Vulcabras Azaleia

Earnings Release 3rd 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)

Vulcabras Azaleia IR Website

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Conference Call:

11/10/2020 às 10h00 (Brasília time)

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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.

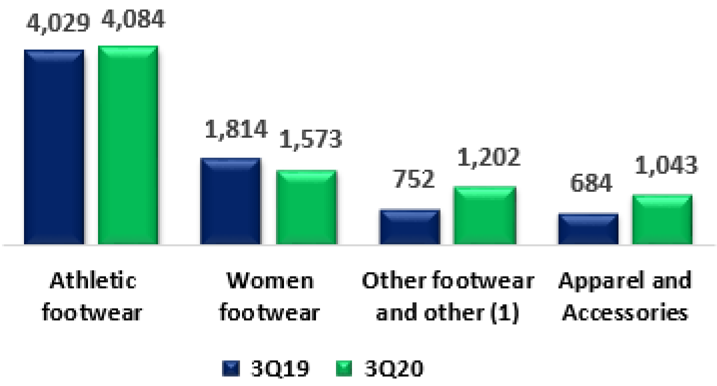
In view of this positive response from the market, the Company quickly resumed its pace of revenue and, consequently, its revenue growth.

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%**

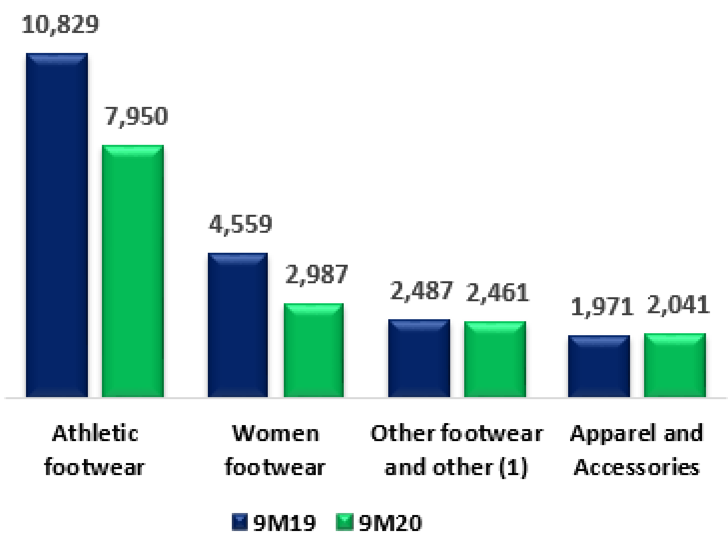
[1] Slippers, boots and shoe components.



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.

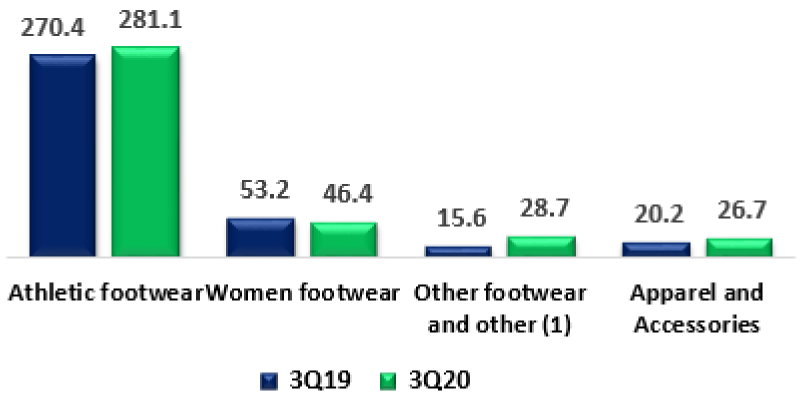
Athletic Footwear revenue increased by 4.0%, with a positive performance both in the domestic and foreign markets. Both revenue from Olympikus footwear and Under Armour footwear increased compared to the same quarter of the prior year.

