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Company information / Capital composition

Number of shares (units)	Three months ended June 30, 2022
Paid-up capital	
Common shares	109,796,219
Preferred shares	0
Total	109,796,219
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

Parent company financial statements / Balance sheet – Assets (In thousands of real)

Account code	Account title	Three months ended June 30, 2022	Prior year ended December 31, 2021
1	Total assets	3,639,734	2,664,878
1.01	Current assets	1,490,722	725,701
1.01.01	Cash and cash equivalents	54,465	2,448
1.01.02	Cash investments	344,051	69,775
1.01.02.01	Cash investments at fair value through profit or loss	344,051	69,775
1.01.02.01.03	Cash investments at fair value	344,051	69,775
1.01.03	Trade and other receivables	528,381	481,059
1.01.03.01	Trade receivables	528,381	481,059
1.01.04	Inventories	399,408	133,698
1.01.06	Taxes recoverable	122,751	16,942
1.01.06.01	Current tax assets	122,751	16,942
1.01.08	Other current assets	41,666	21,779
1.01.08.03	Other	41,666	21,779
1.02	Non-current assets	2,149,012	1,939,177
1.02.01	Long-term receivables	253,378	329,182
1.02.01.04	Trade and other receivables	1,293	2,016
1.02.01.04.01	Trade receivables	1,293	2,016
1.02.01.07	Deferred tax assets	191,886	178,775
1.02.01.07.01	Deferred income tax and social contribution	60,260	51,140
1.02.01.07.02	Taxes recoverable	131,626	127,635
1.02.01.09	Receivables from related parties	24,819	109,917
1.02.01.09.02	Receivables from subsidiaries	19,134	25,730
1.02.01.09.05	Loans to related parties	5,685	84,187
1.02.01.10	Other non-current assets	35,380	38,474
1.02.01.10.03	Judicial deposits	23,624	19,772
1.02.01.10.04	Other receivables	11,756	12,275
1.02.01.10.05	Derivative financial assets	0	6,427
1.02.02	Investments	811,982	1,458,891
1.02.02.01	Equity-accounted investees	809,121	1,456,431
1.02.02.01.02	Investments in subsidiaries	809,121	1,456,431
1.02.02.02	Investment properties	2,861	2,460
1.02.02.02.01	Investment properties	2,861	2,460
1.02.03	Property, plant and equipment	223,614	70,033
1.02.03.01	Property, plant and equipment in operation	223,614	70,033
1.02.04	Intangible assets	860,038	81,071
1.02.04.01	Intangible assets	860,038	81,071
1.02.04.01.02	Trademarks and patents	264,206	8,795
1.02.04.01.03	Key money	0	3,372
1.02.04.01.04	Software licenses	119,532	68,904
1.02.04.01.06	Goodwill	467,659	0
1.02.04.01.07	Customer relationships	8,641	0

Parent company financial statements / Balance sheet – Liabilities and equity (In thousands of real)

Account code	Account title	Three months ended June 30, 2022	Prior year ended December 31, 2021
2	Total liabilities	3,639,734	2,664,878
2.01	Current liabilities	945,556	977,542
2.01.01	Salaries, vacation pay and social charges payable	75,875	57,461
2.01.01.01	Social charges	4,115	4,741
2.01.01.02	Salaries and vacation pay	71,760	52,720
2.01.02	Trade payables	500,216	459,056
2.01.02.01	Domestic suppliers	494,920	454,050
2.01.02.02	Foreign suppliers	5,296	5,006
2.01.03	Taxes payable	16,823	18,433
2.01.03.01	Federal taxes payable	12,576	15,978
2.01.03.01.02	Other federal tax liabilities s	12,576	15,978
2.01.03.02	State taxes payable	4,271	2,421
2.01.03.03	Municipal taxes payable	-24	34
2.01.04	Loans and borrowings	165,439	337,348
2.01.04.01	Loans and borrowings	165,439	337,348
2.01.04.01.01	In local currency	1,611	165,070
2.01.04.01.02	In foreign currency	163,828	172,278
2.01.05	Other liabilities	187,203	105,244
2.01.05.02	Other	187,203	105,244
2.01.05.02.01	Dividends and interest on capital payable	111,555	55,962
2.01.05.02.04	Other	40,531	44,557
2.01.05.02.05	Lease liabilities	22,117	4,725
2.01.05.02.06	Derivative financial liabilities	13,000	0
2.02	Non-current liabilities	201,746	96,756
2.02.01	Loans and borrowings	10,167	9,500
2.02.01.01	Loans and borrowings	10,167	9,500
2.02.01.01.01	In local currency	10,167	9,500
2.02.02	Other liabilities	107,800	13,886
2.02.02.01	Payables to related parties	50,779	0
2.02.02.02	Other	57,021	13,886
2.02.02.02.04	Lease liabilities	57,021	13,886
2.02.04	Provisions	83,779	73,317
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	9,288	7,785
2.02.04.01.02	Provision for social security and labor proceedings	7,262	6,060
2.02.04.01.04	Provision for civil proceedings	351	50
2.02.04.01.05	Provision for tax proceedings	1,675	1,675
2.02.04.02	Other provisions	74,491	65,532
2.02.04.02.04	Provision for net capital deficiency	72,535	64,087
2.02.04.02.05	Other payables	1,956	1,445
2.02.06	Deferred profit and revenue	0	53
2.02.06.02	Deferred revenue	0	53
2.03	Equity	2,492,432	1,590,580
2.03.01	Paid-up capital	1,645,467	811,284
2.03.02	Capital reserves	163,046	196,925
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.05	Treasury shares	-3,105	-3,105

Parent company financial statements / Balance sheet – Liabilities and equity (In thousands of real)

Account code	Account title	Three months ended June 30, 2022	Prior year ended December 31, 2021
2.03.02.07	Capital reserve	117,487	158,239
2.03.02.09	Reserve for restricted stock plan	27,194	20,321
2.03.04	Revenue reserves	541,478	591,478
2.03.04.01	Legal reserve	57,511	57,511
2.03.04.05	Retained earnings reserve	174,861	174,861
2.03.04.07	Tax incentive reserve	309,106	309,106
2.03.04.08	Proposed additional dividend	0	50,000
2.03.05	Retained earnings	148,820	0
2.03.06	Other comprehensive loss	-6,379	-9,107

Parent company financial statements / Statement of income (In thousands of real)

Account code	Account title	Three months April 1, 2022 to June 30, 2022	Six months January 1, 2022 to June 30, 2022	Three months April 1, 2021 to June 30, 2021	Six months January 1, 2021 to June 30, 2021
3.01	Revenue from sale of goods and/or services	696,633	1,304,679	302,664	629,956
3.02	Cost of sales and/or services	-375,243	-714,504	-210,392	-419,840
3.03	Gross profit	321,390	590,175	92,272	210,116
3.04	Operating expenses/income	-226,430	-368,713	73,868	-7,402
3.04.01	Selling expenses	-198,544	-346,506	-61,533	-117,349
3.04.02	General and administrative expenses	-66,504	-131,641	-38,037	-66,479
3.04.04	Other operating income	4,023	48,605	131,548	132,538
3.04.05	Other operating expenses	-3,690	-7,175	-790	-1,430
3.04.06	Share of profit of equity-accounted investees	38,285	68,004	42,680	45,318
3.05	Profit before finance income and costs and taxes	94,960	221,462	166,140	202,714
3.06	Net finance income/costs	284	-8,559	-12,429	-13,595
3.06.01	Finance income	27,286	5,535	2,990	5,654
3.06.01.01	Interest income	13,671	25,885	2,990	5,654
3.06.01.02	Foreign exchange gains	13,615	-20,350	0	0
3.06.02	Finance costs	-27,002	-14,094	-15,419	-19,249
3.06.02.01	Interest expense	-10,540	-21,765	-8,673	-15,363
3.06.02.02	Foreign exchange losses	-16,462	7,671	-6,746	-3,886
3.07	Profit before taxes	95,244	212,903	153,711	189,119
3.08	Income tax and social contribution expense	25,206	5,600	-20,430	-26,062
3.08.01	Current	12,054	0	1,142	-3,432
3.08.02	Deferred	13,152	5,600	-21,572	-22,630
3.09	Profit from continuing operations	120,450	218,503	133,281	163,057
3.11	Profit for the period	120,450	218,503	133,281	163,057
3.99	Earnings per share				
3.99.01	Basic earnings per share (R$)				
3.99.01.01	Common shares	1.1122	2.0047	1.3452	1.6378
3.99.02	Diluted earnings per share (R$)				
3.99.02.01	Common shares	1.0922	2.0015	1.4494	1.6337

Parent company financial statements / Statement of comprehensive income (In thousands of real)

Account code	Account title	Three months April 1, 2022 to June 30, 2022	Six months January 1, 2022 to June 30, 2022	Three months April 1, 2021 to June 30, 2021	Six months January 1, 2021 to June 30, 2021
4.01	Profit for the period	120,450	218,503	133,281	163,057
4.02	Other comprehensive income/loss	-5,388	2,728	2,042	2,042
4.02.01	Foreign currency translation differences on foreign operations	-5,388	2,728	2,042	2,042
4.03	Total comprehensive income for the period	115,062	221,231	135,323	165,099

Parent company financial statements / Statement of cash flows - Indirect method (In thousands of real)

Account code	Account title	Six months January 1, 2022 to June 30, 2022	Six months January 1, 2021 to June 30, 2021
6.01	Net cash used in/from operating activities	-161,299	21,858
6.01.01	Cash flows from operating activities	173,260	38,509
6.01.01.01	Profit for the period	218,503	163,057
6.01.01.02	Depreciation and amortization	38,841	11,471
6.01.01.03	Loss/gain on sale of property, plant and equipment and intangible assets	107	-132
6.01.01.05	Share of profit of equity-accounted investees	-68,004	-45,318
6.01.01.06	Provision for labor, tax and civil proceedings	88	1,288
6.01.01.07	Interest and foreign exchange gain/loss on loans	-4,891	6,072
6.01.01.08	Interest income on cash investments	-17,549	-3,332
6.01.01.09	Loss allowance for trade receivables	681	1,810
6.01.01.10	Complementary provision for inventory losses	4,721	1,622
6.01.01.11	Share option and restricted stock plan	6,872	857
6.01.01.12	Interest expense on lease liabilities	2,812	675
6.01.01.13	Income tax and social contribution expense	-5,600	26,062
6.01.01.14	Other	38,440	5,071
6.01.01.15	Tax credits	-41,761	-130,694
6.01.02	Changes in assets and liabilities	-334,559	-14,212
6.01.02.01	Trade receivables	66	127,427
6.01.02.02	Inventories	-145,431	-48,228
6.01.02.03	Changes in other current and non-current assets	-1,054	-3,051
6.01.02.04	Taxes recoverable	-37,333	-5,146
6.01.02.05	Judicial deposits	503	-2,643
6.01.02.06	Interest paid on borrowings	-7,207	-4,059
6.01.02.07	Trade payables	-71,106	-86,365
6.01.02.08	Salaries and vacation pay	-18,676	-5,755
6.01.02.09	Taxes and social charges payable	-24,481	-3,740
6.01.02.10	Changes in other liabilities	-29,840	17,348
6.01.03	Other	0	-2,439
6.01.03.01	Income tax and social contribution paid	0	-2,439
6.02	Net cash used in/from investing activities	-341,288	137,588
6.02.01	Acquisition of property, plant and equipment and intangible assets	-78,089	-24,849
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	0	217
6.02.03	Cash investments	-1,443,635	-744,820
6.02.04	Withdrawal of cash investments	1,183,485	947,198
6.02.05	Capital contribution to subsidiaries	-4,768	-40,158
6.02.06	Cash acquired from merged company	1,719	0
6.03	Net cash from/used in financing activities	554,604	-162,064
6.03.02	Repayment of borrowings	-205,585	-120,373
6.03.03	Proceeds from issue of shares	793,430	0
6.03.05	Interest on capital paid	-33,785	0
6.03.06	Dividends paid	-26,215	0
6.03.07	Repayment of loans by related parties	41,912	14,376
6.03.09	Acquisition of treasury shares	0	-51,356
6.03.10	Payment of lease liabilities	-15,153	-4,711
6.05	Net increase/decrease in cash and cash equivalents	52,017	-2,618

Parent company financial statements / Statement of cash flows – Indirect method (In thousands of real)

Account code	Account title	Six months January 1, 2022 to June 30, 2022	Six months January 1, 2021 to June 30, 2021
6.05.01	Cash and cash equivalents at the beginning of the period	2,448	3,291
6.05.02	Cash and cash equivalents at the end of the period	54,465	673

Parent company financial statements / Statement of changes in equity – January 1, 2022 to June 30, 2022 (In thousands of real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity
5.01	Opening balances	811,284	196,925	541,478	50,000	-9,107	1,590,580
5.03	Adjusted opening balances	811,284	196,925	541,478	50,000	-9,107	1,590,580
5.04	Equity transactions with shareholders	834,183	-33,879	0	-119,683	0	680,621
5.04.01	Increases of share capital	833,794	0	0	0	0	833,794
5.04.02	Share issue costs	0	-40,753	0	0	0	-40,753
5.04.03	Share options granted	2,958	6,874	0	0	0	9,832
5.04.06	Dividends	0	0	0	-50,000	0	-50,000
5.04.07	Interest on capital	0	0	0	-69,683	0	-69,683
5.04.08	Advance for future capital increase	-2,569	0	0	0	0	-2,569
5.05	Total comprehensive income	0	0	0	218,503	2,728	221,231
5.05.01	Profit for the period	0	0	0	218,503	0	218,503
5.05.02	Other comprehensive income	0	0	0	0	2,728	2,728
5.05.02.04	Cumulative translation adjustments	0	0	0	0	2,728	2,728
5.07	Closing balances	1,645,467	163,046	541,478	148,820	-6,379	2,492,432

Parent company financial statements / Statement of changes in equity – January 1, 2021 to June 30, 2021(In thousands of real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity
5.01	Opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.03	Adjusted opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.04	Equity transactions with shareholders	0	857	0	-32,173	0	-31,316
5.04.07	Interest on capital	0	0	0	-29,591	0	-29,591
5.04.08	Share options and restricted stock granted	0	857	0	0	0	857
5.04.14	Proposed additional dividends	0	0	0	-2,582	0	-2,582
5.05	Total comprehensive income	0	0	0	163,057	1,998	165,055
5.05.01	Profit for the period	0	0	0	163,057	0	163,057
5.05.02	Other comprehensive income	0	0	0	0	1,998	1,998
5.05.02.06	Foreign currency translation differences on foreign operations	0	0	0	0	2,043	2,043
5.05.02.07	Investment losses	0	0	0	0	-45	-45
5.06	Internal changes in equity	-159,209	107,853	0	0	0	-51,356
5.06.08	Capital reserve	-159,209	159,209	0	0	0	0
5.06.09	Treasury shares	0	-51,356	0	0	0	-51,356
5.07	Closing balances	808,715	157,939	335,832	133,466	-4,972	1,430,980

Parent company financial statements / Statement of value added (In thousands of real)

Account code	Account title	Six months January 1, 2022 to June 30, 2022	Six months January 1, 2021 to June 30, 2021
7.01	Revenue	1,490,087	731,976
7.01.01	Sales of goods, products and services	1,489,377	733,786
7.01.04	Loss allowance for trade receivables/reversal	710	-1,810
7.02	Cost of bought-in goods and services	-1,158,015	-629,108
7.02.01	Cost of sales and services	-907,306	-533,131
7.02.02	Materials, electric power, outsourced services and other	-244,915	-94,444
7.02.04	Other	-5,794	-1,533
7.03	Gross value added	332,072	102,868
7.04	Deductions	-38,841	-11,471
7.04.01	Depreciation, amortization and depletion	-38,841	-11,471
7.05	Net value added produced by the entity	293,231	91,397
7.06	Value added received by transfer	142,032	183,210
7.06.01	Share of profit of investees accounted for using the equity method	68,004	45,318
7.06.02	Finance income	25,533	5,504
7.06.03	Other	48,495	132,388
7.07	Total value added to distribute	435,263	274,607
7.08	Distribution of value added	435,263	274,607
7.08.01	To employees	162,449	64,047
7.08.01.01	Direct compensation	109,978	39,973
7.08.01.02	Benefits	8,957	4,817
7.08.01.03	Government severance indemnity fund for employees (FGTS)	9,617	3,245
7.08.01.04	Other	33,897	16,012
7.08.01.04.01	Employee profit sharing	22,668	3,400
7.08.01.04.02	Other	4,165	11,332
7.08.01.04.03	Restricted stock granted	7,064	1,280
7.08.02	To government (taxes and duties)	1,739	20,065
7.08.02.01	Federal	46,871	42,633
7.08.02.02	State	-47,460	-22,569
7.08.02.03	Municipal	2,328	1
7.08.03	To capital providers (creditors and lenders)	52,572	27,438
7.08.03.01	Interest	8,150	7,937
7.08.03.02	Rentals	18,480	8,339
7.08.03.03	Other	25,942	11,162
7.08.03.03.01	Finance costs	25,942	11,162
7.08.04	Value retained in the business	218,503	163,057
7.08.04.01	Interest on capital	69,683	29,590
7.08.04.03	Profit retained	148,820	133,467

