

Jundiaí, August 10, 2020 - Vulcabras Azaleia S.A. (B3: VULC3) announces today its results for the second quarter of 2020 (2Q20). The Company's operating and financial information is presented based on consolidated figures and in millions of reais, prepared in accordance with accounting practices adopted in Brazil and international financial reporting standards (IFRS). The data in this report refers to the performance for the second quarter of 2020, compared to the same period of 2019, unless specified otherwise.

HIGHLIGHTS

- **Gross Volume:** 2.8 million pairs/pieces in 2Q20, down 57.9% over 2Q19 and 7.5 million pairs/pieces in 6M20, down 40.0% over 6M19.
- **Net Revenue:** R\$ 98.7 million in 2Q20, a reduction of 69.8% compared to 2Q19 and R\$ 337.3 million in 6M20, a reduction of 46.2% compared to 6M19.
- **Gross Profit:** R\$ 26.4 million in 2Q20, a decrease of 76.3% compared to 2Q19 and R\$ 103.5 million in 6M20, a decrease of 51.5% compared to 6M19.
- **Gross Margin:** 26.8% in 2Q20, down 7.2 p.p. compared to 2Q19 and 30.7% in 6M20, down 3.3 p.p. compared to 6M19.
- **Net Income (Loss):** (R\$ 75.4) million in 2Q20, down R\$ 105.4 million compared to R\$ 30.0 million in 2Q19 and (R\$ 66.4) million in 6M20, down R\$ 122.6 million compared to R\$ 56.2 million in 6M19.
- **EBITDA:** (R\$ 55.1) million in 2Q20, against R\$ 50.5 million in 2Q19 and (R\$ 27.9) million in 6M20, down R\$ 125.5 million compared to 6M19.

VULC3 Quote (06/30/2020):

R\$ 5.24 per share

Number of shares

Common: 245,756,346

Market Value

R\$ 1.29 billion

Investor Relations

Wagner Dantas da Silva (CFO and IRO)

Vulcabras Azaleia IR Website

<http://vulcabrasazaleiari.com.br/>

Conference Call:

08/11/2020 at 10 a.m. (Brasília time)

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MESSAGE FROM MANAGEMENT

Vulcabras Azaleia discloses hereby its financial results for the second quarter of 2020 in a scenario still reflecting the effects from the COVID-19 virus pandemic, which paralyzed activities around the world, but optimistic owing to the promising upturn that has begun.

Here in Brazil alone, according to data from the Brazilian Institute of Geography and Statistics (IBGE), retail sales of clothing and footwear fell by 80.8% in April and by 62.5% in May, compared to the same months of the prior year, and by 37.5% in the accumulated figures from January to May 2020 compared to the same period in 2019.

The footwear sector has also suffered the effects from COVID-19 and, despite estimating growth of up to 2.5% in the production of footwear of the year, it fell by 37.9% in the first half of the year, according to data from the Brazilian Footwear Industries Association (ABICALÇADOS).

Until mid-March, Vulcabras Azaleia showed a positive trend for its results, but this trend was abruptly interrupted with the worsening of the COVID-19 virus pandemic and the enactment of state decrees that paralyzed economic activities almost throughout the Brazilian territory. Aiming at preserving the health of our employees and combating the transmission of COVID-19, the Company was one of the first in Brazil to make the decision of stopping operations at its plants, on March 20. Only the crisis committee and certain essential departments remained in operation, working remotely and with reduced teams, with actions to mitigate the impacts on the Company's operations.

The stoppage of plants and retail stores, in Brazil and worldwide, in the second half of March and that lasted throughout the second quarter, directly affected the Company's results.

In 2Q20, net revenue was R\$ 98.7 million, a decrease of 69.8% over the R\$ 327.0 million in 2Q19. Gross margin was 26.8% in 2Q20, 7.2 p.p. below the 34.0% recorded in 2Q19. EBITDA was (R\$ 55.1) million, down 209.1%, compared to R\$ 50.5 million in 2Q19. EBITDA margin decreased by 71.2 p.p., reaching -55.8% in 2Q20, compared to 15.4% in 2Q19.

Despite the shutdown throughout April of almost all of our operations, at the end of said month, we began, albeit partially, to prepare for the resumption of production, and on April 26, we started operating with a 70% reduction in working hours, pursuant to Provisional Measure 936/2020. For this, Vulcabras has continued to comply with the protocols established by the World Health Organization (WHO) and is offering guidance on prevention measures through its internal channels.

During the month of May, even with a significant part of retail stores still closed and only with the Bahia plant in operation, since the Ceará plant (our largest one) remained shut down by operation of the enacted state decrees, there was resumption of the Company's revenue was resumed at approximately 30% in the same period last year.

In June, with the resumption of operations at the plant in Ceará, accompanied by the gradual reopening of retail stores, there was a marked resumption of the Company's revenue registering around 80% of the amount obtained in the same month of the previous year.

Despite all the instability, regarding the opening of marketplaces, and challenges to resume consumption, faced by retailers, the strength of our brands and our business model allowed us to attain significant and promising results. In July, with a robust order backlog, we stopped following MP 936 and resumed 100% of the activities in both plants. Revenue for the month was higher than the amount recorded in the same month of 2019, preserving margins and controlling profitability

In July, the collections for the second half of the year (Azaleia, Olympikus and Under Armour) were also launched in an innovative, dynamic and 100% digital format. The success of these collections is also beginning to be seen in the volume of orders captured in pre-sales that have been made to customers so far. Which gives us confidence and strength to seek an even more pronounced resumption by the end of 2020.

In the same period, the performance of Vulcabras' online stores gained focus and prominence. The Company has intensified its investments in the online sales channels and, as a result, 131% growth in revenues was registered in relation to the prior quarter. On the Olympikus website alone there was a 250% increase in sales during the period.

This growth was also intensified with the creation of the “Corre Junto Brasil” (“Run Together Brazil”) membership program, which was born with the aim of helping Brazilians to earn extra income at this difficult time, and which still has a genuine intention of promoting economic activity, helping the community of sports professionals and fostering the sale of national products: the purchase of Olympikus products, the brand made by Brazilians and for Brazilians, moves the gears of the economy. Since its launch, the project has reached and contributed with 5.5 thousand registered members and expects to reach 10,000 members in 2020.

Even with the challenges faced in the first half of the year, we quickly adopted strategies aimed at both protecting our employees and the health of the business and the market. We have already reaped the results of these initiatives and, in the last month, we saw more pronounced resumption in revenue generation.

What allowed us to respond quickly to this beginning of demand recovery was the focus on the Company's strategic pillars. Today our industrial park is equipped with the most modern technology for this type of industry, which allows us to respond quickly to new demands. With this, we have adapted our product collections to reinforce our position as a smart choice, especially in the Olympikus brand portfolio. We know the importance of having the right products for the moment, in order to ensure preference of consumers and partners. We are offering them better quality, design and technology at the best cost-benefit ratio in the market.

In the medium and long term, although it is very difficult to predict what will happen, we see good opportunities for the Company. Our agile products delivery and flexibility in production help our customers with their restocking process, to recover their sales and maintain their

inventory levels, and also position us as the best choice in this scenario. These characteristics make us even more competitive!

We have been close and supportive to our customers, acting in relationship and negotiation actions with them. All of these actions are making it possible to normalize the order and billing flows. In addition, all of our decisions so far have also been made with our more than 13,000 employees in mind, the importance of their talents, our workforce and their dedication.

The period of social distancing has posed many challenges to the productive, commercial, social and economic chains, but the strength, credibility and structure of Vulcabras Azaleia have made a difference at this time. We are optimistic and confident in the normality of the operations and the imminent return of positive results.

Pedro Bartelle, CEO.

Vulcabras Azaleia has been operating for more than six decades in the Brazilian footwear sector. The Company utilizes all its know-how in a constant search for innovation to bring the best proposal for technologically developed products to the Brazilian consumer as well as fashion icons.

During this period, the Company has consolidated itself as one of the largest footwear industries in Brazil and has become a leading brand manager in its respective segments, such as Olympikus, the national sneaker sales champion, Under Armour, one of the major apparel, footwear and athletic accessories brand in the world, and Azaleia, one of the most revered brands for women's footwear.

This expertise began in July 1952, with the establishment of Companhia Industrial Brasileira de Calçados Vulcanizados S.A., in São Paulo, a manufacturer of leather shoes with vulcanized rubber soles and Vulcabras 752 was one of its first icons, the name of which is in reference to the month and year of the Company's foundation.

Vulcabras Azaleia's business model also ensures significant competitiveness, which results in better services to customers. The Company masters all production process stages, from research to production, as well as from marketing to sale to retailers.

The shoes produced by the Company can be found in stores representing more than 12 thousand customers in Brazil and in more than 20 other countries, particularly in South America. Customers can also find Olympikus, Under Armour and Azaleia brands on their respective online channels.

There are more than 800 new models per year, designed in one of the largest centers for footwear technology and development in Latin America, located in the municipality of Parobé in the Rio Grande do Sul State.

The products are produced in two modern factories in Brazil's Northeast region; namely, in the cities of Horizonte in the Ceará State and Itapetinga in the Bahia State. The Company's administrative centers are located in the city of Jundiaí-SP and in the city of São Paulo-SP. These five units in Brazil directly employ more than 13,000 workers. There are also two branches and distribution centers in Peru and Colombia.

Besides mastering this process Vulcabras Azaleia also knows how to transform itself. With these values in tune with its day-to-day operations, the Company is working on a strategy of portfolio diversification and expansion of its base in South America. The focus is on business continuity, constantly seeking innovation and refinement.

