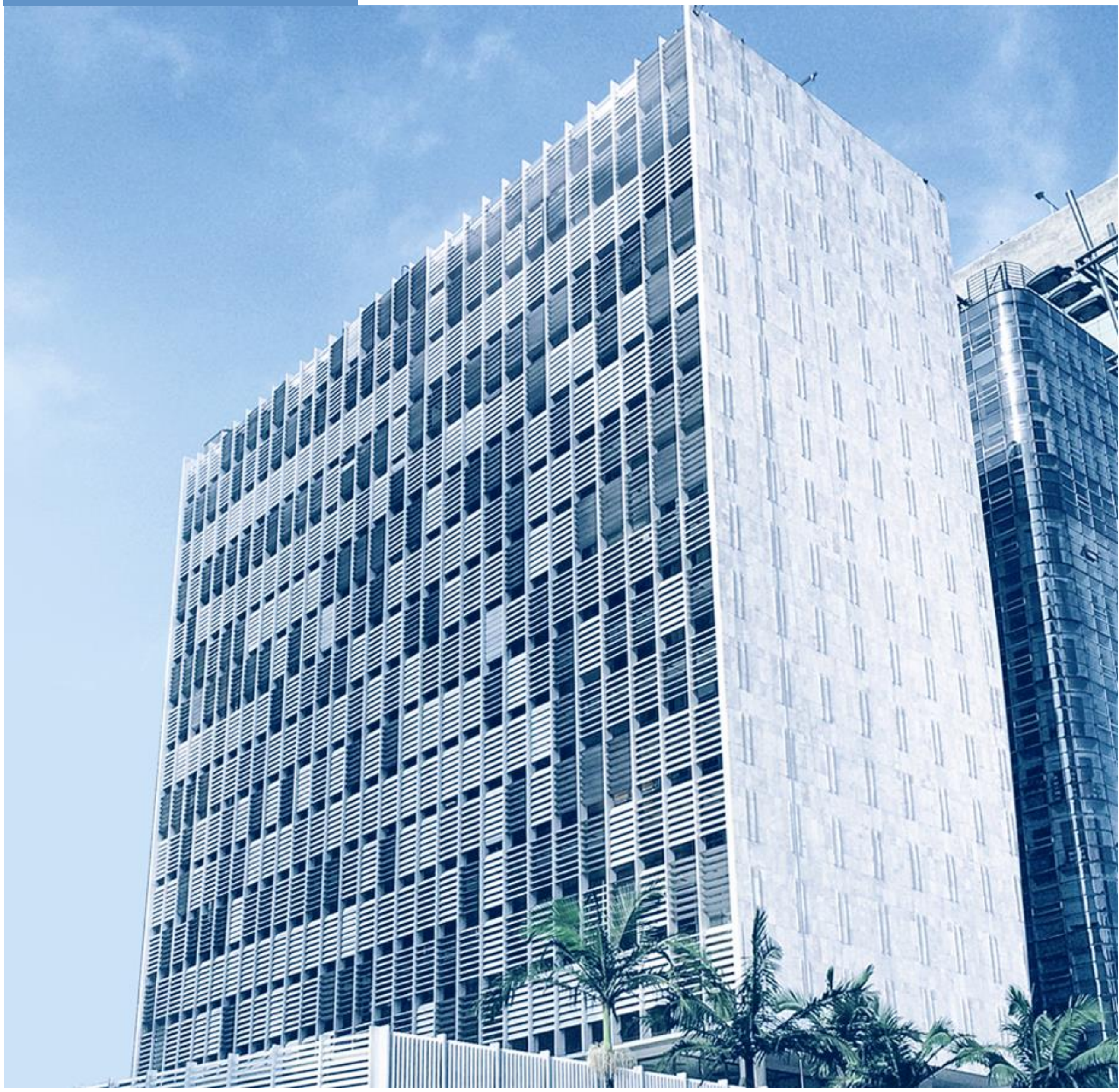
ITAÚSA



Itaúsa Headquarters| Paulista Avenue – São Paulo

Management Report

3rd quarter of 2020 | 3Q20

Management Report

We present the Management Report and the individual and consolidated Financial Statements of Itaúsa S.A. (Itaúsa) for the third quarter of 2020 (3Q20). These 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 audited 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

In line with a dynamic similar to other emerging and developed economies, Brazil has provided indicators that pointing out to a slight economic recovery from the most critical point of the recent crisis caused by the Covid-19 pandemic, even though this trend has not yet been noted in the sectors most directly impacted by social distancing measures. However, a scenario of income recovery, through the gradual resumption of activities and government stimulus, combined with the uncertainties in connection with economy growth, the evolution of the Covid-19 pandemic and declining tax stimulus, has generated greater volatility in the business environment in the short-term.

