Vulcabras S.A.

Quarterly financial information at June 30, 2021

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

KPDS 883027

Contents

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Report on the review of quarterly information - ITR

To the Shareholders of
Vulcabras S/A
Horizonte - CE

Introduction

We have reviewed the quarterly, individual and consolidated financial information of Vulcabras S/A ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2021, which comprise the balance sheet as of June 30, 2021 and related statement of profit or loss, of comprehensive income for the 3 and 6-months period then ended, of changes in equity and of cash flows for the quarter then ended, including the explanatory notes.

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

Scope of the review

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

Conclusion on the individual and consolidated quarterly information

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

Other matters - Statements of added value

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

Fortaleza, August 10, 2021

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

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

Vulcabras S.A.

(Publicly-held company)

Balance sheets

As of June 30, 2021 and December 31, 2020

(In thousands of reais)

		Consolidated		Parent company	
Assets	**Note**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Cash and cash equivalents	4	84,739	158,552	251	18
Interest earning bank deposits	5	80,556	80,949	80,556	80,949
Trade accounts receivable	6	494,896	574,104	-	-
Inventories	7	518,291	256,924	-	-
Recoverable taxes	8	92,728	18,330	567	563
Income tax and social contribution	9a	5,443	5,108	353	154
Amounts receivable from disposal of operation		3,440	3,440	-	-
Other accounts receivable		14,477	13,478	524	736
Total current assets		**1,294,570**	**1,110,885**	**82,251**	**82,420**
Interest earning bank deposits	5	9,676	9,594	2	2
Trade accounts receivable	6	8,868	-	-	-
Recoverable taxes	8	6,715	6,787	1,808	1,805
Deferred income tax and social contribution	9b	1,230	1,359	-	-
Judicial deposits	10	14,503	15,080	413	543
Loans with related parties	11	-	-	122,155	120,602
Amounts receivable from disposal of operation		3,440	5,160	-	-
Assets for sale		194	194	-	-
Other accounts receivable		2,702	2,702	1,537	1,537
Long-term assets		**47,328**	**40,876**	**125,915**	**124,489**
Investments	12	58,917	59,999	1,223,118	1,115,038
Investment property	13	1,940	2,121	1,934	2,115
Right-of-use	19	22,101	15,145	-	-
Property, plant and equipment	14	271,654	241,311	162	160
Intangible assets	15	209,636	208,917	111	111
		564,248	**527,493**	**1,225,325**	**1,117,424**
Total non-current assets		**611,576**	**568,369**	**1,351,240**	**1,241,913**
Total Assets		**1,906,146**	**1,679,254**	**1,433,491**	**1,324,333**

		Consolidated		Parent company	
Liabilities	**Note**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Suppliers	17	81,797	62,457	136	289
Loans and financing	18	288,133	127,894	-	-
Taxes payable		14,044	11,938	115	97
Salaries and vacation payable		44,391	30,105	11	-
Provisions	20	21,839	22,021	449	765
Lease liabilities	19	9,553	8,343	-	-
Commissions payable		8,132	16,121	-	-
Other trade payables		44,660	26,296	226	217
Total current liabilities		**512,549**	**305,175**	**937**	**1,368**
Loans and financing	18	89,000	183,735	-	-
Loans with related parties	11	17,824	17,632	200,311	197,763
Provisions	20	36,321	34,542	-	-
Deferred taxes on revaluation of property, plant and equ	9b	2,335	2,406	-	-
Lease liabilities	19	15,513	10,187	-	-
Provision for loss with investment	12	-	-	120	124
Other trade payables		183	183	-	-
Total non-current liabilities		**161,176**	**248,685**	**200,431**	**197,887**
Equity					
Capital	21	1,106,717	1,106,717	1,106,717	1,106,717
Revaluation reserves	21	4,534	4,670	4,534	4,670
Capital reserves	21	3,817	3,034	3,817	3,034
Equity valuation adjustments	21	21,268	21,114	21,268	21,114
Retained earnings (losses)		95,787	(10,457)	95,787	(10,457)
Equity attributable to controlling shareholders		**1,232,123**	**1,125,078**	**1,232,123**	**1,125,078**
Non-controlling interest		**298**	**316**	**-**	**-**
Total equity		**1,232,421**	**1,125,394**	**1,232,123**	**1,125,078**
Total liabilities		**673,725**	**553,860**	**201,368**	**199,255**
Total liabilities and equity		**1,906,146**	**1,679,254**	**1,433,491**	**1,324,333**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of profit or loss

June 30, 2021 and 2020

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

	Note	Consolidated		Consolidated		Parent company		Parent company	
		06/30/2021	06/30/2020	04/01/2021–06/30/2021	04/01/2020–06/30/2020	06/30/2021	06/30/2020	04/01/2021–06/30/2021	04/01/2020–06/30/2020
Continued operation									
Net sales revenue	22	711,298	337,317	399,412	98,681	-	-	-	-
Cost of sales and resales	23	(468,930)	(233,793)	(263,176)	(72,280)	-	-	-	-
Gross income		**242,368**	**103,524**	**136,236**	**26,401**	**-**	**-**	**-**	**-**
Sales expenses	24	(125,374)	(71,964)	(71,099)	(27,675)	-	-	-	-
Reversal (provision) for expected losses for doubtful accounts	24	7,942	(8,892)	9,421	(7,467)	-	-	-	-
Administrative expenses	25	(55,207)	(50,766)	(28,207)	(26,071)	(4,413)	(3,380)	(1,995)	(1,601)
Other operating revenues (expenses), net	26	36,891	(38,136)	37,914	(37,985)	2,572	2,389	1,230	1,167
Equity in net income of subsidiaries	12b	(1,082)	(2,373)	55	(973)	107,911	(65,455)	92,274	(74,900)
Income (loss) before net financial expenses and revenues and taxes		**105,538**	**(68,607)**	**84,320**	**(73,770)**	**106,070**	**(66,446)**	**91,509**	**(75,334)**
Financial revenues		52,283	23,351	43,946	8,695	2,587	69	1,579	28
Finance costs		(40,336)	(20,080)	(26,296)	(10,279)	(2,549)	(1)	(1,588)	(1)
Net financial revenues and expenses	27	**11,947**	**3,271**	**17,650**	**(1,584)**	**38**	**68**	**(9)**	**27**
Income (loss) before income taxes		**117,485**	**(65,336)**	**101,970**	**(75,354)**	**106,108**	**(66,378)**	**91,500**	**(75,307)**
Deferred income tax and social contribution	9c	(11,378)	(1,104)	(10,465)	-	-	-	-	-
Net income/loss for the period		**106,107**	**(66,440)**	**91,505**	**(75,354)**	**106,108**	**(66,378)**	**91,500**	**(75,307)**
Profit or loss attributable to:									
Controlling shareholders		106,108	(66,378)	91,500	(75,307)	106,108	(66,378)	91,500	(75,307)
Non-controlling shareholders		(1)	(62)	5	(47)	-	-	-	-
Net income/loss for the period		**106,107**	**(66,440)**	**91,505**	**(75,354)**	**106,108**	**(66,378)**	**91,500**	**(75,307)**
Earnings per share									
Earnings per common share - basic		0.4318	(0.2701)	-	-				
Earnings per common share - diluted		0.4262	(0.2686)	-	-				
Number of shares at the end of the period									
Outstanding common shares		245,756,346	245,756,346	-	-				
Outstanding common shares with a dilution effect		248,986,346	247,146,346	-	-				

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of comprehensive income

June 30, 2021 and 2020

(In thousands of reais)

	Consolidated		Consolidated		Parent company		Parent company	
	06/30/2021	**06/30/2020**	**04/01/2021–06/30/2021**	**04/01/2020–06/30/2020**	**06/30/2021**	**06/30/2020**	**04/01/2021–06/30/2021**	**04/01/2020–06/30/2020**
Income (loss) for the period	106,107	(66,440)	91,505	(75,354)	106,108	(66,378)	91,500	(75,307)
Other comprehensive income - OCI	154	8,134	(3,078)	707	154	8,134	(3,078)	707
Items that can be subsequently reclassified to income (loss)								
Exchange differences from translation of foreign operations	144	8,146	(3,176)	674	144	8,146	(3,176)	674
Financial assets at fair value through other comprehensive income (FVTOCI)	10	(12)	98	33	10	(12)	98	33
Total comprehensive income	106,261	(58,306)	88,427	(74,647)	106,262	(58,244)	88,422	(74,600)
Comprehensive income attributable to:								
Controlling shareholders	106,262	(58,244)	88,422	(74,600)	106,262	(58,244)	88,422	(74,600)
Non-controlling shareholders	(1)	(62)	5	(47)	-	-	-	-

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statement of changes in equity (Parent company and Consolidated)

June 30, 2021 and 2020

(In thousands of reais)

	Parent company							
	Capital	Reflected revaluation reserve in subsidiaries	Capital reserve	Other comprehensive income	Retained earnings/losses	Total	Non-controlling interest	Total equity
Balances at January 01, 2020	**1,106,717**	**5,532**	**1,517**	**16,281**	**(42,909)**	**1,087,138**	**290**	**1,087,428**
Realization of revaluation reserve in subsidiary, net of taxes	-	(434)	-	-	434	-	-	-
Transaction with share-based payments	-	-	470	-	-	470	-	470
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	8,146	-	8,146	96	8,242
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	-	(12)	-	(12)	-	(12)
Loss for the period	-	-	-	-	(66,378)	(66,378)	(62)	(66,440)
Balances at June 30, 2020	**1,106,717**	**5,098**	**1,987**	**24,415**	**(108,853)**	**1,029,364**	**324**	**1,029,688**
Balances at January 01, 2021	**1,106,717**	**4,670**	**3,034**	**21,114**	**(10,457)**	**1,125,078**	**316**	**1,125,394**
Realization of revaluation reserve in subsidiary, net of taxes	-	(136)	-	-	136	-	-	-
Transaction with share-based payments	-	-	783	-	-	783	-	783
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	144	-	144	(17)	127
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	-	10	-	10	-	10
Profit for the period	-	-	-	-	106,108	106,108	(1)	106,107
Balances at June 30, 2021	**1,106,717**	**4,534**	**3,817**	**21,268**	**95,787**	**1,232,123**	**298**	**1,232,421**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.
(Publicly-held company)