GROSS VOLUME

In 2Q20, gross volume totaled 2.8 million pairs/pieces, down 57.9%, compared to the total in 2Q19, of 6.6 million pairs/pieces.

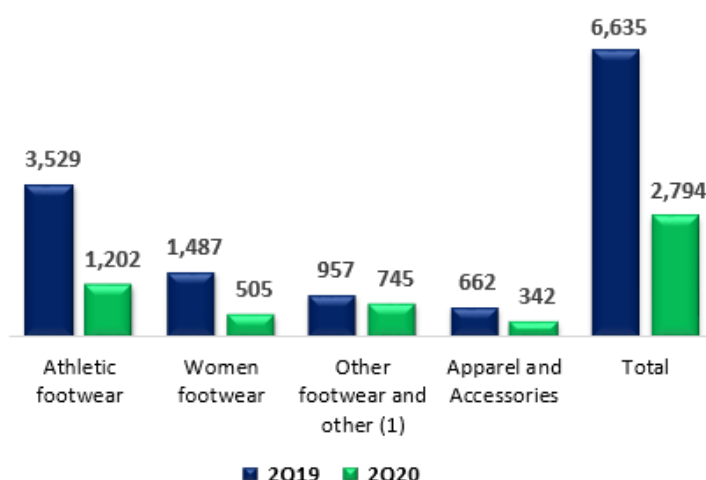
Owing to the spread of the COVID-19 virus pandemic, that culminated with the enactment of social distancing measures throughout the second quarter of 2020, most of the retail stores remained closed, both in Brazil and in the main countries where the Company operates.

As a result of this widespread paralyzation, retail sales have been drastically reduced. The performance of E-commerce of the Company's brands was the highlight of this period, and gained prominence in the Company's sales.

The impact from interruption in sales led to a general decline in the volume sold in the quarter, and most categories and markets showed negative variations. The positive exception was the online sales channel that, through the websites Olympikus.com.br, UnderArmour.com and Azelia.com.br, remained in operation and showed a solid increase in the volume of pairs/pieces sold.

GROSS VOLUME OF PAIRS AND PIECES/THOUSAND – 2Q20 VS 2Q19

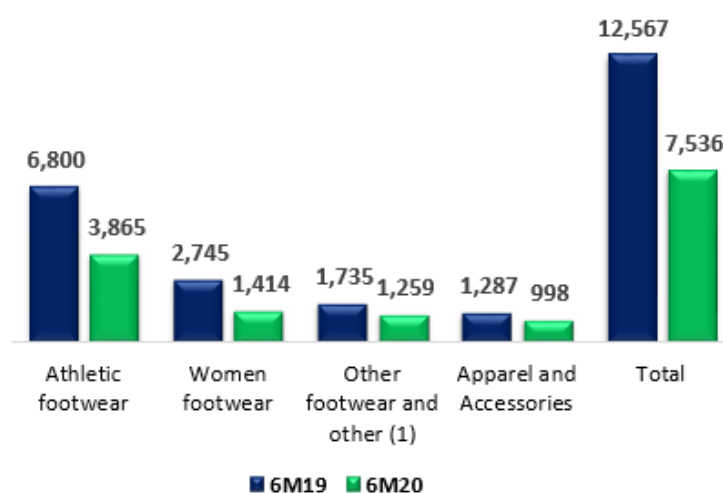
Pairs and itens (thousand)	2Q20	Share %	2Q19	Share %	Var. % 2Q20/2Q19
Athletic footwear	1.202	43,0%	3.529	53,2%	-65,9%
Women footwear	505	18,1%	1.487	22,4%	-66,0%
Other footwear and other ⁽¹⁾	745	26,7%	957	14,4%	-22,2%
Apparel and Accessories	342	12,2%	662	10,0%	-48,3%
Total	2.794	100,0%	6.635	100,0%	-57,9%



In the 1st half of 2020, gross volume sold totaled 7.5 million pairs/pieces, a reduction of 40.0% compared to 12.6 million pairs/pieces in the first half of 2019.

GROSS VOLUME OF PAIRS AND PIECES/THOUSAND – 6M20 VS 6M19

Pairs and itens (thousand)	6M20	Share %	6M19	Share %	Var. % 6M20/6M19
Athletic footwear	3,865	51.3%	6,800	54.1%	-43.2%
Women footwear	1,414	18.8%	2,745	21.8%	-48.5%
Other footwear and other ⁽¹⁾	1,259	16.7%	1,735	13.8%	-27.4%
Apparel and Accessories	998	13.2%	1,287	10.3%	-22.5%
Total	7,536	100.0%	12,567	100.0%	-40.0%



NET OPERATING REVENUE: CATEGORY

In 2Q20, net revenue was R\$ 98.7 million, a 69.8% decrease over R\$ 327.0 million in 2Q19.

The spread of the COVID-19 pandemic in the second quarter culminated with the enactment of social distancing measures in all Brazilian states and temporary closing of most retail stores. E-commerce was the only sales channel that remained in operation throughout this period.

In April, corresponding to the peak of the social distancing measures, the Company's revenue fell to practically "zero". From May on, with the partial release for the reopening of retail stores in certain municipalities, and taking advantage of the pre-pandemic orders, there was, albeit slowly, resumption of billing. In June, with the resumption of operations at the plant in Ceará, accompanied by the gradual reopening of retail stores, there was a marked upturn in the Company's revenue generation, registering around 80% of the value obtained in the same month of the prior year. However, following best governance practices, the invoices issued that were in transit at the end of the quarter were not computed in revenue of the month due to the instability in the opening of certain stores. These invoices were delivered on the first days of July.

Throughout this period the Company engaged in doing everything possible to minimize the effects from this pandemic, upholding a supportive stance with its customers and proposing strategies for, jointly, surmount this difficult time. Efforts were concentrated on negotiations for the maintenance of existing pre-pandemic orders, and, fortunately, the results were positive, thus allowing, as from May, the resumption of the flow of deliveries, thus avoiding any shortages in stocks of retail stores.

Athletic Footwear revenue decreased by 73.6%, with a negative performance in the domestic market and also in the foreign market. Both revenue from Olympikus footwear and Under Armour footwear decreased compared to the same quarter of the prior year.

The Women Footwear category showed a decrease of 72.3% when compared to the same period of 2019. During the period, there was a decrease in revenue from sales to the domestic and foreign markets, due to the drop in sales volume.

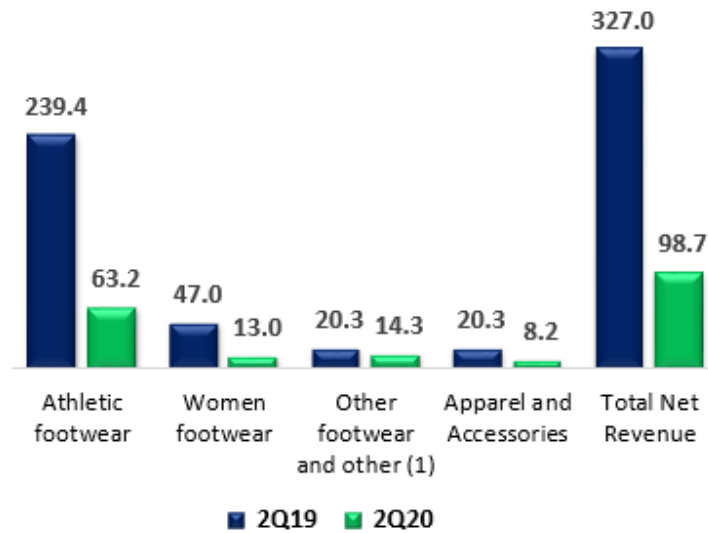
The Apparel and Accessories category presented a decrease of 59.6% compared to 2Q19. Revenue from Under Armour and Olympikus brands decreased. The category of other footwear and other presented decrease of 29.6%, with fall in all the subcategories.

In the first half of 2020, net revenue was R\$ 337.3 million, 46.2% lower than that revenue in the first half of 2019 of R\$ 626.8 million.¹

¹Slippers, boots and footwear components.

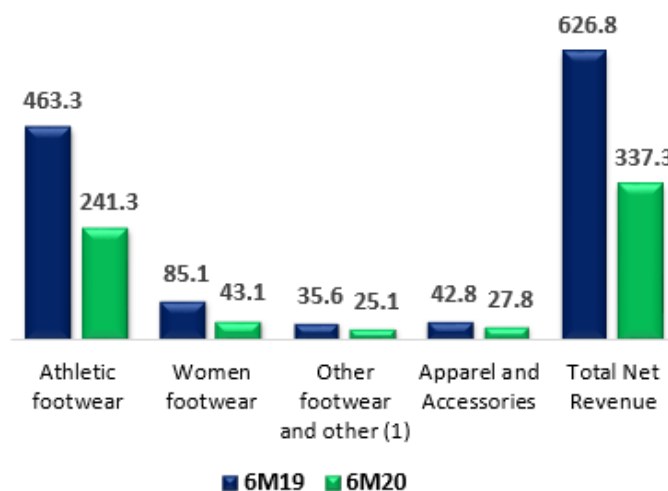
NET REVENUE BY CATEGORY – 2Q20 VS 2Q19

R\$ Million	2Q20	Share %	2Q19	Share %	Var. % 2Q20/2Q19
Athletic footwear	63.2	64.0%	239.4	73.2%	-73.6%
Women footwear	13.0	13.2%	47.0	14.4%	-72.3%
Other footwear and other ⁽¹⁾	14.3	14.5%	20.3	6.2%	-29.6%
Apparel and Accessories	8.2	8.3%	20.3	6.2%	-59.6%
Total Net Revenue	98.7	100.0%	327.0	100.0%	-69.8%



NET REVENUE BY CATEGORY – 6M20 VS 6M19

R\$ Million	6M20	Share %	6M19	Share %	Var. % 6M20/6M19
Athletic footwear	241.3	71.5%	463.3	73.9%	-47.9%
Women footwear	43.1	12.8%	85.1	13.6%	-49.4%
Other footwear and other ⁽¹⁾	25.1	7.4%	35.6	5.7%	-29.5%
Apparel and Accessories	27.8	8.3%	42.8	6.8%	-35.0%
Total Net Revenue	337.3	100.0%	626.8	100.0%	-46.2%



NET OPERATING REVENUE: MARKETS

Net revenue in 2Q20, in the domestic market, totaled R\$ 91.6 million, a reduction of 69.5% compared to R\$ 300.6 million in 2Q19.

