Vulcabras Azaleia S.A.

Quarterly financial information
September 30, 2020

(A Free Translation of the original report in Portuguese as published in Brazil contain quarterly financial information prepared in accordance with accounting practices adopted in Brazil and IFRS)

KPDS 743420

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Vulcabras Azaleia

Earnings Release 3nd Quarter of 2020

azaleia dijean OLYMPIKUS OPANKA UNDER ARMOUR Botas Vulcabras

Jundiaí, November 9, 2020 - Vulcabras Azaleia S.A. (B3: VULC3) (Company) announces today its results for the third quarter of 2020 (3Q30). 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 third quarter of 2020, compared to the same period of 2019, unless specified otherwise.

HIGHLIGHTS

- **Gross Volume:** 7.9 million pairs/pieces in 3Q20, an increase of 8.6% over 3Q19, and 15.4 million pairs/pieces in 9M20, down 22.2% over 9M19.
- **Net Revenue:** R$ 382.9 million in 3Q20, an increase of 6.5% compared to 3Q19 and R$ 720.2 million in 9M20, down 27.0% over 9M19.
- **Gross Profit:** R$ 130.8 million in 3Q20, an increase of 4.8% compared to 3Q19 and R$ 234.3 million in 9M20, a reduction of 30.7% in relation to the amount recorded in 9M19.
- **Gross Margin:** 34.2% in 3Q20, down 0.5 p.p. compared to 3Q19 and 32.5% in 9M20, down 1.8 p.p. compared to the 9M19 margin.
- **Net Income:** R$ 43.4 million in 3Q20, an increase of 3.8% compared to that reported in 3Q19, and (R$ 23.0) million in 9M20, a decrease of R$ 121.0 million against the R$ 98.0 in 9M19.
- **EBITDA:** 66.3 million in 3Q20, an increase of 2.6% compared to R$ 64.6 million in 3Q19, and R$ 38.4 million in 9M20, a decrease of 76.3% in relation to that obtained in 9M19.

VULC3 Quote (09/30/2020):

R$ 6.25 per share

Number of shares

Common: 245.756.346

Market Value

R$ 1.5 bilhão

Investor Relations

Wagner Dantas da Silva (CFO and DRI)

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Conference Call:

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MESSAGE FROM MANAGEMENT

Vulcabras Azaleia discloses hereby its financial results for the third quarter of 2020 amid an economic recovery, after the most arduous period of the pandemic, and reports with optimism the recovery of its results

Faced with a scenario of macroeconomic recovery that is still slow, but gradual, data from the Brazilian Institute of Geography and Statistics (IBGE), in September, state that retail registered an increase of 5.2% in July, in comparison with June of this year.

Directly linked to this scenario is the footwear sector, segment that was positively impacted with the resumption of activities of physical commerce in large centers which, according to data from the Brazilian Footwear Industries Association (ABICALÇADOS), accounts for more than 40% of the total of shoes sold in Brazil. Also, according to the Brazilian Association of Handicraft and Footwear Retailers (ABLAC), the Retail Performance Index (IPV), in September, and in the footwear sector as a whole, recorded a positive visitor flow of 12.4%, compared to the same month of the prior year.

In this quarter, we reported healthy sales growth, with the rebuilding of our gross margin and better balance of expenses within this scenario. The pace of sales and production in this third quarter was equal to that of pre-pandemic periods, which evidences the effectiveness of the measures adopted thus demonstrating a growth trend for the second half, as a whole.

In 3Q20, the Company posted net revenue of R$ 382.9 million, an increase of 6.5% compared to 3Q19. Gross Margin was 34.2% in 3Q20, down 0.5% when compared to 3Q19. EBITDA registered R$ 66.3 million, an increase of 2.6% compared to R$ 64.6 million in 3Q19.

The maintenance of the portfolios of the first half of the year, combined with the good performance in receiving orders for the new collections of the second half of the year (Olympikus and Under Armor), launched in July, were fundamental for the full recovery of our manufacturing operations. In July, we had already discontinued the adoption of Provisional Executive Order (MP) 936, which allowed us to operate with reduced working hours.

The use of this Provisional Executive Order, during the critical period of social distancing, enabled the Company to strategically preserve its productive and distribution capacity, thus allowing both a rapid and sharp recovery of results.

We still live with the pandemic and continue to care for the people and communities in which we operate. The security protocol adopted remains very strict in the manufacturing plants, where we protected around 300 people identified as belonging to risk groups. Most of the activities in the commercial, administrative and financial areas continued to be carried out under the home office regime.

In July, we launched the collections of the second half of the year (Olympikus and Under Armour) in an innovative, dynamic and 100% digital format. The success of these collections, seen in the volume of orders made, is due to the relentless pursuit of innovation. New technologies introduced in the plants allowed the construction of increasingly lighter and more efficient models. This has enabled us to build and offer our consumers the widest portfolio of products based on the best cost-benefit ratio in the market.

The performance of our brands' online stores maintained the same trend of expansion recorded over the prior quarters, thus registering a growth of 234.7% over the same period in 2019 and 32.3% over the prior quarter.

In September 2020, the Company announced two strategic changes that endorse its decision to focus its efforts on the sports footwear category, a key segment where the Company has its greatest strengths. In September, the Company announced the purchase of the Mizuno (a leading brand in the running shoe category) operation in Brazil, previously operated by Alpargatas S.A., which, after the fulfillment of the precedent conditions, including CADE's approval, it joined the Olympikus and Under Armour brands becoming part of our sports brand portfolio, where each brand has a different purpose and “target consumer”.

The announcement on the acquisition of the Mizuno operation in Brazil was followed by an announcement regarding licensing of the Azaleia brand to Grendene, which is recognized as a successful manager of women's footwear brands and which has all capability to continue building value in the Azaleia brand, which remains a significant asset for the Company. With this, the Company will start to produce sports shoes exclusively in its factories, generating more scale and synergy.

Where, despite the uncertainties in this atypical year of 2020, Vulcabras Azaleia remained focused on the search to expand its business and capture strategic opportunities. It continues to add value to its brands, develop products and technologies that bring the best value proposition as perceived by the consumer and in the improvement and adding value to its employees.

It is through these ideals and with an optimistic vision of the future that Vulcabras Azaleia believes in its growth and in a prognosis of increasingly better results

INSTITUTIONAL

Vulcabras Azaleia has been operating in the Brazilian footwear sector for more than six decades. 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 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 Armor, one of the largest major apparel, footwear and athletic accessories brand in the world, and Azaleia, one of the most revered brands for women's footwear.

That 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 master 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 Azalea 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 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 3Q20, gross volume totaled 7.9 million pairs/pieces, an increase of 8.6% compared to the total in 3Q19 of 7.3 million pairs/pieces.

After going through the entire 2Q20 with operations interrupted or operating partially, the Company entered the month of July with the factories operating in the fullness of the available capacity and continued to do so during all subsequent months of the quarter.

The resumption of sales occurred with the products from collection for the first half of the year that were included in the pre-pandemic orders and which were maintained by customers. At the end of July, the new Olympikus, Under Armour and Azaleia shoes collections for the second half of the year were presented. Following launch of the new collections, the growth in the volume of orders occurred very quickly and made it possible to fill the production capacity for the entire 2nd half of 2020.

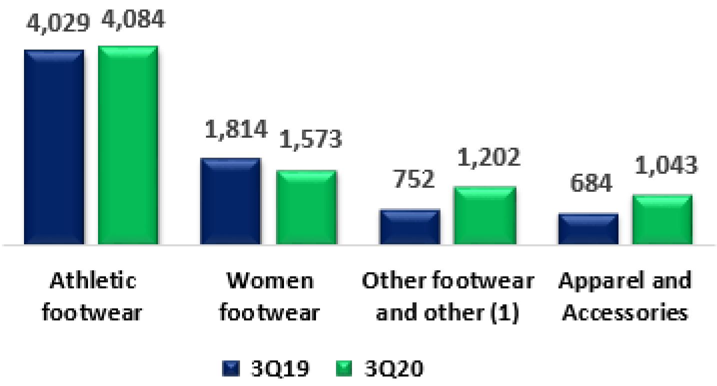
In view of this positive response from the market, the Company quickly resumed its pace of revenue and, consequently, its revenue growth.

The volume sold grew in almost all categories in 3Q20, with the only exception being the category of women's footwear, which presented a retraction mainly due to the drop in sales of branches abroad, which still face restrictive difficulties due to the adoption of social distancing measures.

GROSS VOLUME OF PAIRS AND PARTS/ THOUSAND - 3Q20 VS. 3Q19

Pairs and itens (thousand)	3Q20	Share %	3Q19	Share %	Var. % 3Q20/3Q19
Athletic footwear	4,084	51.7%	4,029	55.4%	1.4%
Women footwear	1,573	19.9%	1,814	24.9%	-13.3%
Other footwear and other [(1)]	1,202	15.2%	752	10.3%	59.8%
Apparel and Accessories	1,043	13.2%	684	9.4%	52.5%
Total	**7,902**	**100.0%**	**7,279**	**100.0%**	**8.6%**

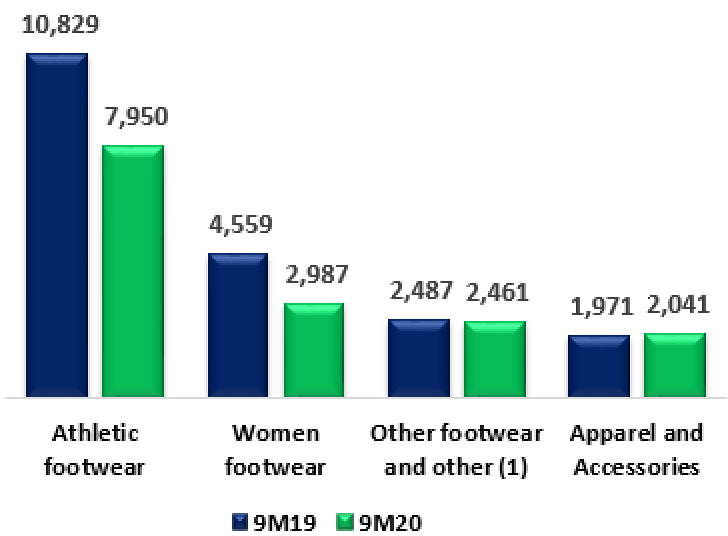
[1] Slippers, boots and shoe components.



In the first nine months of 2020, the gross volume billed amounted to 15.4 million pairs/pieces, a reduction of 22.2% as opposed to the volume in the first nine months of 2019, of 19.8 million pairs/pieces.

GROSS VOLUME OF PAIRS AND PARTS/THOUSAND - 9M20 VS 9M19

Pairs and itens (thousand)	9M20	Share %	9M19	Share %	Var. % 9M20/9M19
Athletic footwear	7,950	51.5%	10,829	54.6%	-26.6%
Women footwear	2,987	19.3%	4,559	23.0%	-34.5%
Other footwear and other [1]	2,461	15.9%	2,487	12.5%	-1.0%
Apparel and Accessories	2,041	13.3%	1,971	9.9%	3.6%
Total	**15,439**	**100.0%**	**19,846**	**100.0%**	**-22.2%**



NET OPERATING REVENUE: CATEGORY

In 3Q20, net revenue was R$ 382.9 million, a 6.5% increase over R$ 359.4 million in 3Q19.

The 3rd quarter of 2020 began with the easing of social distancing measures in all Brazilian states and with the reopening, even if only partially, of most physical retail. As of July, still taking advantage of the pre-pandemic order book, the Company resumed operation of the factories in the fullness of available capacity, thus continuing throughout the subsequent months of the quarter.

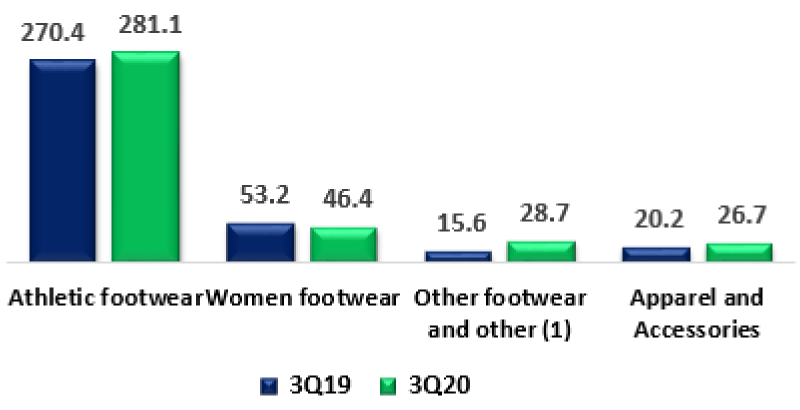
Athletic Footwear revenue increased by 4.0%, with a positive performance both in the domestic and foreign markets. Both revenue from Olympikus footwear and Under Armour footwear increased compared to the same quarter of the prior year.

The Women Footwear category recorded a decrease of 12.8% 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 recorded an increase of 32.2% compared to 3Q19. Both Under Armour and Olympikus revenues increased. The category of other footwear and other increased by 84.0%, mainly driven by the growth in sales in the boot category.

NET REVENUE BY CATEGORY - 3Q20 VS. 3Q19

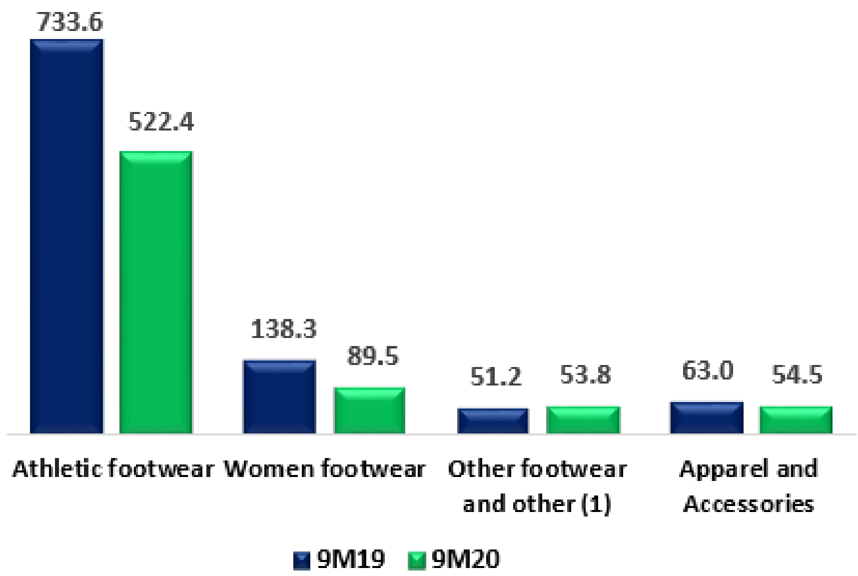
R$ Million	3Q20	Share %	3Q19	Share %	Var. % 3Q20/3Q19
Athletic footwear	281.1	73.4%	270.4	75.2%	4.0%
Women footwear	46.4	12.1%	53.2	14.8%	-12.8%
Other footwear and other [1]	28.7	7.5%	15.6	4.3%	84.0%
Apparel and Accessories	26.7	7.0%	20.2	5.7%	32.2%
Total Net Revenue	**382.9**	**100.0%**	**359.4**	**100.0%**	**6.5%**



In the first nine months of 2020, net revenue was R$ 720.2 million, 27.0% lower than in the first nine months of 2019, when it was R$ 986.1 million.

NET REVENUE BY CATEGORY - 9M20 VS. 9M19

R$ Million	9M20	Share %	9M19	Share %	Var. % 9M20/9M19
Athletic footwear	522.4	72.5%	733.6	74.4%	-28.8%
Women footwear	89.5	12.4%	138.3	14.0%	-35.3%
Other footwear and other (1)	53.8	7.5%	51.2	5.2%	5.1%
Apparel and Accessories	54.5	7.6%	63.0	6.4%	-13.5%
Total Net Revenue	720.2	100.0%	986.1	100.0%	-27.0%



NET OPERATING REVENUE: MARKETS

Net revenue in 3Q20, in the domestic market, totaled R$ 357.8 million, an increase of 7.3% compared to 3Q19, when it was R$ 333.5 million.

In the domestic market: the increase is due to the increase in almost all categories, with women footwear being the only exception. With the reopening of physical stores, even with restrictions on access and opening hours, retail sales once again took center stage in our revenues. E-commerce with the Company's brands continued to expand and grew 234.7% over the same period last year.

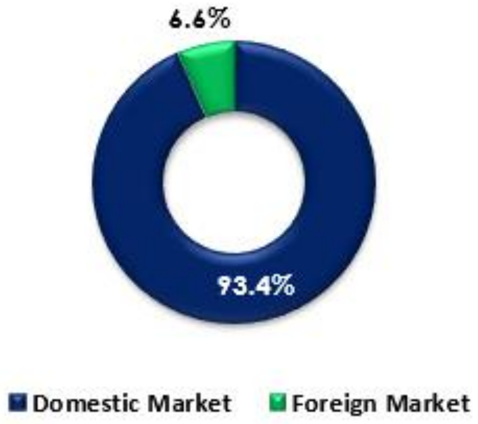
In the foreign market, net revenue in 3Q20 was R$ 25.1 million, a decrease of 3.1% over the R$ 25.9 million posted in 3Q19.

In this quarter, there was an expansion in direct sales toe the foreign market in relation to the same period of the prior year. Despite all the difficulties 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, a slow process of resumption of business can be observed. The positive highlight is that the trade resumption for Argentina is gradually being consolidated, despite the difficulties imposed by that country. In sales of subsidiaries abroad, there was a decrease in relation to the same period of the prior year, but with a significant improvement in relation to the prior quarter. Some locations in the countries where the Company's subsidiaries, Peru and Colombia, are located have fluctuated between the partial and total closure of trade activities, which significantly interfered in the performance of these branches. At the end of September, all retail stores that the Company maintains in those countries were open and functioning, however, with reduced service capacity.

NET REVENUE BY MARKET - 3Q20 VS. 3Q19

R$ Million	3Q20	Share %	3Q19	Share %	Var. % 3Q20/3Q19
Domestic Market	357.8	93.4%	333.5	92.8%	7.3%
Foreign Market	25.1	6.6%	25.9	7.2%	-3.1%
Total Net Revenue	**382.9**	**100.0%**	**359.4**	**100.0%**	**6.5%**

SHARE BY MARKET - 3Q20



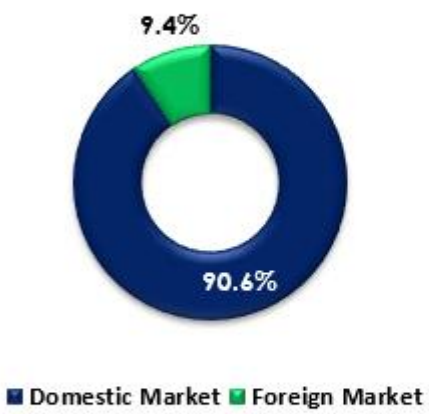
In the first nine months of 2020, the domestic market totaled R$ 652.8 million, a reduction of 28.2% in relation to the first nine months of 2019, when net revenue was R$ 909.1 million.

In the foreign market, net revenue in the first nine months of 2020 was R$ 67.4 million, 12.5% lower compared to the R$ 77.0 million obtained in the same period of the prior year.

NET REVENUE BY MARKET - 9M20 VS. 9M19

R$ Million	9M20	Share %	9M19	Share%	Var. % 9M20/9M19
Domestic Market	652.8	90.6%	909.1	92.2%	-28.2%
Foreign Market	67.4	9.4%	77.0	7.8%	-12.5%
Total Net Revenue	**720.2**	**100.0%**	**986.1**	**100.0%**	**-27.0%**

SHARE BY MARKET - 9M20



E-COMMERCE

E-commerce with the Company's brands continued to expand and grew 234.7% over the same period last year and 32.3% over the second quarter of 2020. Net revenue in 3Q20 totaled R$ 16.4 million, an increase of 234.7% in relation to 3Q19, when it was R$ 4.9 million.

Although it still has a small share in the Company's total revenue, 4.7% of the revenues for the first nine months of the year, the growth of this channel and its potential represent a great lever for expansion

Total Net Revenue	3Q20	3Q19	Var. % 3Q20/3Q19	9M20	9M19	Var. % 9M20/9M19
Total Net Revenue	16.4	4.9	234.7%	34.2	12.2	180.3%
Share Net Revenue %	4.3%	1.4%	2.9 p.p.	4.7%	1.2%	3,5 p.p.

In the first nine months of 2020, e-commerce revenue totaled R$ 34.2 million, an increase of 180.3% over the first nine months of 2019, whose net revenue was R$ 12.2 million.

The “Corre Junto Brasil” affiliate program, which was born as a possibility of supplementing income for physical education professionals, through the indication or recommendation of the products available in our online store, reached the number of 7,200 thousand affiliates enrolled at 9/30/2020. The Corre Junto Brasil project reaffirms Olympikus' commitment to the sport community, which seeks to transform ordinary people into digital entrepreneurs to supplement their income.

The Company continues to invest in the expansion of this channel, in order to support the pace of growth.

COST OF GOODS SOLD (COGS)

In 3Q20, as a percentage of net sales revenue, cost of goods sold represented 65.8%, compared to 65.3% in the same period in 2019.

