Earnings release 3Q19

Quarter Highlights

Gross Revenues +4.3% Net Revenue + 2.6% Same Stores + 0.8%	• Better acceptance of apparel collection • Growth of e-commerce • Below expected fashiontronics' performance
Gross Profit + 0.9% Gross Margin -0.8p.p.	• Increase in apparel gross margin and decline in fashiontronics • Effect of hedge operations on imported products
Operating Expenses +1.7% *Pro forma* +3.3%	• Impacted by the store openings and royalties' expenses • Benefited by reversal of provisions for tax contingencies
Adjusted EBITDA -3.8% Adjusted EBITDA Margin -0.6p.p.	• Mainly affected by a decline in gross margin
Investments R$ 75.9M	• Opening of 2 stores, totaling 6 openings in 9M19 • Refurbishment of 35 stores for the new CVP concept • Sku sorter installation and ramp up

Adoption of IFRS 16

With the adoption of IFRS 16 as of January 1, 2019, the accounting for operational leases began to be recorded as financial leasing, requiring the recognition of the present value of the future commitments as a lease liability and right-of-use assets related to their right of use. Previously recorded under "Occupancy", the lease expenses are now presented on statement of operation as expenses of "Depreciation and amortization" (for the depreciation of the right-of-use assets) and "Interest on leasing".

For further information regarding the accounting impacts of the adoption of the new accounting standard please see note 4.2.1 to the interim financial statements for the nine-month period ended September 30, 2019.

Impacts on 3Q19

Balance Sheet (09/30/2019)	Income Statements
Right of Use – Operating lease (Asset) + R$ 1,591.7 million	**Occupancy (Operating expenses)** - R$ 81.0 million
Operating lease (Liability) + R$ 1,622.9 million	**Depreciation and amortization (Operating expenses)** + R$ 72.8 million
	Interest on leasing (Finance expenses) + R$ 17.9 million
	Net income - R$ 6.3 million

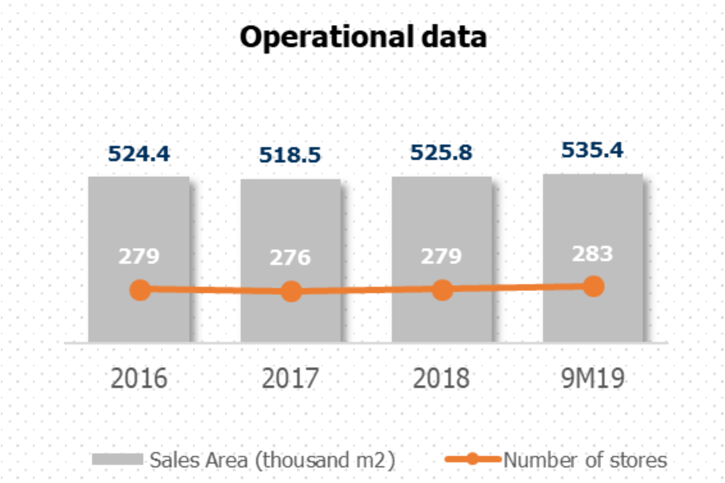
Financial Indicators

In order to maintain the comparability of current financial indicators to comparable prior period, we have included a pro forma column in the following table to eliminate the effect of the accounting change on the impacted accounts.

