Contents

Company information / Capital composition

Number of shares (in thousands)	Current quarter 6/30/2020
Paid-up capital	
Common shares	90,954
Preferred shares	0
Total	90,954
Treasury stock	
Common shares	-65
Preferred shares	0
Total	-65

Parent company financial statements / Balance sheet – Assets (In thousands of reais)

Account code	Account title	Current quarter 6/30/2020	Prior year 12/31/2019
1	Total assets	1,475,862	1,093,447
1.01	Current assets	884,167	628,975
1.01.01	Cash and cash equivalents	2,279	1,686
1.01.02	Cash investments	511,740	222,677
1.01.02.01	Cash investments measured at fair value through profit or loss	511,740	222,677
1.01.02.01.03	Cash investments measured at fair value	511,740	222,677
1.01.03	Trade and other receivables	174,620	285,679
1.01.03.01	Trade receivables	154,830	285,679
1.01.03.02	Other receivables	19,790	0
1.01.03.02.01	Dividends receivable	19,790	0
1.01.04	Inventories	129,669	63,287
1.01.06	Taxes recoverable	38,527	41,953
1.01.06.01	Current taxes recoverable	38,527	41,953
1.01.08	Other current assets	27,332	13,693
1.01.08.03	Other	27,332	13,693
1.02	Non-current assets	591,695	464,472
1.02.01	Long-term receivables	151,108	64,320
1.02.01.04	Trade and other receivables	8,416	10,402
1.02.01.04.01	Trade receivables	8,416	10,402
1.02.01.07	Deferred taxes	43,181	15,196
1.02.01.07.01	Deferred income tax and social contribution	43,181	15,196
1.02.01.09	Receivables from related parties	80,109	23,736
1.02.01.09.02	Receivables from subsidiaries	32,139	23,736
1.02.01.09.05	Loans from related parties	47,970	0
1.02.01.10	Other non-current assets	19,402	14,986
1.02.01.10.03	Judicial deposits	19,085	14,669
1.02.01.10.04	Other	317	317
1.02.02	Investments	338,469	301,573
1.02.02.01	Equity investments	335,452	298,556
1.02.02.01.02	Investments in subsidiaries	335,452	298,556
1.02.02.02	Investment property	3,017	3,017
1.02.02.02.01	Investment property	3,017	3,017
1.02.03	Property, plant and equipment	55,784	57,199
1.02.03.01	Property, plant and equipment in operation	55,784	57,199
1.02.04	Intangible assets	46,334	41,380
1.02.04.01	Intangible assets	46,334	41,380
1.02.04.01.02	Trademarks and patents	5,445	5,336
1.02.04.01.04	Software licenses	40,889	36,044

Parent company financial statements / Balance sheet – Liabilities and equity (In thousands of reais)

Account code	Account title	Current quarter 6/30/2020	Prior year 12/31/2019
2	Total liabilities	1,475,862	1,093,447
2.01	Current liabilities	340,544	268,138
2.01.01	Salaries, vacation pay and social charges payable	26,680	42,855
2.01.01.01	Social charges	8,620	3,798
2.01.01.02	Salaries and vacation pay	18,060	39,057
2.01.02	Trade payables	101,699	121,687
2.01.02.01	Domestic suppliers	101,699	120,732
2.01.02.02	Foreign suppliers	0	955
2.01.03	Taxes payable	7,004	8,894
2.01.03.01	Federal taxes payable	6,970	8,584
2.01.03.01.02	Other federal taxes payable	6,970	8,584
2.01.03.02	State taxes payable	22	302
2.01.03.03	Municipal taxes payable	12	8
2.01.04	Borrowings	158,252	45,419
2.01.04.01	Borrowings	158,252	45,419
2.01.04.01.01	In local currency	93,734	5,118
2.01.04.01.02	In foreign currency	64,518	40,301
2.01.05	Other liabilities	46,909	49,283
2.01.05.02	Other	46,909	49,283
2.01.05.02.01	Dividends and interest on capital payable	0	22,675
2.01.05.02.04	Other	40,284	19,782
2.01.05.02.05	Leases	6,625	6,826
2.02	Non-current liabilities	465,851	79,238
2.02.01	Borrowings	296,150	3,839
2.02.01.01	Borrowings	296,150	3,839
2.02.01.01.01	In local currency	296,150	3,839
2.02.02	Other liabilities	19,656	25,615
2.02.02.01	Payables to related parties	0	3,795
2.02.02.01.04	Payables to subsidiary	0	3,795
2.02.02.02	Other	19,656	21,820
2.02.02.02.04	Leases	19,656	21,820
2.02.04	Provisions	149,752	49,411
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	5,739	5,508
2.02.04.01.02	Provision for social security and labor contingencies	3,929	3,608
2.02.04.01.04	Provision for civil contingencies	135	225
2.02.04.01.05	Provision for tax contingencies	1,675	1,675
2.02.04.02	Other provisions	144,013	43,903
2.02.04.02.04	Provision for net capital deficiency	144,013	43,903
2.02.06	Deferred profit and revenue	293	373
2.02.06.02	Deferred revenue	293	373
2.03	Equity	669,467	746,071
2.03.01	Paid-up capital	352,715	352,715
2.03.02	Capital reserves	49,330	50,538
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.05	Treasury shares	-2,826	-195
2.03.02.09	Reserve for share option and restricted stock plans	30,686	29,263

Parent company financial statements / Balance sheet – Liabilities and equity (In thousands of reais)

Account code	Account title	Current quarter 6/30/2020	Prior year 12/31/2019
2.03.04	Revenue reserves	335,998	335,998
2.03.04.05	Retained earnings reserve	122,118	94,276
2.03.04.07	Tax incentive reserve	213,880	213,880
2.03.04.08	Proposed additional dividend	0	27,842
2.03.05	Accumulated deficit/retained earnings	-56,411	0
2.03.08	Other comprehensive loss/income	-12,165	6,820

Parent company financial statements / Statement of operations (In thousands of reais)

Account code	Account title	Current quarter 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020	Same quarter of prior year 4/1/2019 to 6/30/2019	Six months 1/1/2019 to 6/30/2019
3.01	Revenue from sales of goods and/or services	84,930	370,786	293,028	592,397
3.02	Cost of sales and/or services	-69,167	-248,985	-186,314	-375,364
3.03	Gross profit	15,763	121,801	106,714	217,033
3.04	Operating expenses/income	-120,557	-193,960	-66,715	-145,592
3.04.01	Selling expenses	-61,698	-111,901	-39,860	-81,288
3.04.02	General and administrative expenses	-27,939	-56,054	-35,945	-62,486
3.04.05	Other operating expenses	-576	-1,567	13,885	13,038
3.04.06	Equity in the earnings of equity-accounted subsidiaries	-30,344	-24,438	-4,795	-14,856
3.05	Profit before finance income and costs and taxes	-104,794	-72,159	39,999	71,441
3.06	Finance costs – net	-4,591	-8,244	-701	-1,695
3.06.01	Finance income	7,923	19,011	4,132	8,268
3.06.01.01	Interest income	4,279	7,454	4,132	8,082
3.06.01.02	Foreign exchange gains	3,644	11,557	0	186
3.06.02	Finance costs	-12,514	-27,255	-4,833	-9,963
3.06.02.01	Interest expense	-10,190	-12,921	-3,077	-5,822
3.06.02.02	Foreign exchange losses	-2,324	-14,334	-1,756	-4,141
3.07	Loss/profit before income tax and social contribution	-109,385	-80,403	39,298	69,746
3.08	Income tax and social contribution	27,086	23,992	1,270	-6,037
3.08.01	Current	1,731	-3,993	4	-9,956
3.08.02	Deferred	25,355	27,985	1,266	3,919
3.09	Loss/profit for the period from continuing operations	-82,299	-56,411	40,568	63,709
3.11	Loss/profit for the period	-82,299	-56,411	40,568	63,709
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0.90550	-0.28480	0.44890	0.70500
3.99.02	Diluted earnings per share				
3.99.02.02	Common shares	-0.90550	-0.28480	0.43780	0.70470

Parent company financial statements / Statement of comprehensive loss/ income (In thousands of reais)

Account code	Account title	Current quarter 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020	Same quarter of prior year 4/1/2019 to 6/30/2019	Six months 1/1/2019 to 6/30/2019
4.01	Loss/profit for the period	-82,299	-56,411	40,568	63,709
4.02	Other comprehensive loss/income	-4,425	-18,985	1,742	2,915
4.02.01	Foreign exchange differences arising from the translation of foreign operations	-4,425	-18,985	129	-352
4.02.02	Net investment hedge	0	0	1,613	3,267
4.03	Total comprehensive loss/income for the period	-86,724	-75,396	42,310	66,624

Parent company financial statements / Statement of cash flows – Indirect method

(In thousands of reais)

Account code	Account title	Six months 1/1/2020 to 6/30/2020	Six months 1/1/2019 to 6/30/2019
6.01	Net cash used in/provided by operating activities	-1,032	79,828
6.01.01	Cash from operations	-22,056	101,835
6.01.01.01	Profit before income tax and social contribution	-56,411	63,709
6.01.01.02	Depreciation and amortization	10,704	13,667
6.01.01.03	Loss/profit loss on disposal of property, plant and equipment and intangible assets	323	-58
6.01.01.04	Interest paid on loans	-2,932	-932
6.01.01.05	Equity in the earnings of equity-accounted subsidiaries	24,438	14,856
6.01.01.06	Provision for labor, tax and civil contingencies	232	-704
6.01.01.07	Finance charges and foreign exchange variation on borrowings	18,846	5,235
6.01.01.08	Interest income on cash investments	-5,815	-5,741
6.01.01.09	Provision for impairment of trade receivables	8,308	635
6.01.01.10	Addition to provision for inventory losses	2,105	2,356
6.01.01.11	Share option and restricted stock plans	1,423	2,310
6.01.01.12	Interest expense on lease liabilities	714	465
6.01.01.13	Income tax and social contribution	-23,991	6,037
6.01.02	Changes in assets and liabilities	21,024	-9,669
6.01.02.01	Trade receivables	124,527	12,386
6.01.02.02	Inventories	-68,487	-10,125
6.01.02.03	Changes in other current and non-current assets	-13,299	-3,876
6.01.02.04	Taxes recoverable	199	-6,238
6.01.02.05	Judicial deposits	-4,415	-3,639
6.01.02.07	Trade payables	-19,859	-335
6.01.02.08	Salaries and vacation pay	-20,997	-6,404
6.01.02.09	Taxes and social charges payable	2,934	2,182
6.01.02.10	Other liabilities	20,421	6,380
6.01.03	Other	0	-12,338
6.01.03.01	Income tax and social contribution paid	0	-12,338
6.02	Net cash used in/provided by investing activities	-297,712	24,649
6.02.01	Purchases of property, plant and equipment and intangible assets	-13,716	-8,025
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	20	108
6.02.03	Cash investments	-853,161	-296,940
6.02.04	Withdrawal of cash investments	569,145	314,276
6.02.06	Dividends received	0	15,230
6.03	Net cash provided by/used in financing activities	299,337	-103,672
6.03.01	Proceeds from borrowings	444,171	0
6.03.02	Repayments of borrowings	-54,939	-4,454
6.03.04	Related parties	-60,168	-11,745
6.03.05	Interest on capital paid	-15,436	-20,847
6.03.06	Distribution of dividends	-7,239	-75,000
6.03.09	Acquisition of treasury shares	-2,632	11,642
6.03.10	Lease payments	-4,420	-3,268
6.05	Increase in cash and cash equivalents	593	805
6.05.01	Cash and cash equivalents at the beginning of the period	1,686	1,102
6.05.02	Cash and cash equivalents at the end of the period	2,279	1,907

Parent company financial statements / Statement of changes in equity / 1/1/2020 to 6/30/2020 (In thousands of reais)

Account code	Account title	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	352,715	50,538	308,156	27,842	6,820	746,071
5.03	Adjusted opening balances	352,715	50,538	308,156	27,842	6,820	746,071
5.04	Equity transactions with shareholders	0	-1,208	0	-27,842	0	-29,050
5.04.04	Acquisition of treasury shares	0	-2,631	0	0	0	-2,631
5.04.08	Share options and restricted stock granted	0	1,423	0	0	0	1,423
5.04.10	Proposed dividends	0	0	0	-27,842	0	-27,842
5.05	Total comprehensive loss	0	0	0	-56,411	-18,985	-75,396
5.05.01	Loss/profit for the period	0	0	0	-56,411	0	-56,411
5.05.02	Other comprehensive income	0	0	0	0	-18,985	-18,985
5.05.02.06	Foreign exchange differences from the translation of foreign operations	0	0	0	0	-18,985	-18,985
5.06	Internal changes in equity	0	0	27,842	0	0	27,842
5.06.05	Retained earnings reserve	0	0	27,842	0	0	27,842
5.07	Closing balances	352,715	49,330	335,998	-56,411	-12,165	669,467

Parent company financial statements / Statement of changes in equity / 1/1/2019 to 6/30/2019 (In thousands of reais)

Account code	Account title	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	341,073	46,725	301,476	17,726	4,342	711,342
5.03	Adjusted opening balances	341,073	46,725	301,476	17,726	4,342	711,342
5.04	Equity transactions with shareholders	11,642	2,310	-75,000	-38,070	0	-99,118
5.04.06	Dividends	0	0	0	-17,726	0	-17,726
5.04.07	Interest on capital	0	0	0	-20,344	0	-20,344
5.04.08	Share options and restricted stock granted	0	2,310	0	0	0	2,310
5.04.09	Issue of shares	11,642	0	0	0	0	11,642
5.04.13	Interim dividends	0	0	-75,000	0	0	-75,000
5.05	Total comprehensive income	0	0	0	63,709	2,915	66,624
5.05.01	Profit for the period	0	0	0	63,709	0	63,709
5.05.02	Other comprehensive income	0	0	0	0	2,915	2,915
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	-352	-352
5.05.02.07	Net investment hedge	0	0	0	0	3,267	3,267
5.07	Closing balances	352,715	49,035	226,476	43,365	7,257	678,848

Parent company financial statements / Statement of value added (In thousands of reais)

Account code	Account title	Six months 1/1/2020 to 6/30/2020	Six months 1/1/2019 to 6/30/2019
7.01	Revenue	423,790	687,553
7.01.01	Sales of goods, products and services	432,098	688,188
7.01.04	Provision for/reversal of impairment of trade receivables	-8,308	-635
7.02	Inputs acquired from third parties	-390,630	-538,942
7.02.01	Cost of sales and services	-316,171	-476,652
7.02.02	Materials, electricity, outsourced services and other	-72,917	-60,187
7.02.04	Other	-1,542	-2,103
7.03	Gross value added	33,160	148,611
7.04	Deductions	-10,704	-13,667
7.04.01	Depreciation, amortization and depletion	-10,704	-13,667
7.05	Net value added generated by the entity	22,456	134,944
7.06	Value added received through transfer	-4,976	9,458
7.06.01	Equity in the earnings of equity-accounted subsidiaries	-24,438	-14,856
7.06.02	Finance income	19,011	8,268
7.06.03	Other	451	16,046
7.07	Total value added to distribute	17,480	144,402
7.08	Distribution of value added	17,480	144,402
7.08.01	Personnel	60,720	57,351
7.08.01.01	Direct compensation	42,099	38,335
7.08.01.02	Benefits	6,033	4,403
7.08.01.03	Government severance indemnity fund for employees (FGTS)	5,548	3,749
7.08.01.04	Other	7,040	10,864
7.08.01.04.01	Employee profit sharing	0	3,337
7.08.01.04.02	Other	5,022	4,520
7.08.01.04.03	Share option and restricted stock plans	2,018	3,007
7.08.02	Taxes and contributions	-20,809	10,142
7.08.02.01	Federal	-7,709	28,737
7.08.02.02	State	-13,438	-18,988
7.08.02.03	Municipal	338	393
7.08.03	Lenders and creditors	33,980	13,200
7.08.03.01	Interest	5,609	2,028
7.08.03.02	Rentals	6,725	3,237
7.08.03.03	Other	21,646	7,935
7.08.03.03.01	Finance costs	21,646	7,935
7.08.04	Shareholders	-56,411	63,709
7.08.04.01	Interest on capital	0	20,344
7.08.04.03	Profits reinvested / loss for the period	-56,411	43,365

Consolidated financial statements / Balance sheet – Assets (In thousands of reais)

Account code	Account title	Current quarter 6/30/2020	Prior year 12/31/2019
1	Total assets	1,730,692	1,413,249
1.01	Current assets	1,276,801	980,665
1.01.01	Cash and cash equivalents	12,965	13,808
1.01.02	Cash investments	552,654	263,875
1.01.02.01	Cash investments measured at fair value through profit or loss	552,654	263,875
1.01.02.01.03	Cash investments measured at fair value	552,654	263,875
1.01.03	Trade and other receivables	283,071	413,412
1.01.03.01	Trade receivables	283,071	413,412
1.01.04	Inventories	271,321	179,499
1.01.06	Taxes recoverable	124,430	90,332
1.01.06.01	Current taxes recoverable	124,430	90,332
1.01.08	Other current assets	32,360	19,739
1.01.08.03	Other	32,360	19,739
1.02	Non-current assets	453,891	432,584
1.02.01	Long-term receivables	79,656	50,438
1.02.01.04	Trade and other receivables	8,416	10,402
1.02.01.04.01	Trade receivables	8,416	10,402
1.02.01.07	Deferred taxes	42,011	15,682
1.02.01.07.01	Deferred income tax and social contribution	42,011	15,682
1.02.01.10	Other non-current assets	29,229	24,354
1.02.01.10.03	Judicial deposits	26,226	21,863
1.02.01.10.04	Other	3,003	2,491
1.02.02	Investments	3,484	3,017
1.02.02.02	Investment property	3,484	3,017
1.02.03	Property, plant and equipment	293,326	304,082
1.02.03.01	Property, plant and equipment in operation	293,326	304,082
1.02.04	Intangible assets	77,425	75,047
1.02.04.01	Intangible assets	77,425	75,047
1.02.04.01.02	Trademarks and patents	6,987	6,494
1.02.04.01.03	Store use rights	26,850	28,167
1.02.04.01.04	Software licenses	43,588	40,386

Consolidated financial statements / Balance sheet - Liabilities and equity (In thousands of reais)

