Interim Financial Information

Vulcabras S.A.

September 30, 2022
with Independent auditors' report on interim financial information

Vulcabras S.A.

Interim financial information

September 30, 2022

Contents

Centro Empresarial Iguatemi
Av. Washington Soares, 55
5º andar - sala 506 a 509 - Bairro Cocó
60811-341 - Fortaleza - CE - Brasil
Tel: +55 85 3392-5600
Fax:+55 85 3392-5659
ey.com.br

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

Independent auditor's review report on quarterly information

To
The Directors and Shareholders of
Vulcabras S.A.
Jundiaí - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Vulcabras S.A. ("Company"), for the quarter ended September 30, 2022, comprising the statement of financial position as of September 30, 2022 and the related statement of profit or loss and of comprehensive income for the three-month and nine-month periods then ended, and of changes in equity and of cash flows for the nine-month period then ended, including explanatory notes.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

Other matters

Audit of corresponding amounts

The Company’s individual and consolidated financial statements for the year ended December 31, 2021 and the individual and consolidated interim financial information for the three- and nine-month period ended September 30, 2021 were examined and reviewed by another independent auditor, who issued an audit report dated March 8, 2022 and a review report dated November 9, 2021, respectively, which did not contain any modification

Statements of value added

The aforementioned quarterly information include the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2022, prepared under Company’s Executive Board responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Recife (PE), November 1st, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

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

Vulcabras S.A.

(Publicly-held company)

Statements of financial position

As of September 30, 2022 and December 31, 2021

(In thousands of reais)

		Consolidated		Parent company	
Assets	**Note**	**09/30/2022**	**12/31/2021**	**09/30/2022**	**12/31/2021**
Cash and cash equivalents	4	211.959	114.635	102.374	33
Trade accounts receivable	6	709.342	616.275	-	-
Inventories	7	634.225	493.497	-	-
Recoverable taxes	8	20.126	46.852	582	576
Income tax and social contribution	9a	12.107	7.073	790	746
Amounts receivable for disposal of operation		2.990	3.850	-	-
Other accounts receivable		18.887	17.115	1.126	2.124
Total current assets		**1.609.636**	**1.299.297**	**104.872**	**3.479**
Interest earning bank deposits	5	8.279	10.312	1	2
Trade accounts receivable	6	5.168	3.631	-	-
Recoverable taxes	8	72.850	63.099	1.831	1.821
Deferred income tax and social contribution	9b	473	493	-	-
Judicial deposits	10	18.804	16.005	406	338
Borrowings with related parties	11	-	-	27.006	118.324
Amounts receivable for disposal of operation		-	1.720	-	-
Goods for sale		194	194	-	-
Other accounts receivable		2.035	2.208	1.087	1.299
Long-term assets		**107.803**	**97.662**	**30.331**	**121.784**
Investments	12	74.066	69.408	1.701.907	1.439.905
Investment property		4	5	-	-
Right-of-use	18	18.131	17.442	-	-
Property, plant and equipment	13	355.906	302.337	-	-
Intangible assets	14	209.114	209.086	111	111
		657.221	**598.278**	**1.702.018**	**1.440.016**
Total non-current assets		**765.024**	**695.940**	**1.732.349**	**1.561.800**
Total assets		**2.374.660**	**1.995.237**	**1.837.221**	**1.565.279**

		Consolidated		Parent company	
Liabilities	**Note**	**09/30/2022**	**12/31/2021**	**09/30/2022**	**12/31/2021**
Suppliers	16	141.100	78.006	88	1.672
Loans and financing	17	277.377	291.497	-	-
Lease liabilities	18	8.126	7.129	-	-
Taxes payable		18.237	8.944	201	130
Salaries and vacations payable		82.065	45.618	13	13
Provisions	19	21.984	22.488	660	418
Income tax and social contribution - deferred	9b	2.576	2.576	-	-
Commissions payable		19.405	14.305	-	-
Dividends and profits payable		-	4	-	4
Other accounts payable		35.686	24.337	420	153
Total current liabilities		**606.556**	**494.904**	**1.382**	**2.390**
Loans and financing	17	83.612	69.753	-	-
Borrowings with related parties	11	18.345	18.041	224.931	206.533
Lease liabilities	18	12.112	12.650	-	-
Provisions	19	37.598	37.390	-	-
Deferred taxes on revaluation of property, plant and equipmer	9b	2.179	2.272	-	-
Provision for investment losses	12	-	-	132	135
Other accounts payable		3.134	3.665	-	-
Total non-current liabilities		**156.980**	**143.771**	**225.063**	**206.668**
Shareholders' equity					
Capital	20	1.106.717	1.106.717	1.106.717	1.106.717
Revaluation reserves	20	4.230	4.410	4.230	4.410
Capital reserves	20	4.529	4.731	4.529	4.731
Legal reserve	20	15.692	15.692	15.692	15.692
Unrealized profit reserve	20	-	201.927	-	201.927
Statutory reserve	20	201.927	-	201.927	-
Equity valuation adjustments	20	21.889	22.744	21.889	22.744
Retained earnings		255.792	-	255.792	-
Shareholders' equity attributable to controlling shareholders		**1.610.776**	**1.356.221**	**1.610.776**	**1.356.221**
Non-controlling interest		**348**	**341**	**-**	**-**
Total shareholders' equity		**1.611.124**	**1.356.562**	**1.610.776**	**1.356.221**
Total liabilities		**763.536**	**638.675**	**226.445**	**209.058**
Total liabilities and shareholders' equity		**2.374.660**	**1.995.237**	**1.837.221**	**1.565.279**
		-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of profit or loss

September 30, 2022 and 2021

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

		Consolidated		Consolidated		Parent company		Parent company	
	Note	09/30/2022	09/30/2021	07/01/2022–09/30/2022	07/01/2021–09/30/2021	09/30/2022	09/30/2021	07/01/2022–09/30/2022	07/01/2021–09/30/2021
Continued operation									
Net sales revenue	21	1.798.093	1.247.171	663.535	535.873	-	-	-	-
Cost of sales and resales	22	(1.143.507)	(811.593)	(413.258)	(342.663)	-	-	-	-
Gross profit		**654.586**	**435.578**	**250.277**	**193.210**	**-**	**-**	**-**	**-**
Sales expenses	23	(276.180)	(209.742)	(101.482)	(84.368)	-	-	-	-
Reversal (provision) for expected losses for allowance for doubtful accounts	23	(8.192)	12.506	(4.028)	4.564	-	-	-	-
Administrative expenses	24	(91.199)	(83.658)	(32.501)	(28.451)	(3.606)	(5.941)	(1.751)	(1.528)
Other operating revenues (expenses), net	25	6.636	69.290	(3.268)	32.399	4.369	3.779	1.780	1.207
Equity in net income of subsidiaries	12b	3.922	1.908	2.500	2.990	262.855	234.742	101.070	126.831
Income (loss) before net financial expenses and revenues and taxes		**289.573**	**225.882**	**111.498**	**120.344**	**263.618**	**232.580**	**101.099**	**126.510**
Financial revenues		41.011	82.272	10.819	29.989	10.465	5.068	4.072	2.481
Financial expenses		(65.504)	(59.280)	(17.354)	(18.944)	(18.471)	(5.018)	(7.281)	(2.469)
Net financial revenues and expenses	26	**(24.493)**	**22.992**	**(6.535)**	**11.045**	**(8.006)**	**50**	**(3.209)**	**12**
Income (loss) before income taxes		**265.080**	**248.874**	**104.963**	**131.389**	**255.612**	**232.630**	**97.890**	**126.522**
Deferred income tax and social contribution	9c	(9.450)	(16.255)	(7.072)	(4.877)	-	-	-	-
Net income for the period		**255.630**	**232.619**	**97.891**	**126.512**	**255.612**	**232.630**	**97.890**	**126.522**
Income (loss) attributable to:									
Controlling shareholders		255.612	232.630	97.890	126.522	255.612	232.630	97.890	126.522
Non-controlling shareholders		18	(11)	1	(10)	-	-	-	-
Net income for the period		**255.630**	**232.619**	**97.891**	**126.512**	**255.612**	**232.630**	**97.890**	**126.522**
Earnings per share									
Earnings per common share - basic						1,0401	0,9466	0,3983	0,5148
Earnings per common share - diluted						1,0369	0,9343	0,3971	0,5082
Number of shares at the end of the period									
Outstanding common shares						245.756.244	245.756.244	245.756.244	245.756.244
Outstanding common shares with a dilution effect						246.513.543	248.986.244	246.513.543	248.986.244

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of comprehensive income

September 30, 2022 and 2021

(In thousands of reais)

	Consolidated		Consolidated		Parent company		Parent company	
	09/30/2022	09/30/2021	07/01/2022–09/30/2022	07/01/2021–09/30/2021	09/30/2022	09/30/2021	07/01/2022–09/30/2022	07/01/2021–09/30/2021
Income (loss) for the period	255.630	232.619	97.891	126.512	255.612	232.630	97.890	126.522
Other comprehensive income - OCI	(855)	1.588	1.034	1.434	(855)	1.588	1.034	1.434
Items that can be subsequently reclassified to income (loss)								
Exchange differences from translation of foreign operations	(822)	1.327	1.067	1.183	(822)	1.327	1.067	1.183
Financial assets at fair value through other comprehensive income	(33)	261	(33)	251	(33)	261	(33)	251
Total comprehensive income	254.775	234.207	98.925	127.946	254.757	234.218	98.924	127.956
Comprehensive income attributable to:								
Controlling shareholders	254.757	234.218	98.924	127.956	254.757	234.218	98.924	127.956
Non-controlling shareholders	18	(11)	1	(10)	-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of changes in equity

September 30, 2022 and 2021

(In thousands of reais)