The 3rd quarter started with the Company's two manufacturing plants operating with production at the rate in the fullness of available capacity. This was after three months in which the manufacturing operations were severely impacted by the total and/or partial shutdown of all its activities. Some products that were produced during the 2nd quarter and which, as a result of the restrictions imposed, had higher costs, were billed and delivered during the 3rd quarter and ended up negatively influencing the increase in COGS - Cost of Goods Sold.

The resumption of full operation of the factories was in accordance with all protocols and recommendations to contain Covid-19 contagion. Due to the rigorous adoption of safety protocols, an increase in the level of absenteeism was observed. In order to continue operating without the pace of production being affected by the unexpected absence of any employee, the Company decided to hire some additional employees so that it could temporarily cover such absences. This increase in labor increases the cost of products, but also provides more fluidity to the pace of production.

In the first nine months of 2020, as a percentage of net sales revenue, cost of goods sold represented 67.5%, compared to 65.7% in the same period in 2019.

COGS/NET OPERATING REVENUE (%)

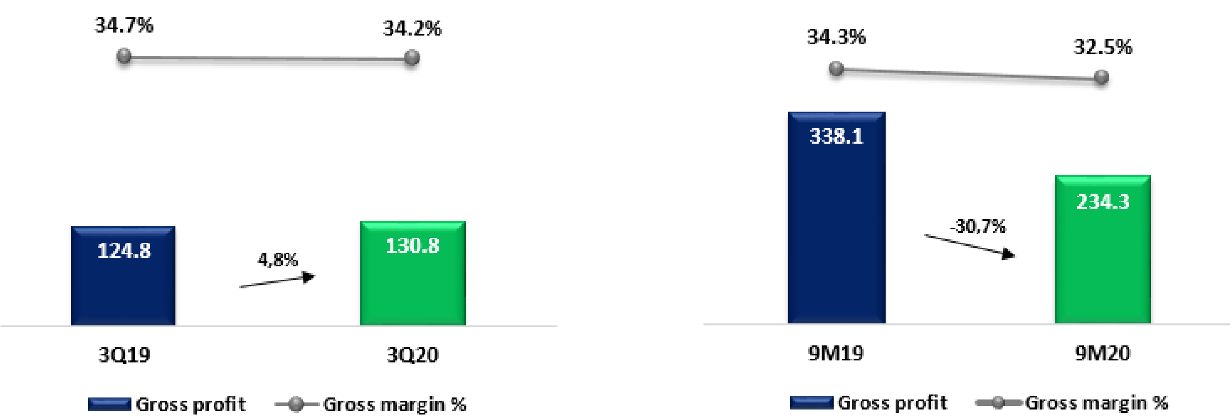
GROSS PROFIT

Gross profit in 3Q20 was R$ 130.8 million, an increase of 4.8% over the R$ 124.8 million recorded in 3Q19. The gross margin was 34.2% in 3Q20, 0.5 p.p. below of the 34.7% recorded in 3Q19.

Despite the rapid resumption of production level and the excellent recovery of the order backlog, 3Q20 gross margin was still negatively impacted by the following factors: (i) high cost inventories from the second quarter (ii) higher costs of goods produced, due to increased absenteeism; (iii) maintaining the same levels of profitability in the new collections presented, thus favoring the volume of sales; (iv) increases in raw materials without transferring prices.

In the first nine months of 2020, gross profit was R$ 234.3 million, a reduction of 30.7% over the R$ 338.1 million in the first nine months of 2019. The margin in the first nine months of 2020 was 32.5%, down 1.8 p.p. compared to the first nine months of 2019 (34.3%).

GROSS PROFIT AND GROSS MARGIN



SELLING AND ADVERTISING EXPENSES

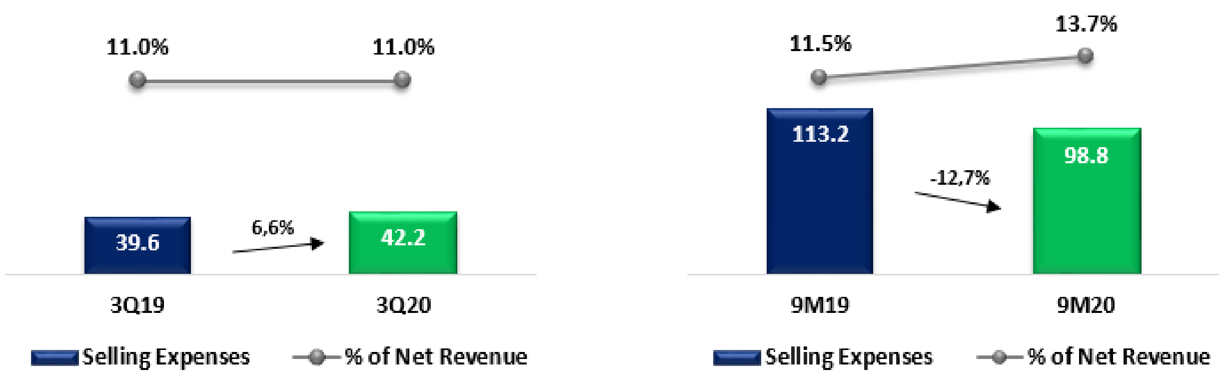
Selling and advertising expenses in 3Q20 totaled R$ 55.0 million, down 7.9% compared to 3Q19.

Selling expenses (excluding advertising expenses) increased by 6.6% in 3Q20, compared to expenses reported in 3Q19. R$ 42.2 million was recorded in 3Q20, against R$ 39.6 million in the same period last year. As a share of revenue, selling expenses (excluding advertising expenses) accounted for 11.0% in 3Q20, the same share observed in 3Q19.

Variable commercial expenses remained at normal levels, in line with those presented in the last quarters. Freight expenses increased in the comparison of the quarters, influenced by the increase in online sales.

In the first nine months of 2020, selling expenses (excluding advertising expenses) were R$ 98.8 million, down 12.7% compared to R$ 113.2 million in the first nine months of 2019. The share of selling expenses over net revenue increased by 2.2 p.p. in the comparison between 9M19 and 9M20, from 11.5% to 13.7%.

SELLING EXPENSES (excluding advertising expenses)



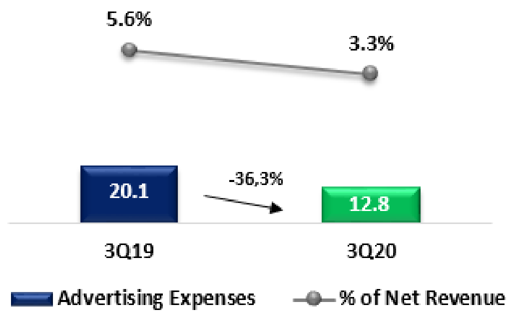
In 3Q20, advertising and marketing expenses totaled R$ 12.8 million, a decrease of 36.3% over the R$ 20.1 million in 3Q19.

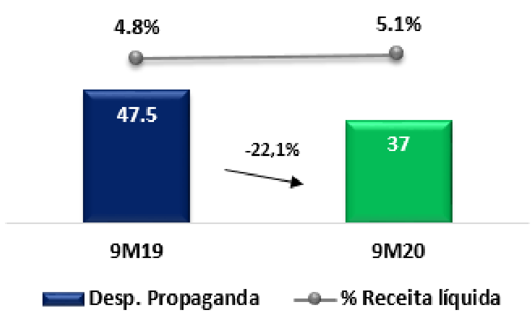
The share of advertising and marketing expenses over net revenue represented 3.3% in 3Q20, compared to 5.6% in 3Q19, a reduction of 2.3 p.p.

The decrease in marketing expenses is due to the fact it is not possible to carry out the planned schedule of events, which led to a revision of the marketing budget and its adaptation to the reality of the current scenario.

In the first nine months of 2020, expenses totaled R$ 37.0 million, a decrease of 22.1% compared to the first nine months of 2019, which totaled R$ 47.5 million.

ADVERTISING AND MARKETING EXPENSES



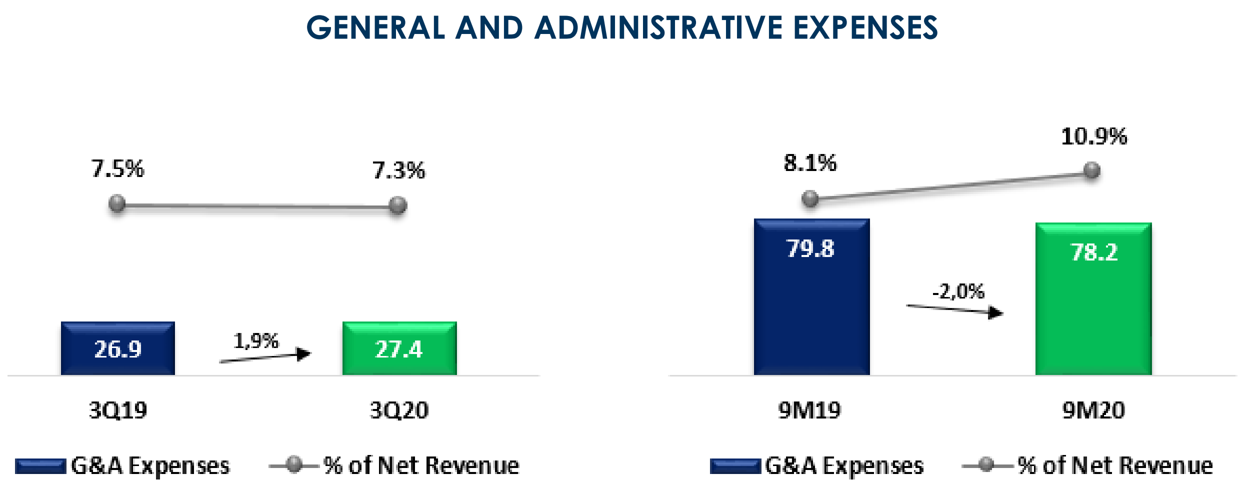


GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses totaled R$ 27.4 million in 3Q20, an increase of 1.9% over the amount in 3Q19. As a percentage of net revenue, there was a reduction of 0.2 p.p., from 7.5% in 3Q19 to 7.3% in 3Q20.

During the quarter, there was stability in most of the components of this line item. In expenses with third-party services, the increase refers to the higher volume of expenses with the logistical operation of online sales.

In the first nine months of 2020, compared to the same period in 2019, there was a reduction of 2.0% in general and administrative expenses, from R$ 79.8 million to R$ 78.2 million. When comparing the percentage of net revenue, there is an increase of 2.8 p.p. in the first nine months of 2020 in relation to the equivalent period of the prior year.



OTHER NET OPERATING INCOME (EXPENSES)

In 3Q20, Other Net Operating Income (Expenses) resulted in income of R$ 0.2 million, compared to income of R$ 5.4 million in 3Q19. It should be noted that in 3Q19, three "non-recurring" events were recognized, which positively impacted the result of this line item by R$ 6.4 million.

In the first nine months of 2020, the amount resulted in an expense of R$ 37.9 million, compared to income of R$ 6.3 million in the first nine months of 2019. The significant increase in expenses recorded in the first nine months of 2020 is due to the recognition of the costs of idleness caused by the Covid-19 pandemic in 2Q20 in the amount of R$ 36.4 million.

OTHER NET OPERATING INCOME (EXPENSES)

R$ Million	3Q20	3Q19	Var. % 3Q20/3Q19	9M20	9M19	Var. % 9M20/9M19
Other Net Operating Income (Expenses)	0.2	5.4	-96.3%	-37.9	6.3	-701.6%

NET FINANCIAL INCOME (EXPENSE)

In 3Q20 the Company reported a net financial expense of R$ 3.7 million in contrast to the same period in 2019, when it reported net financial income of R$ 0.3 million. In the comparison of the quarters, the main variation was observed in the increase in interest paid due to the increase in debt.

Net financial income (expense) changed from an expense of R$ 2.4 million in the first nine months of 2019 to an expense of R$ 0.5 million in the first nine months of 2020.

NET FINANCE INCOME (EXPENSE)

R$ Million	3Q20	3Q19	Var. % 3Q20/3Q19	9M20	9M19	Var. % 9M20/9M19
Capital structure	-5.6	-0.6	833.3%	-12.0	-3.6	233.3%
Operating	-1.4	-3.0	-53.3%	-4.4	-8.5	-48.2%
Exchange differences	-5.5	-2.7	103.7%	-16.2	-8.6	88.4%
Financial Costs	**-12.5**	**-6.3**	**98.4%**	**-32.6**	**-20.7**	**57.5%**
Capital structure	1.6	1.0	60.0%	3.9	3.4	14.7%
Operating	1.9	1.6	18.8%	4.7	5.6	-16.1%
Exchange differences	5.3	4.0	32.5%	23.5	9.3	152.7%
Financial Income	**8.8**	**6.6**	**33.3%**	**32.1**	**18.3**	**75.4%**
Net Financial Income	**-3.7**	**0.3**	**-1333.3%**	**-0.5**	**-2.4**	**-79.2%**

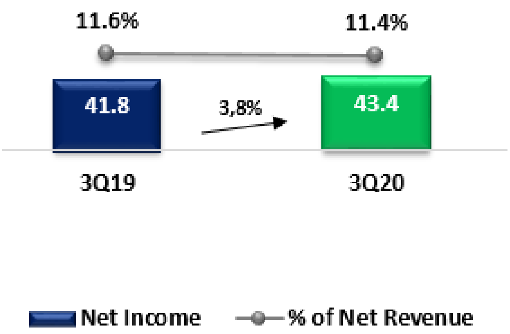
NET INCOME

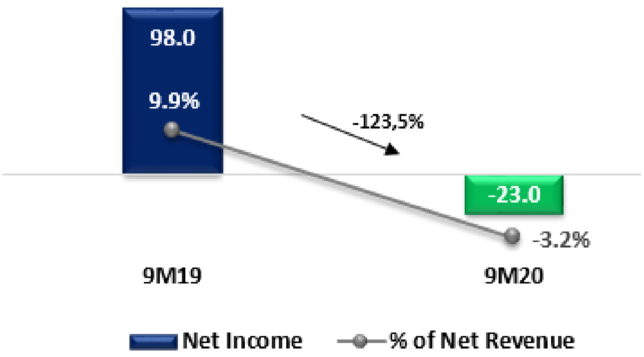
In 3Q20 the Company posted a net income of R$ 43.4 million, an increase of 3.8% over the net income of R$ 41.8 million in 3Q19. The net margin reached 11.4% in 3Q20, compared to the 11.6% in 3Q19 a reduction of 0.2 p.p.

It should be noted that in 3Q19 some "non-recurring" events positively impacted on the Company's net income by R$ 4.0 million.

The net margin in the nine-month comparison was reduced by 13.1 p.p., from 9.9% in the first nine months of 2019 to -3.2% in 2020.

NET INCOME AND NET MARGIN





EBITDA

In 3Q20, EBITDA was R$ 66.3 million, an increase of 2.6% compared to the R$ 64.6 million recorded in 3Q19. The EBITDA margin decreased by 0.7 p.p. reaching 17.3% in 3Q20, compared to 18.0% in 3Q19.

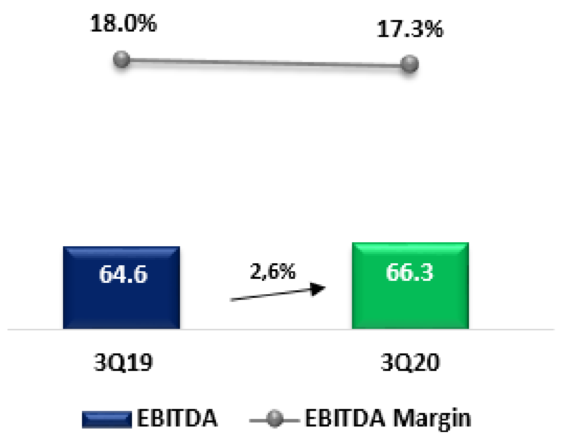
With the adoption of IFRS 16/CPC 06 (R2) (Leases), 3Q20 EBITDA was positively impacted by R$ 2.0 million.

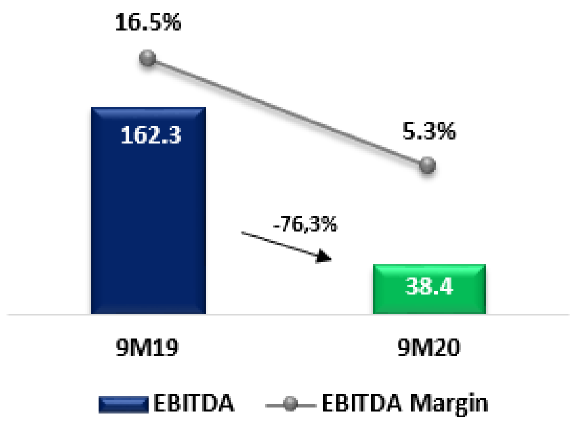
It is worth mentioning that in 3Q19 some "non-recurring" events influenced the Company's EBITDA positively by R$ 6.4 million.

In the first nine months of 2020, EBITDA was R$ 38.4 million, a decrease of 76.3% over the R$ 162.3 million recorded in the first nine months of 2019. The EBITDA margin decreased by 11.2%, reaching 5.3% in 2020.

In 9M20, EBITDA was impacted by the adoption of IFRS 16/CPC 06 by R$ 6.6 million.

EBITDA - 3Q20 vs. 3Q19/9M20 vs. 9M19





ROIC (RETURN ON INVESTED CAPITAL)

Annualized return on invested capital - ROIC reached 1.4% in 3Q20 - LTM (last twelve months ended 09/30/2020), which represents a 12.2 p.p. decrease compared to 13.6% obtained at 12/31/2019.

ROIC	2017	2018	2019	3Q20
Net Income for the period (LTM)	188.9	152.1	143.1	22.1
(+) Net Financial Income (LTM)	49.6	6.2	(5.1)	(7.1)
NOPAT	**238.5**	**158.3**	**138.0**	**15.0**
Invested Capital				
Loans and Financing	94.8	60.0	43.1	313.2
(-) Cash and cash equivalents	(100.5)	(68.6)	(62.2)	(178.2)
(-) Financial Investments	(5.7)	(2.5)	(2.8)	(104.4)
(+) Related Parties	8.6	16.3	16.9	17.5
(+) Equity	784.6	941.5	1,087.4	1,072.6
Invested Capital	**781.8**	**946.7**	**1,082.4**	**1,120.7**
Average invested capital for the period (1)	**801.4**	**864.3**	**1,014.6**	**1,101.6**
Annualized ROIC (2)	**29.8%**	**18.3%**	**13.6%**	**1.4%**

Annualized adjusted return on invested capital (Adjusted ROIC) was 1.9% in 3Q20 - LTM (last twelve months ended 09/30/2020), a decrease of 16.4 p.p. over the result of 18.3 % obtained at 12/31/2019.

ADJUSTED ROIC	2017	2018	2019	3Q20
Net Income for the period (LTM)	188.9	152.1	143.1	22.1
(+) Net Financial Income (LTM)	49.6	6.2	(5.1)	(7.1)
(-) Gain by advantageous acquisition (LTM)	(6.9)	(13.6)	–	–
(-) Equity Results (LTM)	(1.8)	(1.8)	(0.3)	1.4
NOPAT (Adjusted)	**229.8**	**142.9**	**137.7**	**16.4**
Invested Capital				
Loans and Financing	94.8	60.0	43.1	313.2
(-) Cash and cash equivalents	(100.5)	(68.6)	(62.2)	(178.2)
(-) Financial Investments	(5.7)	(2.5)	(2.8)	(104.4)
(+) Related Parties	8.6	16.3	16.9	17.5
(-) Goodwill on acquisition	(198.2)	(198.2)	(198.2)	(198.2)
(-) Investment in subsidiary	(40.1)	(61.8)	(62.0)	(59.9)
(+) Equity	784.6	941.5	1,087.4	1,072.6
Total Adjusted Invested Capital	**543.5**	**686.7**	**822.2**	**862.6**
Average adjusted invested capital for the period (1)	**568.3**	**615.1**	**754.5**	**842.4**
Adjusted Annualized ROIC 3	**40.4%**	**23.2%**	**18.3%**	**1.9%**

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 third quarter of 2020, R$ 26.3 million was invested in property, plant and equipment. The investments made this quarter were intended to support the Company's operations. The significant reduction in the molds line item is due to the postponement of the launch of the new collections due to the widespread halt in the Company's operations as a measure to combat the Covid 19 pandemic. The investment in intangible assets in 3Q20 was R$ 0.4 million.

In the first nine months of 2020, the amount invested in property, plant and equipment totaled R$ 57.5 million. In intangible assets, the amount invested in the first nine months of 2020 totaled R$ 1.8 million.

