

1H20: Gross revenue R\$ 532.6 million, 30.3 million pairs sold

Sobral, August 13, 2020: In this release **GRENDENE** (BM&FBovespa Novo Mercado: **GRND3**), publishes results for 2Q20 and 1H20. Figures are consolidated, and stated in accordance with IFRS (International Financial Reporting Standards).

HIGHLIGHTS OF RESULTS: 2Q20 AND 1H20

1Q20 – Main results and indicators

Results for
2Q20 & 1H20



B3 ticker: GRND3

<http://ri.grendene.com.br>

Number of shares:

Common: 902,160,000

Price (June 30, 2020):

R\$ 7.33 per share

Market value:

R\$ 6.6 billion

US\$1.2 billion

Conference call

Brazilian:

Aug. 14, at 9 a.m.

Connect on:

- Brazil: +11-3181-8565 or

Conference call

International:

Aug. 14, at 9 a.m. (Brasília time).
(Simultaneous translation)

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R\$ mn	2Q19	2Q20	Change, % 2Q19-2Q20	1H19	1H20	Change, % 1H19-1H20
Gross revenue	497.1	82.1	(83.5%)	1,012.4	532.6	(47.4%)
Domestic market	399.5	54.9	(86.3%)	793.0	398.4	(49.8%)
Exports	97.6	27.2	(72.2%)	219.4	134.2	(38.9%)
Net revenue	399.8	56.7	(85.8%)	823.1	428.9	(47.9%)
COGS	(244.2)	(33.1)	(86.5%)	(495.0)	(252.0)	(49.1%)
Gross profit	155.6	23.6	(84.8%)	328.0	176.9	(46.1%)
Operational expenses	(145.5)	(108.9)	(25.1%)	(284.4)	(222.5)	(21.8%)
Ebit	10.1	(85.3)	-	43.6	(45.6)	-
Ebitda	26.7	(63.2)	-	77.0	(2.4)	-
Net fin. rev. (exp.)	51.8	45.3	(12.5%)	103.0	35.3	(65.7%)
Net profit	41.5	(44.4)	-	118.0	(14.6)	-
Profit per share (R\$)	0.05	(0.05)	-	0.13	(0.02)	-
Volume – million pairs	30.1	4.3	(85.6%)	58.6	30.3	(48.3%)
Domestic market	24.7	3.4	(86.4%)	46.3	23.7	(48.8%)
Exports	5.4	0.9	(82.1%)	12.3	6.6	(46.6%)
Gross revenue/pair (R\$)	16.50	18.92	14.7%	17.26	17.58	1.9%
Domestic market	16.16	16.28	0.7%	17.12	16.80	(1.9%)
Exports	18.09	28.11	55.4%	17.81	20.38	14.4%
Margins – %	2Q19	2Q20	Change, pp	1H19	1H20	Change, pp
Gross margin	38.9%	41.7%	2.8 p.p.	39.9%	41.2%	1.3 p.p.
Ebit margin	2.5%	(150.3%)	(152.8 p.p.)	5.3%	(10.6%)	(15.9 p.p.)
Ebitda margin	6.7%	(111.4%)	(118.1 p.p.)	9.4%	(0.6%)	(10.0 p.p.)
Net margin	10.4%	(78.2%)	(88.6 p.p.)	14.3%	(3.4%)	(17.7 p.p.)

Highlights, 2Q20 vs. 2Q19:

- Net revenue: 85.8% lower YoY.
- Net loss in 2Q: R\$ 44.4 million.
- Ebit negative: – R\$ 85.3 million
- Gross margin: Increased.
- Volume of pairs: 85.6% lower YoY, at 4.3 million.
- Non-recurring expenses of R\$ 56.0 million: Effects of the Covid-19 pandemic (R\$ 48.0 mn), plus provision of R\$ 8.0 million for receivables from a client that entered Judicial Recovery.

MANAGEMENT DISCUSSION AND ANALYSIS

In contrast to the positive outlook that we had at the beginning of 1Q20, when we projected growth for the year, at the beginning of 2Q20 we were more skeptical, with a high degree of uncertainty on the impacts of a pandemic.

The pandemic caused a countrywide shutdown in the various sectors of the economy, especially in apparel retailing and in services related to tourism and air travel. The effects were partially felt in the first quarter, since the social isolation measures adopted by states and municipalities began in the second half of March.

In the second quarter, though, the effects were worse, and intense. April 2020 turned out to be the most critical month, with severe impacts on the Brazilian economy and, in our view, this was when the crisis reached its peak – when the highest levels of isolation and quarantine happened in Brazilian society as a whole. The first moves to ease the restrictive measures began in May, gradually expanding and making partial resumption of non-essential activities possible, with opening of commerce in some regions of the country.

Our view is supported by data from the FGV and the IBGE, which indicate that both consumer confidence and retail sales were at their all-time lows in April. Indicators improved slightly in May and June, but still show a high degree of consumer aversion to making purchases.

In this context, the Brazilian footwear industry was severely affected, especially by the closing of physical stores in the country – the market that absorbs more than 85% of the sector's sales. A survey by the Brazilian footwear manufacturers' association, Abicalçados, in March and April, showed 95% of physical footwear stores closed. We can also cite other factors that helped deteriorate the sector's situation, such as: Cancellation of orders, postponement of invoicing, and an increase in default.

Abicalçados is projecting total footwear sales in 2020 at 30% lower than the 908 mn pairs produced in 2019, with domestic consumption 29% lower year-on-year, and exports 30% lower.

In this context, we focused on ensuring the health and safety of our workers, and on taking action to minimize the impacts on the Company's operation as much as possible. Highlights: (i) Collective vacations for the workforce from March 23, 2020 in all our units in Brazil; (ii) extension of due dates of receivables in the domestic market for 30 days, for invoices payable between March 23 and April 17, 2020, without extra charges – in the second quarter we engaged in individual negotiations, including subjects such as receivables from the export market, dealing with each case in accordance with the client's need; (iii) analysis of our financial investments – we were successful in avoiding losses; and (iv) production of more than 1.7 million items of protection equipment for health and security professionals in more than 270 municipalities – underlining our role as a corporate citizen company.

As one of the main players in the sector, Grendene was also hit hard by the pandemic, in spite of the efforts to attenuate the economic impact caused by the government's social isolation measures.

On the demand side, decisive factors were: Closing of physical retailers in general, loss or reduction of consumers' income; and fear of unemployment, and uncertainty on the future of the economy, leading to more pragmatic and conscious consumption of non-essential items such as footwear.

We were especially impacted in terms of demand for our products, due to the various decrees issued by the government of the State of Ceará (where 100% of our production is located at our units in Fortaleza, Sobral and Crato). The state government suspended activities considered to be non-essential, and thus prevented us from operating in the state.

When the employees' collective vacations ended, on April 26, 2020 in Sobral and Crato, and on May 12 in the state's capital city of Fortaleza, state decrees prohibited our employees from resuming activity and we dispensed them from attending work, employing a 'bank of hours' system representing 30% of their wages, based on a reduction of the working week and payment of 70% of their salaries.

Resumption of activity and production was authorized, and then only partially, only from June 1, in the units at Fortaleza and Crato, and from June 24 in Sobral, and took place in obedience to the state's *Responsible Resumption of Economic and Social Activities* directive, governing resumption of activities in the state.

During this period in which non-essential activities were suspended, it was possible to supply only some of our sales channels. We sold existing stock of finished product, and we also produced boots, which were considered to be EPI equipment, and thus used by numerous economic sectors, including meat packers, agribusiness, supermarkets and public service workers.

The suspension of production during a major part of 2Q20, and the shrinking of demand for the Company's products, resulted in the volume of pairs shipped in 2Q20 being 85.6% lower than in 2Q19. In the first half of the year, the number of pairs shipped was 48.3% lower than in first half 2019 – the fall being spread evenly among all brands, models and geographic locations. Consequently, the other indicators of financial results (Revenue, Ebit and Net profit) were also severely affected.

In this context, with the lower volume of pairs, gross revenue was down 83.5% YoY in 2Q20, at R\$ 82.1 million.

In the domestic market, gross sales were down 86.3% year-on-year, and volume of pairs sold was 86.4% lower, reflecting the small increase of 0.7% in revenue per pair, year-on-year. Gross revenue in the first half of the year was 47.4% lower than in 1H19.

Sales were severely affected by the closing of physical stores, with the exception of sales of boots, for the reasons explained above.

It was also difficult for the conventional retail sales channels to perform well in 2Q20, due to either closing or limitation on opening of stores, and the population's impossibility of going out in the streets to reach them. These channels include specialized footwear stores or store chains, regional chains selling mainly apparel and footwear, large nationwide store chains, shopping center anchor stores,

department stores, and door-to-door sales using catalogs. The great majority of these channels resumed activities only gradually, and only in the second half of June, thus severely limiting the performance of our direct sales channels, which historically had provided 52.5% of our domestic volume of pairs sold, this being reduced to 11.6% in the quarter.

On the other hand, the indirect channels (distributors and wholesalers who buy our products for resale to smaller supermarkets and neighborhood food retailing stores), and self-service channels (major national and international hypermarkets, and large regional supermarket chains) increased their participation in our domestic sales from 47.5% to 88.4%, due to their being authorized to continue operating at full rates during the whole of the period. We also saw an increase in average ticket of 7.9%, reflecting the greater demand for products with higher added value, which previously were sold exclusively in retail stores.

In the export market, gross revenue was down 72.2%, and volume of pairs sold down 82.1%, compared to 2Q19. Gross revenue per pair increased by 55.4%, due to the depreciation of the Brazilian Real against the dollar. The main reasons for negative performance in the international market were: Cessation of production, preventing shipment of orders already in hand; cancellation or postponement of orders due to temporary closure of retailing in the majority of markets; the high level of inventories in distributors and stores, and consumers' fear of going out into the streets.

Net operational revenue was R\$ 56.7 million in 2Q20, and R\$ 428.9 million in 1H20, respectively down 85.8% and 47.9% year-on-year – mainly reflecting the reduction in the volume of pairs shipped.

Even with the fall in sales, gross margin increased to 41.7% (2.8 percentage points higher than in 2Q19). Cost of goods sold declined by more than net revenue, due to the lower cost of labor. On the other hand, we believe that the calculation of gross margin may be inappropriate in both 2Q20 and 1H20, due to the costs of idle time, relating to the fixed costs of factories not operating due to the government's social isolation measures to combat Covid-19.

