

# **Interim Financial Information**

## **Vulcabras S.A.**

June 30, 2022

with Independent auditors' report on interim financial  
information

# Vulcabras S.A.

## Interim financial information

June 30, 2022

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

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## **Independent auditor's review report on quarterly information**

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

### **Introduction**

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

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

### **Scope of review**

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

### **Conclusion on the individual and consolidated interim financial information**

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



## **Other matters**

### *Audit of corresponding amounts*

The Company's individual and consolidated financial statements for the year ended December 31, 2021 and the individual and consolidated interim financial information for the three- and six-month period ended June 30, 2021 were examined and reviewed by another independent auditor, who issued an audit report dated March 8, 2022 and a review report dated August 10, 2021, respectively, which did not contain any modification

### *Statements of value added*

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

Recife (PE), July 28, 2022.

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

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

## Vulcabras S.A.

(Publicly-held company)

### Balance sheets

As of June 30, 2022 and December 31, 2021

(In thousands of reais)

	Consolidated		Parent company			Consolidated		Parent company			
	Note	06/30/2022	12/31/2021	06/30/2022		12/31/2021	Note	06/30/2022	12/31/2021	06/30/2022	12/31/2021
<b>Assets</b>					<b>Liabilities</b>						
Cash and cash equivalents	4	105.653	114.635	805	33	Suppliers	16	147.323	78.006	177	1.672
Trade accounts receivable	6	688.549	616.275	-	-	Loans and financing	17	211.184	291.497	-	-
Inventories	7	583.939	493.497	-	-	Lease liabilities	18	8.379	7.129	-	-
Recoverable taxes	8	30.306	46.852	582	576	Taxes payable		7.678	8.944	150	130
Income tax and social contribution	9a	13.476	7.073	752	746	Salaries and vacations payable		61.951	45.618	13	13
Amounts receivable for disposal of operation		3.850	3.850	-	-	Provisions	19	17.948	22.488	666	418
Other accounts receivable		14.373	17.115	1.562	2.124	Income tax and social contribution - deferred	9b	2.576	2.576	-	-
						Commissions payable		18.114	14.305	-	-
						Dividends and profits payable		-	4	-	4
						Other accounts payable		27.270	24.337	324	153
<b>Total current assets</b>		<b>1.440.146</b>	<b>1.299.297</b>	<b>3.701</b>	<b>3.479</b>	<b>Total current liabilities</b>		<b>502.423</b>	<b>494.904</b>	<b>1.330</b>	<b>2.390</b>
Interest earning bank deposits	5	10.693	10.312	1	2	Loans and financing	17	89.090	69.753	-	-
Trade accounts receivable	6	7.047	3.631	-	-	Borrowings with related parties	11	18.242	18.041	217.720	206.533
Recoverable taxes	8	71.798	63.099	1.831	1.821	Lease liabilities	18	13.157	12.650	-	-
Deferred income tax and social contribution	9b	477	493	-	-	Provisions	19	41.826	37.390	-	-
Judicial deposits	10	16.873	16.005	332	338	Deferred taxes on revaluation of property, plant and eq	9b	2.210	2.272	-	-
Borrowings with related parties	11	-	-	123.484	118.324	Provision for investment losses	12	-	-	127	135
Amounts receivable for disposal of operation		-	1.720	-	-	Other accounts payable		3.311	3.665	-	-
Goods for sale		194	194	-	-	<b>Total non-current liabilities</b>		<b>167.836</b>	<b>143.771</b>	<b>217.847</b>	<b>206.668</b>
Other accounts receivable		2.146	2.208	1.207	1.299	<b>Shareholders' equity</b>					
						Capital	20	1.106.717	1.106.717	1.106.717	1.106.717
<b>Long-term assets</b>		<b>109.228</b>	<b>97.662</b>	<b>126.855</b>	<b>121.784</b>	Revaluation reserve	20	4.290	4.410	4.290	4.410
Investments	12	71.682	69.408	1.599.798	1.439.905	Capital reserve	20	3.965	4.731	3.965	4.731
Investment property		4	5	-	-	Legal reserve	20	15.692	15.692	15.692	15.692
Right-of-use	18	18.880	17.442	-	-	Unrealized profit reserve	20	201.927	201.927	201.927	201.927
Property, plant and equipment	13	332.777	302.337	-	-	Equity valuation adjustments	20	20.855	22.744	20.855	22.744
Intangible assets	14	209.166	209.086	111	111	Retained earnings		157.842	-	157.842	-
						<b>Shareholders' equity attributable to controlling shareholders</b>		<b>1.511.288</b>	<b>1.356.221</b>	<b>1.511.288</b>	<b>1.356.221</b>
						<b>Non-controlling interest</b>		<b>336</b>	<b>341</b>	<b>-</b>	<b>-</b>
						<b>Total shareholders' equity</b>		<b>1.511.624</b>	<b>1.356.562</b>	<b>1.511.288</b>	<b>1.356.221</b>
<b>Total non-current assets</b>		<b>741.737</b>	<b>695.940</b>	<b>1.726.764</b>	<b>1.561.800</b>	<b>Total liabilities</b>		<b>670.259</b>	<b>638.675</b>	<b>219.177</b>	<b>209.058</b>
						<b>Total liabilities and shareholders' equity</b>		<b>2.181.883</b>	<b>1.995.237</b>	<b>1.730.465</b>	<b>1.565.279</b>
<b>Total assets</b>		<b>2.181.883</b>	<b>1.995.237</b>	<b>1.730.465</b>	<b>1.565.279</b>						

See the accompanying notes to the quarterly financial information.

**Vulcabras S.A.**

(Publicly-held company)

**Statements of income**

June 30, 2022 and 2021

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

		Consolidated		Consolidated		Parent company		Parent company	
	Note	06/30/2022	06/30/2021	04/01/2022-06/30/2022	04/01/2021-06/30/2021	06/30/2022	06/30/2021	04/01/2022-06/30/2022	04/01/2021-06/30/2021
<b>Continued operation</b>									
<b>Net sales</b>	21	1.134.558	711.298	656.808	399.412	-	-	-	-
Cost of sales and resales	22	(730.249)	(468.930)	(420.640)	(263.176)	-	-	-	-
<b>Gross income</b>		<b>404.309</b>	<b>242.368</b>	<b>236.168</b>	<b>136.236</b>	-	-	-	-
Sales expenses	23	(174.698)	(125.374)	(97.759)	(71.099)	-	-	-	-
Reversal (provision) for expected losses for allowance for doubtful accounts	23	(4.164)	7.942	(1.971)	9.421	-	-	-	-
Administrative expenses	24	(58.698)	(55.207)	(32.088)	(28.207)	(1.855)	(4.413)	(1.717)	(1.995)
Other operating revenues (expenses), net	25	9.904	36.891	7.945	37.914	2.589	2.572	1.397	1.230
Equity in net income of subsidiaries	12b	1.422	(1.082)	1.422	55	161.785	107.911	106.726	92.274
<b>Income (loss) before net financial expenses and revenues and taxes</b>		<b>178.075</b>	<b>105.538</b>	<b>113.717</b>	<b>84.320</b>	<b>162.519</b>	<b>106.070</b>	<b>106.406</b>	<b>91.509</b>
Financial revenues		30.192	52.283	18.548	43.946	6.393	2.587	3.499	1.579
Financial expenses		(48.150)	(40.336)	(26.832)	(26.296)	(11.190)	(2.549)	(6.162)	(1.588)
<b>Net financial revenues and expenses</b>	26	<b>(17.958)</b>	<b>11.947</b>	<b>(8.284)</b>	<b>17.650</b>	<b>(4.797)</b>	<b>38</b>	<b>(2.663)</b>	<b>(9)</b>
<b>Income (loss) before income taxes</b>		<b>160.117</b>	<b>117.485</b>	<b>105.433</b>	<b>101.970</b>	<b>157.722</b>	<b>106.108</b>	<b>103.743</b>	<b>91.500</b>
Deferred income tax and social contribution	9c	(2.378)	(11.378)	(1.675)	(10.465)	-	-	-	-
<b>Net income for the period</b>		<b>157.739</b>	<b>106.107</b>	<b>103.758</b>	<b>91.505</b>	<b>157.722</b>	<b>106.108</b>	<b>103.743</b>	<b>91.500</b>
<b>Income (loss) attributable to:</b>									
Controlling shareholders		157.722	106.108	103.743	91.500	157.722	106.108	103.743	91.500
Non-controlling shareholders		17	(1)	15	5	-	-	-	-
<b>Net income for the period</b>		<b>157.739</b>	<b>106.107</b>	<b>103.758</b>	<b>91.505</b>	<b>157.722</b>	<b>106.108</b>	<b>103.743</b>	<b>91.500</b>
<b>Earnings per share</b>									
Earnings per common share - basic		0,6418	0,4318	-	-				
Earnings per common share - diluted		0,6405	0,4262	-	-				
<b>Number of shares at the end of the period</b>									
Outstanding common shares		245.756.244	245.756.346	-	-				
Outstanding common shares with a dilution effect		246.235.847	248.986.346	-	-				

See the accompanying notes to the quarterly financial information.

**Vulcabras S.A.**

(Publicly-held company)

**Statements of comprehensive income**

June 30, 2022 and 2021

*(In thousands of reais)*

	<u>Consolidated</u>		<u>Consolidated</u>		<u>Parent company</u>		<u>Parent company</u>	
	<u>06/30/2022</u>	<u>06/30/2021</u>	<u>04/01/2022-06/30/2022</u>	<u>04/01/2021-06/30/2021</u>	<u>06/30/2022</u>	<u>06/30/2021</u>	<u>04/01/2022-06/30/2022</u>	<u>04/01/2021-06/30/2021</u>
<b>Income (loss) for the period</b>	<u>157.739</u>	<u>106.107</u>	<u>103.758</u>	<u>91.505</u>	<u>157.722</u>	<u>106.108</u>	<u>103.743</u>	<u>91.500</u>
<b>Other comprehensive income - OCI</b>	<u>(1.889)</u>	<u>154</u>	<u>1.819</u>	<u>(3.078)</u>	<u>(1.889)</u>	<u>154</u>	<u>1.819</u>	<u>(3.078)</u>
<b>Items that can be subsequently reclassified to income (loss)</b>								
Exchange differences from translation of foreign operations	(1.889)	144	1.831	(3.176)	(1.889)	144	1.831	(3.176)
Financial assets at fair value through other comprehensive income	-	10	(12)	98	-	10	(12)	98
<b>Total comprehensive income</b>	<u>155.850</u>	<u>106.261</u>	<u>105.577</u>	<u>88.427</u>	<u>155.833</u>	<u>106.262</u>	<u>105.562</u>	<u>88.422</u>
<b>Comprehensive income attributable to:</b>								
Controlling shareholders	155.833	106.262	105.562	88.422	155.833	106.262	105.562	88.422
Non-controlling shareholders	17	(1)	15	5	-	-	-	-

See the accompanying notes to the quarterly financial information.

