of the project – one of the greatest artists of all time, who was able to unite art and science in everything he made, through his insatiable curiosity. Arezzo&Co, a fashion company that creates products and dreams ("art"), needs to be able to reinvent itself, just like Da Vinci, using "science" – data, technology, supply model – in order to orchestrate a combination able to deliver the best products, at the right time and place, in the best way possible, to the customers.

When the Da Vinci project started, we had one great assurance: that the focus on customers was not only desirable but crucial. Based on the book *The Founder's Mentality*, by James Allen, partner of *Bain Company*, we chose to take a tireless journey, **putting our customers at the core of our business** – with strong frontline empowerment to enable the best brand experience – wherever the customer is. After all, we don't want our market share to limit us or make us incumbent along the time, distant from the consumer's voice. We want to use our scale, combined with our "founder mentality", ever so present in our teams, to seek constant agility.

Additionally, the Da Vinci project helped us to understand better the potential of our current brands, each one of them with its positioning and maturity curve. The results left us even more optimistic about our future growth already addressed in the domestic market

The Arezzo brand – democratic, accessible, and with a strong franchise network – will continue to expand through the *light* model and omnichannel, allowing it to reduce the stock out in stores. Schutz – the "desire brand" and protagonist in the fashion scene – will increase its strength and digital relevance. Anacapri – the "easygoing" brand – will have an interesting growth path through the opening of new stores and the maturity of the existing ones. Alexandre Birman – a brand synonymous with luxury – will continue its strong growth in Brazil and the foreign market, associated with an exponential increase in brand awareness. Fiever – the young and urban sneaker brand – will continue with its expansion plan in different channels. And, finally, Alme – the comfort brand – will continue to grow in its addressable market, serving mature women in their search for comfort, without giving up style.

Message from the Management

In 2019, Arezzo&Co took important steps in **its digital transformation process**, by nurturing an agile culture and raising its technological level. Our primary focus was to use technology as a means, establishing a platform of productivity and growth, aiming to empower brands with BI data to maximize their assertiveness in sales and stimulate the **omnichannel**. An important step was also taken with the implementation of RFID in the Schutz brand, which will be extended to the other brands of the group in the near future.

In this scenario of winning brands and ahead of their time – but different from each other – there are common elements, aggregated in a robust structure, which include, but are not limited to sourcing, product engineering, expansion, logistics, franchising, multibrand and web commerce – besides the corporate support areas. With the confidence that these areas have already reached the scale and maturity necessary to absorb new operations, we started to question ourselves throughout 2019 whether it would not be time to break an old paradigm: that we only have brands created by us in our portfolio.

It was in this context that we opened our horizon for M&A opportunities, debuting our first inorganic movement, by obtaining exclusivity for operating the VANS® brand in Brazil. A challenge that matches the opportunity it represents: a brand recognized worldwide, highly desired in the Brazilian market, and that brings new categories for Arezzo&Co, such as men's shoes, kids and clothing. An operation of significant size (over R$ 200 million in revenue), with strong growth potential, through physical stores, multibrands and web commerce.

After the transaction, we started the integration process with humility and dedication. In about a month, we transferred over 450 thousand pairs of shoes, accessories, and clothing, creating a new distribution center, in addition to the full implementation of SAP and the internalization of the web commerce, which was previously outsourced. Our confidence, that is always elevated and driven by a passion for business and for making it happen, is higher than ever.

Indeed Vans® opens us up to a **new path of possibilities**, a path we have a genuine intention to follow, with very clear discretion of what we want to do – and perhaps even more important – of what we will not do. We are motivated and confident that Arezzo&Co will consolidate itself as a great platform of brands, a true “House of Brands”. It is a new mindset, which is here to stay. Beyond licensing agreements such as VANS®, we continue to analyze other opportunities for market consolidation, whether traditional consolidated brands or insurgent brands.

Although we still have a lot of room to grow through our own brands, Vans® and others in the future, we believe in an even bigger dream – which is why we endlessly discussed throughout our strategic planning what would be the most disruptive course to be taken in the future. In this context, we defined that we want to be more than a platform of brands – but a **fashion platform**, with all our brands coexisting together, linked to a unified loyalty program, shopping cart and freight, besides optimized investments in marketing and downloads. This is our 2020 goal, but it doesn't stop there. By offering fashion content and services – to be added later – we will be able to walk a path towards a “3P” marketplace, in which the curation of partner brands that are complementary to ours will be one of our great differentials as a platform. After all, Arezzo&Co wants to be the ally of our customers in fashion and in life, revolutionizing the fashion industry for the A/B market in Brazil.

Message from the Management

Our focus on international expansion – mainly through our own operation in the United States, remains an important pillar of our strategy. Our exponential growth in online sales, the opening of new doors and the gain of “share of wallet” in department stores are very relevant. Despite the transformation seen in North American retail, we believe in the importance of physical stores for building brand awareness and brand experience. The year of 2019 brought important achievements, but also adjustments and investments that impacted our Company's consolidated results. However, we strongly believe in the potential of our brands in the North American market, and in 2020 we will continue to grow, respecting our cash generation and aiming for the continuous improvement of profitability.

Lastly, we would like to thank our team and the Board of Directors for the dedication throughout this intense year.

Our culture is the base for everything we do. The future is in our hands..

2154 is now!
The Management.

Adoption of IFRS 16 Standard - Key Impacts

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

For a better understanding of the changes, a proforma 4Q19 column was included throughout the earnings release, excluding the adoption of the rule, in the tables related to the main impacted accounts. The impacts of the application of this new standard are shown in notes 12 - Property, Plant and Equipment and 16 - Lease of ITR Notes for 4Q19.

BALANCE SHEET

Assets - Right of Use
+ R$ 205 Million

Liabilities - Lease
+ R$ 209 Million

RESULTS

COGS (Occupation Expense)
(R$ 10) Thousand

SG&A (Occupation Expense)
R$ 409 Thousand

EBITDA
+ R$ 8.7 Million

Lease Depreciation
(R$ 8.1) Million

Lease Financial Expenses
(R$ 1.2) Million

Net Income
(R$ 0.7) Million

Key financial indicators	4Q19 Reported	IFRS 16 Impact	4Q19 Pro forma	2019 Reported	IFRS 16 Impact	2019 Pro forma
Gross Revenues	**573,729**	**-**	**573,729**	**2,063,929**	**-**	**2,063,929**
Net Revenues	**467,652**	**-**	**467,652**	**1,679,235**	**-**	**1,679,235**
COGS	**(249,435)**	**7**	**(249,428)**	**(903,541)**	**(42)**	**(903,583)**
Depreciation and amortization (cost)	(664)	195	(469)	(2,768)	901	(1,867)
Gross Profit	**218,217**	**7**	**218,224**	**775,694**	**(42)**	**775,652**
Gross Margin	46.7%	0.0%	46.7%	46.2%	0.0%	46.2%
SG&A	**(142,180)**	**(407)**	**(142,587)**	**(552,592)**	**(707)**	**(553,299)**
Depreciation and amortization (expenses)	(17,128)	8,087	(9,041)	(75,075)	37,372	(37,703)
% of net revenues	-30.4%	-0.1%	-30.5%	-32.9%	0.0%	-32.9%
EBITDA	**93,829**	**(8,683)**	**85,146**	**300,945**	**(39,023)**	**261,922**
EBITDA Margin	20.1%	-1.9%	18.2%	17.9%	-2.3%	15.6%
Financial Results	**(4,644)**	**1,134**	**(3,510)**	**(18,176)**	**5,319**	**(12,857)**
Income before income taxes	**71,393**	**733**	**72,126**	**204,926**	**4,569**	**209,495**
Income tax and social contribution	**(12,738)**	**-**	**(12,738)**	**(42,787)**	**-**	**(42,787)**
Net Income	**58,655**	**733**	**59,388**	**162,139**	**4,569**	**166,708**
Net Margin	12.5%	0.2%	12.7%	9.7%	0.3%	9.9%