In the second quarter, the Company intensified efforts to adapt its costs and expenses structure. Operational expenses were 25.1% lower in 2Q20 than 2Q19: they were R\$ 36 million lower in nominal terms. We posted non-recurring expenses of R\$ 56.0 million (representing 51% of operational expenses), arising mainly from the effects of the pandemic on Grendene's operations: (i) Cost of idle time (R\$ 44.4 million); (ii) HR, cleaning and sterilization (R\$ 2.1 million); (iii) donations (R\$ 1.5 million); and a provision of R\$ 8.0 million in receivables from a client that applied for Judicial Recovery.

In this quarter, Ebit was R\$ 85.3 million negative (with Ebit margin negative at -150.3%), representing a reduction of 946.4% in comparison to 2Q19. Ebit in first half 2020 was R\$ 45.6 million negative, representing a reduction of 204.7% in relation to R\$ 43.6mn positive in 1H19.

For 2Q20 we report net financial revenue R\$ 6.5 million lower than in 2Q19. Cash investments produced revenue R\$ 22.1 million lower than in 2Q19, due to the lower CDI rate; and the result of variations in FX rates was R\$ 13.6 million lower than in 2Q19. On the positive side, the sum of adjustments to present value and gains on investments in equities was R\$ 29.2 million higher than in the same period of 2019.

Net financial revenue was R\$ 67.7 million lower than in 1H19, comprising mainly the negative result of hedge operations (R\$ 63.7 million lower) and the lower revenue from cash investments (R\$ 31.0 million lower). This fall was mitigated by the total of investments in equities and adjustments to present value being R\$ 27.0 million higher than in 1H19.

Importantly, note we do not employ 'hedge accounting' policies, and thus losses or gains on foreign exchange transactions are recognized each month in the profit and loss account – this is not necessarily the case for the effects of FX variations on the object of the hedge: in our case, the hedge consists of accounts receivable from clients denominated in dollars, and also orders not yet shipped denominated in dollars. Our hedging practice consists of selling dollars in the futures market on the B3, to protect the future revenue of our exports.

Thus, although there is a negative accounting result in the half year, in economic terms we are guaranteeing an exchange rate on our exports for the coming quarters. In other words, the FX variation on revenues from exports (present and future) is approximately equal to, and of the opposite sign to, the result of transactions in dollars on the B3; but their effects are recorded in the accounting at different moments. On June 30, 2020 Grendene had a balance of US\$54.5 million (1,090 contracts) sold on the exchange.

We report a loss of R\$ 44.4 million in 2Q20, representing a reversal of 206.8% from profit of R\$ 41.5 million in 2Q19. The main reasons for the lower net profit were: (i) lower volume of pairs sold in the domestic and export markets, and (ii) the effects of the exchange rate. For 1H20 we report a net loss of R\$ 14.6 million, on volume 112.4% lower than in 1H19.

The Company generated operational cash flow of R\$ 356.1 mn in 1H20. At the end of the half-year we had a comfortable level of cash, more than R\$ 2 billion. In the present scenario, in which the financial institutions have stopped giving credit, and sales have fallen drastically, this cash position ensures that the Company will be able to get through this difficult period in relative comfort to comply with its commitments and design a strategy for when we return to a 'scenario of normality'.

Finally, we highlight the gradual improvement that we have seen, over the quarter, in the dynamics of orders, suggesting that the worst of this crisis may have now passed. Although we are still in a scenario of uncertainties, starting in May, and more strongly in June and July, we have seen a significant recovery in the volume of orders for delivery in July and August, respectively.

In spite of this improvement, we cannot guarantee that the crisis has been overcome, because there are innumerable uncertainties on the extent of the effects of Covid-19 on the economy, and also on a possible second wave of contagion.

Having said all the above, we would like to close this comment emphasizing that since the end of the first half of the year, we have a feeling of considerable optimism for 2H20.

HIGHLIGHTS

Digital transformation

We continue to accelerate the process of digital transformation within the Company, begun last year. As we stated in the previous quarter, digital transformation for us is based on three aspects: Culture, Technology, and Business.

In the Culture component, the objective is to disseminate digital culture, speed, experimentation and fast methods throughout the Company.

In the second component, Technology, we are reformulating our e-commerce platform, which is currently under the management of an outsourced partner. During 2H20 we will migrate the present platform to new platforms owned and managed by ourselves. The first migration is planned to be completed in August.

Finally, the third component – Business – is represented by Bergamota Works, our innovation laboratory. It was created to seek new ways of accessing the consumer, and to approximate Grendene to the ecosystem of start-ups.

Sustainability Report

In this quarter, Grendene published its first [Sustainability Report](#) ('the Report'), using the Global Reporting Initiative (GRI) methodology, in which we present the results of a 10-year period of improving our processes, reducing environmental impacts and underlining our commitment to society.

The Report reflects the importance of sustainability for the Company, and our achievements and efforts to reduce our environmental footprint. For example, we have eliminated waste of resources within the manufacturing process. All offcuts and/or unused plastic materials return to the production line. We also see ourselves as an example for water consumption, with one of the lowest water footprints in the industry. Between 2013 and 2019 we reduced the usage of water necessary for production per pair of footwear by 27%, or the equivalent of 106 Olympic swimming pools.

In this report we also describe the principles and main pillars of our development policy, based on valuing and respecting the individual, eco-efficient production, and lower-impact products. We also publish some of our certifications and main achievements related to our sustainable development journey.

Update on the process of exclusion of ICMS tax from the taxable base for calculating the PIS and Cofins taxes

We continue our description of the procedural steps necessary for us to receive compensation for excess tax paid. We filed the administrative procedure for initial qualification with the national tax authority, applying for R\$ 500,980, the total updated to June 30, 2020, in accordance with the best interpretation of our management and our legal advisors – the request was granted on September 19, 2019.

Due to this acceptance, and in the light of the three events – (i) the judgments given by the courts; (ii) the stage of the proceedings in Special Appeal 574.706; (iii) the motions filed by the tax authority; and (iv) the Solution given to Internal Consultation 13/2018 of COSIT, the Company has recognized, in Tax credits, the amount of R\$ 52,152 as a gain originated from this process. In the judgment of management and its legal advisers, realization of this amount is practically certain, since it is in line with the most rigorous and restrictive possible reading of the legal position in this matter at June 30, 2020. The remainder of the claim, (i.e. R\$ 448,828) remains categorized as 'probable', but not 'practically certain'. We note that, in our best judgment, substantial doubts persist on the exact amount of the gain to be receivable by the Company. On this matter, there was expectation that the Federal Supreme Court would clarify the points in doubt, including the Application for Modulation, in the plenary session on December 5, 2019, when hearing the Motion for Declaration brought by the National Tax Authority against the joint judgment in Special Appeal 574.706. However, as is now well known, the judgment was transferred to the plenary session of April 1, 2020. However, on March 24, 2020 the case was once again withdrawn from the hearing agenda, due to the Covid-19 pandemic. Consequently, on June 30, 2020, the rest of the claim is still recorded with chances of success 'probable' but not in practice certain, since a revision judgment by the Supreme Court is awaited, for which no date has been set.

The Investment Committee

In May 2019 the Board of Directors created the Investment Committee, comprising five members, with the primary duty of deciding the modalities of the Company's investments. The members of the Committee also have the duties of: (a) evaluating proposals for financial investments offered to Grendene, within the limits established (i) by the Board of Directors, notably for investments that do not have collateral in financial institutions and/or federal government securities, and (ii) by the Company's Bylaws; and (b) issuing recommendations to the Executive Board as to approval of the transactions presented and analyzed.

The Committee's philosophy is to aim for long-term appreciation of capital, with diversification of risks and optimization of the Company's cash position.

Initially, a limit of R\$ 300 million was set for allocation in other modalities of investments, in private credit financial instruments, including real estate exchanges. However, in April of this year, as announced in a Material Announcement, this limit was increased to R\$ 850 million, permitting investment of the increase (R\$ 550 million) in shares included in the Ibovespa stock index of the São Paulo stock market (B3).

Up to the end of June 2020, the Committee had allocated R\$ 396,2 million, distributed as to 36.1% in financial investments, 14.6% in equity interests, and 49.3% in traded equities.

Melissa

Unlike the other lines, our Melissa products are not included in the self-service channels which remained open during 2Q20. Melissa's sales depend strongly on the 'Melissa Clubes', the great majority of which are in shopping malls. Since malls were closed for the greater part of the quarter, the performance of this business unit was strongly affected.

The **Clube Melissa** franchise network had 329 'Melissa Clubes' on June 30, 2020, comprising 312 *Melissa Clubes* and 17 'Mini-Clubes' – a new format for our children's public. During the half-year, 13 clubs closed as a result of the effects of the Coronavirus, in spite of all the support supplied by the Company to minimize these impacts.