	Consolidated										
	Parent company										
				Other comprehensive income	Profit reserves						
	Capital	**Reflected revaluation reserve in subsidiaries**	**Capital reserve**	**Equity valuation adjustment**	**Legal reserve**	**Unrealized profit reserve**	**Statutory reserve**	**Retained earnings (losses)**	**Total**	**Non-controlling interest**	**Total shareholders' equity**
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	-	-	-	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**
Balances at January 01, 2022	**1.106.717**	**4.410**	**4.731**	**22.744**	**15.692**	**201.927**	**-**	**-**	**1.356.221**	**341**	**1.356.562**
Realization of revaluation reserve in subsidiary, net of taxes	-	(180)	-	-	-	-	-	180	-	-	-
Transaction with share-based payments	-	-	(202)	-	-	-	-	-	(202)	-	(202)
Formation of statutory reserve	-	-	-	-	-	(201.927)	201.927	-	-	-	-
Other comprehensive income											
Exchange differences from translation of foreign operations	-	-	-	(822)	-	-	-	-	(822)	(11)	(833)
Financial assets at fair value through other comprehensive income	-	-	-	(33)	-	-	-	-	(33)	-	(33)
Net income for the period	-	-	-	-	-	-	-	255.612	255.612	18	255.630
Balances at September 30, 2022	**1.106.717**	**4.230**	**4.529**	**21.889**	**15.692**	**-**	**201.927**	**255.792**	**1.610.776**	**348**	**1.611.124**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.
(Publicly-held company)

Statements of cash flows

September 30, 2022 and 2021

(In thousands of reais)

	Note	Consolidated		Parent company	
		09/30/2022	09/30/2021	09/30/2022	09/30/2021
Cash flow from operating activities					
Net income for the period		255.630	232.619	255.612	232.630
Adjustments for:					
Depreciation and amortization		59.611	53.095	-	181
Provision for impairment losses on inventories	7b	17.563	4.467	-	-
Interest on provisioned leases	18	2.611	1.287	-	-
Net value of written off tangible and intangible assets		9.677	9.262	-	-
Yields from interest earning bank deposits		(722)	(2.421)	-	(1.961)
Provisions (reversals) for contingencies	19	4.465	9.932	272	(49)
Equity in net income of subsidiaries	12	(3.922)	(1.908)	(262.855)	(234.742)
Transaction with share-based payments	20c	(202)	1.254	(202)	1.254
Reversal (provision) for expected losses for allowance for doubtful accounts	6d	8.192	(12.506)	-	-
Gain in the settlement of a pre-existing relationship	25	-	(13.980)	-	-
Gain or loss on lease termination	18	-	(14)	-	-
Recovery of PIS and COFINS on ICMS		(4.015)	(123.650)	-	-
Undue tax payment - SELIC		(8.792)	-	-	-
Financial charges and exchange-rate change recognized in income (loss)		27.119	21.859	-	-
Current and deferred income tax and social contribution	9c	9.450	16.255	-	-
Non-controlling interest		(18)	11	-	-
		376.647	**195.562**	**(7.173)**	**(2.687)**
Changes in assets and liabilities					
Trade accounts receivable		(101.016)	(3.506)	-	-
Inventories		(158.291)	(316.457)	-	-
Recoverable taxes		24.748	4.070	(60)	(405)
Deferred taxes	9b	(73)	11	-	-
Amounts receivable for disposal of operation		2.580	2.580	-	-
Other accounts receivable		(1.599)	2.851	1.210	778
Judicial deposits		(4.493)	1.972	(68)	154
Suppliers		59.008	126.526	(1.584)	(203)
Commissions payable		5.100	(1.810)	-	-
Taxes payable		12.002	(2.590)	71	25
Salaries and vacations payable		36.447	32.270	-	11
Other accounts payable		10.825	(9.900)	267	(26)
Provisions		(3.067)	(5.937)	(30)	(318)
Cash from (used in) operating activities		**258.818**	**25.642**	**(7.367)**	**(2.671)**
Interest paid	17d	(29.198)	(16.807)	-	-
Payment of lease interest	17d	(1.688)	(1.571)	-	-
Income taxes paid		(11.348)	(14.359)	-	-
		(42.234)	**(32.737)**	**-**	**-**
Net cash flow from (used in) operating activities		**216.584**	**(7.095)**	**(7.367)**	**(2.671)**
Cash flow from investing activities					
Acquisitions of property, plant and equipment (*)	13	(112.539)	(87.864)	-	(2)
Redemption (investment) of interest earning bank deposits		2.755	4.596	1	4.555
Payment for acquisition of subsidiary	1,1,2	-	(43.610)	-	-
Funds from disposal of property, plant and equipment		919	1.152	-	-
Acquisitions of intangible assets	14	(1.883)	(2.208)	-	-
Dividends received	12	134	-	-	-
Increase in investee's interest	12b	-	-	(5)	(3.637)
Net cash flow from (used in) investment activities		**(110.614)**	**(127.934)**	**(4)**	**916**
Cash flow from financing activities					
Loans obtained - Principal	17d	278.831	190.000	-	-
Payment of loans obtained - Principal	17d	(279.482)	(133.950)	-	-
Receipt (payments) of loans with related parties	17d	-	300	109.716	1.955
Dividends and interest on own capital paid		(4)	-	(4)	-
Payment of lease liabilities	17d	(8.726)	(7.206)	-	-
Net cash flow from (used in) financing activities		**(9.381)**	**49.144**	**109.712**	**1.955**
Increase (decrease) in cash and cash equivalents		**96.589**	**(85.885)**	**102.341**	**200**
Cash and cash equivalents at the beginning of the period		114.635	158.552	33	18
Effect of changes in exchange rate on cash and cash equivalents		735	(914)	-	-
Cash and cash equivalents at the end of the period		211.959	71.753	102.374	218
Increase (decrease) in cash and cash equivalents		**96.589**	**(85.885)**	**102.341**	**200**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of value added

September 30, 2022 and 2021

(In thousands of reais)

	Consolidated		Parent company	
	09/30/2022	**09/30/2021**	**09/30/2022**	**09/30/2021**
Revenues	**2.032.626**	**1.500.241**	**1.228**	**417**
Sale of goods, products and services	2.020.889	1.403.057	-	-
Other revenues and expenses	19.929	84.678	1.228	417
Expected losses for allowance for doubtful accounts	(8.192)	12.506	-	-
Inputs acquired from third parties	**(965.996)**	**(669.586)**	**(2.842)**	**(4.650)**
Raw material used	(459.642)	(316.514)	-	-
Cost of products and goods sold and services rendered	(290.146)	(186.796)	-	-
Materials, energy, outsourced services and other	(216.076)	(166.212)	(2.842)	(4.650)
Loss/recovery of asset values	(132)	(64)	-	-
Gross added value	**1.066.630**	**830.655**	**(1.614)**	**(4.233)**
Retentions	**(59.611)**	**(53.095)**	**-**	**(181)**
Depreciation and amortization	(59.611)	(53.095)	-	(181)
Net added value generated by the Company	**1.007.019**	**777.560**	**(1.614)**	**(4.414)**
Added value received as transfer	**50.286**	**87.569**	**277.670**	**243.773**
Equity in net income of subsidiaries	3.922	1.908	262.855	234.742
Financial revenues	41.011	82.272	10.465	5.068
Other	5.353	3.389	4.350	3.963
Total added value to be distributed	**1.057.305**	**865.129**	**276.056**	**239.359**
Distribution of added value	**1.057.305**	**865.129**	**276.056**	**239.359**
Personnel	**472.656**	**382.950**	**521**	**550**
Direct remuneration	315.881	252.297	-	-
Benefits	59.625	48.667	-	-
FGTS	22.854	20.104	-	-
Sales commissions	63.059	52.008	-	-
Directors’ fees	11.237	9.874	521	550
Taxes, duties and contributions	**265.543**	**198.981**	**1.524**	**1.164**
Federal	217.791	164.513	1.313	924
State	47.242	33.790	-	-
Municipal	510	678	211	240
Third-party capital remuneration	**63.476**	**50.579**	**18.399**	**5.015**
Interest	60.944	49.425	18.401	5.014
Rentals	2.533	1.157	-	-
Other	(1)	(3)	(2)	1
Remuneration of own capital	**255.630**	**232.619**	**255.612**	**232.630**
Retained earnings	255.612	232.630	255.612	232.630
Non-controlling interest	18	(11)	-	-

See the accompanying notes to the quarterly financial information.

1 Operations

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

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

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

The brands managed by the companies include:

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

1.1 Relevant events during the period:

1.1.1 Impacts of COVID-19 (coronavirus)

Even after more than two years of the beginning of the COVID-19 pandemic, the effects of measures to combat the pandemic still persist. With the advance of vaccination against COVID-19 in all regions of the country, there was a positive reaction of the economy and the effects of such reaction were felt by almost all economic segments. However, despite the disruption caused by the breakdown between the production chains, mainly with by the measures adopted by China throughout 2022, 2022 nine-month period performance was very positive and the Company recorded sales growth, demonstrating its assertive market strategy.

In any case, the Company’s Management continues to monitor developments related to the COVID-19 pandemic, carefully following the guidelines of government authorities and measuring the possible impacts on its business. The Company does not foresee any going concern risk, nor any risk to the accounting estimates and judgments made.

Considering CVM/SNC Circular Letters 02, 03/2020 and 01/2021, the Company also analyzed the main risks and uncertainties arising from COVID-19, in view of its individual and consolidated interim financial information. We list the main analyzes performed below:

- **Cash and cash equivalents:** The Company does not see 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 practice 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 keeps a constant analysis of the changes in its accounts receivable so that, if necessary, it complements the provision for expected losses. 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 for measuring losses with clients is described in Note 6c.

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

- **Intangible assets:** For the most relevant intangible assets susceptible to the effects of the COVID-19 crisis, we have: the goodwill of an Under Armor brand store and the goodwill paid on the acquisition of equity interest. These two assets are tested annually, either in the matching of current realization values or in the expected future profitability of the acquired operations, in the case of goodwill.

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

- For the goodwill paid on the acquisition of equity interest, although the effects of COVID-19 may harm the Company's future income, there is sufficient amount left over to support such fluctuation. In the analysis of the recoverable amount of goodwill due to the expectation of future results from business combination processes carried out on December 31, 2021, an estimated recoverable amount was obtained, higher than its book value (see Note 15c). When comparing the projected revenue for the last projected year (2031), from the 2022 and 2031 projections, the Company observed that the revenue growth with CAGR (**Compound Annual Growth Rate** or **annual growth rate**) of around 6.8%, taking as a base period the revenue realized in the year 2021.

