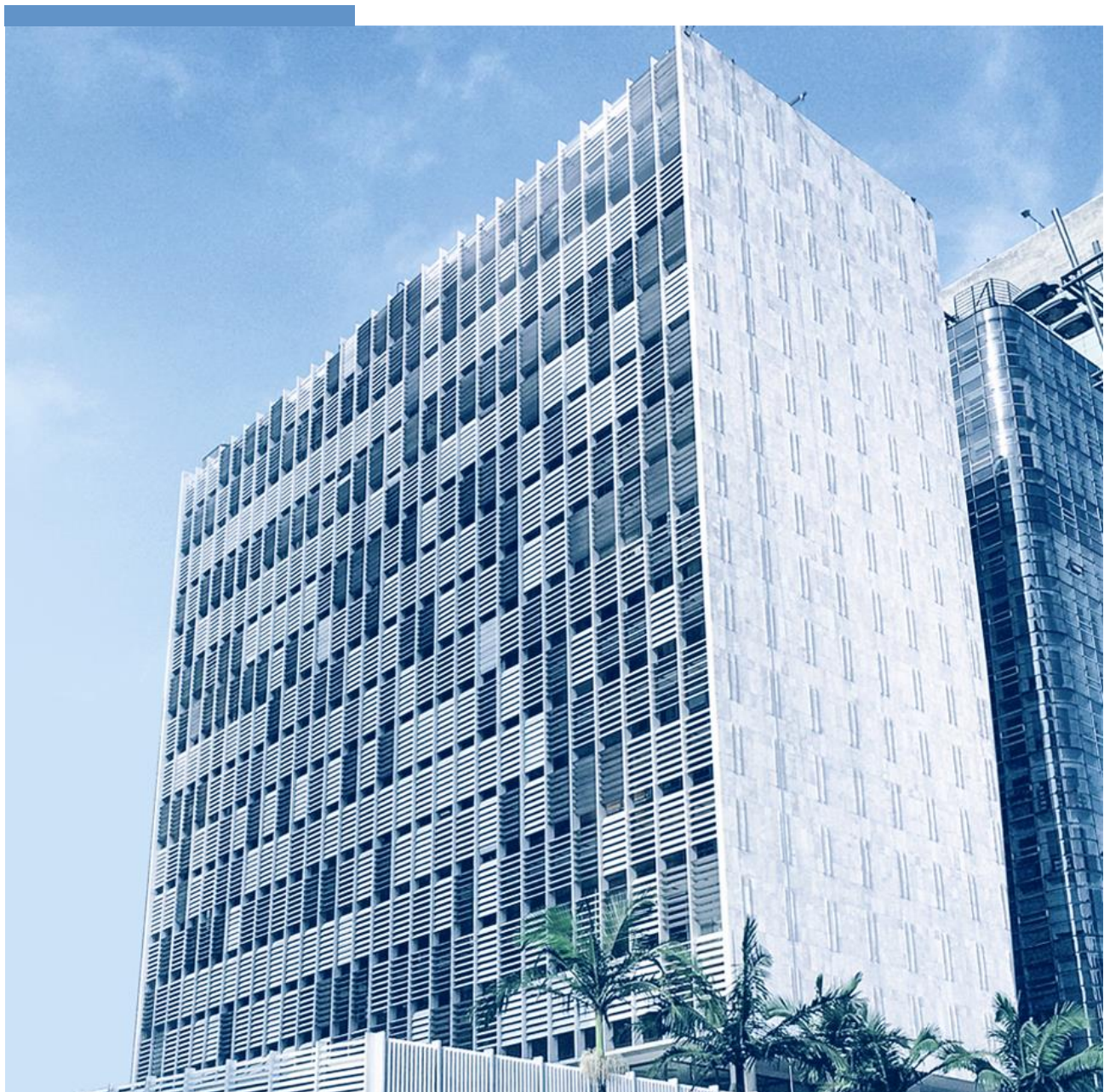


# ITAÚSA



Itaúsa Headquarters | Av. Paulista - SP

## Management Report

2<sup>nd</sup> quarter of 2020 | 2Q20

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# Management Report

We present the Management Report and the individual and consolidated Financial Statements of Itaúsa S.A. (Itaúsa) for the second quarter of 2020 (2Q20). The Financial Statements were prepared in accordance with the standards established by the Accounting Pronouncement Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), as well as the International Financial Reporting Standards (IFRS).

## Independent auditor's report

The Financial Statements were reviewed by PricewaterhouseCoopers Auditores Independentes (PwC) and have received an unqualified opinion from the external auditor. The Financial Statements were approved by the Fiscal Council. The Financial Statements were made available to the market on the websites of Itaúsa, B3 S.A. – Brasil, Bolsa, Balcão ("B3"), and the CVM.

## 1. Message from Management

The disclosure of data on the economic activity by central economies and major emerging markets has confirmed that the COVID-19 pandemic has triggered a sharp downturn in the global growth. The monetary and tax incentives adopted have increased market liquidity. However, the business environment in emerging markets, including Brazil, is expected to remain challenging, given the uncertainty level and aversion to risks levels deemed still high.