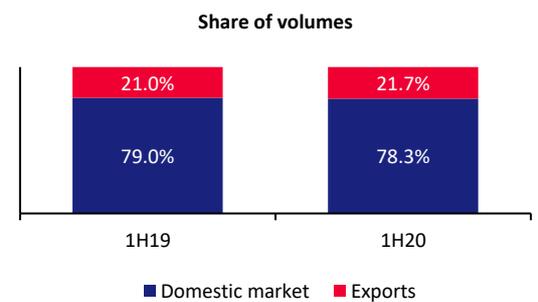
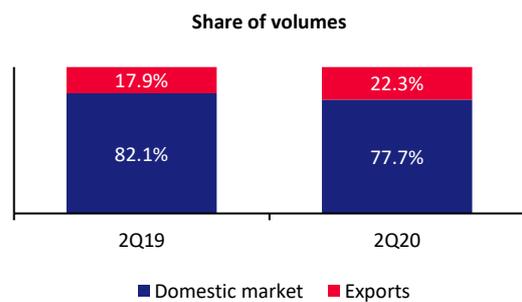
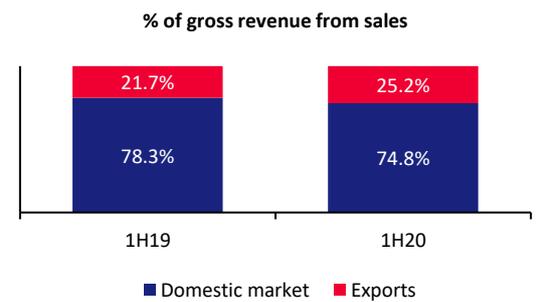
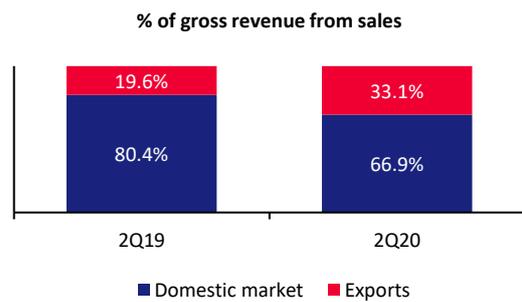
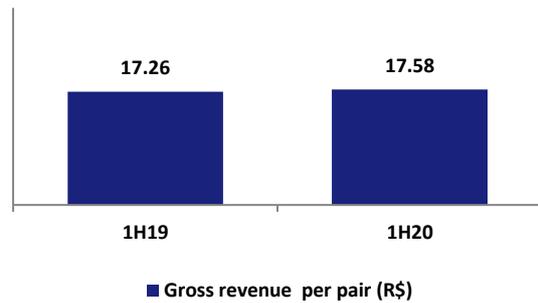
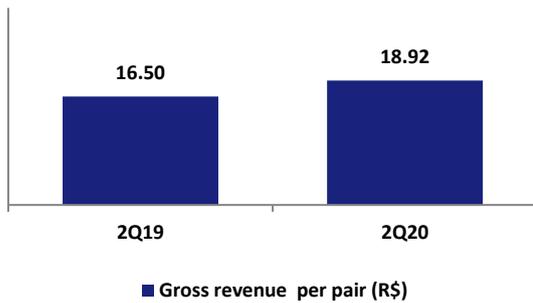
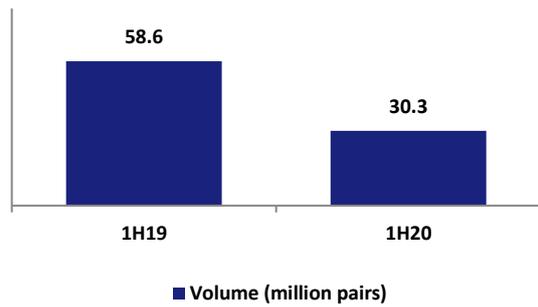
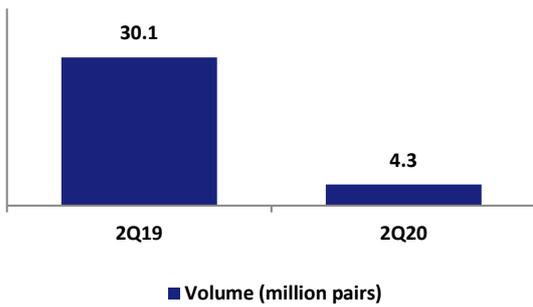
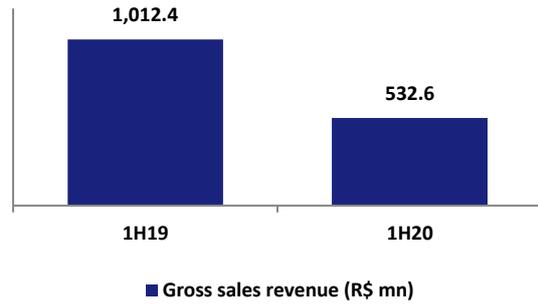
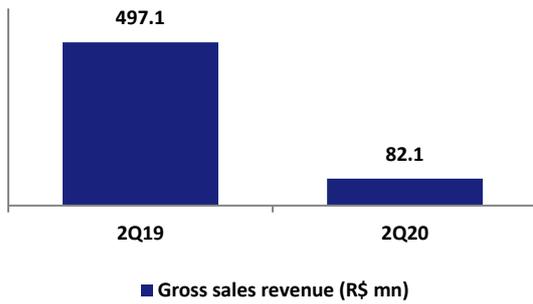
Stores and franchises	1H19	1H20
Company stores	5	4
Brazil	3	2
Outside Brazil	2	2
Franchises	316	329

Operational results of 2Q20 and 1H20 (consolidated figures, IFRS)

Gross revenue from sales

With the lower volume of pairs sold, gross revenue was 83.5% lower year-on-year in 2Q20. The fall was spread equally between all brands, models and geographical areas, simply reflecting the worldwide spread of the Covid-19 virus.

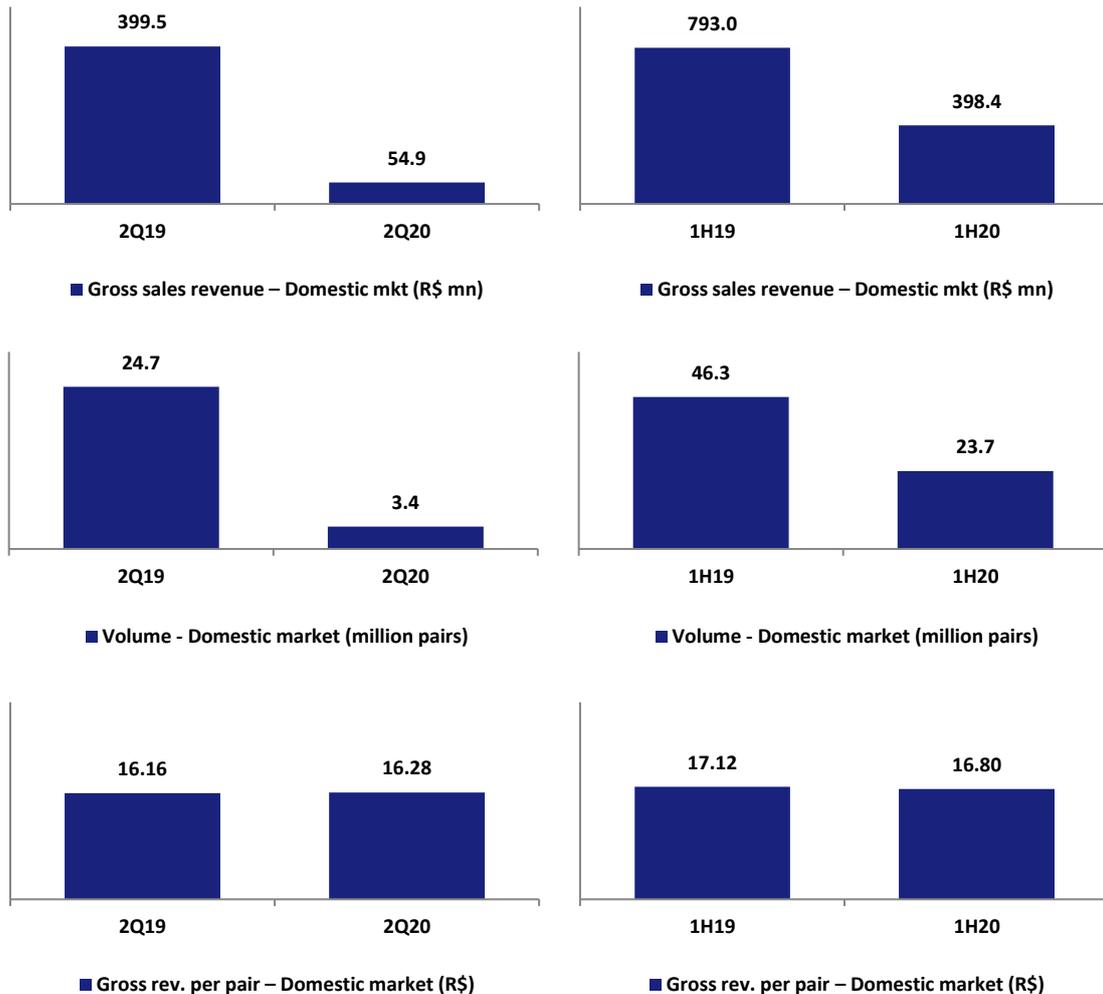
R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Gross revenue (R\$ million)	497.1	82.1	(83.5%)	1,012.4	532.6	(47.4%)
Volume (million pairs)	30.1	4.3	(85.6%)	58.6	30.3	(48.3%)
Gross revenue per pair (R\$)	16.50	18.92	14.7%	17.26	17.58	1.9%



Gross revenue from sales – Domestic market

Due to the closing, or limitations on opening, of physical retailers, and the population's inability to go out in the streets, sales in 2Q20 were 86.3% down, in revenue and in volume of pairs, compared to 2Q19.

