Interim Financial Information

Vulcabras S.A.

March 31, 2023
with Independent auditors' report on interim financial information

Vulcabras S.A.

Interim financial information

March 31, 2023

Contents

Centro Empresarial Queiroz Galvão - Torre Cícero Dias
Rua Padre Carapuceiro, 858
8º andar, Boa Viagem
51020-280 - Recife - PE - Brasil

Tel: +55 81 3201-4800
Fax: +55 81 3201-4819
ey.com.br

Building a better working world

A free translation from Portuguese into English of Independent Auditor's Review Report on interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB)

Independent auditor's review report on quarterly information

To the Administrators and Shareholders of
Vulcabras S.A.
Jundiaí - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Vulcabras S.A. ("Company"), for the quarter ended March 31, 2023, comprising the statement of financial position as of March 31, 2023 and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the quarter then ended, including explanatory notes.

Executive board is responsible for the preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34, applicable to the preparation of Quarterly Financial Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

The aforementioned quarterly information include the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2023, prepared under responsibility of Company's Executive Board responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Recife (PE), May 2, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC-SP015199/O

Original report in Portuguese signed by
Francisco da Silva Pimentel
Accountant CRC-1SP171230/O-7-T-PE

Vulcabras S.A.

(Publicly-held company)

Statements of financial position

As of March 31, 2023 and December 31, 2022

(In thousands of reais)

		Consolidated		Parent Company	
Assets	**Note**	**03/31/2023**	**12/31/2022**	**03/31/2023**	**12/31/2022**
Cash and cash equivalents	4	374,186	197,197	36,315	35,161
Interest earning bank deposits	5	4	4	4	4
Trade accounts receivable	6	620,404	769,457	-	-
Inventories	7	715,002	567,831	-	-
Recoverable taxes	8	14,656	18,685	620	582
Income tax and social contribution	9a	16,303	13,859	1,624	1,331
Other accounts receivable		20,465	26,074	50,993	6,141
Total current assets		**1,761,020**	**1,593,107**	**89,556**	**43,219**
Interest earning bank deposits	5	9,158	8,942	2	1
Trade accounts receivable	6	9,977	5,153	-	-
Recoverable taxes	8	200,780	193,504	1,881	1,831
Deferred income tax and social contribution	9b	13,692	13,591	301	301
Judicial deposits	10	24,450	22,419	410	408
Goods for sale		194	194	-	-
Other accounts receivable		1,845	1,934	872	973
Long-term assets		**260,096**	**245,737**	**3,466**	**3,514**
Investments	12	77,567	75,662	1,780,923	1,798,458
Investment property		3	4	-	-
Right-of-use	18	18,323	18,119	-	-
Property, plant and equipment	13	390,215	379,031	-	-
Intangible assets	14	208,437	209,096	111	111
		694,545	**681,912**	**1,781,034**	**1,798,569**
Total non-current assets		**954,641**	**927,649**	**1,784,500**	**1,802,083**
Total assets		**2,715,661**	**2,520,756**	**1,874,056**	**1,845,302**

		Consolidated		Parent Company	
Liabilities	**Note**	**03/31/2023**	**12/31/2022**	**03/31/2023**	**12/31/2022**
Suppliers	16	173,443	104,925	376	368
Loans and financing	17	269,341	283,638	-	-
Lease liabilities	18	9,470	8,509	-	-
Taxes payable		24,597	19,670	209	330
Salaries and vacations payable		53,415	56,139	14	13
Provisions	19	4,046	3,102	387	397
Commissions payable		20,198	19,538	-	-
Dividends and profits payable		20,734	20,734	20,734	20,734
Other accounts payable		38,524	53,716	851	1,191
Total current liabilities		**613,768**	**569,971**	**22,571**	**23,033**
Loans and financing	17	204,553	133,410	-	-
Borrowings with related parties	11	18,550	18,448	57,146	109,889
Lease liabilities	18	11,857	12,059	-	-
Provisions	19	52,474	54,274	409	591
Deferred income tax and social contribution	9b	17,037	17,079	301	301
Other accounts payable		3,470	3,681	-	-
Total non-current liabilities		**307,941**	**238,951**	**57,856**	**110,781**
Shareholders' equity	20				
Capital		1,108,354	1,106,717	1,108,354	1,106,717
Capital reserves		(3,413)	(1,472)	(3,413)	(1,472)
Revaluation reserve		4,136	4,175	4,136	4,175
Equity valuation adjustments		24,779	25,974	24,779	25,974
Profit reserves		576,094	576,094	576,094	576,094
Retained earnings		83,679	-	83,679	-
Shareholders' equity attributable to controlling shareholders		**1,793,629**	**1,711,488**	**1,793,629**	**1,711,488**
Non-controlling interest		**323**	**346**	**-**	**-**
Total shareholders' equity		**1,793,952**	**1,711,834**	**1,793,629**	**1,711,488**
Total liabilities		**921,709**	**808,922**	**80,427**	**133,814**
Total liabilities and shareholders' equity		**2,715,661**	**2,520,756**	**1,874,056**	**1,845,302**
		-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of profit or loss

March 31, 2023 and 2022

(In thousands of reais, except net earnings per share)

		Consolidated		Parent Company	
	Note	**03/31/2023**	**03/31/2022**	**03/31/2023**	**03/31/2022**
Continued operation					
Net sales revenue	21	571,118	477,750	-	-
Cost of sales and resales	22	(345,759)	(309,609)	-	-
Gross profit		**225,359**	**168,141**	**-**	**-**
Sales expenses	23	(99,872)	(76,939)	-	-
Provision for expected losses for allowance for doubtful accounts	23	(3,184)	(2,193)	-	-
Administrative expenses	24	(32,385)	(26,610)	(405)	(138)
Other operating revenues, net	25	1,695	1,959	1,595	1,192
Equity in net income of subsidiaries	12b	1,612	-	83,658	55,059
Income (loss) before net financial expenses and revenues and taxes		**93,225**	**64,358**	**84,848**	**56,113**
Financial revenues		20,575	11,644	1,335	2,894
Financial expenses		(22,723)	(21,318)	(2,475)	(5,028)
Financial revenues and expenses, net	26	**(2,148)**	**(9,674)**	**(1,140)**	**(2,134)**
Income (loss) before income taxes		**91,077**	**54,684**	**83,708**	**53,979**
Deferred income tax and social contribution	9c	(7,447)	(703)	(68)	-
Net income for the period		**83,630**	**53,981**	**83,640**	**53,979**
Income (loss) attributable to:					
Controlling shareholders		83,640	53,979	83,640	53,979
Non-controlling shareholders		(10)	2	-	-
Net income for the period		**83,630**	**53,981**	**83,640**	**53,979**
Earnings per share					
Earnings per common share - basic				0.3409	0.2196
Earnings per common share - diluted				0.3397	0.2174
Number of shares at the end of the period					
Outstanding common shares				245,373,694	245,756,244
Outstanding common shares with a dilution effect				246,248,120	248,321,244

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of comprehensive income

March 31, 2023 and 2022

(In thousands of reais)

	Consolidated		Parent Company	
	03/31/2023	**03/31/2022**	**03/31/2023**	**03/31/2022**
Income (loss) for the period	83,630	53,981	83,640	53,979
Other comprehensive income - OCI	(1,195)	(3,708)	(1,195)	(3,708)
Items that can be subsequently reclassified to income (loss)				
Exchange differences from translation of foreign operations	(1,183)	(3,720)	(1,183)	(3,720)
Financial assets at fair value through other comprehensive income	(12)	12	(12)	12
Total comprehensive income	82,435	50,273	82,445	50,271
Comprehensive income attributable to:				
Controlling shareholders	82,445	50,271	82,445	50,271
Non-controlling shareholders	(10)	2	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of changes in equity

March 31, 2023 and 2022

(In thousands of reais)

	Consolidated										
	Parent Company										
		Capital reserves		Other comprehensive income	Profit reserves						
	Capital	Capital reserves and treasury shares	Reflected revaluation reserve in subsidiaries	Equity valuation adjustment	Legal reserve	Unrealized profit reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
Balances at January 01, 2022	**1,106,717**	**4,731**	**4,410**	**22,744**	**15,692**	**201,927**	**-**	**-**	**1,356,221**	**341**	**1,356,562**
Realization of revaluation reserve in subsidiary, net of taxes	-	-	(61)	-	-	-	-	61	-	-	-
Transaction with share-based payments	-	(1,194)	-	-	-	-	-	-	(1,194)	-	(1,194)
Other comprehensive income											
Exchange differences from translation of foreign operations	-	-	-	(3,720)	-	-	-	-	(3,720)	(44)	(3,764)
Financial assets at fair value through other comprehensive income	-	-	-	12	-	-	-	-	12	-	12
Net income for the period	-	-	-	-	-	-	-	53,979	53,979	2	53,981
Balances at March 31, 2022	**1,106,717**	**3,537**	**4,349**	**19,036**	**15,692**	**201,927**	**-**	**54,040**	**1,405,298**	**299**	**1,405,597**
Balances at January 01, 2023	**1,106,717**	**(1,472)**	**4,175**	**25,974**	**39,187**	**-**	**536,907**	**-**	**1,711,488**	**346**	**1,711,834**
Realization of revaluation reserve in subsidiary, net of taxes	-	-	(39)	-	-	-	-	39	-	-	-
Transaction with share-based payments	-	(1,052)	-	-	-	-	-	-	(1,052)	-	(1,052)
Treasury shares acquired	-	(889)	-	-	-	-	-	-	(889)	-	(889)
Capital increase (Note 20.a)	1,637	-	-	-	-	-	-	-	1,637	-	1,637
Other comprehensive income											
Exchange differences from translation of foreign operations	-	-	-	(1,183)	-	-	-	-	(1,183)	(13)	(1,196)
Financial assets at fair value through other comprehensive income	-	-	-	(12)	-	-	-	-	(12)	-	(12)
Net income for the period	-	-	-	-	-	-	-	83,640	83,640	(10)	83,630
Balances at March 31, 2023	**1,108,354**	**(3,413)**	**4,136**	**24,779**	**39,187**	**-**	**536,907**	**83,679**	**1,793,629**	**323**	**1,793,952**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of cash flows

March 31, 2023 and 2022

(In thousands of reais)

		Consolidated		Parent Company	
	Note	**03/31/2023**	**03/31/2022**	**03/31/2023**	**03/31/2022**
Cash flow from operating activities					
Net income for the period		83,630	53,981	83,640	53,979
Adjustments for:					
Depreciation and amortization		23,726	19,223	-	-
Provision for impairment losses on inventories	7b	5,572	(3,209)	-	-
Interest on provisioned leases	18	1,230	1,243	-	-
Net value of written off tangible and intangible assets		1,623	4,708	-	-
Yields from interest earning bank deposits		(258)	(235)	-	-
Provisions (reversals) for contingencies	19	1,807	254	(3)	23
Equity in net income of subsidiaries	12	(1,612)	-	(83,658)	(55,059)
Transaction with share-based payments	20c	(1,052)	(1,194)	(1,052)	(1,194)
Reversal (provision) for expected losses for allowance for doubtful accounts	6d	3,184	2,193	-	-
Inflation adjustment of extemporaneous PIS and COFINS credits – ICMS exclusion		(3,288)	(1,180)	-	-
Financial charges and exchange-rate change recognized in income (loss)		11,293	3,906	-	-
Current and deferred income tax and social contribution	9c	7,447	703	68	-
Non-controlling interest		10	(2)	-	-
		133,312	**80,391**	**(1,005)**	**(2,251)**
Changes in assets and liabilities					
Trade accounts receivable		140,101	102,077	-	-
Inventories		(152,743)	(55,139)	-	-
Recoverable taxes		(2,403)	4,123	(381)	(22)
Deferred taxes		-	16	-	-
Amounts receivable for disposal of operation		-	860	-	-
Other accounts receivable		5,698	(4,010)	(44,751)	173
Judicial deposits		(2,241)	(596)	(2)	(1)
Suppliers		66,507	18,158	8	(997)
Commissions payable		660	912	-	-
Taxes payable		4,664	4,137	(189)	2
Salaries and vacations payable		(2,724)	(605)	1	(2)
Other accounts payable		(15,426)	1,875	(340)	38
Settled provisions		(2,453)	(895)	(189)	(10)
Cash from (used in) operating activities		**172,952**	**151,304**	**(46,848)**	**(3,070)**
Interest paid on loans and financing	17d	(5,615)	(4,240)	-	-
Payment of interest on lease	17d	(557)	(544)	-	-
Income taxes paid		(6,963)	(2,963)	-	-
		(13,135)	**(7,747)**	**-**	**-**
Net cash flow from (used in) operating activities		**159,817**	**143,557**	**(46,848)**	**(3,070)**
Cash flow from investing activities					
Acquisitions of property, plant and equipment (*)	13	(29,861)	(38,496)	-	-
Redemption (investment) of interest earning bank deposits		42	36	(1)	-
Funds from disposal of property, plant and equipment		118	429	-	-
Acquisitions of intangible assets	14	(20)	(769)	-	-
Increase in investee's interest	12b	-	-	99,998	(3)
Net cash flow from (used in) investment activities		**(29,721)**	**(38,800)**	**99,997**	**(3)**
Cash flow from financing activities					
Loans obtained - Principal	17d	77,262	3,831	-	-
Payment of loans obtained - Principal	17d	(28,433)	(10,875)	-	-
Receipt (payments) of loans with related parties	17d	-	-	(52,743)	3,050
Acquisition of treasury shares	17d	(889)	-	(889)	-
Capital increase	17d	1,637	-	1,637	-
Payment of lease liabilities	17d	(3,182)	(2,642)	-	-
Net cash flow from (used in) financing activities		**46,395**	**(9,686)**	**(51,995)**	**3,050**
			-		-
Increase (decrease) in cash and cash equivalents		**176,491**	**95,071**	**1,154**	**(23)**
					-
Cash and cash equivalents at the beginning of the period		197,197	114,635	35,161	33
Effect of changes in exchange rate on cash and cash equivalents		498	892	-	-
Cash and cash equivalents at the end of the period		374,186	210,598	36,315	10
Increase (decrease) in cash and cash equivalents		**176,491**	**95,071**	**1,154**	**(23)**

See the accompanying notes to the quarterly financial information.

