



Free translation

AREZZO INDÚSTRIA E COMÉRCIO S.A.

(Publicly-Held Company)

Corporate Taxpayer ID (CNPJ): 16.590.234/0001-76

State Registry (NIRE): 31.300.025.91-8

**MATERIAL FACT
BUYBACK PROGRAM**

AREZZO INDÚSTRIA E COMÉRCIO S.A. (“Company”), in compliance with the terms of articles 157, paragraph 4 of Law No. 6404 of December 15, 1976, as amended (“Brazilian Corporations Law”), and the article 2 of CVM’s Ruling No. 358 of 2002, as amended, hereby informs its shareholders and the market in general that, at a meeting of the Company’s Board of Directors, held on this date, it was approved, among other issues, the application of profits and/or reserves to carry out a new share repurchase program of the Company (“Share Repurchase Program”), in accordance with the following terms and conditions, observing the Company’s by-laws, the CVM Ruling No. 567 of 17 September 2015 (“ICVM 567/15”) and Brazilian Corporations Law:

(i) Repurchase Program’s Objective: The Company’s objective in executing the Share Repurchase Program is to increment the value generation for the Company’s shareholders regarding the current decrease of its shares, by the acquisition of common shares of its own issuance, for maintenance in treasury, later cancellation or prior sale in the market, or their potential exercise of the Company’s Stock Options’ Plan or the Restricted Shares’ Program, without a Company’s corporate capital reduction, in compliance with the 1st paragraph of article 30 of Brazilian Corporations Law and the provisions of ICVM 567/15.

(ii) Outstanding Shares: Currently, in the terms of paragraph 3rd article 8 of ICVM 567/15, there is 44,007,803 (forty-four million, seven thousand, eight hundred and three) common shares, all nominal, book-entry shares with no par value, issued by the Company (“Outstanding Shares”).

(iii) Treasury Stock: Currently there are 52,119 (fifty-two thousand, one hundred and nineteen) common shares, nominal, book-entry shares with no par value held in treasury.

(iv) Quantity of shares to be acquired: The amount of shares to be acquired under the terms of the Share Repurchase Program will be limited to 4,400,780 (four million, four thousand, seven hundred and eighty) common shares, all nominal, book-entry shares with no par value,



corresponding up to 10% (ten per cent) of total Outstanding Shares, on this date, noting that the effective repurchase of the total amount of shares will depend, among other aspects, on the number of treasury stock held by the Company in the moment of the negotiation and the balance of the available reserves, in order to comply with the provisions of article 8 of ICVM 567/15.

(v) Price and Purchase Mode: The acquisitions will be carried out in Brazilian Stock Exchange (“B3 S.A. - Brasil, Bolsa, Balcão”) at market price, being up to the Company’s board to decide the timing and amount of shares to be acquired, whether in a single operation or in a series of operations, within the limits of the applicable regulations.

(vi) Share Repurchase Program’s Duration: The maximum term for the purchases and acquisitions is 18 (eighteen) months, starting on October 3rd, 2018, inclusive, and ending on April 3rd, 2020, inclusive.

(vii) Financial Institutions: The Company’s share acquisition operation will be carried out at market price and brokered by the following brokers:

Credit Suisse S.A. Corretora de Títulos e Valores Mobiliários,

CNPJ nº 42.584.318/0001-07

Rua Leopoldo Couto de Magalhães Jr., n.º 700, 10º, 12º e 14º andares, Itaim Bibi São Paulo, SP
CEP 04542-000

(viii) Available Funds: The transactions carried out under the Share Repurchase Program will be funded by the global amount of the profit and capital reserves, excluding the statutory reserve, the realizable profits reserve, the special undistributed dividend reserve and the tax incentive reserve as applicable; based on the most recently accounting statements, interim or quarterly information disclosed by the Company, prior to the effective transfer to the Company, of the ownership of the shares issued by it, according to ICVM 567/15.

(ix) Verification of Available Funds: The existence of available funds to back the acquisition operations of its own shares shall be verified based on the annual, interim or quarterly accounting statements, most recently disclosed by the Company prior to the effective transfer, to the Company, of the ownership of the shares issued by it.

(x) Prudential Measures: The use of interim accounting statements and quarterly financial information to back up operations shall observe at least the following prudential measures: **(a)** segregation of amounts that, if they were the final of the fiscal year, would have to be set aside to cover necessarily constituent reserves and the amount that would be destined to the mandatory dividend; **(b)** realization of the retentions necessary to ensure that the amounts to be used to pay the mandatory dividend at the end of the fiscal year and to repurchase the shares are fully backed by realized profits; and **(c)** analysis of the Company's past regarding the typical performance of the result



in the remaining phase of the fiscal year and a projection for the results of the current fiscal year, submitting such information to the Board of Directors.

(xi) Projected Values of the Year: Under no circumstances it shall be allowed to use amounts projected for the current year's results to back up operations under the Share Repurchase Program.

(xii) Board Verification: The Board of Directors may only carry out the acquisitions if it has taken all necessary steps to ensure that: **(a)** the settlement of each operation on its maturity is compatible with the financial situation of the Company, not affecting the performance of obligations assumed with creditors nor payment of the mandatory dividend; and **(b)** in the event of verification of the existence of available funds based on the interim financial statements or reflected in the quarterly information forms (ITR), there are no predictable facts capable of causing significant changes in the amount of such resources throughout the remainder of the fiscal year.

(xiii) Shares Held in Treasury: Under the applicable legislation, shares, while held in treasury, will not have patrimonial or political rights and, according to paragraph 2 of article 10 of ICVM 567/15, shall be disregarded in the calculation of the quorums for installation and deliberation provided for in the Brazilian Corporations Law and in the regulation of the securities market.

(iv) Transfer or Cancellation of Excess Shares: The shares acquired under the Share Repurchase Program may, at the discretion of the Board of Directors, be allocated to the eventual exercise of the Company's Stock Options Plan or the Restricted Shares' Program, without a Company's corporate capital reduction. The Company shall cancel or transfer the shares that exceed the balance of available profits and reserves within six (6) months from the disclosure of the financial statements, annual and interim or quarterly financial information in which the excess is determined.

São Paulo, October 2nd, 2018.

ALINE FERREIRA PENNA PELI

Investor Relations Officer