# Vulcabras S.A.

**Quarterly information as of March 31, 2022**

**Vulcabras S.A.**

March 31, 2022

Contents

Building a better working world

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# Report on the review of quarterly information

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

## Introduction

We have reviewed the interim, individual and consolidated accounting information of Vulcabras S.A. ("Company"), contained in the Quarterly Information (ITR) Form for the quarter ended March 31, 2022, which comprise the balance sheet on March 31, 2022 and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the quarter then ended, including explanatory notes.

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

## Scope of review

Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 / ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim information consists of making inquiries, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion on the individual and consolidated interim information

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

**Other matters**

*Audit of the 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-month period ended March 31, 2021 were examined and reviewed by another independent auditor, who issued an audit report dated March 8, 2022 and a review report dated May 11, 2021, respectively, which did not contain any modification.

*Statements of added value*

The aforementioned quarterly information includes the individual and consolidated statements of added value for the three-month period ended March 31, 2022, prepared under responsibility of Company's Executive Board, and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and book records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 - Statement of Added Value. Based on our review, we are not aware of any facts that may lead us to believe that those statements of added value have not been prepared, in all material respects, in accordance with the criteria set forth in this Standard and consistently with respect to the individual and consolidated interim financial information taken as a whole.

Recife, May 3, 2022.

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

Francisco da Silva Pimentel
Accountant CRC-1SP171230/O-7-T-PE

# 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 subsidiary companies:
  - 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 and impact the economy. 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 and the weaker consumer demand, the 1st quarter of 2022 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 financial statements. 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. Although it is still very difficult to predict what will happen, the Company is convinced that the strength of its brands, coupled with the flexibility of its business model, will be a competitive advantage that will lead it to quickly overcome this crisis.
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(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** |
| Vulcabras CE, Calçados e Artigos Esportivos S.A. | Brazil | 99.99 | 99.99 | - | - | 99.99 | 99.99 |
| Vulcabras SP, Comércio de Artigos Esportivos Ltda. | Brazil | - | - | 100 | 100 | 100 | 100 |
| Vulcabras Distribuidora de Artigos Esportivos Ltda. | Brazil | 0.14 | 0.14 | 99.86 | 99.86 | 100 | 100 |
| Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. | Brazil | - | - | 100 | 100 | 100 | 100 |
| Globalcyr S.A. | Uruguay | 1.55 | 1.55 | 98.45 | 98.45 | 100 | 100 |
| Vulcabras BA, Calçados e Artigos Esportivos S.A. | Brazil | - | - | 99.99 | 99.99 | 99.99 | 99.99 |
| Calzados Azaleia Peru S.A. | Peru | - | - | 99.11 | 99.11 | 99.11 | 99.11 |
| Vulcabras Empreendimento Imobiliário SPE Ltda. | Brazil | 100 | 100 | - | - | 100 | 100 |
| Running Comércio e Indústria de Artigos Esportivos Ltda. | Brazil | - | - | 100 | 100 | 100 | 100 |

### 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.

*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 BA, 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.

*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.

# 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 quarterly 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 quarterly information as a whole.

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

The authorization for the conclusion and issuance of this individual and consolidated interim financial information was given by the Board of Directors on May 3, 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: if the Company and its subsidiaries are reasonably certain of exercising extension options.

### *b. Uncertainties on assumptions and estimates*

Information about assumptions and estimates uncertainties as of March 31, 2022 that have a significant risk of resulting in a material adjustment to the book values of assets and liabilities in the next financial year is included in the following notes:

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

## 3 Significant accounting policies

The practices, policies and main accounting judgments adopted in the preparation of the 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 quarterly 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 changed standards and interpretations should not have a significant impact on Company's individual and consolidated financial information:

- **Onerous contracts –** Costs of Fulfilling a Contract (amendment to CPC 25/IAS 37), effective on January 1, 2022.

- **Benchmark Interest Rate Reform –** Phase 2 (amendments to CPC 48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16) and will be in force on January 01, 2021.

- **Property, plant and equipment:** Proceeds before Intended Use (amendments to CPC 27/IAS 16), effective January 1, 2022.

- 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 | |
|---|---|---|
| | 03/31/2022 | 12/31/2021 |
| Current account | 3,299 | 4,760 |
| Floating rate CDB (Invest Fácil) | 9,930 | 2,751 |
| Floating rate CDB | 192,549 | 101,465 |
| Investment funds | 203 | 713 |
| Cash and cash equivalents abroad (a) | 4,617 | 4,946 |
| | **210,598** | **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 March 31, 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 and Investment Funds) 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 40% of the Interbank Deposit Certificate (CDI), on March 31, 2022 (5% to 40% of the CDI as of December 31, 2021).

Floating-rate CDBs (Bank Deposit Certificate) are remunerated from 98.0% to 104.50% of CDI as of March 31, 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 | | Parent company | |
|---|---|---|---|---|
| | 03/31/2022 | 12/31/2021 | 03/31/2022 | 12/31/2021 |
| Interest earning bank deposits: | | | | |
| floating-rate CDBs | 5,104 | 5,005 | - | - |
| Investment funds – fixed income | 4,501 | 4,413 | 2 | 2 |
| Share investment funds | 906 | 894 | - | - |
| | **10,511** | **10,312** | **2** | **2** |

Fixed rate CDBs (Bank Deposit Certificates) have no liquidity, as they are linked to guarantees in financing agreements (BNB) and are remunerated at 98.0% of the CDI (98.0% of the CDI as of December 31, 2021). Investments in fixed income investment funds in the amount of R$ 4,501 (R$ 4,413 as of December 31, 2021) yield 48% to 56% of the CDI as of March 31, 2022 (28% to 46% of the CDI as of December 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** | **03/31/2022** | **12/31/2021** |
| Domestic: | | |
| Clients | 501,958 | 629,540 |
| Abroad: | | |
| Clients | 49,689 | 25,440 |
| Subtotal trade accounts receivable | 551,647 | 654,980 |
| Impairment losses | (37,328) | (35,074) |
| Total trade accounts receivable, net | 514,319 | 619,906 |
| Current | 507,272 | 616,275 |
| Non-current | 7,047 | 3,631 |

## b. Per maturity

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| **Falling due (days):** | | |
| 01–30 | 89,863 | 194,604 |
| 31–60 | 141,920 | 191,466 |
| 61–90 | 135,423 | 138,199 |
| >90 | 145,578 | 90,996 |
| | 512,784 | 615,265 |
| **Overdue (days):** | | |
| 01–30 | 3,784 | 5,129 |
| 31–60 | 1,166 | 578 |
| 61–90 | 609 | 624 |
| >90 | 33,304 | 33,384 |
| | 38,863 | 39,715 |
| | 551,647 | 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.

Details on gross sales in the foreign and domestic markets are disclosed in Note 21. Management understands that the amount that best reflects its maximum exposure to credit risk for the period ended March 31, 2022 is R$ 37,328 (R$ 35,074 as of December 31, 2021), which results from the criteria described in item (c).

