

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

## **Vivara Participações S.A.**

Report on Review of Interim Financial Information  
for the Period from May 23 (Inception Date) to  
September 30, 2019

Deloitte Touche Tohmatsu Auditores Independentes

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

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of  
Vivara Participações S.A.

### **Introduction**

We have reviewed the individual and consolidated interim financial information of Vivara Participações S.A. ("Company") contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2019, which comprises the balance sheet as of September 30, 2019 and the related statements of income and of comprehensive income for the three-month period ended September 30, 2019 and for the period from May 23 (date of incorporation) to September 30, 2019, and of changes in equity and of cash flows from May 23 (date of incorporation) to September 30, 2019, including the explanatory notes.

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

### **Scope of review**

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

### **Conclusion on the individual and consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the interim financial information referred to above has not been prepared, in all material respects, in accordance with technical pronouncement CPC 21 and international standard IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the CVM.

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## **Other matters**

### *Statements of value added*

The interim financial information referred to above includes the individual and consolidated statements of value added ("DVA") for the period from May 23 (inception date) to September 30, 2019, prepared under the responsibility of the Company's Management and presented as supplemental information for international standard IAS 34 purposes. These statements were subject to the review procedures performed together with the review of the interim financial information to reach a conclusion on whether they are reconciled with the interim financial information and the accounting records, as applicable, and if their form and content are consistent with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, in accordance with technical pronouncement CPC 09 and consistently with the individual and consolidated interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, November 13, 2019

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Marcelo de Figueiredo Seixas  
Engagement Partner

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Company Information / Capital - Breakdown

Number of Shares (Units)	30/ 09/2019
Paid-in Capital	217,303,107
Common	0
Preferred	0
Total	0
Held in Treasury	0
Common	0
Preferred	0
Total	0

**Parent FS / Balance Sheet Assets****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Quarter 09/30/2019</b>
1	Total Assets	614,720,623
1.01	Current Assets	12,957,251
1.01.01	Cash and Cash Equivalents	2,222,686
1.01.01.01	Cash and cash equivalents	2,222,686
1.01.07	Prepaid Expenses	10,734,565
1.01.07.01	Prepaid expenses and other receivables	10,734,565
1.02	Noncurrent Assets	601,763,372
1.02.02	Investments	601,763,372
1.02.02.01	Equity Interests	601,763,372
1.02.02.01.0	Equity Interests in Controlled	601,763,372

**Parent FS / Balance Sheet - Liabilities****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Quarter 09/30/2019</b>
2	Total Liabilities	614,720,623
2.01	Current Liabilities	10,191,936
2.01.01	Payroll and Related Taxes	228,000
2.01.01.01	Social Security Obligations	41,212
2.01.01.01.01	INSS and FGTS	41,212
2.01.01.02	Payroll Obligations	186,788
2.01.01.02.01	Payroll obligations	186,788
2.01.03	Taxes Payable	431
2.01.03.01	Federal Taxes Payable	431
2.01.03.01.04	Other federal taxes payable	431
2.01.05	Other Payables	9,963,505
2.01.05.01	Current Liabilities – due to Related Parties	3,336,586
2.01.05.01.01	Payables to Associates	3,336,586
2.01.05.02	Others	6,626,919
2.01.05.02.07	Other payables	6,626,919
2.03	Equity	604,528,688
2.03.01	Paid-in Capital	651,909,321
2.03.01.01	Share capital	651,909,321
2.03.04	Earnings Reserves	39,615,378
2.03.04.01	Legal Reserve	8,150,697
2.03.04.07	Tax Incentive Reserve	31,464,681
2.03.05	Retained Earnings (Accumulated Losses)	-82,318,444
2.03.08	Other Comprehensive Income	-4,677,567
2.03.08.01	Other comprehensive income	-4,677,567

**Parent FS / Statement of Profit and Loss****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Quarter 07/01/2019 to 09/30/2019</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
3.04	Operating Expenses/Income	39,570,444	165,323,534
3.04.02	General and Administrative Expenses	-234,879	-234,879
3.04.02.01	General and Administrative Expenses	-234,879	-234,879
3.04.06	Share of Profit (Loss) of Investees	39,805,323	165,558,413
3.04.06.01	Share of profit (loss) of investees	39,805,323	165,558,413
3.05	Profit Before Finance Income (Costs) and Taxes	39,570,444	165,323,534
3.06	Finance Income (costs)	-309	-309
3.06.01	Finance Income	21	21
3.06.01.01	Finance income	21	21
3.06.02	Finance Costs	-330	-330
3.06.02.01	Finance costs	-330	-330
3.07	Profit Before Income Taxes	39,570,135	165,323,225
3.09	Profit from Discontinued Operation	39,570,135	165,323,225
3.11	Profit/Loss for the Period	39,570,135	165,323,225
3.99	Earnings per Share - R\$		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0,13079	0,43189



**Parent FS / Statement of Comprehensive Income****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Quarter 07/01/2019 to 09/30/2019</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
4.01	Profit for the Period	39,570,135	165,323,225
4.02	Other Comprehensive Income	87,012	-4,677,567
4.02.01	Fair value of financial instruments	87,012	-4,677,567
4.03	Total Comprehensive Income for the Period	39,657,147	160,645,658

**Parent FS / Statement of Cash Flows - Indirect Method****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
6.01	Net Cash from Operating Activities	-777,817
6.01.01	Cash Generated by Operations	-235,188
6.01.01.01	Profit (loss) for the year	165,323,225
6.01.01.08	Share of profit (loss) of investees	-165,558,413
6.01.02	Changes in Assets and Liabilities	-542,629
6.01.02.02	Due from related parties	3,336,586
6.01.02.06	Other recoverable taxes	-10,734,565
6.01.02.08	Payroll and related taxes	228,000
6.01.02.09	Taxes payable	431
6.01.02.13	Other payables	6,626,919
6.03	Net Cash from Financing Activities	3,000,000
6.03.02	Dividends received	5,942,328
6.03.03	Dividends paid	-2,942,328
6.05	Increase (Decrease) in Cash and Cash Equivalents	2,222,183
6.05.01	Opening Balance of Cash and Cash Equivalents	503
6.05.02	Closing Balance of Cash and Cash Equivalents	2,222,686

**Parent FS / Statement of Changes in Equity / 01/01/2019 - 09/30/2019****(Reais)**

Account Code	Account Description	Paid-in capital	Capital Reserves, Granted Options and Treasury Shares	Earnings Reserves	Retained earnings (accumulated losses)	Other Comprehensive Income	Equity
5.01	Opening Balances	503	0	0	0	0	503
5.03	Adjusted Opening Balances	503	0	0	0	0	503
5.04	Capital Transactions with Shareholders	651,908,818	0	0	0	0	651,908,818
5.04.01	Capital Increases:	651,908,818	0	0	0	0	651,908,818
5.05	Total Comprehensive Income	0	0	0	-42,703,067	-4,677,567	-47,380,634
5.05.01	Profit for the Period	0	0	0	165,323,225	0	165,323,225
5.05.02	Other Comprehensive Income	0	0	0	-208,026,292	-4,677,567	-212,703,859
5.05.02.03	Share of Comprehensive Income of Subsidiaries and Associates	0	0	0	0	-4,677,567	-4,677,567
5.05.02.06	Unrealized profits	0	0	0	-205,083,964	0	-205,083,964
5.05.02.07	Dividends paid	0	0	0	-2,942,328	0	-2,942,328
5.06	Internal Changes in Equity	0	0	39,615,378	-39,615,378	0	0
5.06.04	Tax incentive reserve	0	0	31,464,681	-31,464,681	0	0
5.06.05	Legal reserve recognition	0	0	8,150,697	-8,150,697	0	0
5.07	Closing Balances	651,909,321	0	39,615,378	-82,318,445	-4,677,567	604,528,687

**Parent FS / Statement of Value Added****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
7.02	Inputs Purchased from Third Parties	-453
7.02.02	Materials, Electric Power, Outside Services and Others	-453
7.03	Gross Value Added	-453
7.05	Wealth Created by the Company	-453
7.06	Wealth Received in Transfer	165,558,434
7.06.02	Finance Income	21
7.06.03	Others	165,558,413
7.06.03.01	Share of profit of subsidiaries and associates	165,558,413
7.07	Wealth for Distribution	165,557,981
7.08	Wealth Distributed	165,557,981
7.08.01	Personnel	190,000
7.08.01.01	Salaries and Wags	190,000
7.08.02	Taxes, Fees and Contributions	44,426
7.08.02.01	Federal	44,426
7.08.03	Lenders and Lessors	330
7.08.03.01	Interest	330
7.08.04	Shareholders	165,323,225
7.08.04.02	Dividends	2,942,328
7.08.04.03	Retained Earnings / Loss for the Period	162,380,897

**Consolidated FS / Balance Sheet - Assets****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Quarter 09/30/2019</b>
1	Total Assets	1,265,385,402
1.01	Current Assets	729,111,800
1.01.01	Cash and Cash Equivalents	87,703,619
1.01.02	Short-Term Investments	616,476
1.01.02.03	Short-Term Investments Carried at Amortized Cost	616,476
1.01.03	Trade Receivables	190,605,986
1.01.03.01	Trade receivables	190,605,986
1.01.03.01.01	Trade receivables	181,932,364
1.01.03.01.02	Receivables from related parties	8,673,622
1.01.04	Inventories	364,295,026
1.01.04.01	Inventories	364,295,026
1.01.06	Recoverable Taxes	63,122,038
1.01.06.01	Current Recoverable Taxes	63,122,038
1.01.06.01.01	Recoverable taxes	63,122,038
1.01.07	Prepaid Expenses	14,226,196
1.01.07.01	Prepaid expenses and other receivables	14,226,196
1.01.08	Other Current Assets	8,542,459
1.01.08.03	Others	8,542,459
1.01.08.03.01	Derivative financial assets	8,542,459
1.02	Noncurrent Assets	536,573,602
1.02.01	Long-Term Assets	254,329,413
1.02.01.07	Deferred Taxes	38,936,452
1.02.01.07.01	Deferred Income Tax and Social Contribution	38,936,452
1.02.01.10	Other Noncurrent Assets	215,392,961
1.02.01.10.03	Escrow deposits	13,352,321
1.02.01.10.04	Derivative financial assets	4,781,230
1.02.01.10.05	Recoverable taxes	197,259,410
1.02.02	Investments	1,870,812
1.02.02.01	Ownership Interests	1,870,812
1.02.02.01.01	Equity interests in Associates	1,870,812
1.02.03	Property, plant and equipment	270,133,955
1.02.03.01	Property, Plant and Equipment in Use	270,133,955
1.02.03.01.01	Property, plant and equipment	270,133,955
1.02.04	Intangible Assets	9,939,422
1.02.04.01	Intangible assets	9,939,422
1.02.04.01.02	Intangible assets	9,939,422

## Consolidated FS / Balance Sheet Liabilities (Reais)

Code Account	Account Description	Current Quarter 09/30/2019
2	Total Liabilities	1,265,385,402
2.01	Current Liabilities	333,574,219
2.01.01	Payroll and Related Taxes	43,696,084
2.01.01.01	Social Security Obligations	5,052,414
2.01.01.01.01	INSS / FGTS	5,052,414
2.01.01.02	Payroll Obligations	38,643,670
2.01.01.02.01	Vacation Provision and 13th Salary	25,842,427
2.01.01.02.02	Payroll Obligations	12,801,243
2.01.02	Trade payables	30,161,334
2.01.02.01	Domestic Suppliers	19,488,569
2.01.02.01.01	Domestic	19,488,569
2.01.02.02	Foreign Suppliers	10,672,765
2.01.02.02.01	Foreign	10,672,765
2.01.03	Taxes Payable	36,734,331
2.01.03.01	Federal Taxes Payable	26,185,054
2.01.03.01.01	Income Tax and Social Contribution Payable	1,725,318
2.01.03.01.02	PIS and COFINS payable	3,885,172
2.01.03.01.02	IPI payable	19,973,681
2.01.03.01.04	Other federal taxes payable	600,883
2.01.03.02	State Taxes Payable	10,372,432
2.01.03.02.01	State VAT (ICMS)	9,283,434
2.01.03.02.03	Other state taxes payable	1,088,998
2.01.03.03	Municipal Taxes Payable	176,845
2.01.03.03.01	Service tax (ISS)	176,845
2.01.04	Borrowings and Financing	177,324,472
2.01.04.01	Borrowings and Financing	177,324,472
2.01.04.01.01	In Local Currency	75,237,453
2.01.04.01.02	In Foreign Currency	102,087,019
2.01.05	Other Payables	45,657,998
2.01.05.01	Current Liabilities – due to Related Parties	350,224
2.01.05.01.01	Payables to Associates	350,224
2.01.05.02	Others	45,307,774
2.01.05.02.04	Leases payable	8,298,658
2.01.05.02.05	Right-of-use payable	19,709,597
2.01.05.02.07	Taxes in installments	653,580
2.01.05.02.08	Other payables	16,645,939
2.02	Noncurrent Liabilities	327,282,496
2.02.01	Borrowings and Financing	103,088,921
2.02.01.01	Borrowings and Financing	103,088,921
2.02.01.01.01	In Local Currency	80,999,998
2.02.01.01.02	In Foreign Currency	22,088,923
2.02.02	Other payables	209,236,924
2.02.02.01	Current liabilities – due to Related Parties	900

