Vulcabras S.A.

Quarterly financial information at September 30, 2021

(A Free Translation of the original report in Portuguese as published in Brazil contain quarterly financial information prepared in accordance with accounting practices adopted in Brazil and IFRS)

KPDS 926067

Contents

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Report on the review of Quarterly information - ITR

To the Shareholders of

Vulcabras S/A

Horizonte - CE

Introduction

We have reviewed the interim, individual and consolidated financial information of Vulcabras S/A. ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2021, which comprise the balance sheet as of September 30, 2021 and related statements of profit or loss, of comprehensive income for the three and nine-month periods then ended, of changes in equity and cash flows for the nine-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with CPC 21(R1) and International Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Quarterly Information. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing 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 information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other matters - Statements of added value

The aforementioned individual and consolidated statements of added value for the nine-month period ended September 30, 2021, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and book records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any facts that may lead us to believe that these statements of added value have not been prepared, in all material respects, in accordance with the criteria set forth in this Standard and consistently with respect to the individual and consolidated interim financial information taken as a whole.

Fortaleza, November 09, 2021

KPMG Auditores Independentes Ltda
CRC SP-014428/O-6 S-CE

Original in Portuguese signed by
Marcelo Pereira Gonçalves
Accountant CRC 1SP220026/O-3

Vulcabras S.A.

(Publicly-held company)

Balance sheets

September 30, 2021 and December 31, 2020

(In thousands of reais)

		Consolidated		Parent company	
Assets	**Note**	**09/30/2021**	**12/31/2020**	**09/30/2021**	**12/31/2020**
Cash and cash equivalents	4	71,753	158,552	218	18
Interest earning bank deposits	5	78,355	80,949	78,355	80,949
Trade accounts receivable	6	587,797	574,104	-	-
Inventories	7	573,826	256,924	-	-
Recoverable taxes	8	82,116	18,330	567	563
Income tax and social contribution	9a	5,012	5,108	545	154
Amounts receivable from disposal of operation		3,440	3,440	-	-
Other accounts receivable		10,588	13,478	196	736
Total current assets		**1,412,887**	**1,110,885**	**79,881**	**82,420**
Interest earning bank deposits	5	10,013	9,594	2	2
Trade accounts receivable	6	3,631	-	-	-
Recoverable taxes	8	62,677	6,787	1,815	1,805
Deferred income tax and social contribution	9b	1,246	1,359	-	-
Judicial deposits	10	14,166	15,080	389	543
Loans with related parties	11	-	-	123,659	120,602
Amounts receivable from disposal of operation		2,580	5,160	-	-
Assets for sale		194	194	-	-
Other accounts receivable		2,767	2,702	1,299	1,537
Long-term assets		**97,274**	**40,876**	**127,164**	**124,489**
Investments	12	68,244	59,999	1,357,106	1,115,038
Investment property		5	2,121	-	2,115
Right-of-use	18	19,646	15,145	-	-
Property, plant and equipment	13	276,954	241,311	2	160
Intangible assets	14	209,348	208,917	111	111
		574,197	**527,493**	**1,357,219**	**1,117,424**
Total non-current assets		**671,471**	**568,369**	**1,484,383**	**1,241,913**
Total Assets		**2,084,358**	**1,679,254**	**1,564,264**	**1,324,333**

		Consolidated		Parent company	
Liabilities	**Note**	**09/30/2021**	**12/31/2020**	**09/30/2021**	**12/31/2020**
Suppliers	16	136,539	62,457	86	289
Loans and financing	17	290,863	127,894	-	-
Taxes payable		10,654	11,938	122	97
Salaries and vacation payable		62,540	30,105	11	-
Provisions	19	23,689	22,021	398	765
Lease liabilities	20	9,147	8,343	-	-
Commissions payable		14,311	16,121	-	-
Dividends and profits payable		86,015	-	86,015	-
Other trade payables		24,318	26,296	191	217
Total current liabilities		**658,076**	**305,175**	**86,823**	**1,368**
Loans and financing	17	79,416	183,735	-	-
Loans with related parties	11	17,932	17,632	202,775	197,763
Provisions	19	37,927	34,542	-	-
Deferred taxes on revaluation of property, plant and equipment	9b	2,304	2,406	-	-
Lease liabilities	18	13,673	10,187	-	-
Provision for loss with investment	12	-	-	131	124
Other trade payables		183	183	-	-
Total non-current liabilities		**151,435**	**248,685**	**202,906**	**197,887**
Equity					
Capital	20	1,106,717	1,106,717	1,106,717	1,106,717
Revaluation reserves	20	4,472	4,670	4,472	4,670
Capital reserves	20	4,288	3,034	4,288	3,034
Equity valuation adjustments	20	22,702	21,114	22,702	21,114
Retained earnings (losses)		136,356	(10,457)	136,356	(10,457)
Equity attributable to controlling shareholders		**1,274,535**	**1,125,078**	**1,274,535**	**1,125,078**
Non-controlling interest		**312**	**316**	**-**	**-**
Total equity		**1,274,847**	**1,125,394**	**1,274,535**	**1,125,078**
Total liabilities		**809,511**	**553,860**	**289,729**	**199,255**
Total liabilities and equity		**2,084,358**	**1,679,254**	**1,564,264**	**1,324,333**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of profit or loss

September 30, 2021 and 2020

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

	Note	Consolidated		Consolidated		Parent company		Parent company	
		09/30/2021	09/30/2020	07/01/2021–09/30/2021	07/01/2020–09/30/2020	09/30/2021	09/30/2020	07/01/2021–09/30/2021	07/01/2020–09/30/2020
Continued operations									
Net sales revenue	21	1,247,171	720,173	535,873	382,856	-	-	-	-
Cost of sales and resales	22	(811,593)	(485,882)	(342,663)	(252,089)	-	-	-	-
Gross income		**435,578**	**234,291**	**193,210**	**130,767**	**-**	**-**	**-**	**-**
Sales expenses	23	(209,742)	(124,878)	(84,368)	(52,914)	-	-	-	-
Reversal (allowance) for expected losses for doubtful accounts	23	12,506	(10,955)	4,564	(2,063)	-	-	-	-
Administrative expenses	24	(83,658)	(78,207)	(28,451)	(27,441)	(5,941)	(5,316)	(1,528)	(1,936)
Other operating revenues (expenses), net	25	69,290	(37,885)	32,399	251	3,779	4,152	1,207	1,763
Equity in net income of subsidiaries	12b	1,908	(2,133)	2,990	240	234,742	(21,876)	126,831	43,579
Income (loss) before net financial expenses and revenues and taxes		**225,882**	**(19,767)**	**120,344**	**48,840**	**232,580**	**(23,040)**	**126,510**	**43,406**
Financial revenues		82,272	32,134	29,989	8,783	5,068	134	2,481	65
Financial expenses		(59,280)	(32,586)	(18,944)	(12,506)	(5,018)	(53)	(2,469)	(52)
Net financial revenues and expenses	26	**22,992**	**(452)**	**11,045**	**(3,723)**	**50**	**81**	**12**	**13**
Income (loss) before income taxes		**248,874**	**(20,219)**	**131,389**	**45,117**	**232,630**	**(22,959)**	**126,522**	**43,419**
Deferred income tax and social contribution	9c	(16,255)	(2,810)	(4,877)	(1,706)	-	-	-	-
Net income/loss for the period		**232,619**	**(23,029)**	**126,512**	**43,411**	**232,630**	**(22,959)**	**126,522**	**43,419**
Profit or loss attributable to:									
Controlling shareholders		232,630	(22,959)	126,522	43,419	232,630	(22,959)	126,522	43,419
Non-controlling shareholders		(11)	(70)	(10)	(8)	-	-	-	-
Net income/loss for the period		**232,619**	**(23,029)**	**126,512**	**43,411**	**232,630**	**(22,959)**	**126,522**	**43,419**
Earnings per share									
Earnings per common share - basic		0.9466	(0.0934)	-	-				
Earnings per common share - diluted		0.9343	(0.0926)	-	-				
Number of shares at the end of the period									
Outstanding common shares		245,756,244	245,756,346	-	-				
Outstanding common shares with a dilution effect		248,986,244	248,016,346	-	-				

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of comprehensive income

September 30, 2021 and 2020

(In thousands of reais)

	Consolidated		Consolidated		Parent company		Parent company	
	09/30/2021	**09/30/2020**	**07/01/2021–09/30/2021**	**07/01/2020–09/30/2020**	**09/30/2021**	**09/30/2020**	**07/01/2021–09/30/2021**	**07/01/2020–09/30/2020**
Income (loss) for the period	232,619	(23,029)	126,512	43,411	232,630	(22,959)	126,522	43,419
Other comprehensive income - OCI	1,588	6,994	1,434	(1,140)	1,588	6,994	1,434	(1,140)
Items that can be subsequently reclassified to income (loss)								
Exchange differences from translation of foreign operations	1,327	6,941	1,183	(1,205)	1,327	6,941	1,183	(1,205)
Financial assets at fair value through other comprehensive income (FVTOCI)	261	53	251	65	261	53	251	65
Total comprehensive income	234,207	(16,035)	127,946	42,271	234,218	(15,965)	127,956	42,279
Comprehensive income attributable to:								
Controlling shareholders	234,218	(15,965)	127,956	42,279	234,218	(15,965)	127,956	42,279
Non-controlling shareholders	(11)	(70)	(10)	(8)	-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statement of changes in equity - Parent company and Consolidated

September 30, 2021 and 2020

(In thousands of reais)

	Parent company							
	Capital	**Reflected revaluation reserve in subsidiaries**	**Capital reserve**	**Other comprehensive income**	**Retained earnings/losses**	**Total**	**Non-controlling interest**	**Total equity**
Balances at January 01, 2020	**1,106,717**	**5,532**	**1,517**	**16,281**	**(42,909)**	**1,087,138**	**290**	**1,087,428**
Realization of revaluation reserve in subsidiary, net of taxes	-	(651)	-	-	651	-	-	-
Transaction with share-based payments	-	-	1,097	-	-	1,097	-	1,097
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	6,941	-	6,941	86	7,027
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	-	53	-	53	-	53
Loss for the period	-	-	-	-	(22,959)	(22,959)	(70)	(23,029)
Balances at September 30, 2020	**1,106,717**	**4,881**	**2,614**	**23,275**	**(65,217)**	**1,072,270**	**306**	**1,072,576**
Balances at January 01, 2021	**1,106,717**	**4,670**	**3,034**	**21,114**	**(10,457)**	**1,125,078**	**316**	**1,125,394**
Realization of revaluation reserve in subsidiary, net of taxes	-	(198)	-	-	198	-	-	-
Distribution of dividends	-	-	-	-	(86,015)	(86,015)	-	(86,015)
Transaction with share-based payments	-	-	1,254	-	-	1,254	-	1,254
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	1,327	-	1,327	7	1,334
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	-	261	-	261	-	261
Net income for the period	-	-	-	-	232,630	232,630	(11)	232,619
Balances at September 30, 2021	**1,106,717**	**4,472**	**4,288**	**22,702**	**136,356**	**1,274,535**	**312**	**1,274,847**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of cash flows - Indirect method

September 30, 2021 and 2020

(In thousands of reais)