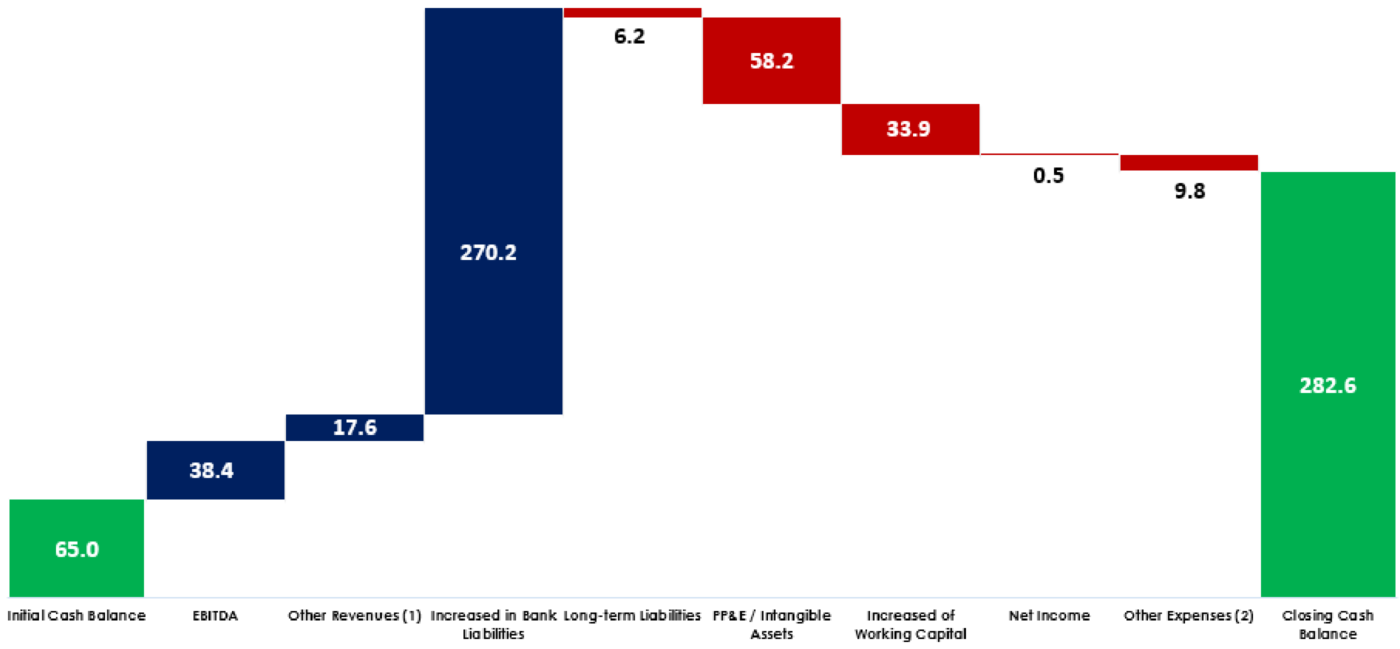
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

R$ Million	3Q20	3Q19	Var. % 3Q20/3Q19	9M20	9M19	Var. % 9M20/9M19
Molds	4.7	11.9	-60.5%	16.6	35.9	-53.8%
Machinery and equipment	14.0	18.9	-25.9%	25.2	32.1	-21.5%
Industrial facilities	6.8	8.0	-15.0%	13.3	20.4	-34.8%
Others	0.8	1.8	-55.6%	2.4	4.9	-51.0%
Property, plant and equipment	**26.3**	**40.6**	**-35.2%**	**57.5**	**93.3**	**-38.4%**
Software	0.4	1.3	-69.2%	1.8	2.5	-28.0%
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	**0.4**	**1.3**	**-69.2%**	**1.8**	**2.5**	**-28.0%**
Total	**26.7**	**41.9**	**-36.3%**	**59.3**	**95.8**	**-38.1%**

CASH FLOW

The cash variation in the first nine months of the year was R$ 217.6 million. The variation presented was essentially made up of the following events: (i) EBITDA of R$ 38.4 million; (ii) an increase in bank liabilities of R$ 270.2 million; (iii) growth in long-term liabilities of R$ 6.2 million; (iv) investments in property, plant and equipment and intangible assets of R$ 58.2 million; and (v) an increase in the need for working capital of R$ 33.9 million.

CASH FLOW – 9M20



(1) Other revenue: Disposal / Write-off of PP&E and intangible assets + stock options.

(2) Other Expenses: IR and CSLL + Effect of the conversion of investees abroad + Payment of financial lease liabilities.

NET DEBT

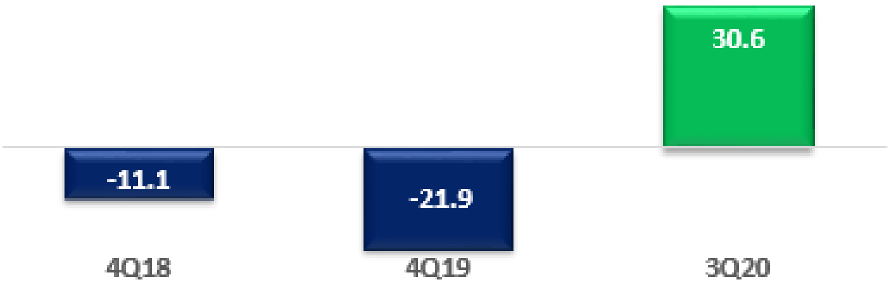
At the end of 3Q20, the Company had a net debt of R$ 30.6 million, R$ 52.5 million higher than that observed at the end of 12/31/2019.

Since the initial impacts from the pandemic, the Company has maintained its financial discipline and has sought to reinforce its cash using pre-approved 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	3Q20	Var. % 3Q20/4Q19
Loans and Financing	60.0	43.1	313.2	626.7%
Cash and cash equivalents	68.6	62.2	178.2	186.5%
Financial investments	2.5	2.8	104.4	3628.6%
Net Debt	**(11.1)**	**(21.9)**	**30.6**	**-239.7%**

NET DEBT EVOLUTION



GROSS DEBT PER CURRENCY

R$ Million	4Q19	3Q20	Var. % 3Q20/4Q19
Local currency	43.1	282.4	555.2%
Foreign currency	–	30.8	0.0%
Total Loans and Financing	**43.1**	**313.2**	**626.7%**

OLYMPIKUS

Olympikus, the largest sports brand in Brazil, with a 45-year history, has demonstrated its concern for the fragile economy in all ecosystems through its actions and initiatives in 2020. The brand, which had already created the Corre Junto Brasil program to support Brazilians on and off the track, launched its new positioning in July: **"Made by Brazilians".**

The campaign aims to value the national worker and industry and revealed some of the 13,000 employees behind the creation of the brand's shoes, in order to show customers, the people who are responsible for the products they consume. The central idea of the action is to reveal the hands that produce the best running technology in Brazil and that provide footwear for millions of Brazilians.

The Company's new positioning also marked the launch of Escola do Corre, a digital platform, full of content for those who wish to participate in this universe. It has the advantages of being free and having the signature of experts in entrepreneurship in Brazil. The Corre School is part of the Corre Junto Brasil project, launched in the last quarter, and already has 7200 subscribers since its launch, which took place through a virtual meeting between the Olympikus team and more than 200 influencers and their partners.

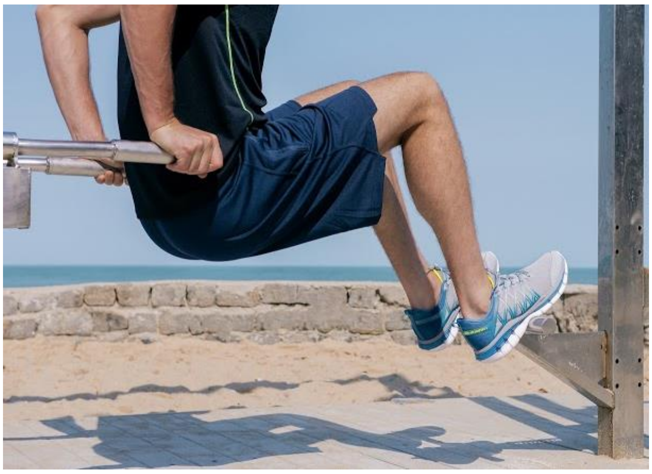
The actions demonstrate that Olympikus understands its responsibility as a Brazilian giant in the sports segment, as well as Brazil's reality. For this reason, it develops products for running and projects for Brazilians´ “running”.

During the quarter, Olympikus expanded its portfolio with the new colors of Corre 1, royal blue, tropical and tropical green, through participation in the virtual marathon in Rio de Janeiro.

Created in 2018 and launched in 2019, the model was developed by engineers, designers, masters in biomechanics and professional and amateur athletes with technology to provide even more performance when running



Another novelty of the brand is the Sonoro models, with a focus on high performance training, and the Energia, which promotes more support in the tread and greater breathability.



Gravidade, with HYPER-SOX technology, which provides comfort and flexibility, and Veloz, offers soft tread and great recovery capacity, also arrived as Olympikus launches in the quarter. The news reiterates the strength of the brand and its concern to always deliver the best to the consumer, without neglecting the cost-benefit, which positions Olympikus as a smart choice at the time of purchase.

Also, within the motto of the campaign Made by Brazilians and adding more strength to the initiative, Olympikus, a genuinely Brazilian brand, joined once again with ALG and A La Garçonne, two brands led by renowned Brazilian stylists, Alexandre Herchcovitch and Fabio Souza, for the launch of two collaborations: Skid Fur and Skid Leather.

The models are reinterpretations of the brand, with the aim of diversifying the portfolio, building a lifestyle and connecting the product line ever more closely with fashion. The launches were driven by videos on the official profile of Olympikus (@olympikus), in which the development processes of the models are shown.

In September, singer Iza joined the Olympikus team, which already hosts great Brazilian names like Chico Salgado, Bruno Rezende and Ademir Paulino. The partnership with Iza, an iconic singer and very well recognized throughout the country, strengthens the national DNA of Olympikus and the position "Made by Brazilians".

UNDER ARMOR

In the third quarter of 2020, Under Armour - a global brand and a benchmark in innovation and creation of apparel, footwear and accessories for sports - carried out important launches and efforts seeking to assist sports professionals and athletes in resuming training and facing challenges caused by COVID-19 pandemic. The period was also marked by the strengthening of the brand's global campaign **"The Only Way is Through".**

The campaign, which features athletes' journeys in search of increased performance, gained strength and visibility through a media plan on the brand's main digital platforms (YouTube, Facebook and Instagram), inclusion in the NBA playoffs and finals on the ESPN channel and on the sports field hoardings on the return of the Brazilian Championship.

In August, **Movimento Pelo Esporte**, a project launched in the midst of the coronavirus pandemic with the aim of strengthening the Brazilian sports community, opened its second phase with a focus on training sports professionals. In this phase, athletes, physiotherapists, physical education and sport professionals were able to access the site www.movimentopeloesporte.com.br and have access to a complete learning platform with relevant subjects and topics related to training, technology, innovation and leadership.

Since its launch in May, the Movement for Sport has had the participation of more than two thousand professionals and managed a significant number of more than nine thousand classes sold through the project, helping these professionals during the quarantine period. Under Armour, in order to help these professionals even more, doubled the amount invested and the service period for the plans purchased.

At a time when sports lovers from all over Brazil are gradually resuming their training routine, Under Armour prepared a special kit with the main launches for the half of the year for an extensive group of influencers and opinion makers to emphasize the importance of having the best products and technologies in the pursuit of excellence in performance.

The group received firsthand the UA SPORTSMASK, an innovative mask specially developed for sports, in addition to the main launches of HOVR footwear and Rush line clothing. The kit was successful on social networks, having a potential reach of more than 128 million people and being shared by names like Sabrina Sato, Deborah Secco, Felipe Titto, Duda Nagle, among 75 others.

The kit was one of the important strategies used to launch UA SPORTSMASK in Brazil. Reusable and water resistant, the mask was designed to offer maximum lightness and breathability and guarantee the athlete the highest level of performance. The product was so successful that it sold out in a few minutes on the first day of sale in Brazil.

During the quarter, two important HOVR running shoes were also launched - Infinite 2 and Velociti 3. The new UA HOVR Infinite 2 model remains a great choice for longer races, as it offers high cushioning and softness in the stride. With HOVR technology, it provides the rebound effect to the legs, reducing fatigue, the main obstacle for those who do "long" or more intense workouts.

The **UA HOVR Velociti** 3 is a shoe for those looking for performance, ideal for speed training and short, fast runs. The launches are part of the Under Armor line of running shoes, which offer connectivity with the MapMyRun app. The app gives tips to improve training in real time, in addition to mapping workouts without the need for GPS.

AZALEIA AND DJEAN

Azaleia and Djean continued to focus on the digital environment and adopted new content strategies for social networks. With a new scope, the main objective was to modernize the communication of the two brands, as well as publicizing products in a modern way and more aligned with the brands' audiences on social networks.

The brands reinforced the launch of their summer collections with a focus on more assertive products and comfort and well-being for their consumers.

The Azaleia collection brings a portfolio that ranges from intense to fresh color, with models inspired by sports references that dominate the streets. The handcrafted prints are also present and feature customization, adding value and personality to the product.

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

ATTACHMENTS

BALANCE SHEET

BALANCE SHEET (CONSOLIDATED)

R$ millions

ASSETS	9/30/2020	12/31/2019	LIABILITIES	9/30/2020	12/31/2019
Cash and cash equivalents	178,211	62,164	Suppliers	84,402	40,993
Financial Investiments	95,003	0	Loans and financing	112,293	3,264
Trade accounts receivable	463,011	448,377	Taxes payable	7,430	8,402
Inventories	297,863	241,238	Tax Recovery Program - REFIS	128	128
Recoverable taxes	19,936	14,723	Salaries and vacation payable	40,426	41,394
Income tax and social contribution	4,698	4,580	Provisions	19,956	18,326
Amounts receivable for disposal of operation	12,653	0	Lease liability	9,192	7,798
Prepaid expenses	8,038	13,631	Commissions payable	13,869	13,536
Other accounts receivable	9,607	9,519	Other accounts payable	22,856	15,356
CURRENT ASSETS	**1,089,020**	**794,232**	**CURRENT LIABILITIES**	**310,552**	**149,197**
Interest earning bank deposits	9,437	2,823	Loans and financing	200,939	39,789
Recoverable taxes	6,954	7,744	Loans with related parties	17,453	16,930
Deferred income tax and social contribution	462	330	Provisions	34,652	38,183
Judicial deposits	15,655	17,952	Deferred taxes on revaluation of PP&E	2,514	2,850
Amounts receivable for disposal of operation	2,600	0	Lease liability	12,213	8,047
Other accounts receivable	2,020	2,229	Other accounts payable	233	469
Prepaid expenses	774	673	Taxes payable	0	12,265
Assets held for sale	194	194			
LONG-TERM ASSETS	**38,096**	**31,945**			
			NON-CURRENT LIABILITIES	**268,004**	**118,533**
Investments	59,913	62,046			
Investment property	2,220	2,530			
Right to use	17,976	15,845			
Property, plant and equipment (PP&E)	229,862	235,120			
Intangible assets	214,045	213,440			
	524,016	**528,981**			
NON-CURRENT ASSETS	**562,112**	**560,926**			
			LIABILITIES	**578,556**	**267,730**
			Capital	1,106,717	1,106,717
			Revaluation reserves	4,881	5,532
			Capital reserves	2,614	1,517
			Equity valuation adjustments	23,275	16,281
			Accumulated losses	-65,217	-42,909
			Equity attributable to controlling shareholders	**1,072,270**	**1,087,138**
			Non-controlling interests	**306**	**290**
			SHAREHOLDERS' EQUITY	**1,072,576**	**1,087,428**
TOTAL ASSETS	**1,651,132**	**1,355,158**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**1,651,132**	**1,355,158**

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

INCOME STATEMENT

INCOME STATEMENT (CONSOLIDATED)	3Q20	3Q19	VAR (%)	9M20	9M19	VAR (%)
In thousands of Reais						
Net Revenue	**382,856**	**359,355**	**6.5%**	**720,173**	**986,120**	**-27.0%**
Cost of sales	-252,089	-234,531	7.5%	-485,882	-648,026	-25.0%
Gross Profit	**130,767**	**124,824**	**4.8%**	**234,291**	**338,094**	**-30.7%**
Gross Margin	***34.2%***	***34.7%***	***-0.5 p.p.***	***32.5%***	***34.3%***	***-1.8 p.p.***
Sales expenses	-54,977	-59,735	-8.0%	-135,833	-160,736	-15.5%
General and Administratives expenses	-27,441	-26,860	2.2%	-78,207	-79,782	-2.0%
Other net operating income (expenses)	251	5,404	-95.4%	-37,885	6,347	-696.9%
Equity in net income of subsidiaries	240	662	-63.7%	-2,133	-393	442.7%
Net Income before net financial income and taxes	**48,840**	**44,295**	**10.3%**	**-19,767**	**103,530**	**-119.1%**
Financial income	8,783	6,636	32.4%	32,134	18,303	75.6%
Financial Expenses	-12,506	-6,376	96.1%	-32,586	-20,675	57.6%
Net financial Income	**-3,723**	**260**	**-1531.9%**	**-452**	**-2,372**	**-80.9%**
Net Income before taxes	**45,117**	**44,555**	**1.3%**	**-20,219**	**101,158**	**-120.0%**
Deferred income tax and social contribution	-1,706	-2,752	-38.0%	-2,810	-3,168	-11.3%
Net Income	**43,411**	**41,803**	**3.8%**	**-23,029**	**97,990**	**-123.5%**
Net Income Margin	***11.3%***	***11.6%***	***-0.3 p.p.***	***-3.2%***	***9.9%***	***-13.1 p.p.***
Income (loss) attributable to:						
Controlling shareholders	43,419	41,807		-22,959	97,983	
Non-controlling shareholders	-8	-4		-70	7	
Net Income	**43,411**	**41,803**		**-23,029**	**97,990**	
Earnings (loss) per share						
Earnings per common share - basic	0.1768	0.1701		-0.0934	0.3987	
Earnings per common share - diluted	0.1751	0.1691		-0.0926	0.3964	
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	248,016,346	247,196,346		248,016,346	247,196,346	

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

CASH FLOW STATEMENT

CASH FLOW STATEMENT (INDIRECT METHOD)	3Q20	9M19
In thousands of Reais		
Cash flows from operating activities		
Net Income for the period	**-23,029**	**97,990**
Adjustments for:		
Depreciation and amortization	58,125	58,720
Change in the provision for impairment losses in inventory	16,871	-7,298
Interest on provisioned leases	3,990	0
Net value of written off tangible and intangible assets	4,929	5,716
Income from financial investments	-558	-98
Change in provision for contingency losses	4,733	10,808
Equity in net income of subsidiaries	2,133	393
Transaction with share-based payments	1,097	593
Estimated loss from allowance for doubtful accounts	10,955	7,481
Loss on sale of subsidiary	2,356	0
Financial charges and exchange-rate change recognized in income (loss)	14,326	4,157
Deferred taxes	-468	-359
Minority Interest	70	-7
Provision for impairment	0	0
Ajusted Income for the period	**95,530**	**178,096**
Changes in assets and liabilities		
Financial Investiments	0	-168
Account Receivable	-24,067	18,189
Inventories	-86,245	-36,190
Prepaid expenses	5,458	-8,800
Recoverable taxes	-9,465	2,376
Other accounts receivable	-353	-7,827
Judicial deposits	-992	-5,138
Related parties	0	0
Suppliers	42,735	17,851
Commissions payable	333	-1,410
Taxes payable	0	249
Taxes and social contributions	2,020	6,584
Salaries and vacations payable	335	24,526
Other accounts payable	7,730	-10,644
Provisions	-3,311	-7,138
	(65,822)	**(7,540)**
Interest paid	-3,350	-1,887
Payment of lease interest	-1,580	0
Taxes paid on profit	-2,037	0
	-6,967	**-1,887**
Net Cash Flow provided by (used in) operating activities	**22,741**	**168,669**
Cash flow from investing activities		
Acquisitions of property, plant and equipment	-56,361	-93,301
Financial Investiments	-101,076	0
Resource from the sale of subsidiary, net of cash in the consolidated	-4,122	0
Funds from disposal of property, plant and equipment	717	562
Acquisitions of intangible assets	-1,841	-2,497
Payment for acquisition of subsidiary	0	-61,627
Net Cash Flow used in investing activities	**-162,683**	**-156,863**
Cash flow from financing activities		
Loans obtained - Principal	280,202	4,793
Payment of loans obtained - Principal	-15,375	-20,875
Loans with related parties	523	500
Payment of financial lease liabilities	-7,732	-9,147
Payment of loans obtained with related parties	0	0
Net Cash Flow used in financing activities	**257,618**	**-24,729**
Increase (decrease) in cash and cash equivalents	**117,676**	**-12,923**
Cash and cash equivalents at beginning of the period	**62,164**	**68,626**
Effect from translation of foreign investees	-1,629	-580
Cash and cash equivalents at end of the period	178,211	55,123
Increase (decrease) in cash and cash equivalents	**117,676**	**-12,923**

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 September 30, 2020 (3Q20), fees of approximately R$ 160.5 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 11/09/2020, declares that it has reviewed, discussed and agreed with the financial information for the 3rd quarter of 2020 for Vulcabras Azaleia S.A. and with the independent auditor´s 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

KPMG Auditores Independentes
Ed. BS Design - Avenida Desembargador Moreira, 1300
SC 1001 - 10º Andar - Torre Sul - Aldeota
60170-002 - Fortaleza/CE - Brasil
Telefone +55 (85) 3457-9500
kpmg.com.br

Report on the review of quarterly information - ITR

To the Board Members and Directors of
Vulcabras Azaleia S/A
Horizonte - CE

Introduction

We have reviewed the individual and consolidated quarterly information of Vulcabras Azaleia S/A ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2020, which comprise the balance sheet as of September 30, 2020 and related statements of income, of comprehensive income for the three and nine-month periods then ended, of changes in equity and cash flows for the nine-month period then ended, including the explanatory notes.

Company's Management is responsible for the preparation of the individual and consolidated quarterly information in accordance with CPC 21(R1) and International Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this quarterly information based on our review.