**Vulcabras S.A.**

(Publicly-held company)

**Statement of changes in shareholders' equity - Parent company and Consolidated**

June 30, 2022 and 2021

(In thousands of reais)

	Consolidated									
	Parent company								Non-controlling interest	Total shareholders' equity
	Capital	Reflected revaluation reserve in subsidiaries	Capital reserve	Other comprehensive income	Profit reserve		Retained earnings (losses)	Total		
Equity valuation adjustment					Legal reserve	Unrealized profit reserve				
<b>Balances at January 01, 2021</b>	<b>1.106.717</b>	<b>4.670</b>	<b>3.034</b>	<b>21.114</b>	-	-	<b>(10.457)</b>	<b>1.125.078</b>	<b>316</b>	<b>1.125.394</b>
Realization of revaluation reserve in subsidiary, net of taxes	-	(136)	-	-	-	-	136	-	-	-
Transaction with share-based payments	-	-	783	-	-	-	-	783	-	783
<b>Other comprehensive income</b>										
Exchange differences from translation of foreign operations	-	-	-	144	-	-	-	144	(17)	127
Financial assets at fair value through other comprehensive income	-	-	-	10	-	-	-	10	-	10
Net income for the period	-	-	-	-	-	-	106.108	106.108	(1)	106.107
<b>Balances at June 30, 2021</b>	<b>1.106.717</b>	<b>4.534</b>	<b>3.817</b>	<b>21.268</b>	-	-	<b>95.787</b>	<b>1.232.123</b>	<b>298</b>	<b>1.232.421</b>
<b>Balances at January 01, 2022</b>	<b>1.106.717</b>	<b>4.410</b>	<b>4.731</b>	<b>22.744</b>	<b>15.692</b>	<b>201.927</b>	-	<b>1.356.221</b>	<b>341</b>	<b>1.356.562</b>
Realization of revaluation reserve in subsidiary, net of taxes	-	(120)	-	-	-	-	120	-	-	-
Transaction with share-based payments	-	-	(766)	-	-	-	-	(766)	-	(766)
<b>Other comprehensive income</b>										
Exchange differences from translation of foreign operations	-	-	-	(1.889)	-	-	-	(1.889)	(22)	(1.911)
Net income for the period	-	-	-	-	-	-	157.722	157.722	17	157.739
<b>Balances at June 30, 2022</b>	<b>1.106.717</b>	<b>4.290</b>	<b>3.965</b>	<b>20.855</b>	<b>15.692</b>	<b>201.927</b>	<b>157.842</b>	<b>1.511.288</b>	<b>336</b>	<b>1.511.624</b>

See the accompanying notes to the quarterly financial information.



**Vulcabras S.A.**

(Publicly-held company)

**Statements of cash flows - Indirect method**

June 30, 2022 and 2021

(In thousands of reais)

	Note	Consolidated		Parent company	
		06/30/2022	06/30/2021	06/30/2022	06/30/2021
<b>Cash flow from operating activities</b>					
<b>Net income for the period</b>		157.739	106.107	157.722	106.108
<b>Adjustments for:</b>					
Depreciation and amortization		38.862	34.519	-	181
Provision for impairment losses on inventories	7b	1.975	4.136	-	-
Interest on provisioned leases	18	2.084	819	-	-
Net value of written off tangible and intangible assets		6.073	5.209	-	-
Yields from interest earning bank deposits		(492)	(1.084)	-	(991)
Provisions (reversals) for contingencies	19	2.587	4.597	268	(26)
Equity in net income of subsidiaries	12	(1.422)	1.082	(161.785)	(107.911)
Transaction with share-based payments	20c	(766)	783	(766)	783
Reversal (provision) for expected losses for allowance for doubtful accounts	6d	4.164	(7.942)	-	-
Gain in the settlement of a pre-existing relationship	25	-	(13.980)	-	-
Gain or loss on lease termination	18	-	(13)	-	-
Recovery of PIS and COFINS on ICMS		(2.573)	(67.506)	-	-
Undue tax payment - SELIC		(8.792)	-	-	-
Financial charges and exchange-rate change recognized in income (loss)		19.025	12.695	-	-
Current and deferred income tax and social contribution	9c	2.378	11.378	-	-
Non-controlling interest		(17)	1	-	-
		<b>220.825</b>	<b>90.801</b>	<b>(4.561)</b>	<b>(1.856)</b>
<b>Changes in assets and liabilities</b>					
Trade accounts receivable		(78.401)	77.263	-	-
Inventories		(92.417)	(262.525)	-	-
Recoverable taxes		12.809	(7.155)	(22)	(206)
Deferred taxes	9b	(46)	58	-	-
Amounts receivable for disposal of operation		1.720	1.720	-	-
Other accounts receivable		2.804	(973)	654	212
Judicial deposits		(1.605)	1.988	6	130
Suppliers		65.774	74.894	(1.495)	(153)
Commissions payable		3.809	(7.989)	-	-
Taxes and social contributions		4.594	(6.701)	20	18
Salaries and vacations payable		16.333	14.121	-	11
Other accounts payable		2.574	10.428	171	9
Provisions made		(1.954)	(4.411)	(20)	(290)
<b>Cash from (used in) operating activities</b>		<b>156.819</b>	<b>(18.481)</b>	<b>(5.247)</b>	<b>(2.125)</b>
Interest paid	17d	(23.399)	(12.227)	-	-
Payment of lease interest	17d	(1.123)	(1.101)	-	-
Income taxes paid		(7.769)	(2.242)	-	-
		<b>(32.291)</b>	<b>(15.570)</b>	<b>-</b>	<b>-</b>
<b>Net cash flow from (used in) operating activities</b>		<b>124.528</b>	<b>(34.051)</b>	<b>(5.247)</b>	<b>(2.125)</b>
<b>Cash flow from investing activities</b>					
Acquisitions of property, plant and equipment (*)	13	(69.671)	(63.726)	-	(2)
Redemption (investment) of interest earning bank deposits		111	1.395	1	1.384
Payment for acquisition of subsidiary	,1,2	-	(37.273)	-	-
Funds from disposal of property, plant and equipment		453	1.072	-	-
Acquisitions of intangible assets	14	(1.358)	(2.002)	-	-
Increase in investee's interest	12b	-	-	(5)	(19)
<b>Net cash flow from (used in) investment activities</b>		<b>(70.465)</b>	<b>(100.534)</b>	<b>(4)</b>	<b>1.363</b>
<b>Cash flow from financing activities</b>					
Loans obtained - Principal	17d	153.831	190.000	-	-
Payment of loans obtained - Principal	17d	(212.329)	(124.493)	-	-
Receipt (payments) of loans with related parties	17d	-	192	6.027	995
Dividends and interest on own capital paid		(4)	-	(4)	-
Payment of lease liabilities	17d	(5.595)	(4.554)	-	-
<b>Net cash flow from (used in) financing activities</b>		<b>(64.097)</b>	<b>61.145</b>	<b>6.023</b>	<b>995</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(10.034)</b>	<b>(73.440)</b>	<b>772</b>	<b>233</b>
Cash and cash equivalents at the beginning of the period		114.635	158.552	33	18
Effect of changes in exchange rate on cash and cash equivalents		1.052	(373)	-	-
Cash and cash equivalents at the end of the period		105.653	84.739	805	251
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(10.034)</b>	<b>(73.440)</b>	<b>772</b>	<b>233</b>

See the accompanying notes to the quarterly financial information.

**Vulcabras S.A.**

(Publicly-held company)

**Statements of added value**

June 30, 2022 and 2021

*(In thousands of reais)*

	<u>Consolidated</u>		<u>Parent company</u>	
	<u>06/30/2022</u>	<u>06/30/2021</u>	<u>06/30/2022</u>	<u>06/30/2021</u>
<b>Revenues</b>	<b><u>1.286.207</u></b>	<b><u>857.206</u></b>	<b><u>595</u></b>	<b><u>313</u></b>
Sale of goods, products and services	1.276.136	804.402	-	-
Other revenues and expenses	14.235	44.862	595	313
Expected losses for allowance for doubtful accounts	(4.164)	7.942	-	-
<b>Inputs acquired from third parties</b>	<b><u>(605.271)</u></b>	<b><u>(380.437)</u></b>	<b><u>(1.438)</u></b>	<b><u>(3.381)</u></b>
Raw material used	(288.565)	(180.447)	-	-
Cost of products and goods sold and services rendered	(185.308)	(97.136)	-	-
Materials, energy, outsourced services and other	(131.306)	(102.821)	(1.438)	(3.381)
Loss/recovery of asset values	(92)	(33)	-	-
<b>Gross added value</b>	<b><u>680.936</u></b>	<b><u>476.769</u></b>	<b><u>(843)</u></b>	<b><u>(3.068)</u></b>
<b>Retentions</b>	<b><u>(38.862)</u></b>	<b><u>(34.519)</u></b>	<b><u>-</u></b>	<b><u>(181)</u></b>
Depreciation and amortization	(38.862)	(34.519)	-	(181)
<b>Net added value generated by the Company</b>	<b><u>642.074</u></b>	<b><u>442.250</u></b>	<b><u>(843)</u></b>	<b><u>(3.249)</u></b>
<b>Added value received as transfer</b>	<b><u>35.296</u></b>	<b><u>53.051</u></b>	<b><u>171.067</u></b>	<b><u>113.124</u></b>
Equity in net income of subsidiaries	1.422	(1.082)	161.785	107.911
Financial revenues	30.192	52.283	6.393	2.587
Other	3.682	1.850	2.889	2.626
<b>Total added value to be distributed</b>	<b><u>677.370</u></b>	<b><u>495.301</u></b>	<b><u>170.224</u></b>	<b><u>109.875</u></b>
<b>Distribution of added value</b>	<b><u>677.370</u></b>	<b><u>495.301</u></b>	<b><u>170.224</u></b>	<b><u>109.875</u></b>
<b>Personnel</b>	<b><u>307.682</u></b>	<b><u>234.031</u></b>	<b><u>335</u></b>	<b><u>401</u></b>
Direct remuneration	206.260	153.830	-	-
Benefits	38.414	30.734	-	-
FGTS	15.015	12.785	-	-
Sales commissions	40.809	30.365	-	-
Management fees	7.184	6.317	335	401
<b>Taxes, duties and contributions</b>	<b><u>165.363</u></b>	<b><u>119.494</u></b>	<b><u>977</u></b>	<b><u>819</u></b>
Federal	128.565	93.735	823	631
State	36.447	25.303	-	-
Municipal	351	456	154	188
<b>Third-party capital remuneration</b>	<b><u>46.586</u></b>	<b><u>35.669</u></b>	<b><u>11.190</u></b>	<b><u>2.547</u></b>
Interest	45.086	35.076	11.189	2.548
Rentals	1.500	594	-	-
Other	-	(1)	1	(1)
<b>Remuneration of own capital</b>	<b><u>157.739</u></b>	<b><u>106.107</u></b>	<b><u>157.722</u></b>	<b><u>106.108</u></b>
Retained earnings	157.722	106.108	157.722	106.108
Non-controlling interest	17	(1)	-	-

See the accompanying notes to the quarterly financial information.

