

Interim Financial Information

Vulcabras S.A.

June 30, 2023

with Independent auditors' report on interim financial
information

Vulcabras S.A.

Interim financial information

June 30, 2023

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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 June 30, 2023, comprising the statement of financial position as of June 30, 2023 and the related statement of profit or loss and of comprehensive income for the three and six-month periods then ended, and of changes in equity and of cash flows for the six-month period 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 added value

The aforementioned quarterly information include the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 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), August 1st, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC SP-015199/O

Original report in Portuguese signed by
Francisco da Silva Pimentel
Accountant CRC 1SP-171230/O-7-T-PE

Vulcabras S.A.

(Publicly-held company)

Statements of financial position

As of June 30, 2023 and December 31, 2022

(In thousands of reais)

	Note	Consolidated		Parent Company			Note	Consolidated		Parent Company	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022			06/30/2023	12/31/2022	06/30/2023	12/31/2022
Assets						Liabilities					
Cash and cash equivalents	4	281.337	197.197	2.996	35.161	Suppliers	16	196.569	104.925	99	368
Interest earning bank deposits	5	1.553	4	4	4	Loans and financing	17	131.900	283.638	-	-
Trade accounts receivable	6	739.277	769.457	-	-	Lease liabilities	18	8.718	8.509	-	-
Inventories	7	728.172	567.831	-	-	Taxes payable		27.411	19.670	479	330
Recoverable taxes	8	85.557	18.685	620	582	Salaries and vacations payable		72.605	56.139	21	13
Income tax and social contribution	9a	18.082	13.859	1.132	1.331	Provisions	19	5.057	3.102	897	397
Other accounts receivable		14.543	26.074	31.948	6.141	Commissions payable		24.562	19.538	-	-
						Dividends and profits payable		5	20.734	5	20.734
						Other accounts payable		36.717	53.716	725	1.191
Total current assets		1.868.521	1.593.107	36.700	43.219	Total current liabilities		503.544	569.971	2.226	23.033
Interest earning bank deposits	5	11.739	8.942	2	1	Loans and financing	17	251.797	133.410	-	-
Trade accounts receivable	6	3.769	5.153	-	-	Borrowings with related parties	11	-	18.448	58.944	109.889
Recoverable taxes	8	116.356	193.504	1.881	1.831	Lease liabilities	18	9.994	12.059	-	-
Deferred income tax and social contribution	9b	13.533	13.591	301	301	Provisions	19	50.276	54.274	399	591
Judicial deposits	10	26.976	22.419	265	408	Deferred income tax and social contribution	9b	16.987	17.079	301	301
Goods for sale		194	194	-	-	Other accounts payable		3.265	3.681	-	-
Other accounts receivable		2.314	1.934	870	973						
Long-term assets		174.881	245.737	3.319	3.514	Total non-current liabilities		332.319	238.951	59.644	110.781
Investments	12	59.016	75.662	1.915.583	1.798.458	Shareholders' equity					
Investment property		3	4	-	-	Capital	20	1.108.354	1.106.717	1.108.354	1.106.717
Right-of-use	18	15.989	18.119	-	-	Capital reserves	20	(4.188)	(1.472)	(4.188)	(1.472)
Property, plant and equipment	13	403.123	379.031	-	-	Revaluation reserves	20	4.097	4.175	4.097	4.175
Intangible assets	14	208.485	209.096	111	111	Equity valuation adjustments	20	23.601	25.974	23.601	25.974
						Profit reserve	20	576.094	576.094	576.094	576.094
						Retained earnings		185.885	-	185.885	-
						Shareholders' equity attributable to controlling shareholders		1.893.843	1.711.488	1.893.843	1.711.488
						Non-controlling interest		312	346	-	-
Total non-current assets		861.497	927.649	1.919.013	1.802.083	Total shareholders' equity		1.894.155	1.711.834	1.893.843	1.711.488
						Total liabilities		835.863	808.922	61.870	133.814
Total assets		2.730.018	2.520.756	1.955.713	1.845.302	Total liabilities and shareholders' equity		2.730.018	2.520.756	1.955.713	1.845.302

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of profit or loss

June 30, 2023 and 2022

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

	Consolidated		Consolidated		Parent Company		Parent Company		
	Note	06/30/2023	06/30/2022	04/01/2023-06/30/2023	04/01/2022-06/30/2022	06/30/2023	06/30/2022	04/01/2023-06/30/2023	04/01/2022-06/30/2022
Continued operation									
Net sales	21	1.295.038	1.134.558	723.920	656.808	-	-	-	-
Cost of sales and resales	22	<u>(770.043)</u>	<u>(730.249)</u>	<u>(424.284)</u>	<u>(420.640)</u>	-	-	-	-
Gross income		524.995	404.309	299.636	236.168	-	-	-	-
Sales expenses	23	(220.598)	(174.698)	(120.726)	(97.759)	-	-	-	-
Reversal (provision) for expected losses for allowance for doubtful accounts	23	(1.392)	(4.164)	1.792	(1.971)	-	-	-	-
Administrative expenses	24	(71.334)	(58.698)	(38.949)	(32.088)	(3.098)	(1.855)	(2.693)	(1.717)
Other operating revenues, net	25	3.584	9.904	1.889	7.945	5.217	2.589	3.622	1.397
Equity in net income of subsidiaries	12b	<u>2.873</u>	<u>1.422</u>	<u>1.261</u>	<u>1.422</u>	<u>219.496</u>	<u>161.785</u>	<u>135.838</u>	<u>106.726</u>
Income before net financial expenses and revenues and taxes		238.128	178.075	144.903	113.717	221.615	162.519	136.767	106.406
Financial revenues		47.418	30.192	26.843	18.548	6.442	6.393	5.107	3.499
Financial expenses		<u>(46.401)</u>	<u>(48.150)</u>	<u>(23.678)</u>	<u>(26.832)</u>	<u>(4.279)</u>	<u>(11.190)</u>	<u>(1.804)</u>	<u>(6.162)</u>
Financial revenues and expenses, net	26	1.017	(17.958)	3.165	(8.284)	2.163	(4.797)	3.303	(2.663)
Income before income taxes		239.145	160.117	148.068	105.433	223.778	157.722	140.070	103.743
Current income tax and social contribution	9c	<u>(16.564)</u>	<u>(2.378)</u>	<u>(9.117)</u>	<u>(1.675)</u>	<u>(1.187)</u>	-	<u>(1.119)</u>	-
Net income for the period		222.581	157.739	138.951	103.758	222.591	157.722	138.951	103.743
Income attributable to:									
Controlling shareholders		222.591	157.722	138.951	103.743	222.591	157.722	138.951	103.743
Non-controlling shareholders		<u>(10)</u>	<u>17</u>	-	<u>15</u>	-	-	-	-
Net income for the period		222.581	157.739	138.951	103.758	222.591	157.722	138.951	103.743
Earnings per share									
Earnings per common share - basic	27					<u>0,9074</u>	<u>0,6418</u>	<u>0,5664</u>	<u>0,4221</u>
Earnings per common share - diluted	27					<u>0,9039</u>	<u>0,6405</u>	<u>0,5642</u>	<u>0,4213</u>
Number of shares at the end of the period									
Outstanding common shares						<u>245.320.501</u>	<u>245.756.244</u>	<u>245.320.501</u>	<u>245.756.244</u>
Outstanding common shares with a dilution effect						<u>246.269.003</u>	<u>246.235.847</u>	<u>246.269.003</u>	<u>246.235.847</u>

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of comprehensive income

June 30, 2023 and 2022

(In thousands of reais)