	Note	Consolidated		Parent company	
		09/30/2021	**09/30/2020**	**09/30/2021**	**09/30/2020**
Cash flow from operating activities					
Net income (loss) for the period		232,619	(23,029)	232,630	(22,959)
Adjustments for:					
Depreciation and amortization		53,095	58,125	181	309
Provision for impairment losses on inventories	7b	4,467	16,871	-	-
Interest on provisioned leases	18	1,287	3,990	-	-
Net value of written off tangible and intangible assets		9,262	4,929	-	-
Yields from interest earning bank deposits		(2,421)	(558)	(1,961)	(3)
Provision (reversal) for contingencies	19	9,932	4,733	(49)	34
Equity in net income of subsidiaries	12	(1,908)	2,133	(234,742)	21,876
Transaction with share-based payments	20c	1,254	1,097	1,254	1,097
Expected losses for allowance for doubtful accounts	6	(12,506)	10,955	-	-
Gain on settlement of pre-existing relationship	25	(13,980)	-	-	-
Gain or loss on lease termination	18	(14)	-	-	-
Recovery of PIS and Cofins on ICMS		(123,650)	-	-	-
Loss in the sale of subsidiary		-	2,356	-	-
Financial charges and exchange-rate change recognized in income (loss)		21,859	14,326	-	-
Deferred taxes	9b	-	(468)	-	-
Current tax	9c	16,255	-	-	-
Non-controlling interest		11	70	-	-
		195,562	**95,530**	**(2,687)**	**354**
Changes in assets and liabilities					
Trade accounts receivable		(3,506)	(24,067)	-	-
Inventories		(316,457)	(86,245)	-	-
Prepaid expenses		-	5,458	-	580
Recoverable taxes		4,070	(9,465)	(405)	44
Deferred taxes	9b	11	-	-	-
Amounts receivable from disposal of operation		2,580	-	-	-
Other accounts receivable		2,851	(353)	778	15
Judicial deposits		1,972	(992)	154	(4)
Suppliers		126,526	42,735	(203)	(423)
Commissions payable		(1,810)	333	-	-
Taxes and social contributions		(2,590)	2,020	25	170
Salaries and vacation payable		32,270	335	11	-
Other trade payables		(9,900)	7,730	(26)	92
Provisions made		(5,937)	(3,311)	(318)	(27)
Cash used in (from) operating activities		**(169,920)**	**(65,822)**	**16**	**447**
Interest paid	17d	(16,807)	(3,350)	-	-
Payment of lease interest	17d	(1,571)	(1,580)	-	-
Income taxes paid		(14,359)	(2,037)	-	-
		(32,737)	**(6,967)**	**-**	**-**
Net cash flow (used in) from operating activities		**(7,095)**	**22,741**	**(2,671)**	**801**
Cash flow from investing activities					
Acquisition of property, plant and equipment (*)	13	(87,864)	(56,361)	(2)	-
Redemption of (investment in) interest earning bank deposits		4,596	(101,076)	4,555	(14,997)
Fund from the disposal of subsidiary, net of cash		-	(4,122)	-	-
Payment for acquisition of subsidiary		(43,610)	-	-	-
Funds from disposal of property, plant and equipment		1,152	717	-	-
Acquisitions of intangible assets	14	(2,208)	(1,841)	-	-
Increase in investee's interest		-	-	(3,637)	(19)
Net cash flow used in (from) investment activities		**(127,934)**	**(162,683)**	**916**	**(15,016)**
Cash flow from financing activities					
Loans obtained - Principal	17d	190,000	280,202	-	-
Payment of loans obtained - Principal	17d	(133,950)	(15,375)	-	-
Loans with related parties	17d	-	523	-	150,045
Receipt (payments) of loans with related parties	17d	300	-	1,955	(120,036)
Payment of lease liabilities	17d	(7,206)	(7,732)	-	-
Net cash flow from financing activities		**49,144**	**257,618**	**1,955**	**30,009**
Increase (decrease) in cash and cash equivalents		**(85,885)**	**117,676**	**200**	**15,794**
Cash and cash equivalents at the beginning of the period		158,552	62,164	18	3,606
Effect of changes in exchange rate on cash and cash equivalents		(914)	(1,629)	-	-
Cash and cash equivalents at the end of the period		71,753	178,211	218	19,400
Increase (decrease) in cash and cash equivalents		**(85,885)**	**117,676**	**200**	**15,794**

See the accompanying notes to the quarterly financial information.

(*) The amount of R$ 350 regarding unsettled acquisitions of property, plant and equipment in suppliers did not have a cash effect for the period ended September 30, 2021.

Vulcabras S.A.

(Publicly-held company)

Statements of added value

September 30, 2021 and 2020

(In thousands of reais)

	Consolidated		Parent company	
	09/30/2021	**09/30/2020**	**09/30/2021**	**09/30/2020**
Revenues	**1,500,241**	**807,476**	**417**	**889**
Sale of goods, products and services	1,403,057	814,693	-	-
Other revenues and expenses	84,678	3,738	417	889
Expected losses for allowance for doubtful accounts	12,506	(10,955)	-	-
Inputs acquired from third parties	**(669,586)**	**(411,327)**	**(4,650)**	**(3,832)**
Raw materials used	(316,514)	(212,048)	-	-
Cost of products and goods sold and services rendered	(186,796)	(40,809)	-	-
Materials, energy, outsourced services and other	(166,212)	(158,475)	(4,650)	(3,832)
Loss/recovery of asset values	(64)	5	-	-
Gross added value	**830,655**	**396,149**	**(4,233)**	**(2,943)**
Retentions	**(53,095)**	**(58,125)**	**(181)**	**(309)**
Depreciation and amortization	(53,095)	(58,125)	(181)	(309)
Net added value generated by the Company	**777,560**	**338,024**	**(4,414)**	**(3,252)**
Added value received as transfer	**87,569**	**33,036**	**243,773**	**(17,997)**
Equity in net income of subsidiaries	1,908	(2,133)	234,742	(21,876)
Financial revenues	82,272	32,134	5,068	134
Other	3,389	3,035	3,963	3,745
Total added value payable	**865,129**	**371,060**	**239,359**	**(21,249)**
Distribution of added value	**865,129**	**371,060**	**239,359**	**(21,249)**
Personnel	**382,950**	**256,535**	**550**	**608**
Direct remuneration	252,297	169,763	-	-
Benefits	48,667	36,730	-	-
FGTS	20,104	16,030	-	-
Sales commissions	52,008	25,832	-	-
Directors’ fees	9,874	8,180	550	608
Taxes, rates and contributions	**198,981**	**111,199**	**1,164**	**1,055**
Federal	164,513	94,631	924	761
State	33,790	15,749	-	-
Municipal	678	819	240	294
Third-party capital remuneration	**50,579**	**26,355**	**5,015**	**47**
Interest	49,425	25,678	5,014	47
Rentals	1,157	679	-	-
Other	(3)	(2)	1	-
Remuneration of own capital	**232,619**	**(23,029)**	**232,630**	**(22,959)**
Retained earnings	232,630	(22,959)	232,630	(22,959)
Non-controlling interest	(11)	(70)	-	-

See the accompanying notes to the quarterly financial information.

Notes to the quarterly financial information

(In thousands of reais - R$, unless otherwise indicated)

1 Operations

Vulcabras Azaleia S.A. (“Company”) 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. As of On April 23, 2021, at the Annual and Extraordinary Shareholders’ Meeting, the change of the Company's corporate name was approved, as Vulcabras S.A.

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

1.1 Relevant events during the period:

1.1.1 Impacts of Covid-19 (Coronavirus):

Even more than a year after the beginning of the COVID-19 pandemic, the effects of measures to combat the pandemic still persist and have impacts on the economy. Since the beginning of the 3rd quarter of 2021, the advance of vaccination against COVID-19 in all regions of the country led to a positive reaction from the economy and the effects of this reaction were felt by almost all economic segments. Despite the inconvenience caused by the mismatch between the production chains and consumers, the quarter was very positive and the Company recorded sales growth, demonstrating an assertive market strategy. However, the Company's Management continues to monitor the developments related to the COVID-19 pandemic, carefully following the guidelines of the Government authorities and measuring the possible impacts on its business. Even in the face of this crisis scenario, the Company does not foresee any going concern risk, nor any risk to the accounting estimates and judgments made.

The Company has been adopting several measures aimed at preserving the health of its employees, clients, suppliers and the community, and where following measures have been implemented:

(i) Establishment of a Crisis Committee for the management of action plans to minimize the impacts of COVID-19. Subsequently, with the resumption of activities and businesses, this work group started being called "Opportunities Committee."

(ii) Containment of personnel expenses: In March 2020, at the beginning of the pandemic, all productive activities were paralyzed, with the granting of collective vacations for the period from March 20 to April 26, 2020. Although partially, the operational resumption occurred as of April 27, 2020. The Company joined the Provisional Measure (PM) No. 936/2020, reducing the working hours and salaries of employees and suspending the contract with others, according to the provisions established by the PM itself and continued operating until the end of June 2020. As of June 26, 2020, the Bahia and Ceará units resumed their operations at full capacity.

(iii) We started the year 2021 with the full operation of plants and all other areas of the Company, but due to the worsening of the pandemic and the consequent closure of retail operations in most Brazilian States, which made it impossible to continue delivering products to clients, the Company anticipated vacations for the second fortnight of April that were expected to be granted during the second semester of 2021.

(iv) The budget for 2021 was prepared with an optimistic view considering the robust recovery observed during the second half of 2020, but the Company is prepared to respond quickly to possible changes in scenarios due to the possible worsening of the pandemic. Therefore, in the 1st quarter of 2021, considering the worsening of the pandemic scenario, Capex and marketing budgets were revised, considering a reduction in investments and expenses.

(v) In the first quarter of 2021, the Company did not raise any funds through bank credit facilities. In the second quarter of 2021, R$ 190,000 thousand was raised and the contract with Santander bank was settled in advance, in the amount of R$ 100,000 thousand. In the third quarter of 2021, Bradesco's working capital was renewed in advance, in the amount of R$ 55,000 thousand.

Also, the Company, based on CVM/SNC Circular Letters 02, 03/2020 and 01/2021, analyzed the main risks and uncertainties arising from Covid-19 regarding its individual and consolidated quarterly financial information. We list the main analyzes performed below:

- **Cash and cash equivalents:** The Company does not estimate any relevant risks, as the amounts continue to be held in prime banks (see note 28), with immediate liquidity and in investments with fixed rates.

- **Inventories** The Company's accounting policy is to record and present its inventory at the lower value between the acquisition average cost and net realizable value. This analysis was carried out on the base date and the impact presented in Note 7.

- **Accounts receivable:** The Company maintains an ongoing analysis of the changes in accounts receivable so that, if necessary, it complements the provision for expected loss. Considering the capillarity of sales distribution and the Company's credit policy, there is no concentration of clients in sales or in the receivables portfolio. The Company's policy of measuring losses with clients is described in note 6c.

- **Loans and financing:** Since the first impacts of the COVID-19 pandemic, the Company has maintained its financial discipline and sought to reinforce its cash with contributions made through pre-approved credit facilities, prioritizing incentivized operations with extended terms.

- The most relevant intangible assets, susceptible to the effects of the COVID-19 crisis, are as follows: the goodwill of one Under Armor store and the goodwill paid on the acquisition of equity interest. These two assets are tested on an annual basis, either in comparison with the current realization values, in the case of the goodwill, or in the expectation of future profitability of the operations acquired, in the case of goodwill.

- For goodwill, the Company does not believe that there is a need for a new adjustment in the value in accordance with the expected recoverability of such asset,

- For the goodwill paid on the acquisition of ownership interest, although the effects of COVID-19 may adversely affect the Company's future results, there is enough surplus cash to support the fluctuation. In the last analysis of the recoverable amount of goodwill due to expected future results, arising from business combination processes, carried out on December 31, 2020, obtained an estimated recoverable amount higher than its book value (see Note 15c). It is worth highlighting that the new revenue and net income projections as of the year 2021 consider the entry of the operation with the Mizuno brand and the exit of Azaleia. When comparing the projected revenue for the last comparable year (2029) regarding the 2019 and 2020 projections, the Company observed that the growth is mostly justified by the increase caused by the exchange of Azaleia's operations by Mizuno's operations. Furthermore, to determine the Compound Annual Growth Rate (CAGR), the Company always takes data from the year prior to the projected period as a basis and due to the events that occurred in 2020 in face of the COVID-19 pandemic, both revenue and net income were lower than those presented in 2019 and, consequently, inflated the growth rates of the following years (see note 15).

- For the amount recognized in the right-of-use assets, which is linked to the lease agreements for properties destined mainly to the retail stores of the Company's brands operated with restrictions on opening and business hours during a good part of the 1st quarter of 2021, the impacts suffered with the closing of the stores have already been recorded during the 1st semester of 2021, with the flexibility of restrictive measures, their operation was normalized. It is expected that the effects of COVID-19 will still be felt for many months to come, but the Management believes that the greatest impacts took place from April to June 2020.

In the face of the current scenario, the Company is confident in its solidity, knowing that there are still many challenges ahead regarding consumption and the recovery of the macroeconomic scenario. Although it is still very difficult to predict what will happen, the Company is confident that the strength of its brands, coupled with the flexibility of its business model, will offer the competitive differential that will lead it to overcome this crisis quickly.

1.1.2 Mizuno Operation

In September 2020, the Company announced to the market that it had signed a purchase and sale agreement with Alpargatas S/A. for the acquisition of the Mizuno brand operation in Brazil.