Summary of Results	4Q19	4Q18	Δ (%) 19 x 18	4Q19 Pro forma	Δ (%) 19 x 18
Net Revenues	467,652	412,211	13.4%	467,652	13.4%
Gross Profit	218,217	194,724	12.1%	218,224	12.1%
Gross Margin	46.7%	47.2%	-0.5 p.p.	46.7%	-0.5 p.p.
EBITDA[1]	96,308	64,118	50.2%	85,146	32.8%
EBITDA Margin[1]	20.6%	15.6%	5.0 p.p.	18.2%	2.6 p.p.
Net Income	58,655	42,243	38.9%	59,388	40.6%
Net Margin	12.5%	10.2%	2.3 p.p.	12.7%	2.5 p.p.

Summary of Results	2019	2018	Δ (%) 19 x 18	2019 Pro forma	Δ (%) 19 x 18
Net Revenues	1,679,235	1,526,659	10.0%	1,679,235	10.0%
Gross Profit	775,694	710,672	9.1%	775,652	9.1%
Gross Margin	46.2%	46.6%	-0.4 p.p.	46.2%	-0.4 p.p.
EBITDA[1]	303,424	232,161	30.7%	261,922	12.8%
EBITDA Margin[1]	18.1%	15.2%	2.9 p.p.	15.6%	0.4 p.p.
Net Income	162,139	142,644	13.7%	166,708	16.9%
Net Margin	9.7%	9.3%	0.4 p.p.	9.9%	0.6 p.p.

Operating Indicators	4Q19	4Q18	Δ (%) 19 x 18	2019	2018	Δ (%) 19 x 18
# of pairs sold ('000)	4,352	3,980	9.3%	14,533	13,507	7.6%
# of handbags sold ('000)	509	509	0.0%	1,771	1,520	16.5%
# of employees	2,465	2,437	1.1%	2,465	2,437	1.1%
# of stores*	752	685	67	752	685	67
Owned Stores	53	51	2	53	51	2
Franchises	699	634	65	699	634	65
Outsourcing (as % of total production)	91.0%	92.1%	-1.1 p.p	90.7%	91.6%	-0.9 p.p
SSS[2] Sell-in (franchises)	2.8%	9.2%	-6.4 p.p	1.7%	4.7%	-3.0 p.p
SSS[2] Sell-out (owned stores + franchises + web)	5.7%	3.6%	0.2 p.p	3.9%	4.2%	-0.3 p.p

* Includes international stores

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

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

Gross Revenue	4Q19	Part%	4Q18	Part%	Δ (%) 19 x 18	2019	Part%	2018	Part%	Δ (%) 19 x 18
Total Gross Revenue	**573,729**		**505,511**		**13.5%**	**2,063,929**		**1,865,766**		**10.6%**
Foreign Market	**66,258**	**11.5%**	**52,395**	**10.4%**	**26.5%**	**258,982**	**12.5%**	**186,898**	**10.0%**	**38.6%**
Exports	*8,420*	*12.7%*	*14,542*	*27.8%*	*(42.1%)*	*54,509*	*21.0%*	*66,627*	*35.6%*	*(18.2%)*
US Operation	*57,838*	*87.3%*	*37,850*	*72.2%*	*52.8%*	*204,473*	*79.0%*	*120,271*	*64.4%*	*70.0%*
Domestic Market	**507,471**	**88.5%**	**453,116**	**89.6%**	**12.0%**	**1,804,947**	**87.5%**	**1,678,868**	**90.0%**	**7.5%**
By Brand										
Arezzo	*282,268*	*55.6%*	*259,589*	*57.3%*	*8.7%*	*983,757*	*54.5%*	*950,689*	*56.6%*	*3.5%*
Schutz [1]	*121,950*	*24.0%*	*107,701*	*23.8%*	*13.2%*	*474,295*	*26.3%*	*443,471*	*26.4%*	*7.0%*
Anacapri	*76,186*	*15.0%*	*65,417*	*14.4%*	*16.5%*	*259,116*	*14.4%*	*219,554*	*13.1%*	*18.0%*
Others [2]	*27,067*	*5.3%*	*20,409*	*4.5%*	*32.6%*	*87,779*	*4.9%*	*65,154*	*3.9%*	*34.7%*
By Channel										
Franchises	*270,267*	*53.3%*	*244,274*	*53.9%*	*10.6%*	*899,399*	*49.8%*	*831,365*	*49.5%*	*8.2%*
Multibrand	*92,158*	*18.2%*	*75,700*	*16.7%*	*21.7%*	*423,008*	*23.4%*	*384,272*	*22.9%*	*10.1%*
Owned Stores [3]	*76,982*	*15.2%*	*87,700*	*19.4%*	*(12.2%)*	*266,310*	*14.8%*	*298,706*	*17.8%*	*(10.8%)*
Web Commerce	*67,948*	*13.4%*	*44,951*	*9.9%*	*51.2%*	*214,581*	*11.9%*	*162,640*	*9.7%*	*31.9%*
Others [4]	*116*	*0.0%*	*491*	*0.1%*	*(76.4%)*	*1,649*	*0.1%*	*1,885*	*0.1%*	*(12.5%)*

(1) Does not include the revenues from the international operation.
(2) Includes only domestic markets for Alexandre Birman, Fiever and Alme brands and other revenues (not attributed to the brands).
(3) Excluding the effect of the conversion of 10 stores (LTM) from owned stores into franchises, the channel would have grown 4.2% in the quarter.
(4) Includes domestic market revenues that are not specific for distribution channels.

Brands

The fourth quarter of the year is marked by the launch of the summer collection, Black Friday and the most important period of the year – Christmas. We achieved good results, due to the desire for our brands combined with an enchanting mix of products boosted by a team highly passionate about what they do. These results and the well-defined positioning of each of our brands shows that we are on the right path towards consolidating our company as a “House of Brands”.

The **Arezzo** brand reached revenue of R$ 282.3 million in this quarter, an increase of 8.7% compared to 4Q18, representing 55.6% of Arezzo&Co's domestic revenues. Excluding the effect of the conversion of 5 owned stores into franchises in the last twelve months, the brand's revenue would have grown 12.2%.