Account code	Account title	Current quarter 6/30/2020	Prior year 12/31/2019
2	Total liabilities	1,730,692	1,413,249
2.01	Current liabilities	576,827	464,659
2.01.01	Salaries, vacation pay and social charges payable	33,709	52,944
2.01.01.01	Social charges	11,547	5,647
2.01.01.02	Salaries and vacation pay	22,162	47,297
2.01.02	Trade payables	128,762	134,967
2.01.02.01	Domestic suppliers	128,719	134,012
2.01.02.02	Foreign suppliers	43	955
2.01.03	Taxes payable	20,589	27,259
2.01.03.01	Federal taxes payable	15,471	22,734
2.01.03.01.01	Income tax and social contribution payable	9,346	12,086
2.01.03.01.02	Other federal taxes payable	6,125	10,648
2.01.03.02	State taxes payable	5,103	4,521
2.01.03.03	Municipal taxes payable	15	4
2.01.04	Borrowings	292,424	158,222
2.01.04.01	Borrowings	292,424	158,222
2.01.04.01.01	In local currency	81,275	5,191
2.01.04.01.02	In foreign currency	211,149	153,031
2.01.05	Other liabilities	101,343	91,267
2.01.05.02	Other	101,343	91,267
2.01.05.02.01	Dividends and interest on capital payable	0	22,675
2.01.05.02.04	Other	56,507	28,447
2.01.05.02.05	Leases	44,836	40,145
2.02	Non-current liabilities	484,398	202,519
2.02.01	Borrowings	308,923	22,562
2.02.01.01	Borrowings	308,923	22,562
2.02.01.01.01	In local currency	114,926	4,117
2.02.01.01.02	In foreign currency	193,997	18,445
2.02.02	Other liabilities	165,475	170,415
2.02.02.01	Payables to related parties	2,040	1,502
2.02.02.01.04	Payables to controlling shareholders	2,040	1,502
2.02.02.02	Other	163,435	168,913
2.02.02.02.03	Leases	163,435	168,913
2.02.04	Provisions	9,707	9,169
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	9,707	9,169
2.02.04.01.02	Provision for social security and labor contingencies	7,515	6,887
2.02.04.01.04	Provision for civil contingencies	148	238
2.02.04.01.05	Provision for tax contingencies	2,044	2,044
2.02.06	Deferred profit and revenue	293	373
2.02.06.02	Deferred revenue	293	373
2.03	Consolidated equity	669,467	746,071
2.03.01	Paid-up capital	352,715	352,715
2.03.02	Capital reserves	49,330	50,538
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.05	Treasury shares	-2,826	-195
2.03.02.09	Reserve for share option and restricted stock plans	30,686	29,263

Consolidated financial statements / Balance sheet – Liabilities and equity (In thousands of reais)

Account code	Account title	Current quarter 6/30/2020	Prior year 12/31/2019
2.03.04	Revenue reserves	335,998	335,998
2.03.04.05	Retained earnings reserve	122,118	94,276
2.03.04.07	Tax incentive reserve	213,880	213,880
2.03.04.08	Proposed additional dividend	0	27,842
2.03.05	Accumulated deficit/retained earnings	-56,411	0
2.03.08	Other comprehensive loss/income	-12,165	6,820

Consolidated financial statements / Statement of operations (In thousands of reais)

Account code	Account title	Current quarter 4/1/2020 to 6/30/020	Six months 1/1/2020 to 6/30/020	Same quarter of prior year 4/1/2019 to 6/30/2019	Six months 1/1/2019 to 6/30/2019
3.01	Revenue from sales of goods and/or services	154,443	529,914	393,546	770,709
3.02	Cost of sales and/or services	-74,283	-277,382	-209,215	-413,902
3.03	Gross profit	80,160	252,532	184,331	356,807
3.04	Operating expenses/income	-171,328	-299,682	-135,210	-270,999
3.04.01	Selling expenses	-132,379	-249,502	-97,908	-194,008
3.04.02	General and administrative expenses	-38,435	-77,793	-48,717	-89,833
3.04.05	Other operating expenses	-514	27,613	11,415	12,842
3.05	Loss/profit before finance income and costs and taxes	-91,168	-47,150	49,121	85,808
3.06	Finance costs – net	-9,075	-9,847	-4,403	-9,650
3.06.01	Finance income	12,536	64,368	4,964	10,194
3.06.01.01	Interest income	4,807	8,387	4,964	9,533
3.06.01.02	Foreign exchange gains	7,729	55,981	0	661
3.06.02	Finance costs	-21,611	-74,215	-9,367	-19,844
3.06.02.01	Interest expense	-15,897	-23,833	-7,264	-13,659
3.06.02.02	Foreign exchange losses	-5,714	-50,382	-2,103	-6,185
3.07	Loss/profit before income tax and social contribution	-100,243	-56,997	44,718	76,158
3.08	Income tax and social contribution	17,944	586	-4,150	-12,449
3.08.01	Current	-7,711	-25,743	-5,381	-17,450
3.08.02	Deferred	25,655	26,329	1,231	5,001
3.09	Loss/profit for the period from continuing operations	-82,299	-56,411	40,568	63,709
3.11	Consolidated loss/profit for the period	-82,299	-56,411	40,568	63,709
3.11.01	Attributable to owners of the Parent company	-82,299	-56,411	40,568	63,709
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0.90550	-0.28480	0.44890	0.70500
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	-0.90550	-0.28480	0.43780	0.70470

Consolidated financial statements / Statement of comprehensive loss/income (In thousands of reais)

Account code	Account title	Current quarter 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020	Same quarter of prior year 4/1/2019 to 6/30/2019	Six months 1/1/2019 to 6/30/2019
4.01	Consolidated loss/profit for the period	-82,299	-56,411	40,568	63,709
4.02	Other comprehensive loss/income	-4,425	-18,985	1,742	2,915
4.02.01	Foreign exchange differences arising from the translation of foreign operations	-4,425	-18,985	129	-352
4.02.02	Net investment hedge	0	0	1,613	3,267
4.03	Consolidated comprehensive loss/income for the period	-86,724	-75,396	42,310	66,624
4.03.01	Attributable to owners of the Parent company	-86,724	-75,396	42,310	66,624

Consolidated financial statements / Statement of cash flows – Indirect method (In thousands of reais)

Account code	Account title	Six months 1/1/2020 to 6/30/2020	Six months 1/1/2019 to 6/30/2019
6.01	Net cash used in/provided by operating activities	-11,286	84,103
6.01.01	Cash from operations	71,643	120,172
6.01.01.01	Loss/profit before income tax and social contribution	-56,411	63,709
6.01.01.02	Depreciation and amortization	40,595	37,763
6.01.01.03	Loss/profit on disposal of property, plant and equipment and intangible assets	20,417	-39
6.01.01.04	Interest paid on loans	-5,367	-1,007
6.01.01.06	Provision for labor, tax and civil contingencies	538	875
6.01.01.07	Finance charges and foreign exchange variation on borrowings	57,233	6,208
6.01.01.08	Interest income on cash investments	-6,582	-7,193
6.01.01.09	Provision for impairment of trade receivables	12,775	915
6.01.01.10	Addition to provision for inventory losses	5,049	1,423
6.01.01.11	Share option and restricted stock plans	1,423	2,310
6.01.01.12	Interest expense on lease liabilities	2,558	2,759
6.01.01.13	Income tax and social contribution	-585	12,449
6.01.02	Changes in assets and liabilities	-68,929	-14,654
6.01.02.01	Trade receivables	119,551	10,742
6.01.02.02	Inventories	-96,873	-13,930
6.01.02.03	Changes in other current assets	-41,510	-6,560
6.01.02.04	Taxes recoverable	-47,117	-7,579
6.01.02.05	Judicial deposits	-4,364	-4,302
6.01.02.07	Trade payables	-2,905	5,308
6.01.02.08	Salaries and vacation pay	-25,134	-4,189
6.01.02.09	Taxes and social charges payable	1,454	-1,067
6.01.02.10	Changes in other current liabilities	27,969	6,923
6.01.03	Other	-14,000	-21,415
6.01.03.01	Income tax and social contribution paid	-14,000	-21,415
6.02	Net cash used in financing activities	-304,237	-41,428
6.02.01	Purchases of property, plant and equipment and intangible assets	-21,436	-26,120
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	338	987
6.02.03	Cash investments	-1,029,143	-530,109
6.02.04	Withdrawal of cash investments	746,004	513,814
6.03	Net cash provided by/used in financing activities	314,680	-43,302
6.03.01	Proceeds from borrowings	455,241	79,965
6.03.02	Repayments of borrowings	-86,979	-15,677
6.03.05	Interest on capital paid	-15,436	-20,847
6.03.06	Distribution of dividends	-7,239	-75,000
6.03.07	Receivables from/payables to shareholders	538	-16
6.03.08	Increase in share capital – issue of shares	0	11,642
6.03.09	Acquisition of treasury shares	-2,632	0
6.03.10	Lease payments	-28,813	-23,369
6.04	Foreign exchange losses on cash and cash equivalents	0	-32
6.05	Decrease/increase in cash and cash equivalents	-843	-659
6.05.01	Cash and cash equivalents at the beginning of the period	13,808	8,501
6.05.02	Cash and cash equivalents at the end of the period	12,965	7,842

Consolidated financial statements / Statement of changes in equity - 1/1/2020 to 6/30/2020 (In thousands of reais)

Account code	Account title	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	352,715	50,538	308,156	27,842	6,820	746,071	0	746,071
5.03	Adjusted opening balances	352,715	50,538	308,156	27,842	6,820	746,071	0	746,071
5.04	Equity transactions with shareholders	0	-1,208	0	-27,842	0	-29,050	0	-29,050
5.04.04	Acquisition of treasury shares	0	-2,631	0	0	0	-2,631	0	-2,631
5.04.08	Share options and restricted stock granted	0	1,423	0	0	0	1,423	0	1,423
5.04.10	Proposed dividends	0	0	0	-27,842	0	-27,842	0	-27,842
5.05	Total comprehensive income	0	0	0	-56,411	-18,985	-75,396	0	-75,396
5.05.01	Loss/profit for the period	0	0	0	-56,411	0	-56,411	0	-56,411
5.05.02	Other comprehensive loss/income	0	0	0	0	-18,985	-18,985	0	-18,985
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	-18,985	-18,985	0	-18,985
5.06	Internal changes in equity	0	0	27,842	0	0	27,842	0	27,842
5.06.05	Retained earnings reserve	0	0	27,842	0	0	27,842	0	27,842
5.07	Closing balances	352,715	49,330	335,998	-56,411	-12,165	669,467	0	669,467

Consolidated financial statements / Statement of changes in equity - 1/1/2019 to 6/30/2019 (In thousands of reais)

Account code	Account title	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	341,073	46,725	301,476	17,726	4,342	711,342	0	711,342
5.03	Adjusted opening balances	341,073	46,725	301,476	17,726	4,342	711,342	0	711,342
5.04	Equity transactions with shareholders	11,642	2,310	-75,000	-38,070	0	-99,118	0	-99,118
5.04.06	Dividends	0	0	0	-17,726	0	-17,726	0	-17,726
5.04.07	Interest on capital	0	0	0	-20,344	0	-20,344	0	-20,344
5.04.08	Share options and restricted stock granted	0	2,310	0	0	0	2,310	0	2,310
5.04.09	Issue of shares	11,642	0	0	0	0	11,642	0	11,642
5.04.13	Interim dividends	0	0	-75,000	0	0	-75,000	0	-75,000
5.05	Total comprehensive income	0	0	0	63,709	2,915	66,624	0	66,624
5.05.01	Profit for the period	0	0	0	63,709	0	63,709	0	63,709
5.05.02	Other comprehensive income	0	0	0	0	2,915	2,915	0	2,915
5.05.02.06	Foreign exchange differences arising from the translation of foreign operations	0	0	0	0	-352	-352	0	-352
5.05.02.07	Net investment hedge	0	0	0	0	3,267	3,267	0	3,267
5.07	Closing balances	352,715	49,035	226,476	43,365	7,257	678,848	0	678,848

Consolidated financial statements / Statement of value added (In thousands of reais)

Account code	Account title	Six months 1/1/2020 to 6/30/2020	Six months 1/1/2019 to 6/30/2019
7.01	Revenue	610.265	892.711
7.01.01	Sales of goods. products and services	623.040	893.626
7.01.04	Provision for/reversal of impairment of trade receivables	-12.775	-915
7.02	Inputs acquired from third parties	-473.880	-626.487
7.02.01	Cost of sales and services	-328.573	-479.599
7.02.02	Materials. electricity. outsourced services and other	-140.625	-142.894
7.02.04	Other	-4.682	-3.994
7.03	Gross value added	136.385	266.224
7.04	Deductions	-40.595	-37.763
7.04.01	Depreciation. amortization and depletion	-40.595	-37.763
7.05	Net value added generated by the entity	95.790	228.461
7.06	Value added received through transfer	93.999	26.042
7.06.02	Finance income	64.368	10.193
7.06.03	Other	29.631	15.849
7.07	Total value added to distribute	189.789	254.503
7.08	Distribution of value added	189.789	254.503
7.08.01	Personnel	109.582	95.849
7.08.01.01	Direct compensation	83.073	66.709
7.08.01.02	Benefits	10.460	9.200
7.08.01.03	Government severance indemnity fund for employees (FGTS)	7.689	6.133
7.08.01.04	Other	8.360	13.807
7.08.01.04.01	Employee profit sharing	0	3.345
7.08.01.04.02	Other	6.342	7.455
7.08.01.04.03	Share option and restricted stock plans	2.018	3.007
7.08.02	Taxes and contributions	29.989	45.780
7.08.02.01	Federal	25.388	44.614
7.08.02.02	State	3.546	6
7.08.02.03	Municipal	1.055	1.160
7.08.03	Lenders and creditors	106.629	49.165
7.08.03.01	Interest	8.957	3.184
7.08.03.02	Rentals	32.413	29.322
7.08.03.03	Other	65.259	16.659
7.08.03.03.01	Finance costs	65.259	16.659
7.08.04	Shareholders	-56.411	63.709
7.08.04.01	Interest on capital	0	20.344
7.08.04.03	Profits reinvested / loss for the period	-56.411	43.365

1. Company Overview

Arezzo&Co is the leader in the women's footwear, handbags and accessories A/B market in Brazil. With a history of 48 years, it currently sells over 14.5 million pairs of shoes a year, in addition to handbags and accessories. It has seven relevant brands - Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme and Vans®.
Its product lines are distinguished by their innovation, design, comfort and excellent value for money.
The multichannel strategy enhances the group's capillarity through owned stores, franchises, multibrand stores and Web Commerce, with a presence in every Brazilian state. Internationally, the brand products are also sold in franchises, owned stores, multibrand stores and department stores.

The company ended 2Q20 with a presence through 688 franchises, 53 owned stores and 3,968 multibrand stores in Brazil.

AREZZO

Founded in 1972 by the brothers Anderson and Jefferson Birman, the brand is top of mind of consumers of Brazilian ladies' shoes in Brazil. The brand has a trendy positioning, combining concept, high quality, contemporary design and consumer satisfaction. It is the benchmark in launching trends in Brazil and is always to be found in the editorials of the most prestigious magazines, newspapers and sites in Brazil as a reference for fast fashion in ladies' footwear, handbags and accessories.

SCHUTZ

The Schutz brand was founded in 1995 and its mission is to offer the public a concept of products where design, quality, fashion and freedom of expression all come together. The result is collections developed to reflect the spirit of the young, contemporary woman who makes na impact, is irreverent and has her own style. It is an invitation to be daring and to challenge the norm.

ANACAPRI

The Anacapri brand, specializing in flats of the Arezzo&Co Group, was founded in 2008 with the purpose of simplifying the lives of its consumers with versatile fashion full of personality, but without relinquishing comfort.

ALEXANDRE BIRMAN

The Alexandre Birman brand, founded in 2009, is a reference among Brazilian brands of ladies' luxury shoes, vying for room with the top fashion names in well-know retail chains around the world. The brand is widely recognized by the concept of exclusiveness and sophistication, which is widely recognized abroad.

FIEVER

A wordplay on FIVE (the group's 5th brand) and FEVER was launched in December 2015 as an urban, cool brand dedicated to a younger public focused on casual sneakers. The path it has traveled includes an effort to always innovate and keep up with this generation's pace.

ALME

The Alme brand was created in 2018 after a year of qualitative and quantitative. The brand seeks to attend a growing demand of consumers that wants comfortable and beautiful shoes for all occasions.

VANS
"OFF THE WALL"

As announced at 2019, Arezzo&Co signed a contract to become the exclusive distributor of the Vans® brand in Brazil. Originally "Off the Wall" since 1966, the Vans brand creates shoes, clothes and accessories focused on skaters, surfers, bikers and snowboarders around the world. The brand connects the young culture to promote the self-expression, creative authenticity and progression, while linking the brand's deep roots in action sports to art, music and street culture.

2. Operational and Financial Performance

Summary of Results and Operational Indicators (IFRS 16)

Summary of Results	2Q20	2Q19	Δ (%) 20 x 19	1S20	1S19	Δ (%) 20 x 19
Net Revenues (Adjusted)	175.990	393.546	-55,3%	551.461	770.709	-28,4%
Gross Profit (Adjusted)	91.311	184.331	-50,5%	263.683	356.807	-26,1%
Gross Margin (Adjusted)	51,9%	46,8%	5,1 p.p.	47,8%	46,3%	1,5 p.p.
EBITDA (Adjusted)	5.558	61.398	-90,9%	41.555	115.867	-64,1%
EBITDA Margin (Adjusted)	3,2%	15,6%	-12,4 p.p.	7,5%	15,0%	-7,5 p.p.
Net Income (Adjusted)	(31.048)	35.558	-187,3%	(23.838)	58.624	-140,7%
Net Margin (Adjusted)	-17,6%	9,0%	-26,6 p.p.	-4,3%	7,6%	-11,9 p.p.

Net Revenues	154.443	393.546	-60,8%	529.914	770.709	-31,2%
Gross Profit	80.160	184.331	-56,5%	252.532	356.807	-29,2%
Gross Margin	51,9%	46,8%	5,1 p.p.	47,7%	46,3%	1,4 p.p.
EBITDA	(72.095)	68.989	-204,5%	(7.798)	123.571	-106,3%
EBITDA Margin	-46,7%	17,5%	-64,2 p.p.	-1,5%	16,0%	-17,5 p.p.
Net Income	(82.299)	40.568	-302,9%	(56.411)	63.709	-188,5%
Net Margin	-53,3%	10,3%	-63,6 p.p.	-10,6%	8,3%	-18,9 p.p.