Statements of cash flows - Indirect method

June 30, 2021 and 2020

(In thousands of reais)

	Note	Consolidated 06/30/2021	Consolidated 06/30/2020	Parent company 06/30/2021	Parent company 06/30/2020
Cash flow from operating activities					
Net income (loss) for the period		106,107	(66,440)	106,108	(66,378)
Adjustments for:					
Depreciation and amortization		34,519	40,680	181	207
Provision for impairment losses on inventories	7b	4,136	9,708	-	-
Interest on provisioned leases	19	819	2,370	-	-
Net value of written off tangible and intangible assets		5,209	1,753	-	-
Yields from interest earning bank deposits		(1,084)	(40)	(991)	-
Provision for contingencies	20	4,597	5,661	(26)	24
Equity in net income of subsidiaries	12	1,082	2,373	(107,911)	65,455
Transaction with share-based payments	21c	783	470	783	470
Expected losses for allowance for doubtful accounts	6	(7,942)	8,892	-	-
Gain on settlement of pre-existing relationship	26	(13,980)	-	-	-
Gain or loss on lease termination	19	(13)	-	-	-
Recovery of PIS and COFINS on ICMS		(67,506)	(3,359)	-	-
Loss in the sale of subsidiary		-	2,356	-	-
Financial charges and exchange-rate change recognized in income (loss)		12,695	11,241	-	-
Deferred taxes	9b	-	(343)	-	-
Current tax	9c	11,378	-	-	-
Non-controlling interest		1	62	-	-
		90,801	**15,384**	**(1,856)**	**(222)**
Changes in assets and liabilities					
Trade accounts receivable		77,263	164,459	-	-
Inventories		(262,525)	(69,529)	-	-
Prepaid expenses		-	3,649	-	270
Recoverable taxes		(7,155)	(5,722)	(206)	51
Deferred taxes	9b	58	-	-	-
Amounts receivable from disposal of operation		1,720	-	-	-
Other trade receivables		(973)	(1,637)	212	4
Judicial deposits		1,988	(4,940)	130	(1)
Suppliers		74,894	(8,066)	(153)	(449)
Commissions payable		(7,989)	(5,879)	-	-
Taxes and social contributions		(6,701)	(3,413)	18	122
Salaries and vacation payable		14,121	(11,554)	11	(3)
Other trade payables		10,428	7,386	9	128
Provisions made		(4,411)	(2,411)	(290)	(18)
Cash used in (from) operating activities		**(109,282)**	**62,343**	**(269)**	**104**
Interest paid	18.d	(12,227)	(2,614)	-	-
Payment of lease interest	18.d	(1,101)	-	-	-
Income taxes paid		(2,242)	(1,104)	-	-
		(15,570)	**(3,718)**	**-**	**-**
Net cash flow (used in) from operating activities		**(34,051)**	**74,009**	**(2,125)**	**(118)**
Cash flow from investing activities					
Acquisition of property, plant and equipment (*)	14	(63,726)	(31,152)	(2)	-
Redemption of (investment in) interest earning bank deposits		1,395	(151,711)	1,384	-
Fund from the disposal of subsidiary, net of cash		-	(4,122)	-	-
Payment for acquisition of subsidiary		(37,273)	-	-	-
Funds from disposal of property, plant and equipment		1,072	387	-	-
Acquisitions of intangible assets	15	(2,002)	(1,453)	-	-
Increase in investee's interest		-	-	(19)	(19)
Net cash flow used in (from) investment activities		**(100,534)**	**(188,051)**	**1,363**	**(19)**
Cash flow from financing activities					
Loans obtained - Principal	18.d	190,000	232,201	-	-
Payment of loans obtained - Principal	18.d	(124,493)	(384)	-	-
Loans with related parties	18.d	-	346	-	-
Receipt (payments) of loans with related parties	18.d	192	-	995	-
Payment of lease liabilities	18.d	(4,554)	(4,536)	-	-
Net cash flow from financing activities		**61,145**	**227,627**	**995**	**-**
Increase (decrease) in cash and cash equivalents		**(73,440)**	**113,585**	**233**	**(137)**
Cash and cash equivalents at the beginning of the period		158,552	62,164	18	3,606
Effect of changes in exchange rate on cash and cash equivalents		(373)	(3,362)	-	-
Cash and cash equivalents at the end of the period		84,739	172,387	251	3,469
Increase (decrease) in cash and cash equivalents		**(73,440)**	**113,585**	**233**	**(137)**

See the accompanying notes to the quarterly financial information.

Vulcabras S.A.

(Publicly-held company)

Statements of added value

June 30, 2021 and 2020

(In thousands of reais)

	Consolidated		Parent company	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Revenues	**857,206**	**373,245**	**313**	**182**
Sale of goods, products and services	804,402	381,316	-	-
Other revenues and expenses	44,862	821	313	182
Expected losses for allowance for doubtful accounts	7,942	(8,892)	-	-
Inputs acquired from third parties	**(380,437)**	**(211,504)**	**(3,381)**	**(2,353)**
Raw materials used	(180,447)	(99,866)	-	-
Cost of products and goods sold and services rendered	(97,136)	(9,804)	-	-
Materials, energy, outsourced services and other	(102,821)	(101,839)	(3,381)	(2,353)
Loss/recovery of asset values	(33)	5	-	-
Gross added value	**476,769**	**161,741**	**(3,068)**	**(2,171)**
Retentions	**(34,519)**	**(40,680)**	**(181)**	**(206)**
Depreciation and amortization	(34,519)	(40,680)	(181)	(206)
Net added value generated by the Company	**442,250**	**121,061**	**(3,249)**	**(2,377)**
Added value received as transfer	**53,051**	**23,347**	**113,124**	**(62,893)**
Equity in net income of subsidiaries	(1,082)	(2,373)	107,911	(65,455)
Financial revenues	52,283	23,351	2,587	69
Other	1,850	2,369	2,626	2,493
Total added value payable	**495,301**	**144,408**	**109,875**	**(65,270)**
Distribution of added value	**495,301**	**144,408**	**109,875**	**(65,270)**
Personnel	**234,031**	**141,312**	**401**	**405**
Direct remuneration	153,830	90,032	-	-
Benefits	30,734	22,669	-	-
FGTS	12,785	10,910	-	-
Sales commissions	30,365	12,357	-	-
Directors’ fees	6,317	5,344	401	405
Taxes, rates and contributions	**119,494**	**53,998**	**819**	**702**
Federal	93,735	44,196	631	469
State	25,303	9,233	-	-
Municipal	456	569	188	233
Third-party capital remuneration	**35,669**	**15,538**	**2,547**	**1**
Interest	35,076	15,074	2,548	1
Rentals	594	463	-	-
Other	(1)	1	(1)	-
Remuneration of own capital	**106,107**	**(66,440)**	**106,108**	**(66,378)**
Retained earnings	106,108	(66,378)	106,108	(66,378)
Non-controlling interest	(1)	(62)	-	-

See the accompanying notes to the quarterly financial information.

Notes to the quarterly financial information

(In thousands of reais, unless otherwise indicated)

1 Operations

Vulcabras Azaleia S.A. ("Company") is a publicly-held company headquartered in Jundiaí - State of São Paulo (SP), Brazil. Manufacturing operations are concentrated in subsidiaries located in the Northeast region, in the States of Ceará and Bahia. As of On April 23, 2021, at the Annual and Extraordinary Shareholders' Meeting, the change of the Company's corporate name was approved, as Vulcabras S.A.

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

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

The brands managed by the companies include:

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

1.1 Relevant events during the period:

1.1.1 Impacts of Covid-19 (Coronavirus):

Even more than a year after the beginning of the COVID-19 pandemic, the effects of measures to combat the pandemic still persist and have deep impacts on the economy. With the resurgence of the COVID-19 pandemic, and the emergence of a second wave of contamination in the first months of 2021, government authorities once again enacted restrictive measures for trade operation. During the months of March and April 2021, several Brazilian States decreed the closure of presential commerce activities. On June 30, 2021, although there are still many uncertainties regarding the behavior of consumption, the Company observed growth in total sales, which demonstrates an assertive market strategy, however the Company's Management continues monitoring developments related to the COVID-19 pandemic, thoroughly observing the guidelines of government authorities and measuring the possible impacts on its businesses. Even in the face of this crisis scenario, the Company does not foresee any going concern risk, nor any risk to the accounting estimates and judgments made.

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

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

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

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

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

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

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

- **Cash and cash equivalents:** The Company does not estimate any relevant risks, as the amounts continue to be held in prime banks (see note 29), with immediate liquidity and in investments with fixed rates.

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

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

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

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

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

  For the goodwill paid on the acquisition of ownership interest, although the effects of COVID-19 may adversely affect the Company's future results, there is enough surplus cash to support the fluctuation. In the last analysis of the recoverable amount of goodwill due to expected future results, arising from business combination processes, carried out on December 31, 2020, obtained an estimated recoverable amount higher than its book value (see Note 16c). It is worth highlighting that the new revenue and net income projections as of the year 2021 consider the entry of the operation with the Mizuno brand and the exit of Azaleia. When comparing the projected revenue for the last comparable year (2029) regarding the 2019 and 2020 projections, the Company observed that the growth is mostly justified by the increase caused by the exchange of Azaleia's operations by Mizuno's operations. Furthermore, to determine the Compound Annual Growth Rate (CAGR), the Company always takes data from the year prior to the projected period as a basis and due to the events that occurred in 2020 in face of the COVID-19 pandemic, both revenue and net income were lower than those presented in 2019 and, consequently, inflated the growth rates of the following years (see note 16).

- For the amount recognized in the right-of-use assets, which is linked to the lease agreements for properties destined mainly to the retail stores of the Company's brands operated with restrictions on opening and business hours during a good part of the 1st quarter of 2021, it is premature to anticipate any loss, as the Company intends to resume normal operations as soon as it is fully cleared by the appropriate regulatory bodies. In the period, discounts were granted in some contracts (see note 19).