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
Period ended June 30, 2022  
(In thousands of reais)

### 1 Operations

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

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

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

The brands managed by the companies include:

**Own brands:** Azaléia, Dijean, Olk, Olympikus, Opanka and Vulcabras.

**Third parties’ brands:** Under Armor and Mizuno.

#### 1.1 Relevant events during the period:

##### 1.1.1 Impacts of COVID-19 (coronavirus)

Even after more than two years of the beginning of the COVID-19 pandemic, the effects of measures to combat the pandemic still persist and impact the economy. With the advance of vaccination against COVID-19 in all regions of the country, there was a positive reaction of the economy and the effects of such reaction were felt by almost all economic segments. However, despite the disruption caused by the breakdown between the production chains and the weaker consumer demand, the 1st semester of 2022 was very positive and the Company recorded sales growth, demonstrating its assertive market strategy.

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

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information

Period ended June 30, 2022

(In thousands of reais)

- **Cash and cash equivalents:** The Company does not see relevant risks, as the amounts continue to be held in prime banks (see Note 28), with immediate liquidity and in investments with fixed rates.
- **Inventories:** The Company's accounting practice is to record and present its inventory at the lower value between the acquisition average cost and net realizable value. This analysis was carried out on the base date and the impact presented in Note 7.
- **Accounts receivable:** The Company keeps a constant analysis of the changes in its accounts receivable so that, if necessary, it complements the provision for expected losses. Considering the capillarity of sales distribution and the Company's credit policy, there is no concentration of clients in sales or in the receivables portfolio. The Company's policy for measuring losses with clients is described in Note 6c.
- **Loans and financing:** Since the first impacts of the COVID-19 pandemic, the Company maintained its financial discipline and sought to strengthen its cash with contributions through credit facilities, which were pre-approved, prioritizing incentivized operations and with extended terms.
- **Intangible assets:** For the most relevant intangible assets susceptible to the effects of the COVID-19 crisis, we have: the goodwill of an Under Armor brand store and the goodwill paid on the acquisition of equity interest. These two assets are tested annually, either in the matching of current realization values or in the expected future profitability of the acquired operations, in the case of goodwill.
- For the goodwill, the Company does not believe that there is a need for a new adjustment in the value, according to the expected recoverability of such asset.
- For the goodwill paid on the acquisition of equity interest, although the effects of COVID-19 may harm the Company's future income, there is sufficient amount left over to support such fluctuation. In the analysis of the recoverable amount of goodwill due to the expectation of future results from business combination processes carried out on December 31, 2021, an estimated recoverable amount was obtained, higher than its book value (see Note 15c). When comparing the projected revenue for the last projected year (2031), from the 2022 and 2031 projections, the Company observed that the revenue growth with CAGR (**Compound Annual Growth Rate** or **annual growth rate**) of around 6.8%, taking as a base period the revenue realized in the year 2021.

## **Vulcabras S.A. and Consolidated**

Notes to the interim financial information

Period ended June 30, 2022

(In thousands of reais)

- For the amount recognized in the right-of-use in assets, which is linked to the lease agreements of the properties intended mainly for the retail stores of the Company's brands that operated with restrictions on opening and opening hours during most of the 1st quarter of 2021. The impacts suffered from the closing of stores were already recorded during the 1st semester of 2021. With the relaxation of restrictive measures, their operation was normalized. It is expected that the effects of this COVID-19 pandemic will still be felt for many months to come, but Management understands that the greatest impacts occurred from April to June 2020.

Considering the current scenario, the Company is confident of its soundness, knowing that there are still many challenges ahead regarding consumption and the recovery of the macroeconomic scenario. Although it is still very difficult to predict what will happen, the Company is convinced that the strength of its brands, coupled with the flexibility of its business model, will be a competitive advantage that will lead it to quickly overcome this crisis.

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
 Period ended June 30, 2022  
 (In thousands of reais)

### 1.2 List of subsidiaries

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

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

## **Vulcabras S.A. and Consolidated**

Notes to the interim financial information  
Period ended June 30, 2022  
(In thousands of reais)

### ***a. Main characteristics of subsidiaries included in consolidation***

#### *Calzados Azaleia Peru S.A.*

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

#### *Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.*

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

#### *Globalcyr S.A.*

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

#### *Vulcabras BA, Calçados e Artigos Esportivos S.A.*

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

#### *Vulcabras CE, Calçados e Artigos Esportivos S.A.*

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

#### *Vulcabras Distribuidora de Artigos Esportivos Ltda.*

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

#### *Vulcabras Empreendimento Imobiliário SPE Ltda.*

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

#### *Vulcabras SP, Comércio de Artigos Esportivos Ltda.*

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

#### *Running Comércio e Indústria de Artigos Esportivos Ltda.*

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

## **Vulcabras S.A. and Consolidated**

Notes to the interim financial information  
Period ended June 30, 2022  
(In thousands of reais)

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

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

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

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

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

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

The authorization for the conclusion and issue of this individual and consolidated interim financial information was given by the Board of Directors on July 28, 2022.

#### **2.2 Use of estimates and judgments**

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

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

##### ***a. Judgments***

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

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



## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
Period ended June 30, 2022  
(In thousands of reais)

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

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

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

### **3 Significant accounting policies**

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

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

#### ***New standards and interpretations not yet effective***

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

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

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

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
Period ended June 30, 2022  
(In thousands of reais)

### 4 Cash and cash equivalents

	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
Current account	1,107	4,760
Floating rate CDB (Invest Fácil)	8,829	2,751
Floating rate CDB	92,726	101,465
Investment funds	-	713
Cash and cash equivalents abroad (a)	2,991	4,946
	<u>105,653</u>	<u>114,635</u>

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

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

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

Floating-rate CDBs (Bank Deposit Certificate) are remunerated from 101.0% to 104.50% of CDI as of June 30, 2022 (from 98.0% to 100.50% of CDI as of December 31, 2021). See Note 28 on credit risk exposure.

### 5 Interest earning bank deposits

	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
Interest earning bank deposits:		
floating-rate CDBs	5,227	5,005
Investment funds – fixed income	4,571	4,413
Share investment funds	895	894
	<u>10,693</u>	<u>10,312</u>

Fixed rate CDBs (Bank Deposit Certificates) have no liquidity, as they are linked to guarantees in financing agreements (BNB) and are remunerated at 98.0% of the CDI (98.0% of the CDI as of December 31, 2021). Investments in fixed income investment funds in the amount of R\$ 4,571 (R\$ 4,413 as of December 31, 2021) yield 60% to 66% of the CDI as of June 30, 2022 (28% to 46% of the CDI as of December 31, 2021), do not have liquidity, as they are linked to guarantees in financing agreements (BNB). Equity investment funds are financial assets measured at fair value through other comprehensive income. Shares were valued according to the B3 quotation on the date of this interim financial information.

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
 Period ended June 30, 2022  
 (In thousands of reais)

### 6 Trade accounts receivable

#### a. Breakdown of balances

	<u>Consolidated</u>	
	<b>06/30/2022</b>	<b>12/31/2021</b>
<b>Accounts receivable</b>		
Domestic:		
Clients	669,809	629,540
Abroad:		
Clients	<u>65,089</u>	<u>25,440</u>
Subtotal trade accounts receivable	<u>734,898</u>	<u>654,980</u>
Impairment losses	<u>(39,302)</u>	<u>(35,074)</u>
Total trade accounts receivable, net	<u>695,596</u>	<u>619,906</u>
Current	688,549	616,275
Non-current	7,047	3,631

#### b. Per maturity

	<u>Consolidated</u>	
	<b>06/30/2022</b>	<b>12/31/2021</b>
<b>Falling due (days):</b>		
01–30	124,990	194,604
31–60	199,255	191,466
61–90	197,124	138,199
>90	<u>171,199</u>	<u>90,996</u>
	<u>692,568</u>	<u>615,265</u>
<b>Overdue (days):</b>		
01–30	4,985	5,129
31–60	1,813	578
61–90	298	624
>90	<u>35,234</u>	<u>33,384</u>
	<u>42,330</u>	<u>39,715</u>
	<u>734,898</u>	<u>654,980</u>

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

Details on gross sales in the foreign and domestic markets are disclosed in Note 21. Management understands that the amount that best reflects its maximum exposure to credit risk for the period ended June 30, 2022 is R\$ 39,302 (R\$ 35,074 as of December 31, 2021), which results from the criteria described in item (c).

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
Period ended June 30, 2022  
(In thousands of reais)

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

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

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

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

### d. Changes in impairment loss

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

	<u>Consolidated</u>	
	<b>06/30/2022</b>	<b>12/31/2021</b>
<b>Opening balance</b>	(35,074)	(50,529)
Complement of provision	(6,777)	(4,831)
Reversal for credit assignment (*)	-	8,604
Write-offs	4	3,526
Recovery of provisions	<u>2,545</u>	<u>8,156</u>
<b>Closing balance</b>	<u><u>(39,302)</u></u>	<u><u>(35,074)</u></u>

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

Considering the capillarity of sales distribution and the credit policy of the Company's subsidiaries, the concentration of clients in sales or in the receivables portfolio is lower than 13%. Thus, at the end of the period as of June 30, 2022, there was no significant change in the participation or concentration in the main clients.

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
Period ended June 30, 2022  
(In thousands of reais)

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

### 7 Inventories

	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
Finished goods	104,587	113,212
Good for resale	184,061	178,131
Work in progress	48,097	42,862
Raw material	149,741	105,311
Packaging and storeroom materials	24,042	24,283
Goods in transit	63,789	22,148
Imports in progress	7,528	5,456
Other	2,094	2,094
	<u>583,939</u>	<u>493,497</u>

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

#### a. Measurement criteria of provision (impairment)

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

As of June 30, 2022, the provision for losses for finished products and goods for resale is R\$ 5,708 (R\$ 8,904 as of December 31, 2021), the provision for losses on raw materials is R\$ 17,751 (R\$ 16,368 as of December 31, 2021) and the provision for losses for work in process is R\$ 3,991 (R\$ 3,252 as of December 31, 2021). The amount of raw material, labor, and indirect manufacturing costs used in the breakdown of costs of products sold is R\$ 553,873 as of June 30, 2022 (R\$ 355,901 as of June 30, 2021).

