

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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**Company information / Capital composition**

<b>Number of shares (thousands)</b>	<b>Financial year ended December 31, 2021</b>
<b>Paid-up capital</b>	
<b>Common shares</b>	99,631,414
<b>Preferred shares</b>	0
<b>Total</b>	99,631,414
<b>Treasury shares</b>	
<b>Common shares</b>	0
<b>Preferred shares</b>	0
<b>Total</b>	0

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year December 31, 2021</b>	<b>Penultimate financial year December 31, 2020</b>	<b>Antepenultimate financial year December 31, 2019</b>
1	Total assets	2,664,878	2,355,157	1,093,447
1.01	Current assets	725,701	850,035	628,975
1.01.01	Cash and cash equivalents	2,448	3,291	1,686
1.01.02	Cash investments	69,775	347,640	222,677
1.01.02.01	Cash investments at fair value through profit or loss	69,775	347,640	222,677
1.01.02.01.03	Cash investments at fair value	69,775	347,640	222,677
1.01.03	Trade and other receivables	481,059	385,479	285,679
1.01.03.01	Trade receivables	481,059	385,479	285,679
1.01.04	Inventories	133,698	85,694	63,287
1.01.06	Taxes recoverable	16,942	11,461	41,953
1.01.06.01	Current taxes recoverable	16,942	11,461	41,953
1.01.08	Other current assets	21,779	16,470	13,693
1.01.08.03	Other	21,779	16,470	13,693
1.02	Non-current assets	1,939,177	1,505,122	464,472
1.02.01	Long-term receivables	329,182	144,863	64,320
1.02.01.04	Trade and other receivables	2,016	2,564	10,402
1.02.01.04.01	Trade receivables	2,016	2,564	10,402
1.02.01.07	Deferred tax assets	178,775	48,850	15,196
1.02.01.07.01	Deferred income tax and social contribution	51,140	48,850	15,196
1.02.01.07.02	Taxes recoverable	127,635	0	0
1.02.01.09	Receivables from related parties	109,917	75,548	23,736
1.02.01.09.02	Receivables from subsidiaries	25,730	30,523	23,736
1.02.01.09.05	Loans to related parties	84,187	45,025	0
1.02.01.10	Other non-current assets	38,474	17,901	14,986
1.02.01.10.03	Judicial deposits	19,772	17,585	14,669
1.02.01.10.04	Other	12,275	316	317
1.02.01.10.05	Derivative financial instruments	6,427	0	0
1.02.02	Investments	1,458,891	1,253,681	301,573
1.02.02.01	Investments accounted for using the equity method	1,456,431	1,251,565	298,556

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year December 31, 2021</b>	<b>Penultimate financial year December 31, 2020</b>	<b>Antepenultimate financial year December 31, 2019</b>
1.02.02.01.02	Investments in subsidiaries	1,456,431	1,251,565	298,556
1.02.02.02	Investment properties	2,460	2,116	3,017
1.02.02.02.01	Investment properties	2,460	2,116	3,017
1.02.03	Property, plant and equipment	70,033	49,068	57,199
1.02.03.01	Property, plant and equipment in operation	70,033	49,068	57,199
1.02.04	Intangible assets	81,071	57,510	41,380
1.02.04.01	Intangible assets	81,071	57,510	41,380
1.02.04.01.02	Trademarks and patents	8,795	5,582	5,336
1.02.04.01.03	Key money	3,372	0	0
1.02.04.01.04	Software licenses	68,904	51,928	36,044

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

Account code	Account title	Last financial year December 31, 2021	Penultimate financial year December 31, 2020	Antepenultimate financial year December 31, 2019
2	Total liabilities	2,664,878	2,355,157	1,093,447
2.01	Current liabilities	977,542	600,230	268,138
2.01.01	Salaries, vacation pay and social charges payable	57,461	31,699	42,855
2.01.01.01	Social charges	4,741	2,852	3,798
2.01.01.02	Salaries and vacation pay	52,720	28,847	39,057
2.01.02	Trade payables	459,056	335,821	121,687
2.01.02.01	Domestic suppliers	454,050	332,760	120,732
2.01.02.02	Foreign suppliers	5,006	3,061	955
2.01.03	Taxes payable	18,433	8,761	8,894
2.01.03.01	Federal taxes payable	15,978	8,409	8,584
2.01.03.01.02	Other federal taxes payable	15,978	8,409	8,584
2.01.03.02	State taxes payable	2,421	334	302
2.01.03.03	Municipal taxes payable	34	18	8
2.01.04	Borrowings	337,348	142,160	45,419
2.01.04.01	Borrowings	337,348	142,160	45,419
2.01.04.01.01	In local currency	165,070	41,369	5,118
2.01.04.01.02	In foreign currency	172,278	100,791	40,301
2.01.05	Other liabilities	105,244	81,789	49,283
2.01.05.02	Other	105,244	81,789	49,283
2.01.05.02.01	Dividends and interest on capital payable	55,962	0	22,675
2.01.05.02.04	Other	44,557	75,976	19,782
2.01.05.02.05	Lease liabilities	4,725	5,813	6,826
2.02	Non-current liabilities	96,756	406,330	79,238
2.02.01	Borrowings	9,500	318,611	3,839
2.02.01.01	Borrowings	9,500	318,611	3,839
2.02.01.01.01	In local currency	9,500	318,611	3,839
2.02.02	Other liabilities	13,886	16,735	25,615
2.02.02.01	Payables to related parties	0	0	3,795
2.02.02.01.04	Payables to subsidiary	0	0	3,795

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year December 31, 2021</b>	<b>Penultimate financial year December 31, 2020</b>	<b>Antepenultimate financial year December 31, 2019</b>
2.02.02.02	Other	13,886	16,735	21,820
2.02.02.02.04	Lease liabilities	13,886	16,735	21,820
2.02.04	Provisions	73,317	70,771	49,411
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	7,785	5,721	5,508
2.02.04.01.02	Provision for social security and labor proceedings	6,060	3,990	3,608
2.02.04.01.04	Provision for civil proceedings	50	56	225
2.02.04.01.05	Provision for tax proceedings	1,675	1,675	1,675
2.02.04.02	Other provisions	65,532	65,050	43,903
2.02.04.02.04	Provision for net capital deficiency	65,532	65,050	43,903
2.02.06	Deferred profit and revenue	53	213	373
2.02.06.02	Deferred revenue	53	213	373
2.03	Equity	1,590,580	1,348,597	746,071
2.03.01	Paid-up capital	811,284	967,924	352,715
2.03.02	Capital reserves	196,925	49,229	50,538
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470	21,470
2.03.02.05	Treasury shares	-3,105	-191	-195
2.03.02.07	Capital reserve	158,239	0	0
2.03.02.09	Reserve for share option and restricted stock plans	20,321	27,950	29,263
2.03.04	Revenue reserves	591,478	338,414	335,998
2.03.04.01	Legal reserve	57,511	57,511	55,082
2.03.04.05	Retained earnings reserve	174,861	50,384	39,194
2.03.04.07	Tax incentive reserve	309,106	227,937	213,880
2.03.04.08	Proposed additional dividend	50,000	2,582	27,842
2.03.06	Carrying value adjustments	-9,107	-6,970	6,820

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

Account code	Account title	Last financial year January 1, 2021 to December 31, 2021	Penultimate financial year January 1, 2020 to December 31, 2020	Antepenultimate financial year January 1, 2019 to December 31, 2019
3.01	Revenue from sale of goods and/or services	1,720,458	1,113,236	1,288,071
3.02	Cost of sales and/or services	-1,131,046	-744,694	-813,665
3.03	Gross profit	589,412	368,542	474,406
3.04	Operating expenses/income	-211,973	-322,817	-296,882
3.04.01	Selling expenses	-308,307	-241,321	-183,082
3.04.02	General and administrative expenses	-166,915	-116,812	-136,463
3.04.04	Other operating income	131,169	2,562	0
3.04.05	Other operating expenses	-7,171	-5,428	18,513
3.04.06	Share of profits of equity-accounted subsidiaries	139,251	38,182	4,150
3.05	Profit before finance costs and taxes	377,439	45,725	177,524
3.06	Finance costs – net	-25,591	-20,993	-2,426
3.06.01	Finance income	26,725	35,802	17,145
3.06.01.01	Interest income	14,626	14,178	15,499
3.06.01.02	Foreign exchange gains	12,099	21,624	1,646
3.06.02	Finance costs	-52,316	-56,795	-19,571
3.06.02.01	Interest expense	-35,128	-26,855	-11,813
3.06.02.02	Foreign exchange losses	-17,188	-29,940	-7,758
3.07	Profit before income tax and social contribution	351,848	24,732	175,098
3.08	Income tax and social contribution	-6,614	23,852	-12,959
3.08.01	Current	-8,904	-9,802	-14,090
3.08.02	Deferred	2,290	33,654	1,131
3.09	Profit for the year from continuing operations	345,234	48,584	162,139
3.11	Profit for the year	345,234	48,584	162,139
3.99	Earnings per share (expressed in R\$ per share)			
3.99.01	Basic earnings per share			
3.99.01.01	Common shares	3.4514	0.5302	1.7879
3.99.02	Diluted earnings per share			
3.99.02.01	Common shares	3.3813	0.5283	1.7799

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
4.01	Profit for the year	345,234	48,584	162,139
4.02	Other comprehensive income/loss	-2,198	-13,790	2,478
4.02.01	Exchange differences on translation of foreign operations	-2,198	-13,790	-789
4.02.02	Net investment hedge	0	0	3,267
4.03	Total comprehensive income for the year	343,036	34,794	164,617

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

**Parent company financial statements / Statement of cash flows - Indirect method (In thousands of reais)**

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
6.01	Net cash provided by operating activities	131,316	141,329	179,480
6.01.01	Cash from operations	274,598	39,039	203,365
6.01.01.01	Profit before income tax and social contribution	345,234	48,584	162,139
6.01.01.02	Depreciation and amortization	26,048	21,663	27,515
6.01.01.03	Profit/loss on disposal of property, plant and equipment and intangible assets	-764	333	-145
6.01.01.05	Share of net profits of subsidiaries accounted for using the equity method	-139,251	-38,182	-4,150
6.01.01.06	Provision for labor, tax and civil proceedings	2,064	213	15
6.01.01.07	Interest and foreign exchange losses on borrowings	33,161	28,994	10,268
6.01.01.08	Interest income on cash investments	-6,754	-10,170	-10,853
6.01.01.09	Provision for impairment of trade receivables	-348	7,553	-3,200
6.01.01.10	Complementary provision for inventory losses	4,666	94	4,060
6.01.01.11	Share option plan	2,661	2,363	3,813
6.01.01.12	Interest expense on lease liabilities	1,267	1,447	944
6.01.01.13	Income tax and social contribution	6,614	-23,853	12,959
6.01.02	Changes in assets and liabilities	-128,430	107,233	-6,296
6.01.02.01	Trade receivables	-98,915	-99,515	-26,914
6.01.02.02	Inventories	-47,039	-22,501	-22,027
6.01.02.03	Changes in other current and non-current assets	-23,696	-2,438	-1,434
6.01.02.04	Taxes recoverable	-135,948	30,914	-5,423
6.01.02.05	Judicial deposits	-2,187	-2,915	-2,655
6.01.02.07	Trade payables	123,249	214,748	31,271
6.01.02.08	Salaries and vacation pay	23,875	-10,211	9,272
6.01.02.09	Taxes and social charges payable	12,360	-6,888	3,151
6.01.02.11	Other liabilities	19,871	6,039	8,463
6.01.03	Other	-14,852	-4,943	-17,589
6.01.03.01	Income tax and social contribution paid	-4,920	0	-14,810
6.01.03.02	Interest paid on borrowings	-9,932	-4,943	-2,779
6.02	Net cash provided by/used in investing activities	92,710	-384,648	5,480
6.02.01	Purchases of property, plant and equipment and intangible assets	-65,475	-29,147	-33,483

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**Parent company financial statements / Statement of cash flows – Indirect method (In thousands of reais)**

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	915	922	500
6.02.03	Deposit/withdrawal of cash investments	282,444	-116,264	-4,955
6.02.05	Capital contribution to subsidiaries	-90,158	-84,949	0
6.02.06	Dividends received	14,984	19,790	43,418
6.02.07	Payment for acquisition of subsidiary	-50,000	-175,000	0
6.03	Net cash provided by/used in financing activities	-224,869	244,924	-184,376
6.03.01	Proceeds from borrowings	9,500	527,343	0
6.03.02	Repayment of borrowings	-146,652	-139,881	-28,962
6.03.04	Transactions with related parties	-34,306	-58,552	-16,921
6.03.05	Interest on capital paid	-29,590	-42,415	-43,526
6.03.06	Dividends paid	-2,582	-28,530	-100,000
6.03.08	Increase of share capital through issue of shares	2,569	0	11,642
6.03.09	Payments for shares bought back	-14,175	-3,672	0
6.03.10	Principal elements of lease payments	-9,633	-9,369	-6,609
6.05	Increase/decrease in cash and cash equivalents	-843	1,605	584
6.05.01	Cash and cash equivalents at the beginning of the year	3,291	1,686	1,102
6.05.02	Cash and cash equivalents at the end of the year	2,448	3,291	1,686

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

**Parent company financial statements / Statement of changes in equity – January 1, 2021 to December 31, 2021(In thousands of reais)**

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.03	Adjusted opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.04	Equity transactions with shareholders	2,569	-11,513	50,000	-142,170	0	-101,114
5.04.03	Share options granted	0	52,663	0	0	0	52,663
5.04.04	Acquisition of treasury shares	0	-64,176	0	0	0	-64,176
5.04.06	Dividends paid	0	0	0	-28,796	0	-28,796
5.04.07	Interest on capital paid	0	0	0	-63,374	0	-63,374
5.04.08	Advance for future capital increase	2,569	0	0	0	0	2,569
5.04.09	Proposed additional dividend	0	0	50,000	-50,000	0	0
5.05	Total comprehensive income	0	0	0	345,234	-2,137	343,097
5.05.01	Profit for the year	0	0	0	345,234	0	345,234
5.05.02	Other comprehensive income/loss	0	0	0	0	-2,137	-2,137
5.05.02.01	Financial instrument adjustments	0	0	0	0	61	61
5.05.02.04	Cumulative translation adjustments	0	0	0	0	-2,198	-2,198
5.06	Internal changes in equity	-159,209	159,209	205,646	-205,646	0	0
5.06.01	Transfer to reserves	-159,209	159,209	205,646	-205,646	0	0
5.07	Closing balances	811,284	196,925	591,478	0	-9,107	1,590,580

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

**Parent company financial statements / Statement of changes in equity – January 1, 2020 to December 31, 2020 (In thousands of reais)**

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	352,715	50,538	335,998	0	6,820	746,071
5.03	Adjusted opening balances	352,715	50,538	335,998	0	6,820	746,071
5.04	Equity transactions with shareholders	615,209	-1,309	-48,269	0	0	565,631
5.04.01	Share capital increases	615,209	0	0	0	0	615,209
5.04.05	Acquisition of treasury shares	0	-3,672	0	0	0	-3,672
5.04.07	Interest on capital paid	0	0	-26,978	0	0	-26,978
5.04.08	Share options and restricted stock granted	0	2,363	0	0	0	2,363
5.04.09	Interim dividends paid	0	0	-21,291	0	0	-21,291
5.05	Total comprehensive income	0	0	0	48,584	-13,790	34,794
5.05.01	Profit for the year	0	0	0	48,584	0	48,584
5.05.02	Other comprehensive income/loss	0	0	0	0	-13,790	-13,790
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-13,790	-13,790
5.06	Internal changes in equity	0	0	48,103	-46,002	0	2,101
5.06.05	Legal reserve	0	0	2,429	-2,429	0	0
5.06.06	Tax incentive reserve	0	0	43,573	-43,573	0	0
5.06.07	Reversal of expired dividends of related party	0	0	2,101	0	0	2,101
5.07	Closing balances	967,924	49,229	335,832	2,582	-6,970	1,348,597

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

**Parent company financial statements / Statement of changes in equity – January 1, 2019 to December 31, 2019 (In thousands of reais)**

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity
5.01	Opening balances	341,073	46,725	301,476	17,726	4,342	711,342
5.03	Adjusted opening balances	341,073	46,725	301,476	17,726	4,342	711,342
5.04	Equity transactions with shareholders	11,642	3,813	-75,000	-70,343	0	-129,888
5.04.06	Dividends paid	0	0	0	-17,726	0	-17,726
5.04.07	Interest on capital paid	0	0	0	-38,105	0	-38,105
5.04.08	Share options and restricted stock granted	0	3,813	0	0	0	3,813
5.04.09	Issue of shares	11,642	0	0	0	0	11,642
5.04.13	Interim dividends paid	0	0	-75,000	-14,512	0	-89,512
5.05	Total comprehensive income	0	0	0	162,139	2,478	164,617
5.05.01	Profit for the year	0	0	0	162,139	0	162,139
5.05.02	Other comprehensive income/loss	0	0	0	0	2,478	2,478
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-789	-789
5.05.02.07	Net investment hedge, net of taxes	0	0	0	0	3,267	3,267
5.06	Internal changes in equity	0	0	81,680	-81,680	0	0
5.06.04	Legal reserve	0	0	4,243	-4,243	0	0
5.06.05	Tax incentive reserve	0	0	77,437	-77,437	0	0
5.07	Closing balances	352,715	50,538	308,156	27,842	6,820	746,071

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

Account code	Account title	Last financial year January 1, 2021 to December 31, 2021	Penultimate financial year January 1, 2020 to December 31, 2020	Antepenultimate financial year January 1, 2019 to December 31, 2019
7.01	Revenue	2,002,320	1,290,327	1,498,750
7.01.01	Sales of goods, products and services	2,001,972	1,297,880	1,495,550
7.01.04	Provision for/reversal of impairment of trade receivables	348	-7,553	3,200
7.02	Inputs acquired from third parties	-1,690,978	-1,125,550	-1,174,612
7.02.01	Cost of sales and services	-1,436,249	-945,643	-1,033,225
7.02.02	Materials, electricity, outsourced services and other	-250,971	-175,729	-136,696
7.02.04	Other	-3,758	-4,178	-4,691
7.03	Gross value added	311,342	164,777	324,138
7.04	Deduction	-26,048	-21,663	-27,515
7.04.01	Depreciation, amortization and depletion	-26,048	-21,663	-27,515
7.05	Net value added generated by the entity	285,294	143,114	296,623
7.06	Value added received through transfer	288,807	63,872	45,318
7.06.01	Share of net profits of subsidiaries accounted for using the equity method	139,251	38,182	4,150
7.06.02	Finance income	19,158	24,583	17,144
7.06.03	Other	130,398	1,107	24,024
7.07	Total value added to distribute	574,101	206,986	341,941
7.08	Distribution of value added	574,101	206,986	341,941
7.08.01	To employees	172,562	130,948	131,971
7.08.01.01	Direct compensation	89,010	82,719	76,978
7.08.01.02	Benefits	10,320	11,087	9,239
7.08.01.03	Government severance indemnity fund for employees (FGTS)	7,604	8,779	7,413
7.08.01.04	Other	65,628	28,363	38,341
7.08.01.04.01	Employee profit sharing	30,511	9,143	18,800
7.08.01.04.02	Other	28,717	15,248	14,029
7.08.01.04.03	Share option and restricted stock plans	6,400	3,972	5,512
7.08.02	To government (taxes and duties)	5,151	-21,374	20,889
7.08.02.01	Federal	65,087	16,219	62,301
7.08.02.02	State	-60,598	-38,260	-42,092
7.08.02.03	Municipal	662	667	680

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
7.08.03	To lenders and creditors	51,155	48,828	26,942
7.08.03.01	Interest	19,248	12,876	3,719
7.08.03.02	Rentals	6,406	3,252	7,372
7.08.03.03	Other	25,501	32,700	15,851
7.08.03.03.01	Finance costs	25,501	32,700	15,851
7.08.04	To shareholders	345,233	48,584	162,139
7.08.04.01	Interest on capital	63,374	0	38,105
7.08.04.02	Dividends	76,213	2,582	42,354
7.08.04.03	Profits retained / Loss for the year	205,646	46,002	81,680

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

Account code	Account title	Last financial year December 31, 2021	Penultimate financial year December 31, 2020	Antepenultimate financial year December 31, 2019
1	Total assets	3,366,326	2,832,545	1,413,249
1.01	Current assets	1,646,786	1,564,868	980,665
1.01.01	Cash and cash equivalents	33,750	38,297	13,808
1.01.02	Cash investments	228,809	522,868	263,875
1.01.02.01	Cash investments at fair value through profit or loss	228,809	522,868	263,875
1.01.02.01.03	Cash investments at fair value	228,809	522,868	263,875
1.01.03	Trade and other receivables	790,302	598,824	413,412
1.01.03.01	Trade receivables	790,302	598,824	413,412
1.01.04	Inventories	450,487	290,896	179,499
1.01.06	Taxes recoverable	73,852	86,034	90,332
1.01.06.01	Current taxes recoverable	73,852	86,034	90,332
1.01.08	Other current assets	69,586	27,949	19,739
1.01.08.03	Other	69,586	27,949	19,739
1.01.08.03.01	Other receivables	68,230	27,949	19,739
1.01.08.03.02	Derivative financial instruments	1,356	0	0
1.02	Non-current assets	1,719,540	1,267,677	432,584
1.02.01	Long-term receivables	297,892	118,494	50,438
1.02.01.04	Trade and other receivables	4,276	2,564	10,402
1.02.01.04.01	Trade receivables	4,276	2,564	10,402
1.02.01.07	Deferred tax assets	90,225	80,632	15,682
1.02.01.07.01	Deferred income tax and social contribution	90,225	80,632	15,682
1.02.01.09	Receivables from related parties	0	1,000	0
1.02.01.09.05	Receivables from subsidiaries	0	1,000	0
1.02.01.10	Other non-current assets	203,391	34,298	24,354
1.02.01.10.03	Judicial deposits	54,390	30,970	21,863
1.02.01.10.04	Other	14,939	3,328	2,491
1.02.01.10.05	Taxes recoverable	127,635	0	0
1.02.01.10.06	Derivative financial instruments	6,427	0	0
1.02.02	Investments	2,862	3,016	3,017

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year December 31, 2021</b>	<b>Penultimate financial year December 31, 2020</b>	<b>Antepenultimate financial year December 31, 2019</b>
1.02.02.01	Investments accounted for using the equity method	402	900	0
1.02.02.01.04	Investments in joint ventures	402	900	0
1.02.02.02	Investment properties	2,460	2,116	3,017
1.02.02.02.01	Investment properties	2,460	2,116	3,017
1.02.03	Property, plant and equipment	403,868	316,300	304,082
1.02.03.01	Property, plant and equipment in operation	403,868	316,300	304,082
1.02.04	Intangible assets	1,014,918	829,867	75,047
1.02.04.01	Intangible assets	1,014,918	829,867	75,047
1.02.04.01.02	Trademarks and patents	11,123	7,810	6,494
1.02.04.01.03	Key money	46,728	33,829	28,167
1.02.04.01.04	Software licenses	94,708	55,673	40,386
1.02.04.01.05	Intangible assets – fair value adjustments to the carrying amounts	301,463	266,427	0
1.02.04.01.06	Goodwill	560,896	466,128	0

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

Account code	Account title	Last financial year December 31, 2021	Penultimate financial year December 31, 2020	Antepenultimate financial year December 31, 2019
2	Total liabilities	3,366,326	2,832,545	1,413,249
2.01	Current liabilities	1,519,000	911,418	464,659
2.01.01	Salaries, vacation and social charges payable	112,773	59,269	52,944
2.01.01.01	Social charges	13,761	7,498	5,647
2.01.01.02	Salaries and vacation pay	99,012	51,771	47,297
2.01.02	Trade payables	574,713	399,189	134,967
2.01.02.01	Domestic suppliers	567,737	395,803	134,012
2.01.02.02	Foreign suppliers	6,976	3,386	955
2.01.03	Taxes payable	77,212	40,481	27,259
2.01.03.01	Federal taxes payable	51,989	21,944	22,734
2.01.03.01.01	Income tax and social contribution	22,408	6,361	12,086
2.01.03.01.02	Other federal taxes payable	29,581	15,583	10,648
2.01.03.02	State taxes payable	24,988	18,386	4,521
2.01.03.03	Municipal taxes payable	235	151	4
2.01.04	Borrowings	496,861	239,483	158,222
2.01.04.01	Borrowings	496,861	239,483	158,222
2.01.04.01.01	In local currency	181,377	53,912	5,191
2.01.04.01.02	In foreign currency	315,484	185,571	153,031
2.01.05	Other liabilities	257,441	172,996	91,267
2.01.05.02	Other	257,441	172,996	91,267
2.01.05.02.01	Dividends and interest on capital payable	55,962	0	22,675
2.01.05.02.04	Other	133,944	120,106	28,447
2.01.05.02.05	Lease liabilities	57,017	52,890	40,145
2.01.05.02.06	Payables for acquisition of subsidiaries	10,518	0	0
2.02	Non-current liabilities	255,320	572,530	202,519
2.02.01	Borrowings	37,733	394,786	22,562
2.02.01.01	Borrowings	37,733	394,786	22,562
2.02.01.01.01	In local currency	37,108	239,553	4,117
2.02.01.01.02	In foreign currency	625	155,233	18,445

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

Account code	Account title	Last financial year December 31, 2021	Penultimate financial year December 31, 2020	Antepenultimate financial year December 31, 2019
2.02.02	Other liabilities	198,033	164,603	170,415
2.02.02.01	Payables to related parties	0	0	1,502
2.02.02.01.04	Payables to controlling shareholders	0	0	1,502
2.02.02.02	Other	198,033	164,603	168,913
2.02.02.02.01	Share-based payments	21,144	0	0
2.02.02.02.03	Lease liabilities	174,879	160,470	168,913
2.02.02.02.04	Other payables	1,813	0	0
2.02.02.02.05	Taxes payable in installments	197	4,133	0
2.02.03	Deferred tax liabilities	5,441	0	0
2.02.03.01	Deferred income tax and social contribution	5,441	0	0
2.02.04	Provisions	14,060	12,928	9,169
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	14,060	12,928	9,169
2.02.04.01.02	Provision for social security and labor proceedings	11,580	10,290	6,887
2.02.04.01.04	Provision for civil proceedings	436	594	238
2.02.04.01.05	Provision for tax proceedings	2,044	2,044	2,044
2.02.06	Deferred profit and revenue	53	213	373
2.02.06.02	Deferred revenue	53	213	373
2.03	Consolidated equity	1,592,006	1,348,597	746,071
2.03.01	Paid-up capital	811,284	967,924	352,715
2.03.02	Capital reserves	196,925	49,229	50,538
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470	21,470
2.03.02.05	Treasury shares	-3,105	-191	-195
2.03.02.07	Capital reserves	158,239	0	0
2.03.02.09	Reserve for share option and restricted stock plans	20,321	27,950	29,263
2.03.04	Revenue reserves	591,478	338,414	335,998
2.03.04.01	Legal reserve	57,511	57,511	55,082
2.03.04.05	Retained earnings reserve	174,861	50,384	39,194
2.03.04.07	Tax incentive reserve	309,106	227,937	213,880
2.03.04.08	Proposed additional dividend	50,000	2,582	27,842

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

Account code	Account title	Last financial year December 31, 2021	Penultimate financial year December 31, 2020	Antepenultimate financial year December 31, 2019
2.03.06	Carrying value adjustments	-9,107	-6,970	6,820
2.03.09	Non-controlling interests	1,426	0	0

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

Account code	Account title	Last financial year January 1, 2021 to December 31, 2021	Penultimate financial year January 1, 2020 to December 31, 2020	Antepenultimate financial year January 1, 2019 to December 31, 2019
3.01	Revenue from sale of goods and/or services	2,923,827	1,590,992	1,679,235
3.02	Cost of sales and/or services	-1,385,147	-835,779	-903,541
3.03	Gross profit	1,538,680	755,213	775,694
3.04	Operating income/expenses	-1,070,155	-663,104	-552,592
3.04.01	Selling expenses	-884,411	-529,953	-424,366
3.04.02	General and administrative expenses	-316,217	-162,234	-184,012
3.04.04	Other operating income	146,163	56,201	0
3.04.05	Other operating expenses	-15,690	-27,118	55,786
3.05	Profit before finance costs and taxes	468,525	92,109	223,102
3.06	Finance costs – net	-64,671	-37,551	-18,176
3.06.01	Finance income	42,377	65,531	24,720
3.06.01.01	Interest income	26,313	16,463	18,344
3.06.01.02	Foreign exchange gains	16,064	49,068	6,376
3.06.02	Finance costs	-107,048	-103,082	-42,896
3.06.02.01	Interest expense	-88,507	-51,604	-29,646
3.06.02.02	Foreign exchange losses	-18,541	-51,478	-13,250
3.07	Profit before income tax and social contribution	403,854	54,558	204,926
3.08	Income tax and social contribution	-60,134	-5,974	-42,787
3.08.01	Current	-64,286	-46,596	-42,659
3.08.02	Deferred	4,152	40,622	-128
3.09	Profit for the year from continuing operations	343,720	48,584	162,139
3.11	Consolidated profit for the year	343,720	48,584	162,139
3.11.01	Attributable to owners of the Parent company	345,234	48,584	162,139
3.11.02	Attributable to non-controlling interests	-1,514	0	0
3.99	Earnings per share (expressed in R\$ per share)			
3.99.01	Basic earnings per share			
3.99.01.01	Common shares	3.4514	0.5302	1.7879
3.99.02	Diluted earnings per share			
3.99.02.01	Common shares	3.3813	0.5283	1.7799

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
4.01	Consolidated profit for the year	343,720	48,584	162,139
4.02	Other comprehensive income/loss	-2,137	-13,790	2,478
4.02.01	Exchange differences on translation of foreign operations	-2,198	-13,790	-789
4.02.02	Net investment hedge	0	0	3,267
4.02.03	Investment losses	61	0	0
4.03	Total consolidated comprehensive income for the year	341,583	34,794	164,617
4.03.01	Attributable to owners of the Parent company	343,097	34,794	164,617
4.03.02	Attributable to non-controlling interests	-1,514	0	0

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
6.01	Net cash provided by operating activities	241,938	220,316	204,882
6.01.01	Cash from operations	547,327	198,434	297,062
6.01.01.01	Profit before income tax and social contribution	343,720	48,584	162,139
6.01.01.02	Depreciation and amortization	105,748	81,103	80,322
6.01.01.03	Profit/loss on disposal of property, plant and equipment and intangible assets	-2,250	20,712	-3,251
6.01.01.06	Provision for labor, tax and civil proceedings	1,132	801	784
6.01.01.07	Interest and foreign exchange losses on borrowings	34,056	34,612	16,517
6.01.01.08	Interest income on cash investments	-13,127	-11,650	-13,614
6.01.01.09	Provision for impairment of trade receivables	-265	8,938	-2,610
6.01.01.10	Complementary provision for inventory losses	7,091	1,026	4,569
6.01.01.11	Share option plan	2,661	2,363	3,813
6.01.01.12	Interest expense on lease liabilities	8,427	5,972	5,608
6.01.01.13	Income tax and social contribution	60,134	5,973	42,785
6.01.02	Changes in assets and liabilities	-275,316	50,373	-50,887
6.01.02.01	Trade receivables	-197,157	-108,797	-27,753
6.01.02.02	Inventories	-166,683	-38,655	-33,208
6.01.02.03	Changes in other current assets	-59,360	-25,357	2,306
6.01.02.04	Taxes recoverable	-152,525	-15,140	-40,835
6.01.02.05	Judicial deposits	-23,420	-9,108	-3,461
6.01.02.07	Trade payables	183,093	234,575	29,496
6.01.02.08	Salaries and vacation pay	47,242	-8,610	9,135
6.01.02.09	Taxes and social charges payable	31,101	5,313	1,465
6.01.02.11	Changes in other current liabilities	62,393	16,152	11,968
6.01.03	Other	-30,073	-28,491	-41,293
6.01.03.01	Income tax and social contribution paid	-11,549	-19,437	-34,825
6.01.03.02	Interest paid on borrowings	-18,524	-9,054	-6,468
6.02	Net cash used in investing activities	-10,772	-297,282	-85,409
6.02.01	Purchases of property, plant and equipment and intangible assets	-168,881	-46,185	-65,607
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	1,472	1,277	6,126

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
6.02.03	Deposit/withdrawal of cash investments	302,958	-189,024	-25,928
6.02.05	Capital contribution to subsidiaries	0	100,000	0
6.02.06	Dividends received	0	54	0
6.02.07	Payment for acquisition of subsidiary	-146,321	-163,404	0
6.03	Net cash provided by/used in financing activities	-233,513	101,451	-114,281
6.03.01	Proceeds from borrowings	128,180	552,851	153,084
6.03.02	Repayment of borrowings	-243,386	-213,882	-88,816
6.03.05	Interest on capital paid	-29,590	-42,415	-43,526
6.03.06	Dividends paid	-2,582	-128,577	-100,000
6.03.07	Receivables from/payables to shareholders	1,000	-2,502	58
6.03.08	Share capital increase through issue of shares	2,569	0	11,642
6.03.09	Payments for shares bought back	-14,175	-3,672	0
6.03.10	Principal elements of lease payments	-75,529	-60,352	-46,723
6.04	Effects of exchange rate changes on cash and cash equivalents	-2,200	4	115
6.05	Increase/decrease in cash and cash equivalents	-4,547	24,489	5,307
6.05.01	Cash and cash equivalents at the beginning of the year	38,297	13,808	8,501
6.05.02	Cash and cash equivalents at the end of the year	33,750	38,297	13,808

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

**Consolidated financial statements / Statement of changes in equity – January 1, 2021 to December 31, 2021(In thousands of reais)**

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	0	1,348,597
5.02	Prior-year adjustments	0	0	0	0	0	0	2,940	2,940
5.03	Adjusted opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	2,940	1,351,537
5.04	Equity transactions with shareholders	2,569	-11,513	50,000	-142,170	0	-101,114	0	-101,114
5.04.03	Share options granted	0	52,663	0	0	0	52,663	0	52,663
5.04.04	Acquisition of treasury shares	0	-64,176	0	0	0	-64,176	0	-64,176
5.04.06	Dividend paid	0	0	0	-28,796	0	-28,796	0	-28,796
5.04.07	Interest on capital paid	0	0	0	-63,374	0	-63,374	0	-63,374
5.04.08	Advance for future capital increase	2,569	0	0	0	0	2,569	0	2,569
5.04.09	Proposed additional dividends	0	0	50,000	-50,000	0	0	0	0
5.05	Total comprehensive income	0	0	0	345,234	-2,137	343,097	-1,514	341,583
5.05.01	Profit for the year	0	0	0	345,234	0	345,234	-1,514	343,720
5.05.02	Other comprehensive income/loss	0	0	0	0	-2,137	-2,137	0	-2,137
5.05.02.01	Financial instrument adjustments	0	0	0	0	61	61	0	61
5.05.02.02	Taxes on financial instrument adjustments	0	0	0	0	-2,198	-2,198	0	-2,198
5.06	Internal changes in equity	-159,209	159,209	205,646	-205,646	0	0	0	0
5.06.01	Transfer to reserves	-159,209	159,209	205,646	-205,646	0	0	0	0
5.07	Closing balances	811,284	196,925	591,478	0	-9,107	1,590,580	1,426	1,592,006