Operating Indicators	2Q20	2Q19	Δ (%) 20 x 19	1S20	1S19	Δ (%) 20 x 19
# of pairs sold ('000)	1.079	3.185	-66,1%	3.970	6.338	-37,4%
# of handbags sold ('000)	185	436	-57,5%	481	813	-40,8%
# of employees	2.029	2.515	-19,3%	2.029	2.515	-19,3%
# of stores*	741	696	45	741	696	45
Owned Stores	53	54	-1	53	54	-1
Franchises	688	642	46	688	642	46
Outsourcing (as % of total production)	90,9%	90,3%	0,6 p.p	90,5%	90,2%	0,3 p.p
SSS² Sell in (franchises)	-90,7%	1,3%	-92,0 p.p	-34,4%	1,2%	-35,6 p.p
SSS² Sell out (owned stores + franchises + web	-50,5%	4,1%	-54,6 p.p	-32,5%	4,0%	-36,5 p.p

Adjusted Results: Excluding R$77.7 million in 2Q20 related to one-offs (non-recurring elements), to be explained ahead. Also excluding one-off events and effects from extemporaneous credits in 1Q20 (R$28.3 million), 2Q19 (R$7.6 million) and 1Q19 (R$0.1 million).

* Including stores abroad

(1) On January 1, 2020, Arezzo&Co became Brazil's sole operator of the Vans brand in all of its distribution channels - franchises, owned stores and multi-brand.

(2) SSS (Same-Store-Sales): the stores are included in SSS as from the 13th month of operation.

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One-off events

For a better understanding and comparability of results, 2Q20 figures are adjusted to exclude one-offs in Brazil and North America operations. Details on these events are described on page 5 of this document.

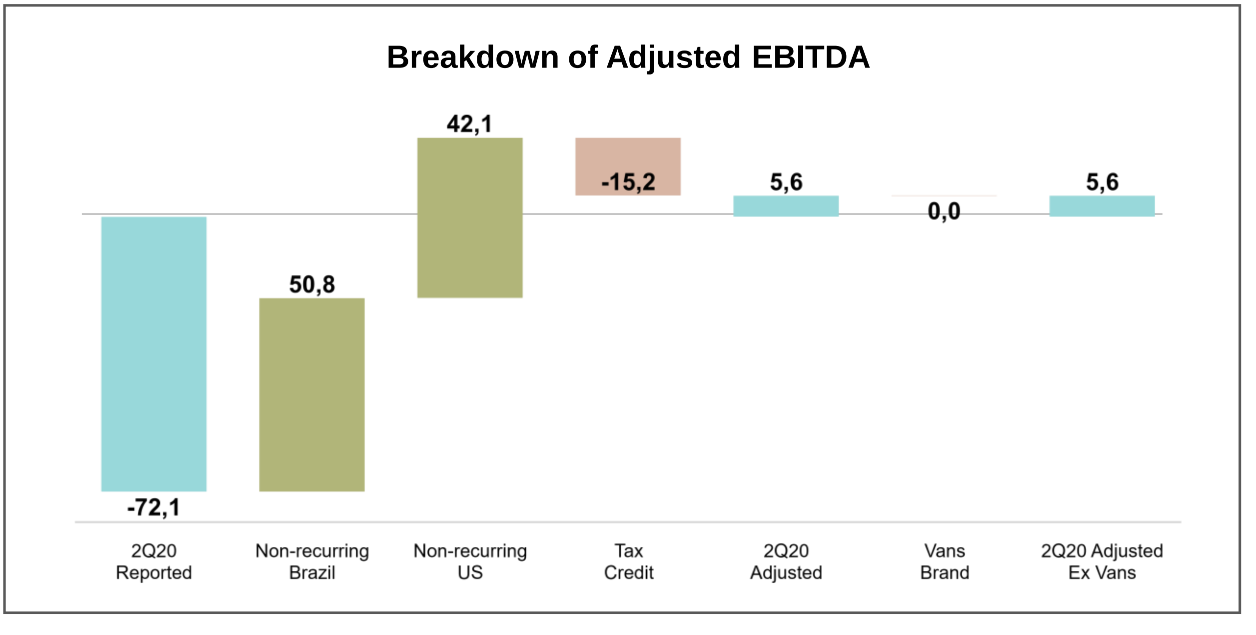
Note that 2Q19 results were also adjusted to exclude extemporaneous credits earned in fiscal year 2019, to create a better comparison base for analysis.

Key financial indicators	2Q20	Nonrecurrent Adjustment	2Q20 (Adjusted)	2Q19 (Adjusted)	Δ (%) 20 x 19 Adj.
Gross Revenues	228.849	4.671	233.520	489.482	(52,3%)
Net Revenues	154.443	21.547	175.990	393.546	(55,3%)
COGS	(74.283)	(10.396)	(84.679)	(209.215)	(59,5%)
Depreciation and amortization (cost)	(817)		(817)	(743)	10,0%
Gross Profit	80.160		91.311	184.331	(50,5%)
Gross margin	*51,9%*		*51,9%*	*46,8%*	*5,1 p.p*
SG&A	(171.328)	66.502	(104.826)	(142.801)	(26,6%)
% of net revenues	*(110,9%)*		*(59,6%)*	*(36,3%)*	*(23,3 p.p)*
Selling expenses	**(118.765)**	**56.797**	**(61.968)**	**(84.011)**	**(26,2%)**
Owned stores and web commerce	(31.401)	4.879	(26.522)	(29.009)	(8,6%)
Selling, logistics and supply	(87.364)	51.917	(35.447)	(55.002)	(35,6%)
General and administrative expenses	**(33.793)**	**9.011**	**(24.782)**	**(37.842)**	**(34,5%)**
Other operating revenues (expenses)	**(514)**	**694**	**180**	**(1.822)**	**(109,9%)**
Depreciation and amortization (expenses)	**(18.256)**		**(18.256)**	**(19.125)**	**(4,5%)**
EBITDA	(72.095)		5.558	61.398	(90,9%)
EBITDA Margin	*-46,7%*		*3,2%*	*15,6%*	*(12,4 p.p)*
Net Income	(82.299)		(31.048)	35.558	(187,3%)
Net Margin	*(53,3%)*		*(17,6%)*	*9,0%*	*(26,6 p.p)*

Adjusted Results: Exclude R$77.7 million in 2Q20 related to one-offs (non-recurring elements), to be explained ahead. Also exclude one-off events and effects from extemporaneous credits in 1Q20 (R$28.3 million), 2Q19 (R$7.6 million) and 1Q19 (R$0.1 million).

One-off adjustments

Event	Amount (million)	Description	Cash Effect	Impact
Asset Write-off	(R$16,6)	Asset write-off: closure of 5 US stores (being one pop up) and the office in New York		SG&A
Buy out (Rescission)	(R$14,8)	Expenses associated to the rescission of lease agreements due to the closure of 5 stores and the office in New York	✓	SG&A
Terminations (People)	(R$5,6)	Rescission related to adjustments to corporate structure	✓	SG&A
PDA	(R$3,8)	Provision for losses associated to the wholesale channel		SG&A
Discounts	(R$1,3)	Provision for discounts in the wholesale channel	✓	Gross profit
Total North-American Operations	**(R$42.1)**			
Franchisees Aid Fund	(R$19,0)	Provision for future discounts in franchise and multi-brand channels on products billed in 1Q20 and put on sale in stores over the subsequent months (to be deducted from 3Q20 new billings)		SG&A
Terminations	(R$12,4)	Rescission from adjustments to corporate structure	✓	SG&A
Returns	(R$6,6)	Returns in franchise and multi-brand channels (provision of R$4.9 million)	Partial	Gross profit
PDA	(R$6,1)	Provision for losses in franchise and multi-brand channels		SG&A
Discounts	(R$3,7)	Discounts granted in the multi-brand channel in the quarter	✓	Gross Revenue
Assets Write-off	(R$3,0)	Provision for write-off of 8 owned stores, to be transferred to franchisees, or closed		SG&A
Extemporaneous Tax Credits	R$15,2	Extemporaneous tax credits (ICMS on PIS/COFINS)		SG&A
Total Brazilian Operations	**(R$35.6)**			
Total Arezzo&Co	**(R$77.7)**			



Gross revenue breakdown by brand and channel

Gross Revenue	2Q20	Part%	2Q19	Part%	Δ (%) 20 x 19	1S20	Part%	1S19	Part%	Δ (%) 20 x 19
Total Gross Revenue	**228.849**		**489.482**		**(53,2%)**	**694.086**		**952.012**		**(27,1%)**
Foreign Market	**21.745**	**9,5%**	**65.946**	**13,5%**	**(67,0%)**	**85.251**	**12,3%**	**121.172**	**12,7%**	**(29,6%)**
Exports	*10*	*0,0%*	*17.315*	*26,3%*	*(99,9%)*	*9.653*	*11,3%*	*28.949*	*23,9%*	*(66,7%)*
US Operation	*21.733*	*99,9%*	*48.631*	*73,7%*	*(55,3%)*	*75.598*	*88,7%*	*92.223*	*76,1%*	*(18,0%)*
Domestic Market	**207.104**	**90,5%**	**423.536**	**86,5%**	**(51,1%)**	**608.835**	**87,7%**	**830.840**	**87,3%**	**(26,7%)**
By Brand										
Arezzo	*81.042*	*39,1%*	*228.114*	*53,9%*	*(64,5%)*	*262.489*	*43,1%*	*450.920*	*54,3%*	*(41,8%)*
Schutz[1]	*58.689*	*28,3%*	*117.334*	*27,7%*	*(50,0%)*	*162.166*	*26,6%*	*229.613*	*27,6%*	*(29,4%)*
Anacapri	*22.741*	*11,0%*	*56.775*	*13,4%*	*(59,9%)*	*73.237*	*12,0%*	*111.137*	*13,4%*	*(34,1%)*
Vans	*33.855*	*16,3%*	-	-	*na*	*83.584*	*13,7%*	-	-	*na*
Others[2]	*10.777*	*5,2%*	*21.313*	*5,0%*	*(49,4%)*	*27.359*	*4,5%*	*39.170*	*4,7%*	*(30,2%)*
By Channel										
Franchises	*6.691*	*3,2%*	*196.514*	*46,4%*	*(96,6%)*	*179.854*	*29,5%*	*404.850*	*48,7%*	*(55,6%)*
Multibrand	*37.683*	*18,2%*	*107.402*	*25,4%*	*(64,9%)*	*151.914*	*25,0%*	*203.902*	*24,5%*	*(25,5%)*
Owned Stores	*13.754*	*6,6%*	*69.461*	*16,4%*	*(80,2%)*	*64.077*	*10,5%*	*130.027*	*15,7%*	*(50,7%)*
Web Commerce	*148.730*	*71,8%*	*49.519*	*11,7%*	*200,3%*	*212.573*	*34,9%*	*91.004*	*11,0%*	*133,6%*
Others[3]	*246*	*0,1%*	*640*	*0,2%*	*(61,6%)*	*417*	*0,1%*	*1.057*	*0,1%*	*(60,5%)*

By Channel (ex-Vans)	**173.249**		**423.536**		**(59,1%)**	**525.251**		**830.840**		**(36,8%)**
Franchises	*6.049*	*3,5%*	*196.514*	*46,4%*	*(96,9%)*	*177.769*	*33,8%*	*404.850*	*48,7%*	*(56,1%)*
Multibrand	*25.331*	*14,6%*	*107.402*	*25,4%*	*(76,4%)*	*103.894*	*19,8%*	*203.902*	*24,5%*	*(49,0%)*
Owned Stores	*11.284*	*6,5%*	*69.461*	*16,4%*	*(83,8%)*	*57.047*	*10,9%*	*130.027*	*15,7%*	*(56,1%)*
Web Commerce	*130.339*	*75,2%*	*49.519*	*11,7%*	*163,2%*	*186.125*	*35,4%*	*91.004*	*11,0%*	*104,5%*
Others[3]	*246*	*0,1%*	*640*	*0,2%*	*(61,6%)*	*417*	*0,1%*	*1.057*	*0,1%*	*(60,5%)*

(1) Excludes revenue from international operations.
(2) Includes the brands A. Birman, Fiever and Alme in the domestic market only, and other non-specific revenue from the brands.
(3) Includes revenues in the domestic market that are not specific to the distribution channels.

Message from Management

Dear Investors,

First and foremost, we hope you are staying safe during this unprecedented and uncertain scenario, which we have now learned to live in.

In regards to the results presented in this document, we would like to emphasize that Arezzo&Co ended the second quarter of this year with a sense of accomplishment, performing better than we anticipated at the beginning of the pandemic.

From April to June, we worked very closely to the market, and diligently communicated all of our initiatives. The following is an overview of major aspects for the quarter:

- We have a culture of employees who are passionate about what they do, which has translated into great dedication and a tangible difference in execution;
- We understand we cannot fully control the impacts of the pandemic on retail (including store reopenings and closures), but we are prepared for a variety of scenarios, and maintain focus on remote sales;
- We resumed factory production on April 23 as one of the very few fashion industry players able to launch new collections during the pandemic. We were able to appeal to our customers' desire for novelty;
- Non-default rates among franchisees and multi-brands are better than anticipated;
- Suppliers have demonstrated sound financial standing benefiting from the government's emergency aid programs and Arezzo&Co's ability to honor payments on time;
- We have seen outstanding results in the multi-brand channel, mostly in street stores located in small towns less affected by the pandemic;
- We were able to maintain the vast majority of our physical stores and franchisees, which currently have regular inventory levels;
- We have a scenario of very low interest rates, creating an attractive environment for franchising and expansion of smaller store models (like Anacapri and Arezzo Light), as well as Vans;
- We had to make difficult decisions, especially within US operations, making changes to the business in order to keep evolving;
- We contracted debt of R$450 million in mid-March, but we did not need to use these funds;
- We have cash available, and after months of deep uncertainty we are once again considering consolidation opportunities in Brazil's fashion industry.

For a better understanding of the quarter's milestones, we highlight 4 pillars of operation: (i) strong acceleration of the omnichannel development; (ii) operational changes; (iii) full support to innovation; (iv) restructuring of US operations; and (v) advances towards becoming a brand platform.

Pillar #1: Strong acceleration of omnichannel development

- Consolidation of tools for delivery from store, WhatsApp sales, infinite shelf space (endless aisle), coupon sales and social selling;
- Franchisee engagement and confidence in the process, with continued improvement in service levels;
- Stores still closed able to reach approximately 30-40% of last year's revenue;
- Web commerce revenue was three times higher than 2019, with significant growth rates despite the gradual reopening of physical stores;
- Logistics and distribution centers have adjusted well to serve end customers within the pre-established deadlines;
- Customer service ramp-up (more than 60 employees hired) to provide the best experience possible to end customers.

Message from Management

Pillar #2: Operational changes

- Implementation of bi-weekly launches for greater success in franchisee and multi-brand purchases;
- Optimization of sell-in process to last only a week, 100% online, increasing productivity and reducing lead time. Franchisees and multi-brands then buy closer to demand time, therefore increasing success and assertiveness;
- Average collection prices down 10% to 20%, due to the mix effect (more flats, low-heel and comfortable shoes, which are inherently less expensive) and product re-engineering efforts with suppliers, without impacting gross margin;
- Transformation of store purpose as a place for salespeople to interact with and win over customers, expanding assortment through activation samples and Infinite Shelf Space delivery (web commerce);
- Transformation of salesperson's role, building a closer relationship with customers and working both online and offline;
- Essentially digital marketing and a more segmented communication with customers;
- Changes in the organizational structure to expedite processes and optimize decision-making;
- To achieve greater operating efficiency, the newer brands of the group, Fiever and Alme, were absorbed by the more mature brands in an attempt to benefit from their synergies and expertise;
- Management of the Schutz brand in Brazil and the US became integrated under one brand director, with clear benefits for the marketing and branding strategy.

Pillar #3: Full support of innovation

- 100% online launches for sell-in showrooms, with live streams to the franchisee and multi-brand network via YouTube - saving time, energy and money with strong engagement;
- Live Shopping – Live streams on YouTube and Instagram for simultaneous product sales directly to end consumers, bringing inspiring results that encouraged us to promote future editions;
- Launch of the Digital Store model for the Arezzo brand at Shopping Morumbi, in São Paulo, designed to guarantee social distancing, a computer area for salespeople (now "digital consultants") to sell remotely, sales enabled by QR code and no-touch payment;
- Replacement of our traditional resort collection with homewear/loungewear products for all brands. The highlights were Arezzo Home and Living Schutz, which had to be even replenished in the period. The homewear lines of all brands combined recorded sales of 15,000 pairs, with 50% collection turnover.

Pillar #4: Restructuring of US operations

- Final adjustments to the country's existing structure included the closure of 4 underperforming physical stores and overhead cuts in the offices, showrooms and corporate teams;
- Very positive scenario starting June, recording profit after a few years of cash burn;
- New positioning strategy for the Schutz brand to appeal to a larger addressable market ("contemporary"), to which we offer the best value for money in the market, despite associated competition;
- Strong adherence of department stores to the new proposed pricing, with a significant increase in sell-in sales to the largest wholesale clients.

Message from Management

Pillar #5: Advances towards becoming a brand platform

- Soft opening on August 14 within the “1P” modality with all 7 brands of the group;
- In mid-September, partner brands will join the platform within the 3P modality (marketplace), which will enable sales of full outfits (by adding clothing and accessories), as well as categories such as home & decor, beauty, among others - therefore maximizing conversion and content creation;
- Possible activation of over 10 million customers registered in our CRM base to leverage traffic in the early months of operation;
- Addition of circular economy on the platform, since brands like Arezzo and Schutz are already among the top 10 best-selling brands on Brazilian second-hand sales platforms;
- Diverse content posted daily by expert professionals and journalists, guaranteeing recurring access.

Highlights in <u>JULY</u>

To keep the market informed on subsequent events to 2Q20, we highlight below the evolution of our results over the course of July.

<u>Consolidated operations (including Vans):</u>

- 101% of 2019 revenue achieved (R$ 172.2 million);
- Total SG&A of R$37.8 million, decreasing 20% from 2019;
- EBITDA of R$19.7 million, increasing 42% from 2Q19;
- Sell in total order portfolio of R$244 million, with billings equivalent to 70% of the levels recorded in 2019
- Open stores in Brazil with 50% of last year’s revenue (sell out);
- Closed stores in Brazil with 28% of last year’s revenue (sell out);
- Operating cash generation of R$34.3 million;

<u>US operations</u>:

- Increase of 41% in revenue compared to 2019 (in reais), with EBITDA breakeven

Brand Performance

The **Arezzo** brand posted revenue of R$81.0 million in the second quarter, a 64.5% decrease from 2Q19. Although most stores were closed during the brand’s most important sales period of the year (Mother's Day), Arezzo posted significant results, reaching 48% of revenue from the year-ago period - 32% of which in physical stores versus 2019 - and growing 273% in web commerce.