In Brazil, market expectations still indicate a poor performance of the Brazilian economy in the short term, with GDP expecting to decrease by 5.6% in 2020, as measured by market consensus for economic activity as outlined in the Focus Market Readout disclosed by the Central Bank of Brazil ("Bacen"). Bacen's response has been to operate carefully to maintain the proper liquidity level in the economy, consecutively cutting the basic interest rate (currently at 2.00% per year) to keep inflation under control, which has been under the target (12-month IPCA to June 2020 totaled 2.13%).

The investees of the portfolio operating in this environment, except for NTS, which has take-or-pay contracts, experienced impacts on their operations over the quarter, whether driven by the increase in the allowance for loan losses with loan operations, as in the case of Itaú Unibanco, or by sales decrease and lower dilution of fixed costs due to restrictions imposed to the retail and plant idle capacity, such as in the case of Alpargatas and Duratex.

The investees have responded focusing on mitigating the negative economic effects on their operations, through the progress in digital channels, rationalization of costs, optimization of processes and assets, or elimination of complexities and technology and process automation investments made over the past few years.

Still regarding its portfolio, the acquisition process of Liguigás by the Acquiring Group, in which Itaúsa is part, is still under review of the Brazilian antitrust authority (CADE).

It is worth mentioning that, in spite of the financial market volatility brought by the COVID-19 pandemic, the fall in the Brazilian basic interest rate has driven investors, particularly individuals, to the stock exchange, which is reflected on Itaúsa's investors base totaling over 750,000 individual investors at the end of the quarter.

## 2. Itaúsa Highlights

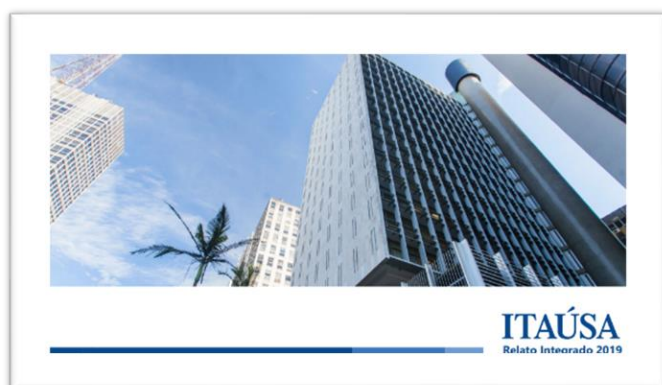
### Itaúsa's name changed

On June 17, 2020, the Extraordinary General Stockholders' Meeting approved the change of the company's name to Itaúsa S.A. In the latest years, Itaúsa has significantly improved its Management Model and the way it manages its investment portfolio. Management believes that this change is in line with the Company's current moment and allows for a better disclosure and development of the Itaúsa brand in the market and in society.

### Itaúsa and its controlling stockholders have donated R\$100 million to fight the coronavirus effects on Brazilian society

On May 19, 2020, aiming at supporting public health activities and contribute to the new coronavirus (COVID-19) pandemic relief efforts, Itaúsa announced a R\$50 million donation to the "Todos pela Saúde" (All for Health) alliance. Additionally, its controlling stockholders, members of the Setubal and Villela families, have also donated R\$50 million to this alliance. Itaúsa's management and its controlling stockholders state that this action corroborates the Company's commitment to social responsibility, as it seeks to contribute to reducing the pandemic impacts on Brazilian society.

For more details on the "Todos pela Saúde" alliance, as well as the allocation of resources, please visit: <https://www.todospelasaude.org>



### New Integrated Report is disclosed

Itaúsa published in June a new edition of its Integrated Report, a document prepared based on the guidelines of the International Integrated Reporting Council (IIRC). With a framework designed to approach the main Capitals of the Company, the senior management has actively taken part of the document development, which enables the reader to better understand the factors that affect the ability of creating value over time.

This publication is available on Itaúsa, CVM and B3 websites or directly by clicking on the link: <http://www.itausa.com.br/en/financial-information/integrated-and-annual-report>.

### Itaúsa is selected for the first time to make up the FTSE4Good index



In June 2020, the London Stock Exchange confirmed that Itaúsa made up for the first time the FTSE4Good index, which measures the performance of companies adopting Environmental, Social and Corporate Governance (ESG) practices. The FTSE4Good index is used by investors and capital market players as a benchmark for the so called responsible investments.

Itaúsa's inclusion in the index strengthens its commitment to ESG issues and makes it a benchmark to companies that seek to be supported by a more sustainable business development and to reaffirm their ongoing effort in improving management practices.



## Increased interest in Alpargatas' capital stock

Between March 19, 2020 and April 16, 2020, Itaúsa acquired 1,789,900 preferred shares of Alpargatas S.A. (ALPA4) through a trade on the stock exchange, at the average price of R\$22.72 per share. This move resulted in the increase of its ownership interest in the total capital of Alpargatas S.A., except for treasury shares, by 0.3% to reach 29.2%, and reinforces Itaúsa's trust in the long-term value creation of this investment.

## Subsequent Event

### Corporate Governance Comission set up

On July 6, 2020, aimed at strengthening and improving discussions on Corporate Governance at Itaúsa, a Corporate Governance Comission was set up, with the scope to assist Management in guiding and identifying opportunities to improve the Company's Governance System.