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

**Consolidated financial statements / Statement of changes in equity – January 1, 2020 to December 31, 2020 (In thousands of reais)**

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	352,715	50,538	335,998	0	6,820	746,071	0	746,071
5.03	Adjusted opening balances	352,715	50,538	335,998	0	6,820	746,071	0	746,071
5.04	Equity transactions with shareholders	615,209	-1,309	-48,269	0	0	565,631	0	565,631
5.04.01	Share capital increases	615,209	0	0	0	0	615,209	0	615,209
5.04.05	Acquisition of treasury shares	0	-3,672	0	0	0	-3,672	0	-3,672
5.04.07	Interest on capital paid	0	0	-26,978	0	0	-26,978	0	-26,978
5.04.08	Share options and restricted stock granted	0	2,363	0	0	0	2,363	0	2,363
5.04.09	Interim dividends paid	0	0	-21,291	0	0	-21,291	0	-21,291
5.05	Total comprehensive income	0	0	0	48,584	-13,790	34,794	0	34,794
5.05.01	Profit for the year	0	0	0	48,584	0	48,584	0	48,584
5.05.02	Other comprehensive income/loss	0	0	0	0	-13,790	-13,790	0	-13,790
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-13,790	-13,790	0	-13,790
5.06	Internal changes in equity	0	0	48,103	-46,002	0	2,101	0	2,101
5.06.04	Legal reserve	0	0	2,429	-2,429	0	0	0	0
5.06.06	Tax incentive reserve	0	0	43,573	-43,573	0	0	0	0
5.06.07	Reversal of expired dividends of related party	0	0	2,101	0	0	2,101	0	2,101
5.07	Closing balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	0	1,348,597

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

**Consolidated financial statements / Statement of changes in equity – January 1, 2019 to December 31, 2019 (In thousands of reais)**

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	341,073	46,725	301,476	17,726	4,342	711,342	0	711,342
5.03	Adjusted opening balances	341,073	46,725	301,476	17,726	4,342	711,342	0	711,342
5.04	Equity transactions with shareholders	11,642	3,813	-75,000	-70,343	0	-129,888	0	-129,888
5.04.06	Dividends paid	0	0	0	-17,726	0	-17,726	0	-17,726
5.04.07	Interest on capital paid	0	0	0	-38,105	0	-38,105	0	-38,105
5.04.08	Share options and restricted stock granted	0	3,813	0	0	0	3,813	0	3,813
5.04.09	Issue of shares	11,642	0	0	0	0	11,642	0	11,642
5.04.13	Interim dividends paid	0	0	-75,000	-14,512	0	-89,512	0	-89,512
5.05	Total comprehensive income	0	0	0	162,139	2,478	164,617	0	164,617
5.05.01	Profit for the year	0	0	0	162,139	0	162,139	0	162,139
5.05.02	Other comprehensive income/loss	0	0	0	0	2,478	2,478	0	2,478
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-789	-789	0	-789
5.05.02.07	Net investment hedge, net of taxes	0	0	0	0	3,267	3,267	0	3,267
5.06	Internal changes in equity	0	0	81,680	-81,680	0	0	0	0
5.06.04	Legal reserve	0	0	4,243	-4,243	0	0	0	0
5.06.05	Tax incentive reserve	0	0	77,437	-77,437	0	0	0	0
5.07	Closing balances	352,715	50,538	308,156	27,842	6,820	746,071	0	746,071

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 202</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
7.01	Revenue	3,376,754	1,860,887	1,948,123
7.01.01	Sales of goods, products and services	3,376,489	1,869,825	1,945,513
7.01.04	Provision for/reversal of impairment of trade receivables	265	-8,938	2,610
7.02	Inputs acquired from third parties	-2,323,045	-1,340,587	-1,365,828
7.02.01	Cost of sales and services	-1,614,200	-996,271	-1,058,147
7.02.02	Materials, electricity, outsourced services and other	-688,922	-331,039	-298,419
7.02.04	Other	-19,923	-13,277	-9,262
7.03	Gross value added	1,053,709	520,300	582,295
7.04	Deductions	-105,748	-81,103	-80,322
7.04.01	Depreciation, amortization and depletion	-105,748	-81,103	-80,322
7.05	Net value added generated by the entity	947,961	439,197	501,973
7.06	Value added received through transfer	171,684	87,639	86,017
7.06.02	Finance income	34,811	54,313	24,720
7.06.03	Other	136,873	33,326	61,297
7.07	Total value added to distribute	1,119,645	526,836	587,990
7.08	Distribution of value added	1,119,645	526,836	587,990
7.08.01	To employees	399,971	232,816	208,616
7.08.01.01	Direct compensation	255,499	171,481	134,439
7.08.01.02	Benefits	25,656	19,755	19,017
7.08.01.03	Government severance indemnity fund for employees (FGTS)	20,091	13,543	12,631
7.08.01.04	Other	98,725	28,037	42,529
7.08.01.04.01	Employee profit sharing	45,789	1,347	18,838
7.08.01.04.02	Other	46,536	22,718	18,179
7.08.01.04.03	Share option plan	6,400	3,972	5,512
7.08.02	To government (taxes and duties)	223,291	88,942	109,717
7.08.02.01	Federal	216,229	76,677	110,001
7.08.02.02	State	4,413	10,272	-2,205
7.08.02.03	Municipal	2,649	1,993	1,921
7.08.03	To lenders and creditors	152,664	156,494	107,518

Standard Financial Statements at December 31, 2021 - AREZZO INDÚSTRIA E COMÉRCIO S.A.

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

<b>Account code</b>	<b>Account title</b>	<b>Last financial year January 1, 2021 to December 31, 2021</b>	<b>Penultimate financial year January 1, 2020 to December 31, 2020</b>	<b>Antepenultimate financial year January 1, 2019 to December 31, 2019</b>
7.08.03.01	Interest	32,169	18,346	6,601
7.08.03.02	Rentals	53,180	64,630	64,350
7.08.03.03	Other	67,315	73,518	36,567
7.08.03.03.01	Finance costs	67,315	73,518	36,567
7.08.04	To shareholders and Company	343,719	48,584	162,139
7.08.04.01	Interest on capital	63,374	0	38,105
7.08.04.02	Dividends	76,213	2,582	42,354
7.08.04.03	Profits retained / Loss for the year	205,646	46,002	81,680



# 4Q21 EARNINGS RELEASE



São Paulo, March 10, 2022. Arezzo&Co (B3 - Brasil, Bolsa e Balcão: ARZZ3), leader in the Brazilian women's footwear, handbags and accessories sector, announces its 4Q21 results.

Arezzo&Co posted an EBITDA of R\$ 185.3 million - higher than the previous quarter's record. The gross revenue showed solid growth, an increase of 69%, reaching R\$ 1.4 billion in the quarter and R\$ 3.6 billion in 2021. These results reflect the consolidation of Arezzo&Co's strategy as one of Brazil's largest "*houses of brands*".

## FINANCIAL / OPERATIONAL HIGHLIGHTS

- 1- **R\$1.4B** in Gross Revenue (+69% vs. 4Q20 and +136% vs. 4Q19);
- 2- **R\$1.2B** in DTC Sell Out (Franchises, Web Commerce and Owned Stores) (+41% vs. 4Q20 and +34% vs. 4Q19);
- 3- **40%** organic brands growth in Brazil vs. 4Q19 (28% vs. 4Q20);
- 4- **+490bps** Adjusted Gross Margin growth 4Q20 (730bps vs. 4Q19);
- 5- **R\$185MM** Adjusted EBITDA, +52% vs. 4Q20 (+144% vs. 4Q19);
- 6- **R\$343MM** AR&CO Gross Revenue (+87% vs. 4Q20 and 109% vs. 4Q19);
- 7- **R\$126MM** record Revenue of the US Operation (+82% vs. 4Q20 and +117% vs. 4Q19);
- 8 - **34%** Sell Out growth in the quarter (vs 2019), at 20% in October, 37% in November and 40% in December,

## MESSAGE FROM MANAGEMENT

We started 2021 with confidence, but highly prepared for the year's challenges and uncertainties. As we present our results for the period, we have confidence that we are in more solid and consistent position than ever before:

- After the challenges faced at the most critical period of the pandemic, Arezzo&Co stood out for its achievements in both 2022 and 2021, closing the year with record-setting numbers without precedent throughout the company's history;
- The year 2021 was the first 12-month cycle with AR&CO integrated with the group;
- We sold more than 18.4 million pairs of shoes, 4.6 million apparel items, and 2.2 million handbags, reaching a total of more than 25 million products sold;
- Our verticalized management product and value-chain, which enabled great agility, were key in overcoming the obstacles faced last year;
- Arezzo&Co's organic brands grew 44% vs 2020, with emphasis on Schutz that grew 52%;
- The results for the inorganic brands exceeded expectations - the Reserva Group reached R\$ 731 million in revenue;
- The digital channel reached a new sales level, with R\$816 million in revenue at 2021, representing 25% of our sales;
- The US operation posted record-setting revenue of R\$347 million, with a positive EBITDA margin;
- Gross margin was up 510bps, reaching 53%, and we had a record-setting of R\$572 million EBITDA in the year;
- We exceeded our internal goals, leading to maximum bonus payments;
- In 11 years as a publicly-traded company, we released 44 quarters results, with revenue growth in 40 of them, and EBITDA growth in 35;
- Since the IPO, our shares have increased 306% vs IBOV's 81%;
- We went from R\$863 million in Gross Revenue in 2011 to over R\$3.6 billion in 2021 - a 4.2X growth rate;
- We have extremely well-structured strategic planning, and a business model that is 100% customer-oriented;
- Our passionate and hard-working team was essential to the Company's evolution in recent years, particularly during the pandemic;

## MESSAGE FROM MANAGEMENT

- Regarding ESG, we aspire to become a benchmark in terms of sustainability for the Brazilian fashion industry. We took important steps ahead in 2021: entering B3's ISE (Business Sustainability Index) portfolio, building our Diversity and Inclusiveness strategy, repositioning Alme as our sustainable brand, and neutralizing scope 1 and 2 emissions;
- In 2022, we will focus on the: (i) organic brand growth through new product categories, (ii) expanding the owned stores network, (iii) the constant development of digital fronts, logistics and sourcing to leverage the business, and (iv) continued strong growth in the US market; and (v) diligent inorganic growth through new M&As and licensing agreements;
- As the first landmark of 2022, close to the date of the 11th anniversary of our IPO, Arezzo&Co had its first follow-on public offering, marking the beginning of a new era. Amid volatile and uncertain market conditions, we raised more than R\$830 million through a primary offering, with a hot issue that was fully exercised given the high demand from foreign and local investors;
- In addition, we will take an important and unprecedented step ahead towards a market of approximately R\$ 15 billion that Arezzo&Co has not yet penetrated – women's apparel. With Carol Bassi – a recent acquisition in the luxury segment – and the launch of the Schutz and Reserva apparel line, we intend to make this segment a relevant share of our sales;
- Even with a strong comparison base, the first quarter of 2022 is already above expectations. We posted DTC sell out growth of 38% in January and 57% in February vs 2021 – and had the best Carnival period of the past 4 years.

We believe that, independently of the macroeconomic adversity expected in 2022, our Company is highly prepared to solidify its market share in fashion and guarantee products and experiences, with quality and sustainability, at the right time, within an international fashion platform.

We would like to thank all of our investors, analysts and stakeholders for their confidence on us over these years – it's just the beginning.

On towards 2154!

The Management

# 4Q21 OMNICHANNEL HIGHLIGHTS

## 1 - E-COMMERCE SALES

- TOTAL REVENUES: **R\$ 276M** (+70% VS. 4Q20 +306% VS. 4Q19)
- TOTAL TRAFFIC: **68 MILLION** (+18% VS 4Q20)
- TOTAL APP DOWNLOADS: **1.3 M** (+118% VS. 4Q20)
- TOTAL SHARE OF APPS IN REVENUES: **22%** (+530BPS VS 4Q20)
- CONVERSION RATE: **1.3%**

## 2 - OMNICHANNEL SALES

- SHARE OF DIGITAL IN PHYSICAL STORES' SELL OUT: **35%**
- REVENUES FROM CLICK N COLLECT AND STORE SHIPPING: **+43%** VS 3Q21
- **8.7 MILLION** CONTACTS MADE IN 4Q20 (INFLUENCED REVENUE)

## 3 - CRM\* (AREZZO&CO)

- AREZZO&CO ACTIVE CUSTOMER BASE (RECORD-SETTING): **3.6 MILLION**
- REACTIVATED CUSTOMERS: **+35%** VS. 2020
- HEAVY-USER PURCHASES REVENUES: **+37%** VS. 2020
- CAPTURED CUSTOMER (NEW CUSTOMERS): **+24%** VS. 2020

\*EX- AR&CO DATA

# R\$230MM

INFLUENCED SALES

# +43%

INCREASE IN CLICK N COLLECT AND STORE SHIPPING REVENUES

# +639K

CUSTOMERS IN THE ACTIVE BASE

# 4Q21 BRAND HIGHLIGHTS

# AREZZO &CO

## AREZZO

- Brazil Revenues: **R\$ 375.4M**
- Growth: **+33.0%** vs. 4Q19
- Web Revenues: **R\$ 72.1M**
- Web % of Sellout (DTC): **13.4%**
- OMNI Sales: **R\$ 15.6M**
- OMNI-to-Web Ratio: **21.6%**

## SCHUTZ

- Global Revenues: **R\$ 300.3M**
- Growth: **+79.6%** vs. 4Q19
- Brazil Revenues: **R\$ 194.2M**
- Web Revenues: **R\$ 55.5M**
- Web % of Sellout (DTC): **32.9%**
- OMNI Sales: **R\$ 8.0M**
- OMNI-to-Web Ratio: **14.5%**

## AR&CO

- Brazil Revenues: **R\$ 342.7M**
- Growth: **+109.2%** vs. 4Q19
- Web Revenues: **R\$ 91.7M**
- Web % of Sellout (DTC): **31.0%**
- OMNI Sales: **R\$ 28.4M**
- OMNI-to-Web Ratio: **45.0%**

## ANACAPRI

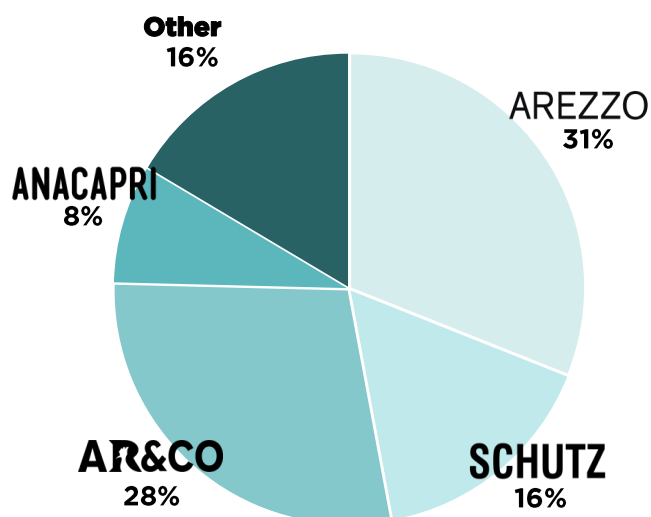
- Brazil Revenues: **R\$ 98.6M**
- Growth: **+29.5%** vs. 4Q19
- Web Revenues: **R\$ 15.1M**
- Web % of Sellout (DTC): **13.0%**
- OMNI Sales: **R\$ 2.8M**
- OMNI-to-Web Ratio: **18.3%**

## ALEXANDRE BIRMAN

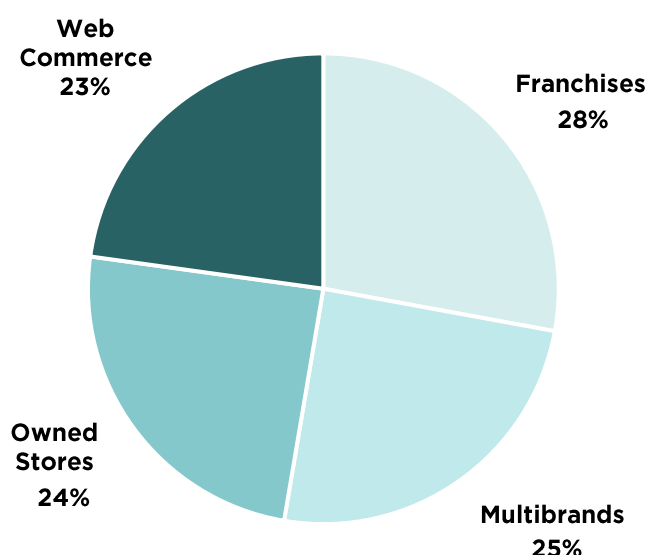
- Global Revenues: **R\$ 50.0M**
- Growth: **+66.8%** vs. 4Q19
- Brazil Revenues: **R\$ 24.1M**
- Web Revenues: **R\$ 3.8M**
- Web % of Sellout (DTC): **19.0%**
- OMNI-to-Web Ratio: **39.9%**

\*In November, WEB to Sell Out (DTC) ratio of the brands Arezzo and Anacapri was 20,5% and 23,8% respectively. In December, this indicator tend to be lower due to the acceleration of physical stores sell out.

## GROSS REVENUE - DOMESTIC MARKET



## GROSS REVENUE - CHANNELS



## 4Q21 GROSS REVENUES

Gross Revenue	4Q21	Part%	4Q20	Part%	Δ (%) 21 x 20	4Q19	Part%	Δ (%) 21 x 19
<b>Total Gross Revenue</b>	<b>1.352.404</b>		<b>802.283</b>		<b>68,6%</b>	<b>573.729</b>		<b>135,7%</b>
<b>Foreign Market</b>	<b>142.417</b>	<b>10,5%</b>	<b>76.785</b>	<b>9,6%</b>	<b>85,5%</b>	<b>66.258</b>	<b>11,5%</b>	<b>114,9%</b>
<b>Exports</b>	16.808	11,8%	7.902	10,3%	112,7%	8.420	12,7%	99,6%
<b>US Operation</b>	125.609	88,2%	68.883	89,7%	82,4%	57.838	87,3%	117,2%
<b>Domestic Market</b>	<b>1.209.987</b>	<b>89,5%</b>	<b>725.498</b>	<b>90,4%</b>	<b>66,8%</b>	<b>507.471</b>	<b>88,5%</b>	<b>138,4%</b>
<b>By Brand</b>								
<b>Arezzo</b>	375.406	31,0%	295.969	40,8%	26,8%	282.268	55,6%	33,0%
<b>Schutz<sup>1</sup></b>	194.187	16,0%	152.388	21,0%	27,4%	121.950	24,0%	59,2%
<b>AR&amp;CO<sup>2</sup></b>	342.677	28,3%	90.333	12,5%	86,9%	-	-	109,2%
<b>Anacapri</b>	98.642	8,2%	83.801	11,6%	17,7%	76.186	15,0%	29,5%
<b>Others<sup>3</sup></b>	199.075	16,5%	103.007	14,2%	93,3%	27.067	5,3%	635,5%
<b>By Channel</b>								
<b>Franchises</b>	337.108	27,9%	251.038	34,6%	34,3%	270.267	53,3%	24,7%
<b>Multibrand</b>	299.577	24,8%	179.246	24,7%	67,1%	92.158	18,2%	225,1%
<b>Owned Stores</b>	296.435	24,5%	132.715	18,3%	123,4%	76.982	15,2%	285,1%
<b>Web Commerce</b>	275.728	22,8%	162.400	22,4%	69,8%	67.948	13,4%	305,8%
<b>Others<sup>4</sup></b>	1.139	0,1%	99	0,0%	1.050,8%	116	0,0%	882,1%

(1) Ex- revenues from international operations.

(2) AR&CO brands include: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA, INK, and BAW Clothing.

(3) Includes the brands Vans, A. Birman, Fiever, Alme, TROC, and My Shoes for the domestic market only and other unspecified brand.

(4) Includes domestic market revenues not specific to the distribution channels.

## 4Q21 OPERATING INDICATORS

Operating Indicators	4Q21	4Q20	Δ (%) 21 x 20	4Q19	Δ (%) 21 x 19
<b># of pairs sold ('000)</b>	6.780	5.497	23,3%	4.352	55,8%
<i>Part. (%)</i>	71,9%	82,5%	-10,6 p.p	89,5%	-17,6 p.p
<b># of handbags sold ('000)</b>	950	535	77,6%	509	86,7%
<i>Part. (%)</i>	10,1%	8,0%	2,1 p.p	10,5%	-0,4 p.p
<b># of clothes sold ('000)</b>	1.705	633	169,3%	-	-
<i>Part. (%)</i>	18,1%	9,5%	8,6 p.p	-	-
<b># of employees</b>	5.276	2.260	133,5%	2.465	114,0%
<b># of stores*</b>	941	891	50	752	189
<b>Owned Stores</b>	158	132	26	53	105
<b>Franchises</b>	783	759	24	699	84
<b>Outsourcing (as % of total production)</b>	92,2%	92,1%	0,1 p.p	91,0%	1,2 p.p
<b>SSS<sup>2</sup> Sell in (franchises)</b>	21,7%	-3,4%	25,1 p.p	2,8%	18,9 p.p
<b>SSS<sup>2</sup> Sell out (owned stores + franchises + web)</b>	34,8%	-10,6%	45,4 p.p	5,7%	29,1 p.p

(1) Includes clothing items sold by Vans and AR&CO

(2) SSS (same-store sales): stores are included in comparable store sales from the 13th month of operations.

Results include AR&CO.

\* Includes overseas stores

## 2021 GROSS REVENUES

Gross Revenue	2021	Part%	2020	Part%	Δ (%) 21 x 20	2019	Part%	Δ (%) 21 x 19
<b>Total Gross Revenue</b>	<b>3.647.442</b>		<b>2.021.609</b>		<b>80,4%</b>	<b>2.063.928</b>		<b>76,7%</b>
<b>Foreign Market</b>	<b>391.319</b>	<b>10,7%</b>	<b>224.767</b>	<b>11,1%</b>	<b>74,1%</b>	<b>258.982</b>	<b>12,5%</b>	<b>51,1%</b>
Exports	43.799	11,2%	23.714	10,6%	84,7%	54.509	21,0%	(19,6%)
US Operation	347.520	88,8%	201.053	89,4%	72,8%	204.474	79,0%	70,0%
<b>Domestic Market</b>	<b>3.256.123</b>	<b>89,3%</b>	<b>1.796.841</b>	<b>88,9%</b>	<b>81,2%</b>	<b>1.804.946</b>	<b>87,5%</b>	<b>80,4%</b>
<b>By Brand</b>								
Arezzo	1.065.330	32,7%	760.648	42,3%	40,1%	983.757	54,5%	8,3%
Schutz <sup>1</sup>	607.365	18,7%	427.641	23,8%	42,0%	474.295	26,3%	28,1%
AR&CO <sup>2</sup>	758.828	23,3%	90.333	5,0%	94,4%	-	-	75,0%
Anacapri	292.071	9,0%	217.745	12,1%	34,1%	259.116	14,4%	12,7%
Others <sup>3</sup>	532.529	16,4%	300.474	16,7%	77,2%	87.779	4,9%	506,7%
<b>By Channel</b>								
Franchises	886.834	27,2%	562.266	31,3%	57,7%	899.399	49,8%	(1,4%)
Multibrand	886.700	27,2%	471.554	26,2%	88,0%	423.008	23,4%	109,6%
Owned Stores	659.195	20,2%	235.946	13,1%	179,4%	266.310	14,8%	147,5%
Web Commerce	816.285	25,1%	526.382	29,3%	55,1%	214.580	11,9%	280,4%
Others <sup>4</sup>	7.109	0,2%	693	0,0%	925,8%	1.649	0,1%	331,1%

(1) Ex- revenues from international operations.

(2) AR&CO brands include: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA, INK, and BAW Clothing.

(3) Includes the brands Vans, A. Birman, Fievel, Alme, TROC, and My Shoes for the domestic market only and other unspecified brand.

(4) Includes domestic market revenues not specific to the distribution channels.

## 2021 OPERATING INDICATORS

Operating Indicators	2021	2020	Δ (%) 21 x 20	2019	Δ (%) 21 x 19
<b># of pairs sold ('000)</b>	18.434	13.032	41,5%	14.533	26,8%
Part. (%)	73,0%	85,0%	-12,0 p.p	89,1%	-16,1 p.p
<b># of handbags sold ('000)</b>	2.197	1.374	60,0%	1.771	24,1%
Part. (%)	8,7%	9,0%	-0,3 p.p	10,9%	-2,2 p.p
<b># of clothes sold ('000)</b>	4.604	935	392,7%	-	-
Part. (%)	18,2%	6,1%	12,1 p.p	-	-
<b># of employees</b>	5.276	2.260	133,5%	2.465	114,0%
<b># of stores*</b>	941	891	50	752	189
Owned Stores	158	132	26	53	105
Franchises	783	759	24	699	84
<b>Outsourcing (as % of total production)</b>	90,4%	90,6%	-0,2 p.p	90,7%	-0,3 p.p
<b>SSS<sup>2</sup> Sell in (franchises)</b>	42,6%	-25,2%	67,8 p.p	1,7%	40,9 p.p
<b>SSS<sup>2</sup> Sell out (owned stores + franchises + web)</b>	34,2%	-23,8%	58,0 p.p	3,9%	30,3 p.p

(1) Includes clothing items sold by Vans and AR&CO

(2) SSS (same-store sales): stores are included in comparable store sales from the 13th month of operations.

Results include AR&CO.

\* Includes overseas stores

## 4Q21 KEY FINANCIAL INDICATORS

Main Financial indicators	4Q21	4Q21 Adjusted	4Q20 Adjusted	Δ (%) 21 x 20	4T19 Adjusted	Δ (%) 21 x 19
Gross Revenues	1.352.404	1.352.404	802.283	68,6%	573.729	135,7%
Net Revenues	1.092.950	1.092.950	644.615	69,6%	467.652	133,7%
COGS	(502.252)	(502.252)	(328.421)	52,9%	(249.435)	101,4%
Depreciation and amortization (cost)	(876)	(876)	(821)	6,7%	(664)	31,9%
Gross Profit	590.698	590.698	316.194	86,8%	218.217	170,7%
Gross margin	54,0%	54,0%	49,1%	4,9 p.p	46,7%	7,3 p.p
SG&A	(445.647)	(435.640)	(212.057)	105,4%	(160.138)	172,0%
% of net revenues	(40,8%)	(39,9%)	(32,9%)	(7,0 p.p)	(34,2%)	(5,7 p.p)
Selling expenses	(304.773)	(302.930)	(145.598)	108,1%	(108.582)	179,0%
Owned stores and web commerce	(160.501)	(160.501)	(61.317)	161,8%	(33.064)	385,4%
Selling, logistics and supply	(144.272)	(142.429)	(84.281)	69,0%	(75.518)	88,6%
General and administrative expenses	(108.405)	(100.241)	(49.037)	104,4%	(35.462)	182,7%
Other operating revenues (expenses)	(3.128)	(3.128)	(131)	2.294,8%	1.034	(402,5%)
Depreciation and amortization (expens	(29.341)	(29.341)	(17.291)	69,7%	(17.128)	71,3%
EBITDA	175.268	185.275	122.249	51,6%	75.871	144,2%
EBITDA Margin	16,0%	17,0%	19,0%	(2,0 p.p)	16,2%	0,8 p.p
Net Income	103.918	110.523	83.208	32,8%	46.803	136,1%
Net Margin	9,5%	10,1%	12,9%	(2,8 p.p)	10,0%	0,1 p.p

\*Breakdown of non-recurring adjustments relevant to the "Adjustments" line can be seen in the table below – 4Q21 Non-Recurring Adjustments.

## 4Q21 NON-RECURRING ADJUSTMENTS

	4Q21	4Q20	4Q19
Consolidated EBITDA	175.268	112.915	93.829
Non-Recurring Items			
Extemporaneos Credits <sup>1</sup>	-	2.906	20.705
Legal Expenses	(8.164)	(195)	(2.747)
M&A Expenses	(1.843)	(12.045)	-
Net Effect of Non-Recurring Items	(10.007)	(9.334)	17.958
Adjusted Consolidated EBITDA	185.275	122.249	75.871
Adjusted Gross Profit	590.698	316.194	218.217

(1) Adjustment for recognition of one-time tax credits (ICMS as part of the PIS/COFINS taxable base declared unconstitutional) in 4Q21.

## 2021 KEY FINANCIAL INDICATORS

Main Financial indicators	2021	2021 Adjusted	2020 Adjusted	Δ (%) 21 x 20	2019 Adjusted	Δ (%) 21 x 19
<b>Gross Revenues</b>	3.647.442	3.647.442	2.026.280	80,0%	2.063.928	76,7%
<b>Net Revenues</b>	2.923.827	2.923.827	1.612.539	81,3%	1.679.235	74,1%
<b>COGS</b>	(1.385.147)	(1.379.516)	(846.175)	63,0%	(903.541)	52,7%
<b>Depreciation and amortization (cost)</b>	(3.138)	(3.138)	(3.249)	(3,4%)	(2.768)	13,4%
<b>Gross Profit</b>	1.538.680	1.544.311	766.364	101,5%	775.694	99,1%
<b>Gross margin</b>	52,6%	52,8%	47,5%	5,3 p.p	46,2%	6,6 p.p
<b>SG&amp;A</b>	(1.070.156)	(1.188.559)	(615.568)	93,1%	(584.697)	103,3%
<b>% of net revenues</b>	(36,6%)	(40,7%)	(38,2%)	(2,5 p.p)	(34,8%)	(5,9 p.p)
<b>Selling expenses</b>	(800.602)	(796.814)	(404.532)	97,0%	(368.017)	116,5%
<b>Owned stores and web commerce</b>	(358.477)	(358.474)	(153.494)	133,5%	(119.124)	200,9%
<b>Selling, logistics and supply</b>	(442.125)	(438.341)	(251.038)	74,6%	(248.893)	76,1%
<b>General and administrative expenses</b>	(299.683)	(284.375)	(134.879)	110,8%	(144.963)	96,2%
<b>Other operating revenues (expenses)</b>	130.472	(7.027)	(3.274)	114,6%	3.358	(309,2%)
<b>Depreciation and amortization (expens)</b>	(100.343)	(100.343)	(72.882)	37,7%	(75.075)	33,7%
<b>EBITDA</b>	572.005	459.233	226.927	102,4%	268.840	70,8%
<b>EBITDA Margin</b>	19,6%	15,7%	14,1%	1,6 p.p	16,0%	(0,3 p.p)
<b>Net Income</b>	343.720	269.290	87.317	208,4%	140.950	91,1%
<b>Net Margin</b>	11,8%	9,2%	5,4%	3,8 p.p	8,4%	0,8 p.p

\*Breakdown of non-recurring adjustments relevant to the "Adjustments" line can be seen in the table below – 2021 Non-Recurring Adjustments.

## 2021 NON-RECURRING ADJUSTMENTS

	2021	2020	2019
<b>Consolidated EBITDA</b>	572.005	168.240	300.945
<b>Non-Recurring Items</b>			
<b>Surplus Value (Impact on Gross Profit)<sup>1</sup></b>	(5.631)	-	-
<b>Extemporaneous Credits<sup>2</sup></b>	137.499	51.985	39.960
<b>Legal Expenses</b>	(15.312)	(4.488)	(7.855)
<b>Non-Recurring Items (COVID-19)</b>	-	(94.139)	-
<b>M&amp;A Expenses</b>	(3.784)	(12.045)	-
<b>Net Effect of Non-Recurring Items</b>	112.772	(58.687)	32.105
<b>Adjusted Consolidated EBITDA</b>	459.233	226.927	268.840
<b>Adjusted Gross Profit</b>	1.544.311	766.364	775.694

- (1) Added value - impact on gross income from amortization of added value on Reserva Group Inventory.  
(2) Adjustment for recognition of previous periods' tax credits (ICMS as part of the PIS/COFINS taxable base declared unconstitutional).

## BRANDS PERFORMANCE

The fourth quarter is traditionally characterized by relevant dates on Arezzo&Co's sales calendar, such as Christmas, Holidays, and Summer Vacations. The main event, Christmas-sales, exceeded expectations. December was the period's best performing month, proving the strength of the brands as excellent choice for gifts.

The quarter was also marked by the launch of the high summer collections, which showed excellent performance in every channel, with high level of sell through both in physical stores and in the web commerce. This is the result of the collections' assertiveness and the brands' strong position, featuring a high level of engagement with customers.

As for results, the performance in 4Q21 was historical, at R\$1.4 billion in sales – growth of 69% vs. 4Q20 and 136% vs. 4Q19. Considering only organic brands (ex AR&CO and Vans brand), Arezzo&Co posted the strong growth of 36%, evidencing the solidity of the organic performance.

AREZZO posted R\$375.4 million in revenues, growth of 27% from 4Q20 and 33% vs. 4Q19. The brand highlight for the quarter was the significant improvement on the franchises channel, which has a high representation on its revenues. In addition, the multibrand channel showed strong performance, up 41% vs. 4Q20 and 86% vs. 4Q19.

In this period, Arezzo launched important collections that generated engagement with its target public. In October, the brand launched the "Generations" collection, which addressed the differences between the Y and Z generations and featured influencers who represents the different styles among the customers. Given the topic's popularity, mainly on social media, the collection's performance exceeded expectations and sales volume was three times above average in the first fifteen days after launch.

In December, for one of the most important dates of the year, Arezzo launched special collections emphasizing its position as an excellent choice for gifts, through specific actions like in-store product displays focusing on giftable items. The main collection was "Gemstones", featuring Holiday-themed products, and showing a sell through of 65% in just two weeks.

In addition, the BriZZa line of injected footwear and handbags posted excellent revenues for the quarter increasing its representativeness of Arezzo brand results to 8% - with emphasis on the excellent Christmas and Holidays sales performance. BriZZa has drafted relevant strategies for 2022, including hiring singer-businesswoman Anitta as this year's star. The partnership began in February – in time for Carnival – and has already showed high consumer adherence, leading to a excellent sell out increase in the period. Right after the launch, BriZZa products increase average sales at Arezzo's physical stores by 30%. The campaign was widely disseminated on social media and strategically located venues, and a presence on open-access TV, such as during "Big Brother Brasil 2022" commercial breaks. The actions led to excellent engagement results – number of followers, web commerce and Instagram hits, etc.

## BRANDS PERFORMANCE

The **SCHUTZ** brand was the quarter's highlight, posting the best performance out of all Arezzo&Co group organic brands. The brand posted global revenues of R\$300.3 million, growth of 43% from 4Q20 and 80% vs. 4Q19. Domestically, the brand posted R\$194.2 million, up 27% vs. 4Q20 and 59% vs. 4Q19.