On January 29, 2021, the first phase of the transaction closing took place, involving the merging by its subsidiaries Vulcabras – CE, Calçados e Artigos Esportivos S.A. and Vulcabras Distribuidora de Artigos Esportivos Ltda. of the Mizuno brand operations in Brazil, under the terms of the agreements signed with Alpargatas S.A. and Mizuno Kabushiki Kaisha d/b/a Mizuno Corporation.

In common agreement, with the purpose of providing a more efficient transition of the Operation and avoiding any disruption, the parties signed a closing term on January 29, 2021 to establish that the conclusion of the Operation will occur in two phases:

(vi) Step 1: As of January 29, 2021, (a) the transfer of all the quotas held by Alpargatas in the company Wave Comércio e Indústria de Artigos Esportivos was carried out. Ltda., which held the assets (mainly inventories) and employees of the Operation that are not related to the Mizuno stores was carried out. Ltda, (b) the assumption by the Subsidiaries of the contractual relationship with Mizuno Corporation, and (c) the other acts of the operation closing, as originally provided for in the contract, except for the transfer of the e-commerce operation and the brand's stores;

Step 2: On March 15, 2021, the Company assumed the Mizuno assets related to the e-commerce operation, but the transfer of stores' assets was postponed until June 30, 2021. On June 30, 2021, the operation was closed with the transfer by Alpargatas to the Company of the full equity interest held by it in the company Running Comércio e Indústria de Artigos Esportivos Ltda., incorporated for the transfer of assets and employees related to the Mizuno stores. The Company performed the asset concentration test and substantive processes in accordance with CPC 15 (IFRS 3) and identified that the transaction involved an acquisition of assets and recorded said transaction. The total value of the operation was R$ 46,939 thousand, of which R$ 37,273 thousand was the net amount disbursed for the acquisition of the assets involved in the operation, mainly composed of inventory and property, plant and equipment. The gains incurred in the settlement of the pre-existing relationship are disclosed in note 25.

As of January 29, 2021, the Master Distributor and License Agreement signed between the Company and Mizuno Corporation became effective, through which the Company will (i) develop and produce products of the "Mizuno" brand, including footwear, clothing and accessories, and (ii) distribute "Mizuno" brand products in national territory until December 2033.

Mizuno is a brand with a worldwide presence, with strong recognition in the running category, with a broad portfolio of high performance products for athletes of all levels. Within Vulcabras' strategy, Mizuno products will complement the Company's product portfolio, positioning itself at the top of the price pyramid, reaching specific audiences that other brands cannot.

1.1.3 Opening of a new Distribution Center

In the second half of March 2021, the Company started Mizuno's e-commerce operation from the new Distribution Center in the investees Vulcabras SP, Comércio de Artigos Esportivos Ltda. and Vulcabras Distribuidora de Artigos Esportivos Ltda. located in the city of Extrema, State of Minas Gerais, consolidating the DTC (Direct to Consumer) logistics operation and the distribution of products purchased from third parties (imported and domestic) of the three brands (Olympikus, Under Armor and Mizuno), thus bringing more efficiency and better service levels for the business.

1.1.4 Merger - Wave Comércio e Indústria de Artigos Esportivos Ltda

On August 31, 2021, the Company merged the subsidiary Wave Comércio e Indústria de Articles Esportivos Ltda. (merged company) after approval at the Extraordinary General Meeting ("EGM").

The merger is part of the Company's strategic plan, aiming to concentrate the operating activities and support activities currently carried out in fewer companies, seeking greater operational, administrative and financial efficiency.

Net assets taken over by the Company is broken down as follows:

In thousands of Reais	**R$**
Current assets	32
Permanent assets	2,281
Current liabilities	(622)
Merged net assets	**1,691**

1.1.5 Partial spin-off - Running Comércio e Indústria de Artigos Esportivos Ltda.

On August 31, 2021, there was a partial spin-off between the subsidiaries Running Comércio e Indústria de Artigos Esportivos Ltda. (spun-off company) and Vulcabras CE, Calçados e Artigos Esportivos S.A. (company resulting from the spin-off) after approval at the Extraordinary General Meeting ("EGM"). The net assets transferred are presented below:

In thousands of Reais	**R$**
Current assets	55,560
Current liabilities	(1,990)
Spun-off net assets	**53,570**

1.2 List of subsidiaries

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

		% Direct interest		% Indirect interest		% Total interest	
	Country	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	Brazil	99.99	99.99	-	-	99.99	99.99
Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Brazil	-	-	100	100	100	100
Vulcabras Distribuidora de Artigos Esportivos Ltda.	Brazil	0.14	0.22	99.86	99.78	100	100
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Brazil	-	-	100	100	100	100
Globalcyr S.A.	Uruguay	1.55	1.55	98.45	98.45	100	100
Vulcabras BA, Calçados e Artigos Esportivos S.A.	Brazil	-	-	99.99	99.99	99.99	99.99
Calzados Azaleia de Colômbia Ltda.	Colombia	-	-	100	100	100	100
Calzados Azaleia Peru S.A.	Peru	-	-	99.11	99.11	99.11	99.11
Vulcabras Empreendimento Imobiliário SPE Ltda.	Brazil	100	-	-	-	100	-
Wave Comércio e Indústria de Artigos Esportivos Ltda (*)	Brazil	-	-	100	-	100	-
Running Comércio e Indústria de Artigos Esportivos Ltda (*)	Brazil	-	-	100	-	100	-

(*) In August 2021, the merger of Wave Comércio e Indústria de Articles Esportivos Ltda. and the partial spin-off of Running Comércio e Indústria de Artigos Esportivos Ltda by the subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A. was approved.

a. Main characteristics of subsidiaries included in consolidation

Vulcabras CE, Calçados e Artigos Esportivos S.A.
Vulcabras CE, Calçados e Artigos Esportivos S.A. is the company responsible for the manufacture and development of sports shoes. It started its activities with headquarters in the city of Horizonte, State of Ceará, engaged in the production, sale, import and export in general of shoes and sport gear.

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. The Company started its operations on July 25, 2013, headquartered in the city of Jundiaí, State of São Paulo, under the corporate name of UA BRASIL COMÉRCIO E DISTRIBUIÇÃO DE ARTIGOS ESPORTIVOS LTDA., as an affiliated company of Under Armour, Inc. It was acquired by Vulcabras CE on October 1, 2018.

Vulcabras Distribuidora de Artigos Esportivos Ltda.
Vulcabras Distribuidora de Artigos Esportivos Ltda. is responsible for the sale and distribution of sports shoes and apparel. It started its activities on June 14, 2006 headquartered in the city of Horizonte, State of Ceará.

Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda., was established on September 1, 2010, headquartered in the city of Itapetinga, State of Bahia. It is engaged in sale and distribution of sports shoes and apparel and boots for professional use. It started its activities in the third quarter of 2011.

Globalcyr S.A.
Globalcyr S.A. started-up its operations headquartered in the city of Montevideo, in Uruguay, and has as corporate purpose the trade and distribution of footwear. Its operations are currently shutdown.

Vulcabras BA, Calçados e Artigos Esportivos S.A.
Vulcabras BA, Calçados e Artigos Esportivos S.A is a Brazilian shoes manufacturer, mainly engaged in the manufacture, sale, import and export of sports shoes, women’s shoes and boots for professional use. Established on August 3, 1995, headquartered in the city of Itapetinga, State of Bahia.

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. Acquired at the end of 1998, start-up date of imports and sales under the Company’s brands was in 1999.

Calzados Azaleia de Colômbia Ltda.
Calzados Azaleia de Colômbia Ltda. is responsible for the import and sale of shoes and sport gear and women's shoes in the Colombian market. Started in that country in 1999 as an office, and begun to import and sell under the Vulcabras S.A. brands in 2000.

Wave Comércio e Indústria de Artigos Esportivos Ltda.
Wave Comércio e Indústria de Artigos Esportivos Ltda. is responsible for commercial representation for the sale of footwear, clothing and sporting goods, on its own account or for third parties. The startup date was September 29, 2020, headquartered at the city of São Paulo-SP.

Running Comércio e Indústria de Artigos Esportivos Ltda.
Running Comércio e Indústria de Artigos Esportivos Ltda. is responsible for the sale of footwear, apparel and sports accessories under the Mizuno brand. The company started its activities on November 12, 2020 and is headquartered in the city of Jundiaí, in the State of São Paulo, having been acquired by Vulcabras CE on June 29, 2021.

Vulcabras Empreendimento Imobiliário SPE Ltda.
Vulcabras Empreendimento Imobiliária SPE Ltda. is a company engaged in the planning, promotion, real estate development and sale of a real estate projects, to be developed in the property located in the City of Jundiaí, State of São Paulo.

2 Preparation basis and presentation of quarterly financial information

2.1 Statement of compliance (in relation to IFRS standards and CPC standards)

The interim financial information was prepared in accordance with CPC 21 – Interim Financial Reporting and with IAS 34 – Interim Financial Reporting, issued by International Accounting Standards Board (IASB), and evidence all information of interim financial information, and only them, which are consistent with those used by Management in its administration.

The authorization for the conclusion of such quarterly financial information was given by the Board of Directors on November 09, 2021.

All relevant information in quarterly financial information, and only them, are being evidenced and correspond to that used by Management.

2.2 Use of estimates and judgments

The preparation of this quarterly financial information, Management used judgments, estimates and assumptions that affect the application of 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 a continuous 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 quarterly financial information are included in the following notes:

- **Note 18 -** lease term: if the Company and its subsidiaries are reasonably certain of exercising extension options.

b. *Uncertainties on assumptions and estimates*

Information on uncertainties as to assumptions and estimates as of September 30, 2021 that pose a high risk of resulting in a material adjustment in book balances of assets and liabilities in the next period are included in the following notes:

- **Note 6** – accounts receivable: measurement of estimated credit loss for accounts receivable:
- **Note 7** - Inventories: recognition of losses in inventories without movement;
- **Note 15** - Impairment test of intangible assets and goodwill: main assumptions regarding recoverable values;
- **Note 19** – recognition and measurement of provisions for lawsuits: key assumptions regarding the likelihood and magnitude of an outflow of resources.

3 Significant accounting policies

The practices, policies and main accounting judgments adopted in the preparation of the individual and consolidated quarterly financial information are consistent with those adopted and disclosed under the Notes to the financial statements for the year ended December 31, 2020, which were disclosed as of March 09, 2021 and should be read jointly.

This individual and consolidated quarterly financial information is being presented in Reais, functional currency of the Company. All quarterly financial information presented in reais (R$) has been rounded to the nearest value, except otherwise indicated.

The Company prepared individual statements of added value in compliance with CPC 09, which are presented as part of quarterly financial information under BRGAAP applicable to publicly-held companies. The individual and consolidated statement of added value is not required under international accounting standards issued by the IASB and is being presented as supplementary information.

3.1 New standards and interpretations not yet effective

The following changed standards and interpretations should not have a significant impact on the individual and consolidated quarterly financial information.

- Onerous Contracts - costs to fulfill a contract (amendment to CPC 25/IAS 37), with effectiveness scheduled for January 1, 2022.
- Change in the benchmark interest rate - Phase 2 (amendments to CPC 48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16), to become effective on January 01, 2021.
- Property, Plant and Equipment: Revenues before intended use (amendments to CPC 27/IAS 16), with effectiveness scheduled for January 1, 2022.
- Classification of Liabilities in Current or Non-Current (Amendments to CPC 26/IAS 1) to become effective on January 01, 2023.

4 Cash and cash equivalents

	Consolidated		Parent company	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Current account	2,714	2,197	4	3
Post-fixed CDB (Invest Fácil)	6,641	10,183	214	15
Floating-rate CDB (*)	48,044	133,494	-	-
Cash and cash equivalents abroad	14,354	12,678	-	-
	71,753	**158,552**	**218**	**18**

(*) In the period ended September 30, 2021, the Company made disbursements for the acquisition of new Mizuno operations. This is the main reason for the change compared to September 30, 2020.

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. Profitability is from 10% to 40% of the CDI - Interbank Deposit Certificate as of September 30, 2021 (from 10% to 40% of the CDI - Interbank Deposit Certificate as of December 31, 2020).

Floating-rate CDBs (Bank Deposit Certificate) are remunerated 97.0–100.50% of CDI as of September 30, 2021 (97.0–101.25% of CDI as of December 31, 2020). See Note 28 on credit risk exposure.