The brand also launched its first Digital Store at Shopping Morumbi, in São Paulo, with an innovative and technological concept that enables a customized shopping experience, combining the online and offline universes. The store includes dedicated areas for sneakers, product customization, and storage space for items sold through the omnichannel. The opening happened at a fully-digital event on the brand’s Instagram page, where Brazilian actress Monica Martelli took viewers on a tour of the store and was joined by influencers, who styled outfits with matching shoes and handbags. In the quarter, the brand also launched its first vulcanized sneakers, ZZ PLAY, a versatile and carefree design that hit the stores at attractive prices (R$129.0). It outperformed in sales since launch and required successive replenishment.

Message from Management

The **Schutz** brand posted revenue of R$58.7 million in the second quarter (for Brazilian operations), a 50.0% decrease from 2Q19. Mother's Day accounted for 77% of the sales posted in the same period of 2019, with 245% growth in web commerce.

As a highlight in the period, once again positioned as a pioneering, trend-setting brand, Schutz was one of the first Brazilian fashion brands to have a “live shopping” event on its Instagram and YouTube pages. The event included a casual live introduction of the products through a show on how to wear the shoes and handbags with different outfits and styles. During the live stream, the sales team encouraged viewers to shop on the web commerce channels and physical stores (through the salesperson’s WhatsApp). The initiative had inspiring results, with outstanding revenue peaks (sell-out of R$1.0 million in a single day), including a 15% increase in traffic and 22% new customers on the brand’s website.

Furthermore, during the quarter the brand expanded its portfolio to loungewear, providing consumers with new options for times of social distancing, emphasizing the “Stay Home, Stay Fashion” experience.

The **Anacapri** brand posted revenue of R$22.7 million in the second quarter, a 59.9% decrease from 2Q19. In the quarter, the brand promoted various actions focusing on the current scenario, such as how to wear the brand’s shoes at home and adopt self-care and wellness practices. On Mother's Day, the brand achieved 50% of the 2019 sales and posted a 500% growth in web commerce.

The **Alexandre Birman** brand posted revenue of R$4.7 million in the second quarter, a 51.0% decrease from 2Q19. In the quarter, the brand continued to invest heavily in online communication, with live streams about various topics pertaining to its consumers’ lives. For Mother's Day, the brand launched a fully-online contest in which participants designed custom-made sandals for their mothers, and the best designs were chosen by popular vote on Instagram. The winners won the exact sandals designed by their children, making this important day even more special.

The newer brands, **Fiever** and **Alme** performed very well in the online channels, following the trend of the group’s more mature brands. Fiever stood out with strong results for its best-seller “BEAT,” accounting for 23% of the brand’s online sales. Alme launched the “Alme Ecoa” sneakers, made from eco-friendly raw material while keeping with the brand’s attributes of comfort.

Vans became the 7th brand of the group after licensing in 2019. In 2Q20, it posted revenue of R$33.9 million. As a highlight in the quarter, despite a challenging scenario, the brand opened two stores in the city of Belo Horizonte (state of Minas Gerais) - the first at BH Shopping and the second at Shopping Pátio Savassi, in line with its expansion plan for Brazil. Please note that half of the brand’s production is sourced domestically, and will continue to be expanded in the short term. Changing production is an important factor for efficiency gains and fast product replacement, in addition to mitigating the impacts of USD appreciation.

Another highlight of the period was the launch of a successful partnership between Vans and The Simpsons. The collection includes sneakers, clothing items and accessories inspired by the cartoon’s universe for men, women and children. Furthermore, during the pandemic Vans launched an initiative that was entirely developed in Brazil, offering free music and artistic content to consumers. Through the brand’s official Facebook page, Vans broadcast the “Vans Living Room Festival” to more than 1 million viewers in the country. The festival included over 6 hours of original content, focusing on performances/artists with a deep connection to the brand. The result was a very high engagement level before and after the event.

Channels

Monobrand – Franchises and Owned Stores

Reflecting the Company's strategy to strengthen monobrand stores, the Arezzo&Co POS network (Owned Stores + Franchises + web commerce) had a negative performance of 46.7% in sell-out sales in 2Q20 compared to 2Q19, due to the temporary closure of physical stores since March, with partial reopening at the end of the first half of June. Sales performance at the same stores was -50.5% in 2Q20, with the highest impact seen in April and May during the pandemic peak. **Arezzo&Co currently has 634 stores open (88.0% of the network), which recorded average revenues of 50.0% in July compared to 2019.** Furthermore, 42 stores in the network reopened after the pandemic peak only to close again when cases grew in their respective cities, emphasizing the importance of digital tools for remote sales.

As disclosed in previous notices, Arezzo&Co adopted measures regarding deadlines and supply in the franchise channel, interrupted billing during the period of temporary store closures, and postponed royalties payment. As a result, the Franchise channel saw a 96.6% decrease from 2019. **However, the third quarter is already seeing an important recovery in the channel, which has healthy inventories and actively participates in bi-weekly launches.**

Multibrand

In 2Q20, revenues from the Multibrand channel decreased by 64.9% compared to 2Q19, mainly impacted by the sell-in interruption during the pandemic. As mentioned in previous notices, Arezzo&Co has also implemented contingency measures in the multibrand channel.

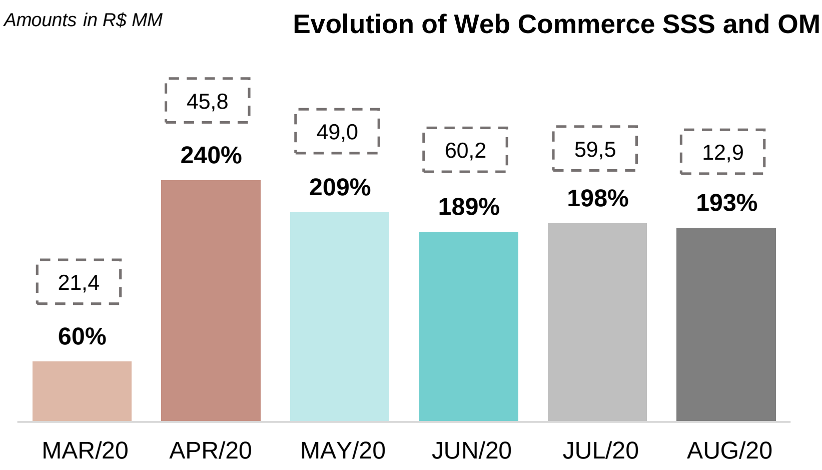
Despite the challenging scenario, Arezzo&Co noticed the channel's resilience due to its customer profile and store locations, mostly street stores in small towns, which are therefore less affected by the pandemic. In addition, the group's brands have a high level of shelf space in these clients, resulting in the prioritization of Arezzo&Co's brands during difficult times. The channel's increased resilience has already been perceived in June's sell-in, where the channel reached 70% of the 2019 revenue. The group's seven brands are distributed across 3,968 stores (51.4% more than 2Q19, in part explained by Vans previous customers) and present in 2,689 cities.

Strong Acceleration of the Digital Transformation

In 2018, Arezzo&Co started its Digital Transformation process, and one of the main action fronts was integrating the physical and online channels, with excellent progress in both the number of stores enabled with the technology and network engagement by owned stores and franchises.

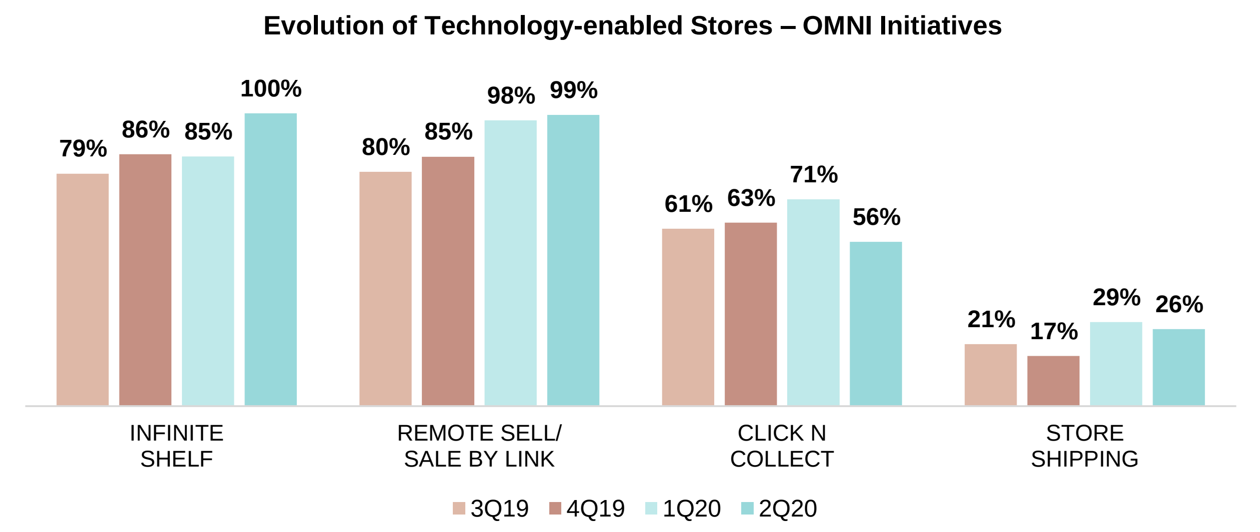
As mentioned in our previous earnings release, the digital and remote sales tools were crucial for the survival of stores during the period they remained closed. In the quarter, stores managed to realize 22.1% of the 2019 revenue through these tools alone.

In addition to the excellent progress in channel integration, the web commerce channel followed the same trend as in the second half of March, posting strong results in the second quarter of 2020. With 200.3% growth (or 163.2% excluding Vans) and 3 times the volume sold in 2019, the channel accounted for 71.8% of sales in the period, enabling Arezzo&Co's revenue to outperform that of its peers in the footwear and handbag segment during this challenging time of closed stores.



- **+908%** growth in the "sale by link"/ remote sell modality in 2Q20;
- **440%** growth in the store shipping modality in 2Q20;
- **21.4%** new customers in web commerce;
- **69,000** customers reactivated, who had not shopped in over a year.

SSS of the web commerce channel, including the Vans® brand.
**Reference date: 08/09*



** Store shipping: number is growing, since stores are reopening and entering into partnerships with carrier companies.*

Seeking to improve and leverage the results of the omnichannel initiatives, Arezzo&Co is internally developing its Order Management System (OMS), which will enable an even faster and accurate reading of all inventories in the network, making it possible to ship products from different stores in the same order. The Company also launched its next-day delivery pilot in early August. The project consists in next-day delivery of web commerce orders by 3 p.m. Trials are currently taking place in the city of São Paulo, soon to be extended to other capitals in the country.

As discussed in the previous earnings release, in addition to the acceleration of all its digital fronts, Arezzo&Co continues to pursue the dream of transforming its business through the construction of an effectively digital fashion platform. The platform structure was developed and built in the last few months, and an ecosystem will be launched in mid - September, already including partners via marketplace. It will provide a distinguished experience and create bonds with consumers through a curatorship of the best products and brands in the Brazilian market. The platform's soft opening happened on August 11, with Arezzo&Co brands all together, with single shopping carts and shipping, including investments in marketing and streamlined downloads.

International Market

In the United States, operating revenue dropped by 55.5% (in USD, the decrease was 66.9%). Similarly to Brazil, revenue in North American operations was severely impacted by the global COVID-19 pandemic, including the (temporary or permanent) closure of owned stores and department stores that resell products from our brands. Note that performance has already been improving, since June saw a decrease of 16.3% from 2019. **In July, the brands grew 41.3% in BRL compared to 2019.**

Despite the impacts from the pandemic, including the closure of our distribution center for approximately 25 days, the **web commerce** channel grew significantly by 50.9%, mainly due to the migration of consumption from physical to online channels. In the quarter, brands recorded a 48% increase in website traffic. In the ***owned stores*** channel, in line with the digital-centric strategy, four stores were closed permanently in the country and the remainder recently opened with reduced hours, playing an important role as distribution hubs for store shipping.

As mentioned in our last earnings call, in addition to an operating strategy that increasingly focuses on digital/online sales channels, the Company revisited its pricing policy and decided to adjust the brand's price positioning, entering into the "Contemporary Shoes" segment and resulting in an increase of over 60% in its addressable market in the United States. Department store perception of the change has been excellent, given that product quality will be maintained with more attractive prices, better adjusted to the current market scenario. This feedback was confirmed in the last sell-in to the Nordstrom department store, which performed better than expected - also outperforming the same period of 2019 (the order was nearly 3 times larger). The result of this sell-in will be noted in next quarter's figures. Still, the wholesale channel followed the consolidated result's trend and has also posted better performance in June and July.

The operation's recurring expenses after the restructuring process are detailed in the SG&A section, on page 15. Furthermore, **the operation has already reached EBITDA breakeven level in the months of June and July**, which should remain in the next few quarters.

Footwear exports to the rest of the world did not post revenue in the second quarter of 2020, due to the global effects of the COVID-19 pandemic, as it continued to significantly impact European and Latin American clients since February 2020.

Monobrand Network

The Company ended the quarter with 741 stores - 730 in Brazil and 11 abroad - increasing sales area by 2.8%, with 45 net openings in Brazil and abroad in the last 12 months.

In 2Q20, Arezzo&Co posted net closures of 13 stores, including the closure of 4 stores in the United States (3 Schutz stores and 1 Alexandre Birman store). It also opened 2 Vans owned stores, both in the city of Belo Horizonte - one at BH Shopping and the other at Shopping Pátio Savassi.

Store Information	2Q19	3Q19	4Q19	1Q20	2Q20
Sales area[1,3] - Total (m²)	**44.322**	**44.835**	**45.925**	**46.265**	**45.544**
Sales area - franchises (m²)	37.768	38.739	39.752	39.794	39.302
Sales area - owned stores[2] (m²)	6.553	6.096	6.173	6.472	6.242
Total number of domestic stores	**681**	**700**	**737**	**739**	**730**
# of franchises	**636**	**658**	**693**	**693**	**682**
Arezzo	406	419	432	432	428
Schutz	73	73	72	70	68
Anacapri	157	165	185	184	179
Fiever	–	–	1	1	1
Alme	–	1	3	3	3
Vans	–	–	–	3	3
# of owned stores	**45**	**42**	**44**	**46**	**48**
Arezzo	14	10	10	9	9
Schutz	17	17	17	16	16
Alexandre Birman	4	4	6	6	6
Anacapri	3	3	3	3	3
Fiever	5	5	5	5	5
Alme	2	3	3	3	3
Vans	–	–	–	4	6
Total number of international stores	**15**	**15**	**15**	**15**	**11**
# of franchises	6	6	6	6	6
# of owned stores[4]	9	9	9	9	5

(1) Includes store area abroad
(2) Includes eleven outlet stores with total area of 2,450 square meters
(3) Includes expanded store area
(4) Includes 3 Schutz stores in (i) New York at Madison Avenue, (ii) Miami at Shopping Aventura, and (iii) Los Angeles at Beverly Drive. Also includes 2 Alexandre Birman stores in (i) New York at Madison Avenue, and (ii) Miami at Shopping Bal Harbour.

Adjusted Gross Profit and Gross Margin

Gross profit amounted to R$80.2 million in 2Q20, with margin of 51.9% and growth of 510 bps compared to last year. The main factor contributing to the gross margin expansion was the higher share of web commerce (sell-out) in the revenue mix, which accounted for 71.8% of revenue. The quarter was marked by an increase of 200.3% in the online channel and an 85.4% decrease in sell-in channels combined.

Adjusted Operating Expenses

During the most critical months of the pandemic, the Company took various contingency measures to prioritize cash preservation. Some of these measures were implemented in operating expenses, resulting in approximately 30.0% decrease compared to the same period of 2019.

Arezzo&Co intends to keep expenses lower than in the last few quarters, though continuing to follow its strategic plan. The plan's main pillars include ongoing market share growth, omnichannel operations, and consolidation in the Brazilian fashion market.

Selling Expenses

In 2Q20, selling expenses decreased by 26.2% compared to 2Q19, reaching R$61.9 million. Selling expenses include:

(i) expenses with Owned Stores and Web Commerce (sell-out channels), totaling R$26.5 million – an 8.6% decrease from 2Q19 – lower than the 200.3% growth in web commerce and in line with the lower share of the owned stores channel in the mix. This amount includes expenses related to Vans® Owned Stores operations.

(ii) Selling, Logistics and Supply expenses, which amounted to R$35.4 million in the period – down 35.6% from 2Q19.

Expenses decreased in the North American market at approximately R$12.0 million (63,6% reduction), with a higher impact on employees expenses, occupation costs of owned stores and offices, and marketing savings. The operation's selling, logistics and supply expenses totaled R$6.9 million in 2Q20.

The Brazilian operation had the highest savings on the following fronts: (i) transport, due to the suspension of sell-in sales in the period, (ii) lower expenses with sell-in events (showroom) in the franchise and multibrand channels, which are now 100% online via Youtube; and (iii) resizing of the brands' team, especially in commercial divisions. Excluding Vans, which was not included in last year's comparison base, expenses amounted to R$28.9 million, down 47.4% from 2Q19..

General and Administrative Expenses

In 2Q20, general and administrative expenses amounted to R$24.8 million, down 34.5% from 2Q19, primarily due to the reorganization of Brazilian and North American operations to reduce layers and positions, seeking greater efficiency and operational agility. These expenses were also impacted by a significant contraction in travel, at a lower ratio.

Adjusted EBITDA and EBITDA margin

The Company posted Adjusted EBITDA of R$5.6 million in 2Q20, 90.9% lower than in 2019. Despite the adverse pandemic scenario, Arezzo&Co delivered positive Adjusted EBITDA in the period, mainly due to the resilient and profitable performance of the web commerce channel, which posted higher margins than other channels because it sells directly to end consumers. Also noteworthy is the positive impact from (i) the structural decrease in expenses in Brazil and North America (which should remain in the next few quarters), and (ii) breakeven of the Vans brand.