#### b. Changes in provision (impairment)

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

	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
<b>Opening balance</b>	<b>(28,524)</b>	<b>(31,683)</b>
Additions (reversals) for the period	(1,975)	(26,456)
Write-offs	3,049	29,615
<b>Closing balance</b>	<b><u>(27,450)</u></b>	<b><u>(28,524)</u></b>

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
 Period ended June 30, 2022  
 (In thousands of reais)

### 8 Recoverable taxes

	<u>Consolidated</u>		<u>Parent company</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
ICMS	4,855	7,211	20	20
IPI	1,525	1,214	-	-
PIS/COFINS	81,787	95,809	-	-
FINSOCIAL	2,385	2,377	1,831	1,821
Reintegra	583	517	-	-
Undue tax payments (a)	8,792	-	-	-
Other	2,177	2,823	562	556
	<u>102,104</u>	<u>109,951</u>	<u>2,413</u>	<u>2,397</u>
Current	30,306	46,852	582	576
Non-current	71,798	63,099	1,831	1,821

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

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

### 9 Income tax and social contribution

#### a. Income tax prepayment

	<u>Consolidated</u>		<u>Parent company</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
Income tax - prepayment	13,476	7,073	752	746
	<u>13,476</u>	<u>7,073</u>	<u>752</u>	<u>746</u>

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

	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
<b>Temporary differences for the period</b>		
Revaluation of property, plant and equipment	(2,210)	(2,272)
Domestic deferred income tax and social contribution	(2,576)	(2,576)
Deferred income tax - foreign subsidiary	477	493
<b>Deferred income tax and social contribution on temporary differences</b>	<b>(4,309)</b>	<b>(4,355)</b>
Total deferred income tax and social contribution in assets	477	493
Total deferred income and social contribution tax liabilities	(4,786)	(4,848)

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
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### 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%:

	<u>Consolidated</u>	
	<b>06/30/2022</b>	<b>06/30/2021</b>
Current income tax and social contribution	(2,378)	(11,378)
	<u>(2,378)</u>	<u>(11,378)</u>

### d. Reconciliation of effective tax rate

	<u>Consolidated</u>	
	<u>IRPJ / CSLL</u>	
	<b>06/30/2022</b>	<b>06/30/2021</b>
<b>Income before income tax and social contribution</b>	<b>160,117</b>	<b>117,485</b>
Income tax and social contribution at a rate of 34%	54,440	39,945
Non-deductible expenses	1,338	1,818
Tax incentives – state (a)	(31,892)	(19,357)
IRPJ incentive (a)	(8,612)	(1,932)
Incentive to technological innovation	(3,291)	(3,905)
Offset of tax loss and negative basis	(2,835)	(6,298)
Other additions/exclusions	1,092	4,654
Non-taxable revenues	(5,378)	-
Adjustment of tax overpayments	(2,666)	-
Other	182	(3,547)
Expense with income tax and social contribution	<u>2,378</u>	<u>11,378</u>
Current	2,378	11,378
<b>Effective rate (b)</b>	<b>1.49%</b>	<b>9.68%</b>

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

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

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### e. Tax losses to be offset

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

	06/30/2022							
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Running, Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Vulcabras S.A.	Total
Tax losses calculated on June 30, 2022	303,038	610,378	69,061	349,348	2,047	39,273	149,941	1,523,086
Negative basis of social contribution as of June 30, 2022	<u>1,137,276</u>	<u>622,400</u>	<u>69,061</u>	<u>349,348</u>	<u>2,047</u>	<u>39,273</u>	<u>152,055</u>	<u>2,371,460</u>

  

	12/31/2021							
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Running, Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Vulcabras S.A.	Total
Tax losses calculated on December 31, 2021	314,055	613,812	73,889	340,958	142	39,265	146,149	1,528,270
Negative basis of social contribution as of December 31, 2021	<u>1,127,399</u>	<u>625,834</u>	<u>73,889</u>	<u>340,958</u>	<u>142</u>	<u>39,265</u>	<u>148,264</u>	<u>2,355,751</u>



## Vulcabras S.A. and Consolidated

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

### 10 Judicial deposits

The Company and its subsidiaries have judicial deposits related to civil, labor and tax lawsuits (Note 19), as shown below:

	Consolidated		Parent company	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Judicial deposits				
Civil	46	65	-	-
Labor	13,368	13,944	213	222
Tax	3,459	1,996	119	116
<b>Total</b>	<b>16,873</b>	<b>16,005</b>	<b>332</b>	<b>338</b>

#### a. Labor (consolidated)

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

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

#### b. Civil (consolidated)

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

#### c. Tax (consolidated)

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

### 11 Related-party transactions

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

Loan agreements are restated at the DI-CETIP rate.

#### a. Parent company and ultimate parent company

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
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### b. Transactions with parent company

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

	Vulcabras CE	Vulcabras Distribuidora	Vulcabras BA	06/30/2022	12/31/2021
<b>Assets</b>					
Loan agreement with related parties	-	123,484	-	123,484	118,324
<b>Liabilities</b>					
Loan agreement with related parties (*)	165,807	-	51,913	217,720	206,533
				<b>06/30/2022</b>	<b>06/30/2021</b>
<b>Income (loss)</b>					
Financial income (loss)	(8,520)	6,365	(2,667)	(4,822)	(993)

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
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### c. Transactions between subsidiaries

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

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

	<u>Globalcyr</u>	<u>Running</u>	<u>Calçados Azaleia Peru</u>	<u>Vulcabras SP</u>	<u>Vulcabras Distribuidora</u>	<u>Vulcabras BA</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
<b>Assets</b>								
Accounts receivable	-	3,560	1,703	54,502	34,919	1,536	96,220	97,872
Loan agreement with related parties	8,236	-	-	-	-	-	8,236	-
Other receivables	-	-	-	502	1,377	3,914	5,793	5,472
<b>Liabilities</b>								
Accounts payable	-	-	-	-	1,391	8,515	9,906	1,563
Other debits (a)	-	-	-	-	-	25,000	25,000	-
<b>Income (loss)</b>							<u>06/30/2022</u>	<u>06/30/2021</u>
Financial income (loss)	49	-	-	-	-	-	49	58
Intercompany sale	-	1,632	3,867	14,915	402	11,364	32,180	29,241
Intercompany purchase	-	-	-	-	(2,772)	(15,828)	(18,600)	(9,575)

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

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
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### d. Management remuneration

At the Annual Shareholders' Meeting held April 26, 2022, the Company established the annual overall remuneration of the Directors at up to R\$ 15,818. In the period ended June 30, 2022, the Company paid remuneration to its Managers in the amount of R\$ 7,184 (R\$ 6,318 on June 30, 2021).

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

As of June 30, 2022 and December 31, 2021, the Company and its subsidiaries, despite recording provisions related to long-term benefits, did not pay their key management personnel remuneration in the following categories: a) Long-term benefits; b) Benefits on termination of employment contract; and c) share-based payment.

### e. Other related party transactions

Vulcabras CE, Calçados e Artigos Esportivos S.A. through its indirect subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. has loan payable to Brisa Indústria de Tecidos Tecnológicos S.A. in the amount of R\$ 18,242 as at June 30, 2022 (R\$ 18,041 as of December 31, 2021), remunerated at 2.20% p.a. (4% p.a. and 2.20% p.a. as of December 31, 2021). For further details, see Note 17.

## 12 Investments

### a. Breakdown of balances

	Consolidated		Parent company	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,599,798	1,439,905
In associated companies (a)	64,214	62,792	-	-
Other investments (b)	7,468	6,616	-	-
Investments	71,682	69,408	1,599,798	1,439,905
Provision for investment losses	-	-	(127)	(135)
<b>Total</b>	<b>71,682</b>	<b>69,408</b>	<b>1,599,671</b>	<b>1,439,770</b>

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
Period ended June 30, 2022  
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### b. Changes in investments

	<u>Consolidated</u>		<u>Parent company</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
Opening balances	69,408	59,999	1,439,770	1,114,914
Equity in investments	1,422	3,072	161,785	317,491
Exchange differences from translation of foreign operations	-	-	(1,889)	1,194
Acquisition/increase in investment (Note 12a)	852	6,337	-	5,700
Financial assets at fair value through other comprehensive income	-	-	-	436
Increase in investee's interest	-	-	5	35
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balances	<u>71,682</u>	<u>69,408</u>	<u>1,599,671</u>	<u>1,439,770</u>

## Vulcabras S.A. and Consolidated

Notes to the interim financial information

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### c. Information on direct interest - Parent company

	Vulcabras CE, Calçados e Artigos Esportivos S.A.		Vulcabras Distribuidora de Artigos Esportivos Ltda.		Globalcyr S.A.		Vulcabras Empreendimentos Ltda.		Total	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Total assets	2,115,211	1,951,194	362,865	316,490	2	2	2,094	2,094	-	-
Total liabilities	517,630	513,482	269,148	241,407	8,245	8,730	-	-	-	-
Capital	1,190,892	1,190,892	143,045	139,315	1,056	1,056	2,094	2,094	-	-
Net revenue	573,940	988,876	200,043	355,991	-	-	-	-	-	-
Income (loss) for the period	161,765	317,492	14,904	1,291	(49)	(104)	-	-	-	-
Number of shares or quotas held (thousand shares/quotas)	537,467	537,467	200	200	10	10	2,094	2,094	-	-
Shareholders' equity	1,597,581	1,437,712	93,717	75,083	(8,243)	(8,728)	2,094	2,094	-	-
Interest in capital at the end of the period - %	99.99%	99.99%	0.14%	0.14%	1.54%	1.54%	100.00%	100.00%	-	-
Investments	1,597,573	1,437,706	131	105	-	-	2,094	2,094	1,599,798	1,439,905
Provision for investment losses	-	-	-	-	(127)	(135)	-	-	(127)	(135)
Equity in net income of subsidiaries	161,765	317,491	21	2	(1)	(2)	-	-	161,785	317,491

### d. Information on indirect interest

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
 Period ended June 30, 2022  
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### (i) Vulcabras CE, Calçados e Artigos Esportivos S.A.

06/30/2022	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Globalcyr S.A.	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Running Comércio e Indústria de Artigos Esportivos Ltda	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calçados Azaleia Peru S.A.	PARS Participações Ltda.		
Total assets	362,865	128,710	2	593,476	11,418	723	61,066	128,429		
Total liabilities	269,148	124,262	8,245	131,928	10,431	13,945	25,005	1		
Capital	143,045	402,984	1,056	365,403	3,621	26,207	1,072	36,116		
Shareholders' equity	93,717	4,448	(8,243)	461,548	987	(13,222)	36,061	128,428		
Net revenue	200,043	58,788	-	329,969	7,195	-	36,660	-		
Income (loss) for the period	14,904	(11,212)	(49)	46,242	(299)	(8)	1,744	2,844		
Interest in capital	99.86%	100.00%	98.45%	99.99%	100.00%	100.00%	99.11%	50.00%		

  

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

(\*) Indirect interest

## Vulcabras S.A. and Consolidated

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### 13 Property, plant and equipment

#### a. Breakdown of account

		Consolidated					
		06/30/2022			12/31/2021		
June 30, 2022	Average rate of depreciation % p.a.	Cost	Depreciation	Net	Cost	Depreciation	Net
Buildings	2-4	130,551	(92,816)	37,735	131,113	(91,221)	39,892
Machinery and equipment	10	422,227	(273,488)	148,739	395,160	(279,326)	115,834
Molds	100	285,592	(269,256)	16,336	278,863	(262,565)	16,298
Furniture and fixtures	10-20	39,411	(24,745)	14,666	40,777	(27,285)	13,492
Vehicles	20	2,372	(1,943)	429	2,241	(1,953)	288
IT equipment	20-25	34,914	(25,988)	8,926	32,775	(25,000)	7,775
Land	-	3,300	-	3,300	3,326	-	3,326
Works in progress	-	27,021	-	27,021	7,719	-	7,719
Facilities	10	143,848	(76,385)	67,463	135,563	(71,758)	63,805
Leasehold improvements	10-20	4,586	(1,075)	3,511	4,586	(603)	3,983
Imports in progress	-	4,142	-	4,142	29,249	-	29,249
Leasehold Improvements	20	1,671	(1,163)	508	1,671	(996)	675
Other	10-20	26	(25)	1	28	(27)	1
		<b>1,099,661</b>	<b>(766,884)</b>	<b>332,777</b>	<b>1,063,071</b>	<b>(760,734)</b>	<b>302,337</b>