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

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

1.1.2 Mizuno Operation

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

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

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

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

Step 2: On March 15, 2021, the Company assumed the Mizuno assets related to the e-commerce operation, but the transfer of stores’ assets was postponed until June 30, 2021. On June 30, 2021, the operation was closed with the transfer by Alpargatas to the Company of the full equity interest held by it in the company Running Comércio e Indústria de Artigos Esportivos Ltda., incorporated for the transfer of assets and employees related to the Mizuno stores. The Company performed the asset concentration test and substantive processes in accordance with CPC 15 (IFRS 3) and identified that the transaction involved an acquisition of assets and recorded said transaction. The total value of the operation was R$ 46,939 thousand, of which R$ 37,273 thousand was the net amount disbursed for the acquisition of the assets involved in the operation, mainly composed of inventory and property, plant and equipment. The gains incurred in the settlement of the pre-existing relationship are disclosed in note 26.

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

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

1.2 List of subsidiaries

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

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

a. Main characteristics of subsidiaries included in consolidation

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

Vulcabras SP, Comércio de Artigos Esportivos Ltda.
Vulcabras SP, Comércio de Artigos Esportivos Ltda. is engaged in the trading and distribution of footwear, sports apparel and accessories. The Company started its operations on July 25, 2013, headquartered in the city of Jundiaí, State of São Paulo, under the corporate name of UA BRASIL COMÉRCIO E DISTRIBUIÇÃO DE ARTIGOS ESPORTIVOS LTDA., as an affiliated company of Under Armour, Inc. It was acquired by Vulcabras CE on October 1, 2018.

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

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

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

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

Calzados Azaleia Peru S.A.
Calzados Azaleia Peru S.A. is responsible for the import and sale of shoes and sport gear and women's shoes in the Peruvian market. Acquired at the end of 1998, start-up date of imports and sales under the Company’s brands was in 1999.

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

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

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

2 Preparation basis and presentation of quarterly financial information

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

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

The authorization for the conclusion of such quarterly financial information was given by the Board of Directors on August 10, 2021.

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

2.2 Use of estimates and judgments

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

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

a. Judgments

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

- **Note 19 -** lease term: if the Company and its subsidiaries are reasonably certain of exercising extension options.

b. Uncertainties on assumptions and estimates

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

- **Note 6** – accounts receivable: measurement of estimated credit loss for accounts receivable:

- **Note 7** - Inventories: recognition of losses in inventories without movement;

- **Note 16** - Impairment test of intangible assets and goodwill: main assumptions regarding recoverable values;

- **Note 20** – recognition and measurement of provisions for lawsuits: key assumptions regarding the likelihood and magnitude of an outflow of resources.

3 Significant accounting policies

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

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

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

3.1 New standards and interpretations not yet effective

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

- Onerous Contracts - costs to fulfill a contract (amendment to CPC 25/IAS 37), with effectiveness scheduled for January 1, 2022.

- Change in the benchmark interest rate - Phase 2 (amendments to CPC 48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16), to become effective on January 01, 2021.

- Property, Plant and Equipment: Revenues before intended use (amendments to CPC 27/IAS 16), with effectiveness scheduled for January 1, 2022.

- Classification of Liabilities in Current or Non-Current (Amendments to CPC 26/IAS 1) to become effective on January 01, 2023.

4 Cash and cash equivalents

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Current account	1,561	2,197	2	3
Floating-rate CDB (Invest Fácil)	7,622	10,183	249	15
Floating-rate CDB	60,509	133,494	-	-
Cash and cash equivalents abroad	15,047	12,678	-	-
	84,739	**158,552**	**251**	**18**

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

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

Interest earning bank deposits accruing interest on the bank account balance (Invest Fácil) are made automatically according to the availability of bank balance and the redemptions occur according to the immediate cash requirements of the Company and its subsidiaries. Profitability is from 10% to 40% of the CDI - Interbank Deposit Certificate as of June 30, 2021 (from 10% to 40% of the CDI - Interbank Deposit Certificate as of December 31, 2020).

Floating-rate CDBs (Bank Deposit Certificate) are remunerated 97.0–100.50% of CDI as of June 30, 2021 (97.0–101.25% of CDI as of December 31, 2020). See Note 29 on credit risk exposure.

5 Interest earning bank deposits

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Interest earning bank deposits - Domestic:				
Floating-rate CDB (*)	85,439	85,784	80,556	80,949
Investment funds – fixed income	4,325	4,301	2	2
Share investment funds	468	458	-	-
	90,232	**90,543**	**80,558**	**80,951**
Current	80,556	80,949	80,556	80,949
Non-current	9,676	9,594	2	2

The floating-rate Bank Deposit Certificates (CDBs) as of June 30, 2021, in the amount of R$ 4,883 (R$ 4,835 as of December 31, 2020), have no liquidity, as they are linked to guarantees in financing agreements (BNB) and remunerated at 98.0% of the CDI (98.0% of CDI as of December 31, 2020). On the other hand, the amount of R$ 80,556, is remunerated from 99.5% to 100.0% of the CDI rate on June 30, 2021 (from 99.5% to 100.0% of CDI as of December 31, 2020) and is classified in short-term interest earning bank deposits, as it exclusively covers the investments of the parent company and there is no expectation of redemption in 90-day period.

Investments in fixed income investment funds in the amount of R$ 4,325 (R$ 4,301 as of December 31, 2020) are remunerated from 176% to 247% of CDI as of June 30, 2021 (from 70% to 120.5% of CDI as of December 31, 2020), no liquidity since they are pegged to guarantees of financing contracts (BNB).

Equity investment funds in the amount of R$ 468 (R$ 458 as of December 31, 2020) are financial assets measured at fair value through other comprehensive income. The shares were valued according to the B3 quotation on the date of this quarterly financial information.

6 Trade accounts receivable

a. Breakdown of balances

	Consolidated	
Accounts receivable	**06/30/2021**	**12/31/2020**
Domestic:		
Clients	505,533	594,927
Foreign:		
Clients	39,484	29,706
Subtotal trade accounts receivable	545,017	624,633
Impairment losses	(41,253)	(50,529)
Total trade accounts receivable, net	503,764	574,104
Current	494,896	574,104
Non-current	8,868	-

b. By maturity

	Consolidated	
	06/30/2021	**12/31/2020**
Falling due (days):		
01–30	100,197	143,662
31–60	123,287	171,540
61–90	117,001	123,248
>90	162,180	140,547
	502,665	578,997
Overdue (days):		
01–30	4,896	5,250
31–60	2,096	616
61–90	1,161	454
>90	34,199	39,316
	42,352	45,636
	545,017	624,633

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

Details on gross sales in the foreign and domestic market, are disclosed in Note 22. The Management understands that the amount that better represents its maximum exposure to credit risk for the period ended June 30, 2021 is R$ 41,253 (R$ 50,529 as of December 31, 2020), which derives from the criteria mentioned in item (c).

c. Measurement criteria of losses with clients (impairment)

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

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

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

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

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

d. Changes in provision for impairment

Changes in provision for impairment losses in the period ended June 30, 2021 and December 31, 2020 are shown below:

	Consolidated	
	06/30/2021	**12/31/2020**
Opening balance	(50,529)	(42,078)
Supplement of provision	(2,089)	(21,410)
Reversal for credit assignment (*)	8,604	-
Recovery of provisions	2,761	12,959
Closing balance	(41,253)	(50,529)

(*) On June 30, 2021, the Company carried out credit assignments with securities already provisioned for losses that were under judicial reorganization, no impact on the result due to the reversal of the provision for expected credit losses and financial discounts for 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 14%. Thus, at the end of the period as of June 30, 2021, there was no significant change in the participation or concentration in the main clients due to the effects of the COVID-19 pandemic (see Note 1.1.1).

In accordance with the CVM Resolution 564, of December 17, 2008, which approved CPC 12, the Company and its subsidiaries considered that the effects of the present value adjustment of its current and non-current assets are immaterial. The average collection term is approximately 88 days as of June 30, 2021 (79 days as of December 31, 2020).

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 29.

7 Inventories

	Consolidated	
	06/30/2021	**12/31/2020**
Finished goods (*)	80,695	28,418
Good for resale (**)	150,701	95,142
Work in progress	34,161	28,139
Raw materials (***)	123,887	67,242
Packaging and storeroom materials	23,327	20,865
Goods in transit (****)	103,251	15,269
Imports in progress	2,269	1,849
	518,291	256,924

(*) The increase is due, in addition to seasonal effects, to the impacts caused by restrictions imposed on retail as measures to combat the second wave of Covid-19. Due to the impossibility of carrying out scheduled deliveries throughout March and April, inventories of finished products were high, which even caused the Company to anticipate the vacation initially planned for the 2nd half of 2021, paralyzing its manufacturing operations throughout the entire period second half of April.

(**) The increase in the second quarter of 2021 is due to the increase in the inventory of finished products resulting from the acquisition of Mizuno products.

(***) The variation was due to the anticipation of purchases of some strategic raw materials, which are expected to be consumed in the second half of the year, with a view to ensuring supply at current prices, anticipating previously announced price increases.

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

a. Measurement criteria of provision (impairment)

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

As of June 30, 2021, the provision for losses for finished products and resales is R$ 11,171 (R$ 6,578 as of December 31, 2020), the provision for losses on raw materials is R$ 21,269 (R$ 21,197 at December 31, 2020) and the provision for losses for work in process is R$ 3,379 (R$ 3,908 as of December 31, 2020).