(In thousands of reais)

## c. Measurement criteria of losses with clients (impairment)

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

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

The Company and its subsidiaries carry out an individual analysis of each client. For clients in a situation of court-ordered reorganization, the Company has 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 provision for impairment

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

| | **Consolidated** | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| **Opening balance** | (35,074) | (50,529) |
| Complement of provision | (2,519) | (4,831) |
| Reversal for credit assignment (*) | - | 8,604 |
| Write-offs | - | 3,526 |
| Recovery of provisions | 265 | 8,156 |
| **Closing balance** | (37,328) | (35,074) |

(*) 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 Company’s credit policy, the concentration of clients in sales or in the receivables portfolio is lower than 10%. Thus, at the end of the period as of March 31, 2022, there was no significant change in the participation or concentration in the main clients.

(In thousands of reais)

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

# 7 Inventories

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| Finished goods | 113,450 | 113,212 |
| Good for resale | 189,266 | 178,131 |
| Work in progress | 47,987 | 42,862 |
| Raw material | 114,926 | 105,311 |
| Packaging and storeroom materials | 23,754 | 24,283 |
| Goods in transit | 51,167 | 22,148 |
| Imports in progress | 9,201 | 5,456 |
| Other | 2,094 | 2,094 |
| | 551,845 | 493,497 |

The increase 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 March 31, 2022, the provision for losses for finished products and resales is R$ 7,467 (R$ 8,904 as of December 31, 2021), the provision for losses on raw materials is R$ 13,940 (R$ 16,368 at December 31, 2021) and the provision for losses for work in process is R$ 3,481 (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$ 242,348 as of March 31, 2022 (R$ 152,545 as of March 31, 2021).

## b. Changes in provision (impairment)

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

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| **Opening balance** | **(28,524)** | **(31,683)** |
| Additions/reversals for the period | 3,209 | (26,456) |
| Write-off | 427 | 29,615 |
| **Closing balance** | **(24,888)** | **(28,524)** |

(In thousands of reais)

# 8 Recoverable taxes

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** |
| ICMS (value added tax) | 6,063 | 7,211 | 20 | 20 |
| IPI | 1,353 | 1,214 | - | - |
| PIS/COFINS: | 93,174 | 95,809 | - | - |
| FINSOCIAL | 2,385 | 2,377 | 1,831 | 1,821 |
| Reintegra | 530 | 517 | - | - |
| Other | 2,176 | 2,823 | 562 | 556 |
| | **105,681** | **109,951** | **2,413** | **2,397** |
| Current | 42,684 | 46,852 | 582 | 576 |
| Non-current | 62,997 | 63,099 | 1,831 | 1,821 |

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

# 9 Income tax and social contribution

## a. Income tax prepayment

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** |
| Income tax - prepayment | 8,400 | 7,073 | 752 | 746 |
| | **8,400** | **7,073** | **752** | **746** |

## b. Deferred income tax and social contribution on temporary differences

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| **Temporary differences for the period** | | |
| Revaluation of property, plant and equipment | (2,241) | (2,272) |
| Domestic deferred income tax and social contribution | (2,576) | (2,576) |
| Deferred income tax - foreign subsidiary | 446 | 493 |
| **Deferred income tax and social contribution on temporary differences** | **(4,371)** | **(4,355)** |
| Total deferred income tax and social contribution in assets | 446 | 493 |
| Total deferred income and social contribution tax liabilities | (4,817) | (4,848) |

(In thousands of reais)

## c. Income tax and social contribution - deferred and current

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

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **03/31/2021** |
| Current income tax and social contribution | (703) | (913) |
| | (703) | (913) |

## d. Reconciliation of effective tax rate

| | Consolidated | |
|---|---|---|
| | IRPJ / CSLL | |
| | **03/31/2022** | **03/31/2021** |
| **Income before income tax and social contribution** | **54,684** | **15,515** |
| Income tax and social contribution at a rate of 34% | 18,593 | 5,275 |
| Non-deductible expenses | 618 | 414 |
| Tax incentives – state **(a)** | (12,671) | (8,421) |
| IRPJ incentive (a) | (1,425) | - |
| Offset of tax loss and negative basis | (290) | (749) |
| Other additions/exclusions | (3,153) | 2,204 |
| Non-taxable revenues | (2,737) | (1,129) |
| Adjustment of tax overpayments | (390) | - |
| Exchange-rate effects | - | (524) |
| Reintegra | - | (8) |
| Tax loss not formed and adjustment of equalization of rates of subsidiaries | - | 3,851 |
| Other | 2,159 | - |
| Expense with income tax and social contribution | 704 | 913 |
| Current | 704 | 913 |
| **Effective rate (b)** | **1.29%** | **5.88%** |

**(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 credits. Management is constantly monitoring the renewal of tax incentives. The Company and its subsidiaries do not record the deferred income tax and social contribution on tax losses. As of March 31, 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:

| | 03/31/2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Vulcabras CE, Calçados e Artigos Esportivos S.A** | **Vulcabras BA, Calçados e Artigos Esportivos S.A.** | **Vulcabras Distribuidora de Artigos Esportivos Ltda.** | **Vulcabras SP, Comércio de Artigos Esportivos Ltda.** | **Running, Comércio e Indústria de Artigos Esportivos Ltda.** | **Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.** | **Vulcabras S.A.** | **Total** |
| Tax losses calculated on March 31, 2022 | 311,691 | 613,025 | 73,824 | 344,728 | 496 | 39,273 | 147,236 | 1,530,273 |
| Negative basis of social contribution as of March 31, 2022 | 1,143,741 | 625,047 | 73,824 | 344,728 | 496 | 39,273 | 149,351 | 2,376,460 |

| | 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 | |
|---|---|---|---|---|
| | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** |
| Judicial deposits | | | | |
| Civil | 48 | 65 | - | - |
| Labor | 13,828 | 13,944 | 222 | 222 |
| Tax | 2,482 | 1,996 | 117 | 116 |
| **Total** | **16,358** | **16,005** | **339** | **338** |

### a. Labor

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

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

### b. Civil

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

### c. Tax

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

(In thousands of reais)

## 11 Related-party transactions

The main balances of assets and liabilities as of March 31, 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 loans 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 | 03/31/2022 | 12/31/2021 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Loan with subsidiaries | - | 120,300 | - | 120,300 | 118,324 |
| | | | | | |
| **Liabilities** | | | | | |
| Loan with subsidiaries (*) | 161,115 | - | 50,444 | 211,559 | 206,533 |
| | | | | **03/31/2022** | **03/31/2021** |
| **Income (loss)** | | | | | |
| Financial income (loss) | (3,828) | 2,870 | (1,198) | (2,156) | (375) |

(*) 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 | 03/31/2022 | 12/31/2021 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Accounts receivable | - | 2,657 | 1,245 | 45,482 | 44,920 | 514 | 94,818 | 97,872 |
| Loan with subsidiaries | 7,427 | - | - | - | - | - | 7,427 | - |
| Other receivables | - | - | - | 360 | 1,487 | 3,866 | 5,713 | 5,472 |
| **Liabilities** | | | | | | | | |
| Accounts payable | - | - | - | - | 428 | 700 | 1,128 | 1,563 |
| **Income (loss)** | | | | | | | **03/31/2022** | **03/31/2021** |
| Financial income (loss) | 25 | - | - | - | - | - | 25 | 27 |
| Intercompany sale | - | 702 | 2,606 | 5,753 | 400 | 5,130 | 14,591 | 17,243 |
| Intercompany purchase | - | - | - | - | (1,358) | (8,062) | (9,420) | (2,596) |

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

(In thousands of reais)

### d. Management remuneration

At the Annual Shareholders' Meeting held April 26, 2022, the Company established the annual overall remuneration of the Directors at up to R$ 15,818. In the period ended March 31, 2022, the Company paid remuneration to its Managers in the amount of R$ 3,432 (R$ 3,080 as of March 31, 2021).