Against this backdrop, our group's companies and as a result Itaúsa proceed to depict the developments of the crisis and the impacts of stimulus and other measures adopted by the Brazilian government on operations over the third quarter of 2020. Accordingly, an improvement could be noted in the operational performance of most of our investees, such as Alpargatas and Duratex, which outperformed in terms of sales volumes, margins and results of operations by recording the 3rd best quarter of the history of both companies. These companies' industrial plants are operating at full capacity, which has led to a greater dilution of fixed costs. Another highlight goes to online sales, which remain robust in spite of the re-opening of physical sales channels, thus evidencing that the trend to value such channel should proceed.

A slower recovery can be noted in the financial sector, with financial margins squeezed by the current level of the basic interest rate (Selic), in addition to the impacts from the significant volume of renegotiations, with more favorable conditions to clients, achieved since the outset of the pandemic. On the other hand, significant improvements are noted as Itaú Unibanco became even more efficient by combining the closure of physical branches and remarkable investments in technology, as a result of lower non-interest expenses, which in the first nine months of 2020 were lower on a year-on-year basis, even with the adverse exchange variation effect on foreign investment expenses.

Itaúsa once again underscores its commitment to seek to maximize return to stockholders by an efficient capital management, which is expressed by guiding investees towards improved savings of costs and expenses, margin gains, technology investments and digital transformation, as well as ensuring our employees' health and wellbeing. This all can be illustrated by the recent disclosure of the succession process of Itaú Unibanco's CEO. Milton Maluhy Filho has been elected to take over Candido Bracher, who will reach the age limit of 62 years this coming December 2020. Mr. Bracher, who will resume his position at Itaú Unibanco's Board of Directors in 2021, leaves his mark in the company's history in a number of fronts, particularly in the renewed client focus, already consolidated in the Company, and will remain as a key hallmark in Itaú Unibanco's history.

The last highlight goes to the headway made by the assessment process of the Acquiring Group's acquisition of Liquigás, merged into by Itaúsa and other companies, with the approval of such transaction receiving the favorable recommendation of the General Superintendency of CADE, the Brazilian antitrust authority, on October 6, 2020. This will be followed by the assessment of the CADE's court, which will have to state its final position within 60 days from the aforementioned approval.

2. Itaúsa Highlights

Itaúsa Panorama – Value beyond the numbers

On September 23, 2020, Itaúsa held the 20th edition of its annual public meeting with the support of the Association of Capital Market Analysts and Professionals (APIMEC/SP), which was fully digital for the first time ever. This so-called Itaúsa Panorama – Value beyond the numbers ("*Panorama Itaúsa - Valores além dos números*") edition, featuring Itaúsa's executives and the CEOs of the group's companies, addressed the strategies and future prospects of the holding company and investees, in addition to holding debates on the current and future economic scenario with interactions between the hosts and the audience, which was made up of tens of thousands of attendees.

The *replay* of this event is available on our YouTube channel. Take advantage and register to follow Itaúsa's publications at: https: //www.youtube.com/channel/UCH9F6ENQY5STOX-WOIdk_hw.

Itaúsa is among the world's best companies to work for

On October 15, 2020, Forbes published its annual list of the best companies to work for in 2020. In partnership with Statis, this ranking surveyed 160,000 employees from 58 countries and mainly inquired about the attitude of each company in the face of the Covid-19 crisis, talent development, gender equality, and social responsibility. This ranking comprises 750 companies, of which only seven are from Brazil, with Itaúsa ranked 2nd among these seven (and 358th in the general ranking).

Itaúsa, Itaú Unibanco, Duratex, and Alpargatas make up the S&P/B3 Brasil ESG index

B3 and S&P Dow Jones, the world's largest index provider, jointly launched the S&P/B3 Brasil ESG index. Launched on September 8, 2020, this index adopts criteria based on environmental, social and governance (ESG) practices and is aimed at measuring the performance of companies' securities adhering to such criteria to select companies for its portfolio. Made up of 96 companies listed on the B3, Itaúsa, Itaú Unibanco, Duratex and Alpargatas are currently ranked 4th, 5th, 28th and 42nd index-weighted assets, respectively. The launch of this index widens the range of investments recommended in sustainable companies in Brazil and strengthens Itaúsa's commitment to its sustainability strategy and ongoing search for an active engagement in this topic.