In the domestic market, the decrease is due to the general fall in all categories. There was a significant decrease in retail sales owing to their suspension during most of the quarter. E-commerce of the Company's brands was the only sales channel to remain in operation throughout this period.

In the foreign market, net revenue in 2Q20 was R\$ 7.1 million, a decrease of 73.1 % over the R\$ 26.4 million posted in 2Q19.

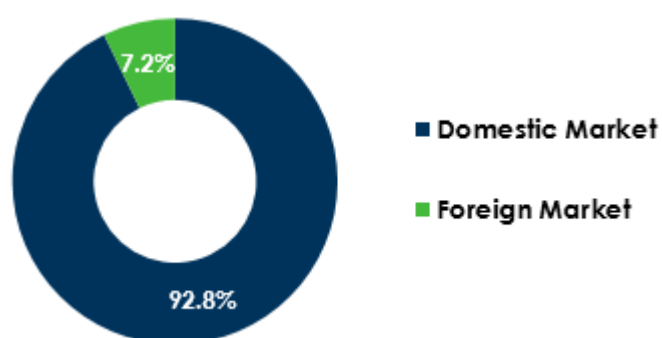
In this quarter, there was decrease in direct sales to the foreign market in relation to the same period last year. This was also due to the restrictions imposed by the adoption of measures to combat the COVID-19 pandemic by the countries that are the main destinations for these exports. The highlight was the process of resumption of sales of sports footwear to Argentina, which led to the growth in volume in this category compared to the same period of 2019.

Sales of subsidiaries abroad, alike those in Brazil have also presented a significant decrease compared to the same period of 2019. This resulted from the impact from the measures adopted to combat the COVID-19 pandemic by Peru and Colombia, which led to stoppage of all activities and the temporary closing of 43 exclusive Azaleia stores in those countries.

NET REVENUE BY MARKET – 2Q20 VS 2Q19

R\$ Million	2Q20	Share %	2Q19	Share %	Var. % 2Q20/2Q19
Domestic Market	91.6	92.8%	300.6	91.9%	-69.5%
Foreign Market	7.1	7.2%	26.4	8.1%	-73.1%
Total Net Revenue	98.7	100.0%	327.0	100.0%	-69.8%

SHARE BY MARKET – 2Q20

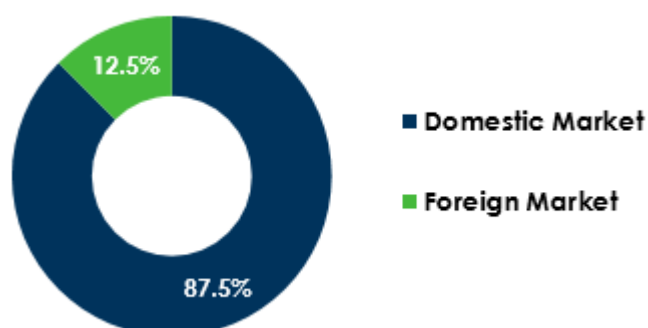


Net revenue in the domestic market in the 1st half of 2020 totaled R\$ 295.1 million, a reduction of 48.7% compared to R\$ 575.7 million in the 1st half of 2019. Net revenue in the foreign market in the 1st half of 2020 totaled R\$ 42.2 million, down 17.4% compared to R\$ 51.1 million in the same prior year period.

NET REVENUE BY MARKET – 6M20 VS 6M19

R\$ Million	6M20	Share %	6M19	Share%	Var. % 6M20/6M19
Domestic Market	295.1	87.5%	575.7	91.8%	-48.7%
Foreign Market	42.2	12.5%	51.1	8.2%	-17.4%
Total Net Revenue	337.3	100.0%	626.8	100.0%	-46.2%

SHARE BY MARKET – 6M20



E-COMMERCE CHANNEL

In October 2018, upon acquiring the subsidiary of Under Armour, the Company assumed the responsibility for managing the brand's e-commerce. Since then, investments in this channel have been intensified and the operational structure has been reinforced. In October 2019, taking advantage of the knowledge that has been acquired and the business synergy that has been attained, the operations of the other brands, Olympikus.com.br and Azaleia.com.br, started to be carried out internally instead of by commercial partners.

Despite the still little share of 5.3% of the Company's total revenue for the first six months of the year, the growth of this channel and its potential have significantly boosted growth.

During the 2nd quarter of 2020, while all operations of the Company were paralyzed and retail stores were temporarily closed, due to the COVID-19 pandemic, e-commerce continued in full operation and showing significant growth, in spite of the prevailing crisis.

Net revenue for 2Q20, in the e-commerce channel, totaled R\$ 12.4 million, an increase of 182.9% in relation to R\$ 4.4 million in 2Q19. In the first half of 2020, e-commerce revenue totaled R\$ 17.8 million, an increase of 143.4% compared to R\$ 7.3 million in the first half of 2019.

Total Net Revenue	2Q20	2Q19	Var. % 2Q20/2Q19	6M20	6M19	Var. % 6M20/6M19
Total Net Revenue	12.4	4.4	182.9%	17.8	7.3	143.4%
Share Net Revenue %	12.6%	1.3%	11.3 p.p.	5.3%	1.2%	4.1 p.p.

By the peak of the pandemic, the Company created the “Corre Junto Brasil” membership program, as an alternative for supplementing income for physical education professionals, through the indication or recommendation of the products available in our online store. By the end of June, we already had more than 5.5 thousand members. The Corre Junto Brasil project reaffirms Olympikus' commitment to the sports community, seeking to transform people into digital entrepreneurs to supplement their income through sports.

In June, according to a survey published by “Similar Web”, Olympikus' e-commerce already ranked among the “TOP 100” in Brazil, in terms of number of accesses. A remarkable result for an own operation that has been carried out for only nine months.

COST OF GOODS SOLD (COGS)

In 2Q20, as a percentage of net sales revenue, cost of goods sold represented 73.2% compared to 66.0% in the same period in 2019. During the second quarter, the adoption of measures to avoid spread of the COVID-19 pandemic was decisive for the form of absorbing manufacturing costs, and the consequent increase in cost of goods sold.

The 2nd quarter started with the Company's two plants totally paralyzed. Only at the end of April, although partially, did production start to be resumed. Operation of the plant in the city of Itapetinga, Bahia state, was resumed on 04/27/2020, with reduction of working hours and salaries on the basis of 70%. In compliance with the decrees enacted by the Ceará state government, the resumption of production in the plant in the city of Horizonte, Ceará state, only occurred on 06/01/2020, also partially, with reduction of working hours and salaries on the basis of 70%. Such situation led to a significant decrease in production and led the Company to recognize fixed costs of the plants, even with no production. Subsequently, with the partial resumption of activities, there was increase in cost of products due to absorption of fixed costs on the basis of lower production volume.

In order to better reflect the impact from the COVID-19 pandemic on the Company's results, the industrial labor costs and indirect manufacturing costs not allocated to products due to the paralyzation of activities or reduction of working hours at the plants, in the amount of R\$ 36.4 million, were transferred to Other Operating Income (expenses), net. Even with the aforementioned reclassification, COGS in 2Q20 was impaired by recognition of loss of R\$ 6.0 million stemming from recognition of provision for write-off of certain obsolete raw materials in the Company's inventories. Due to the interruption of activities at the plants, the term for certain raw materials to be classified as "slow movers" elapsed, which led to recognition of the due provision for obsolescence.

In the first half of 2020, as a percentage of net sales revenue, the cost of goods sold represented 69.3%, compared to 66.0 % in the same period in 2019.