## Consolidated FS / Balance Sheet Liabilities (Reais)

Code Account	Account Description	Current Quarter 09/30/2019
2.02.02.01.01	Payables to Associates	900
2.02.02.02	Others	209,236,024
2.02.02.02.04	Right-of-use payable	207,190,539
2.02.02.02.07	Taxes in installments	2,045,485
2.02.04	Provisions	14,956,651
2.02.04.01	Provision for Tax, Social Security, Labor and Civil	14,956,651
2.02.04.01.01	Tax Provisions	10,347,697
2.02.04.01.02	Provision for Social Security and Labor Obligations	2,685,626
2.02.04.01.04	Civil Provisions	1,923,328
2.03	Consolidated Equity	604,528,687
2.03.01	Paid-in Capital	651,909,321
2.03.01.01	Share capital	651,909,321
2.03.04	Earnings Reserves	39,615,378
2.03.04.01	Legal Reserve	8,150,697
2.03.04.07	Tax Incentive Reserve	31,464,681
2.03.05	Retained Earnings (Accumulated Losses)	-82,318,445
2.03.08	Other Comprehensive Income	-4,677,567
2.03.08.01	Other comprehensive income	-4,677,567

**Consolidated FS / Statement of Profit and Loss****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Quarter 07/01/2019 to 09/30/2019</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
3.01	Revenue from Sale of Goods and/or Services	240,333,926	342,389,179
3.01.01	NET REVENUE FROM SALES AND SERVICES	240,333,926	342,389,179
3.02	Cost of Sales and Services	-77,271,310	-104,812,309
3.02.01	Cost of sales and services	-77,271,310	-104,812,309
3.03	Gross Profit	163,062,616	237,576,870
3.04	Operating Expenses/Income	-110,727,197	-52,224,969
3.04.01	Selling Expenses	-79,292,731	-112,015,194
3.04.01.01	Selling expenses	-79,292,731	-112,015,194
3.04.02	General and Administrative Expenses	-32,109,264	-46,635,333
3.04.02.01	General and Administrative Expenses	-32,109,264	-46,635,333
3.04.04	Other Operating Income	1,437,222	105,587,683
3.04.04.01	Other operating income	1,437,222	105,587,683
3.04.05	Other operating expenses	-694,622	-73,678
3.04.05.01	Other operating expenses	-694,622	-73,678
3.04.06	Share of Profit (Loss) of Investees	-67,802	-88,447
3.04.06.01	Share of profit (loss) of investees	-67,802	-88,447
3.05	Profit Before Finance Income (Costs) and Taxes	52,335,419	185,351,901
3.06	Finance Income (Costs)	-13,034,318	30,737,070
3.06.01	Finance Income	6,209,622	57,958,106
3.06.01.01	Finance income	6,209,622	57,958,106
3.06.02	Finance Costs	-19,243,940	-27,221,036
3.06.02.01	Finance Costs	-19,243,940	-27,221,036
3.07	Profit Before Income Taxes	39,301,101	216,088,971
3.08	Income Tax and Social Contribution	269,034	-50,765,746
3.08.01	Current	-1,835,064	-36,381,930
3.08.02	Deferred	2,104,098	-14,383,816
3.09	Profit from Discontinued Operation	39,570,135	165,323,225
3.11	Consolidated Profit/Loss for the Period	39,570,135	165,323,225
3.11.01	Attributable to Owners of the Parent	39,570,135	165,323,225
3.99	Earnings per Share - R\$	0,13079	0,43189



**Consolidated FS / Statement of Comprehensive Income****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Quarter 07/01/2019 to 09/30/2019</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
4.01	Consolidated Profit for the Period	39,570,135	165,323,225
4.02	Other Comprehensive Income	87,012	-4,677,567
4.03	Total Comprehensive Income for the Period	39,657,147	160,645,658
4.03.01	Attributable to Owners of the Parent	39,657,147	160,645,658

**Consolidated FS / Statement of Cash Flows - Indirect Method****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
6.01	Net Cash from Operating Activities	83,979,169
6.01.01	Cash Generated by Operations	87,262,689
6.01.01.01	Profit (loss) for the year	165,323,225
6.01.01.02	Depreciation and Amortization	14,683,940
6.01.01.03	Interest and exchange differences on borrowings and financing	8,530,601
6.01.01.04	Interest on lease and right-of-use rental	8,323,533
6.01.01.05	Current and deferred income tax and social contribution	50,765,746
6.01.01.06	Allowance for inventory losses	229,532
6.01.01.07	Provision for civil, labor and tax risks	-1,141,710
6.01.01.08	Share of profit (loss) of investees	88,447
6.01.01.09	Interest on taxes in installments	99,377
6.01.01.10	Write-off of property, plant and equipment and intangible assets	216,558
6.01.01.11	Tax credits	-103,657,987
6.01.01.12	Inflation adjustment on judicial deposits and recoverable taxes	-56,248,660
6.01.01.13	Expected credit losses	50,087
6.01.02	Changes in Assets and Liabilities:	17,537,527
6.01.02.01	Trade receivables	9,079,916
6.01.02.02	Due from related parties	27,015,633
6.01.02.03	Inventories	4,819,335
6.01.02.04	Recoverable taxes	-3,429,407
6.01.02.05	Escrow deposits	399,459
6.01.02.06	Other credits	-19,068
6.01.02.07	Trade payables	-8,017,919
6.01.02.08	Payroll and related taxes	-345,671
6.01.02.09	Taxes payable	-10,064,367
6.01.02.10	Leases payable	-1,290,673
6.01.02.11	Taxes in installments	-137,162
6.01.02.12	Contingencies paid	-688,469
6.01.02.13	Other payables	215,920
6.01.03	Others	-20,821,047
6.01.03.01	Income tax and social contribution paid	-13,035,660
6.01.03.02	Interest paid on borrowings and financing	-7,785,387
6.02	Net Cash from Investing Activities	-17,262,579
6.02.01	Short-term investments	-11,607
6.02.02	Purchases of property and equipment	-14,061,678
6.02.03	Purchases of intangible assets	-3,654,764
6.02.05	Receivable from property and equipment sales	465,470
6.03	Net Cash from Financing Activities	-9,910,383
6.03.01	Capital increase	503
6.03.03	Dividends paid	-2,942,328
6.03.04	Borrowings and financing	112,635,581
6.03.05	Repayment of borrowings and financing	-107,571,167
6.03.06	Settlement of derivatives - SWAP agreements	1,281,992
6.03.07	Repayment of lease and right-of-use rental	-13,314,964
6.05	Increase (Decrease) in Cash and Cash Equivalents	56,806,207
6.05.01	Opening Balance of Cash and Cash Equivalents	30,897,412
6.05.02	Closing Balance of Cash and Cash Equivalents	87,703,619

**Consolidated FS / Statement of Changes in Equity / 01/01/2019 - 09/30/2019****(Reais)**

Account Code	Account description	Paid-in capital	Capital Reserves, Granted Options and Treasury Shares	Earnings Reserves	Retained earnings (accumulated losses)	Other Comprehensive Income	Equity	Noncontrolling interest	Consolidated equity
5.01	Opening Balances	503	0	0	0	0	503	0	503
5.03	Adjusted opening Balances	503	0	0	0	0	503	0	503
5.04	Capital Transactions with Shareholders	651,908,818	0	0	0	0	651,908,818	0	651,908,818
5.04.01	Capital Increases	651,908,818	0	0	0	0	651,908,818	0	651,908,818
5.05	Total Comprehensive Income	0	0	0	-42,703,067	-4,677,567	-47,380,634	0	-47,380,634
5.05.01	Profit for the Period	0	0	0	165,323,225	0	165,323,225	0	165,323,225
5.05.02	Other Comprehensive Income	0	0	0	-208,026,292	-4,677,567	-212,703,859	0	-212,703,859
5.05.02.03	Share of Comprehensive Income of Subsidiaries and Associates	0	0	0	0	-4,677,567	-4,677,567	0	-4,677,567
5.05.02.06	Unrealized profits	0	0	0	-205,083,964	0	-205,083,964	0	-205,083,964
5.05.02.07	Dividends Payable	0	0	0	-2,942,328	0	-2,942,328	0	-2,942,328
5.06	Internal Changes in Equity	0	0	39,615,378	-39,615,378	0	0	0	0
5.06.04	Tax Incentive Reserve	0	0	31,464,681	-31,464,681	0	0	0	0
5.06.05	Legal Reserve Recognition	0	0	8,150,697	-8,150,697	0	0	0	0
5.07	Closing Balances	651,909,321	0	39,615,378	-82,318,445	-4,677,567	604,528,687	0	604,528,687

**Consolidated FS / Statement of Value Added****(Reais)**

<b>Account Code</b>	<b>Account Description</b>	<b>Current Period 01/01/2019 to 09/30/2019</b>
7.01	Revenues	546,232,803
7.01.01	Sales of Goods and Services	441,571,030
7.01.02	Other Income	104,661,773
7.01.02.01	Other Income	104,611,686
7.01.02.02	Expected credit losses	50,087
7.02	Inputs Purchased from Third Parties	-166,031,457
7.02.01	Cost of Goods and Services	-98,081,475
7.02.02	Materials, Electric Power, Outside Services and Others	-67,949,982
7.03	Wealth Distributed	380,201,346
7.04	Retentions	-14,683,940
7.04.01	Depreciation, Amortization and Depletion	-14,683,940
7.05	Wealth Created by the Company	365,517,406
7.06	Wealth Received in Transfer	57,869,659
7.06.02	Finance Income	57,958,106
7.06.03	Others	-88,447
7.06.03.01	Share of profit of subsidiaries and associates	-88,447
7.07	Value Added for Distribution	423,387,065
7.08	Wealth Distributed	423,387,065
7.08.01	Personnel	66,499,559
7.08.01.01	Salaries and Wags	52,155,596
7.08.01.02	Benefits	9,793,550
7.08.01.03	F.G.T.S.	4,550,413
7.08.02	Taxes, fees and contributions	158,977,242
7.08.02.01	Federal	87,593,505
7.08.02.02	State	70,555,190
7.08.02.03	Municipal	828,547
7.08.03	Lenders and Lessors	32,587,039
7.08.03.01	Interest	24,051,023
7.08.03.02	Rentals	7,577,487
7.08.03.03	Others	958,529
7.08.03.03.01	Royalties	958,529
7.08.04	Shareholders	165,323,225
7.08.04.02	Dividends	2,942,328
7.08.04.03	Retained Earnings / Loss for the Period	162,380,897

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

VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD FROM MAY 23 (INCEPTION DATE) TO SEPTEMBER 30, 2019  
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

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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 interim financial information comprises the interim financial information of the Parent, Vivara Participações, 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. Vivara Participações 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 September 30, 2019, Tellerina had 186 stores and 54 kiosks operating in Brazil.

Conipa is headquartered in the city of Manaus, State of Amazonas, 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 INTERIM FINANCIAL INFORMATION

2.1. Basis of preparation

The individual and consolidated interim financial information has 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 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 interim financial information has 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 interim financial information, 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 interim financial information 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 interim financial information has 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 11 and 12 - useful lives and impairment test of property, plant and equipment and intangible assets.
- Note 17 - fair value of securities and derivative financial instruments.
- Note 18 - provision for civil, labor and tax risks.
- Note 21.b) - deferred income tax and social contribution.

## 2.6. Basis of consolidation

The consolidated interim financial information includes the interim financial information 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 interim financial information, interim financial information for the same reporting period was used, which is consistent with the Company's accounting policies.

When necessary, accounting adjustments are made to the subsidiaries' interim financial information 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 interim financial information are fully eliminated.

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

The consolidated interim financial information includes the interim financial information 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

Assets, liabilities, income and expenses are recognized on an accrual basis. 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.

As assessed by Vivara Group, transactions involving advanced receivables from credit card companies should be measured at fair value through other comprehensive income.

Upon initial recognition of investments in equity instruments that are not held for trading, the Company may irrevocably elect to report subsequent changes in the fair value of investments in other comprehensive income ("OCI"). Such decision is made on an investment-by-investment basis.



All financial assets not classified as measured at amortized cost or FVTOCI, as described above, are measured at FVTPL. These assets include all derivative financial assets. Upon initial recognition, the Companies may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (fair value option available in CPC 48/IFRS 9).

A financial asset is initially measured at fair value, plus, in the case of an asset not measured at FVTPL, transaction costs that are directly attributable to its acquisition.