Subsequent Event

Corporate Restructuring of Itaú Unibanco involving the investment in XP Inc.

As announced in the Material Fact published on November 04, 2020, Itaú Unibanco, Itaúsa's largest investee, has been keeping internal discussions on the future of its investment in XP Inc., and it is analysing the possibility of segregating this business line into a new company, named "Newco" for the time being, by carrying out a spin-off.

If this transaction is carried out, Newco would be a publicly-held company listed on stock exchange and a signatory to the current XP Shareholders' Agreement with Itaú Unibanco, whose only asset would be the shares Itaú holds of XP's capital (41.05% of XP Inc.'s capital), and would, initially, have the same stockholders as the Bank's.

Itaúsa does not intend to dispose of a significant ownership interest in Newco in the short term and will remain aligned with XP's strategy. According to Itaúsa's portfolio diversification strategy applied to its investments in companies of the non-financial sector, Itaúsa does not deem this interest as strategic in the long term, with this asset being subject to assessments in the scope of its portfolio monitoring process.

According to Itaú Unibanco, this move should be carried out in 2021 only. Therefore, this transaction should not have effects on Itaúsa's results in this fiscal year.

For this Material Fact in full, please access: http://www.itausa.com.br/en/announcements-and-minutes/material-facts

3. Itaúsa's 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 its individual results are shown in the table below:

	9M20	9M19	Change	**9/30/2020**	9/30/2019	Change
PROFITABILITY (1)						
Net income	**3,394**	6,862	-50.5%	**0.40**	0.82	-50.5%
Recurring net income	**4,488**	7,192	-37.6%	**0.53**	0.86	-37.6%
Return on Equity (annualized)	**8.4%**	17.4%	- 9.0 p.p.			
Recurring Return on Equity (annualized)	**11.2%**	18.3%	- 7.1 p.p.			
BALANCE SHEET (1) (2)						
Total assets	**58,078**	55,509	4.6%			
Stockholders' equity	**54,493**	52,130	4.5%	**6.48**	6.20	4.5%
CAPITAL MARKET						
Market Value (3)	**74,015**	110,855	-33.2%			
Average Daily Traded Volume (ADTV) on B3 (4)	**308**	292	5.5%			

(1) Amounts attributable to controlling stockholders.

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

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

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

Pro Forma Individual Result of Itaúsa[1]

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	3Q20		3Q19		Δ%	9M20		9M19		Δ%
INVESTEES' RESULTS IN ITAÚSA	**2,035**	**100%**	**2,570**	**99%**	***-20.8%***	**4,790**	**104%**	**7,615**	**110.5%**	***-37.1%***
FINANCIAL SECTOR	1,895	93%	2,471	96%	*-23.3%*	4,650	97%	**7,322**	**96.2%**	***-36.5%***
NON-FINANCIAL SECTOR	141	7%	105	3%	*34.3%*	143	7%	**304**	**14.9%**	***-52.9%***
ALPARGATAS	28		25		*12.0%*	53	3%	57	*2.8%*	*-7.0%*
DURATEX	64		11		*481.8%*	90	4%	44	*2.2%*	*104.5%*
NTS (2)	49		69		*-29.0%*	-	0%	203	*10.0%*	*-100.0%*
OTHER COMPANIES	(1)	0%	(6)	0%	*-83.3%*	(3)	0%	(11)	*-0.5%*	-
RESULTS OF ITAÚSA	**(52)**		**(48)**		***8.3%***	**(303)**		**(378)**		***-19.8%***
FINANCIAL INCOME / EXPENSES	(3)		(15)		*-80.0%*	(22)		(36)		*-38.9%*
ADMINISTRATIVE EXPENSES	(33)		(31)		*6.5%*	(95)		(93)		*2.2%*
TAX EXPENSES	(18)		(3)		*500.0%*	(190)		(252)		*-24.6%*
OTHER OPERATING REVENUES	2		1		-	4		3		*33.3%*
INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION	**1,983**		**2,522**		***-21.4%***	**4,487**		**7,237**		***-38.0%***
INCOME TAX / SOCIAL CONTRIBUTION (3)	(8)		(21)		*-61.9%*	1		(44)		-
RECURRING INDIVIDUAL NET INCOME	**1,975**		**2,501**		***-21.0%***	**4,488**		**7,193**		***-37.6%***
NON-RECURRING RESULTS	**(191)**		**(560)**		**-**	**(1,094)**		**(331)**		***230.5%***
ITAÚSA'S RESULTS	(3)		-		-	(53)		28		*-289.3%*
FINANCIAL SECTOR	(136)		(533)		-	(907)		(324)		*179.9%*
NON FINANCIAL SECTOR	(52)		(27)		-	(134)		(35)		*282.9%*
NET INCOME	**3,568**		**3,882**		***-8.1%***	**6,788**		**13,723**		***-50.5%***

