

## Results for 2Q19 and 1H19



B3 ticker: GRND3

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

### Number of shares:

Common: 902,160,000

### Price (June 30, 2019):

R\$ 7.80 per share

### Market value:

R\$ 7.0 billion

US\$1.8 billion

### Conference call

– Brazil:

August 2, 2019,

10:30 am Brasília time

Connect on:

+11-3193-1001 or

+11-2820-4001

### Conference call

– International:

Aug. 2, 2019

10:30 am Brasília time

(Simultaneous translation)

Connect on:

+1-646-828-8246 (USA)

+44-20-7442-5660 (UK)

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## Net profit R\$ 118 million in 1H19 – Net margin 14.3%

Sobral, August 1, 2019 – In this release **GRENDENE** (B3: Novo Mercado – **GRND3**), publishes its results for 2Q19 and 1H19. Figures are consolidated, and stated in accordance with IFRS (International Financial Reporting Standards).

### 2Q19 and 1H19: Highlights

#### Main financial and economic indicators

R\$ mn	2Q18	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
<b>Gross revenue</b>	<b>544.4</b>	<b>497.1</b>	<b>(8.7%)</b>	<b>1,208.1</b>	<b>1,012.4</b>	<b>(16.2%)</b>
Domestic market	416.5	399.5	(4.1%)	922.6	793.0	(14.0%)
Exports	127.9	97.6	(23.7%)	285.5	219.4	(23.1%)
<b>Net revenue</b>	<b>446.1</b>	<b>399.8</b>	<b>(10.4%)</b>	<b>991.9</b>	<b>823.1</b>	<b>(17.0%)</b>
<b>COGS</b>	<b>(249.8)</b>	<b>(244.2)</b>	<b>(2.2%)</b>	<b>(536.4)</b>	<b>(495.0)</b>	<b>(7.7%)</b>
<b>Gross profit</b>	<b>196.3</b>	<b>155.6</b>	<b>(20.8%)</b>	<b>455.5</b>	<b>328.0</b>	<b>(28.0%)</b>
<b>Operational expenses</b>	<b>(134.2)</b>	<b>(145.5)</b>	<b>8.5%</b>	<b>(272.9)</b>	<b>(284.4)</b>	<b>4.2%</b>
<b>Ebit</b>	<b>62.2</b>	<b>10.1</b>	<b>(83.8%)</b>	<b>182.6</b>	<b>43.6</b>	<b>(76.1%)</b>
<b>Ebitda</b>	<b>78.7</b>	<b>26.7</b>	<b>(66.0%)</b>	<b>215.2</b>	<b>77.0</b>	<b>(64.2%)</b>
<b>Net fin. rev. (exp.)</b>	<b>19.8</b>	<b>51.8</b>	<b>162.0%</b>	<b>72.4</b>	<b>103.0</b>	<b>42.3%</b>
<b>Net profit</b>	<b>65.8</b>	<b>41.5</b>	<b>(36.9%)</b>	<b>221.9</b>	<b>118.0</b>	<b>(46.8%)</b>
<b>Profit per share – R\$</b>	<b>0.07</b>	<b>0.05</b>	<b>(37.0%)</b>	<b>0.25</b>	<b>0.13</b>	<b>(46.9%)</b>
<b>Volume – million pairs</b>	<b>33.0</b>	<b>30.1</b>	<b>(8.6%)</b>	<b>73.4</b>	<b>58.6</b>	<b>(20.1%)</b>
Domestic market	24.7	24.7	0.1%	54.2	46.3	(14.5%)
Exports	8.3	5.4	(34.6%)	19.2	12.3	(36.0%)
<b>Gross revenue per pair (R\$)</b>	<b>16.52</b>	<b>16.50</b>	<b>(0.1%)</b>	<b>16.46</b>	<b>17.26</b>	<b>4.9%</b>
Domestic market	16.86	16.16	(4.2%)	17.04	17.12	0.5%
Exports	15.49	18.09	16.8%	14.84	17.81	20.0%
Margins – %	2Q18	2Q19	Change, p.p.	1H18	1H19	Change, p.p.
<b>Gross</b>	<b>44.0%</b>	<b>38.9%</b>	<b>(5.1)</b>	<b>45.9%</b>	<b>39.9%</b>	<b>(6.0)</b>
<b>Ebit</b>	<b>13.9%</b>	<b>2.5%</b>	<b>(11.4)</b>	<b>18.4%</b>	<b>5.3%</b>	<b>(13.1)</b>
<b>Ebitda</b>	<b>17.6%</b>	<b>6.7%</b>	<b>(10.9)</b>	<b>21.7%</b>	<b>9.4%</b>	<b>(12.3)</b>
<b>Net</b>	<b>14.7%</b>	<b>10.4%</b>	<b>(4.3)</b>	<b>22.4%</b>	<b>14.3%</b>	<b>(8.1)</b>

#### Highlights, 1H19 vs. 1H18:

- Net revenue: 17.0% lower YoY.
- Net profit: R\$ 118 million – down 46.8% YoY.
- Ebit: R\$ 43.6 million – down 76.1% YoY.
- All margins: Down, YoY.
- Pairs sold: Down 20.1%, YoY – at 58.6 million.
- **2<sup>nd</sup> distribution of dividends** in 2019: R\$ 15.4 million. Shares trade ex-dividend on August 9, 2019. Payment starts August 21, 2019.

## Management Discussion and Analysis

### Gross revenue, Net revenue and volumes

Although still facing a very bad market situation, we managed to reduce the scale of the percentage fall in the number of pairs sold, year-on-year, from 29.5% in the first quarter of 2019 to 20.1% over the whole of the first half of 2019.

The volume of pairs sold in the domestic market in 2Q19 was stable year-on-year (up 0.1%) - i.e. in the comparison with 2Q18. Exports continued to be affected by low consumption in South America and the Caribbean: volume of pairs sold in 2Q19 was down 34.6% YoY, practically in the same year-on-year proportion as in 1Q19 (down 37% YoY) – resulting in total pairs exported in 1H19 being 36% lower than in 1H18.

At the same time, we continued our actions to expand our presence in new export markets – outside Brazil, Grendene now has 136 exclusive Melissa stores outside Brazil, and a further 555 exclusive stores of other Grendene segments – and an overall total of 40,000 points of sale outside Brazil.

We have also made good progress in execution of our strategy, strengthening our relationship with the trade, and developing our brands and our communication with the market. An example is our campaign with the popular singer *Anitta* to strengthen the Ipanema brand both in Brazil and in world markets.

Sales in our own online store, and online sales with partners, have both been growing at robust double-digit rates, and by the growing trend in its importance, we are creating a management unit to focus attention on the many opportunities that are emerging with the growing transformation to digital media. Today our communication with the market, and our conversations with the consumer, are already predominantly online, using the new generations' preferred means: social media and mobile channels. Another example: Melissa's fanpage on Facebook now has 6 million followers, with intensive traffic, and Melissa's Instagram profile has 3.5 million followers.

Margins continued to be negatively affected by the low volume, and the consequent low use of installed capacity. Other factors also contributed to results lower than those of last year: (i) rescissions of contracts with sales representatives in 1Q19 caused an expense of R\$ 14.0 million; (ii) the reduction in the Provin tax incentive percentage in the state of Ceará from 81% to 75% (as stated in contact, and disclosed annually in the Company's Reference Form) caused a reduction of R\$ 2.6 million in the bottom line; (iii) there was a provision expense of R\$ 11.3 million for receivables from a client that filed for Judicial Recovery in the last week of June; and finally, (iv) expenditure of approximately R\$ 8.0 million on structural adaptation to the economic situation of 2Q19.

Media reports of clients entering Judicial Recovery or bankruptcy, and of other producers closing plants, sadly confirm what we have been saying about the situation of the footwear market in Brazil. The difficulties continue to be great. However, periods of crisis also serve to seek efficiency and improve processes, as we are doing. Of course, some companies leave the market, lose working capital and the ability to resume previous volumes and companies such as Grendene come out stronger of these episodes, with their ability to resume growth intact.

While in 1Q19 total footwear consumption fell, in our assessment it was stable, or recovered slightly, in 2Q19. We estimate that in 2Q19 sell-out was greater than sell-in, helping retailers to reduce stocks – which were very high at the start of the year. Our expectation is a better second half than the same period last year.

Another point to note is the higher effective rates of income tax and the Social Contribution tax in 2Q19. The lower profit in 1H19 resulted in slower appropriation of the tax credits generated by the payment of Interest on Equity in May 2019, and use of the tax deduction for investments in innovation under Law 11,196 of 2005 (the '*Lei do Bem*'). These take effect during the year as and when the company generates profit.

It is important to point out that, although not meeting the expected or targeted results due to the great difficulties faced, Grendene generated net profit in 1H19 of R\$ 118.0 million, with net margin of 14.3%, and generated cash of R\$ 336.1 million in the half-year, proving the solidity of its operations. The results are lower than those of last year, but even so they are very positive for the sector in which we work.

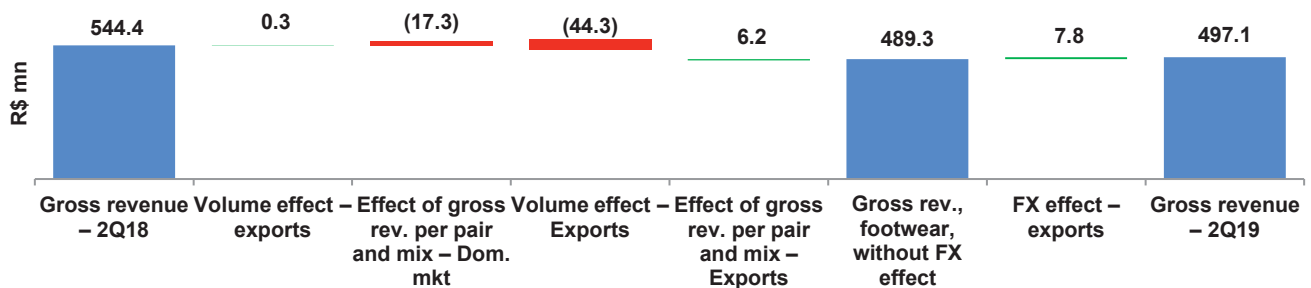
The effect of the exchange rate was a gain of R\$ 24.0 million in the half-year, and Net financial revenue (before tax) was 42.3% higher than last year – at R\$ 103.0 million, vs. R\$ 72.4 million in 2Q18.

The proposed dividends represent a dividend payout (defined as {sum of dividends and Interest on Equity} divided by {profit after the legally required reserves}) of 45.2%, and a dividend yield of 1.4%. With the lower profits, cash flow principally reflected lower investment in accounts receivable, which were lower (at R\$ 357.5 million) as a result of the lower sales.