Consolidated financial statements / Balance sheet – Assets (In thousands of real)

Account code	Account title	Three months ended June 30, 2022	Prior year ended December 31, 2021
1	Total assets	4,194,407	3,366,326
1.01	Current assets	2,192,913	1,646,786
1.01.01	Cash and cash equivalents	81,682	33,750
1.01.02	Cash investments	633,565	228,809
1.01.02.01	Cash investments at fair value through profit or loss	633,565	228,809
1.01.02.01.03	Cash investments at fair value	633,565	228,809
1.01.03	Trade and other receivables	613,690	790,302
1.01.03.01	Trade receivables	613,690	790,302
1.01.04	Inventories	651,730	450,487
1.01.06	Taxes recoverable	161,845	73,852
1.01.06.01	Current tax assets	161,845	73,852
1.01.08	Other current assets	50,401	69,586
1.01.08.03	Other	50,401	69,586
1.01.08.03.01	Other receivables	50,401	68,230
1.01.08.03.02	Derivative financial assets	0	1,356
1.02	Non-current assets	2,001,494	1,719,540
1.02.01	Long-term receivables	319,559	297,892
1.02.01.04	Trade and other receivables	2,952	4,276
1.02.01.04.01	Trade receivables	2,952	4,276
1.02.01.07	Deferred tax assets	98,305	90,225
1.02.01.07.01	Deferred income tax and social contribution	98,305	90,225
1.02.01.10	Other non-current assets	218,302	203,391
1.02.01.10.03	Judicial deposits	54,788	54,390
1.02.01.10.04	Other receivables	15,020	14,939
1.02.01.10.05	Taxes recoverable	148,494	127,635
1.02.01.10.06	Derivative financial assets	0	6,427
1.02.02	Investments	2,860	2,862
1.02.02.01	Equity-accounted investees	0	402
1.02.02.01.04	Interests in joint ventures	0	402
1.02.02.02	Investment properties	2,860	2,460
1.02.02.02.01	Investment properties	2,860	2,460
1.02.03	Property, plant and equipment	492,475	403,868
1.02.03.01	Property, plant and equipment in operation	492,475	403,868
1.02.04	Intangible assets	1,186,600	1,014,918
1.02.04.01	Intangible assets	1,186,600	1,014,918
1.02.04.01.02	Trademarks and patents	354,649	11,123
1.02.04.01.03	Key money	13,364	46,728
1.02.04.01.04	Software licenses	127,071	94,708
1.02.04.01.05	Intangible assets – fair value adjustments to the carrying amounts	1,062	301,463
1.02.04.01.06	Goodwill	690,454	560,896

Consolidated financial statements / Balance sheet – Liabilities and equity (In thousands of real)

Account code	Account title	Three months ended June 30, 2022	Prior year ended December 31, 2021
2	Total liabilities	4,194,407	3,366,326
2.01	Current liabilities	1,433,019	1,519,000
2.01.01	Salaries, vacation pay and social charges payable	101,847	112,773
2.01.01.01	Social charges	8,017	13,761
2.01.01.02	Salaries and vacation pay	93,830	99,012
2.01.02	Trade payables	566,002	574,713
2.01.02.01	Domestic suppliers	558,259	567,737
2.01.02.02	Foreign suppliers	7,743	6,976
2.01.03	Taxes payable	56,637	77,212
2.01.03.01	Federal taxes payable	33,459	51,989
2.01.03.01.01	Income tax and social contribution	22,035	22,408
2.01.03.01.02	Other federal tax liabilities	11,424	29,581
2.01.03.02	State taxes payable	23,092	24,988
2.01.03.03	Municipal taxes payable	86	235
2.01.04	Loans and borrowings	345,024	496,861
2.01.04.01	Loans and borrowings	345,024	496,861
2.01.04.01.01	In local currency	1,688	181,377
2.01.04.01.02	In foreign currency	343,336	315,484
2.01.05	Other liabilities	363,509	257,441
2.01.05.02	Other	363,509	257,441
2.01.05.02.01	Dividends and interest on capital payable	111,555	55,962
2.01.05.02.04	Other	73,757	133,944
2.01.05.02.05	Lease liabilities	62,079	57,017
2.01.05.02.06	Payables for acquisition of subsidiaries	103,118	10,518
2.01.05.02.07	Derivative financial liabilities	13,000	0
2.02	Non-current liabilities	268,927	255,320
2.02.01	Loans and borrowings	10,263	37,733
2.02.01.01	Loans and borrowings	10,263	37,733
2.02.01.01.01	In local currency	10,263	37,108
2.02.01.01.02	In foreign currency	0	625
2.02.02	Other liabilities	241,553	198,033
2.02.02.02	Other	241,553	198,033
2.02.02.02.01	Share-based payments	58,041	21,144
2.02.02.02.03	Lease liabilities	180,107	174,879
2.02.02.02.04	Other payables	2,255	1,813
2.02.02.02.05	Taxes payable in installments	1,150	197
2.02.03	Deferred tax liabilities	2,687	5,441
2.02.03.01	Deferred income tax and social contribution	2,687	5,441
2.02.04	Provisions	14,424	14,060
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	14,424	14,060
2.02.04.01.02	Provision for social security and labor proceedings	11,647	11,580
2.02.04.01.04	Provision for civil proceedings	733	436
2.02.04.01.05	Provision for tax proceedings	2,044	2,044
2.02.06	Deferred profit and revenue	0	53
2.02.06.02	Deferred revenue	0	53
2.03	Consolidated equity	2,492,461	1,592,006

Consolidated financial statements / Balance sheet – Liabilities and equity (In thousands of real)

Account code	Account title	Three months ended June 30, 2022	Prior year ended December 31, 2021
2.03.01	Paid-up capital	1,645,467	811,284
2.03.02	Capital reserves	163,046	196,925
2.03.02.02	Special reserve for goodwill arising from merger	21,470	21,470
2.03.02.05	Treasury shares	-3,105	-3,105
2.03.02.07	Capital reserves	117,487	158,239
2.03.02.09	Reserve for restricted stock plan	27,194	20,321
2.03.04	Revenue reserves	541,478	591,478
2.03.04.01	Legal reserve	57,511	57,511
2.03.04.05	Retained earnings reserve	174,861	174,861
2.03.04.07	Tax incentive reserve	309,106	309,106
2.03.04.08	Proposed additional dividend	0	50,000
2.03.05	Retained earnings	148,820	0
2.03.06	Other comprehensive loss	-6,379	-9,107
2.03.09	Non-controlling interests	29	1,426

Consolidated financial statements / Statement of income (In thousands of real)

Account code	Account title	Three months April 1, 2022 to June 30, 2022	Six months January 1, 2022 to June 30, 2022	Three months April 1, 2021 to June 30, 2021	Six months January 1, 2021 to June 30, 2021
3.01	Revenue from sale of goods and/or services	944,752	1,784,328	552,976	1,052,928
3.02	Cost of sales and/or services	-416,145	-806,981	-260,004	-510,031
3.03	Gross profit	528,607	977,347	292,972	542,897
3.04	Operating expenses/income	-405,685	-693,273	-104,000	-312,824
3.04.01	Selling expenses	-333,615	-622,696	-172,937	-328,566
3.04.02	General and administrative expenses	-73,402	-147,218	-71,598	-125,031
3.04.04	Other operating income	4,972	83,842	143,457	145,723
3.04.05	Other operating expenses	-3,640	-7,201	-2,922	-4,950
3.05	Profit before finance costs and taxes	122,922	284,074	188,972	230,073
3.06	Net finance costs	-6,655	-27,062	-18,788	-27,404
3.06.01	Finance income	31,687	17,936	6,925	12,032
3.06.01.01	Interest income	20,746	34,762	6,925	12,032
3.06.01.02	Foreign exchange gains	10,941	-16,826	0	0
3.06.02	Finance costs	-38,342	-44,998	-25,713	-39,436
3.06.02.01	Interest expense	-25,000	-46,060	-20,176	-36,969
3.06.02.02	Foreign exchange losses	-13,342	1,062	-5,537	-2,467
3.07	Profit before taxes	116,267	257,012	170,184	202,669
3.08	Income tax and social contribution expense	3,554	-39,906	-37,688	-40,397
3.08.01	Current	-11,137	-50,740	-14,615	-21,056
3.08.02	Deferred	14,691	10,834	-23,073	-19,341
3.09	Profit from continuing operations	119,821	217,106	132,496	162,272
3.11	Consolidated profit for the period	119,821	217,106	132,496	162,272
3.11.01	Attributable to owners of the Parent company	120,450	218,503	132,496	163,057
3.11.02	Attributable to non-controlling interests	-629	-1.397	0	-785
3.99	Earnings per share				
3.99.01	Basic earnings per share (R$)				
3.99.01.01	Common shares	1.1122	2.0047	1.3452	1.6378
3.99.02	Diluted earnings per share (R$)				

Consolidated financial statements / Statement of income (In thousands of real)

Account code	Account title	Three months April 1, 2022 to June 30, 2022	Six months January 1, 2022 to June 30, 2022	Three months April 1, 2021 to June 30, 2021	Six months January 1, 2021 to June 30, 2021
3.99.02.01	Common shares	1.0922	2.0015	1.4494	1.6337

Consolidated financial statements / Statement of comprehensive income (In thousands of real)

Account code	Account title	Three months April 1, 2022 to June 30, 2022	Six months January 1, 2022 to June 30, 2022	Three months April 1, 2021 to June 30, 2021	Six months January 1, 2021 to June 30, 2021
4.01	Consolidated profit for the period	119,821	217,106	132,496	162.272
4.02	Other comprehensive income/loss	-5,388	2,728	1,998	1.998
4.02.01	Foreign currency translation differences on foreign operations	-5,388	2,728	2,043	2.043
4.02.03	Investment losses	0	0	-45	-45
4.03	Total consolidated comprehensive income for the period	114,433	219,834	134,494	164.270
4.03.01	Attributable to owners of the Parent company	114,433	221,232	134,494	165.055
4.03.02	Attributable to non-controlling interests	0	-1,398	0	-785

Consolidated financial statements / Statement of cash flows – Indirect method (In thousands of real)

Account code	Account title	Six months January 1, 2022 to June 30, 2022	Six months January 1, 2021 to June 30, 2021
6.01	Net cash from operating activities	51,157	69,327
6.01.01	Cash flows from operating activities	276,478	113,746
6.01.01.01	Profit for the period	217,106	162,272
6.01.01.02	Depreciation and amortization	68,246	50,007
6.01.01.03	Loss/gain on sale of property, plant and equipment and intangible assets	44	-233
6.01.01.05	Other	31,054	5,071
6.01.01.06	Provision for labor, tax and civil proceedings	364	-20
6.01.01.07	Interest and foreign exchange gain/loss on loans	-3,622	-4,836
6.01.01.08	Interest income on cash investments	-26,520	-5,700
6.01.01.09	Loss allowance for trade receivables	208	1,874
6.01.01.10	Complementary provision for inventory losses	2,737	3,074
6.01.01.11	Share option and restricted stock plans	6,872	857
6.01.01.12	Interest expense on lease liabilities	5,465	3,970
6.01.01.13	Income tax and social contribution expense	39,906	40,397
6.01.01.14	Tax credits	-65,382	-142,987
6.01.02	Changes in assets and liabilities	-175,942	-42,614
6.01.02.01	Trade receivables	186,864	135,160
6.01.02.02	Inventories	-198,867	-74,241
6.01.02.03	Changes in other current assets	16,898	-11,137
6.01.02.04	Taxes recoverable	-38,386	-6,904
6.01.02.05	Judicial deposits	-398	-17,462
6.01.02.07	Trade payables	-9,772	-49,599
6.01.02.08	Salaries and vacation pay	-28,321	-5,424
6.01.02.09	Taxes and social charges payable	-33,801	-24,758
6.01.02.10	Changes in other current liabilities	-61,692	20,178
6.01.02.11	Interest paid on borrowings	-8,467	-8,427
6.01.03	Other	-49,379	-1,805
6.01.03.01	Income tax and social contribution paid	-49,379	-1,805
6.02	Net cash used in/from investing activities	-536,942	157,691
6.02.01	Acquisition of property, plant and equipment and intangible assets	-96,839	-42,099
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	0	388
6.02.03	Cash investments	-2,217,774	-1,094,197
6.02.04	Withdrawal of cash investments	1,834,454	1,304,910
6.02.05	Payments for acquisition of subsidiary	-6,800	0
6.02.09	Acquisition of subsidiary	-49,983	-11,311
6.03	Net cash from/used in financing activities	529,763	-198,274
6.03.01	Proceeds from loans and borrowings	109,942	65,622
6.03.02	Repayment of borrowings	-277,162	-177,130
6.03.03	Proceeds from issue of shares	793,430	0
6.03.05	Interest on capital paid	-33,785	0
6.03.06	Dividends paid	-26,215	0
6.03.08	Increase of share capital through issue of shares	0	1,000
6.03.09	Acquisition of treasury shares	0	-51,356
6.03.10	Payment of lease liabilities	-36,447	-36,410
6.04	Effect of movements in exchange rates on cash and cash equivalents	3,954	2,584

Consolidated financial statements / Statement of cash flows – Indirect method (In thousands of real)

Account code	Account title	Six months January 1, 2022 to June 30, 2022	Six months January 1, 2021 to June 30, 2021
6.05	Net increase in cash and cash equivalents	47,932	31,328
6.05.01	Cash and cash equivalents at the beginning of the period	33,750	38,297
6.05.02	Cash and cash equivalents at the end of the period	81,682	69,625

Consolidated financial statements / Statement of changes in equity – January 1, 2022 to June 30, 2022 (In thousands of real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	811,284	196,925	541,478	50,000	-9,107	1,590,580	1,426	1,592,006
5.03	Adjusted opening balances	811,284	196,925	541,478	50,000	-9,107	1,590,580	1,426	1,592,006
5.04	Equity transactions with shareholders	834,183	-33,879	0	-119,683	0	680,621	0	680,621
5.04.01	Increases of share capital	833,794	0	0	0	0	833,794	0	833,794
5.04.02	Share issue costs	0	-40,753	0	0	0	-40,753	0	-40,753
5.04.03	Share options granted	2,958	6,874	0	0	0	9,832	0	9,832
5.04.06	Dividends	0	0	0	-50,000	0	-50,000	0	-50,000
5.04.07	Interest on capital	0	0	0	-69,683	0	-69,683	0	-69,683
5.04.08	Advance for future capital increase	-2,569	0	0	0	0	-2,569	0	-2,569
5.05	Total comprehensive income	0	0	0	218,503	2,728	221,231	-1,397	219,834
5.05.01	Profit for the period	0	0	0	218,503	0	218,503	-1,397	217,106
5.05.02	Other comprehensive income	0	0	0	0	2,728	2,728	0	2,728
5.05.02.04	Cumulative translation adjustments	0	0	0	0	2,728	2,728	0	2,728
5.07	Closing balances	1,645,467	163,046	541,478	148,820	-6,379	2,492,432	29	2,492,461

Consolidated financial statements / Statement of changes in equity – January 1, 2021 to June 30, 2021(In thousands of real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	877	1,349,474
5.03	Adjusted opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	877	1,349,474
5.04	Equity transactions with shareholders	0	857	0	-32,173	0	-31,316	0	-31,316
5.04.07	Interest on capital	0	0	0	-29,591	0	-29,591	0	-29,591
5.04.08	Share options and restricted stock granted	0	857	0	0	0	857	0	857
5.04.14	Proposed additional dividends	0	0	0	-2,582	0	-2,582	0	-2,582
5.05	Total comprehensive income	0	0	0	163,057	1,998	165,055	-605	164,450
5.05.01	Profit for the period	0	0	0	163,057	0	163,057	-605	162,452
5.05.02	Other comprehensive income	0	0	0	0	1,998	1,998	0	1,998
5.05.02.06	Foreign currency translation differences on foreign operations	0	0	0	0	2,043	2,043	0	2,043
5.05.02.07	Investment losses	0	0	0	0	-45	-45	0	-45
5.06	Internal changes in equity	-159,209	107,853	0	0	0	-51,356	0	-51,356
5.06.08	Capital reserve	-159,209	159,209	0	0	0	0	0	0
5.06.09	Treasury shares	0	-51,356	0	0	0	-51,356	0	-51,356
5.07	Closing balances	808,715	157,939	335,832	133,466	-4,972	1,430,980	272	1,431,252

Consolidated financial statements / Statement of value added (In thousands of real)

Account code	Account title	Six months January 1, 2022 to June 30, 2022	Six months January 1, 2021 to June 30, 2021
7.01	Revenue	2,036,538	1,215,882
7.01.01	Sales of goods, products and services	2,033,674	1,217,756
7.01.04	Loss allowance for trade receivables/reversal	2,864	-1,874
7.02	Cost of bought-in goods and services	-1,423,998	-850,527
7.02.01	Cost of sales and services	-938,324	-596,201
7.02.02	Materials, electric power, outsourced services and other	-466,891	-245,838
7.02.04	Other	-18,783	-8,488
7.03	Gross value added	612,540	365,355
7.04	Deductions	-68,246	-50,007
7.04.01	Depreciation, amortization and depletion	-68,246	-50,007
7.05	Net value added produced by the entity	544,294	315,348
7.06	Value added received by transfer	121,641	154,022
7.06.01	Share of profit of investees accounted for using the equity method	0	2
7.06.02	Finance income	37,935	11,967
7.06.03	Other	83,706	142,053
7.07	Total value added to distribute	665,935	469,370
7.08	Distribution of value added	665,935	469,370
7.08.01	To employees	239,032	149,603
7.08.01.01	Direct compensation	170,771	101,711
7.08.01.02	Benefits	15,895	11,780
7.08.01.03	Government severance indemnity fund for employees (FGTS)	13,954	11,807
7.08.01.04	Other	38,412	24,305
7.08.01.04.01	Employee profit sharing	24,015	4,386
7.08.01.04.02	Other	7,333	18,639
7.08.01.04.03	Share option and restricted stock plans	7,064	1,280
7.08.02	To government (taxes and duties)	108,578	84,066
7.08.02.01	Federal	122,364	88,253
7.08.02.02	State	-17,368	-5,223
7.08.02.03	Municipal	3,582	1,036
7.08.03	To capital providers (creditors and lenders)	101,219	73,429
7.08.03.01	Interest	14,745	13,708
7.08.03.02	Rentals	36,223	34,048
7.08.03.03	Other	50,251	25,673
7.08.03.03.01	Finance costs	50,251	25,673
7.08.04	Value retained in the business	217,106	162,272
7.08.04.01	Interest on capital	69,683	29,590
7.08.04.03	Profit retained	148,820	133,467
7.08.04.04	Non-controlling interests in retained profit	-1,397	-785

ARREZZO&CO

2Q22 EARNINGS RELEASE

São Paulo, August 11, 2022. Arezzo&Co (B3 - Brasil, Bolsa and Balcão: ARZZ3), Brazil's largest fashion house of brands, announces its 2Q22 earnings.