The amount of raw material, labor, and indirect manufacturing costs used in the breakdown of costs of products sold is R$ 355,901 as of June 30, 2021 (R$ 190,258 as of June 30, 2020).

b. Changes in provision (impairment)

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

	Consolidated	
	06/30/2021	**12/31/2020**
Opening balance	(31,683)	(40,235)
Additions of the period	(9,778)	(19,179)
Reversal of provision (*)	5,642	27,731
Closing balance	**(35,819)**	**(31,683)**

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

8 Recoverable taxes

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
ICMS	13,663	9,707	20	20
IPI	1,757	514	-	-
PIS/COFINS (*)	78,923	9,683	-	-
FINSOCIAL	2,363	2,359	1,808	1,805
Reintegra	490	460	-	-
Other	2,247	2,394	547	543
	99,443	**25,117**	**2,375**	**2,368**
Current	92,728	18,330	567	563
Non-current	6,715	6,787	1,808	1,805

(*) In the period ended June 30, 2021, the subsidiaries Vulcabras Distribuidora and Vulcabras CE recorded extemporaneous credit of R$ 5,068 and R$ 62,438, respectively, for the obtained proof of claim from the Brazilian Federal Revenue Service regarding the recovery of Pis/Cofins based on the thesis of exclusion of ICMS, which was definitely judged. The amount was recognized in the short term after impairment analysis in 12 months. In the period, it was recognized the amount of R$ 5,083 and R$ 62,438, where R$ 2,709 and R$ 25,878 of principal, was recognized under “Other Operating Revenues”, and, R$ 2,359 and R$ 36,560 related to financial update, was recognized as “Financial Revenue”. The Company has other lawsuits in different instances, but none of them are final and unappealable, which could bring substantially significant amounts.

9 Income tax and social contribution

a. Income tax prepayment

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Income tax prepayment	5,443	5,108	353	154
	5,443	**5,108**	**353**	**154**

b. Deferred income tax and social contribution on temporary differences

	Consolidated	
	06/30/2021	**12/31/2020**
Temporary differences during the period		
Revaluation of property, plant and equipment	(2,335)	(2,406)
Deferred income tax - foreign subsidiary	1,230	1,359
Deferred income tax and social contribution on temporary differences	**(1,105)**	**(1,047)**
Total deferred income tax and social contribution in assets	1,230	1,359
Total deferred income and social contribution tax liabilities	(2,335)	(2,406)

c. Income tax and social contribution - deferred and current

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

	Consolidated	
	06/30/2021	**06/30/2020**
Current income tax and social contribution	(11,378)	(1,104)
	(11,378)	(1,104)

d. Reconciliation of effective tax rate

	Consolidated	
	IRPJ / CSLL	
	06/30/2021	**06/30/2020**
Income/loss before income tax and social contribution	117,485	(65,336)
Investee’s income before income tax and social contribution	-	621
Income tax and social contribution at a rate of 34%	39,945	22,214
Income tax and social contribution at a rate of 34% (deferred is not formed)	-	22,425
Income tax and social contribution at a rate of 34% (investee)	-	(211)
Non-deductible expenses	1,818	1,240
Tax incentives - State **(a)**	(19,357)	(11,662)
Incentive to technological innovation	(3,905)	-
IRPJ incentive	(1,932)	-
Offsetting of tax loss and negative basis	(6,298)	-
Non-taxable revenues	-	(5,872)
Foreign subsidiaries	-	(3,698)
Other	1,107	(1,118)
Expense with income tax and social contribution	11,378	1,104
Effective rate (b)	9.68%	177.78%

(a) See description of tax benefits in Note 31.

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

e. Tax losses to be offset

The Company and its subsidiaries Vulcabras CE, Calçados e Artigos Esportivos S.A., Vulcabras BA, Calçados e Artigos Esportivos S.A. and Vulcabras Distribuidora de Artigos Esportivos Ltda., have significant tax incentives that considerably reduce their capacity to offset any deferred income tax credits. Management is constantly monitoring the renewal of tax incentives. The Company and its subsidiaries do not record the deferred income tax and social contribution on tax losses. As of June 30, 2021 and December 31, 2020, the parent company and its subsidiaries had tax losses to be utilized for offset, related to the following base amounts:

	06/30/2021							
	Vulcabras CE, Calçados e Artigos Esportivos S.A	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Wave Comércio e Indústria de Artigos Esportivos Ltda.	Vulcabras S.A.	Total
Tax losses calculated on June 30, 2021	340,739	617,190	78,101	333,104	38,885	868	145,527	1,554,414
Negative basis of social contribution on June 30, 2021	1,148,836	629,212	78,101	333,104	38,885	868	145,124	2,374,130

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

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

10 Judicial deposits

The Company and its subsidiaries have judicial deposits related to civil, labor and tax lawsuits (Note 20), as shown below:

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Judicial deposits				
Civil	135	487	19	20
Labor	14,368	14,593	272	402
Tax	-	-	122	121
Total	**14,503**	**15,080**	**413**	**543**

a. Labor

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

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

b. Civil

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

c. Tax

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

11 Related-party transactions

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

Loan agreements are restated at the DI-CETIP rate.

a. Parent company and final parent company

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

b. Transactions with parent company

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

	Vulcabras CE	Vulcabras Distribuidora	Vulcabras BA	06/30/2021	12/31/2020
Assets					
Loans - subsidiaries	-	122,155	-	122,155	120,602
Liabilities					
Loan agreement with subsidiaries (*)	152,549	-	47,762	200,311	197,763
				06/30/2021	**06/30/2020**
Income (loss)					
Financial income (loss)	(1,940)	1,554	(607)	(993)	-

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

c. Transactions between subsidiaries

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

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

	Globalcyr	Running	Wave	Calzados Azaleia Colombia	Calzados Azaleia Peru.	Vulcabras SP	Vulcabras Distribuidora	Vulcabras BA	Distribuidora Cruzeiro do Sul	06/30/2021	12/31/2020
Assets											
Accounts receivable	-	-	-	1,684	2,311	39,176	-	514	8	43,693	42,443
Other credits	-	-	-	-	-	214	1,958	2,971	119	5,262	2,569
Liabilities											
Accounts payable	-	5,571	-	-	-	-	20	435	3,202	9,228	150
Other debits	-	-	-	-	-	-	-	-	-	-	19
Income (loss)										**06/30/2021**	**06/30/2020**
Financial income (loss)	52	6	6	-	-	-	-	-	-	58	-
Intercompany sale	-	-	-	-	4,932	14,916	164	8,497	732	29,241	21,993
Intercompany purchase	-	-	-	-	-	-	(896)	(5,484)	(3,195)	(9,575)	(3,450)

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

d. Management remuneration

At the Annual Shareholders' Meeting held April 23, 2021, the Company established the annual overall remuneration of the Directors at up to R$ 13,962. In the period ended June 30, 2021, the Company paid remuneration to its Managers in the amount of R$ 6,318 (R$ 5,344 on June 30, 2020).

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

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

e. Other related party transactions

Vulcabras CE, Calçados e Artigos Esportivos S.A. through its indirect subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. has loan payable to Brisa Indústria de Tecidos Tecnológicos S.A. in the amount of R$ 17,824 as of June 30, 2021 (R$ 17,632 as of December 31, 2020), remunerated at 4% p.a. and 2.20% p.a. (4% p.a. and TJLP + 2% p.a. as of December 31, 2020).

12 Investments

a. Breakdown of balance

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,223,118	1,115,038
In associated companies	58,917	59,999	-	-
Provision for loss with investment	-	-	(120)	(124)
Total	**58,917**	**59,999**	**1,222,998**	**1,114,914**

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

b. Changes in investments

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Opening balances	59,999	62,046	1,114,914	1,076,742
Equity in net income of subsidiaries	(1,082)	(2,047)	107,911	33,319
Exchange differences from translation of foreign operations	-	-	144	4,648
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	10	185
Increase in investee's interest	-	-	19	20
Closing balances	58,917	59,999	1,222,998	1,114,914

c. Information on direct interest - Parent company

	Vulcabras CE, Calçados e Artigos Esportivos S.A.		Vulcabras Distribuidora de Artigos Esportivos Ltda.		Globalcyr S.A.		Total	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Total assets	1,767,391	1,550,825	309,011	205,833	2	2	-	-
Total liabilities	544,345	435,849	253,397	175,311	7,777	8,030	-	-
Capital	1,363,676	1,363,676	126,845	96,045	1,056	1,056	-	-
Net revenue	378,317	693,214	145,899	100,359	-	-	-	-
Income (loss) for the period	107,921	33,312	5,708	3,850	(52)	(100)	-	-
Number of shares/quotas held (per thousand shares/quotas)	537,467	537,467	200	200	10	10	-	-
Equity	1,223,046	1,114,976	55,614	30,522	(7,775)	(8,028)	-	-
Participation in capital stock at the end of the period - %	99.99%	99.99%	0.14%	0.22%	1.54%	1.54%	-	-
Permanent ownership interest in subsidiaries	1,223,040	1,114,971	78	67	-	-	1,223,118	1,115,038
Provision for liabilities for loss on investment	-	-	-	-	(120)	(124)	(120)	(124)
Equity in net income of subsidiaries	107,920	33,312	(8)	8	(1)	(1)	107,911	33,319

d. Information on indirect interest

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

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

06/30/2021	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Globalcyr S.A.	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Running Comércio e Indústria de Artigos Esportivos Ltda.	Wave Comércio e Indústria de Artigos Esportivos Ltda	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia de Colômbia Ltda.	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	309,011	127,400	2	485,085	59,336	2,423	10,700	3,622	57,422	117,276
Total liabilities	253,397	103,752	7,777	120,327	2,155	620	24,823	16,956	25,218	1
Capital	126,845	402,984	1,056	459,929	57,181	2,671	26,207	841	1,072	36,116
Equity	55,614	23,648	(7,775)	364,758	57,181	1,803	(14,123)	(13,334)	32,204	117,275
Net revenue	145,899	29,971	-	205,517	-	-	10,960	2,833	24,181	-
Income (loss) for the period	(5,708)	(6,861)	(52)	22,844	-	(858)	(3,449)	(5,703)	(306)	(2,164)
Interest in capital	99.86%	100.00%	98.45%	100.00%	100.00%	100.00%	100.00%	100.00%	99.11%	50.00%

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

(*) Indirect interest

13 Investment property

a. Breakdown of account

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Buildings	10,624	10,624	10,574	10,574
Depreciation (*)	(8,684)	(8,503)	(8,640)	(8,459)
Overall total	1,940	2,121	1,934	2,115

(*) As of June 30, 2021, the depreciation is calculated under the straight-line method at an average annual rate of 4% (4% as of December 31, 2020), charged to administrative expenses.

b. Changes in depreciation

	Consolidated		
	Balance at 12/31/2020	**Additions**	**Balance at 06/30/2021**
Buildings	(8,503)	(181)	(8,684)
Total	(8,503)	(181)	(8,684)

The Company has a property primarily used for rental in Jundiaí - São Paulo, occupying 40,994.00 m² of built-up and common area, with the respective plot of land occupying 111,547.06 m² classified as investment property. The real estate property is evaluated at the cost method and at fair value as evaluation of specialized companies which is R$ 67,240 as of June 30, 2021 (R$ 67,240 as of December 31, 2020).