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

As of March 31, 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

### 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$ 18,141 as at March 31, 2022 (R$ 18,041 as of December 31, 2021), remunerated at 4% p.a. and TJLP + 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 the balance

| | **Consolidated** | | **Parent company** | |
|---|---|---|---|---|
| | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** |
| Permanent equity interests, net of losses: | | | | |
| In subsidiaries | - | - | 1,491,239 | 1,439,905 |
| In associated companies (a) | 62,792 | 62,792 | - | - |
| Other investments (b) | 7,222 | 6,616 | - | - |
| Investments | 70,014 | 69,408 | 1,491,239 | 1,439,905 |
| Provision for investment losses | - | - | (115) | (135) |
| **Total** | **70,014** | **69,408** | **1,491,124** | **1,439,770** |

(a) The subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. holds an interest of 50% as of March 31, 2022 (50% as of December 31, 2021) in the associated company PARS Participações Ltda., which holds 100% as of March 31, 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 | |
|---|---|---|---|---|
| | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** |
| Opening balances | 69,408 | 59,999 | 1,439,770 | 1,114,914 |
| Equity in investments | - | 3,072 | 55,059 | 317,491 |
| Exchange differences from translation of foreign operations | - | - | (3,720) | 1,194 |
| Acquisition/increase in investment (Note 12a) | 606 | 6,337 | - | 5,700 |
| Financial assets at fair value through other comprehensive income | - | - | 12 | 436 |
| Increase in investee's interest | - | - | 3 | 35 |
| Closing balances | 70,014 | 69,408 | 1,491,124 | 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** |
| Total assets | 2,001,377 | 1,951,194 | 317,501 | 316,490 | 2 | 2 | 2,094 | 2,094 | - | - |
| Total liabilities | 512,331 | 513,482 | 240,871 | 241,407 | 7,435 | 8,730 | - | - | - | - |
| Capital | 1,190,892 | 1,190,892 | 141,335 | 139,315 | 1,056 | 1,056 | 2,094 | 2,094 | - | - |
| Net revenue | 249,321 | 988,876 | 61,862 | 355,991 | - | - | - | - | - | - |
| Income (loss) for the period | 55,061 | 317,492 | (473) | 1,291 | (25) | (104) | - | - | - | - |
| Number of shares or quotas held (thousand shares/quotas) | 537,467 | 537,467 | 200 | 200 | 10 | 10 | 2,094 | 2,094 | - | - |
| Shareholders' equity | 1,489,046 | 1,437,712 | 76,630 | 75,083 | (7,433) | (8,728) | 2,094 | 2,094 | - | - |
| Interest in capital at the end of the period - % | 99.99% | 99.99% | 0.14% | 0.14% | 1.54% | 1.54% | 100.00% | 100.00% | - | - |
| Permanent ownership interest in subsidiaries | 1,489,038 | 1,437,706 | 107 | 105 | - | - | 2,094 | 2,094 | 1,491,239 | 1,439,905 |
| Provision for liabilities for loss on investment | - | - | - | - | (115) | (135) | - | - | (115) | (135) |
| Equity in net income of subsidiaries | 55,060 | 317,491 | (1) | 2 | - | (2) | - | - | 55,059 | 317,491 |

## d. Information on indirect interest

As of March 31, 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.***

| 03/31/2022 | Vulcabras Distribuidora de Artigos Esportivos Ltda. | Vulcabras SP, Comércio de Artigos Esportivos Ltda. | Globalcyr S.A. | Vulcabras BA, Calçados e Artigos Esportivos S.A. | Running Comércio e Indústria de Artigos Esportivos Ltda. | Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*) | Calzados Azaleia Peru S.A. | PARS Participações Ltda. |
|---|---|---|---|---|---|---|---|---|
| Total assets | 317,501 | 129,615 | 2 | 553,847 | 11,275 | 723 | 53,235 | 125,584 |
| Total liabilities | 240,871 | 118,865 | 7,435 | 120,443 | 10,923 | 13,945 | 21,176 | 1 |
| Capital | 141,335 | 402,984 | 1,056 | 365,403 | 3,621 | 26,207 | 1,072 | 36,116 |
| Shareholders' equity | 76,630 | 10,750 | (7,433) | 433,404 | 352 | (13,222) | 32,059 | 125,583 |
| Net revenue | 61,862 | 26,850 | - | 152,142 | 3,376 | - | 15,884 | - |
| Income (loss) for the period | (473) | (4,910) | (25) | 18,092 | (933) | (8) | 350 | 6,144 |
| 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 | | | | | |
|---|---|---|---|---|---|---|---|
| | | 03/31/2022 | | | 12/31/2021 | | |
| **March 31, 2022** | **Average rate of depreciation % p.a.** | **Cost** | **Depreciation** | **Net** | **Cost** | **Depreciation** | **Net** |
| Buildings | 2–4 | 129,795 | (91,727) | 38,068 | 131,113 | (91,221) | 39,892 |
| Machinery and equipment | 10 | 417,255 | (268,444) | 148,811 | 395,160 | (279,326) | 115,834 |
| Molds | 100 | 281,398 | (266,473) | 14,925 | 278,863 | (262,565) | 16,298 |
| Furniture and fixtures | 10–20 | 37,811 | (23,842) | 13,969 | 40,777 | (27,285) | 13,492 |
| Vehicles | 20 | 2,138 | (1,884) | 254 | 2,241 | (1,953) | 288 |
| IT equipment | 20–25 | 32,809 | (25,062) | 7,747 | 32,775 | (25,000) | 7,775 |
| Land | - | 3,326 | - | 3,326 | 3,326 | - | 3,326 |
| Works in progress | - | 21,854 | - | 21,854 | 7,719 | - | 7,719 |
| Facilities | 10 | 137,288 | (74,056) | 63,232 | 135,563 | (71,758) | 63,805 |
| Leasehold improvements | 10–20 | 4,586 | (839) | 3,747 | 4,586 | (603) | 3,983 |
| Imports in progress | - | 2,523 | - | 2,523 | 29,249 | - | 29,249 |
| Leasehold Improvements | 20 | 1,671 | (1,079) | 592 | 1,671 | (996) | 675 |
| Other | 10–20 | 26 | (25) | 1 | 28 | (27) | 1 |
| | | **1,072,480** | **(753,431)** | **319,049** | **1,063,071** | **(760,734)** | **302,337** |