		-	-	-	-

(*) The amount of R$ 3,544 from property, plant and equipment acquisitions not settled with suppliers had no cash effect for the year ended March 31, 2023.

Vulcabras S.A.

(Publicly-held company)

Statements of value added

March 31, 2023 and 2022

(In thousands of reais)

	Consolidated		Parent Company	
	03/31/2023	**03/31/2022**	**03/31/2023**	**03/31/2022**
Revenues	**645,931**	**538,185**	**161**	**134**
Sale of goods, products and services	646,706	537,354	-	-
Other revenues and expenses	2,409	3,024	161	134
Expected losses for allowance for doubtful accounts	(3,184)	(2,193)	-	-
Inputs acquired from third parties	**(286,437)**	**(245,401)**	**46**	**246**
Raw material used	(132,202)	(125,838)	-	-
Cost of products and goods sold and services rendered	(81,813)	(63,975)	-	-
Materials, energy, outsourced services and other	(72,422)	(55,555)	46	246
Loss/recovery of asset values	-	(33)	-	-
Gross added value	**359,494**	**292,784**	**207**	**380**
Retentions	**(23,725)**	**(19,223)**	**-**	**-**
Depreciation and amortization	(23,725)	(19,223)	-	-
Net added value generated by the Company	**335,769**	**273,561**	**207**	**380**
Added value received as transfer	**23,739**	**12,957**	**86,655**	**59,311**
Equity in net income of subsidiaries	1,612	-	83,658	55,059
Financial revenues	20,575	11,644	1,335	2,894
Other	1,552	1,313	1,662	1,358
Total added value to be distributed	**359,508**	**286,518**	**86,862**	**59,691**
Distribution of added value	**359,508**	**286,518**	**86,862**	**59,691**
Personnel	**159,608**	**141,630**	**186**	**150**
Direct remuneration	102,257	94,263	-	-
Benefits	21,278	18,244	-	-
FGTS	8,116	7,343	-	-
Sales commissions	24,519	18,348	-	-
Directors' fees	3,438	3,432	186	150
Taxes, duties and contributions	**94,203**	**69,897**	**567**	**535**
Federal	75,757	53,050	483	438
State	18,263	16,653	-	-
Municipal	183	194	84	97
Third-party capital remuneration	**22,067**	**21,010**	**2,469**	**5,027**
Interest	21,260	20,326	2,470	5,027
Rentals	808	683	-	-
Other	(1)	1	(1)	-
Remuneration of own capital	**83,630**	**53,981**	**83,640**	**53,979**
Interest on own capital	-	-	-	-
Retained earnings	83,640	53,979	83,640	53,979
Non-controlling interest	(10)	2	-	-

See the accompanying notes to the quarterly financial information.

1 Operations

Vulcabras S.A. is a publicly-held company headquartered in Jundiaí - State of São Paulo (SP), Brazil. Manufacturing operations are concentrated in subsidiaries located in the Northeast region, in the States of Ceará and Bahia. The Company is registered with B3 S.A. - Brasil, Bolsa, Balcão - in the Novo Mercado (New Market) segment, under the ticker VULC3.

The Company has also investments in other companies, and is engaged in trading and production in the domestic and foreign markets of apparel and accessories products, particularly sportswear, male, female and professional footwear, through its direct and indirect subsidiaries:

- Vulcabras CE, Calçados e Artigos Esportivos S.A. ("Vulcabras CE") which has the following subsidiaries:
  - Vulcabras SP, Comércio de Artigos Esportivos Ltda. ("Vulcabras SP");
  - Vulcabras Distribuidora de Artigos Esportivos Ltda. ("Vulcabras Distribuidora");
  - Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.;
  - Vulcabras BA, Calçados e Artigos Esportivos S.A. ("Vulcabras BA");
  - Vulcabras Empreendimento Imobiliário SPE Ltda.;
  - Calzados Azaléia Peru S.A.; and
  - Running Comércio e Indústria de Artigos Esportivos Ltda.

The brands managed by the companies include:

Own brands: Azaléia, Dijean, Olk, Olympikus, Opanka and Vulcabras.
Third parties' brands: Under Armor and Mizuno.

(In thousands of reais)

1.1 List of subsidiaries

The interim consolidated financial information includes the information of the Company and its subsidiaries the following direct and indirect subsidiaries, with the following percentage interest on the balance sheet date:

		% Direct interest		% Indirect interest		% Total interest	
	Country	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Calzados Azaleia Peru S.A.	Peru	-	-	99.11	99.11	99.11	99.11
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Brazil	-	-	100.00	100.00	100.00	100.00
Running Comércio e Indústria de Artigos Esportivos Ltda.	Brazil	-	-	100.00	100.00	100.00	100.00
Vulcabras BA, Calçados e Artigos Esportivos S.A.	Brazil	-	-	99.99	99.99	99.99	99.99
Vulcabras CE, Calçados e Artigos Esportivos S.A.	Brazil	99.99	99.99	-	-	99.99	99.99
Vulcabras Distribuidora de Artigos Esportivos Ltda.	Brazil	0.14	0.14	99.86	99.86	100.00	100.00
Vulcabras Empreendimento Imobiliário SPE Ltda.	Brazil	100.00	100.00	-	-	100.00	100.00
Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Brazil	-	-	100.00	100.00	100.00	100.00

a. Main characteristics of subsidiaries included in consolidation

Calzados Azaleia Peru S.A.
Calzados Azaleia Peru S.A. is responsible for the import and sale of shoes and sport gear and women's shoes in the Peruvian market.

Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. is engaged in the trading and distribution of footwear and sports apparel and boots for professional use.

Globalcyr S.A.
Globalcyr S.A. was engaged in the trade and distribution of footwear. In October 2022, it ended its operations.

Running Comércio e Indústria de Artigos Esportivos Ltda.
Running Comércio e Indústria de Artigos Esportivos Ltda. is engaged in marketing footwear, apparel and sports accessories under the Mizuno brand.

Vulcabras BA, Calçados e Artigos Esportivos S.A.
Vulcabras BA, Calçados e Artigos Esportivos S.A is mainly engaged in the manufacture, sale, import and export of sports shoes, women’s shoes and boots for professional use.

Vulcabras CE, Calçados e Artigos Esportivos S.A.
Vulcabras CE, Calçados e Artigos Esportivos S.A is mainly engaged in the development, manufacture, sale, import and export of sports shoes.

Vulcabras Distribuidora de Artigos Esportivos Ltda.
Vulcabras Distribuidora de Artigos Esportivos Ltda. is responsible for the sale and distribution of sports shoes and apparel.

Vulcabras Empreendimento Imobiliário SPE Ltda.
Vulcabras Empreendimento Imobiliário SPE Ltda. has as its specific corporate purpose the planning, promotion, real estate development and commercialization of a real estate project, to be developed in the property located in Jundiaí - SP.

Vulcabras SP, Comércio de Artigos Esportivos Ltda.
Vulcabras SP, Comércio de Artigos Esportivos Ltda. is engaged in the trading and distribution of footwear, sports apparel and accessories by means of its stores and e-commerce.

2 Preparation basis and presentation of individual and consolidated interim financial information

2.1 Statement of conformity regarding the International Financial Reporting Standards (IFRS) and Accounting Pronouncement Committee (CPC) standards and measurement basis

The interim financial information was prepared and is being presented in accordance with the accounting practices adopted in Brazil, which comprise the rules of the Brazilian Securities and Exchange Commission (CVM) and the Brazilian Accounting Standards – NBCs of the Federal Accounting Council (CFC), in accordance with NBC TG 21 – Interim Financial Reporting [equivalent to IAS 34, issued by the International Accounting Standards Board (IASB)].

All relevant information in individual and consolidated interim financial information, and only this, is being evidenced and corresponds to that used by Management.

The presentation of the Statement of Added Value, although not required by IFRS, is mandatory for publicly-held companies in Brazil. As a result, this statement is presented by Company as supplementary information for IFRS purposes, without prejudice to the interim financial information.

The interim financial information was prepared based on the historical cost, with the exception of debt securities at FVTOCI that are measured at fair value and financial assets measured at fair value through profit or loss and other financial liabilities measured at fair value.

The authorization for the conclusion and issuance of this individual and consolidated interim financial information was given by the Board of Directors on May 2, 2023.

2.2 Use of estimates and judgments

The preparation of this interim financial information, Management used judgments, estimates and assumptions that affect the application of accounting policies of the Company, and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Reviews of estimates are recognized on a prospective basis.

a. Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the interim financial information are included in the following notes:

- **Note 18** – Leases: whether the Company’s subsidiaries are reasonably certain to exercise extension options.

b. Uncertainties on assumptions and estimates

Information about assumptions and estimates uncertainties as of March 31, 2023 that have a significant risk of resulting in a material adjustment to the book values of assets and liabilities in the next financial year is included in the following notes:

- **Note 6 –** Accounts receivable: measurement of estimated credit loss for accounts receivable;
- **Note 7** – Inventories: recognition of provision for losses in inventories without movement;
- **Note 15 -** Analysis of recoverability of non-financial assets: impairment test of non-financial assets: main assumptions in relation to recoverable values;
- **Note 19** – Provisions: recognition and measurement of provisions for lawsuits: key assumptions regarding the likelihood and magnitude of an outflow of resources.

3 Significant accounting policies

The practices, policies and significant accounting judgments and sources of uncertainties on estimates adopted in the preparation of interim financial information are consistent with those adopted and disclosed in individual and consolidated financial statements for the year ended December 31, 2022, which were disclosed as of March 1, 2023 and should be read jointly with this interim financial information.

This individual and consolidated interim financial information is presented in Reais, which is the Company’s functional currency, and has been rounded to the nearest thousand, unless otherwise indicated.

New standards and interpretations not yet effective

The following amended standards and interpretations did not have a significant impact on Company’s individual and consolidated interim financial information.

- Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to CPC 32/IAS 12), with estimated effectiveness on January 01, 2023.
- Annual review of IFRS 2018-2020 standards.
- 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) with estimated effectiveness on January 01, 2023.
- IFRS 17 - Insurance Contracts.
- Disclosure of accounting policies (amendment to CPC 26/IAS 1 and IFRS Practice Statement 2)
- Definition of accounting estimates (amendments to CPC 23/IAS 8).

(In thousands of reais)

4 Cash and cash equivalents

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Current account	6,635	10,587	4	4
Floating rate CDB (Invest Fácil)	5,229	10,803	29	21
Floating-rate CDBs	361,085	172,519	36,282	35,136
Cash and cash equivalents abroad	1,237	3,288	-	-
	374,186	**197,197**	**36,315**	**35,161**

Balance of checking account is represented by bank deposits without interest accrual.

Interest earning bank deposits classified as cash equivalents consist of short-term investments, with daily liquidity, which can be redeemed at any time regardless of maturity, without forfeiting the yield.

Interest earning bank deposits accruing interest on the bank account balance (Invest Fácil) are made automatically according to the availability of bank balance and the redemptions occur according to the immediate cash requirements of the Company and its subsidiaries. The yield is 5% to 10% of the Interbank Deposit Certificate (CDI), on March 31, 2023 (5% to 10% of the CDI as of December 31, 2022).

Floating-rate CDBs (Bank Deposit Certificate) are remunerated from 101.0% to 102.75% of CDI as of March 31, 2023 (from 101.0% to 102.75% of CDI as of December 31, 2022). See Note 28 on credit risk exposure.

(In thousands of reais)

5 Interest earning bank deposits

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Interest earning bank deposits - Domestic:				
Floating-rate CDBs	2,315	2,257	4	4
Investment funds – fixed income	6,441	6,271	2	1
Share investment funds	406	418	-	-
	9,162	**8,946**	**6**	**5**
Current	**4**	**4**	**4**	**4**
Non-current	**9,158**	**8,942**	**2**	**1**

Floating-rate CDBs (Bank Deposit Certificates) have no liquidity, as they are linked to guarantees in financing agreements (BNB) and are remunerated at 98.0% of the CDI (98.0% of the CDI as of December 31, 2022).