In the period, Schutz recorded growth in all the channels - *sell in* and *sell out*. It is worth emphasizing the web commerce and multibrand channels, which grew 30% and 13%, respectively, vs. 4Q20. It is also important to note the strong comparison base of Schutz results, given the brand's outstanding 4Q20 performance.

For its high summer campaign, Schutz maintained the successful partnership with the celebrity Marina Ruy Barbosa and launched the *Schutz High Summer* campaign, inspired by the tropical summer and shot by *paparazzi* on São Conrado beach, Rio de Janeiro. For the Holidays, the brand launched the "*Time to Shine*" collection, featuring shoes - mostly heels - with high fashion content, translating its position as a fashionable brand. The collections that emphasize the strong Schutz DNA tend to perform above expectations.

In the second quarter this year, Schutz will take an important step ahead towards becoming a real lifestyle brand. As announced on Investor Day 2021, its women's apparel line is under development and set for release in April. The line will be sold on some physical stores and on the brand's web commerce channel.

**AR&CO** posted R\$342.7 million in revenues in 4Q21, growth of 72% from 4Q20 and 92% vs 4Q19. The Reserva Group (ex- BAW Clothing) maintained its strong results trend of the past quarters, with excellent performance in all the channels, especially the digital, which grew 49% vs. 4Q20 (despite the strong comparison base), representing 20% of the sales.

For the Reserva Group, the quarter's starting line was the Children's Day. With clothing items for the entire family, the brand formed a partnership with Woody Woodpecker®, adding humor by substituting him for the brand's regular mascot. To celebrate the collection's success, its sales supported the donation of glasses to children who are beneficiaries of the *Ver Magia* project, which acts in support of the main cause of school non-attendance in Brazil: untreated sight issues.

The November spotlight was on Black Friday actions - which the brand renamed "Best Freeday". Together with NGO "Asas e Amigos", the brand took advantage of the important sales period to revert a portion of its sales to animal-protection projects. Through the "for freer beings" action, 500 animals that were victims of traffic and abuse were returned to nature. Reserva has made a strong social and sustainable commitment and constantly tries to align consumer goods with a greater purpose.

## BRANDS PERFORMANCE

To celebrate the end of the year, Reserva joined forces with the global brand Netflix to create an unprecedented and innovative collection of comfortable products that encourage consumers to relax “in bed, on the grass, on the beach, or in the couch”. The collab had strong results both on the brand’s digital channels and its physical stores, including a thematic pop-up store in Rio de Janeiro. The sales of the collection’s items exceeded R\$1 million in its early months.

It is worth emphasizing that the Reserva’s collabs pillar has a key role in increasing conversion rates and generating consumer desire. In addition to the actions above, the performance of other collections in the period – such as Christmas and Holidays – also were above expectations, leading to a sell out growth of 64% vs. 4Q20 and 89% vs. 4Q19.

Aside from Reserva Group brands, BAW Clothing is also recognized in the results of AR&Co, having posted approximately R\$40 million in sales since the acquisition.

The results for the Company’s latest acquisition, Carol Bassi, will be recognized in the first quarter of 2022. The closing of the operation took place on January 25, 2022, as announced to the market. The brand’s physical store performance was excellent in the early months of the year, and a footwear line was launched to test the new category.

The **VANS** brand posted strong revenues growth, especially on the multibrand and online channels. As for physical stores, the focus was on maintaining the expansion plan, with six new store openings (3 franchises and 3 own). Most of them are in the Southeast region of Brazil, which is deemed strategic for the brand’s long-term expansion.

The Vans physical stores have been showing excellent performance since opening – exceeding the Company’s expectations. The Paulista avenue store, for example, is still on a path of strong growth, with monthly sales above of R\$1 million. In December – an important month for retailers – the store sold more than R\$2 million.

The **ANACAPRI** brand had revenues of R\$98.6 million, growth of 18% from 4Q20 and 30% vs. 4Q19, with emphasis on the multibrand channel, which grew 10% vs. 4Q20 and 75% vs. 4Q19. It is also worth noting the brand’s improved performance compared with the third quarter, due to recovery of sell-in channels and acceleration of sell-out channels.

The quarter was marked by the celebration of the brand’s 13th anniversary and a net 18 store openings in the year and 13 in the quarter, in line with the brand’s expansion strategy. In addition, the brand launched its high summer collection – New Connections – with a focus on practical products for travel and vacations.

## BRANDS PERFORMANCE

The ALEXANDRE **BIRMAN** brand posted global revenues of R\$50.0 million, growth of 81% vs. 4Q20 and 67% above 4Q19. In Brazil, the brand's revenues were R\$24.1 million, up 85% vs 2020 and 98% vs 2019.

For the period's highlight, the brand was at one of the most important fashion segment's awards ceremonies, the CFDA *Fashion Awards* 2021. The brand's presence at one of the world's top fashion events reinforces Alexandre Birman's positioning as a global luxury brand, fostering increased awareness and customer engagement.

**mySHOES** brand performed in line with the Company's expectations in the fourth quarter. For the period's highlight, in addition to posting strong sales results, the multibrand channel contributed for the number of Arezzo&Co number of clients, opening more than 700 new doors, mainly in the Southeast, South and Northeast regions of Brazil. These results reinforce the brand's new strategy to gain capillarity.

Another key indicator for the quarter was the increase in the number of followers on MyShoes's social media, which grew +27% on Instagram, an important communication platform for the group's brands.

**FIEVER** and **ALME** posted strong online channel revenues compared with the same period in 2019.

In November, Alme launched its new sustainable positioning, with a strong socio-environmental commitment. Its main pillars will be materials with lower environmental impact, 100% supply-chain traceability, 100% carbon emissions offsetting through Amazon Rainforest preservation projects, and promotion of reverse logistics, through smart partnerships that include TROC to walk the post-consumption path with consumers. Results in the early months of sales were encouraging. The footwear made from recycled cotton answered for 40% of the brand's sell out in the period, and those in neutral colors achieved 85% store sell through, above the average of the brand's previous collections.

## INTERNATIONAL BUSINESS

In the fourth quarter, the US operation had unprecedented results.

Gross revenue were R\$125.6 million, 82% above 4Q20 and 117% above 4Q19 (in dollars, it was 73% higher than 4Q20 and 54% vs. 4Q19) – the highest sales level in its history.

Sales success is mainly due to the strategic decisions made in 2020, as follows: price repositioning, organizational structure adjustments, increased wholesale doors, and boosting the digital channel.

The online channel continued to post the strong growth seen in previous quarters, and even broke the previous record, which had been set in 3Q21. Sales reached R\$47.4 million, up 173% vs. 4Q20 and 324% vs. 4Q19. The growth in dollars was 164% and 213%, respectively. As a highlight, some of the important indicators that boosted sales were: (i) 1.7 of conversion rate, (ii) 75% website traffic growth, (iii) 147% increase in the number of orders, and (iv) 155% increase in the number of pairs sold compared with 4Q20.

In the fourth quarter, the wholesale channel answered for 53% of the operation's sales. The revenues were up 36% vs. 4Q20 and 82% vs. 4Q19. The channel saw a 42% increase in doors – number of department stores – and gained share among stores that were already part of its base. The sell-through also presented strong results, boosted by marketing actions, in addition to assertive collections and “dropship” – tool that makes own-inventory items available on the websites of department stores.

The US operation's solid and sustainable results enabled breakeven stability in terms of EBITDA: BRL 8.8 million in 4Q21 with an 8.7% margin.

The exports of footwear to the rest of the world (ex- United States) reported growth of 113% vs. 4Q20. The sales evolution reflects the recovery of the global exports market as activities normalize due to the flexibilization of COVID-19 pandemic-related restrictions.

## CHANNELS

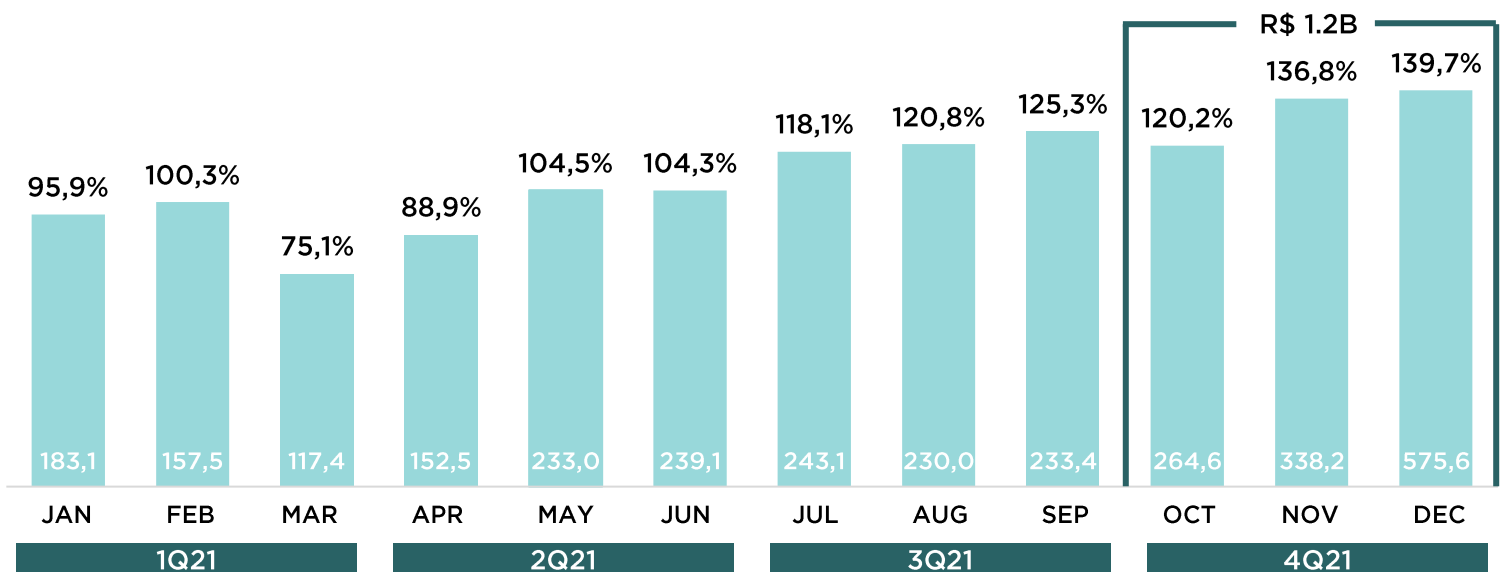
### Sell Out – Franchises, Owned Stores and Web Commerce

The DTC sell out (Owned Stores + Franchises + Web Commerce) amounted R\$1.2 billion in 4Q21, up 41% vs. 4Q20 and 34% vs. 4Q19 – considering comparable bases. The sales performance grew consecutively month after month comparing to 2019. In October, the sell out grew 20%. In November and December, it grew 37% and 40%, respectively.

The period was marked by excellent results for all the Arezzo&Co brands. The Arezzo brand grew 29% vs. 4Q20 and 11% vs. 4Q19, and Schutz was up 43% comparing to the same period of 2019, and AR&CO was up 90%. Anacapri also grew in the period, 20% vs. 4Q20 and 8% vs. 4Q19.

In the beginning of 2022 – January and February – sales performance remained at high growth levels comparing to 2021, of 38% and 57%, respectively. It is worth emphasizing that the Carnival period was the best in the past 4 years.

### Arezzo&Co + AR&CO Sell Out Performance (Franchises, Owned Stores and Web Commerce) – vs. 2019



\*Months affected by brick-and-mortar store closures due to the COVID-19 pandemic

**+34%**  
SELL OUT GROWTH IN 4Q21

**R\$ 1.2B**  
OF DTC SELL OUT IN 4Q21

## CHANNELS

### Single brand – Franchises and Owned Stores

The fourth quarter of 2021 was marked by retail's return to normal activities and, as a reflection of this, Arezzo&Co posted strong growth on all of its sell in and sell out channels – its performance stood out above other market players due to the assertive and adherent collections offered to consumers.

The sell in sales on the franchises channel were R\$337.1 million, up 34% vs. 4Q20 and 25% vs. 4Q19. The sell out from owned stores also grew in the quarter – 123% vs. 4Q20 and 285% vs. 4Q19. Excluding AR&CO, the revenues of the franchises channel would have been up 27% vs. 4Q20 and 16% vs. 4Q19, and the own stores channel would have been up 81% vs. 4Q20 and 67% vs. 4Q19.

### Multibrand

In 4Q21, the sales on the multibrand channel were 67% up from 4Q20 e 225% from 4Q19. Excluding AR&CO and the Vans brand, the channel would have been up 30% vs. 4Q20 and 87% vs. 4Q19.

All of the organic brands posted strong growth on this channel, with particular emphasis on Arezzo – up 41% year over year – due to share of wallet gains and new customers additions. The Reserva and Vans brands also contributed materially to the channel, showing continued expansion.

The Arezzo&Co and AR&CO brands are distributed across 5,740 points of sale, a growth of 36% against 4Q20. It is worth emphasizing that the MyShoes brand represented 13% of the group's total number of clients, most of which were new clients.

### E-commerce

The online sales reached a new level in 2020 and maintained the trend in 2021, despite the normalization of sales on the physical channel.

The channel posted R\$275.7 million in gross revenues in 4Q21, up 70% vs. 4Q20 and 306% vs. 4Q19. The channel registered a share of 23% vs 13% in 2019. Excluding AR&CO, the channel would have been up 27% vs. 4Q20.

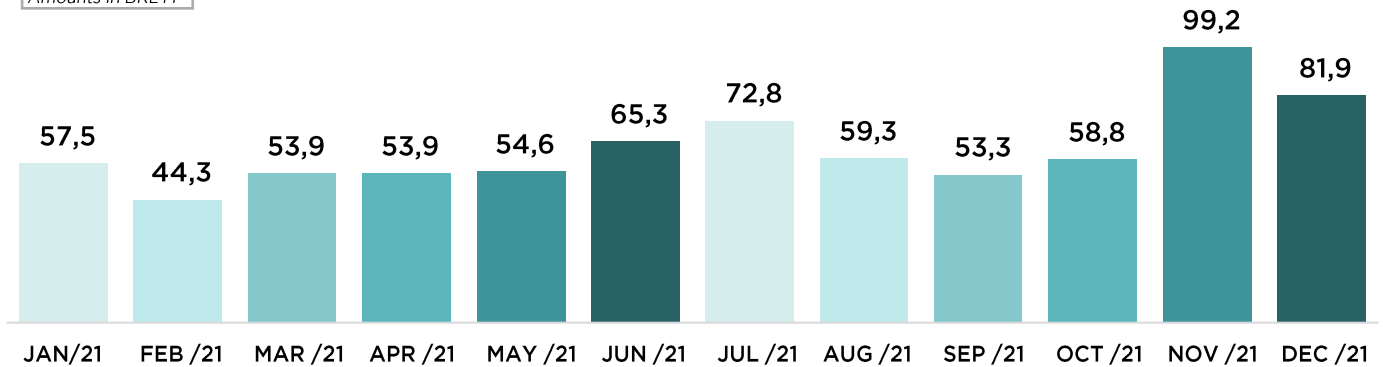
Arezzo&Co brands' APPs are constantly expanding digital sales and reached 22% representativeness – up 530bps vs. 4Q20. The number of APP downloads also showed strong evolution in the period – 118%.

## CHANNELS

### Web Commerce Sell Out Evolution

Arezzo&CO and AR&CO

Amounts in BRL M



## Digital Transformation

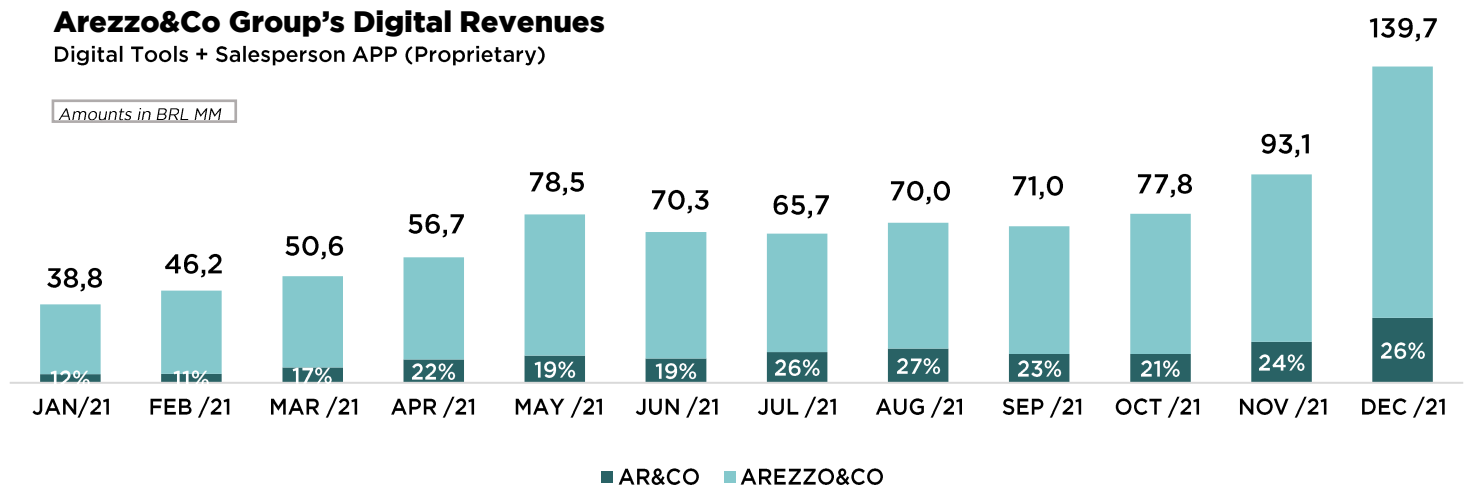
The digital sales tools are continually evolving and have been showing consistent results in the past quarters. Most of Arezzo&Co's physical stores make frequent use of online selling methods, and the Salesperson APP has become the main supporting tool for the sales team to leverage results.

The digital influenced sales' representativeness in the fourth quarter were 35% of physical stores' sell out revenues. The main tools used are Click n' Collect, Store Shipping, Sale by Link, Infinite Shelf/Seller Voucher, and *Malinha* ("Reserved"), aside from the Salesperson APP.

### Arezzo&Co Group's Digital Revenues

Digital Tools + Salesperson APP (Proprietary)

Amounts in BRL MM



**R\$755M**

WEB COMMERCE SELL OUT (LTM)

**R\$858M**

DIGITAL REVENUES (LTM)

**R\$1.6 B**

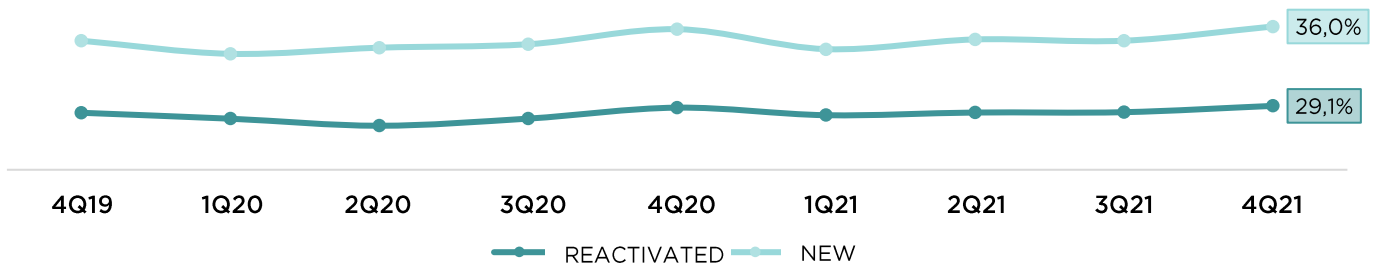
WEB + DIGITAL TOOLS SELL OUT (LTM)

## CHANNELS

### Digital Transformation

#### Customer Capture and Retention\*

- The OMNI customers' purchase frequency was **138%** higher than the customer who only buy from web commerce channel and **77%** higher than the customers that only buy at physical stores;
- 35%** of the customer base were reactivated in 2021 from 2020;
- 21%** increase in the heavy-user customer base, representing **37%** revenues growth vs 2020;
- Purchase frequency of influenced sales through salesperson contact is **23%** higher than that of non-influenced sales.



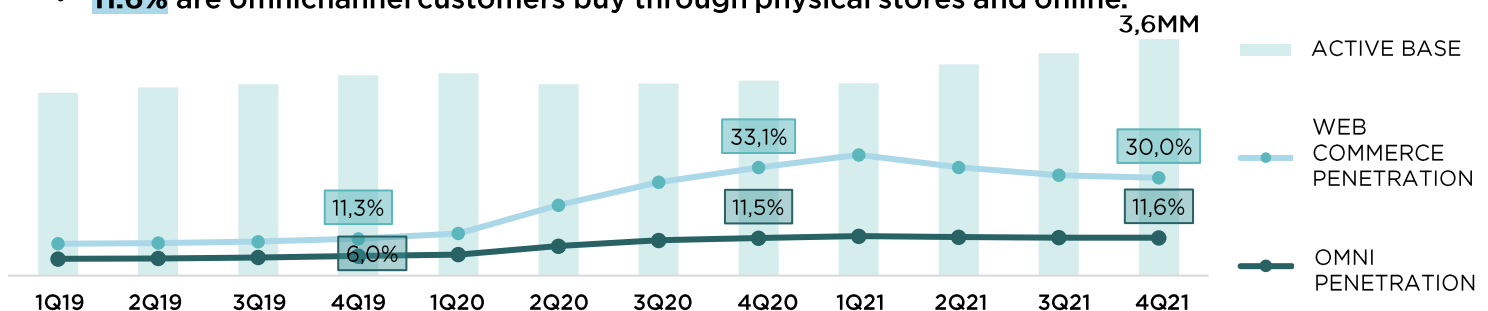
\*Ex- AR&CO data



\*2021 vs. 2020 data

#### Online Channel Penetration\*

- Accelerated growth of the active base of Arezzo&Co online customers - record-setting number;
- 30.0%** of Arezzo&Co customers buy through online channel;
- 11.6%** are omnichannel customers buy through physical stores and online.



\*Ex- AR&CO data

## SINGLE-BRAND CHAIN

The Company closed the quarter with 941 stores, 930 in Brazil and 11 abroad, considering all of the group's brands.

In the period the net balance of net openings was 50 stores. There were net openings for the Reserva (34), Anacapri (18) and Vans (11) brands. On the other hand, closings included 12 pop-up stores of the Arezzo brand's BriZZa line operating under temporary contracts (kiosks) and one Alme brand store – a strategy drawn under the brand repositioning plan.

Store Information	4Q20	1Q21	2Q21	3Q21	4Q21
<b>Sales area<sup>1, 3</sup> - Total (m²)</b>	56.461	56.906	58.199	59.917	64.182
<b>Sales area - franchises (m²)</b>	42.176	42.621	43.818	44.711	47.844
<b>Sales area - owned stores<sup>2</sup> (m²)</b>	14.285	14.285	14.381	15.206	16.337
<b>Total number of domestic stores</b>	<b>880</b>	<b>872</b>	<b>879</b>	<b>883</b>	<b>930</b>
<b># of franchises</b>	<b>753</b>	<b>743</b>	<b>746</b>	<b>743</b>	<b>777</b>
<b>Arezzo</b>	451	441	437	429	433
<b>Schutz</b>	68	67	62	64	64
<b>Anacapri</b>	186	187	192	193	207
<b>Fiever</b>	1	1	1	1	1
<b>Alme</b>	3	3	3	2	2
<b>Vans</b>	7	7	9	10	13
<b>AR&amp;CO</b>	37	37	42	44	57
<b># of owned stores</b>	<b>127</b>	<b>129</b>	<b>133</b>	<b>140</b>	<b>153</b>
<b>Arezzo</b>	12	15	15	18	18
<b>Schutz</b>	16	17	20	20	20
<b>Alexandre Birman</b>	8	8	8	8	8
<b>Anacapri</b>	5	3	3	3	2
<b>Fiever</b>	2	2	2	2	2
<b>Alme</b>	2	2	2	2	2
<b>Vans</b>	7	7	7	9	12
<b>AR&amp;CO</b>	75	75	76	78	89
<b>Total number of international stores</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
<b># of franchises</b>	6	6	6	6	6
<b># of owned stores<sup>4</sup></b>	5	5	5	5	5

(1) Includes overseas stores' floor area

(2) Includes eleven Outlet-type stores with total floor area of 2,450 m²

(3) Includes floor area of expanded stores

(4) Includes 3 Schutz brand stores, as follows: (i) New York, Madison Avenue, (ii) Miami, in the Aventura Mall, and (iii) Los Angeles, Beverly Drive. Also includes 2 Alexandre Birman stores, as follows: (i) New York, Madison Avenue and (ii) Miami, Bal Harbour Mall.

## GROSS PROFIT AND GROSS MARGIN

In 4Q21, Arezzo&Co posted R\$ 590.7 million in gross profit with a 54% margin, improvement of 490 bps vs the same period in 2020 and 730bps from 4Q19.

Among the positive factors responsible for the gross margin growth were: (i) the increased owned stores share of total revenues, which relates directly to AR&CO, (ii) improvement in the margin for US operation, and (iii) greater share of web commerce in the channels mix, in addition to better margins for the channel, also under the influence of AR&CO.

## ADJUSTED OPERATING EXPENSES

Arezzo&Co posted strong results for the period. To drive this growth, the Company's investments were diligently allocated and in line with its strategic planning. The fronts of greatest representation in expenses growth are related to (i) the development of the organic and inorganic brands, (ii) international expansion, with unprecedented revenues levels, and (iii) the continuous growth of the digital.

In addition to investments in sales growth and new brands, the Company remains diligent with fixed and operating costs, with the continuous objective of leveraging its EBITDA margin.

### Selling Expenses

The main growth factor for selling expenses was the addition of AR&CO to the business, which is more exposed to sell out channels. In addition, the expansion of the web commerce revenues and the growth of the number of owned stores – a movement concentrated on certain brands – also contribute to higher investment needs.

In 4Q21, Arezzo&Co's selling expenses grew 44% from 4Q20, reaching R\$ 209.1 million. Considering AR&CO, selling expenses were 108% above 4Q20.

- i. Owned Stores and Web Commerce expenses (sell out channels) of Arezzo&Co were R\$ 70.9 million – up 16% from 4Q20. The expansion in owned stores – mainly in the Vans, Schutz and Arezzo brands – explains the growth of expenses in this channel, which concentrate on people, occupancy, and marketing costs. The digital, which shows continuous revenues growth, also contributed to the increase in investments in this line, with variable expenses (logistics and digital marketing) being the most relevant. Considering AR&CO, expenses increased 162%.

## ADJUSTED OPERATING EXPENSES

- ii. Selling, Logistics and Supplies expenses amounted to R\$ 138.2 million in the period - growth of 64% vs 4Q20. Among the main factors affecting this increase were: (i) The Vans brand expenses directly associated with revenues (sales commissions, royalties, and marketing investments) and (ii) investments in marketing of new brands and projects, mainly BriZZa Arezzo. Considering the addition of AR&CO, expenses grew by 69%.

Selling, Logistics and Supplies expenses in the United States totaled R\$ 37.2 million in 4Q21, growth of 130% vs. 4Q20. The operation showed strong revenue performance in the period, and continued its growth strategy, aiming to increase its presence in the country. The growth in expenses is mainly explained by investments in the web commerce channel, in the logistics and digital marketing fronts, which vary according to revenues.

### General and Administrative Expenses

In 4Q21, Arezzo&Co general and administrative expenses amount to R\$ 59.1 million, growth of 21% vs 4Q20, due to the provision for the payment of the company's profit sharing, given the improvement in results compared to previous period and the IT investments associated with software and applications maintenance. Considering AR&CO, expenses grew 104.4% totaling R\$ 100.2 million.

## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The Company reported adjusted EBITDA of R\$ 185.3 million in 4Q21, growth of 52% vs 4Q20 and 144% vs 4Q19. Key factors driving this results being:

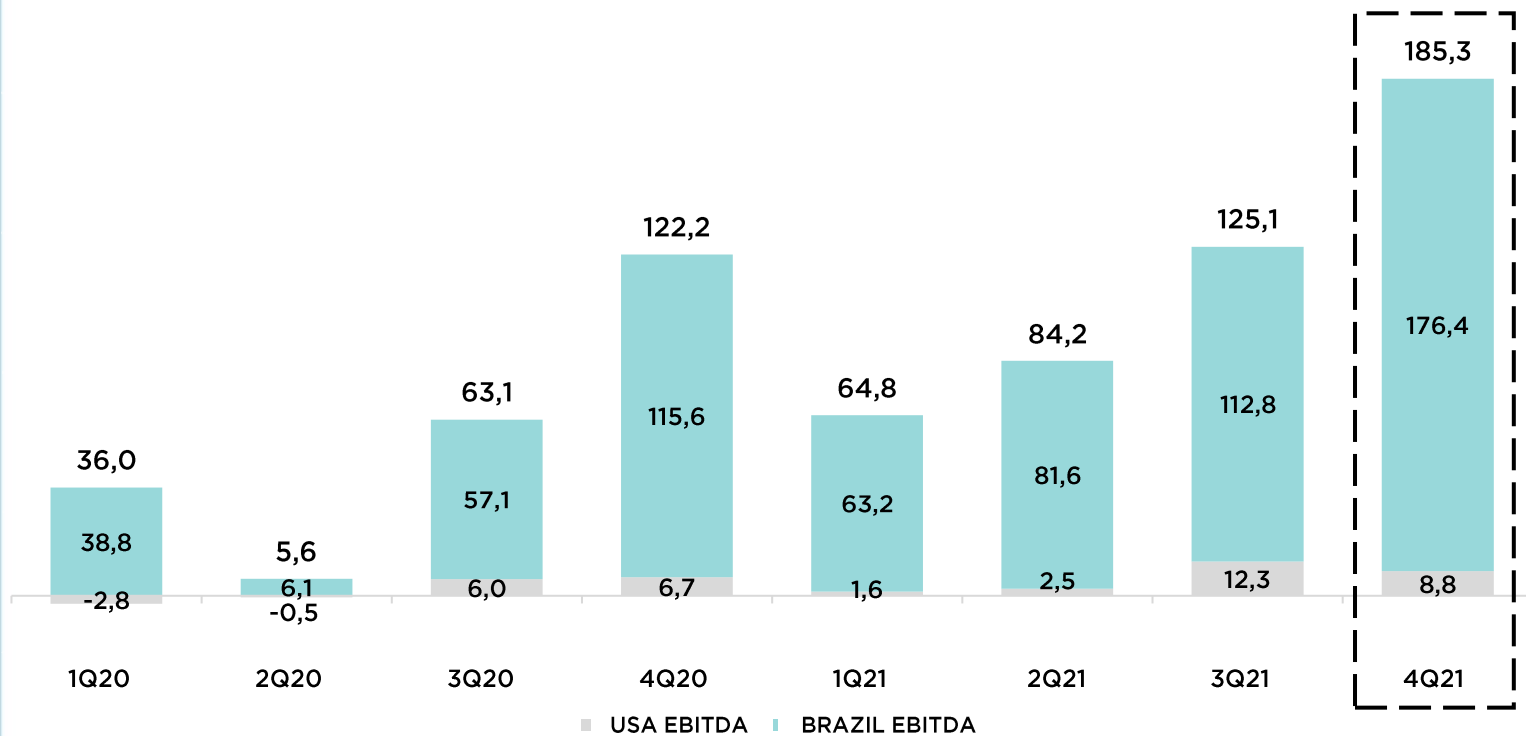
- The strong sales performance for all of the group's brands in the period;
- Acceleration in physical channel sales, in both sell out and sell in;
- Expansion of gross margin, as previously discussed;
- Maintenance of positive EBITDA in the US Operation;
- Adjusted EBITDA margin up 100 bps from 4Q19.

	4Q21 EBITDA			4Q20 EBITDA			4Q19 EBITDA		
	&Co	Brazil	USA	&Co	Brazil	USA	&Co	Brazil	USA
<b>Net Revenues</b>	1.093,0	992,1	100,8	644,6	587,1	57,5	467,7	419,1	48,5
<b>EBITDA</b>	185,3	176,5	8,8	122,2	115,6	6,7	75,9	75,9	(0,1)
<b>EBITDA Mg.</b>	17,0%	17,8%	8,7%	19,0%	19,7%	11,6%	16,2%	18,1%	-

Amounts in BRL M.// Amounts in line with the adoption of IFRS 16 / CPC 06 (R2)

## ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

### AREZZO&CO BREAKDOWN OF ADJUSTED EBITDA



Adjusted results: One-off impacts and credits from previous fiscal years recognized in each quarter not included.

## NET INCOME AND ADJUSTED NET MARGIN

The Company's adjusted net income in the period was R\$ 110.5 million, growth of 33% vs 2020 and 136% vs 2019, with net margin of 10%, growth of 10 bps vs 2019.

The net income was positively impacted by the strong operational performance of Arezzo&Co in the period and the incorporation of AR&CO, and negatively by the increase in financial expenses resulting from greater leverage and higher expenses with credit card fees which grew in the same proportion as the increase in sales.

## ROIC – RETURN ON INVESTED CAPITAL

Adjusted return on invested capital (ROIC) – that is, excluding the inorganic movements in 2020 and 2021, as well as extemporary credits reached 30.1%, vs. 7.3% in 2020.

The reported ROIC reached the level of 22.9% in 4Q21. The factors responsible for this performance include the 374% increase in NOPAT compared to 4Q20. On the other hand, it is worth emphasizing the increase in the working capital lines (inventories, suppliers and accounts receivable), which were affected by the integration of AR&CO, carried out in December 2020.

In relation to the incorporation, it is also worth mentioning the significant increase in PP&A associated with the investment, including elements such as intangible and goodwill – to be amortized over the coming years.

Income from operations	4Q21 Reported	4Q21 Adjusted	4Q20	4Q19	Δ 21 x 20 (%)	Δ 21 x 19 (%)
<b>EBIT (LTM)</b>	468.524	357.243	92.109	223.102	287,8%	60,1%
<b>+ IR and CS (LTM)</b>	(60.134)	(45.851)	(5.974)	(42.787)	667,5%	7,2%
<b>NOPAT (LTM)</b>	<b>408.390</b>	<b>311.392</b>	<b>86.135</b>	<b>180.315</b>	<b>261,5%</b>	<b>72,7%</b>
<b>Working Capital<sup>1</sup></b>	416.694	416.694	331.768	419.220	25,6%	(0,6%)
<b>Accounts Receivable</b>	790.302	790.302	598.824	413.412	32,0%	91,2%
<b>Inventory</b>	450.487	450.487	290.896	179.499	54,9%	151,0%
<b>Suppliers</b>	(574.713)	(574.713)	(399.189)	(134.967)	44,0%	325,8%
<b>Others</b>	(249.382)	(249.382)	(158.763)	(38.724)	57,1%	544,0%
<b>Permanent assets</b>	1.421.648	657.760	1.149.183	382.146	(42,8%)	72,1%
<b>Other long-term assets<sup>2</sup></b>	207.667	207.667	37.862	34.756	448,5%	497,5%
<b>Invested capital</b>	<b>2.046.009</b>	<b>1.282.121</b>	<b>1.518.813</b>	<b>836.122</b>	<b>(15,6%)</b>	<b>53,3%</b>
<b>Average invested capital<sup>3</sup></b>	<b>1.782.411</b>	<b>1.034.186</b>	<b>1.177.468</b>		<b>(12,2%)</b>	
<b>ROIC<sup>4</sup></b>	<b>22,9%</b>	<b>30,1%</b>	<b>7,3%</b>			

(1) Working Capital: Current Assets minus Cash and cash equivalents, deducted from Current Liabilities minus Banks and Dividends Payable.