As a highlight of the quarter, the Arezzo brand launched a unique partnership with *Pantone* – a worldwide known authority on colors and a lifestyle reference – to keep the young public engaged. With the partnership, Pantone took exclusive colors for the brand's shoes and bags, resulting in an excellent performance, with the sale of eleven thousand pairs and more than five thousand bags in just 10 days. In December, Arezzo focused on the *“Arezzo Sempre Presente”* (Arezzo Always Present) campaign for the third year in a row, reinforcing its image as a great option for gifts for the date, through “*buy and win*” actions, recognition of the best customers per store and in-store product display focused on giftable items.

The **Schutz** brand growth reached 17.3% in the period on a global basis, consolidating its important strategy of growth recovery. In the domestic market, the brand accounted for 24.0% of the Company's revenues, totaling R$ 122.0 million in 4Q19, a 13.2% growth over the same period last year – continuing the positive performance also presented in the previous quarters.

Excluding the effect of the conversion of owned stores into franchises (5 stores in the last twelve months), the brand would have grown by 14.5%. In the foreign market, the US operation grew 63.0% in Reais vs. 4Q18 and 51.2% in Dollars.

As a highlight in Brazil, the sneakers category increased its representation in the brand mix to 6.6% (vs. 5.3% in 4Q18) with a 35.7% volume growth in the quarter. In October, the brand expanded the “It Schutz” sneaker line, a best seller in 3Q19, in new colors and materials. The sneakers registered sell-through of 74.0% in just one week.

Following the positive performance of the third quarter, the brand also reached inspiring results on the handbags category, with a 28.6% revenue growth in the period, representing 27.6% in the mix of Schutz. In the quarter, Schutz launched the unique handbag line *“Triangle”* on a different leather, patterns and customization option with initials. In December, Schutz signed an unprecedented partnership with the Brazilian brand of accessories *Isla*, presenting a new version of the brand's shoes and bags best sellers over the years.

The **Anacapri** brand achieved revenues of R$ 76.2 million, a 16.5% growth compared to 4Q18, ending the quarter with 15.0% of the Company's domestic market revenue, compared to 14.4% in 4Q18. The good performance is the result of the net opening of 35 franchises in the last 12 months (20 stores only in 4Q19) and the growing relevance of the web commerce channel, which already represents 7.5% of the total sales. It is worth mentioning the performance of the handbags category, which already represents 8.6% of the product mix, 2.4 p.p. above 4Q18.

As a highlight of the quarter, Anacapri was the first brand to partner with “*Smiley*” in Brasil for the launch of an exclusive collection, which reinforces Anacapri's self-esteem and freedom of expression positioning, bringing greater engagement. The launch featured several actions of marketing and “*buy and win*”, which contributed to the increase of the average ticket of the stores.

The **Alexandre Birman** brand showed 18.5% global growth, highlighting the SSS of 31.1% in the domestic market, besides the sales in the foreign market. In October, the brand launched its customization platform for the e-commerce – previously available only on the physical stores – boosting the channel revenue. Given the growing demand for the brand in Brazil, two owned stores were opened in November, one in Curitiba and other in Brasilia. For the holidays season, the brand launched globally the “*Jelly*” sandal, as an entry price product, in line with the strategy of major international luxury brands. The model was a best seller in the first month of sales.

The **Fiever** brand showed 35.3% growth and was highlighted in the quarter by the web commerce channel, which already represents 13.7% of the brand's revenue. In October, Fiever expanded the *"Fiever BEAT”* sneakers line with DJ Alok (worldwide recognized) as brand ambassador. As a result of this campaign, the sneaker was a best seller representing 25,0% of sales. In November, Fiever opened its first franchised store, located at the *Frei Caneca* mall in São Paulo. Besides that, the brand also signed a partnership with *Centauro* – important player at the sneakers and sports segment in Brazil – for sale in more than 30 stores.

Alme, the group's sixth brand, showed 46.7% growth, with the highlight for the opening of two franchises, located at the *Vila Olímpia* and *Ibirapuera* malls in São Paulo. Besides, the brand also launched the product line “*Alme Eleva*”, whose main characteristic is the lightness of the shoes, which weigh about half of a conventional shoe, providing even more comfort for the consumers.

As announced at the beggining of October, Arezzo&Co signed a contract to become the exclusive distributor of the **Vans®** brand in Brazil. During November and December, the Company was intensively dedicated to integrating the new brand into its structure through a "war room" with people from key areas of the business. Over the months, the team integrated the web commerce platform, concluded the migration to SAP, transferred all products to its own distribution center in *Cariacica* (ES) and took over the management of the physical stores, ending the process successfully without delays or any sales blackout. In order to maintain the DNA and culture of Vans®, the office located in São Paulo was maintained and a large part of the team was absorbed. Since January 1, 2020, Arezzo&Co started to recognize Vans® revenues in its sales, which will be disclosed in the 1Q20 earnings release.

On the **Sustainability** front, the group's brands took important steps such as:

- **Arezzo**: launch of the *"Arezzo Futuro"* (Arezzo Future) platform, which will include all the brand's sustainability initiatives. The first one was the *ZZ* Bio sneaker line, which has the differential of using biodegradable polyamide thread – a technology developed by Rhodia Solvey – replacing the polyester. In addition, the insole, the lining and the sole were also developed with biodegradable material.
- **Schutz**: the first launch of a sneaker with a sole made with 10% of waste in its composition in addition to an upper constructed with recycled PET thread.
- **Anacapri:** launch of a sneaker made with rice husk soles as a replacement for the plastic in its composition.
- **Fiever**: launch of the *Fiever Choice* platform, which will include all the sustainability initiatives, being the first one a line of sneakers made from recycled cotton uppers and soles with 10% of waste in its composition.

The brands' actions materialize the sustainability efforts in one of the stages of the business. However, Arezzo&Co has been working intensively on a solid program that covers all the bonds in the value chain, including the tracking of the supply chain and certifications.

Channels

Monobrand - Franchises, Owned Stores and Web Commerce

Reflecting the Company's strategy to strengthen monobrand stores, the Arezzo&Co point of sales network (Owned Stores + Franchises + web commerce) posted a 8.8% increase in 4Q19 sell-out sales compared to 4Q18, mainly due to the strong growth of the online channel and the net opening of 64 monobrand stores in the last 12 months, as well as the same-store-sales increase of 5.7% in 4Q19.

Following the Company's asset-light strategy, and reinforcing the attractiveness of the franchise model for our franchisees, in the last twelve months, 10 owned stores (5 Arezzo brand and 5 Schutz brand) were converted into franchisees, implying a revenue decline in the Owned Stores channel to the benefit of the Franchise channel. Excluding this effect, the Owned Stores channel would have grown 4.2%.

The sales area stores in Brazil and abroad was 4.5% higher in the quarter compared to 4Q18. In Brazil, the net addition was of 35 Anacapri stores, 23 Arezzo stores (mostly in light format) 4 Alme stores, 2 Alexandre Birman stores and, 1 Fiever store, totaling 2,061 m² (excluding outlets).