	2Q20 EBITDA Adj.			2Q19 EBITDA Adj.		
	&Co	Brazil	US	&Co	Brazil	US
Net Revenue	176,0	158,9	17,1	393,5	354,6	38,9
EBITDA	5,6	5,9	(0,3)	61,4	68,2	(6,8)
EBITDA Mg.	***3,2%***	***3,7%***	**-**	***15,6%***	***19,2%***	**-**
US Impact		**55 bps**			**364 bps**	

Amounts in R$ MM // Amounts adjusted to IFRS 16 / CPC 06 (R2) adoption

Adjusted Net Result and Net Margin

Adjusted net result in the period was a loss of R$31 million, impacted by (i) the loss recorded in US operations (non-deductible for income tax purposes), (ii) the higher volume of financial expenses, due to the higher debt position, and (iii) higher volume of credit card fees, due to the increase in the number of online transactions in the web commerce.

ROIC – Return on Invested Capital

Return on invested capital (ROIC) stood at 7.4%, compared to 24.3% in 2Q19, primarily due to the increase in working capital levels resulting from the higher inventory volume, driven by the following factors: (i) incorporation of Vans® inventories in the amount of R$33.3 million, and (ii) higher inventory volumes in Brazil and North America due to the COVID-19 pandemic. This increase is partially explained by the products kept in stock by the parent company (Arezzo&Co) to be sold in future collections without changing prices (re-label strategy). The franchise network has a healthy level of these products.

Income from operations	2Q20	2Q19	2Q18	Δ 20 x 19 (%)
EBIT (LTM)	90.144	196.988	180.797	(54,2%)
+ IR e CS (LTM)	(29.752)	(31.596)	(15.181)	(5,8%)
NOPAT	**60.392**	**165.392**	**165.616**	**(63,5%)**
Working Capital[1]	426.779	388.969	378.688	9,7%
Accounts Receivable	283.071	370.837	333.982	(23,7%)
Inventory	271.321	163.368	140.861	66,1%
Suppliers	128.762	111.810	107.352	15,2%
Others	312.431	205.642	157.625	51,9%
Permanet assets	374.235	366.664	154.515	2,1%
Other long-term assets[2]	37.645	39.192	34.156	(3,9%)
Invested capital	**838.659**	**794.825**	**567.359**	**5,5%**
Average invested capital[3]	**816.742**	**681.092**		**19,9%**
ROIC[4]	**7,4%**	**24,3%**		

(1) Working Capital: Current Assets less Cash, Cash Equivalents and Financial Investments, deducting Current Liabilities less Loans, Financing and Dividends payable.
(2) Deducting deferred Income Tax and Social Contribution.
(3) Average capital invested in the period and in the same period of last year.
(4) ROIC: LTM NOPAT divided by average capital invested.

Investments - CAPEX

The Company invests in three fronts:

i) Expansion and remodeling of owned stores in Brazil;

ii) Corporate investments that include IT, facilities, showrooms and offices in Brazil; and

iii) Other expenditures, mainly related to North American operations and the industrial operation.

In 2Q20, Arezzo&Co invested R$7.4 million in CAPEX, notably:

- Investments in Digital Transformation, including: channel integration, launch of the fashion platform, Customer Service squad, software and IT infrastructure;
- Adjustments to the distribution center to meet the increase in web commerce demand.

Summary of Investments	2Q20	2Q19	Δ 20 x 19 (%)	1S20	1S19	Δ 20 x 19 (%)
Total CAPEX	**7.361**	**17.486**	**(57,9%)**	**21.436**	**26.120**	**(17,9%)**
Stores - expansion and refurbishing	955	2.209	(56,8%)	4.907	2.343	109,4%
Corporate	5.831	4.280	36,2%	13.717	8.024	70,9%
Other	575	10.997	(94,8%)	2.812	15.753	(82,1%)

Cash Position and Indebtedness

The Company ended 2Q20 with net debt of R$35.7 million. The highlights of the period were:

- Total indebtedness of R$601.3 million in 2Q20, compared to R$175.9 million in 2Q19;
- In the second half of March, the Company chose to contract preventive credit lines totaling R$394.1 million, to complement its cash position during the challenging scenario of the COVID-19 pandemic. In 2Q20, the Company contracted an additional R$50.0 million, totaling R$444.1 million;
- The average interest rate of these credits was below the CDI + 2% p.a., with average term of 18 months;
- Net Debt/EBITDA ratio of 0.2x, compared to -0.3x in 2Q19;
- Net cash position on Aug 1st: R$12.4 million.

Cash position and Indebtedness	2Q20	1Q20	2Q19
Cash	**565.619**	**619.181**	**257.135**
Total debt	**601.347**	**615.959**	**175.957**
Short-term	292.424	307.081	153.533
% total debt	48,6%	49,9%	87,3%
Long-term	308.923	308.878	22.424
% total debt	51,4%	50,1%	12,7%
Net debt	**35.728**	**(3.222)**	**(81.178)**
Net Debt/EBITDA	**0,2x**	**0,0x**	**-0,3x**

Sustainability

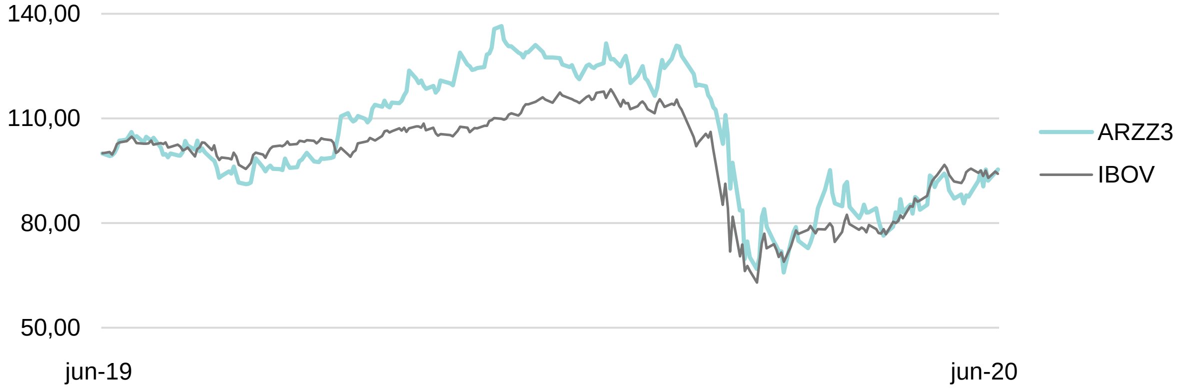
In early July, Arezzo&Co published its second Annual Sustainability Report, for the first time in accordance with the Global Reporting Initiative (GRI) Core standards, which highlight topics such as the Company's supply chain management, environmental management and social activity. In the report, the Company explicitly addresses its commitments on ESG, for which it will adopt methodologies to consistently record and measure its socio-environmental practices. The main goals include having 100% of the production chain tracked and certified by 2024, neutralizing greenhouse gas emissions in our own operations in 2020, and replacing 30% of oil-based materials with renewable alternatives by 2024. Furthermore, Arezzo&Co is leading a movement to make Vale do Rio dos Sinos, in the state of Rio Grande do Sul, the first region in the world with 100% of footwear production coming from sustainable sources.

Sustainability is an increasingly important aspect of Arezzo&Co's strategy. The Company's main focus is to position itself among the top ten retail companies in Brazil with sustainability benchmarks, in line with the industry's global developments. The Company also aims to follow its leadership vocation in fashion to promote the industry's transformation.

Click here to access the Annual Sustainability Report 2019.

4. Capital Markets and Corporate Governance

On June 30, 2020, the Company's market capitalization was R$4.36 billion (R$ 47.90), a decrease of 4,6% when compared to the same period of 2019



Arezzo&Co	
Number of shares	90.954.280
Ticker	ARZZ3
Listing	02/02/2011
Share price (06/30/2020)	47,90
Market Cap	4.356.710.012
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	(24%)
2014[4]	(9%)
2015[5]	(22%)
2016[6]	27%
2017[7]	118%
2018[8]	(2%)
2019[9]	16%
2020[10]	(25%)

(1) From 02/02/2011 to 29/12/2011
(2) From 29/12/2011 to 28/12/2012
(3) From 28/12/2012 to 30/12/2013
(4) From 30/12/2013 to 30/12/2014
(5) From 30/12/2014 to 30/12/2015
(6) From 04/01/2016 to 29/12/2016
(7) From 01/01/2017 to 28/12/2017
(8) From 01/01/2018 to 28/12/2018
(9) From 01/01/2019 to 30/12/2019
(10) From 01/01/2020 to 30/06/2020

To ensure greater predictability and transparency to shareholders, the Company has semiannual distribution of dividends for its shareholders.

Reference Date	Payment Date	Remuneration	R$	Gross amount by ordinary share (R$)
2019	01/08/2020	Interest on Equity	R$ 0.19528978124	R$ 17,761,424.57
2019	01/08/2020	Dividends	R$ 0.07958932611	R$ 7,238,575.43

(1) Subject to tax withholding at a source rate of 15%, except for proven immune or exempt shareholders, or shareholders domiciled in countries or jurisdictions to which the rules establish different aliquot.

It also provides that the Company shall distribute the dividends, including interest on capital, dividends from other, equivalent to at least 25% of Net income to shareholders. For more information about Arezzo&Co's remuneration policy, please see: ri.arezzoco.com.br.

5. Independent Auditors

Arezzo&Co's financial statements relative to the business year ending on June 30, 2020, were audited by PricewaterhouseCoopers Auditores Independentes ("PwCAI").

6. Investor Relations

Shareholders, analysts and market participants have at their disposal information available on the Company's IR webpage, ri.arezzoco.com.br, CVM webpage, www.cvm.gov.br, and at BM&FBovespa webpage, www.bmfbovespa.com.br.

For further information, direct contact can be made with IR department by the e-mail ri@arezzoco.com.br, or telephone +55 (11) 2132-4300.

7. Officer's Statement

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors' report and financial statements for the quarter ended on June 30, 2020, according and pursuant to CVM Normative Instruction No. 480/09.

Disclaimer

The information contained here may include forward-looking information and reflects the executive office's current perception and prospects for the macroeconomic environment, the industry situation, the Company's performance and financial results. Any statements, expectations, capacities, plans and projections contained here which do not describe historical facts, such as information about the dividend payment statement, the future course of operations, the introduction of relevant financial strategies, the investment program and the factors or trends affecting the financial condition, liquidity or the operating results are considered forward-looking information as defined by the "U.S. Securities Litigation Reform Act" of 1995 and involve a number of risks and uncertainties. These results are not guaranteed to materialize. These statements are based on several factors and expectations, including the economic and market conditions, level of competition in the industry and operating factors. Any changes in these expectations and factors may lead to real results materially different from the current expectations.

The consolidated financial information of Arezzo Indústria e Comércio S/A – Arezzo&Co presented here complies with the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB, based on audited financial information. The non-financial information, as well as other operating information, was not audited by the independent auditors.

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Notes to the parent company and consolidated interim financial information for the six months ended June 30, 2020

(All amounts in thousands of reais unless otherwise stated)

1. Company information

1.1. General information

Arezzo Indústria e Comércio S.A. (the “Company” or “Parent company”) is a listed company headquartered at Rua Fernandes Tourinho, 147 – sala 402, in the city of Belo Horizonte, State of Minas Gerais. The Company has shares traded on the “Novo Mercado” (New Market) listing segment of the São Paulo Commodities, Futures and Stock Exchange (“BM&FBOVESPA”) under the ticker symbol ARZZ3 since February 2, 2011.

The Company and its subsidiaries design, develop, manufacture and market women’s footwear, handbags, apparel and accessories.

At June 30, 2020, the Company had 682 franchise stores in Brazil and 6 abroad; 48 Company-operated stores in Brazil and 5 abroad; and an e-commerce channel to sell its products under the Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme and Vans brands.

The franchise system is controlled by the Company and Company-owned stores form part of Company subsidiaries.

Given its characteristics, the footwear industry is subject to variances in sales volume over the year. Higher sales are usually expected in the second half of the year than in the first six months. Due to the seasonal nature of this segment, accounts receivable, inventories and accounts payable are subject to significant changes between the periods according to the backlog of orders and delivery dates based on the calendar of collections and special sales. This information is provided to allow for a better understanding of the results, however management considers that the Company’s business is not impacted by these effects to the extent of being regarded as ‘highly seasonal’ as defined in CPC 21 (R1)/IAS 34 *Interim Financial Reporting*, such that the presentation of additional financial information would be required.

1.2. Impacts of COVID-19

In response to the coronavirus disease (COVID-19) that was declared a global pandemic by the World Health Organization and is affecting Brazil and several countries around the world and poses a serious public health threat and impacts on the global economy, the Company has taken preventive and restrictive measures in accordance with guidance from local and international health authorities in order to protect the health and safety of employees, their families, business partners and communities, and to continue business operations.

In this context, the Company conducted a set of COVID-19 impact analyses which involved the following:

a) **Review of assumptions for impairment testing**

Management has reviewed the net carrying amount of intangible assets and tangible assets with the objective of assessing events or changes in economic, operating or technological circumstances that indicate that the asset may be impaired (Note 14).

b) **Estimates of expected credit losses (ECL)**

Management has analyzed the potential risk of default of its customers during this unprecedented challenging time. We are in daily contact with all our customers and, based on credit analyses and more stringent collateral requirements, management has negotiated some extensions of payment terms and intensified collection efforts.

1.2. Impacts of COVID-19--continued

b) Estimates of expected credit losses--continued

Furthermore, in light of the uncertainty in the economy caused by the COVID-19 pandemic, the Company has reviewed the variables for the measurement of ECL, the effects on recoveries for the next months, which resulted in an increase in the ECL allowance expense (Note 7).

c) Estimates of inventory losses

Since the Company took steps to advance the delivery of new products from its suppliers before they suspended production at their plants, management estimates that current inventory levels are sufficient to support a gradual resumption of sales across its network. In addition, possible promotional actions in the stores are not expected to have material impacts on the business' profit margin, thus management believes that the existing reserves are adequate.

The Company has assessed the potential impacts of COVID-19 on estimates of inventory losses and maintains its currently adopted policy regarding inventory reserve. It did not identify any need to increase the existing inventory reserve (Note 8).

d) Review of assumptions for measurement of financial instruments

The Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets did not change and there was no necessity of reviewing the assumptions used in measuring financial instruments (Note 24).

e) Assessment of recoverability of deferred tax assets

The Company has recognized deferred tax assets on temporary differences and has not identified any indication that the carrying amount of the assets may not be recoverable (Note 10).

f) Analysis of fulfillment of obligations to customers and suppliers

Management has assessed its main agreements with customers and suppliers and has concluded that, despite the impacts of COVID-19, the contractual obligations are being fulfilled and there is no evidence of insolvency or default by a customer or supplier.

g) Analysis of fulfillment of restrictive covenants

The Company does not have any contract containing restrictive covenants (Note 15).

h) Assessment of Company's liquidity

The Company closed 2019 with a comfortable cash position and took new loans in March and April 2020 (Note 15), which contributed further to an improved cash position. Preserving cash is of utmost importance at this moment, so the Company has taken a number of contingency actions, such as re-evaluation of its strategic investment plans for 2020, reduction of operating expenses, reduction of salaries and working hours of some employees, and other contingency measures for the U.S. operations which include organizational restructuring, reducing consulting costs, closing down stores and re-evaluating its strategic planning.

1.2. Impacts of COVID-19--continued

There have been no material impacts from these analyses that are not reflected in the interim financial statements and accompanying notes for the period ended June 30, 2020.

2. Accounting policies

2.1. Basis of preparation and presentation of the financial statements

The condensed parent company and consolidated interim financial information included in the Quarterly Information Form ("ITR") has been prepared and is being presented for the six-month period ended June 30, 2020, in accordance with Brazilian Accounting Standard CPC 21 (R1), Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee ("CPC"), and International Accounting Standard IAS 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"), as well as according to the standards issued by the Brazilian Securities Commission ("CVM"), applicable to the preparation of the ITR.

The accounting policies, estimates, standards and methods of computation adopted in the preparation of this condensed interim financial information included in the ITR are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019 unless otherwise stated.

The condensed interim financial information included in the ITR has been prepared under the historical cost convention, except for certain financial assets that are measured at fair value or amortized cost. The condensed interim financial information included in the ITR has been prepared by the Company to provide users with an update of the relevant information included in the financial statements of the previous year, and should be read in conjunction with the latest complete set of annual financial statements for the year ended December 31, 2019.

To avoid repetition of information previously reported and to comply with article 29 of CVM Instruction 480/09, the following notes to the annual financial statements at December 31, 2019 are not duplicated in part or in whole in this interim report: 2- Accounting policies (part), 10 – Other receivables, 18 – Salaries and vacation pay, 19 – Taxes and social charges payable, 20 – Provisions for labor, tax and civil contingencies, and 31 – Insurance.

The condensed interim financial information included in the ITR for the six-month period ended June 30, 2019 was approved at the Board of Directors' meeting on August 10, 2020.

(All amounts in thousands of reais unless otherwise stated)

AREZZO &CO

2. Accounting policies--continued

2.1. Basis of consolidation

The condensed consolidated interim financial information contained in the ITR includes the operations of the Company and the following subsidiaries in which the Company directly or indirectly has a controlling financial interest, as summarized below:

Subsidiaries	ntry of incorporat	Total ownership interest 2020		2019	
		Direct	Indirect	Direct	Indirect
ZZAB Comércio de Calçados Ltda.	Brazil	**99,99%**	**-**	99,99%	-
ZZSAP Indústria e Comércio de Calçados Ltda.	Brazil	**99,99%**	**-**	99,99%	-
ZZEXP Comercial Exportadora S/A	Brazil	**99,99%**	**-**	99,99%	-
ARZZ International INC.	USA	**100,00%**	**-**	100,00%	-
ARZZ Co. LLC	USA	**-**	**100,00%**	-	100,00%
Schutz 655 LLC	USA	**-**	**100,00%**	-	100,00%
Schutz Cali LLC	USA	**-**	**100,00%**	-	100,00%

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that control ceases. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is an assumption that the majority of voting rights results in control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies for all consolidated entities. All intragroup balances, income and expenses and unrealized gains or losses resulting from intragroup transactions are eliminated in full.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions within equity.

3. Critical accounting judgments, estimates and assumptions

In view of the COVID-19 pandemic, critical accounting judgments, estimates and assumptions have been reviewed for the current period as compared with those adopted in the preparation of the annual financial statements for the year ended December 31, 2019. The updates are provided in the respective notes to the interim financial information.

4. New and amended standards

The amendments to accounting standards issued by the IASB and that became applicable from January 1, 2020 did not have a significant impact on the Company's financial statements.