	Consolidated		Consolidated		Parent Company		Parent Company	
	06/30/2023	06/30/2022	04/01/2023–06/30/2023	04/01/2022–06/30/2022	06/30/2023	06/30/2022	04/01/2023–06/30/2023	04/01/2022–06/30/2022
Income for the period	222.581	157.739	138.951	103.758	222.591	157.722	138.951	103.743
Other comprehensive income - OCI	(2.373)	(1.889)	(1.178)	1.819	(2.373)	(1.889)	(1.178)	1.819
Items that can be subsequently reclassified to income (loss)								
Exchange differences from translation of foreign operations	(2.399)	(1.889)	(1.216)	1.831	(2.399)	(1.889)	(1.216)	1.831
Financial assets at fair value through other comprehensive income	26	-	38	(12)	26	-	38	(12)
Total comprehensive income	220.208	155.850	137.773	105.577	220.218	155.833	137.773	105.562
Comprehensive income attributable to:								
Controlling shareholders	220.218	155.833	137.773	105.562	220.218	155.833	137.773	105.562
Non-controlling shareholders	(10)	17	-	15	-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of changes in equity

June 30, 2023 and 2022

(In thousands of reais)

	Consolidated										
	Parent Company									Non-controlling interest	Total shareholders' equity
	Capital reserves			Other comprehensive income	Profit reserves			Total			
Capital	Capital reserves and treasury shares	Reflected revaluation reserve in subsidiaries	Equity valuation adjustment		Legal reserve	Unrealized profit reserve	Statutory reserve		Retained earnings		
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	-	-	(120)	-	-	-	-	120	-	-	-
Transaction with share-based payments	-	(766)	-	-	-	-	-	-	(766)	-	(766)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Exchange differences from translation of foreign operations	-	-	-	(1.889)	-	-	-	-	(1.889)	(22)	(1.911)
Net income for the period	-	-	-	-	-	-	-	157.722	157.722	17	157.739
Balances at June 30, 2022	1.106.717	3.965	4.290	20.855	15.692	201.927	-	157.842	1.511.288	336	1.511.624
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	-	-	(78)	-	-	-	-	78	-	-	-
Transaction with share-based payments	-	(318)	-	-	-	-	-	-	(318)	-	(318)
Treasury shares acquired	-	(2.398)	-	-	-	-	-	-	(2.398)	-	(2.398)
Capital increase (Note 20.a)	1.637	-	-	-	-	-	-	-	1.637	-	1.637
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Exchange differences from translation of foreign operations	-	-	-	(2.399)	-	-	-	-	(2.399)	(24)	(2.423)
Financial assets at fair value through other comprehensive income	-	-	-	26	-	-	-	26	-	-	26
Distribution of dividends	-	-	-	-	-	-	-	(36.784)	(36.784)	-	(36.784)
Net income for the period	-	-	-	-	-	-	-	222.591	222.591	(10)	222.581
Balances at June 30, 2023	1.108.354	(4.188)	4.097	23.601	39.187	-	536.907	185.885	1.893.843	312	1.894.155

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.
(Publicly-held company)

Statements of cash flows

June 30, 2023 and 2022

(In thousands of reais)

	Note	Consolidated		Parent Company	
		06/30/2023	06/30/2022	06/30/2023	06/30/2022
Cash flow from operating activities					
Net income for the period		222.581	157.739	222.591	157.722
Adjustments for:					
Depreciation and amortization		48.290	38.862	-	-
Provision (reversal) for impairment losses of inventories	7b	12.957	1.975	-	-
Interest on provisioned leases	18	2.534	2.084	-	-
Net value of written off tangible and intangible assets		2.691	6.073	-	-
Yields from interest earning bank deposits		(840)	(492)	-	-
Provision for contingencies	19	3.363	2.587	508	268
Equity in net income of subsidiaries	12	(2.873)	(1.422)	(219.496)	(161.785)
Transaction with share-based payments	20c	(318)	(766)	(318)	(766)
Provision for expected losses for allowance for doubtful accounts	6d	1.392	4.164	-	-
Recovery of PIS and COFINS on ICMS		(6.174)	(2.573)	-	-
Undue tax payment - SELIC		-	(8.792)	-	-
Financial charges and exchange-rate change recognized in income (loss)		20.213	19.025	-	-
Current income tax and social contribution	9c	16.564	2.378	1.187	-
Non-controlling interest		10	(17)	-	-
		320.390	220.825	4.472	(4.561)
Changes in assets and liabilities					
Trade accounts receivable		26.956	(78.401)	-	-
Inventories		(173.298)	(92.417)	-	-
Recoverable taxes		12.227	12.809	111	(22)
Deferred taxes	9b	-	(46)	-	-
Amounts receivable for disposal of operation		905	1.720	-	-
Other accounts receivable		11.151	2.804	(25.704)	654
Judicial deposits		(4.003)	(1.605)	143	6
Suppliers		96.488	65.774	(269)	(1.495)
Commissions payable		5.024	3.809	-	-
Taxes payable		5.110	4.594	(1.038)	20
Salaries and vacations payable		16.466	16.333	8	-
Other accounts payable		(17.449)	2.574	(466)	171
Provisions		(5.960)	(1.954)	(200)	(20)
Cash from (used in) operating activities		294.007	156.819	(22.943)	(5.247)
Interest paid	17d	(24.180)	(23.399)	-	-
Payment of lease interest	17d	(1.062)	(1.123)	-	-
Income taxes paid		(13.311)	(7.769)	-	-
		(38.553)	(32.291)	-	-
Net cash flow from (used in) operating activities		255.454	124.528	(22.943)	(5.247)
Cash flow from investing activities					
Acquisitions of property, plant and equipment (*)	13	(68.306)	(69.671)	-	-
Redemption (investment) of interest earning bank deposits		(3.506)	111	(1)	1
Funds from disposal of property, plant and equipment		596	453	-	-
Acquisitions of intangible assets	14	(772)	(1.358)	-	-
Dividends received		1.401	-	-	-
Decrease (increase) in investee's interest	12b	-	-	99.998	(5)
Net cash flow from (used in) investment activities		(70.587)	(70.465)	99.997	(4)
Cash flow from financing activities					
Loans obtained - Principal	17d	165.600	153.831	-	-
Payment of loans obtained - Principal	17d	(202.047)	(212.329)	-	-
Receipt (payments) of loans with related parties	17d	-	-	(50.945)	6.027
Acquisition of treasury shares		(2.398)	-	(2.398)	-
Dividends and interest on own capital paid	17d	(57.513)	(4)	(57.513)	(4)
Capital increase		1.637	-	1.637	-
Payment of lease liabilities	17d	(6.328)	(5.595)	-	-
Net cash flow from (used in) financing activities		(101.049)	(64.097)	(109.219)	6.023
Increase (decrease) in cash and cash equivalents		83.818	(10.034)	(32.165)	772
Cash and cash equivalents at the beginning of the period		197.197	114.635	35.161	33
Effect of exchange-rate changes on cash and cash equivalents		322	1.052	-	-
Cash and cash equivalents at the end of the period		281.337	105.653	2.996	805
Increase (decrease) in cash and cash equivalents		83.818	(10.034)	(32.165)	772

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of added value

June 30, 2023 and 2022

(In thousands of reais)