Arezzo&Co posted R$ 1.2 billion in Gross Revenue, a new record-setting for a second quarter. For yet another period, the Company showed excellent performance – in terms of revenues and EBITDA, both of which exceeded expectations. Furthermore, it reached 56.0% gross margin, a new historical record.

FINANCIAL/OPERATIONAL HIGHLIGHTS

1 - **R$1.2B** in Gross Revenue (**+65%** vs 2Q21 and **+138%** vs 2Q19);

2 - **R$1.0B** in DTC Sell Out (Franchises, Web Commerce and Owned Stores) (**+60%** vs 2Q21 and **+61%** vs 2Q19);

3 - **+6.5M** of products sold in 2Q22 (**+43%** vs 2Q21): **4.3M** of pairs of shoes (**+31%** vs 2Q21), **1.6M** of pieces of clothes (**+66%** vs 2Q21) and **686K** of handbags (**+89%** vs 2Q21);

4 - **59%** growth in organic brands in Brazil vs 2Q21 (**+48%** vs 2Q19);

5 – **56%** record-setting Gross Margin, growth of **210bps** vs 2Q21 (**+920bps** vs 2Q19);

6 - **R$162M** in Adjusted EBITDA (excluding non-recurring effects) (**+93%** vs 2Q21 and **+165%** vs 2Q19) Adjusted EBITDA Margin of **17.2%**. Reported EBITDA was **R$ 157M**;

7 - **R$123M** in Adjusted Net Income, growth of **+160%** vs 2Q21 (**+247%** vs 2Q19). Reported Net Income was **R$ 120M**;

8 - **R$251M** AR&CO Gross Renenue (**+76%** vs 2Q21 and **+176%** vs 2Q19);

9 - **R$120M** in Revenues of the US Operations (**+64%** vs 2Q21 and **+148%** vs 2Q19).

AREZZO &CO

2Q22 OMNICHANNEL HIGHLIGHTS

1 – WEB COMMERCE SALES

- TOTAL REVENUES: **R$ 238M** (**+36%** VS 2Q21, **+380%** VS 2Q19)
- TOTAL TRAFFIC: **70M** (**+29%** VS 2Q21)
- TOTAL REVENUES FROM APPS: **R$ 61M** (**+37%** VS 2Q21)
- TOTAL APPS SHARE OF REVENUES: **26%**
- WEB COMMERCE TICKETS: +**8%** VS 2Q21

2 – OMNICHANNEL SALES

- DIGITAL SHARE OF PHYSICAL STORES' SELL OUT : **45%**
- CLICK AND COLLECT AND STORE SHIPPING REVENUES : **+39%** VS 2Q21
- **7 MILLION** CONTACTS MADE THROUGH THE APP IN 2Q22 (INFLUENCED REVENUES)

3 - CRM* (AREZZO&CO)

- AREZZO&CO ACTIVE CUSTOMER BASE GROWTH: **+24%** VS 2Q21
- CAPTURED CUSTOMERS (NEW CUSTOMERS): **+25%** VS 2Q21
- OMNI CUSTOMERS SHOPPING FREQUENCY: **+113%** VS OVERALL
- ACTIVE BASE CUSTOMER RETENTION: **+31%** VS 2Q21

*EX- AR&CO DATA

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" ZZ'MALL Reserva MYSHOES Baw® TROC CAROL BASSI

AREZZO &CO

2Q22 BRAND HIGHLIGHTS

AREZZO

- Brazil Revenues: **R$ 312.5M**
- Growth: **+63.9%** vs 2Q21
- Web Revenues: **R$ 74.1M**
- Web % of Sell Out (DTC): **16.9%**
- OMNI Sales: **R$ 18.4M**
- % OMNI-to-Web: **24.9%**

SCHUTZ

- Global Revenues: **R$ 274.8M**
- Growth: **+51.5%** vs 2Q21
- Brazil Revenues: **R$ 181.6M**
- Web Revenues: **R$ 52.1M**
- Web % of Sell Out (DTC): **34.2%**
- OMNI Sales: **R$ 6.7M**
- % OMNI-to-Web: **12.9%**

AR&CO

- Brazil Revenues: **R$ 251.1M**
- Growth: **+75.5%** vs 2Q21
- Web Revenues: **R$ 50.3M**
- Web % of Sell Out (DTC): **27.7%**
- OMNI Sales: **R$ 16.4M**
- % OMNI-to-Web: **38.7%**

[1] AR&CO Sell Out and OMNI data ex-BAW

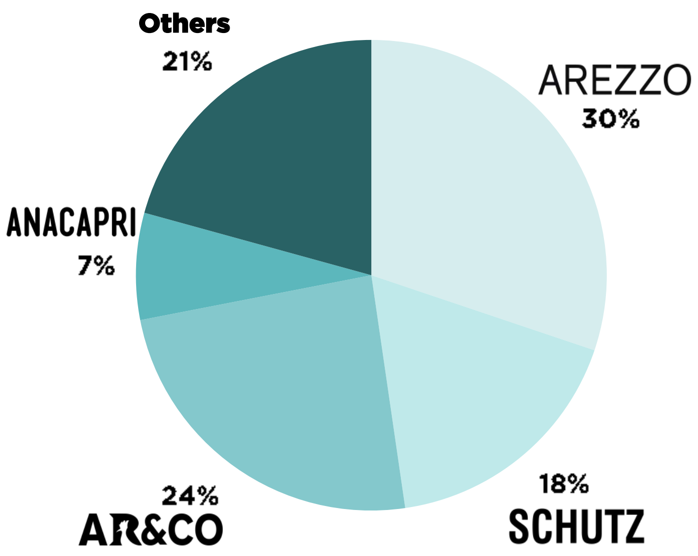
ANACAPRI

- Brazil Revenues: **R$ 76.0M**
- Growth: **+26.0%** vs 2Q21
- Web Revenues: **R$ 13.1M**
- Web % of Sell Out (DTC): **15.1%**
- OMNI Sales: **R$ 2.2M**
- % OMNI-to-Web: **16.9%**

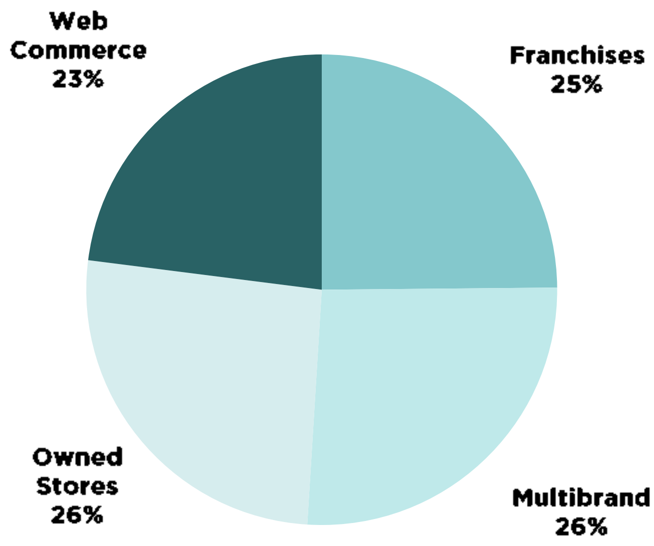
ALEXANDRE BIRMAN

- Global Revenues: **R$ 56.8M**
- Growth: **+89.1%** vs 2Q21
- Brazil Revenues: **R$ 31.2M**
- Web Revenues: **R$ 5.2M**
- Web % of Sell Out (DTC): **19.3%**
- % OMNI-to-Web: **41.5%**

GROSS REVENUE - DOMESTIC MARKET



GROSS REVENUE - CHANNELS



AREZZO &CO

2Q22 GROSS REVENUE

Gross Revenue	2Q22	Part%	2Q21	Part%	Δ (%) 22 x 21	2Q19	Part%	Δ (%) 22 x 19
Total Gross Revenue	1.165.187		705.627		65,1%	489.482		138,0%
Foreign Market	129.399	11,1%	82.935	11,8%	56,0%	65.946	13,5%	96,2%
Exports	8.910	6,9%	9.370	11,3%	(4,9%)	17.315	26,3%	(48,5%)
US Operation	120.489	93,1%	73.565	88,7%	63,8%	48.631	73,7%	147,8%
Domestic Market	1.035.788	88,9%	622.692	88,2%	66,3%	423.536	86,5%	144,6%
By Brand								
Arezzo	312.470	30,2%	190.651	30,6%	63,9%	228.114	53,9%	37,0%
Schutz[1]	181.604	17,5%	119.102	19,1%	52,5%	117.334	27,7%	54,8%
AR&CO[2]	251.068	24,2%	143.021	23,0%	75,5%	-	-	176,0%
Anacapri	76.003	7,3%	60.405	9,7%	25,8%	56.775	13,4%	33,9%
Others[3]	214.643	20,7%	109.513	17,6%	96,0%	21.313	5,0%	907,1%
By Channel								
Franchises	257.124	24,8%	145.054	23,3%	77,3%	196.514	46,4%	30,8%
Multibrand	270.259	26,1%	182.252	29,3%	48,3%	107.402	25,4%	151,6%
Owned Stores	269.267	26,0%	118.076	19,0%	128,0%	69.461	16,4%	287,7%
Web Commerce	237.882	23,0%	175.245	28,1%	35,7%	49.519	11,7%	380,4%
Others[4]	1.256	0,1%	2.065	0,3%	(39,2%)	640	0,2%	96,3%

(1) Ex- revenues from international operations.
(2) AR&CO brands include: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, INK, and BAW Clothing.
(3) Includes the brands Vans, A. Birman, Fiever, Alme, TROC, My Shoes, and Carol Bassi for the domestic market only and non-brand specific revenues.
(4) Includes domestic market revenues not specific to the distribution channels.

2Q22 OPERATING INDICATORS

Operating Indicators	2Q22	2Q21	Δ (%) 22 x 21	2Q19	Δ (%) 22 x 19
# of pairs sold ('000)	4.263	3.262	30,7%	3.185	33,8%
Part. (%)	*65,1%*	*71,1%*	*-6,0 p.p*	*88,0%*	*-22,9 p.p*
# of handbags sold ('000)	686	363	88,7%	436	57,2%
Part. (%)	*10,5%*	*7,9%*	*2,6 p.p*	*12,0%*	*-1,5 p.p*
# of clothes sold ('000)[1]	1.595	962	65,8%	-	-
Part. (%)	*24,4%*	*21,0%*	*3,4 p.p*	-	-
# of employees	6.559	3.923	67,2%	2.515	160,8%
# of stores*	950	890	60	696	254
Owned Stores	167	138	29	54	113
Franchises	783	752	31	642	141
Outsourcing (as % of total production)	88,9%	86,4%	2,5 p.p	90,3%	-1,4 p.p
Insourcing (as % of total production)	11,1%	13,6%	-2,5 p.p	9,7%	1,4 p.p
SSS[2] sell-in (franchises)	58,8%	1688,6%	-1629,8 p.p	1,3%	57,5 p.p
SSS[2] sell-out (owned stores + franchises + web)	54,4%	76,8%	-22,4 p.p	4,1%	50,3 p.p

(1) Includes clothing items sold by the AR&CO, Vans, Schutz and Carol Bassi brands.
(2) SSS (same-store sales): stores included in sales of comparable stores from the 13th month of operations. Results include AR&CO.
* Includes overseas stores

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" ZZ'MALL Reserva MYSHOES Baw® TROC CAROL BASSI

1H22 GROSS REVENUE

Gross Revenue	1H22	Part%	1H21	Part%	Δ (%) 22 x 21	1H19	Part%	Δ (%) 22 x 19
Total Gross Revenue	2.207.270		1.341.430		64,5%	952.012		131,9%
Foreign Market	254.389	11,5%	144.067	10,7%	76,6%	121.172	12,7%	109,9%
Exports	23.601	9,3%	16.321	11,3%	44,6%	28.949	23,9%	(18,5%)
US Operation	230.788	90,7%	127.746	88,7%	80,7%	92.223	76,1%	150,3%
Domestic Market	1.952.881	88,5%	1.197.362	89,3%	63,1%	830.840	87,3%	135,0%
By Brand								
Arezzo	619.194	31,7%	413.882	34,6%	49,6%	450.920	54,3%	37,3%
Schutz[1]	360.020	18,4%	245.786	20,5%	46,5%	229.613	27,6%	56,8%
AR&CO[2]	448.123	22,9%	233.283	19,5%	94,4%	-	-	161,5%
Anacapri	150.295	7,7%	119.225	10,0%	26,1%	111.137	13,4%	35,2%
Others[3]	375.249	19,2%	185.186	15,5%	102,6%	39.170	4,7%	858,0%
By Channel								
Franchises	510.102	26,1%	323.146	27,0%	57,9%	404.850	48,7%	26,0%
Multibrand	518.835	26,6%	336.093	28,1%	54,4%	203.902	24,5%	154,5%
Owned Stores	460.627	23,6%	199.226	16,6%	131,2%	130.027	15,7%	254,3%
Web Commerce	461.303	23,6%	334.175	27,9%	38,0%	91.004	11,0%	406,9%
Others[4]	2.014	0,1%	4.722	0,4%	(57,3%)	1.057	0,1%	90,5%

(1) Ex- revenues from international operations.
(2) AR&CO brands include: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, INK, and BAW Clothing.
(3) Includes the brands Vans, A. Birman, Fiever, Alme, TROC, My Shoes. and Carol Bassi for the domestic market only and non-brand specific revenues.
(4) Includes domestic market revenues not specific to the distribution channels.