- For the amount recognized in the right-of-use in assets, which is linked to the lease agreements of the properties intended mainly for the retail stores of the Company's brands that operated with restrictions on opening and opening hours during most of the 1st quarter of 2021. The impacts suffered from the closing of stores were already recorded during the 1st semester of 2021. With the relaxation of restrictive measures, their operation was normalized.

- It is expected that the effects of this COVID-19 pandemic will still be felt for many months to come, but Management understands that the greatest impacts occurred from April to June 2020.

Considering the current scenario, the Company is confident of its soundness, knowing that there are still many challenges ahead regarding consumption and the recovery of the macroeconomic scenario.

(In thousands of reais)

1.2 List of subsidiaries

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

		% Direct interest		% Indirect interest		% Total interest	
	Country	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Calzados Azaleia Peru S.A.	Peru	-	-	99.11	99.11	99.11	99.11
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Brazil	-	-	100.00	100.00	100.00	100.00
Globalcyr S.A.	Uruguay	1.55	1.55	98.45	98.45	100.00	100.00
Running Comércio e Indústria de Artigos Esportivos Ltda.	Brazil	-	-	100.00	100.00	100.00	100.00
Vulcabras BA, Calçados e Artigos Esportivos S.A.	Brazil	-	-	99.99	99.99	99.99	99.99
Vulcabras CE, Calçados e Artigos Esportivos S.A.	Brazil	99.99	99.99	-	-	99.99	99.99
Vulcabras Distribuidora de Artigos Esportivos Ltda.	Brazil	0.14	0.14	99.86	99.86	100.00	100.00
Vulcabras Empreendimento Imobiliário SPE Ltda.	Brazil	100.00	100.00	-	-	100.00	100.00
Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Brazil	-	-	100.00	100.00	100.00	100.00

a. *Main characteristics of subsidiaries included in consolidation*

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

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

Globalcyr S.A.
Globalcyr S.A. is mainly engaged in the trade and distribution of footwear and currently its operations are paralyzed.

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

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

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

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

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

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

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

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

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

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

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

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

The authorization for the conclusion and issue of this individual and consolidated interim financial information was given by the Board of Directors on November 1, 2022.

2.2 Use of estimates and judgments

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

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

a. Judgments

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

- **Note 18 -** Lease term: whether the Company's subsidiaries are reasonably certain to exercise extension options.

b. *Uncertainties on assumptions and estimates*

Information on uncertainties as to assumptions and estimates as of September 30, 2022 that pose a high risk of resulting in a material adjustment in book balances of assets and liabilities in the next fiscal year are included in the following notes:

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

3 Significant accounting policies

The practices, policies and significant accounting judgments and sources of uncertainties on estimates adopted in the preparation of interim financial information are consistent with those adopted and disclosed in individual and consolidated financial statements for the year ended December 31, 2021, which were disclosed as at March 8, 2022 and should be read jointly with this interim financial information.

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

New standards and interpretations not yet effective

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

- **Onerous contracts –** Costs of Fulfilling a Contract (amendment to CPC 25/IAS 37), effective on January 1, 2022.
- **Property, plant and equipment:** Proceeds before Intended Use (amendments to CPC 27/IAS 16), effective January 1, 2022.

The following amended standard and interpretation shall not have a significant impact on Company’s individual and consolidated interim financial information:

- Classification of Liabilities as Current or Non-current (amendments to CPC 26/IAS 1), with effectiveness scheduled for January 1, 2023.

(In thousands of reais)

4 Cash and cash equivalents

	Consolidated	
	09/30/2022	12/31/2021
Current account	1,416	4,760
Floating rate CDB (Invest Fácil)	3,455	2,751
Floating-rate CDBs	203,644	101,465
Investment funds	-	713
Cash and cash equivalents abroad (a)	3,444	4,946
	211,959	**114,635**

(a) Refers to the balances of cash and cash equivalents of the investee Calzados Azaleia Peru S.A., translated into Reais, the Company's presentation currency, as of September 30, 2022 and December 31, 2021.

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

Interest earning bank deposits classified as cash equivalents consist of short-term investments, with daily liquidity, which can be redeemed at any time regardless of maturity, without forfeiting the yield. Interest earning bank deposits accruing interest on the bank account balance (Invest Fácil) are made automatically according to the availability of bank balance and the redemptions occur according to the immediate cash requirements of the Company and its subsidiaries. The yield is 5% to 10% of the Interbank Deposit Certificate (CDI), on September 30, 2022 (5% to 40% of the CDI - Interbank Deposit Certificate as of December 31, 2021).

Floating-rate CDBs (Bank Deposit Certificate) are remunerated from 102.0% to 102.75% of CDI as of September 30, 2022 (from 98.0% to 100.50% of CDI as of December 31, 2021). See Note 28 on credit risk exposure.

5 Interest earning bank deposits

	Consolidated	
	09/30/2022	12/31/2021
Interest earning bank deposits:		
Floating-rate CDBs	2,192	5,005
Investment funds – fixed income	5,226	4,413
Share investment funds	861	894
	8,279	**10,312**

Fixed rate CDBs (Bank Deposit Certificates) have no liquidity, as they are linked to guarantees in financing agreements (BNB) and are remunerated at 98% of the CDI (98% of the CDI as of December 31, 2021). Investments in fixed income investment funds in the amount of R$ 5,226 (R$ 4,413 as of December 31, 2021) yield 95% of the CDI as of September 30, 2022 (28% to 46% of the CDI as of September 31, 2021), do not have liquidity, as they are linked to guarantees in financing agreements (BNB). Equity investment funds are financial assets measured at fair value through other comprehensive income. Shares were valued according to the B3 quotation on the date of this interim financial information.

(In thousands of reais)

6 Trade accounts receivable

a. Breakdown of balances

	Consolidated	
Accounts receivable	**09/30/2022**	**12/31/2021**
Domestic:		
Clients	691,794	629,540
Abroad:		
Clients	65,979	25,440
Subtotal trade accounts receivable	757,773	654,980
Impairment losses	(43,263)	(35,074)
Total trade accounts receivable, net	714,510	619,906
Current	709,342	616,275
Non-current	5,168	3,631

b. Per maturity

	Consolidated	
	09/30/2022	**12/31/2021**
Falling due (days):		
01–30	118,715	194,604
31–60	218,519	191,466
61–90	211,656	138,199
>90	157,214	90,996
	706,104	615,265
Overdue (days):		
01–30	10,333	5,129
31–60	1,684	578
61–90	531	624
>90	39,121	33,384
	51,669	39,715
	757,773	654,980

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.

(In thousands of reais)

Details on gross sales in the foreign and domestic markets are disclosed in Note 21. Management understands that the amount that best reflects its maximum exposure to credit risk for the period ended September 30, 2022 is R$ 43,263 (R$ 35,074 as of December 31, 2021), which results from the criteria described in item (c).

c. Measurement criteria of losses with clients (impairment)

The analysis of the credit granting to the customer is made when he/she is registered in the system of the Company's subsidiaries, for which there is a requirement to present all necessary documentation, including financial statements and commercial references. The credit limit is revalued at each posting of new orders, due to the seasonality of the financial market. In addition to the individual analysis of each client on arrears, The Company and its subsidiaries use a matrix of provision to calculate the expected loss on accounts receivable. The provision rates applied are based on arrears for groupings of segments of clients with similar loss patterns, such as, for example, by geographic region, line of product or type of client, credit risk, among other.

The provision matrix is initially based on the historical loss rates observed by the Company's subsidiaries. The Company's 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's subsidiaries carry out an individual analysis of each client. For clients in a situation of court-ordered reorganization, the Company's subsidiaries have a policy of recording a provision for expected loss in the amount of 40% of the outstanding balance for clients with a financial restructuring profile and, for those who do not have the same profile, 100% is applied on the outstanding balance.

d. Changes in impairment loss

Changes in the provision for impairment for the period ended September 30, 2022 and December 31, 2021 are as follows:

	Consolidated	
	09/30/2022	**12/31/2021**
Opening balance	(35,074)	(50,529)
Complement of provision	(11,257)	(4,831)
Reversal for credit assignment (*)	-	8,604
Write-offs	3	3,526
Recovery of provisions	3,065	8,156
Closing balance	(43,263)	(35,074)

(In thousands of reais)

(*) On June 30, 2021, the Company carried out a credit assignment operation with trade notes already provisioned as losses that were in a situation of 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 credit policy of the Company's subsidiaries, 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, 2022, there was no significant change in the participation or concentration in the main clients.

The exposure of Company's 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	
	09/30/2022	**12/31/2021**
Finished goods	120,337	113,212
Good for resale	192,518	178,131
Work in progress	48,200	42,862
Raw material	154,723	105,311
Packaging and storeroom materials	24,685	24,283
Goods in transit	82,370	22,148
Imports in progress	9,298	5,456
Other	2,094	2,094
	634,225	493,497

The increase in all inventory classes is due to the entry of a new brand and safety inventories of raw materials.

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, 2022, the provision for losses for finished products and goods for resale is R$ 11,068 (R$ 8,904 as of December 31, 2021), the provision for losses on raw materials is R$ 24,111 (R$ 16,368 as of December 31, 2021) and the provision for losses for work in process is R$ 3,235 (R$ 3,252 as of December 31, 2021). The amount of raw material, labor, and indirect manufacturing costs used in the breakdown of costs of products sold is R$ 880,266 as of September 30, 2022 (R$ 618,267 as of September 30, 2021).