COGS/NET OPERATING REVENUE (%)



GROSS PROFIT

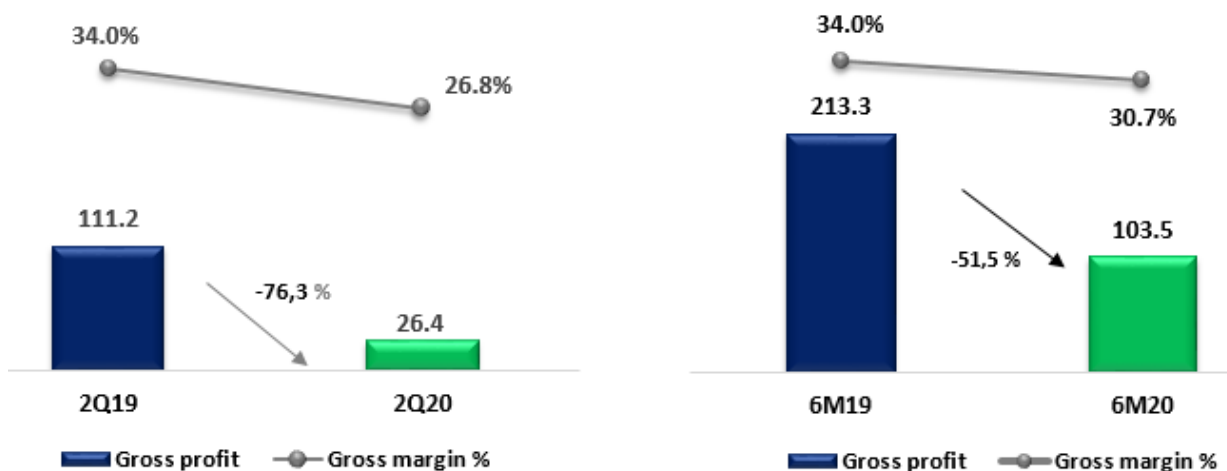
Gross profit in 2Q20 was R\$ 26.4 million, a reduction of 76.3% in relation to R\$ 111.2 million in 2Q19. Gross margin was 26.8% in 2Q20, 7.2 p.p. below the 34.0% recorded in 2Q19.

In the 2nd quarter of 2020, the impact from the COVID-19 pandemic was significant. In a short period of time, the Company had to stop production, suspend billing and seek to adapt to the new reality. This abrupt interruption brought about very serious consequences to the Company and the entire footwear chain.

Even with the reclassification carried out in COGS in the 2nd quarter of 2020, in order to better disclose the negative impact from the pandemic, the gross margin was affected by the following factors: (i) recognition of losses from obsolete inventories; (ii) loss of almost all revenue from retail stores, both in the domestic and foreign markets; and (iii) higher costs of products manufactured even with the aforementioned reclassification.

In the 1st half of 2020, gross profit was R\$ 103.5 million, a reduction of 51.5 % compared to R\$ 213.3 million in the 1st half of 2019. The margin in the 1st half of 2020 was 30.7%, down 3.3 p.p. compared to that in the 1st half of 2019 (34.0%).

GROSS PROFIT AND GROSS MARGIN



SELLING AND ADVERTISING EXPENSES

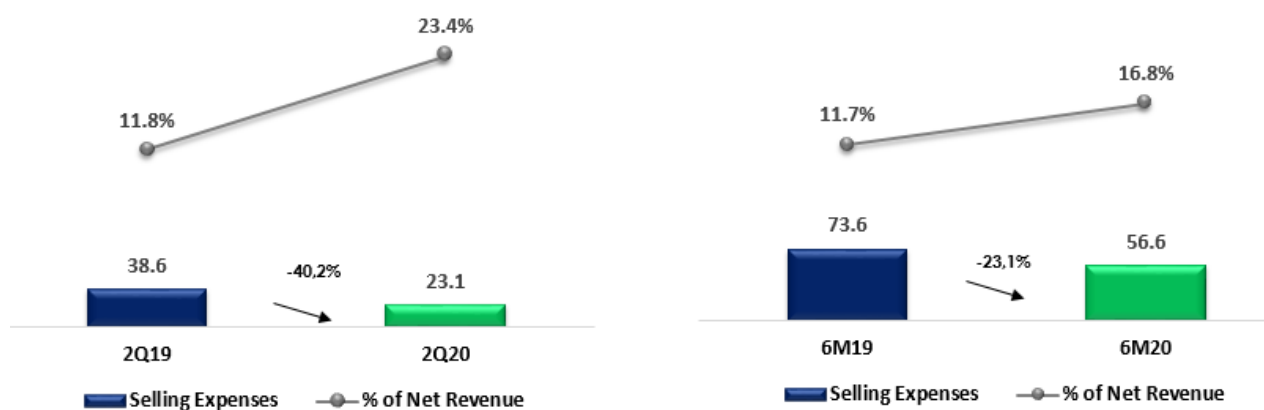
Selling and advertising expenses in 2Q20 totaled R\$ 35.1 million, down 35.0% compared to 2Q19.

Selling expenses (excluding advertising expenses) decreased 40.2% in 2Q20, compared to expenses reported in 2Q19. R\$ 23.1 million was recorded in 2Q20, against R\$ 38.6 million in the same period last year. As a share of revenue, selling expenses (excluding advertising expenses) accounted for 23.4% in 2Q20, compared to 11.8% in 2Q19, an increase of 11.6 p.p. The relative growth in selling expenses in the comparison of the periods is mainly due to the significant reduction in revenue this quarter.

Variable commercial expenses remained at normal levels, in line with those presented in the last quarters. The allowance for doubtful debts of customers was increased due to the recognition of probable losses on such receivables of R\$ 7.4 million.

In the first half of 2020, selling expenses (excluding advertising expenses) were R\$ 56.6 million, down 23.1% in comparison to R\$ 73.6 million in the 1st half of 2019. The share of selling expenses over net revenue increased by 5.1 p.p. in the comparison between 6M19 and 6M20, from 11.7% to 16.8%.

SELLING EXPENSES (Ex-advertising expenses)



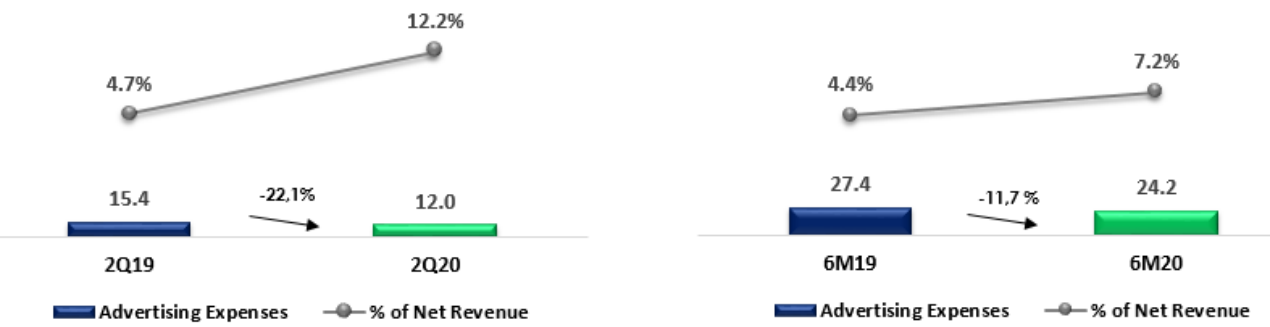
In 2Q20, advertising and marketing expenses totaled R\$ 12.0 million, a decrease of 22.1% over the R\$ 15.4 million in 2Q19.

The share of advertising and marketing expenses over net revenue represented 12.2% in 2Q20, compared to 4.7% in 2Q19, an increase of 7.5 p.p. The relative growth in marketing expenses in the comparison of the two periods is justified by lower revenue in 2Q20.

In view of the general paralyzation of retail stores and the impossibility of following the schedule of events, the marketing budget was reviewed and adapted to the new reality.

In the 1st half of 2019, selling expenses totaled R\$ 24.2 million, a decrease of 11.7% compared to R\$ 27.4 million in the 1st half of 2019.

ADVERTISING AND MARKETING EXPENSES



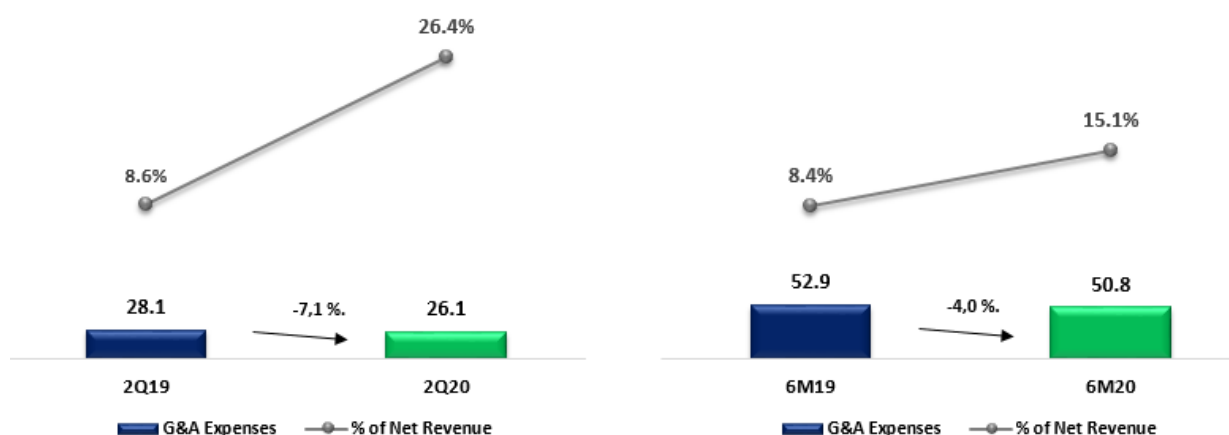
GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses totaled R\$ 26.1 million in 2Q20, down 7.1% compared to 2Q19. As a percentage of net revenue, there was an increase of 17.8 p.p., from 8.6% in 2Q19 to 26.4 % in 2Q20, due to the decrease in revenue in 2Q20.

During the quarter there was a reduction in most components of this heading. In personnel expenses the increment refers to non-recurring restructuring expenses which was partially offset by discounts obtained on lease payments.

In the first half of 2020, compared to the same period in 2019, there was a 4.0% reduction in general and administrative expenses, from R\$ 52.9 million to R\$ 50.8 million. When comparing the percentage on net revenue, there was growth in the first half of 2020 of 6.7 p.p. compared to the same prior year period.