1H22 OPERATING INDICATORS

Operating Indicators	1H22	1H21	Δ (%) 22 x 21	1H19	Δ (%) 22 x 19
# of pairs sold ('000)	8.980	6.625	35,6%	6.338	41.7%
Part. (%)	*66,4%*	*73,1%*	*-6,7 p.p*	*88,6%*	*-22.2 p.p*
# of handbags sold ('000)	1.416	763	85,5%	813	74,3%
Part. (%)	*10,5%*	*8,4%*	*2,1 p.p*	*11,4%*	*-0,9 p.p*
# of clothes sold ('000)[1]	3.135	1.675	87,2%	-	-
Part. (%)	*23,2%*	*18,5%*	*4,7 p.p*	-	-
# of employees	6.559	3.923	67,2%	2.515	160,8%
# of stores*	950	890	60	696	254
Owned Stores	167	138	29	54	113
Franchises	783	752	31	642	141
Outsourcing (as % of total production)	90,3%	89,0%	1.3 p.p	90,2%	0,1 p.p
Insourcing (as % of total production)	9,7%	11,0%	-1,3 p.p	9.8%	-0,1 p.p
SSS[2] sell-in (franchises)	50,2%	75,9%	-25,7 p.p	1,2%	49,0 p.p
SSS[2] sell-out (owned stores + franchises + web)	56,2%	27,7%	28.5 p.p	4,0%	52.2 p.p

(1) Includes clothing items sold by Vans, AR&CO, Schutz, and Carol Bassi
(2) SSS (same-store sales): stores are included in comparable store sales from the 13th month of operations.
Results include AR&CO.
* Includes overseas stores

AREZZO &CO

2Q22 KEY FINANCIAL INDICATORS

Main Financial indicators	2Q22	2Q22 Adjusted	2Q21 Adjusted	Δ (%) 22 x 21	2Q19 Adjusted	Δ (%) 22 x 19
Gross Revenues	1.165.187	1.165.187	705.627	65,1%	489.482	138,0%
Net Revenues	944.752	944.752	552.976	70,8%	393.546	140.1%
COGS	(416.145)	(416.145)	(255.171)	63,1%	(209.215)	98,9%
Depreciation and amortization (cost)	(1.022)	(1.022)	(746)	37,0%	(743)	37,6%
Gross Profit	528.607	528.607	297.805	77,5%	184.331	186,8%
Gross margin	*56.0%*	*56.0%*	*53,9%*	*2,1 p.p*	*46,8%*	*9,2 p.p*
SG&A	(405.685)	(400.313)	(237.790)	68,3%	(142.801)	180,3%
% of net revenues	*(42.9%)*	*(42.4%)*	*(43,0%)*	*0,6 p.p*	*(36.3%)*	*(6,1 p.p)*
Selling expenses	(307.140)	(304.267)	(155.744)	95,4%	(84.011)	262,2%
Owned stores and web commerce	(77.838)	(77.837)	(52.089)	49,4%	(29.009)	168,3%
Selling, logistics and supply	(229.302)	(226.430)	(103.655)	118,4%	(55.002)	311,7%
General and administrative expenses	(66.823)	(67.357)	(57.374)	17,4%	(37.842)	78,0%
Other operating revenues (expenses)	1.333	4.367	(1.272)	443,3%	(1.822)	(339,7%)
Depreciation and amortization (expens	(33.055)	(33.055)	(23.400)	41,3%	(19.125)	72,8%
EBITDA	156.999	162.371	84.161	92,9%	61.398	164,5%
EBITDA Margin	*16.6%*	*17.2%*	*15.2%*	*2,0 p.p*	*15.6%*	*1,6 p.p*
Net Income	119.821	123.367	47.384	160,4%	35.558	246,9%
Net Margin	*12.7%*	*13.1%*	*8,6%*	*4,5 p.p*	*9,0%*	*4,1 p.p*

* Breakdown of non-recurring adjustments relevant to the "Adjustments" line can be seen in the table below – 2Q22 Non-Recurring Adjustments.

2Q22 NON-RECURRING ADJUSTMENTS

	2Q22	2Q21	2Q19
Consolidated EBITDA	156.999	213.118	68.989
Non-Recurring Items			
Surplus Value (Impact on Gross Profit)[1]	-	(4.833)	-
Extemporaneos Credits[2]	-	141.805	13.236
Legal Expenses	-	(6.652)	(5.646)
M&A Expenses	(5.372)	(1.363)	-
Net Effect of Non-Recurring Items	(5.372)	128.957	7.591
Adjusted Consolidated EBITDA	162.371	84.161	61.398

(1) Value Added – impact on gross income from amortization of the value added of AR&CO inventories.
(2) Adjustment for recognition of one-time tax credits (ICMS as part of the PIS/COFINS taxable base declared unconstitutional).

AREZZO &CO

1H22 KEY FINANCIAL INDICATORS

Main Financial indicators	1H22	1H22 Adjusted	1H21 Adjusted	Δ (%) 22 x 21	1H19 Adjusted	Δ (%) 22 x 19
Gross Revenues	2.207.270	2.207.270	1.341.429	64,5%	952.012	131,9%
Net Revenues	1.784.328	1.784.328	1.052.928	69,5%	770 709	131,5%
COGS	(806.981)	(806.981)	(505.198)	59,7%	(413.902)	95,0%
Depreciation and amortization (cost)	(2.000)	(2.000)	(1.492)	34,0%	(1.356)	47,5%
Gross Profit	977.347	977.347	547.730	78,4%	356.807	173,9%
Gross margin	*54.8%*	*54.8%*	*52,0%*	*2,8 p.p*	*46.3%*	*8,5 p.p*
SG&A	(693.273)	(748.110)	(446.869)	67,4%	(278 703)	168,4%
% of net revenues	*(38,9%)*	*(41.9%)*	*(42.4%)*	*0,5 p.p*	*(36,2%)*	*(5,7 p.p)*
Selling expenses	(570.122)	(553.359)	(289.260)	91,3%	(167.383)	230,6%
Owned stores and web commerce	(165.043)	(151.805)	(99.900)	52,0%	(58.047)	161,5%
Selling, logistics and supply	(405.079)	(401.554)	(189.360)	112,1%	(109.336)	267,3%
General and administrative expenses	(134.878)	(133.903)	(109.770)	22,0%	(74.369)	80,1%
Other operating revenues (expenses)	76.642	4.068	(1.287)	(416,0%)	(545)	(846,2%)
Depreciation and amortization (expenses)	(64.915)	(64.915)	(46.552)	39,4%	(36.407)	78,3%
EBITDA	350.989	296 152	148.905	98,9%	115.867	155,6%
EBITDA Margin	*19,7%*	*16.6%*	*14,1%*	*2,5 p.p*	*15,0%*	*1,6 p.p*
Net Income	217.106	180.914	76.993	135,0%	58.624	208,6%
Net Margin	*12,2%*	*10,1%*	*7,3%*	*2,8 p.p*	*7,6%*	*2,5 p.p*

* Breakdown of non-recurring adjustments relevant to the "Adjustments" line can be seen in the table below – 2H22 Non-Recurring Adjustments.

1H22 NON-RECURRING ADJUSTMENTS

	1H22	1H21	1H19
Consolidated EBITDA	350.989	278.116	123.571
Non-Recurring Items			
Surplus Value (Impact on Gross Profit)[1]	-	(4.833)	-
Extemporaneos Credits[2]	65.608	142.059	13.386
Legal Expenses	(1.509)	(6.652)	(5.681)
M&A Expenses	(9.263)	(1.363)	-
Net Effect of Non-Recurring Items	54.836	129.211	7.704
Adjusted Consolidated EBITDA	296.152	148.905	115.867

(1) Value Added – impact on gross income from amortization of the value added of AR&CO inventories.
(2) Adjustment for recognition of one-time tax credits (ICMS as part of the PIS/COFINS taxable base declared unconstitutional).

BRANDS PERFORMANCE

CAROL BASSI | SUMMER 2023

The second quarter at Arezzo&Co is traditionally characterized by sales of the brands' winter collections at the group's physical stores and on its digital channels. The period has two of the most important dates on the retail sales calendar – Mothers' Day and Valentines' Day. Mothers' Day stands as a relevant period for the Company in terms of sales volume and, in 2022, it came with excellent results for all brands, breaking the sales record even if the addition of the Reserva Group is disregarded.

Soon after Valentines' Day, the brands entered the season transition's period, characterized by repriced winter collection sales and the launch of new collections called Cruise and Resort. These collections are important thermometer for testing consumer receptiveness for the new summer trends.

Arezzo&Co posted surprising results for yet another quarter. The Company reached R$ 1.2 billion in gross revenue (growth of 65.1% vs 2Q21 and 138.0% vs 2Q19) – setting a new record for second-quarter sales. In addition to the excellent performance on all channels, this reflects the high level of brand assertiveness for all collections launched, as well as the Company's solid strategic agenda. It is also worth pointing out the digital channel's relevant growth, which reached 238 million in sales, +35.7% vs 2021, despite the high comparative baseline.

AREZZO &CO

AREZZO

The brand posted R$ 312 million in revenues, growth of 63.9% vs 2Q21 and 37.0% vs 2Q19. All of the sales channels performed excellently in the period, particular emphasis on the franchise channel, which answers for more than 50% of the brand's sales and posted strong results, growth of 76.1% vs 2Q21 and 13.0% vs 2Q19.

For the period's highlight, Arezzo posted its best Mothers' Day ever in terms of sales. As discussed in the past release, the brand launched a special campaign that gathered together the Bussade Braz's family, of the influencer Silvia Braz. The campaign answered for approximately 30% of the winter season's sell out, showing Arezzo's strength as the go-to choice for date-related gifts.

Arezzo then launched its last winter collection, for Valentines' Day and with the slogan "Celebrate Love". The campaign relied on timeless products featuring metallic options with sparkles and rhinestones to offer assertive gift choices for all of the brand's consumers. The collection posted excellent results, with 35% sell through in the first 15 selling days.

To introduce the summer season, in June, Arezzo launched the Cruise collection, with items in warm tones and particular emphasis due on 2000s-inspired platforms.

B R I ZZ A
AREZZO

By its turn, BriZZa, an Arezzo-endorsed brand, made important gains in the first semester. BriZZa redesigned its strategic positioning and will stand as the go-to choice for fashion sun sandals and flip flops for the A/B public – "from beach to party". In addition to having its own team specializing in the injected/rubberized footwear and accessories segment, the brand's production is mostly vertical (stand-alone factory in Veranópolis), enabling better control over the product's quality and value.

It is worth emphasizing that BriZZa will continue to be commercialized through the Arezzo brand, making the best of its strong platform - physical stores, web commerce and Instagram –, but addressing a new market that its parent brand has not yet penetrated.

For the second semester, BriZZa will continue its marketing strategy, and will launch an important campaign with two celebrities already known by the brand.
In addition, the brand will significantly explore the multi-brand channel, in which it sees a lot of potential.

SCHUTZ

The Schutz brand kept up the recent periods' strong growth levels and, in the second quarter of 2022, posted R$ 275 million in global revenues, growth of 51.5% vs 2Q21 and 71.2% vs 2Q19. The foreign market represents 34% of Schutz revenues. In the domestic market, the brand posted R$ 182 million, growth of 52.5% vs 2Q21 and 54.8% vs 2Q19.

As discussed in the past earnings release, in April, Schutz released its apparel line and became a full-look brand. The brand opened two clothing-oriented stores – one on Oscar Freire St. in São Paulo and the other in the Leblon shopping mall, in Rio de Janeiro. To test different store formats, Schutz will also open a new store in the second semester that will offer all of the brand's categories.

The first apparel collection received a lot of positive opinions by the most influential Brazilian fashion vehicles, focused on the jeans and tailoring categories. For the second semester, the brand will launch the summer collection, which, for the first time, will bring collaborations with important brands, maintaining Schutz's fashion DNA.

Concerning the Mothers' Day campaign – "Shine Like a Mom" –, Schutz had excellent results, growth of 56% vs the previous year.

For Valentines' Day, Schutz launched the "Crazy in Love" campaign, covering all of the brand's categories – including apparel. For a highlight, "Love Bag" and the "Orly Snake" boots posted sell through of 80% and 66%, respectively. Schutz is a benchmark brand for the handbags category, which already answers for 30.5% of its sales.

AR&CO

AR&CO posted R$ 251 million in revenues in 2Q22, growth of 75.5% vs 2Q21 and 176.0% vs 2Q19. The Reserva Group (ex- BAW Clothing) grew 66.7% vs 2Q22 and 162.1% vs 2Q19.

For the period's highlight, the owned stores channel posted strong performance, growth of 105.3% compared with 2Q21 and 100.8% with 2Q19. Since the integration with Arezzo&Co, the Reserva Group has intensified its sell in calendar – with additional selling and replenishment cycles – leading to 49.0% and 61.7% growth of the multibrand and franchises channels, respectively.

For Valentines' Day, Reserva used the date to address a topic of relevance for its public – ageism. In addition to a campaign starring a middle-aged couple, Reserva approached the important issue of the jobs market for the 50-plus population. AR&CO also has in place a program called "Cara e Coroa" that employs people in this age group.

Simultaneously with the Valentines' Day collection release, the Reserva Group launched its women's products line – Reversa. It was first introduced to the public through underwear and sleepwear, developed for both women and men. The acceptance by the female public was excellent, and Reversa's products reached 115% of the month's target in just 12 days. In addition, the campaign leveraged the brand's underwear line, which grew 75.0% vs 2021.

Reserva GO, the footwear sub-label, continue to show strong expansion and, for this quarter, launched the "Type R" line, focusing on the début of a new signature with the Reserva R on the side. The sneakers category already answers for 16% of the Group's sales.

VANS

Vans posted strong growth on all channels in the second quarter. It is worth mentioning the performance of physical stores – both franchises and owned –, which continue to show excellent pace of growth.

For the quarter's highlight, Vans kept up its physical stores expansion plan, opening up three new owned stores: in the Anália Franco Shopping Mall (SP), in the city of Contagem (MG) and in the Salvador Shopping Mall (BA) – the brand's first store in the state of Bahia. The stores are in line with the brand's latest global architectural model and have been meticulously designed to provide the best possible *Off The Wall* experience to customers.

AREZZO &CO

ANACAPRI

The Anacapri brand posted R$ 76 million in gross revenue in 2Q22, growth of 25.8% vs 2Q21 and 33.9% vs 2Q19. For a highlight, the franchise channel posted strong growth, reflecting the resumption of its activities – 61.2% from 2Q21.

For the summer season, Anacapri will release unprecedented products like the “flatform” model – sandals with straight and continuous heels –, which is the best-selling bet of the period. With the new product, the brand is selling heeled sandals for the first time ever, in a positioning change in terms of product while keeping true to the comfort attributes that are characteristic of the brand.

The summer campaign launched in early August starring Juliette – a Brazilian celebrity that also hold ranks third on the Instagram world engagement rankings. The brand gambled on a strong name to boost the innovative products that will be introduced throughout the season.

ANACAPRI | SUMMER 2023 @JULIETTE

AREZZO
&CO

ALEXANDRE
BIRMAN

ALEXANDRE BIRMAN | DREAM SCAPE

The Alexandre Birman brand reached R$ 57 million in global revenues, growth of 89.1% vs 2Q21 and 117.1% vs 2Q19. On the domestic market, the brand posted 145.4% expansion vs 2Q21 and 222.1% vs 2Q19 – showing strong market-share gain in the Brazilian luxury market, which alredy represents 53% of it's revenues.

To reinforce its position as a global brand, Alexandre Birman was present in the second quarter at the Cannes International Film Festival. For the event, the brand launched the "The Allure Chapture" capsule collection, with glamourous sandals worn by several Brazilian and international celebrities at the events held in the French city during the season.

Another highlight of the period was the opening of two stores in Brazil, in cities where the brand had no presence so far – Belo Horizonte and Ribeirão Preto. The Belo Horizonte store, in the Lourdes district, became the largest Alexandre Birman street store and made over R$ 1 million in sales in its first month of operations.

CAROL BASSI

The Carol Bassi Brand posted strong results for the period. Its physical stores – Cidade Jardim Mall in São Paulo, and Village Mall in Rio de Janeiro – grew 31.6% vs the previous year, despite the strong comparative baselines.

In keeping with its expansion plan, the brand will open three new stores in the second half of 2022, which will feature the full Carol Bassi experience.

Carol Bassi took an important step in early August, launching its own web commerce. To promote the new sales channel, the brand released a collaborative collection with digital influencer Maria Rudge, simultaneously with the website's début. It is worth emphasizing that this was its second collab with the influencer, with excellent results in the first edition.

AREZZO
&CO

myshoes

My Shoes brand performed excellently on the multibrand channel, reaching 1,000 shopping customers in the period. This underscores the brand's excellent adherence in its niche.

In the next quarter, My Shoes will take an important strategic step and release its own web commerce. The new channel is expected to boost the brand's revenues, which are already showing positive results after one year since its launch.

AREZZO &CO

FIEVER

Fiever posted 32.8% growth in multibrand channel sales vs 2Q21, while the channel's number of clients increased by 28%. For the period's highlight, Fiever launched a sneakers collection in collaboration with sports clothes brand LIVE!, inspired in the strong athleisure trend.

ALME

By its turn, Alme, the Group's sustainable brand, re-launched its Lume model – sneakers made from recycled cotton, a mix of natural and recycled rubber, and sugar-cane EVA insoles – for Mothers' Day, in a children's version.

ALME | LUME SNEAKER

INTERNATIONAL BUSINESS

The US operation posted R$ 120 million in gross revenue, growth of 63.8% vs 2Q21 and 147.8% vs 2Q19. In US Dollars, revenues were up 74.9% vs 2Q21.

It is worth emphasizing the consistent delivery of results from international business, the product of extremely assertive and diligent strategic planning.

In line with the previous quarter's numbers, web commerce posted record-setting revenues of R$ 53 million (US$ 11 million), growth of 101.4% vs 2Q21, and 115.2% in US Dollars. The digital channel's performance indicators also reflect strong growth – the number of pairs sold increased by +108% and the website traffic was up 83%. The number of orders, by its turn, grew by 95%, while the conversion rate increased by 7%, keeping the same level of 1Q21's: 1.6%.