The following table includes the original measurement categories under CPC 38/IAS 39 and the new measurement categories introduced by 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	87,704
Trade receivables (except for receivables from credit card companies)	7	Amortized cost	6,599
Receivables from credit card companies	7	FVTOCI	176,088
Due from related parties	20	Amortized cost	8,674
Derivatives - swap	30	FVTPL	13,324
Total financial assets			<u>292,389</u>
Trade payables	13	Amortized cost	30,161
Borrowings	17	Amortized cost	280,413
Right-of-use leases payable	29	Amortized cost	226,900
Total financial liabilities			<u>537,474</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 Companies 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 interim financial information.

This statement was prepared based on information obtained from the accounting records used as a basis for the preparation of individual and consolidated interim financial information 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 interim financial information.

#### 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 interim financial information 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 interim financial information, 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 interim financial information.

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 interim financial information 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 Companies 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 Companies' 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 actual 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 had 235 operating lease agreements as at December 31, 2018, out of which 165 agreements were classified as right-of-use leases upon the first-time adoption.

#### 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.

On January 1, 2019, the Company's subsidiaries recognized right-of-use assets and lease liabilities at present value, in the amount of R\$226,195.

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 18, 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>Consolidated</u>
	<u>09/30/2019</u>	<u>09/30/2019</u>
Cash	-	3,257
Banks - checking account	2,223	26,291
Short-term investments (*)	-	58,156
Total	<u>2,223</u>	<u>87,704</u>

(\*) As at September 30, 2019, short-term investments are represented by: (i) automatic investments in the amount of R\$22,655, yielding interest equivalent to 10% of the CDI rate fluctuation; and (ii) repurchase agreements, in the amount of R\$35,501, yielding interest equivalent to 95.7% of the weighted average CDI rate.

## 6. SHORT-TERM INVESTMENTS

These securities are represented by Bank Deposit Receipts ("RDBs"), yielding interest equivalent to 95% of the CDI rate fluctuation.

The transactions are pledged as collateral for a working capital loan obtained from Banco do Nordeste do Brasil - BNB, which matures on November 18, 2019, as stated in note 17.

## 7. TRADE RECEIVABLES

	<u>Consolidated</u>
	<u>09/30/2019</u>
Credit card companies (*)	180,766
Checks to be cleared	1,984
Bank slips	4,615
Subtotal	<u>187,365</u>
Fair value measurement	(4,678)
Allowance for expected credit losses	(755)
Total	<u>181,932</u>

(\*) As part of its cash management strategy, Tellerina collects a portion of credit card receivables in advance, without right of reimbursement to the credit card companies, which are stated net of the management fees charged by those companies.

The aging list of trade receivables is as follows:

	<u>Consolidated</u> <u>09/30/2019</u>
Past-due:	
1 to 30 days	175
31 to 60 days	21
61 to 90 days	6
91 to 120 days	10
121 to 150 days	15
151 to 180 days	35
Over 180 days	703
Current:	
1 to 30 days	35,570
31 to 60 days	14,617
61 to 90 days	17,172
91 to 120 days	35,685
121 to 150 days	26,021
151 to 180 days	20,913
Over 180 days	<u>36,422</u>
Total	<u>187,365</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>09/30/2019</u>
Balance at the beginning of the period	(805)
Additions	(124)
Reversals	<u>174</u>
Balance at the end of the period	<u>(755)</u>

## 8. INVENTORIES

	<u>Consolidated</u> <u>09/30/2019</u>
Finished products	243,716
Raw materials	78,325
Consumables and packaging materials	6,921
Inventories in transit and advances to suppliers	38,724
Allowance for inventory losses	<u>(3,391)</u>
Total	<u>364,295</u>

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

Products unsold 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>09/30/2019</u>
Balance at the beginning of the period	(3,161)
Additions	(731)
Reversals	501
Balance at the end of the period	<u>(3,391)</u>

#### 9. RECOVERABLE TAXES

	<u>Consolidated</u> <u>09/30/2019</u>
Income tax (IRPJ) (a)	25,232
Social contribution (CSLL) (a)	22,060
State VAT (ICMS) (b)	48,682
Taxes on revenue (PIS and COFINS) (c)	163,959
Other	448
Total	<u>260,381</u>
Current assets	63,122
Noncurrent assets	<u>197,259</u>
Total	<u>260,381</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, which are expected to be fully realized in 2020 through the offset against other federal taxes.

##### (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>09/30/2019</u>
2019 - 4 <sup>th</sup> quarter	2,028
2020	6,476
2021	3,824
2022	3,380
2023	3,380
2024 and thereafter	29,594
Total	<u>48,682</u>

(c) Taxes on revenue (PIS and COFINS)

Recognition of inflation-adjusted PIS and COFINS credits relating to the credit utilization request filed with the Federal Revenue Service in May 2019 and whose and related certificate issued on January 15, 2019, with respect to the ICMS deduction from the tax base of federal contributions. In the period, tax credits amounted to R\$152,393, out of which R\$103,658 corresponds to the principal amount and R\$48,735 refers to inflation adjustments, as described in notes 25 and 26, respectively.

Recoverable PIS and COFINS balances comprise tax credits derived from other operations and inflation adjustment, in the amount of R\$11,566.

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

<u>Year</u>	<u>Consolidated</u> <u>09/30/2019</u>
2019 - 4 <sup>th</sup> quarter	26,250
2020	80,072
2021	57,637
Total	<u>163,959</u>

## 10. INVESTMENT

	<u>Equity</u>	<u>Equity interest</u>	<u>Investment</u>	<u>Share of profit (loss) of subsidiaries</u>
Tellerina	73,563	99.99%	73,563	80,397
Conipa	528,200	99.99%	528,200	85,161
Total - direct subsidiaries	<u>601,763</u>		<u>601,763</u>	<u>165,558</u>
PP-NMM Administração de Bens Ltda.	12,472	15%	1,871	(88)
Total - indirect associates	<u>12,472</u>	15%	<u>1,871</u>	<u>(88)</u>

a) Investments in subsidiaries

Vivara Participações 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.

September 30, 2019

Variations in investments are broken down below:

	<u>Parent</u>
Balance at the beginning of the period	-
Capital contribution - assignment of shares	651,908
Unrealized earnings from subsidiaries' operations, net of taxes	(205,084)
Share of profit (loss) of subsidiaries	165,558
Distributed dividends	(5,942)
Other comprehensive income of subsidiary	(4,677)
Balance at the end of the period	<u>601,763</u>

## b) Investments in associates

The Group Vivara holds equity interests in the associate PP-NMM Administração de Bens Ltda. ("PP-NMM"), 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.

Currently, PP-NMM is exclusively engaged in managing the aircraft used on a shared basis among all PP-NMM's shareholders, including the Group.

PP-NMM entered into a "Private Agreement for the Assignment of Rights" relating to the aircraft with the Group, dated September 25, 2014, setting suspensive conditions for the acquisition of aircraft-related rights; however, the transaction will only be effective upon obtaining the consent of the financial institution that granted the FINAME credit facility and full settlement of the outstanding balance disclosed in note 17.

In the period ended September 30, 2019, PP-NMM recorded losses amounting to R\$88.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Annual average depreciation rate - %		Consolidated 09/30/2019	
		Cost	Accumulated depreciation	Residual value
Leasehold improvements	20	62,439	(43,282)	19,157
Furniture and fixtures	10	34,422	(18,493)	15,929
Machinery, equipment and facilities	10	20,547	(10,443)	10,104
Company cars	20	1,431	(1,333)	98
IT equipment	20	17,958	(13,508)	4,450
Properties	-	350	-	350
Rights of use - leased properties	10 to 25	237,772	(20,596)	217,176
Advances to suppliers and construction in progress (*)	-	2,870	-	2,870
Total		<u>377,789</u>	<u>(107,655)</u>	<u>270,134</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	09/30/2019
Cost:					
Leasehold improvements	56,931	4,631	-	877	62,439
Furniture and fixtures	32,893	1,117	(7)	419	34,422
Machinery, equipment and facilities	17,353	3,063	(2)	133	20,547
Company cars	1,431	-	-	-	1,431
IT equipment	16,447	1,366	-	145	17,958
Properties	350	-	-	-	350
Rights of use - leased properties	232,816	4,956	-	-	237,772
Advances to suppliers and construction in progress	560	3,884	-	(1,574)	2,870
	<u>358,781</u>	<u>19,017</u>	<u>(9)</u>	<u>-</u>	<u>377,789</u>
Depreciation:					
Leasehold improvements	(41,228)	(2,054)	-	-	(43,282)
Furniture and fixtures	(17,555)	(945)	7	-	(18,493)
Machinery, equipment and facilities	(10,010)	(435)	2	-	(10,443)
Company cars	(1,318)	(15)	-	-	(1,333)
Rights of use - leased properties	(11,268)	(417)	-	-	(13,508)
IT equipment	(13,091)	(9,328)	-	-	(20,596)
	<u>(94,470)</u>	<u>(13,194)</u>	<u>9</u>	<u>-</u>	<u>(107,655)</u>
Total	<u>264,311</u>	<u>5,823</u>	<u>-</u>	<u>-</u>	<u>270,134</u>

In the period, the additions amounting to R\$4,956 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.

## 12. INTANGIBLE ASSETS

	Consolidated			
	<u>05/31/2019</u>	<u>Additions</u>	<u>Write-offs</u>	<u>09/30/2019</u>
Cost:				
Points of sale	30,906	-	(361)	30,545
Intangible assets in progress	-	1,843	-	1,843
IT system	<u>15,046</u>	<u>1,811</u>	<u>-</u>	<u>16,857</u>
	<u>45,952</u>	<u>3,654</u>	<u>(361)</u>	<u>49,245</u>
Amortization:				
Points of sale	(28,131)	(538)	144	(28,525)
IT system	<u>(9,829)</u>	<u>(952)</u>		<u>(10,781)</u>
	<u>(37,960)</u>	<u>(1,489)</u>	<u>144</u>	<u>(39,306)</u>
Total	<u>7,992</u>	<u>2,164</u>	<u>(217)</u>	<u>9,939</u>

## 13. 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>09/30/2019</u>
Domestic trade payables	19,488
Foreign trade payables	<u>10,673</u>
Total	<u>30,161</u>

## 14. PAYROLL AND RELATED TAXES

	<u>Parent</u> <u>09/30/2019</u>	<u>Consolidated</u> <u>09/30/2019</u>
Accrued vacation pay	-	15,556
Accrued 13 <sup>th</sup> salary		10,286
Payroll	140	6,698
Bonuses	-	4,053
Severance pay fund (FGTS)	-	981
Social security contribution (INSS)	41	4,071
Withholding income tax (IRRF)	47	1,564
Other	-	487
Total	<u>228</u>	<u>43,696</u>

## 15. TAXES PAYABLE

	<u>Consolidated</u> <u>09/30/2019</u>
State VAT (ICMS)	9,283
Federal VAT (IPI) (*)	19,974
Taxes on revenue (PIS and COFINS)	3,885
Income tax (IRPJ) and social contribution (CSLL)	1,725
Other	<u>1,867</u>
Total	<u>36,734</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 amount was actualized by Selic rate.

## 16. TAXES IN INSTALLMENTS

	<u>Consolidated</u> <u>09/30/2019</u>
State VAT (ICMS) (a)	762
Federal REFIS - Law 11941/09 (b)	89
Federal REFIS - Law 12996/14 (c)	715
Federal REFIS - PERT (d)	<u>1,133</u>
Total	<u>2,699</u>
Current liabilities	654
Noncurrent liabilities	<u>2,045</u>
Total	<u>2,699</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").
- (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>09/30/2019</u>
Balance at the beginning of the period	2,737
Additions	298
Inflation adjustments	99
Payments	<u>(435)</u>
Balance at the end of the period	<u>2,699</u>

The amounts classified in noncurrent liabilities mature as follows:

<u>Year</u>	<u>Consolidated</u> <u>09/30/2019</u>
2020	85
2021	262
2022 and thereafter	<u>1,698</u>
Total	<u>2,699</u>

## 17. BORROWINGS AND FINANCING

## a) Breakdown of balances

Institution and type	Rate	Maturity	Consolidated 09/30/2019
<u>In local currency</u>			
Banco do Brasil - working capital	CDI + 2% p.a.	09/2022	44,183
Banco do Brasil - working capital	CDI + 1.9% p.a.	06/2021	40,251
Banco Safra - working capital	100% of the daily average CDI rate	11/2019	38,947
Banco Safra - working capital	100% of the daily average CDI rate	01/2023	30,056
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	2,693
Banco do Nordeste - working capital	Fixed rate of 0.68% p.m.	11/2019	107
Total borrowings in local currency			156,237
<u>In foreign currency</u>			
Banco Santander - Resolution 4131	LIBOR +0.75% p.m.	09/2020	25,043
Banco Itaú - Resolution 4131	Fixed rate of 4.675% p.a.	06/2021	51,748
Banco Itaú - Resolution 4131	Fixed rate of 0.54% p.a.	03/2020	47,385
Total borrowings and financing in foreign currency			124,176
Total borrowings and financing			280,413
Derivatives (assets) - swap contracts			
Banco Itaú - swap derivative	US\$ 5.5% p.a.	06/2021	(11,096)
Banco Itaú - swap derivative	EUR 0.72% p.a.	03/2020	(2,227)
Total derivatives (assets) - swap contracts			(13,323)
Total borrowings and financing, net			267,090
Current assets			(8,542)
Noncurrent assets			(4,781)
Current liabilities			177,324
Noncurrent liabilities			103,089
Total			267,090

## b) Variations in borrowings and financing

	Consolidated 09/30/2019
Balance at the beginning of the period	259,998
Borrowings	112,636
Principal repayments	(107,571)
Swap contract settlement	1,282
Interest payment	(7,785)
Cash flows from financing activities	(1,439)
Interest incurred	5,561
Finance charges on swap contracts	(3,220)
Exchange rate changes	6,189
Noncash variations	8,531
Balance at the end of the period	267,090

As at September 30, 2019, the net amounts classified in assets and noncurrent liabilities mature as follows:

Year	Consolidated 09/30/2019
From 1 to 2 years	21,978
From 2 to 3 years	49,163
Over 3 years	27,167
Total	98,308

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 2.5x in 2017, 2.25x in 2018 and 2x in 2019 and 2020. The calculation should be based on the financial statements of the companies that make up the Vivara Group being, Tellerina and Conipa, as the contractual amendment to exclude from such calculation Etna Comércio de Móveis e Artigos para Decoração S.A. ("Etna") has already been 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. To change the guarantors in the contracts with Banco do Brasil, a fee was charged in the amount of R\$1,500.