## Vulcabras S.A. and Consolidated

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### b. Changes in cost

	Consolidated										
	01/01/2021		12/31/2021				06/30/2022				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	130,375	1,421	-	(1,306)	623	131,113	65	(68)	-	(559)	130,551
Machinery and equipment	362,699	11,628	(6,935)	27,768	-	395,160	7,986	(15,889)	34,970	-	422,227
Molds	262,557	34,346	(18,360)	320	-	278,863	15,996	(9,267)	-	-	285,592
Furniture and fixtures	32,131	3,823	(900)	5,262	461	40,777	2,379	(3,331)	-	(414)	39,411
Vehicles	2,241	87	(107)	-	20	2,241	187	(34)	-	(22)	2,372
IT equipment	28,606	3,152	(275)	973	319	32,775	2,488	(51)	-	(298)	34,914
Land	3,486	-	(160)	-	-	3,326	-	(26)	-	-	3,300
Molds in progress	-	1,165	(851)	(314)	-	-	-	-	-	-	-
Works in progress	3,541	11,435	(641)	(6,616)	-	7,719	19,330	(30)	-	2	27,021
Facilities	127,027	9,463	(445)	(482)	-	135,563	8,294	(9)	-	-	143,848
Leasehold improvements	89	551	-	3,946	-	4,586	-	-	-	-	4,586
Imports in progress	5,309	55,124	(4,948)	(26,236)	-	29,249	13,923	(4,060)	(34,970)	-	4,142
Leasehold improvements	1,524	147	-	-	-	1,671	-	-	-	-	1,671
Other	3,356	-	(13)	(3,315)	-	28	-	(2)	-	-	26
	<b>962,941</b>	<b>132,342</b>	<b>(33,635)</b>	<b>-</b>	<b>1,423</b>	<b>1,063,071</b>	<b>70,648</b>	<b>(32,767)</b>	<b>-</b>	<b>(1,291)</b>	<b>1,099,661</b>

## Vulcabras S.A. and Consolidated

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### c. Changes in depreciation

	Consolidated									
	01/01/2021		12/31/2021				06/30/2022			
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance	Additions	Write-offs	Translation adjustment	Closing balance
Buildings	(87,487)	(3,576)	-	-	(158)	(91,221)	(1,741)	-	146	(92,816)
Machinery and equipment	(270,166)	(15,371)	6,211	-	-	(279,326)	(9,491)	15,329	-	(273,488)
Molds	(250,588)	(27,550)	15,573	-	-	(262,565)	(14,272)	7,581	-	(269,256)
Furniture and fixtures	(23,665)	(1,816)	30	(1,570)	(264)	(27,285)	(1,017)	3,311	246	(24,745)
Vehicles	(1,939)	(99)	101	-	(16)	(1,953)	(47)	34	23	(1,943)
IT equipment	(22,771)	(2,120)	98	-	(207)	(25,000)	(1,230)	47	195	(25,988)
Facilities	(62,652)	(9,218)	1	111	-	(71,758)	(4,630)	3	-	(76,385)
Leasehold improvements	(89)	(403)	-	(111)	-	(603)	(472)	-	-	(1,075)
Leasehold improvements	(664)	(332)	-	-	-	(996)	(167)	-	-	(1,163)
Other	(1,609)	(1)	13	1,570	-	(27)	-	2	-	(25)
	<b>(721,630)</b>	<b>(60,486)</b>	<b>22,027</b>	<b>-</b>	<b>(645)</b>	<b>(760,734)</b>	<b>(33,067)</b>	<b>26,307</b>	<b>610</b>	<b>(766,884)</b>

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

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

## Vulcabras S.A. and Consolidated

Notes to the interim financial information  
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### 14 Intangible assets

#### a. Breakdown of account

		Consolidated					
		06/30/2022			12/31/2021		
June 30, 2022	Useful life	Cost	Amortization	Net	Cost	Depreciation	Net
<b>Defined useful life</b>							
Software	5 years	42,730	(35,397)	7,333	41,516	(34,289)	7,227
Assignment of right	Contractual period	535	(448)	87	566	(453)	113
Goodwill	Contractual period	1,464	-	1,464	1,464	-	1,464
<b>Undefined useful life</b>							
Trademarks and patents		2,068	-	2,068	2,068	-	2,068
Goodwill		198,214	-	198,214	198,214	-	198,214
		<b>245,011</b>	<b>(35,845)</b>	<b>209,166</b>	<b>243,828</b>	<b>(34,742)</b>	<b>209,086</b>

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

## Vulcabras S.A. and Consolidated

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### b. Changes in cost

June 30, 2022	Useful life	Amortization methods	Balance at 01/01/2022	Consolidated			Balance at 06/30/2022
				Additions	Write-offs	Translation adjustment	
<b>Defined useful life</b>							
Software	5 years	Straight-line	41,516	1,358	(66)	(78)	42,730
Assignment of right	Contractual period	Straight-line	566	-	-	(31)	535
Goodwill	Contractual period	Straight-line	1,464	-	-	-	1,464
<b>Undefined useful life</b>							
Trademarks and patents			2,068	-	-	-	2,068
Goodwill			198,214	-	-	-	198,214
<b>Total</b>			<b>243,828</b>	<b>1,358</b>	<b>(66)</b>	<b>(109)</b>	<b>245,011</b>

## Vulcabras S.A. and Consolidated

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

### c. Changes in amortization

June 30, 2022	Useful life	Amortization methods	Consolidated				
			Balance at 01/01/2022	Additions	Translation adjustment	Balance at 06/30/2022	
<b>Defined useful life</b>							
Software	5 years	Straight-line	(34,289)	(1,161)	53	(35,397)	
Assignment of right	Contract Term	Straight-line	(453)	(18)	23	(448)	
<b>Total</b>			<b>(34,742)</b>	<b>(1,179)</b>	<b>76</b>	<b>(35,845)</b>	

## Vulcabras S.A. and Consolidated

Notes to the interim financial information

Period ended June 30, 2022

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

## **Vulcabras S.A. and Consolidated**

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### **d. Goodwill in business combination**

The balances of goodwill on acquisition of ownership interest, recognized in subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A., are supported by reports issued by independent experts and are based on expected future profitability of the business acquired in 2009, goodwill balances are not amortized since they are assets with indefinite useful lives, as established by CVM Resolution 553/08 and CPC 01 (R1), and are annually tested for impairment, as described in Note 15.

## **15 Analysis of recoverability of non-financial assets**

### **a. Tangible and intangible assets with defined useful life**

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

For the year ended December 31, 2021, an impairment test of intangible assets with finite useful lives was carried out by means of calculation of the value in use based on cash projections from financial budgets approved by the Top Management. No evidence of impairment was identified as of June 30, 2022.

### **b. Goodwill paid on expected future profitability**

The balance of goodwill on acquisitions of ownership interest is based on expected future profitability of the acquired business and amounts to R\$ 198,214 at June 30, 2022 and December 31, 2021.

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

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

### **c. Main assumptions used in impairment tests of tangible and intangible assets as of December 31, 2021**

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

## **Vulcabras S.A. and Consolidated**

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

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

The estimate of value in use considered the following assumptions:

### ***Revenues***

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

### ***Cost***

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

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

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

### ***Expenses***

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

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

### ***Net income and free cash generation***

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

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

The value in use was higher than its book value by approximately R\$ 2,910 billion as of December 31, 2021.



## Vulcabras S.A. and Consolidated

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### 16 Suppliers

#### a. Breakdown of balances

	<u>Consolidated</u>		<u>Parent company</u>	
	<b>06/30/2022</b>	<b>12/31/2021</b>	<b>06/30/2022</b>	<b>12/31/2021</b>
<b>Suppliers</b>				
Domestic	95,799	61,816	177	1,672
Foreign	51,524	16,190	-	-
	<u>147,323</u>	<u>78,006</u>	<u>177</u>	<u>1,672</u>

#### b. Per maturity

	<u>Consolidated</u>	
	<b>06/30/2022</b>	<b>12/31/2021</b>
<b>Falling due (days):</b>		
01-30	111,214	58,892
31-60	30,849	13,246
61-90	4,672	2,678
>90	<u>537</u>	<u>2,999</u>
	<u>147,272</u>	<u>77,815</u>
<b>Overdue (days):</b>		
01-30	48	186
31-60	-	1
61-90	-	1
>90	<u>3</u>	<u>3</u>
	<u>51</u>	<u>191</u>
	<u>147,323</u>	<u>78,006</u>

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

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

## Vulcabras S.A. and Consolidated

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### 17 Loans and financing

#### a. Breakdown of balances

	Interest rate 2022	Interest rate 2021	Consolidated	
			06/30/2022	12/31/2021
<b>Domestic currency</b>				
Property, plant and equipment	IPCA + 2.04% p.a.	IPCA + 2.04% p.a.	57,272	64,330
Tax incentive	TJLP	TJLP	2,788	2,571
Working capital	IPCA + 2.07% p.a.   CDI + 1.23–1.70% p.a.	IPCA + 2.07% p.a.   CDI + 1.10–1.23% p.a.	231,922	286,237
			<b>291,982</b>	<b>353,138</b>
<b>Foreign currency</b>				
Working capital	Fixed rate 1.18–6.09% p.a.	Fixed rate 1.18–2.15% p.a.	8,292	8,112
			<b>8,292</b>	<b>8,112</b>
<b>Total financing and loans</b>			<b>300,274</b>	<b>361,250</b>
Current			211,184	291,497
Non-current			89,090	69,753

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

Maturity	06/30/2022		12/31/2021	
	Amount	%	Amount	%
<b>Current</b>	<b>211,184</b>	<b>70%</b>	<b>291,497</b>	<b>81%</b>
2022	197,118	66%	291,497	81%
2023	29,301	10%	29,848	8%
2024	51,593	17%	18,117	5%
2025	13,547	4%	13,072	4%
2026	8,715	3%	8,716	2%
<b>Non-current</b>	<b>89,090</b>	<b>30%</b>	<b>69,753</b>	<b>19%</b>
<b>Total</b>	<b>300,274</b>	<b>100%</b>	<b>361,250</b>	<b>100%</b>

#### b. Sureties and guarantees

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

#### c. Covenants

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

## Vulcabras S.A. and Consolidated

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

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

	Consolidated			
	Liabilities			
	Loans and financing	Loans with related parties	Lease liabilities	Total
<b>Balance at January 1, 2021</b>	<b>311,629</b>	<b>17,632</b>	<b>18,530</b>	<b>347,791</b>
<b>Changes in cash flow from financing</b>				
Loans obtained - Principal	190,000	-	-	190,000
Borrowings with related parties	-	192	-	192
Payment of financial lease liabilities	-	-	(4,554)	(4,554)
Payment of loans obtained – Principal	(124,493)	-	-	(124,493)
<b>Total changes in financing cash flows</b>	<b>65,507</b>	<b>192</b>	<b>(4,554)</b>	<b>61,145</b>
<b>Other changes related to liabilities</b>				
Interest paid	(12,227)	-	(1,101)	(13,328)
Proade Additions (with no cash effect)	329	-	-	329
Contract additions / readjustments	-	-	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
<b>Total other changes related to liabilities</b>	<b>(3)</b>	<b>-</b>	<b>11,090</b>	<b>11,087</b>
<b>Balance at June 30, 2021</b>	<b>377,133</b>	<b>17,824</b>	<b>25,066</b>	<b>420,023</b>

## 18 Right-of-use and lease liability

### a. Operating leases

The Company's subsidiaries lease commercial properties only.