(In thousands of reais)

b. Changes in provision (impairment)

Changes in provision for losses in the realization of inventory for the period ended September 30, 2022 and year ended December 31, 2021 are shown below:

	Consolidated	
	09/30/2022	**12/31/2021**
Opening balance	**(28,524)**	**(31,683)**
Additions of the period	(17,563)	(26,456)
Write-offs	7,673	29,615
Closing balance	**(38,414)**	**(28,524)**

8 Recoverable taxes

	Consolidated		Parent company	
	09/30/2022	**12/31/2021**	**09/30/2022**	**12/31/2021**
ICMS	4,110	7,211	20	20
IPI	1,675	1,214	-	-
PIS/COFINS	71,537	95,809	-	-
FINSOCIAL	2,385	2,377	1,831	1,821
Reintegra	609	517	-	-
Undue tax payments (a)	8,792	-	-	-
Other	3,868	2,823	562	556
	92,976	**109,951**	**2,413**	**2,397**
Current	20,126	46,852	582	576
Non-current	72,850	63,099	1,831	1,821

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

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

9 Income tax and social contribution

a. Income tax – Prepayment

	Consolidated		Parent company	
	09/30/2022	**12/31/2021**	**09/30/2022**	**12/31/2021**
Income tax - prepayment	12,107	7,073	790	746
	12,107	**7,073**	**790**	**746**

(In thousands of reais)

b. Deferred income tax and social contribution on temporary differences

	Consolidated	
	09/30/2022	**12/31/2021**
Temporary differences for the period		
Revaluation of property, plant and equipment	(2,179)	(2,272)
Provisions	(2,576)	(2,576)
Deferred income tax – foreign subsidiary	473	493
Deferred income tax and social contribution on temporary differences	**(4,282)**	**(4,355)**
Total deferred income tax and social contribution in assets	473	493
Total deferred income and social contribution tax liabilities	(4,755)	(4,848)

c. Current and deferred income tax and social contribution

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

	Consolidated	
	09/30/2022	**09/30/2021**
Current income tax and social contribution	(9,450)	(16,255)
	(9,450)	(16,255)

d. Reconciliation of effective tax rate

	Consolidated	
	IRPJ / CSLL	
	09/30/2022	**09/30/2021**
Income before income tax and social contribution	**265,080**	**248,874**
Income tax and social contribution at a rate of 34%	90,127	84,617
Non-deductible expenses	3,134	2,081
Tax incentives – state **(a)**	(54,314)	(34,932)
IRPJ incentive **(a)**	(17,833)	(4,556)
Incentive to technological innovation	(7,002)	(6,026)
Offset of tax loss and negative basis	(8,247)	(11,664)
Other additions/exclusions	14,704	-
Non-taxable revenues	(6,266)	(3,587)
Adjustment of tax overpayments	(3,996)	-
Other	(857)	(9,678)
Expense with income tax and social contribution	9,450	16,255
current	9,450	16,255
Effective rate (b)	**3.57%**	**6.53%**

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

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

(In thousands of reais)

e. Tax losses to be offset

The Company and its subsidiaries Vulcabras CE, Calçados e Artigos Esportivos S.A., Vulcabras BA, Calçados e Artigos Esportivos S.A. and Vulcabras Distribuidora de Artigos Esportivos Ltda., have significant tax incentives that considerably reduce their capacity to offset any deferred income tax and social contribution credits. Management is constantly monitoring the renewal of tax incentives. Thus, the Company and its subsidiaries do not record the deferred income tax and social contribution on tax losses. As of September 30, 2022 and December 31, 2021, the parent company and its subsidiaries had tax losses to be utilized for offset, related to the following base amounts:

	09/30/2022							
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	**Vulcabras BA, Calçados e Artigos Esportivos S.A.**	**Vulcabras Distribuidora Artigos Esportivos Ltda.**	**Vulcabras SP, Comércio de Artigos Esportivos Ltda.**	**Running, Comércio e Indústria de Artigos Esportivos Ltda.**	**Distribuidorade Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.**	**Vulcabras S.A.**	**Total**
Tax losses calculated on September 30, 2022	283,393	606,224	72,366	351,139	3,702	39,271	153,122	1,509,217
Negative basis of social contribution as of September 30, 2022	1,117,624	618,246	72,366	351,643	3,949	39,271	155,237	2,358,336

	12/31/2021							
	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 December 31, 2021	314,055	613,812	73,889	340,958	142	39,265	146,149	1,528,270
Negative basis of social contribution as of December 31, 2021	1,127,399	625,834	73,889	340,958	142	39,265	148,264	2,355,751

(In thousands of reais)

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

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**	
	09/30/2022	**12/31/2021**	**09/30/2022**	**12/31/2021**
Judicial deposits				
Civil	43	65	-	-
Labor	13,375	13,944	285	222
Tax	5,386	1,996	121	116
Total	**18,804**	**16,005**	**406**	**338**

a. Labor (consolidated)

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

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

b. Civil (consolidated)

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

c. Tax (consolidated)

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

(In thousands of reais)

11 Related-party transactions

The main balances of assets and liabilities as of September 30, 2022 and December 31, 2021, as well as the transactions that influenced income (loss) for the period, relating to operations with related parties, result from commercial transactions of the Company with its subsidiaries in Brasil and Peru, besides loan agreements with subsidiaries.

Loan agreements are restated at the DI-CETIP rate.

a. Parent company and ultimate parent company

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

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	09/30/2022	12/31/2021
Assets					
Loan agreement with related parties (*)	-	27,006	-	27,006	118,324
Liabilities					
Loan agreement with related parties (*)	171,299	-	53,632	224,931	206,533
				09/30/2022	**09/30/2021**
Income (loss)					
Financial income (loss)	(14,011)	9,887	(4,387)	(8,511)	(1,956)

(*) Loan agreements are adjusted at 100% of the CDI rate.

(In thousands of reais)

c. Transactions between subsidiaries

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

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

	Globalcyr	Running	Calzados Azaleia Peru	Vulcabras SP	Vulcabras Distribuidora	Vulcabras BA	09/30/2022	12/31/2021
Assets								
Accounts receivable	-	4,475	2,733	70,565	22	680	78,475	97,872
Loan agreement with related parties	8,527	-	-	-	-	-	8,527	-
Other receivables	-	135	-	847	2,746	4,418	8,146	5,472
Liabilities								
Accounts payable	-	-	-	-	849	675	1,524	1,563
Other debits (a)	-	-	-	-	-	13,696	13,696	-
Income (loss)							**09/30/2022**	**09/30/2021**
Financial income (loss)	74	-	-	-	-	-	74	85
Intercompany sale	-	2,666	4,663	45,478	424	21,799	75,030	47,799
Intercompany purchase	-	-	-	-	(4,816)	(24,013)	(28,829)	(18,541)

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

(a) Refers to the advance to suppliers for the services rendered by Vulcabras CE to Vulcabras BA.

(In thousands of reais)

d. Management remuneration

At the Annual Shareholders' Meeting held April 26, 2022, the Company established the annual overall remuneration of the Directors at up to R$ 15,818. In the period ended September 30, 2022, the Company paid Directors' fees totaling R$ 11,237 (R$ 9,874 as of September 30, 2021).

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, 2022 and December 31, 2021, the Company and its subsidiaries, despite recording provisions related to long-term benefits, did not pay their key management personnel remuneration in the following categories: a) Long-term benefits; b) Benefits on termination of employment contract; and c) share-based payment. For details of the stock option plan, see Note 20.c.

e. Other related party transactions

Vulcabras CE, Calçados e Artigos Esportivos S.A. through its indirect subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. has loan payable to Brisa Indústria de Tecidos Tecnológicos S.A. in the amount of R$ 18,345 as at September 30, 2022 (R$ 18,041 as of December 31, 2021), remunerated at 2.20% p.a. (4% p.a. and 2.20% p.a. as of December 31, 2021). For further details, see Note 17.

12 Investments

a. Breakdown of balances

	Consolidated		Parent company	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,701,907	1,439,905
In associated companies (a)	66,713	62,792	-	-
Other investments (b)	7,353	6,616	-	-
Investments	74,066	69,408	1,701,907	1,439,905
Provision for investment losses	-	-	(132)	(135)
Total	**74,066**	**69,408**	**1,701,775**	**1,439,770**

(a) The subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. holds an interest of 50% as of September 30, 2022 (50% as of December 31, 2021) in the associated company PARS Participações Ltda., which holds 100% as of September 30, 2022 (100% as of December 31, 2021) of Brisa Indústria de Tecidos Tecnológicos S.A. Considering that the Company only has significant influence, this investment is not consolidated in the interim financial information under the terms of CPC 36 (R3) / IFRS 10 - Consolidated Statements.

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

(In thousands of reais)

b. Changes in investments

	Consolidated		Parent company	
	09/30/2022	**12/31/2021**	**09/30/2022**	**12/31/2021**
Opening balances	69,408	59,999	1,439,770	1,114,914
Equity in net income of subsidiaries	3,922	3,072	262,855	317,491
Exchange differences from translation of foreign operations	-	-	(822)	1,194
Acquisition/increase in investment (Note 12ª)	870	6,337	-	5,700
Dividends received	(134)	-	-	-
Financial assets at fair value through other comprehensive income	-	-	(33)	436
Increase in investee’s interest	-	-	5	35
Closing balances	74,066	69,408	1,701,775	1,439,770

(In thousands of reais)

c. Information on direct interest – Parent company

	Vulcabras CE, Calçados e Artigos Esportivos S.A.		Vulcabras Distribuidora de Artigos Esportivos Ltda.		Globalcyr S.A.		Vulcabras Empreendimentos Ltda.		Total	
	09/30/2022	**12/31/2021**	**09/30/2022**	**12/31/2021**	**09/30/2022**	**12/31/2021**	**09/30/2022**	**12/31/2021**	**09/30/2022**	**12/31/2021**
Total assets	2,200,610	1,951,194	324,927	316,490	2	2	2,094	2,094	-	-
Total liabilities	500,915	513,482	234,494	241,407	8,536	8,730	-	-	-	-
Capital	1,190,892	1,190,892	94,018	139,315	1,056	1,056	2,094	2,094	-	-
Net revenue	953,906	988,876	303,774	355,991	-	-	-	-	-	-
Profit (loss) for the period	262,842	317,492	11,620	1,291	(74)	(104)	-	-	-	-
Number of shares or quotas held (thousand shares/quotas)	537,467	537,467	131	200	10	10	2,094	2,094	-	-
Shareholders' equity	1,699,695	1,437,712	90,433	75,083	(8,534)	(8,728)	2,094	2,094	-	-
Interest in capital at the end of the period – %	99.99%	99.99%	0.14%	0.14%	1.55%	1.54%	100.00%	100.00%	-	-
Investments	1,699,687	1,437,706	126	105	-	-	2,094	2,094	1,701,907	1,439,905
Provision for investment losses	-	-	-	-	(132)	(135)	-	-	(132)	(135)
Equity in net income of subsidiaries	262,840	317,491	16	2	(1)	(2)	-	-	262,855	317,491

d. Information on indirect interest

As of September 30, 2022 and December 31, 2021, the Company has an indirect interest in the following companies, through its subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A.:

(In thousands of reais)

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

09/30/2022	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras SP, Comércio de Artigos Esportivos Ltda.**	**Globalcyr S.A.**	**Vulcabras BA, Calçados e Artigos Esportivos S.A.**	**Running Comércio e Indústria de Artigos Esportivos Ltda.**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)**	**Calzados Azaleia Peru S.A.**	**PARS Participações Ltda.**
Total assets	324,927	154,938	2	629,931	15,192	725	59,622	133,427
Total liabilities	234,494	160,278	8,536	131,054	15,788	13,945	22,284	1
Capital	94,018	402,995	1,056	365,403	3,621	26,207	1,072	36,116
Shareholders' equity	90,433	(5,340)	(8,534)	498,877	(596)	(13,220)	37,338	133,426
Net revenue	303,774	101,407	-	520,152	11,731	-	54,178	-
Profit (loss) for the period	11,620	(21,010)	(74)	83,584	(1,882)	(6)	1,707	7,844
Interest in capital	99.86%	100.00%	98.45%	99.99%	100.00%	100.00%	99.11%	50.00%

12/31/2021	**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	316,490	136,441	2	522,866	12,331	-	736	-	57,760	125,584
Total liabilities	241,407	120,781	8,730	107,559	11,045	-	13,950	-	20,935	1
Capital	139,315	402,984	1,056	365,403	3,621	-	26,207	-	1,072	36,116
Shareholders' equity	75,083	15,660	(8,728)	415,307	1,285	-	(13,214)	-	36,825	125,583
Net revenue	355,991	84,087	-	515,341	7,708	-	10,957	3,199	63,940	-
Income (loss) for the year	1,291	(14,848)	(104)	73,214	(2,325)	(969)	(2,540)	(6,964)	503	6,144
Interest in capital	99.86%	100.00%	98.45%	100.00%	100.00%	100.00%	100.00%	100.00%	99.11%	50.00%

(*) Indirect interest

(In thousands of reais)

13 Property, plant and equipment

a. Breakdown of account

		Consolidated					
		09/30/2022			12/31/2021		
September 30, 2022	**Average rate of depreciation % p.a.**	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Buildings	2–4	155,775	(93,903)	61,872	131,113	(91,221)	39,892
Machinery and equipment	10	428,280	(277,941)	150,339	395,160	(279,326)	115,834
Molds	100	285,791	(268,282)	17,509	278,863	(262,565)	16,298
Furniture and fixtures	10–20	41,446	(25,432)	16,014	40,777	(27,285)	13,492
Vehicles	20	2,413	(1,918)	495	2,241	(1,953)	288
IT equipment	20–25	36,648	(26,792)	9,856	32,775	(25,000)	7,775
Land	-	3,300	-	3,300	3,326	-	3,326
Works in progress	-	-	-	-	7,719	-	7,719
Facilities	10	152,771	(78,911)	73,860	135,563	(71,758)	63,805
Leasehold improvements	10–20	4,586	(1,312)	3,274	4,586	(603)	3,983
Imports in progress	-	18,961	-	18,961	29,249	-	29,249
Leasehold Improvements	20	1,671	(1,246)	425	1,671	(996)	675
Other	10–20	26	(25)	1	28	(27)	1
		1,131,668	**(775,762)**	**355,906**	**1,063,071**	**(760,734)**	**302,337**

(In thousands of reais)

b. Changes in cost

	Consolidated										
	01/01/2021	12/31/2021					09/30/2022				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	130,375	1,421	-	(1,306)	623	131,113	111	(68)	24,901	(282)	155,775
Machinery and equipment	362,699	11,628	(6,935)	27,768	-	395,160	15,313	(17,393)	35,200	-	428,280
Molds	262,557	34,346	(18,360)	320	-	278,863	24,909	(17,981)	-	-	285,791
Furniture and fixtures	32,131	3,823	(900)	5,262	461	40,777	4,210	(3,331)	-	(210)	41,446
Vehicles	2,241	87	(107)	-	20	2,241	287	(111)	-	(4)	2,413
IT equipment	28,606	3,152	(275)	973	319	32,775	4,080	(63)	-	(144)	36,648
Land	3,486	-	(160)	-	-	3,326	-	(26)	-	-	3,300
Molds in progress	-	1,165	(851)	(314)	-	-	-	-	-	-	-
Works in progress	3,541	11,435	(641)	(6,616)	-	7,719	19,775	(2,595)	(24,901)	2	-
Facilities	127,027	9,463	(445)	(482)	-	135,563	17,218	(10)	-	-	152,771
Leasehold improvements	89	551	-	3,946	-	4,586	-	-	-	-	4,586
Imports in progress	5,309	55,124	(4,948)	(26,236)	-	29,249	29,179	(4,267)	(35,200)	-	18,961
Leasehold improvements	1,524	147	-	-	-	1,671	-	-	-	-	1,671
Other	3,356	-	(13)	(3,315)	-	28	-	(2)	-	-	26
	962,941	**132,342**	**(33,635)**	**-**	**1,423**	**1,063,071**	**115,082**	**(45,847)**	**-**	**(638)**	**1,131,668**

(In thousands of reais)

c. Changes in depreciation

	Consolidated									
	01/01/2021	12/31/2021					09/30/2022			
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance	Additions	Write-offs	Translation adjustment	Closing balance
Buildings	(87,487)	(3,576)	-	-	(158)	(91,221)	(2,746)	-	64	(93,903)
Machinery and equipment	(270,166)	(15,371)	6,211	-	-	(279,326)	(14,656)	16,041	-	(277,941)
Molds	(250,588)	(27,550)	15,573	-	-	(262,565)	(21,523)	15,806	-	(268,282)
Furniture and fixtures	(23,665)	(1,816)	30	(1,570)	(264)	(27,285)	(1,568)	3,311	110	(25,432)
Vehicles	(1,939)	(99)	101	-	(16)	(1,953)	(75)	96	14	(1,918)
IT equipment	(22,771)	(2,120)	98	-	(207)	(25,000)	(1,940)	58	90	(26,792)
Facilities	(62,652)	(9,218)	1	111	-	(71,758)	(7,156)	3	-	(78,911)
Leasehold improvements	(89)	(403)	-	(111)	-	(603)	(709)	-	-	(1,312)
Leasehold improvements	(664)	(332)	-	-	-	(996)	(250)	-	-	(1,246)
Other	(1,609)	(1)	13	1,570	-	(27)	-	2	-	(25)
	(721,630)	**(60,486)**	**22,027**	**-**	**(645)**	**(760,734)**	**(50,623)**	**35,317**	**278**	**(775,762)**

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

(In thousands of reais)

14 Intangible assets

a. Breakdown of account

		Consolidated					
		09/30/2022			12/31/2021		
September 30, 2022	**Useful life**	**Cost**	**Amortization**	**Net**	**Cost**	**Depreciation**	**Net**
Defined useful life							
Software	5 years	43,322	(36,034)	7,288	41,516	(34,289)	7,227
Assignment of right	Contractual period	550	(470)	80	566	(453)	113
Goodwill	Contractual period	1,464	-	1,464	1,464	-	1,464
Undefined useful life							
Trademarks and patents		2,068	-	2,068	2,068	-	2,068
Goodwill		198,214	-	198,214	198,214	-	198,214
		245,618	**(36,504)**	**209,114**	**243,828**	**(34,742)**	**209,086**

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

(In thousands of reais)

b. Changes in cost

				Consolidated			
September 30, 2022	**Useful life**	**Amortization methods**	**Balance at 01/01/2022**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 09/30/2022**
Defined useful life							
Software	5 years	Straight-line	41,516	1,883	(66)	(11)	43,322
Assignment of right	Contractual period	Straight-line	566	-	-	(16)	550
Goodwill	Contractual period		1,464	-	-	-	1,464
Undefined useful life							
Trademarks and patents			2,068	-	-	-	2,068
Goodwill			198,214	-	-	-	198,214
Total			**243,828**	**1,883**	**(66)**	**(27)**	**245,618**

				Consolidated			
December 31, 2021	**Useful life**	**Amortization methods**	**Balance at 01/01/2021**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 12/31/2021**
Defined useful life							
Software	5 years	Straight-line	39,040	2,523	(148)	101	41,516
Assignment of right	Contractual period	Straight-line	531	-	-	35	566
Goodwill	Contractual period	Straight-line	1,873	-	(409)	-	1,464
Impairment of goodwill	Contractual period		(199)	-	199	-	-
Undefined useful life							
Trademarks and patents			2,067	1	-	-	2,068
Goodwill			198,214	-	-	-	198,214
Total			**241,526**	**2,524**	**(358)**	**136**	**243,828**

(In thousands of reais)

c. Changes in amortization

September 30, 2022	Useful life	Amortization methods	Balance at 01/01/2022	Consolidated Additions	Translation adjustment	Balance at 09/30/2022
Defined useful life						
Software	5 years	Straight-line	(34,289)	(1,769)	24	(36,034)
Assignment of right	Contract Term	Straight-line	(453)	(27)	10	(470)
Total			**(34,742)**	**(1,796)**	**34**	**(36,504)**

December 31, 2021	Useful life	Amortization methods	Balance at 01/01/2021	Consolidated Additions	Write-offs	Translation adjustment	Balance at 12/31/2021
Defined useful life							
Software	5 years	Straight-line	(32,218)	(2,119)	106	(58)	(34,289)
Assignment of right	Contract Term	Straight-line	(391)	(36)	-	(26)	(453)
Total			**(32,609)**	**(2,155)**	**106**	**(84)**	**(34,742)**

d. Goodwill in business combination

The balances of goodwill on acquisition of ownership interest, recognized in subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A., are supported by reports issued by independent experts and are based on expected future profitability of the business acquired in 2009, goodwill balances are not amortized since they are assets with 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 Analysis of recoverability of non-financial assets

a. Tangible and intangible assets with defined useful life

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

For the year ended December 31, 2021, an impairment test of 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 evidence of impairment was identified as of September 30, 2022.