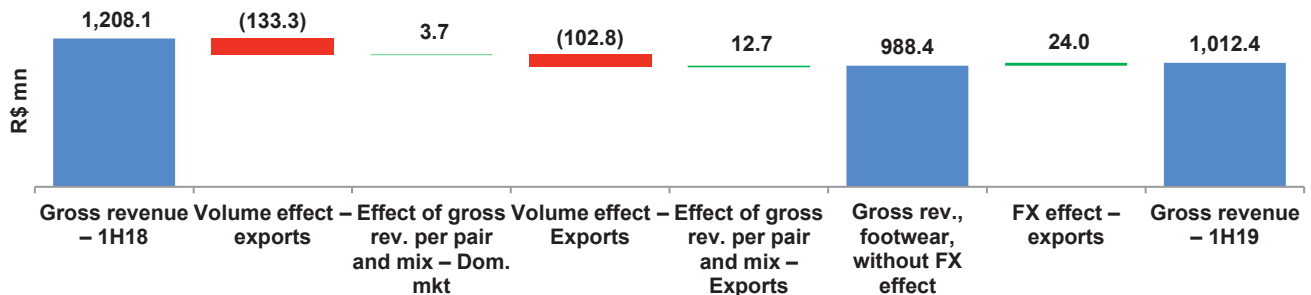
As we reported in 1Q19, on March 12, 2019 the Company published a Material Announcement recording the final judgment (i.e. subject to no further appeal) in the legal action which argued for exclusion of ICMS tax (*already* charged or paid) from the amount on which the PIS and Cofins taxes are calculated. On April 4, 2019 the Company received notice that the case had been returned to the court of first instance for compliance with the judgment.

On May 16, 2019, in compliance with the legal requirement to qualify for the benefit of the judgment and receive the compensation, Grendene submitted its application to the federal tax authority for qualification for the credit – which by the Company’s calculations totals R\$ 482.5 million. On the closing date of the quarter (June 30), the company considered that the right recognized as a consequence of the final judgment in the above case is a contingent asset, still subject to final ratification by the Brazilian federal tax authority; and that the amount of its realization, although estimated as ‘probable’, is not yet able to be reliably and finally measured, in view of (i) a Motion for Clarification filed by the procurator of the tax authority against the judgment given by the Supreme Court in Special Appeal 574706, and (ii) arguments arising on the criteria for quantification of the credit, following the decision by the General Tax Coordination Office on Internal Consultation (Cosit) No. 13/18, which could materially impact the amount initially estimated by the Company, as referred to in its Reference Form and in the Notes to the Financial Statements since the date of the judgment in Special Appeal 574706 (see Note 11 to the quarterly financial information). Also, under Brazilian law the final amount recognized for the compensation is increased by monetary updating by the Selic rate until the actual date of payment.

Change in gross sales revenue in domestic and export markets due to volumes, mix and average price



Change in gross sales revenue in domestic and export markets due to volumes, mix and average price



## Highlights

In our brand-building, the Clube Melissa project continues to make progress, ignoring the adverse economy – we reached a total of 316 ‘Melissa Clubes’ on June 30, 2019. Of the 316, 18 are ‘mini-Clubes’ – a new format for our children’s public.

### Stores and franchises

Stores and franchises	2Q18	2Q19
<b>Company stores</b>	<b>5</b>	<b>5</b>
Brazil	3	3
Rest of world	2	2
<b>Franchises</b>	<b>275</b>	<b>316</b>
Clube Melissa	266	298
Mini Clube Melissa	9	18



To celebrate its 40th birthday, Melissa chose to pay homage to the Brazilian state of Rio Grande do Sul, where Grendene was founded in 1970. The launches include the Alma & Origem (“Soul & Origin”) slipper and handbag, with a design inspired by the packaging of the wine flagons that the Company manufactured in the 1970s. This celebration marked the reopening of the Galeria Melissa in São Paulo, in May 2019. The aim of the project concept was to transform the store into a new area for social gathering in São Paulo’s famous fashion street, Rua Oscar Freire. The brand also launched a new collection of products for the winter – some of these are brand new, and others are renewals or updates created by designers who continue to operate in successful partnerships with the brand: Fiorella Gianini, Jason Wu, Vivienne Westwood, FILA, Magnum, Patrick Cox and À La Garçonne (a brand run by Fábio de Souza and Alexandre Herchcovitch).

To improve alignment of communication and sales strategies, for both the internal and export markets, the following sales conventions were held in May and June this year: (i) The National Sales Convention, in the city of Gramado (Rio Grande do Sul) – attended by the sales, business management, brands and design teams, and all the Brazilian representatives and sales agents; (ii) the Fourth Global Export Sales Convention, in Marrakesh – attended by employees of various areas and distributors of various countries; and (iii) the Melissa Convention, attended by part of the Melissa team, *Clube Melissa* franchisees, and representatives and distributors of the brand for presentation of the 2019–20 Spring/Summer collection, at the Latin America Memorial in São Paulo.

In 2Q19 Grendene took part in the leading trade fairs for business, fashion launches and definition of national and international trends, for the public of store operators, licensees and partners. These included: the SICC, in Gramado (RS); Milan Design Week, in Milan (Fuorisalone); the 92<sup>nd</sup> Riva Schuh expo in Riva Del Garda, Italy; and Expo Disney 2019, a trade fair of The Walt Disney Company (in São Paulo).



## Exclusive stores



**Melissa Singapore**



**Ipanema China**

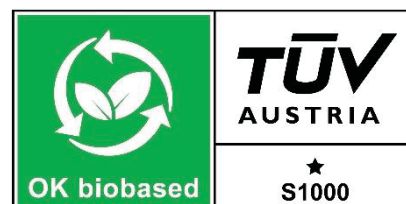
## Sustainability certificates

Since May 2019 Grendene footwear carries the Vegan seal; and the *Ipanema* footwear line has certification from the Biobased seal. These seals are important for business, since the new consumer, with millennial thinking, looks for product brands with proven sustainable actions.



**VEGAN:** As from July 2019, all Grendene footwear is registered with the Vegan Society and bears the Vegan Seal. This seal is recognized worldwide and is granted by the Vegan Society (headquartered in the UK), which grants registration of vegan products all over the world. The Seal certifies that Grendene footwear does not contain any component of animal origin, and that we do not carry out any tests on animals.

**BIOBASED:** The Biobased Seal certifies that products of the Ipanema brand contain between 20% and 40% of material of renewable origin. The certification is carried out by TUV, a certification agency based in Austria, recognized worldwide. It has been providing analyses and certifications since 1905.

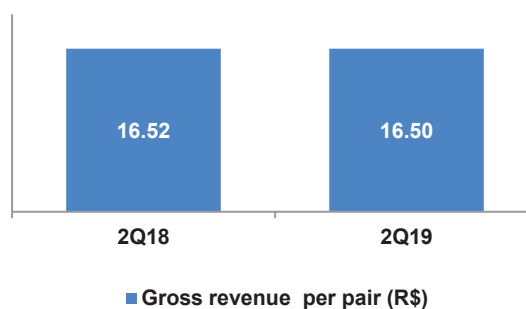
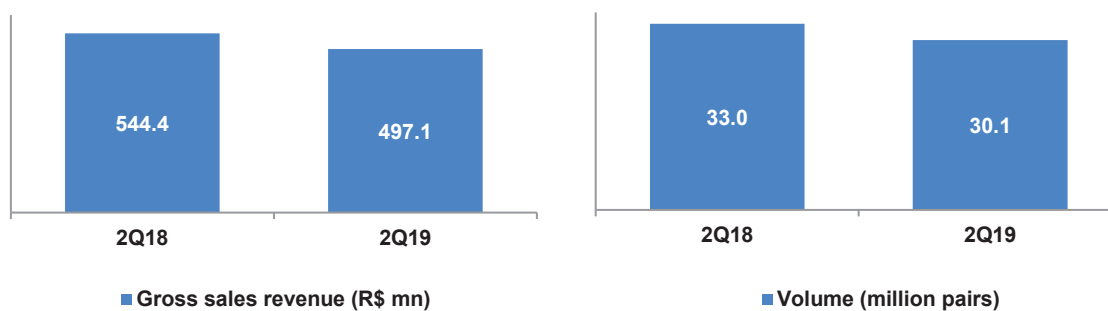


## Operational results of 2Q18 and 1H19 (consolidated figures, IFRS)

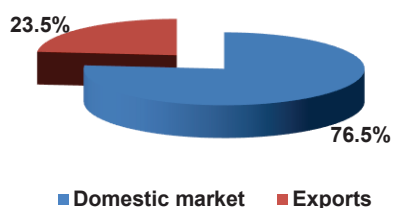
### Gross revenue

Gross sales revenue in 2Q19 was down 8.7% YoY – this is a lower year-on-year comparison than in 1Q19 (22.4% lower than 1Q18).

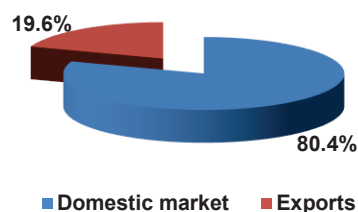
Total (Domestic market + exports)	2Q18	2Q19	Change, % 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
Gross revenue (R\$ mn)	544.4	497.1	(8.7%)	1,208.1	1,012.4	(16.2%)
Volume (million pairs)	33.0	30.1	(8.6%)	73.4	58.6	(20.1%)
Gross revenue per pair, dom. mkt. (R\$)	16.52	16.50	(0.1%)	16.46	17.26	4.9%



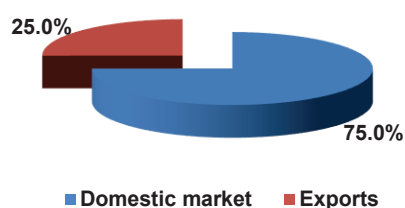
% of gross revenue 2Q18



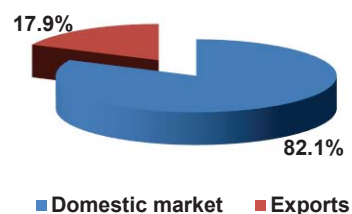
% of gross revenue 2Q19

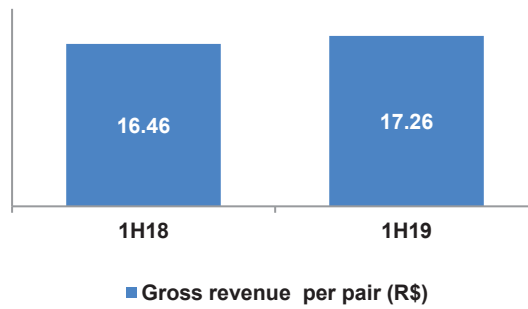
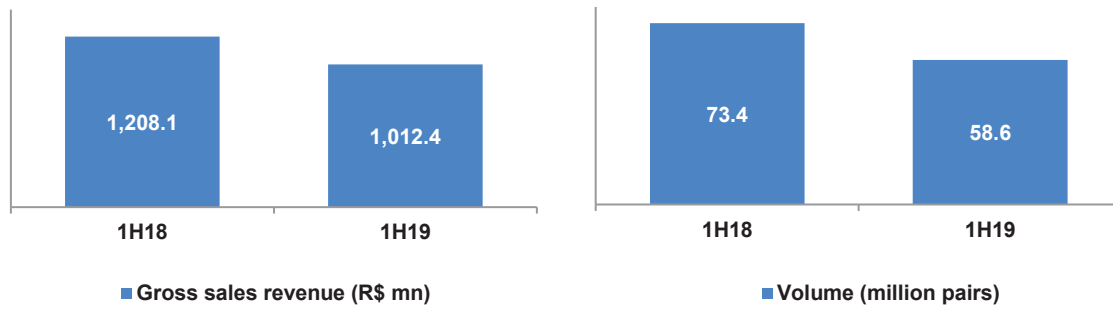