(All amounts in thousands of reais unless otherwise stated)

5. Cash and cash equivalents

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Cash on hand	**604**	450	**1.195**	1.175
Cash at banks	**1.675**	1.236	**11.770**	12.633
Total cash and cash equivalents	**2.279**	1.686	**12.965**	13.808

6. Cash investments

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Current				
Fixed income (a)	**168.475**	4.845	**168.750**	5.393
Exclusive investment fund				
Certificates of bank deposit (CDB)	**3.228**	2.984	**3.610**	3.540
Financial bills	**56.070**	40.784	**62.708**	48.395
Financial Treasury bills (LFT)	**283.967**	174.064	**317.586**	206.547
Total cash investments	**511.740**	222.677	**552.654**	263.875

(a) Includes CDBs and securities.

Exclusive investment fund

ZZ Referenciado DI Crédito Privado is a private fixed-income investment fund under management, administration and custody of Banco Santander S.A. The fund has no lock-in period, therefore the investment can be withdrawn at any time without a material risk of losing money. The investment fund does not have significant financial obligations. Financial obligations include asset management fees, custody fees, audit fees and expenses.

The fund is for the exclusive benefit of the Company and its subsidiaries. Thus, in accordance with CVM Instruction 408/04, the exclusive investment fund in which the Company invests money has been consolidated.

At June 30, 2020, the average rate of return of the investment fund and other cash investments is 100.5% of the Interbank Deposit Certificate rate (CDI). LFTs are 57% of the fund’s assets and 89% of the assets provide daily liquidity.

The Company has cash investment policies in place that require it to concentrate its investments in low-risk securities that substantially provide a return based on the CDI variance and to place its investments with top-tier financial institutions (top 10 financial institutions in the country).

(All amounts in thousands of reais unless otherwise stated)

At June 30, 2020, the Company has not pledged any investment as collateral to financial institutions.

7. Trade receivables

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Domestic customers				
Trade notes receivable	**165.486**	292.542	**176.373**	298.350
Trade notes receivable - related parties (Note 11a)	**3.922**	1.580	**-**	-
Foreign customers				
Trade notes receivable	**3.726**	3.574	**40.367**	54.242
Trade notes receivable - related parties (Note 11a)	**32.139**	23.736	**-**	-
Other				
Credit cards	**-**	-	**90.065**	73.775
Checks and other	**59**	24	**90**	80
	205.332	321.456	**306.895**	426.447
(-) Provision for impairment of trade receivables	**(9.947)**	(1.639)	**(15.408)**	(2.633)
Total trade accounts	**195.385**	319.817	**291.487**	423.814
Current	**154.830**	285.679	**283.071**	413.412
Non-current	**40.555**	34.138	**8.416**	10.402

The customer sales policies are subordinated to the credit policies established by management and are designed to minimize problems arising out of failure of customers to pay on due date. Sales transactions with retail customers are included in “credit cards”, and transactions with sales representatives and distributors (franchisees), which have a structured relationship with the Company, are included in the account “trade notes receivable – domestic customers”.

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
USD	**35.865**	27.299	**39.357**	51.045
EUR	**-**	11	**1.010**	3.197
	35.865	27.310	**40.367**	54.242

(All amounts in thousands of reais unless otherwise stated)

7. Trade receivables--continued

Changes in the provision for impairment of trade receivables are as follows:

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
At the beginning of the period	**(1.639)**	(4.839)	**(2.633)**	(5.243)
Additions/reversals	**(8.849)**	(2.180)	**(13.316)**	(2.770)
Payments collected	**541**	5.380	**541**	5.380
At the end of the period	**(9.947)**	(1.639)	**(15.408)**	(2.633)

In calculating the expected credit losses, the Company considers the total amount of trade receivables using receivables turnover ratio, which is the main ratio used in the credit analysis. This ratio weights the amount of trade receivables and the sell out (sales from stores to end consumers), thus, usually the customer's inventory volume is similar to the Company's trade receivables.

The aging analysis of these trade receivables is as follows:

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Not yet due	**145.649**	307.843	**247.211**	413.328
Up to 30 days past due	**23.900**	4.653	**23.901**	4.653
31-60 days past due	**6.468**	2.615	**6.468**	2.615
61-90 days past due	**8.052**	1.734	**8.052**	1.734
91-180 days past due	**13.564**	975	**13.564**	975
181-360 days past due	**4.551**	1.825	**4.551**	1.331
More than 360 days past due	**3.148**	1.811	**3.148**	1.811
	205.332	**321.456**	**306.895**	**426.447**

In the face of the COVID-19 pandemic, widespread defaults have increased significantly as nearly all stores have been closed to customer traffic from mid-March 2020. In the second quarter of 2020, many stores have reopened and others that had reopened are temporarily closed again. We increased our provision based on our parameter used in the credit risk analysis. We made only a few increases as sales during the second quarter were lower than the payments collected from customers. The Company's exposure to most of its trade receivables has reduced.

(All amounts in thousands of reais unless otherwise stated)

7. Trade receivables--continued

Lack of payment may be a sign of customer payment problems, however, the Company is monitoring in a timely manner the market value of the transaction and its customers' inventories and has not identified any signs of insolvency. Depending on the market reaction and the sell-out of stores, we can consider extended payment terms for our customers and re-evaluate the necessity of a loss allowance.

With the resumption of activities and reopening of stores, the need for new sales is subject to stringent credit requirements with credit limit check, volume of clearance sales in the last months, always observing the amount of purchase compatible with the sell out, which has already been revised according to the new scenario.

The Company recognized in the period ended June 30, 2020 an additional loss provision for trade receivables of R$12,775 (June 30, 2019 - R$1,053), which was included in selling expenses. Management believes that the balance of the provision is sufficient to cover losses on uncollectible accounts.

8. Inventories

	Parent company		Consolidated	
	6/30/2020	**12/31/2019**	**6/30/2020**	**12/31/2019**
Finished products	**121.797**	60.119	**247.939**	157.622
Raw materials	**4.052**	4.060	**18.842**	17.480
Work in process	**-**	-	**5.039**	6.219
Advances to suppliers	**7.401**	4.825	**7.763**	5.631
(-) Provision for losses	**(3.581)**	(5.717)	**(8.262)**	(7.453)
Total inventories	**129.669**	63.287	**271.321**	179.499

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	6/30/2020	**12/31/2019**	**6/30/2020**	**12/31/2019**
At the beginning of the period	**(5.717)**	(2.860)	**(7.454)**	(4.087)
Additions/reversals	**(2.105)**	(4.060)	**(5.049)**	(4.569)
Realized	**4.241**	1.203	**4.241**	1.203
At the end of the period	**(3.581)**	(5.717)	**(8.262)**	(7.453)

Since the Company took steps to advance the delivery of new products from its suppliers before they suspended production at their plants, management estimates that current inventory levels are sufficient to support a gradual resumption of sales across its network. In addition, the Company assessed estimates of loss and did not identify any need to recognize a supplementary provision.

(All amounts in thousands of reais unless otherwise stated)

9. Taxes recoverable

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Value-added tax on sales and services (ICMS) recc	**13.889**	9.243	**19.863**	14.560
Corporate income tax (IRPJ) recoverable	**14.418**	24.794	**14.940**	25.380
Social contribution (CSLL) recoverable	**6.863**	6.789	**7.050**	6.924
Social integration program (PIS) and Social contri	**1.699**	3	**78.112**	39.851
Excise tax (IPI) recoverable	**-**	-	**1.284**	1.425
Other	**1.658**	1.124	**3.181**	2.192
Total	**38.527**	41.953	**124.430**	90.332

(i) The Company obtained a favorable judgment in the lawsuit filed in the federal court concerning the exclusion of ICMS from the tax base of PIS and COFINS and gained the right to recover, through offsetting, the amounts determined for its subsidiaries ZZAB and ZZSAP, with both having tax credit claims approved by the Brazilian Revenue Service, which were recognized in the statement of operations (Note 26).

10. Income tax and social contribution

a) Deferred taxes

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Basis of calculation of deferred income tax (IRPJ) and social contribution (CSLL)				
Tax loss	**74.349**	-	**75.298**	-
Unrealized profit on inventories	**24.154**	20.732	**24.154**	20.732
Provision for impairment of trade receivables	**10.200**	1.887	**10.200**	1.887
Provision for labor, tax and civil contingencies	**5.747**	5.508	**9.690**	9.169
Provision for share option plan	**4.630**	4.879	**4.630**	4.879
Provision for commissions	**3.665**	3.461	**3.665**	3.461
Provision for inventory losses	**3.581**	5.717	**3.978**	6.087
Other provisions	**676**	757	**4.175**	1.781
Provision for foreign exchange variation	**-**	1.753	**(12.225)**	(1.871)
Deferred tax assets	**127.002**	44.694	**123.565**	46.125
Deferred income tax and social contribution	**43.181**	15.196	**42.011**	15.682

(All amounts in thousands of reais unless otherwise stated)

10. Income tax and social contribution--continued

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	6/30/2020	**12/31/2019**	**6/30/2020**	**12/31/2019**
Opening balance	**15.196**	15.746	**15.682**	17.491
Tax expense recognized in the statement of operations	**27.985**	1.131	**26.329**	(128)
Deferred income tax recognized in other comprehensive income	-	(1.681)	-	(1.681)
Balance at the end of the period	**43.181**	15.196	**42.011**	15.682

The studies and projections carried out by the Company's management indicate that there will be sufficient future taxable profit to allow the related tax benefit to be utilized in the next years.

Based on projections of future taxable profits, deferred tax assets are expected to be recovered as follows:

	Parent company		Consolidated	
	6/30/2020	**12/31/2019**	**6/30/2020**	**12/31/2019**
2020	**11.930**	6.868	**11.500**	7.114
2021	**20.302**	4.164	**19.992**	4.284
2022	**10.949**	4.164	**10.519**	4.284
Total deferred income tax and social contribution	**43.181**	15.196	**42.011**	15.682

(All amounts in thousands of reais unless otherwise stated)

10. Income tax and social contribution--continued

b) Reconciliation of tax charges between statutory and effective tax rates

A reconciliation of tax expense calculated at the statutory tax rates to tax expense at the effective tax rate is as follows:

	Parent company		Consolidated	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Profit/(loss) before income tax and social contribution	**(80.402)**	69.746	**(56.997)**	76.158
Statutory tax rate	**34,0%**	34,0%	**34,0%**	34,0%
Expected income tax and social contribution expense at the statutory tax rate	**27.337**	(23.714)	**19.379**	(25.894)
Deferred income tax and social contribution on unrecognized losses of subsidiaries	**-**	-	**(27.582)**	(11.204)
Tax benefit from technological research and innovation expenses - Law 11.196/05	**1.215**	2.914	**1.215**	2.914
Equity in the earnings of equity-accounted subsidiaries	**(8.309)**	(5.051)	**-**	-
Government subsidies (i)	**4.641**	13.580	**8.801**	15.753
Share option plan expense	**(771)**	(533)	**(771)**	(533)
Tax incentives (Workers' Meal Program (PAT), Rouanet Law, other)	**138**	261	**303**	311
Other permanent differences	**(259)**	(411)	**(759)**	(713)
Income tax and social contribution expense	**23.992**	(6.037)	**586**	(12.449)
Current	**(3.993)**	(9.956)	**(25.743)**	(17.450)
Deferred	**27.985**	3.919	**26.329**	5.001
Income tax and social contribution expense	**23.992**	(6.037)	**586**	(12.449)
Effective tax rate	**N/A**	**8,7%**	**N/A**	**16,3%**

(i) ICMS tax incentives are considered investment subsidy pursuant to Complementary Law 160/2017, as detailed in Note 28.

(All amounts in thousands of reais unless otherwise stated)

11. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	6/30/2020						
	Current assets		Non-current assets		Non-current liabilities	Transactions	
	Trade notes receivable	Dividends	Trade notes receivable	Loans	Trade payables	Revenues	Purchases
Parent company							
ARZZ International INC	-	-	32.139	26.449	-	96	-
ZZAB Comércio de Calçados Ltda.	3.108	-	-	-	2.309	136.713	1.071
ZZSAP Indústria e Comércio de Calçados Ltda.	259	-	-	17.220	(966)	14	37.415
ZZEXP Comercial Exportadora S/A	555	19.790	-	4.301	-	122	-
Total - Parent company	3.922	19.790	32.139	47.970	1.343	136.945	38.486
Consolidated							
Controlling shareholders	-	-	-	-	2.040	-	-
Total - Consolidated	-	-	-	-	2.040	-	-

	12/31/2019					6/30/2019	
	Current assets		Non-current assets	Current liabilities	Non-current liabilities	Transactions	
	Trade notes receivable	Dividends	Receivables	Trade payables	Loans	Revenues	Purchases
Parent company							
ARZZ Co International INC			23.736		3.795	-	-
ZZAB Comércio de Calçados Ltda.	950	-	-	1.992	-	101.876	3.850
ZZSAP Indústria e Comércio de Calçados Ltda.	196	-	-	(707)	-	488	57.903
ZZEXP Comercial Exportadora S/A	434	-	-	-	-	39	-
Total - Parent company	1.580	-	23.736	1.285	3.795	102.403	61.753
Consolidated							
Controlling shareholders	-	-	-	-	1.502	-	-
Total - Consolidated	-	-	-	-	1.502	-	-

b) Nature, terms and conditions of transactions with subsidiaries

The transactions with related parties are conducted on commercial and financial terms agreed upon between the parties concerned.

The most common related-party transactions are:

- sales from the Parent company to subsidiaries ZZAB and ARZZ;
- sales from subsidiary ZZEXP to subsidiary ARZZ; and
- sales from subsidiary ZSAP to the Parent company and to subsidiary ZZEXP.

(All amounts in thousands of reais unless otherwise stated)

11. Balances and transactions with related parties—continued

c) Management compensation

Management compensation is composed of management fees, profit sharing and share option plans. At June 30, 2020, the compensation paid to management totaled R$8,126 (June 30, 2019 - R$7,329) as shown below:

	6/30/2020	6/30/2019
Annual fixed compensation -	**3.467**	3.152
Variable pay - bonus	**3.473**	2.618
Share-based payments	**1.186**	1.559
Total compensation	**8.126**	7.329

The expenses related to the share option and restricted stock plans (Note 27) are presented as operating expense before finance income and costs.

The Company and its subsidiaries do not provide post-employment benefits, termination benefits or other benefits to their management and employees.

d) Transactions or relationships with shareholders

At June 30, 2020, certain Company officers, directors and related parties directly own a total interest of 50.3% in the Company.

e) Transactions with other related parties

The Company has a service agreement with the firm Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha, a member of the Company’s Board of Directors. In the period ended June 30, 2020, this firm received R$280 (June 30, 2019 - R$335).

(All amounts in thousands of reais unless otherwise stated)

12. Investments in subsidiaries

a) Summary of balance sheet and statement of income of subsidiaries

Subsidiary	Assets	Liabilities	Equity	Capital	Net revenue	Profit/(loss) for the period
ARZZ International INC	223.312	383.619	(144.013)	127.144	60.576	(81.124)
ZZAB Comércio de Calçados Ltda.	369.568	89.626	266.304	93.614	203.696	45.930
ZZSAP Ind.e Com.de Calçados Ltda.	130.817	32.816	57.048	27.592	43.273	982
ZZEXP Comercial Exportadora S/A	191.951	180.012	12.100	2.000	29.601	9.774

b) Balances of investments and equity in the earnings/(loss) of equity-accounted subsidiaries

	Investments		Equity in the earnings/(loss) of subsidiaries	
Subsidiary	**6/30/2020**	**12/31/2019**	**6/30/2020**	**6/30/2019**
ZZAB Comércio de Calçados Ltda.	**266.304**	220.374	**45.930**	10.688
ZZSAP Indústria e Comércio de Calçados Ltda.	**57.048**	56.066	**982**	(1.443)
ZZEXP Comercial Exportadora S/A	**12.100**	22.116	**9.774**	8.852
Total investments	**335.452**	298.556	**56.686**	18.097
ARZZ International INC	**(144.013)**	(43.903)	**(81.124)**	(32.953)
Provision for net capital deficiency	**(144.013)**	(43.903)	**(81.124)**	(32.953)
Total	**191.439**	254.653	**(24.438)**	(14.856)

c) Changes in investments

	6/30/2020	12/31/2019
Balance at the beginning of the period	**254.653**	279.480
Distribution of dividends	**(19.790)**	(28.188)
Equity in the earnings/(loss) of equity-acc	**(24.438)**	4.150
Carrying value adjustment	**(18.986)**	(789)
Balance at the end of the period	**191.439**	254.653

d) Distribution of dividends

The subsidiary ZZEXP Comercial Exportadora S.A. proposed to pay dividends of R$19,790 to the Company out of the profit earned for the year ended December 31, 2019.