Scope of the review

We conducted our review in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of quarterly information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International 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 quarterly information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated quarterly information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of Quarterly Information (ITR), and presented in a manner consistent with the standards issued by the Securities Commission.

Other matters - Statements of added value

The aforementioned individual and consolidated statements of added value for the nine-month period ended September 30, 2020, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the quarterly information and book records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any facts that may lead us to believe that these statements of added value have not been prepared, in all material respects, in accordance with the criteria set forth in this Standard and consistently with respect to the individual and consolidated quarterly information taken as a whole.

Fortaleza, November 09, 2020

KPMG Auditores Independentes
CRC SP-014428/O-6 S-CE
Original in Portuguese signed by
Marcelo Pereira Gonçalves
Contador CRC 1SP220026/O-3

Vulcabras Azaleia S.A.

Balance sheets As of September 30, 2020 and December 31, 2019

(In thousands of Reais)

Assets	Note	Consolidated 09/30/2020	Consolidated 12/31/2019	Parent company 09/30/2020	Parent company 12/31/2019
Cash and cash equivalents	4	178,211	62,164	19,400	3,606
Interest earning bank deposits	5	95,003	-	15,000	-
Trade accounts receivable	6	463,011	448,377	-	-
Inventories	7	297,863	241,238	-	-
Recoverable taxes	8	19,936	14,723	562	631
Income tax and social contribution	9a	4,698	4,580	369	353
Prepaid expenses		8,038	13,631	650	1,236
Amounts receivable from disposal of operation	11a	12,653	-	-	-
Other accounts receivable		9,607	9,519	15	30
Total assets Current		**1,089,020**	**794,232**	**35,996**	**5,856**
Interest earning bank deposits	5	9,437	2,823	2	2
Recoverable taxes	8	6,954	7,744	1,803	1,794
Deferred income tax and social contribution	9b	462	330	-	-
Judicial deposits	10	15,655	17,952	543	539
Loans with related parties		-	-	120,036	-
Amounts receivable from disposal of operation	11.a	2,600	-	-	-
Other accounts receivable		2,020	2,229	1,585	1,585
Prepaid expenses		774	673	10	4
Assets for sale		194	194	-	-
Noncurrent assets		**38,096**	**31,945**	**123,979**	**3,924**
Investments	12	59,913	62,046	1,062,013	1,076,837
Investment property	13	2,220	2,530	2,214	2,522
Right-of-use	19	17,976	15,845	-	-
Property, plant and equipment	14	229,862	235,120	160	161
Intangible assets	15	214,045	213,440	111	111
		524,016	**528,981**	**1,064,498**	**1,079,631**
Total non-current assets		**562,112**	**560,926**	**1,188,477**	**1,083,555**
Total assets		**1,651,132**	**1,355,158**	**1,224,473**	**1,089,411**

Liabilities	Note	Consolidated 09/30/2020	Consolidated 12/31/2019	Parent company 09/30/2020	Parent company 12/31/2019
Suppliers	17	84,402	40,993	665	1,088
Loans and financing	18	112,293	3,264	-	-
Taxes payable		7,430	8,402	253	83
Tax Recovery Program - REFIS		128	128	-	-
Salaries and vacations payable		40,426	41,394	17	17
Provisions	20	19,956	18,326	412	405
Lease liabilities	19	9,192	7,798	-	-
Commissions payable		13,869	13,536	-	-
Other accounts payable		22,856	15,356	224	132
Total liabilities Current		**310,552**	**149,197**	**1,571**	**1,725**
Loans and financing	18	200,939	39,789	-	-
Loans with related parties	11	17,453	16,930	150,045	-
Provisions	20	34,652	38,183	453	453
Deferred taxes on revaluation of property, plant and equipment	9b	2,514	2,850	-	-
Lease liabilities	19	12,213	8,047	-	-
Taxes payable		-	12,265	-	-
Provision for loss with investment	12	-	-	134	95
Other accounts payable		233	469	-	-
Total liabilities Non-current		**268,004**	**118,533**	**150,632**	**548**
Equity					
Capital	21	1,106,717	1,106,717	1,106,717	1,106,717
Revaluation reserves	21	4,881	5,532	4,881	5,532
Capital reserves	21	2,614	1,517	2,614	1,517
Equity valuation adjustments	21	23,275	16,281	23,275	16,281
Accumulated losses		(65,217)	(42,909)	(65,217)	(42,909)
Equity attributable to controlling shareholders		**1,072,270**	**1,087,138**	**1,072,270**	**1,087,138**
Non-controlling interest		**306**	**290**	**-**	**-**
Total equity		**1,072,576**	**1,087,428**	**1,072,270**	**1,087,138**
Total liabilities		**578,556**	**267,730**	**152,203**	**2,273**
Total liabilities and equity		**1,651,132**	**1,355,158**	**1,224,473**	**1,089,411**
		-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras Azaleia S.A.

Statements of profit or loss

As of September 30, 2020 and September 30, 2019

(In thousands of Reais, except net income per share)

	Note	Consolidated 09/30/2020	Consolidated 30/09/2019	Consolidated 07/01/2020–09/30/2020	Consolidated 07/01/2019–09/30/2019	Parent company 09/30/2020	Parent company 30/09/2019	Parent company 07/01/2020–09/30/2020	Parent company 07/01/2019–09/30/2019
Net sales	22	720,173	986,120	382,856	359,355	-	-	-	-
Cost of sales and resales	23	(485,882)	(648,026)	(252,089)	(234,531)	-	-	-	-
Gross income		**234,291**	**338,094**	**130,767**	**124,824**	**-**	**-**	**-**	**-**
Sales expenses	24	(124,878)	(153,142)	(52,914)	(57,615)	-	-	-	-
PECLD (Estimated credit loss for allowance for doubtful accounts)	24	(10,955)	(7,594)	(2,063)	(2,120)	-	-	-	-
Administrative expenses	25	(78,207)	(79,782)	(27,441)	(26,860)	(5,316)	(4,528)	(1,936)	(1,701)
Other operating revenues (expenses), net	26	(37,885)	6,347	251	5,404	4,152	16,125	1,763	14,034
Equity in net income of subsidiaries	12b	(2,133)	(393)	240	662	(21,876)	89,345	43,579	32,316
Income (loss) before net financial expenses and revenues and taxes		**(19,767)**	**103,530**	**48,840**	**44,295**	**(23,040)**	**100,942**	**43,406**	**44,649**
Financial revenues		32,134	18,303	8,783	6,636	134	77	65	20
Financial expenses		(32,586)	(20,675)	(12,506)	(6,376)	(53)	(259)	(52)	(85)
Net financial revenues and expenses	27	**(452)**	**(2,372)**	**(3,723)**	**260**	**81**	**(182)**	**13**	**(65)**
Income (loss) before income taxes		**(20,219)**	**101,158**	**45,117**	**44,555**	**(22,959)**	**100,760**	**43,419**	**44,584**
Deferred income tax and social contribution	9b	(2,810)	(3,168)	(1,706)	(2,752)	-	(2,777)	-	(2,777)
Net income (loss) for the period		**(23,029)**	**97,990**	**43,411**	**41,803**	**(22,959)**	**97,983**	**43,419**	**41,807**
Income attributable to:									
Controlling shareholders		(22,959)	97,983	43,419	41,807	(22,959)	97,983	43,419	41,807
Non-controlling shareholders		(70)	7	(8)	(4)	-	-	-	-
Net income (loss) for the period		**(23,029)**	**97,990**	**43,411**	**41,803**	**(22,959)**	**97,983**	**43,419**	**41,807**
Earnings per share									
Earnings per common share - basic		(0.0934)	0.3987	-	-				
Earnings per common share - diluted		(0.0926)	0.3964	-	-				
Number of shares at the end of the period									
Outstanding common shares		245,756,346	245,756,346	-	-				
Outstanding common shares with a dilution effect		248,016,346	247,196,346	-	-				

See the accompanying notes to the quarterly financial information.

Vulcabras Azaleia S.A.

Statements of comprehensive income

As of September 30, 2020 and September 30, 2019

(In thousands of Reais)

	Consolidated		Consolidated		Parent company		Parent company	
	09/30/2020	**30/09/2019**	**07/01/2020–09/30/2020**	**07/01/2019–09/30/2019**	**09/30/2020**	**30/09/2019**	**07/01/2020–09/30/2020**	**07/01/2019–09/30/2019**
Income (loss) for the period	(23,029)	97,990	43,411	41,803	(22,959)	97,983	43,419	41,807
Other comprehensive income - OCI	6,994	2,834	(1,140)	2,814	6,994	2,834	(1,140)	2,814
Items that can be subsequently reclassified to income (loss)								
Exchange differences from translation of foreign operations	6,941	2,835	(1,205)	2,852	6,941	2,835	(1,205)	2,852
Financial assets at fair value through other comprehensive income (FVTOCI)	53	(1)	65	(38)	53	(1)	65	(38)
Total comprehensive income	(16,035)	100,824	42,271	44,617	(15,965)	100,817	42,279	44,621
Comprehensive income attributable to:								
Controlling shareholders	(15,965)	100,817	42,279	44,621	(15,965)	100,817	42,279	44,621
Non-controlling shareholders	(70)	7	(8)	(4)	-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras Azaleia S.A.

Statement of changes in equity - Parent company and Consolidated

As of September 30, 2020 and September 30, 2019

(In thousands of Reais)

	Parent company							
	Capital	Reflected revaluation reserve in subsidiaries	Capital reserve	Other comprehensive income	Accumulated losses	Total	Non-controlling interest	Total equity
Balances at January 01, 2019	**1,106,717**	**6,401**	**641**	**1,990**	**(174,587)**	**941,162**	**300**	**941,462**
Write-off of equity valuation adjustment for closing of the investee	-	-	-	12,256	(12,256)	-	-	-
Realization of revaluation reserve in subsidiary, net of taxes	-	(652)	-	-	652	-	-	-
Transaction with share-based payments	-	-	593	-	-	593	-	593
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	2,835	-	2,835	23	2,858
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	-	(1)		(1)	-	(1)
Net revenue for the period	-	-	-	-	97,983	97,983	7	97,990
Balances at September 30, 2019	**1,106,717**	**5,749**	**1,234**	**17,080**	**(88,208)**	**1,042,572**	**330**	**1,042,902**
Balances at January 01, 2020	**1,106,717**	**5,532**	**1,517**	**16,281**	**(42,909)**	**1,087,138**	**290**	**1,087,428**
Realization of revaluation reserve in subsidiary, net of taxes	-	(651)	-	-	651	-	-	-
Transaction with share-based payments	-	-	1,097	-	-	1,097	-	1,097
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	6,941	-	6,941	86	7,027
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-		53	-	53	-	53
Net revenue for the period	-	-	-	-	(22,959)	(22,959)	(70)	(23,029)
Balances at September 30, 2020	**1,106,717**	**4,881**	**2,614**	**23,275**	**(65,217)**	**1,072,270**	**306**	**1,072,576**

See the accompanying notes to the quarterly financial information.

Vulcabras Azaleia S.A.

Statements of cash flows – Indirect method

As of September 30, 2020 and September 30, 2019

(In thousands of Reais)

	Consolidated		Parent company	
	09/30/2020	**30/09/2019**	**09/30/2020**	**30/09/2019**
Cash flow from operating activities				
Net income (loss) for the period	(23,029)	97,990	(22,959)	97,983
Adjustments for:				
Depreciation and amortization	58,125	58,720	309	314
Provision (reversal) for impairment loss in inventory	16,871	(7,298)	-	-
Interest on provisioned leases	3,990	-	-	-
Net value of written off tangible and intangible assets	4,929	5,716	-	-
Yields from financial investments	(558)	(98)	(3)	-
Provision for contingencies	4,733	10,808	34	124
Equity in net income of subsidiaries	2,133	393	21,876	(89,345)
Transaction with share-based payments	1,097	593	1,097	593
Expected losses for allowance for doubtful accounts	10,955	7,481	-	-
Effect from write-off of investments	-	-	-	9
Loss in the sale of subsidiary	2,356	-	-	-
Financial charges and exchange-rate change recognized in income (loss)	14,326	4,157	-	-
Deferred taxes	(468)	(359)	-	-
Non-controlling interest	70	(7)	-	-
	95,530	**178,096**	**354**	**9,678**
Changes in assets and liabilities				
Interest earning bank deposits	-	(168)	-	-
Trade accounts receivable	(24,067)	18,189	-	-
Inventories	(86,245)	(36,190)	-	-
Prepaid expenses	5,458	(8,800)	580	7
Recoverable taxes	(9,465)	2,376	44	(42)
Other accounts receivable	(353)	(7,827)	15	(12,855)
Judicial deposits	(992)	(5,138)	(4)	192
Related parties	-	-	-	-
Suppliers	42,735	17,851	(423)	(334)
Commissions payable	333	(1,410)	-	-
Taxes payable	-	249	-	-
Taxes and social contributions	2,020	6,584	170	2,765
Salaries and vacations payable	335	24,526	-	-
Other accounts payable	7,730	(10,644)	92	43
Provisions paid	(3,311)	(7,138)	(27)	(119)
	(65,822)	**(7,540)**	**447**	**(10,343)**
Interest paid	(3,350)	(1,887)	-	-
Payment of lease interest	(1,580)	-	-	-
Income taxes paid	(2,037)	-	-	-
	(6,967)	**(1,887)**	**-**	**-**
Net cash flow from (used in) operating activities	**22,741**	**168,669**	**801**	**(665)**
Cash flow from investment activities				
Acquisition of property, plant and equipment	(56,361)	(93,301)	-	-
Interest earning bank deposits	(101,076)	-	(14,997)	-
Fund from the sale of subsidiary, net of cash in the consolidated	(4,122)	-	-	-
Payment for acquisition of subsidiary	-	(61,627)	-	-
Funds from disposal of property, plant and equipment	717	562	-	-
Purchase of intangible	(1,841)	(2,497)	-	-
Increase in investee's interest	-	-	(19)	(18)
Net cash flow used in investment activities	**(162,683)**	**(156,863)**	**(15,016)**	**(18)**
Cash flow from financing activities				
Loans obtained - Principal	280,202	4,793	-	-
Payment of loans obtained - Principal	(15,375)	(20,875)	-	-
Loans with related parties	523	500	150,045	-
Receipt (payments) of loans with related parties	-	-	(120,036)	54
Payment of lease liabilities	(7,732)	(9,147)	-	-
Net cash flow from (used in) financing activities	**257,618**	**(24,729)**	**30,009**	**54**
Increase/decrease in cash and cash equivalents	**117,676**	**(12,923)**	**15,794**	**(629)**
Cash and cash equivalents at the beginning of the period	62,164	68,626	3,606	916
Effect of the translation of foreign investees	(1,629)	(580)	-	-
Cash and cash equivalents at the end of the period	178,211	55,123	19,400	287
Increase/decrease in cash and cash equivalents	**117,676**	**(12,923)**	**15,794**	**(629)**

See the accompanying notes to the quarterly financial information.

Vulcabras Azaleia S.A.

Statements of added value

As of September 30, 2020 and September 30, 2019

(In thousands of Reais)

	Consolidated		Parent company	
	09/30/2020	**30/09/2019**	**09/30/2020**	**30/09/2019**
Revenues	**807,476**	**1,136,961**	**889**	**13,067**
Sale of goods, products and services	814,693	1,125,039	-	-
Other revenues and expenses	3,738	19,516	889	13,067
Provision for impairment of trade accounts receivable	(10,955)	(7,594)	-	-
Inputs acquired from third parties	**(411,327)**	**(490,405)**	**(3,832)**	**(3,127)**
Raw materials used	(212,048)	(294,226)	-	-
Cost of products and goods sold and services rendered	(40,809)	(56,811)	-	-
Materials, energy, outsourced services and other	(158,475)	(139,310)	(3,832)	(3,127)
Loss/recovery of asset values	5	(58)	-	-
Gross added value	**396,149**	**646,556**	**(2,943)**	**9,940**
Retentions	**(58,125)**	**(58,720)**	**(309)**	**(314)**
Depreciation, amortization and depletion	(58,125)	(58,720)	(309)	(314)
Net added value generated by the Company	**338,024**	**587,836**	**(3,252)**	**9,626**
Added value received as transfer	**33,036**	**20,034**	**(17,997)**	**92,965**
Equity in net income of subsidiaries	(2,133)	(393)	(21,876)	89,345
Financial revenues	32,134	18,303	134	77
Other	3,035	2,124	3,745	3,543
Total added value payable	**371,060**	**607,870**	**(21,249)**	**102,591**
Distribution of added value	**371,060**	**607,870**	**(21,249)**	**102,591**
Personnel	**256,535**	**333,001**	**608**	**663**
Direct remuneration	169,763	229,163	-	-
Benefits	36,730	41,091	-	-
FGTS	16,030	19,246	-	-
Sales commissions	25,832	35,589	-	-
Directors’ fees	8,180	7,912	608	663
Taxes, duties and contributions	**111,199**	**160,838**	**1,055**	**3,687**
Federal	94,631	124,948	761	3,687
State	15,749	35,389	-	-
Municipal	819	501	294	-
Third-party capital remuneration	**26,355**	**16,041**	**47**	**258**
Interest	25,678	14,738	47	258
Rentals	679	1,303	-	-
Other	(2)	-	-	-
Remuneration of own capital	**(23,029)**	**97,990**	**(22,959)**	**97,983**
Retained earnings	(22,959)	97,983	(22,959)	97,983
Non-controlling interest	(70)	7	-	-

See the accompanying notes to the quarterly financial information.

Notes to the quarterly financial information

(In thousands of Reais - R$, unless otherwise stated)

1 Operations

Vulcabras Azaleia S.A. ("Company") is a publicly-held company headquartered in Jundiaí - State of São Paulo (SP), Brazil. The industrial operations are concentrated in the subsidiaries located in the Northeast, in the states of Ceará, Bahia and Sergipe. The Company has also investments in other companies, and is engaged in trading and production in the domestic and foreign markets of apparel and accessories products, particularly sportswear, male, female and professional footwear, through its direct and indirect subsidiaries:

- Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. which has the following subsidiaries:
- Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.;
- Vulcabras Distribuidora de Artigos Esportivos Ltda.;
- Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.;
- Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A. which has the following subsidiaries:
- Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.;
- Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda..;
- Calzados Azaléia Colômbia Ltda; and
- Calzados Azaléia Peru S.A.

The brands managed by the companies include:

- Own brands: Azaléia, Dijean, Olk, Olympikus, Opanka and Vulcabras.
- Third parties' brands: Under Armour

1.1 Relevant events during the period

1.1.1 Venda da Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.:

On March 31, 2020, the Company concluded the sale of the indirect subsidiary Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda. as provided for in the Quota Purchase and Sale Agreement and Other Covenants entered into January 7, 2020 between its subsidiaries Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A., Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A. and Dok Participações Societárias Ltda.

a. *Consideration received*

The sale price to be received in local currency for all quota transfers corresponded to the value of the entity's adjusted equity at the closing date.

The sale price was R$ 41,493, and it will be received as follows:

- R$ 26,140 in cash through the assignment of receivables rights from the SE operation;
- R$ 100 in cash;
- R$ 2,800 in eight installments up to June 2023;
- R$ 12,453 to be paid up to December 30, 2020.

b. *Assets transferred*

All assets and liabilities transferred on March 31, 2020, based on Management's best judgment and estimates are listed below:

In thousands of reais	**R$**
Cash (*)	4,222
Current assets (-)	44,012
Non-current assets	16,255
Current liabilities	(5,997)
Non-current liabilities	(14,643)
Equity	**43,849**

The losses incurred on the sale of Vulcabras Azaleia SE, in the amount of R$ 2,356, are disclosed in note 26.

(*) The amounts received from the transaction were presented net of the cash value of the subsidiary sold.

1.1.2 Impacts of Covid-19 (coronavirus)

The Company's Management has been monitoring developments related to the COVID-19 pandemic, thoroughly observing the guidelines of government authorities and measuring the possible impacts on its businesses. Even in the face of this crisis scenario, the Company does not foresee any going concern risk, nor any risk to the accounting estimates and judgments made.

The Company has been adopting several measures aimed at preserving the health of its employees, clients, suppliers and the community, and the following measures have been implemented in the lasts weeks:

(i) Establishment of a Crisis Committee for the management of action plans to minimize the impacts of COVID-19. Subsequently, with the resumption of activities and businesses, this work group started being called "Opportunities Committee";

(ii) Containment of personnel expenses: Initially, all productive activities were paralyzed, with the granting of collective vacations for the period from March 20 to April 26, 2020. Although partially, the operational resumption occurred as of April 27, 2020. The Company joined the Provisional Measure (PM) No. 936/2020, reducing the working hours and salaries of employees and suspending the contract with others, according to the provisions established by the PM itself. The Itapetinga-Bahia unit resumed its activities as of April 27, 2020, but continued with a reduction in working hours and wages of 70% up to June 25, 2020. At the Parobé-RS, Jundiaí-SP and São Paulo-SP units, the resumption occurred as of May 4, 2020, with a 25% reduction in hours and wages. In the Horizonte-Ceará unit, in compliance with State government decrees, production was only resumed as of June 1, 2020, also partially, and continued with a reduction in working hours and wages of 70% until June 25, 2020. As of June 26, 2020, the Bahia and Ceará units resumed their operations at full capacity.

(iii) Review of its investment plans for 2020;

(iv) Strengthening of the cash position through funding from bank credit facilities. In the period from March to September 2020, the Company raised R$ 280 million in loans and financing.