In the period ended June 30, 2021 the real estate earned an revenue from rental in the amount of R$ 2,626 (R$ 2,493 as of June 30, 2020) - Note 26, recorded in other operating revenues, net - Revenue from rental. Clauses four, seven and eight of the rental agreement stipulate obligations to maintain and repair the real estate's structure by the Company, where this amount is prorated proportionally to the rented area. The tenants are responsible for the costs deriving from maintenance and wear and tear. The Company did not make structural changes in the property in the period ended June 30, 2021.

The fair value measurement of the investment properties was classified as Level 3 based on the adopted inputs.

14 Property, plant and equipment

a. Breakdown of account

June 30, 2021		**Consolidated**					
		06/30/2021			**12/31/2020**		
	Average rate of depreciation % p.a.	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Buildings	2– 4	134,038	(89,272)	44,766	130,375	(87,487)	42,888
Machinery and equipment	10	370,380	(273,486)	96,894	362,699	(270,166)	92,533
Molds	100	272,646	(253,549)	19,097	262,557	(250,588)	11,969
Furniture and fixtures	10–20	39,943	(25,918)	14,025	32,131	(23,665)	8,466
Vehicles	20	2,275	(1,949)	326	2,241	(1,939)	302
IT equipment	20–25	31,227	(23,572)	7,655	28,606	(22,771)	5,835
Land	-	3,486	-	3,486	3,486	-	3,486
Molds in progress	-	120	-	120	-	-	-
Works in progress	-	-	-	-	3,541	-	3,541
Facilities	10	130,796	(67,238)	63,558	127,027	(62,652)	64,375
Leasehold improvements	10–20	406	(89)	317	89	(89)	-
Imports in progress	-	20,566	-	20,566	5,309	-	5,309
Leasehold Improvements	20	1,671	(829)	842	1,524	(664)	860
Other	10–20	42	(40)	2	3,356	(1,609)	1,747
		1,007,596	**(735,942)**	**271,654**	**962,941**	**(721,630)**	**241,311**

b. Changes in cost

June 30, 2021	Consolidated										
	01/01/2020	12/31/2020					06/30/2021				
	Opening balance	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**	**Additions**	**Write-offs**	**Transfer**	**Translation adjustment**	**Closing balance**
Buildings	127,881	828	-	-	1,666	130,375	1,341	-	2,640	(318)	134,038
Machinery and equipment	362,297	10,145	(27,926)	18,183	-	362,699	5,747	(4,214)	6,148	-	370,380
Molds	272,492	22,720	(33,195)	540	-	262,557	21,149	(11,065)	5	-	272,646
Furniture and fixtures	32,099	1,459	(2,076)	-	649	32,131	2,538	(893)	6,404	(237)	39,943
Vehicles	2,258	115	(238)	1	105	2,241	83	(19)	-	(30)	2,275
IT equipment	27,810	1,579	(1,766)	-	983	28,606	2,029	(199)	973	(182)	31,227
Land	3,490	-	(5)	1	-	3,486	-	-	-	-	3,486
Molds in progress	-	740	(199)	(541)	-	-	876	(756)	-	-	120
Works in progress	-	4,182	(719)	-	78	3,541	4,197	(641)	(7,097)	-	-
Facilities	112,686	18,147	(3,806)	-	-	127,027	4,213	(444)	-	-	130,796
Leasehold improvements	89	-	-	-	-	89	317	-	-	-	406
Imports in progress	2,279	24,884	(3,670)	(18,184)	-	5,309	22,241	(1,225)	(5,759)	-	20,566
Leasehold improvements	3,537	79	(2,092)	-	-	1,524	147	-	-	-	1,671
Other	2,463	203	-	-	690	3,356	-	-	(3,314)	-	42
	949,381	**85,081**	**(75,692)**	**-**	**4,171**	**962,941**	**64,878**	**(19,456)**	**-**	**(767)**	**1,007,596**

c. Changes in depreciation

June 30, 2021	Consolidated										
	01/01/2020	12/31/2020					06/30/2021				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	(83,552)	(3,561)	-	-	(374)	(87,487)	(1,871)	-	-	86	(89,272)
Machinery and equipment	(276,247)	(14,399)	20,481	-	(1)	(270,166)	(7,260)	3,940	-	-	(273,486)
Molds	(249,011)	(32,218)	30,641	-	-	(250,588)	(12,332)	9,371	-	-	(253,549)
Furniture and fixtures	(23,541)	(1,444)	1,677	-	(357)	(23,665)	(856)	27	(1,569)	145	(25,918)
Vehicles	(1,918)	(144)	205	-	(82)	(1,939)	(53)	19	-	24	(1,949)
IT equipment	(22,058)	(1,736)	1,566	-	(543)	(22,771)	(985)	65	-	119	(23,572)
Facilities	(54,327)	(9,522)	1,197	-	-	(62,652)	(4,587)	1	-	-	(67,238)
Leasehold improvements	(89)	-	-	-	-	(89)	-	-	-	-	(89)
Leasehold improvements	(2,459)	(292)	2,087	-	-	(664)	(165)	-	-	-	(829)
Other	(1,059)	(254)	1	-	(297)	(1,609)	-	-	1,569	-	(40)
	(714,261)	**(63,570)**	**57,855**	**-**	**(1,654)**	**(721,630)**	**(28,109)**	**13,423**	**-**	**374**	**(735,942)**

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

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

15 Intangible assets

a. Breakdown of account

June 30, 2021		**Consolidated**					
		06/30/2021			**12/31/2020**		
Defined useful life	**Useful life**	**Cost**	**Amortization**	**Net**	**Cost**	**Depreciation**	**Net**
Software	5 years	40,898	(33,125)	7,773	39,040	(32,218)	6,822
Assignment of right	Contractual period	513	(396)	117	531	(391)	140
Goodwill	Contractual period	1,464	-	1,464	1,873	-	1,873
Provision for impairment (*)	Contractual period	-	-	-	(199)	-	(199)
Undefined useful life							
Trademarks and patents		2,068	-	2,068	2,067	-	2,067
Goodwill		198,214	-	198,214	198,214	-	198,214
		243,157	**(33,521)**	**209,636**	**241,526**	**(32,609)**	**208,917**

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

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

b. Changes in cost

June 30, 2021				Consolidated			
	Useful life	Amortization methods	Balance at 01/01/2021	Additions	Write-offs	Translation adjustment	Balance at 06/30/2021
Defined useful life							
Software	5 years	Straight-line	39,040	2,001	(92)	(51)	40,898
Assignment of right	Contractual period	Straight-line	531	-	-	(18)	513
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	2,002	(302)	(69)	243,157

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

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

c. Changes in amortization

June 30, 2021

			Consolidated				
	Useful life	**Amortization methods**	**Balance at 01/01/2021**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 06/30/2021**
Defined useful life							
Software	5 years	Straight-line	(32,218)	(992)	54	31	(33,125)
Assignment of right	Contract Term	Straight-line	(391)	(19)	-	14	(396)
Total			(32,609)	(1,011)	54	45	(33,521)

December 31, 2020

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

d. Goodwill in business combination

The balances of goodwill determined in the acquisitions of ownership interest in subsidiary Vulcabras CE, are supported by reports issued by independent experts and are based on the expectation of future profitability of the acquired operations; in 2009, goodwill balances ceased to be amortized since these are assets with indefinite useful lives, as established by CVM Resolution 553/08 and CPC 01 (R1), and are annually tested for impairment, as described in Note 16.

16 Recoverability analysis of tangible and intangible assets

a. Tangible and intangible assets with defined useful life

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

For the year ended December 31, 2020, an impairment test of tangible and intangible assets with finite useful lives was carried out by means of calculation of the value in use based on cash projections from financial budgets approved by the Top Management.

No indication of impairment on June 30, 2021.

b. Goodwill paid on expected future profitability

The balance of goodwill on acquisitions of ownership interest is based on expected future profitability of the acquired business and amounts to R$ 198,214 at June 30, 2021 (R$ 198,214 as of December 31, 2020).

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

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

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

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

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

For discounting the future cash flows, the rate used was 7.73%. p.a. as of December 31, 2020 (8.54% p.a. as of December 31, 2019).

The estimate of value in use considered the following assumptions:

Revenues

The sales volume and price were projected on a real basis (without inflation) based on the Company's estimates and result in aggregate compound growth (CAGR) of 9.34% p.a. as of December 31, 2020 (3.39% as of December 31, 2019) between 2020 and 2030. The change in relation to the previous year is discussed in Note 1.1.1.(iv).

Cost

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

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

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

Expenses

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

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

Net income and Free Cash Generation

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

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

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

17 Suppliers

a. Breakdown of account

	Consolidated		Parent company	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Suppliers				
Domestic				
Sundry	59,405	56,355	136	289
Abroad				
Sundry	22,392	6,102	-	-
	81,797	62,457	136	289

b. By maturity

	Consolidated	
	06/30/2021	**12/31/2020**
Falling due (days):		
01–30	61,698	51,198
31–60	15,617	8,603
61–90	3,187	1,245
>90	1,290	1,397
	81,792	62,443
Overdue (days):		
01–30	5	14
	81,797	62,457

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

In compliance with CVM Resolution 564 issued December 17, 2008, which approved CPC 12, the Company conducted studies to calculate the adjustment to present value of its current liabilities. Considering the average term of payment of these liabilities of approximately 36 days as of June 30, 2021 (37 days at December 31, 2020), the effects of present value adjustments were considered immaterial and, therefore, were not recognized in income (loss), as occurred with current assets and non-current assets.