The franchise channel accounted for 53.3% of domestic sales in 4Q19 and recorded SSS sell-in of 2.8% and SSS sell-out of 2.3%.

The web commerce channel grew 51.2% compared to 4Q18, representing 13.4% of the company's domestic revenues. It is worth mentioning the excellent performance of the channel on the days of “Black Friday” (Friday to Sunday) which registered SSS sell-out of 78.3%.

Multibrand

In 4Q19, multibrand channel revenues grew by 21.7% compared to 4Q18, over a comparable base of 12.3% comparison basis. All brands demonstrated excellent performance in the channel, highlighting the Schutz and Fiever brands, which presented a high sell throught of the collections and a great attractiveness for the channel's clients.

The group's six brands were distributed through 2,646 stores in 4Q19, up 6.2% over 4Q18, and are present in 2,590 cities.

Foreign Market

In the United States, the revenue recorded a 52.8% growth. In dollars, the increase was 41.8%. All channels of both Schutz and Alexandre Birman brands showed significant growth in the period, with a highlight to the growth of the Wholesale channel, whose sales were boosted by the dropship* model growth, as well as the regular sale of products through the web commerce of those stores. The brands ended the year with 119 doors, an increase of 30% when compared to the same period of 2018.

In addition to the Wholesale channel growth, the online operation showed a relevant growth of 133.4%, due to increasing investments in marketing and brand awareness, with a direct impact on traffic and conversion indicators. Owned Stores channel showed a good performance, with a growth of 56.1%, due to the higher SSS in the stores and the openings in the last twelve months. At the beginning of March, Schutz brand opened a *pop-up* store in Los Angeles at The Grove mall.

The exports to the rest of the world had a retraction of 42.1% in Reais in 4Q19 compared to the same period of 2018, partially explained by the postponement of some orders referring for revenues in the 4Q19 for 1Q20 and by the decrease of the revenues in specific countries such as Argentina and Chile.

On a consolidated basis, in the 4Q19, the Company's foreign market revenue was 26.5% higher than in 4Q18, representing 11.5% of total revenues compared to 10.4% in the same period of the previous year.

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

Digital Transformation

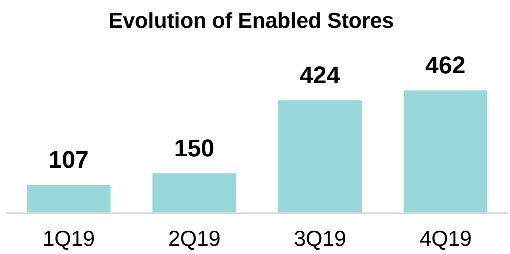
In 2018 Arezzo&Co started its process of Digital Transformation through the implementation of agile methodologies based in squads that aim the integration of all sales channels, digitizing the business with the implementation of BI and merchandising technology.

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

Click n Collect

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

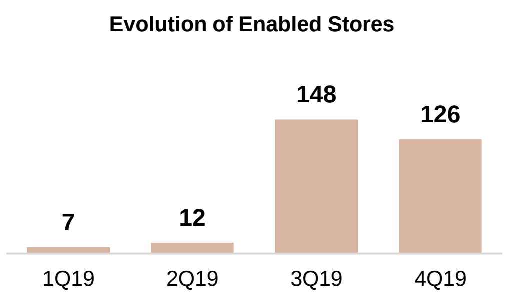
By the end of 4Q19, 462 stores were enabled.



Store Shipping

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

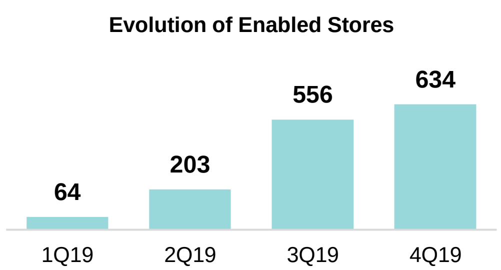
By the end of 4Q19, 126 stores were enabled. It's worth mentioning that this modality depends on partnership with local couriers.



Infinite Shelf

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

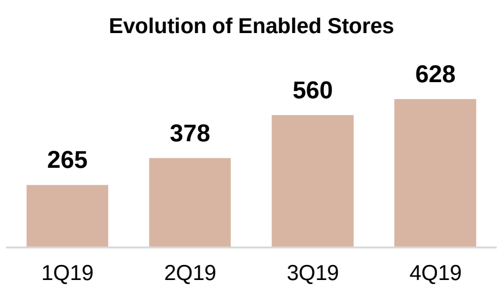
By the end of 4Q19, 634 stores were enabled.



Remote Sell

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

By the end of 4Q19, 628 stores were enabled.



Expansion of the Monobrand Channel

Arezzo&Co ended the quarter with 752 stores, (737 in Brazil and 15 abroad) – an increase of 4.5%, with 67 net openings in the last 12 months.

In 4Q19, 37 stores (net) were opened: 13 Arezzo brand stores (11 in the light format), 20 Anacapri, 2 Alme, 2 Alexandre Birman and 1 Fiever.

Store Information	4Q18	1Q19	2Q19	3Q19	4Q19
Sales area[1],[3] - Total (m²)	**43,965**	**44,086**	**44,322**	**44,835**	**45,925**
Sales area - franchises (m²)	37,691	37,704	37,768	38,739	39,752
Sales area - owned stores[2] (m²)	6,274	6,382	6,553	6,096	6,173
Total number of domestic stores	**673**	**677**	**681**	**700**	**737**
# of franchises	**628**	**632**	**636**	**658**	**693**
Arezzo	405	405	406	419	432
Schutz	73	74	73	73	72
Anacapri	150	153	157	165	185
Fiever	–	–	–	–	1
Alme	–	–	–	1	3
# of owned stores	**45**	**45**	**45**	**42**	**44**
Arezzo	14	14	14	10	10
Schutz	17	17	17	17	17
Alexandre Birman	4	4	4	4	6
Anacapri	3	3	3	3	3
Fiever	5	5	5	5	5
Alme	2	2	2	3	3
Total number of international stores	**12**	**13**	**15**	**15**	**15**
# of franchises	6	6	6	6	6
# of owned stores[4]	6	7	9	9	9