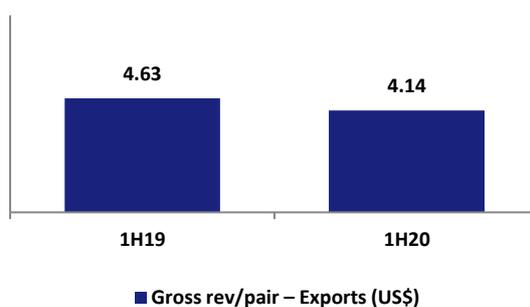
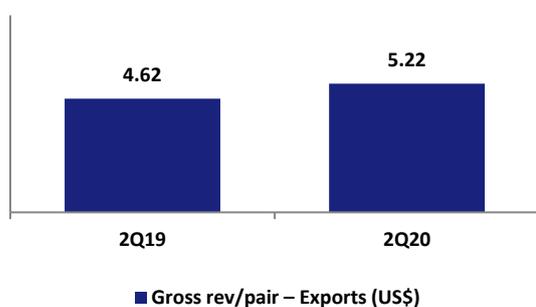
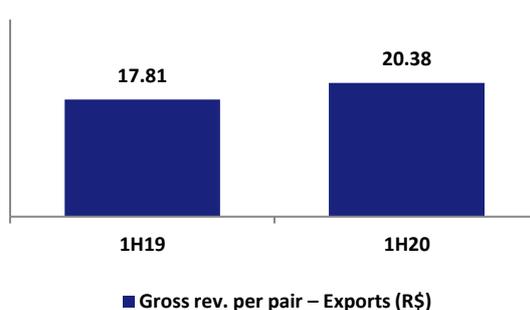
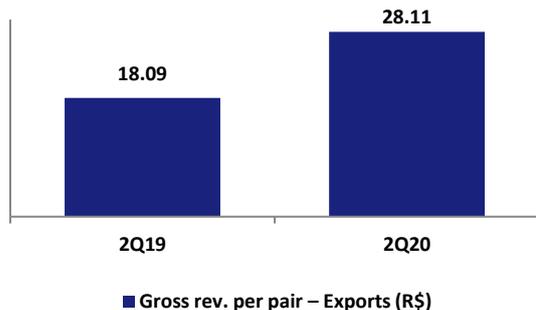
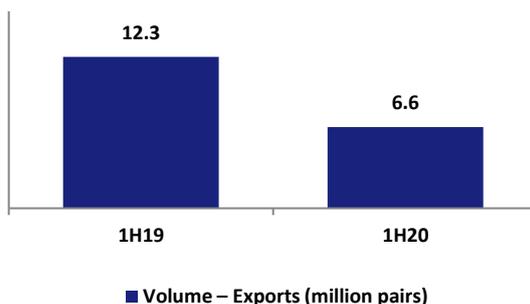
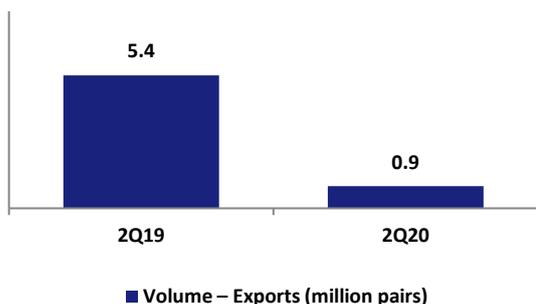
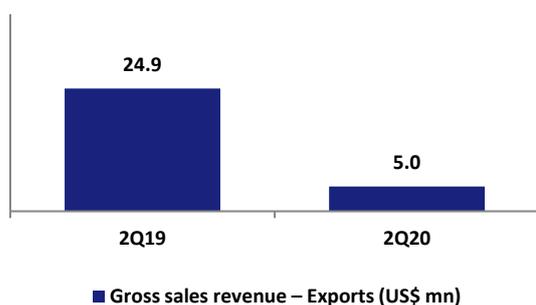
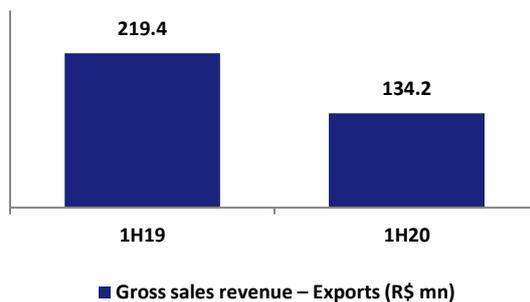
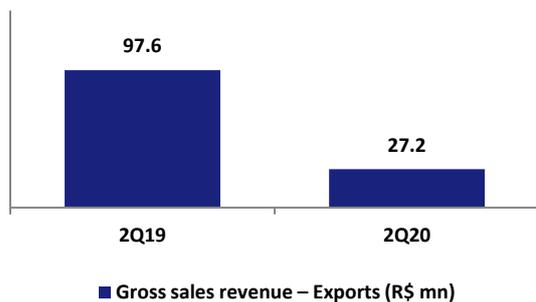
R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Gross revenue, domestic market (R\$ mn)	399.5	54.9	(86.3%)	793.0	398.4	(49.8%)
Volume – domestic market (million pairs)	24.7	3.4	(86.4%)	46.3	23.7	(48.8%)
Gross revenue/pair, domestic market (R\$)	16.16	16.28	0.7%	17.12	16.80	(1.9%)



Gross revenue from sales – Exports

Shutdown of production during a significant part of 2Q20 adversely affected exports:

R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Gross revenue – exports (R\$ million)	97.6	27.2	(72.2%)	219.4	134.2	(38.9%)
Gross revenue, exports (US\$ million)	24.9	5.0	(79.8%)	57.1	27.3	(52.2%)
Volume – exports (million pairs)	5.4	0.9	(82.1%)	12.3	6.6	(46.6%)
Gross revenue/pair, exports (R\$)	18.09	28.11	55.4%	17.81	20.38	14.4%
Gross revenue/pair, exports (US\$)	4.62	5.22	13.0%	4.63	4.14	(10.6%)



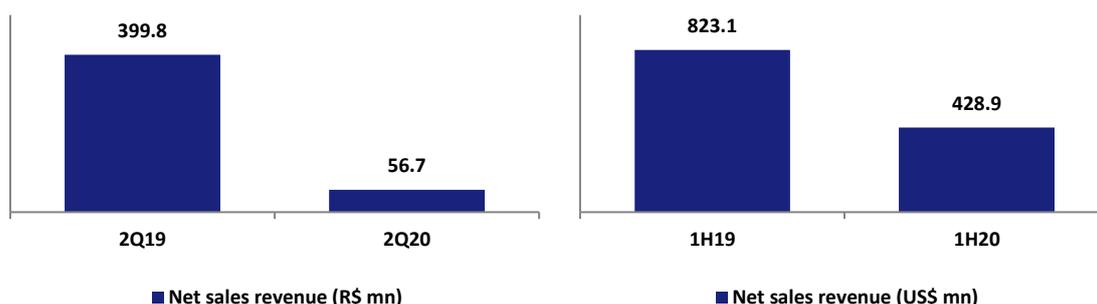
Data from the trade ministry, Secex and Abicalçados report Brazilian footwear exports in 1H20 as 31.2% lower in dollar terms than in 1H19, 24.6% lower in number of pairs sold, and 8.8% lower in average price, in US\$, per pair exported. In comparison,

Grendene’s export revenue in dollars was 52.2% lower, and volume of pairs exported was 46.6% lower, with average price per pair exported 10.6% lower in US dollars. Grendene’s share in the volume of Brazilian footwear exported in 1H20 was 15.3% – this compares with 21.5% in 1H19.

Net sales revenue

The retraction volumes was the main reason for net revenue lower in 2Q20 than 2Q19.

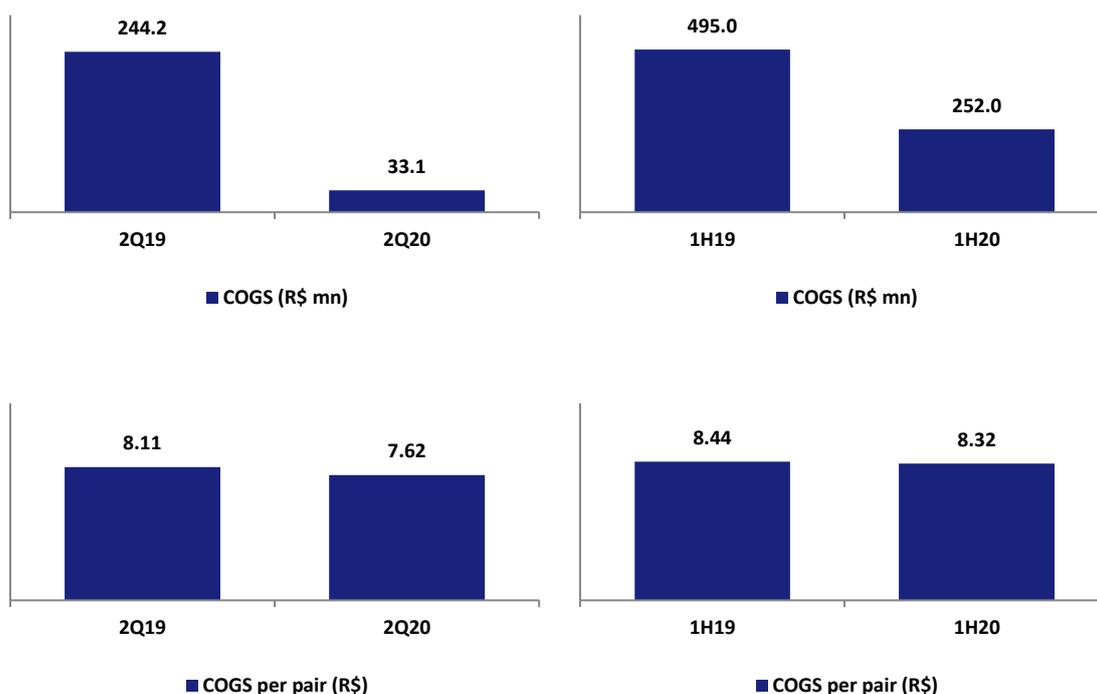
R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Net sales revenue	399.8	56.7	(85.8%)	823.1	428.9	(47.9%)



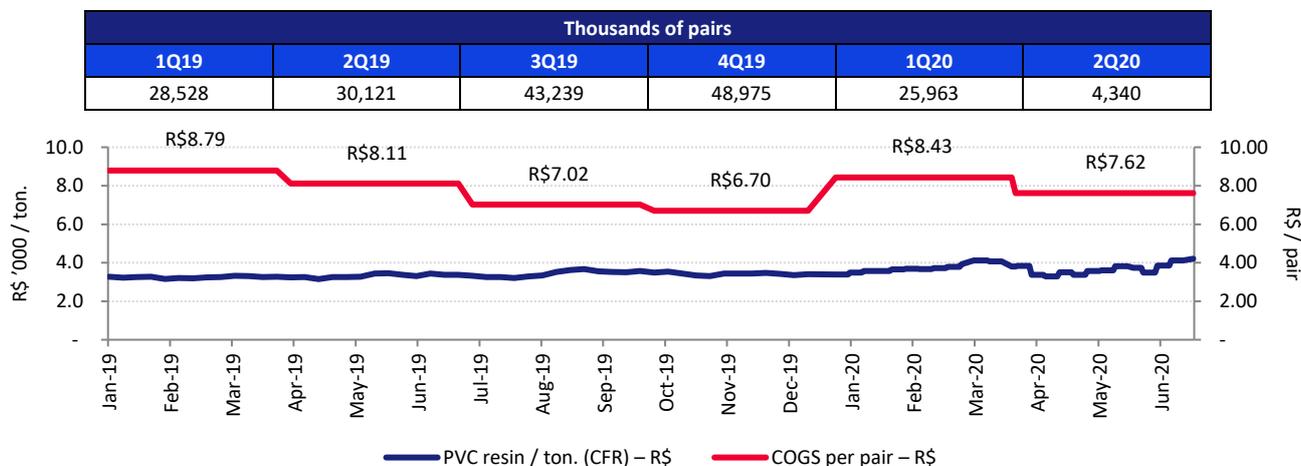
Cost of goods sold (COGS)

Grendene selling expenses are predominantly variable items – mainly delivery, licenses, commissions, advertising and marketing; their total was 63.7% lower in 2Q20 than in 2Q19, reflecting the adjustment to a lower level of activity, and the provision of R\$ 8.0 million for receivables from a client that applied for Judicial Recovery. They were a higher percentage of net revenue, due to the fall in net revenue.