Consolidated Results (in R$ millions)	3Q19	3Q18	Variation	3Q19 Pro-forma	Variation Pro-forma	9M19	9M18	Variation	9M19 Pro-forma	Variation Pro-forma
Total net revenue	1,251.8	1,219.6	2.6%	1,251.8	2.6%	3,568.2	3,468.8	2.9%	3,568.2	2.9%
Same Store Sales Growth (%)	0.8%	5.4%	-4.6p.p.	0.8%	-4.6p.p.	2.1%	1.9%	0.2p.p.	2.1%	0.2p.p.
Total Gross Profit	587.6	582.3	0.9%	587.6	0.9%	1,708.8	1,678.1	1.8%	1,708.8	1.8%
Total Gross Margin (%)	46.9%	47.7%	-0.8p.p.	46.9%	-0.8p.p.	47.9%	48.4%	-0.5p.p.	47.9%	-0.5p.p.
Operating Income and Expenses	(529.7)	(520.6)	1.7%	(538.0)	3.3%	(968.0)	(1,573.3)	-38.5%	(986.1)	-37.3%
Operating Iincome and Revenues / Total Net Revenue	-42.3%	-42.7%	-0.4p.p.	-43.0%	0.3p.p.	-27.1%	-45.4%	-18.3p.p.	-27.6%	-17.8p.p.
Adjusted EBITDA	116.7	121.3	-3.8%	116.7	-3.8%	288.0	288.3	-0.1%	288.0	-0.1%
Adjusted EBITDA margin (%)	9.3%	9.9%	-0.6p.p.	9.3%	-0.6p.p.	8.1%	8.3%	-0.2p.p.	8.1%	-0.2p.p.
Net Profit	19.1	32.1	-40.5%	25.4	-20.9%	796.3	1.6	49668.8%	820.7	51193.8%
Net Margin (%)	1.5%	2.6%	-1.1p.p.	2.0%	-0.6p.p.	22.3%	0.0%	22.3p.p.	23.0%	23.0p.p.

Operating Information

In September 30, 2019, the Company operated 283 stores with an average size of 1,892m^2 and total sales area of 535.4 thousand m^2. In the first nine months of 2019, 73 stores were refurbished for the new CVP concept, totaling 154 refurbished stores. In this same period, 6 stores were opened. In 4Q19 we shall continue our inauguration plan with the opening of 5 other stores.



Financial and operating performance

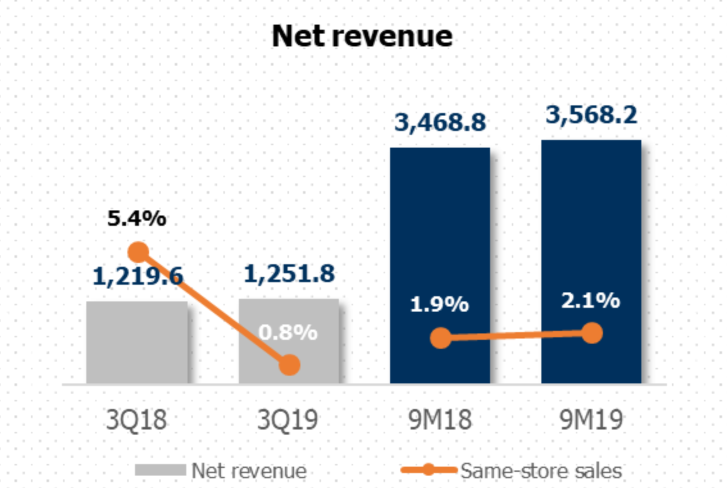
Net revenue

Totaled R$ 1,251.8 million, 2.6% higher than that of 3Q18. Same-store sales increased 0.8%.

3Q19 showed a performance improvement in apparel, however fashiontronics was below last year mainly due to the end of benefits of "Lei do Bem". Gross sales increased 4.3%. The factors that led to this growth were:

- an average ticket increase mainly due to the higher number of pieces per ticket
- accelerated growth of e-commerce; and
- the store openings.

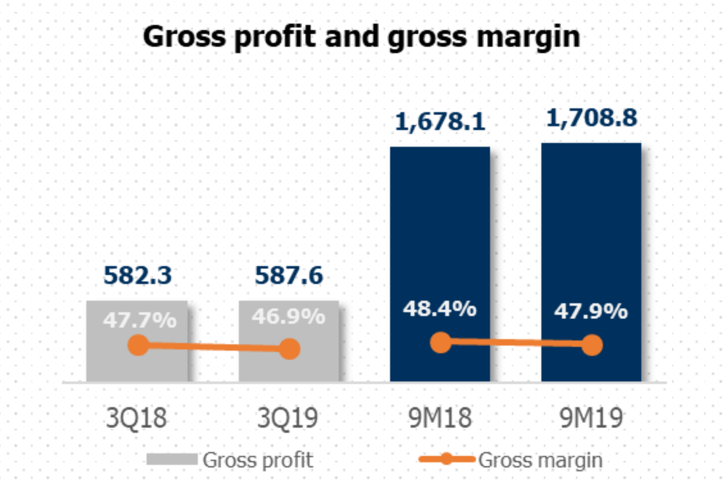
In the nine-month period, net revenue totaled R$ 3,568.2 million, 2.9% higher than in 9M18, and the same-store sales increased 2.1%.