(2) Minus deferred Income tax and Social Contribution.

(3) Average capital employed in the period and in the same period in the previous fiscal year.

(4) ROIC: NOPAT of the past 12 months divided by average capital employed.

## INVESTMENT - CAPEX

In 4Q21, Arezzo&Co invested R\$ 64.0 million in CAPEX, notably to:

- AR&CO
  - Opening of new stores;
  - Store renovations to adapt to the new architectural model;
  - Infrastructure and IT projects.
- Corporate
  - Projects related to digital transformation.
- Stores
  - Opening of new owned stores (Vans brand);
  - Alme store renovations - adaption to the brand's new positioning;

Summary of Investments	4Q21	4Q20	Δ 21 x 20 (%)	2021	2020	Δ 21 x 20 (%)
<b>Total CAPEX</b>	64.044	15.389	316,2%	168.881	46.185	265,7%
<b>Stores - expansion and refurb</b>	42.063	6.253	572,7%	88.007	12.115	626,4%
<b>Corporate</b>	16.513	8.721	89,3%	65.474	29.147	124,6%
<b>Other</b>	5.468	415	1.217,6%	15.400	4.923	212,8%

## CASH AND DEBT

The company reported a net debt of R\$ 272.0 million at the end of 4Q21. Highlights for the period include:

- **A cash position of R\$ 262.6 million;**
- Total debt of R\$ 534.6 million, compared with R\$ 568.3 million in 3Q21;
- Worthy of mention is that the company debt levels were modified in 1Q20 due to preventive raising of credit lines;
- Net Debt/EBITDA ratio of 0.5x.

Cash position and Indebtedness	4Q21	3Q21	4Q20
<b>Cash</b>	262.559	297.205	561.165
<b>Total debt</b>	534.594	568.258	634.269
<b>Short-term</b>	496.861	271.040	239.483
<b>% total debt</b>	92,9%	47,7%	37,8%
<b>Long-term</b>	37.733	297.218	394.786
<b>% total debt</b>	7,1%	52,3%	62,2%
<b>Net debt</b>	272.035	271.053	73.104
<b>Net Debt/EBITDA</b>	0,5x	0,5x	0,4x

# BALANCE SHEET

Assets	4Q21	3Q21	4Q20
<b>Current assets</b>	<b>1.646.786</b>	<b>1.495.473</b>	<b>1.564.868</b>
Cash and Banks	33.750	49.047	38.297
Financial Investments	228.809	248.158	522.868
Trade accounts receivables	790.302	605.881	598.824
Inventory	450.487	448.212	290.896
Taxes recoverable	73.852	87.897	86.034
Other credits	68.230	54.654	27.949
Financial Instruments - Derivatives	1.356	1.624	0
<b>Non-current assets</b>	<b>1.719.540</b>	<b>1.629.771</b>	<b>1.268.520</b>
Long-term receivables	297.892	283.932	119.337
Trade accounts receivables	4.276	5.200	2.564
Deferred income and social contribution	90.225	83.797	81.475
Financial Instruments - Derivatives	6.427	0	0
Other credits	196.964	194.935	35.298
Investments property	2.460	4.780	2.116
Investments	402	2.298	900
Property, plant and equipment	403.868	348.244	316.300
Intangible assets	1.014.918	990.517	829.867
<b>Total Assets</b>	<b>3.366.326</b>	<b>3.125.244</b>	<b>2.833.388</b>

Liabilities	4Q21	3Q21	4Q20
<b>Current liabilities</b>	<b>1.519.000</b>	<b>1.070.932</b>	<b>911.418</b>
Loans and financing	496.861	271.040	239.483
Lease	57.017	52.351	52.890
Suppliers	574.713	457.912	399.189
Other liabilities	390.409	289.629	219.856
<b>Non-current liabilities</b>	<b>255.320</b>	<b>506.137</b>	<b>573.373</b>
Loans and financing	37.733	297.218	394.786
Other liabilities	35.454	17.758	17.274
Lease	174.879	155.314	160.470
Other amounts payable	1.813	30.597	0
Deferred tax	5.441	5.250	843
<b>Shareholder's Equity</b>	<b>1.590.580</b>	<b>1.546.535</b>	<b>1.348.597</b>
Capital	811.284	808.715	967.924
Capital reserve	196.925	198.491	49.229
Profit reserves	541.478	335.832	335.832
Adjustment of Equity Valuation	-9.107	-8.183	-6.970
Accumulated Profit	0	211.512	0
Proposed additional dividends	50.000	0	2.582
Comprehensive income	0	168	0
<b>Total Shareholder's Equity</b>	<b>1.592.006</b>	<b>1.548.175</b>	<b>1.348.597</b>
Non-controlling interest stake	1.426	1.640	0
<b>Total liabilities and shareholders' equity</b>	<b>3.366.326</b>	<b>3.125.244</b>	<b>2.833.388</b>

# INCOME STATEMENT

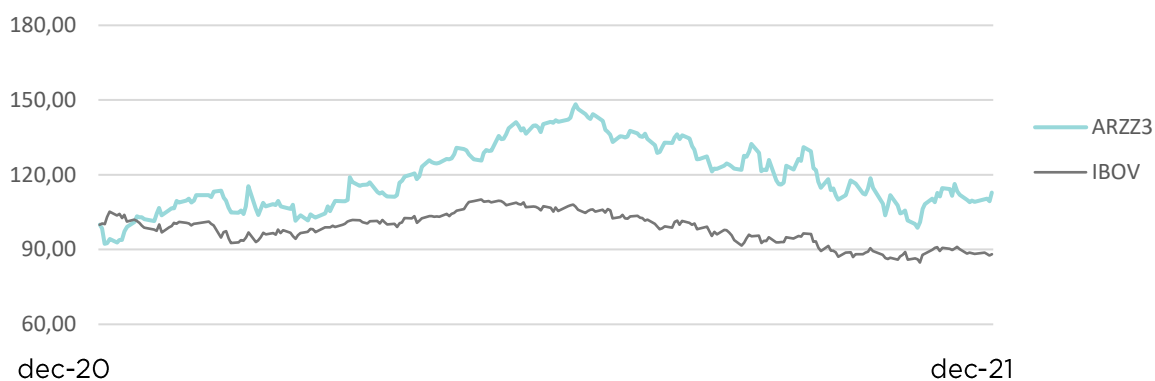
Income Statement - IFRS	4Q21	4Q20	Var.%	2021	2020	Var.%
<b>Net operating revenue</b>	1.092.950	644.615	69,6%	2.923.827	1.590.992	83,8%
<b>Cost of goods sold</b>	(502.252)	(328.421)	52,9%	(1.385.147)	(835.779)	65,7%
<b>Gross profit</b>	590.698	316.194	86,8%	1.538.680	755.213	103,7%
<b>Operating income (expenses):</b>	(445.647)	(221.391)	101,3%	(1.070.155)	(663.104)	61,4%
<b>Selling</b>	(329.971)	(172.091)	91,7%	(884.411)	(529.953)	66,9%
<b>Administrative and general expenses</b>	(112.548)	(52.075)	116,1%	(316.217)	(162.234)	94,9%
<b>Other operating income, net</b>	(3.128)	2.775	-212,7%	130.473	29.083	348,6%
<b>Income before financial result</b>	145.051	94.803	53,0%	468.525	92.109	408,7%
<b>Financial income</b>	(24.513)	(20.870)	17,5%	(64.671)	(37.551)	72,2%
<b>Income before income taxes</b>	120.538	73.933	63,0%	403.854	54.558	640,2%
<b>Income tax and social contribution</b>	(16.620)	3.115	-633,5%	(60.134)	(5.974)	906,6%
<b>Current</b>	(22.857)	(9.076)	151,8%	(64.286)	(46.596)	38,0%
<b>Deferred</b>	6.237	12.191	-48,8%	4.152	40.622	-89,8%
<b>Net income for period</b>	103.918	77.048	34,9%	343.720	48.584	607,5%
<b>Results Attributed to:</b>						
<b>Controlling shareholders</b>	104.133	77.048	35,2%	345.234	48.584	610,6%
<b>Non-controlling shareholders</b>	(215)	-	-	(1.514)	-	-
<b>Net income for period</b>	103.918	77.048	34,9%	343.720	48.584	607,5%

# CASH FLOW STATEMENT

Cash Flow	4Q21	4Q20	2021	2020
<b>Operating activities</b>				
Net Income	103.918	77.048	343.720	48.584
<b>Adjustments to reconcile the results according to the cash generated by operating activities:</b>	<b>56.404</b>	<b>1.572</b>	<b>203.607</b>	<b>149.850</b>
Depreciation and amortization	30.869	21.307	105.748	81.103
Income from financial investments	(3.470)	(2.844)	(13.127)	(11.650)
Interest and exchange rate	11.309	(4.511)	34.056	34.612
Income tax and social contribution	16.622	(3.115)	60.134	5.973
Others	1.074	(9.265)	16.796	39.812
<b>Decrease (increase) in assets</b>				
Trade accounts receivables	(182.762)	(107.285)	(197.157)	(108.797)
Inventory	(3.528)	31.114	(166.683)	(38.655)
Recoverable taxes	(4.635)	16.965	(152.525)	(15.140)
Change in other current assets	(22.814)	13.176	(59.360)	(25.357)
Judicial deposits	(3.180)	(4.590)	(23.420)	(9.108)
<b>(Decrease) increase in liabilities</b>				
Suppliers	118.587	142.598	183.093	234.575
Labor liabilities	23.246	5.957	47.242	(8.610)
Fiscal and social liabilities	37.615	4.257	31.101	5.313
Variation in other liabilities	27.908	342	62.393	16.152
Payment of income tax and social contribution	(7.313)	(2.941)	(11.549)	(19.437)
Interest payment on loans	(6.573)	(2.579)	(18.524)	(9.054)
<b>Net cash flow from operating activities</b>	<b>136.873</b>	<b>175.634</b>	<b>241.938</b>	<b>220.316</b>
<b>Investing activities</b>				
Sale of fixed and intangible assets	1.037	932	1.472	1.277
Acquisition of fixed and intangible assets	(64.044)	(15.389)	(168.881)	(46.185)
Financial Investments	(606.549)	(743.175)	(2.214.275)	(2.027.529)
Redemption of financial investments	627.705	835.354	2.517.233	1.838.505
Acquisition of subsidiary, net cash obtained on acquisition	(50.000)	(163.404)	(146.321)	(163.404)
Payment of Capital in Subsidiaries	-	100.000	-	100.000
Receipt of Dividends	-	54	-	54
<b>Net cash used for investment activities</b>	<b>(91.851)</b>	<b>14.372</b>	<b>(10.772)</b>	<b>(297.282)</b>
<b>Financing activities</b>				
Loans and financing	-	97.610	128.180	552.851
Payments of loans	(38.400)	(92.454)	(243.386)	(213.882)
Consideration of Lease	(20.491)	(21.054)	(75.529)	(60.352)
Interest on Equity and Investment Activities	-	(148.317)	(32.172)	(170.992)
Credits (debits) with Shareholders	-	(1.000)	1.000	(2.502)
Resources from the Exercise of Stock Options	2.569	-	2.569	-
Repurchase of Shares	(3.009)	-	(14.175)	(3.672)
<b>Net Cash used on Financing Activities</b>	<b>(59.331)</b>	<b>(165.215)</b>	<b>(233.513)</b>	<b>101.451</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(14.309)</b>	<b>24.791</b>	<b>(2.347)</b>	<b>24.485</b>
<b>Disponibilidades</b>				
Effect of Exchange Rate Variation on Cash and Cash Equivalent	(988)	4	(2.200)	4
Cash and cash equivalents - Initial balance	49.047	13.502	38.297	13.808
Cash and cash equivalents - Closing balance	33.750	38.297	33.750	38.297
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(14.309)</b>	<b>24.791</b>	<b>(2.347)</b>	<b>24.485</b>

### 3. Capital Markets and Corporate Governance

On December 30, 2021, the Company's market capitalization was R\$7,6 billions (R\$ 76,77), an increase of 12,6% when compared to the same period of 2020.



Arezzo&Co	
Number of Shares	99.631.414
Ticker	ARZZ3
Listing	02/02/2011
Share Price (30/09/2021)	76,77
Market Cap	7.648.703.653
<b>Performance</b>	
2011 <sup>(1)</sup>	20%
2012 <sup>(2)</sup>	71%
2013 <sup>(3)</sup>	(24%)
2014 <sup>(4)</sup>	(9%)
2015 <sup>(5)</sup>	(22%)
2016 <sup>(6)</sup>	27%
2017 <sup>(7)</sup>	118%
2018 <sup>(8)</sup>	(2%)
2019 <sup>(9)</sup>	16%
2020 <sup>(10)</sup>	7%
2021 <sup>(11)</sup>	13%

(1) From 02/02/2011 to 29/12/2011

(2) From 29/12/2011 to 28/12/2012

(3) From 28/12/2012 to 30/12/2013

(4) From 30/12/2013 to 30/12/2014

(5) From 30/12/2014 to 30/12/2015

(6) From 04/01/2016 to 29/12/2016

(7) From 01/01/2017 to 28/12/2017

(8) From 01/01/2018 to 28/12/2018

(9) From 01/01/2019 to 30/12/2019

(10) From 02/01/2020 to 31/12/2020

(11) From 04/01/2021 to 30/12/2021

## **4. Independent Auditors**

Arezzo&Co's financial statements relative to the business year ending on December 30, 2021, were audited by KPMG Auditores Independentes ("KPMG").

## **5. Investor Relations**

Shareholders, analysts and market participants have at their disposal information available on the Company's IR webpage, [www.arezzoco.com.br](http://www.arezzoco.com.br), CVM webpage, [www.cvm.gov.br](http://www.cvm.gov.br), and at BM&FBovespa webpage, [www.bmfbovespa.com.br](http://www.bmfbovespa.com.br).

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

## **6. Officer's Statement**

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors' report and financial statements for the period ended on December 30, 2021, according and pursuant to CVM Normative Instruction No. 480/09.

## **7. Disclaimer**

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

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

# Arezzo Indústria e Comércio S.A.

**Parent Company and Consolidated  
Financial Statements  
December 31, 2021 and 2020  
and Independent Auditor's Report  
(A free translation of the original in  
Portuguese)**

# Contents

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# Report on the Audit of the Parent Company and Consolidated Financial Statements

To the Board Members and Shareholders of  
**Arezzo Indústria e Comércio S.A.**  
Belo Horizonte – MG

## Opinion

We have audited the Parent Company and Consolidated financial statements of Arezzo Indústria e Comércio S.A. ("the Company"), which comprise the Parent Company and Consolidated statement of financial position as at December 31, 2021, the Parent Company and Consolidated statements of statement of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Parent Company and Consolidated financial statements present fairly, in all material respects, the Parent Company and Consolidated financial position of the Company as at December 31, 2021, and its Parent Company and Consolidated financial performance and its Parent company and Consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS).

## Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Parent Company and Consolidated financial statements in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent company and Consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Parent Company and Consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Impairment of a cash-generating unit that contains goodwill for future profitability

See Notes 2.12.1 and 16 to the individual and consolidated financial statements

### The key audit matter

As of December 31, 2021, the Company presents in its consolidated financial statements a significant amount of goodwill due to expected future profitability arising from the business combination of VamoQueVamo Empreendimentos e Participações S.A. ("Reserva"), whose impairment assessment involves critical judgments in determining the assumptions used in the expected future cash flows of the cash-generating unit. Future cash flow projections include significant assumptions and judgments by the Company, among others, related to discount rate, sales growth, operating costs and expenses in the projection period and in perpetuity and capital investments.

We considered this matter to be significant for our audit, due to the judgment inherent in the process of determining estimates of future cash flows which, if altered, could result in amounts substantially different from those used in the preparation of the financial statements.

### How the key audit matter was addressed in our audit

Our audit procedures included, but were not limited to:

- With the help of our corporate finance specialists, we analyzed the significant assumptions used by the Company and its subsidiaries, including the discount rate, sales growth, operating costs and expenses in the projection period and in perpetuity, as well as investments in capital, comparing them with available market information, with actual performance and with previous forecasts.
- We also evaluated whether the disclosures in the individual and consolidated financial statements consider all relevant information.

Based on the evidence obtained through the procedures summarized above, we consider the recoverable amount of the referred cash-generating unit that contains goodwill due to expected future profitability, as well as the related disclosures, in the context of the financial statements taken as a whole.

## Other Matters

### Statements of value added

The Parent Company and Consolidated statements of value added for the year ended December 31, 2021, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were

submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and

accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been properly

prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

## Corresponding values

The Parent Company and Consolidated corresponding values comprising the Balance Sheet as of December 31, 2020 and statement of income and other comprehensive income, changes in equity and cash flows for the year then ended, were audited by other independent auditors who issued an unmodified audit report on March 1, 2021. The Parent Company and Consolidated corresponding values comprising the statements of added value for the year ended December 31, 2020, were submitted to the same audit procedures by those audit independent auditors and, based on their audit, those independent auditors issued a opinion that nothing has come to their attention that causes them to believe that the statement of added value has not prepared, in all material respects, consistent with the Parent Company and Consolidated financial statements.

## Other Information accompanying the parent company and consolidated financial statements and the auditor's report

Management is responsible for the other information that comprises the Management Report.

Our opinion on the Parent Company and Consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Parent Company and Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Parent Company and Consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Parent Company and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company and Consolidated financial statements in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of Parent Company and Consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company and Consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditors' Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company and Consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Parent Company and Consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Parent Company and Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company and Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Parent Company and Consolidated financial statements, including the disclosures, and whether the Parent Company and Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Parent Company and Consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company and Consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Porto alegre, March 11, 2022

KPMG Auditores Independentes Ltda.  
CRC SP-014428/F-7  
*(Original review report in Portuguese signed by)*  
Cristiano Jardim Seguecio  
Accountant CRC SP-244525/O-9 T-RS

## Financial statements

Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)



BALANCE SHEET					
		Parent company		Consolidated	
Assets	Note	2021	2020	2021	2020
Current assets					
Cash and cash equivalents	6	2,448	3,291	33,750	38,297
Financial investments	7	69,775	347,640	228,809	522,868
Derivative financial instruments		-	-	1,356	-
Trade receivables	8	481,059	385,479	790,302	598,824
Inventories	9	133,698	85,694	450,487	290,896
Taxes recoverable	10	16,942	11,461	73,852	86,034
Other receivables	11	21,779	16,470	68,230	27,949
Total current assets		725,701	850,035	1,646,786	1,564,868
Non-current assets					
Long-term receivables					
Derivative financial instruments		6,427	-	6,427	-
Trade receivables	8	27,746	33,087	4,276	2,564
Judicial deposits	22	19,772	17,585	54,390	30,970
Loans to related parties	13	84,187	45,025	-	1,000
Deferred income tax and social contribution	12.a	51,140	48,850	90,225	81,475
Taxes recoverable	10	127,635	-	127,635	-
Other receivables	11	12,275	316	14,939	3,328
		329,182	144,863	297,892	119,337
Investments	14	1,456,431	1,251,565	402	900
Investment properties		2,460	2,116	2,460	2,116
Property, plant and equipment	15	70,033	49,068	403,868	316,300
Intangible assets	16	81,071	57,510	1,014,918	829,867
		1,609,995	1,360,259	1,421,648	1,149,183
Total non-current assets		1,939,177	1,505,122	1,719,540	1,268,520
Total assets		2,664,878	2,355,157	3,366,326	2,833,388

The accompanying notes are an integral part of these financial statements.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

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#### BALANCE SHEET

Liabilities	Note	Parent company		Consolidated	
		2021	2020	2021	2020
<b>Current liabilities</b>					
Loans and financings	17	337,348	142,160	496,861	239,483
Trade payables	18	459,056	335,821	574,713	399,189
Lease liabilities	19	4,725	5,813	57,017	52,890
Taxes payable	21	23,174	11,613	90,973	47,979
Salaries and vacation pay	20	52,720	28,847	99,012	51,771
Dividends and interest on capital payable	25	55,962	-	55,962	-
Payables for acquisition of subsidiary	5	-	50,000	10,518	50,000
Other payables	23	44,557	25,976	133,944	70,106
<b>Total current liabilities</b>		<b>978</b>	<b>600</b>	<b>1,519,000</b>	<b>911,418</b>
<b>Non-current liabilities</b>					
Loans and financings	17	9,500	318,611	37,733	394,786
Lease liabilities	19	13,886	16,735	174,879	160,470
Provisions for labor, tax and civil proceedings	22	7,785	5,721	14,060	12,928
Deferred revenue		53	213	53	213
Provision for loss on investments	14	64,087	65,050	-	-
Deferred income tax and social contribution		-	-	5,441	843
Payables for acquisition of subsidiary	5	-	-	21,144	-
Taxes payable in installments		-	-	197	4,133
Other payables	23	1,445	-	1,813	-
<b>Total non-current liabilities</b>		<b>96,756</b>	<b>406,330</b>	<b>255,320</b>	<b>573,373</b>
<b>Total liabilities</b>		<b>97,733</b>	<b>406,930</b>	<b>1,774,320</b>	<b>1,484,791</b>
<b>Equity</b>					
Share capital	24.1	811,284	967,924	811,284	967,924
Treasury shares	24.5	(3,105)	(191)	(3,105)	(191)
Capital reserves	24.2	541,478	335,832	541,478	335,832
Earnings reserves	24.3.3	200,030	49,420	200,030	49,420
Comprehensive income (loss)	24.4	(9,107)	(6,970)	(9,107)	(6,970)
Proposed additional dividends	25	50,000	2,582	50,000	2,582
<b>Equity attributable to owners of the Parent company</b>		<b>1,590,580</b>	<b>1,348,597</b>	<b>1,590,580</b>	<b>1,348,597</b>
Non-controlling interests		-	-	1,426	-
<b>Total liabilities and equity</b>		<b>2,664,878</b>	<b>2,355,157</b>	<b>3,366,326</b>	<b>2,833,388</b>

The accompanying notes are an integral part of these financial statements.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)



#### STATEMENT OF INCOME

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Net operating revenue	27	<b>1,720,458</b>	1,113,236	<b>2,923,827</b>	1,590,992
Cost of sales and services	29	<b>(1,131,046)</b>	(744,694)	<b>(1,385,147)</b>	(835,779)
<b>Gross profit</b>		<b>589,412</b>	368,542	<b>1,538,680</b>	755,213
<b>Operating income (expenses)</b>					
Selling expenses	29	<b>(308,307)</b>	(241,321)	<b>(884,411)</b>	(529,953)
General and administrative expenses	29	<b>(166,915)</b>	(116,812)	<b>(316,217)</b>	(162,234)
Share of profits of equity-accounted investees	14	<b>139,251</b>	38,182	-	-
Other operating income	32	<b>131,169</b>	2,562	<b>146,163</b>	56,201
Other operating expenses	32	<b>(7,171)</b>	(5,428)	<b>(15,690)</b>	(27,118)
<b>Total operating income (expenses)</b>		<b>(211,973)</b>	(322,817)	<b>(1,070,155)</b>	(663,104)
<b>Profit before finance income and costs</b>		<b>377,439</b>	45,725	<b>468,525</b>	92,109
<b>Finance income and costs</b>					
Finance costs	31	<b>(35,128)</b>	(26,855)	<b>(88,507)</b>	(51,604)
Finance income	31	<b>14,626</b>	14,178	<b>26,313</b>	16,463
Net foreign exchange loss	31	<b>(5,089)</b>	(8,316)	<b>(2,477)</b>	(2,410)
<b>Total finance costs</b>		<b>(25,591)</b>	(20,993)	<b>(64,671)</b>	(37,551)
<b>Profit before income tax and social contribution</b>		<b>351,848</b>	24,732	<b>403,854</b>	54,558
<b>Income tax and social contribution</b>					
Current	12	<b>(8,904)</b>	(9,802)	<b>(64,286)</b>	(46,596)
Deferred	12	<b>2,290</b>	33,654	<b>4,152</b>	40,622
<b>Total income tax and social contribution</b>		<b>(6,614)</b>	23,852	<b>(60,134)</b>	(5,974)
<b>Profit for the year</b>		<b>345,234</b>	48,584	<b>343,720</b>	48,584
<b>Attributable to</b>					
Owners of the Parent company		<b>345,234</b>	48,584	<b>345,234</b>	48,584
Non-controlling interests		-	-	<b>(1,514)</b>	-
		<b>345,234</b>	48,584	<b>343,720</b>	48,584
<b>Basic earnings per share (expressed in R\$ per share)</b>	26	<b>3,4514</b>	0,5301	<b>3,4514</b>	0,5301
<b>Diluted earnings per share (expressed in R\$ per share)</b>	26	<b>3,3813</b>	0,5280	<b>3,3813</b>	0,5280

The accompanying notes are an integral part of these financial statements.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)



	Note	Parent company		Consolidated	
		2021	2020	2021	2020
<b>Profit for the year</b>		<b>345,234</b>	48,584	<b>343,720</b>	48,584
<b>Items that will be reclassified subsequently to profit or loss:</b>					
Exchange differences on translation of foreign operations	24.4	(2,198)	(13,790)	(2,198)	(13,790)
Gains on investments		-	-	61	-
<b>Total comprehensive income for the year</b>		<b>343,036</b>	34,794	<b>341,583</b>	34,794
<b>Attributable to:</b>					
Owners of the Parent company		<b>343,036</b>	34,794	<b>343,036</b>	34,794
Non-controlling interests		-	-	(1,514)	-
<b>Total comprehensive income for the year</b>		<b>343,036</b>	34,794	<b>341,522</b>	34,794

The accompanying notes are an integral part of these financial statements.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)



#### STATEMENT OF CHANGES IN EQUITY

Note	Share capital	Treasury shares	Capital reserve	Revenue reserves				Proposed additional dividends	Retained earnings	Carrying value adjustments	Non-controlling interests	Total equity
				Legal reserve	Investment reserve	Tax incentive reserve	Profits reserve					
At December 31, 2019	352,715	(195)	50,733	55,082	2,683	213,880	64,352	-	-	6,820	-	746,071
Profit for the year	-	-	-	-	-	-	-	-	48,584	-	-	48,584
Comprehensive Income (loss)	24	-	-	-	-	-	-	-	-	(13,790)	-	(13,790)
Increase in share capital	615,209	-	-	-	-	-	-	-	-	-	-	615,209
Restricted stock grant recognized	24	-	-	2,363	-	-	-	-	-	-	-	2,363
Restricted stock distributed	24	-	3,676	(3,676)	-	-	-	-	-	-	-	-
Profits reserve	24	-	-	-	(2,683)	-	2,683	-	-	-	-	-
Reversal of associate's expired dividends	24	-	-	-	-	-	2,101	-	-	-	-	2,101
Treasury shares	24	-	(3,672)	-	-	-	-	-	-	-	-	(3,672)
Allocation of profit for the year												
Legal reserve	24	-	-	-	2,429	-	-	-	(2,429)	-	-	-
Tax incentive reserve	24	-	-	-	-	14,057	29,516	-	(43,573)	-	-	-
Interest on capital	25	-	-	-	-	-	(26,978)	-	-	-	-	(26,978)
Interim dividends	25	-	-	-	-	-	(21,291)	-	-	-	-	(21,291)
Proposed additional dividends	25	-	-	-	-	-	-	2,582	(2,582)	-	-	-
<b>At December 31, 2020</b>	<b>967,924</b>	<b>(191)</b>	<b>49,420</b>	<b>57,511</b>	<b>-</b>	<b>227,937</b>	<b>50,383</b>	<b>2,582</b>	<b>-</b>	<b>(6,970)</b>	<b>-</b>	<b>1,348,597</b>

The accompanying notes are an integral part of these financial statements.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)



	Note	Share capital	Treasury shares	Capital reserve	Legal reserve	Tax incentive reserve	Profits reserve	Proposed additional dividends	Retained earnings	Carrying value adjustments	Non-controlling interests	Total equity
<b>At December 31, 2020</b>		<b>967,924</b>	<b>-191,000</b>	<b>49,420</b>	<b>57,511</b>	<b>227,937</b>	<b>50,383</b>	<b>2,582</b>	<b>-</b>	<b>(6,970)</b>	<b>-</b>	<b>1,348,597</b>
Profit for the year		-	-	-	-	-	-	-	345,234	-	(1,514)	343,720
Non-controlling interests on acquisition of subsidiary		-	-	-	-	-	-	-	-	-	2,940	2,940
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(2,198)	-	(2,198)
Advance for future share capital increase		2,569	-	-	-	-	-	-	-	-	-	2,569
Restricted stock and share options granted		-	-	2,661	-	-	-	-	-	-	-	2,661
Restricted stock distributed		-	10,290	(10,290)	-	-	-	-	-	-	-	-
Sale of shares related to a business combination	5.3	-	50,002	-	-	-	-	-	-	-	-	50,002
Capital reserve	24	(159,209)	970	158,239	-	-	-	-	-	-	-	-
Acquisition of treasury shares		-	(64,176)	-	-	-	-	-	-	-	-	(64,176)
Comprehensive Income (loss)		-	-	-	-	-	-	-	-	61	-	61
Allocation of profit for the year					-							
Tax incentive reserve	24	-	-	-	-	81,169	-	-	(81,169)	-	-	-
Interest on capital	25	-	-	-	-	-	-	-	(63,374)	-	-	(63,374)
Supplementary dividends	25	-	-	-	-	-	-	(2,582)	-	-	-	(2,582)
Interim dividends	25	-	-	-	-	-	-	-	(26,214)	-	-	(26,214)
Proposed additional dividends	25	-	-	-	-	-	-	50,000	(50,000)	-	-	-
Profits reserve	24	-	-	-	-	-	124,477	-	(124,477)	-	-	-
<b>At December 31, 2021</b>		<b>811,284</b>	<b>(3,105)</b>	<b>200,030</b>	<b>57,511</b>	<b>309,106</b>	<b>174,861</b>	<b>50,000</b>	<b>-</b>	<b>(9,107)</b>	<b>1,426</b>	<b>1,592,006</b>

The accompanying notes are an integral part of these financial statements.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

STATEMENT OF CASH FLOWS				
	Parent company		Consolidated	
	2021	2020	2021	2020
<b>Cash flows from operating activities</b>				
Profit for the year	345,234	48,584	343,720	48,584
<b>Adjustments for</b>				
Depreciation and amortization	26,048	21,663	105,748	81,103
(Profit) loss on disposal of property, plant and equipment	(764)	333	(2,250)	20,712
Share of profits of equity-accounted investees	(139,251)	(38,182)	-	-
Provisions for labor, tax and civil proceedings	2,064	213	1,132	801
Interest and foreign exchange loss on borrowings	33,161	28,994	34,056	34,612
Interest income on cash investments	(6,754)	(10,171)	(13,127)	(11,650)
Expected credit losses	(348)	7,553	(265)	8,938
Provision for inventory losses	4,666	94	7,091	1026
Share option and restricted stock plans	2,661	2,363	2,661	2,363
Interest expense on lease liabilities	1,267	1,447	8,427	5,972
Income tax and social contribution	6,614	(23,852)	60,134	5,973
<b>Decrease (increase) in assets</b>				
Trade receivables	(98,915)	(99,515)	(197,157)	(108,797)
Inventories	(47,039)	(22,501)	(166,683)	(38,655)
Taxes recoverable	(135,948)	30,914	(152,525)	(15,140)
Other assets	(23,696)	(2,438)	(59,360)	(25,357)
Judicial deposits	(2,187)	(2,915)	(23,420)	(9,108)
<b>(Decrease) increase in liabilities</b>				
Trade payables	123,249	214,748	183,093	234,575
Salaries and vacation pay	23,875	(10,211)	47,242	(8,610)
Taxes payable	12,360	(6,888)	31,101	5,313
Other liabilities	19,871	6,038	62,393	16,152
Income tax and social contribution paid	(4,920)	-	(11,548)	(19,437)
Interest paid on borrowings	(9,932)	(4,942)	(18,524)	(9,054)
<b>Net cash provided by operating activities</b>	<b>131,316</b>	<b>141,329</b>	<b>241,939</b>	<b>220,316</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment and intangible assets	915	922	1,472	1,2770
Purchases of property, plant and equipment and intangible assets	(65,475)	(29,147)	(168,881)	(46,185)
Payment for acquisition of subsidiary, net of cash acquired	(50,000)	(175,000)	(146,321)	(163,404)
Capital contribution by subsidiaries	-	-	-	100
Deposit of cash investments	(1,336,269)	(1512,747)	(2,214,275)	(2,027,529)
Withdrawal of cash investments	1,618,713	1,396,483	2,517,233	1,838,505
Capital contribution to subsidiaries	(90,158)	(84,949)	-	-
Loans to related parties	(34,306)	(58,552)	-	-
Dividends from subsidiaries	14,984	19,790	-	54
<b>Net cash provided by (used in) investing activities</b>	<b>58,404</b>	<b>(443,200)</b>	<b>(10,772)</b>	<b>(297,282)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	9,500	527,343	128,179	552,851
Repayment of borrowings	(146,652)	(139,881)	(243,386)	(213,882)
Principal elements of lease payments	(9,633)	(9,369)	(75,529)	(60,352)
Interest on capital paid	(29,590)	(42,415)	(29,590)	(42,415)
Dividends paid	(2,582)	(28,530)	(2,582)	(28,577)
Payments for shares upon close of subsidiary acquisition deal	-	-	-	(100,000)
Receivables from (payables to) shareholders	-	-	1,000	(2,502)
Proceeds from exercise of share options	2,569	-	2,569	-
Payments for shares bought back	(14,175)	(3,672)	(14,175)	(3,672)
<b>Net cash used in financing activities</b>	<b>(190,563)</b>	<b>303,476</b>	<b>(233,514)</b>	<b>101,451</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(843)</b>	<b>1,605</b>	<b>(2,347)</b>	<b>24,485</b>
Effect of exchange rate changes on foreign investments	-	-	(2,200)	4,000
Cash and cash equivalents at the beginning of the year	3,291	1,686	38,297	13,808
Cash and cash equivalents at the end of the year	2,448	3,291	33,750	38,297
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(843)</b>	<b>1,605</b>	<b>(2,347)</b>	<b>24,485</b>

The accompanying notes are an integral part of these financial statements.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### STATEMENT OF VALUE ADDED

	Parent company		Consolidated	
	2021	2020	2021	2020
<b>REVENUE</b>	<b>2,002,320</b>	1,290,326	<b>3,376,754</b>	1,860,887
Sales of goods, products and services	<b>2,080,017</b>	1,358,095	<b>3,647,443</b>	2,021,609
Rebates, discounts and returns	<b>(78,045)</b>	(60,215)	<b>(270,954)</b>	(151,784)
Expected credit loss	<b>348</b>	(7,554)	<b>265</b>	(8,938)
<b>Inputs acquired from third parties</b>	<b>(1,690,978)</b>	(1,125,550)	<b>(2,323,045)</b>	(1,389,142)
Cost of sales and services	<b>(1,436,249)</b>	(945,643)	<b>(1,614,200)</b>	(996,271)
Electricity, outsourced services and other expenses	<b>(250,971)</b>	(175,729)	<b>(688,922)</b>	(379,594)
Other costs of sales and services	<b>(3,758)</b>	(4,178)	<b>(19,923)</b>	(13,277)
<b>Gross value added</b>	<b>311,342</b>	164,776	<b>1,053,709</b>	471,745
Depreciation, amortization and depletion	<b>(26,048)</b>	(21,663)	<b>(105,748)</b>	(81,103)
<b>Net value added generated by the entity</b>	<b>285,294</b>	143,113	<b>947,961</b>	390,642
<b>Value added received through transfer</b>	<b>288,807</b>	63,872	<b>171,684</b>	87,638
Share of profits of equity-accounted investees and dividends from investments stated at cost	<b>139,251</b>	38,182	-	-
Finance income, including foreign exchange gain	<b>19,158</b>	24,583	<b>34,811</b>	54,312
Other income (expenses)	<b>130,398</b>	1,107	<b>136,873</b>	33,326
<b>Total value added to distribute</b>	<b>574,101</b>	206,985	<b>1,119,645</b>	478,280
<b>Distribution of value added:</b>				
<b>To employees</b>	<b>172,562</b>	130,948	<b>399,971</b>	232,816
Salaries and social charges	<b>135,651</b>	117,833	<b>347,799</b>	219,594
Employee profit sharing	<b>30,511</b>	9,143	<b>45,772</b>	9,250
Share option and restricted stock plans	<b>6,400</b>	3,972	<b>6,400</b>	3,972
<b>To government (taxes and duties)</b>	<b>5,150</b>	(21,374)	<b>223,290</b>	89,946
Federal	<b>65,086</b>	16,219	<b>216,228</b>	77,681
State	<b>(60,598)</b>	(38,260)	<b>4,413</b>	10,272
Municipal	<b>662</b>	667	<b>2,649</b>	1,993
<b>To creditors and lenders</b>	<b>51,155</b>	48,827	<b>152,664</b>	106,934
Interest	<b>19,248</b>	12,876	<b>32,169</b>	18,346
Rentals	<b>6,406</b>	3,251	<b>53,180</b>	15,070
Finance costs	<b>25,501</b>	32,700	<b>67,315</b>	73,518
<b>To shareholders and Company</b>	<b>345,234</b>	48,584	<b>343,720</b>	48,584
Interest on capital	<b>63,374</b>	-	<b>63,374</b>	-
Dividends	<b>76,213</b>	2,582	<b>76,213</b>	2,582
Profits retained	<b>205,647</b>	46,002	<b>205,647</b>	46,002
Non-controlling interests in retained profits	-	-	<b>(1,514)</b>	-
<b>Value added distributed</b>	<b>574,101</b>	206,985	<b>1,119,645</b>	478,280

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 1. Corporate information

##### 1.1. General information

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

The Company and its subsidiaries design, develop, manufacture and market shoes, handbags, accessories and clothing for women principally and men.