	Consolidated		Parent Company	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Revenues	1.460.569	1.286.207	2.429	595
Sale of goods, products and services	1.455.390	1.276.136	-	-
Other revenues and expenses	6.571	14.235	2.429	595
Expected losses for allowance for doubtful accounts	(1.392)	(4.164)	-	-
Inputs acquired from third parties	(648.367)	(605.271)	(2.162)	(1.438)
Raw material used	(298.552)	(288.565)	-	-
Cost of products and goods sold and services rendered	(183.597)	(185.308)	-	-
Materials, energy, outsourced services and other	(166.218)	(131.306)	(2.162)	(1.438)
Loss/recovery of asset values	-	(92)	-	-
Gross added value	812.202	680.936	267	(843)
Retentions	(48.290)	(38.862)	-	-
Depreciation and amortization	(48.290)	(38.862)	-	-
Net added value generated by the Company	763.912	642.074	267	(843)
Added value received as transfer	54.584	35.296	229.459	171.067
Equity in net income of subsidiaries	2.873	1.422	219.496	161.785
Financial revenues	47.418	30.192	6.443	6.393
Other	4.293	3.682	3.520	2.889
Total added value to be distributed	818.496	677.370	229.726	170.224
Distribution of added value	818.496	677.370	229.726	170.224
Personnel	349.880	307.682	441	335
Direct remuneration	231.301	206.260	-	-
Benefits	43.561	38.414	-	-
FGTS	17.292	15.015	-	-
Sales commissions	53.404	40.809	-	-
Directors' fees	4.322	7.184	441	335
Taxes, duties and contributions	200.327	165.363	2.423	977
Federal	175.288	128.565	2.276	823
State	24.672	36.447	-	-
Municipal	367	351	147	154
Third-party capital remuneration	45.708	46.586	4.271	11.190
Interest	43.965	45.086	4.271	11.189
Rentals	1.747	1.500	-	-
Other	(4)	-	-	1
Remuneration of own capital	222.581	157.739	222.591	157.722
Dividends	36.784	-	36.784	-
Retained earnings	185.807	157.722	185.807	157.722
Non-controlling interest	(10)	17	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A. and Consolidated

Notes to the interim financial information

Period ended June 30, 2023

(In thousands of reais)

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.

Vulcabras S.A. and Consolidated

Notes to the interim financial information
 Period ended June 30, 2023
 (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:

	Country	% Direct interest		% Indirect interest		% Total interest	
		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

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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 Jundiá - 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.

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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 issue of this individual and consolidated interim financial information was given by the Board of Directors on August 1st, 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.

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b. Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates as of June 30, 2023 that pose a high risk of resulting in a material adjustment in book balances of assets and liabilities in the next fiscal year are 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 provision 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).

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4 Cash and cash equivalents

	Consolidated		Parent Company	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Current account	6,659	10,587	3	4
Floating rate CDB (Invest Fácil)	9,331	10,803	9	21
Floating-rate CDBs	263,190	172,519	2,984	35,136
Cash and cash equivalents abroad	2,157	3,288	-	-
	281,337	197,197	2,996	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 June 30, 2023 (5% to 10% of the CDI as of December 31, 2022).

Floating-rate CDBs (Bank Deposit Certificate) are remunerated from 101.0% to 104.50% of CDI as of June 30, 2023 (from 101.0% to 102.75% of CDI as of December 31, 2022). See Note 28 on credit risk exposure.

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5 Interest earning bank deposits

	Consolidated		Parent Company	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Interest earning bank deposits - Domestic:				
Floating-rate CDBs	1,553	2,257	4	4
Investment funds – fixed income	11,295	6,271	2	1
Share investment funds	444	418	-	-
	13,292	8,946	6	5
Current	1,553	4	4	4
Non-current	11,739	8,942	2	1

Floating-rate CDBs (Bank Deposit Certificate) are remunerated at 98.0% of CDI as of June 30, 2023 (98.0% of CDI as of December 31, 2022).

Investments in fixed income investment funds in the amount of R\$ 11,295 (R\$ 6,271 as of December 31, 2022) yield 93% of the CDI as of June 30, 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\$ 444 (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	
	06/30/2023	12/31/2022
Accounts receivable		
Domestic:		
Clients	719,928	751,487
Abroad:		
Clients	67,990	66,369
Subtotal trade accounts receivable	787,918	817,856
Impairment losses	(44,872)	(43,246)
Total trade accounts receivable, net	743,046	774,610
Current	739,277	769,457
Non-current	3,769	5,153

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b. Per maturity

	<u>Consolidated</u>	
	<u>06/30/2023</u>	<u>12/31/2022</u>
Falling due (days):		
01-30	168,138	250,939
31-60	223,057	222,261
61-90	182,292	179,538
>90	<u>167,726</u>	<u>115,494</u>
	<u>741,213</u>	<u>768,232</u>
Overdue (days):		
01-30	3,625	13,977
31-60	643	682
61-90	523	368
>90	<u>41,914</u>	<u>34,597</u>
	<u>46,705</u>	<u>49,624</u>
	<u>787,918</u>	<u>817,856</u>

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 June 30, 2023 is R\$ 44,872 (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.

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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 June 30, 2023 and December 31, 2022 are as follows:

	<u>Consolidated</u>	
	<u>06/30/2023</u>	<u>12/31/2022</u>
Opening balance	(43,246)	(35,074)
Complement of provision	(7,438)	(16,403)
Write-offs	671	3,377
Recovery of provision	5,141	4,854
Closing balance	<u>(44,872)</u>	<u>(43,246)</u>

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 10%. Thus, at the end of the period as of June 30, 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.

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7 Inventories

	Consolidated	
	06/30/2023	12/31/2022
Finished goods	196,408	117,538
Good for resale	242,252	185,895
Work in progress	55,608	54,830
Raw material	137,635	135,236
Packaging and storeroom materials	27,963	26,176
Goods in transit	55,433	26,637
Imports in progress	10,779	19,425
Other	2,094	2,094
	<u>728,172</u>	<u>567,831</u>

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 June 30, 2023, the provision for losses for finished products and resales is R\$ 8,530 (R\$ 10,744 as of December 31, 2022), the provision for losses on raw materials is R\$ 35,275 (R\$ 25,746 as of December 31, 2022) and the provision for losses for work in process is R\$ 3,357 (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\$ 583,499 as of June 30, 2023 (R\$ 553,873 as of June 30, 2022).

b. Changes in provision (impairment)

Changes in provision for losses in the realization of inventory for the period ended June 30, 2023 and year ended December 31, 2022 are shown below:

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	<u>Consolidated</u>	
	06/30/2023	12/31/2022
Opening balance	(39,765)	(28,524)
Net additions/reversals for the period	(12,957)	(26,372)
Write-offs	<u>5,560</u>	<u>15,131</u>
Closing balance	<u>(47,162)</u>	<u>(39,765)</u>

8 Recoverable taxes

	<u>Consolidated</u>		<u>Parent Company</u>	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
ICMS	5,099	4,315	20	20
IPI	1,676	1,175	-	-
PIS/COFINS	180,962	192,405	-	-
FINSOCIAL	2,436	2,385	1,881	1,831
Reintegra	418	610	-	-
Undue tax payments (a)	8,792	8,792	-	-
Other	<u>2,530</u>	<u>2,507</u>	<u>600</u>	<u>562</u>
	<u>201,913</u>	<u>212,189</u>	<u>2,501</u>	<u>2,413</u>
Current	85,557	18,685	620	582
Non-current	116,356	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

	<u>Consolidated</u>		<u>Parent Company</u>	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Income tax - prepayment	<u>18,082</u>	<u>13,859</u>	<u>1,132</u>	<u>1,331</u>
	<u>18,082</u>	<u>13,859</u>	<u>1,132</u>	<u>1,331</u>

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b. Deferred income tax and social contribution on temporary differences

	<u>Consolidated</u>	
	06/30/2023	12/31/2022
Temporary differences for the period		
Revaluation of property, plant and equipment	(2,111)	(2,151)
Provisions	(1,660)	(1,659)
Deferred income tax - foreign subsidiary	<u>317</u>	<u>322</u>
Deferred income tax and social contribution on temporary differences	(3,454)	(3,488)
Total deferred income tax and social contribution in assets	13,533	13,591
Total deferred income and social contribution tax liabilities	(16,987)	(17,079)

c. Current and deferred income tax and social contribution

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

	<u>Consolidated</u>	
	06/30/2023	06/30/2022
Current income tax and social contribution	(16,564)	(2,378)
	<u>(16,564)</u>	<u>(2,378)</u>

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d. Reconciliation of effective tax rate