5 Interest earning bank deposits

	Consolidated		Parent company	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Interest earning bank deposits - Domestic:				
Floating-rate CDB (*)	83,283	85,784	78,355	80,949
Investment funds – fixed income	4,365	4,301	2	2
Share investment funds	720	458	-	-
	88,368	**90,543**	**78,357**	**80,951**
Current	78,355	80,949	78,355	80,949
Non-current	10,013	9,594	2	2

The floating-rate Bank Deposit Certificates (CDBs) as of September 30, 2021, in the amount of R$ 4,932 (R$ 4,835 as of December 31, 2020), have no liquidity, as they are linked to guarantees in financing agreements (BNB) and remunerated at 98.0% of the CDI (98.0% of CDI as of December 31, 2020). On the other hand, the amount of R$ 78,351, is remunerated from 99.5% to 100.0% of the CDI rate on September 30, 2021 (from 99.5% to 100.0% of CDI as of December 31, 2020) and is classified in short-term interest earning bank deposits, as it exclusively covers the investments of the parent company and there is no expectation of redemption in 90-day period.

Investments in fixed income investment funds in the amount of R$ 4,365 (R$ 4,301 as of December 31, 2020) are remunerated from 33% to 47.8% of CDI as of September 30, 2021 (from 70% to 120.5% of CDI as of December 31, 2020), no liquidity since they are pegged to guarantees of financing contracts (BNB).

Equity investment funds in the amount of R$ 720 (R$ 458 as of December 31, 2020) are financial assets measured at fair value through other comprehensive income. The shares were valued according to the B3 quotation on the date of this quarterly financial information.

6 Trade accounts receivable

a. Breakdown of balances

	Consolidated	
Accounts receivable	**09/30/2021**	**12/31/2020**
Domestic:		
Clients	582,486	594,927
Foreign:		
Clients	46,840	29,706
Subtotal trade accounts receivable	629,326	624,633
Impairment losses	(37,898)	(50,529)
Total trade accounts receivable, net	591,428	574,104
Current	587,797	574,104
Non-current	3,631	-

b. By maturity

	Consolidated	
	09/30/2021	**12/31/2020**
Falling due (days):		
01–30	122,698	143,662
31–60	163,949	171,540
61–90	136,866	123,248
>90	167,129	140,547
	590,642	578,997
Overdue (days):		
01–30	4,122	5,250
31–60	972	616
61–90	502	454
>90	33,088	39,316
	38,684	45,636
	629,326	624,633

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 market, are disclosed in Note 21. The Management understands that the amount that better represents its maximum exposure to credit risk for the period ended September 30, 2021 is R$ 37,898 (R$ 50,529 as of December 31, 2020), which derives from the criteria mentioned in item (c).

c. Measurement criteria of losses with clients (impairment)

The analysis of the credit granting to the customers is made when he/she is registered in the system of the Company and its subsidiaries, for which there is a requirement related to 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 in default, 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.

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 provisioning the amount of 40% for the expected loss 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 provision for impairment losses in the period ended September 30, 2021 and December 31, 2020 are shown below:

	Consolidated	
	09/30/2021	**12/31/2020**
Opening balance	(50,529)	(42,078)
Supplement of provision (*)	(2,519)	(21,410)
Reversal for credit assignment (**)	8,604	-
Recovery of provisions	6,546	12,959
Closing balance	(37,898)	(50,529)

(*) In the period ended September 30, 2021, compared to the same period in 2020, the Company recorded a decrease in the provision complement, which was due to the increase in 2020 due to the pandemic.

(**) On June 30, 2021, the Company carried out credit assignments with trade notes already provisioned as losses that were under court-ordered reorganization, with no impact on income due to the reversal of the provision for expected credit losses and financial discounts of the operation.

Considering the capillarity of sales distribution and the Company's credit policy, the concentration of clients in sales or in the receivables portfolio is lower than 13%. Thus, at the end of the period as of September 30, 2021, there was no significant change in the participation or concentration in the main clients due to the effects of the COVID-19 pandemic (see Note 1.1.1).

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.

7 Inventories

	Consolidated	
	09/30/2021	**12/31/2020**
Finished goods (*)	104,499	28,418
Good for resale (**)	217,246	95,142
Work in progress	39,884	28,139
Raw materials (***)	113,858	67,242
Packaging and storeroom materials	23,692	20,865
Goods in transit (****)	65,879	15,269
Imports in progress	6,674	1,849
Other	2,094	-
	573,826	256,924

(*) The increase is due to the effects of seasonality at the end of the period and the increase in the inventory of products produced under the Mizuno brand.

(**) The increase was due to the increase in the inventory of finished products purchased from third parties under the Mizuno brand and clothing from the brands in general.

(***) The change was due to the anticipation of purchases of strategic raw materials, which are expected to be consumed in the 4th quarter, with a view to ensuring supply at current prices, anticipating previously announced price increases.

(****) Increase generated by the transition of inventories of Vulcabras Distribuidora CE branch and Vulcabras SP Jundiaí branch to their respective branches installed in the new Distribution Center located in Extrema.

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 September 30, 2021, the provision for losses for finished products and resales is R$ 11,104 (R$ 6,578 as of December 31, 2020), the provision for losses on raw materials is R$ 21,626 (R$ 21,197 at December 31, 2020) and the provision for losses for work in process is R$ 3,420 (R$ 3,908 as of December 31, 2020).

The amount of raw material, labor, and indirect manufacturing costs used in the breakdown of costs of products sold is R$ 618,267 as of September 30, 2021 (R$ 399,982 as of September 30, 2020).

b. Changes in provision (impairment)

Changes in provision for losses in the realization of inventory for the period ended September 30, 2021 and year ended December 31, 2020 are shown below:

	Consolidated	
	09/30/2021	**12/31/2020**
Opening balance	(31,683)	(40,235)
Additions of the period	(16,053)	(19,179)
Reversal of provision (*)	11,586	27,731
Closing balance	**(36,150)**	**(31,683)**

(*) There was a write-off in the amount of R$ 8,461 due to the sale of indirect subsidiary Vulcabras Azaleia SE as of March 31, 2020.

8 Recoverable taxes

	Consolidated		Parent company	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
ICMS	9,356	9,707	20	20
IPI	1,768	514	-	-
PIS/COFINS	122,506	9,683	-	-
FINSOCIAL	2,370	2,359	1,815	1,805
Reintegra	517	460	-	-
Other	8,276	2,394	547	543
	144,793	**25,117**	**2,382**	**2,368**
Current	82,116	18,330	567	563
Non-current	62,677	6,787	1,815	1,805

(*) In the period ended June 30, 2021, the subsidiaries Vulcabras Distribuidora and Vulcabras CE recorded extemporaneous credit of R$ 5,068 and R$ 62,438, respectively, for the obtained proof of claim from the Brazilian Federal Revenue Service regarding the recovery of Pis/Cofins based on the thesis of exclusion of ICMS, which was definitely judged. The amount was recognized in the short term after impairment analysis in 12 months. In the period ended September 30, 2021, the loan is restated to R$ 5,122 and R$ 62,695, where R$ 2,709 and R$ 25,878 of principal, was recognized under "Other Operating Revenues", and, R$ 2,413 and R$ 36,817 related to financial update, was recognized as "Financial Revenue".

On September 30, 2021, based on accounting legislation, the technical opinion of its advisors and the statement of the Federal Attorney General's Office (SEI 14.483/ME opinion published in the official gazette on September 29, 2021), the subsidiary Vulcabras CE recorded a credit of R$ 56,144 referring to the PIS/COFINS recovery based on the ICMS exclusion thesis. The amount recognized was R$ 37,388 as principal, recorded in Other Revenues and R$ 18,756 referring to the financial restatement, recorded as "Financial Revenue".

The Company has other lawsuits in different instances, but none of them are final and unappealable, which could bring significant amounts.

9 Income tax and social contribution

a. Income tax prepayment

	Consolidated		Parent company	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Income tax prepayment	5,012	5,108	545	154
	5,012	**5,108**	**545**	**154**

b. Deferred income tax and social contribution on temporary differences

	Consolidated	
	09/30/2021	**12/31/2020**
Temporary differences during the period		
Revaluation of property, plant and equipment	(2,304)	(2,406)
Deferred income tax - foreign subsidiary	1,246	1,359
Deferred income tax and social contribution on temporary differences	**(1,058)**	**(1,047)**
Total deferred income tax and social contribution in assets	1,246	1,359
Total deferred income and social contribution tax liabilities	(2,304)	(2,406)

c. Income tax and social contribution - deferred and current

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

	Consolidated	
	09/30/2021	**09/30/2020**
Current income tax and social contribution	(16,255)	(2,810)
	(16,255)	(2,810)

d. Reconciliation of effective tax rate

	Consolidated	
	IRPJ / CSLL	
	09/30/2021	**09/30/2020**
Income (loss) before income tax and social contribution	248,874	(20,219)
Investee's income before income tax and social contribution	-	28,906
Income tax and social contribution at a rate of 34%	84,617	(6,874)
Income tax and social contribution at a rate of 34% (deferred is not formed)	-	(16,702)
Income tax and social contribution at a rate of 34% (investee)	-	9,828
Non-deductible expenses	2,081	1,248
Tax incentives - State **(a)**	(34,932)	(25,527)
Incentive to technological innovation	(6,026)	-

	Consolidated	
	IRPJ / CSLL	
	09/30/2021	**09/30/2020**
IRPJ incentive	(4,556)	-
Offsetting of tax loss and negative basis	(11,664)	(1,216)
Equity in investments	-	12,094
Other additions	-	11,577
Non-taxable revenues	(3,587)	(1,854)
Other	(9,678)	13,362
Expense with income tax and social contribution	16,255	2,810
Effective rate (b)	6.53%	9.72%

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

(b) Effective rate on income before investee's income tax and social contribution

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 credits. Management is constantly monitoring the renewal of tax incentives. The Company and its subsidiaries do not record the deferred income tax and social contribution on tax losses. As of September 30, 2021 and December 31, 2020, the parent company and its subsidiaries had tax losses to be utilized for offset, related to the following base amounts:

	09/30/2021							
	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 September 30, 2021	324,588	614,588	77,319	337,282	341	39,200	144,609	1,537,927
Negative basis of social contribution on September 30, 2021	1,136,438	626,610	77,319	337,282	341	39,200	146,723	2,363,913

	12/31/2020						
	Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	**Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.**	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.**	**Vulcabras Azaleia S.A.**	**Total**
Tax losses calculated on December 31, 2020	362,622	622,101	80,736	329,364	35,104	142,326	1,572,253
Negative basis of social contribution on December 31, 2020	1,162,515	634,122	80,736	329,364	35,104	144,441	2,386,282

Compensation 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 1995 onwards, with no statutory limitation period.

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	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Judicial deposits				
Civil	118	487	2	20
Labor	14,048	14,593	272	402
Tax	-	-	115	121
Total	**14,166**	**15,080**	**389**	**543**

a. Labor

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

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

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 September 30, 2021 and December 31, 2020, as well as the transactions that influenced income (loss) for the period, relating to operations with related parties, result from transactions of the Company with its subsidiaries in Colombia, Brazil and Peru, besides loans with subsidiaries.

Loan agreements are restated at the DI-CETIP rate.

a. Parent company and final parent company

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

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 Distribuidora**	**Vulcabras BA**	**09/30/2021**	**12/31/2020**
Assets					
Loans - subsidiaries	-	123,659	-	123,659	120,602
Liabilities					
Loan agreement with subsidiaries (*)	154,426	-	48,349	202,775	197,763
				09/30/2021	**09/30/2020**
Income (loss)					
Financial income (loss)	(3,817)	3,056	(1,195)	(1,956)	(9)

(*) Loan agreements are restated at 100% of CDI rate and have no incidence of Tax on Financial Operations (IOF), pursuant to Decree 10504/2020. The agreements are effective for five years.