18 Loans and financing

a. Breakdown of account

			Consolidated	
	Interest rates for 2021	**Interest rates for 2020**	**06/30/2021**	**12/31/2020**
Domestic currency				
Fixed assets	IPCA + 2.04% p.a.	IPCA + 2.04% p.a.	71,159	77,561
Tax incentive	TJLP	TJLP	2,362	2,276
Working capital	IPCA + 2.07% p.a / CDI + 1.099–1.20% p.a.	IPCA + 2.07% p.a. / CDI + 3.05–3.55% p.a. / 180% CDI p.a.	294,633	205,221
			368,154	**285,058**
Foreign currency				
Export financing				
Finimp	Fixed rate 7.10–7.20% p.a.	Fixed rate 7.10–7.20% p.a.	-	16,451
Working capital	Fixed rate 2.67% p.a.	Fixed rate 1.18% p.a.	8,979	10,120
			8,979	**26,571**
Total loans and financing			**377,133**	**311,629**
Current			288,133	127,894
Non-current			89,000	183,735

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

	06/30/2021		12/31/2020	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	**288,133**	**76%**	**127,894**	**41%**
2021	78,383	21%	127,894	41%
2022	233,329	62%	93,056	30%
2023	30,229	8%	55,819	18%
2024	13,405	4%	13,072	4%
2025	13,072	3%	13,072	4%
2026	8,715	2%	8,715	3%
Non-current	**89,000**	**24%**	**183,735**	**59%**
Total	**377,133**	**100%**	**311,629**	**100%**

b. Sureties and guarantees

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

c. Covenants

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

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

	Liabilities			
	Borrowings and financing	**Loans with related parties**	**Lease liabilities**	**Total**
Balance at January 1, 2021	**311,629**	**17,632**	**18,530**	**347,791**
Changes in cash flow from financing				
Loans obtained - Principal	190,000	-	-	190,000
Loans with related parties	-	192	-	192
Payment of financial lease liabilities	-	-	(4,554)	(4,554)
Payment of loans obtained - Principal	(124,493)	-	-	(124,493)
Total changes in financing cash flows	**65,507**	**192**	**(4,554)**	**61,145**
Other changes related to liabilities				
Interest paid	(12,227)	-	(1,101)	(13,328)
Provin additions (without cash effect)	329	-	-	329
Contractual additions/adjustments	-	-	12,393	12,393
Lease discounts	-	-	(454)	(454)
Accrued interest	-	-	819	819
Write-off of lease	-	-	(567)	(567)
Financial charges recognized in profit or loss	11,895	-	-	11,895
Total other changes related to liabilities	(3)	-	11,090	11,087
Balance at June 30, 2021	**377,133**	**17,824**	**25,066**	**420,023**

	Liabilities			
	Borrowings and financing	**Loans with related parties**	**Lease liabilities**	**Total**
Balance at January 1, 2020	**43,053**	**16,930**	**15,845**	**75,828**
Changes in cash flow from financing				
Loans obtained - Principal	232,201	-	-	232,201
Loans with related parties	-	346	-	346
Payment of financial lease liabilities	-	-	(4,536)	(4,536)
Payment of loans obtained - Principal	(384)	-	-	(384)
Total changes in financing cash flows	**231,817**	**346**	**(4,536)**	**227,627**
Other changes related to liabilities				
Interest paid	(1,489)	-	(1,125)	(2,614)
Provin additions (without cash effect)	183	-	-	183
Financial charges recognized in profit or loss	4,890	-	-	4,890
Total other changes related to liabilities	3,584	-	(1,125)	2,459
Balance at June 30, 2020	**278,454**	**17,276**	**10,184**	**305,914**

19 Leases

a. Operating leases (*)

The Company and its subsidiaries lease only properties.

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

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

	Consolidated	
	06/30/2021	**12/31/2020**
Right-of-use		
Opening balance	15,145	15,845
Additions / Adjustments	13,182	14,965
Write-off	(554)	(4,162)
Amortization (**)	(5,672)	(11,503)
Closing balance	**22,101**	**15,145**

	Consolidated	
	06/30/2021	**12/31/2020**
Lease liability		
Opening balance	18,530	15,845
Additions / Adjustments	12,393	17,000
Accrued interest	819	2,835
Write-off	(567)	(4,223)
Payment of principal (***)	(5,008)	(11,167)
Interest	(1,101)	(1,760)
Closing balance	**25,066**	**18,530**
Current	9,553	8,343
Non-current	15,513	10,187

(*) For the initial measurement of lease liability, the rate of housing loans published by the Central Bank of Brazil in December 2018 was used; i.e. 0.77% per month. The average of all financial institutions was considered.

(**) The change was due to the termination of certain store agreements of the subsidiary Vulcabras SP. In the amortization recognized in the income (loss), we had a lower amount of R$ 5,218 due to the granting of discounts of R$ 454, based on the practical expedient of CPC 06/IFRS 16.

(***) The discount of R$ 454 that deducts the payment amount presented in the Consolidated Financial Statements has no effect on the write-off of the lease liability.

Payment schedule for long-term installments

	06/30/2021		12/31/2020	
Maturity	**Amount**	**%**	**Amount**	**%**
2021	-	0%	-	0%
2022	3,945	26%	5,993	59%
2023	5,001	32%	2,465	24%
2024	3,880	25%	1,190	12%
2025	2,687	17%	539	5%
Total	**15,513**	**100%**	**10,187**	**100%**

Extension options

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

20 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**	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Provisions for lawsuits and administrative proceedings:				
Civil	19,084	18,919	82	82
Labor	37,730	36,982	188	507
Tax	1,346	662	179	176
Total	**58,160**	**56,563**	**449**	**765**
Current	**21,839**	**22,021**	**449**	**765**
Non-current	**36,321**	**34,542**	**-**	**-**

b. Labor lawsuits (Consolidated)

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

c. Civil lawsuits (Consolidated)

Refer to compensation for property damages and pain and suffering. The effect of the provision for loss on civil lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

The effects on the provision for indemnities are charged to “selling expenses” in income (loss).

d. Tax lawsuits (Consolidated)

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

e. Changes in proceedings

June 30, 2021 — **Consolidated**

	12/31/2019	12/31/2020					06/30/2021				
Type	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Adjustment to net presentation (*)**	**Closing balance**	**Additions**	**Reversal**	**Payment**	**Adjustment to net presentation (*)**	**Closing balance**
Civil	20,107	1,210	(2,206)	(192)	-	18,919	624	(441)	(18)	-	19,084
Labor	36,254	5,136	(4,618)	(1,336)	1,546	36,982	5,028	(1,422)	(3,594)	736	37,730
Tax	148	802	(215)	(1,137)	1,064	662	968	(160)	(799)	675	1,346
Total	**56,509**	**7,148**	**(7,039)**	**(2,665)**	**2,610**	**56,563**	**6,620**	**(2,023)**	**(4,411)**	**1,411**	**58,160**

June 30, 2021 — **Parent company**

	12/31/2019	12/31/2020				06/30/2021			
Type	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Civil	510	63	(453)	(38)	82	18	-	(18)	82
Labor	229	371	-	(93)	507	-	(47)	(272)	188
Tax	119	57	-	-	176	57	(54)	-	179
Total	**858**	**491**	**(453)**	**(131)**	**765**	**75**	**(101)**	**(290)**	**449**

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

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

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

	Consolidated	
	06/30/2021	**12/31/2020**
Contingencies		
Civil	1,936	2,149
Labor	39,136	41,006
Tax	33,998	37,051
Total	75,070	80,206

There was no material lawsuit in 2021.

21 Equity (Parent company)

a. Capital
As of June 30, 2021, capital totals R$ 1,106,717 (R$ 1,106,717 as of December 31, 2020), is represented by 245,756,346 (245,756,346 as of December 31, 2020) common, nominative shares with no par value, as follows:

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

b. Reserves

(i) Revaluation reserve
The reserve was constituted as a result of the revaluations of fixed assets of its subsidiaries, based on an appraisal report prepared by independent appraisers. Corresponding income tax and social contribution are classified in non-current liabilities. As of June 30, 2021, the balance of revaluation reserve is R$ 4,534 (R$ 4,670, on December 31, 2020).

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

c. Capital reserve

(i) Stock option

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

1st Stock Option Plan

Approval of the plan
On January 16, 2018 the Board of Directors approved the first granting of options under the Stock Option Contract. The total options granted on this date amounted to 835,000 options, with a unit strike price of R$ 9.50, distributed amongst the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6404, dated December 15, 1976.

Characteristics of the plan

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

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

(2) Originally, 24 employees qualified for the 1st stock option plan, but on 03/31/2021 due to the separation of 06 employees, the total is 18 beneficiaries.

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

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

2nd Stock Option Plan

Approval of the plan
On May 06, 2019, the Board of Directors approved the 2nd stock option plan in the context of the Grant Agreement. The total options granted on this date were 780,000 options, with unit strike price of R$ 7.96, distributed among the qualified beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6404, dated December 15, 1976.

Characteristics of the plan

2nd Stock Option Plan - 2019	**2nd granting**
Grant date	May 06, 2019
Quantity 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 **(2)**

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

(2) Originally, 22 employees qualified for the 2nd stock option plan, but on 03/31/2021 due to the separation of 02 employees, the total is 20 beneficiaries.

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

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

3rd Stock Option Plan

Approval of the plan
On August 10, 2020, the Board of Directors approved the 3rd stock option plan in the context of the Grant Agreement. The total options granted on this date amounted to 870,000 options, with a unit strike price of R$ 8.57, distributed amongst the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6404, dated December 15, 1976.

Characteristics of the plan

3rd Stock Option Plan – 2020	**3rd granting**
Grant date	August 10, 2020
Quantity 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 cents), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

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

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

4th Stock Option Plan

Approval of the plan
On May 11, 2021, the Board of Directors approved the 4th stock option plan in the context of the Grant Agreement. The total options granted on this date amounted to 970,000 options, with a unit strike price of R$ 8.06, distributed amongst the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6404, dated December 15, 1976.