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, 2022 and December 31, 2021.

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 as of December 31, 2021

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

Future cash flows were discounted based on the rate representing the capital cost. Following the techniques of economic valuation, the assessment of value in use is carried out for a period of 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 13.90%. p.a. as of December 31, 2021.

The estimate of value in use considered the following assumptions:

Revenues
The sales volume and price were projected on a real basis (without inflation) based on the Company's estimates and result in aggregate compound growth (CAGR) of 6.78% p.a. as of December 31, 2021 between 2021 and 2031.

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

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

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

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

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

Net income and free cash generation
Net income from the application of the above assumptions grows with a compounded growth rate (CAGR) of 8.85% p.a. between 2021 and 2031.

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 its book value by approximately R$ 2.9 billion as of December 31, 2021.

(In thousands of reais)

16 Suppliers

a. Breakdown of balances

	Consolidated		Parent company	
	09/30/2022	**12/31/2021**	**09/30/2022**	**12/31/2021**
Suppliers				
Domestic	98,031	61,816	88	1,672
Foreign	43,069	16,190	-	-
	141,100	78,006	88	1,672

b. Per maturity

	Consolidated	
	09/30/2022	**12/31/2021**
Falling due (days):		
01–30	104,494	58,892
31–60	31,372	13,246
61–90	4,587	2,678
>90	641	2,999
	141,094	77,815
Overdue (days):		
01–30	2	186
31–60	1	1
61–90	-	1
>90	3	3
	6	191
	141,100	78,006

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

In compliance with CVM Resolution 564 issued December 17, 2008, which approved CPC 12, the Company and its subsidiaries conducted studies to calculate the adjustment to present value of its current liabilities. Considering the average term of payment of these liabilities of approximately 39 days as of September 30, 2022 (41 days at December 31, 2021), the effects of present value adjustments were considered immaterial and, therefore, were not recognized in income (loss), as occurred with current assets and non-current assets.

(In thousands of reais)

17 Loans and financing

a. Breakdown of balances

	Interest rate 2022	Interest rate 2021	Consolidated 09/30/2022	Consolidated 12/31/2021
Domestic currency				
Property, plant and equipment	IPCA + 2.04% p.a.	IPCA + 2.04% p.a.	52,930	64,330
Tax incentive	TJLP	TJLP	2,952	2,571
Working capital	IPCA + 2.07% p.a./ CDI + 1.28–1.70% p.a./ Fixed rate of 11.4425% p.a.	IPCA + 2.07% p.a./ CDI + 1.10–1.23% p.a.	299,099	286,237
			354,981	**353,138**
Foreign currency				
Working capital	Fixed rate 1.18–6.09% p.a.	Fixed rate 1.18–2.15% p.a.	6,008	8,112
			6,008	**8,112**
Total financing and loans			**360,989**	**361,250**
Current			277,377	291,497
Non-current			83,612	69,753

As of September 30, 2022 and December 31, 2021, the installments relating to the balance of financing and loans had the following maturities:

	09/30/2022		12/31/2021	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	**277,377**	**77%**	**291,497**	**81%**
2022	12,002	3%	291,497	81%
2023	274,762	76%	29,848	8%
2024	51,611	14%	18,117	5%
2025	13,899	4%	13,072	4%
2026	8,715	3%	8,716	2%
Non-current	**83,612**	**23%**	**69,753**	**19%**
Total	**360,989**	**100%**	**361,250**	**100%**

b. Sureties and guarantees

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

c. Covenants

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

(In thousands of reais)

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

	Consolidated				
	Liabilities				
	Loans and financing	Loans with related parties	Lease liabilities	Dividends and profits payable	Total
Balance at January 1, 2022	**361,250**	**18,041**	**19,779**	**4**	**399,074**
Changes in cash flow from financing					
Loans obtained – Principal	278,831	-	-	-	278,831
Payment of financial lease liabilities	-	-	(8,726)	-	(8,726)
Dividends and interest on own capital paid	-	-	-	(4)	(4)
Payment of loans obtained – Principal	(279,482)	-	-	-	(279,482)
Total changes in financing cash flows	**(651)**	**-**	**(8,726)**	**(4)**	**(9,381)**
Other changes related to liabilities					
Interest paid	(29,198)	304	(1,688)	-	(30,582)
Proade Additions (with no cash effect)	811	-	-	-	811
Contract additions / readjustments	-	-	8,262	-	8,262
Accrued interest	-	-	2,611	-	2,611
Financial charges recognized in profit or loss	28,777	-	-	-	28,777
Total other changes related to liabilities	**390**	**304**	**9,185**	**-**	**9,879**
Balance at September 30, 2022	**360,989**	**18,345**	**20,238**	**-**	**399,572**

	Consolidated			
	Liabilities			
	Loans 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
Borrowings 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)
Proade Additions (with no cash effect)	590	-	-	590
Contract additions / readjustments	-	-	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**

18 Right-of-use and lease liability

a. Operating leases

The Company’s subsidiaries lease commercial properties only.

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

(In thousands of reais)

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

	Consolidated	
	09/30/2022	**12/31/2021**
Right of use		
Opening balance	17,442	15,145
Additions / Readjustments	7,880	15,745
Write-off	-	(2,497)
Amortization (*)	(7,191)	(10,951)
Closing balance	**18,131**	**17,442**

	Consolidated	
	09/30/2022	**12/31/2021**
Lease liabilities		
Opening balance	19,779	18,530
Additions / Readjustments	8,262	15,221
Accrued interest	2,611	1,859
Write-off	-	(2,805)
Payment of principal	(8,726)	(10,843)
Interest	(1,688)	(2,183)
Closing balance	**20,238**	**19,779**
Current	**8,126**	**7,129**
Non-current	**12,112**	**12,650**

(*) The change was due to the termination of some contracts of stores of the subsidiary Vulcabras SP.

Long-term installment payment schedule

	09/30/2022		12/31/2021	
Maturity	**Amount**	**%**	**Amount**	**%**
2023	1,886	16%	5,208	41%
2024	8,368	69%	4,368	35%
2025	1,333	11%	3,074	24%
2026	413	3%	-	-
2027	112	1%	-	-
Total	**12,112**	**100%**	**12,650**	**100%**

Extension options

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

(In thousands of reais)

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	
	09/30/2022	**12/31/2021**	**09/30/2022**	**12/31/2021**
Provisions for lawsuits and administrative proceedings:				
Civil	18,407	18,455	40	53
Labor	38,438	40,041	211	189
Tax	2,737	1,382	409	176
Total	**59,582**	**59,878**	**660**	**418**
Current	**21,984**	**22,488**	**660**	**418**
Non-current	**37,598**	**37,390**	**-**	**-**

b. Labor lawsuits (Consolidated)

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

c. Civil lawsuits (Consolidated)

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

d. Tax lawsuits (Consolidated)

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

(In thousands of reais)

e. Changes in proceedings

	Consolidated										
	01/01/2021	12/31/2021					09/30/2022				
	Opening balance	Additions	Reversals	Payments	Adjustment to net presentation (*)	Closing balance	Additions	Reversals	Payments	Adjustment to net presentation (*)	Closing balance
Type											
Civil	18,919	1,181	(1,466)	(179)	-	18,455	311	(303)	(56)	-	18,407
Labor	36,982	13,151	(4,522)	(7,147)	1,577	40,041	12,642	(12,045)	(3,011)	811	38,438
Tax	662	2,350	(165)	(825)	(640)	1,382	3,898	(38)	-	(2,505)	2,737
Total	**56,563**	**16,682**	**(6,153)**	**(8,151)**	**937**	**59,878**	**16,851**	**(12,386)**	**(3,067)**	**(1,694)**	**59,582**

	Parent company								
	01/01/2021	12/31/2021				09/30/2022			
	Opening balance	Additions	Reversals	Payments	Closing balance	Additions	Reversals	Payments	Closing balance
Type									
Civil	82	48	(17)	(60)	53	21	(4)	(30)	40
Labor	507	-	(47)	(271)	189	94	(72)	-	211
Tax	176	60	(60)	-	176	233	-	-	409
Total	**765**	**108**	**(124)**	**(331)**	**418**	**348**	**(76)**	**(30)**	**660**

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

(In thousands of reais)

Contingencies

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

As of September 30, 2022 and December 31, 2021, the breakdown of the amounts under litigation at various court levels, estimated with a possible loss was as follows:

	Consolidated	
Contingencies	**09/30/2022**	**12/31/2021**
Civil	1,837	2,741
Labor	34,617	34,950
Tax	29,774	31,250
Total	**66,228**	**68,941**

Contingent assets

The Company's subsidiaries, Vulcabras CE and Vulcabras BA, are plaintiffs in lawsuits claiming the recognition of the exclusion of ICMS related to sales of goods from the PIS and COFINS calculation basis, which Management understands as relevant to the business. At this time, there is no way to assure when or if the estimated amounts will actually be realized. Consequently, the Company's subsidiaries evaluated the status of their lawsuits and concluded that, as of September 30, 2022, the requirements of CPC 25/IAS 37 for credit accounting were not met, which is why no amount was recorded.

20 Shareholders' equity (Parent company)

a. Capital

At September 30, 2022 and December 31, 2021, the capital is R$ 1,106,717 and is represented by 245,756,244 common nominative shares with no par value.

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

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, 2022, the balance of revaluation reserve is R$ 4,230 (R$ 4,410, on December 31, 2021).

(In thousands of reais)

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

c. Capital reserve

(i) Stock option

General conditions
The Company has four (4) Stock Option Plans in effect.