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:

	Globalcyr	Running	Wave	Calzados Azaleia Colombia	Calzados Azaleia Peru.	Vulcabras SP	Vulcabras Distribuidora	Vulcabras BA	Distribuidora Cruzeiro do Sul	09/30/2021	12/31/2020
Assets											
Accounts receivable	-	1,828	-	-	4,971	37,705	49,992	531	-	95,027	42,443
Other credits	-	-	-	-	-	314	1,580	3,799	-	5,693	2,569
Liabilities											
Accounts payable	-	-	-	-	-	-	974	1,689	-	2,663	150
Other debits	-	-	-	-	-	-	-	-	-	-	19
Income (loss)										**09/30/2021**	**09/30/2020**
Financial income (loss)	77	-	8	-	-	-	-	-	-	85	(8)
Intercompany sale	-	1,828	-	-	7,270	25,486	205	12,278	732	47,799	47,723
Intercompany purchase	-	-	-	-	-	-	(2,429)	(12,917)	(3,195)	(18,541)	(5,562)

Related party balances are eliminated for the purpose of consolidated presentation. The main type of the transactions is the purchase and sale of shoes and apparel.

d. Management remuneration

At the Annual Shareholders' Meeting held April 23, 2021, the Company established the annual overall remuneration of the Directors at up to R$ 13,962. In the period ended September 30, 2021, the Company paid Directors' fees totaling R$ 9,874 (R$ 8,180 as of September 30, 2020).

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

As of September 30, 2021 and December 31, 2020, the Company and its subsidiaries did not pay the key management personnel in relation to the categories: a) Long-term benefits; b) Benefits on termination of employment contract; and c) share-based payment

e. Other related party transactions

Vulcabras CE, Calçados e Artigos Esportivos S.A. through its indirect subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. has loan payable to Brisa Indústria de Tecidos Tecnológicos S.A. in the amount of R$ 17,932 as of September 30, 2021 (R$ 17,632 as of December 31, 2020), remunerated at 4% p.a. and 2.20% p.a. (4% p.a. and TJLP + 2% p.a. as of December 31, 2020).

12 Investments

a. Breakdown of balance

	Consolidated		Parent company	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,357,106	1,115,038
In associated companies	68,244	59,999	-	-
Provision for loss with investment	-	-	(131)	(124)
Total	**68,244**	**59,999**	**1,356,975**	**1,114,914**

The subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. holds an interest of 50% as of September 30, 2021 (50% as of December 31, 2020) in the associated company PARS Participações Ltda., which holds 100% as of September 30, 2021 (100% as of December 31, 2020) of Brisa Indústria de Tecidos Tecnológicos S.A. Considering that the Company only has significant influence, this investment is not consolidated in the quarterly financial information under the terms of CPC 36 (R3) / IFRS 10 - Consolidated Statements.

b. Changes in investments

	Consolidated		Parent company	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Opening balances	59,999	62,046	1,114,914	1,076,742
Equity in investments	1,908	(2,047)	234,742	33,319
Exchange differences from translation of foreign operations	-	-	1,327	4,648
Acquisition of investment	6,337		5,700	-
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	261	185
Increase in investee's interest	-	-	31	20
Closing balances	68,244	59,999	1,356,975	1,114,914

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	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**	**09/30/2021**	**12/31/2020**	**09/30/2021**	**12/31/2020**	**09/30/2021**	**12/31/2020**
Total assets	1,913,134	1,550,825	348,174	205,833	2	2	2,094	-	-	-
Total liabilities	558,205	435,849	284,050	175,311	8,483	8,030	-	-	-	-
Capital	1,190,892	1,363,676	136,065	96,045	1,056	1,056	2,094	-	-	-
Net revenue	662,525	693,214	252,260	100,359	-	-	-	-	-	-
Income (loss) for the period	234,753	33,312	(6,418)	3,850	(77)	(100)	-	-	-	-
Number of shares/quotas held (per thousand shares/quotas)	537,467	537,467	200	200	10	10	2,094	-	-	-
Equity	1,354,929	1,114,976	64,124	30,522	(8,481)	(8,028)	2,094	-	-	-
Participation in capital stock at the end of the period - %	99.99%	99.99%	0.14%	0.22%	1.54%	1.54%	100.00%	-	-	-
Permanent ownership interest in subsidiaries	1,354,922	1,114,971	90	67	-	-	2,094	-	1,357,106	1,115,038
Provision for liabilities for loss on investment	-	-	-	-	(131)	(124)	-	-	(131)	(124)
Equity in net income of subsidiaries	234,752	33,312	(9)	8	(1)	(1)	-	-	234,742	33,319

d. Information on indirect interest

As of September 30, 2021 and December 31, 2020, the Company has indirect interest in companies listed below by means of its subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A.:

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

09/30/2021	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.	Wave Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia de Colômbia Ltda.	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	348,174	140,938	2	521,987	10,168	-	974	251	63,651	123,257
Total liabilities	284,050	119,881	8,483	129,521	7,034	-	15,150	15,804	29,936	1
Capital	136,065	402,984	1,056	365,403	3,621	-	26,207	841	1,072	36,116
Equity	64,124	21,057	(8,481)	392,466	3,134	-	(14,176)	(15,553)	33,715	123,256
Net revenue	252,260	51,112	-	356,209	3,269	-	10,957	3,199	38,320	-
Income (loss) for the period	(6,418)	(9,452)	(77)	50,446	(477)	(969)	(3,502)	(6,968)	(1,607)	3,816
Interest in capital	99.86%	100.00%	98.45%	100.00%	100.00%	100.00%	100.00%	100.00%	99.11%	50.00%

12/31/2020	Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.	Globalcyr S.A.	Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia de Colômbia Ltda.	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	-	205,833	99,350	2	450,982	17,160	12,752	57,757	119,441
Total liabilities	-	175,311	68,842	8,030	109,073	27,834	20,787	23,380	1
Capital	-	96,045	402,984	1,056	459,929	26,207	841	1,072	36,116
Equity	-	30,522	30,508	(8,028)	341,909	(10,674)	(8,035)	34,377	119,440
Net revenue	1,538	100,359	73,523	-	374,063	21,429	14,092	42,288	-
Income (loss) for the period	26,503	3,850	(31,196)	(100)	44,430	(6,584)	(4,065)	(4,083)	(4,094)
Interest in capital	100.00%	99.78%	100.00%	98.45%	100.00%	100.00%	100.00%	99.11%	50.00%

(*) Indirect interest

13 Property, plant and equipment

a. Breakdown of account

September 30, 2021		Consolidated					
		09/30/2021			12/31/2020		
	Average rate of depreciation % p.a.	Cost	Depreciation	Net	Cost	Depreciation	Net
Buildings	2– 4	130,812	(90,266)	40,546	130,375	(87,487)	42,888
Machinery and equipment	10	393,847	(277,444)	116,403	362,699	(270,166)	92,533
Molds	100	274,320	(256,571)	17,749	262,557	(250,588)	11,969
Furniture and fixtures	10–20	40,060	(26,696)	13,364	32,131	(23,665)	8,466
Vehicles	20	2,229	(1,922)	307	2,241	(1,939)	302
IT equipment	20–25	31,885	(24,345)	7,540	28,606	(22,771)	5,835
Land	-	3,326	-	3,326	3,486	-	3,486
Works in progress	-	-	-	-	3,541	-	3,541
Facilities	10	133,850	(69,472)	64,378	127,027	(62,652)	64,375
Leasehold improvements	10–20	4,586	(366)	4,220	89	(89)	-
Imports in progress	-	8,361	-	8,361	5,309	-	5,309
Leasehold Improvements	20	1,671	(912)	759	1,524	(664)	860
Other	10–20	28	(27)	1	3,356	(1,609)	1,747
		1,024,975	**(748,021)**	**276,954**	**962,941**	**(721,630)**	**241,311**

b. Changes in cost

September 30, 2021	**Consolidated**										
	01/01/2020	**12/31/2020**					**09/30/2021**				
	Opening balance	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**
Buildings	127,881	828	-	-	1,666	130,375	1,350	-	(1,307)	394	130,812
Machinery and equipment	362,297	10,145	(27,926)	18,183	-	362,699	7,875	(4,470)	27,743	-	393,847
Molds	272,492	22,720	(33,195)	540	-	262,557	27,280	(15,836)	319	-	274,320
Furniture and fixtures	32,099	1,459	(2,076)	-	649	32,131	3,270	(893)	5,262	290	40,060
Vehicles	2,258	115	(238)	1	105	2,241	87	(107)	-	8	2,229
IT equipment	27,810	1,579	(1,766)	-	983	28,606	2,384	(274)	973	196	31,885
Land (*)	3,490	-	(5)	1	-	3,486	-	(160)	-	-	3,326
Molds in progress	-	740	(199)	(541)	-	-	1,102	(788)	(314)	-	-
Works in progress	-	4,182	(719)	-	78	3,541	4,197	(641)	(7,097)	-	-
Facilities	112,686	18,147	(3,806)	-	-	127,027	7,269	(446)	-	-	133,850
Leasehold improvements	89	-	-	-	-	89	551	-	3,946	-	4,586
Imports in progress	2,279	24,884	(3,670)	(18,184)	-	5,309	33,473	(4,210)	(26,211)	-	8,361
Leasehold improvements	3,537	79	(2,092)	-	-	1,524	147	-	-	-	1,671
Other	2,463	203	-	-	690	3,356	-	(14)	(3,314)	-	28
	949,381	**85,081**	**(75,692)**	**-**	**4,171**	**962,941**	**88,985**	**(27,839)**	**-**	**888**	**1,024,975**

c. Changes in depreciation

September 30, 2021	**Consolidated**										
	01/01/2020	**12/31/2020**					**09/30/2021**				
	Opening balance	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**
Buildings	(83,552)	(3,561)	-	-	(374)	(87,487)	(2,682)	-	-	(97)	(90,266)
Machinery and equipment	(276,247)	(14,399)	20,481	-	(1)	(270,166)	(11,249)	3,971	-	-	(277,444)
Molds	(249,011)	(32,218)	30,641	-	-	(250,588)	(19,450)	13,467	-	-	(256,571)
Furniture and fixtures	(23,541)	(1,444)	1,677	-	(357)	(23,665)	(1,326)	27	(1,569)	(163)	(26,696)
Vehicles	(1,918)	(144)	205	-	(82)	(1,939)	(77)	101	-	(7)	(1,922)
IT equipment	(22,058)	(1,736)	1,566	-	(543)	(22,771)	(1,546)	98	-	(126)	(24,345)
Facilities	(54,327)	(9,522)	1,197	-	-	(62,652)	(6,931)	1	110	-	(69,472)
Leasehold improvements	(89)	-	-	-	-	(89)	(167)	-	(110)	-	(366)
Leasehold improvements	(2,459)	(292)	2,087	-	-	(664)	(248)	-	-	-	(912)
Other	(1,059)	(254)	1	-	(297)	(1,609)	-	13	1,569	-	(27)
	(714,261)	**(63,570)**	**57,855**	**-**	**(1,654)**	**(721,630)**	**(43,676)**	**17,678**	**-**	**(393)**	**(748,021)**

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 fixed asset items. The Company and its subsidiaries have a policy of maintaining the main items of property, plant and equipment until the end of their useful lives.