% of sales volume 2Q18

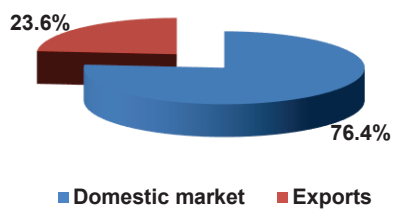


% of sales volume 2Q19

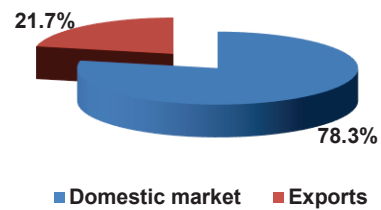




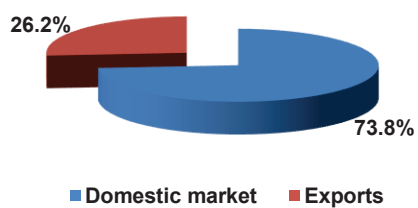
% of gross revenue 1H18



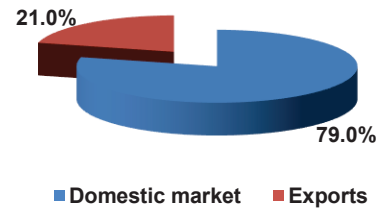
% of gross revenue 1H19



% of sales volume 1H18



% of sales volume 1H19

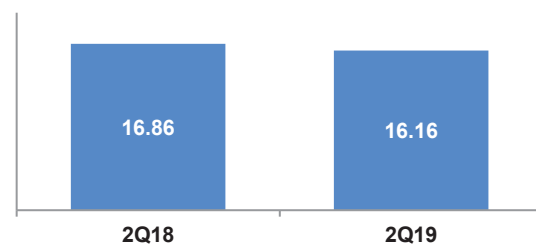
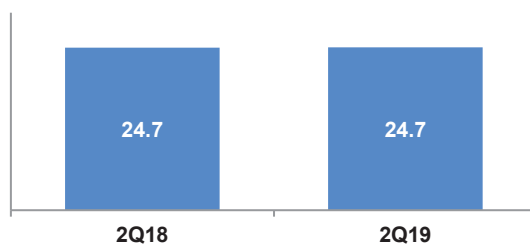
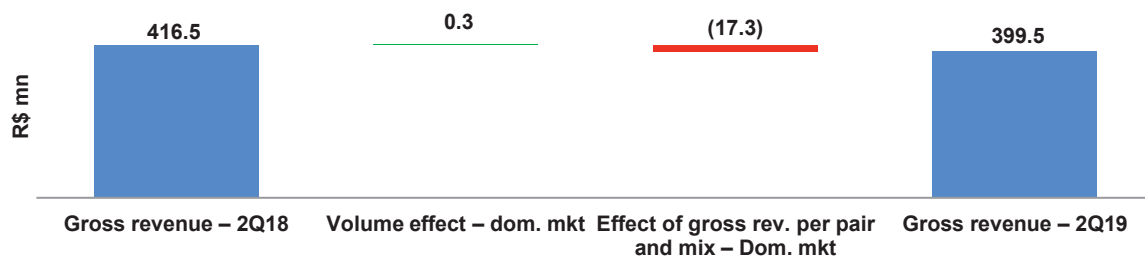


## Domestic market

The fall in volume in the domestic market in 1Q19 was contained in 2Q19, with a fall in revenue per pair.

Domestic market	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
Gross revenue, dom. mkt. (R\$ mn)	416.5	399.5	(4.1%)	922.6	793.0	(14.0%)
Volume – dom. mkt. (million pairs)	24.7	24.7	0.1%	54.2	46.3	(14.5%)
Gross revenue per pair, dom. mkt. (R\$)	16.86	16.16	(4.2%)	17.04	17.12	0.5%

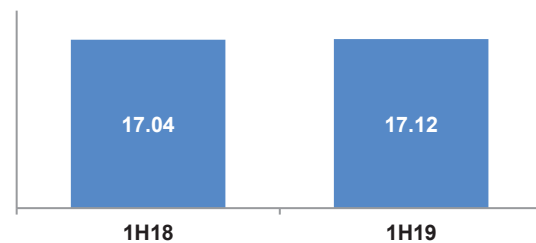
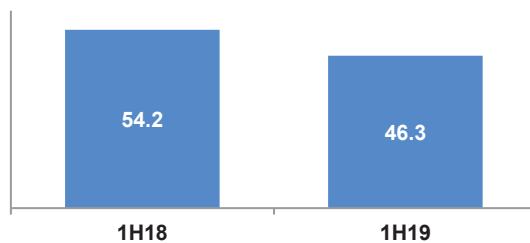
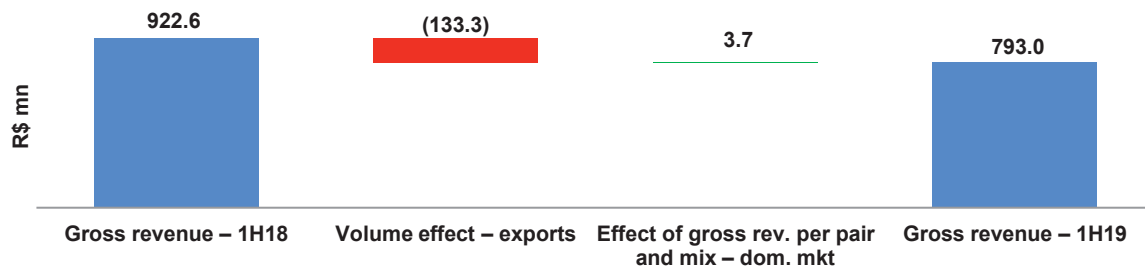
Change in gross domestic sales revenue due to volume, average price, and mix



■ Volume, domestic market (million pairs)

■ Gross rev. per pair, dom. mkt (R\$)

Change in gross domestic sales revenue due to volume, average price, and mix



■ Volume, domestic mkt. (million pairs)

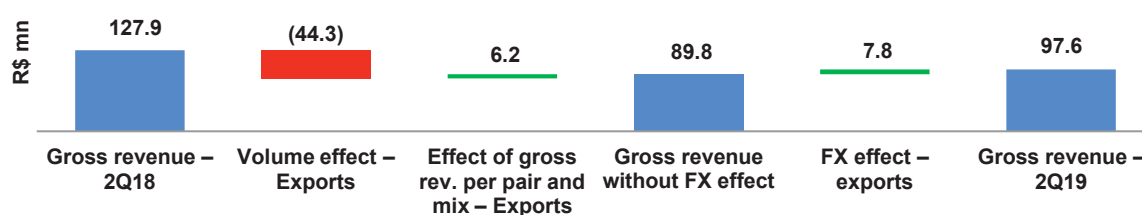
■ Gross rev. per pair, dom. mkt. (R\$)

## Export market

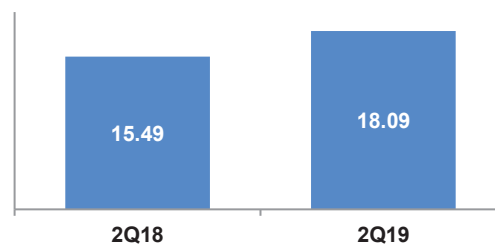
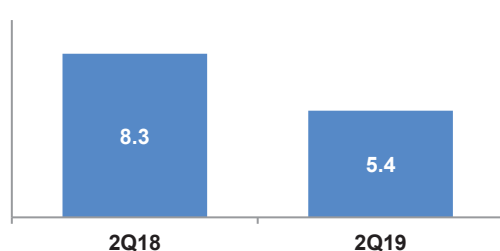
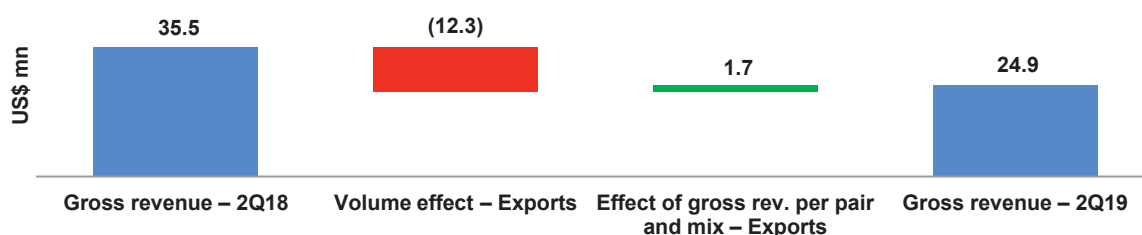
Lower exports to Latin America, where the product mix usually has a lower ticket, helped to increase gross revenue per pair in US dollars by 7.4%, YoY, in 2Q19. Adding to this effect, the favorable exchange rate contributed to good margins on exports, with gross revenue per pair up 16.8% YoY in Reais.

Exports	2Q18	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
Gross revenue, exports (R\$ mn)	127.9	97.6	(23.7%)	285.5	219.4	(23.1%)
Gross revenue – exports (US\$mn)	35.5	24.9	(29.8%)	83.4	57.1	(31.5%)
Volume – exports (million pairs)	8.3	5.4	(34.6%)	19.2	12.3	(36.0%)
Gross revenue/pair, exports (R\$)	15.49	18.09	16.8%	14.84	17.81	20.0%
Gross revenue/pair, exports (US\$)	4.30	4.62	7.4%	4.33	4.63	6.9%

Change in gross export sales revenue due to volume, average price and mix



Change in footwear export gross revenue in US\$, due to volume, average price and mix

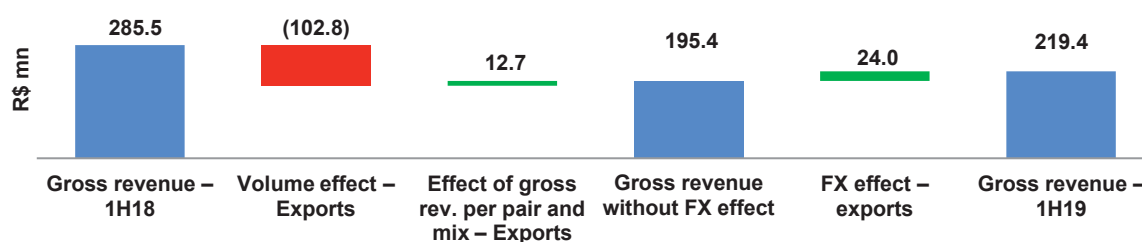


■ Volume, exports (million pairs)