Also, the Company, based on CVM/SNC Circular Letters No. 02 and 03/2020, analyzed the main risks and uncertainties arising from Covid-19 regarding its quarterly information. We list the main analyzes performed below:

- Cash and equivalents: The Company does not estimate any relevant risks, as the amounts continue to be held in prime banks (see note 29), with immediate liquidity and in investments with fixed rates.

- Inventories: The Company’s accounting policy is to record and present its inventory at the lower value between the acquisition average cost and net realizable value. This analysis was carried out on the base date and the balance presented in Note 7.

  Aiming to better reflect the impacts of the COVID-19 pandemic on the Company’s results, the relative industrial costs of labor and indirect manufacturing costs were not appropriated to the products due to the stoppage or reduction in the workload at the plants, in the amount of R$ 36.4 million, being transferred to Other operating revenues (expenses), net (see note 26).

- Accounts receivable: The Company maintains an ongoing analysis of the changes in accounts receivable so that, if necessary, it complements the provision for expected loss. Considering the capillarity of sales distribution and the Company’s credit policy, there is no concentration of clients in sales or in the receivables portfolio. The Company’s policy of measurement of losses with clients is described in note 6c.

- The most relevant intangible assets, susceptible to the effects of the COVID-19 crisis, are as follows: the goodwill of two UA stores and the goodwill paid on the acquisition of equity interest. These two assets are constantly tested, either in comparison with the current realization values, in the case of the goodwill, or in the expectation of future profitability of the operations acquired, in the case of goodwill.

- A provision for impairment is already recognized for goodwill, thus adjusting it to fair value. Therefore, the Company does not believe that there is a need for a new adjustment in value.

For the goodwill paid on the acquisition of ownership interest, although the effects of COVID-19 may adversely affect the Company's future results, there is enough surplus cash to support the fluctuation. The last analysis of the recoverable amount of goodwill due to expected future results, held on June 30, 2020 due to the pandemic, obtained an estimated recoverable amount higher than its book value. On of September 30, 2020, no triggers of impairment were identified.

Regarding the amount recognized in the right-of-use in our assets, which is linked to the lease agreements for properties destined mainly to the retail stores of our brands, it is premature to anticipate any loss, as we intend to resume their operation as soon as we have the approval by the appropriate regulatory bodies.

The 3rd quarter of 2020 started with the easing of social isolation measures in all Brazilian States with the reopening, even if partially, of most brick-and-mortar retail. As of July, the Company resumed operating its plants at full available capacity, continuing this way throughout the subsequent months of the quarter.

We expect that the effects of this pandemic will still be felt for many months to come, but believe that the greatest impacts have been those occurring from April to June.

In the face of this situation, the Company is confident in its solidity, knowing that there are still many challenges ahead regarding consumption and the recovery of the macroeconomic scenario. Although it is still very difficult to predict what will happen, the Company is confident that the strength of its brands, coupled with the flexibility of its business model, will offer the competitive differential that will lead it to overcome this crisis quickly.

1.1.3 Mizuno Operation

On September 21, the Company announced that its subsidiaries Vulcabras Azaleia – CE, Calçados e Artigos Esportivos S.A. and Vulcabras Distribuidora de Artigos Esportivos Ltda. ("Subsidiaries"), entered into a Purchase and Sale Agreement with ALPARGATAS S.A., by which they undertake to take over the operations of the Mizuno brand in Brazil and to acquire certain assets, consisting mainly of inventory and property, plant and equipment, at the value of R$ 32,500,000.00, to be adjusted by the amount of working capital, which will be paid as follows: a) R$ 10,000,000.00 until the closing of the Transaction, and b) the remaining amount within 5 business days after the final price is determined.

As a condition to the closing of the operation described above, the Subsidiaries will enter into an exclusive Licensing, Distribution and Marketing agreement for products of the "Mizuno" brand ("Master Distributor and License Agreement") with Mizuno Kabushiki Kaisha (MIZUNO CORPORATION). Through this agreement, which will give rise to the payment of royalties to Mizuno Corporation, the Subsidiaries will be able to (i) develop and produce "Mizuno" brand products, including footwear, clothing and accessories, (ii) distribute "Mizuno" brand products in the national territory ", (iii) trade "Mizuno" brand products directly to the consumer, through its own stores and/or through the electronic sales channel (www.mizuno.com.br), for a period over 10 years.

1.1.4 *Azaleia brand licensing*

On September 24, 2020, the Company announced that the Company's Board of Directors approved, with the abstention of the members of the controlling group, the licensing of the "Azaleia" brand by the subsidiary Vulcabras Azaleia – RS, Calçados e Artigos Esportivos S.A. to Grendene S.A. (related party – "Grendene"), for the production and sale of women's shoes in general in Brazil and in any other country worldwide, except Peru, Chile and Colombia ("Territory"), for a period of 3 years, which can be renewed for further 3 years.

With the licensing of the "Azaleia" brand, Grendene will start using this brand in the products to be produced and marketed by it, including the creation of designs for them. There is no solidarity between the Company and Grendene regarding their respective activities and obligations towards any third parties.

The Company's remuneration for the license to use the brand will be paid by Grendene based on a percentage of the products' monthly net operating revenues, under fair conditions in accordance with the standards currently practiced by the market and by the Company with other licensors.

1.2 List of subsidiaries

The consolidated quarterly financial information includes the information of the Company and the following direct and indirect subsidiaries, with the following percentage interest on the balance sheet date:

	% Direct interest		**% Indirect interest**		**% Total interest**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	99.99	99.99	-	-	99.99	99.99
Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.	-	-	100.00	100.00	100.00	100.00
Vulcabras Distribuidora de Artigos Esportivos Ltda.	0.22	0.23	99.78	99.77	100.00	100.00
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	-	-	100.00	100.00	100.00	100.00
Globalcyr S.A.	1.55	1.55	98.45	98.45	100.00	100.00
Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.	-	-	100.00	100.00	100.00	100.00
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	-	-	99.99	99.99	99.99	99.99
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	-	-	-	100.00	-	100.00
Calzados Azaleia de Colômbia Ltda.	-	-	100.00	100.00	100.00	100.00
Calzados Azaleia Peru S.A.	-	-	99.11	99.11	99.11	99.11

The accounting policies have been consistently applied in all the consolidated companies and are consistent with those used in the previous year.

In March 2020, the sale of the subsidiary Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda. was completed, as commented in note 1.1.

a. Main characteristics of subsidiaries included in consolidation

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. is the company responsible for the manufacture and development of sports shoes. It started its activities with headquarters in the city of Horizonte, State of Ceará, engaged in the production, sale, import and export in general of shoes and sport gear.

Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.
Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda. is engaged in the trading and distribution of footwear, sports apparel and accessories. The Company started its operations on July 25, 2013, headquartered in the city of Jundiaí, State of São Paulo, under the corporate name of UA BRASIL COMÉRCIO E DISTRIBUIÇÃO DE ARTIGOS ESPORTIVOS LTDA., as an affiliated company of Under Armour, Inc. It was acquired by Vulcabras Azaleia CE on October 1, 2018.

Vulcabras Distribuidora de Artigos Esportivos Ltda.
Vulcabras Distribuidora de Artigos Esportivos Ltda. is responsible for the sale and distribution of sports shoes and apparel. It started its activities on June 14, 2006 headquartered in the city of Horizonte, State of Ceará.

Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda., was established on September 1, 2010, headquartered in the city of Itapetinga, State of Bahia. It is engaged in sale and distribution of sports shoes and apparel and boots for professional use. It started its activities in the third quarter of 2011.

Globalcyr S.A.
Globalcyr S.A. started-up its operations headquartered in the city of Montevideo, in Uruguay, and has as corporate purpose the trade and distribution of footwear. Its operations are currently shutdown.

Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.
Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A. is a Brazilian shoes manufacturer, located in the city of Parobé, State of Rio Grande do Sul, mainly engaged in the manufacture, sale, import and export of shoes, apparel and accessories, items of leather, leather-related, plastic or similar materials, and the manufacture of components for its own use or sale to third parties.

Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A is a Brazilian shoes manufacturer, mainly engaged in the manufacture, sale, import and export of sports shoes, women's shoes and boots for professional use. Established on August 3, 1995, headquartered in the city of Itapetinga, State of Bahia.

Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda. is a Brazilian shoes manufacturer, mainly engaged in the manufacture, sale, import and export of women's shoes. Established on October 8, 1992, initially in the city of Novo Hamburgo, State of Rio Grande do Sul, started to operate in the city of Frei Paulo, State of Sergipe, on February 6, 2003.

Calzados Azaleia Peru S.A.
Calzados Azaleia Peru S.A. is responsible for the import and sale of shoes and sport gear and women's shoes in the Peruvian market. Acquired at the end of 1998, start-up date of imports and sales under the Company's brands was in 1999.

Calzados Azaleia de Colômbia Ltda.
Calzados Azaleia de Colômbia Ltda. is responsible for the import and sale of shoes and sport gear and women's shoes in the Colombian market. Started in that country in 1999 as an office, and begun to import and sell under the Vulcabras Azaleia S.A. brands in 2000.

2 Preparation basis and presentation of quarterly financial information

2.1 Statement of compliance (in relation to IFRS standards and CPC standards)

The individual and consolidated quarterly financial information was prepared according to CPC 21(R1) and according to the International Standards (IAS 34) approved by the Brazilian Securities Commission - CVM, and covers all the relevant information pertaining to the financial information, and only them, consistent with those used by the Company's Management in the management process.

The authorization for the conclusion of such quarterly financial information was given by the Board of Directors on November 09, 2020.

2.2 Use of estimates and judgments

The preparation of this quarterly financial information, Management used judgments, estimates and assumptions that affect the application of policies of the Company, and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a continuous basis. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

a. Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the quarterly financial information are included in the following notes:

- **Note 19 -** lease term: if the Company and its subsidiaries are reasonably certain of exercising extension options;

b. ***Uncertainties*** on assumptions and estimates

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment in balances for the next year are included in the following notes:

- **Note 6 –** Accounts receivable: measurement of estimated credit loss for accounts receivable and contract assets: main assumptions in determining the weighted average loss rate;
- **Note 7** – Inventories: recognition of losses in inventories without movement.
- **Note 16 -** Impairment test of intangible assets and goodwill: main assumptions regarding recoverable values.
- **Note 20** – Provisions: recognition and measurement of provisions and contingencies: main assumptions about the likelihood and magnitude of the outflows of funds;

3 Significant accounting policies

The practices, policies and main accounting judgments adopted in the preparation of the individual and consolidated interim financial information are consistent with those adopted and disclosed under the Notes to the financial statements for the year ended December 31, 2019, which were disclosed as of March 02, 2020 and should be read jointly.

This individual and consolidated quarterly financial information is being presented in Reais, functional currency of the Company. All quarterly financial information presented in reais (R$) has been rounded to the nearest value, except otherwise indicated.

The Company prepared individual statements of added value in compliance with CPC 09, which are presented as part of quarterly financial information under BRGAAP applicable to publicly-held companies. The consolidated statement of added value is not required under international accounting standards issued by the IASB and is being presented as supplementary information.

3.1 New standards and interpretations not yet effective

The following changed standards and interpretations should not have a significant impact on the Individual and consolidated quarterly financial information:

- Changes in the references to the conceptual framework in IFRS standards.
- Definition of business (amendments to CPC 15/IFRS 3).
- Definition of materiality (amendments to CPC 26/IAS 1 and CPC 23/IAS 8).
- IFRS 17 - Insurance Contracts.

4 Cash and cash equivalents

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Current account	596	606	4	3
Post-fixed CDB (Invest Fácil)	1,919	8,334	38	73
Floating-rate CDB (*)	170,229	43,941	19,358	3,530
Debentures	-	4,000	-	-
Cash and cash equivalents abroad	5,467	5,283	-	-
	178,211	**62,164**	**19,400**	**3,606**

(*) The change was due to the cash increase, mainly due to the release of new loans.

Balance of checking account is represented by bank deposits without interest accrual.

Interest earning bank deposits classified as cash equivalents consist of short-term investments, with daily liquidity, which can be redeemed at any time regardless of maturity, without forfeiting the yield.

Interest earning bank deposits accruing interest on the bank account balance (Invest Fácil) are made automatically according to the availability of bank balance and the redemptions occur according to the immediate cash requirements of the Company and its subsidiaries. Profitability is from 10% to 40% of the CDI - Interbank Deposit Certificate as of September 30, 2020 and December 31, 2019.

Floating-rate CDBs (Bank Deposit Certificate) are remunerated 97.0–105.75% of CDI as of September 30, 2020 (97.5–98.75% of CDI as of December 31, 2019). See Note 29 on credit risk exposure.

5 Interest earning bank deposits

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Interest earning bank deposits - Domestic:				
Floating-rate CDB (*)	99,820	-	15,000	-
Investment Funds	4,293	2,529	2	2
Share investment funds	327	294	-	-
	104,440	**2,823**	**15,002**	**2**
Current	95,003	-	15,000	-
Non-current	9,437	2,823	2	2

(*) In the period ended September 30, 2020, the Company made some investments in Bank Deposit Certificates (CDBs) with a grace period for redemption in 2020 (Nil on December 31, 2019).

Bank Deposit Certificates with float rates have a redemption grace period of 45 to 90 days and, after the end of such grace period, liquidity occurs daily and they can be redeemed at any time. These investments are remunerated at 100.00% to 101.25% of the Interbank Deposit Certificate (CDI) rate as of September 30, 2020 and do not meet the criteria for immediate convertibility provided for in CPC 03, having their redemption after a grace period in order to earn income.

Investments in fixed income investment funds are remunerated from 110% to 151% of CDI as of September 30, 2020 (from 112% to 132% of CDI as of December 31, 2019), no liquidity, since they are pegged to guarantees of financing contracts (BNB).

Equity investment funds are available for sale and valued at fair value through other comprehensive income. They were valued according to B3’s quotation, on the balance sheet date.

6 Trade accounts receivable

a. Breakdown of balances

	Consolidated	
	09/30/2020	**12/31/2019**
Accounts receivable		
Domestic:		
Clients	475,890	467,082
Foreign:		
Clients	39,948	23,373
Subtotal trade accounts receivable	515,838	490,455
Impairment losses	(52,827)	(42,078)
Total trade accounts receivable, net	463,011	448,377

b. Per maturity

	Consolidated	
	09/30/2020	**12/31/2019**
Falling due (days):		
1–30	84,987	138,451
31–60	102,387	130,738
61–90	109,203	80,169
>90	168,707	93,308
	465,284	442,666
Overdue (days):		
1–30	3,858	8,939
31–60	668	1,412
61–90	2,621	336
>90	43,407	37,102
	50,554	47,789
	515,838	490,455

The exposure of the Company and its subsidiaries to credit risk is influenced, mainly, by the individual characteristics of each client. However, management also considers the factors that may influence the credit risk of its client base, including the risk of non-payment of the industry, sales and of the country in which the client operates.

Details on gross sales in the foreign and domestic market, by geography, are disclosed in note 22. The Management understands that the amount that better represents its maximum exposure to credit risk for the year ended September 30, 2020 is R$ 52,827 (R$ 42,078 as of December 31, 2019), which represents the criteria mentioned in item (c).

c. Measurement criteria of losses with clients (impairment)

The analysis of the credit granting to the customers is made when he/she is registered in the system of the Company and its subsidiaries, for which there is a requirement related to all necessary documentation, including financial statements and commercial references. The credit limit is revalued at each posting of new orders, due to the seasonality of the financial market.

In addition to the individual analysis of each client in default, the Company and its subsidiaries use a matrix of provision to calculate the expected loss on accounts receivable. The provision rates applied are based on arrears for groupings of segments of clients with similar loss patterns, such as, for example, by geographic region, line of product or type of client, credit risk, among other.

The provision matrix is initially based on the historical loss rates observed by the Company and its subsidiaries. The Company and its subsidiaries review the matrix on a forward-looking basis in order to adjust it according to historical loss experience. For example, if there is expectation of deterioration of economic conditions for the following year, which could cause increase of default, the expected loss rates are adjusted, when deemed necessary. In every accounting closing date, the loss rates are updated and the need of changes in the prospective estimates is assessed.

The criteria used to form impairment losses is the same for the portfolio of domestic and foreign clients.

The Company and its subsidiaries make an individual analysis of each client in accordance with the court-ordered reorganization plan (RJ). For clients in Rio de Janeiro with a financial restructuring profile, the policy used is 40% and, for those who do not have the same profile, 100%.

d. Changes in provision for impairment

Changes in provision for impairment losses in the period ended September 30, 2020 and December 31, 2019 are shown below:

	Consolidated	
	09/30/2020	**12/31/2019**
Opening balance	(42,078)	(33,143)
Supplement of provision	(21,338)	(14,351)
Recovery of provisions	10,589	5,416
Closing balance	(52,827)	(42,078)

Considering the capillarity of sales distribution and the Company's credit policy, the concentration of clients in sales or in the receivables portfolio is lower than 10%. Thus, at the end of the period as of September 30, 2020, there was no significant change in the participation or concentration in the main clients due to the effects of the pandemic (see Note 1.1.2).

In accordance with the CVM Resolution 564, of December 17, 2008, which approved CPC 12, the Company and its subsidiaries considered that the effects of the present value adjustment of its current and non-current assets are immaterial. The average collection term is 91 days as of September 30, 2020 (75 days as of December 31, 2019).

The exposure of the Company and its subsidiaries to credit and currency risks and impairment losses related to trade accounts receivable and other accounts are disclosed in Note 29.

7 Inventories

	Consolidated	
	09/30/2020	**12/31/2019**
Finished goods	45,490	63,490
Good for resale (*)	106,792	61,270
Work in process	26,336	25,341
Raw materials	62,616	56,769
Packaging and storeroom materials	19,607	23,512
Goods in transit	36,383	9,124
Imports in transit	639	1,732
	297,863	241,238

(*) The increase was due to the Company's strategy to meet the demand for the 4th quarter of 2020.

a. Measurement criteria of provision (impairment)

The Company's subsidiaries, based on a historical analysis and estimate of losses, form a provision for losses in the realization of inventories. An allowance was set up for 100% of the raw materials and work in progress inventories without movement for over 180 days. All items of the finished products and goods for resale inventory were valued and an allowance was set up for potential losses due to the perspectives of sale of each of them, with an allowance for all the items that presented negative contribution margin.

As of September 30, 2020, the provision for losses for finished products and resales is R$ 23,513 (R$ 15,271 as of December 31, 2019), the provision for losses on raw materials is R$ 20,465 (R$ 16,597 at December 31, 2019) and the provision for losses for work in process is R$ 4,667 (R$ 8,367 as of December 31, 2019).

The amount of raw material, labor, and indirect manufacturing costs used in the breakdown of costs of products sold is R$ 399,982 as of September 30, 2020 (R$ 536,375 as of September 30, 2019).

b. Changes in provision (impairment)

Changes in provision for losses in the realization of inventory for the period ended September 30, 2020 and year ended December 31, 2019 are shown below:

	Consolidated	
	09/30/2020	**12/31/2019**
Opening balance	(40,235)	(52,139)
Additions of the year	(28,739)	(14,215)
Reversal of provision (*)	20,329	26,119
Closing balance	**(48,645)**	**(40,235)**

(*) We wrote-off R$ 8,461 due to the sale of indirect subsidiary Vulcabras Azaleia SE as of March 31, 2020.

8 Recoverable taxes

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
ICMS	7,940	4,878	20	20
IPI	576	1,103	-	-
PIS/COFINS (*)	11,564	12,522	-	76
FINSOCIAL	2,358	2,349	1,803	1,794
Reintegra	447	550	-	-
Tax credits in other countries (**)	1,684	-	-	-
Other	2,321	1,065	542	535
	26,890	**22,467**	**2,365**	**2,425**
Current	19,936	14,723	562	631
Non-current	6,954	7,744	1,803	1,794

(*) In the period ended September 30, 2020, the subsidiary Vulcabras Distribuidora recorded extemporaneous credit of R$ 3,359 for the obtained proof of claim from the Brazilian Federal Revenue Service regarding the recovery of Pis/Cofins based on the thesis of exclusion of ICMS, which was definitely judged. In the nine-month period, it was recognized the amount of R$ 3,397, where R$ 1,805 of principal, was recognized under “Other Operating Revenues”, and, R$ 1,592 related to financial update, was recognized as “Financial Revenue”. The value recognized refers to the calculation of the “uncontroversial” value.

(**) Refers to recoverable taxes from subsidiary Azaleia Peru.