Characteristics of the plan

4th Stock Option Plan - 2021	**4th granting**
Grant date	May 11, 2021
Quantity 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, restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

Beneficiaries
Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras S.A. and the companies under its direct or indirect control

(Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company's Board of Directors.

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

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

Plan	Strike price	Grant date	Accumulated expense 06/30/2021	Accumulate d expense 12/31/2020
1st Plan – 2018	R$ 9.50	January 16, 2018	R$ 1,639	R$ 1,515
2nd Plan – 2019	R$ 7.96	May 05, 2019	R$ 1,293	R$ 1,019
3rd Plan – 2020	R$ 8.57	August 06, 2020	R$ 793	R$ 500
4th Plan – 2021	R$ 8.06	May 11, 2021	R$ 92	-
Total			**R$ 3,817**	**R$ 3,034**

d. Equity valuation adjustments

"Equity valuation adjustments" caption includes: (i) accumulated net changes in financial assets at fair value through other comprehensive income until the investments are derecognized or suffer impairment loss; and (ii) accumulated translation adjustments include all foreign currency differences deriving from the translation of quarterly financial information of foreign operations. As of June 30, 2021, the balance of equity valuation adjustment is R$ 21,268 (R$ 21,114, on December 31, 2020).

22 Net sales revenue

	Consolidated	
	06/30/2021	**06/30/2020**
Gross operating revenue		
Sale and resale of goods		
Domestic market	780,431	389,510
Foreign market	65,937	41,774
Services rendered	910	1,002
	847,278	432,286
Deductions		
Taxes on sales and services rendered	(93,958)	(44,966)
Returns, rebates and prompt-payment discount	(42,022)	(50,003)
	(135,980)	(94,969)
Net operating revenue	**711,298**	**337,317**

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

23 Cost of sales and resales

	Consolidated	
	06/30/2021	**06/30/2020**
Raw material	(170,328)	(90,030)
Labor	(100,243)	(50,850)
Indirect costs	(85,330)	(49,387)
Resale	(113,029)	(43,526)
Total cost of sales and resales	**(468,930)**	**(233,793)**

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

24 Sales expenses

	Consolidated	
	06/30/2021	**06/30/2020**
Commissions	(30,364)	(12,357)
Freight	(28,847)	(17,963)
Advertising	(26,754)	(24,157)
Royalties (*)	(10,290)	(1,726)
Personnel expenditures	(18,988)	(12,674)
Other expenditures (**)	(10,131)	(3,087)
	(125,374)	(71,964)
Impairment losses	7,942	(8,892)
Total sales expenses	**(117,432)**	**(80,856)**

(*) Changes are due to the expenses of royalties from the Mizuno brand in the amount of R$ 8,288, which started in January 2021.

(**) The most relevant amounts are R$ 3,881 with third-party services as of June 30, 2021 (R$ 206 as of June 30, 2020) and R$ 1,573 with expenses from the Extrema subsidiary that started operations in January 2021 (R$ 0 as of June 30, 2020).

25 Administrative expenses

	Consolidated		Parent company	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Personnel expenditures	(24,258)	(20,289)	(1,265)	(957)
Outsourced services	(10,306)	(12,160)	(2,011)	(1,182)
Rentals	(1,796)	(1,356)	-	-
Travel and lodging	(189)	(197)	-	-
Security guard	(687)	(759)	(84)	(82)
Legal disputes and taxes	(1,065)	(1,074)	(367)	(390)
IT and telecommunications	(4,271)	(3,121)	(24)	(26)
Energy, water and sewage	(512)	(326)	(9)	(5)
Maintenance, cleaning and environment.	(1,726)	(1,205)	(5)	(1)
Other (*)	(10,397)	(10,279)	(648)	(737)
Total administrative expenses	**(55,207)**	**(50,766)**	**(4,413)**	**(3,380)**

(*) The most relevant amounts are comprised of depreciation and amortization, and the lease amortization is due to the impacts of CPC 06 (R2)/IFRS 16, of R$ 5,218 as of June 30, 2021 (R$ 4,637 as of June 30, 2020).

26 Other operating revenues (expenses), net

	Consolidated		Parent company	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Rental revenue	2,635	2,497	2,626	2,493
Revenue from sales of power	45	808	-	-
Provision for contingencies	(4,806)	(2,880)	26	(24)
Sale of scrap	633	417	-	-
Net income from sale of fixed assets	(217)	392	-	-
Recovery of PIS/COFINS over ICMS	29,558	1,805	-	-
Idle capacity costs - COVID-19	-	(36,384)	-	-
Gain from settlement of pre-existing relationship (*)	13,980	-	-	-
Other (*)	(4,937)	(4,791)	(80)	(80)
	36,891	**(38,136)**	**2,572**	**2,389**

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

(**) The main amount on June 30, 2021 is composed of R$ 1,981 referring to ICMS expenses on other products and R$ 2,211 referring to PIS and COFINS on financial revenue arising from the recovery of the untimely credit (R$ 1,261 referring to ICMS expenses on other products and R$ 244 referring to PIS and COFINS on financial revenue on June 30, 2020).

27 Finance result

	Consolidated		Parent company	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Financial revenues				
Capital structure				
Revenue from investments	2,369	2,267	991	53
Subtotal	2,369	2,267	991	53
Operating				
Interest	1,089	1,066	1,589	16
Discounts obtained	313	185	-	-
Untimely restatement of credits	39,166	1,582	-	-
Other	1,608	53	7	-
Subtotal	42,176	2,886	1,596	16
Exchange-rate changes	7,738	18,198	-	-
Total financial revenues	**52,283**	**23,351**	**2,587**	**69**
Financial expenses				
Capital structure				
Interest (*)	(13,024)	(4,577)	(2,548)	-
IOF	(110)	(78)	-	-
Other	(1,153)	(1,725)	-	-
Subtotal	(14,287)	(6,380)	(2,548)	-
Operating				
Bank fees	(2,176)	(1,546)	(1)	(1)
Fee/commission sale card	(31)	(946)	-	-
Discounts granted (**)	(9,228)	(530)	-	-
Other rates	(1,151)	-	-	-
Subtotal	(12,586)	(3,022)	(1)	(1)
Exchange-rate changes	(13,463)	(10,678)	-	-
Total financial expenses	**(40,336)**	**(20,080)**	**(2,549)**	**(1)**
Finance result	**11,947**	**3,271**	**38**	**68**

(*) In the second quarter of 2021, there was an increase of R$ 7,251 arising from new funding for working capital.

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

28 Earnings per share

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

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

On June 30, 2021, the Company had potential outstanding shares which could affect the dilution of the result per share under CPC 41/IAS 33 in the total amount of 3,230,000 (three million two hundred and thirty thousand) potential shares. Of the total amount, 635,000 potential shares refer to the first grant of shares under the Stock Option Plan approved on January 16, 2018, and, 755,000 potential shares refer to the second grant of shares under the Stock Option Plan approved on May 05, 2019, and 870,000 potential shares are related to the third grant of shares of Stock Option plan that was approved on August 6, 2020, while 970,000 potential shares refer to the fourth grant of shares of the Stock Options plan approved on May 11, 2021.

As of June 30, 2020, the Company had 1,390,000 potential outstanding shares. Of the total amount, 635,000 (six hundred and thirty-five thousand) potential shares refer to the first grant of shares under the Stock Option Plan approved on January 16, 2018, and, 755,000 (seven hundred and fifty-five thousand) potential shares refer to the second grant of shares under the Stock Option Plan approved on May 05, 2019, which could affect the dilution of earnings per share according to CPC 41/IAS 33.

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

	Consolidated Number of common shares	
	06/30/2021	**06/30/2020**
Income (loss) attributable to shareholders	106,108	(66,378)
Weighted basic average of outstanding shares in the period	245,756,346	245,756,346
Weighted basic average of outstanding shares in the period	248,986,346	247,146,346
Basic earnings per share (per thousand) - R$	0.4318	(0.2701)
Basic earnings per share (per thousand) - R$	0.4262	(0.2686)

29 Financial instruments and risk management

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

Financial risk framework and management

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

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

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

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

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

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

(i) Credit risk

Credit risk is the risk of the Company and its subsidiaries incurring financial losses due to a party, resulting from failure in complying with contract obligations. Such risk is mainly due to trade accounts receivable. The book values of financial assets and contract assets represent the maximum credit exposure.

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

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

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

(ii) Analyzing credits granted to clients and establishing sales limits. There are no clients that individually represent more over 13.3% of total trade accounts receivable of the Company as of June 30, 2021 (14.2% on December 31, 2020); and

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

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

June 30, 2021	**Policy applied**	**Gross book balance**	**Provision for estimated losses**
Stores	0.00%	14,616	-
Falling due	0.04%	440,836	176
Overdue (days):			
01–30	0.50%	4,896	24
31–60	10.00%	2,096	210
61–90	25.00%	1,161	290
>90	100.00%	11,003	11,003
Clients under court-ordered reorganization (with financial restructuring)	40.00%	14,780	5,912
Clients under court-ordered reorganization (without financial restructuring)	100.00%	16,145	16,145
Foreign market		39,484	7,493
		545,017	**41,253**

December 31, 2020	**Policy applied**	**Gross book balance**	**Provision for estimated losses**
Stores	0.00%	13,520	-
Falling due	0.04%	525,940	210
Overdue (days):			
01–30	0.50%	4,173	21
31–60	10.00%	327	33
61–90	25.00%	263	66
>90	100.00%	31,433	31,433
Clients under court-ordered reorganization (with financial restructuring)	40.00%	14,865	5,952
Clients under court-ordered reorganization (without financial restructuring)	100.00%	4,406	4,406
Foreign market		29,706	8,408
		624,633	**50,529**

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

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

(ii) Market risk

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

Foreign exchange risk

Considering the price risk on exports, which correspond to 5.05% of revenue from its subsidiaries as of June 30, 2021 (4.16% as of December 31, 2020), any volatility of the exchange rate represents, in fact, a price risk that can impair the results planned by Management.