(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 3Q20 totaled R$2,035 million, down 21% on a year-on-year basis, and was mainly driven by the performance below par of **Itaú Unibanco**'s results, which was adversely impacted by higher expected loan losses in connection with the change in the macroeconomic scenario (Covid-19) and lower interest margin, in spite of being partially offset by more controlled general and administrative expenses. Investees from the consumer goods and civil construction segments performed well, recording the 3rd best quarter of each company's history ever. **Alpargatas** recorded growth in its Brazil and International operations (+17.8% in revenue and 9.6% in volume), with better performance in the different channels, which was partially offset by the lower contribution from ex-Havaianas operations. **Duratex** also recorded a significant increase in sales in all its Divisions, together with productivity gains from improved asset management, combined with greater efficiency in costs and expenses and the full consolidation of Cecrisa's and Ceusa's results. At last, the results recorded in Itaúsa arising from the investment in **NTS** were adversely impacted mainly by the lower appreciation of the fair value in 3Q20 on a year-on-year basis.

Equity in the Earnings of Investees in 3Q20 was affected by relevant non-recurring events, which totaled a negative result of R$191 million. Noteworthy were the expense on extraordinary mark-to-market of collateralized securities at Itaú Unibanco, the effect of expenses on provisions for restructuring and write-off of assets arising from the disposal of Mizuno operations and financial expenses in connection with the prepayment of the extraordinary funding raised at the onset of the pandemic to increase liquidity at Alpargatas, expenses on the dissolving wood pulp (DWP) project, and provision for contingencies at Duratex.

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$33 million in 3Q20, up 6.5% on a year-on-year basis, mainly driven by higher expenses on monetary adjustment of insurance and bank guarantees offered in lawsuits and the share bookkeeping service, arising from the 184% increase in the stockholder base over the prior 12 months (see section "Capital Markets" below).

Tax expenses totaled R$18 million in 3Q20, arising from PIS/COFINS expenses on interest on capital received from Itaú Unibanco, up R$16 million on a year-on-year basis when no interest on income was received from investees.

Finance Result totaled R$3 million in expenses in 3Q20, down 80% 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$1,784 million in the quarter, down 8% on a year-on-year basis, arising from lower equity in the earnings of Itaú Unibanco, the reasons for which were mentioned above, and non-recurring effects highlighted below. Recurring net income was R$1,975 million, down 21% on a year-on-year basis.

Reconciliation of Recurring Net Income

	3Q20	3Q19	9M20	9M19
Recurring Net income	**1,975**	**2,501**	**4,488**	**7,193**
Addition/(Exclusion) of Non-Recurring Effects D = (A + B + C)	**(191)**	**(560)**	**(1,094)**	**(331)**
Own (A)	**(3)**	**-**	**(53)**	**28**
Donation to the Program "Todos pela Saúde"	-	-	(50)	-
Disposal of interest in Itaú Unibanco Centro Empresarial	-	-	-	28
Others	(3)	-	(3)	-
Arising from Ownership Interest in the Financial Sector (B)	**(136)**	**(533)**	**(907)**	**(324)**
Change of treasury shares	-	2	130	214
Itaú Corpbanca Goodwill Impairment	-	-	(543)	-
Donation to the Program "Todos pela Saúde"	(5)	-	(317)	-
Mark to Market of Collateralized Securities	(129)	-	(243)	-
Others	(2)	(535)	66	(538)
Arising from Ownership Interest in the Non-Financial Sector (C)	**(52)**	**(27)**	**(134)**	**(35)**
Alpargatas	(34)	(26)	(100)	(35)
Duratex	(18)	(1)	(34)	-
Net Income	**1,784**	**1,941**	**3,394**	**6,862**

Main Indicators of Itaúsa Conglomerate Companies

We present below the main indicators of Itaúsa Conglomerate companies, based on the Consolidated Financial Statements under IFRS.