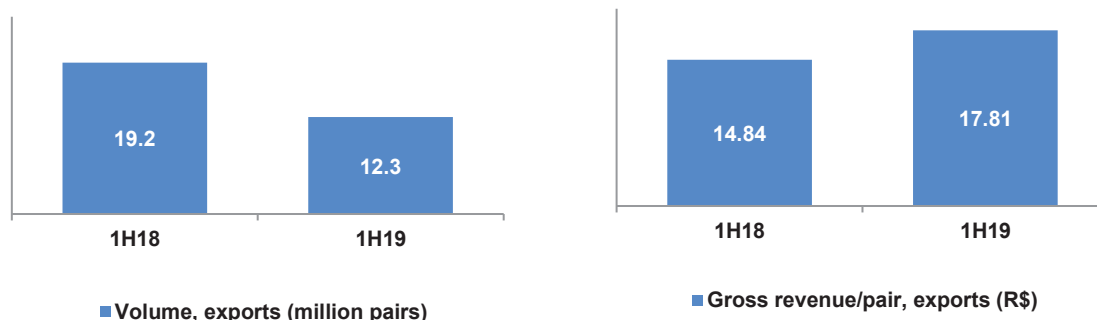
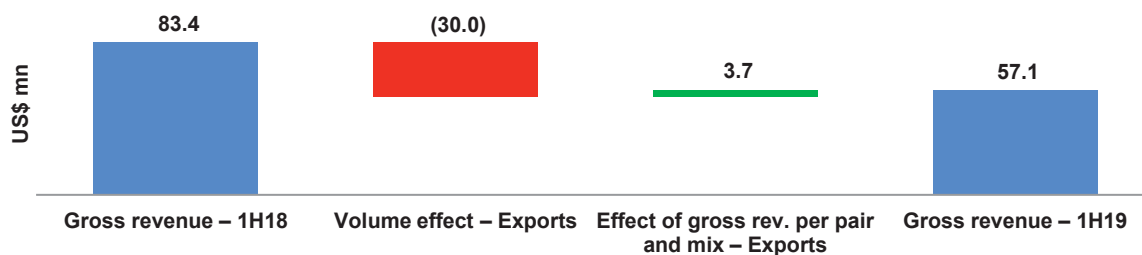
■ Gross rev./pair, exports (R\$)



## Change in export gross sales revenue in R\$, due to volume, average price and mix



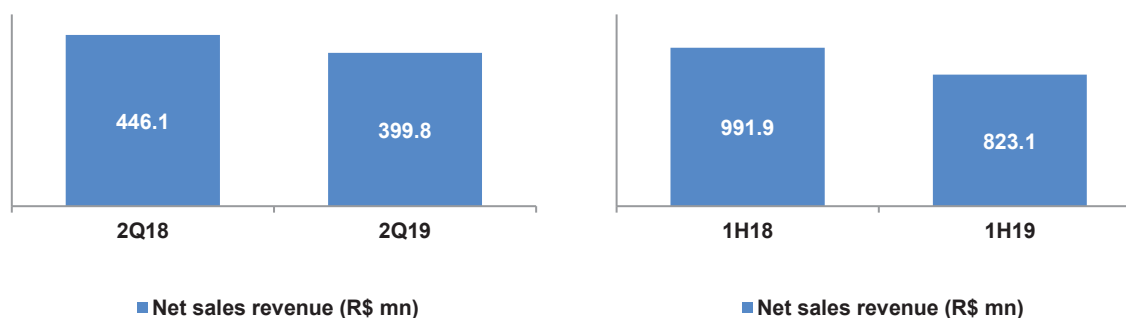
## Change in export gross sales revenue in US\$, due to volume, average price and mix



Data from the trade ministry, Secex and Abicalçados report Brazilian footwear exports in 2Q19 as 9.5% lower in dollar terms than in 2Q18, 6.5% lower in US\$ in number of pairs sold, and 3.2% lower in average price, in US\$, per pair exported. In comparison, Grendene's export revenue in dollars was 29.8% lower, and volume of pairs exported was 34.6% lower, with average price per pair exported 7.4% higher in US dollars. Grendene's share in the volume of Brazilian footwear exports in 2Q19, was 23.2% – this compares with 33.2% in 2Q18.

## Net sales revenue

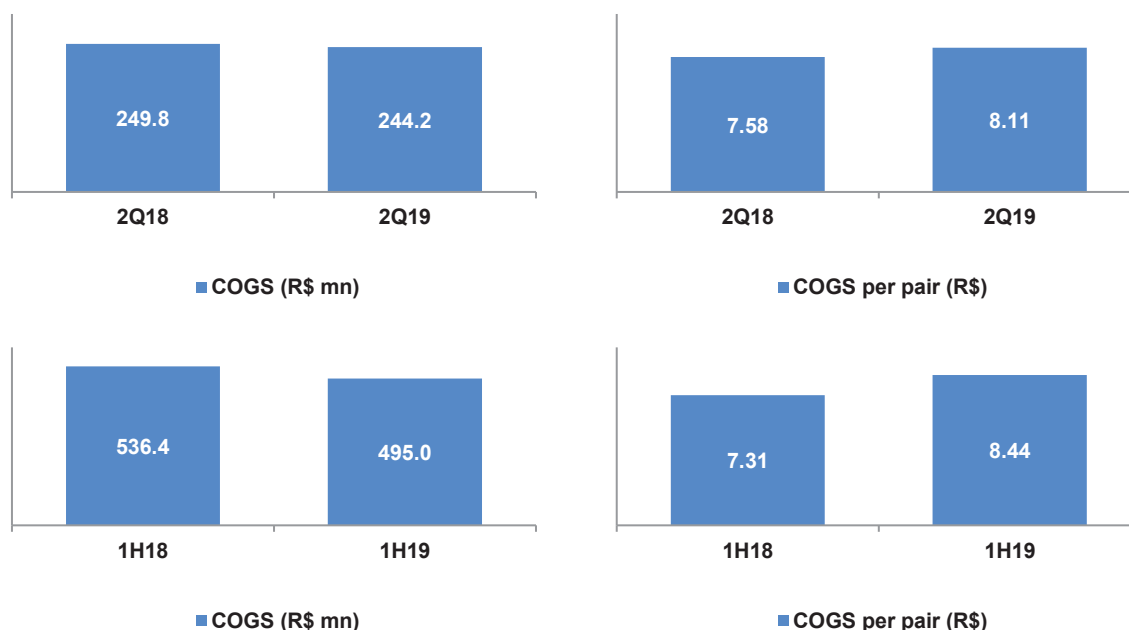
R\$ mn	2Q18	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
Net sales revenue	446.1	399.8	(10.4%)	991.9	823.1	(17.0%)



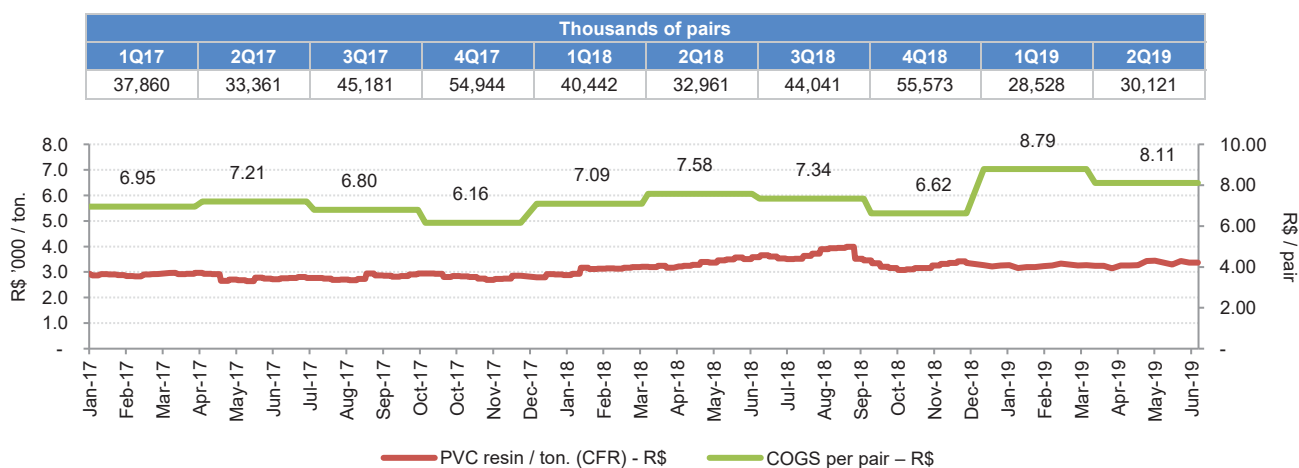
## Cost of goods sold

COGS was negatively affected in 2Q19 by expenditure of R\$ 8 million in adaptation of the structure to a new situation of lower volumes.

R\$ mn	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
COGS	249.8	244.2	(2.2%)	536.4	495.0	(7.7%)
COGS per pair (R\$)	7.58	8.11	7.0%	7.31	8.44	15.5%



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 2017 to 2019.



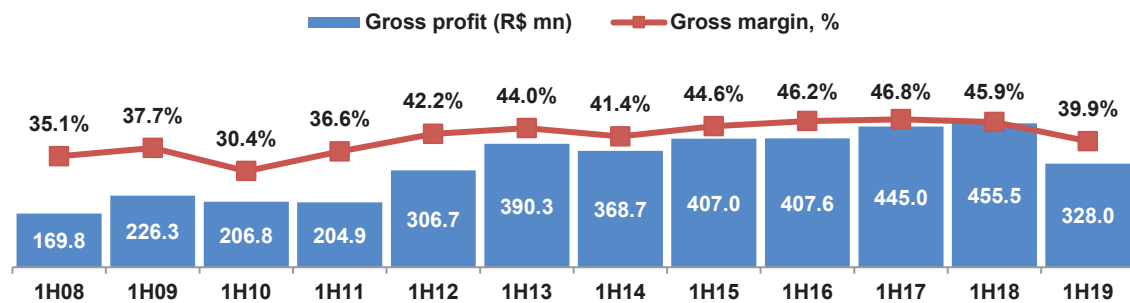
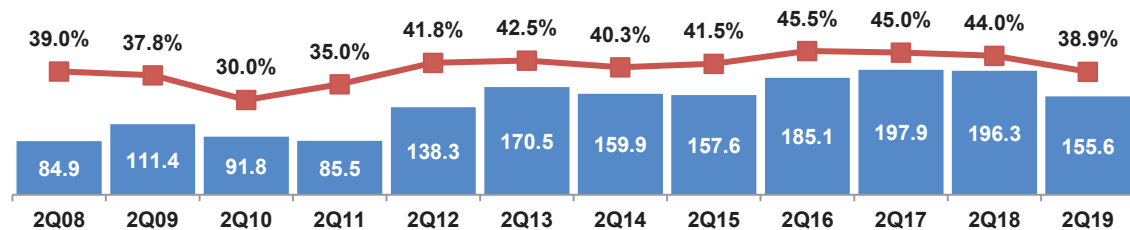
Sources: Petrochemicals prices from ICIS-LOR; Grendene quarterly data.

As can be seen, international resin prices fell from August 2018, and thus were not a major factor pressuring costs. This makes it clear that the principal factors in increased unit cost were: the fall in volumes, idle capacity, and spending on improvements to structure.

## Gross profit

The YoY fall in gross margin in 2Q19 (vs. 2Q18) was lower than in 1Q19, in spite of the effect of the expenditure in 2Q19 to adapt the structure.

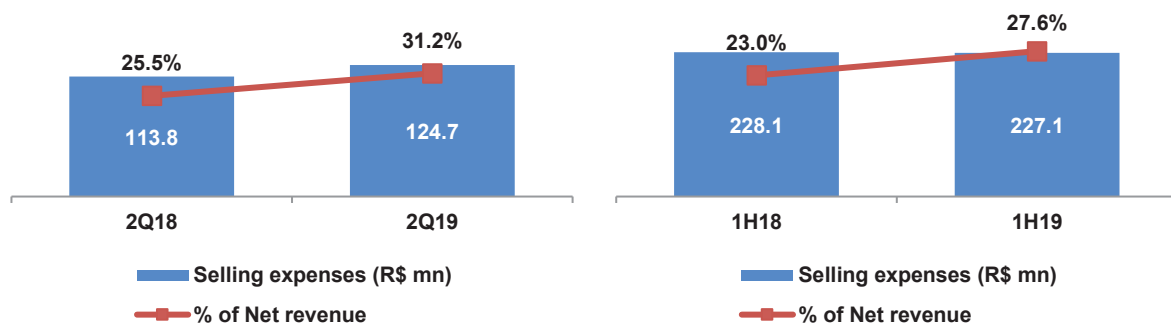
R\$ mn	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
Gross profit	196.3	155.6	(20.8%)	455.5	328.0	(28.0%)
Gross margin, %	44.0%	38.9%	(5.1 p.p.)	45.9%	39.9%	(6.0 p.p.)