The wholesale channel answered for 47% of the US operation's gross revenue in 2Q22, booking R$ 57 million, growth of 38.6% vs 2Q21, and 47.9% in US Dollars.

Furthermore, in recent months, Arezzo&Co also began a pilot operation of the Arezzo brand in the US market. Even in its early stages, the brand has posted average monthly sales of USD 200 thousand through its own web commerce and the Amazon platform.

The US operation maintained a positive EBITDA at R$ 5 million in the second quarter, with 5.2% margin.

By its turn, the Exports channel – overseas sales excluding the United States – posted R$ 9 million in gross revenues in 2Q21 and R$ 24 million in the first semester.

CHANNELS

Sell Out – Franchises, Owned Stores and Web Commerce

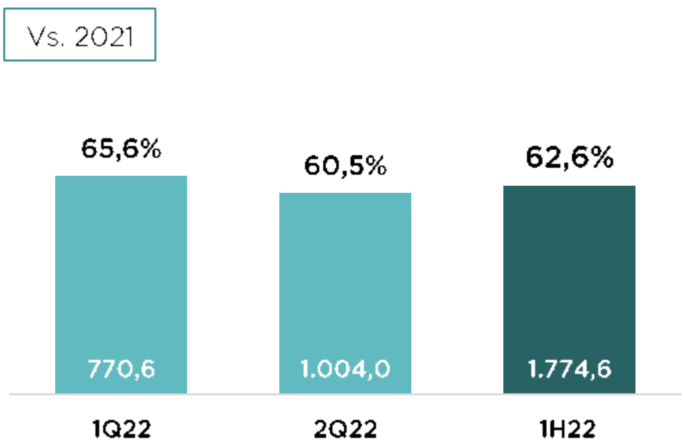
The DTC sell out (Owned Stores + Franchises + Web Commerce) posted record-setting results for a second quarter of R$ 1.0 billion in 2Q22 – growth of 60.5% vs 2Q21 and 61.0% vs 2Q19.

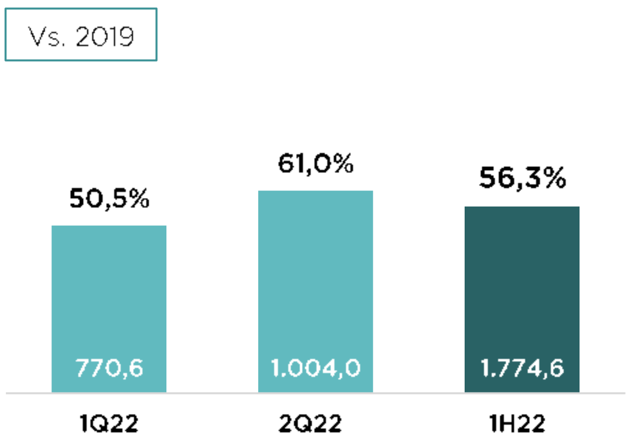
For the period's highlight, sell out from physical stores (franchises + owned stores) grew 69.8% vs 2Q21 and 37.2% vs 2Q19. As for the web commerce channel – with a high baseline due to the temporary closure of physical stores in April 2021 –, recorded significant growth in the period: 36.2% vs 2Q21.

All of the Arezzo&Co Group's brands performed strongly, showing sustainable growth, particularly concerning the organic operation. The core brands Arezzo, Schutz and Anacapri grew 50.1%, 45.0% and 48.1% vs 2Q21, respectively. AR&CO, by its turn, kept up the fast pace seen in recent periods and posted even higher performance levels compared with the others: 87.2% vs 2Q21.

In July, Arezzo&Co maintained the fast pace of sales. The Company ended the period with a 47.6% sell out growth versus the previous year, considering all of the Group's brands.

Arezzo&Co + AR&CO Sell Out Growth
(Franchises, Owned Stores and Web Commerce)





+60%
SELL-OUT GROWTH vs 2Q21

+61%
SELL-OUT GROWTH vs 2Q19

R$ 1.0 BI
RECORD-SETTING DTC SELL OUT IN 2Q22

CHANNELS

Single Brand – Franchises and Owned Stores

The Company's single-brand channels posted robust results in 2Q22. The franchise channel recognized R$ 257 million in gross revenue, growth of 77.3% vs 2Q21 and 30.8% vs 2Q19. The owned stores channel totaled R$ 269 million in sales, growth of 128.0% vs 2Q21 and 287.7% vs 2Q19. Excluding AR&CO, both channels posted revenue gains compared with the previous period - franchises channel grew 78.6% and owned stores grew 150.4%.

All Arezzo&Co and AR&CO brands posted strong performance on the franchise channel in the quarter, underscoring the resilient sales recovery in physical retail since the gradual normalization of activities seen in the past few quarters.

On the owned stores channel, all brands posted positive results, particular emphasis on AR&CO, Vans and Arezzo. The channel's share of the Company's gross revenue (domestic market) was 26.0% in the period.

Multibrand

The multibrand channel posted R$ 270 million in sales in the second quarter of 2022, growth of 48.3% vs 2Q21 and 151.6% vs 2Q19. In the period, the brands were distributed through 5,755 points of sale, up 24.7% from 2Q21.

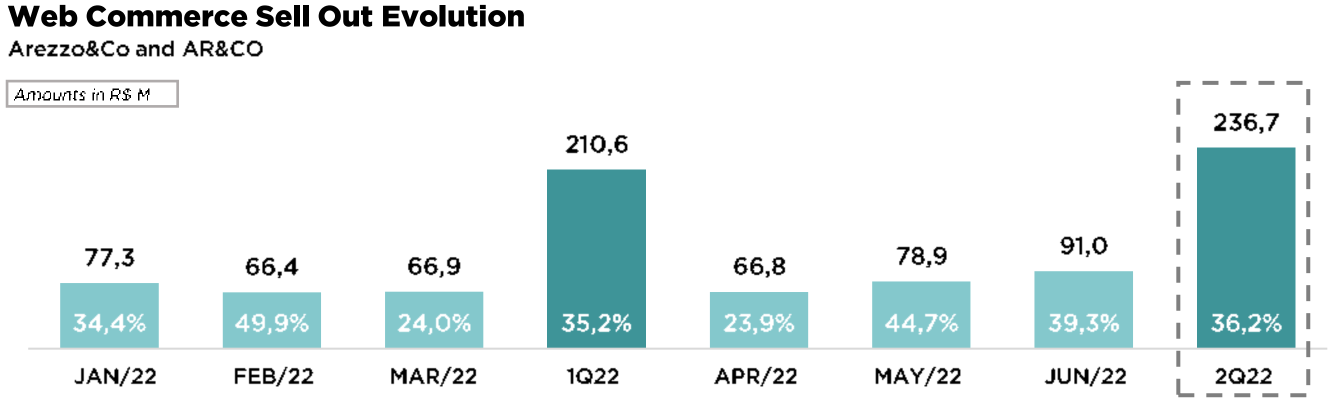
The channel showed consistent results, even given the strong baseline for comparison, due to the group's brands' share-of-wallet against partner customers, which display high levels of satisfaction with Arezzo&Co.

Web Commerce

The Company's web commerce channel posted R$ 238 million in gross revenue in 2Q22, growth of 35.7% vs 2Q21, despite the strong comparative baseline (temporary stores closure in April 2021 – COVID-19). For the period highlight, the Arezzo, Schutz and Reserva brands contributed to the channel's high growth, demonstrating the relevance of online sales for the main Arezzo&Co brands. It is worth pointing out that the online channel consistently and sustainably maintained its high representativeness in terms of revenues since the level change that occurred in 2020.

The APPs of Arezzo&Co's brands are important online sales tools and, taken together, they answered for R$ 61 million in sales in the second quarter, with a relevant share of the channel's sales. The number of downloads grew 79.7% vs 2Q21, showing the continued growth of the user base.

CHANNELS

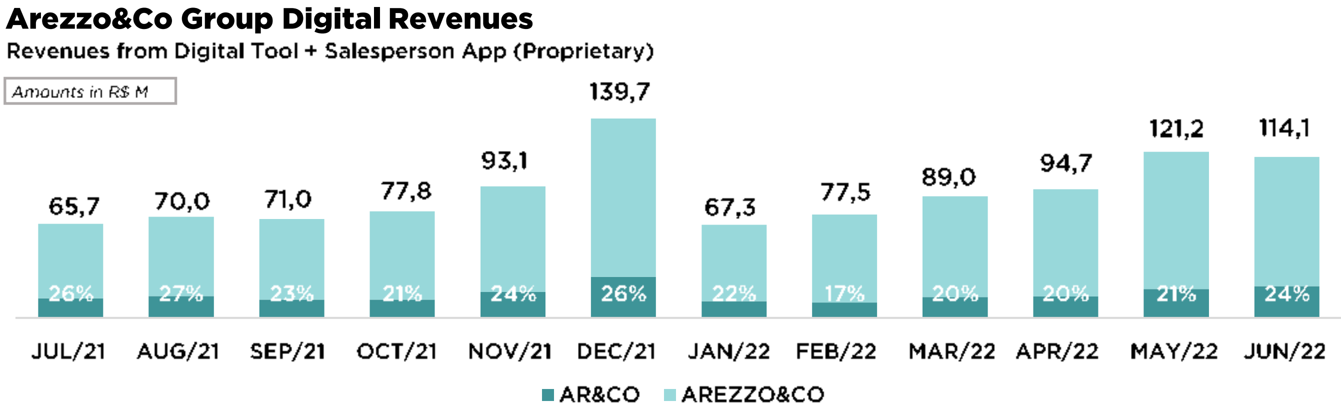


Digital Transformation

The sales through digital tools and the online channel, taken together, reached R$ 2.0 billion in sell out revenues in the past 12 months – a record-setting level. The representativeness of sales made through digital tools was 44.6% of sell out revenues from physical stores in 2Q22, a 3 p.p. gain from 1Q22.

In the second quarter, sales made under the influence of the Salesperson APP reached R$ 264 million, growth of 94.4% vs 2Q21. To support the level of APP-based revenues reached, Arezzo&Co implemented more than 120 usability, performance and security upgrades to the tool.

Another front worth emphasizing in the period has been the release of the new ZZ'Link version – a proprietary Arezzo&Co remote payment tool. In its first months in use, the tool has leveraged daily average payment links per store by 16%, and sales conversion by +1.2 p.p. since 2Q21.



R$ 873M
WEB COMMERCE SELL OUT (LTM)

R$ 1.1B
DIGITAL REVENUES (LTM)

R$ 2.0 BI
WEB SELL OUT + DIGITAL TOOLS (LTM)

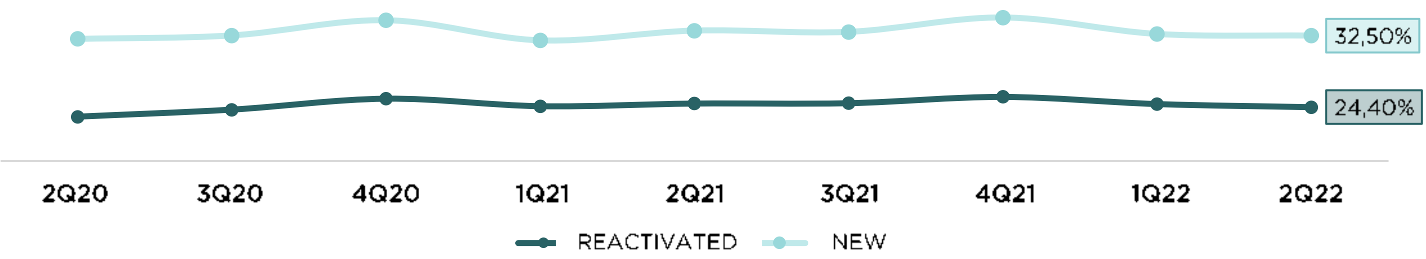
AREZZO &CO

CHANNELS

Digital Transformation

Customer Capture and Retention*

- Record-setting volume of customers in Arezzo&Co's active base in 2Q22: 4.0 million;
- OMNI customers showed high shopping frequency in the period, 113% higher than overall frequency;
- The shopping frequency of consumers influenced via salesperson contact is 23% than that of those not influenced.



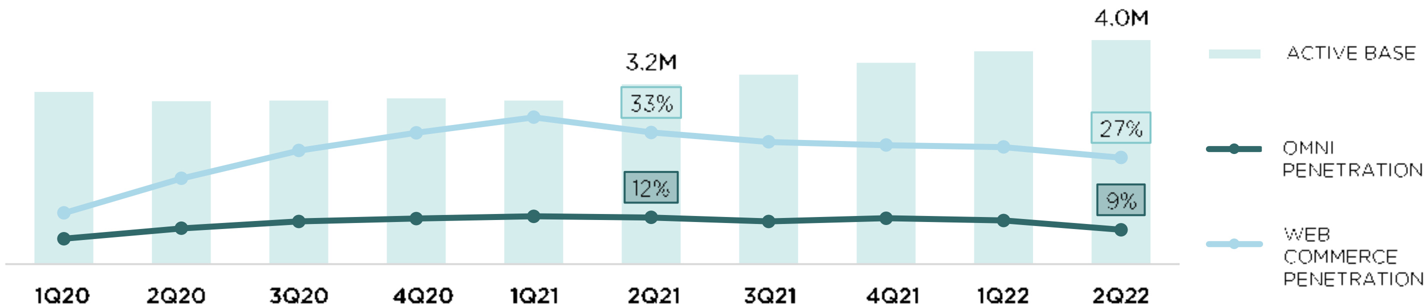
*Ex- AR&CO

+25% CUSTOMERS CAPTURED	**+31%** CUSTOMERS RETAINED	**+19%** CUSTOMERS REACTIVATED

*Data 2Q22 vs 2Q21

Online Channel Penetration*

- The Arezzo&Co active online customer base remained stable in the period;
- 27% of Arezzo&Co customers shop online;
- 9% of customers are omnichannel (shopping physically and online).



*Ex- AR&CO

MONOBRANDS CHAIN

The Company <u>closed the second quarter of 2022 with 950 stores</u>, 939 of which in Brazil and 11 overseas, considering all of the Group's brands.

<u>In the period, Arezzo&Co opened 25 net stores.</u> The brands with store openings included AR&CO (12), Anacapri (6), Vans (3), Alexandre Birman (2), and Schutz (2), with both Schutz stores allocated to the Schutz Full Look project, an important strategic front for the Company.

The quarter's store openings underscore Arezzo&Co's commitment to keeping up its physical expansion strategy, as announced to the market at the latest Investor Day: 70 to 90 net store openings in 2022.

Store Information	2Q21	3Q21	4Q21	1Q22	2Q22
Sales Area[1],[3] - Total (m²)	58.199	59.917	64.182	64.172	65.904
Sales area - franchises (m²)	43.818	44.711	47.844	47.378	47.901
Sales area - owned stores[2] (m²)	14.381	15.206	16.337	16.795	18.002
Total number of domestic stores	**879**	**883**	**930**	**914**	**939**
# of franchises	**746**	**743**	**777**	**767**	**777**
Arezzo	437	429	433	431	430
Schutz	62	64	64	62	62
Anacapri	192	193	207	204	210
Fiever	1	1	1	-	-
Alme	3	2	2	-	-
Vans	9	10	13	13	13
AR&CO	42	44	57	57	62
# of owned stores	**133**	**140**	**153**	**147**	**162**
Arezzo	15	18	18	17	18
Schutz	20	20	20	20	22
Alexandre Birman	8	8	8	8	10
Anacapri	3	3	2	2	2
Fiever	2	2	2	2	2
Alme	2	2	2	2	2
Vans	7	9	12	12	15
AR&CO	76	78	89	82	89
Carol Bassi	-	-	-	2	2
Total number of international stores	11	11	11	11	11
# of franchises	6	6	6	6	6
# of owned stores[4]	5	5	5	5	5

(1) Includes overseas stores' floor area
(2) Includes eleven Outlet stores with a total area of 3.635 square meters
(3) Includes expanded stores' floor area
(4) Includes 3 Schutz-brand stores, as follows (i) New York on Madison Avenue, (ii) Miami in the Aventura Mall, and (iii) Los Angeles, on Beverly Drive. Also includes 2 Alexandre Birman-brand stores, as follows: (i) New York on Madison Avenue and (ii) Miami in the Bal Harbour Mall

GROSS INCOME AND GROSS MARGIN

In the second quarter of 2022, Arezzo&Co posted R$ 529 million in gross income, with gross margin at a record-setting of 56.0%, growth of 210 bps vs 2Q21 and 920 bps vs 2Q19.

The positive impact on gross margin came mainly from (i) the increased share of sell out channels as part of the Company's total revenues, (ii) strong growth of full-price sales on these channels, and (iii) the franchise channel's margin growth due to normalizing retail activities after the period of pandemic-related restrictions.

ADJUSTED OPERATING EXPENSES

Arezzo&Co posted strong and consistent results in the second quarter of 2022, with significant profitability gains. It is worth emphasizing that the investments made in the period targeted the Company's long-term strategic planning.