	January to September	Itaú	ALPARGATAS	Duratex
Operating revenues (1)	**2020**	**124,838**	**2,262**	**3,986**
	2019	144,127	2,282	3,526
Net income (2)	**2020**	**9,914**	**86**	**152**
	2019	18,439	156	121
Recurring Net Income (4)	**2020**	**12,687**	**246**	**247**
	2019	19,877	249	119
Stockholders' equity (2)	**2020**	**135,825**	**2,882**	**4,879**
	2019	129,380	2,535	4,765
Annualized return on average equity (%) (2) (3)	**2020**	**10.1%**	**4.1%**	**4.2%**
	2019	19.9%	8.5%	3.4%
Annualized recurring return on average equity (%) (3) (4)	**2020**	**12.8%**	**11.8%**	**6.8%**
	2019	21.4%	13.6%	3.4%
Internal fund generation (5)	**2020**	**64,636**	**127**	**853**
	2019	2,358	323	752
Interest of Itaúsa in companies (6) (7)	**2020**	**37.4%**	**29.2%**	**36.6%**
	2019	37.5%	28.8%	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 ((Sep'20 + Jun'20 + Mar'20 + Dec'19)/4).

(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 third quarter of 2020 at R$8.80, down 9.7% in the period, when adjusted by dividends and interest on capital, whereas Ibovespa, B3's main index, decreased by 1.7% in the same period. In the last 12 months, Itaúsa's shares adjusted by dividends and interest on capital and Ibovespa index have dropped by 30.2% and 9.7%, respectively.

The daily average financial volume of Itaúsa's preferred shares traded in the third quarter of 2020 was R$274 million, with an average of 34,000 daily trades, up 6.4% and 30.8%, respectively, on a year-on-year basis.

A broader stockholder base

On September 30, 2020, Itaúsa had 900,000 stockholders (of which 99.5% individual stockholders), up 184% on a year-on-year basis.

Return to stockholders

On August 26, 2020, Itaúsa paid to stockholders additional dividends, in the amount of R$0.02, based on the stockholding position on August 17, 2020.

Investors who remained as stockholders for the last 12-month period ended September 30, 2020 were entitled to receive R$0.5493 per share as earnings paid/declared (gross), which, divided by the share quoted on September 30, 2020, resulted in a 6.2% 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 mandatory 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 drop, which would also lead to a 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 or fair values of the parts that compose the holding company's investments ("sum of the parts").

Market capitalization on September 30, 2020, based on the price of the most liquid share (ITSA4), was R$74.0 billion, whereas the sum of interests in investees at market value totaled R$93.2 billion, resulting in a 20.6% discount, up 230 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. In spite of the discount reduction in the last years, driven by the improvement in some of these factors and a better market perception of the foundations that justify it, Itaúsa's management believes that the current level still does not reflect the proper indicator level.

The Investor Relations department discloses information about the discount on a monthly basis. To receive it, please register on http://www.itausa.com.br/en/e-mail-alert.

5. Comments on the Performance of Investees

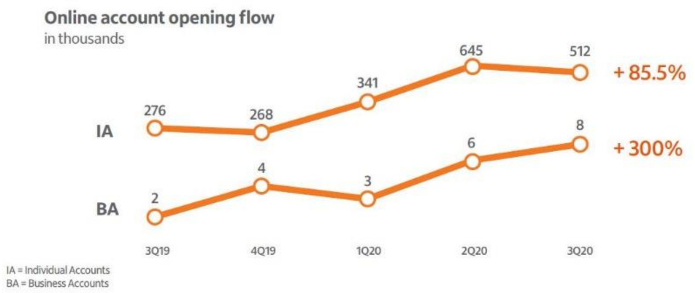
Itaú Unibanco Holding S.A.

Highlights of Operations

Continuous focus on digital transformation

The digital transformation front keeps evolving supported by the 39% increase in technology investments (training hours) from September 2019, decentralized governance of these funds, higher autonomy of business departments and expansion of the working model based on "communities". As an example, since the beginning of 2019, Itaú Unibanco has hired technology specialists as well as having acquired ZUP, a benchmark company in digital transformation and that has fostered the development of this industry.

In the third quarter of 2020, 512,000 individual accounts and 8,000 companies accounts were opened through digital channel, up 85.5% and 300%, respectively on a year-on-year basis, as shown on the chart on this page.



Credit line offering in partnership with the government

In the third quarter of 2020, continuing with the actions jointly carried out with the government, R$16.4 billion was provided to over 58,000 companies under the scope of the National Support Program for Micro and Small Businesses (Pronampe) and the Investment Guarantee Fund (FGI BNDES). Additionally, credit line provided for payroll expenses of very small, small and middle-market companies reached R$2.1 billion in the same period.