Gross profit

Accumulated R$ 587.6 million, 0.9% higher than that of 3Q18. The increase in apparel gross margin was offset by the decrease in fashiontronics gross margin due to the increased tax burden associated with the end of the "Lei do Bem" and the more promotional environment. In addition, when compared to 3Q18, we had a lower gain on the hedge operations on imported products. Consequently, the gross margin was 46.9%, which is 0.8p.p. lower than that of 3Q18.

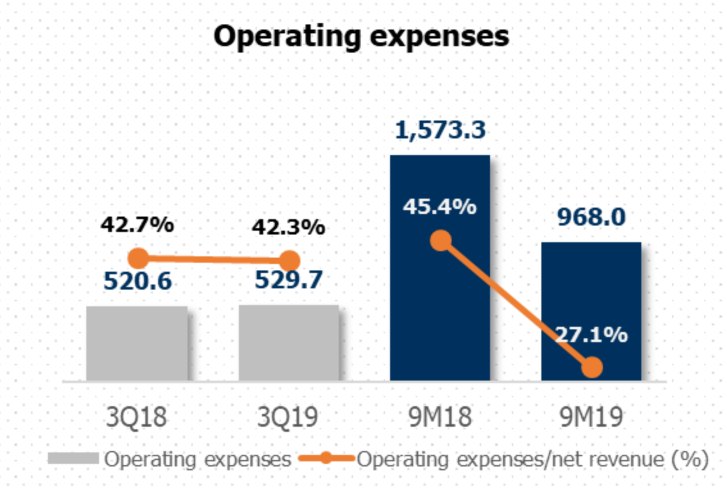
In the nine-month period, gross profit totaled R$ 1,708.8 million, 1.8% higher than in 9M18. Gross margin of 47.9% was 0.5p.p. lower.



Operating expenses

Operating expenses totaled R$ 529.7 million, 1.7% higher than those of 3Q18. Eliminating the impact of the adoption of IFRS 16, the *pro forma* concept totaled R$ 538.0 million, 3.3% higher than 3Q18.

Selling expenses of R$ 424.4 million increased 4.6% (7.5% *pro forma*) compared to 3Q18 due to the store openings (7 more units in comparison to 3Q18) and the royalties' expenses, which in 2018 were concentrated in the fourth quarter, and the higher level of depreciation associated to the investment in the period. General and administrative expenses totaled R$ 113.2 million, fell 1.7% compared to 3Q18, benefiting mainly from the reversal of the provision for tax contingencies.

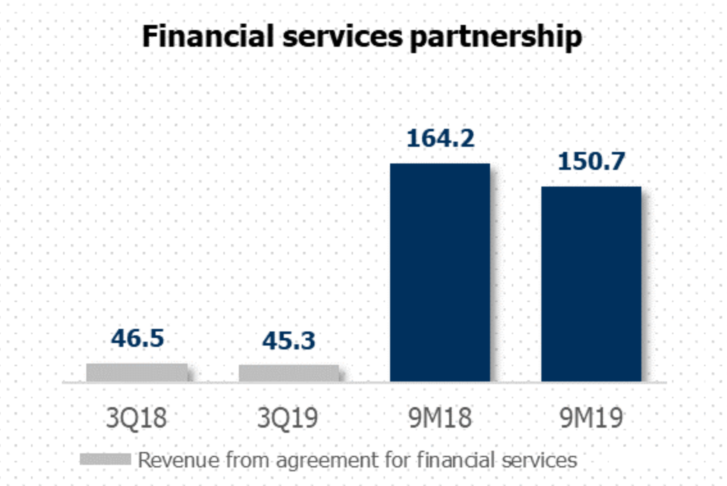


In the nine-month period, operating expenses totaled R$ 968.0 million (or R$ 986.1 million on a pro forma basis), 38.5% lower than 9M18. This variation is mainly attributed to the recognition of the tax credit related to the right to exclude ICMS from the PIS/COFINS tax bases. Excluding the effect of IFRS 16 and of the PIS/COFINS tax credit, the operating expenses were 3,6% higher than 9M18.