Stock option plan approved in 2019

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 (seven hundred and eighty thousand) options, with unit strike price of R$ 7.96 (seven reais and ninety-six centavos), 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 6,404, dated December 15, 1976.

Characteristics of the plan

2nd Stock Option Plan – 2019	**2nd grant**
Grant date	May 06, 2019
Number of options granted	780,000(3)
Vesting period	3 years
Maturity for the year	March 31, 2022
Maximum period for exercise	March 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) The initial number of participants in the approval of the plan was 22 executives. However, with the departure of two of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 20.

(3) The initial number of options granted in the approval of the plan was 780,000. However, with the departure of beneficiaries during the validity period, the current number of options that can be exercised became 755,000.

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

(In thousands of reais)

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

Stock option plan approved in 2020

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

Characteristics of the plan

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

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

(2) The initial number of participants in the approval of the plan was 21 executives. However, with the departure of one of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 20.

(3) The initial number of options granted in the approval of the plan was 870,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 855,000.

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

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

Stock option plan approved in 2021

(In thousands of reais)

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

Characteristics of the plan

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

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

(2) The initial number of participants in the approval of the plan was 23 executives. However, with the departure of two of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 21.

(3) The initial number of options granted in the approval of the plan was 970,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 925,000.

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

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

Stock option plan approved in 2022

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

(In thousands of reais)

Characteristics of the plan

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

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

(2) The initial number of participants in the approval of the plan was 23 executives. However, with the departure of one of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 22.

(3) The initial number of options granted in the approval of the plan was 980,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 965,000.

Beneficiaries

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

Pricing Method

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

Option plan expense

Amounts of amortizations recorded as expense in financial statements, as a contra-entry to the Company’s shareholders' equity from grant date to September 30, 2022, are described below (expressed in Reais):

Plan	Strike price	Grant date	Accumulated expense 09/30/2022	Accumulated expense 12/31/2021
Plan – 2018 (a)	R$ 9.50	January 16, 2018	-	R$ 1,638
Plan – 2019	R$ 7.96	May 05, 2019	R$ 1,717	R$ 1,579
Plan – 2020	R$ 8.57	August 06, 2020	R$ 1,521	R$ 1,098
Plan – 2021	R$ 8.06	May 11, 2021	R$ 884	R$ 416
Plan – 2022	R$ 8.89	May 03, 2022	R$ 407	-
Total			**R$ 4,529**	**R$ 4,731**

(a) The expense accrued up to March 31, 2022, in the amount of R$ 1,638, was reversed in the 1st quarter of 2022 as a result of the expiration of the maximum term for exercising said plan.

(In thousands of reais)

d. Profit reserves

(i) Legal reserve

Established as of December 31, 2021, in the amount of R$ 15,692, based on 5% of net income for the year.

(ii) Statutory reserve

The Company’s Annual and Extraordinary General Meeting, held on April 26, 2022, unanimously approved the allocation of the amount of R$ 201,927 for the formation of the statutory reserve for the realization of new investments, pursuant to Article 35 of the Bylaws Company’s Bylaws and Article 194 of the Brazilian Corporation Law. This reserve was recorded through the reallocation of a portion of the profit from the previous year, which was originally classified as an unrealized profit reserve in the Company's financial statements, corresponding to the year ended December 31, 2021.

e. Equity valuation adjustments

“Equity valuation adjustments” caption includes: (i) accumulated net changes in financial assets at fair value through other comprehensive income until the investments are derecognized or suffer impairment loss; and (ii) accumulated translation adjustments include all foreign currency differences deriving from the translation of interim financial information of foreign operations. As of September 30, 2022, the balance of equity valuation adjustment is R$ 21,889 (R$ 22,744, on December 31, 2021).

21 Net sales revenue

	Consolidated	
	09/30/2022	**09/30/2021**
Gross operating revenue		
Sale and resale of products		
Domestic market	1,888,943	1,374,562
Foreign market	181,847	104,367
Services rendered	3,053	1,818
	2,073,843	1,480,747
Deductions		
Taxes on sales and services rendered	(394,040)	(275,553)
ICMS tax incentives (Note 30)	168,327	115,675
Returns, rebates and prompt-payment discount	(50,037)	(73,698)
	(275,750)	(233,576)
Net operating revenue	**1,798,093**	**1,247,171**

(In thousands of reais)

22 Cost of sales and resales

	Consolidated	
	09/30/2022	**09/30/2021**
Costs of sales		
Raw material	(470,978)	(307,861)
Labor	(227,075)	(171,255)
Indirect costs	(182,213)	(139,151)
Resales	(263,241)	(193,326)
Total cost of sales and resales	**(1,143,507)**	**(811,593)**

23 Sales expenses

	Consolidated	
	09/30/2022	**09/30/2021**
Commissions	(63,059)	(52,008)
Freight	(64,406)	(47,814)
Advertising	(67,135)	(46,294)
Royalties	(30,028)	(17,182)
Personnel expenditures	(40,515)	(32,148)
Other expenditures	(11,037)	(14,296)
	(276,180)	(209,742)
Impairment losses	(8,192)	12,506
Total sales expenses	**(284,372)**	**(197,236)**

24 Administrative expenses

	Consolidated		Parent company	
	09/30/2022	**09/30/2021**	**09/30/2022**	**09/30/2021**
Personnel expenditures	(40,528)	(37,578)	(423)	(1,914)
Outsourced services	(15,106)	(14,827)	(1,459)	(2,389)
Rentals	(3,045)	(2,735)	-	-
Travel and lodging	(758)	(482)	(1)	(1)
Security	(1,140)	(1,032)	(159)	(137)
Legal disputes and taxes	(1,711)	(1,491)	(383)	(443)
IT and telecommunications	(9,762)	(6,709)	(62)	(36)
Energy, water and sewage	(661)	(701)	(25)	(13)
Maintenance, cleaning and environment.	(2,627)	(2,753)	(11)	(5)
Depreciation and amortization	(11,327)	(12,243)	-	(181)
Other	(4,534)	(3,107)	(1,083)	(822)
Total administrative expenses	**(91,199)**	**(83,658)**	**(3,606)**	**(5,941)**

(In thousands of reais)

25 Other operating revenues (expenses), net

	Consolidated		Parent company	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Other operating revenues				
Rental revenue	4,365	3,976	4,351	3,963
Revenue from sales of power	-	45	-	-
Sale of scrap	1,265	1,129	-	-
Revenue from sale of property, plant and equipment	2,339	2,864	-	-
Recovery of PIS/COFINS on ICMS	-	66,946	-	-
Gain from pre-existing relationship settlement	8,792	13,980	-	-
Undue tax payments – SELIC		-	-	-
Other	5,276	5,171	226	(219)
Total other operating revenues	**22,037**	**94,111**	**4,577**	**3,744**
Other operating expenses				
Provision (reversal) for contingencies	(2,734)	(9,633)	(200)	48
Expenses from sale of property, plant and equipment	(3,137)	(3,002)	-	-
Other	(9,530)	(12,186)	(8)	(13)
Total other operating expenses	**(15,401)**	**(24,821)**	**(208)**	**35**
Other operating revenues (expenses), net	**6,636**	**69,290**	**4,369**	**3,779**

(In thousands of reais)

26 Financial revenues and expenses

	Consolidated		Parent company	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Financial revenues				
Capital structure				
Revenue from investments	13,928	4,857	550	1,962
Other	18	-	-	-
Subtotal	13,946	4,857	550	1,962
activities				
Interest	3,415	1,621	9,915	3,099
Discounts obtained	1,466	515	-	-
Extemporaneous credit update	4,015	58,235	-	-
Other	206	5,114	-	7
Subtotal	9,102	65,485	9,915	3,106
Exchange-rate changes	17,963	11,930	-	-
Total financial revenues	**41,011**	**82,272**	**10,465**	**5,068**
Financial expenses				
Capital structure				
Interest	(31,425)	(20,850)	(18,399)	(5,013)
IOF	(362)	(161)	(70)	(3)
Other	(3,110)	(1,807)		-
Subtotal	(34,897)	(22,818)	(18,469)	(5,016)
activities				
Bank fees	(3,253)	(3,254)	(2)	(2)
Fee/commission sale card	(119)	(59)	-	-
Discounts granted	(1,744)	(9,978)	-	-
AVP (Adjustment at present value)	-	(2,269)	-	-
Other rates	(3,224)	(2,066)	-	-
Subtotal	(8,340)	(17,626)	(2)	(2)
Exchange-rate changes	(22,267)	(18,836)	-	-
Total financial expenses	**(65,504)**	**(59,280)**	**(18,471)**	**(5,018)**
Financial income (loss)	**(24,493)**	**22,992**	**(8,006)**	**50**

(In thousands of reais)

27 Earnings per share

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

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

On September 30, 2022, 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 3,500,000 (three million five hundred thousand) potential shares. Of the total amount, 755,000 potential shares refer to the second grant of shares of the Stock Options plan that was approved on May 5, 2019, 855,000 potential shares refer to the third grant of shares of the Stock Options plan that was approved on August 6, 2020, 925,000 and potential shares refer to the fourth grant of shares of the Stock Options plan that was approved on May 11, 2021 and 965,000 potential shares refer to the fifth grant of shares of the Stock Options Plan that was approved on May 03, 2022.

As of September 30, 2021, the Company had 3,230,000 potential shares outstanding. Of the total amount, 635,000 potential shares refer to the first grant of shares of the Stock Options plan that was approved on January 16, 2018, and 755,000 potential shares refer to the second grant of shares of the Stock Options plan that was approved on May 5, 2019 and 870,000 potential shares refer to the third grant of shares of the Stock Options plan that was approved on August 6, 2020 and 970,000 potential shares refer to the fourth grant of the Stock Options plan that was approved on May 11, 2021, which could affect the dilution of earnings per shares under CPC 41/IAS 33.