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

Key financial indicators	4Q19	4Q18	Δ (%) 19 x 18	4Q19 Pro forma[4]	Δ (%) 19 x 18
Gross Revenues	573,729	505,511	13.5%	573,729	13.5%
Net Revenues	467,652	412,211	13.4%	467,652	13.4%
COGS	(249,435)	(217,487)	14.7%	(249,428)	14.7%
Depreciation and amortization (cost)	(664)	(412)	n/a	(469)	n/a
Gross Profit	218,217	194,724	12.1%	218,224	12.1%
Gross margin	*46.7%*	*47.2%*	*(0.5 p.p)*	*46.7%*	*(0.5 p.p)*
SG&A	(142,180)	(143,607)	(1.0%)	(142,587)	(0.7%)
% of net revenues	*(30.4%)*	*(34.8%)*	*4.4 p.p*	*(30.5%)*	*4.3 p.p*
Selling expenses	**(108,582)**	**(97,168)**	**11.7%**	**(115,433)**	**18.8%**
Owned stores and web commerce	(33,064)	(36,261)	(8.8%)	(35,167)	(3.0%)
Selling, logistics and supply	(75,518)	(60,907)	24.0%	(80,266)	31.8%
General and administrative expenses	**(50,678)**	**(38,038)**	**33.2%**	**(52,321)**	**37.5%**
Other operating revenues (expenses)	**34,208**	**4,187**	**n/a**	**34,208**	**n/a**
Depreciation and amortization (expenses)	**(17,128)**	**(12,588)**	**36.1%**	**(9,041)**	**(28.2%)**
EBITDA	93,829	64,117	46.3%	85,146	32.8%
EBITDA Margin	*20.1%*	*15.6%*	*4.5 p.p*	*18.2%*	*2.6 p.p*
Net Income	58,655	42,243	38.9%	59,388	40.6%
Net Margin	*12.5%*	*10.2%*	*2.3 p.p*	*12.7%*	*2.5 p.p*
Working capital[1] - as % of revenues	25.0%	27.0%	(2.0 p.p)	27.4%	0.4 p.p
Invested capital[2] - as % of revenues	42.7%	36.8%	5.9 p.p	37.8%	1.0 p.p
Net cash/EBITDA LTM	**0.3x**	**0.5x**	**-**	**0.4x**	**-**
Cash	277,683	235,801	17.8%	277,683	17.8%
Total debt	180,784	111,418	62.3%	180,784	62.3%
Net cash[3]	96,899	124,383	(22.1%)	96,899	(22.1%)

(1) Working Capital: current assets minus cash, cash equivalents and financial investments less from current liabilities minus loans and financing and dividends payable.
(2) Invested Capital: working capital plus fixed assets and other long term assets less income tax and deferred social contributions.
(3) Net debt is equal to total interest bearing debt position at the end of a period less cash, cash equivalents and short-term financial investments.
(4) Excluding the impacts of IFRS 16 / CPC 06 (R2)
(5) Includes revenue related to extemporaneous tax credits (the unconstitutionality of the insertion of "ICMS" in the calculation basis of "PIS/COFINS"), which resulted to the greater achievement of the company's profit sharing plan whose additional financial impact was allocated on the recurring expenses lines (G&A). The positive effect (net of profit sharing plan) of such credits in the company's EBITDA was R$ 18.0 million.

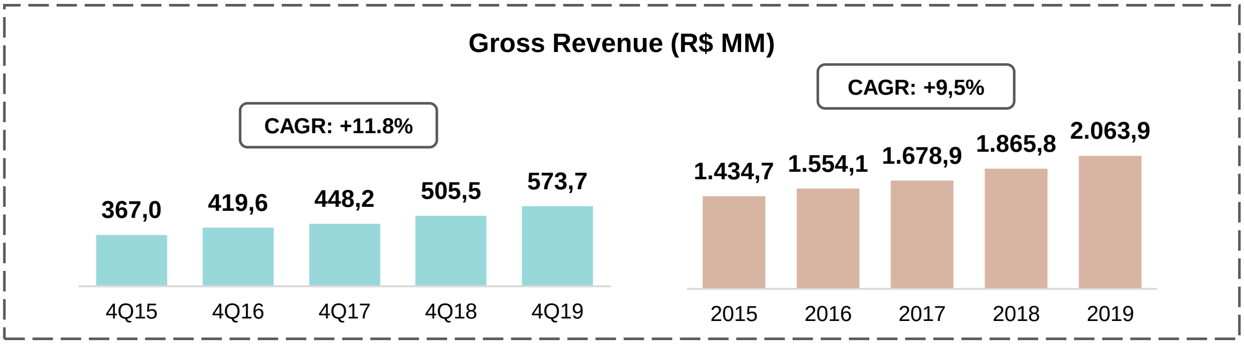
Key financial indicators	2019	2018	Δ (%) 19 x 18	4Q19 Pro forma[4]	Δ (%) 19 x 18
Gross Revenues	2,063,929	1,865,768	10.6%	2,063,929	10.6%
Net Revenues	1,679,235	1,526,659	10.0%	1,679,235	10.0%
COGS	(903,541)	(815,987)	10.7%	(903,583)	10.7%
Depreciation and amortization (cost)	(2,768)	(1,459)	n/a	(1,867)	n/a
Gross Profit	775,694	710,672	9.1%	775,652	9.1%
Gross margin	*46.2%*	*46.6%*	*(0.4 p.p)*	*46.2%*	*(0.4 p.p)*
SG&A	(552,592)	(519,392)	6.4%	(553,299)	6.5%
% of net revenues	*(32.9%)*	*(34.0%)*	*1.1 p.p*	*(32.9%)*	*1.1 p.p*
Selling expenses	**(368,023)**	**(349,297)**	**5.4%**	**(400,229)**	**14.6%**
Owned stores and web commerce	(119,130)	(130,886)	(9.0%)	(131,917)	0.8%
Selling, logistics and supply	(248,893)	(218,411)	14.0%	(268,312)	22.8%
General and administrative expenses	**(165,281)**	**(131,068)**	**26.1%**	**(171,138)**	**30.6%**
Other operating revenues (expenses)	**55,787**	**393**	**n/a**	**55,771**	**n/a**
Depreciation and amortization (expenses)	**(75,075)**	**(39,420)**	**90.4%**	**(37,703)**	**(4.4%)**
EBITDA	300,945	232,159	29.6%	261,922	12.8%
EBITDA Margin	*17.9%*	*15.2%*	*2.7 p.p*	*15.6%*	*0.4 p.p*
Net Income	162,139	142,644	13.7%	166,708	16.9%
Net Margin	*9.7%*	*9.3%*	*0.4 p.p*	*9.9%*	*0.6 p.p*
Working capital[1] - as % of revenues	25.0%	27.0%	(2.0 p.p)	27.4%	0.4 p.p
Invested capital[2] - as % of revenues	42.7%	36.8%	5.9 p.p	37.8%	1.0 p.p
Net cash/EBITDA LTM	**0.3x**	**0.5x**	**-**	**0.4x**	**-**
Cash	277,683	235,801	17.8%	277,683	17.8%
Total debt	180,784	111,418	62.3%	180,784	62.3%
Net cash[3]	96,899	124,383	(22.1%)	96,899	(22.1%)

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

Gross Revenue

The company's Gross Revenue in this quarter totaled R$ 573.7 million, 13.5% increase against 4Q18. Among the main factors driving this growth, worthy of mention are:

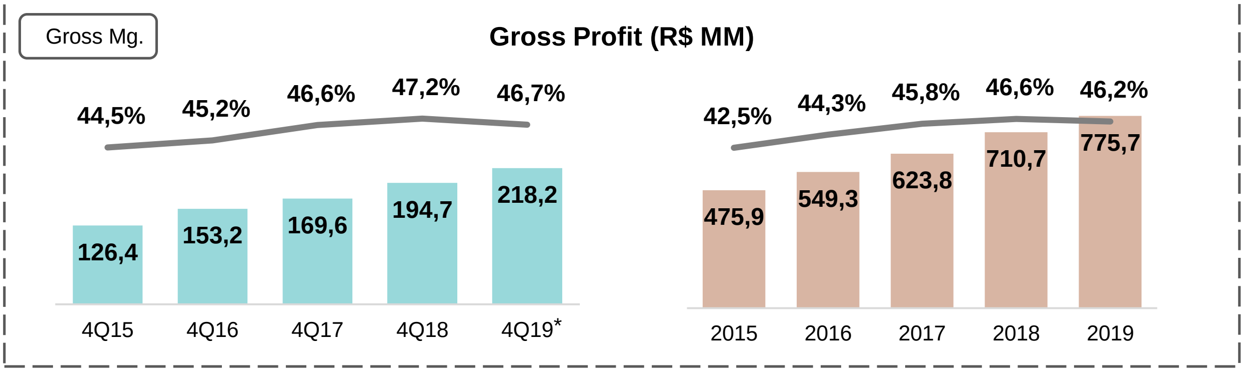
- Growth of 52.8% in the US Operation;
- Growth of 51.2% in the web commerce channel;
- Revenue increase of 16.5% in the Anacapri and of 13.2% in the Schutz brand;
- Growth of 10.6% in the Franchise channel.



Gross Profit (Pro forma)

The Gross Profit for 4Q19 totaled R$ 218.2 million, a 12.1% increase against 4Q18, with a gross margin decrease of 50 bps reaching 46.7% in the period.

Among the factors responsible for the gross margin, the negative highlight was the lower share of the owned stores in the mix after the conversion of 10 stores into franchises in the last twelve months (5 Arezzo and 5 Schutz).



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

Operating Expenses (Pro forma)

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

Selling Expenses

In 4Q19, there was a 18.9% expansion of commercial expenses when compared to 4Q18, reaching R$115.5 million. It is worth mentioning that commercial expenses include:

(i) Expenses of Owned Stores and Web Commerce (sell-out channels), which totaled R$ 35.2 million – a decrease of 3.0% compared to 4Q18 – below the 51.2% growth in the web commerce channel and in line with the lower share of owned stores in the mix.

(ii) Sales, Logistics, and Supply expenses, totaled R$80.3 million – an increase of 31,9% over 4Q18. It's worth mentioning the incremental expenses related to investments in the US operation, which revenues are expected to bring greater operational leverage over the next quarters. Additionally, it is important to highlight the investments on the pilot project of the RFID on the Schutz brand and the expenses related to the Vans® brand integration process.

General and Administrative Expenses

In 4Q19, general and administrative expenses reached R$ 52.2 million, an increase of 37.3% over 4Q18, partially explained by the higher achievement of the company's profit sharing plan and related legal expenses, due to the recovery of extemporaneous tax credits. Additionally, the level of the expenses were also impacted by non-recurring labor suits.

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

EBITDA and EBITDA Margin (Pro forma)

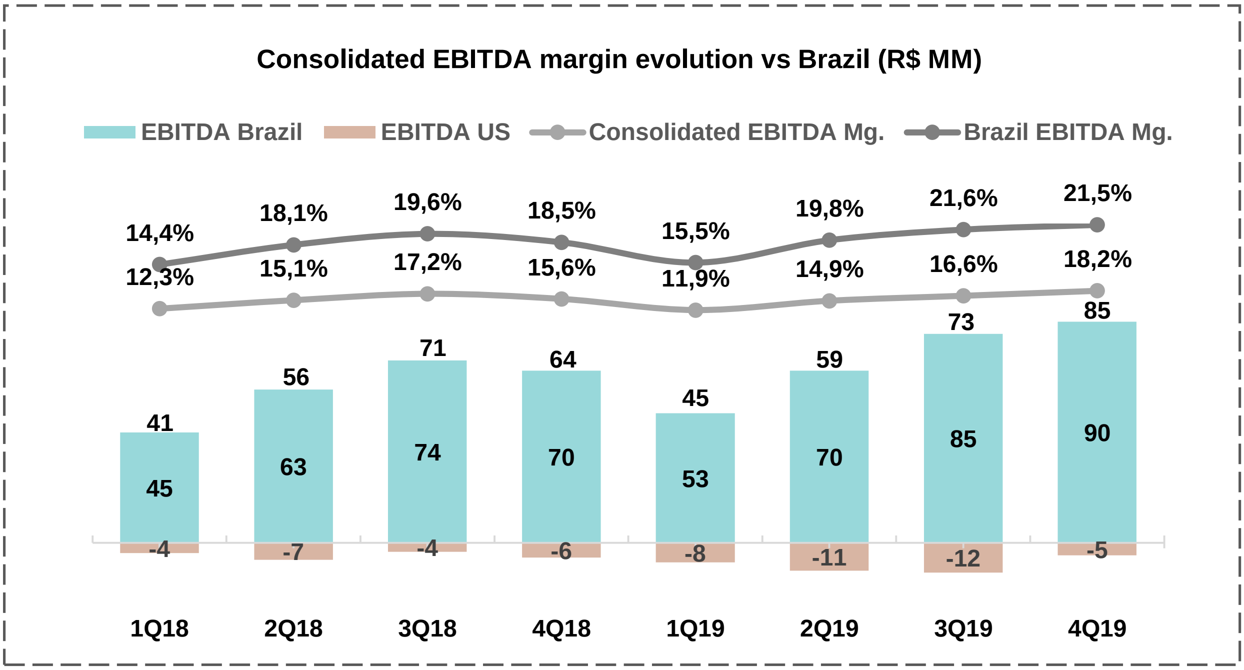
The Company's adjusted EBITDA totaled R$ 85.2 million in 4Q19, which represents a margin of 18.2% and an increase of 32.8% against the results reported in 4Q18. Among the main reasons are:

- Net Revenue growth of 13.4% against 4Q18;
- A 12,1% increase in Gross Profit (50bps preassure in gross margin);
- Excluding the US Operation, the Company's consolidated EBITDA margin would have increased 331 bps in the quarter;
- Excluding some non-recurring elements earned on 4Q18 and 4Q19, the Brazil EBITDA margin would have decreased 40 bps.