Financial services partnership

Financial services revenue totaled R$ 45.3 million, 2.6% lower than that of 3Q18, due to the lower interest income.

Sales to customers using the partnership cards accounted for 20.8% of the Company's merchandise sales revenue in the third quarter of 2019, a decrease of 1.1p.p. compared to the same period of 2018.



Adjusted EBITDA

Totaled R$ 116.7 million, 3.8% lower than 3Q18. The adjusted EBITDA margin of 9.3% was 0.6p.p. lower than that of 3Q18, mainly due to the decrease in gross margin.

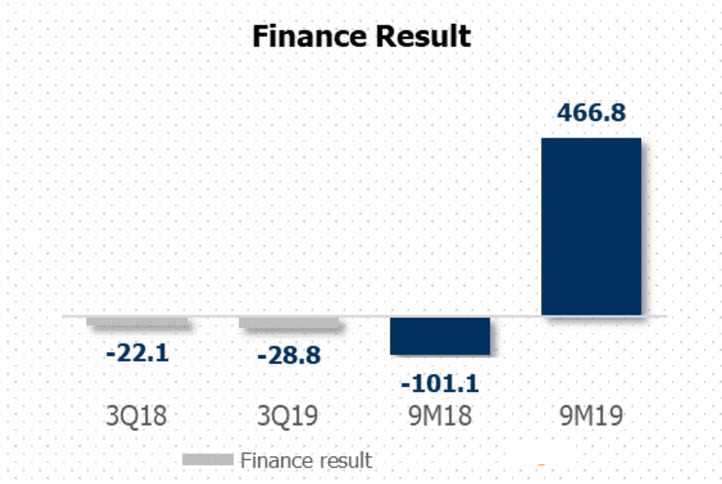
In the nine-month period, adjusted EBITDA totaled R$ 288.0 million, in line with that of 9M18. The adjusted EBITDA margin of 8.1% was 0.2p.p. lower.

(In millions of R$, except percentages)	3Q19	3Q18	9M19	9M18
Net profit (loss) for the year	19.1	32.1	796.3	1.6
(+) Income taxes	9.9	7.6	411.3	2.1
(+/-) Finance result	28.8	22.1	(466.8)	101.1
(+) Depreciation and amortization	132.1	53.5	392.7	159.5
EBITDA	**189.9**	**115.3**	**1,133.5**	**264.3**
(+/-) Expense incurred from write-off of assets (revenue)	(3.1)	(0.2)	(8.2)	1.9
(+) Expenses incurred with controlling shareholder	0.5	1.0	3.2	3.1
(+) Expenses with royalties	7.6	0.0	20.6	0.0
(+) Financial income from suppliers	7.6	5.2	20.6	19.0
(-) Recovery of tax credits	(4.8)	0.0	(643.7)	0.0
(-) Payments made relating to operating lease	(81.0)	0.0	(237.9)	0.0
Adjusted EBITDA	**116.7**	**121.3**	**288.0**	**288.3**
Adjusted EBITDA Margin	**9.3%**	**9.9%**	**8.1%**	**8.3%**

Finance result

The net finance result generated an expense of R$ 28.8 million, 30.3% higher than that of 3Q18. The increases in the interest income and the lower impact of foreign exchange difference were offset by the adoption of IFRS 16 and the higher payment amount of interest on loans.

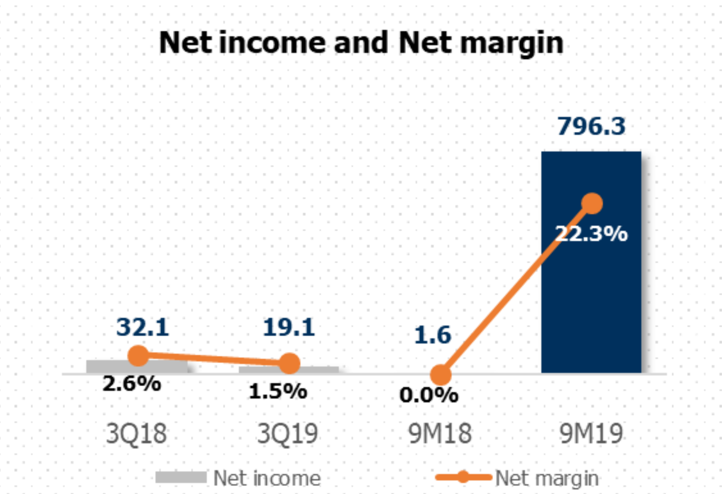
In the nine-month period, the net finance result generated an income of R$ 466.8 million, an increase of R$ 567.9 million compared to 9M18. This increase is mainly due to the interest income associated to the recognition of the tax credit related to the right to exclude ICMS from the PIS/COFINS tax bases and to the lower impact from foreign exchange difference from loans with related parties in foreign currency.