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

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

	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
<b>Right-of-use</b>		
Opening balance	17,442	15,145
Additions / Readjustments	6,053	15,745
Write-off	-	(2,497)
Amortization (*)	(4,615)	(10,951)
<b>Closing balance</b>	<b><u>18,880</u></b>	<b><u>17,442</u></b>
	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
<b>Lease liabilities</b>		
Opening balance	19,779	18,530
Additions / Readjustments	6,391	15,221
Accrued interest	2,084	1,859
Write-off	-	(2,805)
Payment of principal	(5,595)	(10,843)
Interest	(1,123)	(2,183)
<b>Closing balance</b>	<b><u>21,536</u></b>	<b><u>19,779</u></b>
<b>Current</b>	<b>8,379</b>	<b>7,129</b>
<b>Non-current</b>	<b>13,157</b>	<b>12,650</b>

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

### *Long-term installment payment schedule*

	<u>06/30/2022</u>		<u>12/31/2021</u>	
<b>Maturity</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
2023	3,208	25%	5,208	41%
2024	5,966	45%	4,368	35%
2025	3,458	26%	3,074	24%
2026	413	3%	-	-
2027	112	1%	-	-
<b>Total</b>	<b><u>13,157</u></b>	<b><u>100%</u></b>	<b><u>12,650</u></b>	<b><u>100%</u></b>

### *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.

## Vulcabras S.A. and Consolidated

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### 19 Provisions

The Company and its subsidiaries are parties (defendants) to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, civil and other matters.

Based on information from its legal advisors, Management recognizes provisions in accordance with the procedures established by CVM Resolution 489/05 and CPC 25/IAS 37, which establishes that a provision should be recognized when: (i) the entity has a present obligation deriving from a past event; (ii) an outflow of funds will probably be required to settle the obligation; and (iii) the sum of the obligation can be estimated with sufficient assurance. If any of these conditions are not met a provision should not be made, and it might be necessary to disclose a contingent liability.

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

#### a. Breakdown of balances

	Consolidated		Parent company	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Provisions for lawsuits and administrative proceedings:				
Civil	18,439	18,455	50	53
Labor	39,727	40,041	211	189
Tax	1,608	1,382	405	176
<b>Total</b>	<b>59,774</b>	<b>59,878</b>	<b>666</b>	<b>418</b>
<b>Current</b>	<b>17,948</b>	<b>22,488</b>	<b>666</b>	<b>418</b>
<b>Non-current</b>	<b>41,826</b>	<b>37,390</b>	<b>-</b>	<b>-</b>

#### b. Labor lawsuits (Consolidated)

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

#### c. Civil lawsuits (Consolidated)

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

#### d. Tax lawsuits (Consolidated)

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

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### e. Changes in proceedings

	Consolidated										
	12/31/2020		12/31/2021				06/30/2022				
	Opening balance	Additions	Reversals	Payments	Adjustment to net presentation (*)	Closing balance	Additions	Reversals	Payments	Adjustment to net presentation (*)	Closing balance
<b>Type</b>											
Civil	18,919	1,181	(1,466)	(179)	-	18,455	278	(274)	(20)	-	18,439
Labor	36,982	13,151	(4,522)	(7,147)	1,577	40,041	8,828	(8,075)	(1,934)	867	39,727
Tax	662	2,350	(165)	(825)	(640)	1,382	1,868	(38)	-	(1,604)	1,608
<b>Total</b>	<b>56,563</b>	<b>16,682</b>	<b>(6,153)</b>	<b>(8,151)</b>	<b>937</b>	<b>59,878</b>	<b>10,974</b>	<b>(8,387)</b>	<b>(1,954)</b>	<b>(737)</b>	<b>59,774</b>
	Parent company										
	12/31/2020		12/31/2021				06/30/2022				
	Opening balance	Additions	Reversals	Payments	Closing balance	Additions	Reversals	Payments	Closing balance		
<b>Type</b>											
Civil	82	48	(17)	(60)	53	21	(4)	(20)	50		
Labor	507	-	(47)	(271)	189	22	-	-	211		
Tax	176	60	(60)	-	176	229	-	-	405		
<b>Total</b>	<b>765</b>	<b>108</b>	<b>(124)</b>	<b>(331)</b>	<b>418</b>	<b>272</b>	<b>(4)</b>	<b>(20)</b>	<b>666</b>		

(\*) 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.

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### *Contingencies*

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

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

	<b>Consolidated</b>	
<b>Contingencies</b>	<b>06/30/2022</b>	<b>12/31/2021</b>
Civil	1,835	2,741
Labor	33,594	34,950
Tax	31,380	31,250
<b>Total</b>	<b>66,809</b>	<b>68,941</b>

### **Contingent assets**

The Company's subsidiaries, Vulcabras CE and Vulcabras BA, are active parties in proceedings aimed at recognizing the exclusion of ICMS, related to sales of goods from the PIS and COFINS calculation basis, which Management understands as relevant to the business. At this time, there is no way to assure when or if the estimated amounts will actually be realized. Consequently, the Company assessed the status of its processes and concluded that, as of June 30, 2022, the requirements of CPC 25/IAS 37 for credit accounting were not met, which is why no amount was activated.

## **20 Shareholders' equity (Parent company)**

### **a. Capital**

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

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

### **b. Reserves**

#### **(i) Revaluation reserve**

The reserve was constituted as a result of the revaluations of property, plant and equipment of its subsidiaries, based on an appraisal report prepared by independent appraisers. Corresponding income tax and social contribution are classified in non-current liabilities. As of June 30, 2022, the balance of revaluation reserve is R\$ 4,290 (R\$ 4,410 on December 31, 2021).

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

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### c. Capital reserve

#### (i) Stock option

##### *General conditions*

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

##### *Stock option plan approved in 2019*

##### **Approval of the plan**

On May 06, 2019, the Board of Directors approved the 2nd stock option plan in the context of the Grant Agreement. The total options granted on this date were 780,000 (seven hundred and eighty thousand) options, with unit strike price of R\$ 7.96 (seven reais and ninety-six centavos), distributed among the qualified beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

##### **Characteristics of the plan**

<b>2nd Stock Option Plan – 2019</b>	<b>2<sup>nd</sup> grant</b>
Grant date	05/06/2019
Number of options granted	780,000(3)
Vesting period	3 years
Maturity for the year	03/31/2022
Maximum period for exercise	03/31/2023
Strike price	R\$ 7.96 (1)
Beneficiaries (employees)	22(2)

- (1) The strike price is set at R\$ 7.96, restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.
- (2) The initial number of participants in the approval of the plan was 22 executives. However, with the departure of two of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 20.
- (3) The initial number of options granted in the approval of the plan was 780,000. However, with the departure of beneficiaries during the validity period, the current number of options that can be exercised became 755,000.

##### **Beneficiaries**

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

##### **Pricing Method**

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

##### *Stock option plan approved in 2020*



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### Approval of the plan

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

### Characteristics of the plan

3rd Stock Option Plan – 2020	3 <sup>rd</sup> grant
Grant date	08/10/2020
Number of options granted	870,000(3)
Vesting period	3 years
Maturity for the year	03/31/2023
Maximum period for exercise	03/31/2024
Strike price	R\$ 8.57 (1)
Beneficiaries (employees)	21(2)

- (1) The strike price is set at R\$ 8.57 (eight reais and fifty-seven centavos), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.
- (2) The initial number of participants in the approval of the plan was 21 executives. However, with the departure of one of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 20.
- (3) The initial number of options granted in the approval of the plan was 870,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 855,000.

### Beneficiaries

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

### Pricing Method

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

### *Stock option plan approved in 2021*

#### Approval of the plan

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

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### Characteristics of the plan

<b>4th Stock Option Plan – 2021</b>	<b>4<sup>th</sup> grant</b>
Grant date	05/11/2021
Number of options granted	970,000(3)
Vesting period	3 years
Maturity for the year	03/31/2024
Maximum period for exercise	03/31/2025
Strike price	R\$ 8.06 (1)
Beneficiaries (employees)	23(2)

- (1) The strike price is set at R\$ 8.06 (eight reais and six centavos), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.
- (2) The initial number of participants in the approval of the plan was 23 executives. However, with the departure of two of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 21.
- (3) The initial number of options granted in the approval of the plan was 970,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 925,000.

### Beneficiaries

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

### Pricing Method

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

### *Stock option plan approved in 2022*

#### Approval of the plan

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

### Characteristics of the plan

<b>5th Stock Option Plan – 2022</b>	<b>5<sup>th</sup> grant</b>
Grant date	05/03/2022
Number of options granted	980,000(3)
Vesting period	3 years
Maturity for the year	03/31/2025
Maximum period for exercise	03/31/2026
Strike price	R\$ 8.89 (1)
Beneficiaries (employees)	23 (2)

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

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- (2) The initial number of participants in the approval of the plan was 23 executives. However, with the departure of one of these beneficiaries, the current number of participants with the right to exercise the purchase of options is 22.
- (3) The initial number of options granted in the approval of the plan was 980,000. However, with the departure of beneficiaries during the term, the current number of options that can be exercised became 965,000.

### Beneficiaries

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

### Pricing Method

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

### Option plan expense

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

Plan	Strike price	Grant date	Accumulated expense 06/30/2022	Accumulated expense 12/31/2021
Plan – 2018 (a)	R\$ 9.50	01/16/2018	-	R\$ 1,638
Plan – 2019	R\$ 7.96	05/05/2019	R\$ 1,717	R\$ 1,579
Plan – 2020	R\$ 8.57	08/06/2020	R\$ 1,370	R\$ 1,098
Plan – 2021	R\$ 8.06	05/11/2021	R\$ 721	R\$ 416
Plan – 2022	R\$ 8.89	05/03/2022	<u>R\$ 157</u>	<u>-</u>
<b>Total</b>			<b><u>R\$ 3,965</u></b>	<b><u>R\$ 4,731</u></b>

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

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### d. Profit reserves

#### (i) *Legal reserve*

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

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

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

### e. Equity valuation adjustments

“Equity valuation adjustments” caption includes: (i) accumulated net changes in financial assets at fair value through other comprehensive income until the investments are derecognized or suffer impairment loss; and (ii) accumulated translation adjustments include all foreign currency differences deriving from the translation of interim financial information of foreign operations. As of June 30, 2022, the balance of equity valuation adjustment is R\$ 20,855 (R\$ 22,744 on December 31, 2021).