GENERAL AND ADMINISTRATIVE EXPENSES



OTHER NET OPERATING INCOME (EXPENSES)

In 2Q20, Other Net Operating Income (Expenses) resulted in expense of R\$ 38.0 million, compared to income of R\$ 1.8 million in 2Q19. The expressive growth in expenses recorded in the 2nd quarter of 2020 is due to the recognition of the costs of idleness caused by the pandemic of COVID-19 in the amount of R\$ 36.4 million

In the 1st half of 2020, Other Net Operating Income (Expenses) resulted in expense of R\$ 38.1 million compared to income of R\$ 0.9 million in the 1st half of 2019.

OTHER NET OPERATING INCOME (EXPENSES)

R\$ Million	2Q20	2Q19	Var. % 2Q20/2Q19	6M20	6M19	Var. % 6M20/6M19
Other Net Operating Income (Expenses)	-38.0	1.8	-2211.1%	-38.1	0.9	-4333.3%

NET FINANCIAL INCOME (EXPENSE)

Net financial expense recorded in 2Q20 was R\$ 1.6 million, compared to expense of R\$ 0.8 million in the same quarter of 2019. In the comparison of the quarters the main changes derived from the increase in interest paid due to the increase in debt, in exchange gain and due to the recognition of restatement of tax credit in 2Q19.

Net financial income (expense) resulted in expense of R\$ 2.6 million in the 1st half of 2019, compared to income of R\$ 3.3 million in the 1st half of 2020.

NET FINANCIAL INCOME (EXPENSE)

R\$ Million	2Q20	2Q19	Var. % 2Q20/2Q19	6M20	6M19	Var. % 6M20/6M19
Capital structure	-3.9	-1.4	178.6%	-6.4	-2.9	120.7%
Operating	-0.9	-3.0	-70.0%	-3.0	-5.5	-45.5%
Exchange differences	-5.5	-2.5	120.0%	-10.7	-5.9	81.4%
Financial Costs	-10.3	-6.9	49.3%	-20.1	-14.3	40.6%
Capital structure	1.3	1.0	30.0%	2.3	2.5	-8.0%
Operating	0.6	3.3	-81.8%	2.9	4.0	-27.5%
Exchange differences	6.8	1.8	277.8%	18.2	5.2	250.0%
Financial Income	8.7	6.1	42.6%	23.4	11.7	100.0%
Net Financial Income	-1.6	-0.8	100.0%	3.3	-2.6	-226.9%

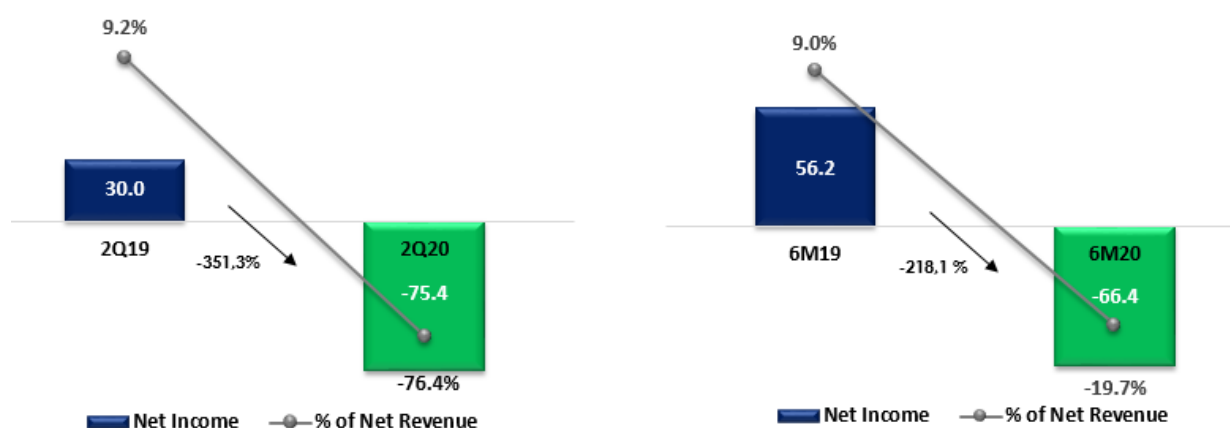
NET INCOME (LOSS)

The net result in 2Q20 was a net loss of (R\$ 75.4) million and represented a decrease of 351.3% over net income of R\$ 30.0 million in 2Q19. The net margin reached -76.4% in 2Q20, compared to 9.2% achieved in 2Q19, a reduction of 85.6 p.p.

Even with all the measures adopted to reduce expenses, the 2nd quarter result was severely affected, leading to significant net loss.

The net margin in the comparison of the six-month periods decreased by 28.7 p.p., from 9.0% in the 1st half of 2019 to -19.7% in 2020.

NET INCOME AND NET MARGIN



EBITDA

In 2Q20, EBITDA was (R\$ 55.1) million, a reduction of 209.1%, compared to R\$ 50.5 million in 2Q19. The EBITDA margin decreased 71.2 p.p., reaching -55.8% in 2Q20, compared to 15.4% in 2Q19.

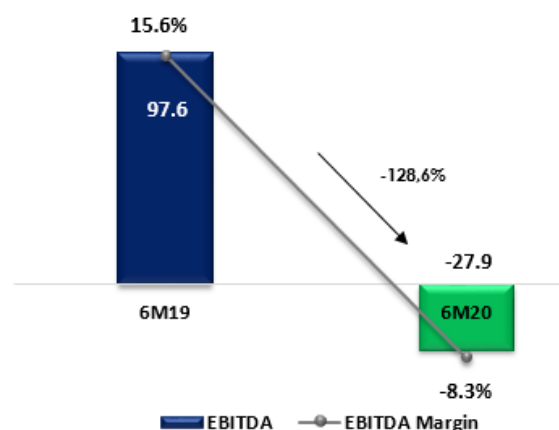
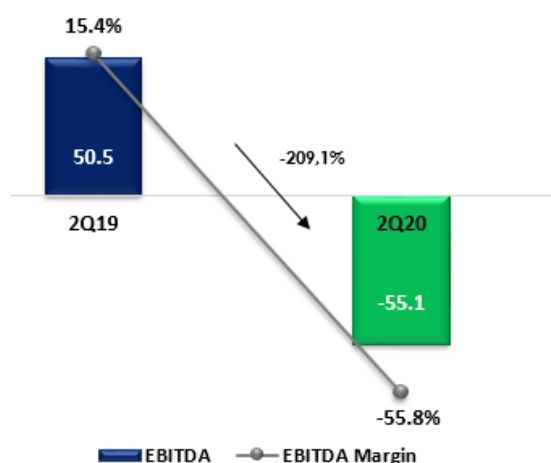
This result is mainly due to the drastic decrease in net revenue in all the Company's businesses and the recognition of manufacturing costs, despite the paralyzation of operations, due to the COVID-19 spread.

With the adoption of IFRS 16/CPC 06 (R2) (Leases), EBITDA for 2Q20 was positively impacted by R\$ 1.5 million, amount substantially lower than that recognized in the same prior year period, due to the discounts obtained on monthly lease installments during the pandemic.

In the first half of 2020, EBITDA was (R\$ 27.9) million, a decrease of 128.6% over the R\$ 97.6 million in the first half of 2019. The EBITDA margin fell 23.9 p.p., reaching -8.3% in 2020.

In 6M20, EBITDA was impacted by the adoption of IFRS 16/CPC 06 by R\$ 4.6 million.

EBITDA – 2Q20 vs. 2Q19 / 6M20 vs. 6M19



ROIC (RETURN ON INVESTED CAPITAL)

Annualized return on invested capital – ROIC¹²– reached 0.9% in 2Q20 - LTM (last twelve months ended 06/30/2020), which represents a 12.7 p.p. decrease compared to 13.6% obtained at 12/31/2019.

ROIC	2017	2018	2019	2Q20
Net Income for the period (LTM)	188.9	152.1	143.1	20.5
(+) Net Financial Income (LTM)	49.6	6.2	(5.1)	(11.0)
NOPAT	238.5	158.3	138.0	9.5
Invested Capital				
Loans and Financing	94.8	60.0	43.1	278.5
(-) Cash and cash equivalents	(100.5)	(68.6)	(62.2)	(172.4)
(-) Financial Investments	(5.7)	(2.5)	(2.8)	(154.6)
(+) Related Parties	8.6	16.3	16.9	17.3
(+) Equity	784.6	941.5	1,087.4	1,029.7
Invested Capital	781.8	946.7	1,082.4	998.5
Average invested capital for the period ⁽¹⁾	801.4	864.3	1,014.6	1,040.5
Annualized ROIC ⁽²⁾	29.8%	18.3%	13.6%	0.9%

Annualized adjusted return on invested capital (Adjusted ROIC³) reached 1.3% in 2Q20 - LTM (last twelve months ended 06/30/2020), with a 17.0 p.p. decrease over the 18.3% result obtained at 12/31/2019.