Sensitivity analysis
The results of the Company and its subsidiaries are susceptible to significant changes, due to the effects of the volatility of the foreign exchange rate on the liabilities indexed to foreign currencies, especially the USD, which ended the period as of June 30, 2021 with the positive change in 3.74% in relation to the last quotation as of December 31, 2020.

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

	Consolidated	
US dollar (US$ thousand)	**06/30/2021**	**12/31/2020**
Assets in foreign currency (a)	14,522	7,793
Liabilities in foreign currency (b)	(6,271)	(6,287)
Surplus determined (a-b)	8,251	1,506

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

1. **Probable scenario and that is adopted by the Company and its subsidiaries:** USD exchange rate totaled R$ 5.0022 on June 30, 2021;
2. **Possible scenario:** as provided in the CVM Resolution, the scenario is built considering a 25% decrease in the US dollar rate amounting to R$ 3.7517; and
3. **Remote scenario:** also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R$ 2.5011.

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

Transaction	**Risk**	**Probable scenario**	**Possible scenario**	**Remote scenario**
	US$ 8,251 thousand	FX 5.0022	FX 3.7517	FX 2.5011
Financial income (loss)	US$ decr.	-	(10,317)	(20,636)

(iii) Interest rate risk

Sensitivity analysis

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

	Consolidated		Consolidated	
	Book value 06/30/2021	**Fair value 06/30/2021**	**Book value 12/31/2020**	**Fair value 12/31/2020**
Assets in CDI	157,893	157,893	233,762	233,762
Liabilities in TJPL	2,362	2,383	2,276	2,365
Liabilities at IPCA	119,382	132,168	125,808	138,053
Liabilities in CDI	246,410	248,119	156,975	159,687

In order to comply with the CVM Resolution 550 of October 17, 2008, 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 4.15% p.a. and TJLP of 4.88% p.a. and IPCA of 8.35% 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 June 30, 2021 is as follows:

Operation	**Risk**	**Probable scenario**	**Possible scenario - 25%**	**Remote scenario - 50%**
		4.88% TJLP	6.10% TJLP	7.32% TJLP
Loans – TJLP	TJLP incr.	R$ 0	R$ 29	R$ 58
		8.35% IPCA	10.44% IPCA	12.53% IPCA
Loans at IPCA	IPCA incr.	R$ -	R$ 2,495	R$ 4,990
		4.15% CDI	5.19% CDI	6.23% CDI
Loans in CDI	CDI incr.	R$ 0	R$ 2,563	R$ 5,125
		4.15% CDI	3.11% CDI	2.08% CDI
Investments in CDI	CDI decr.	R$ -	R$ (1,642)	R$ (3,268)

(iv) Liquidity risk

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

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

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

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

	06/30/2021	
Maturity	**Amount**	**%**
2022	22,880	25%
2023	31,830	34%
2024	14,911	16%
2025	13,959	15%
2026	8,898	10%
Total	**92,478**	**100%**

Breakdown of balances

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

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

In compliance with CVM Instruction 475/08, the book balances and the fair value of financial instruments included in balance sheets as of June 30, 2021 and December 31, 2020 are shown below:

		Consolidated			
		06/30/2021		12/31/2020	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	84,739	84,739	158,552	158,552
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	89,764	89,764	90,049	90,049
Share investment funds	Financial assets at fair value through other comprehensive income (FVTOCI)	468	468	458	458
Accounts receivable	Financial assets at amortized cost	503,764	503,764	574,104	574,104
Other trade receivables	Financial assets at amortized cost	17,179	17,179	11,266	11,266

Borrowings and financing:					
In local currency	Other financial liabilities	368,154	382,670	285,058	300,104
In foreign currency	Other financial liabilities	8,979	8,855	26,571	26,727
Suppliers	Other financial liabilities	81,797	81,797	62,457	62,457
Loan with related parties	Other financial liabilities	17,824	17,824	17,632	17,632

		Parent company			
		06/30/2021		**12/31/2020**	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	251	251	18	18
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	80,558	80,558	80,951	80,951
Loans with related parties	Financial assets at amortized cost	122,155	122,155	120,602	120,602
Other trade receivables	Financial assets at amortized cost	2,061	2,061	1,538	1,538
Suppliers	Other financial liabilities	136	136	289	289
Loans with related parties	Other financial liabilities	200,311	200,311	197,763	197,763

(v) Fair value hierarchy

	Consolidated				**Parent company**			
	06/30/2021		**12/31/2020**		**06/30/2021**		**12/31/2020**	
Description	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Interest earning bank deposits								
Floating-rate CDB	-	85,439	-	85,748	-	80,556	-	80,949
Investment fund	-	4,325	-	4,301	-	2	-	2
Share investment funds	468	-	458	-	-	-	-	-
Loans with related parties	-	-	-	-	-	122,155	-	120,602
Loans and financing	-	391,525	-	326,831	-	-	-	-
Loans with related parties	-	17,824	-	17,632	-	200,311	-	197,763

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

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

Interest earning bank deposits
For interest earning bank deposits, the fair value against the income (loss) was calculated based on the market quotations of these securities and are stable considering investment rates and terms. The interest earning bank deposits are remunerated at a percentage of DI-CETIP and are restated at June 30, 2021 (see Note 5)

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

Loans and financing
The amount of loans and financing calculated at June 30, 2021 are measured at amortized cost using the effective interest method, and are recorded at their contractual values. We currently found interest rates applicable to these instruments identical to the contracts that were signed, given the objective of the financing, time frames and guarantees submitted. The valuation model considers the present value of the payment expected, discounted by a risk-adjusted discount rate.

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

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

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

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

	Consolidated	
	06/30/2021	**12/31/2020**
Borrowings and financing	(377,133)	(311,629)
Leases	(25,066)	(18,530)
Cash and cash equivalents	84,739	158,552
Interest earning bank deposits	90,232	90,543
Net debt	**(227,228)**	**(81,064)**
Equity	**1,232,421**	**1,125,394**

30 Insurance coverage

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

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

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

Corporate insurance in reais (R$)

Object	**Risk covered**	**Amount of coverage**
Property	Fire, Windstorms, Electrical Damages, Machine Breakdown, Theft, Flooding, Electronic Equipment.	195,000
Loss of profits	Fixed expenses (P.I 3 months)	60,000
D&O	Management civil general liability	20,000
General civil responsibility	General civil liability	2,000
Light vehicles	Property, body damages, pain and suffering to third parties	16,250
Heavy vehicles	Property, body damages, pain and suffering to third parties	11,200
International transport - Imports	Limit per shipment - Goods / Raw materials	7,503
	Total corporate insurance	**311,953**

31 Government grants and assistance

a. Federal incentives

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

b. State incentives

(i) Ceará

For footwear

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

For apparel

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

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

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

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

(ii) Bahia

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

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

(iii) Minas Gerais

- **Special Regime –** For the operation of Vulcabras Distr. Art. Esp. Ltda (Branch of Extrema-MG), we will have the e-PTA-RE Nº: 45.000024131-24, which addresses the Special Regime incentive with simplified protocol of intentions providing for deferrals, deemed credit and TTS/IMPORT CORRIDOR, which consists of the deferral of the ICMS payment on imports with a specific trading purpose; partial deferral, resulting in a ICMS highlight of 4% for imported products and 12% for domestic products due to domestic sales to taxpayers enjoying the special regime; in the deemed credit for the effective rate to be 3% in domestic and interstate operations with domestic products and in the deemed credit of 2.5% in interstate operations with imported products or 4% in internal operations with imported products, for an indefinite period.

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

c. Additional incentives

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

	Statement of Government grants		
Subsidiary	**State incentive**	**%**	**Maturity date**
Vulcabras CE, Calç. e Art. Esp. S.A.	Provin Calçados	99%	Aug 2031
Vulcabras CE, Calç. e Art. Esp. S.A.	Provin Confecções	75%	Jun 2022
Vulcabras BA, Calç. e Art. Esp. S.A.	Probahia	99%	Jul 2027
Vulcabras Distr. Art. Esp. Ltda.	PCDM	75%	Dec 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%	Dec 2025
Vulcabras BA Calç. e Art. Esp. S.A.	IRPJ decr.	75%	Dec 2026

d. Consolidated

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

Value added tax on exports and investments (ICMS)			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**06/30/2021**	**06/30/2020**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	32,090	99.99%	32,087	18,210
Vulcabras Distr. Art. Esp. Ltda.	4,968	0.14%	7	2
Vulcabras BA, Calçados e Artigos Esportivos S.A.	24,842	100.00%	24,842	13,970
Vulcabras SP, Comércio de Art. Esp. Ltda.	454	100.00%	454	-
	62,354		57,390	32,182

Reintegra			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**06/30/2021**	**06/30/2020**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	27	99.99%	27	17
Vulcabras BA, Calçados e Artigos Esportivos S.A.	19	100.00%	19	16
	46		46	33

32 Product and geographic area information

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

	06/30/2021	**06/30/2020**
Net sales		
Athletic shoes	598,556	241,283
Women's shoes	20,115	43,115
Other footwear and others	44,923	25,093
Apparel	47,704	27,826
	711,298	**337,317**
Domestic market	645,671	295,072
Foreign market	65,627	42,245
	711,298	**337,317**

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

	Consolidated	
	06/30/2021	**12/31/2020**
Noncurrent assets in the domestic and foreign markets as of:		
Brazil	587,151	547,935
Other countries	17,388	20,434
Total	**604,539**	**568,369**

* * *

Members of the Board of Directors

Pedro Grendene Bartelle
President

André de Camargo Bartelle
1st Vice-President

Pedro Bartelle
2nd Vice-President

Hector Nunez
Independent Board Member

Octávio Magalhães
Independent Board Member

Members of the Executive Board

Pedro Bartelle
President

Wagner Dantas da Silva
Administrative and Financial Director

Flávio de Carvalho Bento
Industrial Director

Rafael Carqueijo Gouveia
CEO

Rodrigo Miceli Piazer
Supply Chain Officer

Evandro Saluar Kollet
Corporate Director of Product Development and Technology

Márcio Kremer Callage
Marketing Director

Investor Relations Director

Wagner Dantas da Silva

Technician Responsible

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