Investments in fixed income investment funds in the amount of R$ 6,441 (R$ 6,271 as of December 31, 2022) yield 90% of the CDI as of March 31, 2023 (84% of the CDI as of December 31, 2022), do not have liquidity, as they are linked to guarantees in financing agreements (BNB).

Equity investment funds in the amount of R$ 406 (R$ 418 as of December 31, 2022) are financial assets measured at fair value through other comprehensive income. Shares were valued according to the B3 quotation on the date of this interim financial information.

6 Trade accounts receivable

a. Breakdown of balances

	Consolidated	
Accounts receivable	**03/31/2023**	**12/31/2022**
Domestic:		
Clients	615,279	751,487
Abroad:		
Clients	61,504	66,369
Subtotal trade accounts receivable	**676,783**	**817,856**
Impairment losses	(46,402)	(43,246)
Total trade accounts receivable, net	**630,381**	**774,610**
Current	**620,404**	**769,457**
Non-current	**9,977**	**5,153**

(In thousands of reais)

b. Per maturity

	Consolidated	
	03/31/2023	**12/31/2022**
Falling due (days):		
01–30	69,327	250,939
31–60	189,849	222,261
61–90	184,511	179,538
>90	186,398	115,494
	630,085	**768,232**
Overdue (days):		
01–30	5,923	13,977
31–60	1,086	682
61–90	785	368
>90	38,904	34,597
	46,698	**49,624**
	676,783	**817,856**

The exposure of the Company and its subsidiaries to credit risk is influenced, mainly, by the individual characteristics of each client. However, management also considers the factors that may influence the credit risk of its client base, including the risk of non-payment of the industry, sales and of the country in which the client operates.

Details on gross sales in the foreign and domestic markets are disclosed in Note 21. Management understands that the amount that best reflects its maximum exposure to credit risk for the period ended March 31, 2023 is R$ 46,402 (R$ 43,246 as of December 31, 2022), which results from the criteria described in item (c).

c. Measurement criteria of losses with clients (impairment)

The analysis of the credit granting to the customer is made when he/she is registered in the system of the Company and its subsidiaries, for which there is a requirement to present all necessary documentation, including financial statements and commercial references. The credit limit is revalued at each posting of new orders, due to the seasonality of the financial market.

In addition to the individual analysis of each client on arrears, The Company and its subsidiaries use a matrix of provision to calculate the expected loss on accounts receivable. The provision rates applied are based on arrears for groupings of segments of clients with similar loss patterns, such as, for example, by geographic region, line of product or type of client, credit risk, among other.

(In thousands of reais)

The provision matrix is initially based on the historical loss rates observed by the Company and its subsidiaries. The Company and its subsidiaries review the matrix on a forward-looking basis in order to adjust it according to historical loss experience. For example, if there is expectation of deterioration of economic conditions for the following year, which could cause increase of default, the expected loss rates are adjusted, when deemed necessary. In every accounting closing date, the loss rates are updated and the need of changes in the prospective estimates is assessed.

The criteria used to form impairment losses is the same for the portfolio of domestic and foreign clients.

The Company and its subsidiaries carry out an individual analysis of each client. For clients under court-ordered reorganization, the Company has a policy of recording a provision for expected loss in the amount that may vary from 20% to 40% of the outstanding balance for clients with a financial restructuring profile and, for those who do not have the same profile, 100% is applied on the outstanding balance.

d. Changes in provision for impairment

Changes in the provision for impairment for the period ended March 31, 2023 and December 31, 2022 are as follows:

	Consolidated	
	03/31/2023	**12/31/2022**
Opening balance	**(43,246)**	**(35,074)**
Complement of provision	(3,201)	(16,403)
Write-offs	28	3,377
Recovery of provisions	17	4,854
Closing balance	**(46,402)**	**(43,246)**

Considering the capillarity of sales distribution and the credit policy of the Company’s subsidiaries, the concentration of clients in sales or in the receivables portfolio is lower than 9%. Thus, at the end of the period as of March 31, 2023, there was no significant change in the participation or concentration in the main clients.

The exposure of the Company and its subsidiaries to credit and currency risks and impairment losses related to trade accounts receivable and other accounts are disclosed in Note 28.

(In thousands of reais)

7 Inventories

	Consolidated	
	03/31/2023	**12/31/2022**
Finished goods	168,131	117,538
Good for resale	226,388	185,895
Work in progress	50,012	54,830
Raw material	146,640	135,236
Packaging and storeroom materials	27,021	26,176
Goods in transit	83,273	26,637
Imports in progress	11,443	19,425
Other	2,094	2,094
	715,002	**567,831**

a. Measurement criteria of provision (impairment)

The Company's subsidiaries, based on a historical analysis and estimate of losses, form a provision for losses in the realization of inventories. An allowance was set up for 100% of the raw materials and work in progress inventories without movement for over 180 days. All items of the finished products and goods for resale inventory were valued and an allowance was set up for potential losses due to the perspectives of sale of each of them, with an allowance for all the items that presented negative contribution margin.

As of March 31, 2023, the provision for losses for finished products and resales is R$ 9,916 (R$ 10,744 as of December 31, 2022), the provision for losses on raw materials is R$ 30,092 (R$ 25,746 as of December 31, 2022) and the provision for losses for work in process is R$ 3,412 (R$ 3,275 as of December 31, 2022).

The amount of raw material, labor, and indirect manufacturing costs used in the breakdown of costs of products sold is R$ 254,104 as of March 31, 2023 (R$ 242,348 as of March 31, 2022).

b. Changes in provision (impairment)

Changes in provision for losses in the realization of inventory for the period ended March 31, 2023 and year ended December 31, 2022 are shown below:

(In thousands of reais)

	Consolidated	
	03/31/2023	**12/31/2022**
Opening balance	**(39,765)**	**(28,524)**
Additions/reversals for the period	(5,572)	(26,372)
Write-off	1,917	15,131
Closing balance	**(43,420)**	**(39,765)**

8 Recoverable taxes

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
ICMS	4,995	4,315	20	20
IPI	1,500	1,175	-	-
PIS/COFINS	194,664	192,405	-	-
FINSOCIAL	2,436	2,385	1,881	1,831
Reintegra	512	610	-	-
Undue tax payments (a)	8,792	8,792	-	-
Other	2,537	2,507	600	562
	215,436	**212,189**	**2,501**	**2,413**
Current	**14,656**	**18,685**	**620**	**582**
Non-current	**200,780**	**193,504**	**1,881**	**1,831**

(a) Refers to the recognition of tax overpayments – SELIC, arising from the non-taxation of inflation adjustment based on the SELIC variation.

The Company's subsidiaries have other lawsuits in different phases, but none with characteristics to be accounted for at this time.

9 Income tax and social contribution

a. Income tax prepayment

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Income tax - prepayment	16,303	13,859	1,624	1,331
	16,303	**13,859**	**1,624**	**1,331**

(In thousands of reais)

b. Deferred income tax and social contribution on temporary differences

	Consolidated	
	03/31/2023	**12/31/2022**
Temporary differences for the period		
Revaluation of property, plant and equipment	(2,131)	(2,151)
Provisions	(1,659)	(1,659)
Deferred income tax - foreign subsidiary	445	322
Deferred income tax and social contribution on temporary differences	**(3,345)**	**(3,488)**
Total deferred income tax and social contribution in assets	13,692	13,591
Total deferred income and social contribution tax liabilities	(17,037)	(17,079)

c. Income tax and social contribution - deferred and current

Deferred and current income tax and social contribution in the consolidated income (loss). As shown in Note 9d, the rate used to calculate the tax was 34%:

	Consolidated	
	03/31/2023	**03/31/2022**
Current income tax and social contribution	(7,447)	(703)
	(7,447)	**(703)**

(In thousands of reais)

d. Reconciliation of effective tax rate

	Consolidated	
	IRPJ / CSLL	
	03/31/2023	**03/31/2022**
Income before income tax and social contribution	**91,077**	**54,684**
Income tax and social contribution at a rate of 34%	30,966	18,593
Non-deductible expenses	761	618
Tax incentives – state **(a)**	(18,962)	(12,671)
Incentive to technological innovation	(2,602)	-
IRPJ incentive	(1,364)	(1,425)
Offset of tax loss and negative basis	(2,440)	(290)
Other additions/exclusions	(4,235)	(3,153)
Non-taxable revenues	-	(2,737)
Adjustment of tax overpayments	(1,203)	(390)
Other	6,526	2,159
Expense with income tax and social contribution	**7,447**	**704**
Current	7,447	704
Effective rate (b)	**8.18%**	**1.29%**

(a) See description of tax benefits in Note 30.

(b) Effective rate on accounting income before income tax and social contribution.

(In thousands of reais)

e. Tax losses to be offset

The Company and its subsidiaries Vulcabras CE, Calçados e Artigos Esportivos S.A., Vulcabras BA, Calçados e Artigos Esportivos S.A. and Vulcabras Distribuidora de Artigos Esportivos Ltda., have significant tax incentives that considerably reduce their capacity to offset any deferred income tax and social contribution credits. Management is constantly monitoring the renewal of tax incentives. Considering the low expectation of realization, the Company and its subsidiaries do not record the deferred income tax and social contribution on tax losses. As of March 31, 2023 and December 31, 2022, the Company and its subsidiaries had tax losses to be utilized for offset, related to the following base amounts:

	03/31/2023							
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Running, Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Vulcabras S.A.	Total
Tax losses calculated on December 31, 2023	260,704	599,762	64,512	387,031	5,895	39,269	149,064	1,506,237
Negative basis of social contribution as of December 31, 2023	1,102,811	611,827	66,127	387,535	6,143	39,269	151,179	2,364,891

	12/31/2022							
	Vulcabras CE, Calçados e Artigos Esportivos S.A	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Running, Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Vulcabras S.A.	Total
Tax losses calculated on December 31, 2022	262,862	602,406	70,474	377,313	4,867	39,268	149,157	1,506,347
Negative basis of social contribution as of December 31, 2022	1,102,811	614,428	70,610	377,817	5,115	39,268	151,272	2,361,321

Offset of income tax losses and negative basis of social contribution tax may be offset against a maximum of 30% of annual taxable income earned from the year 1995 onwards, with no statutory limitation period.

(In thousands of reais)

10 Judicial deposits

The Company and its subsidiaries have judicial deposits related to civil, labor and tax lawsuits (Note 19), as shown below:

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Judicial deposits				
Civil	54	43	-	-
Labor	12,724	13,044	285	285
Tax	11,672	9,332	125	123
Total	**24,450**	**22,419**	**410**	**408**

a. Labor (consolidated)

Labor lawsuits refer mainly to requests related to overtime, salary equivalence, health hazard premium, hazardous duty premium, moral damages and occupational illness.

Labor judicial deposits refer mostly to amounts deposited in connection with lawsuits and are related to extraordinary appeals, motions to review, security deposits and online pledges of part of amounts contained in ongoing labor lawsuits.

b. Civil (consolidated)

Civil lawsuits are mostly related to requests for indemnity in general for property damages and pain and suffering, and also requests related to alleged manufacturing defects. Civil judicial deposits are related to these lawsuits, made to guarantee the discussion of the amounts claimed.

c. Tax (consolidated)

The tax judicial deposits refer to the lawsuits in which the Company and its subsidiaries are defendants, mainly involving the following taxes: IRPJ, COFINS, PIS, ICMS.

11 Related-party transactions

The main balances of assets and liabilities as of March 31, 2023 and December 31, 2022, as well as the transactions that influenced income (loss) for the period, relating to operations with related parties, result from transactions and loan of the Company with its subsidiaries in Brazil and Peru.

Loan agreements are restated at the DI-CETIP rate.

a. Parent company and ultimate parent company

The Company's main parent company is Gianpega Negócios e Participações S.A. and the ultimate parent company is Mr. Pedro Grendene Bartelle.

(In thousands of reais)

b. Transactions with parent company

The transactions between the parent company and its subsidiaries, which are eliminated for consolidation purposes, were carried out under conditions and terms agreed between the parties, as follows:

	Vulcabras CE	Vulcabras BA	03/31/2023	12/31/2022
Liabilities				
Loan with subsidiaries (*)	-	57,146	57,146	109,889
			03/31/2023	**03/31/2022**
Income (loss)				
Financial income (loss)	(641)	(1,799)	(2,440)	(2,156)

(*) Loan agreements are adjusted at 100% of the CDI rate. The effectiveness of the agreements is five years, with final maturity between 2025 and 2026.

(In thousands of reais)

c. Transactions between subsidiaries

Vulcabras CE, Calçados e Artigos Esportivos S.A. and subsidiaries

The subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A. carries out transactions with its subsidiaries involving purchase and sale transactions and loans to cover temporary cash requirements, which are subject to charges related to changes in the CDI rate, and are comprised as follows:

	Running	**Calzados Azaleia Peru.**	**Vulcabras SP**	**Vulcabras Distribuidora**	**Vulcabras BA**	**03/31/2023**	**12/31/2022**
Assets							
Accounts receivable	5,622	758	93,377	-	386	100,143	96,554
Other receivables	123	-	525	8,856	4,103	13,607	8,793
Liabilities							
Accounts payable	-	-	-	392	10,250	10,642	1,395
Other debts	-	-	-	-	-	-	495
Income (loss)						**03/31/2023**	**03/31/2022**
Intercompany sale	397	933	31,745	328	4,491	37,894	14,591
Intercompany purchase	-	-	-	(1,533)	(8,807)	(10,340)	(9,420)
Financial income (loss)	-	-	-	-	-	-	25

Balances with related parties are eliminated for the purpose of consolidated presentation. The main nature of the transactions refers to the purchase and sale of footwear and apparel.