(In thousands of reais)

## b. Changes in cost

| | Consolidated | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01/01/2021 | 12/31/2021 | | | | | 03/31/2022 | | | | |
| | 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 | 65 | - | - | (1,383) | 129,795 |
| Machinery and equipment | 362,699 | 11,628 | (6,935) | 27,768 | - | 395,160 | 4,901 | (15,791) | 32,985 | - | 417,255 |
| Molds | 262,557 | 34,346 | (18,360) | 320 | - | 278,863 | 7,024 | (4,488) | - | (1) | 281,398 |
| Furniture and fixtures | 32,131 | 3,823 | (900) | 5,262 | 461 | 40,777 | 1,378 | (3,329) | - | (1,015) | 37,811 |
| Vehicles | 2,241 | 87 | (107) | - | 20 | 2,241 | - | (34) | - | (69) | 2,138 |
| IT equipment | 28,606 | 3,152 | (275) | 973 | 319 | 32,775 | 819 | (48) | - | (737) | 32,809 |
| Land (*) | 3,486 | - | (160) | - | - | 3,326 | - | - | - | - | 3,326 |
| Molds in progress | - | 1,165 | (851) | (314) | - | - | - | - | - | - | - |
| Works in progress | 3,541 | 11,435 | (641) | (6,616) | - | 7,719 | 14,165 | (30) | - | - | 21,854 |
| Facilities | 127,027 | 9,463 | (445) | (482) | - | 135,563 | 1,734 | (9) | - | - | 137,288 |
| Leasehold improvements | 89 | 551 | - | 3,946 | - | 4,586 | - | - | - | - | 4,586 |
| Imports in progress | 5,309 | 55,124 | (4,948) | (26,236) | - | 29,249 | 9,806 | (3,547) | (32,985) | - | 2,523 |
| 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** | **39,892** | **(27,278)** | **-** | **(3,205)** | **1,072,480** |

(In thousands of reais)

## c. Changes in depreciation

| | Consolidated | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01/01/2021 | 12/31/2021 | | | | | 03/31/2022 | | | | |
| | Opening balance | Additions | Write-offs | Transfer | Translation adjustment | Closing balance | Additions | Write-offs | Transfer | Translation adjustment | Closing balance |
| Buildings | (87,487) | (3,576) | - | - | (158) | (91,221) | (888) | - | - | 382 | (91,727) |
| Machinery and equipment | (270,166) | (15,371) | 6,211 | - | - | (279,326) | (4,407) | 15,289 | - | - | (268,444) |
| Molds | (250,588) | (27,550) | 15,573 | - | - | (262,565) | (7,432) | 3,524 | - | - | (266,473) |
| Furniture and fixtures | (23,665) | (1,816) | 30 | (1,570) | (264) | (27,285) | (499) | 3,310 | - | 632 | (23,842) |
| Vehicles | (1,939) | (99) | 101 | - | (16) | (1,953) | (21) | 34 | - | 56 | (1,884) |
| IT equipment | (22,771) | (2,120) | 98 | - | (207) | (25,000) | (606) | 46 | - | 498 | (25,062) |
| Facilities | (62,652) | (9,218) | 1 | 111 | - | (71,758) | (2,301) | 3 | - | - | (74,056) |
| Leasehold improvements | (89) | (403) | - | (111) | - | (603) | (237) | - | - | 1 | (839) |
| Leasehold improvements | (664) | (332) | - | - | - | (996) | (84) | - | - | 1 | (1,079) |
| Other | (1,609) | (1) | 13 | 1,570 | - | (27) | - | 2 | - | - | (25) |
| | **(721,630)** | **(60,486)** | **22,027** | **-** | **(645)** | **(760,734)** | **(16,475)** | **22,208** | **-** | **1,570** | **(753,431)** |

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

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

(In thousands of reais)

# 14 Intangible assets

## a. Breakdown of account

| | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | | 03/31/2022 | | | 12/31/2021 | | |
| **March 31, 2022** | **Useful life** | **Cost** | **Amortization** | **Net** | **Cost** | **Depreciation** | **Net** |
| **Defined useful life** | | | | | | | |
| Software | 5 years | 42,013 | (34,728) | 7,285 | 41,516 | (34,289) | 7,227 |
| Assignment of right | Contractual period | 489 | (402) | 87 | 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 |
| | | **244,248** | **(35,130)** | **209,118** | **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 | | |
|---|---|---|---|---|---|---|
| **March 31, 2022** | **Useful life** | **Amortization methods** | **Balance at 01/01/2022** | **Additions** | **Translation adjustment** | **Balance at 03/31/2022** |
| **Defined useful life** | | | | | | |
| Software | 5 years | Straight-line | 41,516 | 769 | (272) | 42,013 |
| Assignment of right | Contractual period | Straight-line | 566 | - | (77) | 489 |
| Goodwill | Contractual period | Straight-line | 1,464 | - | - | 1,464 |
| **Undefined useful life** | | | | | | |
| Trademarks and patents | | | 2,068 | - | - | 2,068 |
| Goodwill | | | 198,214 | - | - | 198,214 |
| **Total** | | | **243,828** | **769** | **(349)** | **244,248** |

(In thousands of reais)

| December 31, 2021 | Useful life | Amortization methods | Consolidated<br>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 | Straight-line | (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** |

## c. Changes in amortization

| March 31, 2022 | Useful life | Amortization methods | Consolidated<br>Balance at 01/01/2022 | Additions | Translation adjustment | Balance at 03/31/2022 |
|---|---|---|---|---|---|---|
| **Defined useful life** | | | | | | |
| Software | 5 years | Straight-line | (34,289) | (577) | 138 | (34,728) |
| Assignment of right | Contract Term | Straight-line | (453) | (9) | 60 | (402) |
| **Total** | | | **(34,742)** | **(586)** | **198** | **(35,130)** |

(In thousands of reais)

| | | | | 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 | (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 determined in the acquisitions of ownership interest in subsidiary Vulcabras CE, are supported by reports issued by independent experts and are based on the expectation of future profitability of the acquired operations; in 2009, goodwill balances ceased to be amortized since these are assets with indefinite useful lives, as established by CVM Resolution 553/08 and CPC 01 (R1), and are annually tested for impairment, as described in Note 15.

## 15 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 March 31, 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 March 31, 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

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. Thus, the Company and its subsidiaries are considered as a single cash-generating unit.

Future cash flows were discounted based on the rate representing the capital cost. Following the techniques of economic valuation, the assessment of value in use is carried out for a period of 10 years and, thereafter, considering the perpetuity of the assumptions based on the ability of the company to continue as a going concern for the foreseeable future.