## Selling expenses

Grendene's selling expenses are predominantly variables in the form of freight, licenses, commissions, advertising and marketing – but in 2Q19 suffered from a provision of R\$ 11.3 million for receivables from a client that filed for judicial recovery in the quarter, and expense of R\$ 14 million on rescission of contracts with representatives in 1Q19.

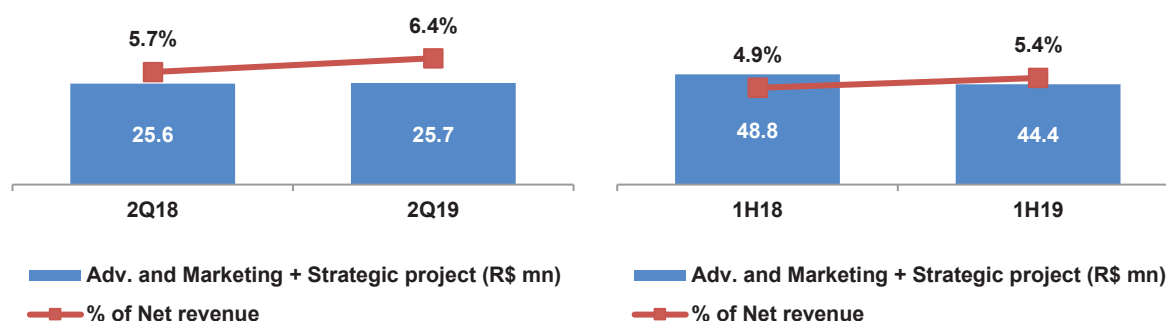
R\$ mn	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
Selling expenses	113.8	124.7	9.5%	228.1	227.1	(0.4%)
% of Net revenue	25.5%	31.2%	5.7 p.p.	23.0%	27.6%	4.6 p.p.



## Advertising expenses

Spending on advertising and marketing in 2Q19 was in line with 2Q18, but a higher percentage of net sales due to revenue being lower.

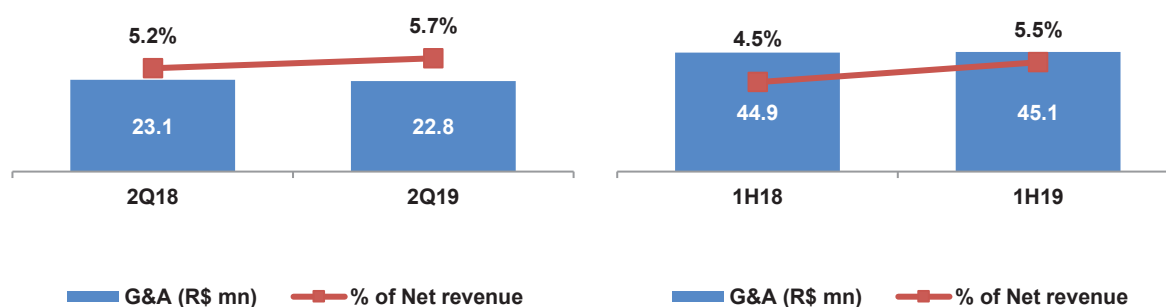
R\$ mn	2Q18	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
Advertising and Marketing (a)	23.8	24.1	1.2%	45.3	41.1	(9.4%)
% of Net revenue	5.3%	6.0%	0.7 p.p.	4.6%	5.0%	0.4 p.p.
Strategic brands project (b)	1.8	1.6	(9.3%)	3.5	3.4	(3.2%)
Total, adjusted (a+b)	25.6	25.7	0.5%	48.8	44.4	(8.9%)
% of Net revenue	5.7%	6.4%	0.7 p.p.	4.9%	5.4%	0.5 p.p.



## General and administrative (G&A) expenses

The year-on-year increase in expenses was lower than inflation, and grew as a percentage of sales revenue from 4.5% to 5.5% in 1H19.

R\$ mn	2Q18	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
G&A	23.1	22.8	(1.3%)	44.9	45.1	0.5%
% of Net revenue	5.2%	5.7%	0.5 p.p.	4.5%	5.5%	1.0 p.p.



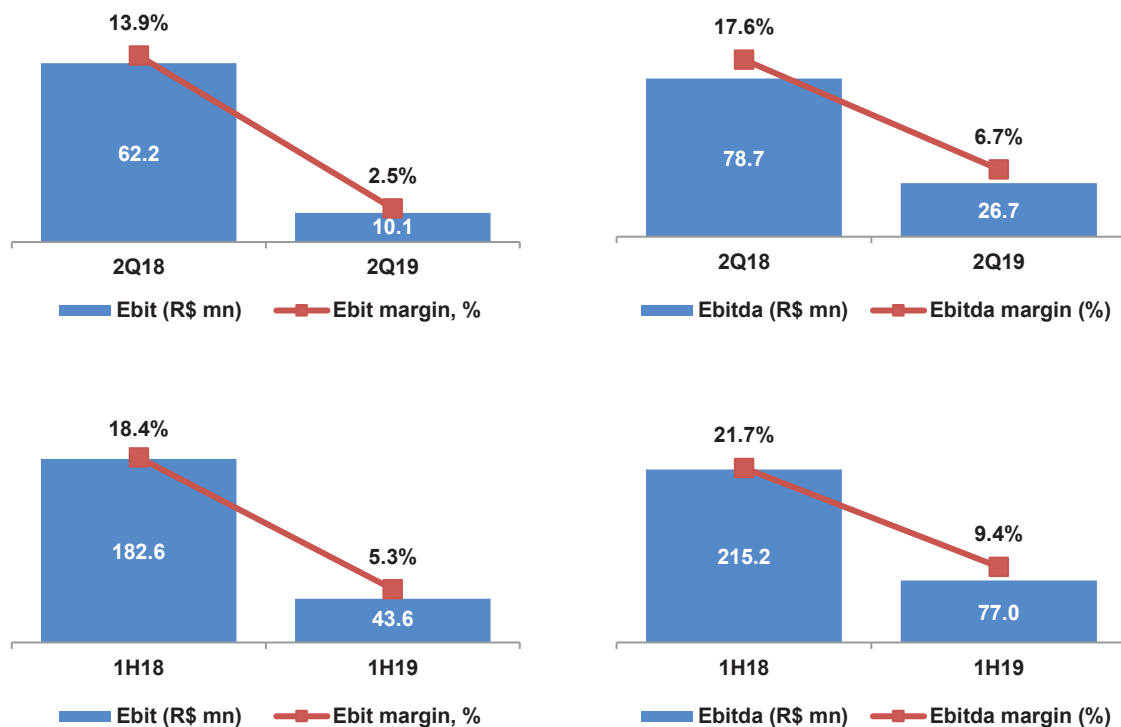
## Ebit and Ebitda

### 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\$ mn	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
<b>Net profit</b>	<b>65,799</b>	<b>41,522</b>	<b>(36.9%)</b>	<b>221,862</b>	<b>118,042</b>	<b>(46.8%)</b>
Taxes on profit	16,131	20,340	26.1%	33,141	28,516	(14.0%)
Net financial revenue (expenses)	(19,762)	(51,786)	162.0%	(72,366)	(102,952)	42.3%
<b>Ebit</b>	<b>62,168</b>	<b>10,076</b>	<b>(83.8)</b>	<b>182,637</b>	<b>43,606</b>	<b>(76.1%)</b>
Depreciation and amortization	16,523	16,659	0.8%	32,559	33,381	2.5%
<b>Ebitda</b>	<b>78,691</b>	<b>26,735</b>	<b>(66.0%)</b>	<b>215,196</b>	<b>76,987</b>	<b>(64.2%)</b>
<b>Ebit margin</b>	<b>13.9%</b>	<b>2.5%</b>	<b>(11.4 p.p.)</b>	<b>18.4%</b>	<b>5.3%</b>	<b>(13.1 p.p.)</b>
<b>Ebitda margin</b>	<b>17.6%</b>	<b>6.7%</b>	<b>(10.9 p.p.)</b>	<b>21.7%</b>	<b>9.4%</b>	<b>(12.3 p.p.)</b>

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



## Ebitda:

Our business is low capital-intensive: depreciation was approximately 3.3% of Net revenue in 1H18, and 4.1% of Net revenue in 1H19. Grendene regularly invests an amount equivalent to its depreciation to keep its production capacity updated. It also maintains positive net cash, and has no interest cost needing to be paid with funds from operations. We thus believe that analyzing Ebit makes more sense as an indicator for management's operational performance.

### Net financial revenue (expenses)

For 1H19 Grendene reports Net financial revenues, of R\$ 103.0mn, as follows:

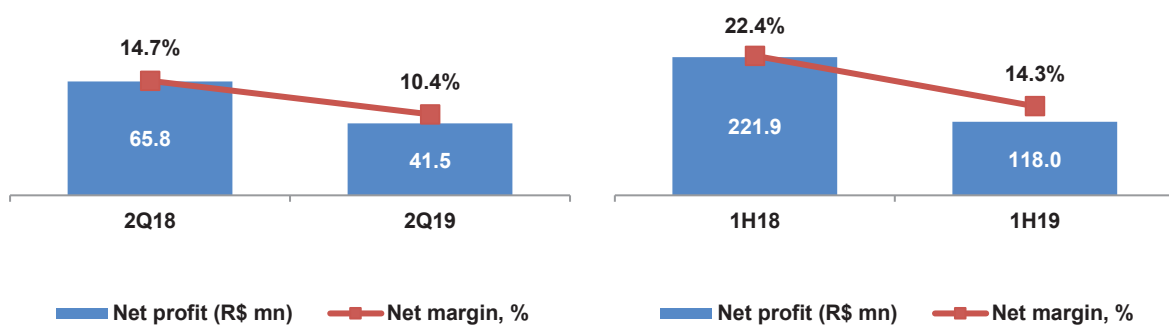
(R\$ mn)	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
Interest received from clients	611	562	(8.0%)	1,120	1,009	(9.9%)
Revenue from cash investments	35,810	42,885	19.8%	69,667	80,524	15.6%
Other financial revenues	1,429	977	(31.6%)	3,301	1,861	(43.6%)
<b>Subtotal</b>	<b>37,850</b>	<b>44,424</b>	<b>17.4%</b>	<b>74,088</b>	<b>83,394</b>	<b>12.6%</b>
Costs of financings	(2,957)	(2,268)	(23.3%)	(5,342)	(4,551)	(14.8%)
Cofins and PIS tax on Financial revenues	(1,849)	(2,084)	12.7%	(3,582)	(3,920)	9.4%
Other financial expenses	(1,045)	(1,541)	47.5%	(2,076)	(2,479)	19.4%
<b>Subtotal</b>	<b>(5,851)</b>	<b>(5,893)</b>	<b>0.7%</b>	<b>(11,000)</b>	<b>(10,950)</b>	<b>(0.5%)</b>
<b>Net financial revenues (expenses) (1)</b>	<b>31,999</b>	<b>38,531</b>	<b>20.4%</b>	<b>63,088</b>	<b>72,444</b>	<b>14.8%</b>
Operational revenue on FX derivatives (B3)	1,607	10,234	536.8%	10,740	25,298	135.5%
Foreign exchange gains	31,113	8,713	(72.0%)	48,285	31,094	(35.6%)
<b>Subtotal</b>	<b>32,720</b>	<b>18,947</b>	<b>(42.1%)</b>	<b>59,025</b>	<b>56,392</b>	<b>(4.5%)</b>
Operational expenses on FX derivatives (B3)	(30,171)	(4,859)	(83.9%)	(34,036)	(14,398)	(57.7%)
FX variation gain / loss	(26,479)	(9,664)	(63.5%)	(44,064)	(32,367)	(26.5%)
<b>Subtotal</b>	<b>(56,650)</b>	<b>(14,523)</b>	<b>(74.4%)</b>	<b>(78,100)</b>	<b>(46,765)</b>	<b>(40.1%)</b>
<b>Net gain (loss) on FX variations (2)</b>	<b>(23,930)</b>	<b>4,424</b>	<b>(118.5%)</b>	<b>(19,075)</b>	<b>9,627</b>	<b>(150.5%)</b>
Adjustments to present value (APV)	11,693	8,831	(24.5%)	28,353	20,881	(26.4%)
<b>Financial result – APV (3)</b>	<b>11,693</b>	<b>8,831</b>	<b>(24.5%)</b>	<b>28,353</b>	<b>20,881</b>	<b>(26.4%)</b>
<b>Net financial revenue (expenses): (1) + (2) + (3)</b>	<b>19,762</b>	<b>51,786</b>	<b>162.0%</b>	<b>72,366</b>	<b>102,952</b>	<b>42.3%</b>