(All amounts in thousands of reais unless otherwise stated)

13. Property, plant and equipment

Changes in property, plant and equipment are as follows:

Parent company	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Total
At December 31, 2018	4.900	4.517	3.767	13.004	25	101	-	26.314
Initial adoption of CPC	-	-	-	-	-	-	32.987	32.987
Purchases	1.188	641	138	1.940	-	-	1.258	5.165
Depreciation	(1.093)	(410)	(356)	(1.044)	(7)	-	(3.272)	(6.182)
At June 30, 2019	**4.993**	**4.748**	**3.549**	**13.900**	**18**	**93**	**30.973**	**58.274**
At December 31, 2019	**6.382**	**5.161**	**3.912**	**14.263**	**12**	**84**	**27.385**	**57.199**
Purchases	**1.904**	**287**	**425**	**2.487**	**-**	**-**	**3.141**	**8.244**
Depreciation	**(1.145)**	**(473)**	**(404)**	**(1.194)**	**(2)**	**-**	**(3.828)**	**(7.046)**
Write-offs	**(340)**	**-**	**(3)**	**-**	**-**	**-**	**(2.270)**	**(2.613)**
At June 30, 2020	**6.801**	**4.975**	**3.930**	**15.556**	**10**	**84**	**24.428**	**55.784**
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	

Consolidated	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Total
At December 31, 2018	6.432	17.163	11.540	47.941	24	101	-	83.201
Initial adoption of CPC	-	-	-	-	-	-	199.777	199.777
Purchases	1.551	5.503	1.143	13.186	-	-	27.723	49.106
Depreciation	(1.432)	(2.071)	(1.069)	(5.424)	(7)	-	(19.634)	(29.637)
Foreign exchange	(9)	(3)	-	(129)	-	-	(1.756)	(1.897)
At June 30, 2019	**6.540**	**20.588**	**11.614**	**55.542**	**17**	**93**	**205.246**	**299.640**
At December 31, 2019	**7.815**	**21.586**	**11.363**	**58.728**	**12**	**84**	**204.495**	**304.083**
Purchases	**2.337**	**4.464**	**566**	**4.284**	**-**	**-**	**16.327**	**27.978**
Depreciation	**(1.365)**	**(1.680)**	**(1.112)**	**(3.945)**	**(2)**	**-**	**(24.884)**	**(32.988)**
Write-offs	**(808)**	**(5.091)**	**(18)**	**(13.568)**	**-**	**-**	**(41.222)**	**(60.707)**
Foreign exchange	**249**	**2.554**	**-**	**6.466**	**-**	**-**	**45.691**	**54.960**
At June 30, 2020	**8.228**	**21.833**	**10.799**	**51.965**	**10**	**84**	**200.407**	**293.326**
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	

(All amounts in thousands of reais unless otherwise stated)

14. Intangible assets

Changes in intangible assets are as follows:

Parent company	Trademarks and patents	Store use rights	Store use rights	Software licenses	Total
At December 31, 2018	4.686	-	-	27.478	32.164
Purchases	251	-	-	3.866	4.117
Amortization	-	-	-	(7.485)	(7.485)
Write-offs	-	-	-	(30)	(30)
At June 30, 2019	**4.937**	**-**	**-**	**23.829**	**28.766**
At December 31, 2019	**5.336**	**-**	**-**	**36.044**	**41.380**
Purchases	**109**	**-**	**-**	**8.503**	**8.612**
Amortization	**-**	**-**	**-**	**(3.658)**	**(3.658)**
At June 30, 2020	**5.445**	**-**	**-**	**40.889**	**46.334**

Consolidated	Trademarks and patents	Store use rights	Store use rights	Software licenses	Total
At December 31, 2018	5.802	30.643	-	30.723	67.168
Purchases	251	-	-	4.486	4.737
Amortization	-	-	-	(8.126)	(8.126)
Write-offs	-	-	-	(30)	(30)
Foreign exchange	(11)	-	-	(28)	(39)
At June 30, 2019	**6.042**	**30.643**	**-**	**27.025**	**63.710**
At December 31, 2019	**6.494**	**28.047**	**120**	**40.386**	**75.047**
Transfers	**-**	**120**	**(120)**	**-**	**-**
Purchases	**109**	**-**	**-**	**9.678**	**9.787**
Amortization	**-**	**-**	**-**	**(7.607)**	**(7.607)**
Write-offs	**-**	**(1.317)**	**-**	**(5)**	**(1.322)**
Foreign exchange variation	**384**	**-**	**-**	**1.136**	**1.520**
At June 30, 2020	**6.987**	**26.850**	**-**	**43.588**	**77.425**
Average depreciation rate	Indefinite	Indefinite	Finite	20%	

According to the annual Expansion Plan, the Company revised the useful life of certain intangible assets classified as store use rights from indefinite to finite and set an amortization period of up to one year.

At June 30, 2020, the Company recognized R$13,277 (June 30, 2019 - R$14,284) in expenses associated with the research and development of new products and technology within “General and administrative expenses” in the parent company and consolidated statement of operations and in intangible assets.

14. Intangible assets--continued

Impairment test for indefinite-lived intangible assets

The Company tested intangible assets for impairment based on the value-in-use approach using a discounted cash flow model for cash-generating units, which represent its stores.

Determining the value in use involves the use of assumptions, judgments and estimates of cash flows, such as rates of growth of revenues, costs and expenses, estimates of future investments, working capital and discount rates. The assumptions related to growth, cash flows and future cash flows forecasts are based on the Company's business plan approved by management as well as on comparable market data and represent management's best estimate of economic conditions that will exist over the economic lives of the various cash-generating units, the group of assets that generate cash flows. Future cash flows were discounted based on the rate that represents the cost of capital.

In line with the economic valuation techniques, the value-in-use calculation is made for a period of five years and, thereafter, considering the perpetuity of the assumptions in view of the ability to continue to operate indefinitely.

The estimated future cash flows were discounted at a pre-tax discount rate of 14.9% p.a. (equivalent to WACC of 10.4% p.a.) for each cash-generating unit analyzed.

The key assumptions used for estimating the value in use are as follows:

- Revenues – Revenues were forecasted for the period between 2020 and 2024 considering growth of the customer base of the various cash-generating units, the impacts of new architectural projects of certain stores and the level of each store and brand in the market. For the fiscal year 2020, the assumptions take into consideration the impact of COVID-19 with interruption of sales and gradual resumption of activities, with recovery to 2019 sales levels in 2021.
- Operating costs and expenses – Costs and expenses were forecasted in line with the Company's historical performance as well as with the historical growth of revenues and the Company's strategic planning.
- Capital expenditure – Capital expenditure was estimated considering the infrastructure needed for the Company to offer its products based on the Company's history and the revision of the investment plans due to the pandemic.
- Perpetuity growth rate: 5.0% p.a.

The key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions based on financial market projections and the impacts of COVID-19 on the Company and the global scenario.

The impairment test performed on the Company's intangible assets did not reveal any need to recognize impairment losses for the period ended June 30, 2020, since the estimated value in use exceeded the net carrying amount at the date of valuation. In addition, the Company made an analysis of the sensitivity of the assumptions to change and the results therefrom were not material to recognize an impairment loss.

(All amounts in thousands of reais unless otherwise stated)

15. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
In local currency				
Equipment financing (FINAME) (a)	-	-	314	350
Study and project financing (FINEP) (b)	6.398	8.957	6.398	8.957
Working capital - Law 4.131 (c)	151.990	-	151.990	-
Working capital (d)	50.032	-	50.032	-
In foreign currency				
Working capital - Law 4.131 (e)	108.883	40.301	108.883	40.301
Working capital - Law 4.131 (f)	164.898	-	164.898	-
Advance on foreign exchange contract (ACC) (g)	-	-	86.431	66.454
Export prepayment (PPE) (h)	-	-	60.200	64.722
(+/-) Swap - working capital (i)	(27.799)	-	(27.799)	-
Total borrowings	454.402	49.258	601.347	180.784
Current	158.252	45.419	292.424	158.222
Non-current	296.150	3.839	308.923	22.562

The maturities and interest rate and charges on borrowings are as follows:

a) Finame: 6.0% p.a., with monthly installments and a final maturity in October 2024;
b) FINEP: rate of 4.0% p.a. limited to Long-Term Interest Rate (TJLP), with maturities until September 2021;
c) Working capital – Law 4.131: denominated in Brazilian reais plus average interest rate of CDI + 2.02% p.a. at June 30, 2020, with a maturity in March 2022;
d) Working capital: denominated in Brazilian reais plus average interest rate of CDI + 1.90% p.a. at June 30, 2020, with a maturity in March 2022;
e) Working capital – Law 4.131: denominated in U.S. dollars plus average interest rate of CDI + 3.90% p.a. at June 30, 2020, with a maturity in September 2021;
f) Working capital – Law 4.131: denominated in U.S. dollars plus average interest rate of CDI + 1.40% p.a. at June 30, 2020, with a maturity in September 2021;
g) ACC: denominated in U.S. dollars plus average interest rate of 3.63% p.a. at June 30, 2020 and foreign exchange variation. There are several agreements with a final maturity in June 2021.
h) PPE: denominated in U.S. dollars plus average interest rate of 3.66% p.a. at June 30, 2020 and foreign exchange variation, with a final maturity in December 2021;
i) Swap contracts in foreign currency (Law 4.131) to hedge foreign exchange risk of working capital loans “e” and “f”.

(All amounts in thousands of reais unless otherwise stated)

15. Borrowings--continued

The non-current borrowings mature as follows:

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
2021	**220.245**	3.839	**232.812**	22.357
2022	**75.905**	-	**75.978**	73
2023	**-**	-	**73**	73
2024	**-**	-	**60**	59
Total	**296.150**	3.839	**308.923**	22.562

Borrowings are secured by Group entities' guarantee and bank letters of guarantee, and do not contain restrictive covenants. Finame agreements are secured by the financed assets.

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A ("Bank"), to have borrowing facilities available for Arezzo franchisees that are located in the area where the Bank operates, using the funds from the Northeast Region Constitutional Finance Fund (FNE) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees through working capital loans, if needed.

Under the terms of the agreement, the Company shall be the guarantor for these transactions through a surety bond when contracted by store owners. At June 30, 2020, these transactions amounted to R$1,182 (December 31, 2019 - R$1,392).

The Company has a technical and financial cooperation agreement with Banco Alfa, to have borrowing facilities available for Arezzo franchisees, using the funds from the National Bank for Economic and Social Development ("BNDES") to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees. The Company is the guarantor for these transactions. At June 30, 2020, the balance of transactions guaranteed by the Company was R$7,836 (December 31, 2019 - R$8,832).

The Company has no history of loss experience on such transactions.

(All amounts in thousands of reais unless otherwise stated)

16. Trade payables

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Domestic suppliers	**17.327**	51.506	**45.690**	66.071
Reverse factoring (a)	**83.029**	67.941	**83.029**	67.941
Related parties (Note 11.a)	**1.343**	1.285	**-**	-
Foreign suppliers	**-**	955	**43**	955
Total trade payables	**101.699**	121.687	**128.762**	134.967

a) The Company has agreements with Banco Itaú Unibanco S.A. (“Bank”) to structure with its main suppliers a reverse factoring arrangement. In this arrangement, the suppliers transfer the right to receive their invoices to the Bank which, in turn, will become the creditor in the transaction. Management has reviewed the portfolio of this transaction and concluded that there was no significant change in maturities, prices and conditions that were previously established upon a complete analysis of suppliers by category; therefore, the Company shows this transaction within the account “Trade payables”.

17. Leases

The Company has applied the practical expedient CVM 859/2020 issued on July 7, 2020 concerning amendments to Technical Pronouncement CPC 06(R2) that is applicable to rent concessions related to COVID-19. The practical expedient allows lessees not to assess whether a COVID-19-related rent concession received is a lease modification or not and to account for the rent concession as if the change was not a lease modification.

(All amounts in thousands of reais unless otherwise stated)

AREZZO &CO

17. Leases--continued

a) Changes in right-of-use assets:

	Parent company	Consolidated
Initial application at January 1, 2019		
Recognition under CPC 06(R2)	**32.987**	**199.777**
Additions	1.258	27.723
Write-offs	-	(864)
Depreciation	(3.272)	(19.634)
Foreign exchange variation	-	(1.756)
Total right-of-use assets at June 30, 2019	**30.973**	**205.246**
Total right-of-use assets at December 31, 2019	**27.385**	**204.495**
Additions	3.141	16.327
Write-offs	(2.270)	(41.222)
Depreciation	(3.828)	(24.884)
Foreign exchange variation	-	45.691
Total right-of-use assets at June 30, 2020	**24.428**	**200.407**

b) Changes in lease liabilities:

	Parent company	Consolidated
Lease liabilities at January 1, 2019	**36.640**	**218.607**
Discount to present value	(3.653)	(18.830)
Lease liabilities at January 1, 2019	**32.987**	**199.777**
Lease payments	(3.136)	(19.749)
Interest expense on lease liabilities	465	2.759
Additions	1.258	27.723
Foreign exchange variation	-	(1.842)
Write-offs	-	(879)
Lease liabilities at June 30, 2019	**31.574**	**207.789**
Lease liabilities at December 31, 2019	**28.646**	**209.058**
Additions	3.427	17.686
Additions discounted to present value	(286)	(1.360)
Write-offs, net	(1.931)	(42.124)
Lease payments	(4.289)	(25.513)
Interest expense on lease liabilities	714	2.558
Foreign exchange variation	-	47.966
Lease liabilities at June 30, 2020	**26.281**	**208.271**
Current	**6.625**	**44.836**
Non-current	**19.656**	**163.435**

(All amounts in thousands of reais unless otherwise stated)

17. Leases--continued

c) The amounts recorded in non-current liabilities at June 30, 2020 mature as follows:

	Cash flows (present value)		Gross contractual cash flows	
	Parent company	Consolidated	Parent company	Consolidated
2020	6.625	44.836	6.708	40.256
2021	2.921	19.712	6.992	46.091
2022	4.536	33.962	5.406	37.606
2023	3.580	31.236	4.206	33.722
2024	2.623	25.382	3.050	26.928
After 2025	5.996	53.143	6.575	55.219
Total	**26.281**	**208.271**	**32.937**	**239.822**
Potential tax credit (PIS and COFIN	2.431	6.820	3.047	8.320

d) Reconciliation of lease payments:

	Parent company		Consolidated	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Cash outflow (statement of cash	**(4.420)**	(3.268)	**(28.813)**	(23.369)
Lease payments in the period	**(4.289)**	(3.136)	**(25.513)**	(19.749)
Short-term contracts	**(29)**	(30)	**(2.988)**	(2.988)
Low-value contracts	**(102)**	(102)	**(102)**	(102)
Variable lease payments	-	-	**(210)**	(530)

(All amounts in thousands of reais unless otherwise stated)

18. Share capital and reserves

18.1 Share capital

At June 30, 2020, the Company's capital was divided into 90,954 thousand common shares.

	Number of shares (thousands)	Share capital R$
At December 31, 2018	90.303	341.073
Issue of shares under share option plan	651	11.642
At December 31, 2019	**90.954**	**352.715**
At June 30, 2020	**90.954**	**352.715**

18.2 Treasury shares

At June 30, 2020, the balance of treasury shares is R$2,826 (December 31, 2019 - R$195) consisting of 65,207 common shares at an average acquisition cost of R$ 43.34.

19. Dividends and interest on capital proposed and paid

19.1 Dividends

In accordance with the Company's bylaws, the shareholders are entitled to a mandatory minimum dividend of 25% of the profit for the year after transfer to legal reserve as required by the Brazilian corporate legislation. Interest on capital, when calculated, is considered as distribution of profits for purposes of determination of the minimum dividend to be distributed.

On January 8, 2020, the Company paid R$7,238 in dividends out of the profit for the year ended December 31, 2019.

19.2 Interest on capital – Law 9.249/95

In order to comply with tax rules, the Company recorded interest on capital paid in the year in "finance costs". For the purposes of these financial statements, this interest on capital was reversed from the statement of income to retained earnings, as determined by accounting practices. Income tax was withheld at the rate of 15% from the payment of this interest on capital, except for shareholders that are legally tax-exempt or shareholders that are domiciled in countries or jurisdictions in which the tax legislation establishes a different tax rate.

On January 8, 2020, the Company paid R$17,761 in interest on capital out of the profit for the year ended December 31, 2019.

(All amounts in thousands of reais unless otherwise stated)

20. Earnings/(loss) per share

In compliance with CPC 41 (IAS 33), the Company presents below earnings/(loss) per share information for the six months ended June 30, 2020 and 2019.

a) Basic earnings/(loss) per share

	6/30/2020	6/30/2019
Profit/(loss) for the period	**(56.411)**	63.709
Weighted average number of outstanding common shares	**90.889**	90.373
Basic earnings/(loss) per share - R$	**(0,6207)**	0,7050

b) Diluted earnings/(loss) per share

	6/30/2020	6/30/2019
Profit/(loss) for the period	**(56.411)**	63.709
Weighted average number of outstanding common shares	**90.889**	90.373
Adjustment for share option plans	**-**	37
Weighted average number of common shares for diluted earnings/(loss) per share	**90.889**	90.410
Diluted earnings/(loss) per share- R$	**(0,6207)**	0,7047

21. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Gross sales revenue				
Domestic market	**468.937**	711.676	**608.835**	830.839
Foreign market	**486**	3.017	**85.251**	121.172
Sales returns	**(37.140)**	(25.051)	**(70.823)**	(56.931)
Discounts and rebates	**(185)**	(1.454)	**(223)**	(1.454)
Taxes on sales	**(61.312)**	(95.791)	**(93.126)**	(122.917)
Net sales revenue	**370.786**	592.397	**529.914**	770.709

22. Segment reporting

The Company has only one operating segment, which is defined as footwear, handbags and accessories. The Company is organized, and has its performance assessed, as a single business unit for operating, commercial, management and administrative purposes.

This view is supported by the following factors:

- There is no segregation in its structure for the management of different product lines, brands or sales channels;
- Its manufacturing plant operates for more than one brand and sales channel;
- The Company's strategic decisions are based on studies that indicate market opportunities and not only on performance by product, brand or sales channel.

The Company's products are distributed through different brands (Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans) and multiple channels (franchises, multi-brand stores, Company-operated stores and e-commerce), however they are controlled and run by management as a single operating segment, and the results therefrom are monitored and evaluated in a centralized way.

For management purposes, management monitors the consolidated gross revenue by brand and sales channel, as shown below:

(All amounts in thousands of reais unless otherwise stated)

Brand	6/30/2020	6/30/2019
Gross revenue	**694.086**	952.011
Domestic market	**608.835**	830.839
Arezzo	**262.489**	450.920
Schutz	**162.166**	229.613
Vans	**83.584**	-
Anacapri	**73.237**	111.137
Other	**27.359**	39.169
Foreign market	**85.251**	121.172

Sales channel	6/30/2020	6/30/2019
Gross market	**694.086**	952.011
Domestic market	**608.835**	830.839
E-commerce	**212.573**	91.004
Franchise stores	**179.854**	404.850
Multi-brand stores	**151.914**	203.902
Company-operated stores	**64.077**	130.027
Other	**417**	1.056
Foreign market	**85.251**	121.172

The revenue from foreign market is not shown separately by geographic area as at June 30, 2020 it represents 12.3% of the gross revenue (June 30, 2019 – 12.7%). No single customer accounts for more than 5.0% of the sales on the domestic and foreign markets.