Amazon Plan

Together with Brazil's two largest private banks, in July 2020 Itaú Unibanco unveiled an integrated plan aimed at effectively contributing to the sustainable development of the Amazon region. This plan includes ten measures designed based on ten work fronts deemed priority to the region: environmental preservation and bioeconomy development, sustainable infrastructure investments, and guarantee of basic rights for the Amazon region population.

Itaú Asset Management launches the "*Itaú Momento ESG*" (Itaú ESG Moment) Fund and ramps up its engagement with ESG issues

Focused on variable income and active management, the company assessment and selection process of this fund includes sustainability issues aimed at long-term return. This shows once more Itaú Asset's engagement to constantly seek responsible investment practices, which nowadays include ESG (environmental, social and governance) issues when assessing over 95% of the R$741 billion assets under management.

Results

Net income totaled R$ 4.7 billion in 3Q20, down 8.4% on a year-on-year basis, mainly driven by a 6.0% decrease in operating revenues.

Main factors leading to this result are as follows:

R$ million (except where indicated)	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Operating Revenues[2]	28,114	29,913	-6.0%	82,823	86,818	-4.6%
Net Income[1]	4,732	5,165	-8.4%	9,914	18,439	-46.2%
Recurring Net Income[1]	5,095	6,595	-22.7%	12,687	19,877	-36.2%
ROE	14.2%	16.4%	- 2.2 p.p.	10.1%	19.9%	- 9.8 p.p.
Recurring ROE	15.2%	20.9%	- 0.3 p.p.	12.8%	21.4%	- 8.6 p.p.
Loan Portfolio[3]	850,191	706,594	20.3%	850,191	706,594	20.3%

I. An 8.8% decrease in **Interest Income**, driven by lower interest rate and spread due to the change in the mix of retail products, with lower use of revolving credit lines and consumer credit and higher use of installment credit with better terms and rates, partially offset by lower financial expenses and increased loan portfolio; and

II. A 1.6% decrease in **Commissions and Fees and Result of Insurance Operations**, mainly driven by a13.4% decrease in revenues from credit and debit cards, driven by lower volume of transactions due to the social distancing measures, partially offset by a 32.7% growth in revenues from advisory and brokerage services, in a scenario of capital markets recovery.

Expected Loss on Financial Assets and Claims increased by R$1,063 million on a year-on-year basis, mainly driven by higher expected loan losses due to the worsening of the macroeconomic scenario as a result of the Covid-19 pandemic and its impacts on the financial prospects of customers.

General and Administrative Expenses were down 14.9% in the third quarter of 2020, mainly driven by the voluntary severance program held in the second half of 2019, which negatively impacted expenses in 3Q19 by R$2.4 billion. Excluding this non-recurring event, general and administrative expenses were down 0.6%, mainly driven by the closure of physical branches, which reduced fixed costs and personnel expenses, and by lower profit sharing expenses. These effects were partially offset by higher personnel expenses in connection with the effects of the collective bargaining agreement of September 2020.

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 business soundness. At the end of September 2020, Tier I capital ratio was at 12.4%, above the minimum required by the Central Bank of Brazil (8.25%).

For further information on Itaú Unibanco's results, please access: www.itau.com.br/relacoes-com-investidores

[1]Attributable to the controlling stockholder.
[2]Adjusted to tax effects on hedge investments for foreign investments.
[3]Loan portfolio with financial guarantees provided and corporate securities.

ALPARGATAS

Highlights of Operations

In Brazil, the easing of social distancing measures, with the opening of trading activities and the consequent resumption of the pace of activities has resulted in a significant increase in sales and the best 3rd quarter ever in Alpargatas' history. All sales channels have performed well and the digitalization strategy has been proved right, as evidenced by the continuous increase in online sales over the quarter, in spite of the partial sales resumption at physical stores.

Good cash generation in the quarter enabled Alpargatas to repay in advance loans raised at the onset of the pandemic to strengthen the Company's liquidity in a hypothetical scenario of extreme cash-flow stress. Liquidity remained strong with a cash position of R$2.0 billion at the end of the quarter.

With regard to capital allocation and in line with Alpargatas' strategic planning (global, digital, innovative and sustainable expansion), at the end of September 2020 an agreement for the sale of total Mizuno brand operations in Brazil was executed, a deal appraised at approximately R$200 million (the completion of this transaction is subject to compliance with certain conditions precedent). This transaction resulted in non-recurring effects to the Company in the 3Q20, as follows.