Interest rates (as measured by the average Selic rate) were practically the same in 1H18 and 1H19 (2bp lower).

### Net profit

The YoY fall in net profit in 2Q19, of 36.9%, and in net margin, of 4.3 p.p., were also lower than the same YoY comparisons in 1Q19 – when net profit was 51% lower YoY and net margin was down 10.5 p.p. YoY.

R\$ mn	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
Net profit	65.8	41.5	(36.9%)	221.9	118.0	(46.8%)
Net margin, %	14.7%	10.4%	(4.3 p.p.)	22.4%	14.3%	(8.1 p.p.)



## Capex (fixed and intangible investment)

Our investments in 1H19 were in: maintenance of industrial buildings and facilities; replacement of fixed assets; acquisition of new equipment for modernization of manufacturing plant; and various projects to improve the company's efficiency.

R\$ mn	2Q18	2Q19	Change, %, 2Q18-2Q19	1H18	1H19	Change, %, 1H18-1H19
Capex	17.6	13.4	(21.0%)	37.7	28.5	(24.6%)

## Cash generation and cash flow

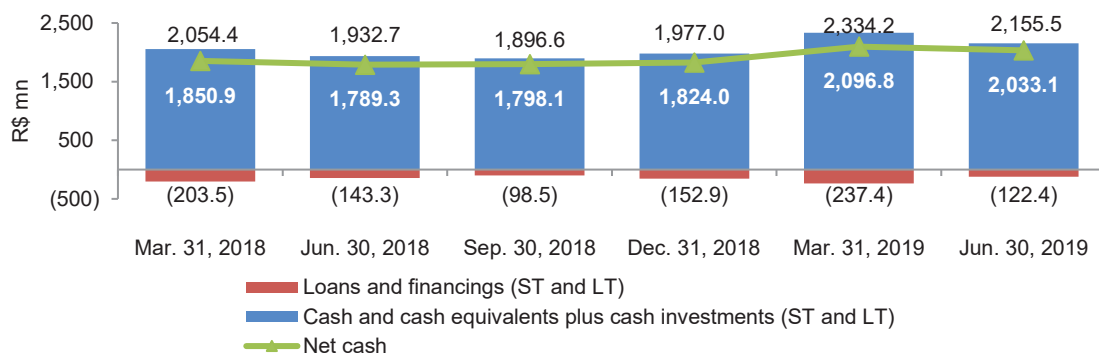
In this first half of 2019 cash generated from operations, totaling R\$ 336.1mn, was allocated for: payment of loans in the net amount of R\$ 35.3mn; investments in PP&E and intangible assets, totaling R\$ 28.5mn; cash investments in the net amount of R\$ 97.1mn; Interest on Equity, and dividends, totaling R\$ 180.2mn; and a net gain of R\$ 6.7mn on sale of treasury shares for exercise of stock options. This resulted in the amount held in current account and very short term cash investments being R\$ 1.3mn higher. The complete cash flow is in Appendix IV.

## Net cash and cash equivalents

Grendene continues to have 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, 2019 totaled R\$ 2.0 billion, or 11.5% more than at December 31, 2018 (R\$ 1.8 billion).

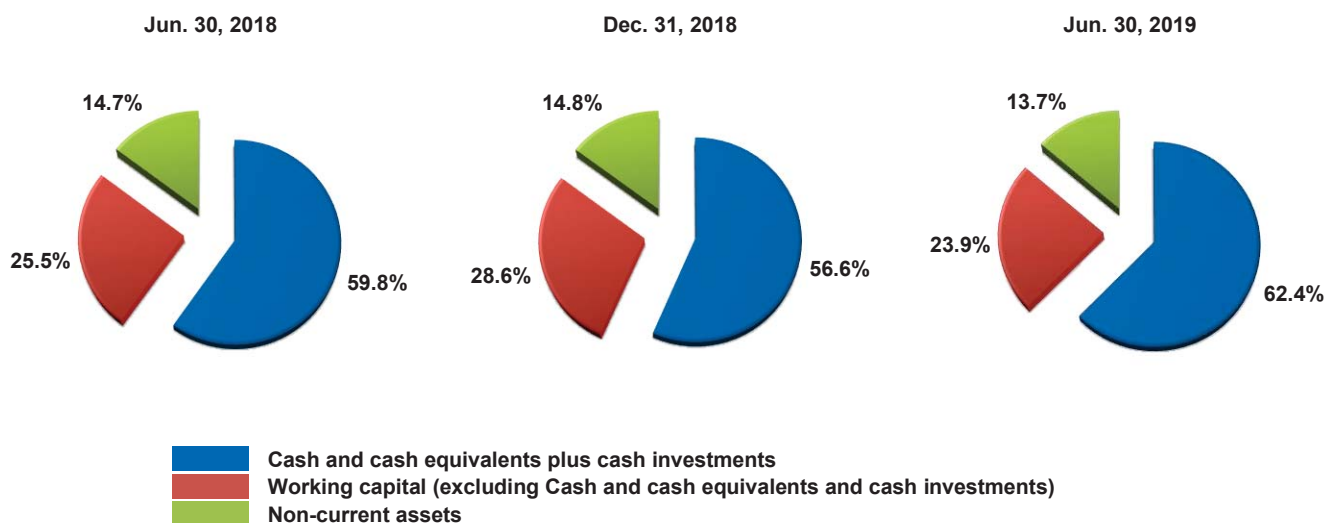
The proportion of 12-month net revenue held in cash and cash equivalents and cash investments increased from 84.7% at Dec. 31, 2018 to 99.6% at June 30, 2019.

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

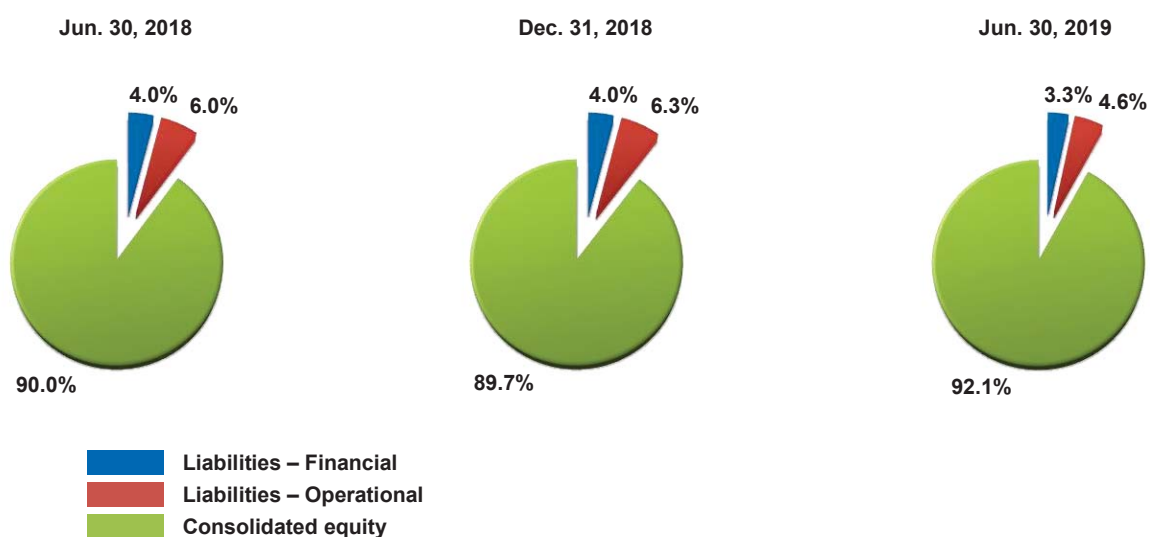


## Structure of Assets and Liabilities; value indicators

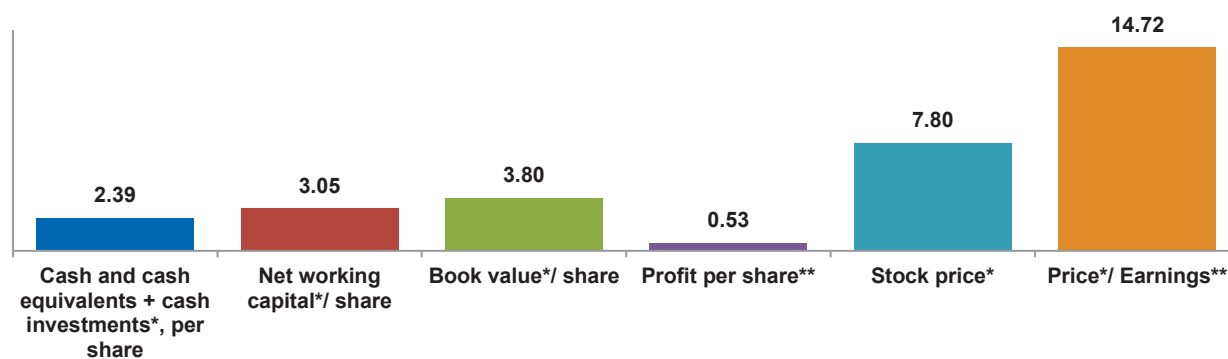
### Assets



### Liabilities: Current and Non-current liabilities



### Value indicators



\* Jun. 30, 2019 / \*\* Last 12 months



## Dividends

In accordance with the Bylaws and under the current dividend policy, established on February 13, 2014 and published in a Material Announcement of that date, management proposes the second distribution of interim dividends, relating to the net profit at June 30, 2019, in the amount of R\$ 15.4 mn– equivalent to R\$ 0.017048561 – per share, to be paid on and after August 21, 2019, *ad referendum* the AGM that approves the accounts for the 2019 business year.