	<u>Consolidated</u>	
	<u>IRPJ / CSLL</u>	
	<u>06/30/2023</u>	<u>06/30/2022</u>
Income before income tax and social contribution	239,145	160,117
Income tax and social contribution at a rate of 34%	81,309	54,440
Non-deductible expenses	1,522	1,338
Tax incentives – state (a)	(43,838)	(31,892)
IRPJ incentive (a)	(12,719)	(8,612)
Incentive to technological innovation	(5,267)	(3,291)
Offset of tax loss and negative basis	(11,695)	(2,835)
Other additions / exclusions	-	1,092
Non-taxable revenues	-	(5,378)
Adjustment of tax overpayments	(2,074)	(2,666)
Other	<u>9,326</u>	<u>182</u>
Expense with income tax and social contribution	<u>16,564</u>	<u>2,378</u>
Current	16,564	2,378
Effective rate (b)	6.93%	1.49%

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

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

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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 June 30, 2023 and December 31, 2022, the Company and its subsidiaries had tax losses to be utilized for offset, related to the following base amounts:

	06/30/2023							
	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 June 30, 2023	<u>246,482</u>	<u>592,231</u>	<u>60,138</u>	<u>400,626</u>	<u>7,336</u>	<u>39,269</u>	<u>147,740</u>	<u>1,493,822</u>
Negative basis of social contribution as of June 30, 2023	<u>1,088,829</u>	<u>604,290</u>	<u>61,751</u>	<u>401,130</u>	<u>7,584</u>	<u>39,269</u>	<u>149,854</u>	<u>2,352,707</u>
	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	<u>262,862</u>	<u>602,406</u>	<u>70,474</u>	<u>377,313</u>	<u>4,867</u>	<u>39,268</u>	<u>149,157</u>	<u>1,506,347</u>
Negative basis of social contribution as of December 31, 2022	<u>1,102,811</u>	<u>614,428</u>	<u>70,610</u>	<u>377,817</u>	<u>5,115</u>	<u>39,268</u>	<u>151,272</u>	<u>2,361,321</u>

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.

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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	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Judicial deposits				
Civil	54	43	-	-
Labor	12,356	13,044	265	285
Tax	14,566	9,332	-	123
Total	26,976	22,419	265	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 June 30, 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.

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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	06/30/2023	12/31/2022
Liabilities				
Loan with subsidiaries (*)	-	58,944	58,944	109,889
			06/30/2023	06/30/2022
Income (loss)				
Financial income (loss)	(641)	(3,597)	(4,238)	(4,822)

(*) 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.

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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	Calçados Azaleia Peru.	Vulcabras SP	Vulcabras Distribuidora	Vulcabras BA	06/30/2023	12/31/2022
Assets							
Accounts receivable	7,889	1,248	116,574	-	282	125,993	96,554
Other receivables	101	-	420	3,377	4,363	8,261	8,793
Liabilities							
Accounts payable	-	-	-	319	14,871	15,190	1,395
Other debts	-	-	-	-	-	-	495
Income (loss)						06/30/2023	06/30/2022
Intercompany sale	2,698	1,411	65,906	1,171	12,603	83,789	32,180
Intercompany purchase	-	-	-	(4,128)	(14,213)	(18,341)	(18,600)
Financial income (loss)	-	-	-	-	-	-	49

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.

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d. Management remuneration

At the Annual Shareholders' Meeting held on April 25, 2023, the Company established the annual overall remuneration of the Administrators at up to R\$ 19,009. In the period ended June 30, 2023, the Company paid remuneration to its Administrators in the amount of R\$ 7,759 (R\$ 7,184 on June 30, 2022).

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

As of June 30, 2023 and December 31, 2022, the Company and its subsidiaries, despite recording provision 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.

12 Investments

a. Breakdown of balances

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>06/30/2023</u>	<u>12/31/2022</u>	<u>06/30/2023</u>	<u>12/31/2022</u>
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,915,583	1,798,458
In associated companies (a)	50,963	68,090	-	-
Other investments (b)	<u>8,053</u>	<u>7,572</u>	<u>-</u>	<u>-</u>
Total	<u>59,016</u>	<u>75,662</u>	<u>1,915,583</u>	<u>1,798,458</u>

- (a) The subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. holds an interest of 50% as of June 30, 2023 (50% as of December 31, 2022) in the investee PARS Participações Ltda., which holds 100% as of June 30, 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 Mizaél Holding S.A.

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b. Changes in investments

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>06/30/2023</u>	<u>12/31/2022</u>	<u>06/30/2023</u>	<u>12/31/2022</u>
Opening balances	75,662	69,408	1,798,458	1,439,770
Equity in net income of subsidiaries	2,873	5,298	219,496	473,848
Exchange differences from translation of foreign operations	-	-	(2,399)	2,873
Acquisition/increase in investment (Note 12a)	481	1,090	-	52
Dividends received (b)	(20,000)	(134)	-	-
Capital decrease (a)	-	-	(100,000)	(118,447)
Financial assets at fair value through other comprehensive income	-	-	26	357
Increase in investee's interest	-	-	2	5
Closing balances	<u>59,016</u>	<u>75,662</u>	<u>1,915,583</u>	<u>1,798,458</u>

- (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.
- (b) On June 28, 2023, the Company received R\$ 20,000 as payment of dividends from its investee PARS Participações Ltda.

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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	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Total assets	2,467,773	2,278,494	442,287	346,839	-	-	2,094	2,094	-	-
Total liabilities	554,463	482,265	308,556	243,803	-	-	-	-	-	-
Capital	972,445	1,072,445	94,018	94,018	-	-	2,094	2,094	-	-
Net revenue	687,195	1,349,322	243,616	418,329	-	-	-	-	-	-
Income (loss) for the period	219,454	473,818	30,696	24,223	-	(83)	-	-	-	-
Number of shares or quotas held (thousand shares/quotas)	537,467	537,467	131	131	-	-	2,094	2,094	-	-
Shareholders' equity	1,913,310	1,796,229	133,731	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	1,913,302	1,796,220	187	144	-	-	2,094	2,094	1,915,583	1,798,458
Equity in net income of subsidiaries	219,453	473,815	43	34	-	(1)	-	-	219,496	473,848

d. Information on indirect interest

As of June 30, 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.:

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

	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. (*)	Calçados Azaleia Peru S.A.	PARS Participações Ltda.	
06/30/2023								
Total assets	442,287	206,915	715,573	14,540	545	51,452	141,926	
Total liabilities	308,556	243,634	105,085	19,452	13,761	18,311	1	
Capital	94,018	402,995	365,403	3,621	26,207	1,072	36,116	
Shareholders' equity	133,731	(36,719)	610,488	(4,912)	(13,216)	33,141	141,925	
Net revenue	243,616	114,361	364,967	8,938	-	29,218	-	
Income (loss) for the period	30,696	(15,069)	74,172	(2,904)	1	(1,410)	5,746	
Interest in capital	99.86%	100.00%	100.00%	100.00%	100.00%	99.11%	50.00%	
	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. (*)	Calçados Azaleia Peru S.A.	PARS Participações Ltda.
12/31/2022								
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

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13 Property, plant and equipment

a. Breakdown of account

June 30, 2023	Average rate of depreciation % p.a.	Consolidated					
		06/30/2023			12/31/2022		
		Cost	Depreciation	Net	Cost	Depreciation	Net
Buildings	2-4	155,671	(96,831)	58,840	156,354	(94,888)	61,466
Machinery and equipment	10	471,027	(284,794)	186,233	437,061	(280,468)	156,593
Molds	100	304,367	(280,100)	24,267	288,976	(269,910)	19,066
Furniture and fixtures	10-20	45,620	(26,794)	18,826	43,272	(25,863)	17,409
Vehicles	20	2,363	(1,976)	387	2,393	(1,940)	453
IT equipment	20-25	39,986	(28,916)	11,070	38,882	(27,474)	11,408
Land	-	3,730	-	3,730	3,730	-	3,730
Molds in progress	-	-	-	-	823	-	823
Works in progress	-	14,671	-	14,671	3,180	-	3,180
Facilities	10	164,342	(87,307)	77,035	157,697	(81,615)	76,082
Leasehold improvements	10-20	4,985	(2,025)	2,960	4,606	(1,549)	3,057
Imports in progress	-	5,104	-	5,104	25,763	-	25,763
Leasehold Improvements	20	1,671	(1,671)	-	1,671	(1,671)	-
Other	10-20	26	(26)	-	26	(25)	1
		1,213,563	(810,440)	403,123	1,164,434	(785,403)	379,031