R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
COGS	244.2	33.1	(86.5%)	495.0	252.0	(49.1%)
COGS per pair (R\$)	8.11	7.62	(6.0%)	8.44	8.32	(1.4%)



The chart below shows the movement in market prices (ICIS-LOR) in dollars, converted to Reais, of PVC resin, and the change in level of Grendene’s average cost per pair, for the quarters of 2019 and 2020.

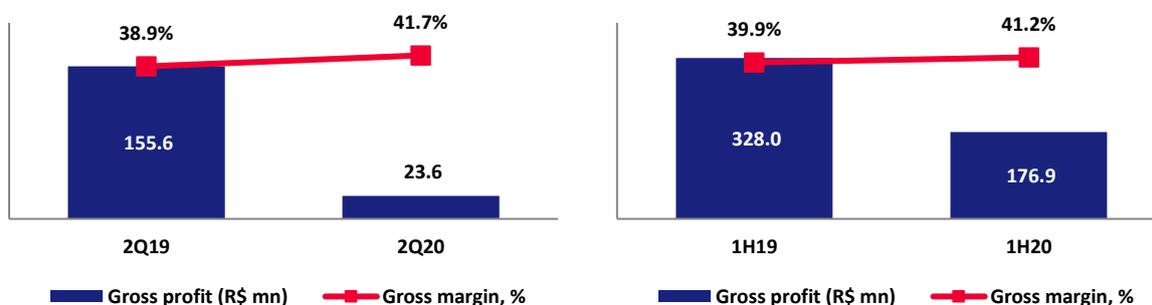


Sources: Petrochemicals prices from ICIS-LOR; Grendene quarterly data.

Gross profit and gross margin

Even with lower sales, gross margin was higher YoY, at 41.7%, in 2Q20

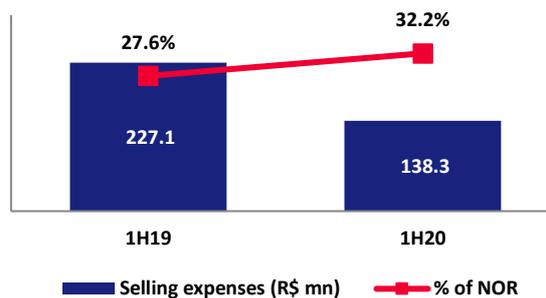
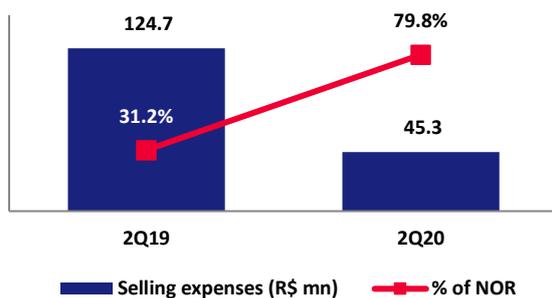
R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Gross profit	155.6	23.6	(84.8%)	328.0	176.9	(46.1%)
Gross margin, %	38.9%	41.7%	2.8 p.p.	39.9%	41.2%	1.3 p.p.



Selling expenses

Grendene’s selling expenses are predominantly variable items – mainly freight, licenses, commissions, advertising and marketing, and were 63.7% lower in 2Q20 than in 2Q19, reflecting the adjustment to a lower level of activity and, due to provision of R\$ 8.0 million in receivables from a client that applied for Judicial Recovery. Selling expenses were higher in percentage terms, due to the lower net revenue.

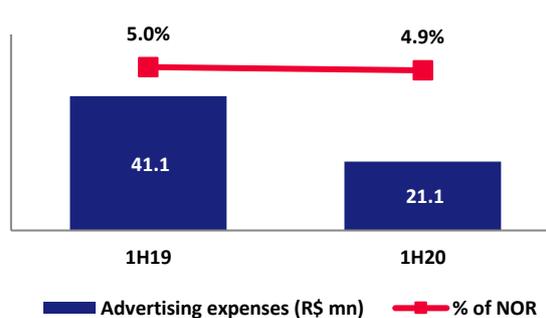
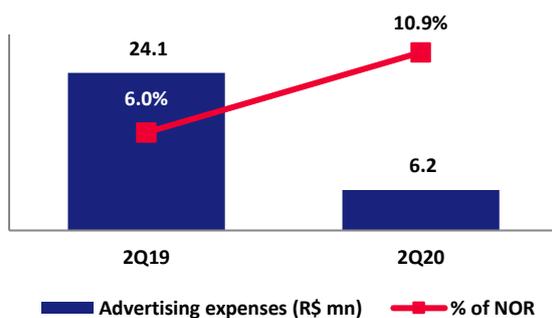
R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Selling expenses	124.7	45.3	(63.7%)	227.1	138.3	(39.1%)
% of Net revenue	31.2%	79.8%	48.6 p.p.	27.6%	32.2%	4.6 p.p.



Advertising expenses

Advertising expenses were lower, reflecting the adjustment to the lower level of activity.

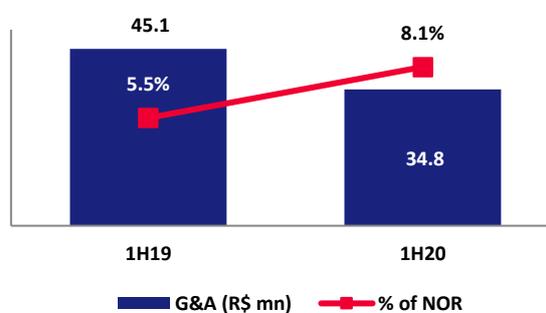
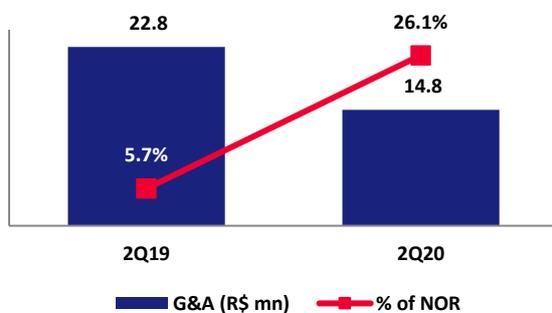
R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Advertising expenses	24.1	6.2	(74.4%)	41.1	21.1	(48.6%)
% of Net revenue	6.0%	10.9%	4.9 p.p.	5.0%	4.9%	(0.1 p.p.)



General and administrative (G&A) expenses

G&A expenses were 35.1% lower in 2Q20 than in 2Q19. Personnel expenses was the item that contributed most strongly to this reduction, due to the reduction of working hours and salaries in this period.

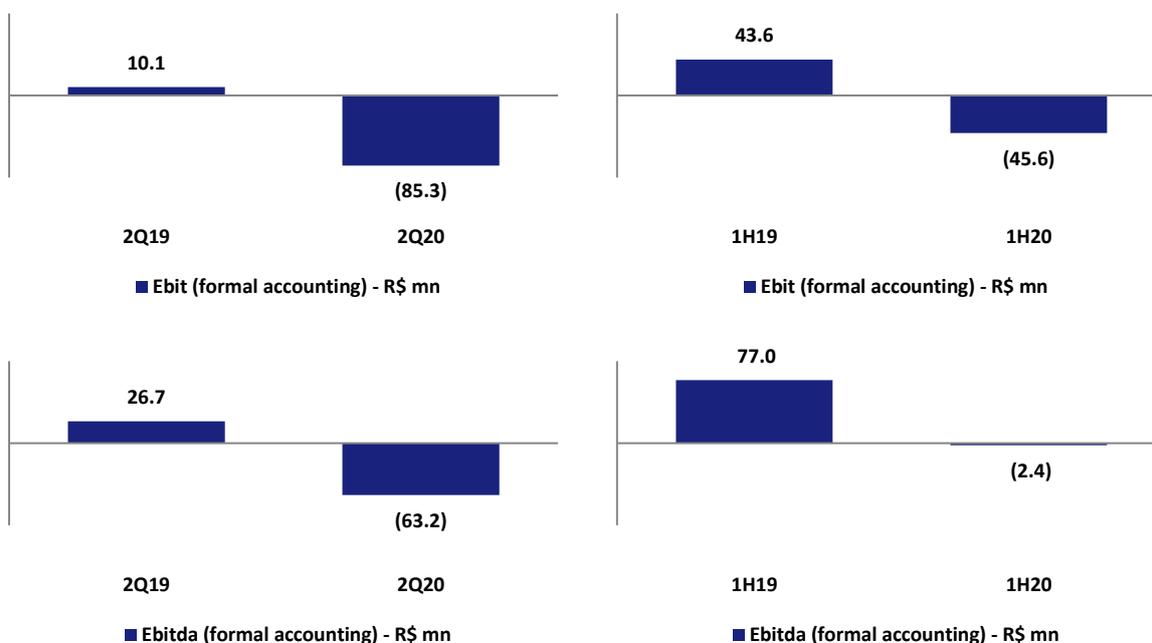
R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
G&A	22.8	14.8	(35.1%)	45.1	34.8	(22.9%)
% of Net revenue	5.7%	26.1%	20.4 p.p.	5.5%	8.1%	2.6 p.p.



Ebit and Ebitda

Ebit:

Ebit (earnings before interest and taxes – operational profit before financial effects) Grendene believes that because it has a high cash position which generates significant financial revenues, the operational profit of its activity, characterized by Ebit – Earnings before interest and taxes – is a better indicator of its operational performance.