As at September 30, 2019, the Group was compliant with those covenants.

#### 18. PROVISION FOR CIVIL, LABOR AND TAX RISKS AND ESCROW DEPOSITS

As at September 30, 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	520	2,511	1,104	4,135
Payments	(126)	(562)	-	(688)
Reversals	(701)	(342)	(4,233)	(5,276)
Balance as at September 30, 2019	<u>1,924</u>	<u>2,685</u>	<u>10,348</u>	<u>14,957</u>
<u>Escrow deposits</u>				
Balance as at May 31, 2019	-	1,241	12,314	13,555
Additions	-	386	29	415
Inflation adjustments	-	-	130	130
Redemptions	-	(270)	(477)	(747)
Balance as at September 30, 2019	<u>-</u>	<u>1,357</u>	<u>11,996</u>	<u>13,353</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.

## (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 September 30, 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>09/30/2019</u>
Civil	5,664
Labor lawsuits	18,958
Tax risks (*)	364,785
Total	<u>389,407</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.

## 19. 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.

As at September 30, 2019, capital is held as follows:

Vivara Participações	09/30/2019	
	Common shares	Total
Nelson Kaufman	104,305,491	104,305,491
Marcio Monteiro Kaufman	60,844,870	60,844,870
Marina Kaufman Bueno Netto	39,114,559	39,114,559
Paulo Kruglensky	13,038,187	13,038,187
Total	<u>217,303,107</u>	<u>217,303,107</u>

b) Tax incentive reserve

Recognized according to the tax incentives related to:

- 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	Additions	Write-offs	09/30/2019
Tax incentive - operating profit	-	21,520	-	21,520
ICMS tax incentive	-	9,945	-	9,945
Total	-	<u>31,465</u>	-	<u>31,465</u>

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).

As at September 30, 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; no interest on capital was paid.

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.

## 20. RELATED PARTIES

Balances	Parent 09/30/2019	Consolidated 09/30/2019
<u>Assets</u>		
Due from related parties:		
PP-NMM Administradora de Bens LTDA. ("PP-NMM") (a)	-	8,673
Total	-	8,673
Current	-	8,673
Total	-	8,673
<u>Liabilities</u>		
Transactions:		
Etna Comércio de Móveis e Artigos para Decoração S.A. (b)	-	78
Tellerina Comércio de Presentes e Artigos para Decoração S.A. ("Tellerina") (c)	2,599	-
Conipa Indústria e Comércio de Presentes, Metais e Artigos de Decoração Ltda. ("Conipa") (c)	738	-
Makauf Empreendimentos S.A. (d)	-	273
Total	3,336	351
Current	3,336	351
Total	3,336	351

- (a) Amount receivable from the sale of aircraft under the private instrument of assignment of rights, subject to monthly payments adjusted for inflation at the fixed rate of 0.21% p.m., and expected to be fully settled in June 2022 (the matter was discussed in item "b" of note 10).
- (b) 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.
- (c) Expenses related to the IPO project concerning service providers paid by the direct subsidiaries. The amounts were reimbursed by the Company to its subsidiaries in October 2019.
- (d) Royalties payable, pursuant to the trademark license agreement for the period in which Makauf held the licenses. The discharge took place on October 23. Currently the licenses belong to Vivara Participações.

The loan with Banco Santander - Resolution 4131 (as per note 17) was collateralized, free of charge for the company, by a financial investment by a company of one of Vivara's shareholders. In November this guarantee was replaced and the operation was guaranteed by Tellerina's assets.

As at September 30, 2019, the amounts classified in noncurrent assets mature as follows:

<u>Year</u>	<u>Consolidated</u> <u>09/30/2019</u>
From 1 to 2 years	887
From 2 to 3 years	4,130
Over 3 years	1,893
Total	<u>6,910</u>

On August 15, 2019, the Annual General Meeting approved Management overall compensation for 2019 in the amount of up to R\$20,000, but as described in the reference form, the company's forecast is to close 2019 with up to R\$13,498 global compensation, of which R\$1,845 will be allocated to pay the Board of Directors' fees and R\$11,653 to pay the statutory executive board's compensation, including the benefits and charges for the fiscal year; the following amounts have been paid and accrued as at September 30, 2019:

	<u>Consolidated</u> <u>09/30/2019</u>		
	<u>Fixed</u>	<u>Variable</u>	<u>Total</u>
Board of Directors	125	-	125
Statutory officers	<u>1,779</u>	-	<u>1,779</u>
Total	<u>1,904</u>	-	<u>1,904</u>

Additionally, on August 15, 2019, in 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 September 30, 2019, the following amounts have been paid and accrued, including benefits and charges for the fiscal year:

	<u>Consolidated</u> <u>09/30/2019</u>		
	<u>Fixed</u>	<u>Variable</u>	<u>Total</u>
Statutory officers of subsidiaries and directors officers	<u>3,405</u>	-	<u>3,405</u>
Total	<u>3,405</u>	-	<u>3,405</u>

## 21. INCOME TAX AND SOCIAL CONTRIBUTION

## a) Reconciliation of income tax and social contribution expenses

	<u>Parent</u> <u>09/30/2019</u>	<u>Consolidated</u> <u>09/30/2019</u>
Profit before income tax and social contribution	165,323	216,089
Combined statutory rate	34%	34%
Income tax and social contribution at statutory rate	(56,210)	(73,470)
Permanent differences:		
Share of profit (loss) of subsidiaries	56,290	(424)
Other permanent differences	(80)	5,866
Tax incentive - operating profit	-	7,317
Tax incentive - deemed ICMS credits - Manaus Free Trade Zone	-	9,945
Total	<u>-</u>	<u>(50,766)</u>
Current	-	(36,382)
Deferred	-	(14,384)
Total	<u>-</u>	<u>(50,766)</u>

## b) Deferred income tax and social contribution

	<u>Consolidated</u> <u>09/30/2019</u>
Deferred tax assets on temporary differences:	
Allowance for doubtful debts	755
Allowance for inventory losses	3,391
Accrued expenses	19,893
Provision for civil, labor and tax risks	14,957
Tax loss carryforwards	75,523
Total	<u>114,519</u>
Combined statutory rate	34%
Deferred income tax and social contribution assets	<u>38,936</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 September 30, 2019</u>	<u>Consolidated</u> <u>Amount</u>
Up to 1 year	19,945
From 1 to 2 years	14,572
From 2 to 3 years	4,419
Total	<u>38,936</u>

## 22. NET REVENUE FROM SALES AND SERVICES

	<u>Consolidated</u> <u>July 1 to</u> <u>September</u> <u>30, 2019</u>	<u>Consolidated</u> <u>May 23 to</u> <u>September</u> <u>30, 2019</u>
Gross sales revenue	374,468	535,393
Gross service revenue	1,794	2,292
Deductions from gross revenue:		
State VAT (ICMS)	(41,544)	(61,290)
Tax on revenue (COFINS)	(20,284)	(28,885)
Tax on revenue (PIS)	(4,407)	(6,275)
FTI (*)	(2,028)	(2,618)
Service tax (ISS)	(90)	(115)
Sales returns/exchanges	<u>(67,575)</u>	<u>(96,113)</u>
Total	<u>240,334</u>	<u>342,389</u>

The ICMS amounts are stated net of the tax incentive of same nature mentioned in note 19 (R\$21,520 as at September 30, 2019).

This consolidated position only comprises revenue from sales to end consumers and taxes levied thereon, without including revenue from sales of raw materials, goods for resale and copyrights associated with the transactions conducted between Tellerina and Conipa.

(\*) 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.

## 23. 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

	<u>Parent</u> <u>July 1 to</u> <u>September 30,</u> <u>2019</u>	<u>Consolidated</u> <u>July 1 to</u> <u>September 30,</u> <u>2019</u>	<u>May 23 to</u> <u>September 30,</u> <u>2019</u>
Acquisition cost of inputs and raw materials and goods for resale	-	(71,780)	(97,262)
Personnel	-	<u>(5,491)</u>	<u>(7,187)</u>
	<u>-</u>	<u>(77,271)</u>	<u>(104,813)</u>

## b) Selling expenses

	Parent	Consolidated	
	July 1 to September 30, 2019	July 1 to September 30, 2019	May 23 to September 30, 2019
Personnel	-	(38,761)	(56,629)
Freight	-	(5,639)	(7,397)
Marketing/selling expenses	-	(12,665)	(16,692)
Professional services	-	(2,433)	(3,385)
Rentals and common area maintenance fees	-	(11,697)	(16,031)
Commission on credit cards	-	(5,153)	(7,493)
Electric power, water and telephone	-	(1,644)	(2,212)
Other expenses by nature	-	(1,300)	(2,177)
	-	<u>(79,292)</u>	<u>(112,016)</u>

## c) General and administrative expenses

	Parent	Consolidated	
	July 1 to September 30, 2019	July 1 to September 30, 2019	May 23 to September 30, 2019
Personnel	(228)	(10,456)	(13,805)
Freight	-	-	-
Marketing/selling expenses	-	-	-
Professional services	-	(9,412)	(12,650)
Rentals and common area maintenance fees	-	(129)	(369)
Commission on credit cards	-	-	-
Electric power, water and telephone	-	(181)	(671)
Depreciation and amortization	-	(10,928)	(14,684)
Other expenses by nature	(7)	(944)	(3,455)
	<u>(235)</u>	<u>(32,104)</u>	<u>(45,634)</u>

This consolidated position does not comprise the costs of raw materials, goods for resale and copyrights associated with the transactions conducted between Tellerina and Conipa.

## 24. 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 substantially serves the Group's retail stores and online sales. Conipa made its first sales in the B2B channel.

- 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:

	<u>Consolidated</u> July 1 to September 30, 2019	<u>Consolidated</u> May 23 to September 30, 2019
<u>Gross revenue, less returns</u>		
Jewelry	160,698	228,205
Life	85,570	124,625
Watches	51,178	73,342
Accessories	9,448	13,107
Services	1,794	2,292
Total	<u>308,688</u>	<u>441,571</u>
Stores	281,428	407,425
Online	23,018	29,388
Other	4,242	4,758
Total	<u>308,688</u>	<u>441,571</u>

## 25. OTHER OPERATING INCOME (EXPENSES), NET

	<u>Consolidated</u> July 1 to September 30, 2019	<u>Consolidated</u> May 23 to September 30, 2019
Provision for civil, labor and tax risks	407	1,142
Expected credit losses	158	50
Tax credits (*)	-	103,658
Write-off of property, plant and equipment items	(217)	(217)
Other income	395	881
Total	<u>743</u>	<u>105,514</u>

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



## 26. FINANCE INCOME

	Consolidated July 1 to September 30, 2019	Consolidated May 23 to September 30, 2019
Income from short-term investments	717	768
Inflation adjustments (*)	5,204	55,988
Other finance income	282	1,202
Total	<u>6,203</u>	<u>57,958</u>

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

## 27. FINANCE COSTS

	Consolidated July 1 to September 30, 2019	Consolidated May 23 to September 30, 2019
Interest on borrowings and financing	(7,604)	(8,530)
Charges on right-of-use leases	(6,243)	(8,324)
Tax on financial transactions (IOF)	(156)	(790)
Charges on advanced receivables from credit card companies	(2,131)	(2,450)
Bank fees	(75)	(320)
Interest and fines on taxes and accessory obligations	(574)	(1,516)
Exchange losses	(1,651)	(2,116)
Other finance costs	<u>(810)</u>	<u>(3,175)</u>
Total	<u>(19,244)</u>	<u>(27,221)</u>

## 28. 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 July 1 to September 30, 2019	Parent and Consolidated May 23 to September 30, 2019
Profit for the period	39,570	165,323
Basic denominator:		
Weighted average number of outstanding shares for the period	302,552,787	382,787,869
Basic and diluted earnings per share (in R\$)	<u>0.13079</u>	<u>0.43189</u>

## 29. RIGHT-OF-USE LEASES

As at September 30, 2019, the Group entered into 245 agreements for the lease of their stores, kiosks, factory and administrative center with third parties. Of this total, 77 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\$7,577, as stated in note 23.