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b. Changes in cost

	Consolidated										
	01/01/2022		12/31/2022				06/30/2023				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
June 30, 2023											
Buildings	131,113	1,001	(68)	24,901	(593)	156,354	43	-	-	(726)	155,671
Machinery and equipment	395,160	24,076	(20,306)	38,131	-	437,061	17,150	(8,678)	25,494	-	471,027
Molds	278,863	34,806	(24,693)	-	-	288,976	24,469	(9,900)	823	(1)	304,367
Furniture and fixtures	40,777	6,294	(3,360)	-	(439)	43,272	2,907	(40)	-	(519)	45,620
Vehicles	2,241	287	(111)	-	(24)	2,393	12	-	-	(42)	2,363
IT equipment	32,775	6,490	(65)	-	(318)	38,882	1,521	(33)	-	(384)	39,986
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	11,510	(18)	-	(1)	14,671
Facilities	135,563	22,144	(10)	-	-	157,697	6,652	(7)	-	-	164,342
Leasehold improvements	4,586	20	-	-	-	4,606	378	-	-	1	4,985
Imports in progress	29,249	38,912	(4,267)	(38,131)	-	25,763	4,835	-	(25,494)	-	5,104
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	69,477	(18,676)	-	(1,672)	1,213,563

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c. Changes in depreciation

	Consolidated								
	01/01/2022	12/31/2022			06/30/2023				
June 30, 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)	(2,156)	-	213	(96,831)
Machinery and equipment	(279,326)	(20,023)	18,881	-	(280,468)	(12,206)	7,880	-	(284,794)
Molds	(262,565)	(29,317)	21,972	-	(269,910)	(17,671)	7,481	-	(280,100)
Furniture and fixtures	(27,285)	(2,164)	3,324	262	(25,863)	(1,291)	21	339	(26,794)
Vehicles	(1,953)	(108)	96	25	(1,940)	(61)	-	25	(1,976)
IT equipment	(25,000)	(2,741)	58	209	(27,474)	(1,710)	6	262	(28,916)
Facilities	(71,758)	(9,860)	3	-	(81,615)	(5,693)	1	-	(87,307)
Leasehold improvements	(603)	(946)	-	-	(1,549)	(476)	-	-	(2,025)
Leasehold improvements	(996)	(675)	-	-	(1,671)	-	-	-	(1,671)
Other	(27)	(1)	3	-	(25)	(1)	-	-	(26)
	(760,734)	(69,659)	44,337	653	(785,403)	(41,265)	15,389	839	(810,440)

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.

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14 Intangible assets

a. Breakdown of account

		Consolidated					
		06/30/2023			12/31/2022		
June 30, 2023	Useful life	Cost	Amortization	Net	Cost	Amortization	Net
Defined useful life							
Software	5 years	44,511	(37,837)	6,674	43,899	(36,626)	7,273
Assignment of right	Contractual period	497	(432)	65	533	(456)	77
Undefined useful life							
Trademarks and patents		2,068	-	2,068	2,068	-	2,068
Goodwill		1,464	-	1,464	1,464	-	1,464
Goodwill		198,214	-	198,214	198,214	-	198,214
		246,754	(38,269)	208,485	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).

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b. Changes in cost

June 30, 2023	Useful life	Amortization methods	Balance at 01/01/2023	Consolidated			Balance at 06/30/2023
				Additions	Translation adjustment		
Defined useful life							
Software	5 years	Straight-line	43,899	772	(160)		44,511
Assignment of right	Contractual period	Straight-line	533	-	(36)		497
Undefined useful life							
Trademarks and patents			2,068	-	-		2,068
Goodwill			1,464	-	-		1,464
Goodwill			198,214	-	-		198,214
Total			246,178	772	(196)		246,754

December 31, 2022	Useful life	Amortization methods	Balance at 01/01/2022	Consolidated			Balance at 12/31/2022
				Additions	Write-offs	Translation adjustment	
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
Undefined useful life							
Trademarks and patents			2,068	-	-	-	2,068
Goodwill			1,464	-	-	-	1,464
Goodwill			198,214	-	-	-	198,214
Total			243,828	2,537	(66)	(121)	246,178

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c. Changes in amortization

			<u>Consolidated</u>			
June 30, 2023	Useful life	Amortization methods	Balance at 01/01/2023	Additions	Translation adjustment	Balance at 06/30/2023
Defined useful life						
Software	5 years	Straight-line	(36,626)	(1,287)	76	(37,837)
Assignment of right	Contract Term	Straight-line	(456)	(6)	30	(432)
Total			<u>(37,082)</u>	<u>(1,293)</u>	<u>106</u>	<u>(38,269)</u>

			<u>Consolidated</u>			
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			<u>(34,742)</u>	<u>(2,422)</u>	<u>82</u>	<u>(37,082)</u>

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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 June 30, 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 June 30, 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.

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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.

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16 Suppliers

a. Breakdown of account

	Consolidated		Parent Company	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Suppliers				
Domestic	100,572	64,559	99	368
Foreign	95,997	40,366	-	-
	196,569	104,925	99	368

b. Per maturity

	Consolidated	
	06/30/2023	12/31/2022
Falling due (days):		
01-30	134,995	77,442
31-60	52,819	22,822
61-90	6,610	3,542
>90	2,110	270
	196,534	104,076
Overdue (days):		
01-30	32	845
61-90	-	1
>90	3	3
	35	849
	196,569	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 41 days as of June 30, 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.

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17 Loans and financing

a. Breakdown of account

	Interest rate 2023	Interest rate 2022	Consolidated	
			06/30/2023	12/31/2022
Domestic currency				
Property, plant and equipment	IPCA + 2.04–4.98% p.a. / Fixed rate 10.22% p.a.	IPCA + 2.04% p.a. / Fixed rate 10.22% p.a.	75,457	68,929
Tax incentive	TJLP	TJLP	3,667	3,145
Working capital	CDI + 1.28–1.80% p.a. / TLP +1.90% p.a. / Fixed rate 12.61% p.a.	IPCA + 2.07% p.a. / CDI + 1.28–1.70% p.a. / TLP +1.90% p.a. / Fixed rate 11.44% p.a.	302,510	341,178
			381,634	413,252
Foreign currency				
Working capital	Fixed rate 1.18–6.09% p.a.	Fixed rate 1.18–6.09% p.a.	2,063	3,796
			2,063	3,796
Total financing and loans			383,697	417,048
Current			131,900	283,638
Non-current			251,797	133,410

As of June 30, 2023 and December 31, 2022, the installments relating to the balance of loans and financing had the following maturities:

Maturity	06/30/2023		12/31/2022	
	Amount	%	Amount	%
Current	131,900	34%	283,638	68%
2023	123,111	32%	283,638	68%
2024	58,395	16%	94,257	22%
2025	169,141	44%	17,141	4%
2026	14,047	4%	11,466	2%
2027	4,703	1%	2,751	1%
2028	4,703	1%	2,751	1%
2029	4,703	1%	2,751	1%
2030	4,244	1%	2,293	1%
2031	650	0%	-	0%
Non-current	251,797	66%	133,410	32%
Total	383,697	100%	417,048	100%

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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