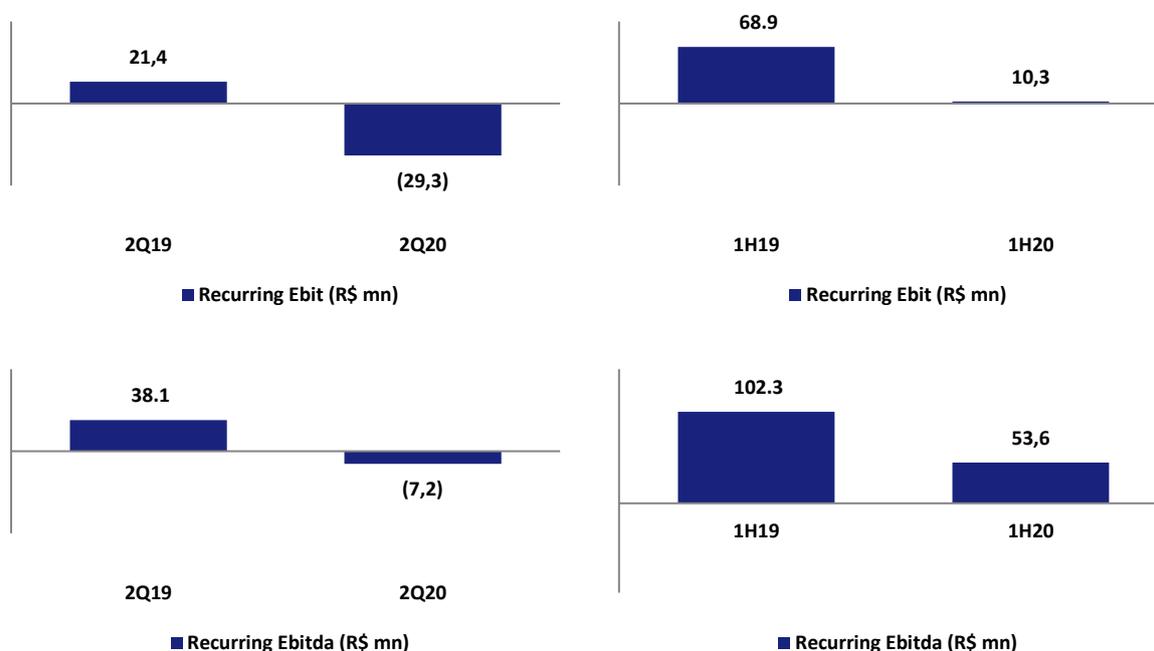
Reconciliation of Ebit and Ebitda*						
R\$ '000	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Recurring net profit for the period	52,847	11,640	(78.0%)	143,376	41,377	(71.1%)
Non-recurring effect	(11,325)	(55,995)	394.4%	(25,334)	(55,995)	121.0%
Accounting Net profit for the period	41,522	(44,355)	-	118,042	(14,618)	-
Taxes on profit	20,340	4,380	(78.5%)	28,516	4,277	(85.0%)
Net financial revenue (expenses)	(51,786)	(45,308)	(12.5%)	(102,952)	(35,296)	(65.7%)
Accounting Ebit	10,076	(85,283)	-	43,606	(45,637)	-
Non-recurring item	11,325	55,995	394.4%	25,334	55,995	121.0%
Recurring Ebit	21,401	(29,288)	-	68,940	10,358	(85.0%)
Depreciation and amortization	16,659	22,094	32.6%	33,381	43,247	29.6%
Accounting Ebitda	26,735	(63,189)	-	76,987	(2,390)	-
Recurring Ebitda	38,060	(7,194)	-	102,321	53,605	(47.6%)

* Stated as per CVM Instruction 527 of October 4, 2012.

Reconciliation of Ebit margin and Ebitda *	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Ebit margin (formal accounting),%	2.5%	(150.3%)	(152.8 p.p.)	5.3%	(10.6%)	(15.9 p.p.)
Recurring Ebit margin,%	5.4%	(65.8%)	(57.0 p.p.)	8.4%	2.4%	(6.0 p.p.)
Ebitda margin (formal accounting),%	6.7%	(111.4%)	(118.1 p.p.)	9.4%	(0.6%)	(10.0 p.p.)
Recurring Ebitda margin,%	9.5%	(26.8%)	(22.2 p.p.)	12.4%	12.5%	(0.1 p.p.)

Ebitda:

Our business is low-capital intensive. Grendene regularly invests an amount equivalent to its depreciation to keep its production capacity updated. It also maintains positive net cash, and has no costs of interest that need to be paid with funds from operations. As a result we believe that analyzing Ebit makes more sense as an indicator for management's operational performance.

**Net financial revenue (expenses)**

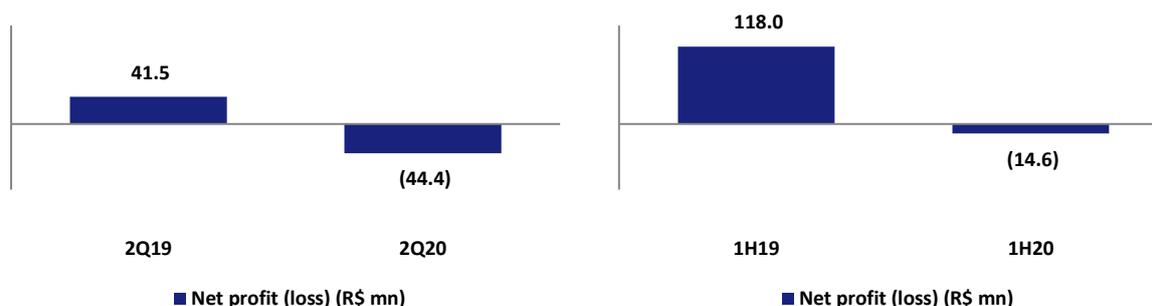
For 2Q20 Grendene reports Net financial revenues, of R\$ 45.3 mn, as follows:

(R\$ mn)	2Q19	2Q20	Change, % 2Q19-2Q20	1H19	1H20	Change, % 1H19-1H20
Interest received from clients	562	459	(18.3%)	1,009	731	(27.6%)
Revenue from cash investments	42,885	17,623	(58.9%)	80,524	46,031	(42.8%)
Other financial revenues	964	1,511	56.7%	1,823	2,325	27.5%
Subtotal	44,411	19,593	(55.9%)	83,356	49,087	(41.1%)
Costs of financings	(2,268)	(1,195)	(47.3%)	(4,551)	(3,253)	(28.5%)
Cofins and PIS taxes on Financial revenues	(2,084)	(985)	(52.7%)	(3,920)	(2,545)	(35.1%)
Other financial expenses	(1,528)	(933)	(38.9%)	(2,441)	(1,839)	(24.7%)
Subtotal	(5,880)	(3,113)	(47.1%)	(10,912)	(7,637)	(30.0%)
Net financial revenue (expenses)(1)	38,531	16,480	(57.2%)	72,444	41,450	(42.8%)
Operational revenue on FX derivatives – B3	10,234	22,507	119.9%	25,298	22,507	(11.0%)
Foreign exchange gains	8,713	18,032	107.0%	31,094	81,417	161.8%
Subtotal	18,947	40,539	114.0%	56,392	103,924	84.3%
Operational expenses on FX derivatives – B3	(4,859)	(34,630)	612.7%	(14,398)	(97,996)	580.6%
Expenses of FX variation	(9,664)	(15,131)	56.6%	(32,367)	(59,995)	85.4%
Subtotal	(14,523)	(49,761)	242.6%	(46,765)	(157,991)	237.8%
Net gain (loss) on FX variations(2)	4,424	(9,222)	(308.5%)	9,627	(54,067)	(661.6%)
Adjustments to present value (APV)	8,831	5,268	(40.3%)	20,881	15,131	(27.5%)
Fair value of equity financial instruments	-	32,782	100.0%	-	32,782	100.0%
Financial result – APV (3)	8,831	38,050	330.9%	20,881	47,913	129.5%
Net financial revenue (expenses): (1) + (2) + (3)	51,786	45,308	(12.5%)	102,952	35,296	(65.7%)

Net profit (loss)

Our net profit (loss) was 206.8% lower in 2Q20 than in 2Q19. The main effect was lower volume of pairs sold, and non-recurring expenses relating to Covid-19.

R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Net profit (loss)	41.5	(44.4)	-	118.0	(14.6)	-
Net margin, %	10.4%	(78.2%)	(88.6 p.p.)	14.3%	(3.4%)	(17.7 p.p.)



Capex (fixed and intangible assets)

Our investments in 1H20 were in: maintenance of industrial buildings and facilities; replacement of fixed assets; acquisition of new equipment for modernization of the manufacturing plant; and various projects to improve the company's efficiency.

R\$ mn	2Q19	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Capex	13.9	13.1	(5.5%)	28.5	24.0	(15.6%)

Cash generation

In 1H20, cash generated from operations, of R\$ 356.1 mn, was allocated for payment of: investments, and subscription of capital, in subsidiaries and affiliated companies, a net total of R\$ 26.4 million; acquisition of PP&E and intangible items – R\$ 24.0 million; net cash investments of R\$ 125.3 million; payment of R\$ 129.8 mn in dividends and Interest on Equity; a negative result of R\$ 6.7 million on transactions in treasury shares for exercise of stock options; and payment of net R\$ 42.1 mn in loans, financings and leasing obligations. This resulted in the amount held in cash and cash equivalents being R\$ 1.8 mn higher. The complete cash flow is in Appendix IV.

Net cash and cash equivalents

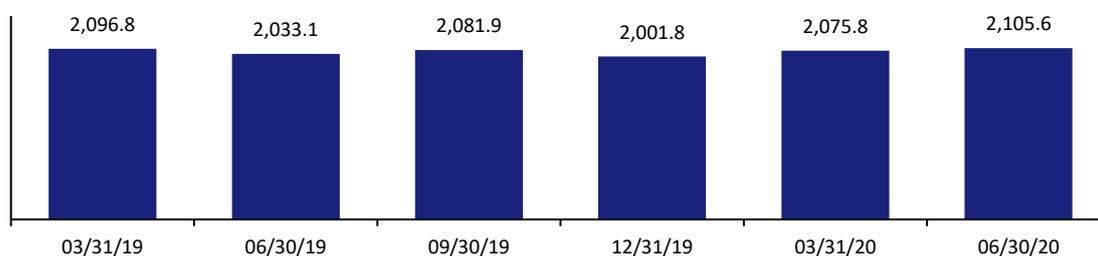
Grendene continues to maintain a solid financial situation. Net cash (cash, cash equivalents and short and long-term financial investments, less short and long-term loans and financings) on June 30, 2020 totaled R\$ 2.2 billion, or 9.2% more than at December 31, 2019 (R\$ 2.0 billion).

The proportion of 12-month net revenue held in cash and cash equivalents and cash investments increased from 101.3% at December 31, 2019 to 137.4% at June 30, 2020.