For discounting the future cash flows, the rate used was 13.90%. p.a. as of December 31, 2021 (7.73% p.a. as of December 31, 2020).

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 (9.34% as of December 31, 2020) 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 resulting from the application of the above assumptions grows with a compounded growth rate (CAGR) of 8.85% p.a. (34.50% p.a. as of December 31, 2020) 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$ 2,910 billion as of December 31, 2021 (R$ 3,755 billion as of December 31, 2020).

(In thousands of reais)

# 16 Suppliers

## a. Breakdown of account

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | 03/31/2022 | 12/31/2021 | 03/31/2022 | 12/31/2021 |
| **Suppliers** | | | | |
| Domestic | 78,256 | 61,816 | 675 | 1,672 |
| Foreign | 17,588 | 16,190 | - | - |
| | 95,844 | 78,006 | 675 | 1,672 |

## b. Per maturity

| | Consolidated | |
|---|---|---|
| | 03/31/2022 | 12/31/2021 |
| **Falling due (days):** | | |
| 01–30 | 73,468 | 58,892 |
| 31–60 | 17,744 | 13,246 |
| 61–90 | 3,076 | 2,678 |
| >90 | 1,529 | 2,999 |
| | 95,817 | 77,815 |
| **Overdue (days):** | | |
| 01–30 | 24 | 186 |
| 31–60 | - | 1 |
| 61–90 | - | 1 |
| >90 | 3 | 3 |
| | 27 | 191 |
| | 95,844 | 78,006 |

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

In compliance with CVM Resolution 564 issued December 17, 2008, which approved CPC 12, the Company conducted studies to calculate the adjustment to present value of its current liabilities. Considering the average term of payment of these liabilities of approximately 39 days as of March 31, 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 account

| | Interest rate 2022 | Interest rate 2021 | Consolidated 03/31/2022 | Consolidated 12/31/2021 |
|---|---|---|---|---|
| **Domestic currency** | | | | |
| Property, plant and equipment | IPCA + 2.04% p.a. | IPCA + 2.04% p.a. | 60,903 | 64,330 |
| Tax incentive | TJLP | TJLP | 2,655 | 2,571 |
| Working capital | IPCA + 2.07% p.a./ CDI + 1.10–1.23% p.a. | IPCA + 2.07% p.a./ CDI + 1.10–1.23% p.a. | 285,266 | 286,237 |
| | | | **348,824** | **353,138** |
| **Foreign currency** | | | | |
| Working capital | Fixed rate 1.18–6.09% p.a. | Fixed rate 1.18–2.15% p.a. | 9,846 | 8,112 |
| | | | **9,846** | **8,112** |
| **Total loans and financing** | | | **358,670** | **361,250** |
| Current | | | 296,410 | 291,497 |
| Non-current | | | 62,260 | 69,753 |

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

| | 03/31/2022 | | 12/31/2021 | |
|---|---|---|---|---|
| **Maturity** | **Amount** | **%** | **Amount** | **%** |
| **Current** | **296,410** | **83%** | **291,497** | **81%** |
| 2022 | 293,332 | 82% | 291,497 | 81% |
| 2023 | 29,289 | 8% | 29,848 | 8% |
| 2024 | 14,076 | 4% | 18,117 | 5% |
| 2025 | 13,258 | 4% | 13,072 | 4% |
| 2026 | 8,715 | 2% | 8,716 | 2% |
| **Non-current** | **62,260** | **17%** | **69,753** | **19%** |
| **Total** | **358,670** | **100%** | **361,250** | **100%** |

## b. Sureties and guarantees

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

## c. Covenants

Some financing contracted have covenants that require the Company to demonstrate through document and physical evidences, the purchases of property, plant and equipment and objectives achieved in Research and Development (R&D). These covenants are monitored and have been fully complied with within the deadlines defined in the agreements. We do not have covenants for working capital loans.

(In thousands of reais)

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

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

| | Liabilities | | | | |
|---|---|---|---|---|---|
| | Loans and financing | Loans with related parties | Lease liabilities | Dividends and profits payable | Total |
| **Balance at January 1, 2021** | **311,629** | **17,632** | **18,530** | **-** | **347,791** |
| **Changes in cash flow from financing** | | | | | |
| Borrowings with related parties | - | 85 | - | - | 85 |
| Payment of financial lease liabilities | - | - | (2,231) | - | (2,231) |
| Payment of loans obtained – Principal | (21,047) | - | - | - | (21,047) |
| **Total changes in financing cash flows** | **(21,047)** | **85** | **(2,231)** | **-** | **(23,193)** |
| **Other changes related to liabilities** | | | | | |
| Interest paid | (4,544) | - | (327) | - | (4,871) |
| Proade Additions (with no cash effect) | 166 | - | - | - | 166 |
| Contract additions / readjustments | - | - | 1,831 | - | 1,831 |
| Lease discounts | - | - | (90) | - | (90) |
| Accrued interest | - | - | 464 | - | 464 |
| Write-off of lease | - | - | (173) | - | (173) |
| Financial charges recognized in profit or loss | 7,688 | - | - | - | 7,688 |
| **Total other changes related to liabilities** | **3,310** | **-** | **1,705** | **-** | **5,015** |
| **Balance at March 31, 2021** | **293,892** | **17,717** | **18,004** | **-** | **329,613** |

# 18 Leases

### a. Operating leases

The Company and its 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 is the lessee is presented below:

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| **Right-of-use** | | |
| Opening balance | 17,442 | 15,145 |
| Additions / Readjustments | 1,556 | 15,745 |
| Write-off | - | (2,497) |
| Amortization (*) | (2,228) | (10,951) |
| **Closing balance** | **16,770** | **17,442** |

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| **Lease liabilities** | | |
| Opening balance | 19,779 | 18,530 |
| Additions / Readjustments | 662 | 15,221 |
| Accrued interest | 1,243 | 1,859 |
| Write-off | - | (2,805) |
| Payment of principal | (2,642) | (10,843) |
| Interest | (544) | (2,183) |
| **Closing balance** | **18,498** | **19,779** |
| **Current** | **7,100** | **7,129** |
| **Non-current** | **11,398** | **12,650** |

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

### *Long-term installment payment schedule*

| | 03/31/2022 | | 12/31/2021 | |
|---|---|---|---|---|
| **Maturity** | **Amount** | **%** | **Amount** | **%** |
| 2023 | 3,858 | 34% | 5,208 | 41% |
| 2024 | 4,444 | 39% | 4,368 | 35% |
| 2025 | 3,096 | 27% | 3,074 | 24% |
| **Total** | **11,398** | **100%** | **12,650** | **100%** |