The 168 lease agreements, classified as right-of-use leases, mature between four and 10 years and the weighted average discount rate in the period is 11.52% per year.

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

	<u>Consolidated</u> July 1 to September 30, 2019	<u>Consolidated</u> May 23 to September 30, 2019
Balance at the beginning of the period	226,446	226,936
Addition of new agreements	165	165
Remeasurement	3,789	4,790
Lease payments	(9,743)	(13,315)
Finance charges recognized	6,243	8,324
Balance at the end of the period	<u>226,900</u>	<u>226,900</u>
Current liabilities	19,710	19,710
Noncurrent liabilities	<u>207,190</u>	<u>207,190</u>
Total	<u>226,900</u>	<u>226,900</u>

Lease payments are expected to be made as follows:

	<u>Consolidated</u> 09/30/2019
Up to 1 year	19,710
From 1 to 3 years	63,319
From 3 to 5 years	66,393
From 5 to 7 years	53,729
Over 7 years	<u>23,749</u>
Total	<u>226,900</u>

The variations in profit or loss accounts for the period corresponding to right-of-use leases are as follows:

	<u>Consolidated</u> July 1 to September 30, 2019	<u>Consolidated</u> May 23 to September 30, 2019
Depreciation expenses	(7,016)	(9,328)
Finance charges recognized	(6,243)	(8,324)

## 30. FINANCIAL INSTRUMENTS

## a) Categories of financial instruments

	<u>Parent</u> <u>09/30/2019</u>	<u>Consolidated</u> <u>09/30/2019</u>
<u>Financial assets</u>		
Amortized cost:		
Cash and cash equivalents	2,223	87,704
Trade receivables (except for receivables from credit card companies)	-	6,599
Due from related parties	-	8,673
Subtotal	<u>2,223</u>	<u>102,976</u>
Fair value through other comprehensive income:		
Receivables from credit card companies	-	176,088
Fair value through profit or loss:		
Derivatives	-	13,324
Total financial assets	<u>2,223</u>	<u>292,388</u>
<u>Financial liabilities</u>		
Amortized cost:		
Trade payables	-	30,161
Right-of-use leases payable	-	226,900
Borrowings and financing	-	280,413
Total financial liabilities	<u>-</u>	<u>537,474</u>

## 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 Companies, 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 Companies' net foreign exchange exposure is shown below:

Type of transaction	Consolidated			
	09/30/2019			
	Financial institution	Debt amount	Derivatives	Net exposure
Resolution 4131	Santander	25,043	-	25,043
Resolution 4131	Banco Itaú	51,748	(51,785)	(37)
Resolution 4131	Banco Itaú	47,385	(47,389)	(4)
Total borrowings and financing		124,176	(99,174)	25,002
Foreign trade payables (*)	-	10,673	-	10,673
Total foreign exchange exposure		134,849	(99,174)	35,675
US dollar quotation - balance sheet		4,1644	4,1644	4,1644
Total exposure in US dollars		32,381	(23,814)	8,567

(\*) The Companies import goods, raw materials and inputs from foreign suppliers, which are used in the manufacturing and sales processes. 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 Companies entered into a loan agreement for which no swap derivatives were contracted, due to the interest rates applicable to such transaction.

As at September 30, 2019, the outstanding swap transactions are broken down as follows:

	Consolidated			
Description	Rates	Notional amount	Fair value	Cumulative effect up to 09/30/2019 marked to market
<u>Swap contracts</u>				
Long positions:				
Exchange rate changes - US\$	US\$ 5.5% p.a.	40,689	51,785	11,096
Short positions:				
CDI fluctuation	CDI + 3.5% p.a.	40,689	40,689	-
Net amount receivable				11,096
<u>Swap contracts</u>				
Long positions:				
Exchange rate changes - US\$	EUR 0.72% p.a.	45,161	47,389	2,228
Short positions:				
CDI fluctuation	CDI + 3.5% p.a.	45,161	45,161	-
Net amount receivable				2,228
Total net amount receivable				13,324

The asset balance totaling R\$13,324 refers to the net adjustment receivable, calculated at fair value as at September 30, 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	134,849
Notional amount of derivatives	(99,174)
Foreign exchange exposure, net	<u>35,675</u>

Accordingly, as a result of the considerations above, only the amount of R\$35,675 is being applied for the sensitivity analysis purposes. The US dollar foreign exchange rate was R\$4.1644 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\$4.1478 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.

<u>Group's risk</u>	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
Notional amount of the net exposure (in foreign currency)	8,567	8,567	8,567
Notional amount of the net exposure (in local currency)	35,675	35,675	35,675
Projected fair value (in local currency)	35,533	44,116	53,299
Effects of exchange rate changes	(143)	8,741	17,624
U.S. dollar rate	4.1478	5.1847	6.2216

Interest rate risk

Considering that almost all foreign currency-denominated borrowings and financing are hedged by swap contracts as at September 30, 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:

	<u>Consolidated</u>
Total borrowings and financing pegged to the CDI fluctuation	<u>156,237</u>

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	156,237	156,237	156,237
Projected fair value	156,237	158,687	161,137
Effects of CDI fluctuation	-	2,450	4,900
CDI rate	6.27%	7.84%	9.41%

## 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	From 2 to 5 years	Up to 5 years	Total
Trade payables	30,161	-	-	-	30,161
Borrowings and financing	177,324	26,759	76,330	-	280,413
Right-of-use payable	19,710	14,968	114,744	77,478	226,900

## 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 September 30, 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.

## 31. 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, as the case may be, will have full powers to adopt all measures necessary and appropriate to manage the Plan, including:

- (a) 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.
- (b) 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 September 30, 2019, no shares were granted to the beneficiaries.

## 32. 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 September 30, 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).

## 33. EVENTS AFTER THE REPORTING PERIOD

Tellerina's operations with its indirect affiliate PP-NMM (shown in note 10) ended on October 25, and the equity interest in PP-NMM was sold to Telop Participações at its book value. Additionally, the balance of accounts receivable from this related party, in the amount of R\$8,673, was negotiated and will be settled until November 29, pursuant to the agreement between Tellerina and Telop Participações.

The Public Offering of Shares was concluded on October 10, 2019, and the primary offering comprised 18,894,662 shares (R\$453,872) and the secondary offering comprised 66,131,317 shares (R\$1,587,152).

## 34. AUTHORIZATION FOR ISSUANCE OF THE INTERIM FINANCIAL INFORMATION

This individual and consolidated interim financial information was approved and authorized for issuance by the Board of Directors on November 13, 2019.

# 3Q19 PERFORMANCE COMMENT

**São Paulo, November 13, 2019** – Vivara Participações S.A. (B3: VIVA3), the largest jewelry chain in Brazil announces its results for the third quarter and the first nine-month period of 2019.

Vivara S.A. was founded on May 23, 2019 and, for this reason, to allow comparability of information for the third quarter and for the nine-month period up to September of the two years analyzed, the performance report presented herein refers to the **combined** business information of the subsidiaries Tellerina and Conipa and the holding company Vivara S.A..

## QUARTER HIGHLIGHTS

- 1 • **Net Revenue** reached R\$240.3 million, up by 9.2%, and an increase of 8.5% in **SSS<sup>(1)</sup>**;
- 2 • The Company's **Gross Profit** totaled R\$163.1 million, with a **Gross Margin** of 67.8%;
- 3 • **Adjusted EBITDA<sup>(2)</sup>** totaled R\$53.6 million, an increase of 8.6%, with a **Margin** of 22.3%, flat compared to the previous year;
- 4 • **Net Income** was R\$39.6 million, with a **Net Margin** of 16.5%. **Adjusted Net Income<sup>(3)</sup>** reached R\$43.1 million, an increase of 8.2%;
- 5 • Opening of **11 points of sale** (6 Vivara and 5 kiosks) in the quarter, reaching 240 operations.
- 6 • **Operating cash generation** of R\$46.5 million, an increase of 64.2% in the quarter.

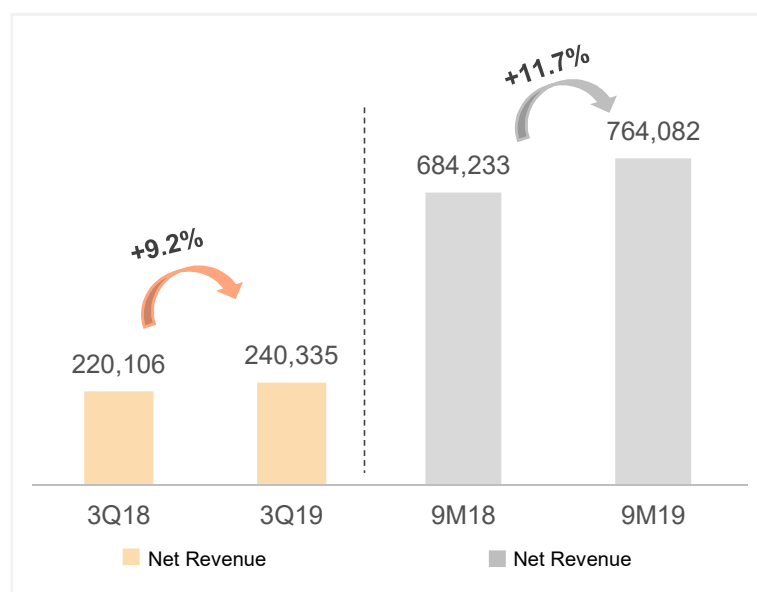
## FINANCIAL HIGHLIGHTS

Main Key Ratios	3Q19	3Q18	Δ %	9M19	9M18	Δ %
Gross Revenue (net of return)	308,688	285,505	8.1%	968,302	871,545	11.1%
<b>Net Revenue</b>	<b>240,334</b>	<b>220,106</b>	<b>9.2%</b>	<b>764,082</b>	<b>684,233</b>	<b>11.7%</b>
<b>Gross Profit</b>	<b>163,063</b>	<b>150,285</b>	<b>8.5%</b>	<b>502,880</b>	<b>489,188</b>	<b>2.8%</b>
Gross Margin (%)	67.8%	68.3%	-40 bps	65.8%	71.5%	-570 bps
<b>Adjusted EBITDA</b>	<b>53,575</b>	<b>49,337</b>	<b>8.6%</b>	<b>153,306</b>	<b>140,801</b>	<b>8.9%</b>
Adjusted Ebitda Margin (%)	22.3%	22.4%	-10 bps	20.1%	20.6%	-50 bps
<b>Net Income</b>	<b>39,570</b>	<b>39,826</b>	<b>-0.6%</b>	<b>225,603</b>	<b>116,661</b>	<b>93.4%</b>
Net Margin (%)	16.5%	18.1%	-160 bps	29.5%	17.0%	-125 bps
<b>Adjusted Net Income<sup>(*)</sup></b>	<b>43,086</b>	<b>39,827</b>	<b>8.2%</b>	<b>119,209</b>	<b>98,348</b>	<b>21.2%</b>
Adjusted Net Margin <sup>(*)</sup> (%)	17.9%	18.1%	-20 bps	15.6%	14.4%	120 bps
<b>SSS (physical stores)</b>	<b>7.3%</b>	<b>6.4%</b>	-	<b>8.2%</b>	<b>5.1%</b>	-
<b>SSS (physical stores + e-commerce + others)</b>	<b>8.5%</b>	<b>8.3%</b>	-	<b>9.4%</b>	<b>6.3%</b>	-
<b>Operational Cash Generation</b>	<b>46,491</b>	<b>28,317</b>	<b>64.2%</b>	<b>33,938</b>	<b>7,090</b>	<b>378.7%</b>

(1) SSS – Same Store Sales, considers gross revenue, net of returns, from stores with 12 months of operation, as well as revenues from e-commerce, corporate sales (B2B) and phone sales.  
 (2) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-accounting measurement disclosed by the Company in accordance with CVM Instruction No. 527/12. Based on the above calculation, the adjustment to remove non-recurring effects on income is carried out and, for better comparability, the effect of the adoption of CPC06/IFRS16, which became effective on January 1, 2019, is also excluded, generating Adjusted EBITDA.  
 (3) Net Income Adjusted for the effect of the adoption of IFRS16 and non-recurring effects, as shown in the reconciliation presented on page 11.