Changes in the cash position (Cash, Cash equivalents and short and long-term Financial investments), loans and financings and net cash are as follows:

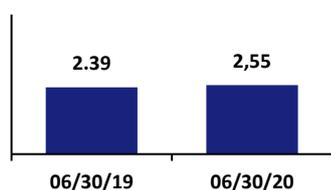
R\$ mn	Mar. 31, 2019	June. 30, 2019,	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun 30, 2020
Cash and cash equivalents plus cash investments (ST and LT)	2,334,179	2,155,512	2,158,049	2,096,971	2,305,015	2,304,351
Loans and financings (ST and LT)	(237,399)	(122,432)	(76,189)	(95,192)	(229,206)	(118,745)
Net cash	2,096,780	2,033,080	2,081,860	2,001,779	2,075,809	2,185,606

Net cash (R\$ mn)

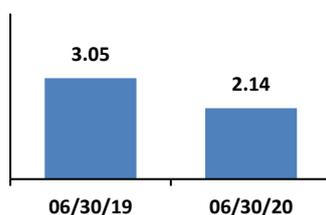


Value indicators

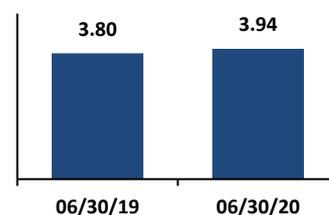
Cash and cash equivalents + cash investments, per share(R\$)



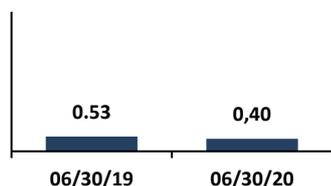
Net working capital, per share



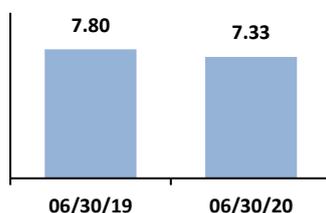
Book value per share



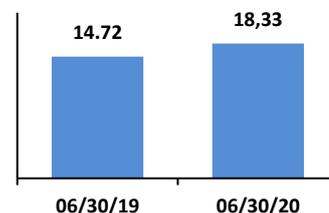
Earnings per share (last 12 months)



Stock price



Price / Earnings



P&L for the first half of 2020

Below is the profit and loss account for the first half of 2020. For the first quarter of 2020 management opted not to propose payment of an interim dividend, due to the effects caused by the Covid-19 crisis on the economy and on the Company’s activities – these included the shutdown of manufacturing activity, with a negative effect on the Company’s results in the second quarter so that no profit was generated to be distributed in that period. This decision in no way alters the Company’s Dividend Policy and the provisions of Clause 34 of its Bylaws.

Profit and loss account for first half 2020

Grendene S.A. (Holding company)	R\$
Net profit (loss) for the period	(14,618,433.49)
Profit (loss) for 1H20	(14,618,433.49)

Corporate events

May 14, 2020: Meeting of the Board of Directors – Approved: the financial information for the first quarter of 2020, allocation of the profit for the first quarter of 2020, and the individual remuneration of the management.

June 1, 2020: Material Announcement – Notice of partial resumption of activity at the Crato and Fortaleza manufacturing plants, and resumption of manufacturing at the Sobral unit, in Ceará.

June 8 and 15, 2020: Material Announcements – Notice of postponement of reopening of activity at the Sobral plant, in Ceará.

June 7, 2020: Annual General Meeting – This meeting approved: the Report of Management and the financial statements for the 2019 business year; allocation of the profit for the year, and ratification of the interim distribution of Interest on Equity and the balance of dividends for the 2019 business year; and the global remuneration of the managers in accordance with Clause 14 of the Bylaws; and elected seven members to the Board of Directors, of whom two are independent board members, for a period of office of two years; and the Audit Board for the 2020 business year.

July 10, 2020: Material Announcement – Notice of resumption of activities in all the units in Brazil, in accordance with the municipal and state decrees in effect.

July 15, 2020: Meeting of the Board of Directors – This meeting approved the contracting of Banco Bradesco S.A. to be the depositary financial institution for the shares of Grendene S.A. Service to holders of the shares by the Bradesco branch network began on August 3, 2020.

July 15, 2020: Market Notice – As from August 3, 2020, Banco Bradesco S.A. ('Bradesco') is the depositary institution for the book-entry shares of Grendene S.A.

Capital markets

In 1H20, including reinvestment of dividends, the share price of Grendene (B3 ticker: GRND3) fell by 39.0%, compared to a decline in the Ibovespa index of 17.8% in the same period. Average daily trading volume was R\$16.6 mn in 1H20 (R\$8.2mn in 1H19).

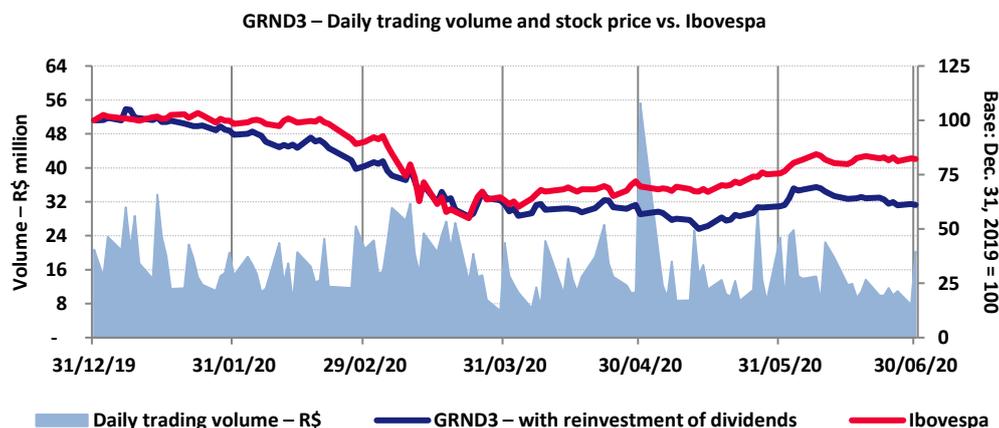
In this table, the number of shares traded, financial volume, and daily average trading:

Period	No. of trading sessions	No. of trades	No. of shares	Volume R\$	Price R\$		Average no. of shares		Average volume, R\$	
					Weighted average	Close	Per trade	Daily	Per trade	Daily
1H19	122	363,767	125,094,400	R\$ 1,005,388,291	R\$ 8.04	R\$ 7.80	344	1,025,364	R\$ 2,763,82	R\$ 8,240,887,63
1H20	123	824,082	238,396,800	R\$ 2,047,587,974	R\$ 8.59	R\$ 7.33	289	1,938,185	R\$ 2,484,69	R\$ 16,647,056,70

The lowest market price for GRND3 in the 52 weeks to June 30, 2020 was R\$ 5.95, on May 14, 2020.

The high for the 52-week period was R\$ 12.99 on January 7, 2020.

This chart shows the performance of Grendene ON shares compared to the Bovespa index (Base: Dec. 31, 2019 = 100), and daily trading volume.



Information in this release may contain statements about future outcomes. Such statements reflect the present perception and outlook of the Company's Executive Officers on the development of the business, based on developments in the macroeconomic environment, industry conditions, performance of the Company and financial results. Any outcomes that are different from such expectations and factors could cause the Company's results to be materially different from current expectations. Such statements and potential outcomes thus include various risks and uncertainties.

Appendix I – Consolidated gross revenue, volumes, gross revenue per pair and market share

Gross revenue (R\$ mn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Domestic market	393,527	399,475	582,711	603,802	343,518	54,918	(86.3%)	793,002	398,436	(49.8%)
Exports	121,776	97,669	123,122	191,219	107,006	27,179	(72.2%)	219,445	134,185	(38.9%)
Exports (US\$)	32,296	24,923	30,985	46,443	24,003	5,044	(79.8%)	57,077	27,255	(52.2%)
Total	515,303	497,144	705,833	795,021	450,524	82,097	(83.5%)	1,012,447	532,621	(47.4%)

Volume Thousands of pairs	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Domestic market	21,608	24,721	35,583	38,089	20,345	3,373	(86.4%)	46,329	23,718	(48.8%)
Exports	6,920	5,400	7,656	10,886	5,618	967	(82.1%)	12,320	6,585	(46.6%)
Total	28,528	30,121	43,239	48,975	25,963	4,340	(85.6%)	58,649	30,303	(48.3%)

Gross revenue - per pair (R\$)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
Domestic market	18.21	16.16	16.38	15.85	16.88	16.28	0.7%	17.12	16.80	(1.9%)
Exports	17.60	18.09	16.08	17.57	19.05	28.11	55.4%	17.81	20.38	14.4%
Exports (US\$)	4.67	4.62	4.05	4.27	4.27	5.22	13.0%	4.63	4.14	(10.6%)
Total	18.06	16.50	16.32	16.23	17.35	18.92	14.7%	17.26	17.58	1.9%

US dollar (USD 1.00 = R\$)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	Change, % 2Q19–2Q20	1H19	1H20	Change, % 1H19–1H20
US\$ at end of period	3.8967	3.8322	4.1644	4.0307	5.1987	5.4760	42.9%	3.8322	5.4760	42.9%
Average US\$	3.7706	3.9188	3.9736	4.1173	4.4581	5.3885	37.5%	3.8447	4.9233	28.1%

Gross revenue % of total	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20		1H19	1H20	
Domestic market	76.4%	80.4%	82.6%	75.9%	76.2%	66.9%		78.3%	74.8%	
Exports	23.6%	19.6%	17.4%	24.1%	23.8%	33.1%		21.7%	25.2%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	

Volume, pairs % of total	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20		1H19	1H20	
Domestic market	75.7%	82.1%	82.3%	77.8%	78.4%	77.7%		79.0%	78.3%	
Exports	24.3%	17.9%	17.7%	22.2%	21.6%	22.3%		21.0%	21.7%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	

Appendix II – Consolidated Statement of financial position, IFRS (R\$ '000)

Assets	December 31, 2019	% of total	June 30, 2020	% of total	Change %, Dec. 31, 2019 – June 30, 2020
Current	2,654,724	65.3%	2,186,558	56.1%	82.4%
Cash and cash equivalents	18,072	0.4%	19,822	0.5%	109.7%
Cash investments	1,314,338	32.3%	1,253,090	32.1%	95.3%
Accounts receivable from clients	908,297	22.3%	436,209	11.2%	48.0%
Inventories	277,106	6.8%	284,599	7.3%	102.7%
Tax credits	87,446	2.2%	75,763	1.9%	86.6%
Income and Social Contribution taxes recoverable	276	-	25,222	0.6%	9,138.4%
Trade bills receivable	19,063	0.5%	17,281	0.4%	90.7%
Prepaid costs and expenses	7,719	0.2%	19,070	0.5%	247.1%
Other credits	22,407	0.6%	55,502	1.4%	247.7%
Non-current	1,409,723	34.7%	1,714,514	43.9%	121.6%
Non-current assets	860,663	21.2%	1,047,477	26.9%	121.7%
Cash investments	764,561	18.8%	1,031,439	26.4%	134.9%
Escrow deposits made	1,164	-	2,057	0.1%	176.7%
Tax credits	1,014	-	822	-	81.1%
Deferred income tax and Social Contribution tax	49,287	1.2%	45,030	1.2%	91.4%
Trade bills receivable	37,247	0.9%	37,147	1.0%	99.7%
Other credits	7,390	0.2%	10,982	0.3%	148.6%
Investments	31,898	0.8%	58,279	1.5%	182.7%
Property, plant and equipment	484,823	11.9%	494,046	12.7%	101.9%
Intangible	32,339	0.8%	34,712	0.9%	107.3%
Total assets	4,064,447	100.0%	3,901,072	100.0%	96.0%