Results

R$ million (except where indicated)	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Net Revenue	943.5	800.6	17.8%	2,261.8	2,282.0	-0.9%
EBITDA	141.1	133.4	5.8%	282.0	375.7	-24.9%
Net Income[4]	5.0	66.0	-92.4%	86.0	156.0	-44.9%
Recurring Net Income[5]	122.0	104.0	17.3%	246.0	249.0	-1.2%
ROE[4]	0.7%	10.8%	- 10.1 p.p.	4.1%	8.5%	- 4.4 p.p.
Recurring ROE[5]	17.5%	17.0%	0.5 p.p.	11.8%	13.6%	- 1.8 p.p.

Consolidated net revenue was up 17.8% in 3Q20, totaling R$943.5 million, driven by increased sales volume of Havaianas in Brazil, EMEIA (Europe, the Middle East, India, and Africa), NA&C (North America and the Caribbean Islands) and China, boosted by the brand power, operating performance of the supply chain and Revenue Growth Management (RGM). In the foreign market, foreign exchange variation in the period far outweighed the drop in total sales volume, which led to a 33.3% increase in net revenue on a year-on-year basis.

In 3Q20, net revenue of Brazil operations reached R$727 million, up 14% on a year-on-year basis, mainly driven by the higher volume of Havaianas brand, partially due to less stringent social distancing rules and better performance in the different channels, a result of RGM actions, which contributed to the best 3rd quarter of the Company's history. Additionally, in September 2020, the brand franchises recorded their best month since the onset of the pandemic, and e-commerce in Brazil increased 700% in the year-to-date. Sandals International recorded net revenue of R$216 million, up 33% on a year-on-year basis, reaching 23% of Alpargatas total net revenue, driven by the foreign exchange variation in the period, higher efficiency of the supply chain and higher sales volume in EMEIA, NA&C and China, partially offset by lower sales volume in other regions, still due to the pandemic, with greater impact on Asian, Pacific and Latin American markets.

Consolidated gross profit grew 19.5% in the period, driven by Havaianas net revenue increase, both in Brazil and in the foreign market, and gross margin increase, reaching 52.3%, (+70 bps on a year-on-year basis).

[2]Attributable to controlling stockholder.
[3]Attributable to controlling stockholder (proforma).

Recurring EBITDA in 3Q20 reached R$158.3 million (+20% from 3Q19), basically driven by better performance of the Havaianas brand, due to accelerated sales levels and RGM, partially offset by poorer results of the Osklen brand, as driven by the pandemic.

Major non-recurring items impacting the 3Q20 are related to higher expenses on provisions for restructuring and write-off of assets arising from the disposal of Mizuno operations in Brazil and financial expenses in connection with the prepayment of extraordinary funding raised at the onset of the pandemic to increase the Company's liquidity.

In 3Q20, recurring net income was R$122.0 million, up 17.3% on a year-on-year basis, as a result of the aforementioned factors.

Operating cash generation in the last 12 months was R$405 million, and net cash position at the end of September 2020 was R$317.6 million, arising from cash balance of R$1,989.7 million and indebtedness of R$1,672.1 million.

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

Duratex

Highlights of Operations

The change in customer behavior, combined with Federal government incentive measures, resulted in the recovery of the civil construction sector and boosted Duratex's results. These factors have contributed to a significant growth in sales volume of all the Company's divisions, which together with its effective strategic asset management, driven by optimized plants, reduction of portfolio and diversification strategy, has led the Company to record the best 3rd quarter of its history ever. Additionally, another highlight goes to the Company's healthy liquidity level, also driven by its higher operating cash generation. Duratex remains focused on ensuring its employees' safety while resuming the normal routine of its operating and administrative activities.

Results

Consolidated net revenue in 3Q20 totaled R$1,778 million, up 35.9% on a year-on-year basis, driven by the higher volume of all divisions, as a result of the accelerated demand recovery and the full consolidation of Cecrisa's and Ceusa's results in the Ceramic Tiles Division.

R$ million (except where indicated)	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Net Revenue	1,778.0	1,308.4	35.9%	3,986.1	3,525.5	13.1%
EBITDA	391.1	246.7	58.5%	804.4	762.4	5.5%
Net Income	123.9	27.7	347.2%	152.3	121.0	25.9%
Recurring Net Income	175.7	30.5	476.7%	246.8	119.2	107.0%
ROE	10.3%	2.3%	8.0 p.p.	4.2%	3.4%	0.8 p.p.
Recurring ROE	14.6%	2.6%	12.0 p.p.	6.8%	3.4%	3.4 p.p.