14 Intangible assets

a. Breakdown of account

September 30, 2021		**Consolidated**					
		09/30/2021			**12/31/2020**		
Defined useful life	**Useful life**	**Cost**	**Amortization**	**Net**	**Cost**	**Depreciation**	**Net**
Software	5 years	41,162	(33,679)	7,483	39,040	(32,218)	6,822
Assignment of right	Contractual period	553	(434)	119	531	(391)	140
Goodwill	Contractual period	1,464	-	1,464	1,873	-	1,873
Provision for impairment (*)	Contractual period	-	-	-	(199)	-	(199)
Undefined useful life							
Trademarks and patents		2,068	-	2,068	2,067	-	2,067
Goodwill		198,214	-	198,214	198,214	-	198,214
		243,461	**(34,113)**	**209,348**	**241,526**	**(32,609)**	**208,917**

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

(*) The provision for impairment refers to impairment of goodwill in stores of the subsidiary Vulcabras SP; in the period ended June 30, 2021, there was a decrease in the provision since stores were closed.

b. Changes in cost

September 30, 2021

	Useful life	Amortization methods	Balance at 01/01/2021	Additions	Write-offs	Translation adjustment	Balance at 09/30/2021
				Consolidated			
Defined useful life							
Software	5 years	Straight-line	39,040	2,207	(149)	64	41,162
Assignment of right	Contractual period	Straight-line	531	-	-	22	553
Goodwill	Contractual period	Straight-line	1,873	-	(409)	-	1,464
Impairment of goodwill	Contractual period	Straight-line	(199)	-	199	-	-
Undefined useful life							
Trademarks and patents			2,067	1	-	-	2,068
Goodwill			198,214	-	-	-	198,214
Total			241,526	2,208	(359)	86	243,461

December 31, 2020

	Useful life	Amortization methods	Balance at 01/01/2020	Additions	Write-offs	Translation adjustment	Balance at 12/31/2020
				Consolidated			
Defined useful life							
Software	5 years	Straight-line	36,413	2,588	(264)	303	39,040
Assignment of right	Contractual period	Straight-line	391	42	-	98	531
Goodwill (*)	Contractual period	Straight-line	10,976	-	(9,103)	-	1,873
Impairment of goodwill	Contractual period	Straight-line	(4,047)	-	3,848	-	(199)
Undefined useful life							
Trademarks and patents			2,194	-	(127)	-	2,067
Goodwill			198,214	-	-	-	198,214
Total			244,141	2,630	(5,646)	401	241,526

(*) As of December 31, 2020, we disposed of two stores in the amount of R$ 9,103, whose consequences affected the provision for impairment in the amount of R$ 3,848.

c. Changes in amortization

September 30, 2021

				Consolidated			
	Useful life	**Amortization methods**	**Balance at 01/01/2021**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 09/30/2021**
Defined useful life							
Software	5 years	Straight-line	(32,218)	(1,532)	106	(35)	(33,679)
Assignment of right	Contract Term	Straight-line	(391)	(27)	-	(16)	(434)
Total			(32,609)	(1,559)	106	(51)	(34,113)

December 31, 2020

				Consolidated			
	Useful life	**Amortization methods**	**Balance at 01/01/2020**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 12/31/2020**
Defined useful life							
Software	5 years	Straight-line	(30,421)	(1,792)	130	(135)	(32,218)
Assignment of right	Contract Term	Straight-line	(280)	(47)	-	(64)	(391)
Total			(30,701)	(1,839)	130	(199)	(32,609)

d. Goodwill in business combination

The balances of goodwill determined in the acquisitions of ownership interest in subsidiary Vulcabras CE, are supported by reports issued by independent experts and are based on the expectation of future profitability of the acquired operations; in 2009, goodwill balances ceased to be amortized since these are assets with indefinite 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 Recoverability analysis of tangible and intangible 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, 2020, an impairment test of tangible and intangible assets with finite 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.

No indication of impairment on September 30, 2021.

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 at September 30, 2021 (R$ 198,214 as of December 31, 2020).

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 the purposes of impairment test of tangible and intangible assets, there is no possibility of separating a Cash Generating Unit (CGU) and defining it as the exclusive cash generating unit due to the purchase of Azaleia. Since the acquisition, the operations of the two companies were merged and it became impossible to distinguish what are the revenues generated by virtue of the exclusive assets acquired in the purchase of Azaleia. Thus, the Company and its subsidiaries are considered as a single Cash Generating Unit.

Future cash flows were discounted based on the rate representing the capital cost. Following the techniques of economic valuation, the assessment of value in use is carried out for a period of 10 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 7.73%. p.a. as of December 31, 2020 (8.54% p.a. as of December 31, 2019).

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 9.34% p.a. as of December 31, 2020 (3.39% as of December 31, 2019) between 2020 and 2030. The change in relation to the previous year is discussed in Note 1.1.1.(iv).

Cost

The cost of sold products was projected based on the Company's estimates.

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

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 34.50% p.a. (8.35% p.a. as of December 31, 2019) between 2020 and 2030. The lower value of the initial base (year 2020 - see note 1.1.1 IV) and the gain with the acquisition of the Mizuno operation significantly influenced the Compound Annual Growth Rate (CAGR) for the period.

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 higher than the book value by approximately R$ 3,755 billion as of December 31, 2020 (R$ 2,804 billion as of December 31, 2019).

16 Suppliers

a. Breakdown of account

	Consolidated		Parent company	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Suppliers				
Domestic				
Sundry	77,719	56,355	86	289
Abroad (*)				
Sundry	58,820	6,102	-	-
	136,539	62,457	86	289

(*) The change was mainly due to the effects of the pandemic faced in the year 2020 and the start of Mizuno's operations, which in the period ended September 30, 2021, with the gradual resumption of operations, led to the acquisition of property, plant and equipment, Mizuno finished products and supplies.

b. By maturity

	Consolidated	
	09/30/2021	**12/31/2020**
Falling due (days):		
01–30	97,405	51,198
31–60	31,721	8,603
61–90	5,345	1,245
>90	1,820	1,397
	136,291	62,443
Overdue		
01–30	246	51,198
31–60	1	8,603
>90	1	1,397
	248	62,443
	136,539	62,457

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

In compliance with CVM Resolution 564 issued December 17, 2008, which approved CPC 12, the Company 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 September 30, 2021 (37 days at December 31, 2020), 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.

17 Loans and financing

a. Breakdown of account

	Interest rates for 2021	Interest rates for 2020	Consolidated 09/30/2021	Consolidated 12/31/2020
Domestic currency				
Property, plant and equipment	IPCA + 2.04% p.a.	IPCA + 2.04% p.a.	67,743	77,561
Tax incentive	TJLP	TJLP	2,462	2,276
Working capital	IPCA + 2.07% p.a / CDI + 1.10–1.23% p.a.	IPCA + 2.07% p.a./ CDI + 3.05–3.55% p.a. / 180% CDI p.a.	291,394	205,221
			361,599	**285,058**
Foreign currency				
Export financing				
Finimp	Fixed rate 7.10–7.20% p.a.	Fixed rate 7.10–7.20% p.a.	-	16,451
Working capital	Fixed rate 1.18–2.15% p.a.	Fixed rate 1.18% p.a.	8,680	10,120
			8,680	**26,571**
Total loans and financing			**370,279**	**311,629**
Current			290,863	127,894
Non-current			79,416	183,735

As of September 30, 2021 and December 31, 2020, installments related to the principal of loans and financing had the following maturities:

	09/30/2021		12/31/2020	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	**290,863**	**79%**	**127,894**	**41%**
2021	13,334	4%	127,894	41%
2022	291,441	79%	93,056	30%
2023	30,046	8%	55,819	18%
2024	13,671	4%	13,072	4%
2025	13,072	3%	13,072	4%
2026	8,715	2%	8,715	3%
Non-current	**79,416**	**21%**	**183,735**	**59%**
Total	**370,279**	**100%**	**311,629**	**100%**

b. Sureties and guarantees

In guarantee of financing, promissory notes, 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. We do not have covenants for working capital loans.

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

	Liabilities			
	Borrowings and financing	**Loans with related parties**	**Lease liabilities**	**Total**
Balance at January 1, 2021	**311,629**	**17,632**	**18,530**	**347,791**
Changes in cash flow from financing				
Loans obtained - Principal	190,000	-	-	190,000
Loans with related parties	-	300	-	300
Payment of financial lease liabilities	-	-	(7,206)	(7,206)
Payment of loans obtained - Principal	(133,950)	-	-	(133,950)
Total changes in financing cash flows	**56,050**	**300**	**(7,206)**	**49,144**
Other changes related to liabilities				
Interest paid	(16,807)	-	(1,571)	(18,378)
Provin additions (without cash effect)	590	-	-	590
Contractual additions/adjustments	-	-	12,838	12,838
Lease discounts	-	-	(457)	(457)
Accrued interest	-	-	1,287	1,287
Write-off of lease	-	-	(601)	(601)
Financial charges recognized in profit or loss	18,817	-	-	18,817
Total other changes related to liabilities	2,600	-	11,496	14,096
Balance at September 30, 2021	**370,279**	**17,932**	**22,820**	**411,031**

	Liabilities			
	Borrowings and financing	**Loans with related parties**	**Lease liabilities**	**Total**
Balance at January 1, 2020	**43,053**	**16,930**	**15,845**	**75,828**
Changes in cash flow from financing				
Loans obtained - Principal	280,202	-	-	280,202
Loans with related parties	-	523	-	523
Payment of financial lease liabilities	-	-	(7,732)	(7,732)
Payment of loans obtained - Principal	(15,375)	-	-	(15,375)
Total changes in financing cash flows	**264,827**	**523**	**(7,732)**	**257,618**
Other changes related to liabilities				
Interest paid	(3,350)	-	(1,580)	(4,930)
Provin additions (without cash effect)	373	-	-	373
Contractual additions/adjustments	-	-	12,250	12,250
Lease discounts	-	-	(1,368)	(1,368)
Accrued interest	-	-	3,990	3,990
Financial charges recognized in profit or loss	8,329	-	-	8,329
Total other changes related to liabilities	5,352	-	13,292	18,644
Balance at September 30, 2020	**313,232**	**17,453**	**21,405**	**352,090**

18 Leases

a. Operating leases

The Company and its subsidiaries lease only properties.

This lease normally lasts 5 years, with renewal option after this period. The amounts are adjusted annually to reflect the price practiced in the market. Some commercial leases provide additional rental payments, which are based on the monthly turnover of the real estate.

Information on leases for which the Company is the lessee is presented below:

	Consolidated	
	09/30/2021	**12/31/2020**
Right-of-use		
Opening balance	15,145	15,845
Additions / Adjustments	13,223	14,965
Write-off	(587)	(4,162)
Amortization (*)	(8,135)	(11,503)
Closing balance	**19,646**	**15,145**

	Consolidated	
	09/30/2021	**12/31/2020**
Lease liabilities		
Opening balance	18,530	15,845
Additions / Adjustments	12,838	17,000
Accrued interest	1,287	2,835
Write-off	(601)	(4,223)
Payment of principal (**)	(7,663)	(11,167)
Interest	(1,571)	(1,760)
Closing balance	**22,820**	**18,530**
Current	9,147	8,343
Non-current	13,673	10,187

(*) The change was due to the termination of certain store agreements of the subsidiary Vulcabras SP. In the amortization recognized in the income (loss), we had a lower amount of R$ 7,678 due to the granting of discounts of R$ 457, based on the practical expedient of CPC 06/IFRS 16.

(**) The discount of R$ 457 that deducts the payment amount presented in the Consolidated Financial Statements has no effect on the write-off of the lease liability.

Payment schedule for long-term installments

	09/30/2021		12/31/2020	
Maturity	**Amount**	**%**	**Amount**	**%**
2022	2,001	15%	5,993	59%
2023	5,105	37%	2,465	24%
2024	3,880	28%	1,190	12%
2025	2,687	20%	539	5%
Total	**13,673**	**100%**	**10,187**	**100%**

Extension options

A few leases contain extension options exercisable by the Company up to one year prior to the end of the non-cancellable agreement period. Whenever possible, the Company seeks 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 provisions in accordance with the procedures established by CVM Resolution 489/05 and CPC 25/IAS 37, which establishes that a provision should be recognized when: (i) the entity has a present obligation deriving from a past event; (ii) an outflow of funds will probably be required to settle the obligation; and (iii) the sum of the obligation can be estimated with sufficient assurance. If any of these conditions are not met a provision should not be made, and it might be necessary to disclose a contingent liability.

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

a. Breakdown of balances

	Consolidated		**Parent company**	
	09/30/2021	**12/31/2020**	**09/30/2021**	**12/31/2020**
Provisions for lawsuits and administrative proceedings:				
Civil	19,482	18,919	36	82
Labor	40,771	36,982	189	507
Tax	1,363	662	173	176
Total	**61,616**	**56,563**	**398**	**765**
Current	**23,689**	**22,021**	**398**	**765**
Non-current	**37,927**	**34,542**	**-**	**-**

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)

Refer to compensation for property damages and pain and suffering. 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 Companies and its subsidiaries are parties mainly to the following taxes: IRPJ, COFINS, PIS and 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.

e. Changes in proceedings

September 30, 2021 — **Consolidated**

	12/31/2019	12/31/2020					09/30/2021				
Type	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Adjustment to net presentation (*)**	**Closing balance**	**Additions**	**Reversal**	**Payment**	**Adjustment to net presentation (*)**	**Closing balance**
Civil	20,107	1,210	(2,206)	(192)	-	18,919	1,145	(460)	(122)	-	19,482
Labor	36,254	5,136	(4,618)	(1,336)	1,546	36,982	9,675	(1,892)	(4,990)	996	40,771
Tax	148	802	(215)	(1,137)	1,064	662	1,629	(165)	(825)	62	1,363
Total	**56,509**	**7,148**	**(7,039)**	**(2,665)**	**2,610**	**56,563**	**12,449**	**(2,517)**	**(5,937)**	**1,058**	**61,616**

September 30, 2021 — **Parent company**

	12/31/2019	12/31/2020				09/30/2021			
Type	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Civil	510	63	(453)	(38)	82	18	(17)	(47)	36
Labor	229	371	-	(93)	507	-	(47)	(271)	189
Tax	119	57	-	-	176	57	(60)	-	173
Total	**858**	**491**	**(453)**	**(131)**	**765**	**75**	**(124)**	**(318)**	**398**

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

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 September 30, 2021 and December 31, 2020, the breakdown of the amounts under litigation at various court levels, estimated with a possible loss was as follows:

	Consolidated	
	09/30/2021	**12/31/2020**
Contingencies		
Civil	1,928	2,149
Labor	37,159	41,006
Tax	33,972	37,051
Total	73,059	80,206

There was no material lawsuit in 2021.