At December 31, 2021, the Company had 777 franchise stores in Brazil and 6 abroad; 153 Company-operated stores in Brazil and 5 abroad; and an e-commerce channel to sell its products under the Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, Eva, Troc, Baw and Myshoes brands.

The franchise system is controlled by the Company and Company-owned stores form part of Company subsidiaries. All of the following subsidiaries of the Company are included in the consolidated financial statements:

##### ZZAB Comércio de Calçados Ltda. (“ZZAB”)

ZZAB is engaged in the retail sale of shoes, handbags and belts.

##### ZZSAP Indústria e Comércio de Calçados Ltda. (“ZZSAP”)

ZZSAP manufactures, sells, imports and exports leather shoes, handbags and belts, footwear components, clothing and accessories.

##### ZZEXP Comercial Exportadora S/A (“ZZEXP”)

ZZEXP exports leather shoes, handbags and belts, clothing and accessories.

##### ARZZ International Inc. (“ARZZ Inc.”)

ARZZ Inc. is engaged in selling shoes and business intermediation. ARZZ Inc. owns a direct equity interest in ARZZ LLC, Schutz 655 LLC, Schutz Cali and Showroom Italy.

##### ARZZ LLC

ARZZ LLC is engaged in selling shoes and business intermediation.

##### Schutz 655 LLC

Schutz 655 LLC is engaged in selling exclusive Schutz-brand shoes, handbags and belts at retail.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 1. Corporate information--Continued

##### 1.1. General information--Continued

###### Schutz Cali LLC

Schutz Cali LLC sells exclusive Schutz-brand shoes, handbags and belts at retail.

###### Showroom Italy

Showroom Italy was opened in 2018 to display Alexandre Birman shoes, handbags and belts and represent the Alexandre Birman brand.

###### Vamoquevamo Empreendimentos e Participações S.A. ("VQV") and Tiferet Comércio de Roupas Ltda ("Tiferet")

On December 4, 2020, the Company acquired 100% of the equity of Vamoquevamo Empreendimentos e Participações S.A. ("Reserva") and obtained control of the acquiree (Note 5).

Founded in 2011 in Rio de Janeiro, Vamoquevamo is a privately-owned holding corporation and, through its subsidiary Tiferet, operates in the clothing sector with multiple distribution channels across wholesale, retail, e-commerce and franchise stores.

In 2021, the Reserva Group has 88 Group-owned stores, 58 franchise stores and approximately 1,211 multi-brand stores, selling products under the following brands:

- Reserva: menswear brand, including Reserva Go brand.
- Reserva Mini: brand for kidswear.
- Eva: women's clothing brand.
- Oficina: men's formal wear brand.
- Reserva Ink: custom T-shirt and apparel printing brand.

###### Troc

On February 1, 2021, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. ("ZZAB"), 71.13% and, through its subsidiary Tiferet ("Reserva"), 3.87% of Troc.Com.Br - Atividade de Internet S.A. ("Troc"), totaling a 75% controlling interest (Note 5).

Troc is a limited liability company that operates an online fashion website [www.troc.com.br](http://www.troc.com.br) where consumers can buy and sell women's and children's luxury used clothing, shoes and accessories.

###### Baw

On August 9, 2021, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. ("ZZAB"), 100% of Baw Clothing Indústria e Comércio de Vestuários Ltda. ("Baw") (Note 5). Baw is a limited liability company that focuses on retail and wholesale distribution of clothing online and outsources its production to an outside manufacturing party.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 1. Corporate information--Continued

##### 1.2. Impacts of COVID-19

In response to the COVID-19 global pandemic declared by the World Health Organization that is affecting Brazil and many countries around the world and posing a major public health threat with impacts on the global economy, the Company has taken prevention and mitigation actions in line with guidance from local and international health authorities to minimize the impact of COVID-19 on the health and safety of its employees and their families, business partners and communities, and on its operations. For 2021 year-end, the Company considered the impact of COVID-19 on the assumptions used, including our impairment assessment of assets, the fair values of our financial instruments, the recoverability of deferred tax assets, the credit risk of customers, and the liquidity risk of the Company. The Company determined that there were no material adverse impacts of COVID-19.

#### 2. Accounting policies

##### 2.1. Basis of preparation and presentation of financial statements

In preparing these parent company and consolidated financial statements, the Company followed the same accounting policies and methods of calculation as used for the parent company and consolidated financial statements at December 31, 2020 and its accounting policies are already consistent with the new requirements that were effective December 31, 2021.

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities that are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The actual amounts that result from the settlement of transactions may differ materially from the estimates made in the financial statements due to an inherent lack of precision in their measurement. The Company reviews estimates and assumptions regularly at intervals of not more than one year.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The parent company and consolidated financial statements for the year ended December 31, 2021 were authorized for issue at the Board of Directors' meeting held on March 7, 2022.

The parent company and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which are implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC) through its technical interpretations (ICPC) and guidance (OCPC) as approved by the Brazilian Securities Commission (CVM), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.2. Basis of consolidation

The consolidated financial statements include the operations of the Company and the following subsidiaries in which the Company holds a controlling financial interest as of the balance sheet date:

Subsidiaries	Country of incorporation	Total ownership interest			
		2021		2020	
		Direct	Indirect	Direct	Indirect
ZZAB Comércio de Calçados Ltda.	Brazil	99.99%	-	99.99%	-
ZZSAP Indústria e Comércio de Calçados Ltda.	Brazil	99.99%	-	99.99%	-
ZZEXP Comercial Exportadora S/A	Brazil	99.99%	-	99.99%	-
ARZZ International INC.	USA	100.00%	-	100.00%	-
ARZZ Co. LLC	USA	-	100.00%	-	100.00%
Schutz 655 LLC	USA	-	100.00%	-	100.00%
Schutz Cali LLC	USA	-	100.00%	-	100.00%
ARZZ Itália SRL	Italy	-	100.00%	-	100.00%
VQV Empreendimentos e Participações S.A.	Brazil	100.00%	-	100.00%	-
Tiferet Comércio de Roupas Ltda.	Brazil	-	100.00%	-	100.00%
Troc.com.br Atividades de Internet S.A.	Brazil	-	75.00%	-	-
Baw Clothing Indústria e Comércio de Vestuários Ltda	Brazil	-	100.00%	-	-

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that control ceases.

The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, ownership of a majority of the voting rights presumptively results in control. All intragroup balances, income and expenses and unrealized gains or losses resulting from intragroup transactions are eliminated in full.

Changes in ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions within equity.

##### 2.3. Functional currency

The consolidated financial statements are presented in Brazilian reais (R\$), which is the Company's functional currency and also the Company's and its subsidiaries' presentation currency. Each subsidiary of the Company determines its own functional currency. The subsidiary ARZZ International INC. has the US dollar as its functional currency and its financial statements are translated into Brazilian reais at the balance sheet date.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.4. Foreign currency transactions and balances

###### 2.4.1. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the reporting date. All differences are taken to the statement of income.

###### 2.4.2. Subsidiaries

The assets and liabilities of foreign subsidiaries are translated into Brazilian reais at the exchange rate prevailing at the balance sheet date, and the income statement items are translated monthly at the average exchange rate for the period. All resulting foreign exchange differences are recognized as a separate component of equity in the account "Carrying value adjustments". When a foreign operation is disposed of or sold, foreign exchange differences that were recorded in equity are recognized in the statement of income.

##### 2.5. Revenue recognition

CPC 47/IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized, based on the identification of performance obligations, the transfer of control of goods and services to customers, and the determination of the selling price. The standard applies to all contracts with customers, except for lease contracts (rental income), financial instruments (interest income) and insurance contracts that are within the scope of other standards.

CPC 47/IFRS 15 introduces a model for revenue recognition by applying the following five steps:

- I. Identify the contract with a customer;
- II. Identify the performance obligations in the contract;
- III. Determine the transaction price;
- IV. Allocate the transaction price; and
- V. Recognize revenue when or as the entity satisfies the performance obligations, either at a point in time or over time.

The following specific revenue recognition criteria must be met before revenue is recognized:

- I. Sales of goods

Revenue from the sale of goods is recognized when performance obligations are satisfied.

The Group's revenues come principally from the sale of footwear for women, men and children, handbags, accessories and clothing to end customers. The Group operates in the retail apparel industry where customers generally shop at our stores where prices and discounts are informed by the Group's employees or are displayed in the areas where goods are displayed and control is transferred when the product is delivered directly to the end customer at the sales outlet, then we can conclude that there is only one performance obligation, eliminating therefore the complexity involved in the identification of performance obligations and transfer of control of goods and services to customers.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.5. Revenue recognition--Continued

The Company assesses its revenue arrangements against specific criteria in order to determine whether it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. In addition, revenue is shown net of discounts and returns.

##### II. Revenue from sale of goods to franchisees and royalty income

Revenue from the sale of goods to franchisees is recognized when the performance obligation is satisfied by transferring the goods to the franchisee. Additionally, royalty income is recognized at the contractually agreed rates when the performance obligation is satisfied.

##### III. Returns and cancellations

Under CPC 47/IFRS 15, for contracts that allow a customer to return a good, revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. Revenue is recognized net of expected returns and cancellations.

##### IV. Interest income

Interest income or expense is recognized for all financial instruments carried at amortized cost and interest-bearing financial assets using the effective interest rate that is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Interest income is included in the statement of income as "Finance income".

##### 2.6. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Group's business. Trade receivables are stated at amortized cost and receivables from foreign customers are restated using the exchange rates prevailing at the reporting date. If receipt is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The loss allowance was recorded at an amount considered adequate by management to provide for expected credit losses based on individual assessment of outstanding balances with default risk.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.7. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing the inventories to their present location and condition are recorded as specified below:

- I. Raw materials: average acquisition cost.
- II. Finished goods and work in process: cost of direct materials and labor and related production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less completion costs and selling expenses.

Provisions for slow-moving or obsolete inventories are recorded when considered necessary by management.

##### 2.8. Investments

In the parent company financial statements, the Parent's investments in its subsidiaries are accounted for using the equity method.

Under the equity method, the investment in a subsidiary is initially recognized at cost and adjusted thereafter for post-acquisition changes.

The aggregate of the Company's share of profit or loss of subsidiaries is shown on the face of the statement of income and represents profit or loss attributable to owners of the Parent company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investments in subsidiaries. At each reporting date, the Company determines whether there is objective evidence that the investments in the subsidiaries are impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognizes the loss in the statement of income.

##### 2.9. Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less accumulated depreciation and accumulated impairment losses, when applicable. Depreciation is calculated using the straight-line method at the rates stated in Note 15 over the estimated useful lives of the assets, as follows:

Estimated average useful life	
Facilities and product showroom	10 years
Machinery and equipment	10 years
Furniture and fittings	10 years
Computers and peripherals	5 years
Vehicles	5 years

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.9. Property, plant and equipment--Continued

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

##### 2.10. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets comprise mainly computer software licenses, trademarks and patents, and key money.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Any gain or loss arising upon derecognition of an intangible asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the statement of income.

Research costs are expensed as incurred.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.10. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets at the commencement date of the lease, except for short-term leases and leases of low-value assets.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. For lease contracts recognized in the years ended December 31, 2021 and 2020, the Company used a rate of 1.8% for lease contracts in the United States and of 6.1% for leases in Brazil.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets were included in non-current assets within property, plant and equipment, and lease liabilities were presented in current and non-current liabilities.

##### 2.12. Impairment of non-financial assets

###### 2.12.1. Goodwill paid for expected future economic benefits

Goodwill is tested for impairment annually or when the circumstances indicate that the carrying value may be impaired.

###### 2.12.2. Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.12.2. Intangible assets with indefinite useful lives--Continued

Within the current economic environment in Brazil, the Company assessed the circumstances that could indicate an impairment of its non-financial assets due to COVID-19. The impacts were structured on the basis of the best information currently available. The impairment test did not reveal any need for impairment provision as at December 31, 2021 and 2020.

Intangible assets, property, plant and equipment, and right-of-use assets with finite lives are amortized and depreciated, respectively, and assessed for impairment whenever there is an indication that the asset may be impaired. These assets are tested for impairment at least annually, either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### 2.13. Provisions

##### 2.13.1 General

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

##### 2.13.2 Provisions for tax, civil and labor claims

The Company is a party to several judicial and administrative proceedings. Provisions are recognized for all legal proceedings where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. Assessing the likelihood of an unfavorable outcome includes the evaluation of available evidence, the hierarchy of laws, available case law, most recent court decisions and their relevance to the legal system, as well as external legal advice. Provisions are reviewed and adjusted to reflect changes in circumstances, such as applicable statute of limitations, outcomes of tax audits or further exposure to litigation from new matters or court decisions.

#### 2.14. Taxes

##### 2.14.1. Sales tax

Revenue and expenses are recognized net of the amount of sales tax, except:

- I. when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- II. when receivables and payables are stated with the amount of sales tax included; and
- III. when the net amount of sales tax recoverable from, or payable to, the taxation authority, is included as part of receivables or payables in the balance sheet.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.14. Taxes--Continued

##### 2.14.1. Sales tax--Continued

The Company's sales and service revenue is subject to the following taxes and contributions at the following tax rates:

Tax rates	
Value-added Tax on Sales and Services (ICMS)	7.00% to 19.00%
Social Contribution on Revenues (COFINS)	7.6%
Social Integration Program (PIS)	1.65%
Social Security Contribution (INSS)	1.50% to 2.50%
State Sales Tax (USA)	0% to 8.875%

In the statement of income, sales are stated net of these taxes. The tax benefits and special taxation regimes are disclosed in Note 35.

##### 2.14.2 Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities, and are classified as current or non-current depending on the expected period of realization and/or settlement. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

In Brazil, the main country where the Company operates, the taxes on profit comprise income tax and social contribution. The income tax is charged on taxable income at a rate of 15% plus a surcharge of 10% on annual taxable income in excess of R\$240, and the social contribution is charged at a rate of 9% on taxable income recognized on the accrual basis. Thus, additions of temporary non-deductible expenses to, or exclusions of temporary non-taxable income from, the accounting profit in determining the current taxable profit give rise to deferred tax assets or liabilities. Taxes prepaid or recoverable are included in current or non-current assets depending on the expected period of realization.

Current income tax relating to items recognized directly in equity is recognized in equity. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

The Company applies IFRIC 23/ICPC 22 which clarifies income tax accounting where there is uncertainty over a tax treatment. If the entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.14.3. Deferred tax

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- I. when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- II. in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in comprehensive income or directly in equity.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right to set off current tax assets against current tax liabilities, when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, and when there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### 2.15. Other employee benefits

In addition to the fixed compensation (wages and salaries, social security contribution (INSS), paid vacation, 13th month salary), the employees, directors and officers of the Company also receive variable compensation in the form of profit sharing, share options and restricted stock. These employee benefits are recorded on the accrual basis in the income statement when an obligation to pay exists.

##### 2.16. Earnings per share

The Company calculates basic earnings per share based on the weighted average number of common shares outstanding during the year, excluding common shares purchased and held as treasury shares, in conformity with Technical Pronouncement CPC 41/IAS 33.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.16. Earnings per share--Continued

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common shares with dilutive effects.

##### 2.17. Statement of cash flows and statement of value added

The statements of cash flows were prepared using the indirect method and are presented in accordance with Technical Pronouncement CPC 03 R2/IAS 7 *Statement of Cash Flows*, issued by the CPC/IASB.

The statement of value added is not mandatory under IFRS and is a supplementary financial statement. This statement was prepared in accordance with the Brazilian corporate legislation and the criteria defined in Technical Pronouncement CPC 09 *Statement of Value Added*, with the objective of providing information regarding the amount of wealth created by the Company during the year and the way the wealth has been distributed by the Company among all the stakeholders.

##### 2.18. Financial instruments

###### 2.18.1. Initial recognition and measurement

Financial instruments are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial assets at fair value through profit or loss.

The Company's main financial assets include cash and cash equivalents, trade receivables and cash investments. They are classified as at amortized cost and as at fair value through profit or loss (Note 30).

The Company's main financial liabilities include trade payables, borrowings, lease liabilities, and payables for acquisition of subsidiary. These liabilities are classified as at amortized cost (Note 30).

###### 2.18.2. Subsequent measurement

Subsequent measurement of financial instruments occurs at each balance sheet date and depends on the category into which the financial instrument is classified. The Company's financial assets and liabilities are classified in the following categories:

- I. Financial assets and liabilities at amortized cost

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.18.2. Subsequent measurement--Continued

A financial asset or liability shall be measured at amortized cost if both of the following conditions are met:

- a) the financial asset or liability is held within a business model whose objective is to hold financial instruments in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset or liability give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

#### II. Financial assets and liabilities at fair value through profit or loss

A financial asset or liability that is not measured at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss.

##### 2.19. Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to hedge its foreign currency risks.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gain or loss arising from changes in the fair value of derivatives is taken directly to the statement of income.

##### 2.20. Segment information

The Company is engaged in the design, manufacture and marketing of women's, men's and children's footwear, handbags, accessories and clothing. The Company's brand portfolio includes Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, Eva, Troc, Baw and MyShoes. Although the Company's products are distributed through various distribution channels (mono-brand stores, including company-owned stores, franchise stores and e-commerce, and multi-brand stores), they are aggregated into one single operating segment.

For management purposes, consolidated gross revenue is segmented by brand and sales channel.

## Financial statements

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#### 2. Accounting policies—Continued

##### 2.21. Share-based compensation

##### 2.21.1 Restricted stock plan

The Company approved a restricted stock plan for its directors, executives and selected employees, giving them restricted shares under the terms and conditions laid out in the plan. The expense is recorded on a pro rata basis over the period from the date of grant to the vesting date. The expense represents the number of shares granted multiplied by the fair value of the share at the grant date as well as provision for charges. See Note 34 for details of the plan.

##### 2.22. Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net fair value of the identifiable assets acquired and liabilities assumed. If, after measurement, the net fair value of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred in a business combination includes a contingent consideration arrangement, contingent consideration is measured at its acquisition-date fair value and is included in the consideration transferred in the business combination. Changes in the fair value of consideration that occur after the measurement period are accounted for prospectively in profit or loss. Measurement period adjustments are meant to reflect new information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date and are made to assets acquired and liabilities assumed and goodwill.

Goodwill is initially recognized and measured as described previously. Goodwill is not amortized, but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the CGUs (or groups of CGUs) that is expected for benefit from the synergies of the combination. The CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 2. Accounting policies--Continued

##### 2.22. Business combinations--Continued

If the recoverable amount of the unit is less than its carrying amount, the impairment loss must be allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and, then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. Impairment losses on goodwill are recognized in the statement of income for the period in which they arise.

##### 2.23 Capital reserve and revenue reserve

The legal reserve is credited annually with 5% of the profit for the year in accordance with Law 6,404/76 and cannot exceed 20% of capital. In a financial year in which the sum of legal reserve and capital reserve is greater than 30% of share capital, the Company is not required to allocate part of its net profit for the year to the legal reserve.

The Company's bylaws permit the creation of reserves pursuant to Law 6,404/76, provided that the sum of these reserves and other revenue reserves, excluding contingency reserve and unrealized profits reserve, does not exceed 100% of share capital. If this limit is reached, the General Meeting of Shareholders shall decide, pursuant to the provisions of article 199 of the Brazilian corporate legislation, whether the excess amount will be used for contributing or increasing share capital, or paying dividends.

##### 2.24 Dividends

In accordance with the Company's bylaws, all shareholders are entitled each year to a mandatory minimum dividend of 25% of the adjusted net profit pursuant to the Brazilian corporate legislation.

Any dividends in excess of that limit are recognized and remain in equity as "Proposed additional dividends" until the dividends are actually approved by the General Meeting of Shareholders.

##### 2.25 Tax incentive reserve

The Company and its subsidiaries receive ICMS tax incentives, which Complementary Law 160/17 requires to be classified as investment subsidies. In accordance with this Law, the Company's management is allocating the amounts disclosed in Note 35 to the tax incentive reserve under revenue reserve subject to approval of the Annual General Meeting. The amount of tax incentives does not form a basis for calculating mandatory minimum dividends and can only be incorporated into the share capital pursuant to Law 6,404/76.

## Financial statements

### Years ended December 31, 2021 and 2020

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#### 3. Significant accounting judgments, estimates and assumptions

##### 3.1. Judgments

The preparation of the parent company and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions are continually evaluated and prospectively recognized.

##### 3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

###### I. Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from sales transactions for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow method as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

###### II. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable profits. The Company establishes provisions based on applicable estimates for anticipated outcomes of tax audits in the jurisdictions in which it operates. The provision amounts are based on various factors, such as experience from prior tax audits and divergent interpretations of tax regulations by the taxable entity and the relevant taxation authority. Such divergent interpretations may arise from a wide range of issues, depending on the conditions prevailing in the domicile of the Company.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

###### III. Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 3. Significant accounting judgments, estimates and assumptions--Continued

##### 3.2. Estimates and assumptions--Continued

###### III. Share-based payments--Continued

and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and risk-free interest rate. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 34.

###### IV. Provisions for tax, civil and labor claims

The Company recognizes a provision for all lawsuits for which the likelihood of unfavorable outcome is probable. Assessing the likelihood of an unfavorable outcome includes the evaluation of available evidence, the hierarchy of laws, available case law, most recent court decisions and their relevance to the legal system, as well as external legal advice. Provisions are reviewed and adjusted to reflect changes in circumstances, such as applicable statute of limitations, outcomes of tax audits or further exposure to litigation from new matters or court decisions.

###### V. Leases

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. For lease contracts recognized in the years ended December 31, 2021 and 2020, the Company used a rate of 1.8% for lease contracts in the United States and of 6.1% for leases in Brazil.

The actual amounts that result from the settlement of transactions may differ materially from the estimates made in the financial statements due to an inherent lack of precision in their measurement. The Company reviews estimates and assumptions at least on a quarterly basis.

#### 4. New and amended standards

The amendments to standards issued by the IASB, which became effective from January 1, 2021, did not have any significant impact on the parent company and consolidated financial statements of the Company.

##### **a) Interest Rate Benchmark Reform - Phase 2 (Amendments to CPC48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16)**

The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships

## Financial statements

### Years ended December 31, 2021 and 2020

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#### 4. New and amended standards--Continued

##### **a) Interest Rate Benchmark Reform - Phase 2 (Amendments to CPC48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16)--Continued**

arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical expedients for certain requirements in CPC 48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16 related to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting.

##### **b) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to CPC 25/IAS 37)**

The amendments specify which costs a company includes when determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Company does not expect any significant changes as a result of application of CPC 25/IAS 37.

##### **c) Other standards**

The following new and amended standards are not expected to have a material impact on the parent company and consolidated financial statements:

- COVID-19-Related Rent Concessions (Amendments to CPC 06/IFRS 16);
- Property, plant and equipment: Proceeds before intended use (Amendments to CPC 27/IAS 16);
- Reference to the Conceptual Framework (Amendments to CPC 15/IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to CPC 26/IAS 1); and
- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to CPC 23/IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CPC 32/IAS 12).

#### 5. Business combinations

##### 5.1 Acquisition of VamoQueVamo Empreendimentos e Participações S.A. (“Reserva”)

On December 4, 2020, the Company acquired 100% of the equity of Vamoquevamo Empreendimentos e Participações S.A. (“Reserva”) and obtained control of the acquiree. Reserva manufactures and sells at retail and wholesale apparel, footwear and accessories, and grants franchises, among other activities. The acquisition is in line with the Company’s strategy of complementing its businesses in the fashion retail sector, enlarging the range of products and increasing its brand portfolio with the new brands Reserva, Reserva Mini, Oficina Reserva, Reserva Go, INK and EVA brands.

## Financial statements

### Years ended December 31, 2021 and 2020

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#### 5. Business combinations--Continued

##### 5.1 Acquisition of VamoQueVamo Empreendimentos e Participações S.A. ("Reserva")--Continued

The amounts recognized in respect of the business combination made on December 4, 2020 are as follows:

Other current assets	15,531	-	15,531
Deferred income tax and social contribution	24,329	-	24,329
Property, plant and equipment	58,588	(1,911)	56,677
Investments	900	-	900
Intangible assets	5,942	266,280	272,222
Other non-current assets	453	-	453
<b>Liabilities assumed</b>			
Borrowings	91,806	-	91,806
Lease liabilities	34,712	-	34,712
Trade payables	36,959	-	36,959
Other current liabilities	49,258	-	49,258
Provisions for labor, tax and civil proceedings	2,959	-	2,959
Other non-current liabilities	4,156	-	4,156
<b>Total consideration</b>			
Covered by:			
Cash	175,000	-	175,000
Cash consideration payable	50,000	-	50,000
Equity instruments (8,677,134 Company shares)	615,209	-	615,209
<b>Total consideration transferred</b>	<b>840,209</b>	-	<b>840,209</b>
<b>Total goodwill</b>			<b>467,659</b>

## Financial statements

### Years ended December 31, 2021 and 2020

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#### 5. Business combinations--Continued

##### 5.1 Acquisition of VamoQueVamo Empreendimentos e Participações S.A. ("Reserva")—Continued

The acquisition of subsidiary Vamoquevamo Empreendimentos e Participações S.A. did not generate any cash flows and is therefore not reported in the statement of cash flows. This acquisition is presented as "Share capital increase through issue of shares" and "Capital reserve":

	Parent company		Consolidated	
	2021	2020	2021	2020
Investments	840,209	840,209	-	-
Other assets acquired and liabilities assumed	-	-	102,549	103,454
Property, plant and equipment (decrease in value) (a)	-	-	(1,911)	(1,911)
Intangible assets (increase in value) (b)	-	-	266,281	266,427
Inventory (increase in value) (c)	-	-	5,631	6,111
Goodwill	-	-	467,659	466,128
Share capital increase through issue of shares	-	-	(456,000)	(456,000)
Capital reserve	-	-	(159,209)	(159,209)
<b>Cash outflow</b>	<b>225,000</b>	<b>225,000</b>	<b>225,000</b>	<b>225,000</b>

The valuation techniques used to determine the fair value of material assets acquired were as follows:

- Property, plant and equipment:** Market comparison technique and cost technique: The valuation model considers market prices for similar assets when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- Intangible assets:** Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. Intangible assets include trademarks, licensing and internally generated intangibles, and customer relationships.

## Financial statements

### Years ended December 31, 2021 and 2020

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#### 5. Business combinations--Continued

##### 5.1 Acquisition of VamoQueVamo Empreendimentos e Participações S.A. ("Reserva")--Continued

The key assumptions used to determine adjustments to the fair value estimate for customer relationship and franchisee relationship intangible assets were as follows:

	Customer relationship	Franchisee relationship
Revenue	The revenue projection was based on operating revenue from multi-brand customers and estimated turnover.	The revenue projection was based on operating revenue from franchise customers and estimated turnover.
Attrition rate	20.5% based on the average turnover rate of Arezzo's multi-brand customers.	4.8% based on the average number of Arezzo franchisees lost from 1997 to 2019.
Useful life	The remaining useful life was estimated at 11.1 years, considering a concentration of approximately 90% of the total cash flows at present value of the asset being valued.	
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.	
Discount rate	13.6% based on the weighted average cost of capital (WACC) plus a risk premium.	

The relief-from royalty method was applied to brands:

Revenue	The fair value measurement for Reserva brands considered a revenue base linked to the brands.
Royalty rate	5.5% of projected net sales for brands individually, based on royalties for similar transactions and Arezzo contracts in force.
Useful life	Indefinite
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	13.6% based on the weighted average cost of capital (WACC) plus a risk premium.

- a) **Inventories:** Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. The effect of the fair value adjustment will not generate temporary differences for recognition of deferred taxes because the inventories turn in a short time.

The trade receivables comprise gross contractual amounts due of R\$89,941, of which R\$11,212 was expected to be uncollected at the date of acquisition date and so no additional adjustments were necessary.

## Financial statements

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#### 5. Business combinations--Continued

##### 5.1 Acquisition of VamoQueVamo Empreendimentos e Participações S.A. ("Reserva")--Continued

The goodwill of R\$467,659 is attributable to the synergies expected to be achieved from integrating the entity into the Company's existing business and the expansion of the Company's addressable market. The goodwill is expected to be deducted for income tax purposes upon merger of the subsidiary in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE and the report will be filed with the Division of Corporations to meet the requirements for tax deduction of goodwill amortization expenses from this transaction.

The fair value of the 8,677,134 common shares issued as part of the consideration paid by the Company was based on the market share price at the date of acquisition of R\$70.90. Acquisition-related costs were R\$12,100 and have been included in administrative expenses. Reserva contributed revenues of R\$90,333 and R\$31,742 to the Company's profit for the period between the date of acquisition and the 2020 year-end date.

If the acquisition of Reserva had been completed on the first day of the financial year, the Company's revenue for the year would have been R\$2,327,787 and the Company's profit for the year ended December 31, 2020 would have been R\$13,155.

##### 5.2 Acquisition of Troc

On February 1, 2021, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. ("ZZAB"), 71.13% and, through its subsidiary Tiferet ("Reserva"), 3.87% of Troc.Com.Br - Atividade de Internet S.A. ("Troc"), totaling a 75% controlling interest. TROC is a limited liability company that operates an online fashion website [www.troc.com.br](http://www.troc.com.br) where consumers can buy and sell women's and children's luxury used clothing, shoes and accessories. Troc has all the elements of a business: inputs, clearly defined processes and outputs.

The acquisition of Troc is part of the Company's strategy of complementing its businesses in the fashion retail sector, enlarging the range of products and expanding its brand portfolio. The fair values of identifiable assets acquired and liabilities assumed are set out in the table below.

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### Years ended December 31, 2021 and 2020

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#### 5. Business combinations--Continued

##### 5.2 Acquisition of Troc--Continued

	2021		
	Carrying amount	Fair value adjustment	Fair value
<b>Assets acquired</b>			
Cash and cash equivalents	792	-	792
Trade receivables	257	-	257
Other non-current assets	10	-	10
Receivables from related parties	11,000	-	11,000
Property, plant and equipment	207	-	207
Intangible assets	267	9.836	10,103
<b>Liabilities assumed and non-controlling interests</b>			
Trade payables	33	-	33
Other current liabilities	732	-	732
Other non-current liabilities	9	-	9
Non-controlling interests	6,235	-	6,235
<b>Total purchase consideration</b>			
Covered by:			
Cash	11,378	-	11,378
Estimated cash consideration payable	11,000	-	11,000
<b>Total consideration transferred</b>	<b>22,378</b>	-	<b>22,378</b>
<b>Total goodwill</b>			<b>7,018</b>

The valuation techniques used to determine the fair value of material assets acquired were as follows:

- a) **Intangible assets:** Relief-from-royalty method, with-without method, and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The with-without method estimates the value of the asset based on the difference between the cash flow with non-compete agreement and the cash flow without non-compete agreement. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. Intangible assets include trademarks, non-compete agreements, and customer relationships.

## Financial statements

### Years ended December 31, 2021 and 2020

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#### 5. Business combinations--Continued

##### 5.2 Acquisition of Troc--Continued

The key assumptions underlying the adjustments to the fair value estimates for customer relationship intangible assets were as follows:

Revenue	The revenue projection was based on historical information on revenue by customer for the 2016-2020 period.
Attrition rate	53.8% based on the average turnover rate of Arezzo's multi-brand customers.
Useful life	Indefinite.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	17.7% based on the Capital Asset Pricing Model (CAPM) plus a risk premium.

The with-without method was applied to the non-compete agreement:

Scenarios	The value of the asset is estimated based on the difference between cash flow with non-compete agreement and cash flow without non-compete agreement. In the 'without' scenario, a 10% loss of the incremental revenue projected for the period from February 2025 to January 2027 was considered, assuming that there is no compete agreement.
Probability of competition	50%.
Useful life	The remaining useful life was estimated considering a three-year term of the non-compete agreement.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	17.7% based on the Capital Asset Pricing Model (CAPM) plus a risk premium.