	<u>Liabilities</u>					Total
	Loans and financing	Lease liabilities	Dividends and profits payable	Treasury shares	Capital	
Balance at January 1, 2023	417,048	20,568	20,734	(6,119)	1,106,717	1,558,948
Changes in cash flow from financing						
Loans obtained – Principal	165,600	-	-	-	-	165,600
Payment of financial lease liabilities	-	(6,328)	-	-	-	(6,328)
Capital increase	-	-	-	-	1,637	1,637
Acquisition of treasury shares	-	-	-	(2,398)	-	(2,398)
Dividends and interest on own capital paid	-	-	(57,513)	-	-	(57,513)
Payment of loans obtained - Principal	(202,047)	-	-	-	-	(202,047)
Total changes in financing cash flows	(36,447)	(6,328)	(57,513)	(2,398)	1,637	(101,049)
Other changes related to liabilities						
Interest paid	(24,180)	(1,062)	-	-	-	(25,242)
Interim dividend distribution	-	-	36,784	-	-	36,784
Proade Additions (with no cash effect)	622	-	-	-	-	622
Contract additions / readjustments	-	3,381	-	-	-	3,381
Accrued interest	-	2,534	-	-	-	2,534
Write-off of leases	-	(381)	-	-	-	(381)
Financial charges recognized in profit or loss	26,654	-	-	-	-	26,654
Total other changes related to liabilities	3,096	4,472	36,784	-	-	44,352
Balance at June 30, 2023	383,697	18,712	5	(8,517)	1,108,354	1,502,251

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	Consolidated				Total
	Liabilities				
	Loans and financing	Loans with related parties	Lease liabilities	Dividends and profits payable	
Balance at January 1, 2022	361,250	18,041	19,779	4	399,074
Changes in cash flow from financing					
Loans obtained - Principal	153,831	-	-	-	153,831
Payment of financial lease liabilities	-	-	(5,595)	-	(5,595)
Dividends and interest on own capital paid	-	-	-	(4)	(4)
Payment of loans obtained – Principal	(212,329)	-	-	-	(212,329)
Total changes in financing cash flows	(58,498)	-	(5,595)	(4)	(64,097)
Other changes related to liabilities					
Interest paid	(23,399)	201	(1,123)	-	(24,321)
Proade Additions (with no cash effect)	469	-	-	-	469
Contract additions / readjustments	-	-	6,391	-	6,391
Accrued interest	-	-	2,084	-	2,084
Financial charges recognized in profit or loss	20,452	-	-	-	20,452
Total other changes related to liabilities	(2,478)	201	7,352	-	5,075
Balance at June 30, 2022	300,274	18,242	21,536	-	340,052

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	
	06/30/2023	12/31/2022
Right-of-use		
Opening balance	18,119	17,442
Additions / Readjustments	3,982	10,848
Write-off/Reversal	(381)	-
Amortization	(5,731)	(10,171)
Closing balance	15,989	18,119

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	Consolidated	
	06/30/2023	12/31/2022
Lease liabilities		
Opening balance	20,568	19,779
Additions / Readjustments	3,381	11,215
Accrued interest	2,534	4,277
Write-off/Reversal	(381)	-
Payment of principal	(6,328)	(12,397)
Interest paid	(1,062)	(2,306)
Closing balance	18,712	20,568
Current	8,718	8,509
Non-current	9,994	12,059

Long-term installment payment schedule

	06/30/2023		12/31/2022	
Maturity	Amount	%	Amount	%
2024	3,622	36%	6,764	56%
2025	5,060	51%	4,558	38%
2026	832	8%	524	4%
2027	480	5%	213	2%
Total	9,994	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.

Based on information from its legal advisors, Management recognizes provision 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:

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a. Breakdown of balances

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>06/30/2023</u>	<u>12/31/2022</u>	<u>06/30/2023</u>	<u>12/31/2022</u>
Provision for lawsuits and administrative proceedings:				
Civil	18,218	18,385	26	49
Labor	34,893	37,550	415	596
Tax	<u>2,222</u>	<u>1,441</u>	<u>855</u>	<u>343</u>
Total	<u>55,333</u>	<u>57,376</u>	<u>1,296</u>	<u>988</u>
Current	5,057	3,102	897	397
Non-current	50,276	54,274	399	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.

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e. Changes in proceedings

	Consolidated										
	01/01/2022	12/31/2022				06/30/2023					
June 30, 2023	Opening balance	Additions	Reversals	Payments	Adjustment to net presentation ^(*)	Closing balance	Additions	Reversal	Payments	Adjustment to net presentation ^(*)	Closing balance
Type											
Civil	18,455	355	(320)	(105)	-	18,385	269	(413)	(23)	-	18,218
Labor	40,041	16,430	(15,124)	(5,143)	1,346	37,550	10,492	(9,390)	(5,937)	2178	34,893
Tax	1,382	4,627	(201)	(938)	(3,429)	1,441	3,137	(732)	-	(1,624)	2,222
Total	59,878	21,412	(15,645)	(6,186)	(2,083)	57,376	13,898	(10,535)	(5,960)	554	55,333

	Parent Company									
	01/01/2022	12/31/2022				06/30/2023				
June 30, 2023	Opening balance	Additions	Reversals	Payments	Closing balance	Additions	Reversal	Payment	Closing balance	
Type										
Civil	53	65	(4)	(65)	49	-	(1)	(22)	26	
Labor	189	479	(72)	-	596	12	(15)	(178)	415	
Tax	176	233	(66)	-	343	637	(125)	-	855	
Total	418	777	(142)	(65)	988	649	(141)	(200)	1,296	

(*) The net amounts refer only to reclassifications between judicial deposits and provision 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.

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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 June 30, 2023 and December 31, 2022, the breakdown of the amounts under litigation at various court levels, estimated with a possible loss was as follows:

Contingencies	Consolidated	
	06/30/2023	12/31/2022
Civil	1,811	1,796
Labor	34,829	33,998
Tax	36,038	42,353
Total	72,678	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 June 30, 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 June 30, 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, as follows:

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.

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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 June 30, 2023, the balance of revaluation reserve is R\$ 4,097 (R\$ 4,175 on 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 four (4) 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.

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- (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 (eight hundred seventy thousand). However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 785,000 (seven hundred eighty-five thousand).

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.

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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

5 th Stock Option Plan – 2022	5 th 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.

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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 2023

Approval of the plan

On May 02, 2023, the Board of Directors approved the 6th stock option plan in the context of the Grant Agreement. The total number of options granted on this date was 1,575,000 options, with an unit strike price of R\$ 11.40, 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

6 th Stock Option Plan – 2023	6 th grant
Grant date	May 02, 2023
Number of options granted	1,575,000
Vesting period	3 years
Maturity for the year	March 31, 2026
Maximum period for exercise	March 31, 2027
Strike price	R\$ 11.40 (1)
Beneficiaries (employees)	23)

- (1) The strike price is set at R\$ 11.40 (eleven reais and forty centavos), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

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.

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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 June 30, 2023, are described below (in reais):

Plan	Strike price	Grant date	Accumulated expense 06/30/2023 – 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	1,665	1,530
Plan – 2021	R\$ 8.06	May 11, 2021	1,249	961
Plan – 2022	R\$ 8.89	May 03, 2022	1,039	598
Plan – 2023	R\$ 11.40	May 02, 2023	376	-
Total			4,329	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 June 30, 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 June 30, 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.

On April 14, 2023, the payment of dividends in the amount of R\$ 20,729, as approved by the Board of Directors on March 01, 2023.

On June 06, 2023, the payment of dividends in the amount of R\$ 36,784, as approved by the Board of Directors on May 02, 2023.

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 June 30, 2023, the balance of equity valuation adjustment is R\$ 23,601 (R\$ 25,974 on December 31, 2022).