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

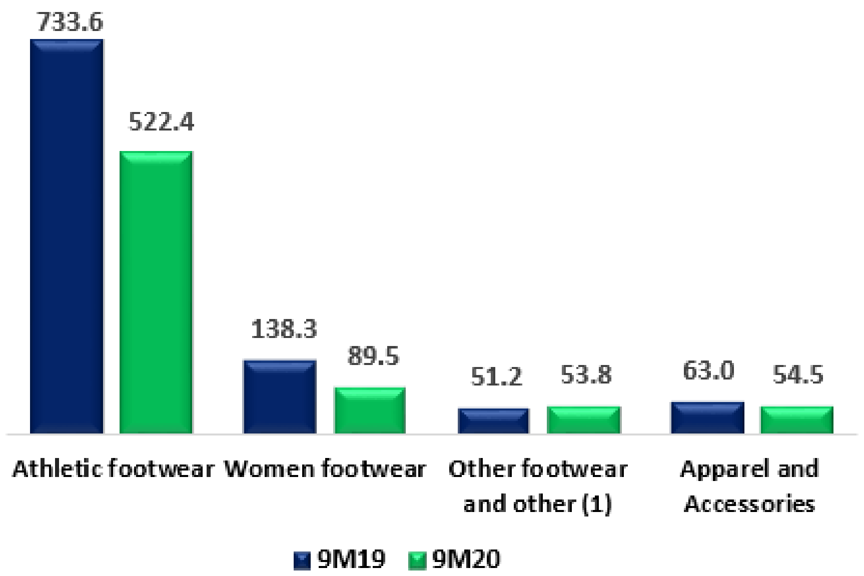
R$ Million	3Q20	Share %	3Q19	Share %	Var. % 3Q20/3Q19
Athletic footwear	281.1	73.4%	270.4	75.2%	4.0%
Women footwear	46.4	12.1%	53.2	14.8%	-12.8%
Other footwear and other [1]	28.7	7.5%	15.6	4.3%	84.0%
Apparel and Accessories	26.7	7.0%	20.2	5.7%	32.2%
Total Net Revenue	**382.9**	**100.0%**	**359.4**	**100.0%**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

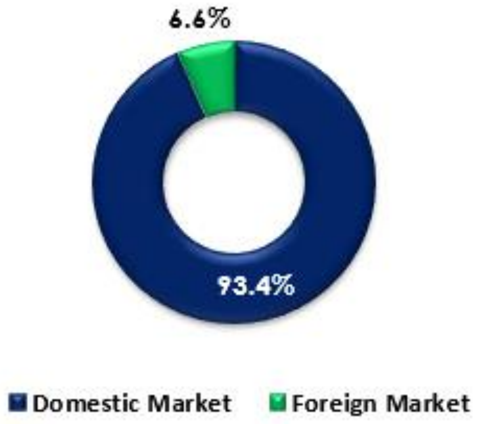
In the foreign market, net revenue in 3Q20 was R$ 25.1 million, a decrease of 3.1% over the R$ 25.9 million posted in 3Q19.

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



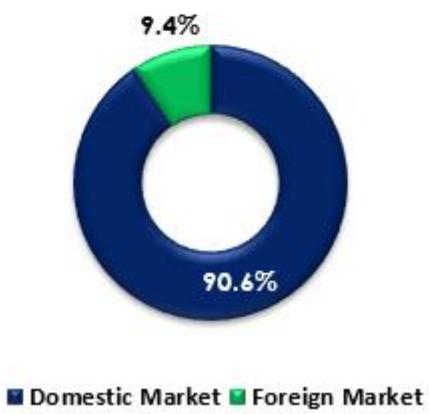
In the first nine months of 2020, the domestic market totaled R$ 652.8 million, a reduction of 28.2% in relation to the first nine months of 2019, when net revenue was R$ 909.1 million.

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)

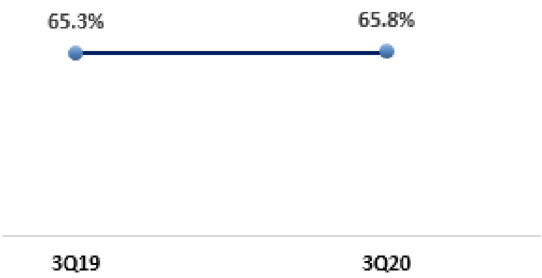
In 3Q20, as a percentage of net sales revenue, cost of goods sold represented 65.8%, compared to 65.3% in the same period in 2019.