The **Wood Division**'s net revenue totaled R$991.8 million in 3Q20, up 37.0% on a year-on-year basis, mainly driven by a higher volume shipped, as a result of the fast positioning in the market recovery, in addition to the strengthening of customer relations and market share gains in all product lines.

The **Deca Division's** net revenue totaled R$511.2 million, up 25.8% on a year-on-year basis, driven by the 25.8% increase in sales volume, mainly due to demand increase and the strengthening of the division's performance, with a better share in shops and channel diversification.

The **Ceramic Tiles Division's** net revenue totaled R$275.1 million, up 54.6% on a year-on-year basis, mainly driven by a better mix and share of the brands, as well as by the full consolidation of Ceusa's and Cecrisa's results.

EBITDA in 3Q20 totaled R$391.1 million, up 58.5% on a year-on-year basis, basically driven by a higher sales volume in all divisions and productivity gains from improved asset management, in addition to higher cost and expense efficiency. These factors were partially offset by non-recurring effects, such as expenses on the dissolving wood pulp (DWP) project and provision for contingencies. Excluding these effects, recurring EBITDA would be up 82.3%. Recurring net income totaled R$123.9 million in the period, up 347.2% driven by the aforementioned facts.

Net debt was R$1,855 million at the end of September 2020 and represented 1.79 times the adjusted recurring EBITDA for 12 months, thus indicating a significant increase in the Company's leverage level from the previous quarter and on a year-on-year basis, mainly driven by higher cash generation, mainly due to the better result in 3Q20. Additionally, the Company has made a capital contribution in the amount of R$311 million to LD Celulose, a dissolving wood pulp joint venture in partnership with Lenzing, totaling approximately 80% of funds to be invested in the new business.

For further information on Duratex's results, please access: www.duratex.com.br/ir

Highlights of Operations

In August 2020, the General Stockholders' Meeting approved capital reduction through capital reimbursement to stockholders with no cancellation of shares, with the number of shares and stockholding percentage of each stockholder in the Company's capital remaining unchanged. Capital reduction and payment of reimbursement will be completed in the 4th quarter.

With regard to the resumption of activities, over the quarter, field and administrative operations continued their normalization process. It is worth mentioning that no service provided by the Company has been interrupted due to the pandemic, and no material financial impacts have been identified.

Results

R$ million	3Q20	3Q19	Δ%	9M20	9M19	Δ%
Net Revenue	1,162	1,112	4.5%	3,457	3,293	5.0%
Net Income	643	542	18.6%	1,846	1,641	12.5%

In 3Q20, net revenue totaled R$1,162 million, up 4.5% on a year-on-year basis, mainly driven by the annual inflation adjustment of gas ship-or-pay agreements. Net income in 3Q20 totaled R$643 million, up 18.6% on a year-on-year basis, impacted by recognition of retroactive tax credits in the amount of R$53 million, in connection with the exclusion of ICMS from the PIS and COFINS calculation basis, after NTS obtained a favorable final and unappealable decision, and by lower financial expenses driven by a lower basic interest rate. In the period, an additional loan of R$60 million was raised to optimize the return of projects *Estação de Compressão de Mantiqueira* (Mantiqueira Compression Station) and *Ponto de Recebimento no Município de Guapimirim – RJ* (Receiving Site in the Municipality of Guapimirim, state of Rio de Janeiro).

Dividends and interest on capital

In the July-September 2020 period, Itaúsa received dividends and interest on capital, gross, from NTS in the amount of R$43.2 million. In the first nine months of 2020, the amount received, gross, totaled R$138.5 million.

For further information on NTS's results, please access: https://ri.ntsbrasil.com/en/

6. People management

Itaúsa Conglomerate had the support of approximately 127,400 employees on September 30, 2020, including 13,500 employees in foreign units. Its dedicated structure, intended to carry out the holding company's activities, had 89 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-September 2020 period, the independent auditors PricewaterhouseCoopers Auditores Independentes provided the following non-audit services, equivalent to 17.6% 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; appraisal report on the contribution to LD Celulose, service engaged on January 23, 2020, in the amount of R$223,000; and appraisal reports of subsidiaries, service engaged on September 01, 2020, in the amount of R$165,000.

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.