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### Years ended December 31, 2021 and 2020

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#### 5. Business combinations--Continued

##### 5.2 Acquisition of Troc--Continued

The relief-from royalty method was applied to brands:

Revenue	The fair value measurement for Reserva brands considered a revenue base linked to the brands.
Royalty rate	4.5% of projected revenue based on the average royalties for licensing agreements for brands similar to those of Troc.
Useful life	Indefinite.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	17.7% based on the Capital Asset Pricing Model (CAPM) plus a risk premium.

The amount of trade receivables is R\$257 measured at fair value.

The goodwill of R\$7,018 is attributable to synergy effects expected from the entity's integration into the Company's business and the expansion of the Company's addressable market. The goodwill is expected to be deducted for income tax purposes upon merger of the subsidiary in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE and the report will be filed with the Division of Corporations to meet the requirements for tax deduction of goodwill amortization expenses from this transaction.

The fair value of the consideration transferred considers the following:

- (i) Acquisition by ZZAB, at the acquisition date, of 21,492 common shares, of which 8,992 are registered common shares, without par value, of Luanna de Carvalho Rodrigues and 12,500 registered common shares, without par value, of AYA Holding de Participações Ltda., for the price of R\$6,028 paid in cash;
- (ii) Subscription of 59,619 new common shares in the total amount of R\$16,350: a) R\$4,350 was paid in cash by ZZAB at the acquisition date to pay outstanding liabilities of Troc; b) R\$1,000 refers to a loan owed by Troc to ZZAB, which was converted into share capital; c) R\$11,000 will be paid in cash in four semiannual installments.

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(All amounts in thousands of reais unless otherwise stated)

#### 5. Business combinations--Continued

##### 5.2. Acquisition of Troc--Continued

Additionally, in the third anniversary year following the acquisition date, the shareholder Luanna de Carvalho Rodrigues may exercise a put option to sell her remaining 25% interest to ZZAB.

Acquisition-related costs included in administrative expenses were R\$393. In the period between the acquisition date and December 31, 2021, Troc contributed revenue of R\$3,197 and loss of R\$6,057 to the Company's profit.

If the acquisition of Troc had been completed on the first day of the financial year ended December 31, 2021, the Company's revenue would have been R\$2,923,982 and the Company's profit for the year would have been R\$343,543.

##### 5.3. Acquisition of Baw

On August 9, 2021, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. ("ZZAB"), 100% of Baw Clothing Indústria e Comércio de Vestuários Ltda. ("Baw"). Baw is a limited liability company that focuses on retail and wholesale distribution of clothing online and outsources its production to an outside manufacturing party. Baw has all the elements of a business: inputs, clearly defined processes and outputs.

The acquisition of Baw is part of the Company's strategy of complementing its businesses in the fashion retail sector, enlarging the range of products and expanding its brand portfolio.

## Financial statements

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(All amounts in thousands of reais unless otherwise stated)

#### 5. Business combinations--Continued

##### 5.3. Acquisition of Baw--Continued

The fair values of identifiable assets acquired and liabilities assumed are set out in the table below.

	2021		
	Carrying amount	Fair value adjustment	Fair value
<b>Identifiable assets acquired</b>			
Cash and cash equivalents	86	(10)	76
Trade receivables	4,871	621	5,492
Advances to suppliers	227	-	227
Inventory	6,489	1,874	8,363
Other current assets	136	-	136
Property, plant and equipment	246	-	246
Intangible assets (increase in value)	-	31,475	31,475
<b>Liabilities assumed</b>			-
Trade payables	3,636	2,421	6,057
Taxes payable	6,798	759	7,557
Borrowings	41	-	41
Salaries, vacation pay and social charges	186	-	186
Provision for contingencies	-	13	13
Other current liabilities	23	-	23
<b>Total consideration transferred</b>			
Covered by:			
Cash	35,000	-	35,000
Equity instruments (538,213 Company shares)	50,002	-	50,002
Price adjustment	516	-	516
Cash consideration to be transferred on the 5th anniversary of the close date	20,000	-	20,000
Contingent consideration	10,000	-	10,000
Total consideration transferred	115,518	-	115,518
<b>Total goodwill</b>			<b>83,380</b>

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 5. Business combinations--Continued

##### 5.3. Acquisition of Baw--Continued

The purchase consideration for 100% of Baw was R\$115,518, as detailed below:

	Parent company	Consolidated
	2021	2021
Investments	115,518	-
Other identifiable assets acquired or liabilities assumed	-	663
Intangible assets (increase in value) (a)	-	31,475
Goodwill	-	83,380
<b>Cash outflow</b>	<b>115,518</b>	<b>115,518</b>
Realized	85,000	85,000
To realize	30,518	30,518

The valuation techniques used to determine the fair value of material assets acquired were as follows:

- a) **Intangible assets:** Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. Intangible assets include trademark and customer relationships.

The key assumptions underlying the adjustments to the fair value estimates for customer relationship intangible assets were as follows:

Revenue	The revenue projection was based on historical information on revenue by customer for the period 2017-July 2021.
Attrition rate	69.8% based on the average turnover rate of Arezzo's multi-brand customers.
Useful life	Estimated at 2.4 years, considering the criteria of concentration of approximately 90% of total cash flow at present value of the asset valued.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	15.2% based on the weighted average cost of capital (WACC) plus a risk premium.

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### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 5. Business combinations--Continued

##### 5.3. Acquisition of Baw--Continued

The relief-from royalty method was applied to brands:

Revenue	The valuation of the brand Baw was based on assumptions and projections adopted by ZZAB's management in the Business Enterprise Valuation for Baw.
Royalty rate	2% based on the average range calculated using the profit split method, considering the company's EBIT margin for 2021.
Useful life	Indefinite.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	15.2% based on the weighted average cost of capital (WACC) plus a risk premium.

The amount of trade receivables is R\$5,492 measured at fair value.

The goodwill of R\$83,380 is attributable to synergy effects expected from the entity's integration into the Company's business and the expansion of the Company's addressable market. The goodwill is expected to be deductible for income tax purposes upon merger of the subsidiary in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE and the report will be filed with the Division of Corporations to meet the requirements for tax deduction of goodwill amortization expenses from this transaction.

Acquisition-related costs included in administrative expenses were R\$871. In the period between the acquisition date and December 31, 2021, Baw contributed revenue of R\$30,060 and loss of R\$1,590 to the Company's profit.

If the acquisition of Baw had been completed on the first day of the financial year ended December 31, 2021, the Company's revenue would have been R\$ 2,945,384 and the Company's profit for the year would have been R\$342,814.

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### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 6. Cash and cash equivalents

	Parent company		Consolidated	
	2021	2020	2021	2020
<b>Cash and banks</b>				
Cash on hand	198	634	3,058	2,295
Cash at banks	975	2,657	27,237	36,002
<b>Cash equivalents</b>				
Automatic investments	1,275	-	3,455	-
<b>Total cash and cash equivalents</b>	<b>2,448</b>	<b>3,291</b>	<b>33,750</b>	<b>38,297</b>

At December 31, 2021, the average rate of interest on automatic investments classified as cash equivalents is 13% of the Interbank Deposit Certificate rate (CDI).

#### 7. Financial investments

	Parent company		Consolidated	
	2021	2020	2021	2020
<b>Current</b>				
Fixed-income securities	-	172,265	-	233,380
<b>Exclusive investment fund</b>				
Financial Treasury Bills (LFT)	23,478	165,493	84,337	273,177
Securities purchased under resale agreements	29,079	-	108,438	-
Financial bills (CEF)	6,843	7,618	25,660	12,574
Certificates of bank deposit (CDB)	10,375	2,264	10,375	3,737
<b>Total financial investments</b>	<b>69,775</b>	<b>347,640</b>	<b>228,809</b>	<b>522,868</b>

#### Exclusive investment fund

ZZ Referenciado DI Crédito Privado is a private fixed-income investment fund under management, administration and custody of Banco Santander S.A. The investment fund has no significantly high costs of operation. The fund's costs consist of asset management fees, custody fees, auditor fees, and other operational expenses.

This investment fund is exclusive to the Company and its subsidiaries and therefore was included in the consolidated financial statements.

As of December 31, 2021, the fund holdings provide average yield of 101.11% of the interest rate of interbank deposit certificates (CDI) (December 31, 2020 - 97%). The fund has 38% of assets in treasury bills (LFTs) (December 31, 2020 - 56%) and 97% of the fund's assets provide daily liquidity (December 31, 2020 - 97%).

## Financial statements

### Years ended December 31, 2021 and 2020

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#### 7. Financial investments--Continued

##### Exclusive investment fund--Continued

The Company's financial investment policy is to concentrate its investments in low-risk securities with top-tier financial institutions (top 10 financial institutions in the country). These investments accrue interest based mostly on the CDI rate.

At December 31, 2021, the Company has not pledged any investment as collateral to financial institutions.

#### 8. Trade receivables

	Parent company		Consolidated	
	2021	2020	2021	2020
<b><u>Domestic customers</u></b>	<b>486,360</b>	392,335	<b>470,132</b>	383,835
Trade notes receivable	<b>404,710</b>	341,208	<b>470,132</b>	383,835
Trade notes receivable from related parties (Note 13a)	<b>81,650</b>	51,127	-	-
<b><u>Foreign customers</u></b>	<b>31,176</b>	35,362	<b>64,056</b>	44,488
Trade notes receivable	<b>5,446</b>	4,839	<b>64,056</b>	44,488
Trade notes receivable from related parties (Note 13a)	<b>25,730</b>	30,523	-	-
<b><u>Other</u></b>	<b>113</b>	61	<b>271,696</b>	184,636
Credit cards	-	-	<b>271,562</b>	184,541
Checks and other	<b>113</b>	61	<b>134</b>	95
	<b>517,649</b>	427,758	<b>805,884</b>	612,959
(-) Provision for expected credit loss	<b>(8,844)</b>	(9,192)	<b>(11,306)</b>	(11,571)
<b>Total trade receivables</b>	<b>508,805</b>	418,566	<b>794,578</b>	601,388
Current	<b>481,059</b>	385,479	<b>790,302</b>	598,824
Non-current	<b>27,746</b>	33,087	<b>4,276</b>	2,564

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### Years ended December 31, 2021 and 2020

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#### 8. Trade receivables--Continued

Third-party credit cards – sales through credit card can be made for payment in a lump sum or in installments. The credit risk in these transactions is assumed by the credit card companies.

Trade notes receivable – The Company offers its customers that are legal entities an installment payment option through trade notes. The credit risk in these transactions is assumed by the Company.

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

Trade receivables from foreign customers by currency are as follows:

		Parent company		Consolidated	
		2021	2020	2021	2020
	USD	31,176	35,362	63,413	43,864
	EUR	-	-	643	624
<b>Balance at the end of the year</b>		<b>31,176</b>	<b>35,362</b>	<b>64,056</b>	<b>44,488</b>

The changes in the provision for expected credit losses on trade receivables are as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Balance at the beginning of the year	(9,192)	(1,639)	(11,571)	(2,633)
(Additions) reversals	(7,856)	(13,210)	(10,244)	(15,210)
Write-offs	8,204	5,657	10,509	6,272
<b>Balance at the end of the year</b>	<b>(8,844)</b>	<b>(9,192)</b>	<b>(11,306)</b>	<b>(11,571)</b>

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### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 8. Trade receivables--Continued

The aging analysis of these trade receivables is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Not yet due	<b>505,065</b>	412,798	<b>774,606</b>	597,999
Up to 30 days past due	<b>3,081</b>	2,244	<b>7,940</b>	2,244
31-60 days past due	<b>4,300</b>	1,979	<b>9,890</b>	1,979
61-90 days past due	<b>1,231</b>	703	<b>2,934</b>	703
91-180 days past due	<b>1,821</b>	2,350	<b>3,928</b>	2,350
181-360 days past due	<b>482</b>	6,004	<b>1,104</b>	6,004
More than 360 days past due	<b>1,669</b>	1,680	<b>5,482</b>	1,680
	<b>517,649</b>	427,758	<b>805,884</b>	612,959

Default may be a warning sign that a customer is experiencing payment difficulties, however, the Company is monitoring in a timely manner the market value of the transaction and its customers' inventories and has identified no signs of insolvency. Depending on the market reaction, we can consider extending payment terms for our customers and re-evaluate the necessity of a loss provision.

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional provision of R\$10,244 at December 31, 2021 (2020 – R\$15,210) for losses on trade receivable, which was classified in selling expenses.

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#### 9. Inventories

	Parent company		Consolidated	
	2021	2020	2021	2020
Finished products	125,967	81,506	352,219	265,378
Raw materials	3,600	3,408	72,448	17,098
Work in process	-	-	23,356	7,750
Advances to suppliers	10,539	5,326	13,965	7,884
(-) Provision for losses	(6,408)	(4,546)	(11,501)	(7,214)
<b>Total inventories</b>	<b>133,698</b>	<b>85,694</b>	<b>450,487</b>	<b>290,896</b>

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Balance at the beginning of the year	(4,546)	(5,717)	(7,214)	(7,453)
Additions/reversals	(4,666)	(94)	(7,091)	(1,026)
Realized	2,804	1,265	2,804	1,265
<b>Balance at the end of the year</b>	<b>(6,408)</b>	<b>(4,546)</b>	<b>(11,501)</b>	<b>(7,214)</b>

#### 10. Taxes recoverable

	Parent company		Consolidated	
	2021	2020	2021	2020
State value-added tax on sales and services (ICMS)	12,436	6,878	51,045	19,718
Corporate income tax (IRPJ)	1,494	390	1,583	791
Social contribution on net income (CSLL)	966	98	996	206
Social integration program (PIS) and Social contri	127,635	-	143,230	55,954
Excise tax (IPI)	-	-	1,054	1,212
Other	2,046	4,095	3,579	8,153
<b>Total</b>	<b>144,577</b>	<b>11,461</b>	<b>201,487</b>	<b>86,034</b>
<b>Current</b>	<b>16,942</b>	<b>11,461</b>	<b>73,852</b>	<b>86,034</b>
<b>Non-current</b>	<b>127,635</b>	<b>-</b>	<b>127,635</b>	<b>-</b>

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### Years ended December 31, 2021 and 2020

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#### 10. Taxes recoverable--Continued

i) Based on management's evaluation and legal advice, the Company recognized the amount of R\$127,635 as of December 31, 2021 in the statement of income.

On March 15, 2017, the Brazilian Supreme Court (STF) ruled in favor of taxpayers on extraordinary appeal No. 574.706: "ICMS must not be included in the tax base of PIS and COFINS". The Supreme Court's ruling was formalized in the minutes published on March 17, 2017 and March 20, 2017.

On May 13, 2021, the full bench of the Supreme Court ruled that the exclusion of ICMS from the tax base of PIS and COFINS is valid from March 15, 2017, at which date the Supreme Court certified that the case involved in extraordinary appeal 574706 is a question of general interest. The Supreme Court justices also clarified that the amount of ICMS that must not be included in the tax base of PIS and COFINS is the amount indicated on the invoice.

The Company is currently awaiting expiry of the time limit specified by law for the court decision to become final and unappealable.

Additionally, of the balance of R\$143,230 in the Consolidated column, R\$15,595 are tax credits arising from monthly transactions and tax credits determined by final court decisions.

#### 11. Other receivables

	2021	2020	2021	2020
Advances to advertising fund (i)	7,000	8,228	7,000	8,228
Advances to franchisees	9,668	623	9,668	623
Advances to suppliers	4,124	4,115	21,311	9,512
Advances to employees	1,166	805	1,971	1,494
Prepaid expenses	7,148	1,194	15,937	4,260
Other receivables	4,949	1,821	27,282	7,160
<b>Total other receivables</b>	<b>34,055</b>	<b>16,786</b>	<b>83,169</b>	<b>31,277</b>
Current	21,779	16,470	68,230	27,949
Non-current	12,275	316	14,939	3,328

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#### 11. Other receivables--Continued

##### (i) Advances to cooperative advertising fund

To pay for national promotions and advertising campaigns for the entire franchise network ("Arezzo Franchise Network", "Schutz Franchise Network", "Anacapri Franchise Network", "Fiever Franchise Network", "Alme Franchise Network" and "Vans Franchise Network"), the franchisees agree to contribute a percentage of their gross purchases to a national advertising fund called "Arezzo Cooperative Advertising and Promotion Fund", "Schutz Cooperative Advertising and Promotion Fund", "Anacapri Cooperative Advertising and Promotion Fund", "Fiever Cooperative Advertising and Promotion Fund", "Alme Cooperative Advertising and Promotion Fund" and "Vans Cooperative Advertising and Promotion Fund". Advertising funds are contributed by franchisees on a monthly basis and used to pay costs of marketing and advertising strategies, including advertisements and promotions on behalf of the Arezzo Franchise Network, Schutz Franchise Network, Anacapri Franchise Network, Fiever Franchise Network, Alme Franchise Network and Vans Franchise Network, as well as to pay external advertising agencies for creation and development of campaigns, and other advertising and promotional activities at the national level. The advertising funds collected are administered by the franchisor who shall furnish a yearly report to franchisees with information about contributions made and uses thereof.

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#### 12. Income tax and social contribution

##### a) Deferred taxes

Basis of calculation of deferred income tax (IRPJ) and social contribution (CSLL)	Parent company					
	2021			2020		
	IRPJ base	CSLL base	IRPJ/CSLL	IRPJ base	CSLL base	IRPJ/CSLL
Tax losses	151,212	179,218	<b>53,933</b>	87,534	87,534	<b>29,762</b>
Unrealized profit on inventories	32,809	32,809	<b>11,155</b>	21,169	21,169	<b>7,197</b>
Provision for expected credit losses on trade receivables	8,844	8,844	<b>3,007</b>	9,297	9,297	<b>3,161</b>
Provision for commissions	9,947	9,947	<b>3,382</b>	7,891	7,891	<b>2,683</b>
Provision for labor, tax and civil proceedings	7,785	7,785	<b>2,649</b>	5,721	5,721	<b>1,945</b>
Provision for inventory losses	6,293	6,293	<b>2,140</b>	4,546	4,546	<b>1,546</b>
Other provisions	5,119	5,119	<b>1,739</b>	7,519	7,519	<b>2,556</b>
<b>Deferred tax assets</b>	<b>222,009</b>	<b>250,015</b>	<b>78,005</b>	<b>143,677</b>	<b>143,677</b>	<b>48,850</b>
Provision for tax credits (i)	- 79,016	- 79,016	- 26,865	-	-	-
<b>Deferred tax liabilities</b>	<b>- 79,016</b>	<b>- 79,016</b>	<b>- 26,865</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>142,993</b>	<b>170,999</b>	<b>51,140</b>	<b>143,677</b>	<b>143,677</b>	<b>48,850</b>

Basis of calculation of deferred income tax (IRPJ) and social contribution (CSLL)	Consolidated					
	2021			2020		
	IRPJ base	CSLL base	IRPJ/CSLL	IRPJ base	CSLL base	IRPJ/CSLL
Tax losses	249,999	278,005	<b>87,520</b>	166,438	166,438	<b>56,586</b>
Unrealized profit on inventories	32,809	32,809	<b>11,155</b>	21,169	21,169	<b>7,197</b>
Provision for expected credit losses on trade receivables	10,510	10,510	<b>3,573</b>	10,382	10,382	<b>3,530</b>
Provision for commissions	9,947	9,947	<b>3,382</b>	7,891	7,891	<b>2,683</b>
Provision for labor, tax and civil proceedings	13,866	13,866	<b>4,714</b>	12,735	12,735	<b>4,330</b>
Provision for inventory losses	12,512	12,512	<b>4,254</b>	10,743	10,743	<b>3,653</b>
Other provisions	7,893	7,893	<b>2,687</b>	10,283	10,283	<b>3,496</b>
<b>Deferred tax assets</b>	<b>337,536</b>	<b>365,542</b>	<b>117,285</b>	<b>239,641</b>	<b>239,641</b>	<b>81,475</b>
Provision for tax credits (i)	(79,016)	(79,016)	<b>(26,865)</b>	-	-	-
Provision for foreign exchange losses	(16,575)	(16,575)	<b>(5,636)</b>	(2,488)	(2,488)	<b>(843)</b>
<b>Deferred tax liabilities</b>	<b>(95,591)</b>	<b>(95,591)</b>	<b>(32,501)</b>	<b>(2,488)</b>	<b>(2,488)</b>	<b>(843)</b>
<b>Total</b>	<b>241,945</b>	<b>269,951</b>	<b>84,784</b>	<b>237,153</b>	<b>237,153</b>	<b>80,632</b>
<b>Deferred tax assets</b>			<b>90,225</b>			<b>81,475</b>
<b>Deferred tax liabilities</b>			<b>(5,441)</b>			<b>(843)</b>

(i) Recognized tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS, excluding the portion exempted from IRPJ and CSLL on interest accrued on tax credits, according to the Supreme Court's recent decision.

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#### 12. Income tax and social contribution--Continued

##### b) Deferred taxes--Continued

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Opening balance	48,85	15,196	80,632	15,682
Deferred income tax recognized in the statement of income	2,29	33,654	4,152	40,622
Acquisition of subsidiary	-	-	-	24,328
<b>Balance at the end of the year</b>	<b>51,140</b>	<b>48,850</b>	<b>84,784</b>	<b>80,632</b>
<b>Deferred tax assets</b>	<b>51,140</b>	<b>48,850</b>	<b>90,225</b>	<b>81,475</b>
<b>Deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>(5,441)</b>	<b>(843)</b>

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

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

	Parent company		Consolidated	
	2021	2020	2021	2020
2021	-	24,828	-	31,528
2022	15,291	19,555	25,064	26,072
2023	12,611	4,467	23,135	13,209
2024	13,117	-	24,825	9,823
2025	7,241	-	8,881	-
2026	2,879	-	2,879	-
<b>Total deferred income tax and social contribution</b>	<b>51,140</b>	<b>48,850</b>	<b>84,784</b>	<b>80,632</b>
<b>Deferred tax assets</b>	<b>51,140</b>	<b>48,850</b>	<b>90,225</b>	<b>81,475</b>
<b>Deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>(5,441)</b>	<b>(843)</b>

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#### 12. Income tax and social contribution--Continued

##### c) Reconciliation of tax charges between statutory and effective tax rates

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

	2021	2020	2021	2020
Profit before income tax and social contribution	351,848	24,732	403,854	54,558
Statutory tax rate	34.0%	34.0%	34.0%	34.0%
<b>Expected income tax and social contribution expense at statutory tax rate</b>	<b>(119,628)</b>	<b>(8,409)</b>	<b>(137,310)</b>	<b>(18,550)</b>
Share of net profits of subsidiaries accounted for using the equity method	47,345	12,982	-	-
Government subsidies (i)	27,597	14,815	59,301	36,243
Interest on capital	21,547	9,173	21,547	9,173
Tax benefits from technological innovation and research expenses - Law 11,196/05	6,437	2,212	6,437	2,212
Tax incentives (Workers' Meal Program (PAT), Rouanet Law)	183	234	483	559
Unrecognized deferred tax assets relating to tax losses of subsidiaries	-	-	(14,637)	(32,099)
Share option plan expenses	(1,196)	(1,125)	(1,196)	(1,125)
Portion exempted from tax credit	18,081	-	18,081	-
Other permanent differences	(6,980)	(6,030)	(12,840)	(2,387)
<b>Income tax and social contribution expense</b>	<b>(6,614)</b>	<b>23,852</b>	<b>(60,134)</b>	<b>(5,974)</b>
Current	<b>(8,904)</b>	<b>(9,802)</b>	<b>(64,286)</b>	<b>(46,596)</b>
Deferred	<b>2,290</b>	<b>33,654</b>	<b>4,152</b>	<b>40,622</b>
<b>Income tax and social contribution expense</b>	<b>(6,614)</b>	<b>23,852</b>	<b>(60,134)</b>	<b>(5,974)</b>
Effective tax rate (ii)	1.88%	(0,96)	14.89%	10.95%

(i) ICMS tax incentives considered to be investment subsidies under Complementary Law 160/2017. See Note 35 for details.

(ii) The effective tax rate for consolidated amounts is based on the estimated year, six years realized and the remainder of the estimated year.

In the year ended December 31, 2021, the Company has unrecognized deferred tax assets relating to tax losses of one foreign subsidiary and one Brazilian subsidiary. The unrecognized deferred tax assets are R\$ 14,637 (December 31, 2020 - R\$ 32,099) and have no expiry date.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 12. Income tax and social contribution--Continued

##### d) Assessment of impacts of ICPC 22/IFRIC 23 – “Uncertainty over Income Tax Treatments”

Management assessed the impacts of applying ICPC 22/IFRIC23 that addresses the accounting for income taxes when there is uncertainty over income tax treatments. Based on its assessment, management concluded that it is probable that the tax authority will accept its tax treatment as described below:

Tax Debt Annulment Action No. 1015792-98.2017.4.01.3400 with the 4th Federal Court of the Federal District, to suspend and subsequently annul the debts claimed through notices of assessment subject of administrative proceeding No. 15504.725551/2013-17 (for alleged omissions of interest income from loan agreements with associates in calendar years 2008 and 2009; overdeduction of interest on capital payment expenses in calendar years 2008 and 2009, supposedly disproportionate to the equity interest, and allegedly undue tax amortization of goodwill paid on acquisition of the Company by BRICS on 11/8/2007), as well as for the Company to have the right to deduct goodwill amortization expense from, at least, the social contribution tax basis and to cancel fines for non-payment of amounts allegedly owed, pursuant to article 44, II, of Law No. 9.430/1996 (about 50%). The Company is awaiting an examination by an accounting expert with the objective of demonstrating that the transaction carried out at the time of the acquisition of the shares by BRICS had a substantial purpose and an economic effect.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 13. Balances and transactions with related parties

##### a) Balances and transactions with subsidiaries:

	Current assets			Non-current assets		Non-current liabilities		Transactions	
	Accounts receivable			Accounts receivable		Loans to subsidiaries		Trade payables	
<b>Parent company</b>									
ARZZ International INC	-	25,730	-	-	-	-	-	-	-
ZZAB Comércio de Calçados Ltda.	60,960	-	-	853	422,769	1,586			
ZZSAP Indústria e Comércio de Calçados Ltda.	186	-	6,012	5,374	4	133,286			
ZZEXP Comercial Exportadora S/A	4,982	-	-	-	2,007	-			
TIFERET Comércio de Roupas Ltda	15,522	-	72,604	-	22,452	-			
Baw Clothing Indústria e Comércio de Vestuários Ltda	-	-	13,776	-	-	-			
<b>Total - Parent company</b>	<b>81,650</b>	<b>25,730</b>	<b>92,392</b>	<b>6,227</b>	<b>447,232</b>	<b>134,872</b>			

December 31, 2020									
	Current assets			Non-current assets		Current liabilities		Transactions	
	Accounts receivable			Accounts receivable		Loans to subsidiaries		Trade payables	
<b>Parent company</b>									
ARZZ International INC	-	30,523	24,271	-	-	-	96	-	-
ZZAB Comércio de Calçados Ltda.	47,850	-	-	5,693	329,808	4,729			
ZZSAP Indústria e Comércio de Calçados Ltda.	302	-	20,754	275	21	98,439			
ZZEXP Comercial Exportadora S/A	2,975	-	-	-	2,541	-			
<b>Total - Parent company</b>	<b>51,127</b>	<b>30,523</b>	<b>45,025</b>	<b>5,968</b>	<b>332,466</b>	<b>103,168</b>			

##### b) Nature, terms and conditions of transactions with subsidiaries

The transactions with related parties are conducted on commercial and financial terms agreed upon between the parties concerned, which are not comparable to terms that could be obtained from an arm's length dealing with unrelated third parties.

Loans granted to subsidiaries are R\$92,392 as at December 31, 2021 (December 2020 - R\$45,025). The loans are subject to the CDI rate in effect at the date of signing the agreement.

The most common related-party transactions are:

- sales from the Parent company to subsidiaries ZZAB, ARZZ and Tiferet.
- sales from subsidiary ZZEXP to subsidiary ARZZ; and
- sales from subsidiary ZZSAP to the Parent company and to subsidiary ZZEXP.

## Financial statements

### Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

#### 13. Balances and transactions with related parties--Continued

##### c) Management compensation

Compensation of management personnel consists of salaries, profit sharing and share-based payment. At December 31, 2021, total compensation paid to management personnel was R\$15,601 (December 31, 2020 – R\$13,358) as shown below:

	2021	2020
Annual fixed remuneration - salary	7,862	6,851
Variable remuneration - bonus	6,549	4,410
Share option and restricted stock plans (Note 34)	1,190	2,097
<b>Total compensation paid to management personnel</b>	<b>15,601</b>	<b>13,358</b>

The expenses related to the restricted stock plan (Note 34) are presented as operating expenses before finance income and costs.

The Company has a profit-sharing plan with the main goal of rewarding employee performance during the year. On a monthly basis, the Company recognizes a liability and an expense for profit sharing based on the estimates of achievement of the operating targets and specific goals established and approved by management. The profit-sharing payments are recorded in liabilities within “salaries and social charges” and in the statement of income within “general, selling and administrative expenses” (Note 29).

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

##### d) Transactions or relationships with shareholders

At December 31, 2021, certain Company officers and directors directly own a total interest of 49.7% in the Company (December 31, 2020 – 45.8%).

##### e) Transactions with other related parties

The Company has a service agreement with the firm Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha, a member of the Company’s Board of Directors. In the year ended December 31, 2021, this firm received R\$671 (December 31, 2020 - R\$671).

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**14. Investments**

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

	12/31/2021					Profit (loss) for the year
	Assets	Liabilities	Equity	Capital	Net revenue	
ARZZ International INC	224,598	288,685	(64,087)	252,250	281,123	(36,992)
ZZAB Comércio de Calçados Ltda.	645,866	189,490	456,376	148,383	694,222	99,428
ZZSAP Ind.e Com.de Calçados Ltda.	110,502	51,994	58,508	22,822	191,880	3,191
ZZEXP Comercial Exportadora S/A	210,167	175,680	34,488	2,000	166,562	32,125
VQV Empreendimentos e Participações S.A.	552,765	376,898	175,867	107,276	514,035	41,499

	12/31/2020					Profit (loss) for the year
	Assets	Liabilities	Equity	Capital	Net revenue	
ARZZ International INC	214,42	279,47	(65,05)	212,09	163,97	(94,41)
ZZAB Comércio de Calçados Ltda.	434,82	132,64	302,18	93,61	497,31	81,81
ZZSAP Ind.e Com.de Calçados Ltda.	99,26	39,17	60,09	27,59	110,22	4,02
ZZEXP Comercial Exportadora S/A	125,22	107,87	17,35	2,00	75,48	15,02
VQV Empreendimentos e Participações S.A.	365,96	230,76	135,20	101,04	71,25	31,74

Unrealized profit on inventories is presented in the statement of income of the above subsidiaries.

**14. Investments --Continued**

b) Balances of investments and share of net profits of subsidiaries accounted for using the equity method:

	Investments		Share of net profits of equity-accounted subsidiaries	
	2021	2020	2021	2020
ZZAB Comércio de Calçados Ltda.	456,376	302,181	99,428	81,805
ZZSAP Indústria e Comércio de Calçados Ltda.	58,508	60,086	3,191	4,020
ZZEXP Comercial Exportadora S/A	34,488	17,348	32,125	15,023
VQV Empreendimentos e Participações S.A.	175,867	135,196	41,499	31,742
Goodwill arising on acquisition of subsidiary VQV Empreendimentos e Participações S.A.	467,659	466,127	-	-
Fair value adjustments arising on acquisition of subsidiary VQV Empreendimentos e Participações S.A.	263,533	270,627	-	-
<b>Total investments</b>	<b>1,456,431</b>	<b>1,251,565</b>	<b>176,243</b>	<b>132,590</b>
<b>Provision for losses on investments</b>	<b>(64,087)</b>	<b>(65,050)</b>	<b>(36,992)</b>	<b>(94,408)</b>
ARZZ International INC	(64,087)	(65,050)	(36,992)	(94,408)
<b>Total</b>	<b>1,392,344</b>	<b>1,186,515</b>	<b>139,251</b>	<b>38,182</b>

**Notes to the financial statements**  
**for the years ended December 31, 2021 and 2020**

(All amounts in thousands of reais unless otherwise stated)



c) Changes in investments:

	2021	2020
<b>Balance at the beginning of the year</b>	<b>1,186,515</b>	254,653
Capital contribution	<b>90,158</b>	84,949
Distribution of dividends	<b>(14,984)</b>	(19,790)
Amortization of fair value adjustments arising on acquisition of su	<b>(6,459)</b>	840,208
Share of net profits of equity-accounted subsidiaries	<b>139,251</b>	38,182
Reversal of expired dividends of subsidiary	-	2,101
Other comprehensive loss	<b>(2,137)</b>	(13,788)
<b>Balance at the end of the year</b>	<b>1,392,344</b>	1,186,515

Distribution of dividends

The subsidiary ZZEXP Comercial Exportadora S.A. proposed to pay dividends of R\$14,984 to the Company out of its net profit for the year ended December 31, 2020. The dividends were paid in a lump sum on July 30, 2021.