In addition to investment in sales growth and new brands, the Company remains diligent in terms of fixed and operating costs to continuously improve its EBITDA margin, which was up in the quarter.

Adjusted Commercial Expenses

In the second quarter, Arezzo&Co's adjusted commercial expenses were R$ 304 million, growth of 95.4% vs 2Q21. Out of the main growth-inducing factors it is worth emphasizing the operational leverage of AR&CO, which posted high growth levels in recent periods and thereby leveraged commercial expenses to support the new level of sales that the operation has attained.

In addition, the increased revenues from the owned stores and web commerce sell out channels also influenced the growth of commercial expenses, due mainly to (i) the increased number of stores, and (ii) expansion of online revenues, with direct impact on variable expenses.

i. Arezzo&Co's owned stores and web commerce expenses (sell out channels) were R$ 78 million – growth of 49.4% vs 2Q21. The increase in gross revenue from the two channels combined was 72.9% vs 2Q21, materially higher than the increase in expenses. Out of the main factors responsible, it is worth emphasizing the net opening of 29 owned stores compared with 2Q21, mainly in line with the expansion of the AR&CO brands and Vans. The largest impacts focus on occupancy costs and payroll expenses. The web commerce channel also contributed to the period's increase in commercial expenses, the main being of a variable in nature - digital marketing and shipping.

ADJUSTED OPERATING EXPENSES

ii. Arezzo&Co's Selling, Logistics and Suppliers expenses were R$ 226 million in the period – growth of 118.4% vs 2Q21. Of particular emphasis in this line are strategic marketing investments. To illustrate, the Reserva brand reformulated its plans and introduced more elaborate campaigns for the latest collection releases. Other investment fronts in AR&CO – an operation at an accelerated expansion pace – contributed to the period's higher SLSE, such as expenses with the new distribution hub. In addition, it is also worth emphasizing investments in new initiatives – Schutz Full Look, BriZZa and My Shoes – that lack basis for comparison and therefore have a direct impact on positive expenditure changes.

Selling, Logistics and Supplier Expenses in the United States were R$ 41 million in 2Q22, growth of 100.2% vs 2Q21. The US operation, a strategic focal point for the Company, is experiencing constant expansion and the increase in expenses is meant to boost and support this growth while respecting the operation's profitability.

Adjusted General and Administrative Expenses

In 2Q22, Arezzo&Co's general and administrative expenses were R$ 67 million, growth of 17.4% vs 2Q21, due mainly to the higher level of provisions for profit-sharing payments due to the significant increase in the Company's operating and financial results.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The Company posted adjusted EBITDA of R$ 162 million, up 92.9% vs 2Q21 and 164.5% vs 2Q19, with total adjusted margin of 17.2% in the period, with particular emphasis due on:

- Strong sales performance of all of the Group's brands and channels;
- Growth of the web commerce channel, despite the strong comparative baseline;
- Gross Margin increase (record-setting result) due mainly to the higher volume of full price sales on sell out channels;
- Positive EBITDA level maintained for the US operation.

	2Q22 EBITDA			2Q21 EBITDA			2Q19 EBITDA		
	&Co	Brazil	EUA	&Co	Brazil	EUA	&Co	Brazil	EUA
Net Revenues	944,8	850,6	94,1	553,0	493,4	59,6	393,5	354,6	38,9
EBITDA	162,4	157,4	4,9	84,2	81,6	2,5	61,4	68,2	(6,8)
EBITDA Mg.	*17,2%*	*18,5%*	*5,2%*	*15,2%*	*16,5%*	*4,2%*	*15,6%*	*19,2%*	-

Amounts in R$ M // Amounts consistent with IFRS 16 / CPC 06 (R2)

NET INCOME AND ADJUSTED NET MARGIN

The Company's adjusted net income in the period was R$ 123 million, growth of 160.4% vs 2Q21 and 246.9% vs 2Q19, with a 13.1% net margin, up 450 bps from 2Q21.

Net income was positively affected by the strong operating performance of Arezzo&Co in the period, as well as by the higher financial revenues arising from an increased volume of financial investments because of the cash position attained by the Company after the Follow-on process (February 2022).

ROIC – RETURN ON INVESTED CAPITAL

Adjusted return on invested capital (ROIC) – that is, ex- the added value from the latest acquisitions of Arezzo&Co (AR&CO, Carol Bassi, and BAW), as well as credits from other fiscal years and non-recurring elements – was 34.5%, vs. 25.6% in 2Q21. it is important to point out that ROIC is one of the most important KPIs tracked by Arezzo&Co's management.

The Reported ROIC, by its turn, reached 22.6% in 2Q22. The factors responsible for the strong performance include the 43.6% increase in NOPAT from 2Q21. On the other hand, it is worth emphasizing that the dynamics of the working capital lines (inventory, suppliers, and accounts receivable) have changed with the December 2020 consolidation of AR&CO.

Income from operations	2Q22 Reported	2Q22 Adjusted	2Q21	2Q19	∆ 22 x 21 (%)	∆ 22 x 19 (%)
EBIT (LTM)	522.526	484.051	369.331	196.988	31,1%	145.7%
+ IR and CS (LTM)	(59.643)	(52.409)	(46.957)	(31.596)	11,6%	65,9%
NOPAT (LTM)	**462.883**	**431.642**	**322.374**	**165.392**	**33,9%**	**161,0%**
Working Capital[1]	514.225	614.218	335.091	388.969	83,3%	57,9%
Accounts Receivable	613.690	613.690	455.695	370.837	34,7%	65,5%
Inventory	651.730	651.730	362.063	163.368	80,0%	298,9%
Suppliers	(566.002)	(566.002)	(345.773)	(111.810)	63,7%	406,2%
Others	(185.193)	(85.201)	(136.894)	(33.426)	(37,8%)	154.9%
Permanent assets	1.681.935	747.690	1.160.953	366.664	(35,6%)	103,9%
Other long-term assets[2]	221.254	221.255	187.737	39.192	17,9%	464,5%
Invested capital	2.417.414	1.583.163	1.683.781	794.825	(6,0%)	99,2%
Average invested capital[3]	2.050.598	1.251.527	1.261.220		(0,8%)	
ROIC[4]	22,6%	34,5%	25,6%			

(1) Working Capital: Current Assets minus Cash and cash equivalents, deducted from Current Liabilities minus Banks and Dividends Payable.
(2) Minus deferred Income tax and Social Contribution.
(3) Average capital employed in the period and in the same period in the previous fiscal year.
(4) ROIC: NOPAT of the past 12 months divided by average capital employed.

INVESTMENTS - CAPEX

In 2Q22, Arezzo&Co invested R$ 56 million in CAPEX, particular emphasis due on:

- Stores
  - New store openings for the Reserva, Vans and Alexandre Birman brands;
  - Reserva store innovations for alignment with the new architectural standard;
  - Renovation of new stores under the Schutz Full Look project.
- Corporate
  - New Reserva Group Distribution Hub;
  - Investments in data infrastructure adjustment at AR&CO;
  - Squads – technology fronts focusing on digital sales projects.
- Other
  - Investments associated with the purchase of machinery for the new plants.

Summary of Investments	2Q22	2Q21	∆ 22 x 21 (%)	1H22	1H21	∆ 22 x 21 (%)
Total CAPEX	**56.004**	**29.554**	**89,5%**	**96.839**	**42.099**	**130,0%**
Stores - expansion and refurk	23.297	11.125	109,4%	34.214	14.930	129,2%
Corporate	27.255	16.877	61,5%	54.953	24.849	121,1%
Others	5.452	1.552	251,3%	7.672	2.320	230,7%

CASH AND DEBT POSITION

The Company reached the end of 2Q22 with R$ 360 million in net cash. The period's highlights include:

- **R$ 715 million cash position;**
- Total debt of R$ 355 million, from R$ 509 million in 2Q21;
- It is worth emphasizing that the cash and debt position changed because of the follow-on held in February 2022. The Company partly paid down its debt with the proceeds from the offering.
- 0.6x Net Cash-to-EBITDA.

Cash position and Indebtedness	2Q22	1Q22	2Q21
Cash and Cash Equivalents	715.247	710.309	385.921
Total debt	355.286	284.039	509.496
Short-term	345.023	268.463	216.587
% total debt	97,1%	94,5%	42,5%
Long-term	10.263	15.576	292.909
% total debt	2,9%	5,5%	57,5%
Net cash	359.961	426.270	(123.575)
Net Cash/EBITDA	0,6x	0,6x	-0,3x

BALANCE SHEET

Assets	2Q22	1Q22	2Q21
Current assets	2.192.913	2.109.403	1.340.793
Cash and cash equivalents	81.682	106.747	69.625
Financial Investments	633.565	603.562	316.296
Trade accounts receivables	613.690	631.278	455.695
Inventory	651.730	556.685	362.063
Taxes recoverable	161.845	130.015	98.945
Other credits	50.401	80.601	38.169
Financial Instruments - Derivatives	0	515	0
Non-current assets	2.001.494	1.914.810	1.414.612
Long-term receivables	319.559	315.470	253.659
Trade accounts receivables	2.952	3.589	6.209
Deferred income and social contribution	98.305	83.870	65.922
Financial Instruments - Derivatives	0	0	0
Judicial deposits	54.788	55.487	48.434
Taxes recoverable	148.494	158.128	130.371
Other amounts receivable	15.020	14.396	2.723
Investments property	2.860	2.860	4.760
Property, plant and equipment	492.475	446.326	287.324
Intangible assets	1.186.600	1.150.154	868.869
Total assets	4.194.407	4.024.213	2.755.405

Liabilities	2Q22	1Q22	2Q21
Current liabilities	1.433.019	1.269.342	864.790
Loans and financing	345.023	268.463	216.587
Lease	62.079	58.229	44.375
Suppliers	566.002	588.706	345.773
Other liabilities	459.915	353.944	258.055
Non-current liabilities	268.927	256.621	459.363
Loans and financing	10.263	15.576	292.909
Other liabilities	72.465	66.259	13.041
Lease	180.107	168.765	142.844
Other amounts payable	3.405	3.065	5.938
Deferred Taxes	2.687	2.943	4.631
Deferred Income	0	13	0
Shareholder's Equity	2.492.432	2.497.592	1.430.980
Capital	1.645.467	1.645.467	808.715
Capital reserve	163.046	163.585	157.939
Profit reserve	541.478	541.478	107.895
Tax Incentives Reserve	0	0	227.937
Adjustment of Equity Valuation	-6.379	-991	-4.927
Period Profit	148.820	98.053	133.466
Proposed additional dividends	0	50.000	0
Investment losses		0	-45
Total Shareholder's Equity	2.492.461	2.498.250	1.431.252
Non-controlling interest stake	29	658	272
Total liabilities and shareholders' equity	4.194.407	4.024.213	2.755.405

INCOME STATEMENT

Income Statement - IFRS	2Q22	2Q21	Var.%	1H22	1H21	Var.%
Net operating revenue	944.752	552.976	70,8%	1.784.328	1.052.928	69,5%
Cost of goods sold	(416.145)	(260.004)	60,1%	(806.981)	(510.031)	58,2%
Gross profit	528.607	292.972	80,4%	977.347	542.897	80,0%
Operating income (expenses):	(405.685)	(104.000)	290,1%	(693.273)	(312.824)	121,6%
Selling	(333.615)	(172.937)	92,9%	(622.696)	(328.566)	89,5%
Administrative and general expenses	(73.402)	(71.598)	2,5%	(147.218)	(125.031)	17,7%
Other operating income, net	1.332	140.535	-99,1%	76.641	140.773	-45,6%
Lucro antes do resultado financeiro	122.922	188.972	-35,0%	284.074	230.073	23,5%
Resultado Financeiro	(6.655)	(18.788)	-64,6%	(27.062)	(27.404)	-1,2%
Income before income taxes	116.267	170.184	-31,7%	257.012	202.669	26,8%
Income tax and social contribution	3.554	(37.688)	-109,4%	(39.906)	(40.397)	-1,2%
Current	(11.137)	(14.615)	-23,8%	(50.740)	(21.056)	141,0%
Deferred	14.691	(23.073)	-163,7%	10.834	(19.341)	-156,0%
Net income for period	119.821	132.496	-9,6%	217.106	162.272	33,8%
Results Attributed to:						
Controlling shareholders	120.450	132.496	-9,1%	218.503	162.272	34,7%
Non-controlling shareholders	(629)		-	(1.397)		-
Net income for period	119.821	132.496	-9,6%	217.106	162.272	33,8%

ARE**ZZO &CO**

CASH FLOW

Cash Flow	2Q22	2Q21	1H22	1H21
Operating activities				
Net Income	119.821	132.496	217.106	162.272
Adjustments to reconcile the results according to the cash generated by operating activities:	54.911	(104.558)	124.980	(48.526)
Depreciation and amortization	34.813	25.142	68.246	50.007
Income from financial investments	(15.848)	(4.141)	(26.520)	(5.700)
Interest and exchange rate	35.882	(23.160)	(3.622)	(4.836)
Income tax and social contribution	(3.554)	37.688	39.906	40.397
Others	3.618	(140.087)	46.970	(128.394)
Decrease (Increase) in assets				
Trade accounts receivables	29.331	17.762	186.864	135.160
Inventory	(92.358)	(9.858)	(198.867)	(74.241)
Recoverable taxes	(18.935)	2.213	(103.994)	(6.904)
Change in other current assets	26.914	(1.299)	16.898	(11.137)
Judicial deposits	699	(7.092)	(398)	(17.462)
(Decrease) increase in liabilities				
Suppliers	(23.765)	(32.393)	(9.772)	(49.599)
Labor liabilities	14.299	8.651	(28.321)	(5.424)
Fiscal and social liabilities	(12.884)	(13.166)	(33.801)	(24.758)
Variation in other liabilities	(18.779)	40.430	(61.692)	20.178
Payment of income tax and social contribution	(26.693)	(1.202)	(49.379)	(1.805)
Interest payment on loans	(1.289)	(5.614)	(8.467)	(8.427)
Net cash flow from operating activities	51.272	26.370	51.157	69.327
Investing activities				
Sale of fixed and intangible assets	-	213	-	388
Acquisition of fixed and intangible assets	(56.004)	(29.554)	(96.839)	(42.099)
Financial Investments	(889.780)	(636.730)	(2.217.774)	(1.094.197)
Redemption of financial investments	861.866	670.813	1.834.454	1.304.910
Acquisition of subsidiary, net cash obtained on acquisition	-	17	(49.983)	(11.311)
Acquisition of business combination	(2.400)	-	(6.800)	-
Net cash used for investment activities	(86.318)	4.759	(536.942)	157.691
Financing activities				
Loans and financing	83.615	10	109.942	65.622
Payments of loans	(46.962)	(125.622)	(277.162)	(177.130)
Consideration of Lease	(18.533)	(14.524)	(36.447)	(36.410)
Interest on Equity and Profit Distribution	-	-	(60.000)	-
Credits (debits) with Shareholders	-	-	-	1.000
Resources from Stocks Issue	-	-	833.794	-
Expenses from Stocks Issue	(3.977)	-	(40.753)	-
Repurchase of Stocks	-	(51.356)	-	(51.356)
Resources from the Exercise of Stock Options	-	-	389	-
Net Cash used on Financing Activities	14.143	(191.492)	529.763	(198.274)
Increase (decrease) in cash and cash equivalents	(20.903)	(160.363)	43.978	28.744
Cash and cash equivalents				
Effect of Exchange Rate Variation on Cash and Cash Equivalent	(4.162)	7.390	3.954	2.584
Cash and cash equivalents - Initial balance	106.747	222.598	33.750	38.297
Cash and cash equivalents - Closing balance	81.682	69.625	81.682	69.625
Increase (decrease) in cash and cash equivalents	(20.903)	(160.363)	43.978	28.744

3. Capital Markets and Corporate Governance

On June 30, 2022, the Company's market capitalization was R$7,5 bilions (R$ 69,01), a decrease of 26,0% when compared to the same period of 2021.

Arezzo&Co	
Number of Shares	109.796.219
Ticker	ARZZ3
Listing	02/02/2011
Share Price (30/06/202	69,01
Market Cap	7.577.037.073
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	(24%)
2014[4]	(9%)
2015[5]	(22%)
2016[6]	27%
2017[7]	118%
2018[8]	(2%)
2019[9]	16%
2020[10]	7%
2021[11]	13%
2022[12]	(4%)

(1) From 02/02/2011 to 29/12/2011
(2) From 29/12/2011 to 28/12/2012
(3) From 28/12/2012 to 30/12/2013
(4) From 30/12/2013 to 30/12/2014
(5) From 30/12/2014 to 30/12/2015
(6) From 04/01/2016 to 29/12/2016
(7) From 01/01/2017 to 28/12/2017
(8) From 01/01/2018 to 28/12/2018
(9) From 01/01/2019 to 30/12/2019
(10) From 02/01/2020 to 31/12/2020
(11) From 04/01/2021 to 30/09/2021
(12) From 03/01/2022 to 30/06/2022

4. Independent Auditors

Arezzo&Co's financial statements relative to the business year ending on June 30, 2022, were audited by KPMG Auditores Independentes ("KPMG").