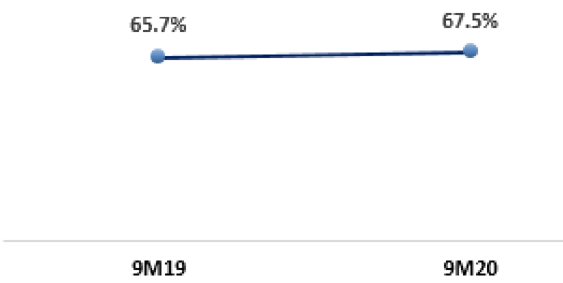
The 3rd quarter started with the Company's two manufacturing plants operating with production at the rate in the fullness of available capacity. This was after three months in which the manufacturing operations were severely impacted by the total and/or partial shutdown of all its activities. Some products 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 (%)





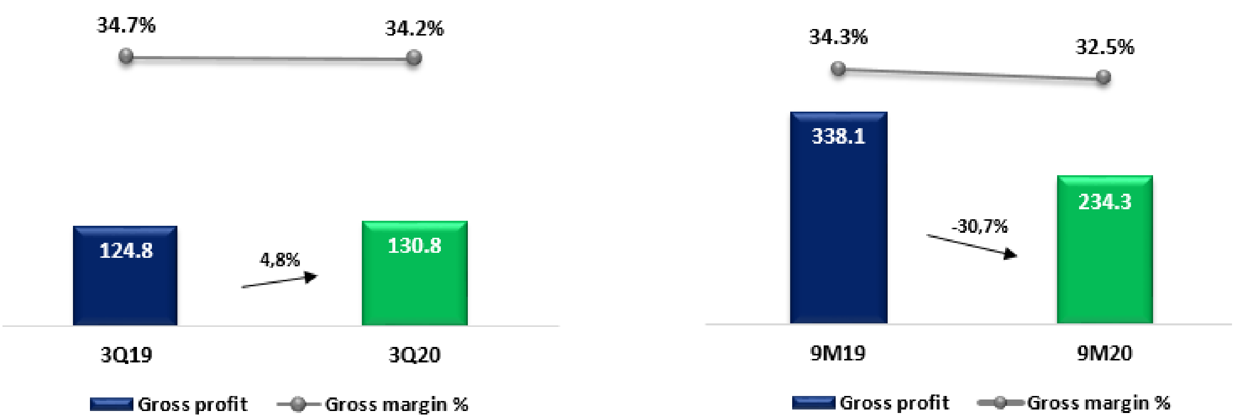
GROSS PROFIT

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

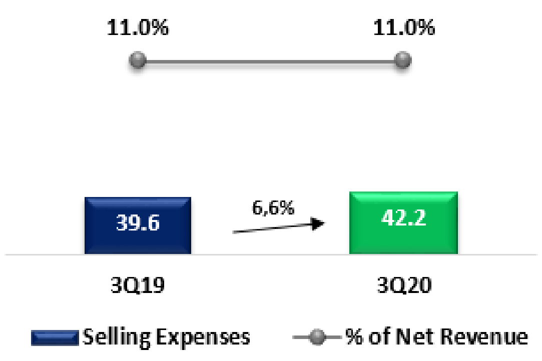
Selling and advertising expenses in 3Q20 totaled R$ 55.0 million, down 7.9% compared to 3Q19.

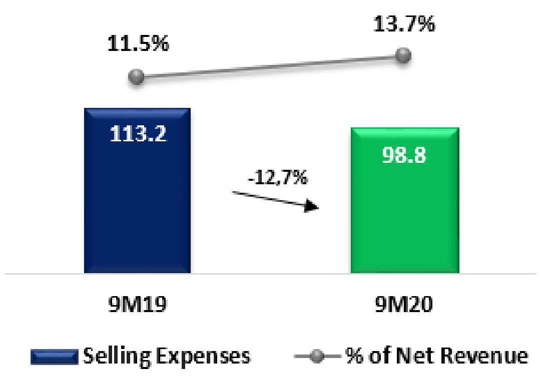
Selling expenses (excluding advertising expenses) increased by 6.6% in 3Q20, compared to expenses reported in 3Q19. R$ 42.2 million was recorded in 3Q20, against R$ 39.6 million in the same period last year. As a share of revenue, selling expenses (excluding advertising expenses) accounted for 11.0%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