### *Extension options*

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

(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 | |
|---|---|---|---|---|
| | **03/31/2022** | **12/31/2021** | **03/31/2022** | **12/31/2021** |
| Provisions for lawsuits and administrative proceedings: | | | | |
| Civil | 18,468 | 18,455 | 64 | 53 |
| Labor | 39,134 | 40,041 | 189 | 189 |
| Tax | 1,392 | 1,382 | 178 | 176 |
| **Total** | **58,994** | **59,878** | **431** | **418** |
| **Current** | **20,975** | **22,488** | **431** | **418** |
| **Non-current** | **38,019** | **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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12/31/2020 | 12/31/2021 | | | | | 03/31/2022 | | | |
| **Type** | **Opening balance** | **Additions** | **Reversal** | **Payment** | **Adjustment to net presentation (*)** | **Closing balance** | **Additions** | **Reversal** | **Payment** | **Adjustment to net presentation (*)** | **Closing balance** |
| Civil | 18,919 | 1,181 | (1,466) | (179) | - | 18,455 | 160 | (137) | (10) | - | 18,468 |
| Labor | 36,982 | 13,151 | (4,522) | (7,147) | 1,577 | 40,041 | 5,585 | (6,135) | (885) | 528 | 39,134 |
| Tax | 662 | 2,350 | (165) | (825) | (640) | 1,382 | 789 | (8) | - | (771) | 1,392 |
| **Total** | **56,563** | **16,682** | **(6,153)** | **(8,151)** | **937** | **59,878** | **6,534** | **(6,280)** | **(895)** | **(243)** | **58,994** |

| | Parent company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 12/31/2020 | 12/31/2021 | | | | 03/31/2022 | | | |
| **Type** | **Opening balance** | **Additions** | **Reversal** | **Payment** | **Closing balance** | **Additions** | **Reversal** | **Payment** | **Closing balance** |
| Civil | 82 | 48 | (17) | (60) | 53 | 21 | - | (10) | 64 |
| Labor | 507 | - | (47) | (271) | 189 | - | - | - | 189 |
| Tax | 176 | 60 | (60) | - | 176 | 2 | - | - | 178 |
| **Total** | **765** | **108** | **(124)** | **(331)** | **418** | **23** | **-** | **(10)** | **431** |

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

(In thousands of reais)

### *Contingencies*

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

As of March 31, 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** | **03/31/2022** | **12/31/2021** |
| Civil | 1,810 | 2,741 |
| Labor | 34,519 | 34,950 |
| Tax | 30,829 | 31,250 |
| **Total** | **67,158** | **68,941** |

## 20 Shareholders' equity (Parent company)

### a. Capital

At March 31, 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 March 31, 2022, the balance of revaluation reserve is R$ 4,349 (R$ 4,410, on December 31, 2021).

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.

(In thousands of reais)

## c. Capital reserve

### *(i) Stock option*

*General conditions*
The Company has 3 (three) 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 granting** |
|---|---|
| Grant date | May 06, 2019 |
| Number of options granted | 780,000 |
| 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 |

**(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.

**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.

(In thousands of reais)

*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 granting** |
|---|---|
| Grant date | August 10, 2020 |
| Number of options granted | 870,000 |
| 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 |

**(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.

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

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

*Stock option plan approved in 2021*

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

(In thousands of reais)

### Characteristics of the plan

| **4th Stock Option Plan – 2021** | **4th granting** |
|---|---|
| Grant date | May 11, 2021 |
| Number of options granted | 970,000 |
| 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 |

**(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.

**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 March 31, 2022, are described below (presented in reais):

| **Plan** | **Strike price** | **Grant date** | **Accumulated expense 03/31/2022** | **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$ 1,246 | R$ 1,098 |
| Plan – 2021 | R$ 8.06 | May 11, 2021 | R$ 574 | R$ 416 |
| **Total** | | | **R$ 3,537** | **R$ 4,731** |

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

## d. Profit reserve

### *(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.

(In thousands of reais)

***(ii) Unrealized profit reserve***

According to Article 197 of Law 6404/76, the unrealized profit reserve was recorded in the amount of R$ 201,927.

**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 March 31, 2022, the balance of equity valuation adjustment is R$ 19,036 (R$ 22,744, on December 31, 2021).

# 21 Net sales

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **03/31/2021** |
| Gross operating revenue | | |
| Sale and resale of products | | |
| Domestic market | 482,233 | 339,809 |
| Foreign market | 66,479 | 31,747 |
| Services rendered | 695 | 84 |
| | 549,407 | 371,640 |
| Deductions | | |
| Taxes on sales and services rendered | (60,257) | (42,681) |
| Returns, rebates and prompt-payment discount | (11,400) | (17,073) |
| | (71,657) | (59,754) |
| **Net operating revenue** | **477,750** | **311,886** |

# 22 Cost of sales and resales

| | Consolidated | |
|---|---|---|
| | **03/31/2022** | **03/31/2021** |
| Raw material | (120,772) | (73,865) |
| Labor | (66,795) | (43,563) |
| Indirect costs | (54,781) | (35,117) |
| Resale | (67,261) | (53,209) |
| **Total cost of sales and resales** | **(309,609)** | **(205,754)** |

(In thousands of reais)

# 23 Sales expenses

| | Consolidated | |
|---|---|---|
| | 03/31/2022 | 03/31/2021 |
| Commissions | (18,348) | (14,742) |
| Freight | (16,155) | (11,185) |
| Advertising | (17,197) | (11,712) |
| Royalties | (7,742) | (2,415) |
| Personnel expenditures | (13,262) | (8,724) |
| Other expenditures | (4,235) | (5,497) |
| | (76,939) | (54,275) |
| Impairment losses | (2,193) | (1,479) |
| **Total sales expenses** | **(79,132)** | **(55,754)** |

# 24 Administrative expenses

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | 03/31/2022 | 03/31/2021 | 03/31/2022 | 03/31/2021 |
| Personnel expenditures | (11,157) | (11,740) | 1,015 | (671) |
| Outsourced services | (4,530) | (5,336) | (389) | (1,126) |
| Rentals | (1,027) | (1,204) | - | - |
| Travel and lodging | (193) | (105) | - | - |
| Security | (357) | (317) | (61) | (41) |
| Legal disputes and taxes | (526) | (648) | (244) | (250) |
| IT and telecommunications | (2,843) | (1,890) | (18) | (12) |
| Energy, water and sewage | (291) | (357) | (8) | (3) |
| Maintenance, cleaning and environment. | (826) | (883) | - | - |
| Depreciation and amortization | (3,579) | (3,548) | - | (92) |
| Other | (1,281) | (972) | (433) | (223) |
| **Total administrative expenses** | **(26,610)** | **(27,000)** | **(138)** | **(2,418)** |

# 25 Other operating revenues (expenses), net

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | 03/31/2022 | 03/31/2021 | 03/31/2022 | 03/31/2021 |
| **Other operating revenues** | | | | |
| Rental revenue | 1,366 | 1,308 | 1,358 | 1,303 |
| Revenue from sales of power | - | 45 | - | - |
| Sale of scrap | 541 | 308 | - | - |
| Revenue from sale of property, plant and equipment | 798 | 1,187 | - | - |
| Recovery of PIS/COFINS over ICMS | - | 971 | - | - |
| Other | 1,938 | 1,002 | (138) | - |
| **Total other operating revenues** | **4,643** | **4,821** | **1,220** | **1,303** |
| **Other operating expenses** | | | | |
| Provision (reversal) for contingencies | 286 | (2,692) | (23) | 92 |
| Expenses from sale of property, plant and equipment | (1,247) | (1,344) | - | - |
| Other | (1,723) | (1,808) | (5) | (53) |
| **Total other operating expenses** | **(2,684)** | **(5,844)** | **(28)** | **39** |
| **Other operating revenues (expenses), net** | **1,959** | **(1,023)** | **1,192** | **1,342** |