## 3. Itaúsa's economic performance

As a holding company, Itaúsa's results are basically derived from its Equity in the Earnings of Investees, determined based on the net income of its investees and revenues from investments in financial assets. The main indicators of results are shown in the table below:

	R\$ million			R\$ per share		
	1H20	1H19	Change	6/30/2020	6/30/2019	Change
<strong>PROFITABILITY</strong>						
Net income	<b>1,610</b>	4,921	-67.3%	<b>0.19</b>	0.59	-67.3%
Recurring net income	<b>2,499</b>	4,692	-46.7%	<b>0.30</b>	0.56	-46.7%
Return on Equity (annualized)	<b>6.0%</b>	18.7%	- 12.7 p.p.			
Recurring Return on Equity (annualized)	<b>9.4%</b>	17.8%	- 8.5 p.p.			
<strong>BALANCE SHEET <sup>(1)</sup></strong>						
Total assets	<b>56,548</b>	56,449	0.2%			
Stockholders' equity	<b>52,896</b>	52,362	1.0%	<b>6.29</b>	6.23	1.0%
<strong>CAPITAL MARKET</strong>						
Market Value <sup>(2)</sup>	<b>80,660</b>	108,415	-25.6%			
Average Daily Traded Volume (ADTV) on B3 <sup>(3)</sup>	<b>326</b>	319	2.2%			

(1) For better comparability, all periods include the merger of Itaúsa Empreendimentos.

(2) Calculated based on the closing price of preferred shares in the last day of the period.

(3) Includes Itaúsa's preferred shares (ITSA4)

## Pro-Forma Individual Result of Itaúsa <sup>(1)</sup>

As a result of the merger of wholly-owned subsidiary Itaúsa Empreendimentos into Itaúsa, carried out on August 30, 2019, the Individual Statement of Income of Itaúsa, presented in the pro-forma table below, had the 2019 figures adjusted in the lines for better comparability of the data submitted, without, however, resulting in any change in profit.

R\$ million	2Q20		2Q19		Δ%	1H20		1H19		Δ%
<b>INVESTEES' RESULTS IN ITAÚSA</b>	<b>1,469</b>	<b>100%</b>	<b>2,560</b>	<b>99%</b>	<b>-42.6%</b>	<b>2,742</b>	<b>100%</b>	<b>5,044</b>	<b>109.2%</b>	<b>-45.6%</b>
<b>FINANCIAL SECTOR</b>	1,424	97%	2,446	96%	-41.8%	2,755	100%	4,852	96.2%	-43.2%
<b>NON-FINANCIAL SECTOR</b>	46	3%	116	4%	-60.2%	(11)	-1%	198	13.4%	-105.6%
ALPARGATAS	-		15		-100.0%	12	1%	31	2.1%	-61.3%
DURATEX	-		25		-100.0%	26	2%	33	2.2%	-21.2%
NTS <sup>(2)</sup>	46		76		-39.1%	(49)	-3%	134	9.1%	-136.7%
OTHER COMPANIES	(1)	0%	(2)	0%	-50.0%	(2)	0%	(6)	-0.4%	-
<b>RESULTS OF ITAÚSA</b>	<b>(33)</b>		<b>(42)</b>		<b>-21.4%</b>	<b>(252)</b>		<b>(330)</b>		<b>-23.6%</b>
FINANCIAL INCOME / EXPENSES	(8)		(12)		-33.3%	(19)		(21)		-9.5%
ADMINISTRATIVE EXPENSES	(24)		(29)		-17.2%	(62)		(63)		-1.6%
TAX EXPENSES	(2)		(4)		-50.0%	(173)		(249)		-30.5%
OTHER OPERATING REVENUES	1		3		-	2		3		-
<b>INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION</b>	<b>1,436</b>		<b>2,518</b>		<b>-43.0%</b>	<b>2,490</b>		<b>4,714</b>		<b>-47.2%</b>
INCOME TAX / SOCIAL CONTRIBUTION <sup>(3)</sup>	(8)		(109)		-92.7%	9		(22)		-
<b>RECURRING INDIVIDUAL NET INCOME</b>	<b>1,428</b>		<b>2,409</b>		<b>-40.7%</b>	<b>2,499</b>		<b>4,692</b>		<b>-46.7%</b>
<b>NON-RECURRING RESULTS</b>	<b>(830)</b>		<b>26</b>		<b>-</b>	<b>(889)</b>		<b>229</b>		<b>-488.2%</b>
ITAÚSA'S RESULTS	(49)		27		-	(49)		27		-
FINANCIAL SECTOR	(779)		-		-	(771)		209		-468.9%
NON FINANCIAL SECTOR	(2)		(1)		-	(69)		(7)		885.7%
<b>NET INCOME</b>	<b>598</b>		<b>2,435</b>		<b>-75.4%</b>	<b>1,610</b>		<b>4,921</b>		<b>-67.3%</b>

(1) For better comparability, all periods include the merger of Itaúsa Empreendimentos in the Statement of Income.

(2) Includes dividends/interest on capital received, adjustment to fair value of shares and expenses on time installment of the amount invested and respective foreign exchange variation.

(3) In 2019, the Company no longer recognizes deferred tax assets on tax losses carried forward and temporary differences.