Liabilities and Stockholders' equity	December 31, 2019	% of total	June 30, 2020	% of total	Change %, 12/31/2019 – 6/30/2020
Current	297,942	7.3%	251,683	6.5%	84.5%
Loans and financings	77,110	1.9%	105,548	2.7%	136.9%
Leasing contracts	15,768	0.4%	21,096	0.5%	133.8%
Suppliers	27,845	0.7%	19,291	0.5%	69.3%
Contractual obligations – Licenses	20,641	0.5%	9,675	0.2%	46.9%
Commissions payable	45,191	1.1%	19,355	0.5%	42.8%
Taxes	29,515	0.7%	7,670	0.2%	26.0%
Income tax and Social Contribution tax payable	5,780	0.1%	11	-	0.2%
Salaries and related charges payable	55,666	1.4%	44,522	1.1%	80.0%
Provision for labor and tax risks	2,780	0.1%	2,703	0.1%	97.2%
Advances from clients	17,181	0.4%	20,285	0.5%	118.1%
Other accounts payable	465	-	1,527	-	328.4%
Non-current	84,069	2.1%	90,612	2.3%	107.8%
Loans and financings	18,082	0.4%	13,197	0.3%	73.0%
Leasing contracts	64,205	1.6%	75,416	1.9%	117.5%
Provision for labor and Civil cases risks	381	-	377	-	99.0%
Other debits	1,401	-	1,622	-	115.8%
Stockholders' equity	3,682,436	90.6%	3,558,777	91.2%	96.6%
Share capital	1,231,302	30.3%	1,231,302	31.6%	100.0%
Capital reserves	6,658	0.2%	2,591	0.1%	38.9%
Shares in Treasury	(3,928)	(0.1%)	(1,154)	-	29.4%
Profit reserves	2,428,454	59.7%	2,310,651	59.2%	95.1%
Retained earnings (loss)	-	-	(14,618)	(0.4%)	-
Other comprehensive income	19,950	0.5%	30,005	0.8%	150.4%
Total liabilities and Stockholders' equity	4,064,447	100.0%	3,901,072	100.0%	96.0%

Appendix III – Consolidated Profit and loss account for 2Q20 and 2Q19 (R\$ '000)

R\$ '000	2Q19	NOR	2Q20	NOR	Change %, 2Q19–2Q20
Domestic market	399,475	99.9%	54,918	96.8%	(86.3%)
Exports	97,669	24.4%	27,179	47.9%	(72.2%)
Gross revenue from sales and services	497,144	124.3%	82,097	144.7%	(83.5%)
Sales returns and sales taxes	(78,462)	(19.6%)	(23,446)	(41.3%)	(70.1%)
Discounts given to clients	(18,870)	(4.7%)	(1,927)	(3.4%)	(89.8%)
Deductions from sales	(97,332)	(24.3%)	(25,373)	(44.7%)	(73.9%)
Net sales revenue	399,812	100.0%	56,724	100.0%	(85.8%)
Cost of goods sold	(244,242)	(61.1%)	(33,082)	(58.3%)	(86.5%)
Gross profit	155,570	38.9%	23,642	41.7%	(84.8%)
Operational revenues (expenses)	(145,494)	(36.4%)	(108,925)	(192.0%)	(25.1%)
Selling expenses	(124,713)	(31.2%)	(45,292)	(79.8%)	(63.7%)
G&A	(22,838)	(5.7%)	(14,831)	(26.1%)	(35.1%)
Other operational revenues	1,537	0.4%	1,426	2.5%	(7.2%)
Other operational expenses	520	0.1%	(2,248)	(4.0%)	(532.3%)
Non-recurring expenses (Covid-19)	-	-	(47,980)	(84.6%)	100.0%
Ebit (Operational profit before Fin. rev (exp.) and taxes)	10,076	2.5%	(85,283)	(150.3%)	(946.4%)
Financial revenues	70,105	17.5%	97,197	171.4%	38.6%
Financial expenses	(18,319)	(4.6%)	(51,889)	(91.5%)	183.3%
Net financial revenue (expenses)	51,786	13.0%	45,308	79.9%	(12.5%)
Pretax profit	61,862	15.5%	(39,975)	(70.5%)	(164.6%)
Income tax and Social Contribution tax:					
Current	15,124	3.8%	(1,545)	(2.7%)	(110.2%)
Deferred	(35,464)	(8.9%)	(2,835)	(5.0%)	(92.0%)
Net profit (loss) for the period	41,522	10.4%	(44,355)	(78.2%)	(206.8%)
Depreciation and amortization	16,659	4.2%	22,094	39.0%	32.6%
Ebitda	26,735	6.7%	(63,189)	(111.4%)	(336.4%)

R\$ '000	1H19	NOR	1H20	NOR	Change %, 1H19–1H20
Domestic market	793,002	96.3%	398,436	92.9%	(49.8%)
Exports	219,445	26.7%	134,185	31.3%	(38.9%)
Gross revenue from sales and services	1,012,447	123.0%	532,621	124.2%	(47.4%)
Sales returns and sales taxes	(150,163)	(18.2%)	(82,451)	(19.2%)	(45.1%)
Discounts given to clients	(39,208)	(4.8%)	(21,260)	(5.0%)	(45.8%)
Deductions from sales	(189,371)	(23.0%)	(103,711)	(24.2%)	(45.2%)
Net sales revenue	823,076	100.0%	428,910	100.0%	(47.9%)
Cost of goods sold	(495,030)	(60.1%)	(252,004)	(58.8%)	(49.1%)
Gross profit	328,046	39.9%	176,906	41.2%	(46.1%)
Operational revenues (expenses)	(284,440)	(34.6%)	(222,543)	(51.9%)	(21.8%)
Selling expenses	(227,143)	(27.6%)	(138,290)	(32.2%)	(39.1%)
G&A	(45,132)	(5.5%)	(34,775)	(8.1%)	(22.9%)
Other operational revenues	2,697	0.3%	2,492	0.6%	(7.6%)
Other operational expenses	(14,862)	(1.8%)	(3,990)	(0.9%)	(73.2%)
Non-recurring expenses (Covid-19)	-	-	(47,980)	(11.2%)	100.0%
Ebit (Operational profit before Fin. rev (exp.) and taxes)	43,606	5.3%	(45,637)	(10.6%)	(204.7%)
Financial revenues	156,709	19.0%	198,379	46.3%	26.6%
Financial expenses	(57,757)	(6.5%)	(163,083)	(38.0%)	203.4%
Net financial revenue (expenses)	102,952	12.5%	35,296	8.2%	(65.7%)
Pretax profit	146,558	17.8%	(10,341)	(2.4%)	(107.1%)
Income tax and Social Contribution tax:					
Current	8,710	1.1%	(20)	-	(100.2%)
Deferred	(37,226)	(4.5%)	(4,257)	(1.0%)	(88.6%)
Net profit (loss) for the period	118,042	14.3%	(14,618)	(3.4%)	(112.4%)
Depreciation and amortization	33,381	4.1%	43,247	10.1%	29.6%
Ebitda	76,987	9.4%	(2,390)	(0.6%)	(103.1%)

Appendix IV – Consolidated Statement of cash flow, 1H20 and 1H19 (R\$ '000)

	1H 2019	1H 2020
Cash flow from operations		
Net profit (loss) for the period	118,042	(14,618)
Adjustments reconciling profit to cash from operations		
Depreciation and amortization	33,381	43,247
Deferred income tax and Social Contribution tax	37,226	4,257
PP&E and Intangible – residual value after write-down	2,285	379
Stock options plan	2,311	890
Items reducing Accounts receivable from clients	(4,791)	(20,670)
Provision for obsolete inventory	(1,815)	2,554
Provision for employment-law, tax, and third-party risks	(942)	(81)
Interest expense on loans, financings and leasing contracts	792	3,199
Interest revenue on cash investments	(79,770)	(45,936)
Fair value of equity financial instruments	-	(34,381)
FX variations, net	3,674	57,871
	110,393	(3,289)
Variations in assets and liabilities:		
Accounts receivable from clients	357,550	492,758
Inventories	(23,975)	(10,047)
Other accounts payable	(55,910)	(60,120)
Suppliers	(10,831)	(8,554)
Salaries and related charges payable	(3,410)	(11,144)
Taxes	728	(5,345)
Income tax and Social Contribution tax payable	(5,946)	(5,769)
Advances from clients	(11,379)	3,104
Other accounts payable	(21,149)	(35,519)
Net cash from operational activities	336,071	356,075
Cash flow from investment activities:		
Investment in affiliated companies	-	(26,690)
Return on capital invested in affiliated companies	-	5,182
Subscription of capital in jointly-controlled subsidiaries and affiliates	-	(4,873)
Acquisitions of fixed and intangible assets	(28,464)	(24,031)
Cash investments	(1,535,084)	(1,738,720)
Redemption of cash investments	1,397,346	1,563,663
Interest received	40,289	49,744
Net cash flow used in investment activities	(125,913)	(175,725)
Cash flow in financing activities:		
Loans obtained	194,563	142,379
Payments of loans, financings and leasing contracts	(229,250)	(183,714)
Interest paid on loans, financings and leasing contracts	(596)	(779)
Dividends paid	(50,200)	(19,741)
Interest on Equity paid	(130,000)	(110,000)
Acquisition of treasury shares	-	(12,289)
Sale of treasury shares: exercise of stock options	6,660	5,544
Net cash used in financing activities	(208,823)	(178,600)
Increase in cash and cash equivalents	1,335	1,750
Initial balance of Cash and cash equivalents	16,562	18,072
Final balance of Cash and cash equivalents	17,897	19,822