(In thousands of reais)

d. Management remuneration

At the Annual Shareholders' Meeting held on April 25, 2023, the Company established the annual overall remuneration of the Directors at up to R$ 19,009. In the period ended March 31, 2023, the Company paid remuneration to its Managers in the amount of R$ 3,438 (R$ 3,432 as of March 31, 2022).

The Company's directors have no loans, advances or other transactions than their normal services with the Company and its subsidiaries.

As of March 31, 2023 and December 31, 2022, the Company and its subsidiaries, despite recording provisions related to long-term benefits, did not pay their key management personnel remuneration in the following categories: a) Long-term benefits; b) Benefits on termination of employment contract; and c) share-based payment. For details of the stock option plan, see Note 20.c.

e. Other related party transactions

Vulcabras CE, Calçados e Artigos Esportivos S.A. through its indirect subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. has loan payable to Brisa Indústria de Tecidos Tecnológicos S.A. in the amount of R$ 18,550 as of March 31, 2023 (R$ 18,448 as of December 31, 2022), remunerated at 2.20% p.a. (2.20% p.a. as of December 31, 2022). For further details, see Note 17.

12 Investments

a. Breakdown of balances

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,780,923	1,798,458
In associated companies (a)	69,702	68,090	-	-
Other investments (b)	7,865	7,572	-	-
Total	**77,567**	**75,662**	**1,780,923**	**1,798,458**

(a) The subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. holds an interest of 50% as of March 31, 2023 (50% as of December 31, 2022) in investee PARS Participações Ltda., which holds 100% as of March 31, 2023 (100% as of December 31, 2022) of Brisa Indústria de Tecidos Tecnológicos S.A. Considering that the Company only has significant influence, this investment is not consolidated in the interim financial information under the terms of CPC 36 (R3) / IFRS 10 - Consolidated Statements.

(b) The Company, through its subsidiaries Vulcabras BA and Vulcabras CE, has an interest in the company Ventos de São Mizael Holding S.A.

(In thousands of reais)

b. Changes in investments

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Opening balances	**75,662**	**69,408**	**1,798,458**	**1,439,770**
Equity in net income of subsidiaries	1,612	5,298	83,658	473,848
Exchange differences from translation of foreign operations	-	-	(1,183)	2,873
Acquisition/increase in investment (Note 12a)	293	1,090	-	52
Dividends received	-	(134)	-	-
Capital decrease (a)	-	-	(100,000)	(118,447)
Financial assets at fair value through other comprehensive income	-	-	(12)	357
Increase in investee's interest	-	-	2	5
Closing balances	**77,567**	**75,662**	**1,780,923**	**1,798,458**

(a) On February 2, 2023, the Extraordinary General Meeting approved the capital reduction of the subsidiary Vulcabras CE in the amount of R$ 100,000, without share cancellation.

(In thousands of reais)

c. Information on direct interest - Parent company

	Vulcabras CE, Calçados e Artigos Esportivos S.A.		Vulcabras Distribuidora de Artigos Esportivos Ltda.		Globalcyr S.A.		Vulcabras Empreendimentos Ltda.		Total	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**	**03/31/2023**	**12/31/2022**	**03/31/2023**	**12/31/2022**	**03/31/2023**	**12/31/2022**
Total assets	2.406.398	2. 278.494	399.465	346.839	-	-	2.094	2.094	-	-
Total liabilities	627.723	482.265	283.640	243.803	-	-	-	-	-	-
Capital	972.445	1.072.445	94.018	94.018	-	-	2.094	2.094	-	-
Net revenue	289.561	1.349.322	119.219	418.329	-	-	-	-	-	-
Profit (loss) for the period	83.640	473.818	12.789	24.223	-	(83)	-	-	-	-
Number of shares or quotas held (thousand shares/quotas)	537.467	537.467	131	131	-	-	2.094	2.094	-	-
Shareholders' equity	1.778.675	1.796.229	115.825	103.036	-	-	2.094	2.094	-	-
Interest in capital at the end of the period - %	99,99%	99,99%	0,14%	0,14%	-	-	100%	100%	-	-
Investments	1.778.667	1.796.220	162	144	-	-	2.094	2.094	1.780.923	1.798.458
Equity in net income of subsidiaries	83.640	473.815	18	34	-	(1)	-	-	83.658	473.848

d. Information on indirect interest

As of March 31, 2023 and December 31, 2022, the Company has an indirect interest in the following companies, through its subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A.:

(In thousands of reais)

(i) Vulcabras CE, Calçados e Artigos Esportivos S.A.

03/31/2023	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Running Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	399,465	185,002	686,112	14,609	727	54,266	139,405
Total liabilities	283,640	211,423	124,279	17,774	13,944	19,721	1
Capital	94,018	402,995	365,403	3,621	26,207	1,072	36,116
Shareholders' equity	115,825	(26,421)	561,833	(3,165)	(13,217)	34,545	139,404
Net revenue	119,219	53,377	160,402	4,015	-	13,878	-
Profit (loss) for the period	12,789	(4,771)	25,517	(1,156)	-	(1,253)	3,224
Interest in capital	99.86%	100.00%	99.99%	100.00%	100.00%	99.11%	50.00%

12/31/2022	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Globalcyr S.A.	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Running Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	346,839	186,042	-	641,252	17,861	728	57,457	136,181
Total liabilities	243,803	207,691	-	104,936	19,870	13,945	20,445	1
Capital	94,018	402,995	-	365,403	3,621	26,207	1,072	36,116
Shareholders' equity	103,036	(21,649)	-	536,316	(2,009)	(13,217)	37,012	136,180
Net revenue	418,329	153,132	-	724,130	17,025	-	75,161	-
Income (loss) for the year	24,223	(37,320)	(83)	120,543	(3,294)	(3)	2,936	10,596
Interest in capital	99.86%	100.00%	98.45%	99.99%	100.00%	100.00%	99.11%	50.00%

(*) Indirect interest

(In thousands of reais)

13 Property, plant and equipment

a. Breakdown of account

		Consolidated					
		03/31/2023			12/31/2022		
At March 31, 2023	**Average rate of depreciation (% p.a.)**	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Buildings	2−4	156,109	(95,896)	60,213	156,354	(94,888)	61,466
Machinery and equipment	10	469,386	(285,126)	184,260	437,061	(280,468)	156,593
Molds	100	293,584	(274,155)	19,429	288,976	(269,910)	19,066
Furniture and fixtures	10−20	44,571	(26,366)	18,205	43,272	(25,863)	17,409
Vehicles	20	2,380	(1,964)	416	2,393	(1,940)	453
IT equipment	20−25	39,462	(28,237)	11,225	38,882	(27,474)	11,408
Land	-	3,730	-	3,730	3,730	-	3,730
Molds in progress	-	-	-	-	823	-	823
Works in progress	-	9,475	-	9,475	3,180	-	3,180
Facilities	10	162,290	(84,420)	77,870	157,697	(81,615)	76,082
Leasehold improvements	10−20	4,607	(1,787)	2,820	4,606	(1,549)	3,057
Imports in progress	-	2,572	-	2,572	25,763	-	25,763
Leasehold Improvements	20	1,671	(1,671)	-	1,671	(1,671)	-
Other	10−20	26	(26)	-	26	(25)	1
		1,189,863	**(799,648)**	**390,215**	**1,164,434**	**(785,403)**	**379,031**

(In thousands of reais)

b. Changes in cost

	Consolidated										
	01/01/2022	12/31/2022					03/31/2023				
At March 31, 2023	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	131,113	1,001	(68)	24,901	(593)	156,354	5	-	-	(250)	156,109
Machinery and equipment	395,160	24,076	(20,306)	38,131	-	437,061	9,348	(1,519)	24,497	(1)	469,386
Molds	278,863	34,806	(24,693)	-	-	288,976	9,643	(5,858)	823	-	293,584
Furniture and fixtures	40,777	6,294	(3,360)	-	(439)	43,272	1,504	(27)	-	(178)	44,571
Vehicles	2,241	287	(111)	-	(24)	2,393	2	-	-	(15)	2,380
IT equipment	32,775	6,490	(65)	-	(318)	38,882	709	-	-	(129)	39,462
Land	3,326	430	(26)	-	-	3,730	-	-	-	-	3,730
Molds in progress	-	823	-	-	-	823	-	-	(823)	-	-
Works in progress	7,719	22,964	(2,594)	(24,901)	(8)	3,180	6,295	-	-	-	9,475
Facilities	135,563	22,144	(10)	-	-	157,697	4,593	-	-	-	162,290
Leasehold improvements	4,586	20	-	-	-	4,606	-	-	-	1	4,607
Imports in progress	29,249	38,912	(4,267)	(38,131)	-	25,763	1,306	-	(24,497)	-	2,572
Leasehold improvements	1,671	-	-	-	-	1,671	-	-	-	-	1,671
Other	28	-	(2)	-	-	26	-	-	-	-	26
	1,063,071	**158,247**	**(55,502)**	**-**	**(1,382)**	**1,164,434**	**33,405**	**(7,404)**	**-**	**(572)**	**1,189,863**

(In thousands of reais)

c. Changes in depreciation

	Consolidated								
	01/01/2022	12/31/2022				03/31/2023			
At March 31, 2023	Opening balance	Additions	Write-offs	Translation adjustment	Closing balance	Additions	Write-offs	Translation adjustment	Closing balance
Buildings	(91,221)	(3,824)	-	157	(94,888)	(1,080)	-	72	(95,896)
Machinery and equipment	(279,326)	(20,023)	18,881	-	(280,468)	(5,923)	1,265	-	(285,126)
Molds	(262,565)	(29,317)	21,972	-	(269,910)	(8,624)	4,379	-	(274,155)
Furniture and fixtures	(27,285)	(2,164)	3,324	262	(25,863)	(638)	19	116	(26,366)
Vehicles	(1,953)	(108)	96	25	(1,940)	(33)	-	9	(1,964)
IT equipment	(25,000)	(2,741)	58	209	(27,474)	(852)	-	89	(28,237)
Facilities	(71,758)	(9,860)	3	-	(81,615)	(2,805)	-	-	(84,420)
Leasehold improvements	(603)	(946)	-	-	(1,549)	(238)	-	-	(1,787)
Leasehold improvements	(996)	(675)	-	-	(1,671)	-	-	-	(1,671)
Other	(27)	(1)	3	-	(25)	-	-	(1)	(26)
	(760,734)	**(69,659)**	**44,337**	**653**	**(785,403)**	**(20,193)**	**5,663**	**285**	**(799,648)**

Interest on loans and financings was not capitalized in the cost of construction in progress since the main contracts are related to acquisitions of machinery and equipment immediately placed in service.

Every year, the Company and its subsidiaries review the useful life of property, plant and equipment items. The Company and its subsidiaries have a policy of maintaining the main property, plant and equipment items until the end of their useful lives.

The Company did not identify indicators of impairment loss of property, plant and equipment.

(In thousands of reais)

14 Intangible assets

a. Breakdown of account

		Consolidated					
		03/31/2023			12/31/2022		
At March 31, 2023	**Useful life**	**Cost**	**Amortization**	**Net**	**Cost**	**Amortization**	**Net**
Defined useful life							
Software	5 years	43,864	(37,245)	6,619	43,899	(36,626)	7,273
Assignment of right	Contractual period	521	(449)	72	533	(456)	77
Goodwill	Contractual period	1,464	-	1,464	1,464	-	1,464
Undefined useful life							
Trademarks and patents		2,068	-	2,068	2,068	-	2,068
Goodwill		198,214	-	198,214	198,214	-	198,214
		246,131	**(37,694)**	**208,437**	**246,178**	**(37,082)**	**209,096**

The amortization of intangible assets is recorded as a counterparty to (loss) in the group of cost of sales (industrial software) and sales expenses (assignment of rights).