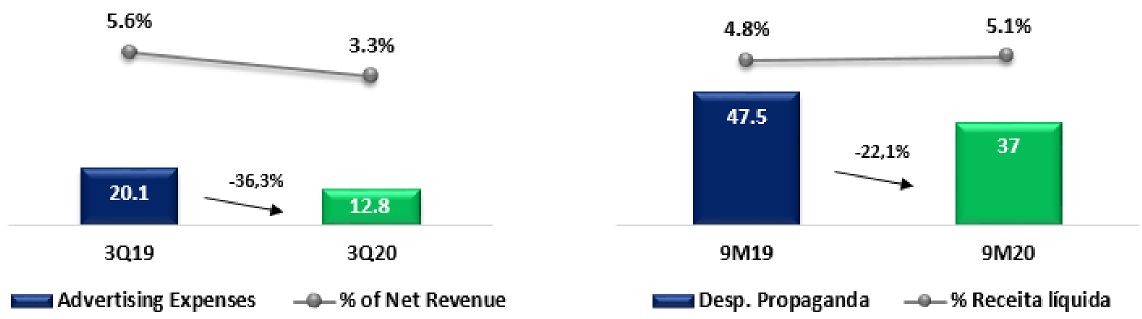
In 3Q20, advertising and marketing expenses totaled R$ 12.8 million, a decrease of 36.3% over the R$ 20.1 million in 3Q19.