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

	Parent company			
	Number of common shares			
	09/30/2022	**07/01/2022–09/30/2022**	**09/30/2021**	**07/01/2021–09/30/2021**
Income (loss) attributable to shareholders	255,612	97,890	232,630	126,522
Weighted basic average of outstanding shares in the period	245,756,244	245,756,244	245,756,244	245,756,244
Weighted basic average of outstanding shares in the period	246,513,543	246,513,543	248,986,244	248,986,244
Basic earnings per share (per thousand) – R$	1.0401	0.3983	0.9466	0.5148
Basic earnings per share (per thousand) - R$	1.0369	0.3971	0.9343	0.5082

28 Financial instruments and risk management

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

Financial risk framework and management

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

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

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

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

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

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

(i) Credit risk

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

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

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.

(In thousands of reais)

(ii) Analyzing credits granted to clients and establishing sales limits. There are no clients that individually represent more over 12% of total trade accounts receivable of the Company as of September 30, 2022 (10% on December 31, 2021); 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, 2022	Policy applied (%)	Gross book balance	Provision for estimated losses
Stores	0.00%	44,740	-
Falling due	0.04%	652,668	261
Overdue (days):			
01–30	0.50%	10,333	52
31–60	10.00%	1,684	168
61–90	25.00%	531	133
>90	100.00%	28,766	28,766
Clients under court-ordered reorganization (with financial restructuring)	40.00%	8,613	3,445
Clients under court-ordered reorganization (without financial restructuring)	100.00%	10,438	10,438
		757,773	**43,263**

December 31, 2021	Policy applied (%)	Gross book balance	Provision for estimated losses
Stores	0.00%	32,337	-
Falling due	0.04%	579,880	(232)
Overdue (days):			
01–30	0.50%	5,129	(26)
31–60	10.00%	578	(58)
61–90	25.00%	624	(156)
>90	100.00%	17,294	(17,294)
Clients under court-ordered reorganization (with financial restructuring)	40.00%	3,050	(1,220)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	16,088	(16,088)
		654,980	**(35,074)**

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

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

(In thousands of reais)

(ii) Market risk

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

Currency risk

Considering the price risk on exports, which correspond to 6.24% of revenue from its subsidiaries as of September 30, 2022 (3.64% as of December 31, 2021), 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, 2022 with the positive change in 3.12% in relation to the last quotation as of December 31, 2021. As a strategy to avoid and reduce the effects of foreign exchange fluctuations, Management tried to maintain a natural hedge in restricted assets, also pegged to exchange fluctuations. Management does not enter into financial instruments to eliminate its exposure to foreign exchange risks, which are as follows:

	Consolidated	
US dollar (US$'000)	**09/30/2022**	**12/31/2021**
Assets in foreign currency (a)	22,945	16,094
Liabilities in foreign currency (b)	(9,077)	(4,355)
Surplus determined (a-b)	13,868	11,739

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

1. **Probable scenario and that is adopted by the Company and its subsidiaries:** Dollar rate totaled R$ 5.4066 on September 30, 2022;
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$ 4.0550; and
3. **Remote scenario:** Also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R$ 2.7033.

Foreign exchange sensitivity analysis - Effect in come income (loss) as of September 30, 2022

Transaction	**Risk**	**Probable scenario**	**Possible scenario**	**Remote scenario**
	US$ 13,868,000	Foreign exchange rate - 5.4066	Foreign exchange rate - 4.0550	Foreign exchange rate - 2.7033
Financial income (loss)	US$ decrease	-	(18,744)	(37,489)

(In thousands of reais)

(iii) Interest rate risk

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

	Consolidated		Consolidated	
	Book value 09/30/2022	**Fair value 09/30/2022**	**Book value 12/31/2021**	**Fair value 12/31/2021**
Assets in CDI	215,378	215,378	114,347	114,347
Liabilities in TJPL	2,952	2,646	2,571	2,442
Liabilities at IPCA	70,916	66,791	100,527	105,096
Liabilities in CDI	250,593	253,608	250,040	251,262

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

(i) Probable scenario adopted by the Company and its subsidiaries, with a DI-CETIP rate of 13.65% p.a. and TJLP of 7.01% p.a. and IPCA of 7.17% 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, 2022 is as follows:

Operation	**Risk**	**Probable scenario**	**Possible scenario – 25%**	**Remote scenario – 50%**
Loans – TJLP	TJLP incr.	TJLP 7.01% R$ -	TJLP 8.76% R$ 52	TJLP 10.52% R$ 104
Loans at IPCA	IPCA incr.	IPCA 7.17% R$ -	IPCA 8.96% R$ 1,269	IPCA 10.76% R$ 2,546
Loans in CDI	CDI increase	CDI 13.65% R$ -	CDI 17.06% R$ 8,545	CDI 20.48% R$ 17,116
Investments in CDI	CDI decrease	CDI 13.65% R$ -	CDI 10.24% R$ (7,344)	CDI 6.83% R$ (14,689)

(iv) Liquidity risk

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

(In thousands of reais)

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

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

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

	09/30/2022	
Maturity	**Amount**	**%**
2023	5,922	7%
2024	55,913	65%
2025	15,275	18%
2026	8,994	10%
Total	**86,104**	**100%**

Breakdown of balances

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

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

(In thousands of reais)

The book balances and the fair value of financial instruments included in balance sheets as of September 30, 2022 and December 31, 2021 are shown below:

		Consolidated			
		09/30/2022		12/31/2021	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	211,959	211,959	114,635	114,635
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	7,418	7,418	9,418	9,418
Share investment funds	Financial assets at fair value through other comprehensive income	861	861	894	894
Accounts receivable	Financial assets at amortized cost	714,510	714,510	616,275	616,275
Other accounts receivable	Financial assets at amortized cost	20,922	20,922	19,323	19,323
Loans and financing:					
In local currency	Amortized cost	354,981	399,055	353,138	358,800
In foreign currency	Amortized cost	6,008	6,085	8,112	7,664
Suppliers	Amortized cost	141,100	141,100	78,006	78,006
Loan agreement with related parties	Amortized cost	18,345	18,345	18,041	18,041

		Parent company			
		09/30/2022		12/31/2021	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	102,374	102,374	33	33
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	1	1	2	2
Borrowings with related parties	Financial assets at amortized cost	27,006	27,006	118,324	118,324
Other accounts receivable	Financial assets at amortized cost	2,213	2,213	3,423	3,423
Suppliers	Amortized cost	88	88	1,672	1,672
Borrowings with related parties	Amortized cost	224,931	224,931	206,533	206,533

(In thousands of reais)

(v) *Fair value hierarchy*

	Consolidated				Parent company			
	09/30/2022		12/31/2021		09/30/2022		12/31/2021	
Description	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Interest earning bank deposits								
Floating-rate CDBs	-	2,192	-	5,005	-	-	-	-
Investment fund	-	5,226	-	4,413	-	1	-	2
Share investment funds	861	-	894	-	-	-	-	-

- **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, 2022 (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, 2022 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.

(In thousands of reais)

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

(vii) Capital management

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

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

	Consolidated	
	09/30/2022	**12/31/2021**
Loans and financing	(360,989)	(361,250)
Lease liabilities	(20,238)	(19,779)
Cash and cash equivalents	211,959	114,635
Interest earning bank deposits	8,279	10,312
Net debt	**(160,989)**	**(256,082)**
Shareholders' equity	**1,611,124**	**1,356,562**

29 Insurance coverage

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

Coverage amounts as of September 30, 2022 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	15,200
Heavy vehicles	Property, body damages, pain and suffering to third parties	11,200
International transport - Imports	Limit per shipment – Goods / Raw materials	8,110
Total corporate insurance		**311,510**

30 Governmental grants and assistance

a. Federal incentives

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

b. State incentives

(i) Ceará

For footwear

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

For apparel

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

  Additional incentives

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

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

Additional incentives

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

(ii) Bahia

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

  Additional incentives

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

(iii) Minas Gerais

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

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

(In thousands of reais)

c. Additional incentives

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

	Statement of Government grants		
Subsidiary	**State incentive**	**%**	**Maturity date**
Vulcabras CE, Calç. E Art. Esp. S.A.	Proade Calçados	99%	Aug 2031
Vulcabras CE, Calç. E Art. Esp. S.A.	Provin Confecções	75%	Jun 2022(*)
Vulcabras BA, Calç. E Art. Esp. S.A.	Probahia	99%	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

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

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

ICMS			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**09/30/2022**	**09/30/2021**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	86,593	99.99%	86,584	60,333
Vulcabras Distr. Art. Esp. Ltda.	14,102	100.00%	14,102	15
Vulcabras BA, Calçados e Artigos Esportivos S.A	59,052	100.00%	59,052	42,403
Vulcabras SP, Comércio de Art. Esp. Ltda.	8,445	100.00%	8,445	2,012
	168,192		168,183	104,763

(In thousands of reais)

Reintegra			Equity in net income of subsidiaries in parent company	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**09/30/2022**	**09/30/2021**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	70	99.99%	70	39
Vulcabras BA, Calçados e Artigos Esportivos S.A.	65	100.00%	65	34
	135		135	73

31 Product and geographic area information

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

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

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

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

	09/30/2022	**09/30/2021**
Net sales		
Athletic shoes	1,476,256	1,066,131
Other footwear and others	144,293	102,244
Apparel	177,544	78,796
	1,798,093	**1,247,171**
Domestic market	1,619,468	1,143,632
Foreign market	178,625	103,539
	1,798,093	**1,247,171**

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

	Consolidated	
	09/30/2022	**12/31/2021**
Non-current assets in the domestic and foreign markets as of		
Brazil	749,024	680,587
Other countries	16,000	15,353
Total	**765,024**	**695,940**

Composition of the Board of Directors

Pedro Grendene Bartelle
President

André de Camargo Bartelle
1st Vice-president

Pedro Bartelle
2nd Vice-president

Paulo Sérgio da Silva
Independent Board Member

Octávio Ferreira de Magalhães
Independent Board Member

Members of the Executive Board

Pedro Bartelle
President

Wagner Dantas da Silva
Administrative and Financial Director

Flávio de Carvalho Bento
Industrial Director

Rafael Carqueijo Gouveia
Superintendent Director

Rodrigo Miceli Piazer
Supply Chain Director

Evandro Saluar Kollet
Corporate Director of Product Development and Technology

Márcio Kremer Callage
Marketing Director

Investor Relations Director

Wagner Dantas da Silva

Technical manager

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