(In thousands of reais)

# 26 Financial income (loss)

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **03/31/2022** | **03/31/2021** | **03/31/2022** | **03/31/2021** |
| **Financial revenues** | | | | |
| Capital structure | | | | |
| Revenue from investments | 3,952 | 1,172 | 1 | 387 |
| Other | 8 | - | - | - |
| Subtotal | 3,960 | 1,172 | 1 | 387 |
| activities | | | | |
| Interest | 1,476 | 198 | 2,893 | 614 |
| Discounts obtained | 507 | 128 | - | - |
| Extemporaneous credit update | 1,180 | - | - | - |
| Other | 121 | 1,834 | - | 7 |
| Subtotal | 3,284 | 2,160 | 2,893 | 621 |
| Exchange-rate changes | 4,400 | 5,005 | - | - |
| **Total financial revenues** | **11,644** | **8,337** | **2,894** | **1,008** |
| **Financial expenses** | | | | |
| Capital structure | | | | |
| Interest | (9,938) | (6,095) | (5,027) | (961) |
| IOF | (71) | (48) | - | - |
| Other | (392) | (576) | - | - |
| Subtotal | (10,401) | (6,719) | (5,027) | (961) |
| activities | | | | |
| Bank fees | (1,015) | (724) | (1) | - |
| Fee/commission sale card | (33) | (13) | - | - |
| Discounts granted | (630) | (379) | - | - |
| Other rates | (462) | (581) | - | - |
| Subtotal | (2,140) | (1,697) | (1) | - |
| Exchange-rate changes | (8,777) | (5,624) | - | - |
| **Total financial expenses** | **(21,318)** | **(14,040)** | **(5,028)** | **(961)** |
| **Financial income (loss)** | **(9,674)** | **(5,703)** | **(2,134)** | **47** |

(In thousands of reais)

## 27 Earnings per share

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

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

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

As of March 31, 2021, the Company had 2,260,000 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, which could affect the dilution of earnings per shares under CPC 41/IAS 33.

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

| | **Consolidated** | |
|---|---|---|
| | **Number of common shares** | |
| | **03/31/2022** | **03/31/2021** |
| Income (loss) attributable to shareholders | 53,979 | 14,608 |
| Weighted basic average of outstanding shares in the period | 245,756,244 | 245,756,346 |
| Weighted basic average of outstanding shares in the period | 248,321,244 | 248,016,346 |
| Basic earnings per share (per thousand) - R$ | 0.2196 | 0.0594 |
| Basic earnings per share (per thousand) - R$ | 0.2174 | 0.0589 |

## 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 10% of total trade accounts receivable of the Company as of March 31, 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:

| **March 31, 2022** | **Policy applied** | **Gross book balance** | **Provision for estimated losses** |
|---|---|---|---|
| Stores | 0.00% | 32,252 | - |
| Falling due | 0.04% | 471,806 | (189) |
| Overdue (days): | | | |
| 01–30 | 0.50% | 3,784 | (19) |
| 31–60 | 10.00% | 1,166 | (117) |
| 61–90 | 25.00% | 609 | (152) |
| >90 | 100.00% | 22,896 | (22,896) |
| Clients under court-ordered reorganization (with financial restructuring) | 40.00% | 8,632 | (3,453) |
| Clients under court-ordered reorganization (without financial restructuring) | 100.00% | 10,502 | (10,502) |
| | | **551,647** | **(37,328)** |

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

*Currency risk*

Considering the price risk on exports, which correspond to 9.74% of revenue from its subsidiaries as of March 31, 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 March 31, 2022 with the positive change in 15.10% 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)** | **03/31/2022** | **12/31/2021** |
| Assets in foreign currency (a) | 14,227 | 16,094 |
| Liabilities in foreign currency (b) | (5,790) | (4,355) |
| Surplus determined (a-b) | 8,437 | 11,739 |

Considering the exposure to the risk of price fluctuation, the Company presents 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$ 4.7378 on March 31, 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$ 3.5534; and
3. **Remote scenario:** Also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R$ 2.3689.

**Foreign exchange sensitivity analysis - Effect in income (loss) as of March 31, 2022**

| **Transaction** | **Risk** | **Probable scenario** | **Possible scenario** | **Remote scenario** |
|---|---|---|---|---|
| | US$ 8,437 thousand | FX 4.7378 | FX 3.5534 | FX 2.3689 |
| Financial income (loss) | US$ decr. | - | (9,993) | (19,986) |

(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 03/31/2022** | **Fair value 03/31/2022** | **Book value 12/31/2021** | **Fair value 12/31/2021** |
| Assets in CDI | 212,288 | 212,288 | 114,347 | 114,347 |
| Liabilities in TJPL | 2,655 | 2,428 | 2,571 | 2,442 |
| Liabilities at IPCA | 91,075 | 93,394 | 100,527 | 105,096 |
| Liabilities in CDI | 255,094 | 255,707 | 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 11.65% p.a. and TJLP of 6.08% p.a. and IPCA of 11.30% 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 March 31, 2022 is as follows:

| **Operation** | **Risk** | **Probable scenario** | **Possible scenario, 25%** | **Remote scenario, 50%** |
|---|---|---|---|---|
| Loans – TJLP | TJLP incr. | TJLP 6.08%<br>R$ 0 | TJLP 7.60%<br>R$ 40 | TJLP 9.12%<br>R$ 81 |
| Loans at IPCA | IPCA incr. | IPCA 11.30%<br>R$ - | IPCA 14.13%<br>R$ 2,577 | IPCA 16.95%<br>R$ 5,146 |
| Loans in CDI | CDI increase | CDI 11.65%<br>R$ 0 | CDI 14.56%<br>R$ 7,423 | CDI 17.48%<br>R$ 14,872 |
| Investments in CDI | CDI decrease | CDI 11.65%<br>R$ - | CDI 8.74%<br>R$ (6,178) | CDI 5.83%<br>R$ (12,355) |

### *(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 loans and financing are presented below:

| | 03/31/2022 | |
|---|---|---|
| **Maturity** | **Amount** | **%** |
| 2023 | 21,986 | 34% |
| 2024 | 17,642 | 28% |
| 2025 | 15,184 | 24% |
| 2026 | 9,113 | 14% |
| **Total** | **63,925** | **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 March 31, 2022 and December 31, 2021 are shown below:

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | 03/31/2022 | | 12/31/2021 | |
| **Description** | **Classification** | **Book balance** | **Fair value** | **Book balance** | **Fair value** |
| Cash and cash equivalents | Financial assets at amortized cost | 210,598 | 210,598 | 114,635 | 114,635 |
| Interest earning bank deposits | | | | | |
| CDB/Investment Fund | Financial assets at fair value through profit or loss | 9,605 | 9,605 | 9,418 | 9,418 |
| Share investment funds | Financial assets at fair value through other comprehensive income | 906 | 906 | 894 | 894 |
| Accounts receivable | Financial assets at amortized cost | 514,319 | 514,319 | 616,275 | 616,275 |
| Other accounts receivable | Financial assets at amortized cost | 22,437 | 22,437 | 19,323 | 19,323 |
| Loans and financing: | | | | | |
| In local currency | Other financial liabilities | 348,824 | 374,454 | 353,138 | 358,800 |
| In foreign currency | Other financial liabilities | 9,846 | 10,050 | 8,112 | 7,664 |
| Suppliers | Other financial liabilities | 95,844 | 95,844 | 78,006 | 78,006 |
| Loan with related parties | Other financial liabilities | 18,141 | 18,141 | 18,041 | 18,041 |

| | | Parent company | | | |
|---|---|---|---|---|---|
| | | 03/31/2022 | | 12/31/2021 | |
| **Description** | **Classification** | **Book balance** | **Fair value** | **Book balance** | **Fair value** |
| Cash and cash equivalents | Financial assets at amortized cost | 10 | 10 | 33 | 33 |
| Interest earning bank deposits | | | | | |
| CDB/Investment Fund | Financial assets at fair value through profit or loss | 2 | 2 | 2 | 2 |
| Borrowings with related parties | Financial assets at amortized cost | 120,300 | 120,300 | 118,324 | 118,324 |
| Other accounts receivable | Financial assets at amortized cost | 3,240 | 3,240 | 3,423 | 3,423 |
| Suppliers | Other financial liabilities | 675 | 675 | 1,672 | 1,672 |
| Borrowings with related parties | Other financial liabilities | 211,559 | 211,559 | 206,533 | 206,533 |

(In thousands of reais)

### (v) *Fair value hierarchy*

| | Consolidated | | | | Parent company | | | |
|---|---|---|---|---|---|---|---|---|
| | 03/31/2022 | | 12/31/2021 | | 03/31/2022 | | 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 | - | 5,104 | - | 5,005 | - | - | - | - |
| Investment fund | - | 4,501 | - | 4,413 | - | 2 | - | 2 |
| Share investment funds | 906 | - | 894 | - | - | - | - | - |
| Borrowings with related parties | - | - | - | - | - | 120,300 | - | 118,324 |
| Loans and financing | - | 384,504 | - | 366,464 | - | - | - | - |
| Borrowings with related parties | - | 18,141 | - | 18,041 | - | 211,559 | - | 206,533 |

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

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

*Interest earning bank deposits*
For interest earning bank deposits, the fair value against the income (loss) was calculated based on the market quotations of these securities and are stable considering investment rates and terms. The interest earning bank deposits are remunerated at a percentage of DI-CETIP and are restated at March 31, 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 March 31, 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** | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| Loans and financing | (358,670) | (361,250) |
| Leases | (18,498) | (19,779) |
| Cash and cash equivalents | 210,598 | 114,635 |
| Interest earning bank deposits | 10,511 | 10,312 |
| **Net debt** | **(156,059)** | **(256,082)** |
| **Shareholders' equity** | **1,405,597** | **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.

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

Coverage amounts as of March 31, 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 | 7,105 |
| **Total corporate insurance** | | **310,505** |

# 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 Act 2199-14 of August 24, 2001, as per the criteria established and also in compliance with the tax incentive regulation. Are considered as onerous conditions met the projects for total modernization currently in areas of the Northeast Development Agency - SUDENE. The beneficiaries of the incentive of 75% reduction of the income tax are the projects located in the states of Ceará 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. Ltd (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% | August 2031 |
| Vulcabras CE, Calç. e Art. Esp. S.A. | Provin Confecções | 75% | June 2022 |
| Vulcabras BA, Calç. e Art. Esp. S.A. | Probahia | 99% | July 2027 |
| Vulcabras Distr. Art. Esp. Ltda. | PCDM | 75% | December 2022 |
| Vulcabras Distr. Art. Esp. Ltda. | TTS/WHOLESALERS | Variable | Undetermined |
| Vulcabras SP, Comércio de Art. Esp. Ltda. | TTS/E-COMMERCE | Variable | Undetermined |

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

## d. Consolidated

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

| **Value added tax on exports and investments (ICMS)** | | | **Equity in net income of subsidiaries in parent company** | |
|---|---|---|---|---|
| **Tax incentive recorded in income (loss) of subsidiaries** | **Consolidated tax incentive** | **% interest** | **03/31/2022** | **03/31/2021** |
| Vulcabras CE, Calçados e Artigos Esportivos S.A. | 21,029 | 99.99% | 21,027 | 12,827 |
| Vulcabras Distr. Art. Esp. Ltda. | 3,207 | 0.14% | 4 | 2 |
| Vulcabras BA, Calçados e Artigos Esportivos S.A. | 16,238 | 100.00% | 16,238 | 11,939 |
| Vulcabras SP, Comércio de Art. Esp. Ltda. | 2,012 | 100.00% | 2,012 | - |
| | 42,486 | | 39,281 | 24,768 |

(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** | **03/31/2022** | **03/31/2021** |
| Vulcabras CE, Calçados e Artigos Esportivos S.A. | 30 | 99.99% | 30 | 13 |
| Vulcabras BA, Calçados e Artigos Esportivos S.A. | 25 | 100.00% | 25 | 11 |
| | 55 | | 55 | 24 |

## 31 Product and geographic area information

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

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

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

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

| | **03/31/2022** | **03/31/2021** |
|---|---|---|
| Net sales | | |
| Athletic shoes | 390,541 | 258,407 |
| Women's shoes | 11,374 | 9,044 |
| Other footwear and others | 26,994 | 24,414 |
| Apparel | 48,841 | 20,021 |
| | **477,750** | **311,886** |
| Domestic market | 411,748 | 280,468 |
| Foreign market | 66,002 | 31,418 |
| | **477,750** | **311,886** |

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

| | **Consolidated** | |
|---|---|---|
| | **03/31/2022** | **12/31/2021** |
| **Non-current assets in the domestic and foreign markets as of** | | |
| Brazil | 702,437 | 680,587 |
| Other countries | 14,016 | 15,353 |
| **Total** | **716,453** | **695,940** |

## 32 Subsequent events

**New funding**

In accordance with the guidelines established by its financial committee, on April 28, 2022, the Company paid a debt in maturity, in the amount of R$ 95,000 thousand, and raised new funding in the total amount of R$ 150,000 thousand, of which BRL 112,500 thousand due in April 2023 and BRL 37,500 thousand due in April 2024, therefore, lengthening the average term of its debt.

## 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