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(All amounts in thousands of reais unless otherwise stated)

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**15. Property, plant and equipment**

Parent company	2021			2020		
	Cost	Depreciation	Net	Cost	Depreciation	Net
Computers and peripherals	28,090	(16,353)	11,737	21,983	(16,155)	5,828
Furniture and fittings	16,719	(7,167)	9,552	10,789	(6,034)	4,755
Machinery and equipment	13,312	(7,246)	6,066	10,540	(6,474)	4,066
Facilities and showroom	42,103	(16,055)	26,048	27,122	(13,393)	13,729
Vehicles	204	(198)	6	221	(212)	9
Land	-	-	-	84	-	84
Right-of-use assets	38,981	(22,357)	16,624	34,565	(13,968)	20,597
<b>Total</b>	<b>139,409</b>	<b>(69,376)</b>	<b>70,033</b>	<b>105,304</b>	<b>(56,236)</b>	<b>49,068</b>

Consolidated	2021			2020		
	Cost	Depreciation	Net	Cost	Depreciation	Net
Computers and peripherals	42,658	(24,630)	18,028	31,275	(22,644)	8,632
Furniture and fittings	77,216	(28,332)	48,884	51,225	(23,770)	27,455
Machinery and equipment	41,665	(21,392)	20,273	31,480	(18,213)	13,267
Facilities and showroom	184,528	(89,633)	94,895	132,833	(71,056)	61,776
Vehicles	366	(271)	96	248	(233)	15
Land	-	-	-	84	-	84
Right-of-use assets	369,884	(148,192)	221,692	314,350	(109,280)	205,070
<b>Total</b>	<b>716,318</b>	<b>(312,449)</b>	<b>403,868</b>	<b>561,496</b>	<b>(245,196)</b>	<b>316,300</b>

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(All amounts in thousands of reais unless otherwise stated)



**15. Property, plant and equipment--Continued**

Changes in property, plant and equipment are as follows:

<b>Parent company</b>	<b>Computers and peripherals</b>	<b>Furniture and fittings</b>	<b>Machinery and equipment</b>	<b>Facilities and showroom</b>	<b>Vehicles</b>	<b>Land</b>	<b>Right-of- use assets</b>	<b>Total</b>
At December 31, 2019	6,382	5,160	3,913	14,263	12	84	27,385	57,199
Purchases	2,051	553	1,040	1,904	-	-	3,141	8,689
Depreciation	(2,266)	(958)	(884)	(2,426)	(3)	-	(7,658)	(14,195)
Write-offs	(340)	-	(3)	(11)	-	-	(2,271)	(2,625)
<b>At December 31, 2020</b>	<b>5,827</b>	<b>4,755</b>	<b>4,066</b>	<b>13,730</b>	<b>9</b>	<b>84</b>	<b>20,597</b>	<b>49,068</b>
Purchases	8,330	5,100	3,269	16,273	-	-	4,416	37,387
Depreciation	(2,659)	(1,195)	(1,267)	(2,758)	(3)	-	(8,389)	(16,271)
Write-offs	(67)	-	-	-	-	(84)	-	(151)
Transfers	307	892	-	(1,199)	-	-	-	-
<b>At December 31, 2021</b>	<b>11,737</b>	<b>9,552</b>	<b>6,066</b>	<b>26,048</b>	<b>6</b>	<b>-</b>	<b>16,624</b>	<b>70,033</b>
Average depreciation rate	20%	10%	10%	10%	20%	-	10% a 20%	

<b>Consolidated</b>	<b>Computers and peripherals</b>	<b>Furniture and fittings</b>	<b>Machinery and equipment</b>	<b>Facilities and showroom</b>	<b>Vehicles</b>	<b>Land</b>	<b>Right-of- use assets</b>	<b>Total</b>
At December 31, 2019	7,816	21,587	11,362	58,727	11	84	204,495	304,082
Acquisitions through business combination	834	9,924	2,265	13,477	7	-	32,082	58,589
Fair value adjustments to the Acquisitions	89	(3,100)	(231)	1,331	-	-	-	(1,911)
Depreciation	3,379	5,903	2,219	5,707	-	-	23,724	40,932
Write-offs	(2,928)	(3,925)	(2,331)	(9,391)	(3)	-	(49,843)	(68,421)
Exchange differences	(776)	(5,220)	(18)	(13,934)	-	-	(45,029)	(64,977)
	218	2,287	1	5,859	-	-	39,641	48,006
<b>At December 31, 2020</b>	<b>8,632</b>	<b>27,456</b>	<b>13,267</b>	<b>61,776</b>	<b>15</b>	<b>84</b>	<b>205,070</b>	<b>316,300</b>
Acquisitions through business combination	165	112	23	58	94	-	-	452
Purchases	13,377	25,162	10,189	51,223	-	-	93,692	193,643
Depreciation	(4,221)	(4,592)	(3,210)	(19,077)	(13)	-	(61,480)	(92,593)
Write-offs	15	379	4	19	-	(84)	(23,128)	(22,796)
Exchange differences	61	366	-	897	-	-	7,538	8,862
<b>At December 31, 2021</b>	<b>18,028</b>	<b>48,884</b>	<b>20,273</b>	<b>94,895</b>	<b>96</b>	<b>-</b>	<b>221,692</b>	<b>403,868</b>
Average depreciation rate	20%	10%	10%	10%	20%	-	10% a 20%	

During the year, the Company tested property, plant and equipment for impairment and determined that no provision for impairment loss on property, plant and equipment is needed.

**Notes to the financial statements**  
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**16. Intangible assets**

	2021			2020		
	Cost	Amortization	Net	Cost	Amortization	Net
<b>Parent company</b>						
Trademarks and patents	8,794	-	8,794	5,582	-	5,582
Key money (indefinite)	3,371	-	3,371	-	-	-
Key money (finite)	954	(954)	-	954	(954)	-
Software licenses	168,176	(99,271)	68,906	142,286	(90,358)	51,928
<b>Total</b>	<b>181,295</b>	<b>(100,225)</b>	<b>81,071</b>	<b>148,822</b>	<b>(91,312)</b>	<b>57,510</b>

	2021			2020		
	Cost	Amortization	Net	Cost	Amortization	Net
<b>Consolidated</b>						
Trademarks and patents	300,764	-	300,764	261,966	-	261,966
Key money (indefinite)	28,652	-	28,652	35,808	(1,979)	33,829
Key money (finite)	19,074	(4,777)	14,297	7,260	(7,260)	-
Customer relationships	12,271	(448)	11,823	12,271	-	12,271
Goodwill	560,896	-	560,896	466,128	-	466,128
Software licenses	212,572	(114,086)	98,486	159,983	(104,310)	55,673
<b>Total</b>	<b>1,13,4229</b>	<b>(119,311)</b>	<b>1,014,918</b>	<b>943,416</b>	<b>(113,549)</b>	<b>829,867</b>

**16. Intangible assets--Continued**

Changes in intangible assets are as follows:

Parent company	Trademarks and patents	Key money	Software licenses	Total
At December 31, 2019	5,336	-	36,044	41,380
Purchases	246	-	23,351	23,597
Amortization	-	-	(7,467)	(7,467)
<b>At December 31, 2020</b>	<b>5,582</b>	<b>-</b>	<b>51,928</b>	<b>57,510</b>
<b>Purchases</b>	<b>3,212</b>	<b>3,371</b>	<b>25,921</b>	<b>32,504</b>
<b>Amortization</b>	<b>-</b>	<b>-</b>	<b>(8,943)</b>	<b>(8,943)</b>
<b>At December 31, 2021</b>	<b>8,794</b>	<b>3,371</b>	<b>68,906</b>	<b>81,071</b>
Average amortization rate	Indefinite	Indefinite	20%	

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Consolidated	Trademarks and patents	Key money	Key money	Customer relationships	Goodwill	Software licenses	Total
At December 31, 2019	6,494	28,047	120	-	-	40,386	75,047
Purchases	246	1,852	-	-	466,128	26,880	495,106
Amortization	-	(48)	-	-	-	(12,634)	(12,682)
Acquisitions through business combination	760	5,175	-	-	-	7	5,942
Write-offs	-	(1,317)	-	-	-	(6)	(1,323)
Fair value adjustments to the carrying amount	254,156	-	-	12,271	-	-	266,427
Exchange differences	310	-	-	-	-	1,040	1,350
Transfers	-	120	(120)	-	-	-	-
<b>At December 31, 2020</b>	<b>261,966</b>	<b>33,829</b>	<b>-</b>	<b>12,271</b>	<b>466,128</b>	<b>55,673</b>	<b>829,867</b>
<b>Purchases</b>	<b>3,212</b>	<b>-</b>	<b>13,451</b>	<b>-</b>	<b>-</b>	<b>52,416</b>	<b>69,079</b>
<b>Amortization</b>	<b>-</b>	<b>-</b>	<b>(4,777)</b>	<b>(448)</b>	<b>-</b>	<b>(9,776)</b>	<b>(15,001)</b>
<b>Acquisitions through business combination</b>	<b>38,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,928</b>	<b>260</b>	<b>130,511</b>
<b>Write-offs</b>	<b>-</b>	<b>-</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>446</b>
<b>Transfers</b>	<b>(2,840)</b>	<b>(5,177)</b>	<b>5,177</b>	<b>-</b>	<b>2,840</b>	<b>-</b>	<b>-</b>
<b>Exchange differences</b>	<b>102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(87)</b>	<b>15</b>
<b>At December 31, 2021</b>	<b>300,764</b>	<b>28,652</b>	<b>14,297</b>	<b>11,823</b>	<b>560,896</b>	<b>98,486</b>	<b>1,014,918</b>
Average amortization rate	Indefinite	Indefinite	Finite	7%	Indefinite	20%	

## 16. Intangible assets--Continued

Intangible assets with finite useful lives referred to as “software licenses” consist of software licenses acquired from third parties and internally developed software and are amortized on a straight-line basis over their estimated useful life with a corresponding charge to general and administrative expenses.

Intangible assets with indefinite useful lives consist of trademarks and patents and key money. Key money is a fee paid by the Company to acquire the rights of tenancy under a commercial property lease, with highly probable renewal periods. The Company will recover these assets when it sells the rights of tenancy to a new tenant or through impairment. The rights to the occupancy of the leased store spaces are acquired through the full payment of key money, and there are no other obligations arising from the acquisition of these rights in the Company’s liabilities. Payment of key money is common in commercial lease transactions.

The goodwill recognized by the Company arises from the acquisition of investments (Note 5): VamoQueVamo Empreendimentos e Participações S.A. on December 4, 2020; Baw Clothing Indústria e Comércio de Vestuários Ltda. on August 9, 2021; and Troc.Com.Br – Atividade de Internet Ltda. on February 1, 2021. The goodwill is allocated to the respective cash-generating unit.

At December 31, 2021, the Company tested for impairment the cash-generating unit to which goodwill is allocated and concluded that there is no need to recognize a provision for impairment.

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### Impairment testing of intangible assets with indefinite useful lives

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

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

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

The estimated future cash flows were discounted at a pre-tax discount rate of 16.5% p.a. (equivalent to WACC of 10.4% p.a.) for each cash-generating unit analyzed.

## 16. Intangible assets--Continued

### Impairment testing of intangible assets with indefinite useful lives--Continued

Key assumptions used in value-in-use calculations are as follows:

- Revenues - Revenues were forecasted for the period between 2022 and 2026 considering growth of the customer base of the various cash-generating units, the impacts of new architectural projects of certain stores and the level of each store and brand in the market.
- Operating costs and expenses - Costs and expenses were forecasted in line with the Company's historical performance as well as with the historical growth of revenues.
- Capital expenditure – Capital expenditure was estimated considering the infrastructure needed for the Company to offer its products based on the Company's history.

Goodwill was allocated to cash-generating units for the purpose of impairment testing:

Cash-generating units	Consolidated	
	2021	2020
VamoQueVamo Empreendimentos e Participações S.A.	467,659	466,128
Baw Clothing Indústria e Comércio de Vestuários Ltda.	83,379	-
Troc.Com.Br – Atividade de Internet Ltda.	9,856	-
	<b>560,895</b>	<b>466,128</b>

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The key assumptions represent management's evaluation of future trends in significant sectors and were based on historical data from internal and external sources, following the rates below:

	Consolidated	
	2021	2020
Discount rate	10.4%	10.8%
Perpetuity growth rate	5.0%	5.0%
Estimated growth rate of EBITDA (average for the next five years)	14.5%	15.3%

### 16. Intangible assets--Continued

#### Impairment testing of intangible assets with indefinite useful lives--Continued

Key assumptions used in value-in-use calculations are as follows:

- Revenues - Revenues were forecasted for the period between 2022 and 2026 considering growth of the customer base of the various cash-generating units, the impacts of new architectural projects of certain stores and the level of each store and brand in the market.
- Operating costs and expenses - Costs and expenses were forecasted in line with the Company's historical performance as well as with the historical growth of revenues.
- Capital expenditure – Capital expenditure was estimated considering the infrastructure needed for the Company to offer its products based on the Company's history.

The key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions based on financial market projections documented and approved by the Company's management.

The Company performed an impairment test and did not identify any indicators for impairment of intangible assets for the year ended December 31, 2021 as the estimated value in use is higher than the carrying amount at the date of valuation.

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**17. Loans and financings**

Borrowings can be summarized as follows:

	2021	2020	2021	2020
<b>In local currency</b>	<b>174,570</b>	204,747	<b>218,485</b>	287,770
FINAME (a)	-	-	<b>207</b>	279
FINEP	-	3,839	-	3,839
Working capital (b)	<b>9,643</b>	-	<b>9,648</b>	-
Working capital (c)	-	-	<b>43,703</b>	82,744
Working capital - Law 4,131 (d)	<b>164,927</b>	200,908	<b>164,927</b>	200,908
<b>In foreign currency</b>	<b>172,278</b>	256,024	<b>316,109</b>	346,499
Working capital - Law 4,131	-	103,989	-	103,989
Working capital - Law 4,131 (e)	<b>172,278</b>	156,180	<b>172,278</b>	156,180
Working capital - Law 4,131 (f)	-	-	<b>2,738</b>	8,106
ACC (g)	-	-	<b>141,093</b>	61,164
PPE (h)	-	-	-	23,788
(+/-) Swap - Working capital	-	(4,145)	-	(6,728)
<b>Total borrowings</b>	<b>346,848</b>	460,771	<b>534,594</b>	63,426
 Current	 <b>337,348</b>	 142,160	 <b>496,861</b>	 239,48
Non-current	<b>9,500</b>	318,611	<b>37,733</b>	394,79

At December 31, 2021, the maturities and interest rate and charges on borrowings are as follows:

- Machine and equipment financing (Finame): 6% p.a. with monthly installments and final maturity in October 2024;
- Working capital: denominated in Brazilian reais with average interest rate of 1.80% p.a. and a maturity in December 2026;
- Working capital: denominated in Brazilian reais with average interest rate of CDI as of December 31, 2021 + 3.18% p.a. and a maturity in March 2025;
- Working capital – Law 4,131: denominated in Brazilian reais with average interest rate of 1.85% p.a. as of December 31, 2021 limited to CDI, and maturities until December 2022;
- Working capital – Law 4,131: denominated in U.S. dollars with average interest rate of 2.688% p.a. as of December 31, 2021 and a maturity in December 2022;
- Working capital – Law 4,131: denominated in U.S. dollars with USD/BRL swap plus average interest rate of 4.4% p.a. as of December 31, 2021, with a maturity in April 2023;
- Advance on foreign exchange contract (ACC): denominated in U.S. dollars with average interest rate of 1.89% p.a. as of December 31, 2021 plus foreign exchange variation. There are several agreements with a final maturity until December 2022;

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**17. Loans and financings --Continued**

Details of the movements in borrowings are as follows:

<b>Parent company</b>	<b>FINEP</b>	<b>Transaction 4131</b>	<b>Working capital</b>	<b>Total</b>
At December 31, 2019	8,957	40,301	-	49,258
Proceeds from borrowings	-	527,344	-	527,344
Payment of principal	(5,118)	(134,762)	-	(139,880)
Payment of interest	(234)	(4,710)	-	(4,944)
Accrued interest and foreign exchange varia	234	28,759	-	28,993
<b>At December 31, 2020</b>	<b>3,839</b>	<b>456,932</b>	<b>-</b>	<b>460,771</b>
 Proceeds from borrowings	 -	 -	 9,500	 9,500
Payment of principal	(3,839)	(142,813)	-	(146,652)
Payment of interest		(9,766)	(166)	(9,932)
Accrued interest and foreign exchange variat	-	32,852	309	33,161
<b>At December 31, 2021</b>	<b>-</b>	<b>337,205</b>	<b>9,643</b>	<b>346,848</b>

<b>Consolidated</b>	<b>FINAME</b>	<b>PPE</b>	<b>ACC</b>	<b>FINEP</b>	<b>Transactio n 4131</b>	<b>Working capital</b>	<b>Total</b>
At December 31, 2019	350	64,722	66,454	8,957	40,301	-	180.784
Proceeds from borrowings	-	18,583	6,925	-	616,302	-	641,810
Payment of principal	(53)	(64,722)	(8,104)	(5,118)	(135,888)	-	(213,885)
Payment of interest	(37)	33	(3,847)	(234)	(4,969)	-	(9,054)
Accrued interest and foreign exchange variation	19	5,172	(264)	234	29,453	-	34,614
<b>At December 31, 2020</b>	<b>279</b>	<b>23,788</b>	<b>61,164</b>	<b>3,839</b>	<b>545,199</b>	<b>-</b>	<b>634,269</b>
 Proceeds from borrowings	 -	 4,646	 113,982	 -	 20,495	 9,531	 128,179
Payment of principal	-	(30,014)	(21,067)	(3,839)	(188,441)	(25)	(243,386)
Payment of interest	(97)	10	(3,820)	-	(14,451)	(166)	(18,524)
Accrued interest and foreign exchange variation	24	1,570	(9,165)	-	41,318	309	34,056
<b>At December 31, 2021</b>	<b>206</b>	<b>-</b>	<b>141,093</b>	<b>-</b>	<b>383,646</b>	<b>9,649</b>	<b>534.594</b>

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### 17. Loans and financings --Continued

The amounts classified as non-current liabilities mature as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
2022	-	318,611	-	358,751
2023	<b>2,489</b>	-	<b>17,356</b>	22,668
2024	<b>2,714</b>	-	<b>14,486</b>	11,772
2025	<b>2,714</b>	-	<b>4,308</b>	1,595
2026	<b>1,583</b>	-	<b>1,583</b>	-
<b>Total borrowings</b>	<b>9,500</b>	318,611	<b>37,733</b>	394,786

Borrowings are secured by Group entities' guarantee and bank letters of guarantee, and do not contain financial covenants. The Company has complied with the restrictive qualitative covenants of its borrowing facilities. Fintech agreements are secured by the machines being financed and used in the manufacturing activity.

#### Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A ("Bank"), to have borrowing facilities available for Arezzo franchisees that are located in the area where the Bank operates, using the funds from the Northeast Region Constitutional Finance Fund (FNE) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees through working capital loans, if needed. Under the terms of the agreement, the Company shall be the guarantor for these transactions through a surety bond when contracted by store owners. At December 31, 2021, these transactions amounted to R\$631 (December 31, 2020 - R\$1,333).

The Company has a technical and financial cooperation agreement with Banco Alfa, to have borrowing facilities available for Arezzo franchisees, using the funds from the National Bank for Economic and Social Development ("BNDES") to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees. The Company is the guarantor for these transactions. At December 31, 2021, the balance of transactions guaranteed by the Company was R\$1,318 (December 31, 2020 - R\$6,605).

To date, the Company has experienced no loss on such transactions.

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**18. Trade payables**

	Parent company		Consolidated	
	2021	2020	2021	2020
Domestic suppliers	<b>111,408</b>	79,466	<b>193,378</b>	133,212
Supplier finance (i)	<b>336,415</b>	247,326	<b>374,359</b>	262,591
Related parties (Note 13.a)	<b>6,227</b>	5,968	-	-
Foreign suppliers	<b>5,006</b>	3,061	<b>6,976</b>	3,386
<b>Total trade payables</b>	<b>459,056</b>	335,821	<b>574,713</b>	399,189

(i) The Company has agreements with Banco Itaú Unibanco S.A. ("Bank") to structure with its main suppliers a supplier finance arrangement. In this arrangement, the suppliers transfer the right to receive their invoices to the Bank which, in turn, will become the creditor in the transaction. Thus, the Company believes that the presentation of this transaction within "Trade payables" is adequate.

**19. Leases**

At December 31, 2021, the Company assessed its portfolio of lease contracts for stores, offices, plants and distribution centers and identified 217 contracts. Of these 217 contracts, 80 qualify for the exemptions prescribed by the lease standard and 137 fall within the scope of the standard.

For contracts that are in the scope of the standard, the Company recognized a right-of-use asset at an amount equal to the lease liability. The lease liability was recognized at the present value of the remaining lease payments, discounted at the actual market interest rate of 1.8% for lease contracts in the United States and 6.1% for contracts in Brazil.

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**19. Leases--Continued**

**a) Movements in right-of-use assets:**

	<b>Parent company</b>	<b>Consolidated</b>
<b>Total right-of-use assets at December 31, 2019</b>	<b>27,385</b>	<b>204,495</b>
Acquisition of subsidiary	-	32,082
Additions	3,141	23,724
Write-offs	(2,271)	(45,029)
Depreciation	(7,658)	(49,843)
Foreign exchange variation	-	39,641
<b>Total right-of-use assets at December 31, 2020</b>	<b>20,597</b>	<b>205,070</b>
Additions	4,416	93,692
Write-offs	-	(23,128)
Depreciation	(8,389)	(61,480)
Foreign exchange variation	-	7,538
<b>Total right-of-use assets at December 31, 2021</b>	<b>16,624</b>	<b>221,692</b>

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**19. Leases--Continued**

**b) Movements in lease liabilities:**

	<b>Parent company</b>	<b>Consolidated</b>
<b>Lease liabilities at December 31, 2019</b>	<b>28,646</b>	<b>209,058</b>
Acquisition of subsidiary	-	34,712
Discount to present value	(286)	(1,947)
Lease payments	(8,755)	(53,039)
Interest expense on lease liabilities	1,447	5,972
Additions	3,427	23,039
Write-offs	(1,931)	(45,965)
Foreign exchange variation	-	41,529
<b>Lease liabilities at December 31, 2020</b>	<b>22,548</b>	<b>213,360</b>
Lease payments	(9,620)	(67,961)
Interest expense on lease liabilities	1,267	8,427
Additions	4,416	93,692
Write-offs	-	(23,504)
Foreign exchange variation	-	7,883
<b>Lease liabilities at December 31, 2021</b>	<b>18,611</b>	<b>231,896</b>
Current	<b>4,725</b>	<b>57,017</b>
Non-current	<b>13,886</b>	<b>174,879</b>

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**19. Leases--Continued**

**c) Future commitments**

In compliance with CVM Circular 02/2019 and CPC 06 (R2)/IFRS 16, given the fact that the Group did not apply the nominal cash flow method because IFRS 16 prohibits future inflation projections and with the aim of providing users of the financial statements with additional information, set out below is the maturity analysis of contractual undiscounted cash flows as of December 31, 2021:

	<b>Parent company</b>	<b>Consolidated</b>	<b>Parent company</b>	<b>Consolidated</b>
2022	4,725	57,016	5,701	65,756
2023	3,780	52,371	4,501	58,472
2024	2,835	44,525	3,344	48,322
2025	2,051	35,558	2,427	37,681
2026	2,136	19,998	2,388	20,888
After 2027	3,084	22,428	3,282	22,998
<b>Total</b>	<b>18,611</b>	<b>231,896</b>	<b>21,642</b>	<b>254,116</b>
Potential PIS and COFINS tax credit	1,721	11,809	2,002	13,423

**20. Salaries and vacation pay**

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Salaries	<b>37,468</b>	15,653	<b>64,151</b>	25,818
Accrued vacation pay and related taxes	<b>15,252</b>	13,194	<b>34,861</b>	25,953
<b>Total salaries and vacation pay</b>	<b>52,720</b>	28,847	<b>99,012</b>	51,771

**21. Taxes payable**

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Value-added Tax on Sales and Services (ICMS)	<b>1,861</b>	-	<b>22,530</b>	16,501
Withholding income tax (IRRF)	<b>6,183</b>	4,808	<b>10,825</b>	6,792
Social charges	<b>4,846</b>	2,951	<b>13,689</b>	7,406
Social Integration Program (PIS) and Social Contribution	<b>3,593</b>	1,365	<b>11,192</b>	7,294
Corporate Income Tax (IRPJ) and Social Contribution	-	6	<b>22,408</b>	6,356
Other taxes and duties	<b>6,691</b>	2,483	<b>10,329</b>	3,630
<b>Total taxes and social charges payable</b>	<b>23,174</b>	11,613	<b>90,973</b>	47,979

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**22. Provisions for labor, tax and civil proceedings**

The Company and its subsidiaries are parties to judicial and administrative proceedings involving tax, social security, labor and civil matters, arising in the normal course of business. Based on the information provided by its legal advisors and the analysis of pending lawsuits, management recorded a provision at an amount considered sufficient to cover estimated probable losses that may arise from the final outcome of ongoing lawsuits supported by judicial deposits, as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Labor	6,060	3,990	11,580	10,289
Tax	1,675	1,675	2,044	2,044
Civil	50	56	436	595
<b>Total provisions for labor, tax and civil proceedings</b>	<b>7,785</b>	<b>5,721</b>	<b>14,060</b>	<b>12,928</b>

**22. Provisions for labor, tax and civil proceedings--Continued**

**Labor:** The Company and its subsidiaries are parties to labor lawsuits related principally to overtime pay and related social charges, health exposure premium, hazard pay, salary equalization and additions to the salary. Based on legal advice and the Company's past experience with similar claims, management believes that the provision amounts are sufficient to cover probable losses.

**Tax:** The Company and its subsidiary ZZSAP are parties to tax proceedings discussing the increase in the Accident Prevention Factor (FAP) rate, for which judicial deposits at the same amount were made. Based on legal advice and the Company's past experience with similar claims, management believes that the provision amounts are sufficient to cover probable losses.

**Civil:** The Company and its subsidiaries are parties to civil lawsuits related principally to claims for pain and suffering and pecuniary damages, and collection of bills. Based on legal advice and the Company's past experience with similar claims, management believes that the provision amounts are sufficient to cover probable losses.

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Based on the information from its legal advisors and the analysis of pending lawsuits, management recognized a provision at an amount considered sufficient to cover estimated probable losses that may arise from the final outcome of lawsuits in progress, as shown below:

<b>At December 31, 2020</b>	<b>3,990</b>	<b>1,675</b>	<b>56</b>	<b>5,721</b>
<b>Additions/adjustments</b>	<b>8,036</b>	<b>-</b>	<b>10</b>	<b>8,046</b>
<b>Reversals/payments</b>	<b>(5,966)</b>	<b>-</b>	<b>(16)</b>	<b>(5,982)</b>
<b>At December 31, 2021</b>	<b>6,060</b>	<b>1,675</b>	<b>50</b>	<b>7,785</b>

<b>Consolidated</b>	<b>Labor</b>	<b>Tax</b>	<b>Civil</b>	<b>Total</b>
At December 31, 2019	6,887	2,044	238	9,169
Additions/adjustments	6,549	-	165	6,714
Reversals/payments	(5,230)	-	(684)	(5,914)
Acquisition of subsidiary	2,083	-	876	2,959
<b>At December 31, 2020</b>	<b>10,289</b>	<b>2,044</b>	<b>595</b>	<b>12,928</b>
<b>Additions/adjustments</b>	<b>9,691</b>	<b>-</b>	<b>173</b>	<b>9,864</b>
<b>Reversals/payments</b>	<b>(8,400)</b>	<b>-</b>	<b>(332)</b>	<b>(8,732)</b>
<b>At December 31, 2021</b>	<b>11,580</b>	<b>2,044</b>	<b>436</b>	<b>14,060</b>

**22. Provisions for labor, tax and civil proceedings--Continued**

At December 31, 2021, the Company and its subsidiaries have other labor, tax and civil proceedings at the administrative and judicial levels amounting to approximately R\$135,889 (December 31, 2020 – R\$86,152), for which the likelihood of loss is considered reasonably possible by the legal advisors and, therefore, an accrual is not required. The total balance at December 31, 2021 comprises R\$48,615 (December 31, 2020 – R\$69,595) related to labor proceedings, R\$69,598 (December 31, 2020 – R\$6,778) of tax proceedings, and R\$17,676 (December 31, 2020 – R\$9,779) of civil proceedings.

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The proceedings include the following.

- i. Administrative Proceeding No. 15504-725.206/2018-80 arising from the notice of assessment issued on October 11, 2018, in which the tax authorities assess the debt related to social security contribution of the Company (employer's share) and contribution of other entities and funds (third parties' contribution) for the period between September 2014 and September 2017, plus proportional interest and fine. According to the tax authorities, the Company would have paid its employees and individual taxpayers by means of share options under the Share Option Plan, which is considered by the Brazilian tax authorities to be compensation subject to social security contribution. This proceeding was challenged alleging that the Share Option Plan of the Company is of a commercial nature. At present, the appeals filed in the name of the principal debtor (Arezzo Indústria e Comércio S.A.) and co-debtors (ZZAB, ZZEXP and ZZSAP) against the unfavorable decision No. 14-91.305 are pending before the Board of Tax Appeals. The likelihood of loss is considered reasonably possible in the amount of approximately R\$6,947.
- ii. Debt Cancellation Lawsuit No. 00000033-68.2017.8.21.0087 filed with the 2nd Civil Court of Campo Bom, Rio Grande do Sul, seeking to cancel the debt determined in tax assessment notice No. 25771370 issued for allegedly improper recognition of ICMS tax credits on shipments of goods to buyers established in the Manaus Free Trade Zone (ZFM) and Free Trade Areas (ALC) relating to the period from February 2008 to December 2011. Executable Tax Debt CDA nº 019/0543060. In parallel with the filing of the debt cancellation lawsuit, the tax authority distributed a tax debt collection suit (No. 0006055-45.2017.8.21.0087) to the same court that received the cancellation lawsuit. The lawsuit was decided in favor of the Company and the tax assessment was annulled. The appeal filed is yet to be heard and determined. The likelihood of loss is considered reasonably possible in the amount of approximately R\$9,059.

**22. Provisions for labor, tax and civil proceedings--Continued**

- iii. Lawsuit No. 5001519-32.2019.8.21.0087- Interim relief against tax assessment notice No. 8225966 issued by the Rio Grande do Sul State tax authority on July 21, 2018 related to shipment of goods to buyers established in the Manaus Free Trade Zone and Free Trade Areas in the period from 6/1/2013 to 3/31/2018. According to the tax authority, the following irregularities were detected: (i) non-payment of tax on the shipment of goods to municipalities that do not offer tax incentives (ICMS exemption); (ii) non-payment of tax on the shipment of imported goods to the Manaus Free Trade Zone and Free Trade Areas; (iii) non-payment of tax on the shipment of goods to the Manaus Free Trade Zone and Free Trade Areas without goods entry form issued by the Manaus Free Trade Zone Superintendence (SUFRAMA); and (iv) improper tax credit due to non-reversal of ICMS levied on shipments of goods to the Manaus Free Trade Zone and Free Trade Areas. We obtained an injunction suspending the collection of the amounts claimed. The likelihood of loss is considered reasonably possible in the amount of R\$10,515.

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- iv. Tax Debt Annulment Action No. 1015792-98.2017.4.01.3400 with the 4th Federal Court of the Federal District, to suspend and subsequently annul the debts claimed through notices of assessment subject of administrative proceeding No. 15504.725551/2013-17 (for alleged omissions of interest income from loan agreements with associates in calendar years 2008 and 2009; overdeduction of interest on capital payment expenses in calendar years 2008 and 2009, supposedly disproportionate to the equity interest, and allegedly improper tax amortization of goodwill paid on acquisition of the Company by BRICS on November 8, 2007). The lawsuit also seeks the Company's right to deduct goodwill amortization expense from, at least, the social contribution tax base and to cancel penalties for non-payment of amounts allegedly owed, pursuant to article 44, II, of Law No. 9.430/1996 (about 50%). The Company is awaiting an examination by an accounting expert with the objective of demonstrating that the transaction carried out at the time of the acquisition of the shares by BRICS had a substantial business purpose and an economic effect. The likelihood of loss is considered reasonably possible in the amount of R\$30,932.

### Contingent assets

The Company and its subsidiary Tiferet filed lawsuits to recover taxes that they had previously paid. The legal counsel has advised that it is probable that the Company and its subsidiary will prevail in the cases. The main lawsuits relate to: i) exclusion of the ICMS rate difference (DIFAL-ICMS) in interstate sales of goods to individuals and legal entities that are not ICMS taxpayers.

- i. Exclusion of the ICMS rate difference (DIFAL-ICMS) in interstate sales of goods to individuals and legal entities that are not ICMS taxpayers: The subsidiaries ZZAB and Tiferet filed lawsuits in several Brazilian states to challenge the collection of the ICMS rate difference in interstate sales of goods to individuals and legal entities that are not ICMS taxpayers.

## 22. Provisions for labor, tax and civil proceedings--Continued

- ii. Exclusion of the ICMS rate difference (DIFAL-ICMS) in interstate sales of goods to individuals and legal entities that are not ICMS taxpayers--Continued: On February 24, 2021, the Brazilian Supreme Court (STF) declared the collection of DIFAL-ICMS to be unconstitutional, as there is no complementary law that regulates this collection. The decision of the Supreme Federal Court on this case will take effect from 2022, except for companies that filed lawsuits by the end of the proceeding. Due to the court decision in favor of taxpayers, the subsidiaries requested the suspension of the monthly judicial deposits and the refund of the previously deposited amounts. The subsidiaries have already obtained favorable decisions exempting them from paying DIFAL until a Complementary Law that regulates the levy of DIFAL is enacted. This represents savings of approximately R\$21,854 for ZZAB and R\$4,449 for Tiferet, totaling R\$26,303. At the same time, the subsidiaries continue to make judicial deposits as their obligation to make the judicial deposits was not suspended. The Company is awaiting the conclusion of each lawsuit to determine the amount of the judicial deposits, which amount to approximately R\$24,618 for ZZAB and R\$2,578 for Tiferet.

These are contingent assets and as such they will be measured and recognized when the lawsuits are settled in favor of the Company and its subsidiaries.

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### Legislation in force

Pursuant to the legislation in force in Brazil, federal, state and municipal taxes and social charges are subject to examination by tax authorities for periods varying from five to thirty years. The legislation of the United States of America (where certain subsidiaries of the Company operate) prescribes different periods of limitations.

### Judicial deposits and judicial guarantees

At December 31, 2021, judicial deposits are R\$19,772 (December 31, 2020 - R\$17,585) – Parent company, and R\$54,390 (December 31, 2020 - R\$30,970) – Consolidated.

The Company has judicial guarantee insurance that is regulated by the Brazilian legislation and used especially as security for lawsuit and/or replaces the guarantees given, and currently is the most economical instrument that protects the equity and capital of the Company. At December 31, 2021, the balance of judicial guarantee insurance is R\$124,317 (December 31, 2020 - R\$79,884).

## 23. Other payables

	Parent company		Consolidated	
	2021	2020	2021	2020
Deferred revenue	160	160	160	160
Advances from customers	2,886	1,419	7,512	4,781
Services payable (i)	25,727	12,655	66,804	26,268
Provisions (ii)	11,766	9,372	54,066	9,372
Other	5,463	2,370	7,215	29,525
<b>Total</b>	<b>46,002</b>	<b>25,976</b>	<b>135,757</b>	<b>70,106</b>
Current	44,557	25,976	133,944	70,106
Non-current	1,445	-	1,813	-

- (i) Services payable include several service expenses such as freight, professional fees and export expenses.
- (ii) Provisions include provision for commissions, agency and other advisory services.

## Notes to the financial statements for the years ended December 31, 2021 and 2020

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### 24. Share capital and reserves

#### 24.1. Share capital

At December 31, 2021, the Company's capital consisted of 99,631 thousand common shares.

	Number of shares (thousands)	Share capital R\$
At December 31, 2019	90,954	352,715
Issue of shares under share option plan	8,677	456,000
<b>At December 31, 2020</b>	<b>99,631</b>	<b>808,715</b>
Advance for future capital increase	-	2,569
<b>At December 31, 2021</b>	<b>99,631</b>	<b>811,284</b>

The Company recorded the amount of R\$ 2,569 as advance for future capital increase because of the partial exercise of share options of Lot I by the grantees under the first share option program (Note 34). The share capital was increased on January 4, 2022.

### 24. Share capital and reserves--Continued

#### 24.1. Share capital--Continued

In the annual financial statements for the year ended December 31, 2020, the Company disclosed an increase of share capital through the issue of new shares in the amount of R\$615,209 while the actual amount of the share capital increase was R\$456,000. The error was corrected in the first quarter of 2021 by recognizing a capital reserve in the amount of R\$159,209 (Note 24.2c).