## 21 Net sales

	<b>Consolidated</b>	
	<b>06/30/2022</b>	<b>06/30/2021</b>
Gross operating revenue		
Sale and resale of products		
Domestic market	1,167,366	780,431
Foreign market	139,527	65,937
Services rendered	2,204	910
	<u>1,309,097</u>	<u>847,278</u>
Deductions		
Taxes on sales and services rendered	(241,930)	(156,358)
Tax incentives – ICMS (Note 30)	98,239	62,400
Returns, rebates and prompt-payment discount	(30,848)	(42,022)
	<u>(174,539)</u>	<u>(135,980)</u>
<b>Net operating revenue</b>	<b><u>1,134,558</u></b>	<b><u>711,298</u></b>

## 22 Cost of sales and resales

	<b>Consolidated</b>	
	<b>06/30/2022</b>	<b>06/30/2021</b>
Costs of sales		
Raw material	(285,851)	(170,328)
Labor	(147,827)	(100,243)
Indirect costs	(120,195)	(85,330)
	<u>(553,873)</u>	<u>(355,901)</u>
Resales	(176,376)	(113,029)
<b>Total cost of sales and resales</b>	<b><u>(730,249)</u></b>	<b><u>(468,930)</u></b>

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### 23 Sales expenses

	<u>Consolidated</u>	
	06/30/2022	06/30/2021
Commissions	(40,809)	(30,364)
Freight	(38,603)	(28,847)
Advertising	(41,479)	(26,754)
Royalties	(19,001)	(10,290)
Personnel expenditures	(26,528)	(18,988)
Other expenditures	(8,278)	(10,131)
	<u>(174,698)</u>	<u>(125,374)</u>
Impairment losses	(4,164)	7,942
<b>Total sales expenses</b>	<b><u>(178,862)</u></b>	<b><u>(117,432)</u></b>

### 24 Administrative expenses

	<u>Consolidated</u>		<u>Parent company</u>	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Personnel expenditures	(25,504)	(24,258)	365	(1,265)
Outsourced services	(9,974)	(10,306)	(966)	(2,011)
Rentals	(2,073)	(1,796)	-	-
Travel and lodging	(445)	(189)	-	-
Security	(753)	(687)	(112)	(84)
Legal disputes and taxes	(1,075)	(1,065)	(314)	(367)
IT and telecommunications	(6,443)	(4,271)	(40)	(24)
Energy, water and sewage	(450)	(512)	(21)	(9)
Maintenance, cleaning and environment.	(1,777)	(1,726)	(7)	(5)
Depreciation and amortization	(7,321)	(8,388)	-	(180)
Other	(2,883)	(2,009)	(760)	(468)
	<u>(58,698)</u>	<u>(55,207)</u>	<u>(1,855)</u>	<u>(4,413)</u>
<b>Total administrative expenses</b>	<b><u>(58,698)</u></b>	<b><u>(55,207)</u></b>	<b><u>(1,855)</u></b>	<b><u>(4,413)</u></b>

## Vulcabras S.A. and Consolidated

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### 25 Other operating revenues (expenses), net

	Consolidated		Parent company	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
<b>Other operating revenues</b>				
Rental revenue	2,899	2,635	2,889	2,626
Revenue from sales of power	-	45	-	-
Sale of scrap	870	633	-	-
Revenue from sale of property, plant and equipment	1,348	1,855	-	-
Recovery of PIS/COFINS on ICMS	-	29,558	-	-
Gain from pre-existing relationship settlement	-	13,980	-	-
Undue tax payments - SELIC	8,792	-	-	-
Other	2,959	5,719	(24)	(75)
<b>Total other operating revenues</b>	<b>16,868</b>	<b>54,425</b>	<b>2,865</b>	<b>2,551</b>
<b>Other operating expenses</b>				
Provision (reversal) for contingencies	(1,501)	(4,806)	(268)	26
Expenses from sale of property, plant and equipment	(1,823)	(2,073)	-	-
Other	(3,640)	(10,655)	(8)	(5)
<b>Total other operating expenses</b>	<b>(6,964)</b>	<b>(17,534)</b>	<b>(276)</b>	<b>21</b>
<b>Other operating revenues (expenses), net</b>	<b>9,904</b>	<b>36,891</b>	<b>2,589</b>	<b>2,572</b>

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### 26 Financial revenues and expenses

	Consolidated		Parent company	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
<b>Financial revenues</b>				
Capital structure				
Revenue from investments	9,804	2,369	2	991
Other	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>9,822</u>	<u>2,369</u>	<u>2</u>	<u>991</u>
activities				
Interest	2,275	1,089	6,391	1,589
Discounts obtained	992	313	-	-
Extemporaneous credit update	2,573	39,166	-	-
Other	<u>175</u>	<u>1,608</u>	<u>-</u>	<u>7</u>
Subtotal	<u>6,015</u>	<u>42,176</u>	<u>6,391</u>	<u>1,596</u>
Exchange-rate changes	<u>14,355</u>	<u>7,738</u>	<u>-</u>	<u>-</u>
<b>Total financial revenues</b>	<b><u>30,192</u></b>	<b><u>52,283</u></b>	<b><u>6,393</u></b>	<b><u>2,587</u></b>
<b>Financial expenses</b>				
Capital structure				
Interest	(22,346)	(13,024)	(11,188)	(2,548)
IOF	(71)	(110)	(1)	-
Other	<u>(2,036)</u>	<u>(1,153)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(24,453)</u>	<u>(14,287)</u>	<u>(11,189)</u>	<u>(2,548)</u>
activities				
Bank fees	(2,119)	(2,176)	(1)	(1)
Fee/commission sale card	(72)	(31)	-	-
Discounts granted	(1,163)	(9,228)	-	-
Other rates	<u>(1,857)</u>	<u>(1,151)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(5,211)</u>	<u>(12,586)</u>	<u>(1)</u>	<u>(1)</u>
Exchange-rate changes	<u>(18,486)</u>	<u>(13,463)</u>	<u>-</u>	<u>-</u>
<b>Total financial expenses</b>	<b><u>(48,150)</u></b>	<b><u>(40,336)</u></b>	<b><u>(11,190)</u></b>	<b><u>(2,549)</u></b>
<b>Financial income (loss)</b>	<b><u>(17,958)</u></b>	<b><u>11,947</u></b>	<b><u>(4,797)</u></b>	<b><u>38</u></b>

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### 27 Earnings per share

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

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

On June 30, 2022, the Company had potential outstanding shares which could affect the dilution of the result per share under CPC 41/IAS 33 in the total amount of 3,500,000 (three million five hundred thousand) potential shares. Of the total amount, 755,000 potential shares refer to the second grant of shares of the Stock Options plan that was approved on May 5, 2019, 855,000 potential shares refer to the third grant of shares of the Stock Options plan that was approved on August 6, 2021 and 11 potential shares refer to the fourth grant of shares of the Stock Options plan that was approved on May 11, 2021 and 965,000 potential shares refer to the fifth grant of shares of the Stock Options Plan that was approved on May 03, 2022.

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

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

	<u>Consolidated</u>	
	<u>Number of common shares</u>	
	<b>06/30/2022</b>	<b>06/30/2021</b>
Income (loss) attributable to shareholders	157,722	106,108
Weighted basic average of outstanding shares in the period	245,756,244	245,756,346
Weighted basic average of outstanding shares in the period	246,235,847	248,986,346
Basic earnings per share (per thousand) - R\$	0.6418	0.4318
Basic earnings per share (per thousand) - R\$	0.6405	0.4262



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### 28 Financial instruments and risk management

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

#### Financial risk framework and management

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

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

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

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

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

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

#### (i) **Credit risk**

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

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

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.

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- (ii) Analyzing credits granted to clients and establishing sales limits. There are no clients that individually represent more over 12% of total trade accounts receivable of the Company as of June 30, 2022 (10% on December 31, 2021); and
- (iii) The Company's exposure to credit risk is influenced, mainly, by the individual characteristics of each client. However, management also considers the factors that may influence the credit risk of its client base, including the risk of non-payment of the industry and of the country in which the client operates.

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

<b>June 30, 2022</b>	<b>Policy applied</b>	<b>Gross book balance</b>	<b>Provision for estimated losses</b>
Stores	0.00%	36,659	-
Falling due	0.04%	647,202	(259)
Overdue (days):			
01–30	0.50%	4,985	(25)
31–60	10.00%	1,813	(181)
61–90	25.00%	298	(75)
>90	100.00%	24,870	(24,870)
Clients under court-ordered reorganization (with financial restructuring)	40.00%	8,632	(3,453)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	10,439	(10,439)
		<b>734,898</b>	<b>(39,302)</b>
		<hr/>	<hr/>
<b>December 31, 2021</b>	<b>Policy applied</b>	<b>Gross book balance</b>	<b>Provision for estimated losses</b>
Stores	0.00%	32,337	-
Falling due	0.04%	579,880	(232)
Overdue (days):			
01–30	0.50%	5,129	(26)
31–60	10.00%	578	(58)
61–90	25.00%	624	(156)
>90	100.00%	17,294	(17,294)
Clients under court-ordered reorganization (with financial restructuring)	40.00%	3,050	(1,220)
Clients under court-ordered reorganization (without financial restructuring)	100.00%	16,088	(16,088)
		<b>654,980</b>	<b>(35,074)</b>
		<hr/>	<hr/>

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

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

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### (ii) *Market risk*

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

#### *Currency risk*

Considering the price risk on exports, which correspond to 8.19% of revenue from its subsidiaries as of June 30, 2022 (3.64% as of December 31, 2021), any volatility of the exchange rate represents, in fact, a price risk that can impair the results planned by Management.

#### *Sensitivity analysis*

The results of the Company and its subsidiaries are susceptible to significant changes, due to the effects of the volatility of the foreign exchange rate on the liabilities indexed to foreign currencies, especially the USD, which ended the period as of June 30, 2022 with the positive change in 6.14% in relation to the last quotation as of December 31, 2021. As a strategy to avoid and reduce the effects of foreign exchange fluctuations, Management tried to maintain a natural hedge in restricted assets, also pegged to exchange fluctuations. Management does not enter into financial instruments to eliminate its exposure to foreign exchange risks, which are as follows:

	<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>
<b>US dollar (US\$'000)</b>		
Assets in foreign currency (a)	18,659	16,094
Liabilities in foreign currency (b)	<u>(11,420)</u>	<u>(4,355)</u>
Surplus determined (a-b)	<u>7,239</u>	<u>11,739</u>

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

- 1. Probable scenario and that is adopted by the Company and its subsidiaries:** Dollar rate totaled R\$ 5.2380 on June 30, 2022;
- 2. Possible scenario:** As provided in the CVM Resolution, the scenario is built considering a 25% decrease in the US dollar rate amounting to R\$ 3.9285; and
- 3. Remote scenario:** Also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R\$ 2.6190.