ADJUSTED ROIC	2017	2018	2019	2Q20
Net Income for the period (LTM)	188.9	152.1	143.1	20.5
(+) Net Financial Income (LTM)	49.6	6.2	(5.1)	(11.0)
(-) Gain by advantageous acquisition (LTM)	(6.9)	(13.6)	-	-
(-) Equity Results (LTM)	(1.8)	(1.8)	(0.3)	1.0
NOPAT (Adjusted)	229.8	142.9	137.7	10.5
Invested Capital				
Loans and Financing	94.8	60.0	43.1	278.5
(-) Cash and cash equivalents	(100.5)	(68.6)	(62.2)	(172.4)
(-) Financial Investments	(5.7)	(2.5)	(2.8)	(154.6)
(+) Related Parties	8.6	16.3	16.9	17.3
(-) Goodwill on acquisition	(198.2)	(198.2)	(198.2)	(198.2)
(-) Investment in subsidiary	(40.1)	(61.8)	(62.0)	(59.7)
(+) Equity	784.6	941.5	1,087.4	1,029.7
Total Adjusted Invested Capital	543.5	686.7	822.2	740.6
Average adjusted invested capital for the period ⁽¹⁾	568.3	615.1	754.5	781.4
Adjusted Annualized ROIC ³	40.4%	23.2%	18.3%	1.3%

ROIC: Return on invested capital.

(1) Average invested capital at the end of this period and at the end of the previous year.

(2)ROIC: Last 12 months NOPAT divided by the average invested capital.

(3) Adjusted ROIC is a non-accounting measure calculated by dividing Adjusted NOPAT (defined as profit (loss) plus the net financial income (expense) minus share of profit (loss) of investees and profit (loss) from discontinued operations), divided by the adjusted average Invested Capital. The Adjusted Invested Capital is defined as the sum of equity and Net Debt (as defined below), minus the goodwill recorded in intangible assets and investments in non-controlled companies.

CAPEX (CAPITAL EXPENDITURES)

In the 2nd quarter of 2020, R\$ 13.6 million was invested in property, plant and equipment. The investments made this quarter should support the Company's operations, as well as the continuity of the modernization project of the plants. Investment in intangible assets in 2Q20 was R\$ 0.8 million. The highlight in investments in intangible assets was in the software line item and aimed at modernizing the BackOffice structure.

Over the past two years, the Company invested around R\$ 100 million mainly in machinery, expansion and technology for this type of industry, which enables us to respond quickly to new market trends. In addition, the plant in the city of Horizonte, in the Ceará state, underwent a significant expansion by 6,800 m² involving future investments and also in the Company.

In the first half of 2020, the amount invested in property, plant and equipment totaled R\$ 31.2 million. Investment in intangible assets in the 1st half of 2020 totaled R\$ 1.4 million.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

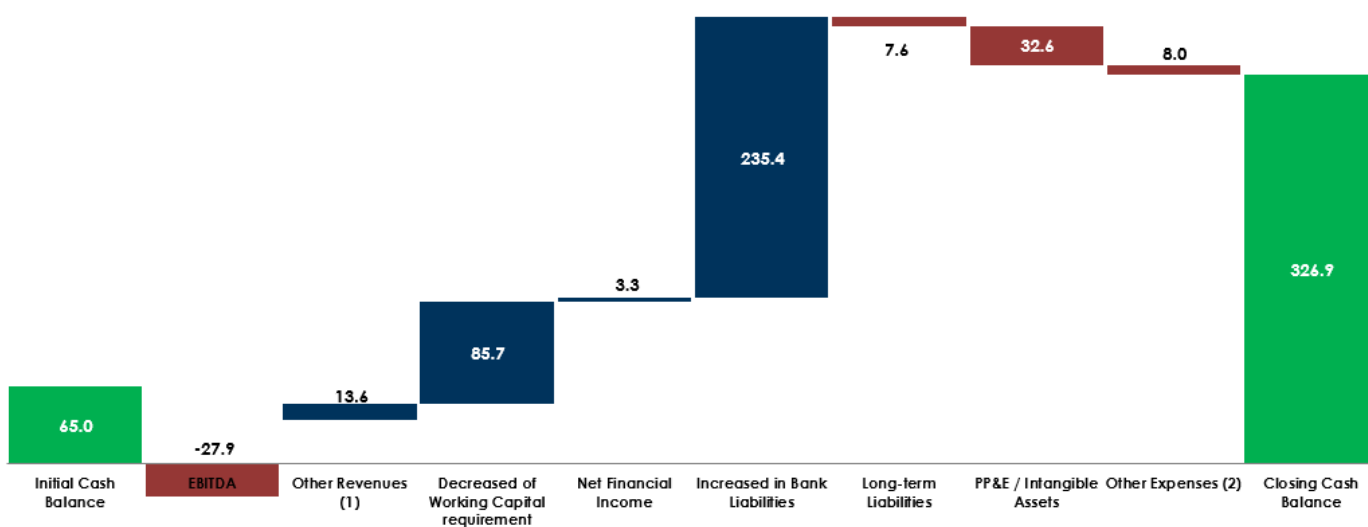
R\$ Million	2Q20	2Q19	Var. % 2Q20/2Q19	6M20	6M19	Var. % 6M20/6M19
Molds	4.7	11.7	-59.8%	11.9	24.0	-50.4%
Machinery and equipment	7.0	6.6	6.1%	11.3	13.2	-14.4%
Industrial facilities	1.6	7.8	-79.5%	6.5	12.3	-47.2%
Others	0.3	2.2	-86.4%	1.5	3.1	-51.6%
Property, plant and equipment	13.6	28.3	-51.9%	31.2	52.6	-40.7%
Software	0.8	1.0	-20.0%	1.4	1.2	16.7%
Assignment of right	0.0	0.0	0.0%	0.0	0.0	0.0%
Others	0.0	0.0	0.0%	0.0	0.0	0.0%
Intangible assets	0.8	1.0	-20.0%	1.4	1.2	16.7%
Total	14.4	29.3	-50.9%	32.6	53.8	-39.4%

CASH FLOW

Cash generation in the six-month period was R\$ 113.6 million, being reduced by R\$ 3.4 million due to the effect of translation of foreign investees' accounts, resulting in positive cash variation of R\$ 110.2 million. The variation presented was essentially due to the following events: (i) EBITDA of (R\$ 27.9) million; (ii) a reduction in the need of working capital of R\$ 85.7 million; (iii) an increase in bank liabilities of R\$ 235.4 million; (iv) investments in property, plant and equipment and intangible assets of R\$ 32.6 million and (v) an increase in long-term liabilities of R\$ 7.6 million.

The main variation in working capital in 2Q20 is due to the reduction in accounts receivable from customers. The general paralyzation of the Company's operations throughout the second quarter of 2020 led to a significant drop in revenue and a consequent decrease in accounts receivable.

CASH FLOW – 2Q20³



(1) Other Revenues: Sale /Write-off of fixed and intangible Assets + Stock Options.

(2) Other Expenses: Income Taxes + Effect from translation of foreign investees' accounts + Payment of finance lease liabilities.

NET DEBT

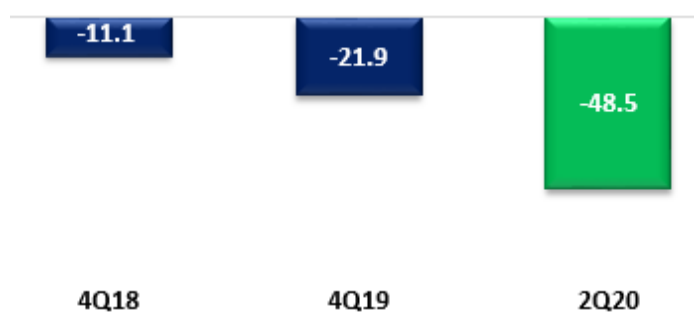
At the end of 2Q20, the Company had a positive net financial position of R\$ 48.5 million, 121.5% higher than that observed at the end of 12/31/2019. Gross debt totaled R\$ 278.5 million, with an increase of 546.2% in relation to the balance at 12/31/2019. There was a 418.3% increase in cash and cash equivalents.

Since the initial impacts from the pandemic, the Company has maintained its financial discipline, and has sought to reinforce its cash using preapproved credit lines, prioritizing incentive operations and with extended terms. Such measures aim to face the negative impacts that may still be caused by the COVID-19 pandemic on the Company's activity level.

NET DEBT

R\$ Million	4Q18	4Q19	2Q20	Var. % 2Q20/4Q19
Loans and Financing	60.0	43.1	278.5	546.2%
Cash and cash equivalents	68.6	62.2	172.4	177.2%
Financial investments	2.5	2.8	154.6	5421.4%
Net Debt	(11.1)	(21.9)	(48.5)	121.5%

NET DEBT EVOLUTION



GROSS DEBT PER CURRENCY

R\$ Million	4Q19	2Q20	Var. % 2Q20/4Q19
Local currency	43.1	233.6	442.0%
Foreign currency	–	44.9	0.0%
Total Loans and Financing	43.1	278.5	546.2%

OLYMPIKUS

On May 7, Olympikus, the brand that sells the most tennis shoes in Brazil, launched its project Corre Junto Brasil, a movement created to help and encourage Brazilians to earn extra income. As the Brazilian official running brand, we want to be with people at this moment, supporting 'running' by Brazilians on and off the tracks.

The project, in addition to supporting those who work hard to conquer and make it happen, still has a genuine intention of increasing the economic activity, helping the community of sports professionals and encouraging the sale of national products. Those who buy Olympikus, a brand made by Brazilians and for Brazilians, move the gears of the economy. Since its launch, the brand has reached and contributed with 5,500 registered members and is moving towards the 10,000 target to be reached by September. The platform allows any professional, whether from the sports segment or not, to obtain extra income from the sale of Olympikus products on the website www.olympikus.com.br and become a digital entrepreneur. Just register with CPF or CNPJ number, free of charge on the website www.correjuntobrasil.com.br. Upon registration, a link and a discount coupon are generated for members to use and disseminate them to their network of contacts. The purchase of any Olympikus product must be made through the link in order to ensure granting of a 10% commission to registered members.