	4Q19			4Q18		
	&Co	Brazil	US	&Co	Brazil	US
Net Revenue	467.7	419.1	48.5	412.2	380.0	32.2
EBITDA	85.1	90.2	(5.0)	64.1	70.2	(6.1)
EBITDA Mg.	***18.2%***	***21.5%***	-	***15.6%***	***18.5%***	-
US Impact		**331 bps**			**292 bps**	

	2019			2018		
	&Co	Brazil	US	&Co	Brazil	US
Net Revenue	1,679.3	1,509.3	170.0	1,526.6	1,423.5	103.2
EBITDA	261.9	298.5	(36.5)	232.2	253.1	(20.9)
EBITDA Mg.	***15.6%***	***19.8%***	-	***15.2%***	***17.8%***	-
US Impact		**418 bps**			**257 bps**	

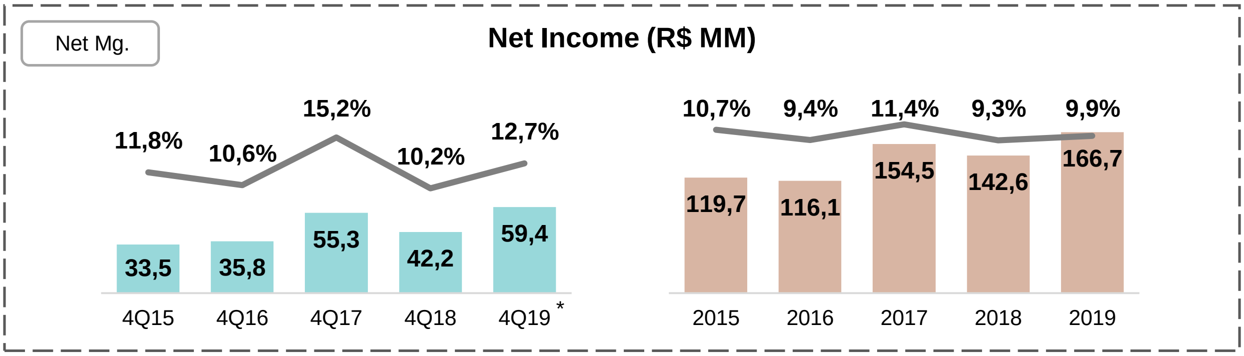
Values in R$ MM



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

Net Income and Net Margin (Pro forma)

The Company posted a net income of R$ 59.4 million, 40.6% higher against 4Q18, with positive impact of the tax credits recovery. The net margin reached 12,7% in 4Q19, 250bps higher than the same period of 2018.



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

Operating Cash Flow

Arezzo&Co generated operating cash of R$ 61.5 million in 4Q19, due to higher profits before income tax and social contribution as well as a higher depreciation and amortization (IFRS-16 effects) compared to 4Q18.

Operating Cash Flow	4Q19	4Q18	2019	2018
Profits before income tax and social contribution	**58,655**	**42,243**	**162,139**	**142,644**
Income tax and social contribution	**12,738**	**5,549**	**42,785**	**27,354**
Depreciation and amortization	**20,271**	**13,002**	**80,322**	**40,882**
Others	**(9,806)**	**(8,916)**	**5,348**	**1,872**
Decrease (increase) in assets / liabilities	**(14,165)**	**(2,104)**	**(50,887)**	**(66,170)**
Trade accounts receivables	3,938	2,248	(27,753)	(47,759)
Inventories	(585)	(4,921)	(33,208)	(39,845)
Suppliers	(13,216)	(17,424)	29,496	5,705
Change in other noncurrent and current assets and liabilities	(4,302)	17,993	(19,422)	15,729
Payment of income tax and social contribution	**(6,241)**	**(14,750)**	**(34,825)**	**(28,746)**
Net cash flow generated by operational activities	**61,452**	**35,024**	**204,882**	**117,836**

Investments - CAPEX

The Company makes investments of three types:

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

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

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

In 4Q19, Arezzo&Co invested R$ 22.0 milion in CAPEX, highlighting:

Brazilian Operation: (i) investments on Digital Transformation, such as BI and channels integration, (ii) investments on the pilot project of RFID of Schutz brand and, (iii) adjustments in the Distribution Center in Cariacica - ES in order to incorporate the Vans® brand.

US Operation: (i) residual values regarding the opening of the stores of Alexandre Birman brand in Dallas, (ii) investments on system integration, and on the web commerce channel of the brands and, (iii) refurbishment of Schutz brand store located at Madison Avenue in New York.

Summary of Investments	4Q19	4Q18	Δ 19 x 18 (%)	2019	2018	Δ 19 x 18 (%)
Total CAPEX	**22,042**	**12,648**	**74.3%**	**65,608**	**48,614**	**35.0%**
Stores - expansion and refurbishi	215	1,433	(85.0%)	8,096	10,796	(25.0%)
Corporate	19,698	4,133	376.6%	33,484	20,257	65.3%
Other	2,129	7,082	(69.9%)	24,028	17,561	36.8%

Cash position and indebtedness

The Company ended 4Q19 with R$ 96.9 million in cash. The debt policy remains conservative, as follows:

- Total indebtedness of R$ 180.8 million in 4Q19 against R$ 111.4 million in 4Q18;
- Net cash of 0.4x versus 0,5x EBITDA in 4Q18.

Cash position and Indebtedness	4Q19	3Q19	4Q18
Cash	**277,683**	**275,344**	**235,801**
Total debt	**180,784**	**189,092**	**111,418**
Short-term	158,222	183,678	43,978
% total debt	87.5%	97.1%	39.5%
Long-term	22,562	5,414	67,440
% total debt	12.5%	2.9%	60.5%
Net cash	**96,899**	**86,252**	**124,383**

ROIC - Return on Invested Capital (Pro forma)

Return on invested capital (ROIC) reached 28.3% compared to 29.2% in 4Q18, mainly due to higher working capital levels explained by higher inventory volumes, reflecting the organic growth and the inventory integration of Vans® brand. In addition, working capital was also impacted by a higher volume of taxes to be recovered.

Income from operations	4Q19	4Q19 Pro forma	4Q18	4Q17	Δ 19 x 18 Reported	Δ 19 x 18 Pro Forma
EBIT (LTM)	223,102	222,353	191,280	173,633	16.6%	16.2%
+ IR e CS (LTM)	(42,787)	(42,787)	(27,354)	(28,463)	56.4%	56.4%
NOPAT	**180,315**	**179,566**	**163,926**	**145,170**	**10.0%**	**9.5%**
Working Capital[1]	419,220	459,342	412,461	342,283	1.6%	11.4%
Permanet assets	382,146	177,679	153,693	149,754	148.6%	15.6%
Other long-term assets[2]	34,756	34,756	31,847	33,375	9.1%	9.1%
Invested capital	**836,122**	**671,777**	**598,001**	**525,412**	**39.8%**	**12.3%**
Average invested capital[3]	**717,062**	**634,889**	**561,707**		**27.7%**	**13.0%**
ROIC[4]	**25.1%**	**28.3%**	**29.2%**			

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

Balance Sheet

Assets	4Q19	3Q19	4Q18
Current assets	**980,665**	**949,191**	**842,001**
Cash and Banks	13,808	7,657	8,501
Financial Investments	263,875	267,687	227,300
Trade accounts receivables	413,412	415,431	382,728
Inventory	179,499	180,736	150,861
Taxes recoverable	90,332	56,891	49,370
Other credits	19,739	20,789	23,241
Non-current assets	**432,584**	**442,450**	**203,031**
Long-term receivables	50,438	59,248	49,338
Trade accounts receivables	10,402	10,829	10,720
Deferred income and social contribution	15,682	22,099	17,491
Other credits	24,354	26,320	21,127
Investments property	3,017	3,017	3,324
Property, plant and equipment	304,082	317,786	83,201
Intangible assets	75,047	62,399	67,168
Total assets	**1,413,249**	**1,391,641**	**1,045,032**