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

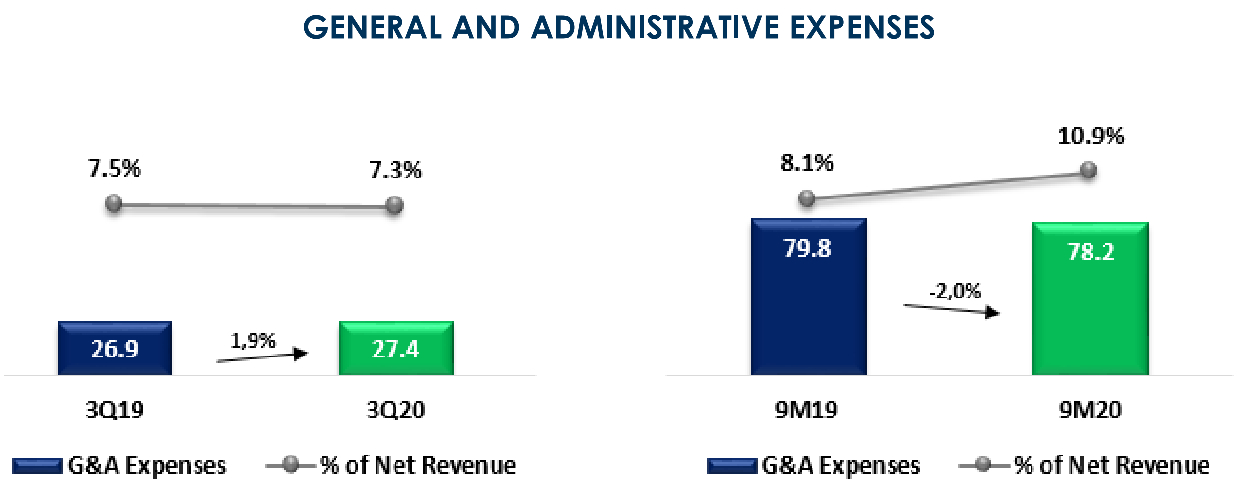


GENERAL AND ADMINISTRATIVE EXPENSES

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%**

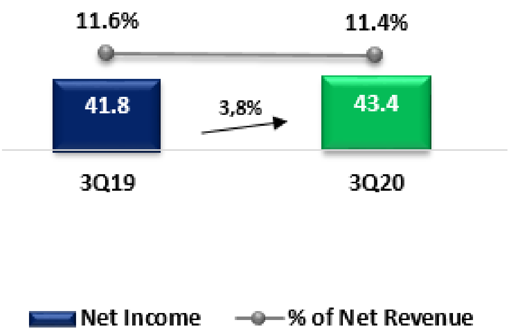
NET INCOME

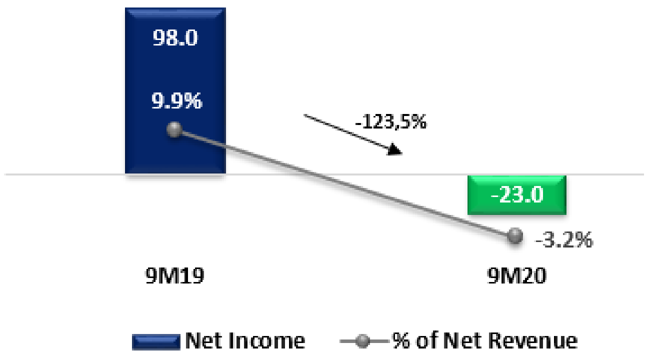
In 3Q20 the Company posted a net income of R$ 43.4 million, an increase of 3.8% over the net income of R$ 41.8 million in 3Q19. The net margin reached 11.4% in 3Q20, compared to the 11.6% in 3Q19 a reduction of 0.2 p.p.

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.

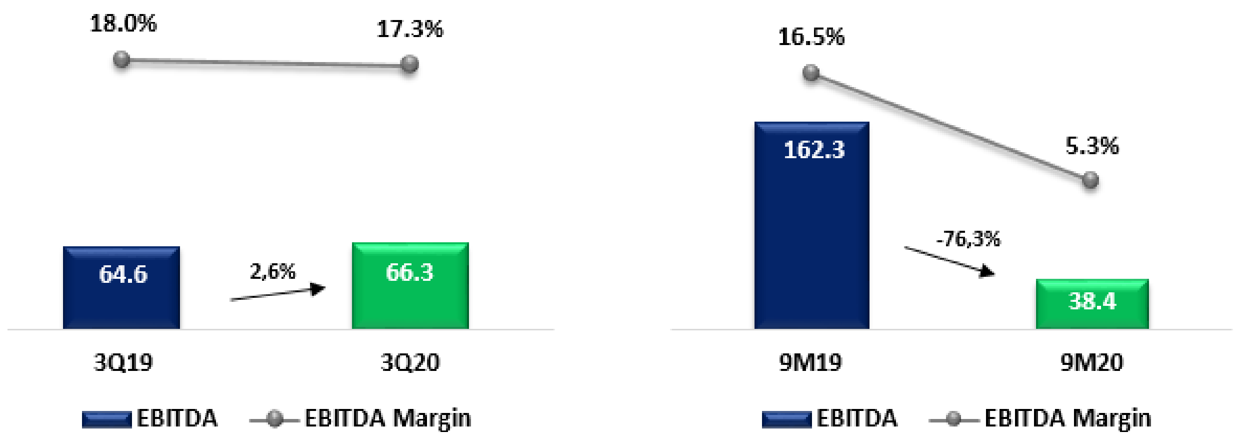
With the adoption of IFRS 16/CPC 06 (R2) (Leases), 3Q20 EBITDA was positively impacted by R$ 2.0 million.

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.