# NET REVENUE



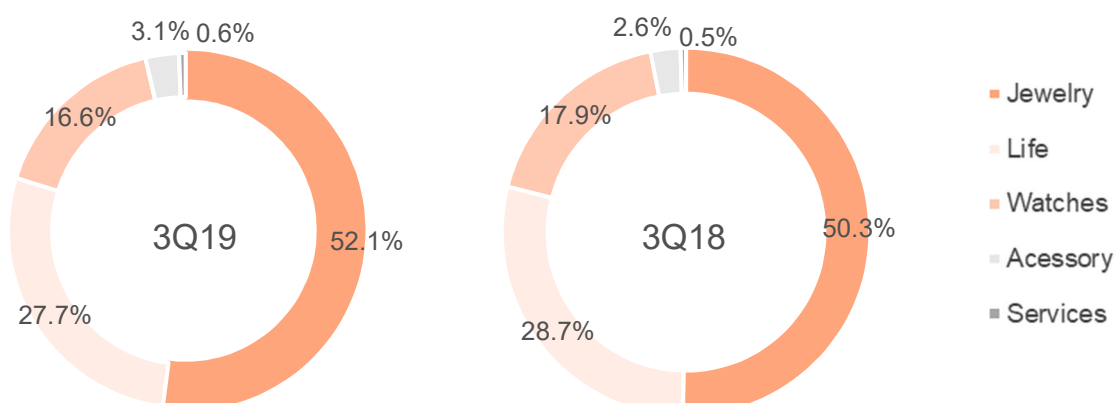
- Net revenue for the period grew by 9.2%, due to the good performance in all channels, especially jewelry sales, which accounted for 52.1% of total sales.
- Growth is driven by new stores, which are still maturing, as well as the performance of legacy stores, which had an increase of 8.5% in SSS<sup>(1)</sup>.
- In 9M19, net revenue increased by 11.7%, due to the higher volume of products sold.

Revenue per channel (R\$, 000)	3Q19	3Q18	Δ %	9M19	9M18	Δ %
<b>Gross Revenue (net of return)</b>	<b>308,688</b>	<b>285,505</b>	<b>8.1%</b>	<b>968,301</b>	<b>871,545</b>	<b>11.1%</b>
Physical Stores	281,429	263,138	7.0%	885,401	805,177	10.0%
E-commerce	23,018	18,336	25.5%	64,468	51,413	25.4%
Others	4,242	4,032	5.2%	18,432	14,955	23.2%
Deductions	(68,353)	(65,399)	4.5%	(204,219)	(187,311)	9.0%
<b>Net Revenue</b>	<b>240,335</b>	<b>220,106</b>	<b>9.2%</b>	<b>764,082</b>	<b>684,233</b>	<b>11.7%</b>

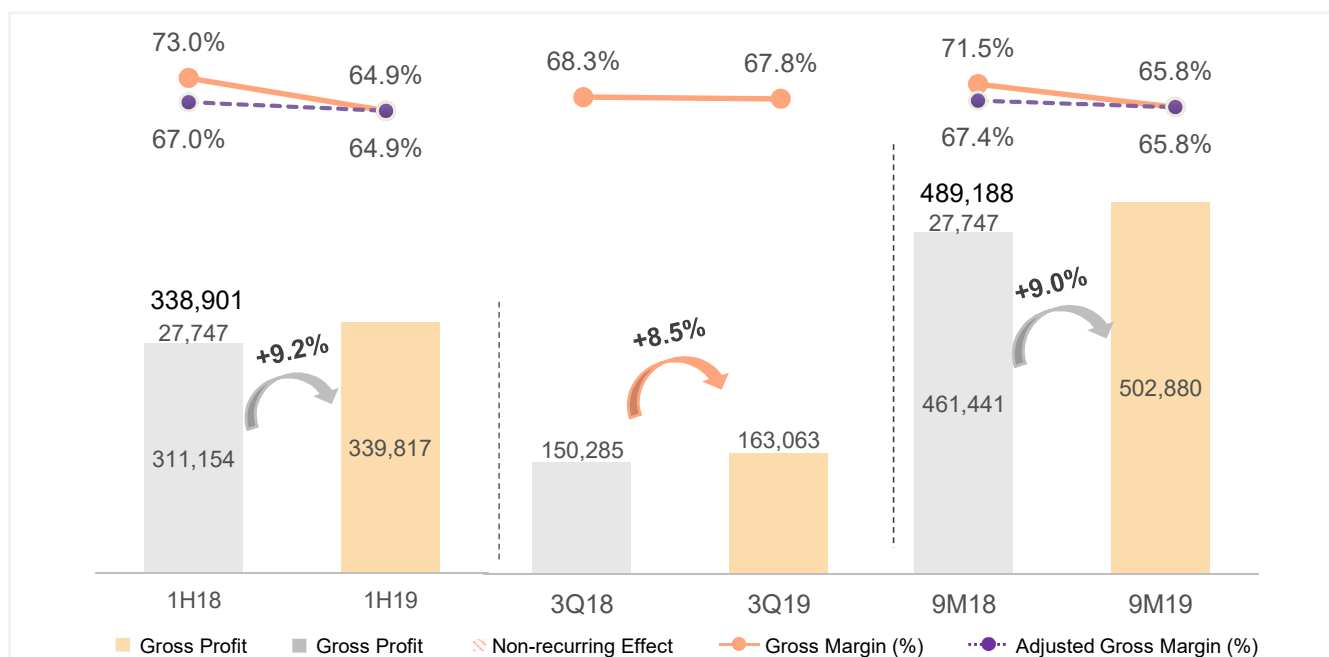
(1) SSS – Same Store Sales, considers gross revenue, net of returns, from stores with 12 months of operation, as well as revenues from e-commerce, corporate sales (B2B) and phone sales.

- The 7.0% increase in revenue from physical stores, which includes Vivara, Life and Kiosks, reflects the good pace of sales of collections of both jewelry and Life products, which continue to gain share in the mix. The sales of physical channels were mainly driven by Vivara's stores, which grew by 7.1%.
- In the quarter, e-commerce sales grew by 25.5%, reaching 7.5% of participation in the Company's total sales, up by 1.1 p.p. compared to the previous year, reflecting the adequate digital marketing strategy, which led to increased customer flow and higher number of invoiced orders.

## SALES BY CATEGORY



## GROSS PROFIT AND GROSS MARGIN



- Gross Profit totaled R\$163.1 million in 3Q19, an increase of 8.5% compared to the same period of the previous year, with a Gross Margin of 67.8%, down by 0.5 p.p..
- The Gross Margin of 67.8% recorded in 3Q19 reflects the good performance of collections launched in the period, with an increased share of jewelry in the sales mix. This result shows a significant reduction in the 210 bps downturn in the Gross Margin reported in the first half of the year, reflecting price adjustments, due to the new level of raw material cost and more profitability in Life products, with higher efficiency in Manaus production
- In 9M19, Gross Margin reached 65.8%. (Reconciliation of the 2018 non-recurring effect on Accumulated Gross Profit on page 11).

## OPERATING EXPENSES

Operating Expenses (R\$, 000)	3Q19	3Q18	Δ %	9M19	9M18	Δ %
<b>Operating Expenses</b>	<b>(100,420)</b>	<b>(98,625)</b>	<b>1.8%</b>	<b>(324,527)</b>	<b>(317,374)</b>	<b>2.3%</b>
Operating Expenses/Net Revenue (%)	-41.8%	-44.8%	300 bps	-42.5%	-46.4%	390 bps
<b>Selling Expenses</b>	<b>(79,293)</b>	<b>(79,893)</b>	<b>-0.8%</b>	<b>(243,755)</b>	<b>(245,780)</b>	<b>-0.8%</b>
Selling Expenses/Net Revenue (%)	-33.0%	-36.3%	330 bps	-31.9%	-35.9%	400 bps
<b>General and Administrative Expenses</b>	<b>(21,127)</b>	<b>(18,733)</b>	<b>12.8%</b>	<b>(80,772)</b>	<b>(71,594)</b>	<b>12.8%</b>
General and Administrative Expenses/Net Revenue (%)	-8.8%	-8.5%	-30 bps	-10.6%	-10.5%	-10 bps
<b>Other Operating Expenses</b>	<b>675</b>	<b>(2,322)</b>	<b>129.1%</b>	<b>108,197</b>	<b>(3,266)</b>	<b>3413.1%</b>
<b>Total Operating Expenses</b>	<b>(99,745)</b>	<b>(100,948)</b>	<b>-1.2%</b>	<b>(216,330)</b>	<b>(320,640)</b>	<b>-32.5%</b>

- In 3Q19, Operating Expenses increased by 1.8% compared to the same period last year, reflecting the adoption of IFRS 16, which reduced Selling Expenses by R\$9.7 million. On a comparable basis, Operating Expenses reached R\$110.1 million, an increase of 11.7%, representing 45.8% of Net Revenue for the period.
- Selling Expenses were practically flat in the period, mainly due to the adoption of IFRS 16, as mentioned above. On a comparable basis, these expenses increased by 11.4% in the period, explained by (i) the increase in the number of employees due to new stores in maturation; and (ii) higher freight expenses, mainly as a result of the rise in e-commerce sales.

(Cont.)

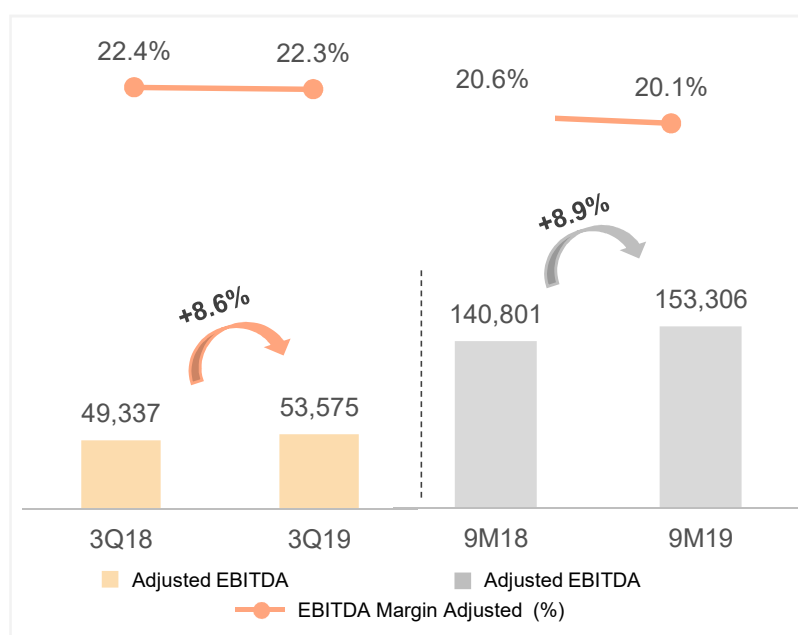
## OPERATING EXPENSES (Cont.)

- General and administrative expenses increased by 12.8%, mainly due to (i) increased expenses with outsourced services, as a result of the payment of success fee related to tax claims and consulting services aimed at supporting the implementation of the omnichannel strategy, and (ii) higher personnel expenses, related to the increase in the administrative staff, in order to reinforce strategic areas and the corporate governance structure.

## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

EBITDA Reconciliation	3Q19	3Q18	Δ %	9M19	9M18	Δ %
<b>Net Income</b>	<b>39,570</b>	<b>39,826</b>	<b>-0.6%</b>	<b>225,603</b>	<b>116,661</b>	<b>93.4%</b>
(+) Income and Social Contribution Taxes	(269)	(55)	393.4%	32,409	15,185	113.4%
(+) Financial Result	13,034	6,658	95.8%	(3,956)	24,735	-116.0%
(+) Depreciation and Amortization	10,982	2,907	277.7%	32,495	11,967	171.5%
<b>Total EBITDA</b>	<b>63,318</b>	<b>49,337</b>	<b>28.3%</b>	<b>286,550</b>	<b>168,548</b>	<b>70.0%</b>
(-) Rental expense (IFRS16) <sup>(4)</sup>	(9,743)	-	-	(29,586)	-	-
(+) Non-recurring effect	-	-	-	(103,658)	(27,747)	273.6%
<b>Adjusted EBITDA</b>	<b>53,575</b>	<b>49,337</b>	<b>8.6%</b>	<b>153,306</b>	<b>140,801</b>	<b>8.9%</b>
<b>Adjusted EBITDA Margin</b>	<b>22.3%</b>	<b>22.4%</b>	<b>-10 bps</b>	<b>20.1%</b>	<b>20.6%</b>	<b>-50 bps</b>

(4) The fixed portion of rental expenses presented here is accounted for in the Combined Cash Flow Statement as "Lease of Right-of-use Assets" as an effect of the adoption of IFRS16. More detailed information about the accounting standard can be found in Explanatory Note 4, in the Company's Financial Statements.



- As a result of the good pace of sales and the adequate composition of inventory, the Company recorded Adjusted EBITDA of R\$53.6 million, up by 8.6% over the previous year, with a margin of 22.3%, practically flat (-0.1 p.p.) between the periods.
- In 9M19, Adjusted EBITDA Margin was down by 0.5 p.p., mainly due to the decrease in Gross Margin, primarily as a result of the lower participation of Life in the sales mix in the period.