23. Expenses by nature

The Company elected to present its statement of operations by function. Disclosure of expenses by nature is presented below:

(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Expenses by function				
Cost of sales	**(248.985)**	(375.364)	**(277.382)**	(413.902)
Selling expenses	**(111.901)**	(81.288)	**(249.502)**	(194.008)
General and administrative expenses	**(56.054)**	(62.486)	**(77.793)**	(89.833)
Other operating income/(expenses), net	**(1.567)**	13.038	**27.613**	12.842
	(418.507)	(506.100)	**(577.064)**	(684.901)
Expenses by nature				
Raw and consumable materials	**(251.129)**	(377.555)	**(281.704)**	(417.178)
Personnel expenses	**(71.198)**	(68.283)	**(123.305)**	(111.342)
Utilities and services	**(24.542)**	(26.062)	**(33.541)**	(32.452)
Sales bonus	**(21.570)**	(2.511)	**(21.570)**	(2.511)
Depreciation and amortization	**(10.704)**	(13.667)	**(40.595)**	(37.763)
Freight	**(7.197)**	(11.851)	**(21.135)**	(22.156)
Advertising costs	**(4.288)**	(2.908)	**(25.484)**	(18.680)
Store rental expenses	-	-	**(5.215)**	(11.037)
Other operating expenses	**(27.879)**	(3.263)	**(24.515)**	(31.782)
	(418.507)	(506.100)	**(577.064)**	(684.901)

24. Financial risk management objectives and policies

a) Fair value

The table below shows the carrying amounts and fair values of the Company's financial assets and liabilities calculated by the Company's management:

	Consolidated			
	6/30/2020		12/31/2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**12.965**	12.965	**13.808**	13.808
Cash investments	**552.654**	552.654	**263.875**	263.875
Trade receivables	**283.071**	283.071	**423.814**	423.814
Borrowings	**601.347**	601.657	**180.784**	180.635
Trade payables	**128.762**	128.762	**134.967**	134.967
Leases	**208.271**	208.271	**209.058**	209.058

At June 30, 2020, consolidated financial instruments by category are as follows:

	Measured at	
	Fair value through profit or loss	Amortized cost
Assets		
Cash and cash equivalents	-	12.965
Trade receivables	-	283.071
Cash investments	552.654	-
Liabilities		
Trade payables	-	128.762
Borrowings	-	601.347
Leases	-	208.271

The following methods and assumptions were used for fair value measurement:

- Cash investments – the carrying amounts stated in the balance sheet equal the fair value because the interest rates for the cash investments are based on the variation of the Interbank Deposit Certificate (CDI), Certificate of Bank Deposit (CDB) and Financial Treasury Bills (LFT) (Note 6).

- Cash and cash equivalents, trade and other receivables, trade and other payables – These items derive directly from the operations of the Company and its subsidiaries and are measured at amortized cost. They are stated at original amount less provision for impairment and present value adjustment when applicable. The carrying amount approximates fair value due to the short-term nature of these instruments.

(All amounts in thousands of reais unless otherwise stated)

a) Fair value-- continued

- Borrowings – These are classified as other financial liabilities not measured at fair value and are carried at amortized cost according to the contractual terms. This classification was adopted because the amounts are not held for trading, which management understands is the most relevant financial information. The fair values of the borrowings are equivalent to their carrying amounts as these financial instruments are subject to rates equivalent to market rates and have specific characteristics.

a.1) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company uses quoted prices in active markets (Level 1) and observable prices (Level 2) to measure the fair value of its financial instruments.

b) Foreign exchange risk

The results of operations of the Company and its subsidiaries are exposed to the U.S. dollar exchange rate risk because a portion of their sales revenue is linked to the U.S. dollar. To reduce the foreign exchange risk, almost all of their exports have financing pegged to the respective currency.

At June 30, 2020 and December 31, 2019, the net exposure to the U.S. dollar is as follows:

	Consolidated	
	6/30/2020	**12/31/2019**
Trade receivables in foreign currency (i)	**16.547**	23.174
Borrowings in foreign currency	**(255.514)**	(171.477)
Net exposure	**(238.967)**	(148.303)

(i) Excludes related-party balances in foreign currency.

(All amounts in thousands of reais unless otherwise stated)

b) Foreign exchange risk--continued

For an analysis of the sensitivity of the Company's foreign currency-denominated assets and liabilities to foreign exchange risk at June 30, 2020, the Company conducted a sensitivity analysis running three different scenarios.

The table below shows the three scenarios, and the Company adopts the most likely scenario. These scenarios were defined based on management's expectations of foreign exchange rate changes at the dates of maturity of the agreements exposed to foreign exchange risk.

CVM through Instruction 475 of December 17, 2008 (CVM Instruction 475) requires two additional scenarios of 25% and 50% increases in the risk variable under analysis. All the scenarios are presented according to CVM regulation.

Transaction	Currency	Most likely scenario	Scenario A	Scenario B
Increase in the exchange rate				
Trade receivables in foreign currency	R$	16.547	20.684	24.821
Borrowings in foreign currency	R$	(255.514)	(319.393)	(383.271)
Trade payables in foreign currency	R$	-	-	-
Increase in the exchange rate against		-	25%	50%
US dollar		5,48	6,84	8,21
Impact on pre-tax profit	**R$**		**(59.742)**	**(119.483)**

c) Interest rate risk

The Company is exposed to interest rate risk because of borrowings subject to the Long-term Interest Rate (TJLP), Libor and CDI. The rates are disclosed in Note 15.

At June 30, 2020, borrowings are subject to the following interest rates:

	Consolidated	
	6/30/2020	**%**
Fixed interest rate	146.945	24
Interest rate based on TJLP	6.398	1
Interest rate based on CDI	448.004	75
	601.347	**100**

(All amounts in thousands of reais unless otherwise stated)

c) Interest rate risk--continued

For an analysis of the sensitivity of its borrowings to interest rate risk at June 30, 2020, the Company conducted a sensitivity analysis running three different scenarios.

The table below shows the three scenarios, and the Company adopted the most likely scenario. Based on the amounts of TJLP and Libor in effect at June 30, 2020, the most likely scenario for the year 2020 was set, assuming changes of 25% and 50% as required by CVM Instruction 475.

For each scenario, gross interest expense was calculated, without taking into consideration taxes and the flow of maturities of each agreement. The base date used for borrowings was June 30, 2020, and the interest rates were projected for one year to determine the sensitivity of the financial liabilities to changes in interest rates.

Transaction	Currency	Most likely scenario	Scenario A	Scenario B
Increase in interest expense				
Borrowings - TJLP	R$	316	395	474
Borrowings - CDI	R$	16.397	20.496	24.595
		16.713	**20.891**	**25.069**
The following rates increase by			25%	50%
TJLP		4,94%	6,18%	7,41%
CDI		3,66%	4,58%	5,49%

d) Credit risk

Credit risk arises from the difficulty in collecting the amounts due from customers for goods sold and services rendered.

The Company and its subsidiaries are also subject to credit risk arising from their cash investments.

Most of trade receivables are denominated in Brazilian reais and spread across various customers. To reduce the credit risk, the Company performs an individual analysis for new customers but, as a usual market practice, only high-risk customers are required to make advance payments. No single customer accounts for more than 5% of the Company’s total accounts receivable at June 30, 2020 and December 31, 2019.

(All amounts in thousands of reais unless otherwise stated)

d) Credit risk--continued

Management monitors the risk of the receivables portfolio in a timely manner and, if there is the risk of default on a receivable, adjusts the statement of operations. The analysis covers receivables, customer payment history, guarantees provided and renegotiations completed with collaterals. The amounts recorded as actual losses or provision for losses reflect uncollectible accounts or receivables with low chance of recovery.

With regard to the credit risk associated with financial institutions, the Company and its subsidiaries use top-tier financial institutions.

e) Liquidity risk

Liquidity risk reflects the probability that Company and its subsidiaries will not have sufficient cash on hand to meet their obligations by reason of different currencies and maturities of their receipts and payments.

The liquidity and cash flow of the Company and its subsidiaries is monitored on a daily basis by management to ensure that the amount of cash generated from their normal business operations and borrowing facilities, when needed, are sufficient to meet their scheduled obligations, without exposing the Company and its subsidiaries to the liquidity risk.

The table below shows contractual payments due under financial liabilities:

	Less than one year	From 1 to 5 years	More than 5 years	Total
Borrowings	296.150	308.923	-	**605.073**
Trade payables	128.762	-	-	**128.762**
Leases	44.836	110.292	53.143	**208.271**

f) Capital management

The Company's objective when managing capital is to ensure that the Company has a strong credit rating with the institutions and an optimal capital structure to support the Company's business and maximize the value for shareholders.

The Company controls its capital structure by making adjustments to reflect current economic conditions. In order to maintain or adjust the capital structure, the Company can make dividend payments, return capital to shareholders, take new borrowings, issue debentures, issue promissory notes and enter into derivative transactions. There has been no change in capital structure objectives, policies or processes during the period ended June 30, 2020 and year ended December 31, 2019.

(All amounts in thousands of reais unless otherwise stated)

24. Financial risk management objectives and policies--continued

f) Capital management--continued

The gearing ratios at June 30, 2020 and December 31, 2019 were as follows:

	Consolidated	
	6/30/2020	12/31/2019
Borrowings	**(601.347)**	(180.784)
Cash and cash equivalents	**12.965**	13.808
Cash investments	**552.654**	263.875
Net cash position	**(35.728)**	96.899
Total capital	**669.465**	746.071
Gearing ratio - %	(5,34)	-

25. Finance income and costs

	Parent company		Consolidated	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Finance income				
Interest income on cash investments	**5.923**	5.471	**6.690**	6.856
Interest income	**1.183**	1.761	**939**	1.764
Other finance income	**348**	850	**758**	913
	7.454	8.082	**8.387**	9.533
Finance costs				
Interest expense on borrowings	**(5.599)**	(1.723)	**(8.957)**	(3.184)
Notary public fees	**(2.634)**	(811)	**(2.641)**	(814)
Bank charges	**(2.473)**	(1.513)	**(2.854)**	(2.260)
Discounts granted	**(1.431)**	(791)	**(1.454)**	(955)
Interest expense on lease liabilities	**(651)**	(465)	**(2.398)**	(2.759)
Other finance costs	**(133)**	(519)	**(208)**	(326)
Credit card administration fee	**-**	-	**(5.321)**	(3.361)
	(12.921)	(5.822)	**(23.833)**	(13.659)
Foreign exchange variation, net	**(2.777)**	(3.955)	**5.599**	(5.524)
Total	**(8.244)**	(1.695)	**(9.847)**	(9.650)

(All amounts in thousands of reais unless otherwise stated)

26. Other operating income/(expenses), net

	Parent company		Consolidated	
	6/30/2020	**6/30/2019**	**6/30/2020**	**6/30/2019**
Share option and restricted stock plans	**(2.018)**	(3.007)	**(2.018)**	(3.007)
Franchise fees	**215**	752	**215**	752
Tax credits (i)	**-**	13.645	**49.079**	13.795
Recovery of expenses	**578**	855	**610**	856
(Loss)/gain on disposal of property, plant and equipmer	**(323)**	58	**(20.417)**	39
Other (expenses)/income, net	**(19)**	735	**144**	407
Total	**(1.567)**	13.038	**27.613**	12.842

(i) The Company obtained a favorable final judicial resolution in the lawsuit challenging the illegality of the inclusion of ICMS in the PIS and COFINS tax base of one of its subsidiaries. As a result, the Company recognized the right to recover the amounts unduly paid, in the amount of R$49,079 classified as “other income/(expenses)” with a contra entry of R$2,715 of attorneys’ fees and other legal costs to “administrative expenses”, resulting in a net effect of R$46,364 on profit or loss for the period ended June 30, 2020.

(ii) In the period ended June 30, 2020 the Company recognized the amount of R$16,587 related to the shutdown of 5 Company-operated stores, including one pop-up store and one office in the U.S., in addition to a provision of R$3,041 for the expected transfer of 8 Company-operated stores in Brazil.

(All amounts in thousands of reais unless otherwise stated)

27. Share-based compensation

27.1 Restricted stock plan

Changes in the restricted stock plan were as follows:

	1st grant at 8/29/2017	2nd grant at 7/30/2018	3rd grant at 7/30/2019	Total
Balance at December 31, 2018	**465.876**	**110.664**	**-**	**576.540**
Granted	-	-	26.606	26.606
Exercised	(49.830)	(8.995)	-	(58.825)
Written off	(17.405)	(20.709)	-	(38.114)
Balance at December 31, 2019	**398.641**	**80.960**	**26.606**	**506.207**
Balance at June 30, 2020	**398.641**	**80.960**	**26.606**	**506.207**

In compliance with IFRS 2/CPC 10, the Company determined the fair value of the shares, based on the stated vesting periods. In the period ended June 30, 2020, the Company determined R$2,018 (June 30, 2019 – R$2,536) in restricted stock plan expense, which was charged to the statement of operations with a contra-entry to the capital reserve account within equity.

28. Government tax incentives

Presumed tax credit of State Value-added Tax on Sales and Services (ICMS)

a) Under Regulations 088-R of October 29, 2015 and 077-R of June 1, 2016, the State of Espirito Santo has registered the Company, through its parent and one subsidiary, respectively, to receive ICMS tax benefits under the tax benefit arrangement called Competitiveness Agreement.

b) The State of Rio Grande do Sul, through state internal regulation, grants presumed credits of ICMS on sales of shoes to other states.

In the six-month period ended June 30, 2020, the Company determined R$25,885 (June 30, 2019 - R$35,524) in ICMS tax benefits, which were classified into net revenue, as shown below:

	Parent company		Consolidated	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
ICMS tax benefits - State of Espiri	**13.650**	28.915	**25.885**	35.285
ICMS tax benefit - State of Rio Gra	-	-	-	239
Total	**13.650**	28.915	**25.885**	35.524

29. Events after the reporting period

As per Note 1.2, as the impacts of the COVID-19 pandemic have continued to emerge after the reporting date of June 30, 2020, the Company discloses below the main operational and financial events that occurred between the reporting period and the date of issue of these interim financial statements:

- Sales grew 1.0% to reach R$172.2 million, 100% of 2019 sales;
- At present, 643 stores open (87.1% of the network in Brazil) reach 50.0% of sales as compared with 2019, while stores that remain closed reach 28.0% of sales;
- E-commerce sales rose 195.7% compared with the same period of 2019;
- Total SG&A expenses of R$37.8 million, a decrease of 19.7% compared with 2019;
- EBITDA of R$19.7 million, an increase of 42.2% compared with the same period of the prior year;
- The U.S. operations posted a 41.3% increase in revenue compared with 2019 (in Brazilian reais), reaching EBITDA break-even;
- At the start of the pandemic, we had net positive cash of approximately R$35.0 million. Since March 20, 2020, the Company has taken various measures to preserve cash, which included an additional loan as a buffer against any lack of cash. This situation occurred when cash consumption was R$100.0 million, reaching negative net cash of R$70.0 million. In mid-May, the Company resumed its cash-generating operations and closed the month of July with net positive cash of R$12.0 million. The cash flows from cash-generating operations are expected to continue in August;
- At the beginning of July, the Company issued the second Annual Sustainability Report – for the first time, following the GRI Standards – about its supply chain management, environmental and social impacts. Highlights include:
    - 53 Company-operated stores, 699 franchise stores and presence in 2,646 multi-brand stores;
    - 14 thousand models of shoes and handbags created in the year, 14.5 million pairs of shoes and 1.8 million of handbags sold in 2019;
    - R$2,063 million in gross revenue, R$261.9 million in EBITDA and R$166.7 million in net profit
    - Sustainable Origin seal, greenhouse gas inventory, industry meeting in Campo Bom, State of Rio Grande do Sul, for supply chain certifications in Vale dos Sinos;
    - All our brands launched product lines focused on sustainability;
    - Exclusive distributor of the Vans brand in Brazil.

(A free translation of the original in Portuguese)

Arezzo Indústria e Comércio S.A.

Quarterly Information (ITR) at June 30, 2020 and report on review of quarterly information

(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Arezzo Indústria e Comércio S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Arezzo Indústria e Comércio S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2020, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial 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 interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical 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 did 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 parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the six-month period ended June 30, 2020. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the quarterly information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

Porto Alegre, August 10, 2020.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Adriano Machado
Contador CRC PR-042584/O-7

AREZZO INDÚSTRIA E COMÉRCIO S.A.

Public Held Company

CNPJ n.º 16.590.234/0001-76

NIRE 31.300.025.91-8

MINUTES OF FISCAL COUNCIL MEETING

AUGUST 07, 2020

Attachment

FISCAL COUNCIL OPINION

The Fiscal Council of AREZZO INDÚSTRIA E COMÉRCIO S.A. ("Company"), in the exercise of its attributions and legal responsibilities, at a meeting held on August 07, 2020, at the Company's office located in the City of Campo Grande, State of Rio Grande do Sul, at Liberato Salzano Vieira da Cunha Street, nº 108, CEP 93700-000, proceeded the quarterly financial information of the Company for the period from April 1, 2020, to June 30, and the independent auditor's special review report on said financial data, issued by PriceWaterhouseCoopers Auditores Independentes, according to documents filed and filed in the headquarters of the Company.

Based on the examination carried out and the information and clarifications received, the Fiscal Council is in favor of the quarterly financial information of the Company for the period from April 1, 2020, to June 30, 2020, and the independent auditor's special review report.

Campo Bom, August 07, 2020.

Martin da Silva Gesto

Clóvis José Ceretta

Ricardo Gus Maltz

ATTACHMENT I-A

OFFICER’S STATEMENTS

STATEMENT PURSUANT TO ARTICLE 25 OF CVM NORMATIVE INSTRUCTION No. 480/09

Officer’s Statement with regard to the Financial Statements

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 (“Company”), hereby state that they reviewed, discussed and agree with the financial statements of the Company for the fiscal year ended June 30, 2020, as provided for and for the purposes of § 1, item VI of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, August 13, 2020.

Alexandre Café Birman – Chief Executive Officer
Rafael Sachete da Silva – Vice President of Corporate and Chief Financial Officer
Aline Ferreira Penna Peli – Investor Relations Officer

ATTACHMENT II-B

OFFICER'S STATEMENTS

STATEMENT PURSUANT TO ARTICLE 25 OF CVM NORMATIVE INSTRUCTION No. 480/09

Officer's Statement with regard to the Independent Auditor's Report

The undersigned Officers of AREZZO INDÚSTRIA E COMÉRCIO S.A., a publicly-held corporation with its principal place of business in the City of Belo Horizonte, State of Minas Gerais, at Rua Fernandes Tourinho, 147, suites 1301 and 1303, postal code 30112-000, enrolled with the CNPJ/MF under No. 16.590.234/0001-76, with its articles of incorporation filed with the Commercial Registry of the State of Minas Gerais under NIRE 31.300.025.91-8 ("Company"), hereby state that they reviewed, discussed and agree with the opinions expressed in the independent auditors' report relating to the financial statements of the Company for the fiscal year ended June 30, 2019, as provided for and for the purposes of § 1, item V of article 25 of CVM Ruling 480, of December 7, 2009, as amended.

São Paulo, August 13, 2020.

Alexandre Café Birman – Chief Executive Officer
Rafael Sachete da Silva – Vice President of Corporate and Chief Financial Officer
Aline Ferreira Penna Peli – Investor Relations Officer