9 Income tax and social contribution

a. Income tax prepayment

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Income tax prepayment	4,698	4,580	369	353
	4,698	**4,580**	**369**	**353**

b. Deferred income tax and social contribution

	Consolidated	
	09/30/2020	**12/31/2019**
Temporary differences in the period/year		
Revaluation of property, plant and equipment	(2,514)	(2,850)
Deferred income tax - foreign subsidiary	462	330
Deferred income tax and social contribution on temporary differences	**(2,052)**	**(2,520)**
Total deferred income tax and social contribution in assets	462	330
Total deferred income and social contribution tax liabilities	(2,514)	(2,850)

Deferred and current income tax and social contribution in the consolidated income (loss). As shown below: the rates used for determining the tax were 34% in the domestic market and 3% of assumption in the foreign market:

	Consolidated	
	09/30/2020	**09/30/2019**
Current income tax and social contribution	(2,810)	(3,168)
	(2,810)	(3,168)

c. Tax loss carryforwards

The Company and its subsidiaries Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A., Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A. e Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda. and Vulcabras Distribuidora de Artigos Esportivos Ltda., have significant tax incentives that considerably reduce their capacity to offset any deferred income tax credits. Management is constantly monitoring the renewal of tax incentives. The Company and its subsidiaries do not record the deferred income tax and social contribution on tax losses. As of September 30, 2020 and December 31, 2019, the parent company and its subsidiaries had tax losses to be utilized for offset, related to the following base amounts:

	09/30/2020							
	Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A	**Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.**	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.**	**Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.**	**Vulcabras Azaleia S.A.**	**Total**
Tax losses calculated on September 30, 2020	373,396	623,780	81,122	223,121	313,866	32,967	141,669	1,789,921
Negative basis of social contribution on September 30, 2020	1,165,299	635,802	81,122	255,908	313,866	32,967	143,784	2,628,748

	12/31/2019								
	Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A	**Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.**	**Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.**	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.**	**Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.**	**Vulcabras Azaleia S.A.**	**Total**
Tax losses calculated on December 31, 2019	354,753	623,268	125,131	85,021	223,055	288,912	28,646	141,067	1,869,853
Negative basis of social contribution on December 31, 2019	1,123,312	635,291	125,228	85,021	255,842	288,912	28,646	143,182	2,685,433

Compensation of income tax losses and negative basis of social contribution tax may be offset against a maximum of 30% of annual taxable income earned from 1995 onwards, with no statutory limitation period.

d. Reconciliation of effective tax rate

	Consolidated	
	IRPJ / CSLL	
	09/30/2020	**09/30/2019**
Income (loss) before income tax and social contribution	(20,219)	101,158
Investee’s income before income tax and social contribution	28,906	-
Income tax and social contribution at a rate of 34%	(6,874)	(34,394)
Income tax and social contribution at a rate of 34% (deferred is not formed)	(16,702)	-
Income tax and social contribution at a rate of 34% (investee)	9,828	-
Non-deductible expenses	(1,248)	(1,333)
Reintegra	17	13
Tax incentives - State (*)	25,527	31,069
Incentive to technological innovation	-	1,856
Exchange-rate effects	2,137	332
Export revenue	1,854	-
Compensation of tax loss and negative basis	1,216	-
Equity	(12,094)	-
Other additions	(11,577)	-
Foreign subsidiaries	-	435
Other	(1,768)	(1,146)
Expense with income tax and social contribution	(2,810)	(3,168)
Effective rate (**)	9.72%	3.13%

(*) See description of tax benefits in Note 31.

(**) Effective rate on income before investee’s income tax and social contribution

10 Judicial deposits

The Company and its subsidiaries have judicial deposits related to civil, labor and tax lawsuits (Note 20), as shown below:

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Judicial deposits				
Civil	495	476	20	19
Labor	15,160	17,476	402	401
Tax	-	-	121	119
Total	**15,655**	**17,952**	**543**	**539**

a. Labor

Labor lawsuits refer mainly to requests related to overtime, salary equivalence, health hazard premium, hazardous duty premium, moral damages and occupational illness.

Labor judicial deposits refer mostly to amounts deposited in connection with lawsuits and are related to extraordinary appeals, motions to review, security deposits and online pledges of part of amounts contained in ongoing labor lawsuits.

b. Civil

Civil lawsuits are mostly related to requests for indemnity in general for property damages and pain and suffering, and also requests related to alleged manufacturing defects. Civil judicial deposits are related to these lawsuits, made to guarantee the discussion of the amounts claimed.

c. Tax

The tax judicial deposits refer to the lawsuits in which the Company and its subsidiaries are defendants, mainly involving the following taxes: IRPJ, COFINS, PIS, ICMS.

11 Related party transactions

The main balances of assets and liabilities as of September 30, 2020 and December 31, 2019, as well as the transactions that influenced income (loss) for the period, relating to operations with related parties, result from transactions of the Company with its subsidiaries in Colombia, Brazil and Peru, besides loans with subsidiaries.

Loan agreements are restated at the DI-CETIP rate.

a. Parent company and final parent company

The Company's parent company is Gianpega Negócios e Participações S.A. The ultimate parent company is Mr. Pedro Grendene Bartelle.

b. Transactions with parent company

The transactions between the parent company and its subsidiaries, which are eliminated for consolidation purposes, were carried out under conditions and terms agreed between the parties, as follows:

	Vulcabras Azaleia CE	Vulcabras Distribuidora	Vulcabras Azaleia BA	09/30/2020	09/30/2019
Assets					
Loans - subsidiaries	-	120,036	-	120,036	-
Liabilities					
Loans - subsidiaries	120,036	-	30,009	150,045	-
Income (loss)					
Financial income (loss)	(36)	36	(9)	(9)	(252)

c. Transactions between subsidiaries

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. and subsidiaries

The subsidiary Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. carries out transactions with its subsidiaries involving purchase and sale transactions and loans to cover temporary cash requirements, which are subject to charges related to changes in the CDI rate, and are comprised as follows:

	Vulcabras Azaleia RS	Calzados Azaleia Colombia	Calzados Azaleia Peru.	Vulcabras Azaleia SP.	Vulcabras Distribuidora	Vulcabras Azaleia BA	Vulcabras Azaleia SE	Distribuidora Cruzeiro do Sul	09/30/2020	12/31/2019
Assets										
Accounts receivable	-	3,143	900	38,975	-	24	-	-	43,042	8,894
Other receivables	-	-	-	126	245	3,172	-	19	3,562	5,724
Liabilities										
Accounts payable	4	-	-	-	-	19	-	-	23	2,776
Other debits	4	-	-	-	-	2,444	-	-	2,448	20,729
Loans payable	27,508	-	-	-	-	-	-	-	27,508	-
Income (loss)									**09/30/2020**	**09/30/2019**
Financial income (loss)	(8)	-	-	-	-	-	-	-	(8)	306
Intercompany sale	-	1,244	2,477	35,624	-	8,091	81	206	47,723	39,311
Intercompany purchase	-	-	-	-	(774)	(4,762)	(26)	-	(5,562)	(7,684)

Related party balances are eliminated for the purpose of consolidated presentation. The main type of the transactions is the purchase and sale of shoes and apparel.

d. Management remuneration

At the Ordinary General Meeting held on July 24, 2020, the Company established the annual overall remuneration of the Directors at up to R$ 12,788. In the period ended September 30, 2020, the Company paid Directors’ fees totaling R$ 8,180 (R$ 7,912 as of September 30, 2019).

The Company’s directors have no loans, advances or other transactions than their normal services with the Company and its subsidiaries.

As of September 30, 2020 and December 31, 2019, the Company and its subsidiaries did not pay the key management personnel in relation to the categories: a) Long-term benefits; b) Benefits on termination of employment contract; and c) share-based payment

e. Other related party transactions

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. through its indirect subsidiary Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A. has loan payable to Brisa Indústria de Tecidos Tecnológicos S.A. in the amount of R$ 17,453 as of September 30, 2020 (R$ 16,930 as of December 31, 2019), remunerated at 4% p.a. (4% p.a. and TJLP + 2% p.a. as of December 31, 2019).

12 Investments

a. Breakdown of the balance

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,061,879	1,076,742
In associated companies	59,913	62,046	-	-
Total	**59,913**	**62,046**	**1,061,879**	**1,076,742**

The subsidiary Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A. holds an interest of 50% as of September 30, 2020 (50% as of December 31, 2019) in the associated company PARS Participações Ltda., which holds 100% as of September 30, 2020 (100% as of December 31, 2019) of Brisa Indústria de Tecidos Tecnológicos S.A. Considering that the Company only has significant influence, this investment is not consolidated in the quarterly financial information under the terms of CPC 36 (R3) / IFRS 10 - Consolidated Statements.

b. Changes in investments

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Opening balances	62,046	61,754	1,076,742	939,300
Equity in net income of subsidiaries	(2,133)	292	(21,876)	135,389
Exchange differences from translation of foreign operations	-	-	6,941	2,017
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	53	2
Write-off of investment	-	-	-	8
Increase in investee’s interest	-	-	19	26
Closing balances	59,913	62,046	1,061,879	1,076,742

c. Information on direct interest - Parent company

	Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.		Vulcabras Distribuidora de Artigos Esportivos Ltda.		Vulcabras Azaleia Administracíon S.A.		Globalcyr S.A.		Total	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**	**09/30/2020**	**12/31/2019**	**09/30/2020**	**12/31/2019**	**09/30/2020**	**12/31/2019**
Total assets	1,486,031	1,248,255	208,145	51,941	-	-	2	1	-	-
Total liabilities	424,074	171,451	180,282	35,269	-	-	8,688	6,150	-	-
Capital	1,363,676	1,363,676	96,045	86,045	-	-	1,056	1,056	-	-
Net revenue	430,688	790,850	66,825	71,406	-	-	-	-	-	-
Income (loss) for the year	(21,877)	135,431	1,190	(15,995)	-	(86)	(74)	(76)	-	-
Number of shares/quotas held (per thousand shares/quotas)	537,467	537,467	200	200	-	-	10	10	-	-
Equity	1,061,957	1,076,804	27,863	16,672	-	-	(8,686)	(6,148)	-	-
Interest in capital at the end of the year - %	99.99%	99.99%	0.22%	0.23%	-	3.96%	1.54%	1.54%	-	-
Permanent ownership interest in subsidiaries	1,061,952	1,076,798	61	39	-	-	-	-	1,062,013	1,076,837
Provision for liabilities for loss on investment	-	-	-	-	-	-	(134)	(95)	(134)	(95)
Equity in net income of subsidiaries	(21,878)	135,430	3	(37)	-	(3)	(1)	(1)	(21,876)	135,389

d. Information on indirect interest

As of September 30, 2020 and December 31, 2019, the Company has indirect interest in companies listed below by means of its subsidiaries Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. e Vulcabras Azaleia RS, Calçados and Artigos Esportivos S.A:

(i) Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.

09/30/2020	Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.	Globalcyr S.A.
Total assets	425,519	208,145	116,913	2
Total liabilities	50,615	180,282	75,805	8,688
Capital	507,095	96,045	402,984	1,056
Equity	374,904	27,863	41,108	(8,686)
Net revenue	924	66,825	48,753	-
Income (loss) for the period	3,632	1,190	(20,596)	(74)
Equity interest	100.00%	99.78%	100.00%	98.45%

12/31/2019	Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.	Globalcyr S.A.
Total assets	399,239	51,941	92,416	1
Total liabilities	40,634	35,269	30,712	6,150
Capital	503,549	86,045	402,984	1,056
Equity	358,605	16,672	61,704	(6,148)
Net revenue	1,755	71,406	77,672	-
Income (loss) for the year	49,790	(15,995)	12,529	(76)
Equity interest	100.00%	99.73%	100.00%	98.45%

(ii) Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.

09/30/2020	Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia de Colômbia Ltda.	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	438,441	14,696	15,124	53,538	119,269
Total liabilities	122,468	23,331	23,327	20,248	1
Capital	459,929	26,207	841	1,072	36,116
Equity	315,973	(8,635)	(8,203)	33,290	119,268
Net revenue	233,189	13,230	7,173	22,998	-
Income (loss) for the period	18,549	(4,545)	(4,570)	(7,942)	(4,266)
Interest in capital	100.00%	100.00%	100.00%	99.11%	50.00%

12/31/2019	Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia de Colômbia Ltda.	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	365,189	78,790	14,080	13,471	43,396	123,535
Total liabilities	67,788	37,661	18,169	16,017	11,903	1
Capital	459,929	92,404	26,207	841	1,072	36,116
Equity	297,401	41,129	(4,090)	(2,547)	31,492	123,534
Net revenue	369,507	79,038	21,562	18,033	63,406	-
Income (loss) for the year	39,555	12,538	(4,546)	(2,039)	1,546	583
Interest in capital	100.00%	100.00%	100.00%	100.00%	99.11%	50.00%

(*) Indirect interest.

13 Investment property

a. Breakdown of account

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Buildings	10,624	10,624	10,574	10,574
Depreciation (*)	(8,404)	(8,094)	(8,360)	(8,052)
Overall total	2,220	2,530	2,214	2,522

(*) Depreciation is calculated under the straight-line method at an average annual rate of 4% (4% as of December 31, 2019), charged to administrative expenses.

b. Changes in depreciation

	Consolidated		
	Balance at 12/31/2019	**Additions**	**Balance at 09/30/2020**
Buildings	(8,094)	(310)	(8,404)
Total	(8,094)	(310)	(8,404)

The Company has a property primarily used for rental in Jundiaí - São Paulo, occupying 40,994.00 m² of built-up and common area, with the respective plot of land occupying 111,547.06 m² classified as investment property. The real estate property is evaluated at the cost method and at fair value as evaluation of specialized companies which is R$ 67,400 as of September 30, 2020 (R$ 67,400 as of December 31, 2019).

In the year ended September 30, 2020 the real estate earned revenue from rental in the amount of R$ 3,744 (R$ 3,543 as of September 30, 2019) - Note 26, recorded in other operating revenues, net - Revenue from rental. Clauses four, seven and eight of the rental agreement stipulate obligations to maintain and repair the real estate’s structure by the Company, where this amount is prorated proportionally to the rented area. The tenants are responsible for the costs deriving from maintenance and wear and tear. The Company did not make structural changes in the property in the period ended September 30, 2020.

The fair value measurement of the investment properties was classified as Level 3 based on the adopted inputs.

14 Property, plant and equipment

a. Breakdown of account

September 30, 2020		Consolidated					
		09/30/2020			12/31/2019		
	Average rate of depreciation % p.a	Cost	Depreciation	Net	Cost	Depreciation	Net
Buildings	2– 4	130,248	(86,757)	43,491	127,881	(83,552)	44,329
Machinery and equipment	10	357,923	(267,707)	90,216	362,297	(276,247)	86,050
Molds	100	258,546	(247,117)	11,429	272,492	(249,011)	23,481
Furniture and fixtures	10–20	31,734	(23,464)	8,270	32,099	(23,541)	8,558
Vehicles	20	2,319	(2,038)	281	2,258	(1,918)	340
IT equipment	20–25	28,252	(22,570)	5,682	27,810	(22,058)	5,752
Land	-	3,486	-	3,486	3,490	-	3,490
Works in progress	-	724	-	724	-	-	-
Facilities	10	122,225	(60,217)	62,008	112,686	(54,327)	58,359
Leasehold improvements	10–20	89	(89)	-	89	(89)	-
Imports in transit	-	1,666	-	1,666	2,279	-	2,279
Leasehold Improvements	20	1,444	(591)	853	3,537	(2,459)	1,078
Other	10–20	3,430	(1,674)	1,756	2,463	(1,059)	1,404
		942,086	**(712,224)**	**229,862**	**949,381**	**(714,261)**	**235,120**

b. Changes in cost

September 30, 2020	Consolidated										
	12/31/2018	12/31/2019					09/30/2020				
	Opening balance	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**	**Additions (*)**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**
Buildings	126,647	1,078	-	-	156	127,881	-	-	-	2,367	130,248
Machinery and equipment	343,117	12,878	(12,982)	19,284	-	362,297	5,001	(26,515)	17,140	-	357,923
Molds	234,741	43,142	(7,906)	2,515	-	272,492	15,875	(30,362)	541	-	258,546
Furniture and fixtures	29,357	2,839	(183)	-	86	32,099	802	(2,066)	(1)	900	31,734
Vehicles	2,198	101	(54)	-	13	2,258	29	(105)	-	137	2,319
IT equipment	26,040	1,823	(169)	-	116	27,810	819	(1,735)	-	1,358	28,252
Land	3,490	-	-	-	-	3,490	-	(5)	1	-	3,486
Molds in progress	318	4,148	(1,994)	(2,472)	-	-	740	(199)	(541)	-	-
Works in progress	208	752	(986)	-	26	-	641	-	-	83	724
Facilities	86,915	26,085	(314)	-	-	112,686	13,345	(3,806)	-	-	122,225
Leasehold improvements	89	-	-	-	-	89	-	-	-	-	89
Imports in transit	2,076	22,356	(2,826)	(19,327)	-	2,279	20,247	(3,721)	(17,139)	-	1,666
Leasehold improvements	3,212	325	-	-	-	3,537	-	(2,092)	(1)	-	1,444
Other	2,374	431	(408)	-	66	2,463	-	-	-	967	3,430
	860,782	**115,958**	**(27,822)**	**-**	**463**	**949,381**	**57,499**	**(70,606)**	**-**	**5,812**	**942,086**

(*) The amount of R$ 1,138 regarding additions not settled with suppliers did not have a cash effect for the period September 30, 2020.

c. Changes in depreciation

September 30, 2020	**Consolidated**										
	12/31/2018	**12/31/2019**					**09/30/2020**				
	Opening balance	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**
Buildings	(80,015)	(3,491)	-	-	(46)	(83,552)	(2,667)	-	-	(538)	(86,757)
Machinery and equipment	(274,329)	(13,422)	11,503	-	1	(276,247)	(10,710)	19,250	-	-	(267,707)
Molds	(216,358)	(38,256)	5,603	-	-	(249,011)	(26,426)	28,320	-	-	(247,117)
Furniture and fixtures	(22,159)	(1,416)	78	-	(44)	(23,541)	(1,085)	1,670	-	(508)	(23,464)
Vehicles	(1,805)	(158)	54	-	(9)	(1,918)	(117)	105	-	(108)	(2,038)
IT equipment	(20,593)	(1,541)	145	-	(69)	(22,058)	(1,296)	1,553	-	(769)	(22,570)
Facilities	(47,227)	(7,101)	1	-	-	(54,327)	(7,087)	1,197	-	-	(60,217)
Leasehold improvements	(89)	-	-	-	-	(89)	-	-	-	-	(89)
Leasehold improvements	(2,181)	(278)	-	-	-	(2,459)	(219)	2,087	-	-	(591)
Other	(1,023)	(186)	182	-	(32)	(1,059)	(187)	-	-	(428)	(1,674)
	(665,779)	**(65,849)**	**17,566**	**-**	**(199)**	**(714,261)**	**(49,794)**	**54,182**	**-**	**(2,351)**	**(712,224)**

Interest on loans and financings was not capitalized in the cost of construction in progress since the main contracts are related to acquisitions of machinery and equipment immediately placed in service.

Every year, the Company and its subsidiaries review the useful life of fixed asset items. The Company and its subsidiaries have a policy of maintaining the main fixed assets items until the end of their useful lives.

15 Intangible assets

a. Breakdown of account

		Consolidated		Parent company	
Defined useful life	**Useful life**	**09/30/2020**	**12/31/2019**	**09/30/2020**	**12/31/2019**
Software	5 years	38,368	36,413	785	-
Assignment of right	Contractual period	571	391	-	-
Goodwill	Contractual period	10,976	10,976	-	-
Accumulated amortization - Software	5 years	(31,821)	(30,421)	(785)	-
Accumulated amortization - Assignment of right	Contractual period	(410)	(280)	-	-
Provision for impairment (*)		(4,047)	(4,047)	-	-
Total		13,637	13,032	-	-
Undefined useful life					
Trademarks and patents		2,194	2,194	111	111
Goodwill (15d)		198,214	198,214	-	-
Total		200,408	200,408	111	111
Overall total		214,045	213,440	111	111

The amortization of intangible assets is recorded as a counterparty to (loss) in the group of cost of sales (industrial software) and selling expenses (assignment of rights).

(*) The provision for impairment refers to impairment of goodwill in stores of the subsidiary Vulcabras Azaleia SP.

b. Changes in cost

September 30, 2020				Consolidated			
	Useful life	**Amortization methods**	**Balance at 12/31/2019**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 09/30/2020**
Defined useful life							
Software	5 years	Straight-line	36,413	1,799	(264)	420	38,368
Assignment of right	Contractual period	Straight-line	391	42	-	138	571
Goodwill	Contractual period	Straight-line	10,976	-	-	-	10,976
Impairment of goodwill	Contractual period	Straight-line	(4,047)	-	-	-	(4,047)
Undefined useful life							
Trademarks and patents			2,194	-	-	-	2,194
Goodwill			198,214	-	-	-	198,214
Total			244,141	1,841	(264)	558	246,276

c. Changes in amortization

September 30, 2020				Consolidated			
	Useful life	**Amortization methods**	**Balance at 12/31/2019**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 09/30/2020**
Defined useful life							
Software	5 years	Straight-line	(30,421)	(1,334)	130	(196)	(31,821)
Assignment of right	Contract Term	Straight-line	(280)	(38)	-	(92)	(410)
Total			(30,701)	(1,372)	130	(288)	(32,231)

d. Goodwill in business combination

The balances of goodwill determined in the acquisitions of ownership interest in subsidiary Vulcabras Azaleia CE, are supported by reports issued by independent experts and are based on the expectation of future profitability of the acquired operations; in 2009, goodwill balances ceased to be amortized since these are assets with indefinite useful lives, as established by CVM Resolution 553/08 and CPC 01 (R1), and are annually tested for impairment, as described in Note 16.

e. Research and development

In the period ended September 30, 2020, the Company recorded in income (loss), under the “cost of products sold” caption, the amount of R$ 20,172 (R$ 31,331 as of September 30, 2019) related to research and development.

16 Recoverability analysis of tangible and intangible assets

a. Tangible and intangible assets with defined useful life

Management reviews annually the net book value of tangible and intangible assets with defined useful life to assess events or changes in economic, operating or technological circumstances that might indicate an impairment of assets.

For the period ended June 30, 2020, due to the COVID-19 pandemic, an impairment test of tangible and intangible assets with finite useful lives was carried out by means of calculation of the value in use based on cash projections from financial budgets approved by the Top Management.