5. Investor Relations

Shareholders, analysts and market participants have at their disposal information available on the Company's IR webpage, www.arezzoco.com.br, CVM webpage, www.cvm.gov.br, and at BM&FBovespa webpage, www.bmfbovespa.com.br.

For further information, direct contact can be made with IR department by the e-mail ri@arezzoco.com.br, or telephone +55 (11) 2132-4300.

6. Officer's Statement

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors' report and financial statements for the period ended on June 30th, 2021, according and pursuant to CVM Normative Instruction No. 480/09.

7. Disclaimer

The information contained here may include forward-looking information and reflects the executive office's current perception and prospects for the macroeconomic environment, the industry situation, the Company's performance and financial results. Any statements, expectations, capacities, plans and projections contained here which do not describe historical facts, such as information about the dividend payment statement, the future course of operations, the introduction of relevant financial strategies, the investment program and the factors or trends affecting the financial condition, liquidity or the operating results are considered forward-looking information as defined by the "U.S. Securities Litigation Reform Act" of 1995 and involve a number of risks and uncertainties. These results are not guaranteed to materialize. These statements are based on several factors and expectations, including the economic and market conditions, level of competition in the industry and operating factors. Any changes in these expectations and factors may lead to real results materially different from the current expectations.

The consolidated financial information of Arezzo Indústria e Comércio S/A – Arezzo&Co presented here complies with the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB, based on audited financial information. The non-financial information, as well as other operating information, was not audited by the independent auditors.

1. Corporate information

1.1. General information

Arezzo Indústria e Comércio S.A. (the 'Company' or 'Parent company') is a listed company headquartered at Rua Fernandes Tourinho, 147 – sala 402, in the city of Belo Horizonte, State of Minas Gerais. The Company has shares traded on the *Novo Mercado* (New Market) listing segment of the São Paulo Commodities, Futures and Stock Exchange ('BM&FBOVESPA') under the ticker symbol ARZZ3 since February 2, 2011.

The Company and its subsidiaries design, develop, manufacture and market shoes, handbags, accessories and clothing for women principally, men and children.

On January 1, 2022, VQV Empreendimentos e Participações S.A. ('VQV') was merged into the Company. VQV's principal asset is the equity interest in Tiferet Comércio de Roupas Ltda. ('Tiferet'). On the same date, Tiferet was partially spun off and also merged by the Parent company.

Following the merger, VQV's interest ceased to exist and the Parent company now owns a direct interest in the portion of Tiferet not spun off.

At June 30, 2022, the Company had 777 franchise stores in Brazil and 6 abroad; 162 Company-operated stores in Brazil and 5 abroad; and an e-commerce channel to sell its products under the Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, Troc, Baw, MyShoes, Carol Bassi and Reversa brands.

Given its characteristics, the retail sector experiences fluctuations in sales volume over the year; higher sales volume is usually expected in the second half of the year rather than in the first six months. Due to this seasonality, the balances of accounts receivable, inventories and accounts payable may vary significantly from one period to another according to the backlog of orders and delivery dates based on the calendar of collections and special sales. This information is provided to allow for a better understanding of the results; however, management has concluded that the Company's business is not 'highly seasonal' in accordance with CPC 21 (R1)/IAS 34 *Interim Financial Reporting* and, therefore, the reporting of additional financial information is not required.

2. Accounting policies

2.1. Basis of accounting

The condensed parent company and consolidated interim financial statements included in the Quarterly Financial Information Form (ITR) have been prepared and are being presented for the six months ended June 30, 2022, in accordance with Brazilian Accounting Standard CPC 21 (R1) *Interim Financial Reporting* issued by the Brazilian Accounting Pronouncements Committee (CPC) and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB). The condensed parent company and consolidated interim financial statements comply with the standards as issued by the Brazilian Securities Commission (CVM) and that apply to preparing the ITR.

The accounting policies, estimates and methods of computation applied in these condensed interim financial statements are consistent with those applied in the Company's financial statements as at and for the year ended December 31, 2021 unless otherwise stated.

These condensed interim financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that are measured at fair value. These condensed interim financial statements have been prepared by the Company to provide an update on the latest complete set of annual financial statements. Accordingly, they should be read in conjunction with the annual financial statements for the year ended December 31, 2021.

In order to comply with article 29 of CVM Instruction 480/09 and also to avoid repetition of information previously reported, these interim financial statements do not duplicate in full or in part the following notes to the annual financial statements for the year ended December 31, 2021: 2- Accounting policies (part), 5 – Business combinations (part), 11 – Other receivables, 20 – Salaries and vacation pay, 21 – Taxes and social charges payable, 22 – Provisions for labor, tax and civil proceedings, 23 – Other payables, 33 – Insurance, and 34 – Share-based payments.

These condensed interim financial statements for the six months ended June 30, 2022 were approved by the Company's Board of Directors on August 8, 2022.

(All amounts in thousands of Brazilian real unless otherwise stated)

2. Accounting policies--Continued

2.2. Basis of consolidation

The condensed consolidated interim financial statements comprise the Company and the following subsidiaries in which the Company holds a controlling financial interest as of the balance sheet date:

Subsidiaries	ntry of incorporat	June 30, 2022		December 31, 2021	
		Direct	Indirect	Direct	Indirect
ZZAB Comércio de Calçados Ltda. ('ZAB')	Brazil	**99.99%**	**-**	99.99%	-
ZZSAP Indústria e Comércio de Calçados Ltda. ('ZZSAP')	Brazil	**99.99%**	**-**	99.99%	-
ZZEXP Comercial Exportadora S/A ('ZZEXP')	Brazil	**99.99%**	**-**	99.99%	-
ARZZ International INC. ('ARZZ')	USA	**100.00%**	**-**	100.00%	-
ARZZ Co. LLC	USA	**-**	**100.00%**	-	100.00%
Schutz 655 LLC	USA	**-**	**100.00%**	-	100.00%
Schutz Cali LLC	USA	**-**	**100.00%**	-	100.00%
ARZZ Itália SRL	Italy	**-**	**100.00%**	-	100.00%
VQV Empreendimentos e Participações S.A. ('VQV') (i)	Brazil	**-**	**-**	100.00%	-
Tiferet Comércio de Roupas Ltda. ('Tiferet')	Brazil	**100.00%**	**-**	-	100.00%
Troc.com.br Atividades de Internet S.A. ('Troc')	Brazil	**-**	**75.00%**	-	75.00%
Baw Clothing Indústria e Comércio de Vestuários Ltda ('Baw Clothing')	Brazil	**-**	**100.00%**	-	100.00%
Guaraná Brasil Difusão de Moda Ltda. ('Guaraná Brasil')	Brazil	**-**	**100.00%**	-	-

(i) VQV Empreendimentos e Participações S.A. was merged into the Company on January 1, 2022.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that control ceases. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, ownership of a majority of the voting rights presumptively results in control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies for all consolidated entities. All intragroup balances, income and expenses, and any unrealized gains or losses arising from intragroup transactions, are eliminated.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions within equity.

3. Significant judgments, estimates and assumptions

The Company reviewed the impact of COVID-19 on significant judgments, estimates and assumptions applied in its last annual financial statements for the year ended December 31, 2021 and updated the disclosures in the notes to these interim financial statements accordingly.

4. New or amended standards

The following standard is effective for annual reporting periods beginning on or after January 1, 2022 and had no significant impact on the Group's consolidated interim financial statements:

4.1. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to CPC 25/IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

The adoption of CPC 25/IAS 37 is not expected to have a significant impact on the Company.

4.2. Other standards

The following new and amended standards that are effective for annual periods beginning on or after January 1, 2023 are not expected to have a significant impact on the parent company and consolidated interim financial statements:

- *Property, Plant and Equipment: Proceeds before Intended Use* (*Amendments to CPC 27/IAS 16*).
- *Reference to Conceptual Framework* (*Amendments to CPC 15/IFRS 3*).
- *Classification of Liabilities as Current or Non-current* (*Amendments to CPC 26/IAS 1*).
- IFRS 17 *Insurance Contracts*.

5. Business combinations

5.1. Acquisition of Guaraná Brasil Difusão de Moda Ltda. ('Carol Bassi')

On January 25, 2022, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. ('ZZAB'), 100% of the shares in Guaraná Brasil Difusão de Moda Ltda. ('Carol Bassi'), obtaining control of Carol Bassi and the closing of the operation. Carol Bassi is a limited liability company primarily involved in the manufacture and retail of high-end womenswear. Carol Bassi has all elements of a business: inputs, processes and outputs.

(All amounts in thousands of Brazilian real unless otherwise stated)

5. Business combinations --Continued

5.1. Acquisition of Guaraná Brasil Difusão de Moda Ltda. ('Carol Bassi')--Continued

The acquisition of the Carol Bassi brand fits well into the Company's strategy to grow its business in the fashion and retail sector, expand its market and diversify its portfolio.

Set out below are the fair values of the identifiable assets acquired and liabilities assumed, measured on a provisional basis. The measurements have been determined only provisionally, and must be finalized within 12 months of the acquisition date, as required by CPC 15 *Business Combination*. Management does not expect any material adjustments to the provisional accounting.

The provisional amounts recognized in respect of the business combination made on January 25, 2022 are as follows:

	Carrying amount	Fair value adjustment	Fair value
Assets acquired			
Cash and cash equivalents	17	-	17
Cash investments	5,631	-	5,631
Trade receivables	8,786	304	9,090
Inventories	4,730	1,374	6,104
Property, plant and equipment	1,321	-	1,321
Intangible assets (revaluation surplus)	-	56,823	56,823
Other receivables	103	(103)	-
Liabilities assumed			
Trade payables	1,061	-	1,061
Taxes payable	1,555	385	1,940
Payroll and related charges	220	175	395
Other current liabilities	78	57	135
Total consideration			
Cash	-	-	50,000
Equity instruments (Company common shares)	-	-	68,989
Estimated consideration payable	-	-	50,000
Contingent consideration			20,000
Total consideration transferred	-	-	**188,989**
Total goodwill			**113,534**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

a) **Inventory:** Refers to values of inventory of finished goods. The inventory was adjusted to fair value taking into consideration an average realization period of 128 days, gross margin, selling expenses and projected benchmark interest rate (Selic).

(All amounts in thousands of Brazilian real unless otherwise stated)

5. Business combinations--Continued

5.1. Acquisition of Guaraná Brasil Difusão de Moda Ltda. ('Carol Bassi')--Continued

b) Intangible assets: *Relief-from-royalty method, multi-period excess earnings method and with-without method*: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. The with-without method considers the value of the asset based on the difference between the cash flow with non-compete agreement and the cash flow without non-compete agreement. Intangible assets include the brand, customer relationships and non-compete agreement.

The total revaluation surplus of intangible assets and inventory is R$58,995.

The key assumptions underlying the adjustments to the fair value estimates for intangible assets were as follows:

For customer relationships– Multi-brand:

Revenue	Based on wholesale revenues, assuming a churn rate based on historical information for the period January 2019 to December 2021.
Churn rate	29% based on the average churn rate for Arezzo's multi-brand customers.
Useful life	Estimated at 7 years, considering a cash flow concentration of approximately 90% for the asset being valued.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	13.8%, based on Carol Bassi's weighted average cost of capital (WACC) plus a risk premium.

For customer relationships – E-commerce:

Revenue	Based on Carol Bassi's revenues from e-commerce sales, assuming a churn rate based on historical information for the period January 2020 to December 2021.
Churn rate	63.8% based on the average customer churn rate observed in other transactions made by Arezzo.
Useful life	Estimated at 2 years, considering a cash flow concentration of approximately 90% for the asset being valued.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	13.8%, based on Carol Bassi's WACC plus a risk premium.

(All amounts in thousands of Brazilian real unless otherwise stated)

5. Business combinations--Continued

5.1. Acquisition of Guaraná Brasil Difusão de Moda Ltda. ('Carol Bassi')--Continued

The relief-from-royalty method was applied to the brands:

Revenue	The valuation of the Carol Bassi brand was based on assumptions and projections adopted by ZZAB's management in *Business Enterprise Valuation* (BEV) *for Carol Bassi*, which was used to determine the purchase price of the business combination.
Royalty rate	4.5% of projected net revenue of Carol Bassi, based on the royalties for similar transactions and existing contracts of ZZAB.
Useful life	The remaining useful life of the brand acquired is indefinite.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset for a possible amortization upon merger.
Discount rate	To calculate the present value of future cash flows from the intangible assets, the Company applied a discount rate of 14.0%, which was determined based on Carol Bassi's WACC plus a risk premium.

The with-without method was applied to the non-compete agreement:

Revenue	The valuation of the non-compete agreement was based on assumptions and projections adopted by ZZAB's management in *Business Enterprise Valuation* (BEV) for the company, which was used to determine the purchase price of the business combination. The value of the asset is estimated based on the difference between the cash flow with non-compete agreement and the cash flow without non-compete agreement. In the 'without' scenario, total revenue of the operation is assumed to fall by 50% from 2022 to 2025, without a non-compete agreement and with the withdrawal of sellers by the end of 2021 based on ZZAB's management's expectation. The likelihood of sellers competing with ZZAB was estimated at 10%.
Useful life	The remaining useful life was estimated based on the 4-year term of the non-compete agreement, commencing in January 2022 pursuant to the Purchase and Sale Agreement.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset.
Discount rate	To calculate the present value of future cash flows from the intangible assets, the Company applied a discount rate of 13.8%, which was determined based on Carol Bassi's WACC plus a risk premium.

5. Business combinations--Continued

5.1. Acquisition of Guaraná Brasil Difusão de Moda Ltda. ('Carol Bassi')--Continued

The amount of trade receivables is R$9,090 measured at fair value.

The goodwill of R$113,534 is attributable to the synergies expected to be achieved from integrating the entity into the Company's existing business and the expansion of the Company's addressable market.

The goodwill is expected to be deductible for income tax purposes when the subsidiary is merged into the parent in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE. The acquisition report will be filed with the Division of Corporations to claim a tax deduction on the amortization of goodwill arising from this transaction.

The fair value of the consideration transferred considers the following:

(i) Acquisition by ZZAB, at the acquisition date, of 17,500,000 quotas, being 4,375,000 quotas from Arnaldo Martins Bassi, 4,375,000 quotas from Anna Pellegrini Bassi and 8,750,000 quotas from Anna Carolina Martinelli Martins Pellegrini Bassi, for R$50,000 paid at the date of the transaction as follows: R$12,500 to quotaholder Arnaldo, R$12,500 to quotaholder Anna and R$25,000 to quotaholder Anna Carolina;

(ii) Payment of R$50,000 in two installments: R$25,000 within 180 days of the closing date and R$25,000 on the first anniversary of the closing date, to be paid at the date of each installment as follows: R$6,250 to quotaholder Arnaldo, R$6,250 to quotaholder Anna and R$12,500 to quotaholder Anna Carolina;

(iii) Payment of R$68,989 to be made by ZZAB or a third party designated by it, on behalf of and by order of ZZAB, through the delivery to Sellers Arnaldo Martins Bassi, Anna Pellegrini Bassi and Anna Carolina Martinelli Martins Pellegrini Bassi of 991,940 shares of Arezzo common stock that equal the amount of the payment ("Arezzo Shares"), calculated based on the average stock price.

Additionally, the payment will be made in five installments: the first installment totaling 247,986 shares in 180 days after the closing date, the second installment totaling 371,978 shares after 360 days, and the last three installments on the second, third and fourth year after the closing date, with each installment of 123,992 shares.

Based on the assumptions above, the Parties agree that the Purchase Price may be adjusted downward if, at the closing date, the sum of the results of: (i.a) Base Net Debt less Net Debt at Closing; (i.b) Working Capital at Closing less Base Working Capital; and (i.c) Cash at Closing less Minimum Cash, is a negative figure; and upward if, at the closing date, the sum of the results of: (ii.a) Base Net Debt less Net Debt at Closing; (ii.b) Working Capital at Closing less Base Working Capital; and (ii.c) Cash at Closing less Minimum Cash, is a positive figure (in any of the hypotheses in items (i) or (ii) of this clause, "Price Adjustment").

5. Business combinations--Continued

5.1. Acquisition of Guaraná Brasil Difusão de Moda Ltda. ('Carol Bassi')--Continued

The Company incurred acquisition-related costs of R$725. These costs have been included in 'administrative expenses'. Carol Bassi contributed net revenue of R$26,251 and profit of R$11,011 to the Company's results for the period between the acquisition date and the end of the reporting period of June 30, 2022.

5.2. Calçados Malu Ltda.

On May 31, 2022, the Company acquired, through its subsidiary ZZSAP Indústria e Comércio de Calçados Ltda. ('ZZSAP'), 100% of the industrial park and assumed the outstanding labor liability of Calçados Malu Ltda. ('Malu') while continuing to work with current suppliers to keep the plant in operation during the transfer of control to ZZSAP. Malu is a limited liability company that manufactures two private women's shoes brands and renowned third-party brands both for domestic and international supply. Malu has all elements of a business: inputs, processes and outputs.