(In thousands of reais)

b. Changes in cost

				Consolidated			
At March 31, 2023	**Useful life**	**Amortization methods**	**Balance at 01/01/2023**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 03/31/2023**
Defined useful life							
Software	5 years	Straight-line	43,899	20	-	(55)	43,864
Assignment of right	Contractual period	Straight-line	533	-	-	(12)	521
Goodwill	Contractual period	Straight-line	1,464	-	-	-	1,464
Undefined useful life							
Trademarks and patents			2,068	-	-	-	2,068
Goodwill			198,214	-	-	-	198,214
Total			**246,178**	**20**	**-**	**(67)**	**246,131**

(In thousands of reais)

				Consolidated			
At December 31, 2022	**Useful life**	**Amortization methods**	**Balance at 01/01/2022**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 12/31/2022**
Defined useful life							
Software	5 years	Straight-line	41,516	2,537	(66)	(88)	43,899
Assignment of right	Contractual period	Straight-line	566	-	-	(33)	533
Goodwill	Contractual period	Straight-line	1,464	-	-	-	1,464
Undefined useful life							
Trademarks and patents			2,068	-	-	-	2,068
Goodwill			198,214	-	-	-	198,214
Total			**243,828**	**2,537**	**(66)**	**(121)**	**246,178**

c. Changes in amortization

				Consolidated		
At March 31, 2023	**Useful life**	**Amortization methods**	**Balance at 01/01/2023**	**Additions**	**Translation adjustment**	**Balance at 03/31/2023**
Defined useful life						
Software	5 years	Straight-line	(36,626)	(645)	26	(37,245)
Assignment of right	Contract Term	Straight-line	(456)	(3)	10	(449)
Total			**(37,082)**	**(648)**	**36**	**(37,694)**

(In thousands of reais)

				Consolidated		
At December 31, 2022	**Useful life**	**Amortization methods**	**Balance at 01/01/2022**	**Additions**	**Translation adjustment**	**Balance at 12/31/2022**
Defined useful life						
Software	5 years	Straight-line	(34,289)	(2,394)	57	(36,626)
Assignment of right	Contract Term	Straight-line	(453)	(28)	25	(456)
Total			**(34,742)**	**(2,422)**	**82**	**(37,082)**

d. Goodwill in business combination

The balances of goodwill on acquisition of ownership interest, recognized in subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A., are supported by reports issued by independent experts and are based on expected future profitability of the business acquired in 2009, goodwill balances are not amortized since they are assets with undefined useful lives, as established by CVM Resolution 553/08 and CPC 01 (R1), and are annually tested for impairment, as described in Note 15.

15 Analysis of recoverability of non-financial assets

a. Tangible and intangible assets with defined useful life

Management reviews annually the net book value of tangible and intangible assets with defined useful life to assess events or changes in economic, operating or technological circumstances that might indicate an impairment of assets.

For the year ended December 31, 2022, an impairment test of intangible assets with defined useful lives was carried out by means of calculation of the value in use based on cash projections from financial budgets approved by the Top Management.

As of March 31, 2023, no evidence of impairment was identified.

b. Goodwill paid on expected future profitability

The balance of goodwill on acquisitions of ownership interest is based on expected future profitability of the acquired business and amounts to R$ 198,214 as of March 31, 2023 (R$ 198,214 as of December 31, 2022).

The Company annually tests impairment of its intangible assets with indefinite useful life, which are mostly comprised of goodwill for expected future earnings arising from combination of business processes using the “Value in use” concept by means of discounted cash flow models.

The goodwill arising from the acquisition of investment is impairment tested every year, at the cash generating unit level.

c. Main assumptions used in impairment tests of tangible and intangible assets

For purposes of impairment testing of tangible and intangible assets, it is not possible to separate a CGU (Cash Generating Unit) and indicate it as the exclusive cash generator due to the purchase of Azaleia. Since the acquisition, the operations of the two companies merged and it became impossible to distinguish the revenues generated by virtue of the exclusive assets acquired in the purchase of Azaleia. Therefore, the Company and its subsidiaries are considered as a single cash generating unit.

Future cash flows were discounted based on the rate representing the capital cost. Following the techniques of economic valuation, the assessment of value in use is carried out for a period of 5 years and, thereafter, considering the perpetuity of the assumptions based on the ability of the company to continue as a going concern for the foreseeable future.

For discounting the future cash flows, the rate used was 16.07%. p.a. as of December 31, 2022

(13.90% p.a. as of December 31, 2021).

The estimate of value in use considered the following assumptions:

Revenues
The sales volume and price were projected on a real basis (without inflation) based on the Company's estimates and result in aggregate compound growth (CAGR) of 7.99% p.a. as of December 31, 2022 (6.78% p.a. as of December 31, 2021) between 2023 and 2027.

Cost
The cost of sold products was projected based on the Companies' estimates.

After defining the sales projection, the production requirement distribution was defined according to the installed capacity and the efficiency level to be obtained in each plant.

Other manufacturing overheads were based on the budget approved by the Top Management for the indirect cost centers.

Expenses
Variable sales expenses were projected based on historical percentages of the gross operating revenue.

The administrative and general sales expenses were based on the expenditures budgeted and approved by the Top Management for the cost centers.

Net income and free cash generation
Net income resulting from the application of the above assumptions grows with a compounded growth rate (CAGR) of 10.96% p.a. (8.85% p.a. as of December 31, 2021) between 2023 and 2027.

Free Cash Flow Generation is then calculated based on projections of investments and changes in working capital. For perpetuity, the growth rate used is zero.

The value in use was approximately R$ 3.9 billion as of December 31, 2022 (R$ 2.9 billion as of December 31, 2021), therefore, significantly higher than its book value of tangible and intangible assets.

(In thousands of reais)

16 Suppliers

a. Breakdown of account

	Consolidated		Parent Company	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Suppliers				
Domestic	105,465	64,559	376	368
Foreign	67,978	40,366	-	-
	173,443	**104,925**	**376**	**368**

b. Per maturity

	Consolidated	
	03/31/2023	**12/31/2022**
Falling due (days):		
01–30	123,364	77,442
31–60	42,200	22,822
61–90	6,770	3,542
>90	1,090	270
	173,424	**104,076**
Overdue (days):		
01–30	17	845
61–90	-	1
>90	2	3
	19	**849**
	173,443	**104,925**

Considering the characteristics of the products and the supply chain of the Company and its subsidiaries, there is a wide offer of raw materials, supplies and suppliers. Thus, the Company and its subsidiaries do not present a concentration of the supplier portfolio.

In compliance with CVM Resolution 564 issued December 17, 2008, which approved CPC 12, the Company and its subsidiaries conducted studies to calculate the adjustment to present value of its current liabilities. Considering the average term of payment of these liabilities of approximately 40 days as of March 31, 2023 (39 days at December 31, 2022), the effects of present value adjustments were considered immaterial and, therefore, were not recognized in income (loss), as occurred with current assets and non-current assets.

(In thousands of reais)

17 Loans and financing

a. Breakdown of account

			Consolidated	
	Taxa de juros 2023	**Taxa de juros 2022**	**31/03/2023**	**31/12/2022**
Domestic currency				
Property, plant and equipment	IPCA + 2.04% p.a. Fixed rate at 10.22% p.a.	IPCA + 2.04% p.a. Fixed rate at 10.22% p.a.	65.568	68.929
Tax incentive	TJLP	TJLP	3.241	3.145
Working capital	IPCA + 2.07% p.a. CDI + 1.28–1.80% p.a. TLP + 1.90% p.a. Fixed rate at 11.44% p.a.	IPCA + 2.07% p.a. CDI + 1.28–1.70% p.a. TLP +1.90% p.a. Fixed rate at 11.44% p.a	401.418	341.178
			470.227	**413.252**
Foreign currency				
Working capital	Fixed rate 1.18–6.09% p.a.	Fixed rate 1.18–6.09% p.a.	3.667	3.796
			3.667	**3.796**
Total financing and loans			**473.894**	**417.048**
Current			**269.341**	**283.638**
Non-current			**204.553**	**133.410**

As of March 31, 2023 and December 31, 2022, the installments relating to the balance of loans and financing had the following maturities:

	03/31/2023		12/31/2022	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	**269,341**	**57%**	**283,638**	**68%**
2023	265,095	56%	283,638	68%
2024	94,400	20%	94,257	22%
2025	92,165	19%	17,141	4%
2026	11,688	2%	11,466	2%
2027	2,751	1%	2,751	1%
2028	2,751	1%	2,751	1%
2029	2,751	1%	2,751	1%
2030	2,293	0%	2,293	1%
Non-current	**204,553**	**43%**	**133,410**	**32%**
Total	**473,894**	**100%**	**417,048**	**100%**

(In thousands of reais)

b. Sureties and guarantees

In guarantee of financing, promissory notes, long-term interest earning bank deposits, personal guarantee and surety of parent company, mortgage of Horizonte-CE and Itapetinga-BA plants and disposal of machinery and equipment acquired from financing were offered.

c. Covenants

Some financing contracted have covenants that require the Company to demonstrate through document and physical evidences, the purchases of property, plant and equipment and objectives achieved in Research and Development (R&D). These covenants are monitored and have been fully complied with within the deadlines defined in the agreements. There are no covenants for working capital loans.

d. Reconciliation of equity changes with cash flows from financing activities

	Liabilities				
	Loans and financing	**Lease liabilities**	**Treasury shares**	**Capital**	**Total**
Balance at January 1, 2023	**417.048**	**20.568**	**(6.119)**	**1.106.717**	**1.538.214**
Changes in cash flow from financing					
Loans obtained - Principal	77.262	-	-	-	77.262
Payment of financial lease liabilities	-	(3.182)	-	-	(3.182)
Capital increase	-	-	-	1.637	1.637
Acquisition of treasury shares	-	-	(889)	-	(889)
Payment of loans obtained - Principal	(28.433)	-	-	-	(28.433)
Total changes in financing cash flows	**48.829**	**(3.182)**	**(889)**	**1.637**	**46.395**
Other changes related to liabilities					
Interest paid	(5.615)	(557)	-	-	(6.172)
Proade additions (with no cash effect)	221	-	-	-	221
Contract additions / readjustments	-	3.268	-	-	3.268
Accrued interest	-	1.230	-	-	1.230
Financial charges recognized in profit or loss	13.411	-	-	-	13.411
Total other changes related to liabilities	**8.017**	**3.941**	**-**	**-**	**11.958**
Balance at March 31, 2023	**473.894**	**21.327**	**(7.008)**	**1.108.354**	**1.596.567**

(In thousands of reais)

	Liabilities				
	Loans and financing	**Loans with related parties**	**Lease liabilities**	**Dividends and profits payable**	**Total**
Balance at January 1, 2022	**361,250**	**18,041**	**19,779**	**4**	**399,074**
Changes in cash flow from financing					
Loans obtained - Principal	3,831	-	-	-	3,831
Payment of financial lease liabilities	-	-	(2,642)	-	(2,642)
Payment of loans obtained – Principal	(10,875)	-	-	-	(10,875)
Total changes in financing cash flows	**(7,044)**	**-**	**(2,642)**	**-**	**(9,686)**
Other changes related to liabilities					
Interest paid	(4,240)	100	(544)	-	(4,684)
Proade Additions (with no cash effect)	185	-	-	-	185
Contract additions / readjustments	-	-	662	-	662
Accrued interest	-	-	1,243	-	1,243
Financial charges recognized in profit or loss	8,519	-	-	-	8,519
Total other changes related to liabilities	**4,464**	**100**	**1,361**	**-**	**5,925**
Balance at March 31, 2022	**358,670**	**18,141**	**18,498**	**4**	**395,313**

18 Leases

a. Operating leases

The Company’s subsidiaries lease commercial properties only.

This lease normally lasts 5 years, with renewal option after this period. Annually, the amounts are adjusted to reflect the prevailing market value. Some commercial leases provide additional lease payments that are based on the property’s monthly billings.

Information on leases for which the Company’s subsidiaries are lessees is presented below:

	Consolidated	
	03/31/2023	**12/31/2022**
Right-of-use		
Opening balance	**18,119**	**17,442**
Additions / Readjustments	3,088	10,848
Amortization	(2,884)	(10,171)
Closing balance	**18,323**	**18,119**

(In thousands of reais)

	Consolidated	
	03/31/2023	**12/31/2022**
Lease liabilities		
Opening balance	**20,568**	**19,779**
Additions / Readjustments	3,268	11,215
Accrued interest	1,230	4,277
Payment of principal	(3,182)	(12,397)
Interest paid	(557)	(2,306)
Closing balance	**21,327**	**20,568**
Current	**9,470**	**8,509**
Non-current	**11,857**	**12,059**

Long-term installment payment schedule

	03/31/2023		12/31/2022	
Maturity	**Amount**	**%**	**Amount**	**%**
2024	5,493	46%	6,764	56%
2025	5,091	43%	4,558	38%
2026	805	7%	524	4%
2027	468	4%	213	2%
Total	**11,857**	**100%**	**12,059**	**100%**

Extension options

A few leases contain extension options exercisable by the Company's subsidiaries up to one year prior to the end of the non-cancellable agreement period. Whenever possible, the Company's subsidiaries seek to include extension options in new leases so as to provide operating flexibility.

19 Provisions

The Company and its subsidiaries are parties (defendants) to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, civil and other matters.

(In thousands of reais)

Based on information from its legal advisors, Management recognizes provisions in accordance with the procedures established by CVM Resolution 489/05 and CPC 25/IAS 37, which establishes that a provision should be recognized when: (i) the entity has a present obligation deriving from a past event; (ii) an outflow of funds will probably be required to settle the obligation; and (iii) the sum of the obligation can be estimated with sufficient assurance. If any of these conditions are not met a provision should not be made, and it might be necessary to disclose a contingent liability.