No indication of impairment on September 30, 2020.

b. Goodwill paid on expected future profitability

The balance of goodwill on acquisitions of ownership interest is based on expected future profitability of the acquired business and amounts to R$ 198,214 at September 30, 2020 (R$ 198,214 as of December 31, 2019).

The Company annually tests impairment of its intangible assets with indefinite useful life, which are mostly comprised of goodwill for expected future earnings arising from combination of business processes using the “Value in use” concept by means of discounted cash flow models.

The goodwill arising from the acquisition of investment is impairment tested every year, at the cash generating unit level.

c. Main assumptions used in impairment tests of tangible and intangible assets

For the purpose of impairment test of tangible and intangible assets, Company and its subsidiaries were considered as cash generating units.

Future cash flows were discounted based on the rate representing the capital cost. Following the techniques of economic valuation, the assessment of value in use is carried out for a period of 10 years and, thereafter, considering the perpetuity of the assumptions based on the ability of the company to continue as a going concern for the foreseeable future.

For discounting the future cash flows, the rate used was 8.54%. p.a. as of June 30, 2020 (8.54% p.a. as of December 31, 2019).

The estimate of value in use considered the following assumptions:

Revenues
The sales volume and price were projected on a real basis (without inflation) based on the Company’s estimates and result in aggregate compound growth (CAGR) of 3.11% p.a. as of June 30, 2020 (3.39% as of December 31, 2019) between 2020 and 2029.

Cost
The cost of sold products was projected based on the Company’s estimates.

After defining the sales projection, the production requirement distribution was projected according to the installed capacity and the efficiency level to be obtained in each plant.

Other manufacturing overheads were based on the budget approved by the Top Management for the indirect cost centers.

Expenses
Variable sales expenses were projected based on historical percentages of the gross operating revenue.

The administrative and general sales expenses were based on the expenditures budgeted and approved by the Top Management for the cost centers.

Net income and Free Cash Generation
Net Income resulting from the application of the above assumptions grows with a compounded growth rate (CAGR) of 7.87% p.a. (8.35% p.a. as of December 31, 2019) between 2020 and 2029.

Free Cash Flow Generation is then calculated based on projections of investments and changes in working capital. For perpetuity, the growth rate used is zero.

The estimated recoverable value was higher than the book value by approximately R$ 2,501 billion as of June 30, 2020 (R$ 2,804 billion as of December 31, 2019).

17 Suppliers

a. Breakdown of account

	Consolidated		Parent company	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Suppliers				
Domestic				
Sundry	73,405	38,374	665	1,088
Abroad				
Sundry	10,997	2,619	-	-
	84,402	40,993	665	1,088

b. Per maturity

	Consolidated	
	09/30/2020	**12/31/2019**
Falling due (days):		
1–30	66,799	31,927
31–60	15,703	7,326
61–90	1,456	730
>90	443	1,000
	84,401	40,983
Overdue (days):		
1–30	1	10
	1	10
	84,402	40,993

Considering the characteristics of the Company's products and the supply chain, there is a wide offer of raw materials, supplies and suppliers. Thus, the Company does not present a concentration of the supplier portfolio.

In the quarter ended September 30, 2020, the Company invested R$ 84,700 in the purchase of raw materials due to the new operations with Mizuno and the resumption of post-pandemic sales, which is the reason for the variation compared to December 31, 2019.

In compliance with CVM Resolution 564 issued December 17, 2008, which approved CPC 12, the Company conducted studies to calculate the adjustment to present value of its current liabilities. Considering the average term of payment of these liabilities of approximately 37 days as of September 30, 2020 (39 days at December 31, 2019), the effects of present value adjustments were considered immaterial and, therefore, were not recognized in income (loss), as occurred with current assets and non-current assets.

18 Loans and financing

a. Breakdown of account

			Consolidated	
	Interest rate 2020	**Interest rate 2019**	**09/30/2020**	**12/31/2019**
Local currency				
Fixed assets	IPCA + 2.04% p.a.	IPCA + 2.04% p.a.	75,965	40,679
Tax incentive	TJLP	TJLP	2,230	2,374
Working capital	IPCA + 2.07% p.a./ CDI + 3.05–3.55% p.a. / 180% CDI p.a.	-	204,195	-
			282,390	**43,053**
Foreign currency				
Export financing				
ACC - Advance on exchange contract	Fixed rate 5.11% p.a.	-	7,575	-
Finimp	Fixed rate 7.10–7.20% p.a.	-	17,638	-
Working capital	Fixed rate 1.18% p.a.	.	5,629	-
			30,842	**-**
Total loans and financing			**313,232**	**43,053**
Current			112,293	3,264
Non-current			200,939	39,789

As of September 30, 2020 and December 31, 2019, installments related to the principal of loans and financing had the following maturities:

	09/30/2020		12/31/2019	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	**112,293**	**36%**	**3,264**	**8%**
2020	504	0%	3,264	8%
2021	139,532	45%	7,568	18%
2022	87,885	28%	7,519	16%
2023	50,452	16%	6,737	16%
2024	13,072	4%	6,737	16%
2025	13,072	4%	6,737	16%
2026	8,715	3%	4,491	10%
Non-current	**200,939**	**64%**	**39,789**	**92%**
Total	**313,232**	**100%**	**43,053**	**100%**

b. Sureties and guarantees

In guarantee of financing, promissory notes, personal guarantee and surety of parent company, mortgage of Horizonte-CE and Itapetinga-BA plants and disposal of machinery and equipment acquired from financing were offered.

c. Covenants

Some financing contracted have covenants that require the Company to demonstrate through document and physical evidences, the purchases of property, plant and equipment and objectives achieved in Research and Development (R&D). These covenants are monitored and have been fully complied with within the deadlines defined in the agreements.

d. Reconciliation of equity changes with cash flows from financing activities

	Liabilities			
	Loans and financing	**Loans with related parties**	**Lease liabilities**	**Total**
Balance at January 1, 2020	**43,053**	**16,930**	**15,845**	**75,828**
Changes in cash flow from financing				
Loans obtained - Principal	280,202	-	-	280,202
Loans with related parties	-	523	-	523
Payment of financial lease liabilities	-	-	(7,732)	(7,732)
Payment of loans obtained - Principal	(15,375)	-	-	(15,375)
Total changes in financing cash flows	**264,827**	**523**	**(7,732)**	**257,618**
Other changes related to liabilities				
Interest paid	(3,350)	-	(1,580)	(4,930)
Provin additions (without cash effect)	373	-	-	373
Contractual additions/adjustments	-	-	12,250	12,250
Lease discounts	-	-	(1,368)	(1,368)
Accrued interest	-	-	3,990	3,990
Financial charges recognized in profit or loss	8,329	-	-	8,329
Total other changes related to liabilities	5,352	-	13,292	18,644
Balance at September 30, 2020	**313,232**	**17,453**	**21,405**	**352,090**

	Liabilities		
	Loans and financing	**Loans with related parties**	**Total**
Balance at January 1, 2019	**60,006**	**16,259**	**76,265**
Changes in cash flow from financing			
Loans obtained - Principal	4,793	-	4,793
Loans with related parties	-	500	500
Payment of loans obtained - Principal	(20,875)	-	(20,875)
Total changes in financing cash flows	**(16,082)**	**500**	**(15,582)**
Other changes related to liabilities			
Interest paid	(1,887)	-	(1,887)
Provin additions (without cash effect)	486	-	486
Financial charges recognized in profit or loss	2,116	-	2,116
Total other changes related to liabilities	715	-	715
Balance at September 30, 2019	**44,639**	**16,759**	**61,398**

19 Leases

Definition of lease

According to CPC 06(R2)/IFRS 16, a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company and its subsidiaries evaluate whether the agreement is for or contains a lease.

As a lessee

The Company and its subsidiaries lease only properties.

As a lessee, the Company and its subsidiaries previously classified operating or financial leases based on their assessment as to whether the lease substantially transferred all the risks and rewards of the property. In accordance with CPC 06 (R2)/IFRS 16, the Company and its subsidiaries recognize the right-of-use assets and the lease liabilities and record in the balance sheets:

Operating leases (*)

	Consolidated	
	09/30/2020	**12/31/2019**
Right-of-use		
Opening balance	15,845	-
First-time adoption - IFRS 16	-	23,357
Additions / Adjustments	10,148	5,060
Amortization (**)	(8,017)	(12,572)
Closing balance	**17,976**	**15,845**
Current	17,976	15,845
Non-current	-	-

	Consolidated	
	09/30/2020	**12/31/2019**
Lease liabilities		
Opening balance	15,845	-
Additions / Adjustments	12,250	28,417
Accrued interest	3,990	-
Payment of principal (***)	(9,100)	(12,572)
Interest	(1,580)	-
Closing balance	**21,405**	**15,845**
Current	9,192	7,798
Non-current	12,213	8,047

(*) The rate of housing loans published by the Central Bank of Brazil in December 2018 was used; i.e 0.77% per month. The average of all financial institutions was considered.

(**) In the amortization recognized in the income (loss), we had a lower amount of R$ 6,649 due to the granting of discounts of R$ 1,368, based on the practical expedient of CPC 06.

(***) The discount of R$ 1,368 that deducts the payment amount presented in the Consolidated Financial Statements has no effect on the write-off of the lease liability.

Payment schedule for long-term installments

	09/30/2020		12/31/2019	
Maturity	**Amount**	**%**	**Amount**	**%**
2021	1,516	12%	4,726	59%
2022	5,579	46%	2,616	32%
2023	2,703	22%	705	9%
2024	1,946	16%	-	0%
2025	469	4%	-	0%
Total	**12,213**	**100%**	**8,047**	**100%**

Extension options

A few leases contain extension options exercisable by the Company up to one year prior to the end of the non-cancellable agreement period. Whenever possible, the Company seeks to include extension options in new leases so as to provide operating flexibility.

20 Provisions

The Company and its subsidiaries are parties (defendants) to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, civil and other matters.

Based on information from its legal advisors, Management recognizes provisions in accordance with the procedures established by CVM Resolution 489/05 and CPC 25/IAS 37, which establishes that a provision should be recognized when: (i) the entity has a present obligation deriving from a past event; (ii) an outflow of funds will probably be required to settle the obligation; and (iii) the sum of the obligation can be estimated with sufficient assurance. If any of these conditions are not met a provision should not be made, and it might be necessary to disclose a contingent liability.

The review of pending legal proceedings, based on previous experience relating to amounts claimed, records a provision in an amount deemed sufficient to cover possible losses from the ongoing lawsuits and classified them as current and non-current, as follows:

a. Breakdown of balances

	Consolidated		Parent company	
	09/30/2020	**12/31/2019**	**09/30/2020**	**12/31/2019**
Provisions for lawsuits and administrative proceedings				
Civil	18,859	20,107	515	510
Labor	35,592	36,254	229	229
Tax	157	148	121	119
Total	**54,608**	**56,509**	**865**	**858**
Current	**19,956**	**18,326**	**412**	**405**
Non-current	**34,652**	**38,183**	**453**	**453**

b. Labor lawsuits (Consolidated)

Refer mainly to claims regarding overtime, salary differences, health hazard, hazardous duty and occupational disease. The effect of the provision for loss on labor lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

c. Civil lawsuits (Consolidated)

Refer to compensation for property damages and pain and suffering. The effect of the provision for loss on civil lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

The effects on the provision for indemnities are charged to “selling expenses” in income (loss).

d. Tax lawsuits (Consolidated)

They refer to lawsuits in which the companies of the Companies and its subsidiaries are parties mainly to the following taxes: IRPJ, COFINS, PIS and ICMS. The effect of the provision for loss on tax lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

e. Changes in proceedings

September 30, 2020	**Consolidated**										
	12/31/2018	**12/31/2019**					**09/30/2020**				
Nature	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Adjustment to net presentation (**)**	**Closing balance**	**Additions**	**Reversal**	**Payment**	**Adjustment to net presentation (**)**	**Closing balance**
Civil	20,250	74	(187)	(30)	-	20,107	674	(1,742)	(180)	-	18,859
Labor	51,282	19,798	(14,476)	(7,719)	(12,631)	36,254	23,535	(25,580) (*)	(364)	1,747	35,592
Tax	9,480	9,174	(1,344)	(1,743)	(15,419)	148	243	(215)	-	(19)	157
Total	**81,012**	**29,046**	**(16,007)**	**(9,492)**	**(28,050)**	**56,509**	**24,452**	**(27,537)**	**(544)**	**1,728**	**54,608**

September 30, 2020	**Parent company**								
	12/31/2018	**12/31/2019**				**09/30/2020**			
Nature	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Civil	529	43	(25)	(37)	510	32	-	(27)	515
Labor	302	92	(19)	(146)	229	-	-	-	229
Tax	109	693	(222)	(461)	119	2	-	-	121
Total	**940**	**828**	**(266)**	**(644)**	**858**	**34**	**-**	**(27)**	**865**

(*) The Company wrote-off R$ 7,691 due to the sale of indirect subsidiary Vulcabras Azaleia SE as of March 31, 2020.

(**) The net amounts refer only to reclassifications between judicial deposits and provisions for contingencies in compliance with item 35 of CPC 26 (IAS 1). Thus, said amounts had no cash effect and were not considered in the Sstatements of cash flows.

Contingencies

Based on the opinion of its legal advisors, Management believes that the resolution of the civil, labor and tax matters listed below will not have a material adverse effect on its financial situation.

As of September 30, 2020 and December 31, 2019, the breakdown of the amounts under litigation at various court levels, estimated with a possible loss was as follows:

	Consolidated	
	09/30/2020	**12/31/2019**
Contingencies		
Civil	2,078	2,326
Labor	42,513	40,826
Tax	38,790	35,171
Total	83,381	78,323

There was no material lawsuit in 2020.

21 Equity (Parent company)

a. Capital

As of September 30, 2020, capital totals R$1,106,717 (R$1,106,717 as of December 31, 2019), is represented by 245,756,346 (245,756,346 as of December 31, 2019) common, nominative shares with no par value, as follows:

By means of Board of Directors' resolution, the Company is authorized to increase the capital, regardless of any amendments to the bylaws up to the limit of R$ 2,000,000.

b. Reserves

(i) Revaluation reserve

The reserve was constituted as a result of the revaluations of fixed assets of its subsidiaries, based on an appraisal report prepared by independent appraisers. Corresponding income tax and social contribution are classified in non-current liabilities. As of September 30, 2020, the balance of revaluation reserve is R$ 4,881 (R$ 5,532, on December 31, 2019).

The revaluation reserve is being realized by depreciation or write-off of revalued assets against accumulated losses, net of tax effects. As permitted by Law No. 11,638/07, Management elected to maintain the revaluation reserves until their full realization.

c. Capital reserve

(i) Stock option

General conditions
The Company has 3 (three) Stock Option Plans in effect.

1st Stock Option Plan

Approval of the plan
On January 16, 2018 the Board of Directors approved the first granting of options under the Stock Option Contract. The total options granted on this date amounted to 835,000 (eight hundred and thirty-five thousand) options, with a unit strike price of R$ 9.50 (nine reais and fifty centavos), distributed amongst the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

Characteristics of the plan

1st Stock Option Plan - 2018	**1st granting**
Grant date	01/16/2018
Quantity of options granted	835,000
Vesting period	3 years
Maturity for the year	03/31/2021
Maximum period for exercise	03/31/2022
Strike price	R$ 9.50 **(1)**
Beneficiaries (employees)	24 **(2)**

(1) The strike price is set at R$ 9.50 (nine reais and fifty cents), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) Originally, 24 employees qualified for the 1st stock option plan, but on 09/30/2020 due to the separation of 06 employees, the total is 18 beneficiaries.

Beneficiaries
Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras Azaleia S.A. and the companies under its direct or indirect control (Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company's Board of Directors.

Pricing Method
The method used for options pricing is the "Black-Scholes" model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of share price, percentage of distributed dividends, and risk-free rate as basic assumptions.

2nd Stock Option Plan

Approval of the plan
On May 06, 2019, the Board of Directors approved the 2nd stock option plan in the context of the Grant Agreement. The total options granted on this date were 780,000 (seven hundred and eighty thousand) options, with unit strike price of R$7.96 (seven reais and ninety-six cents), distributed among the qualified beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

Characteristics of the plan

2nd Stock Option Plan - 2019	**2nd granting**
Grant date	05/06/2019
Quantity of options granted	780,000
Vesting period	3 years
Maturity for the year	03/31/2022
Maximum period for exercise	03/31/2023
Strike price	R$ 7.96 **(1)**
Beneficiaries (employees)	22 **(2)**

(1) The strike price is set at R$ 7.96, restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) Originally, 22 employees qualified for the 2nd stock option plan, but on 09/30/2020 due to the separation of 02 employees, the total is 20 beneficiaries.

Beneficiaries
Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras Azaleia S.A. and the companies under its direct or indirect control (Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company's Board of Directors.

Pricing Method
The method used for options pricing is the "Black-Scholes" model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of share price, percentage of distributed dividends, and risk-free rate as basic assumptions.

3rd Stock Option Plan

Approval of the plan
On August 10, 2020, the Board of Directors approved the 2nd stock option plan in the context of the Grant Agreement. The total options granted on this date amounted to 870,000 (eight hundred and seventy thousand) options, with a unit strike price of R$ 8.57 (eight reais and fifty-seven centavos), distributed amongst the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

Characteristics of the plan

3rd Stock Option Plan – 2020	**3rd granting**
Grant date	08/10/2020
Quantity of options granted	870,000
Vesting period	3 years
Maturity for the year	03/31/2023
Maximum period for exercise	03/31/2024
Strike price	R$ 8.57 **(1)**
Beneficiaries (employees)	21

(1) The strike price is set at R$ 8.57 (eight reais and fifty-seven cents), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

Beneficiaries
Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras Azaleia S.A. and the companies under its direct or indirect control (Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company’s Board of Directors.

Pricing Method
The method used for options pricing is the “Black-Scholes” model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of share price, percentage of distributed dividends, and risk-free rate as basic assumptions.

Option Plan Expense
Amounts of amortizations recorded as expense in financial statements, as a contra-entry to the Company’s equity from grant date to September 30, 2020, are described below (expressed in Reais):

Plan	**Strike price**	**Grant date**	**Accumulated expense 09/30/2020**	**Accumulated expense 12/31/2019**
1st plan – 2018	R$ 9.50	01/16/2018	R$ 1,386	R$ 1,042
2nd plan – 2019	R$ 7.96	05/05/2019	R$ 878	R$ 474
3rd plan – 2020	R$ 8.57	08/06/2020	R$ 350	-
Total			**R$ 2,614**	**R$ 1,516**

d. Equity valuation adjustments
“Equity valuation adjustments” caption includes: (i) accumulated net changes in financial assets at fair value through other comprehensive income until the investments are derecognized or suffer impairment loss; and (ii) accumulated translation adjustments include all foreign currency differences deriving from the translation of quarterly financial information of foreign operations. As of September 30, 2020, the balance of equity valuation adjustment is R$ 23,275 (R$ 16,281, on December 31, 2019).

22 Net sales

	Consolidated	
	09/30/2020	**09/30/2019**
Gross operating revenue		
Sale and resale of goods		
Domestic market	8008,724	1,091,799
Foreign market	67,957	77,749
Services rendered	1,002	945
	877,683	1,170,493
Deductions		
Taxes on sales and services rendered	(95,396)	(139,773)
Returns, rebates and prompt-payment discount	(62,114)	(44,600)
	(157,510)	(184,373)
Net operating revenue	**720,173**	**986,120**

23 Cost of sales and resales

	Consolidated	
	09/30/2020	**09/30/2019**
Raw material	(193,707)	(222,575)
LABOR	(109,124)	(158,791)
Indirect costs	(97,151)	(155,009)
Resale	(85,900)	(111,651)
Total cost of sales and resales	**(485,882)**	**(648,026)**

Main changes are commented on in Note 1.1.2 – Impacts of Covid-19 (coronavirus)

24 Sales expenses

	Consolidated	
	09/30/2020	**09/30/2019**
Commissions	(25,832)	(35,539)
Freight	(35,575)	(38,923)
Advertising	(36,975)	(47,475)
Royalties	(2,714)	(1,757)
Personnel expenses	(19,371)	(22,360)
Other expenses	(4,411)	(7,088)
	(124,878)	(153,142)
Impairment losses	(10,955)	(7,594)
Total sales expenses	**(135,833)**	**(160,736)**

25 Administrative expenses

	Consolidated		Parent company	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Personnel expenses	(31,379)	(32,089)	(1,828)	(1,389)
Third party services	(18,499)	(16,929)	(1,744)	(1,998)
Rentals	(2,055)	(3,005)	-	-
Travel and accommodation	(222)	(756)	-	-
Security guard	(1,106)	(1,503)	(122)	(146)
Legal disputes and taxes	(1,798)	(1,843)	(521)	(454)
IT and telecommunications	(5,005)	(5,373)	(30)	(48)
Energy, water and sewage	(509)	(877)	(8)	(7)
Maintenance, cleaning and environment.	(2,327)	(2,468)	(6)	(12)
Other (*)	(15,307)	(14,939)	(1,057)	(474)
Total administrative expenses	**(78,207)**	**(79,782)**	**(5,316)**	**(4,528)**

(*) The most relevant amounts are comprised of depreciation and amortization, and the lease amortization is due to the impacts of CPC 06 (R2)/IFRS 16, of R$ 6,649 as of September 30, 2020 (R$ 9,147 as of September 30, 2019).