The launch of the project took place through a virtual meeting among the Olympikus team, more than 200 influencers and their partners. With the meeting and with its active media campaign, Olympikus achieved a result of 22.7 million contacts on social networks. The Corre Junto Brasil movement gained even more visibility with the endorsement of strategic opportunities in the press, in which company spokespeople were able to talk about the action.



🇧🇷CORRE JUNTO🇧🇷 sabe quando um blogueiro/influenciador diz assim: acessa o site pelo meu link e ganhe desconto? e vc vai lá, acessa o link e tem desconto mesmo no tal produto? 🤔👉 é isso que a @olympikus permitiu para o brasileiro!!! como assim Marcinha? . ela criou um projeto chamado CORRE JUNTO, que você se cadastra, compartilha o seu link com as pessoas.. para que façam suas compras no site da marca. . quem compra com seu link tem 20% de desconto no total da compra.....e o "dono do link" (você), também terá parte do valor do produto revertido pra si.. em dindin mesmo💚💛 não é fantástico? . nessa fase de isolamento, muitas pessoas tiveram sua remuneração reduzida ou até mesmo foram dispensadas dos seus Jobs😞...e vejo aí uma grande oportunidade pra vc ter um rendimento e ajudar a roda girar! . quem aí já se cadastrou? quem aí já falou pra alguém da família ou vizinho q sabe que precisa complementar a renda?! compartilhem! cadastrem-se! boraaa movimentar o PIB!🇧🇷👉👉👉. o link pra vocês se cadastrarem está aí no meu perfil! 😊 . #runmarcinha #furia #correjunto #olympikus

In the months of March, April and May, Olympikus also promoted 16 live-streaming performances on Instagram, in order to bring entertainment and qualified and informative content for people to stay in the safety of their homes. The live-streaming performances were by respected professionals and various subjects were addressed, such as care with food, mental health, the importance of sleep and also classes in different modalities, such as training, fighting and yoga. Topics that are so important and on demand at this moment, which reinforces the brand's purpose of democratizing sports and promoting health for Brazilians.



Olympikus has continued to train its salespeople during the quarter. For this, it has also adopted the format of live-streaming performances that were watched by more than 14 thousand viewers. Content views in the period totaled 30,400 and the number of new registered members in the channel was of over 1,100 people.

About APP Olympikus Conecta:

The Olympikus Conecta App, the brand's app that brings a practical tool to smart phones for stores to create posts on their social networks, continues to grow. With it, users can make posts with professional images and customize photos with the store's logo. In addition to allowing the inclusion of # hash tags created by Olympikus, application of stickers and inclusion of the installment payment plans that stores offer to their consumers.

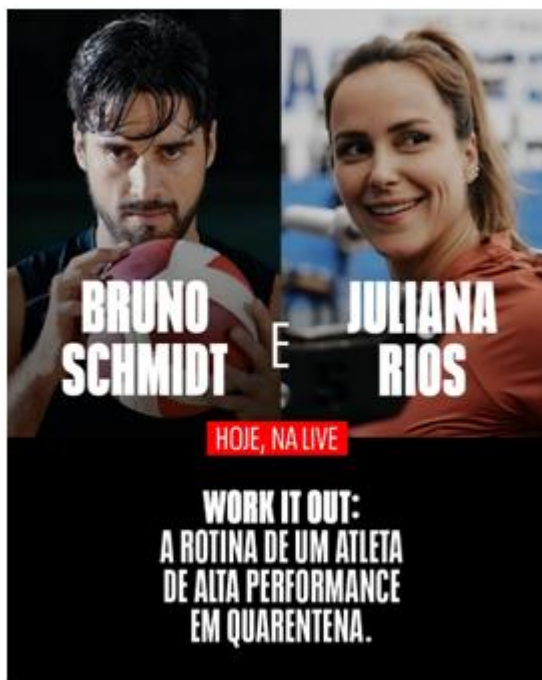
UNDER ARMOUR

In the second quarter of 2020, Under Armour - a global brand and a benchmark in innovation and creation of apparel, footwear and accessories for sports - made important activations in the digital environment, in an effort to reinvent itself and increase the connection and engagement with consumers even during the new coronavirus pandemic.

After some local and global initiatives to help fight the virus, such as the production of protective face masks and shoes and cash donations to important communities for the brand around the world, we have focused, here in Brazil, on understanding as a sports brand linked to performance, what portion of the population we would be able to support at this challenging moment.

For this, the brand carried out a mapping to identify, within the sports products market, which communities were most impacted. With gyms and parks closed and all Brazilian states having to follow recommended social distancing measures, more than 500 thousand physical educators and personal trainers saw their incomes extremely impacted. With such

stakeholders in mind, Under Armour launched in early May the **Movimento Pelo Esporte** (“**Movement for Sport**”) project. Held in partnership with Core 360°, a training and capacity building platform for physical education professionals and an official partner of the brand for five years, the Movement aims to connect students and teachers from all over Brazil with the aim of reinforcing the importance and role of sports professionals and draw attention to the care that everyone should have at a time of high demand for physical exercises at home. Through the site www.movimentopeloporte.com.br the sports enthusiasts of all levels can find teachers and trainers from all over Brazil and purchase online training plans for 15 or 30 days to remain active even during the quarantine period. The Movement also provides a kickoff of the brand, which doubles the amount invested and the duration of the plans acquired to reach 10,000 workout sessions.



MOVIMENTO PELO ESPORTE
UNDER ARMOUR
presented by CORE 360°

O MOVIMENTO
O Movimento pelo Esporte é um convite da Under Armour pra você manter sua rotina de treinos com qualidade dentro de casa e proporcionar a retomada de trabalho de milhares de profissionais do esporte. Junte-se a nós e vamos encarar mais este desafio juntos!

COMO FUNCIONA

- 01** Entre no site e encontre seu professor de confiança.
- 02** No perfil do profissional, você conhece os valores e compra um plano de 15 ou 30 dias.
- 03** O professor entra em contato com você e inicia o atendimento via app Core 360° Pro
- 04** Para os 5 primeiros alunos de cada professor, a UA dobra o valor contratado.
- 05** Você treina o dobro do que pagou.

*Até atingir a marca de 10 mil treinos vendidos (consulte regulamento)

CONHEÇA OS PLANOS

PLANO PERFORMANCE 15	PLANO PERFORMANCE 30
1 AVALIAÇÃO ONLINE (VIA HANDOUT)	2 AVALIAÇÕES ONLINE (VIA HANDOUT)
2 AULAS ONLINE (VIA HANDOUT)	4 AULAS ONLINE (VIA HANDOUT)
PLANILHA DE TREINO COM AULAS ENVIADAS PELO APP POR 15 DIAS	PLANILHA DE TREINO COM AULAS ENVIADAS PELO APP POR 30 DIAS
10% DE DESCONTO EM PRODUTOS UA	1 AULA PRESENCIAL (PÓS QUARENTENA)
	20% DE DESCONTOS EM PRODUTOS UA
R\$ 75	R\$ 150

saiba mais em movimentopeloporte.com.br

To help promote the project, Under Armour has been producing a series of contents on its social networks that emphasize the importance of these professionals and encourage the practice of physical activities even at home. In the last three months, for example, more than 15 live-streaming performances were carried out in the profile of Under Armour Brazil on Instagram (@underarmourbrasil), which had the participation of partnering influencers and athletes who are ambassadors of the brand, as the Olympic champions Wallace Souza, Bruno Schmidt and Alison Mamute.

In addition to the live performances, a special video was produced to promote the project, to increasingly encourage students and teachers to join the Movement and help keep continuity of sports activities. Full video is available on: <https://www.youtube.com/watch?v=O3VaPb-c7o>.

Seeking to increasingly strengthen the relationship with these physical educators and personal trainers, great opinion setters in the sports market, who bring even more credibility to the brand, Under Armour has also been investing in professional training courses. These are virtual meetings that help this class of professionals to prepare for the challenging moment that we are in and will continue to face in the coming months. With multidisciplinary specialists, the objective is to bring relevant issues into the day-to-day activities of their areas, such as social networks, financial management and entrepreneurship, among other topics relevant to the professional and personal development of these teachers.

The quarter also featured the official launch of two important brand products for consumers focused on sports performance. During the month of June, the new UA HOVR Sonic 3 started being sold, the third edition of the already renowned running model focused on runners looking for a more ventilated footwear for their long runs, with all the technology of the Premium HOVR cushioning platform.



The new UA Tribase Reign 2, training footwear of the brand, was also launched, ideal for consumers who like to train hard, in modalities such as, for example, cross training - so widespread in boxing and gyms all over Brazil.



AZALEIA AND DIJEAN

Azaleia and Dijean have followed with their focus on digital environment, with contents produced for social networks of women footwear brands, in order to enhance the value of the Summer Preview collection 20/21, launched in March this year. The collections reinforce the brands' focus on promoting comfort and well-being for their consumers.





The Azaleia collection brings a portfolio that ranges from intense to fresh colors, with models inspired by sports references that dominate the streets. The handcrafted patterns are also present together with customized features, adding value and personality to the product.

Regarding Dijean, vibrant colors, lightness and modernity stand out. Models with anatomical insoles crown the collection ensuring full convenience and comfort.



In May, Azaleia also promoted a live performance entitled: **“Fashion and self-esteem: the influence of fashion throughout history and consumers behavior in times of crisis”**. The objective of the action was to train and involve even more the employees of our storekeepers during this pandemic period.