The review of pending legal proceedings, based on previous experience relating to amounts claimed, records a provision in an amount deemed sufficient to cover possible losses from the ongoing lawsuits and classified them as current and non-current, as follows:

a. Breakdown of balances

	Consolidated		**Parent Company**	
	03/31/2023	**12/31/2022**	**03/31/2023**	**12/31/2022**
Provisions for lawsuits and administrative proceedings:				
Civil	18,386	18,385	38	49
Labor	36,211	37,550	413	596
Tax	1,923	1,441	345	343
Total	**56,520**	**57,376**	**796**	**988**
Current	**4,046**	**3,102**	**387**	**397**
Non-current	**52,474**	**54,274**	**409**	**591**

b. Labor lawsuits (Consolidated)

Refer mainly to claims regarding overtime, salary differences, health hazard, hazardous duty and occupational disease. The effect of the provision for loss on labor lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

c. Civil lawsuits (Consolidated)

They mainly refer to indemnity in general, including moral and material damages. The effect of the provision for loss on civil lawsuits is recorded as contra-entry to profit or loss in the account of other expenses. The effects on the provision for indemnities are charged to “selling expenses” in income (loss).

d. Tax lawsuits (Consolidated)

They refer to lawsuits in which the Company and its subsidiaries are parties mainly to the following taxes: IRPJ, COFINS, PIS, ICMS. The effect of the provision for loss on tax lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

(In thousands of reais)

e. Changes in proceedings

	Consolidated										
	01/01/2022	**12/31/2022**					**03/31/2023**				
At March 31, 2023	**Opening balance**	**Addi-tions**	**Rever-sals**	**Payments**	**Adjust-ment to net presen-tation(*)**	**Closing balance**	**Addi-tions**	**Rever-sal**	**Pay-ments**	**Adjust-ment to net presen-tation(*)**	**Clos-ing bal-ance**
Type											
Civil	18.455	355	(320)	(105)	-	18.385	269	(256)	(12)	-	18.386
Labor	40.041	16.430	(15.124)	(5.143)	1.346	37.550	8.282	(7.724)	(2.441)	544	36.211
Tax	1.382	4.627	(201)	(938)	(3.429)	1.441	1.843	(607)	-	(754)	1.923
Total	**59.878**	**21.412**	**(15.645)**	**(6.186)**	**(2.083)**	**57.376**	**10.394**	**(8.587)**	**(2.453)**	**(210)**	**56.520**

	Parent Company								
	01/01/2022	**12/31/2022**				**03/31/2023**			
At March 31, 2023	**Opening balance**	**Addi-tions**	**Reversals**	**Payments**	**Closing balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Type									
Civil	53	65	(4)	(65)	49	-	-	(11)	38
Labor	189	479	(72)	-	596	-	(5)	(178)	413
Tax	176	233	(66)	-	343	2	-	-	345
Total	**418**	**777**	**(142)**	**(65)**	**988**	**2**	**(5)**	**(189)**	**796**

(*) The net amounts refer only to reclassifications between judicial deposits and provisions for contingencies in compliance with item 35 of CPC 26 (IAS 1). Thus, said amounts had no cash effect and were not considered in the statements of cash flows.

(In thousands of reais)

Contingencies

Based on the opinion of its legal advisors, Management believes that the resolution of the civil, labor and tax matters listed below will not have a material adverse effect on its financial situation.

As of March 31, 2023 and December 31, 2022, the breakdown of the amounts under litigation at various court levels, estimated with a possible loss was as follows:

	Consolidated	
Contingencies	**03/31/2023**	**12/31/2022**
Civil	1,769	1,796
Labor	34,422	33,998
Tax	70,614	42,353
Total	**106,805**	**78,147**

Contingent assets

The Company's subsidiary, Vulcabras BA, is plaintiff in lawsuit claiming the recognition of the exclusion of ICMS related to sales of goods from the PIS and COFINS calculation basis, which Management understands as relevant to the business. At this time, there is no way to assure when or if the estimated amount will actually be realized. Consequently, the Company's subsidiary evaluated the status of its lawsuit and concluded that, as of March 31, 2023, the requirements of CPC 25/IAS 37 for credit accounting were not met, which is why no amount was recorded.

20 Shareholders' equity (Parent company)

a. Capital

On March 21, 2023, the Board of Directors approved the capital increase within the authorized capital limit, due to the exercise of stock options issued by the Company, within the scope of the approved Stock Option Plan in 2019, in the amount of R$ 1,637, through the issuance of 160,000 new common shares, registered book-entry and with no par value.

As of March 31, 2023, capital totals R$ 1,108,354 (R$ 1,106,717 as of December 31, 2022), is represented by 245,916,244 (245,756,244 as of December 31, 2022) common, nominative shares with no par value.

By means of Board of Directors' resolution, the Company is authorized to increase the capital, regardless of any amendments to the bylaws up to the limit of R$ 2,000,000.

(In thousands of reais)

b. Reserves

(i) Revaluation reserve

The reserve was constituted as a result of the revaluations of property, plant and equipment of its subsidiaries, based on an appraisal report prepared by independent appraisers. Corresponding income tax and social contribution are classified in non-current liabilities. As of March 31, 2023, the balance of revaluation reserve is R$ 4,136 (R$ 4,175 as of December 31, 2022).

The revaluation reserve is carried out by depreciation or write-off of revalued assets against retained earnings (loss), net of tax charges. As permitted by Law 11638/07, Management elected to maintain the revaluation reserves until their full realization.

c. Capital reserve

(i) Stock option

General conditions
The Company has 3 (three) Stock Option Plans in effect.

Stock option plan approved in 2020

Approval of the plan
On August 10, 2020, the Board of Directors approved the 3rd stock option plan in the context of the Grant Agreement. The total number of options granted on this date was 870,000 options, with a unit strike price of R$ 8.57, distributed among the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

Characteristics of the plan

3rd Stock Option Plan – 2020	**3rd grant**
Grant date	August 10, 2020
Number of options granted	870,000(3)
Vesting period	3 years
Maturity for the year	March 31, 2023
Maximum period for exercise	March 31, 2024
Strike price	R$ 8.57(1)
Beneficiaries (employees)	21(2)

(1) The strike price is set at R$ 8.57 (eight reais and fifty-seven centavos), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) The initial number of participants in the approval of the plan was 21 executives. However, with the departure of three of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 18.

(3) The initial number of options granted in the approval of the plan was 870,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 785,000.

(In thousands of reais)

Beneficiaries
Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras S.A. and the companies under its direct or indirect control (Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company's Board of Directors.

Pricing Method
The method used for options pricing is the "Black-Scholes" model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of share price, percentage of distributed dividends, and risk-free rate as basic assumptions.

Stock option plan approved in 2021

Approval of the plan
On May 11, 2021, the Board of Directors approved the 4th stock option plan in the context of the Grant Agreement. The total number of options granted on this date was 970,000 options, with a unit strike price of R$ 8.06, distributed among the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

Characteristics of the plan

4th Stock Option Plan – 2021	**4th grant**
Grant date	May 11, 2021
Number of options granted	970,000(3)
Vesting period	3 years
Maturity for the year	March 31, 2024
Maximum period for exercise	March 31, 2025
Strike price	R$ 8.06(1)
Beneficiaries (employees)	23(2)

(1) The strike price is set at R$ 8.06 (eight reais and six centavos), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) The initial number of participants in the approval of the plan was 23 executives. However, with the departure of four of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 19.

(3) The initial number of options granted in the approval of the plan was 970,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 855,000.

(In thousands of reais)

Beneficiaries
Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras S.A. and the companies under its direct or indirect control (Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company's Board of Directors.

Pricing Method
The method used for options pricing is the "Black-Scholes" model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of share price, percentage of distributed dividends, and risk-free rate as basic assumptions.

Stock option plan approved in 2022

Approval of the plan
On May 03, 2022, the Board of Directors approved the 5th stock option plan in the context of the Grant Agreement. The total number of options granted on this date was 980,000 options, with an unit strike price of R$ 8.89, distributed among the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

Characteristics of the plan

5th Stock Option Plan – 2022	**5th grant**
Grant date	May 03, 2022
Number of options granted	980,000(3)
Vesting period	3 years
Maturity for the year	March 31, 2025
Maximum period for exercise	March 31, 2026
Strike price	R$ 8.89(1)
Beneficiaries (employees)	23(2)

(1) The strike price is set at R$ 8.89 (eight reais and eighty-nine centavos), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) The initial number of participants in the approval of the plan was 23 executives. However, with the departure of three of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 20.

(3) The initial number of options granted in the approval of the plan was 980,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 895,000.

Beneficiaries
Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras S.A. and the companies under its direct or indirect control (Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company's Board of Directors.

(In thousands of reais)

Pricing Method
The method used for options pricing is the “Black-Scholes” model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of share price, percentage of distributed dividends, and risk-free rate as basic assumptions.

Option plan expense
Amounts of amortizations recorded as expense in financial statements, as a contra-entry to the Company’s shareholders' equity from grant date to March 31, 2023, are described below (presented in reais):

Plan	Strike price	Grant date	Accumulated expense 03/31/2023 (R$)	Accumulated expense 12/31/2022 (R$)
Plan – 2019 (a)	R$ 7.96	May 05, 2019	-	1,558
Plan – 2020	R$ 8.57	August 06, 2020	1,666	1,530
Plan – 2021	R$ 8.06	May 11, 2021	1,107	961
Plan – 2022	R$ 8.89	May 03, 2022	822	598
Total			**3,595**	**4,647**

(a) The expense accrued up to March 31, 2023, in the amount of R$ 1,558, was reversed in the 1st quarter of 2023 as a result of the expiration of the maximum term for exercising said plan.

d. Profit reserve

(i) Legal reserve
Formed at the rate of 5% of the net income for the year, whose balance on March 31, 2023 totaled R$ 39,187 (R$ 39,187, on December 31, 2022).

(ii) Statutory reserve
The statutory reserve was recorded for the realization of new investments pursuant to the terms of Art. 35 of the Company’s Bylaws and Art. 194 of Corporation Law. As of March 31, 2023, the balance is R$ 536,907 (R$ 536,907 as of December 31, 2022).

e. Dividends
The portion corresponding to at least 25% of net income, calculated on the balance obtained with the deductions and additions provided for in Article 202 (II and III) of the Brazilian Corporation Law, will be distributed to shareholders as mandatory dividend.

f. Equity valuation adjustments
“Equity valuation adjustments” caption includes: (i) accumulated net changes in financial assets at fair value through other comprehensive income until the investments are derecognized or suffer impairment loss; and (ii) accumulated translation adjustments include all foreign currency differences deriving from the translation of interim financial information of foreign operations. As of March 31, 2023, the balance of equity valuation adjustment is R$ 24,779 (R$ 25,974 as of December 31, 2022).

(In thousands of reais)

21 Net sales revenue

	Consolidated	
	03/31/2023	**03/31/2022**
Gross operating revenue		
Sale and resale of products		
Domestic market	621,476	482,233
Foreign market	46,593	66,479
Services rendered	554	695
	668,623	**549,407**
Deduction		
Taxes on sales and services rendered	(131,948)	(102,798)
ICMS tax incentives (Note 30)	55,806	42,541
Returns, rebates and prompt-payment discount	(21,363)	(11,400)
	(97,505)	**(71,657)**
Net operating revenue	**571,118**	**477,750**

22 Cost of sales and resales

	Consolidated	
	03/31/2023	**03/31/2022**
Costs of sales		
Raw material	(136,497)	(120,772)
Labor	(64,522)	(66,795)
Indirect costs	(53,085)	(54,781)
Resales	(91,655)	(67,261)
Total cost of sales and resales	**(345,759)**	**(309,609)**

(In thousands of reais)

23 Sales expenses

	Consolidated	
	03/31/2023	03/31/2022
Commissions	(24,510)	(18,348)
Freight	(21,205)	(16,155)
Advertising	(21,656)	(17,197)
Advertising – Personnel expenses	(1,313)	(1,142)
Advertising – Other expenses	(772)	(333)
Royalties	(13,550)	(7,742)
Personnel expenditures	(12,802)	(12,120)
Other expenditures	(4,064)	(3,902)
	(99,872)	**(76,939)**
Impairment losses	(3,184)	(2,193)
Total sales expenses	**(103,056)**	**(79,132)**

24 Administrative expenses

	Consolidated		Parent Company	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Personnel expenditures	(13,562)	(11,157)	829	1,015
Outsourced services	(5,670)	(4,530)	(459)	(389)
Rentals	(945)	(1,027)	-	-
Travel and lodging	(294)	(193)	-	-
Security	(387)	(357)	(54)	(61)
Legal disputes and taxes	(853)	(526)	(238)	(244)
IT and telecommunications	(3,433)	(2,843)	(22)	(18)
Energy, water and sewage	(464)	(291)	(6)	(8)
Maintenance, cleaning and environment.	(978)	(826)	-	-
Depreciation and amortization	(4,284)	(3,579)	-	-
Other	(1,515)	(1,281)	(455)	(433)
Total administrative expenses	**(32,385)**	**(26,610)**	**(405)**	**(138)**