## Results of Investees, as Recorded by Itaúsa

Recurring equity in the earnings of investees in 2Q20 totaled R\$1,469 million, down 42.6% on a year-on-year basis, and was mainly driven by the performance below of **Itaú Unibanco's** results caused by lower Interest Margin, depreciation of the Brazilian real against the U.S. dollar in the period, with impact on the subsidiaries' results abroad, and higher Expected Loan Losses in connection with the change in the macroeconomic scenario driven by the pandemic effect. This effect was partially offset by the 4.9% decrease in General and Administrative Expenses. Facing a challenging scenario of restrictions to retail operations in Brazil and abroad imposed by COVID-19, **Alpargatas** experienced a drop in sales in both geographical locations (-19.6%), as well as negative impacts driven by plant idle capacity, increase in the allowance for loan losses and finance expenses, partially offset by the increase in online sales, positive effect of foreign exchange variation and control over expenses. **Duratex's** sales were also impacted, particularly in April 2020, by the same reasons mentioned above, and costs were affected by plant idle capacity, increase in the allowance for loan losses and lower fair value of the biological asset, which were partially mitigated by the full consolidation of Cecrisa's results as of 4Q19. At last, the gains recorded at Itaúsa arising from the investment in **NTS** were adversely impacted by the effect of the foreign exchange variation on the time installment of the invested amount denominated in U.S. dollars.

Equity in the Earnings of Investees in 2Q20 was affected by significant non-recurring events, which totaled negative result of R\$781 million. Noteworthy are the donations for COVID-19 relief efforts made by all investees, impairment of goodwill and intangible assets of investments made by Itaú Corpbanca, favorable decision towards the exclusion of ICMS in the calculation basis of PIS/COFINS by Alpargatas and Duratex, and expenses, such as foreign exchange variation and restructuring related to the Dissolving Wood Pulp (DSW) project.

Further information on the operations of each investee is available in Section 5 (Comments on the Performance of Investees).

## Itaúsa's results

**Administrative expenses** totaled R\$24 million in 2Q20, down 17.2% on a year-on-year basis, mainly driven by the reversal of the provision for New Business projects, recognized exclusively in 2Q20, partially offset by increased expenses from share depositary services due to the 200% increase in the stockholder base over the prior few months (see section "Capital Markets" below).

**Finance Result** totaled R\$8 million in expenses in 2Q20, down 33.3% on a year-on-year basis, mainly driven by the effect of lower interest rate on net debt and update of contingent liabilities.




**Net Income** totaled R\$598 million in the quarter, down 75.4% on a year-on-year basis, driven by the challenging scenario of the results delivered by all investees – particularly Itaú Unibanco – and the non-recurring effects shown below. Recurring net income was R\$1,428 million, down 40.7% from 2Q19.

## Reconciliation of Recurring Net Income

	2Q20	2Q19	1H20	1H19
<b>Recurring Net income</b>	<b>1,428</b>	<b>2,409</b>	<b>2,499</b>	<b>4,692</b>
<b>Addition/(Exclusion) of Non-Recurring Effects D = (A + B + C)</b>	<b>(830)</b>	<b>26</b>	<b>(889)</b>	<b>229</b>
<b>Own (A)</b>	<b>(49)</b>	<b>27</b>	<b>(49)</b>	<b>27</b>
Donation to the Program "Todos pela Saúde"	(50)	-	(50)	-
Disposal of interest in Itaú Unibanco Centro Empresarial	-	28	-	28
Others	1	(1)	1	(1)
<b>Arising from Ownership Interest in the Financial Sector (B)</b>	<b>(779)</b>	<b>-</b>	<b>(771)</b>	<b>209</b>
Change of treasury shares	1	2	130	211
Itaú Corpbanca Goodwill Impairment	(543)	-	(543)	-
Donation to the Program "Todos pela Saúde"	(312)	-	(312)	-
Mark to Market of Collateralized Securities	-	-	(115)	-
Others	75	(2)	69	(2)
<b>Arising from Ownership Interest in the Non-Financial Sector (C)</b>	<b>(2)</b>	<b>(1)</b>	<b>(69)</b>	<b>(7)</b>
Alpargatas	7	(1)	(53)	(8)
Duratex	(9)	-	(16)	1
<b>Net Income</b>	<b>598</b>	<b>2,435</b>	<b>1,610</b>	<b>4,921</b>

## Main Indicators of Itaúsa Conglomerate Companies

The main indicators of Itaúsa Conglomerate companies, based on the Consolidated Financial Statements under IFRS, were presented below:

	January to June			
<b>Operating revenues <sup>(1)</sup></b>	<b>2020</b>	<b>84,244</b>	<b>1,428</b>	<b>2,208</b>
	2019	94,674	1,666	2,217
<b>Net income <sup>(2)</sup></b>	<b>2020</b>	<b>5,182</b>	<b>81</b>	<b>28</b>
	2019	13,274	86	93
<b>Recurring Net Income <sup>(4)</sup></b>	<b>2020</b>	<b>7,592</b>	<b>79</b>	<b>71</b>
	2019	13,281	141	89
<b>Stockholders' equity <sup>(2)</sup></b>	<b>2020</b>	<b>131,681</b>	<b>2,852</b>	<b>4,722</b>
	2019	129,914	2,457	4,728
<b>Annualized return on average equity (%) <sup>(2) (3)</sup></b>	<b>2020</b>	<b>8.0%</b>	<b>5.9%</b>	<b>1.2%</b>
	2019	21.7%	7.1%	4.0%
<b>Annualized recurring return on average equity (%) <sup>(3) (4)</sup></b>	<b>2020</b>	<b>11.7%</b>	<b>5.7%</b>	<b>3.0%</b>
	2019	21.7%	11.7%	3.8%
<b>Internal fund generation <sup>(5)</sup></b>	<b>2020</b>	<b>34,372</b>	<b>110</b>	<b>401</b>
	2019	28,471	275	468
<b>Interest of Itaúsa in companies <sup>(6) (7)</sup></b>	<b>2020</b>	<b>37.4%</b>	<b>29.2%</b>	<b>36.6%</b>
	2019	37.5%	28.5%	36.7%

(1) Operating revenue by area of operations was obtained as follows:

- Itaú Unibanco Holding: Interest and similar income, dividend income, adjustments to fair value of financial assets and liabilities, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.
- Alpargatas and Duratex: Sales of products and services.

(2) Net Income, Stockholders' Equity and ROE correspond to the amounts attributable to controlling stockholders.

(3) Represents the ratio of net income for the period and the average equity ((Jun '2020 + Mar'2020 + Dec'2019)/3).

(4) Correspond to the amounts attributable to controlling stockholders (proforma).

(5) Refers to funds arising from operations as reported by the statement of cash flows.

(6) Represents the direct/ indirect Itaúsa interest in the Capital of Companies

(7) The Interest presented consider the outstanding shares.

## 4. Capital Markets

### Share performance

Itaúsa's preferred shares (traded on B3 under ticker ITSA4) closed the second quarter of 2020 at R\$9.59, up 9.6% in the period, when adjusted by earnings, whereas Ibovespa, B3's main index, increased by 30.2% in the same period. In the last 12 months, Itaúsa's shares adjusted by earnings and Ibovespa index have dropped by 20.3% and 5.9%, respectively.

The daily average financial volume of Itaúsa's preferred shares traded in the second quarter of 2020 was R\$311 million, with an average of 43,000 daily trades, up 20.0% and 65.6%, respectively, on a year-on-year basis.

## A broader stockholder base

On June 30, 2020, Itaúsa had 754,900 stockholders (of which 99.4% individual stockholders), up 202.1% on a year-on-year basis.

## Return to stockholders

On May 29, 2020, Itaúsa announced the quarterly dividend payout schedule for 2020, which the record date and payment dates are indicated in the table on this page.

Quarterly Dividends Schedule	
Record Date	Payout Date
May 29, 2020	July 1, 2020
August 31, 2020	October 1, 2020
November 30, 2020	January 4, 2021
February 26, 2021	April 1, 2021

Additionally, the Company's Board of Directors, in the meeting held as of this date, resolved upon the payment of interim dividends, in the amount of R\$168,2 million (R\$0.0200 per share), based on the stockholding position at the end of the end of August 17, 2020, to be paid on August 26, 2020.

Investors who remained as stockholders for the last 12-month period ended June 30, 2020 were entitled to receive R\$0.8698 per share as earnings paid/declared (gross) which, divided by the share quoted on June 30, 2020, resulted in a 9.1% dividend yield.

In view of the investee's activities downturn, market conditions and regulatory measures (such as temporary restriction on dividend distribution above the minimum statutory imposed by the Central Bank of Brazil on financial institutions, according to Resolution No. 4,820/20), the cash inflow received by Itaúsa is expected to decrease, which would also lead to a temporary reduction in the dividends paid out by the Company. This information was announced on the Material Fact on May 11, 2020, which should be consulted for further clarification.

The complete history of earnings paid and payable can be accessed at: <http://www.itausa.com.br/en/itausa-in-the-stock-market/dividends>

## Holding discount

Discount is an indicator resulting from the difference between the market price ascertained for Itaúsa's shares and the theoretical value obtained through the sum of the market values of the parts that compose the holding company's investments. On June 30, 2020, Itaúsa's shares were traded at a 20.3% discount, down 150 bps on a year-on-year basis.

Part of this discount can be justified in view of the holding company's maintenance expenses, taxes levied on a fraction of the earnings received (tax inefficiency), and risk assessment, among other factors. Itaúsa's management believes that the discount reduction may be driven by the improvement in some of these factors and a better market perception of the foundations that justify it. However, it understands that the current level does not reflect the proper indicator level.

Market capitalization on June 30, 2020, based on the price of the most liquid share (ITSA4), was R\$80.7 billion, whereas the sum of interests in investees at market value totaled R\$101 billion

The Investor Relations department discloses information about the discount on a monthly basis on its website, which may be received by email. To receive it, please register on <http://www.itausa.com.br/pt/cadastre-se>.





## 5. Comments on the Performance of Investees



Itaú Unibanco Holding S.A.