## NET INCOME AND NET MARGIN

Net Income (R\$, 000)	3Q19	3Q18	Δ %	9M19	9M18	Δ %
<b>Net Income</b>	<b>39,570</b>	<b>39,827</b>	<b>-0.6%</b>	<b>225,603</b>	<b>116,661</b>	<b>93.4%</b>
Net Margin (%)	16.5%	18.1%	-160 bps	29.5%	17.0%	1,250 bps
Non-recurring effect	-	-		(116,123)	(18,313)	-534.1%
Recurring Net Income	39,570	39,827	-0.6%	109,479	98,348	11.3%
Net IFRS16 Effect	3,516	-	na	9,724	-	na
<b>Adjusted Net Income</b>	<b>43,086</b>	<b>39,827</b>	<b>8.2%</b>	<b>119,204</b>	<b>98,348</b>	<b>21.2%</b>
Adjusted Net Income Margin (%)	17.9%	18.1%	-20 bps	15.6%	14.4%	120 bps

- The Company reached Net Income of R\$39.6 million in 3Q19, practically stable (-0.6%) compared to the previous year, as a result of the operating performance in the period. Net Margin reached 16.5%, down by 1.6 p.p., mainly due to the adoption of IFRS 16, which negatively affected net result by R\$3.5 million. On a comparable basis, Net Income in 3Q19 was 8.2% higher than in 3Q18. (Reconciliation of Adjusted Net Income on page 11).
- In 9M19, Net Margin was 29.5% as a result of operating income for the period and the recognition of non-recurring items (Reconciliation of Adjusted Net Income on page 11).

## INDEBTEDNESS

Net Debt	9M19	1H19	Δ %	2018	Δ %
Borrowings and financings	280,413	287,748	-2.5%	215,445	30.2%
Cash and cash equivalents and Securities	88,320	67,333	31.2%	85,371	3.5%
<b>Net Debt</b>	<b>192,093</b>	<b>220,415</b>	<b>-12.8%</b>	<b>130,074</b>	<b>47.7%</b>
Adjusted EBITDA LTM (last twelve months)	258,296	254,058	1.7%	245,785	5.1%
<b>Net Debt/Adjusted Ebitda</b>	<b>0.7x</b>	<b>0.9x</b>	<b>na</b>	<b>0.5x</b>	<b>na</b>

- In 9M19, the Company's total debt ratio was 0.7x, below the 0.9x ratio reported in 1H19, reflecting the 12.8% reduction in Net Debt between the periods.
- Compared to the index presented in December 2018, the rise recorded in September 2019 was mainly due to the R\$65.0 million increase in the Company's gross debt, resulting from new funding in the beginning of 2019, in order to strengthen cash position and adjust the Company's capital structure.



## INVESTMENTS – CAPEX

Investments (R\$, 000)	3Q19	3Q18	Δ %	9M19	9M18	Δ %
<b>Total Capex</b>	<b>14,670</b>	<b>4,778</b>	<b>207.0%</b>	<b>25,389</b>	<b>9,514</b>	<b>166.9%</b>
New Stores	6,451	103	6151.8%	9,545	3,164	201.6%
Reforms and Maintenance	1,719	2,457	-30.0%	6,282	3,298	90.5%
Factory	3,053	431	607.7%	4,346	608	614.2%
Systems/IT	3,185	1,332	139.2%	4,762	1,748	172.3%
Others	261	455	-42.6%	455	695	-34.5%
<b>CAPEX/Net Revenue (%)</b>	<b>6.1%</b>	<b>2.2%</b>	<b>390 bps</b>	<b>3.3%</b>	<b>1.4%</b>	<b>190 bps</b>

- Investments totaled R\$14.7 million in the quarter, 207.0% higher than the same period of the previous year and were mainly allocated to: (i) opening of new stores; (ii) developments in the industrial plant, with the acquisition of equipments and (iii) digital initiatives based on the omnichannel strategy.
- In 9M19, investments totaled R\$25.4 million, up by 166.9%, mainly referring to higher investments in new stores, as well as the increases mentioned above.

## CASH FLOW

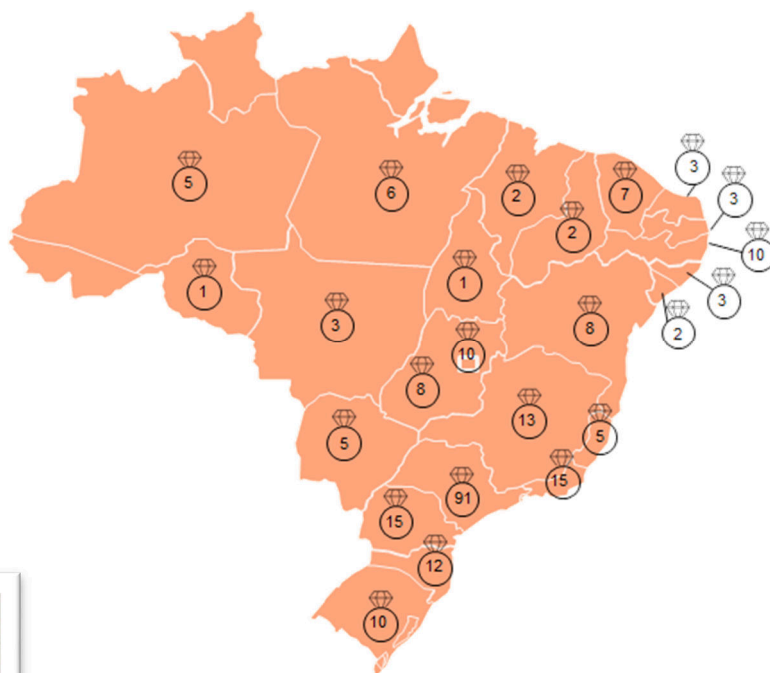
Cash Flow (R\$, 000)	3Q19	3Q18	Δ %	9M19	9M18	Δ %
<b>Net Income</b>	<b>39,570</b>	<b>39,826</b>	<b>-0.6%</b>	<b>225,603</b>	<b>116,661</b>	<b>93.4%</b>
(+/-) Income and Social Contribution Taxes/Others	(7,803)	9,958	-178.4%	(133,205)	20,768	-741.4%
<b>Adjusted Net Income</b>	<b>31,767</b>	<b>49,785</b>	<b>-36.2%</b>	<b>92,397</b>	<b>137,429</b>	<b>-32.8%</b>
<b>Working Capital</b>	<b>14,724</b>	<b>(21,468)</b>	<b>168.6%</b>	<b>(58,459)</b>	<b>(130,339)</b>	<b>-55.1%</b>
Trade receivables	38,733	7,508	415.9%	28,477	13,980	103.7%
Inventories	1,172	(67,664)	101.7%	(16,598)	(153,078)	-89.2%
Trade payables	(8,762)	44,224	-119.8%	(16,041)	26,260	-161.1%
Recoverable taxes	(108)	10,780	-101.0%	(11,413)	40,285	-128.3%
Taxes payable	(16,504)	(12,659)	30.4%	(30,294)	(53,607)	-43.5%
Other assets and liabilities	192	(3,657)	105.2%	(12,589)	(4,179)	201.3%
<b>Cash from Management Operating Activities</b>	<b>46,491</b>	<b>28,317</b>	<b>64.2%</b>	<b>33,938</b>	<b>7,090</b>	<b>378.7%</b>
Capex	(14,670)	(4,778)	207.0%	(25,389)	(9,514)	166.9%
<b>Free Cash Generation</b>	<b>31,821</b>	<b>23,539</b>	<b>35.2%</b>	<b>8,549</b>	<b>(2,425)</b>	<b>452.6%</b>

- Vivara's free cash generation reached R\$31.8 million in 3Q19, 35.2% higher than 3Q18, due to the improved sales operation and lower working capital requirements, as a result of better allocation of funds.
- In addition to income tax and social contribution adjustments and other non-cash items, we adjusted Net Income to the payment of lease, in the amount of R\$9.7 million, which, after adoption of IFRS16, were recorded in the Cash Flow Statement as a Financing Activity.

# EXPANSION

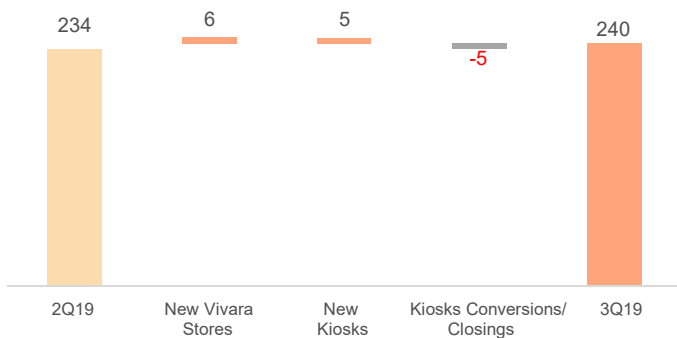


## Geographic Presence

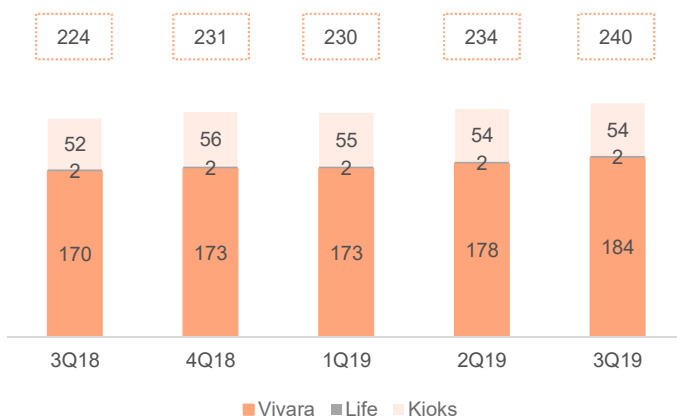


## Distribution by region

Southeast	52%
South	15%
North	5%
Northeast	17%
Midwest	11%



## EXPANSION EVOLUTION



In 3Q19, the Company opened 11 new operations (6 Vivara stores and 5 kiosks) and converted/closed 5 kiosks. Year-to-date, we added 17 new operations (11 Vivara stores and 6 new kiosks) and converted/closed 8 kiosks.

We ended the period with a total of 240 points of sale, 184 of which are Vivara stores, 2 Life stores and 54 kiosks. Most of the kiosks that had their operations closed were converted into new stores or incorporated into existing stores, through selling area expansion.



# OUTLOOK

- Following the first release of Vivara's results as a publicly-held company, our efforts are focused on **the last quarter of the year**, which is seasonally the most representative quarter for our results. Typically, the fourth quarter represents more than a third of total annual sales and an even higher percentage of EBITDA and net income for the year, as it happened in 2018 and should be repeated in 2019.
- We are very confident in the execution of our expansion plan for the next year. The work for 2020 are well evolved.
- Our entire team is focused on delivering **annual results**, combining the adequate execution of sale operations during the **Christmas period** with the intensification of the expansion of our store network.
- Our product team has created new collections for Life and Vivara for the Christmas period. At Life, the new collection adds new items to the product mix and complement the portfolio with a focus on holiday gifts. Vivara's year-end catalog comes with bets on new products from the Icona and Vivara collections, which have a track record of excellent performance as well as classic gift items.
- We should also highlight our focus on undermining the effect of the increase in gold prices, which intensified from June this year. Therefore, as already recorded in the 3Q19 results, the Company continues to follow the strategy of price transfer and development of products that combine commercial appeal and maintenance of profitability, generating shareholder value.