25 Other operating revenues, net

	Consolidated		Parent Company	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Other operating revenues				
Rental revenue	1,697	1,366	1,663	1,358
Revenue from sales of power	175	-	-	-
Sale of scrap	673	541	-	-
Revenue from sale of property, plant and equipment	507	798	-	-
Other	1,406	1,938	(70)	(138)
Total other operating revenues	**4,458**	**4,643**	**1,593**	**1,220**
Other operating expenses				
Provision (reversal) for contingencies	21	286	4	(23)
Expenses from sale of property, plant and equipment	(1,412)	(1,247)	-	-
Other	(1,372)	(1,723)	(2)	(5)
Total other operating expenses	**(2,763)**	**(2,684)**	**2**	**(28)**
Other operating revenues, net	**1,695**	**1,959**	**1,595**	**1,192**

(In thousands of reais)

26 Financial revenues and expenses

	Consolidated		Parent Company	
	03/31/2023	**03/31/2022**	**03/31/2023**	**03/31/2022**
Financial revenues				
Capital structure				
Revenue from investments	9,196	3,952	1,163	1
Other	-	8	-	-
Subtotal	**9,196**	**3,960**	**1,163**	**1**
activities				
Interest	1,784	1,476	172	2,893
Discounts obtained	395	507	-	-
Extemporaneous credit update (Note 8)	3,288	1,180	-	-
Other	10	121	-	-
Subtotal	**5,477**	**3,284**	**172**	**2,893**
Exchange-rate changes	5,902	4,400	-	-
Total financial revenues	**20,575**	**11,644**	**1,335**	**2,894**
Financial expenses				
Capital structure				
Interest	(14,267)	(9,938)	(2,443)	(5,027)
Tax on financial operations (IOF)	(285)	(71)	(5)	-
Other	(741)	(392)	-	-
Subtotal	**(15,293)**	**(10,401)**	**(2,448)**	**(5,027)**
activities				
Bank fees	(813)	(1,015)	(1)	(1)
Fee/commission sale card	(42)	(33)	-	-
Discounts granted	(449)	(630)	-	-
Other rates	(883)	(462)	(26)	-
Subtotal	**(2,187)**	**(2,140)**	**(27)**	**(1)**
Exchange-rate changes	(5,243)	(8,777)	-	-
Total financial expenses	**(22,723)**	**(21,318)**	**(2,475)**	**(5,028)**
Financial income (loss)	**(2,148)**	**(9,674)**	**(1,140)**	**(2,134)**

(In thousands of reais)

27 Earnings per share

The calculation of basic earnings per share is made by dividing the income (loss) for the period, attributed to the holders of common shares of the Company, by the weighted average number of common shares free float during the year.

Diluted earnings per share are calculated by dividing the profit for the period attributable to holders of the Company's common shares by the weighted average number of common shares that would be issued on the conversion of all potentially dilutive shares into their respective shares.

As of March 31, 2023, the Company had potential shares outstanding that could affect the dilution of earnings per share, pursuant to CPC 41/IAS 33, in the total amount of 2,535,000 potential shares. Of the total amount, 785,000 potential shares refer to the third grant of shares of the Stock Options plan that was approved on August 06, 2020, 855,000 potential shares refer to the fourth grant of shares of the Stock Options plan that was approved on May 11, 2021 and 895,000 potential shares refer to the fifth grant of shares of the Stock Options plan that was approved on May 03, 2022.

As of March 31, 2022, the Company had 2,565,000 potential shares outstanding. Of the total amount, 755,000 potential shares refer to the second grant of shares of the Stock Options plan that was approved on May 5, 2019, 870,000 potential shares refer to the third grant of shares of the Stock Options plan that was approved on August 6, 2020 and 940,000 potential shares refer to the fourth grant of shares of the Stock Options plan that was approved on May 11, 2021, which could affect the dilution of earnings per shares under CPC 41/IAS 33.

The table below presents the calculations of basic and diluted earnings per share.

	Consolidated	
	Number of common shares	
	03/31/2023	**03/31/2022**
Income (loss) attributable to shareholders	83,640	53,979
Weighted basic average of outstanding shares in the period	245,373,694	245,756,244
Weighted basic average of outstanding shares in the period	246,248,120	248,321,244
Basic earnings per share (per thousand) - R$	0.3409	0.2196
Basic earnings per share (per thousand) - R$	0.3397	0.2174

28 Financial instruments and risk management

The main financial assets and liabilities of the Company and its subsidiaries refer to cash and cash equivalents, trade accounts receivable, trade accounts payable, loans with related parties, lease liabilities, financing and loans.

Financial risk framework and management

The Company and its subsidiaries manage financial risks by monitoring the financial positions of assets and liabilities, controlling exposure limits.

The Company and its subsidiaries are exposed to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Interest rate risk
- Liquidity risk

The management of these instruments is done through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The control policy consists of permanent follow-up of the conditions engaged versus those in force in the market.

The risk management policies of the Company and its subsidiaries were established to identify and analyze the exposure, to set adequate limits and controls by monitoring risks and compliance with limits. Risk policies and systems are reviewed regularly to reflect changes in the market conditions and in the activities of the Company and its subsidiaries.

The assessments of financial instruments and risk management are explained below:

(i) Credit risk

Credit risk is the risk of the Company and its subsidiaries incurring financial losses if a party fails to comply with its contractual obligations. Such risk is mainly due to trade accounts receivable. The book values of financial assets and contract assets represent the maximum credit exposure.

The Company and its subsidiaries are exposed to the credit risk due to the possibility of not receiving trade accounts receivable or credits from financial institutions.

(In thousands of reais)

The Company and its subsidiaries' risk management adopts the following practices:

(i) Careful selection of financial institutions, which are considered as prime line by the market (largest asset management banks in Brazil), State banks or government development agencies, meaning that the credit risk posed by the financial institutions is extremely low and diversifying financial instruments used to invest the company's funds, which are invested in a basket of indexes consisting of the CDI rate, fixed rates or rates restated for inflation.

(ii) Analyzing credits granted to clients and establishing sales limits. There are no clients that individually represent more over 9% of total trade accounts receivable of the Company as of March 31, 2023 (12% on December 31, 2022); and

(iii) The Company's exposure to credit risk is influenced, mainly, by the individual characteristics of each client. However, management also considers the factors that may influence the credit risk of its client base, including the risk of non-payment of the industry and of the country in which the client operates.

The Company uses a provisioning matrix to measure the expected credit loss with individual trade accounts receivable:

March 31, 2023	**Policy applied**	**Gross book balance**	**Provision for estimated losses**
Stores	0.00%	61,480	-
Undue	0.04%	551,686	(221)
Overdue (days):			
01−30	0.50%	5,923	(30)
31−60	10.00%	1,086	(109)
61−90	25.00%	785	(196)
>90	100.00%	25,376	(25,376)
Clients under court-ordered reorganization (with financial restructuring)	20.00%	-	-
Clients under court-ordered reorganization (with financial restructuring)	40.00%	16,629	(6,652)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	13,818	(13,818)
		676,783	**(46,402)**

December 31, 2022	**Policy applied**	**Gross book balance**	**Provision for estimated losses**
Stores	0.00%	59,400	-
Undue	0.04%	688,459	(275)
Overdue (days):			
01−30	0.50%	13,977	(70)
31−60	10.00%	682	(68)
61−90	25.00%	368	(92)
>90	100.00%	23,716	(23,716)
Clients under court-ordered reorganization (with financial restructuring)	20.00%	8,845	(1,769)
Clients under court-ordered reorganization (with financial restructuring)	40.00%	8,589	(3,436)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	13,820	(13,820)
		817,856	**(43,246)**

The criteria used to calculate the loss matrix are disclosed in Note 6c.

(In thousands of reais)

Loss rates are based on actual credit loss experience in the previous accounting year. These rates were multiplied by scale factors to reflect differences between the economic conditions in the period in which the historic data was collected, the current conditions and the Company's view on economic conditions over the expected life of the receivables.

(ii) *Market risk*

Market risk is the risk that alterations in market prices, such as foreign exchange, interest rates and prices of shares, will affect the Company's gains or the amount of its financial instruments. The objective of market risk management is to evaluate and control exposures to market risks, within acceptable parameters, and at the same time to optimize the return. The Company and its subsidiaries do not use derivatives to manage market risk.

Foreign exchange risk
Considering the price risk on exports, which correspond to 4.67% of revenue from its subsidiaries as of March 31, 2023 (5.36% as of December 31, 2022), any volatility of the exchange rate represents, in fact, a price risk that can impair the results planned by Management.

Sensitivity analysis
The results of the Company and its subsidiaries are susceptible to significant changes, due to the effects of the volatility of the foreign exchange rate on the liabilities indexed to foreign currencies, especially the USD, which ended the period as of March 31, 2023 with the positive change in 2.63% in relation to the last quotation as of December 31, 2022.

As a strategy to avoid and reduce the effects of foreign exchange fluctuations, Management tried to maintain a natural hedge in restricted assets, also pegged to exchange fluctuations. Management does not enter into financial instruments to eliminate its exposure to foreign exchange risks, which are as follows:

	Consolidated	
US dollar (US$'000)	**03/31/2023**	**12/31/2022**
Assets in foreign currency (a)	23,195	28,347
Liabilities in foreign currency (b)	(14,102)	(8,464)
Surplus determined (a-b)	**9,093**	**19,883**

Considering the exposure to the risk of price fluctuation, the Company and its subsidiaries present below three scenarios for the change of the Dollar and the respective future income that would be generated. Namely:

(In thousands of reais)

1. **Probable scenario and that is adopted by the Company and its subsidiaries:** Dollar rate totaled R$ 5.0804 on March 31, 2023;

2. **Possible scenario:** As provided in the CVM Resolution, the scenario is built considering a 25% decrease in the US dollar rate amounting to R$ 3.8103; and

3. **Remote scenario:** Also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R$ 2.5402.

Foreign exchange sensitivity analysis - Effect in income (loss) as of March 31, 2023

Transaction	Risk	Probable scenario	Possible scenario	Remote scenario
	US$ 9,093,000	FX 5.0804	FX 3.8103	FX 2.5402
Financial income (loss)	US$ decrease	-	(11,549)	(23,098)

(iii) Interest rate risk

Sensitivity analysis

The Company's and its subsidiaries' results are exposed to fluctuations, not significant, due to the effects of the volatility of the DI-CETIP, TJLP and IPCA rate on interest earning bank deposits and part of loans and financing linked to these rates.

	Consolidated		Consolidated	
	Book value 03/31/2023	**Fair value 03/31/2023**	**Book value 12/31/2022**	**Fair value 12/31/2022**
Assets in CDI	375,067	375,067	191,862	191,862
Liabilities in TJPL	3,241	2,909	3,145	2,803
Liabilities at IPCA	95,077	89,422	102,818	97,906
Liabilities in CDI	338,792	342,573	256,920	259,121

Given the exposure to the risk of changes in the indexes used in interest earning bank deposits and loans, the Company presents below scenarios for the changes in rates and the respective future results that would be generated. Namely:

(i) Probable scenario adopted by the Company and its subsidiaries, with a DI-CETIP rate of 13.65% p.a. and TJLP of 7.37% p.a. and IPCA of 4.65% p.a.;

(ii) Possible scenario, including an increase or decrease of 25% on rates;

(iii) Remote scenario, including an increase or decrease of 50% on rates.

(In thousands of reais)

Statement of changes in rates as of March 31, 2023 is as follows:

Operation	Risk	Probable scenario	Possible scenario, 25%	Remote scenario, 50%
Loans – TJLP	TJLP increase	TJLP 7.37% R$ -	TJLP 9.21% R$ 60	TJLP 11.06% R$ 120
Loans at IPCA	IPCA increase	IPCA 4.65% R$ -	IPCA 5.81% R$ 1,103	IPCA 6.98% R$ 2,215
Loans in CDI	CDI increase	CDI 13.65% R$ -	CDI 17.06% R$ 11,553	CDI 20.48% R$ 23,139
Investments in CDI	CDI decrease	CDI 13.65% R$ -	CDI 10.24% R$ (12,790)	CDI 6.83% R$ (25,580)

(iv) Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Company's goal when managing the liquidity is to guarantee, as much as possible, that it will have sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullying the Company's reputation.

The Company and its subsidiaries monitor their funds liquidity risk through cash monetary policies to avoid a mismatch between accounts receivable and accounts payable.

In addition, the Company and its subsidiaries maintain balances of interest earning bank deposits with daily liquidity, which may be redeemed at any time to cover possible mismatches between maturity dates of their contract obligations and cash generation.

The scheduled payments of long-term installments of financing and loans are presented below:

	03/31/2023	
Maturity	**Amount**	**%**
2024	105,834	46%
2025	97,257	43%
2026	13,015	6%
2027	3,615	2%
2028	3,359	1%
2029	3,103	1%
2030	2,390	1%
Total	**228,573**	**100%**

(In thousands of reais)

Breakdown of balances

The estimated realizable values of the financial assets and liabilities of the Company and its subsidiaries were determined through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate realizable value estimate. Consequently, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the realization values estimated.

The Management of these instruments is done through operating strategies, aimed at liquidity, profitability and security. The control policy consists of permanent follow-up of the rates engaged versus those in force in the market. The Company and its subsidiaries do not invest in derivatives or any other risk assets on a speculative basis.