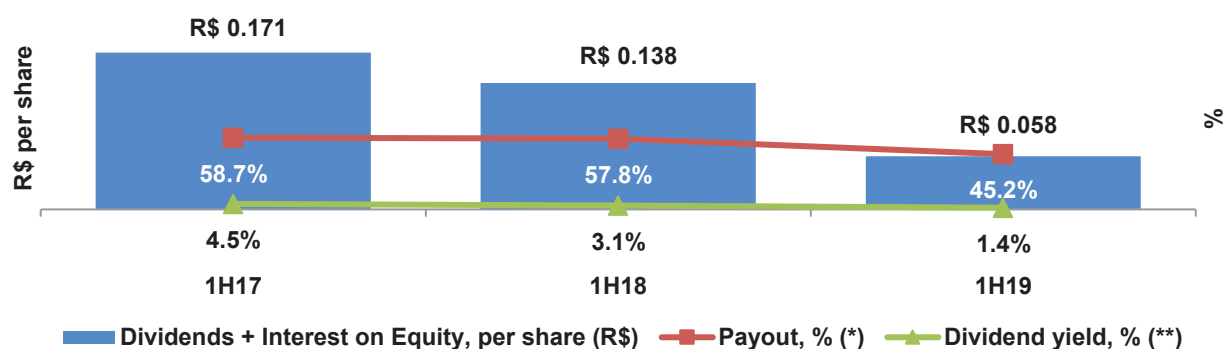
This will be payable to holders of common shares (GRND3) in the Company's records on August 8, 2019 (cut-off date). The shares (GRND3) will trade ex-dividend on the B3 (São Paulo stock exchange) on August 9, 2019.

### Basis for the distribution of dividends<sup>1</sup> – June 30, 2019

Grendene S.A. (Holding company)	R\$
Net profit for the period	118,042,091.36
( – ) Tax Incentives reserve	(63,151,265.06)
<b>Basis for calculation of the Legal reserve</b>	<b>54,890,826.30</b>
( – ) Legal reserve	(2,744,541.32)
<b>Dividend for the profit reported up to June 30, 2019</b>	<b>52,146,284.98</b>
( – ) First distribution of interim dividends	(36,765,755.22)
<b>Balance available for 2nd interim distribution of dividends</b>	<b>15,380,529.76</b>
	<i>Mandatory minimum dividend – 25%</i>
	13,036,571.25
	<i>Dividend proposed in excess of the mandatory minimum dividend</i>
	39,109,713.73

Dividends	Date approved	Ex-date	Date of start of payment	Gross value R\$	Gross value per share R\$	Net value R\$	Net value per share R\$
Dividend <sup>1</sup>	Apr. 25, 2019	May 10, 2019	May 22, 2019	36,765,755.22	0.040753032	36,765,755.22	0.040753032
Dividend <sup>1</sup>	Aug. 1, 2019	Aug. 9, 2019	Aug. 21, 2019	15,380,529.76	0.017048561	15,380,529.76	0.017048561
			<b>Total</b>	<b>52,146,284.98</b>	<b>0.057801593</b>	<b>52,146,284.98</b>	<b>0.057801593</b>

<sup>1</sup> Dividends approved 'ad referendum' the Annual General Meeting of Stockholders that considers the financial statements for the 2019 business year.



(\*) Payout: (Dividend plus net Interest on Equity), divided by (net profit after constitution of the legal reserves).

(\*\*) Dividend yield: (Dividend per share + net Interest on Equity per share in the period) / (weighted average price of the share in the annualized period).

## Corporate events

**Aug. 1, 2019 – Meeting of Board of Directors:** This meeting approved: the financial information for the first quarter of 2019; the second interim dividend based on the profit to June 30, 2019, in the amount of R\$ 15,380,529.76; alterations to the Regulations of the Stock Options Plan; and other items of business.

## Capital markets

In 1H19, the value of Grendene's shares (B3: GRND3) depreciated by 2.5%, when reinvestment of the dividends is included. In the same period the Ibovespa index rose by 14.9%. Average daily trading volume was R\$ 8.2mn (vs. R\$ 7.0mn in 1H18).

This table gives the number of shares traded, financial volume, and average daily trading (Figures are adjusted to reflect the stock split approved at the EGM of April 23, 2018.):

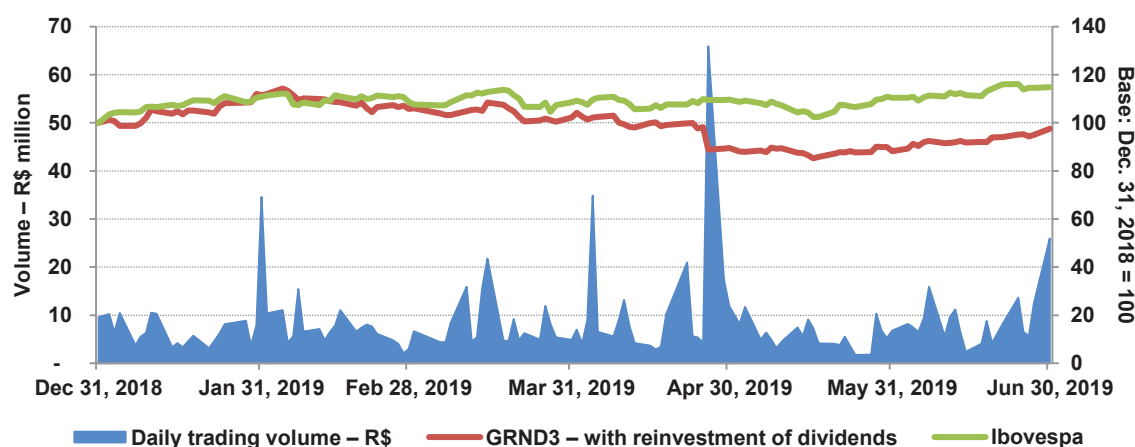
Period	No. of trading sessions	No. of trades	No. of shares	Volume R\$	Price R\$		Average no. of shares		Average volume, R\$	
					Weighted average	Closing	Per trade	Daily	Per trade	Daily
1H18	123	184,261	95,866,300	863,325,324	9.01	7.92	520	779,401	4,685	7,018,905
1H19	122	363,767	125,094,400	1,005,388,291	8.04	7.80	344	1,025,364	2,763	8,240,887

The lowest market price for GRND3 in the 52 weeks to the end of June 2019 was R\$ 6.59, on October 1, 2018 and the high for the 12-month period was R\$ 9.40 on February 5, 2019.

The dividend yield calculated on the basis of the weighted average price of the share in 1H19 was 1.4% p.a. (3.1% p.a. in 1H18).

This chart shows the performance of Grendene ON shares compared to the Ibovespa index (Base: Dec. 31, 2018 = 100), and daily trading volume.

**GRND3 – Daily trading volume and stock price vs. Ibovespa**



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\$ '000)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
Domestic market	506,142	416,469	599,522	645,866	393,527	399,475	(4.1%)	922,611	793,002	(14.0%)
Exports	157,609	127,923	133,271	238,193	121,776	97,669	(23.7%)	285,532	219,445	(23.1%)
Exports (US\$)	48,588	35,479	33,668	62,516	32,296	24,923	(29.8%)	83,374	57,077	(31.5%)
<b>Total</b>	<b>663,751</b>	<b>544,392</b>	<b>732,793</b>	<b>884,059</b>	<b>515,303</b>	<b>497,144</b>	<b>(8.7%)</b>	<b>1,208,143</b>	<b>1,012,447</b>	<b>(16.2%)</b>

Volumes Thousands of pairs	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
Domestic market	29,451	24,705	36,856	41,501	21,608	24,721	0.1%	54,156	46,329	(14.5%)
Exports	10,991	8,256	7,185	14,072	6,920	5,400	(34.6%)	19,247	12,320	(36.0%)
<b>Total</b>	<b>40,442</b>	<b>32,961</b>	<b>44,041</b>	<b>55,573</b>	<b>28,528</b>	<b>30,121</b>	<b>(8.6%)</b>	<b>73,403</b>	<b>58,649</b>	<b>(20.1%)</b>

Gross revenue per pair (R\$)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
Domestic market	17.19	16.86	16.27	15.56	18.21	16.16	(4.2%)	17.04	17.12	0.5%
Exports	14.34	15.49	18.55	16.93	17.60	18.09	16.8%	14.84	17.81	20.0%
Exports (US\$)	4.42	4.30	4.69	4.44	4.67	4.62	7.4%	4.33	4.63	6.9%
<b>Total</b>	<b>16.41</b>	<b>16.52</b>	<b>16.64</b>	<b>15.91</b>	<b>18.06</b>	<b>16.50</b>	<b>(0.1%)</b>	<b>16.46</b>	<b>17.26</b>	<b>4.9%</b>

FX: R\$\$ / US\$	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Change, %, 2Q18–2Q19	1H18	1H19	Change, %, 1H18–1H19
US\$ at end of period	3.3238	3.8558	4.0039	3.8748	3.8967	3.8588	0.1%	3.8558	3.8588	0.1%
Average US\$	3.2438	3.6056	3.9584	3.8101	3.7706	3.9188	8.7%	3.4247	3.8447	12.3%

Gross revenue % of total	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19		1H18	1H19	
Domestic market	76.3%	76.5%	81.8%	73.1%	76.4%	80.4%		76.4%	78.3%	
Exports	23.7%	23.5%	18.2%	26.9%	23.6%	19.6%		23.6%	21.7%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

Volumes % of total	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19		1H18	1H19	
Domestic market	72.8%	75.0%	83.7%	74.7%	75.7%	82.1%		73.8%	79.0%	
Exports	27.2%	25.0%	16.3%	25.3%	24.3%	17.9%		26.2%	21.0%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