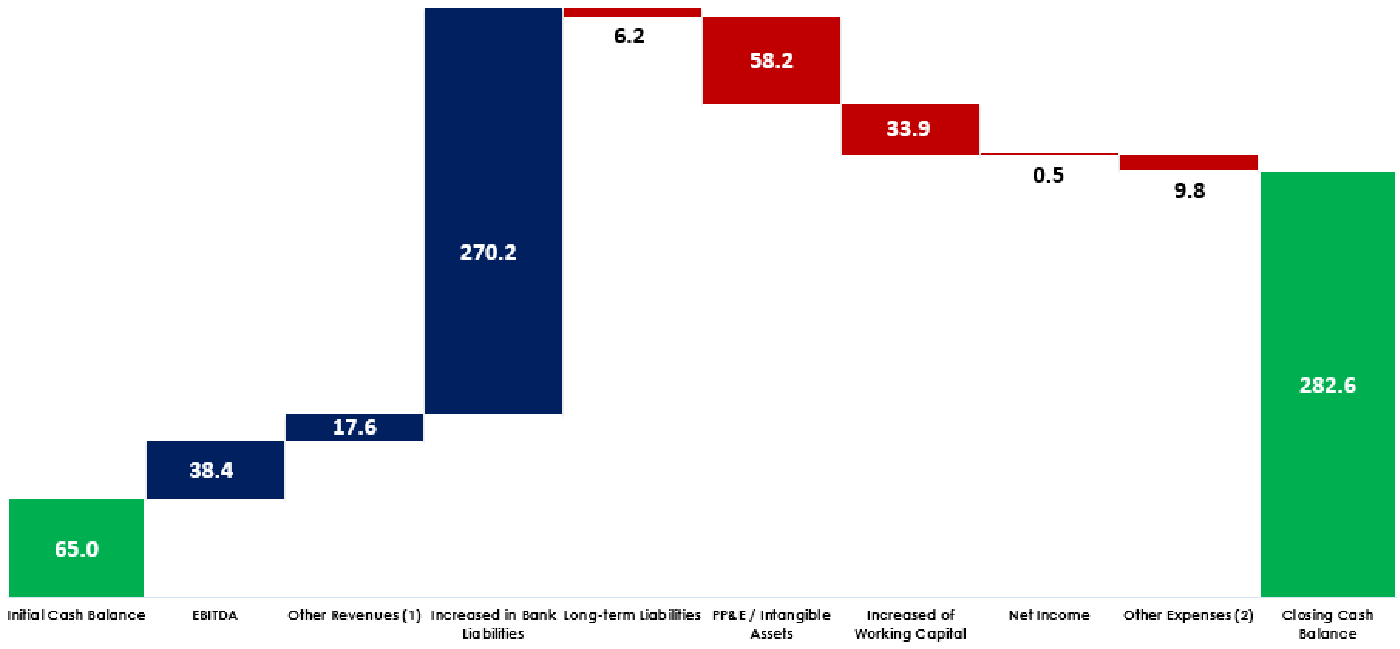
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

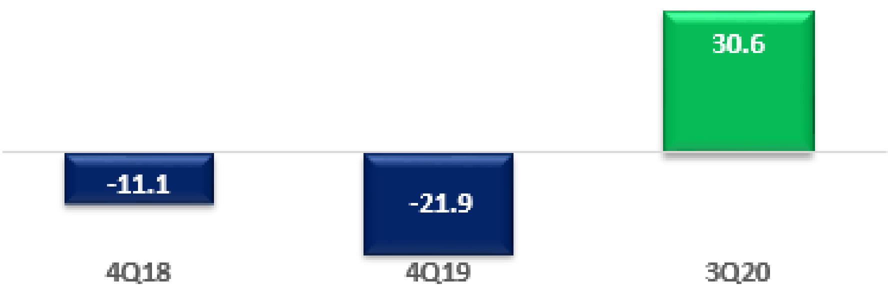
At the end of 3Q20, the Company had a net debt of R$ 30.6 million, R$ 52.5 million higher than that observed at the end of 12/31/2019.

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.

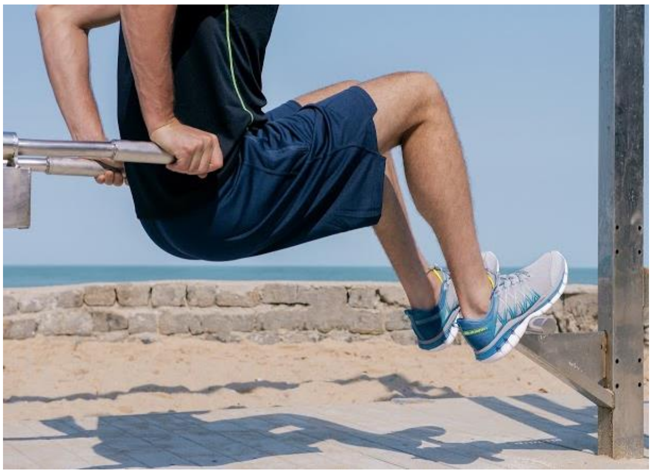
The actions demonstrate that Olympikus understands its responsibility as a Brazilian giant in the sports segment, as well as Brazil's reality. For this reason, it develops products for running and projects for Brazilians´ “running”.

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