### Highlights of Operations

#### **Since the onset of the crisis, Itaú Unibanco has sought to support its clients with complete and sustainable solutions**

Within the context of having to adjust to the new scenario, Itaú Unibanco has set up the 60+ and Travessia (Crossing) programs to address its clients' indebtedness using a structured approach, providing individuals and companies with some respite during these adverse economic times, and ensuring that they enjoy sustainable conditions over time by offering adjusted grace periods, extended loan terms and guarantees. These customized solutions include extending loan terms and offering new credit lines with reduced rates. These programs have impacted 1,8 million people and 200,000 very small and small companies, totaling R\$ 52 billion of flexible portfolio reprofiling<sup>1</sup> and R\$ 31 billion in new loans<sup>2</sup>.

In partnership with the government and trade associations, Itaú Unibanco has provided a credit line to finance payroll and the National Support Program for Very Small and Small Companies (Pronampe). Itaú Unibanco has provided financing of R\$1.6 billion under its emergency line of credit to meet the payroll expenses of very small, small and middle-market companies. Itaú Unibanco was the first private bank to offer Pronampe, providing R\$3.6 billion to approximately 36,000 very small and small companies to strengthen business and minimize the impacts of the COVID-19 pandemic, with a fully digital experience by signing up the credit directly through the Itaú Empresas app on the clients' cell phones.

#### **Social distancing has driven the use of digital channels**

Itaú Unibanco currently has 13.5 million individual account holders who constantly access its digital channels. Over the last three months the bank has acquired over one million new users on its digital channels, with a special mention for the higher participation of clients over the age of 60 who have had accounts for more than 4 years.

The number of accounts opened using the app has doubled in the last six months to approximately one million accounts in the first half-year. To further encourage this change in behavior Itaú Unibanco is continuing to invest in new functionalities, strengthening communication using digital methods and SMS and providing tutorials on how to use the functionalities of the app. In the first half of 2020, it launched around 30 new functionalities on its digital channels, worthy of note being the record time for implementing payroll financing via the internet.

<sup>1</sup> From March 16 to June 30, 2020

<sup>2</sup> From March 16 to July 17, 2020.

## Results

Net income<sup>3</sup> totaled R\$ 1,723 million in 2Q20, down 73.6% on a year-on-year basis. The result was impacted by the non-recurring effects, totaling R\$2,085 million, mainly driven by the impairment

R\$ million (except where indicated)	1Q20	1Q19	Δ%	1H20	1H19	Δ%
Operating Revenues	23,476	28,753	-18.4%	37,448	57,049	-34.4%
Net Income <sup>3</sup>	1,723	6,527	-73.6%	5,182	13,274	-61.0%
Recurring Net Income <sup>3</sup>	3,808	6,534	-41.7%	7,592	13,281	-42.8%
ROE	5.3%	21.0%	- 15.7 p.p.	8.0%	21.7%	- 13.7 p.p.
Recurring ROE	11.7%	21.0%	- 9.4 p.p.	11.7%	21.7%	- 10.0 p.p.
Loan Portfolio <sup>4</sup>	814,532	677,961	20.1%	814,532	677,961	20.1%

of goodwill and intangible assets in Itaú Corpbanca and the donation made to fight the COVID-19 pandemic to the "Todos pela Saúde" (All for Health) alliance. Excluding these effects, Net Income would decrease by 41.7%, mainly due to lower Interest Margin and higher Expected Loan Losses.

In the second quarter of 2020, Operating Revenues dropped 18.4% on a year-on-year basis, mainly driven by the 42.9% depreciation of the Brazilian real against the U.S. dollar in the period, which impacted the subsidiaries' results abroad. Excluding this effect, Operating Revenues was down 7.7% on a year-on-year basis, and the main factors leading to this result are as follows:

- I. An 8.9% decrease in **Interest Margin** due to the impact of the drop in the basic interest rate, new overdraft regulation, change in the mix of retail products to products with lower spreads, and greater share of large companies in the loan portfolio, in addition to higher interest expenses in connection with the foreign exchange variation in the period; and
- II. **7.7% decrease in Commissions and Fees and Result of Insurance Operations**, driven by the downturn in economic activity, which resulted in a 22.8% fall in revenues from credit and debit cards, partially offset by the 19.3% increase in income from fund management.

**Expected Loss on Financial Assets and Claims** increased by R\$2.5 billion on a year-on-year basis, mainly driven by higher expected losses due to the change in the macroeconomic scenario and its impacts on the financial prospects of customers as a result of the effects of the pandemic.

**General and Administrative Expenses** were up 44.6 % in the second quarter of 2020. Excluding non-recurring effects of impairment of goodwill and intangible assets in Itaú Corpbanca and the donation to fight COVID-19 to the "Todos pela Saúde" (All for Health) alliance, General and Administrative Expenses were down 4.9% mainly driven by lower expenses on personnel, publicity and advertising, as well as travel and to those related to selling credit cards, due to the lower economic activity in the period.

## Capital management and liquidity

Capital management is vital, since it is a key element through which the bank seeks to optimize the application of funds and ensure the business soundness. At the end of June 2020, Tier I capital ratio was at 12.1%, 385 bps above the minimum required by the Central Bank of Brazil.

**i** For further information on Itaú Unibanco's results, please access: [www.itaubank.com.br/relacoes-com-investidores](http://www.itaubank.com.br/relacoes-com-investidores)

<sup>3</sup>Attributable to the controlling stockholder.