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

Transaction	Risk	Probable scenario	Possible scenario	Remote scenario
Financial income (loss)	US\$ 7,239,000 US\$ decr.	FX 5.2380 -	FX 3.9285 (9,479)	FX 2.6190 (19,959)

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### (iii) Interest rate risk

#### Sensitivity analysis

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

	Consolidated		Consolidated	
	Book value 06/30/2022	Fair value 06/30/2022	Book value 12/31/2021	Fair value 12/31/2021
Assets in CDI	111,353	111,353	114,347	114,347
Liabilities in TJLP	2,788	2,526	2,571	2,442
Liabilities at IPCA	81,340	82,338	100,527	105,096
Liabilities in CDI	207,855	210,494	250,040	251,262

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

- (i) Probable scenario adopted by the Company and its subsidiaries, with a DI-CETIP rate of 13.15% p.a. and TJLP of 7.01% p.a. and IPCA of 11.89% 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, 2022 is as follows:

Operation	Risk	Probable scenario	Possible scenario, 25%	Remote scenario, 50%
Loans – TJLP	TJLP incr.	TJLP 7.01% R\$ 0	TJLP 8.76% R\$ 49	TJLP 10.52% R\$ 98
Loans at IPCA	IPCA incr.	IPCA 11.89% R\$ -	IPCA 14.86% R\$ 2,416	IPCA 17.84% R\$ 4,840
Loans in CDI	CDI increase	CDI 13.15% R\$ 0	CDI 16.44% R\$ 6,838	CDI 19.73% R\$ 13,677
Investments in CDI	CDI decrease	CDI 13.15% R\$ -	CDI 9.86% R\$ (3,664)	CDI 6.58% R\$ (7,316)

### (iv) Liquidity risk

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

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

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

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

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

### *Breakdown of balances*

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

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

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

		<b>Consolidated</b>			
		<b>06/30/2022</b>		<b>12/31/2021</b>	
<b>Description</b>	<b>Classification</b>	<b>Book balance</b>	<b>Fair value</b>	<b>Book balance</b>	<b>Fair value</b>
Cash and cash equivalents	Financial assets at amortized cost	105,653	105,653	114,635	114,635
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	9,798	9,798	9,418	9,418
Share investment funds	Financial assets at fair value through other comprehensive income	895	895	894	894
Accounts receivable	Financial assets at amortized cost	688,549	688,549	616,275	616,275
Other accounts receivable	Financial assets at amortized cost	16,519	16,519	19,323	19,323
Loans and financing:					
In local currency	Other financial liabilities	291,982	332,955	353,138	358,800
In foreign currency	Other financial liabilities	8,292	8,426	8,112	7,664
Suppliers	Other financial liabilities	147,323	147,323	78,006	78,006
Loan agreement with related parties	Other financial liabilities	18,242	18,242	18,041	18,041
		<b>Parent company</b>			
		<b>06/30/2022</b>		<b>12/31/2021</b>	
<b>Description</b>	<b>Classification</b>	<b>Book balance</b>	<b>Fair value</b>	<b>Book balance</b>	<b>Fair value</b>
Cash and cash equivalents	Financial assets at amortized cost	805	805	33	33
Interest earning bank deposits					
CDB/Investment Fund	Financial assets at fair value through profit or loss	1	1	2	2
Borrowings with related parties	Financial assets at amortized cost	123,484	123,484	118,324	118,324
Other accounts receivable	Financial assets at amortized cost	2,769	2,769	3,423	3,423
Suppliers	Other financial liabilities	177	177	1,672	1,672
Borrowings with related parties	Other financial liabilities	217,720	217,720	206,533	206,533

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Notes to the interim financial information  
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 (In thousands of reais)

### (v) *Fair value hierarchy*

Description	Consolidated				Parent company			
	06/30/2022		12/31/2021		06/30/2022		12/31/2021	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Interest earning bank deposits								
floating-rate CDBs	-	5,227	-	5,005	-	-	-	-
Investment fund	-	4,571	-	4,413	-	1	-	2
Share investment funds	895	-	894	-	-	-	-	-
Borrowings with related parties	-	-	-	-	-	123,484	-	118,324
Financing and loans	-	341,381	-	366,464	-	-	-	-
Borrowings with related parties	-	18,242	-	18,041	-	217,720	-	206,533

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

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

#### *Interest earning bank deposits*

For interest earning bank deposits, the fair value against the income (loss) was calculated based on the market quotations of these securities and are stable considering investment rates and terms. The interest earning bank deposits are remunerated at a percentage of DI-CETIP and are restated at June 30, 2022 (see Note 5).

#### *Accounts receivable*

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

#### *Loans and financing*

The amount of loans and financing calculated at June 30, 2022 are measured at amortized cost using the effective interest method, and are recorded at their contractual values. We currently found interest rates applicable to these instruments identical to the contracts that were signed, given the objective of the financing, time frames and guarantees submitted. The valuation model considers the present value of the payment expected, discounted by a risk-adjusted discount rate.

#### *Suppliers*

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

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### *Limitations*

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

### **(vii) Capital management**

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

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

	<b>Consolidated</b>	
	<b>06/30/2022</b>	<b>12/31/2021</b>
Loans and financing	(300,274)	(361,250)
Lease liabilities	(21,536)	(19,779)
Cash and cash equivalents	105,653	114,635
Interest earning bank deposits	10,693	10,312
<b>Net debt</b>	<b>(205,464)</b>	<b>(256,082)</b>
<b>Shareholders' equity</b>	<b>1,511,624</b>	<b>1,356,562</b>

## 29 Insurance coverage

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

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

Coverage amounts as of June 30, 2022 are summarized as follows:

<b>Corporate insurance in reais (R\$)</b>		
<b>Object</b>	<b>Risk covered</b>	<b>Amount of coverage</b>
	Fire, Windstorms, Electrical Damages, Machine Breakdown,	
Equity	Theft, Flooding, Electronic Equipment.	195,000
Loss of profits	Fixed expenses (P.I 3 months)	60,000
D&O	Management civil general liability	20,000
General civil responsibility	General civil liability	2,000
Light vehicles	Property, body damages, pain and suffering to third parties	15,200
Heavy vehicles	Property, body damages, pain and suffering to third parties	11,200
International transport - Imports	Limit per shipment - Goods / Raw materials	7,857
<b>Total corporate insurance</b>		<b>311,257</b>



## Vulcabras S.A. and Consolidated

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### 30 Governmental grants and assistance

#### a. Federal incentives

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

#### b. State incentives

##### (i) Ceará

*For footwear*

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

*For apparel*

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

*Additional incentives*

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

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

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Notes to the interim financial information  
Period ended June 30, 2022  
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### *Additional incentives*

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

#### **(ii) Bahia**

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

### *Additional incentives*

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

#### **(iii) Minas Gerais**

- **Special Regime** – For Vulcabras Distr. Art. Esp. Ltda (Extrema-MG Branch), we will have e-PTA-RE number: 45.000024131-24, which addresses the Special Regime incentive with simplified protocol of intentions, providing for deferrals, deemed credit and TTS/IMPORT CORRIDOR, which consists of deferring the payment of ICMS on imports with a specific marketing purpose; partial deferral, resulting in a highlighted ICMS of four percent (4%) for imported products and 12% for domestic products due on domestic sales to taxpayers benefiting from the special regime; on deemed credit so that the effective rate is 3% on domestic and interstate operations with domestic products and on deemed credit of 2.5% on interstate operations with imported products or 4% on domestic operations with imported products, for an indefinite period.
- **Special Regime** – For the operation of Vulcabras SP (Extrema-MG Branch), we will have e-PTA-RE number: 45.000024132-05, which addresses the Special Regime incentive as follows: UNLINKED TTS/E-COMMERCE, which consists of adopting procedures for assigning responsibility for withholding and paying ICMS due as a tax replacement, granting ICMS deferral on imports and adopting a simplified tax bookkeeping and calculation system in the operations contracted within the scope of the electronic commerce or of telemarketing destined to the final consumer with ICMS deemed credit in the domestic operations of 12% for national products and 4% for imported products, and of 1.3% of effective rate in the interstate sales, for an indefinite period.

## Vulcabras S.A. and Consolidated

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### c. Additional incentives

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

<b>Statement of Government grants</b>			
<b>Subsidiary</b>	<b>State incentive</b>	<b>%</b>	<b>Maturity date</b>
Vulcabras CE, Calç. e Art. Esp. S.A.	Proade Calçados	99%	Aug 2031
Vulcabras CE, Calç. e Art. Esp. S.A.	Provin Confecções	75%	Jun 2022(*)
Vulcabras BA, Calç. e Art. Esp. S.A.	Probahia	99%	Jul 2027
Vulcabras Distr. Art. Esp. Ltda.	PCDM	75%	Dec 2022
Vulcabras Distr. Art. Esp. Ltda.	TTS/WHOLESALEERS	Variable	Undetermined
Vulcabras SP, Comércio de Art. Esp. Ltda.	TTS/E-COMMERCE	Variable	Undetermined

(\*) The Company submitted a request to the State of Ceará to extend the benefit for another 10 years.

<b>Statement of Government grants</b>			
<b>Subsidiary</b>	<b>Federal incentive</b>	<b>%</b>	<b>Maturity date</b>
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:

<b>ICMS</b>	<b>Tax incentive recorded in income (loss) of subsidiaries</b>	<b>Consolidated tax incentive</b>	<b>% Interest</b>	<b>Equity in net income of subsidiaries in parent company</b>	
				<b>06/30/2022</b>	<b>06/30/2021</b>
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	48,676	99.99%	48,671	32,087
	Vulcabras Distr. Art. Esp. Ltda.	8,810	0.14%	12	7
	Vulcabras BA, Calçados e Artigos Esportivos S.A.	36,315	100.00%	36,315	24,842
	Vulcabras SP, Comércio de Art. Esp. Ltda.	4,329	100.00%	4,329	454
		<u>98,130</u>		<u>89,327</u>	<u>57,390</u>

## Vulcabras S.A. and Consolidated

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Reintegra	Tax incentive recorded in income (loss) of subsidiaries	Consolidated tax incentive	% Interest	Equity in net income of subsidiaries in parent company	
				06/30/2022	06/30/2021
	Vulcabras CE, Calçados e Artigos Esportivos S.A.	60	99.99%	60	27
	Vulcabras BA, Calçados e Artigos Esportivos S.A.	49	100.00%	49	19
		<u>109</u>		<u>109</u>	<u>46</u>

### 31 Product and geographic area information

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

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

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

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

	06/30/2022	06/30/2021
Net sales		
Athletic shoes	922,786	598,556
Other footwear and others	92,821	65,038
Apparel	118,951	47,704
	<u>1,134,558</u>	<u>711,298</u>
Domestic market	997,710	645,671
Foreign market	136,848	65,627
	<u>1,134,558</u>	<u>711,298</u>

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

Non-current assets in the domestic and foreign markets as of	Consolidated	
	06/30/2022	12/31/2021
Brazil	725,305	680,587
Other countries	16,432	15,353
Total	<u>741,737</u>	<u>695,940</u>

## **Composition of the Board of Directors**

Pedro Grendene Bartelle  
President

André de Camargo Bartelle  
1<sup>st</sup> Vice-president

Pedro Bartelle  
2<sup>nd</sup> Vice-president

Paulo Sérgio da Silva  
Independent Board Member

Octávio Ferreira de Magalhães  
Independent Board Member

## **Members of the Executive Board**

Pedro Bartelle  
President

Wagner Dantas da Silva  
Administrative and Financial Director

Flávio de Carvalho Bento  
Industrial Director

Rafael Carqueijo Gouveia  
Superintendent Director

Rodrigo Miceli Piazer  
Supply Chain Director

Evandro Saluar Kollet  
Corporate Director of Product Development and Technology

Márcio Kremer Callage  
Marketing Director

**Investor Relations Director**

Wagner Dantas da Silva

**Technical manager**

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