ATTACHMENTS

BALANCE SHEET

BALANCE SHEET (CONSOLIDATED)					
R\$ millions					
ASSETS	6/30/2020	12/31/2019	LIABILITIES	6/30/2020	12/31/2019
Cash and cash equivalents	172,387	62,164	Suppliers	32,056	40,993
Financial Investments	150,000	0	Loans and financing	106,700	3,264
Trade accounts receivable	276,927	448,377	Taxes payable	3,120	8,402
Inventories	288,310	241,238	Tax Recovery Program - REFIS	128	128
Recoverable taxes	19,306	14,723	Salaries and vacation payable	28,537	41,394
Income tax and social contribution	4,664	4,580	Provisions	20,473	18,326
Amounts receivable for disposal of operation	12,653	0	Lease liability	10,395	7,798
Prepaid expenses	9,890	13,631	Amounts payable for acquisition of operation	7,657	13,536
Other accounts receivable	10,896	9,519	Commissions payable	22,424	15,356
			Other accounts payable	0	0
CURRENT ASSETS	945,033	794,232	CURRENT LIABILITIES	231,490	149,197
Interest earning bank deposits	4,557	2,823	Loans and financing	171,754	39,789
Recoverable taxes	7,234	7,744	Loans with related parties	17,276	16,930
Deferred income tax and social contribution	449	330	Provisions	35,378	38,183
Judicial deposits	19,018	17,952	Deferred taxes on revaluation of PP&E	2,626	2,850
Right to use	20,565	15,845	Lease liability	11,515	8,047
Amounts receivable for disposal of operation	2,600	0	Other accounts payable	303	469
Other accounts receivable	2,015	2,229	Taxes payable	0	12,265
Prepaid expenses	731	673			
Assets held for sale	194	194			
LONG-TERM ASSETS	57,363	47,790	NON-CURRENT LIABILITIES	238,852	118,533
Investments	59,673	62,046			
Investment property	2,323	2,530			
Property, plant and equipment (PP&E)	221,559	235,120			
Intangible assets	214,079	213,440			
	497,634	513,136			
NON-CURRENT ASSETS	554,997	560,926	LIABILITIES	470,342	267,730
			Capital	1,106,717	1,106,717
			Revaluation reserves	5,098	5,532
			Capital reserves	1,987	1,517
			Equity valuation adjustments	24,415	16,281
			Accumulated losses	-108,853	-42,909
			Equity attributable to controlling shareholders	1,029,364	1,087,138
			Non-controlling interests	324	290
			SHAREHOLDERS' EQUITY	1,029,688	1,087,428
TOTAL ASSETS	1,500,030	1,355,158	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,500,030	1,355,158

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

INCOME STATEMENT

INCOME STATEMENT (CONSOLIDATED)	2Q20	2Q19	VAR (%)	6M20	6M19	VAR (%)
In thousands of Reals						
Net Revenue	98,681	326,978	-69.8%	337,317	626,765	-46.2%
Cost of sales	-72,280	-215,740	-66.5%	-233,793	-413,495	-43.5%
Gross Profit	26,401	111,238	-76.3%	103,524	213,270	-51.5%
Gross Margin	26.8%	34.0%	-7.2 p.p.	30.7%	34.0%	-3.3 p.p.
Sales expenses	-35,142	-54,007	-34.9%	-80,856	-101,001	-19.9%
General and Administratives expenses	-26,071	-28,073	-7.1%	-50,766	-52,922	-4.1%
Other net operating income (expenses)	-37,985	1,770	-2246.0%	-38,136	943	-4144.1%
Equity in net income of subsidiaries	-973	141	-790.1%	-2,373	-1,055	124.9%
Net Income before net financial income and taxes	-73,770	31,069	-337.4%	-68,607	59,235	-215.8%
Financial Income	8,695	6,145	41.5%	23,351	11,667	100.1%
Financial Expenses	-10,279	-6,941	48.1%	-20,080	-14,299	40.4%
Net financial Income	-1,584	-796	99.0%	3,271	-2,632	-224.3%
Net Income before taxes	-75,354	30,273	-348.9%	-65,336	56,603	-215.4%
Deferred income tax and social contribution	0	-269	-100.0%	-1,104	-416	165.4%
Net Income	-75,354	30,004	-351.1%	-66,440	56,187	-218.2%
Net Income Margin	-76.4%	9.2%	-85.6 p.p.	-19.7%	9.0%	-28.7 p.p.
Income (loss) attributable to:						
Controlling shareholders	-75,307	29,998		-66,378	56,176	
Non-controlling shareholders	-47	6		-62	11	
Net Income	-75,354	30,004		-66,440	56,187	
Earnings (loss) per share						
Earnings per common share - basic	-0.3063	0.1221		-0.2701	0.2286	
Earnings per common share - diluted	-0.3047	0.1214		-0.2686	0.2273	
Number of shares at end of the year						
Outstanding common shares	245,756,346	245,756,346		245,756,346	245,756,346	
Outstanding common shares with a dilution effect	247,146,346	247,196,346		247,146,346	247,196,346	

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

CASH FLOW STATEMENT

CASH FLOW STATEMENT (INDIRECT METHOD)		2Q20	6M19
In thousands of Reals			
Cash flows from operating activities			
Net Income for the period		-66,440	56,187
Adjustments for:			
Depreciation and amortization		40,680	38,391
Change in the provision for impairment losses in inventory		9,708	-9,545
Interest on provisioned leases		2,370	0
Net value of written off tangible and intangible assets		1,753	4,281
Income from financial investments		-40	-41
Change in provision for contingency losses		5,661	1,793
Equity in net income of subsidiaries		2,373	1,055
Transaction with share-based payments		470	300
Estimated loss from allowance for doubtful accounts		8,892	5,358
Loss on sale of subsidiary		2,356	0
Financial charges and exchange-rate change recognized in income (loss)		11,241	1,856
Deferred taxes		-343	-221
Minority Interest		62	-11
Adjusted Income for the period		18,743	99,403
Changes in assets and liabilities			
Financial Investments		-151,711	-270
Account Receivable		164,459	50,223
Inventories		-69,529	-13,852
Prepaid expenses		3,649	-1,384
Recoverable taxes		-9,081	-282
Other accounts receivable		-1,637	3,248
Judicial deposits		-4,940	2,673
Related parties		0	0
Suppliers		-8,066	13,033
Commissions payable		-5,879	-2,559
Taxes payable		0	249
Taxes and social contributions		-3,413	2,784
Salaries and vacations payable		-11,554	14,042
Other accounts payable		7,386	-10,726
Provisions		-2,411	-5,680
		(92,727)	51,499
Interest paid		-2,614	-1,343
Taxes paid on profit		-1,104	0
		-3,718	-1,343
Net Cash Flow provided by (used in) operating activities		-77,702	149,559
Cash flow from investing activities			
Acquisitions of property, plant and equipment		-31,152	-52,653
Resource from the sale of subsidiary, net of cash in the consolidated		-4,122	0
Funds from disposal of property, plant and equipment		387	248
Acquisitions of intangible assets		-1,453	-1,155
Payment for acquisition of subsidiary		0	-61,627
Net Cash Flow used in investing activities		-36,340	-115,187
Cash flow from financing activities			
Loans obtained - Principal		232,201	4,793
Payment of loans obtained - Principal		-384	-18,274
Loans with related parties		346	329
Payment of financial lease liabilities		-4,536	-6,110
Payment of loans obtained with related parties		0	0
Net Cash Flow used in financing activities		227,627	-19,262
Increase (decrease) in cash and cash equivalents		113,585	15,110
Cash and cash equivalents at beginning of the period		62,164	68,626
Effect from translation of foreign investees		-3,362	104
Cash and cash equivalents at end of the period		172,387	83,840
Increase (decrease) in cash and cash equivalents		113,585	15,110
The accompanying notes are an integral part of these financial statements.			

INDEPENDENT AUDITORS

Independent Auditors

In compliance with CVM Instruction 381/03, Vulcabras Azaleia S.A. informs that since 01/01/2017, it has appointed “KPMG Auditores Independentes” to audit its individual and consolidated financial statements.

For the audit services of June 30, 2020 (2Q20), fees of approximately R\$ 91 thousand were disbursed.

Board Statement

Pursuant to article 25, paragraph 1, item 5 of CVM Instruction 480/09, the Board of Directors, at a meeting held on 08/10/2020, declares that it has reviewed, discussed and agreed with the financial information for the 2nd quarter of 2020 of Vulcabras Azaleia S.A. and with the independent auditors’ review report on the individual and consolidated financial statements.

MANAGEMENT

Members of the Board of Directors

Pedro Grendene Bartelle	Chairman
André de Camargo Bartelle	1st Vice Chairman
Pedro Bartelle	2nd Vice Chairman
Hector Nunez	Independent Member
Roberto Faldini	Independent Member

Members of the Board of Executive Officers

Pedro Bartelle	Chief Executive Officer
Rafael Carqueijo Gouveia	Superintendent-Director
Wagner Dantas da Silva	Chief Financial and Administrative Officer and Investor Relations Officer
Flávio de Carvalho Bento	Chief Industrial Officer
Evandro Saluar Kollet	Chief Product Development and Technology Officer
Márcio Kremer Callage	Chief Marketing Officer
Rodrigo Miceli Piazer	Chief Supply Officer

Members of the Audit Committee

Benedito Alfredo Baddini Blanc	Member
Célio de Melo Almada Neto	Member
Marcello Joaquim Pacheco	Chairman of Audit Committee