<sup>4</sup>Loan Portfolio with Financial Guarantees Provided and Corporate Securities.

## Highlights of Operations

Alpargatas has worked to ensure the continuity of operations and its employees' health and safety amid the effects of the COVID-19 pandemic. In the face of the closure of physical sales channels and potential change in the behavior of customers, the Company has operated focused on improving its share via online channels, with e-commerce sales grown in all regions (+164% in 2Q20). Among other actions, Alpargatas has held the first fully online sales convention with a record of people impacted. The culture of austerity progress process, which comprises the VIP 100% (Value Improvement Program) and ZBB (Zero-Base Budgeting) projects, has been under consolidation and bringing opportunities for optimizing resources. With regard to preservation of liquidity, worth mentioning is the Company's raising funds of over R\$1.3 billion, which led to a cash position of R\$2.7 billion at the end of June, thus reducing the risk of pressure on liquidity in a hypothetical scenario of extreme stress on cash flows.

## Results

Consolidated net revenue dropped 19.6% in 2Q20, as a result of the worsening of the COVID-19 pandemic crisis, which hit the Company's operations in Brazil and in the world, partially offset by the positive effect of the foreign exchange variation on part of the revenue in foreign currency.

<b>R\$ million (except where indicated)</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Δ%</b>	<b>1H20</b>	<b>1H19</b>	<b>Δ%</b>
Net Revenue	680.5	846.8	-19.6%	1,427.6	1,665.8	-14.3%
EBITDA	132.2	103.2	28.1%	123.4	240.5	-48.7%
Net Income <sup>5</sup>	54.0	33.0	63.6%	81.0	86.0	-5.8%
Recurring Net Income <sup>6</sup>	25.0	68.0	-63.2%	79.0	141.0	-44.0%
ROE <sup>5</sup>	7.7%	5.4%	2.3 p.p.	5.8%	7.1%	- 1.3 p.p.
Recurring ROE <sup>6</sup>	3.6%	11.0%	- 7.4 p.p.	6.6%	7.1%	- 0.5 p.p.

In 2Q20, the net revenue of **Brazil** operations, represented by brands Havaianas, Mizuno and Osklen, totaled R\$365 million, down 35% on a year-on-year basis, mainly driven by the lower sales volume as a result of the closure of physical stores caused by the COVID-19 pandemic, partially offset by the increased volume via online channels and the phased-in reopening of the economy. **Sandals International** recorded net revenue of R\$316 million, up 12% on a year-on-year basis, mainly driven by the foreign exchange variation in the period, partially offset by the lower sales volume in all regions. Gross profit was down 16% in the same period, mainly driven by the worse performance of operations in Brazil, which were hard hit by the pandemic over the quarter, with major effects on the sales volume due to closure of physical shops, increased allowance for loan losses and lower dilution of fixed costs caused by the reduced level of production in the manufacturing plants.

Recurring EBITDA for the 2Q20 was down by 42.2% to R\$64.7 million, mainly driven by the effects of the pressure from COVID-19 on the Company's operations, partially offset by the better management of the Company's costs and expenses. Major non-recurring items that impacted the 2Q20 are related to the recognition of the final and unappealable decision in connection with the lawsuit claiming the exclusion of ICMS from the PIS and COFINS calculation basis and of the COVID-19 related expenses.

In 2Q20, recurring net income was R\$25.0 million, down 63.2% on a year-on-year basis, as a result of the factors mentioned above.

Operating cash generation in the last 12 months was R\$5 million, and net cash position at the end of June 2020 was R\$153.4 million.

**i** For further information on Alpargatas' results, please access: <https://ri.alpargatas.com.br>

<sup>5</sup> Attributable to the controlling stockholder.

<sup>6</sup> Attributable to the controlling stockholder (pro forma).

## Highlights of Operations

Duratex has made headway in measures aimed to reach a balance between its employees' health and safety and the continuity of its operations against the backdrop of the pandemic restrictions. The units that had suspended operations in April 2020, as well as those that had reduced production capacity, have resumed their normal levels of operations as a result of the continuous monitoring process for adjusting demand. The Company's strong commercial position amid the crisis scenario, the expeditious resumption of operations in manufacturing plants, and the strengthening of client relations have contributed to the market share gain and the Company's exposure to previously more restricted markets. Aimed to ensure proper liquidity, Duratex has raised funds of over R\$1 billion in the quarter, in addition to continuing to focus on the optimization of assets operations by reducing operating costs and expenses and carrying out a strategic inventory management.

### Results

Consolidated net revenue in 2Q20 totaled R\$1,046 million, down 8.6% on a year-on-year basis, driven by the lower volume of the Wood and Deca divisions, as a result of the effects of the COVID-19 pandemic, partially offset by the higher volume of the Ceramic Tiles division, due to the inclusion of Cecrisa's results and the Company's strong commercial share in the period.