26 Other operating revenues (expenses), net

	Consolidated		Parent company	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Rental revenue	3,749	3,559	3,744	3,543
Revenue from sales of power	808	273	-	-
Provision for contingencies	(1,947)	(10,897)	(33)	(125)
Sale of scrap	747	1,213	-	-
Net income from sale of fixed assets	(620)	922	-	-
Recovery of PIS/COFINS over ICMS	4,243	4,663	-	-
Court-ordered debt payment	610	12,843	-	12,843
Idle capacity costs - COVID-19 (*)	(36,384)	-	-	-
Other (**)	(9,091)	(6,229)	441	(136)
	(37,885)	**6,347**	**4,152**	**16,125**

(*) Refers to labor costs and indirect manufacturing costs not appropriated in products due to the stoppage caused by COVID 19.

(**) The principal value on September 30, 2020 is composed of R$ 1,940 related to ICMS expenses on other products and R$ 2,356 for the sale of subsidiary Vulcabras Azaleia SE and R$ 3,072 of civil lawsuit expense and as of September 30, 2019, the amount of R$ 3,451 is related to the ICMS expenses on other products.

27 Financial income (loss)

	Consolidated		Parent company	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
Financial revenues				
Capital structure				
Revenue from investments	3,876	3,405	79	29
Inflation adjustments	-	35		-
Other	-	2	-	-
	3,876	3,442	79	29
activities				
Interest	1,538	1,958	55	48
Discounts obtained	427	645	-	-
Other (*)	2,762	2,953	-	-
Subtotal	4,727	5,556	55	48
Exchange-rate changes (**)	23,531	9,305	-	-
Total financial revenue	**32,134**	**18,303**	**134**	**77**
Financial expenses				
Capital structure				
Interest	(9,079)	(2,650)	(45)	(253)
IOF	(112)	(311)	(6)	-
Other	(2,776)	(600)	-	-
	(11,967)	(3,561)	(51)	(253)
activities				
Bank fees	(2,519)	(3,727)	(2)	(4)
Fee/commission sale card	(968)	(1,172)	-	-
Discounts granted	(938)	(1,874)	-	-
Other rates	-	(1,686)	-	-
Subtotal	(4,425)	(8,459)	(2)	(4)
Exchange-rate changes	(16,194)	(8,655)	-	(2)
Total financial expenses	**(32,586)**	**(20,675)**	**(53)**	**(259)**
Financial income (loss)	**(452)**	**(2,372)**	**81**	**(182)**

(*) The principal value refers to financial update of recovery of Pis/Cofins over ICMS R$ 1,648 (R$ 2,671 on September 30, 2019).

(**) The changes were due to the increase in the dollar exchange rate, which closed at R$ 5.64 as of September 30, 2020 (R$ 4.03 as of December 31, 2019).

28 Earnings per share

The calculation of basic earnings per share is made by dividing the income (loss) for the period, attributed to the holders of common shares of the Company, by the weighted average number of common shares free float during the year.

Diluted earnings per share are calculated by dividing the profit for the period attributable to holders of the Company's common shares by the weighted average number of common shares that would be issued on the conversion of all potentially dilutive shares into their respective shares.

On September 30, 2020, the Company had potential outstanding shares which could affect the dilution of the result per share under CPC 41/IAS 33 in the total amount of 2,260,000 (two million two hundred and sixty thousand) potential shares. Of the total amount, 635,000 potential shares refer to the first grant of shares under the Stock Option Plan approved on January 16, 2018, and, 755,000 potential shares refer to the second grant of shares under the Stock Option Plan approved on May 05, 2019, and 870,000 potential shares are related to the third grant of shares of Stock Option plan that was approved on August 6, 2020.

As of September 30, 2019, the Company had 1,440,000 potential outstanding shares. Of the total amount, 660,000 (six hundred and sixty thousand) potential shares refer to the first grant of shares under the Stock Option Plan approved on January 16, 2018, and, 780,000 (seven hundred and eighty thousand) potential shares refer to the second grant of shares under the Stock Option Plan approved on May 05, 2019, which could affect the dilution of earnings per share according to CPC 41/IAS 33.

The table below presents the calculations of basic and diluted earnings per share.

	Consolidated number of common shares	
	09/30/2020	**09/30/2019**
Income attributable to shareholders	(22,959)	97,983
Weighted basic average of outstanding shares in the period	245,756,346	245,756,346
Weighted basic average of outstanding shares in the period	248,016,346	247,196,346
Basic earnings per share (per thousand) - R$	(0.0934)	0.3987
Basic earnings per share (per thousand) - R$	(0.0926)	0.3964

29 Financial instruments and risk management

The main financial assets and liabilities of the Company and its subsidiaries refer to cash and cash equivalents, trade accounts receivable, trade accounts payable and loans and financing.

Financial risk framework and management

The Company and its subsidiaries manage financial risks by monitoring the financial positions of assets and liabilities, controlling exposure limits. Said controls were not changed during the disclosed period.

The Company and its subsidiaries are exposed to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Interest rate risk
- Liquidity risk

The management of these instruments is done through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The control policy consists of permanent follow-up of the conditions engaged versus those in force in the market.

The risk management policies of the Company and its subsidiaries were established to identify and analyze the exposure, to set adequate limits and controls by monitoring risks and compliance with limits. Risk policies and systems are reviewed regularly to reflect changes in the market conditions and in the activities of the Company and its subsidiaries.

The assessments of financial instruments and risk management are explained below:

(i) Credit risk

The Company and its subsidiaries are exposed to the credit risk due to the possibility of not receiving trade accounts receivable or credits from financial institutions.

The Company and its subsidiaries' risk management adopts the following practices:

(i) analyzing credits granted to clients and establishing sales limits. There are no clients that individually represent more over 11.5% of total trade accounts receivable of the Company as of September 30, 2020 (6.7% on December 31, 2019); and

(ii) careful selection of financial institutions, which are considered as prime line by the market (largest asset management banks in Brazil), State banks or government development agencies, meaning that the credit risk posed by the financial institutions is extremely low and diversifying financial instruments used to invest the company's funds, which are invested in a basket of indexes consisting of the CDI rate, fixed rates or rates restated for inflation.

(ii) Market risk

Foreign exchange risk

Considering the price risk on exports, which correspond to 5.05% of revenue from its subsidiaries as of September 30, 2020 (3.01% as of December 31, 2019), any volatility of the exchange rate represents, in fact, a price risk that can impair the results planned by Management.

Sensitivity analysis

The results of the Company and its subsidiaries are susceptible to significant changes, due to the effects of the volatility of the foreign exchange rate on the assets and liabilities indexed to foreign currencies, especially the USD, which ended the nine-month period as of September 30, 2020 with the positive change in 39.94% in relation to the last quotation as of December 31, 2019.

As a strategy to avoid and reduce the effects of foreign exchange fluctuations, Management tried to maintain a natural hedge in restricted assets, also pegged to exchange fluctuations. Management does not enter into financial instruments to eliminate its exposure to foreign exchange risks, which are as follows:

	Consolidated	
US dollar (US$ thousand)	**09/30/2020**	**12/31/2019**
Assets in foreign currency (a)	7,929	9,035
Liabilities in foreign currency (b)	(5,615)	(650)
Surplus determined (a-b)	2,314	8,385

In order to comply with CVM Resolution 550 dated October 17, 2008, in the light of the fluctuation risk exposure, the Company shows below three scenarios for foreign exchange fluctuations and the respective future outcome created. These are:

1. Probable scenario and that is adopted by the Company and its subsidiaries: dollar rate totaled R$ 5.6407 on September 30, 2020;

2. Possible scenario: as provided in the CVM Resolution, the scenario is built considering a 25% decrease in the US dollar rate amounting to R$ 4.2305; and

3. Remote scenario: also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R$ 2.8204.

Foreign exchange sensitivity analysis - effect in come income (loss) as of September 30, 2020

Transaction	**Risk**	**Probable scenario**	**Possible scenario**	**Remote scenario**
	US$ 2,314 thousand	FX 5.6407	FX 4.2305	FX 2.8204
Financial income (loss)	US$ decr.	-	(3,263)	(6,525)

(iii) Interest rate risk

Sensitivity analysis

The Company's and its subsidiaries' results are exposed to fluctuations, not significant, due to the effects of the volatility of the DI-CETIP, TJLP (Long-term interest rate) and IPCA (National Amplified Consumer Price Index) rate on interest earning bank deposits and part of loans and financing linked to these rates.

	Consolidated		Consolidated	
	Book value 09/30/2020	**Fair value 09/30/2020**	**Book value 12/31/2019**	**Fair value 12/31/2019**
Assets in CDI	276,262	276,262	58,805	58,505
Liabilities in TJPL	2,230	2,322	2,374	2,413
Liabilities at IPCA	124,063	133,583	40,679	43,308
Liabilities in CDI	156,097	159,547	-	-

In order to comply with the CVM Resolution 550 of October 17, 2008, given the exposure to the risk of changes in the indexes used in interest earning bank deposits and loans, the Company presents below scenarios for the changes in rates and the respective future results that would be generated. These are:

(i) Probable scenario adopted by the Company and its subsidiaries, with a DI-CETIP rate of 1.90% p.a. and TJLP of 4.91% p.a. and IPCA of 3.14% p.a.;

(ii) Possible scenario, including an increase or decrease of 25% on rates;

(iii) Remote scenario, including an increase or decrease of 50% on rates.

Statement of changes in rates as of September 30, 2020 is as follows:

Operation	**Risk**	**Probable scenario**	**Possible scenario - 25%**	**Remote scenario - 50%**
		4.91% TJLP	6.14% TJLP	7.37% TJLP
Loans – TJLP	TJLP incr.	R$ 0	R$ 27	R$ 55
		3.14% IPCA	3.93% IPCA	4.71% IPCA
Loans at IPCA	IPCA incr.	R$ 0	R$ 980	R$ 1,948
		1.90% CDI	2.38% CDI	2.85% CDI
Loans in CDI	CDI incr.	R$ 0	R$ 749	R$ 1,483
		1.90% CDI	1.43% CDI	0.95% CDI
Investments in CDI	CDI decr.	R$ 0	R$ (1,298)	R$ (2,624)

(iv) Liquidity risk

The Company and its subsidiaries monitor their funds liquidity risk through cash monetary policies to avoid a mismatch between accounts receivable and accounts payable.

In addition, the Company and its subsidiaries maintain balances of interest earning bank deposits with daily liquidity, which may be redeemed at any time to cover possible mismatches between maturity dates of their contract obligations and cash generation.

The scheduled payments of long-term installments of loans and financing are presented below:

	09/30/2020	
Maturity	**Amount**	**%**
2021	23,822	11%
2022	93,840	45%
2023	53,106	26%
2024	13,933	7%
2025	13,543	7%
2026	8,812	4%
Total	**207,056**	**100%**

Breakdown of balances

The estimated realization values of the financial assets and liabilities of the Company and its subsidiaries were determined through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate realization value. Consequently, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable value.

The Management of these instruments is done through operating strategies, aimed at liquidity, profitability and security. The control policy consists of permanent follow-up of the rates engaged versus those in force in the market. The Company and its subsidiaries do not invest in derivatives or any other risk assets on a speculative basis.

In compliance with CVM Instruction 475/08, the book balances and the fair value of financial instruments included in balance sheets as of September 30, 2020 and December 31, 2019 are shown below:

		Consolidated			
		09/30/2020		12/31/2019	
Description	**Rating**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	178,211	178,211	62,164	62,164
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	104,113	104,113	2,529	2,529
Share investment funds	Financial assets at fair value through other comprehensive income (FVTOCI)	327	327	294	294
Accounts receivable	Financial assets at amortized cost	463,011	463,011	448,377	448,377
Other accounts receivable	Financial assets at amortized cost	11,627	11,627	11,748	11,748
Loans and financing:					
In domestic currency	Financial liabilities at amortized cost	282,390	295,452	43,053	45,721
In foreign currency	Financial liabilities at amortized cost	30,842	31,330	-	-
Suppliers	Financial liabilities at amortized cost	84,402	84,402	40,993	40,993

(v) Fair value hierarchy

	09/30/2020		12/31/2019	
Description	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Interest earning bank deposits				
Post-fixed CDB		99,820	-	-
Investment fund	-	4,293	-	2,529
Share investment funds	327	-	294	-

- **Level 1 -** Prices charged (unadjusted) in active markets for identical assets or liabilities;
- **Level 2 -** different inputs of the prices negotiated in active markets included at Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- **Level 3 -** inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

(vi) Criteria, assumptions and limitations used in the calculation of fair value

Interest earning bank deposits
For interest earning bank deposits, the fair value against the income (loss) was calculated based on the market quotations of these securities and are stable considering investment rates and terms. The interest earning bank deposits are remunerated at a percentage of DI-CETIP and are restated at September 30, 2020.

Accounts receivable
Trade accounts receivable are recorded at the amount billed, and include the respective direct taxes for which the Company and its subsidiaries are responsible. The estimated impairment losses were formed at an amount considered adequate by the management to cover any losses arising on collection of credits.

Loans and financing
The amount of loans and financing calculated at September 30, 2020 are measured at amortized cost using the effective interest method, and are recorded at their contractual values. We currently found interest rates applicable to these instruments identical to the contracts that were signed, given the objective of the financing, time frames and guarantees submitted.

Suppliers
Trade accounts payable derive directly from the commercial operations of the Company and its subsidiaries, are stated at their original values, subject to exchange and monetary restatement, when applicable, up to the balance sheet date.

Limitations
The fair value of instruments was estimated on the balance sheet date, based on “Relevant market information”. Changes in the assumptions may significantly affect the presented estimates.

(vii) Capital management

The capital management of the Company and its subsidiaries aims to ensure that a strong credit rating is maintained before institutions, as well as a solid capital relationship, so as to support the business of the Company and leverage shareholders’ value.

The Company and its subsidiaries include within its net debt structure: loans and financing less cash, cash equivalents and interest earning bank deposits.

	Consolidated	
	09/30/2020	**12/31/2019**
Financing, loans and financing	(313,232)	(43,053)
Cash and cash equivalents	178,211	62,164
Interest earning bank deposits	104,440	2,823
Net debt	**(30,581)**	**21,934**
Equity	**1,072,576**	**1,087,428**

30 Insurance coverage

The Company and its subsidiaries adopt the policy of contracting insurance coverage for properties subject to risks in amounts considered sufficient to cover any casualties, considering the nature of their activity.

The risk assumptions adopted are out of the scope of the auditing of quarterly financial statements, and therefore were not examined by our independent auditors.

Coverage amounts as of September 30, 2020 are summarized as follows:

Corporate insurance in reais (R$)

Object	Risk covered	Amount of coverage
Equity	Fire, Windstorms, Electrical Damages, Machine Breakdown, Theft, Flooding, Electronic Equipment.	195,000
Loss of profits	Fixed expenses (P.I 3 months)	60,000
D&O	Management civil general liability	20,000
General civil responsibility	General liability	2,000
Light vehicles	Property, body damages, pain and suffering to third parties	16,250
Heavy vehicles	Property, body damages, pain and suffering to third parties	11,200
International transport - Imports	Limit per shipment - Goods / Raw materials	8,461
	Total corporate insurance	**312,911**

31 Government grants and assistance

a. Federal incentives

- **IRPJ REDUCTION -**Refer to the right to 75% reduction of the Income Tax and Surtax, calculated based on the operating profit in accordance with article 1 of the Provisional Measure 2199-14 of August 24, 2001, as per the criteria established and also in compliance with the tax incentive regulation. Are considered as onerous conditions met the projects for total modernization currently in areas of the Northeast Development Agency - SUDENE. The beneficiaries of the incentive of 75% reduction of the income tax are the projects located in the states of Ceará, Bahia and Sergipe.

b. State incentives

(i) Ceará

For footwear

- PROVIN - This is an incentive program for the industrial development fund of the State of Ceará (FDI), which consists in the deferral of 99% of the ICMS levied on company manufacturing of footwear. On the amount of each installment of the benefit, 1% will be paid in a single installment, with maturity on the last day of the month, and the amount will be adjusted after 36 months, from the disbursement date to the maturity date, restated at TJLP.

For apparel

- **PROVIN -** This is an incentive program for the industrial development fund of the State of Ceará (FDI), which consists in the deferral of 75% of the ICMS levied on company manufacturing of apparel. On the amount of each installment of the benefit, 25% will be paid in a single installment, with maturity on the last day of the month, and the amount will be adjusted after 36 months, from the disbursement date to the maturity date, restated at TJLP.

  Additional incentives
  In addition to PROVIN shoes and apparel, there is also the deferral of ICMS on imports of raw materials, machinery, equipment, parts and pieces that do not have similar item in the State of Ceará, as well as the difference of rates on purchases of capital goods.

- **PCDM** – It is an incentive program to distribution business centers (PCDM), which consists of the reduction by 75% of the debt balance of the ICMS monthly calculated on interstate shipping activities. The subject of this instrument does not include the ICMS withheld of third parties by the company, in view of the tax replacement regime.

  Additional incentives
  It has as additional to PCDM the deferral of the ICMS levied: In import of foreign goods for subsequent shipment, import from abroad and other states, of goods to comprise fixed assets.

(ii) Bahia

- **PROBAHIA -** Refers to the development program for the State of Bahia, aiming at diversifying and stimulating the transformation of the industrial processes in the state. The incentive is the deferral of ICMS on the total debits calculated on the shipment of goods, where a presumed credit of 99% of the amount due is calculated. Its payment consists in 1% of the debit balance that should be paid in the month subsequent to the ICMS calculation.

  Additional incentives
  In addition to PROBAHIA, there is also the deferral of ICMS on imports of raw materials, machinery, equipment, parts, as well as the difference of rates on purchases of capital goods.

	Statement of Government grants		
Subsidiary	**State incentive**	**%**	**Maturity date**
Vulcabras Azaleia CE, Calç. e Art. Esp. S.A.	Provin Calçados	99%	Aug 2031
Vulcabras Azaleia CE Calç. e Art. Esp. S.A.	Provin Confecções	75%	June 2022
Vulcabras Azaleia BA Calç. e Art. Esp. S.A.	Probahia	99%	July 2027
Vulcabras Distr. Art. Esp. Ltda.	PCDM	75%	Dec 2022

	Statement of Government grants		
Subsidiary	**Federal incentive**	**%**	**Maturity date**
Vulcabras Azaleia CE, Calç. e Art. Esp. S.A.	IRPJ decr.	75%	Dec 2025
Vulcabras Azaleia BA Calç. e Art. Esp. S.A.	IRPJ decr.	75%	Dec 2026

c. Consolidated

Considering that these incentives were recognized directly in profit (loss) of subsidiaries, as a consequence, they were recognized in the Company's profit (loss) through the calculation of equity in net income of subsidiaries, whose effects are shown below:

ICMS			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**09/30/2020**	**09/30/2019**
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	43,371	99.99%	43,366	52,843
Vulcabras Distr. Art. Esp. Ltda.	2,360	0.22%	5	-
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	29,589	100.00%	29,589	34,670
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	-	-	-	3,861
	75,320		72,960	91,374

Reintegra			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**09/30/2020**	**09/30/2019**
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	21	99.99%	21	13
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	27	100.00%	27	14
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	-	-	-	12
	48		48	39

32 Product and geographic area information

The information of net sales in the domestic and foreign markets, by region, was prepared based on the country of origin of the revenue, that is, based on the sales made by its subsidiaries in Brazil and through foreign subsidiaries, and are as follows:

	09/30/2020	**09/30/2019**
Net sales		
Athletic shoes	522,392	733,599
Women's shoes	89,531	138,335
Other footwear and others	53,765	51,197
Apparel	54,485	62,989
	720,173	**986,120**
Domestic market	652,781	909,081
Foreign market	67,392	77,039
	720,173	**986,120**

The non-current assets of each geographic region are shown below:

	Consolidated	
	09/30/2020	**12/31/2019**
Noncurrent assets in the domestic and foreign markets as of:		
Brazil	543,001	542,715
Other countries	19,111	18,211
Total	**562,112**	**560,926**

33 Subsequent events

Subsequent impacts

The potential impacts of the COVID-19 pandemic on the Company's future results are still uncertain. After a very difficult first semester, we went through the entire third quarter of 2020 (3Q20) with plants operating at 100% of their available capacity and maintained the same scenario in October. The resumption of sales at pre-pandemic levels observed during the third quarter was maintained. During the month of October, the revenue measured was higher than that recorded in the same period of the previous year.

* * *

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President

André de Camargo Bartelle
1st Vice-president

Pedro Bartelle
2nd Vice-president

Hector Nunez
Board Member

Roberto Faldini
Independent Board Member

Composition of Tax Council

Marcello Joaquim Pacheco
Chairman of the Board of Directors

Benedito Alfredo Baddini Blanc
Board Member

Célio de Melo Almada Neto
Board Member

Members of the Executive Board

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Wagner Dantas da Silva
Administrative and Financial Director

Flávio de Carvalho Bento
Industrial Director

Rafael Carqueijo Gouveia
CEO

Rodrigo Miceli Piazer
Purchasing Director

Evandro Saluar Kollet
Corporate Director of Product Development and Technology

Márcio Kremer Callage

Marketing Director

Investor Relations Director

Wagner Dantas da Silva

Technician Responsible

Manoel Damião da Silveira Neto
Accountant CRC 1RJ052266/O-2 “S”-SP