20 Equity (Parent company)

a. Capital

As of September 30, 2021, capital totals R$ 1,106,717 (R$ 1,106,717 as of December 31, 2020), is represented by 245,756,244 (245,756,346 as of December 31, 2020) 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.

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 September 30, 2021, the balance of revaluation reserve is R$ 4,472 (R$ 4,670, on December 31, 2020).

The revaluation reserve is being realized by depreciation or write-off of revalued assets against accumulated losses, net of tax effects. 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.

1st Stock Option Plan

Approval of the plan

On January 16, 2018, the Board of Directors approved the first granting of options under the Stock Option Contract. The total options granted on this date amounted to 835,000 options, with a unit strike price of R$ 9.50, distributed amongst 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 6404, dated December 15, 1976.

Characteristics of the plan

1st Stock Option Plan - 2018	**1st granting**
Grant date	January 16, 2018
Quantity of options granted	835,000
Vesting period	3 years
Maturity for the year	03/31/2021
Maximum period for exercise	03/31/2022
Strike price	R$ 9.50 **(1)**
Beneficiaries (employees)	24 **(2)**

(1) The strike price is set at R$ 9.50 (nine reais and fifty cents), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) Originally, 24 employees qualified for the 1st stock option plan, but on 09/30/2021 due to the separation of 06 employees, the total is 18 beneficiaries.

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.

2nd Stock Option Plan

Approval of the plan
On May 06, 2019, the Board of Directors approved the 2nd stock option plan in the context of the Grant Agreement. The total options granted on this date were 780,000 options, with unit strike price of R$ 7.96, distributed among the qualified 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 6404, dated December 15, 1976.

Characteristics of the plan

2nd Stock Option Plan - 2019	**2nd granting**
Grant date	05/06/2019
Quantity of options granted	780,000
Vesting period	3 years
Maturity for the year	03/31/2022
Maximum period for exercise	03/31/2023
Strike price	R$ 7.96 **(1)**
Beneficiaries (employees)	22 **(2)**

(1) The strike price is set at R$ 7.96, restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) Originally, 22 employees qualified for the 2nd stock option plan, but on 09/30/2021 due to the separation of 02 employees, the total is 20 beneficiaries.

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.

3rd Stock Option Plan

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 options granted on this date amounted to 870,000 options, with a unit strike price of R$ 8.57, distributed amongst 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 6404, dated December 15, 1976.

Characteristics of the plan

3rd Stock Option Plan – 2020	**3rd granting**
Grant date	08/10/2020
Quantity of options granted	870,000
Vesting period	3 years
Maturity for the year	03/31/2023
Maximum period for exercise	03/31/2024
Strike price	R$ 8.57 **(1)**
Beneficiaries (employees)	21

(1) The strike price is set at R$ 8.57 (eight reais and fifty-seven cents), 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.

4th Stock Option Plan

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 options granted on this date amounted to 970,000 options, with a unit strike price of R$ 8.06, distributed amongst 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 6404, dated December 15, 1976.

Characteristics of the plan

4th Stock Option Plan - 2021	**4th granting**
Grant date	05/11/2021
Quantity of options granted	970,000
Vesting period	3 years
Maturity for the year	03/31/2024
Maximum period for exercise	03/31/2025
Strike price	R$ 8.06 **(1)**
Beneficiaries (employees)	23

(1) The strike price is set at R$ 8.06, 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.

Option Plan Expense
Amounts of amortizations recorded as expense in financial statements, as a contra-entry to the Company's equity from grant date to September 30, 2021, are described below (expressed in Reais):

Plan	**Strike price**	**Grant date**	**Accumulated expense 09/30/2021**	**Accumulated expense 12/31/2020**
1st Plan – 2018	R$ 9.50	January 16, 2018	R$ 1,639	R$ 1,515
2nd Plan – 2019	R$ 7.96	05/05/2019	R$ 1,438	R$ 1,019
3rd Plan – 2020	R$ 8.57	August 06, 2020	R$ 948	R$ 500
4th Plan – 2021	R$ 8.06	May 11, 2021	R$ 263	-
Total			**R$ 4,288**	**R$ 3,034**

d. 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 quarterly financial information of foreign operations. As of September 30, 2021, the balance of equity valuation adjustment is R$ 22,702 (R$ 21,114, on December 31, 2020).

21 Net sales revenue

	Consolidated	
	09/30/2021	**09/30/2020**
Gross operating revenue		
Sale and resale of goods		
Domestic market	1,374,562	808,724
Foreign market	104,367	67,957
Services rendered	1,818	1,002
	1,480,747	877,683
Deductions		
Taxes on sales and services rendered	(159,878)	(95,396)
Returns, rebates and prompt-payment discount	(73,698)	(62,114)
	(233,576)	(157,510)
Net operating revenue	**1,247,171**	**720,173**

In the period ended September 30, 2021, we had an increase in relation to the same period in 2020. This change is due to the effects of the COVID-19 pandemic that had relevant impacts in 2020.

22 Cost of sales and resales

	Consolidated	
	09/30/2021	**09/30/2020**
Raw material	(307,861)	(193,707)
Labor	(171,255)	(109,124)
Indirect costs	(139,151)	(97,151)
Resale	(193,326)	(85,900)
Total cost of sales and resales	**(811,593)**	**(485,882)**

In the period ended September 30, 2021, we had an increase in relation to the same period in 2020. This change is due to the effects of the COVID-19 pandemic that had relevant impacts in 2020 and Mizuno's operations that began in January 2021 (see note 1.1.2).

23 Sales expenses

	Consolidated	
	09/30/2021	**09/30/2020**
Commissions (*)	(52,008)	(25,832)
Freight	(47,814)	(35,575)
Advertising	(46,294)	(36,975)
Royalties (*)	(17,182)	(2,714)
Personnel expenditures	(32,148)	(19,371)
Other expenditures (**)	(14,296)	(4,411)
	(209,742)	(124,878)
Impairment losses (Note 6d)	12,506	(10,955)
Total sales expenses	**(197,236)**	**(135,833)**

(*) Changes are due to the expenses of royalties from the Mizuno brand in the amount of R$ 14,179, which started in January 2021.

(**) The most relevant amounts are R$ 5,018 with outsourced services as of September 30, 2021 (R$ 290 as of September 30, 2020) and R$ 1,854 with expenses from the Extrema subsidiary that started operations in January 2021 (R$ 0 as of September 30, 2020).

24 Administrative expenses

	Consolidated		Parent company	
	09/30/2021	**09/30/2020**	**09/30/2021**	**09/30/2020**
Personnel expenditures	(37,578)	(31,379)	(1,914)	(1,828)
Outsourced services	(14,827)	(18,499)	(2,389)	(1,744)
Rentals	(2,735)	(2,055)	-	-
Travel and lodging	(482)	(222)	(1)	-
Security guard	(1,032)	(1,106)	(137)	(122)
Legal disputes and taxes	(1,491)	(1,798)	(443)	(521)
IT and telecommunications	(6,709)	(5,005)	(36)	(30)
Energy, water and sewage	(701)	(509)	(13)	(8)
Maintenance, cleaning and environment.	(2,753)	(2,327)	(5)	(6)
Other (*)	(15,350)	(15,307)	(1,003)	(1,057)
Total administrative expenses	**(83,658)**	**(78,207)**	**(5,941)**	**(5,316)**

(*) The most relevant amounts are comprised of depreciation and amortization, and the lease amortization is due to the impacts of CPC 06 (R2)/IFRS 16, of R$ 7,678 as of September 30, 2021 (R$ 6,649 as of September 30, 2020).

25 Other operating revenues (expenses), net

	Consolidated		Parent company	
	09/30/2021	**09/30/2020**	**09/30/2021**	**09/30/2020**
Rental revenue	3,976	3,749	3,963	3,744
Revenue from sales of power	45	808	-	-
Provision for contingencies	(9,633)	(1,947)	48	(33)
Sale of scrap	1,129	747	-	-
Net income from sale of property, plant and equipment	(138)	(620)	-	-
Recovery of PIS/COFINS over ICMS (*)	66,946	4,243	-	-
Court-ordered debt payment	-	610		
Idle capacity costs - COVID-19	-	(36,384)	-	-
Gain from settlement of pre-existing relationship (**)	13,980	-	-	-
Other (***)	(7,015)	(9,091)	(232)	441
	69,290	**(37,885)**	**3,779**	**4,152**

(*) In the period ended September 30, 2021, the subsidiaries Vulcabras BA, Vulcabras CE and Vulcabras Distribuidora recorded extemporaneous credit of R$ 972, R$ 63,266 and R$ 2,708, respectively, regarding the recovery of Pis/Cofins based on the thesis of exclusion of ICMS (R$ 2,438 at Vulcabras BA, R$ 1,805 at Vulcabras Distribuidora as of September 30, 2020).

(**) As of June 30, 2021, with the conclusion of the second stage of the acquisition of assets from Running, the Company recorded a net gain of R$ 13,980 related to the settlement of pre-existing relationship.

(***) The main amount on September 30, 2021 is composed of R$ 3,124 referring to ICMS expenses on other products and R$ 4,539 referring to PIS and COFINS on financial revenue arising from the recovery of the untimely credit (R$ 1,940 referring to ICMS expenses on other products and R$ 416 referring to PIS and COFINS on financial revenue on September 30, 2020).

26 Finance result

	Consolidated		Parent company	
	09/30/2021	**09/30/2020**	**09/30/2021**	**09/30/2020**
Financial revenues				
Capital structure				
Revenue from investments	4,857	3,876	1,962	79
Subtotal	4,857	3,876	1,962	79
activities				
Interest	1,621	1,538	3,099	55
Discounts obtained	515	427	-	-
Untimely restatement of credits (*)	58,235	1,648	-	-
Other	5,114	1,114	7	-
Subtotal	65,485	4,727	3,106	55
Exchange-rate changes	11,930	23,531	-	-
Total financial revenues	**82,272**	**32,134**	**5,068**	**134**

	Consolidated		Parent company	
	09/30/2021	**09/30/2020**	**09/30/2021**	**09/30/2020**
Financial expenses				
Capital structure				
Interest (**)	(20,850)	(9,079)	(5,013)	(45)
IOF	(161)	(112)	(3)	(6)
Other	(1,807)	(2,776)	-	-
Subtotal	(22,818)	(11,967)	(5,016)	(51)
activities				
Bank fees	(3,254)	(2,519)	(2)	(2)
Fee/commission sale card	(59)	(968)	-	-
Discounts granted (***)	(9,978)	(938)	-	-
AVP (Adjustment at present value)	(2,269)	-	-	-
Other rates	(2,066)	-	-	-
Subtotal	(17,626)	(4,425)	(2)	(2)
Exchange-rate changes	(18,836)	(16,194)	-	-
Total finance costs	**(59,280)**	**(32,586)**	**(5,018)**	**(53)**
Finance result	**22,992**	**(452)**	**50**	**81**

(*) The main change refers to the restatement of extemporaneous credits in the amount of R$ 58,235 (R$ 1,648 as of September 30, 2021). See Note 8a.

(**) In the period ended September 30, 2021, there was an increase of R$ 9,427 arising from new funding for working capital.

(***) The change refers to discounts applied to the sale of bad debts in the amount of R$ 8,604 as of June 30, 2021.

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 September 30, 2021, 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 3,230,000 (three million two hundred and thirty thousand) potential shares. Of the total amount, 635,000 potential shares refer to the first grant of shares under the Stock Option Plan approved on January 16, 2018, and, 755,000 potential shares refer to the second grant of shares under the Stock Option Plan approved on May 05, 2019, and 870,000 potential shares are related to the third grant of shares of Stock Option plan that was approved on August 6, 2020, while 970,000 potential shares refer to the fourth grant of shares of the Stock Options plan approved on May 11, 2021.