R\$ million (except where indicated)	1Q20	1Q19	Δ%	1H20	1H19	Δ%
Net Revenue	1,046.4	1,144.7	-8.6%	2,208.0	2,217.2	-0.4%
EBITDA	147.0	286.9	-48.8%	413.4	515.7	-19.8%
Net Income	(23.6)	69.4	-134.0%	28.4	93.3	-69.5%
Recurring Net Income	2.2	69.5	-96.8%	71.1	88.7	-19.9%
ROE	-2.0%	5.9%	- 7.9 p.p.	1.2%	4.0%	- 2.8 p.p.
Recurring ROE	0.2%	5.9%	- 5.7 p.p.	3.0%	3.8%	- 0.8 p.p.

The **Wood Division's** net revenue totaled R\$555.3 million in 2Q20, down 20.9% on a year-on-year basis, mainly driven by the lower volume shipped, as a result of the effect of the COVID-19 pandemic, with major impacts recorded mainly in Brazil and Latin America, where Duratex's operations enjoy better market share.

The **Deca Division's** net revenue totaled R\$324.4 million, down 15.9% on a year-on-year basis, driven by the fall of 16.1% in shipped volume, mainly impacted by the effects of the COVID-19 pandemic, partially offset by the reopening of construction materials shops and the strengthening of the division's commercial strategy, with a better share in diversified markets.

The **Ceramic Tiles Division's** net revenue totaled R\$166.7 million, up 193% on a year-on-year basis, mainly driven by the full consolidation of Cecrisa's results, partially offset by the effects of the COVID-19 pandemic.

EBITDA in 2Q20 totaled R\$147.0 million, down 48.8% on a year-on-year basis, mainly driven by the lower result from the fair value of the biological assets and expenses on the Dissolving Wood Pulp (DWP) project. Excluding these effects, recurring EBITDA would be down 44.2%, mainly driven by the effects of the COVID-19 pandemic, with impacts on the sales volume due to closure of shops, increased allowance for loan losses and lower dilution of fixed costs, the reduced level of production in the manufacturing plants, partially offset by the better management of Duratex's costs and expenses, and the full consolidation of Cecrisa's results. Recurring net income totaled R\$2.2 million in the period, down 96.8%, mainly driven by the aforementioned facts.

Net debt was R\$2.180 million at the end of June 2020 and represented 2,55 times the adjusted recurring EBITDA for 12 months, thus indicating a slight increase in the Company's leverage level on a year-on-year basis, mainly driven by lower cash generation, as a result of the worse economic scenario, and the investments in progress.

**i** For further information on Duratex's results, please access: [www.duratex.com.br/ri](http://www.duratex.com.br/ri).



## Highlights of Operations

NTS has undertaken an ongoing monitoring of the effects of the COVID-19 pandemic, with employees from its corporate functions still working from home. Following all health and safety protocols, some of the field operations were resumed, or kicked off, in June 2020. NTS has undertaken efforts to hire technical staff and adjust its training courses to be carried out online. Concurrently to the pandemic scenario, it is worth mentioning that in 2Q20 Petrobrás started the binding phase of the process to divesting interest in NTS.

## Results

In 2Q20, net revenue totaled R\$1,147 million, up 4.6% on a year-on-year basis, mainly driven by the annual inflation

R\$ million	1Q20	1Q19	Δ%	1H20	1H19	Δ%
Net Revenue	1,147	1,097	4.6%	2,295	2,181	5.2%
Net Income	601	561	7.1%	1,203	1,099	9.4%

adjustment of gas ship-or-pay agreements. Net income in 2Q20 totaled R\$601 million, up 7.1% on a year-on-year basis, caused by a more favorable net finance result, mainly driven by lower financial expenses as a result of debt restructuring and lower basic interest rate.

## Dividends and interest on capital

In the April-June 2020 period, Itaúsa received dividends and interest on capital, gross, from NTS in the amount of \$46.7 million. In the first half of 2020, the amount received had totaled R\$95.3 million.

**i** For further information on NTS's results, please access: <https://ri.ntsbrasil.com>

## 6. People management

Itaúsa Conglomerate had the support of approximately 112,400 employees on June 30, 2020, including 13,900 employees in foreign units. Its dedicated structure, intended to carry out the holding company's activities, had 87 professionals on that same date.

## 7. Independent Auditors – CVM Instruction No. 381

### Procedures adopted by the Company

The policy adopted by Itaúsa, its subsidiaries and parent company, to engage non-audit services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditors' independence. These principles include the following: (a) an auditor cannot audit their work; (b) an auditor cannot hold managerial positions at their client's; and (c) an auditor cannot promote the interests of their client.



In the January-June 2020 period, the independent auditors PricewaterhouseCoopers Auditores Independentes provided the following non-audit services, equivalent to 5.3% of total external audit fees due to the same auditors, as set forth in CVM Instruction No. 381:

Investee Duratex: Review of accounting and tax bookkeeping files, service engaged on April 30, 2020, in the amount of R\$169,000.

### **Independent Auditors' Justification - PwC**

The provision of the aforementioned non-audit services does not affect the independence or the objectivity of the external auditor of Itaúsa and its subsidiaries. The policy adopted for providing non-audit services to Itaúsa is based on principles that preserve the independence of the Independent Auditors, all of which were considered in the provision of the referred services.

## **8. Acknowledgements**

We thank our stockholders for their trust, which we always try to repay by obtaining results differentiated from those of the market, and our employees, for their talent and dedication, which have enabled the sustainable growth of business.