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21 Net sales

	Consolidated	
	06/30/2023	06/30/2022
Gross operating revenue		
Sale and resale of products		
Domestic market	1,402,597	1,167,366
Foreign market	104,270	139,527
Services rendered	2,034	2,204
	<u>1,508,901</u>	<u>1,309,097</u>
Deductions		
Taxes on sales and services rendered	(291,399)	(241,930)
Tax incentives – ICMS (Note 30)	129,012	98,239
Returns, rebates and prompt-payment discount	(51,476)	(30,848)
	<u>(213,863)</u>	<u>(174,539)</u>
Net operating revenue	<u>1,295,038</u>	<u>1,134,558</u>

22 Cost of sales and resales

	Consolidated	
	06/30/2023	06/30/2022
Costs of sales		
Raw material	(308,392)	(285,851)
Labor	(151,652)	(147,827)
Indirect costs	(123,455)	(120,195)
	<u>(583,499)</u>	<u>(553,873)</u>
Resales	(186,544)	(176,376)
Total cost of sales and resales	<u>(770,043)</u>	<u>(730,249)</u>

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23 Sales expenses

	<u>Consolidated</u>	
	06/30/2023	06/30/2022
Commissions	(53,374)	(40,809)
Freight	(48,034)	(38,603)
Advertising	(54,508)	(41,479)
Advertising – Personnel expenses	(2,862)	(4,720)
Advertising – Other expenses	(1,517)	(2,693)
Royalties	(25,514)	(19,001)
Personnel expenditures	(26,366)	(21,808)
Other expenditures	(8,423)	(5,585)
	<u>(220,598)</u>	<u>(174,698)</u>
Impairment losses	(1,392)	(4,164)
Total sales expenses	<u>(221,990)</u>	<u>(178,862)</u>

24 Administrative expenses

	<u>Consolidated</u>		<u>Parent Company</u>	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Personnel expenditures	(30,711)	(25,504)	(212)	365
Outsourced services	(14,019)	(9,974)	(1,578)	(966)
Rentals	(1,967)	(2,073)	-	-
Travel and accommodation	(712)	(445)	-	-
Security	(809)	(753)	(123)	(112)
Legal disputes and taxes	(1,181)	(1,075)	(314)	(314)
IT and telecommunications	(7,628)	(6,443)	(45)	(40)
Energy, water and sewage	(512)	(450)	(11)	(21)
Maintenance, cleaning and environment.	(1,971)	(1,777)	(4)	(7)
Depreciation and amortization	(8,532)	(7,321)	-	-
Other	(3,292)	(2,883)	(811)	(760)
	<u>(71,334)</u>	<u>(58,698)</u>	<u>(3,098)</u>	<u>(1,855)</u>
Total administrative expenses	<u>(71,334)</u>	<u>(58,698)</u>	<u>(3,098)</u>	<u>(1,855)</u>

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25 Other operating revenues, net

	Consolidated		Parent Company	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Other operating revenues				
Rental revenue	3,605	2,899	3,520	2,889
Revenue from sales of power	175	-	-	-
Sale of scrap	1,084	870	-	-
Revenue from sale of property, plant and equipment	1,526	1,348	-	-
Undue tax payments - SELIC	-	8,792	-	-
Other	4,139	2,959	1,580	(24)
Total other operating revenues	10,529	16,868	5,100	2,865
Other operating expenses				
Provision (reversal) for contingencies	(738)	(1,501)	118	(268)
Expenses from sale of property, plant and equipment	(2,805)	(1,823)	-	-
Other	(3,402)	(3,640)	(1)	(8)
Total other operating expenses	(6,945)	(6,964)	117	(276)
Other operating revenues (expenses), net	3,584	9,904	5,217	2,589

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26 Financial revenues and expenses

	Consolidated		Parent Company	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Financial revenues				
Capital structure				
Revenue from investments	19,235	9,804	1,706	2
Other	-	18	-	-
Subtotal	19,235	9,822	1,706	2
Operating				
Interest	3,270	2,275	193	6,391
Discounts obtained	773	992	-	-
Extemporaneous credit update	6,174	2,573	-	-
Other	4,563	175	4,543	-
Subtotal	14,780	6,015	4,736	6,391
Exchange-rate changes	13,403	14,355	-	-
Total financial revenues	47,418	30,192	6,442	6,393
Financial expenses				
Capital structure				
Interest	(28,250)	(22,346)	(4,241)	(11,188)
Tax on financial operations (IOF)	(279)	(71)	(8)	(1)
Other	(1,739)	(2,036)	(29)	-
Subtotal	(30,268)	(24,453)	(4,278)	(11,189)
Operating				
Bank fees	(1,383)	(2,119)	(1)	(1)
Fee/commission sale card	(83)	(72)	-	-
Discounts granted	(721)	(1,163)	-	-
Other rates	(2,486)	(1,857)	-	-
Subtotal	(4,673)	(5,211)	(1)	(1)
Exchange-rate changes	(11,460)	(18,486)	-	-
Total financial expenses	(46,401)	(48,150)	(4,279)	(11,190)
Financial income (loss)	1,017	(17,958)	2,163	(4,797)

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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.

On June 30, 2023, the Company had potential outstanding shares which could affect the dilution of the result per share under CPC 41/IAS 33 in the total amount of 4,110,000 (four million one hundred ten thousand) potential shares. Of the total amount, 785,000 potential shares refer to the second grant of shares of the Stock Options plan that was approved on August 06, 2020, 855,000 (eight hundred fifty-five thousand) potential shares refer to the fourth grant of shares of the Stock Options plan that was approved on May 11, 2021, 895,000 (eight hundred ninety five thousand) potential shares refer to the fifth grant of shares of the Stock Options plan that was approved on May 3, 2022 and 1,575,000 (one million five hundred seventy-five thousand) potential shares refer to the fifth grant of shares of the Stock Options Plan that was approved on May 02, 2023.

As of June 30, 2022, the Company had 3,500,000 potential shares outstanding. Of the total amount, 755,000 (Seven hundred fifty-five thousand) potential shares refer to the second grant of shares of the Stock Options plan that was approved on May 5, 2019, 855,000 (eight hundred fifty-five thousand) potential shares refer to the third grant of shares of the Stock Options plan that was approved on August 6, 2020 and 925,000 (nine hundred twenty-five thousand) potential shares refer to the fourth grant of shares of the Stock Options plan that was approved on May 11, 2021 and 965,000 (nine hundred sixty-five thousand) potential shares refer to the fifth grant of shares of the Stock Options Plan that was approved on May 03, 2022 that could affect the dilution of earnings per share under the terms of CPC 41/IAS 33.

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

	Consolidated	
	Number of common shares	
	06/30/2023	06/30/2022
Income (loss) attributable to shareholders	222,591	157,722
Weighted basic average of outstanding shares in the period	245,320,501	245,756,244
Weighted basic average of outstanding shares in the period	246,269,003	246,235,847
Basic earnings per share (per thousand) - R\$	0.9074	0.6418
Basic earnings per share (per thousand) - R\$	0.9039	0.6405

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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.

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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 10% of total trade accounts receivable of the Company as of June 30, 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:

	Policy applied	Gross book balance	Provision for estimated losses
June 30, 2023			
Stores	0.00%	63,547	-
Falling due	0.04%	671,421	(269)
Overdue (days):			
01-30	0.50%	3,625	(18)
31-60	10.00%	643	(64)
61-90	25.00%	523	(131)
>90	100.00%	27,498	(27,498)
Clients under court-ordered reorganization (with financial restructuring)	40.00%	6,281	(2,512)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	14,380	(14,380)
		787,918	(44,872)
December 31, 2022			
Stores	0.00%	59,400	-
Falling due	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.

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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.

Currency risk

Considering the price risk on exports, which correspond to 4.62% of revenue from its subsidiaries as of June 30, 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 June 30, 2023 with the positive change in 7.64% 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	
	06/30/2023	12/31/2022
US dollar (US\$'000)		
Assets in foreign currency (a)	30,603	28,347
Liabilities in foreign currency (b)	<u>(20,348)</u>	<u>(8,464)</u>
Surplus determined (a-b)	<u>10,255</u>	<u>19,883</u>

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:

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1. **Probable scenario and that is adopted by the Company and its subsidiaries:** Dollar rate totaled R\$ 4.8192 on June 30, 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\$ 3.6144; and
3. **Remote scenario:** Also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R\$ 2.4096.