In September 2020, the Company had 2,260,000 potential outstanding shares. Of the total amount, 635,000 potential shares refer to the first grant of shares under the Stock Option Plan approved on January 16, 2018, and, 755,000 potential shares refer to the second grant of shares under the Stock Option Plan approved on May 05, 2019, and 870,000 potential shares are related to the third grant of shares of Stock Option plan that was approved on August 6, 2020 that could affect the dilution of earnings per shares 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	
	09/30/2021	**09/30/2020**
Income (loss) attributable to shareholders	232,630	(22,959)
Weighted basic average of outstanding shares in the period	245,756,244	245,756,346
Weighted basic average of outstanding shares in the period	248,986,244	248,016,346
Basic earnings per share (per thousand) - R$	0.9466	(0.0934)
Basic earnings per share (per thousand) - R$	0.9343	(0.0926)

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 liability and loans and financing.

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 due to a party, resulting from failure in complying with contract 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.

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 12.3% of total trade accounts receivable of the Company as of September 30, 2021 (14.2% on December 31, 2020); 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:

September 30, 2021	**Policy applied**	**Gross book balance**	**Provision for estimated losses**
Stores	0.00%	19,767	-
Falling due	0.04%	525,147	(210)
Overdue (days):			
01–30	0.50%	4,122	(21)
31–60	10.00%	972	(97)
61–90	25.00%	502	(126)
>90	100.00%	12,823	(12,823)
Clients under court-ordered reorganization (with financial restructuring)	40.00%	3,050	(1,220)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	16,102	(16,102)
Foreign market		46,840	(7,299)
		629,325	**(37,898)**

December 31, 2020	**Policy applied**	**Gross book balance**	**Provision for estimated losses**
Stores	0.00%	13,520	-
Falling due	0.04%	525,940	(210)
Overdue 1–30 days	0.50%	4,173	(21)
Overdue 31–60 days	10.00%	327	(33)
Overdue 61–90 days	25.00%	263	(66)
Overdue for more than 90 days	100.00%	31,433	(31,433)
Clients under court-ordered reorganization (with financial restructuring)	40.00%	14,865	(5,952)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	4,406	(4,406)
Foreign market		29,706	(8,408)
		624,633	**(50,529)**

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

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

(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 assess and control exposures to market risks, within acceptable parameters, and at the same time to optimize the return. The Company does not use derivatives to manage the market risk.

Foreign exchange risk

Considering the price risk on exports, which correspond to 4.65% of revenue from its subsidiaries as of September 30, 2021 (4.16% as of December 31, 2020), 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 September 30, 2021 with the positive change in 4.67% in relation to the last quotation as of December 31, 2020.

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

	Consolidated	
US dollar (US$ thousand)	**09/30/2021**	**12/31/2020**
Assets in foreign currency (a)	14,688	7,793
Liabilities in foreign currency (b)	(12,409)	(6,287)
Surplus determined (a-b)	2,279	1,506

In the light of the fluctuation risk exposure, the Company shows below three scenarios for foreign exchange fluctuations and the respective future outcome created. Namely:

1. **Probable scenario and that is adopted by the Company and its subsidiaries:** dollar rate totaled R$ 5.4394 on September 30, 2021;

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$ 4.0796; and

3. **Remote scenario:** also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R$ 2.7197.

Foreign exchange sensitivity analysis - effect in come income (loss) as of September 30, 2021

Transaction	**Risk**	**Probable scenario**	**Possible scenario**	**Remote scenario**
	US$ 2,279 thousand	FX 5.4394	FX 4.0796	FX 2.7197
Financial income (loss)	US$ decr.	-	(3,098)	(6,197)

(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 (Long-term interest rate) and IPCA (National Amplified Consumer Price Index) rate on interest earning bank deposits and part of loans and financing linked to these rates.

	Consolidated		Consolidated	
	Book value 09/30/2021	**Fair value 09/30/2021**	**Book value 12/31/2020**	**Fair value 12/31/2020**
Assets in CDI	142,333	142,333	233,762	233,762
Liabilities in TJPL	2,462	2,418	2,276	2,365
Liabilities at IPCA	109,953	121,027	125,808	138,053
Liabilities in CDI	249,184	251,991	156,975	159,687

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 6.15% p.a. and TJLP of 4.88% p.a. and IPCA of 10.25% 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.

Statement of changes in rates as of September 30, 2021 is as follows:

Operation	**Risk**	**Probable scenario**	**Possible scenario - 25%**	**Remote scenario - 50%**
		4.88% TJLP	6.10% TJLP	7.32% TJLP
Loans – TJLP	TJLP incr.	R$ 0	R$ 30	R$ 60
		IPCA 10.25%	IPCA 12.81%	IPCA 15.38%
Loans at IPCA	IPCA incr.	R$ -	R$ 2,815	R$ 5,641
		CDI 6.15%	CDI 7.69%	CDI 9.23%
Loans in CDI	CDI incr.	R$ 0	R$ 3,837	R$ 7,675
		CDI 6.15%	CDI 4.61%	CDI 3.08%
Investments in CDI	CDI decr.	R$ -	R$ (2,192)	R$ (4,370)

(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 aim when managing the liquidity, is to guarantee, as much as possible, that it will have sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullying the Company's reputation.

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

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

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

	09/30/2021	
Maturity	**Amount**	**%**
2022	11,508	14%
2023	31,841	39%
2024	15,156	19%
2025	13,948	17%
2026	8,896	11%
Total	**81,349**	**100%**

Breakdown of balances

The estimated realization 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 realization value. 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 estimated realizable value.

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 September 30, 2021 and December 31, 2020 are shown below:

		Consolidated			
		09/30/2021		12/31/2020	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	71,753	71,753	158,552	158,552
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	87,648	87,648	90,049	90,049
Share investment funds	Financial assets at fair value through other comprehensive income (FVTOCI)	720	720	458	458
Accounts receivable	Financial assets at amortized cost	591,428	591,428	574,104	574,104
Other accounts receivable	Financial assets at amortized cost	15,935	15,935	11,266	11,266
Borrowings and financing:					
In local currency	Other financial liabilities	361,599	375,299	285,058	300,104
In foreign currency	Other financial liabilities	8,680	8,455	26,571	26,727
Suppliers	Other financial liabilities	136,539	136,539	62,457	62,457
Loan with related parties	Other financial liabilities	17,932	17,932	17,632	17,632

		Parent company			
		09/30/2021		12/31/2020	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	218	218	18	18
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	78,357	78,357	80,951	80,951
Loans with related parties	Financial assets at amortized cost	123,659	123,659	120,602	120,602
Other accounts receivable	Financial assets at amortized cost	1,495	1,495	1,538	1,538
Suppliers	Other financial liabilities	86	86	289	289
Loans with related parties	Other financial liabilities	202,775	202,775	197,763	197,763

(v) Fair value hierarchy

	Consolidated				Parent company			
	09/30/2021		12/31/2020		09/30/2021		12/31/2020	
Description	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Interest earning bank deposits								
Floating-rate CDB	-	83,283	-	85,748	-	78,355	-	80,949
Investment fund	-	4,365	-	4,301	-	2	-	2
Share investment funds	720	-	458	-	-	-	-	-
Loans with related parties	-	-	-	-	-	123,659	-	120,602
Loans and financing	-	383,754	-	326,831	-	-	-	-
Loans with related parties	-	17,932	-	17,632	-	202,775	-	197,763

- **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 September 30, 2021 (see Note 5).

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 September 30, 2021 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 presented estimates.

(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	
	09/30/2021	**12/31/2020**
Borrowings and financing	(370,279)	(311,629)
Leases	(22,820)	(18,530)
Cash and cash equivalents	71,753	158,552
Interest earning bank deposits	88,368	90,543
Net debt	**(232,978)**	**(81,064)**
Equity	**1,274,847**	**1,125,394**

29 Insurance coverage
The Company and its subsidiaries adopt the policy of contracting insurance coverage for properties subject to risks in amounts considered sufficient to cover any casualties, considering the nature of their activity.

The risk assumptions adopted are out of the scope of the auditing of quarterly financial statements, and therefore were not examined by our independent auditors.

Coverage amounts as of September 30, 2021 are summarized as follows:

Corporate insurance in reais (R$)		
Object	**Risk covered**	**Amount of coverage**
Equity	Fire, Windstorms, Electrical Damages, Machine Breakdown, Theft, Flooding, Electronic Equipment.	195,000
Loss of profits	Fixed expenses (P.I 3 months)	60,000
D&O	Management civil general liability	20,000
General civil responsibility	General civil liability	2,000
Light vehicles	Property, body damages, pain and suffering to third parties	16,250
Heavy vehicles	Property, body damages, pain and suffering to third parties	11,200
International transport - Imports	Limit per shipment - Goods / Raw materials	8,159
	Total corporate insurance	**312,609**

30 Government 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 Act 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, Bahia and Sergipe.

b. State incentives

(i) Ceará

For footwear

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

For apparel

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

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

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

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

(ii) Bahia

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

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

(iii) Minas Gerais

- **Special Regime –** For the operation of Vulcabras Distr. Art. Esp. Ltda (Branch of Extrema-MG), we will have the e-PTA-RE Nº: 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 the deferral of the ICMS payment on imports with a specific trading purpose; partial deferral, resulting in a ICMS highlight of 4% for imported products and 12% for domestic products due to domestic sales to taxpayers enjoying the special regime; in the deemed credit for the effective rate to be 3% in domestic and interstate operations with domestic products and in the deemed credit of 2.5% in interstate operations with imported products or 4% in internal operations with imported products, for an indefinite period.

- **Special Regime –** For the operation of Vulcabras SP (Branch of Extrema-MG), we will have e-PTA-RE Nº: 45.000024132-05, which addresses the Special Regime incentive as follows: UNRESTRICTED TTS/E-COMMERCE, which consists of the adoption of procedures for the assignment of responsibility for the retention and payment of ICMS due as tax substitution, the granting of deferral of ICMS on imports and the adoption of a simplified tax bookkeeping and calculation system in operations contracted within the scope of electronic commerce or telemarketing aimed at final consumers with deemed ICMS credit in domestic operations of 12% for domestic products and 4% for imported products and 1.3% of effective rate on interstate sales, for an indefinite period.

c. Additional incentives

TTS/WHOLESALERS and TTS/E-COMMERCE also consider deferred payment of ICMS levied on the receipt of goods with a specific trading purpose, as a result of direct imports from abroad, for the subsequent operations practiced by Vulcabras.

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

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

d. Consolidated

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

Value added tax on exports and investments (ICMS)			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**09/30/2021**	**09/30/2020**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	60,339	99.99%	60,333	43,366
Vulcabras Distr. Art. Esp. Ltda.	10,848	0.14%	15	5
Vulcabras BA, Calçados e Artigos Esportivos S.A.	42,403	100.00%	42,403	29,589
Vulcabras SP, Comércio de Art. Esp. Ltda.	2,012	100.00%	2,012	-
	115,602		104,763	72,960

Reintegra			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**09/30/2021**	**09/30/2020**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	39	99.99%	39	21
Vulcabras BA, Calçados e Artigos Esportivos S.A.	34	100.00%	34	27
	73		73	48

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, and are as follows:

	09/30/2021	**09/30/2020**
Net sales		
Athletic shoes	1,066,131	522,392
Women's shoes	29,698	89,531
Other footwear and others	72,546	53,765
Apparel	78,796	54,485
	1,247,171	**720,173**
Domestic market	1,143,632	652,781
Foreign market	103,539	67,392
	1,247,171	**720,173**

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

	Consolidated	
	09/30/2021	**12/31/2020**
Noncurrent assets in the domestic and foreign markets as of:		
Brazil	654,372	547,935
Other countries	17,099	20,434
Total	**671,471**	**568,369**

*   *   *

Members of the Board of Directors

Pedro Grendene Bartelle
Chairman

André de Camargo Bartelle
1st Vice-President

Pedro Bartelle
2nd Vice-President

Hector Nunez
Independent Board Member

Octávio Magalhães
Independent Board Member

Members of the Executive Board

Pedro Bartelle
Chairman

Wagner Dantas da Silva
Administrative and Financial Director

Flávio de Carvalho Bento
Industrial Director

Rafael Carqueijo Gouveia
CEO

Rodrigo Miceli Piazer
Supply Chain Officer

Evandro Saluar Kollet
Corporate Director of Product Development and Technology

Márcio Kremer Callage
Marketing Director

Investor Relations Director

Wagner Dantas da Silva

Technician Responsible

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