#### 24.2. Capital reserve

The capital reserve was initially established as a result of the corporate restructuring which occurred in 2007, against the merged net assets, and represents the tax benefit arising from the amortization of the merged goodwill. A portion of the special goodwill reserve corresponding to the benefit may be capitalized at the end of each reporting period in favor of the shareholders with a new issue, according to CVM Instruction 319/99.

The corporate events which gave rise to the capital reserve in connection with the corporate restructuring are as follows:

- On June 1, 2008, BRICS Participações S/A ("BRICS") was merged into the Company, and merged net assets included goodwill paid on acquisition of the investment based on the future profitability of the acquired business, net of the provision set forth in CVM Instruction 319/99, in the amount of R\$13,935. With the extinction of BRICS after merger, BRICS' equity interest in the Company was transferred to FIGEAC Holdings S/A ("FIGEAC").
- On December 1, 2009, FIGEAC was merged into the Company, and merged net assets included goodwill paid on acquisition of the investment based on the future profitability of the acquired business, net of the provision set forth in CVM Instruction 319/99, in the amount of R\$7,535.

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On September 30, 2011, the Company recorded an additional provision for costs of the stock public offering amounting to R\$550 (R\$363, net of tax effects), and this net amount was subtracted from the capital reserve.

With the implementation of the share option and restricted stock plans (Note 34), the Company recorded the reserve for options and restricted stock granted in the amount of R\$20,332 at December 31, 2021 (December 31, 2020 - R\$27,950).

- c) Capital reserve of R\$159,209 from the positive difference between the closing price of the Company shares at the effective date of the share capital increase and the issue price of the shares as per the minutes of the extraordinary general meeting held on November 27, 2020.

### 24. Share capital and reserves--Continued

#### 24.2. Reserves and retained profits

##### 24.2.1. Legal reserve

The legal reserve is credited annually with 5% of the profit for the year according to article 193 of Law 6,404/76 as amended (Brazilian corporate law), and cannot exceed 20% of capital. The balance of the legal reserve at December 31, 2021 and 2020 is R\$57,511.

##### 24.2.2. Tax incentive reserve

This reserve represents the tax incentives that the Company received for investments (Note 35). The balance of this reserve at December 31, 2021 is R\$309,106 (December 31, 2020 - R\$227,937).

##### 24.3.3. Retained profits

The retained profit reserve was recorded pursuant to the terms of article 196 of Law 6,404/76, for use in future investments. The profits retained up to December 31, 2021 amount to R\$174,861 (December 31, 2020 - R\$50,384).

According to article 199 of Law 6,404/76, the balance of this reserve plus other revenue reserves cannot exceed the amount of the share capital.

#### 24.4. Carrying value adjustments

##### Reserve for exchange differences on translation of foreign operations

The Company recognized as other comprehensive income, within equity, exchange differences on the translation of foreign operations, represented by its subsidiaries located in the United States of America, whose functional currency is the U.S. dollar.

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24.5. Treasury shares

As at December 31, 2021, the balance of treasury shares is R\$3,105 (December 31, 2020 - R\$191), consisting of 41,025 common shares at an average acquisition cost of R\$75.69.

24. Share capital and reserves--Continued

24.5. Treasury shares--Continued

The balance of treasury shares is as follows:

	2021	2020
R\$	3,105	191
Quantity	41,025	3,679
Average cost	75.69	52.03

25. Dividends and interest on capital paid and proposed

a) Dividends

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

Dividends were calculated as shown below:

	2021	2020
Profit for the year	345,235	48,584
Legal reserve	-	(2,429)
Tax incentive reserve	(81,169)	(43,573)
Distributable net profit	264,066	2,582
Minimum dividend payout mandated by corporate bylaws	25%	25%
Mandatory minimum dividend payout	66,017	646
Dividends and interest on capital		
Interest on capital paid	63,374	-
Withholding income tax (IRRF) on interest on capital	(7,608)	-
Interim dividends paid	26,215	-
Additional dividends proposed	50,000	2,582
<b>Total</b>	<b>131,981</b>	<b>2,582</b>
<b>Dividends in excess of mandatory minimum dividends</b>	<b>65,964</b>	<b>1,936</b>

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### 25. Dividends and interest on capital paid and proposed--Continued

#### a) Dividends--Continued

On April 29, 2021, the Board of Directors of the Company approved supplementary dividends of R\$2,582 out of the profit for the year ended December 31, 2020. The payment was made on July 30, 2021.

On November 29, 2021, the Board of Directors approved interim dividends of R\$26,215. The payment was made on January 13, 2022.

#### b) Interest on capital - Law 9,249/95

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

On June 28, 2021, the Board of Directors approved the payment of R\$29,590 of interest on capital. The payment was made on July 30, 2021.

On November 29, 2021, the Board of Directors approved the payment of R\$33,784 of interest on capital. The payment was made on January 13, 2022.

### 26. Earnings per share

In compliance with CPC 41/ IAS 33, the Company presents below earnings per share information for the years ended December 31, 2021 and 2020.

#### a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased and held as treasury shares (Note 24.5).

	2021	2020
Profit for the year	343,720	48,583
Weighted average number of outstanding common shares (i)	99,590	91,641
<b>Basic earnings per share - R\$</b>	<b>3,4514</b>	<b>0,5301</b>
(i) in thousands		

#### b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased and held as treasury shares, plus the weighted average number of common shares that would be issued on the conversion of all dilutive potential common shares into common shares.

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The Company has one category of potential common shares with dilutive effects: share options, as shown below:

	2021	2020
Profit for the year	<b>343,720</b>	48,583
Weighted average number of outstanding common shares	<b>99,590</b>	91,641
Adjustment for share options (i)	<b>2,064</b>	371
Weighted average number of common shares for diluted earnings per share (i)	<b>101,654</b>	92,012
<b>Diluted earnings per share - R\$</b>	<b>3,3813</b>	0,5280

(i) in thousands

There were no other transactions involving common shares or potential common shares between the balance sheet date and the date of completion of these financial statements.

### 27. Net operating revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Gross sales revenue	<b>2,080,016</b>	1,358,095	<b>3,647,442</b>	2,021,609
Domestic market	<b>2,076,308</b>	1,356,758	<b>3,256,123</b>	1,796,841
Foreign market	<b>3,708</b>	1,337	<b>391,319</b>	224,768
Returns	<b>(57,61)</b>	(55,161)	<b>(250,510)</b>	(146,677)
Discounts and rebates	<b>(20,44)</b>	(5,054)	<b>(20,443)</b>	(5,107)
Taxes on sales	<b>(281,51)</b>	(184,644)	<b>(452,662)</b>	(278,833)
<b>Net operating revenue</b>	<b>1,720,458</b>	1,113,236	<b>2,923,827</b>	1,590,992

### 28. Segment information

The Company' products are distributed under the brand names Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, INK, EVA, Troc, Baw, MyShoes and through various distribution channels (franchises, multi-brand stores, company-owned stores and e-commerce), but they are controlled and managed by the Company's management as one single operating segment, and the results thereof are monitored and assessed in a centralized way.

For operating, commercial, management and administrative purposes, the Company is organized, and has its performance assessed, as one single segment.

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This view is supported by the following factors:

- The Company does not have different divisions responsible for different product lines, brands or sales channels;
- The Company's plant manufactures products for more than one brand and sales channel;
- The Company's strategic decisions are based on market opportunity assessments, and not only on performance by product, brand or sales channel.

**28. Segment information--Continued**

The consolidated gross revenue by brand and sales channel is as follows:

<b>Brand</b>	<b>2021</b>	<b>2020</b>
<b>Gross revenue</b>	<b>3,647,442</b>	2,021,609
<b>Domestic market</b>	<b>3,256,123</b>	1,796,841
Arezzo	1,065,330	760,648
AR&CO (i)	731,228	90,333
Schutz	607,365	427,641
Anacapri	292,071	231,908
Others (ii)	560,129	286,311
<b>Foreign market</b>	<b>391,319</b>	224,768
<b>Sales channel</b>	<b>2021</b>	<b>2020</b>
<b>Gross revenue</b>	<b>3,647,442</b>	2,021,609
<b>Domestic market</b>	<b>3,256,123</b>	1,796,841
Franchise stores	886,834	562,266
Multi-brand stores	886,700	471,554
E-commerce	816,283	526,382
Company-owned stores	659,195	235,946
Others	7,111	693
<b>Foreign market</b>	<b>391,319</b>	224,768

(i) AR&CO includes the following brands: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA, INK and BAW.

(ii) Others includes the following brands: Alexandre Birman, Alme, Fiever, MyShoes, Troc and Vans.

The revenue from foreign market is not shown separately by geographic area as at December 31, 2021 it represents 10.7% of the gross revenue (December 31, 2020 – 11.1%). No single customer accounts for more than 5% of the sales on the domestic and foreign markets.

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**29. Expenses by nature**

The Company's statement of income classifies expenses by function. The expenses are also reported by nature below:

	Parent company		Consolidated	
	2021	2020	2021	2020
<b>Expenses by function</b>				
Cost of sales	<b>(1,131,046)</b>	(744,694)	<b>(1,385,147)</b>	(835,779)
Selling expenses	<b>(308,307)</b>	(241,321)	<b>(884,411)</b>	(529,953)
General and administrative expenses	<b>(166,915)</b>	(116,812)	<b>(316,217)</b>	(162,234)
Other operating income	<b>131,169</b>	2,562	<b>146,163</b>	56,201
Other operating expenses	<b>(7,171)</b>	(5,428)	<b>(15,690)</b>	(27,118)
	<b>(1,482,270)</b>	(1,105,693)	<b>(2,455,302)</b>	(1,498,883)
<b>Expenses by nature</b>				
Raw and consumable materials	<b>(1,136,846)</b>	(750,110)	<b>(1,405,177)</b>	(847,404)
Personnel expenses	<b>(200,049)</b>	(152,513)	<b>(444,705)</b>	(263,400)
Utilities and services	<b>(157,701)</b>	(99,966)	<b>(135,962)</b>	(147,057)
Advertising costs	<b>(53,128)</b>	(56,305)	<b>(348,289)</b>	(115,964)
Freight	<b>(32,496)</b>	(22,270)	<b>(96,299)</b>	(59,961)
Depreciation and amortization charges	<b>(26,048)</b>	(21,663)	<b>(105,748)</b>	(81,103)
Other operating expenses	<b>(7,171)</b>	(5,428)	<b>(15,690)</b>	(27,118)
Store occupancy expenses	-	-	<b>(49,595)</b>	(13,077)
Tax credits	<b>127,635</b>	-	<b>143,230</b>	-
Other operating income	<b>3,534</b>	2,562	<b>2,933</b>	56,201
	<b>(1,482,270)</b>	(1,105,693)	<b>(2,455,302)</b>	(1,498,883)

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**30. Financial risk management objectives and policies**

a) Fair value

The following table shows the carrying amounts of the Company's financial assets and financial liabilities and their fair values determined by management:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	33,750	33,750	38,297	38,297
Cash investments	228,809	228,809	522,868	522,868
Trade receivables	794,578	794,578	601,388	601,388
Borrowings	534,594	534,594	634,269	634,269
Derivative financial instruments	7,783	7,783	-	-
Trade payables	574,713	574,713	399,189	399,189
Lease liabilities	231,896	231,896	213,360	213,360
Payables for acquisition of subsidiary	31,662	31,662	50,000	50,000

The fair value of financial instruments is determined using valuation techniques which maximize the use of observable market data (Level 2).

At December 31, 2021, the consolidated financial instruments of the Company are classified in the following categories:

	Measured	
	As at fair value through profit or loss	As at amortized cost
<b>Assets</b>		
Cash and cash equivalents	-	33,750
Trade receivables	-	794,578
Cash investments	228,809	-
Derivative financial instruments	7,783	-
<b>Liabilities</b>		
Trade payables	-	574,713
Payables for acquisition of subsidiary	-	31,662
Borrowings	-	534,594
Lease liabilities	-	231,896

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**30. Financial risk management objectives and policies--Continued**

**a) Fair value--Continued**

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, and trade payables - These financial instruments arise directly from the operations of the Company and its subsidiaries and are measured at amortized cost. They are stated at original amount less provision for impairment, and are discounted to present value when applicable.

Borrowings - They are classified as other financial liabilities not measured at fair value and are carried at amortized cost in accordance with the contractual terms. This classification was adopted because the amounts are not held for trading, which management understands is the most relevant financial information. The fair values of the borrowings equal their carrying amounts since these financial instruments have rates of interest based on market interest rates and specific characteristics.

Lease liabilities – These liabilities arise from contracts that convey the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The fair values of lease liabilities equal their carrying amounts.

Payables for acquisition of subsidiary – These obligations arise directly from the acquisitions made by the Company. The fair values equal the carrying amounts.

**a.1) Fair value hierarchy**

Assets and liabilities for which fair value is measured and disclosed are categorized within the fair value hierarchy, by valuation technique:

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

Level 2: Valuation techniques for which all inputs that are significant to the fair value measurement are directly or indirectly observable;

Level 3: Valuation techniques for which inputs that are significant to the fair value measurement are unobservable.

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**30. Financial risk management objectives and policies--Continued**

**b) Foreign exchange risk**

The results of operations of the Company and its subsidiaries are affected by changes in USD exchange rates because a part of their sales revenue is linked to the U.S. dollar. The Company and its subsidiaries hedge the exposure to the foreign exchange risk on almost all of their exports by holding borrowings in USD.

At December 31, 2021 and 2020, the net exposure to changes in USD rate is as follows:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Trade receivables in foreign currency (i)	<b>20,062</b>	13,650
Borrowings in foreign currency	<b>(316,109)</b>	(346,499)
Trade payables in foreign currency	<b>(6,976)</b>	(3,061)
<b>Net exposure</b>	<b>(303,023)</b>	(335,910)

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

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of foreign currency-denominated assets and liabilities to changes in the exchange rates at December 31, 2021.

The table below provides three scenarios, with the most likely scenario being adopted by the Company. The scenarios were defined based on management's expectations about changes in exchange rates at the dates of maturities of the contracts that are exposed to foreign currency risk.

	<b>Currency</b>	<b>Most likely scenario</b>	<b>Scenario A 25% increase</b>	<b>Scenario B 50% increase</b>
<b>Increase in exchange rate</b>				
Trade receivables in foreign currency	R\$	20,062	25,078	30,093
Borrowings in foreign currency	R\$	(316,109)	(395,136)	(474,164)
Trade payables in foreign currency	R\$	(6,976)	(8,726)	(10,464)
Increase in USD rate			25%	50%
USD rate		5,58	6,98	8,37
<b>Effect on profit before tax</b>	<b>R\$</b>		<b>(75,761)</b>	<b>(151,512)</b>

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**30. Financial risk management objectives and policies--Continued**

c) Interest rate risk

The Company's interest rate risk arises from borrowings with rates linked to the Interbank Deposit Certificate rate (CDI). The interest rates are disclosed in Note 17.

At December 31, 2021, the Company's borrowings have the following interest rates:

	<b>Consolidated</b>	
	<b>2021</b>	<b>%</b>
Fixed interest rate	141,299	26.0
Interest rate based on CDI	393,295	74.0
	<b>534,594</b>	<b>100.0</b>

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of borrowings to changes in interest rates at December 31, 2021.

The table below provides three scenarios, with the most likely scenario being adopted by the Company. The most likely scenario for 2021 was defined based on the CDI rate in effect at December 31, 2021, assuming changes of 25 percent and 50 percent.

For each scenario, gross interest expense was calculated, disregarding taxes and the maturities of each agreement. The sensitivity analysis relates to the balance of borrowings at December 31, 2021, projecting the interest rates for one year.

	<b>Currency</b>	<b>Most likely scenario</b>	<b>Scenario A</b>	<b>Scenario B</b>
<b>Increase in interest expense</b>				
Borrowings with interest rate based on CDI	R\$	35,986	44,983	53,979
		<b>35,986</b>	<b>44,983</b>	<b>53,979</b>
Increase in interest rate			25%	50%
CDI		9.15%	11.44%	13.73%

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**30. Financial risk management objectives and policies--Continued**

**d) Credit risk**

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

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

Most of trade receivables are denominated in Brazilian reais and spread across various customers. To reduce credit risk, the Company performs an individual analysis for new customers but, as a usual market practice, only high-risk customers are required to make advance payments.

No single customer accounts for more than 5% of the Company's total accounts receivable at December 31, 2021 and 2020.

Management monitors outstanding customer receivables on a weekly basis and, in the case of impairment losses, they are recognized in the statement of income. The analysis covers outstanding receivables, customer payment history, guarantees provided and renegotiations completed with collaterals. The amounts recorded as actual losses or provision for losses represent uncollectible accounts or receivables with low chance of recovery.

The Company and its subsidiaries attempt to limit credit risk from balances with banks and financial institutions by only dealing with reputable banks and financial institutions.

**e) Liquidity risk**

Liquidity risk is the risk that the Company and its subsidiaries will not have sufficient cash on hand to meet their obligations due to currency and maturity mismatch between their assets and liabilities.

Management monitors the Company's and its subsidiaries' liquidity and cash flows on a daily basis to ensure that the amount of cash generated from their normal business operations and borrowing facilities, when needed, are sufficient to meet obligations when due, without exposing the Company and its subsidiaries to liquidity risk.

The following table shows contractual maturities of financial liabilities:

	Projection including future interest		
	Less than 1 year	Between 1 and 5 years	Total
Borrowings	496,861	37,733	<b>534,594</b>
Trade and other payables	574,713	-	<b>574,713</b>
Lease liabilities	65,756	188,360	<b>254,116</b>

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**30. Financial risk management objectives and policies--Continued**

**f) Capital management**

The Company's objective when managing capital is to maintain a strong credit rating with the institutions and an optimal capital structure to support the Company's business and maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, take new borrowings, issue debentures, issue promissory notes and enter into derivative transactions. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

The gearing ratios at December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Borrowings	<b>(534,594)</b>	(634,269)
Cash and cash equivalents	<b>33,750</b>	38,297
Cash investments	<b>228,809</b>	522,868
<b>Net debt</b>	<b>(272,035)</b>	(73)
<b>Total equity</b>	<b>1,590,580</b>	1,348,597
<b>Gearing ratio - %</b>	<b>(-17.10)</b>	(5.42)

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**31. Finance income and costs**

**Finance costs**

Interest on borrowings	<b>(19,248)</b>	(12,866)	<b>(32,173)</b>	(18,345)
Bank charges	<b>(7,246)</b>	(5,587)	<b>(92,030)</b>	(7,330)
Discounts granted	<b>(4,248)</b>	(3,109)	<b>(7,675)</b>	(4,065)
Notary public fees	<b>(1,767)</b>	(3,075)	<b>(1,778)</b>	(3,087)
Interest expense on lease liabilities	<b>(1,267)</b>	(1,323)	<b>(8,427)</b>	(5,145)
Credit card administration fee	-	-	<b>(23,161)</b>	(12,273)
Other finance costs	<b>(1,352)</b>	(895)	<b>(6,090)</b>	(1,359)
	<b>(35,128)</b>	(26,855)	<b>(88,507)</b>	(51,604)

**Foreign exchange variation, net**

Foreign exchange gains	<b>12,100</b>	21,624	<b>16,064</b>	49,068
Foreign exchange losses	<b>(17,189)</b>	(29,940)	<b>(18,541)</b>	(51,478)
	<b>(5,089)</b>	(8,316)	<b>(2,477)</b>	(2,410)

**Total**

<b>(25,591)</b>	(20,993)	<b>(64,671)</b>	(37,551)
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**32. Other operating income (expenses), net**

Reimbursement of expenses	<b>1,051</b>	-	<b>1,051</b>	
Tax credits (i)	<b>126,134</b>	-	<b>138,426</b>	51,790
Recovery of income	<b>318</b>	1,040	<b>469</b>	1,115
Gain on disposal of property, plant and equipment and intangible assets	<b>915</b>	-	<b>1,318</b>	-
Other income	<b>1,859</b>	-	<b>4,007</b>	482
<b>Other operating expenses</b>	<b>(7,171)</b>	(4,515)	<b>(15,690)</b>	(24,913)
Share option and restricted stock plans	<b>(6,400)</b>	(3,972)	<b>(6,400)</b>	(3,972)
Loss on disposal of property, plant and equipment and intangible assets	<b>(151)</b>	(333)	<b>932</b>	(20,941)
Other expenses	<b>(620)</b>	(210)	<b>(10,222)</b>	-
<b>Total</b>	<b>123,998</b>	(2,866)	<b>130,473</b>	29,083

- (i) The Company recorded in the income statement the amount of R\$127,635 related to the exclusion of ICMS from the PIS and COFINS tax base. This amount is still under dispute in law courts and is recorded as taxes recoverable in the Parent company (Note 10). In addition, the subsidiary ZZAB recognized the amount of R\$10,910 as at December 31, 2021 related to the ICMS rate difference (DIFAL).

R\$ 51,790 as at December 31, 2020 - The Company obtained a favorable final judicial decision on the lawsuit of its subsidiary ZZAB challenging the illegality of the inclusion of ICMS in the PIS and COFINS tax base. As a result, the Company recognized the right to recover the amounts unduly paid, in the amount of R\$49,079 classified as "other income (expenses)" with a corresponding entry of R\$2,715 of attorneys' fees and other legal costs to "administrative expenses", resulting in a net effect of R\$46,364 on profit or loss for the year ended December 31, 2020.

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### 33. Insurance

The Company and its subsidiaries have insurance policies contracted with some of the main insurance companies in the country, taking into account the nature and degree of the risk involved. At December 31, 2021, the Company had insurance coverage against fire and multiple risks for items of property, plant and equipment and inventories. The insurance amounts are considered sufficient by management to cover possible losses, as shown below:

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Inventories and property, plant and equipment	Fire	429,446
	Civil liability	100,000

### 34. Share-based payments

#### 34.1. Restricted stock plan

On August 28, 2017, the Board of Directors approved the execution of restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the First Stock Award Program. And on July 30, 2018, the Board of Directors approved the execution of restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the Second Stock Award Program. On July 25, 2019, the Board of Directors approved the execution of restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the Third Stock Award Program. On June 28, 2021, the Board of Directors approved the execution of restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the Fourth Stock Award Program.

The purpose of the Plan is permit grants of shares, subject to certain restrictions, to the Company's or a subsidiary's officers and employees ("Recipients") selected by the Board of Directors, as a means of:

- a) stimulating the expansion and success of the Company and its subsidiaries and the achievement of their business objectives;
- b) promoting improvement in management of the Company and its subsidiaries, giving Recipients the opportunity to become shareholders in the Company, motivating them to optimize all aspects that can increase the Company's value over the long term;
- c) aligning the interests of Recipients with those of shareholders; and
- d) incentivizing officers and employees to remain with the Company or its subsidiaries.

For purposes of this Plan, the Board of Directors may, upon prior recommendation of an Advisory Committee, grant a certain number of registered, book-entry common shares that must not exceed five percent (5%) of the Company's total share capital at the date of approval of the Plan.

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**34. Share-based payments--Continued**

**34.1. Restricted stock plan--Continued**

Without affecting other terms and conditions laid out in the respective Award Agreements, Recipients shall become fully vested in the restricted stock grant only if they remain continuously employed by the Company or any subsidiary, as applicable, and achieve required performance goals stipulated in each Program and in the respective Award Agreements, in the period between the date of grant and the vesting dates of the respective vesting tranches:

- (i) up to 10% after the first anniversary of the grant date;
- (ii) up to 10% after the second anniversary of the grant date;
- (iii) up to 20% after the third anniversary of the grant date; and
- (iv) up to 60% after the fourth anniversary of the grant date.

Notwithstanding the items (i) to (iv) above, a Recipient may receive an additional up to 10% of the total number of restricted shares granted by the Board of Directors if he/she exceeds the applicable performance goals specified in the Program and in the respective Award Agreement, as it may be determined by the Board of Directors, which may at its discretion establish various vesting dates with respect to the restricted shares granted.

In order to satisfy the grant of restricted shares under the Plan, the Company, subject to applicable law and regulation, will dispose of treasury shares through a private transaction at no cost to Recipients, in accordance with CVM Instruction 567.

The grants and respective vesting periods are as follows:

	<b>1st grant at August 29, 2017</b>	<b>2nd grant at July 30, 2018</b>	<b>3rd grant at July 30, 2019</b>	<b>4th grant at July 1, 2021</b>
<b>Vesting period as from grant date</b>				
From the first anniversary	60,728	11,066	2,661	4,560
From the second anniversary	60,728	11,066	2,661	4,560
From the third anniversary	121,457	22,134	5,321	9,117
From the fourth anniversary	364,370	66,398	15,963	27,355
<b>Total</b>	<b>607,283</b>	<b>110,664</b>	<b>26,606</b>	<b>45,592</b>

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**34. Share-based payments--Continued**

**34.1. Restricted stock plan--Continued**

Movements in the restricted stock plan are set out below:

	<b>1st grant 2017</b>	<b>2nd grant 2018</b>	<b>3rd grant 2019</b>	<b>4th grant 2021</b>
<b>Balance at December 31, 2019</b>	398,641	80,960	26,606	-
Exercised (**)	(99,660)	-8,995	(2,661)	-
Written off (***)	(52,799)	0,000	-	-
<b>Balance at December 31, 2020</b>	<b>246,182</b>	<b>71,965</b>	<b>23,945</b>	-
Granted (*)	-	-	-	45,592
Exercised (**)	(123,091)	(17,992)	-2,661	-
Written off (***)	-	(8,205)	0,000	-
<b>Balance at December 31, 2021</b>	<b>246,182</b>	<b>71,965</b>	<b>23,945</b>	<b>45,592</b>

(\*) Grant before tax effects and performance conditions of the restricted stock plan.

(\*\*) Upon satisfaction of performance conditions of the restricted stock plan and with tax effects, in the 4th tranche (1st grant 2017) 135,400 shares were exercised, in the 3rd tranche (2nd grant 2018) 19,792 shares were exercised, in the 2nd tranche (3rd grant 2019) 2,928 shares were exercised.

(\*\*\*) Write-offs due to the termination of participant employees or non-exercise of shares.

In compliance with IFRS 2/CPC 10, the Company determined the fair value of the shares. In the year ended December 31, 2021, the Company determined R\$6,400 (December 31, 2020 – R\$3,972) in restricted stock plan expense, which was charged to profit or loss against the capital reserve account in equity.

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**34. Share-based payments--Continued**

**34.1. Restricted stock plan--Continued**

The following assumptions were used to determine the fair value of restricted shares:

	1st grant 2017	2nd grant 2018	3rd grant 2019	4th grant 2021
<b>Number of shares</b>	<b>607,283</b>	<b>110,664</b>	<b>26,606</b>	<b>45,592</b>
1st tranche	60,728	11,066	2,661	4,560
2nd tranche	60,728	11,066	2,661	4,560
3rd tranche	121,457	22,134	5,321	9,117
4th tranche	364,370	66,398	15,963	27,355
<b>Share price (R\$)</b>	<b>35.50</b>	<b>43.38</b>	<b>50.74</b>	<b>93.21</b>
<b>Fair value per share (R\$)</b>				
1st tranche	34.73	43.37	50.50	53.56
2nd tranche	33.97	43.37	50.50	53.56
3rd tranche	33.24	43.37	50.50	53.56
4th tranche	32.51	43.37	50.50	53.56
<b>Dividend yield</b>	<b>2.2%</b>	<b>3.14%</b>	<b>3.25%</b>	<b>2.5%</b>
<b>Share price volatility</b>				
1st tranche	32.2%	45.0%	29.5%	36.9%
2nd tranche	36.5%	39.1%	38.0%	47.7%
3rd tranche	36.6%	39.5%	36.2%	42.7%
4th tranche	36.8%	38.8%	37.3%	43.2%
<b>Risk-free interest rate</b>				
1st tranche	7.9%	7.3%	5.4%	6.6%
2nd tranche	8.4%	8.5%	5.7%	7.5%
3rd tranche	9.0%	9.3%	6.2%	8.0%
4th tranche	9.4%	10.0%	6.6%	8.3%
<b>Expected time to maturity (years)</b>				
1st tranche	1	1	1	1
2nd tranche	2	2	2	2
3rd tranche	3	3	3	3
4th tranche	4	4	4	4

**34. Share-based payments--Continued**

**34.2. Share option plan**

At an Extraordinary General Meeting held on August 12, 2021, the Company's shareholders approved a share option plan for officers, employees and service providers of the Company or its subsidiaries. The Plan became effective upon approval by shareholders and shall be administered by the Board of Directors or, at the discretion of the Board, by a committee of the Board.

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The Plan is limited to a maximum number of share options that results in a dilution of 5% of the Company's share capital. The dilution represents the maximum number of shares underlying the options divided by the total number of shares issued by the Company.

On September 2, 2021, the Board of Directors approved the first grant of options under the Plan, covering 1,887,707 share options - 39,805 from Lot I and 1,847,902 from Lot II.

The Plan determines that the options from Lot I granted to plan participants: (i) become exercisable on the business day following the date of grant; (ii) may be exercised within 30 days of the vesting date; and (iii) the shares acquired upon exercise of the options may not be sold for a period of 4 years from the date of exercise.

The plan participants may exercise their options from Lot II within 7 years from the date of grant. The graded vesting schedule spans four years, and 10% vests from the first anniversary of the grant date, 10% vests from the second anniversary of the grant date, 20% vests from the third anniversary of the grant date, and 60% vests from the fourth anniversary of the grant date.

1st grant – December 2021:

On December 2, 2021, the Company delivered to the plan participants the Award Agreement that contains the terms and conditions of the Share Option Plan. The plan participants signed the Agreement and returned it to the Company, together with the notice of exercise of Lot I options and proof of transfer of funds related to the exercise of options from Lot I.

The exercise price for options from Lot I is R\$74.33 per share based on the average share price for the last twenty days prior to the grant, and the exercise price for options from Lot II is R\$ 59.47 per share based on the share price for Lot I with a 20% discount.

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**34. Share-based payments--Continued**

**34.2. Share option plan--Continued**

**Vesting schedule and fair value of the share options**

Maximum number of shares	<b><u>1st grant</u></b>
Vesting schedule from the date of grant	
Within 30 days from the date of grant	39,805
From the first anniversary	184,790
From the second anniversary	184,790
From the third anniversary	369,580
From the fourth anniversary	<u>1,108,742</u>
<b>Total</b>	<b><u>1,887,807</u></b>
Options granted	<u>1,887,807</u>
<b>Balance at December 31, 2021</b>	<b><u>1,887,807</u></b>

In accordance with IFRS 2/CPC 10, the Company determined the fair value of the share options based on the vesting schedule. In the year ended December 31, 2021, the Company determined R\$1,185 of share option plan expense, which was charged to profit or loss against the capital reserve account in equity. The fair value of the share options in 2021 was determined using the Black-Scholes model for Lot I and the binomial model for Lot II.

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**34. Share-based payments--Continued**

**34.2. Share option plan--Continued**

The following assumptions were used to determine the fair value of the share options:

<b>Lot</b>	<b>1st grant December</b>	
	<b>I</b>	<b>II</b>
<b>Total number of shares</b>	<b>39,805</b>	<b>1,847,902</b>
<b>Number of shares</b>		
1st tranche	39,805	184,790
2nd tranche	-	184,790
3rd tranche	-	369,580
4th tranche	-	1,108,742
<b>Exercise price (R\$)</b>	<b>74.33</b>	<b>59.47</b>
<b>Fair value per option (R\$)</b>		
1st tranche	3.13	24.42
2nd tranche	-	21.01
3rd tranche	-	17.76
4th tranche	-	14.75
<b>Dividend yield</b>	<b>2.5%</b>	<b>2.5%</b>
<b>Share price volatility</b>	<b>50.1%</b>	<b>40.34%</b>
<b>Risk-free interest rate</b>		
1st tranche	8.85%	11.3%
2nd tranche	-	11.3%
3rd tranche	-	11.3%
4th tranche	-	11.3%
<b>Expected time to maturity (consecutive days)</b>		
1st tranche	30	365
2nd tranche	-	730
3rd tranche	-	1,095
4th tranche	-	1,460

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### 35. Government tax incentives

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

In the year ended December 31, 2021, the Company had R\$174,418 (December 31, 2020 - R\$106,597) in ICMS tax benefits, which were classified into net revenue, as shown below:

	Parent company		Consolidated	
	2021	2020	2021	2020
ICMS tax benefits - State of Espirito Santo	81,169	43,573	112,826	70,922
ICMS tax benefits - State of Rio Grande do Sul	-	-	-	253
ICMS tax benefits - State of Rio de Janeiro	-	-	61,592	35,422
<b>Total</b>	<b>81,169</b>	<b>43,573</b>	<b>174,418</b>	<b>106,597</b>

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

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

c) The State of Rio de Janeiro, through Law 6,331 of October 10, 2012, granted a reduction in the ICMS tax rate on sales for manufacturers of textile products, fabrics, garments, apparel accessories and notions.

### 36. Subsequent events

#### 36.1. Acquisition of Guaraná Brasil Difusão de Moda Ltda ("Carol Bassi")

On November 30, 2021, the Company announced the purchase of Guaraná Brasil Difusão de Moda Ltda. ("Carol Bassi") by its subsidiary ZZAB Comércio de Calçados Ltda. as part of the Company's strategy to expand its business in the fashion and retail sector, with product diversification and expansion of its brand portfolio.

The Arezzo&Co group makes its debut in the women's clothing segment with the acquisition of Carol Bassi. The purchase price for all shares of Carol Bassi, subject to adjustments, will be R\$180,000 to be paid by ZZAB.

The acquisition was completed by ZZAB Comércio de Calçados Ltda. with regulatory approval by CADE on January 25, 2022 and the effects of the acquisition of all shares of Carol Bassi will be recognized in the fiscal year 2022. With the completion of the acquisition, ZZAB is the only owner of Carol Bassi.

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36.2. Follow-on

At a meeting held on January 26, 2022, the Board of Directors approved a primary offering of common shares of the Company, without par value, free and clear of all liens, encumbrances or claims ("Shares"), with restricted distribution efforts pursuant to CVM Instruction 476 ("Restricted Offering").

At a meeting held on February 3, the Board of Directors approved a share price of R\$82.35 ("Price per Share"), a share capital increase, within the limit of the authorized capital, in the total amount of R\$833,793 through the issue of 10,125,000 new registered, book-entry, common shares without par value, free and clear of all liens, encumbrances or claims ("Shares") (considering the placement of Additional Shares, as defined below) and its effective homologation under the primary public distribution with restricted efforts according to the terms of CVM Instruction 476 ("Offering"). As a result of the increase in share capital under the Offering, the Company's share capital is R\$1,645,467 consisting of 109,796,219 registered, book-entry, common shares without par value. The shares issued under the Offering will be traded on Brazil's stock exchange B3 S.A. – Brasil, Bolsa, Balcão ("B3") as from February 7, 2022, and the physical and financial settlement of the Shares occurred on February 8, 2022.

The Company intends to use the proceeds from the Offering to invest in long-term assets, including development of brands and opening of stores; investment in supply, distribution center and supply model; investment in technology, digital platform and omnichannel capabilities; M&As.