Foreign exchange sensitivity analysis - Effect in income (loss) as of June 30, 2023

Transaction	Risk	Probable scenario	Possible scenario	Remote scenario
	US\$ 10,255 thousand	FX 4.8192	FX 3.6144	FX 2.4096
Financial income (loss)	US\$ decrease	-	(12,355)	(24,710)

(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 06/30/2023	Fair value 06/30/2023	Book value 12/31/2022	Fair value 12/31/2022
Assets in CDI	274,069	274,069	191,862	191,862
Liabilities in TJPL	3,667	3,250	3,145	2,803
Liabilities at IPCA	100,350	91,130	102,818	97,906
Liabilities in CDI	181,666	184,100	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 7.28% p.a. and IPCA of 3.16% 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.

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Statement of changes in rates as of June 30, 2023 is as follows:

Operation	Risk	Probable scenario	Possible scenario, 25%	Remote scenario, 50%
Loans – TJLP	TJLP incr.	TJLP 7.28% R\$ -	TJLP 9.10% R\$ 67	TJLP 10.92% R\$ 133
Loans at IPCA	IPCA incr.	IPCA 3.16% R\$ -	IPCA 3.95% R\$ 793	IPCA 4.74% R\$ 1,586
Loans in CDI	CDI increase	CDI 13.65% R\$ -	CDI 17.06% R\$ 6,195	CDI 20.48% R\$ 12,408
Investments in CDI	CDI decrease	CDI 13.65% R\$ -	CDI 10.24% R\$ (9,346)	CDI 6.83% R\$ (18,692)

(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 sullyng 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:

Maturity	06/30/2023	
	Amount	%
2024	60,894	21%
2025	193,852	66%
2026	16,066	5%
2027	6,143	2%
2028	5,738	2%
2029	5,334	2%
2030	4,472	2%
2031	661	0%
Total	293,160	100%

Maturity	06/30/2022	
	Amount	%
2023	12,886	14%
2024	57,013	60%
2025	15,562	16%
2026	9,130	10%
Total	94,591	100%

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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 June 30, 2023 and December 31, 2022 are shown below:

Description	Classification	Consolidated			
		06/30/2023		12/31/2022	
		Book balance	Fair value	Book balance	Fair value
Cash and cash equivalents	Financial assets at amortized cost	281,337	281,337	197,197	197,197
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	12,848	12,848	8,528	8,528
	Financial assets at fair value through other comprehensive income	444	444	418	418
Share investment funds					
Accounts receivable	Financial assets at amortized cost	743,046	743,046	774,610	774,610
Other accounts receivable	Financial assets at amortized cost	16,857	16,857	28,008	28,008
Loans and financing:					
In local currency	Amortized cost	381,634	370,915	413,252	462,556
In foreign currency	Amortized cost	2,063	1,970	3,796	3,835
Suppliers	Amortized cost	196,569	196,569	104,925	104,925
Loan agreement with related parties	Amortized cost	-	-	18,448	18,448

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Description	Classification	Parent Company			
		06/30/2023		12/31/2022	
		Book balance	Fair value	Book balance	Fair value
Cash and cash equivalents	Financial assets at amortized cost	2,996	2,996	35,161	35,161
Interest earning bank deposits					
	Financial assets at fair value through profit or loss	6	6	5	5
CDB/Investment Fund					
Other accounts receivable	Financial assets at amortized cost	32,818	32,818	7,114	7,114
Suppliers	Amortized cost	99	99	368	368
Borrowings with related parties	Amortized cost	58,944	58,944	109,889	109,889

(v) Fair value hierarchy

Description	Consolidated				Parent Company			
	06/30/2023		12/31/2022		06/30/2023		12/31/2022	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Interest earning bank deposits								
Floating-rate CDBs	-	1,553	-	2,257	-	4	-	4
Investment fund	-	11,295	-	6,271	-	2	-	1
Share investment funds	444	-	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 June 30, 2023 (see Note 5).

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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 at June 30, 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	
	06/30/2023	12/31/2022
Loans and financing	(383,697)	(417,048)
Lease liabilities	(18,712)	(20,568)
Cash and cash equivalents	281,337	197,197
Interest earning bank deposits	13,292	8,946
Net debt	(107,780)	(231,473)
Shareholders' equity	1,894,155	1,711,834

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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 June 30, 2023 are summarized as follows:

Corporate insurance in reais (R\$)		
Object	Risk covered	Amount of coverage
	Fire, Windstorms, Electrical Damages, Machine Breakdown,	
Equity	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	<u>7,228</u>
Total corporate insurance		<u>311,978</u>

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.

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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.

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(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.
- **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/WHOLESALE 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%	Aug 2031
Vulcabras CE, Calç. e Art. Esp. S.A.	Provin Confecções	75%	Jun 2022(*)
Vulcabras BA, Calç. e Art. Esp. S.A.	Probahia	99%	Jul 2027
Vulcabras Distr. Art. Esp. Ltda.	PCDM	75%	Dec 2027
Vulcabras Distr. Art. Esp. Ltda.	TTS/WHOLESALE	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.

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

d. Consolidated

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

ICMS	Tax incentive recorded in income (loss) of subsidiaries	Consolidated tax incentive	% Interest	Equity in net income of subsidiaries in parent company	
				06/30/2023	06/30/2022
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	66,180	99.99%	66,173	48,671
	Vulcabras Distr. Art. Esp. Ltda.	9,472	100.00%	9,472	12
	Vulcabras BA, Calçados e Artigos Esportivos S.A.	43,529	100.00%	43,529	36,315
	Vulcabras SP, Comércio de Art. Esp. Ltda.	9,755	100.00%	9,755	4,329
		<u>128,936</u>		<u>128,929</u>	<u>89,327</u>

Reintegra	Tax incentive recorded in income (loss) of subsidiaries	Consolidated tax incentive	% Interest	Equity in net income of subsidiaries in parent company	
				06/30/2023	06/30/2022
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	45	99.99%	45	60
	Vulcabras BA, Calçados e Artigos Esportivos S.A.	31	100.00%	31	49
		<u>76</u>		<u>76</u>	<u>109</u>

IRPJ	Tax incentive recorded in income (loss) of subsidiaries	Consolidated tax incentive	% Interest	Equity in net income of subsidiaries in parent company	
				06/30/2023	06/30/2022
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	9,313	99.99%	9,313	2,168
	Vulcabras BA, Calçados e Artigos Esportivos S.A.	3,405	100.00%	3,405	642
		<u>12,718</u>		<u>12,718</u>	<u>2,810</u>

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Notes to the interim financial information
Period ended June 30, 2023
(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:

	06/30/2023	06/30/2022
Net sales		
Athletic shoes	1,069,283	922,786
Other footwear and others	96,687	92,821
Apparel	129,068	118,951
	<u>1,295,038</u>	<u>1,134,558</u>
Domestic market	1,191,161	997,710
Foreign market	103,877	136,848
	<u>1,295,038</u>	<u>1,134,558</u>

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

	Consolidated	
	06/30/2023	12/31/2022
Non-current assets in the domestic and foreign markets as of		
Brazil	842,375	908,166
Other countries	19,122	19,483
Total	<u>861,497</u>	<u>927,649</u>

Vulcabras S.A. and Consolidated

Notes to the interim financial information

Period ended June 30, 2023

(In thousands of reais)

Composition of the Board of Directors

Pedro Grendene Bartelle
CEO

André de Camargo Bartelle
1st Vice-president

Pedro Bartelle
2nd Vice-president

Paulo Sérgio da Silva
Independent Board Member

Rafael Ferraz Dias de Moraes
Independent Board Member

Members of the Executive Board

Pedro Bartelle
CEO

Wagner Dantas da Silva
Administrative and Financial Director

Rafael Carqueijo Gouveia
Superintendent Director

Rodrigo Miceli Piazer
Supply Chain Director

Vulcabras S.A. and Consolidated

Notes to the interim financial information

Period ended June 30, 2023

(In thousands of reais)

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