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

Assets	Dec. 31, 2018	% of total	Jun. 30, 2019	% of total	% vs. previous
<b>Current</b>	<b>2,930,313</b>	<b>75.9%</b>	<b>3,018,282</b>	<b>81.1%</b>	<b>103.0%</b>
Cash and cash equivalents	16,562	0.4%	17,897	0.5%	108.1%
Cash investments	1,548,914	40.1%	1,907,617	51.2%	123.2%
Accounts receivable from clients	944,214	24.5%	591,455	15.9%	62.6%
Inventories	288,120	7.5%	313,910	8.4%	109.0%
Tax credits	44,361	1.1%	20,622	0.6%	46.5%
Income and Social Contribution taxes recoverable	4,852	0.1%	47,247	1.3%	973.8%
Trade bills receivable	59,560	1.5%	76,537	2.1%	128.5%
Prepaid costs and expenses	7,870	0.2%	8,645	0.2%	109.8%
Other credits	15,860	0.4%	34,352	0.9%	216.6%
<b>Non-current</b>	<b>930,443</b>	<b>24.1%</b>	<b>705,324</b>	<b>18.9%</b>	<b>75.8%</b>
Non-current assets	475,422	12.3%	257,722	6.9%	54.2%
Cash investments	411,482	10.7%	229,998	6.2%	55.9%
Escrow deposits	1,149	-	1,429	-	124.4%
Tax credits	996	-	998	-	100.2%
Deferred income tax and Social Contribution tax	54,899	1.4%	17,673	0.5%	32.2%
Other credits	6,896	0.2%	7,624	0.2%	110.6%
Investments	412	-	412	-	100.0%
Property, plant and equipment	423,746	11.0%	416,049	11.2%	98.2%
Intangible	30,863	0.8%	31,141	0.8%	100.9%
<b>Total assets</b>	<b>3,860,756</b>	<b>100.0%</b>	<b>3,723,606</b>	<b>100.0%</b>	<b>96.4%</b>
Liabilities and Stockholders' equity	Dec. 31, 2018	% of total	Jun. 30, 2019	% of total	% vs. previous
<b>Current</b>	<b>366,909</b>	<b>9.5%</b>	<b>268,462</b>	<b>7.2%</b>	<b>73.2%</b>
Loans and financings	126,313	3.3%	100,249	2.7%	79.4%
Suppliers	42,095	1.1%	31,264	0.8%	74.3%
Contractual obligations – Licenses	17,192	0.4%	13,003	0.3%	75.6%
Commissions payable	45,897	1.2%	28,551	0.8%	62.2%
Taxes	34,836	0.9%	16,064	0.4%	46.1%
Income tax and Social Contribution tax payable	5,946	0.2%	-	-	-
Salaries and related charges payable	71,122	1.8%	67,712	1.8%	95.2%
Provision for employment-law and tax risks	3,512	0.1%	2,429	0.1%	69.2%
Advances from clients	19,436	0.5%	8,057	0.2%	41.5%
Other accounts payable	560	-	1,133	-	202.3%
<b>Non-current</b>	<b>28,805</b>	<b>0.7%</b>	<b>24,328</b>	<b>0.7%</b>	<b>84.5%</b>
Loans and financings	26,614	0.7%	22,183	0.6%	83.4%
Provision for employment-law litigation risk	531	-	672	-	126.6%
Other debits	1,660	-	1,473	-	88.7%
<b>Stockholders' equity</b>	<b>3,465,042</b>	<b>89.8%</b>	<b>3,430,816</b>	<b>92.1%</b>	<b>99.0%</b>
Share capital	1,231,302	31.9%	1,231,302	33.1%	100.0%
Capital reserves	9,109	0.2%	5,065	0.1%	55.6%
Shares in Treasury	(15,565)	(0.4%)	-	-	-
Profit reserves	2,222,040	57.6%	2,161,451	58.0%	97.3%
Retained earnings	-	-	15,381	0.4%	-
Other comprehensive income	18,156	0.5%	17,617	0.5%	97.0%
<b>Total liabilities and Stockholders' equity</b>	<b>3,860,756</b>	<b>100.0%</b>	<b>3,723,606</b>	<b>100.0%</b>	<b>96.4%</b>

### Appendix III – Consolidated Profit and loss account (R\$ '000)

R\$ '000	2Q18	% of net sales	2Q19	% of net sales	Change, % 2Q18–2Q19
Domestic market	416,469	93.4%	399,475	99.9%	(4.1%)
Exports	127,923	28.7%	97,669	24.4%	(23.7%)
<b>Gross revenue from sales and services</b>	<b>544,392</b>	<b>122.0%</b>	<b>497,144</b>	<b>124.3%</b>	<b>(8.7%)</b>
Sales returns and sales taxes	(76,301)	(17.1%)	(78,462)	(19.6%)	2.8%
Discounts given to clients	(21,965)	(4.9%)	(18,870)	(4.7%)	(14.1%)
<b>Deductions from sales</b>	<b>(98,266)</b>	<b>(22.0%)</b>	<b>(97,332)</b>	<b>(24.3%)</b>	<b>(1.0%)</b>
<b>Net sales revenue</b>	<b>446,126</b>	<b>100.0%</b>	<b>399,812</b>	<b>100.0%</b>	<b>(10.4%)</b>
Cost of goods sold	(249,801)	(56.0%)	(244,242)	(61.1%)	(2.2%)
<b>Gross profit</b>	<b>196,325</b>	<b>44.0%</b>	<b>155,570</b>	<b>38.9%</b>	<b>(20.8%)</b>
<b>Operational revenues (expenses)</b>	<b>(134,157)</b>	<b>(30.1%)</b>	<b>(145,494)</b>	<b>(36.4%)</b>	<b>8.5%</b>
Selling expenses	(113,844)	(25.5%)	(124,713)	(31.2%)	9.5%
G&A	(23,131)	(5.2%)	(22,838)	(5.7%)	(1.3%)
Other operational revenues	4,947	1.1%	1,537	0.4%	(68.9%)
Other operational expenses	(2,129)	(0.5%)	520	0.1%	(124.4%)
<b>Profit before fin. revenue (exp.) and taxes (Ebit)</b>	<b>62,168</b>	<b>13.9%</b>	<b>10,076</b>	<b>2.5%</b>	<b>(83.8%)</b>
Financial revenues	82,263	18.4%	72,202	18.1%	(12.2%)
Financial expenses	(62,501)	(14.0%)	(20,416)	(5.1%)	(67.3%)
<b>Net financial revenue (expenses)</b>	<b>19,762</b>	<b>4.4%</b>	<b>51,786</b>	<b>13.0%</b>	<b>162.0%</b>
<b>Pretax profit</b>	<b>81,930</b>	<b>18.4%</b>	<b>61,862</b>	<b>15.5%</b>	<b>(24.5%)</b>
<b>Income tax and Social Contribution tax:</b>					
Current	28,637	6.4%	15,124	3.8%	(47.2%)
Deferred	(44,768)	(10.0%)	(35,464)	(8.9%)	(20.8%)
<b>Net profit for the period</b>	<b>65,799</b>	<b>14.7%</b>	<b>41,522</b>	<b>10.4%</b>	<b>(36.9%)</b>
Depreciation and amortization	16,523	3.7%	16,659	4.2%	0.8%
<b>Ebitda</b>	<b>78,691</b>	<b>17.6%</b>	<b>26,735</b>	<b>6.7%</b>	<b>(66.0%)</b>

R\$ '000	1H18	% of net sales	1H19	% of net sales	Change, % 1H18–1H19
Domestic market	922,611	93.0%	793,002	96.3%	(14.0%)
Exports	285,532	28.8%	219,445	26.7%	(23.1%)
<b>Gross revenue from sales and services</b>	<b>1,208,143</b>	<b>121.8%</b>	<b>1,012,447</b>	<b>123.0%</b>	<b>(16.2%)</b>
Sales returns and sales taxes	(169,682)	(17.1%)	(150,163)	(18.2%)	(11.5%)
Discounts given to clients	(46,521)	(4.7%)	(39,208)	(4.8%)	(15.7%)
<b>Deductions from sales</b>	<b>(216,203)</b>	<b>(21.8%)</b>	<b>(189,371)</b>	<b>(23.0%)</b>	<b>(12.4%)</b>
<b>Net sales revenue</b>	<b>991,940</b>	<b>100.0%</b>	<b>823,076</b>	<b>100.0%</b>	<b>(17.0%)</b>
Cost of goods sold	(536,436)	(54.1%)	(495,030)	(60.1%)	(7.7%)
<b>Gross profit</b>	<b>455,504</b>	<b>45.9%</b>	<b>328,046</b>	<b>39.9%</b>	<b>(28.0%)</b>
<b>Operational revenues (expenses)</b>	<b>(272,867)</b>	<b>(27.5%)</b>	<b>(284,440)</b>	<b>(34.6%)</b>	<b>4.2%</b>
Selling expenses	(228,128)	(23.0%)	(227,143)	(27.6%)	(0.4%)
G&A	(44,916)	(4.5%)	(45,132)	(5.5%)	0.5%
Other operational revenues	6,993	0.7%	2,697	0.3%	(61.4%)
Other operational expenses	(6,816)	(0.7%)	(14,862)	(1.8%)	118.0%
<b>Profit before fin. revenue (exp.) and taxes (Ebit)</b>	<b>182,637</b>	<b>18.4%</b>	<b>43,606</b>	<b>5.3%</b>	<b>(76.1%)</b>
Financial revenues	161,466	16.3%	160,667	19.5%	(0.5%)
Financial expenses	(89,100)	(9.0%)	(57,715)	(7.0%)	(35.2%)
<b>Net financial revenue (expenses)</b>	<b>72,366</b>	<b>7.3%</b>	<b>102,952</b>	<b>12.5%</b>	<b>42.3%</b>
<b>Pretax profit</b>	<b>255,003</b>	<b>25.7%</b>	<b>146,558</b>	<b>17.8%</b>	<b>(42.5%)</b>
<b>Income tax and Social Contribution tax:</b>					
Current	13,328	1.3%	8,710	1.1%	(34.6%)
Deferred	(46,469)	(4.7%)	(37,226)	(4.5%)	(19.9%)
<b>Net profit for the period</b>	<b>221,862</b>	<b>22.4%</b>	<b>118,042</b>	<b>14.3%</b>	<b>(46.8%)</b>
Depreciation and amortization	32,559	3.3%	33,381	4.1%	2.5%
<b>Ebitda</b>	<b>215,196</b>	<b>21.7%</b>	<b>76,987</b>	<b>9.4%</b>	<b>(64.2%)</b>

**Appendix IV – Consolidated Statement of cash flow (R\$ '000)**

Statements of cash flow	Jun. 30, 2018	Jun. 30, 2019
<b>Cash flow from operations</b>		
Net profit for the period	221,862	118,042
<b>Adjustments reconciling profit to cash from operations</b>		
Depreciation and amortization	32,559	33,381
Deferred income tax and Social Contribution tax	46,469	37,226
PP&E and Intangible – residual value after write-down	2,657	2,285
Stock options plan	3,301	2,311
Items reducing Accounts receivable from clients	(17,974)	(4,791)
Provision for obsolete inventory	(199)	(1,815)
Provision for employment-law, tax, and third-party risks	1,554	(942)
Interest expenses on financing	917	792
Interest revenue on cash investments	(69,068)	(79,770)
FX variations, net	28,701	3,674
	<b>250,779</b>	<b>110,393</b>
Variations in assets and liabilities:		
Accounts receivable from clients	243,336	357,550
Inventories	(54,479)	(23,975)
Other accounts payable	(37,149)	(55,910)
Suppliers	(1,125)	(10,831)
Salaries and related charges payable	17,445	(3,410)
Taxes	1,019	728
Income tax and Social Contribution tax payable	(6,400)	(5,946)
Advances from clients	(6,860)	(11,379)
Other accounts payable	(9,306)	(21,149)
<b>Net cash from operational activities</b>	<b>397,260</b>	<b>336,071</b>
Cash flow from investment:		
Acquisitions of fixed and intangible assets	(37,742)	(28,464)
Cash investments	(2,041,360)	(1,535,084)
Redemption of cash investments	1,868,959	1,397,346
Interest received	80,021	40,289
<b>Net cash flow used in investment activities</b>	<b>(130,122)</b>	<b>(125,913)</b>
Cash flow in financing activities:		
Loans obtained	250,044	194,563
Payment of loans	(256,322)	(229,250)
Interest paid	(818)	(596)
Dividends paid	(110,361)	(50,200)
Interest on Equity paid	(130,000)	(130,000)
Acquisition of treasury shares	(35,148)	-
Sale of treasury shares: exercise of stock options	6,050	6,660
<b>Net cash used in financing activities</b>	<b>(276,555)</b>	<b>(208,823)</b>
<b>Reduction / increase in cash and cash equivalents</b>	<b>(9,417)</b>	<b>1,335</b>
Initial balance of Cash and cash equivalents	30,119	16,562
Final balance of Cash and cash equivalents	20,702	17,897