# INCOME STATEMENT – COMBINED

Financial Statements (R\$ ,000)	3Q19	3Q18	Δ %	9M19	9M18	Δ %
<b>Net Revenue</b>	<b>240,334</b>	<b>220,106</b>	<b>9.2%</b>	<b>764,082</b>	<b>684,233</b>	<b>11.7%</b>
(-) Cost of Sold Goods	(77,271)	(69,821)	10.7%	(261,202)	(195,046)	33.9%
<b>(=) Gross Profit</b>	<b>163,063</b>	<b>150,285</b>	<b>8.5%</b>	<b>502,880</b>	<b>489,188</b>	<b>2.8%</b>
<b>(-) Operating Expenses</b>	<b>(110,727)</b>	<b>(103,855)</b>	<b>6.6%</b>	<b>(248,825)</b>	<b>(332,606)</b>	<b>-25.2%</b>
<b>Sales</b>	<b>(79,294)</b>	<b>(79,893)</b>	<b>-0.7%</b>	<b>(243,755)</b>	<b>(245,780)</b>	<b>-0.8%</b>
Personal	(41,353)	(37,447)	10.4%	(119,141)	(110,347)	8.0%
Rentals and common area maintenance fees	(11,526)	(18,801)	-38.7%	(35,339)	(55,961)	-36.9%
Freight	(5,639)	(3,750)	50.4%	(14,753)	(11,822)	24.8%
Commission on credit cards	(5,153)	(5,406)	-4.7%	(17,082)	(16,314)	4.7%
Outsourced services	(3,607)	(3,732)	-3.3%	(7,901)	(8,833)	-10.6%
Marketing/selling expenses	(6,781)	(7,593)	-10.7%	(31,454)	(25,099)	25.3%
Other selling expenses	(5,235)	(3,164)	65.5%	(18,085)	(17,404)	3.9%
<b>General and Administratives</b>	<b>(21,126)</b>	<b>(18,732)</b>	<b>12.8%</b>	<b>(80,772)</b>	<b>(71,594)</b>	<b>12.8%</b>
Personal	(8,342)	(7,523)	10.9%	(36,441)	(34,367)	6.0%
Rentals and common area maintenance fees	(301)	(1,025)	-70.6%	(609)	(2,743)	-77.8%
Outsourced services	(9,298)	(4,793)	94.0%	(24,000)	(13,898)	72.7%
Other General and Administratives expenses	(3,185)	(5,391)	-40.9%	(19,722)	(20,586)	-4.2%
Depreciation and Amortization	(10,982)	(2,907)	277.7%	(32,495)	(11,967)	171.5%
Share of profit (loss) of subsidiaries	(68)	(110)	-38.6%	(247)	(338)	-26.8%
Other Operating Expenses (Revenues)	743	(2,212)	133.6%	108,444	(2,928)	3804.2%
<b>(=) Profit (Losses) Before Financial Results</b>	<b>52,335</b>	<b>46,430</b>	<b>12.7%</b>	<b>254,055</b>	<b>156,581</b>	<b>62.3%</b>
<b>(=) Financial Result</b>	<b>(13,034)</b>	<b>(6,658)</b>	<b>95.8%</b>	<b>3,956</b>	<b>(24,735)</b>	<b>116.0%</b>
Financial Income (Expenses), net	6,210	2,522	146.2%	60,029	9,281	546.8%
Finance costs, net	(19,244)	(9,180)	109.6%	(56,073)	(34,017)	64.8%
<b>(=) Operating Income</b>	<b>39,301</b>	<b>39,772</b>	<b>-1.2%</b>	<b>258,011</b>	<b>131,846</b>	<b>95.7%</b>
Income and Social Contribution Taxes	269	55	393.4%	(32,409)	(15,185)	113.4%
<b>(=) Net Income</b>	<b>39,570</b>	<b>39,827</b>	<b>-0.6%</b>	<b>225,603</b>	<b>116,661</b>	<b>93.4%</b>



# IFRS 16 AND NON-RECURRING EFFECTS

- The adoption of IFRS 16, as from January 1, 2019, brought changes in the accounting of fixed rents, classified as leases, requiring the recognition of future commitments, in relation to the right to use the asset. Rental expenses, which until 2018 were recorded as "Rental expenses", are now recognized in the depreciation and financial expenses lines.
- In order to improve comparability between the periods presented herein, we adjusted the Company's EBITDA to the amount of rental expenses and identified below the main lines impacted by the adoption of the standard.
- In addition to IFRS 16 adjustments, we present the reconciliation of non-recurring items that have also been adjusted for EBITDA, but have effects on other lines, as shown below :

Financial Statements (R\$ ,000)	3Q19	IFRS 16 Impact	3Q19 pro forma	3Q18	Δ %
Net Revenue	240,334	-	240,334	220,106	9.2%
Gross Profit	163,063	-	163,063	150,285	8.5%
Gross Margin (%)	67.8%	-	67.8%	68.3%	-40 bps
Operational Expenses	(110,727)	(2,727)	(113,454)	(103,855)	9.2%
Sales	(79,294)	(9,743)	(89,037)	(79,893)	11.4%
General and Administratives	(21,126)	-	(21,126)	(18,732)	12.8%
Depreciation and Amortization	(10,982)	7,016	(3,966)	(2,907)	36.4%
Share of profit (loss) of subsidiaries	(68)	-	(68)	(110)	-38.6%
Other Operating Expenses (Revenues)	743	-	743	(2,212)	133.6%
(=) Profit (Losses) Before Financial Results	52,335	(2,727)	49,609	46,430	6.8%
Financial Result	(13,034)	6,242	(6,792)	(6,658)	2.0%
(=) Operating Income	39,301	3,516	42,817	39,772	7.7%
Income and Social Contribution Taxes	269	-	269	55	393.4%
(=) Net Income	39,570	3,516	43,086	39,827	8.2%
Net Margin (%)	16.5%	-	17.9%	18.1%	-20 bps

Financial Statements (R\$ ,000)	9M19	IFRS 16 Impact	Impact	9M19 pro forma	9M18	Impact	9M18 Pro-forma	Δ %
Net Revenue	764,083	-	-	764,083	684,233	-	684,233	11.7%
Gross Profit	502,881	-	-	502,881	489,188	(27,747)	461,441	9.0%
Gross Margin (%)	65.8%	-	-	65.8%	71.5%	-	67.4%	-160 bps
Operational Expenses	(248,821)	(8,990)	(103,658)	(361,469)	(332,606)	-	(332,606)	8.7%
Sales	(243,755)	(29,586)	-	(273,341)	(245,780)	-	(245,780)	11.2%
General and Administratives	(80,772)	-	-	(80,772)	(71,594)	-	(71,594)	12.8%
Depreciation and Amortization	(32,495)	20,596	-	(11,899)	(11,967)	-	(11,967)	-0.6%
Share of profit (loss) of subsidiaries	(247)	-	-	(247)	(338)	-	(338)	-26.8%
Other Operating Expenses (Revenues)	108,448	-	(103,658)	4,790	(2,928)	-	(2,928)	263.6%
(=) Profit (Losses) Before Financial Results	254,060	(8,990)	(103,658)	141,412	156,581	(27,747)	128,834	9.8%
Financial Result	3,956	18,714	(48,735)	(26,065)	(24,735)	-	(24,735)	5.4%
(=) Operating Income	258,016	9,724	(152,393)	115,348	131,846	(27,747)	104,099	10.8%
Income and Social Contribution Taxes	(32,409)	-	36,270	3,861	(15,185)	9,434	(5,751)	167.1%
(=) Net Income	225,608	9,724	(116,123)	119,209	116,661	(18,313)	98,348	21.2%
Net Margin (%)	29.5%	-	-	15.6%	17.0%	-	14.4%	120 bps

Non-recurring adjustments presented in the table above refer to: (i) in 2019, the recognition of credits referring to the exclusion of ICMS from the PIS and Cofins calculation base, pursuant to a final court decision, being R\$103,658 thousand corresponding to the amount of the principal, recorded as Other Operating Income, and R\$48,735 thousand corresponding to the monetary restatement, recorded as Financial Result, in addition to the effect of these amounts on the income tax and social contribution (IR/CSLL) for the period; and (ii) in 2018, R\$27,747 thousand, related to the adjustment of margins of transactions between Conipa and Tellerina, in addition to the effect of these amounts on the IR/CSLL for the period.

Note: The pro forma information presented in the tables above is not included in the scope of the audit.

# BALANCE SHEET – COMBINED

Balance Sheet (R\$, 000)	9M19	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	87,704	84,781
Securities	616	590
Trade receivables	181,932	214,981
Due from related parties	8,674	1,911
Inventories	364,295	348,290
Recoverable taxes	63,122	56,933
Prepaid expenses and other receivables	14,226	13,607
Derivatives	8,542	4,208
<b>Total current assets</b>	<b>729,112</b>	<b>725,300</b>
<b>NONCURRENT ASSETS</b>		
Escrow deposits	13,352	13,309
Due from related parties	0	9,698
Deferred income tax and social contribution	38,936	51,729
Derivatives	4,781	6,490
Recoverable taxes	197,259	33,486
Investments	1,871	-
Property, plant and equipment	270,134	40,823
Intangible assets	9,939	8,810
<b>Total noncurrent assets</b>	<b>536,274</b>	<b>164,346</b>
<b>TOTAL ASSETS</b>	<b>1,265,385</b>	<b>889,646</b>
<b>CIRCULANTE</b>		
Trade payables	30,161	46,203
Borrowings and financing	177,324	115,892
Investments - equity deficiency	-	96
Due to related parties	351	478
Payroll and related taxes	43,696	48,140
Taxes payable	36,734	73,608
Taxes in installments	654	1,224
Leases payable	8,299	13,224
Leasing liabilities	19,710	-
Other payables	16,651	17,645
<b>Total current liabilities</b>	<b>333,580</b>	<b>316,510</b>
<b>NONCURRENT LIABILITIES</b>		
Borrowings and financing	103,089	99,553
Taxes in installments	2,045	2,110
Provision for civil, labor and tax risks	14,957	19,766
Leasing liabilities	207,191	-
Other payables	-	690
<b>Total noncurrent liabilities</b>	<b>327,282</b>	<b>122,120</b>
<b>EQUITY</b>		
Capital	651,909	147,712
Legal reserve	39,615	293,208
Earnings reserves	(82,323)	10,096
Retained earnings (accumulated losses)	(4,678)	-
<b>Total equity</b>	<b>604,524</b>	<b>451,016</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,265,385</b>	<b>889,646</b>

## CASH FLOW – COMBINED

Cash Flow (R\$ ,000)	3Q19	3Q18	9M19	9M18
<b>Net Income</b>	<b>39,570</b>	<b>39,826</b>	<b>225,603</b>	<b>116,661</b>
Adjust of Net Income	20,607	9,384	(62,998)	47,211
<b>Adjusted profit for the year</b>	<b>60,177</b>	<b>49,211</b>	<b>162,604</b>	<b>163,872</b>
Increase (decrease) in operating assets and liabilities:				
Trade receivables	38,072	(28,354)	27,340	7,309
Inventories	1,172	(67,664)	(16,598)	(153,078)
Trade payables	(8,762)	44,224	(16,041)	26,260
Recoverable taxes	(108)	10,780	(11,413)	40,285
Taxes payable	(16,504)	(12,659)	(30,294)	(53,607)
Other assets and liabilities	854	32,205	(11,452)	2,493
<b>Cash provided by operating activities</b>	<b>74,901</b>	<b>27,743</b>	<b>104,145</b>	<b>33,533</b>
Income tax and social contribution paid	(11,086)	(2,488)	(26,195)	(10,695)
Paid interest on borrowing and financing	(7,581)	3,062	(14,425)	(15,748)
<b>Net cash provided by operating activities</b>	<b>56,234</b>	<b>28,317</b>	<b>63,525</b>	<b>7,090</b>
Property, plant and equipment	(11,494)	(3,803)	(18,952)	(7,475)
Intangible assets	(2,737)	(443)	(4,767)	(443)
Others	1,991	(9)	(26)	(25)
<b>Cash Flow from Investments</b>	<b>(12,239)</b>	<b>(4,255)</b>	<b>(23,744)</b>	<b>(7,944)</b>
Capital increase	1	-	1	-
Interest on capital / Dividends paid	-	(8,064)	(67,418)	(42,822)
Borrowings and financings	(14,551)	(25,844)	57,542	(67,194)
Righ-of-use leases	(9,743)	-	(29,586)	-
Others	1,282	3,630	2,605	405
<b>Cash flow from financing activities</b>	<b>(23,011)</b>	<b>(30,278)</b>	<b>(36,857)</b>	<b>(109,612)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIV.</b>	<b>20,984</b>	<b>(6,215)</b>	<b>2,923</b>	<b>(110,466)</b>
Opening balance of cash and cash equivalents	66,726	20,507	84,781	124,757
Closing balance of cash and cash equivalents	87,704	14,292	87,704	14,292

## NON-ACCOUNTING MEASUREMENTS

- **Adjusted EBITDA and Adjusted EBITDA Margin** – EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-accounting measurement disclosed by the Company in accordance with CVM Instruction No. 527/12. Based on the above calculation, the adjustment to remove non-recurring effects on income is carried out and, for better comparability, the effect of the adoption of CPC06/IFRS16, which became effective on January 1, 2019, is also excluded, generating Adjusted EBITDA. Non-recurring effects are one-off effects that have an impact on the Company's results. As these amounts are not a recurring part of the result, the Company's "Adjusted EBITDA" only includes recurring figures. The Company uses Adjusted EBITDA as a performance indicator for management purposes and for comparison with similar companies.
- **Net Debt** – Net Debt is the result of the sum of short and long-term loans in the Company's Current Liabilities and Non-Current Liabilities deducted from the sum of Cash and Cash Equivalents and Securities in the Company's Current and Non-Current Assets.
- The Company understands that the **Net Debt/Adjusted EBITDA** Ratio assists in the assessment of leverage and liquidity. The **LTM (Last Twelve Months) Adjusted EBITDA** is the sum of the last 12 months and also represents an alternative to operating cash generation.
- The **Adjusted EBITDA, Net Debt, Operating Cash Generation** and the **Net Debt/Adjusted EBITDA LTM ratio** presented in this release are not profitability measures in accordance with accounting practices adopted in Brazil and do not represent the cash flow for the periods, and therefore, must not be considered as an alternative measures to results or cash flows.