Liabilities	4Q19	3Q19	4Q18
Current liabilities	**464,659**	**482,982**	**255,889**
Loans and financing	158,222	183,678	43,978
Lease	40,145	39,617	0
Suppliers	134,967	148,756	110,121
Other liabilities	131,325	110,931	101,790
Non-current liabilities	**202,519**	**198,004**	**77,801**
Loans and financing	22,562	5,414	67,440
Related parties	1,502	1,551	1,443
Other liabilities	9,542	9,858	8,918
Lease	168,913	181,181	0
Shareholder's Equity	**746,071**	**710,655**	**711,342**
Capital	352,715	352,715	341,073
Capital reserve	50,538	49,810	46,725
Profit reserves	94,276	90,033	165,033
Tax incentive reserve	213,880	136,443	136,443
Other comprehensive income	6,820	5,788	4,342
Accumulated Profit	27,842	75,866	17,726
Total liabilities and shareholders' equity	**1,413,249**	**1,391,641**	**1,045,032**

Income Statement

Income Statement - IFRS	4Q19	4Q18	Var. %	4Q19 Pro forma	Var. %
Net operating revenue	**467,652**	**412,211**	**13.4%**	**467,652**	**13.4%**
Cost of goods sold	(249,435)	(217,487)	14.7%	(249,428)	14.7%
Gross profit	**218,217**	**194,724**	**12.1%**	**218,224**	**12.1%**
Operating income (expenses):	**(142,180)**	**(143,607)**	**-1.0%**	**(142,588)**	**-0.7%**
Selling	(121,208)	(106,655)	13.6%	(121,737)	14.1%
Administrative and general expenses	(55,179)	(41,140)	34.1%	(55,059)	33.8%
Other operating income, net	34,207	4,188	716.8%	34,208	716.8%
Income before financial result	**76,037**	**51,117**	**48.8%**	**75,636**	**48.0%**
Financial income	(4,644)	(3,325)	39.7%	(3,510)	5.6%
Income before income taxes	**71,393**	**47,792**	**49.4%**	**72,126**	**50.9%**
Income tax and social contribution	(12,738)	(5,549)	129.6%	(12,738)	129.6%
Current	(6,321)	2,913	-317.0%	(6,321)	-317.0%
Deferred	(6,417)	(8,462)	-24.2%	(6,417)	-24.2%
Net income for period	**58,655**	**42,243**	**38.9%**	**59,388**	**40.6%**

Income Statement - IFRS	2019	2018	Var.%	2019 Pro Forma	Var.%
Net operating revenue	**1,679,235**	**1,526,659**	**10.0%**	**1,679,235**	**10.0%**
Cost of goods sold	(903,541)	(815,987)	10.7%	(903,583)	10.7%
Gross profit	**775,694**	**710,672**	**9.1%**	**775,652**	**9.1%**
Operating income (expenses):	**(552,592)**	**(519,393)**	**6.4%**	**(553,300)**	**6.5%**
Selling	(424,366)	(378,922)	12.0%	(425,488)	12.3%
Administrative and general expenses	(184,012)	(140,865)	30.6%	(183,583)	30.3%
Other operating income, net	55,786	394	14058.9%	55,771	14055.1%
Income before financial result	**223,102**	**191,279**	**16.6%**	**222,352**	**16.2%**
Financial income	(18,176)	(21,281)	-14.6%	(12,857)	-39.6%
Income before income taxes	**204,926**	**169,998**	**20.5%**	**209,495**	**23.2%**
Income tax and social contribution	(42,787)	(27,354)	56.4%	(42,787)	56.4%
Current	(42,659)	(31,631)	34.9%	(42,659)	34.9%
Deferred	(128)	4,277	-103.0%	(128)	-103.0%
Net income for period	**162,139**	**142,644**	**13.7%**	**166,708**	**16.9%**

Cash Flow

Cash Flow	4Q19	4Q18	2019	2018
Operating activities				
Income before income tax and social contribution	58,655	42,243	162,139	142,644
Adjustments to reconcile net income with cash from operational activities	**23,203**	**9,635**	**128,455**	**70,108**
Depreciation and amortization	20,271	13,002	80,322	40,882
Income from financial investments	(2,929)	(3,950)	(13,614)	(17,664)
Payments of Interest on loans	(3,068)	(1,865)	(6,468)	(5,049)
Interest and exchange rate	(5,945)	(1,820)	16,517	15,588
Income tax and social contribution	12,738	5,549	42,785	27,354
Other	2,136	(1,281)	8,913	8,997
Decrease (increase) in assets				
Trade accounts receivables	3,938	2,248	(27,753)	(47,759)
Inventory	(585)	(4,921)	(33,208)	(39,845)
Recoverable taxes	(34,941)	(3,225)	(40,835)	(11,396)
Change in other current assets	3,625	6,023	2,306	(1,294)
Judicial deposits	1,914	1,873	(3,461)	715
(Decrease) increase in liabilities				
Suppliers	(13,216)	(17,424)	29,496	5,705
Labor liabilities	10,744	(6,197)	9,135	3,594
Fiscal and social liabilities	8,665	18,006	1,465	18,618
Variation in other liabilities	5,691	1,513	11,968	5,492
Payment of income tax and social contribution	(6,241)	(14,750)	(34,825)	(28,746)
Lease	-	-	-	-
Net cash flow from operating activities	**61,452**	**35,024**	**204,882**	**117,836**
Investing activities				
Sale of fixed and intangible assets	(784)	5,753	6,126	6,437
Acquisition of fixed and intangible assets	(22,041)	(12,648)	(65,607)	(48,614)
Financial Investments	(316,915)	(279,712)	(1,090,118)	(1,010,083)
Redemption of financial investments	322,672	335,400	1,064,190	1,124,496
Net cash used in investing activities	**(17,068)**	**48,793**	**(85,409)**	**72,236**
Financing activities with third parties				
Increase in loans	48,008	15,652	153,084	70,400
Payments of loans	(47,302)	(69,123)	(88,816)	(155,140)
Instalment Lease	(11,438)	-	(46,723)	-
Net cash used in financing activities with third parties	**(10,732)**	**(53,471)**	**17,545**	**(84,740)**
Financing activities with shareholders				
Interest on equity	(2,351)	-	(43,526)	(41,922)
Profit distribution	(25,000)	(24,998)	(100,000)	(73,796)
Receivables (payables) with shareholders	(50)	(48)	58	211
Issuing of shares	-	-	11,642	10,698
Repurchase of shares	-	-	-	(3,007)
Net cash used in financing activities	**(27,401)**	**(25,046)**	**(131,826)**	**(107,816)**
Increase (decrease) in cash and cash equivalents	**6,251**	**5,300**	**5,192**	**(2,484)**
Cash and cash equivalents				
Foreign exchange effect on cash and cash equivalents	(100)	(189)	115	829
Cash and cash equivalents - Initial balance	7,657	3,390	8,501	10,156
Cash and cash equivalents - Closing balance	13,808	8,501	13,808	8,501
Increase (decrease) in cash and cash equivalents	**6,251**	**5,300**	**5,192**	**(2,484)**

Important Notice

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

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