Net income

Totaled R$ 19.1 million, 40.5% lower than that of 3Q18. Excluding the effect of the adoption of IFRS 16 and equalizing the effective income tax rate, which in 3Q18 was 19,1%, the net income would be 2.7% lower than that of 3Q18.

In the nine-month period, net income totaled R$ 796.3 million, an increase of R$ 794.7 million compared to 9M18, mainly as a result of the recognition of the tax credit related to the right to exclude ICMS from the PIS/COFINS tax bases.

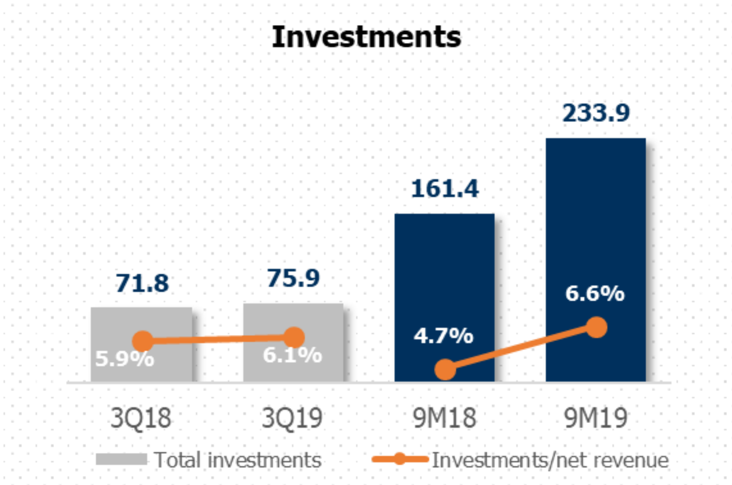


Investments

Following the Company's expansion plan, R$ 40.2 million was invested in the nine-month period of 2019 in the opening of new stores, representing 17.2% of total investments in the period. The Company also invested R$ 109.5 million, or 46.8% of the total, in the store refurbishment for the new CVP concept and in the stores' maintenance.

In the third quarter of 2019, the Company opened 2 stores, totaling 283 units in operation and refurbished 35 stores for the new concept.

By installing a sku sorter in our distribution center we have advanced in our ability to perform supply by sku (stock keeping unit). In September 2019, after the installation and testing period, the equipment entered the ramp up phase, running jeans supply to all of our stores. We have also progressed with our digital ambitions with the roll out of the Ship from Store operation, which was already available in 60 stores in September.



Summary of investments (in R$ millions)	9M19	9M18
New stores	40.2	11.6
Refurbishment and maintenance	109.5	90.2
Distribution centers	12.5	4.0
IT and other	71.7	55.6
Total investments	**233.9**	**161.4**

Glossary

Apparel: clothing, accessories, shoes, swimwear, beauty items and perfumes.

Average ticket: average total amount of a single purchase transaction.

CVP (Customer Value Proposition): an initiative designed to revisit our understanding of customers, their needs and how we can meet them, leading to a redesign of our brick-and-mortar stores to provide a better shopping experience.

Fashiontronics: electronics and related products, including smartphones, kindles, tablets, watches and accessories, such as headsets and chargers.

Financial services partnership: agreement with Branco Bradesco S.A. providing for the back-office services for the operation of our financial products and services.

Ship from Store: a solution that transforms brick-and-mortar stores into a distribution center that ships products purchased through our online e-commerce platform

ICMS (Imposto sobre Circulação de Mercadorias e Serviços): state value added tax (VAT).

PIS (Programa de Integração Social): tax for the Social Integration Program.

COFINS (Contribuição para o Financiamento da Seguridade Social): tax for the Social Security Funding Contribution.