The book balances and the fair value of financial instruments included in balance sheets as of March 31, 2023 and December 31, 2022 are shown below:

		Consolidated			
		03/31/2023		12/31/2022	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	374,186	374,186	197,197	197,197
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	8,756	8,756	8,528	8,528
Share investment funds	Financial assets at fair value through other comprehensive income	406	406	418	418
Accounts receivable	Financial assets at amortized cost	630,381	630,381	774,610	774,610
Other accounts receivable	Financial assets at amortized cost	22,310	22,310	28,008	28,008
Loans and financing:					
In local currency	Amortized cost	470,227	465,558	413,252	462,556
In foreign currency	Amortized cost	3,667	3,602	3,796	3,835
Suppliers	Amortized cost	173,443	173,443	104,925	104,925
Loan agreement with related parties	Amortized cost	18,550	18,550	18,448	18,448

(In thousands of reais)

		Parent Company			
		03/31/2023		12/31/2022	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	36,315	36,315	35,161	35,161
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	6	6	5	5
Other accounts receivable	Financial assets at amortized cost	51,865	51,865	7,114	7,114
Suppliers	Amortized cost	376	376	368	368
Borrowings with related parties	Amortized cost	57,146	57,146	109,889	109,889

(v) Fair value hierarchy

	Consolidated				Parent Company			
	03/31/2023		12/31/2022		03/31/2023		12/31/2022	
Description	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Interest earning bank deposits								
Floating-rate CDBs	-	2,315	-	2,257	-	4	-	4
Investment fund	-	6,441	-	6,271	-	2	-	1
Share investment funds	406	-	418	-	-	-	-	-

- **Level 1 -** Prices charged (unadjusted) in active markets for identical assets or liabilities;
- **Level 2 -** different inputs of the prices negotiated in active markets included at Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- **Level 3 -** inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

(vi) Criteria, assumptions and limitations used in the calculation of fair value

Interest earning bank deposits

For interest earning bank deposits, the fair value against the income (loss) was calculated based on the market quotations of these securities and are stable considering investment rates and terms. The interest earning bank deposits are remunerated at a percentage of DI-CETIP and are restated at March 31, 2023 (see Note 5).

(In thousands of reais)

Accounts receivable
Trade accounts receivable are recorded at the amount billed, and include the respective direct taxes for which the Company and its subsidiaries are responsible. The estimated impairment losses were formed at an amount considered adequate by the management to cover any losses arising on collection of credits.

Loans and financing
The amount of loans and financing calculated as of March 31, 2023 are measured at amortized cost using the effective interest method, and are recorded at their contractual values. We currently found interest rates applicable to these instruments identical to the contracts that were signed, given the objective of the financing, time frames and guarantees submitted. The valuation model considers the present value of the payment expected, discounted by a risk-adjusted discount rate.

Suppliers
Trade accounts payable derive directly from the commercial operations of the Company and its subsidiaries, are stated at their original values, subject to exchange and monetary restatement, when applicable, up to the balance sheet date.

Limitations
The fair value of instruments was estimated on the balance sheet date, based on “Relevant market information”. Changes in the assumptions may significantly affect the estimates presented.

(vii) Capital management
The capital management of the Company and its subsidiaries aims to ensure that a strong credit rating is maintained before institutions, as well as a solid capital relationship, so as to support the business of the Company and leverage shareholders’ value.

The Company and its subsidiaries include within its net debt structure: loans and financing less cash, cash equivalents and interest earning bank deposits.

	Consolidated	
	03/31/2023	**12/31/2022**
Loans and financing	(473,894)	(417,048)
Lease liabilities	(21,327)	(20,568)
Cash and cash equivalents	374,186	197,197
Interest earning bank deposits	9,162	8,946
Net debt	**(111,873)**	**(231,473)**
Shareholders' equity	1,793,952	1,711,834

(In thousands of reais)

29 Insurance coverage

The Company and its subsidiaries adopt the policy of contracting insurance coverage for property subject to risks in amounts considered sufficient, by the Management, supported by the opinion of its insurance advisors, to cover any casualties, considering the nature of their activity.

Coverage amounts as of March 31, 2023 are summarized as follows:

	Corporate insurance in reais (R$)	
Object	**Risk covered**	**Amount of coverage**
Equity	Fire, Windstorms, Electrical Damages, Machine Breakdown, Theft, Flooding, Electronic Equipment.	195,000
Loss of profits	Fixed expenses (P.I 3 months)	60,000
D&O	Management civil general liability	20,000
General civil responsibility	General civil liability	2,000
Light and heavy vehicles	Property, body damages, pain and suffering to third parties	27,750
International transport - Imports	Limit per shipment - Goods / Raw materials	7,621
Total corporate insurance		**312,371**

30 Governmental grants and assistance

a. Federal incentives

- **IRPJ REDUCTION -**Refer to the right to 75% reduction of the Income Tax and Surtax, calculated based on the operating profit in accordance with article 1 of the Provisional Measure 2199-14 of August 24, 2001, as per the criteria established and also in compliance with the tax incentive regulation. Are considered as onerous conditions met the projects for total modernization currently in areas of the Northeast Development Agency - SUDENE. The beneficiaries of the incentive of 75% reduction of the income tax are the projects located in the states of Ceará and Bahia.

b. State incentives

(i) Ceará

For footwear

- **PROADE -** This is an incentive program for the industrial development fund of the State of Ceará (FDI), which consists in the deferral of 99% of the ICMS levied on company manufacturing of footwear. On the amount of each installment of the benefit, 1% will be paid in a single installment, with maturity on the last day of the month, and the amount will be adjusted after 36 months, from the disbursement date to the maturity date, restated at TJLP.

For apparel

- **PROVIN -** This is an incentive program for the industrial development fund of the State of Ceará (FDI), which consists in the deferral of 75% of the ICMS levied on company manufacturing of apparel. On the amount of each installment of the benefit, 25% will be paid in a single installment, with maturity on the last day of the month, and the amount will be adjusted after 36 months, from the disbursement date to the maturity date, restated at TJLP.

Additional incentives
In addition to PROADE shoes and apparel, there is also the deferral of ICMS on imports of raw materials, machinery, equipment, parts and pieces that do not have similar item in the State of Ceará, as well as the difference of rates on purchases of capital goods.

- **PCDM** – It is an incentive program to distribution business centers (PCDM), which consists of the reduction by 75% of the debt balance of the ICMS monthly calculated on interstate shipping activities. The subject of this instrument does not include the ICMS withheld of third parties by the company, in view of the tax replacement regime.

Additional incentives
It has as additional to PCDM the deferral of the ICMS levied: In import of foreign goods for subsequent shipment, import from abroad and other states, of goods to comprise property, plant and equipment.

(ii) Bahia

- **PROBAHIA -** Refers to the development program for the State of Bahia, aiming at diversifying and stimulating the transformation of the industrial processes in the state. The incentive is the deferral of ICMS on the total debits calculated on the shipment of goods, where a presumed credit of 99% of the amount due is calculated. Its payment consists in 1% of the debit balance that should be paid in the month subsequent to the ICMS calculation.

Additional incentives
In addition to PROBAHIA, there is also the deferral of ICMS on imports of raw materials, machinery, equipment, parts, as well as the difference of rates on purchases of capital goods.

(iii) Minas Gerais

- **Special Regime –** For Vulcabras Distr. Art. Esp. Ltda (Extrema-MG Branch), we will have e-PTA-RE number: 45.000024131-24, which addresses the Special Regime incentive with simplified protocol of intentions, providing for deferrals, deemed credit and TTS/IMPORT CORRIDOR, which consists of deferring the payment of ICMS on imports with a specific marketing purpose; partial deferral, resulting in a highlighted ICMS of four percent (4%) for imported products and 12% for domestic products due on domestic sales to taxpayers benefiting from the special regime; on deemed credit so that the effective rate is 3% on domestic and interstate operations with domestic products and on deemed credit of 2.5% on interstate operations with imported products or 4% on domestic operations with imported products, for an indefinite period.

(In thousands of reais)

- **Special Regime –** For the operation of Vulcabras SP (Extrema-MG Branch), we will have e-PTA-RE number: 45.000024132-05, which addresses the Special Regime incentive as follows: UNLINKED TTS/E-COMMERCE, which consists of adopting procedures for assigning responsibility for withholding and paying ICMS due as a tax replacement, granting ICMS deferral on imports and adopting a simplified tax bookkeeping and calculation system in the operations contracted within the scope of the electronic commerce or of telemarketing destined to the final consumer with ICMS deemed credit in the domestic operations of 12% for national products and 4% for imported products, and of 1.3% of effective rate in the interstate sales, for an indefinite period.

c. Additional incentives

TTS/WHOLESALERS and TTS/E-COMMERCE also include deferral of the payment of ICMS levied on the receipt of goods for the specific purpose of marketing, as a result of direct imports from abroad, for subsequent operations carried out by Vulcabras.

	Statement of Government grants		
Subsidiary	**State incentive**	**%**	**Maturity date**
Vulcabras CE, Calç. e Art. Esp. S.A.	Proade Calçados	99%	August 2031
Vulcabras CE, Calç. e Art. Esp. S.A.	Provin Confecções	75%	June 2022(*)
Vulcabras BA, Calç. e Art. Esp. S.A.	Probahia	99%	July 2027
Vulcabras Distr. Art. Esp. Ltda.	PCDM	75%	December 2027
Vulcabras Distr. Art. Esp. Ltda.	TTS/WHOLESALERS	Variable	Undetermined
Vulcabras SP, Comércio de Art. Esp. Ltda.	TTS/E-COMMERCE	Variable	Undetermined

(*) Vulcabras CE submitted a request to the State of Ceará to extend the benefit for another 10 years.

	Statement of Government grants		
Subsidiary	**Federal incentive**	**%**	**Maturity date**
Vulcabras CE, Calç. e Art. Esp. S.A.	IRPJ decrease	75%	December 2025
Vulcabras BA Calç. e Art. Esp. S.A.	IRPJ decrease	75%	December 2026

(In thousands of reais)

d. Consolidated

Considering that some subsidiaries of the Company recognized incentives directly in profit (loss), as a consequence, they were recognized in the Company's profit (loss) through the calculation of equity in net income of subsidiaries, whose effects are shown below:

ICMS			Equity in net income of subsidiaries in parent company	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% interest**	**03/31/2023**	**03/31/2022**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	27,615	99.99%	27,612	21,027
Vulcabras Distr. Art. Esp. Ltda.	4,596	100.00%	4,596	4
Vulcabras BA, Calçados e Artigos Esportivos S.A	18,948	100.00%	18,948	16,238
Vulcabras SP, Comércio de Art. Esp. Ltda.	4,614	100.00%	4,614	2,012
	55,773		**55,770**	**39,281**

Reintegra			Equity in net income of subsidiaries in parent company	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% interest**	**03/31/2023**	**03/31/2022**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	17	99.99%	17	30
Vulcabras BA, Calçados e Artigos Esportivos S.A.	17	100.00%	17	25
	34		**34**	**55**

IRPJ			Equity in net income of subsidiaries in parent company	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% interest**	**03/31/2023**	**03/31/2022**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	1,223	99.99%	1,223	1,305
Vulcabras BA, Calçados e Artigos Esportivos S.A.	141	100.00%	141	86
	1,364		**1,364**	**1,391**

(In thousands of reais)

31 Product and geographic area information

The information of net sales in the domestic and foreign markets, by region, was prepared based on the country of origin of the revenue, that is, based on the sales made by its subsidiaries in Brazil and through foreign subsidiaries.

The Group operates in the production and sale of synthetic shoes segment for the domestic and foreign markets.

Although the shoes are intended to serve different audiences and social classes, they are not controlled and managed by Management as independent segments, with the Company's results being followed, monitored and evaluated in an integrated manner.

Consolidated sales in the domestic and foreign markets and non-current assets are as follows:

	03/31/2023	**03/31/2022**
Net sales		
Athletic shoes	461,233	390,541
Other footwear and others	42,686	38,368
Apparel	67,199	48,841
	571,118	**477,750**
Domestic market	524,947	411,748
Foreign market	46,171	66,002
	571,118	**477,750**

The non-current assets of each geographic region are shown below:

	Consolidated	
	03/31/2023	**12/31/2022**
Non-current assets in the domestic and foreign markets as of		
Brazil	934,158	908,166
Other countries	20,483	19,483
Total	**954,641**	**927,649**

Composition of the Board of Directors

Pedro Grendene Bartelle
President

André de Camargo Bartelle
1st Vice-President

Pedro Bartelle
2nd Vice-President

Paulo Sérgio da Silva
Independent Board Member

Octávio Ferreira de Magalhães
Independent Board Member

Members of the Executive Board

Pedro Bartelle
President

Wagner Dantas da Silva
Administrative and Financial Director

Rafael Carqueijo Gouveia
Superintendent Director

Rodrigo Miceli Piazer
Supply Chain Director

Evandro Saluar Kollet
Corporate Director of Product Development and Technology

Márcio Kremer Callage
Marketing Director

Investor Relations Director

Wagner Dantas da Silva

Technical manager

Manoel Damião da Silveira Neto
Accountant CRC 1RJ052266/O-2 “S”-SP