The acquisition of Malu fits well into the Company's strategy to grow its business in the fashion and retail sector, expand its market and diversify its portfolio. The shoes production processes were maintained and the workers who are responsible for these production processes were transferred to ZZSAP without any production stoppage at the plant during the transition period.

Set out below are the fair values of the identifiable assets acquired and liabilities assumed, measured on a provisional basis. The measurements have been determined only provisionally, and must be finalized within 12 months of the acquisition date, as required by CPC 15 *Business Combination*. Management does not expect any material adjustments to the provisional accounting.

(All amounts in thousands of Brazilian real unless otherwise stated)

5. Business combinations--Continued

5.2. Calçados Malu Ltda.--Continued

The provisional amounts recognized in respect of the business combination made on May 31, 2022 are as follows:

	Fair value
Assets acquired	
Property, plant and equipment	3,599
Liabilities assumed	
Employee-related liabilities and social charges	2,056
Provision for contingencies	14
Other liabilities	16
Consideration	
Down payment made in December 2021	7,537
Payments in 2022	6,800
Cash to be transferred in installments	3,200
Total consideration transferred	**17,537**
Total goodwill	**16,024**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

a) **Machinery and equipment:** The values of machinery and equipment were obtained by reference to current market sales prices of several domestic and international manufacturers and Deloitte's valuation report based on Deloitte database with information about recent transaction prices for similar assets.

The values were adjusted at the date of the valuation using the index for machinery and equipment from Fundação Getúlio Vargas (FGV) and for the effect of exchange rate movements.

Thus, the replacement values of the equipment and facilities were determined, i.e. how much they would worth if they were assembled now, keeping the original and current location of installation, plus costs of installation, freight, insurance, management and engineering project (where applicable). All costs necessary to replace the assets were included in the calculation, considering exchange rate movements at the date of the valuation for assets of foreign origin.

5. Business combinations--Continued

5.2. Calçados Malu Ltda.--Continued

The following criteria were also applied:

(i) For assets of domestic or foreign origin, with a normal production line, we used the Direct Comparison Method of Replacement Cost to arrive at the asset's replacement value by reference to the price of the authorized manufacturer or distributor, including any taxes due where applicable;

(ii) For discontinued assets, we used the Indirect Comparison Method of Replacement Cost, also known as Replacement Method, to arrive at the asset's replacement value by reference to the price of a similar asset in the market with similar technical and operational characteristics; and

(iii) Cost-to-Capacity – When necessary, we applied concepts of correlation and the 6/10 rule to adjust the quoted values to nominal capacity for valuation base. The market value of each asset was derived from the result between the replacement value and the depreciation coefficient that was determined using the Present Worth Depreciation Method of Marston & Agg, taking into account the following parameters:

a) Useful life: the period of time from the date the asset is installed or placed in service to the time the service provided ceases to be economically profitable.

b) For the other assets, the useful life was determined by reference to the American Society of Appraisers – Machinery & Technical Specialties Commitee's 2010 Estimated Normal Useful Life Study.

The goodwill of R$16,024 arising from the acquisition is attributable to the synergies expected to be achieved from integrating the entity into the Company's existing business and the expansion of the Company's addressable market.

The fair value of the consideration transferred considers the acquisition by ZZSAP, at acquisition date, of industrial equipment and assumption of labor liabilities, to be paid at the date of the transaction, in the amount of R$17,537.

The Company incurred acquisition-related costs of R$410. These costs have been included in 'administrative expenses'. Malu contributed net revenue of R$4,383 and loss of R$1,661 to the Company's results for the period between the acquisition date and the end of the reporting period of June 30, 2022.

6. Cash and cash equivalents

(All amounts in thousands of Brazilian real unless otherwise stated)

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Cash and banks				
Cash on hand	**1,878**	198	**3,021**	3,058
Cash at banks	**1,223**	975	**22,439**	27,237
Cash equivalents				
Certificates of bank deposits (CDB)	**50,630**	-	**50,630**	-
Automatic investments	**734**	1,275	**5,592**	3,455
Total cash and cash equivalents	**54,465**	2,448	**81,682**	33,750

At June 30, 2022, the average rate of interest on automatic investments is 17% of the Interbank Deposit Certificate rate (CDI) (December 31, 2021 – 13%) and the average rate of interest on CDBs is 97% of the CDI.

7. Cash investments

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Current				
Investment fund				
Financial Treasury Bills (LFT)	**171,661**	23,478	**320,976**	84,337
Securities purchased under resale agreements	**107,428**	29,079	**200,714**	108,437
Private securities (CEF)	**27,684**	6,843	**51,724**	25,660
Certificates of bank deposit (CDB)	**37,278**	10,375	**60,151**	10,375
Total cash investments	**344,051**	69,775	**633,565**	228,809

Exclusive investment fund

ZZ Referenciado DI Credito Privado is a private fixed-income investment fund under management, administration and custody of Banco Santander S.A. The investment fund has no significantly high costs of operation. The fund’s costs consist of asset management fees, custody fees, auditor fees, and other operational expenses.

This investment fund is exclusive to the Company and its subsidiaries and therefore was included in the consolidated financial statements as required by CVM Instruction 408/04.

As of June 30, 2022, the investment fund provides average interest of 103.4% of the interbank deposit rate (CDI) (December 31, 2021: 101%). It has 53% of assets in treasury bills (LFTs) (December 31, 2021: 38%), 33% in resale agreements (December 31, 2021: 50%), 5% in CDB, 9% in private securities (December 31, 2021: 12%). Eighty-one percent of the fund’s assets provide daily liquidity (December 31, 2021: 86%).

(All amounts in thousands of Brazilian real unless otherwise stated)

7. Cash investments--Continued

The Company's financial investment policy is to hold a portfolio of low-risk securities with top-tier financial institutions (top 10 financial institutions in the country) with the objective of earning interest based principally on the CDI rate.

At June 30, 2022, the Company has not pledged any investment as collateral to financial institutions.

8. Trade receivables

	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Domestic customers				
Trade notes receivable	**349,728**	404,710	**373,912**	470,132
Trade notes receivable from related parties (Note 12a)	**158,654**	81,650	**-**	-
Total domestic customers	**508,383**	486,360	**373,912**	470,132
Foreign customers				
Trade notes receivable	**945**	5,446	**43,504**	64,056
Trade notes receivable from related parties (Note 12a)	**5,685**	25,730	**-**	-
Total foreign customers	**6,630**	31,176	**43,504**	64,056
Other trade receivables				
Credit cards	**43,168**	-	**210,413**	271,562
Checks and other	**153**	113	**327**	134
Total other trade receivables	**43,321**	113	**210,740**	271,696
	558,333	517,649	**628,156**	805,884
(-) Loss allowance	**(9,526)**	(8,844)	**(11,514)**	(11,306)
Total trade receivables	**548,808**	508,805	**616,642**	794,578
Current	**528,381**	481,059	**613,690**	790,302
Non-current	**20,427**	27,746	**2,952**	4,276

Third-party credit cards – sales through credit card can be made for payment in a lump sum or in installments. The credit risk in these transactions is assumed by the credit card companies.

Trade notes receivable – The Company offers its customers that are legal entities an installment payment option through trade notes. The credit risk in these transactions is assumed by the Company.

The customer sales policies are subordinated to the credit policies established by management and are designed to minimize problems arising out of failure of customers to pay on due date. Sales transactions with retail customers are included in "credit cards", and transactions with sales representatives and distributors (franchisees), which have a structured relationship with the Company, are included in "trade notes receivable – domestic customers".

(All amounts in thousands of Brazilian real unless otherwise stated)

8. Trade receivables--Continued

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
USD	**6,630**	31,176	**43,234**	63,413
EUR	**-**	-	**270**	643
	6,630	31,176	**43,504**	64,056

The movement in the loss allowance for trade receivables during the period was as follows:

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Balance at the beginning of the period	**(8,844)**	(9,192)	**(11,306)**	(11,571)
(Additions) reversals	**(1,863)**	(7,856)	**(3,418)**	(10,244)
Realized	**1,182**	8,204	**3,210**	10,509
Balance at the end of the period	**(9,525)**	(8,844)	**(11,514)**	(11,306)

The aging analysis of these trade receivables is as follows:

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Current (not past due)	**539,519**	505,065	**602,584**	774,606
1-30 days past due	**3,747**	3,081	**4,863**	7,940
31-60 days past due	**4,183**	4,300	**6,868**	9,890
61-90 days past due	**2,393**	1,231	**3,250**	2,934
91-180 days past due	**5,007**	1,821	**5,770**	3,928
181-360 days past due	**1,628**	482	**2,939**	1,104
More than 360 days past due	**1,856**	1,669	**1,882**	5,482
	558,333	517,649	**628,156**	805,884

Default may be a warning sign that a customer is experiencing payment difficulties; however, the Company is monitoring in a timely manner the market value of the transaction and its customers' inventories and has identified no signs of insolvency. Depending on the market reaction, we can consider extending payment terms for our customers and re-evaluate the necessity of a loss allowance.

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional loss allowance of R$3,418 for trade receivables for the six months ended June 30, 2022 (December 31, 2021: R$10,244). This allowance was included in 'selling expenses'.

(All amounts in thousands of Brazilian real unless otherwise stated)

9. Inventories

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Finished goods	**319,497**	125,967	**521,266**	352,219
Raw materials	**64,972**	3,600	**90,425**	72,448
Work in progress	**6,276**	-	**28,730**	23,356
Advances to suppliers	**17,425**	10,539	**23,180**	13,965
(-) Allowance for impairment	**(8,762)**	(6,408)	**(11,871)**	(11,501)
Total inventories	**399,408**	133,698	**651,730**	450,487

The Parent company's total balance of inventories includes R$139,987 from the merged subsidiary Reserva (VamoQueVamo Empreendimentos e Participações S.A. and Tiferet Comércio de Roupas Ltda): R$107,443 in finished goods, R$35,937 in raw materials and R$1,027 in work in progress.

The movement in the allowance for impairment during the period was as follows:

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Balance at the beginning of the period	**(6,408)**	(4,546)	**(11,501)**	(7,214)
(Additions) reversals	**(4,721)**	(4,666)	**(2,737)**	(7,091)
Realized	**2,367**	2,804	**2,367**	2,804
Balance at the end of the period	**(8,762)**	(6,408)	**(11,871)**	(11,501)

Inventory impairment is estimated based on obsolete or slow-moving inventory and unsold items.

10. Taxes recoverable

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
State value-added tax on sales and services (ICMS)	**70,165**	12,436	**87,574**	51,045
Corporate income tax (IRPJ)	**8,844**	1,494	**10,359**	1,583
Social contribution on net income (CSLL)	**3,175**	966	**3,206**	996
Social integration program (PIS) and Social contribution	**168,329**	127,635	**203,336**	143,230
Excise tax (IPI)	**-**	-	**1,343**	1,054
Other	**3,864**	2,046	**4,521**	3,579
Total	**254,377**	144,577	**310,339**	201,487
Current	**122,751**	16,942	**161,845**	73,852
Non-current	**131,626**	127,635	**148,494**	127,635

(i) In the six-month period, federal tax credits (PIS and COFINS) were recognized in respect of expenses on goods and services that are essential to the Company's activities.

(All amounts in thousands of Brazilian real unless otherwise stated)

The Parent company's total balance of taxes recoverable includes R$28,336 from the merged subsidiary Tiferet: R$28,318 in ICMS and R$18 in IRPJ.

11. Income tax and social contribution

a) Deferred taxes

	Parent company					
	June 30, 2022			December 31, 2021		
Tax trigger events	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**
Tax losses	**174,825**	**213,958**	**62,962**	151,212	179,218	53,933
Unrealized profit on inventories	**42,135**	**42,135**	**14,326**	32,809	32,809	11,155
Loss allowance for trade receivables	**10,295**	**10,295**	**3,500**	8,844	8,844	3,007
Provision for commissions	**9,221**	**9,221**	**3,135**	9,947	9,947	3,382
Provision for labor, tax and civil proceedings	**9,288**	**9,288**	**3,158**	7,785	7,785	2,649
Allowance for inventory impairment	**8,762**	**8,762**	**2,979**	6,293	6,293	2,140
Provision for employee profit sharing	**19,763**	**19,763**	**6,719**	-	-	-
Other provisions	**12,537**	**12,537**	**4,264**	5,119	5,119	1,739
Subtotal	**286,826**	**325,959**	**101,043**	222,009	250,015	78,005
Provision for tax credits (i)	**(79,016)**	**(79,016)**	**(26,865)**	(79,016)	(79,016)	(26,865)
Goodwill arising from acquisition of subsidiaries	**(40,934)**	**(40,934)**	**(13,918)**	-	-	-
Subtotal	**(119,950)**	**(119,950)**	**(40,783)**	(79,016)	(79,016)	(26,865)
Deferred tax assets	**166,876**	**206,009**	**60,260**	142,993	170,999	51,140

(i) Recognized tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS, excluding the portion exempted from IRPJ and CSLL on interest accrued on tax credits, according to the Supreme Court's recent decision.

	Consolidated					
	June 30, 2022			December 31, 2021		
Tax trigger events	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**
Tax losses	274,919	314,052	**96,994**	249,999	278,005	**87,520**
Unrealized profit on inventories	42,135	42,135	**14,326**	32,809	32,809	**11,155**
Loss allowance for trade receivables	11,761	11,761	**3,999**	10,510	10,510	**3,573**
Provision for commissions	9,221	9,221	**3,135**	9,947	9,947	**3,382**
Provision for labor, tax and civil proceedings	14,397	14,397	**4,895**	13,866	13,866	**4,714**
Provision for inventory impairment	9,041	9,041	**3,074**	12,512	12,512	**4,254**
Provision for employee profit sharing	20,750	20,750	**7,055**	-	-	**-**
Other provisions	17,980	17,980	**6,113**	7,893	7,893	**2,687**
Subtotal	**400,204**	**439,337**	**139,591**	**337,536**	**365,542**	**117,285**
Provision for tax credits (i)	(79,016)	(79,016)	**(26,865)**	(79,016)	(79,016)	**(26,865)**
Provision for foreign exchange losses	(9,383)	(9,383)	**(3,190)**	(16,575)	(16,575)	**(5,636)**
Goodwill arising from acquisition of subsidiaries	(40,934)	(40,934)	**(13,918)**	-	-	-
Subtotal	**(129,333)**	**(129,333)**	**(43,973)**	**(95,591)**	**(95,591)**	**(32,501)**
Total	**270,871**	**310,004**	**95,618**	**241,945**	**269,951**	**84,784**
Deferred tax assets			**98,305**			**90,225**
Deferred tax liabilities			**(2,687)**			**(5,441)**

(All amounts in thousands of Brazilian real unless otherwise stated)

(i) Recognized tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS, excluding the portion exempted from IRPJ and CSLL on interest accrued on tax credits, according to the Supreme Court's recent decision.

11. Income tax and social contribution--Continued

a) Deferred taxes--Continued

Set out below is a reconciliation of deferred tax assets and liabilities:

	Parent company		Consolidated	
	June 30, 2022	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
Opening balance	**51,140**	48,850	**84,784**	80,632
Deferred income tax recognized in the statement of incon	**5,600**	2,290	**10,834**	4,152
Merger of subsidiary	**3,520**	-	**-**	-
Balance at the end of the period	**60,260**	51,140	**95,618**	84,784
Deferred tax assets	**60,260**	51,140	**98,305**	90,225
Deferred tax liabilities	**-**	-	**(2,687)**	(5,441)

The studies and projections carried out by the Company’s management indicate that there will be sufficient future taxable profit to allow the related tax benefit to be utilized in the next years.

Based on projections of future taxable profits, deferred tax assets are expected to be recovered as follows:

	Parent company		Consolidated	
	June 30, 2022	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
2022	**32,133**	20,136	**38,443**	35,544
2023	**27,170**	18,228	**37,463**	28,752
2024	**17,058**	19,477	**25,660**	31,184
2025	**15,243**	14,427	**23,482**	16,067
2026	**9,440**	5,737	**14,542**	5,738
Deferred tax assets	**101,044**	78,005	**139,590**	117,285

(All amounts in thousands of Brazilian real unless otherwise stated)

11. Income tax and social contribution--Continued

b) Reconciliation of tax charges between statutory and effective tax rates

A reconciliation of tax expense calculated at the statutory tax rates to tax expense at the effective tax rate is as follows:

	Parent company		Consolidated	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Profit before income tax and social contribution	**212,903**	189,119	**257,012**	202,669
Statutory tax rate	**34.0%**	34.0%	**34.0%**	34.0%
Expected income tax and social contribution expense at the statutory tax rate	**(72,387)**	(64,300)	**(87,384)**	(68,907)
Tax benefits from technological innovation and research expenses - Law 11,196/05	**-**	5,844	**-**	5,844
Share of profit of equity-accounted investees	**23,121**	15,408	**-**	-
Unrecognized deferred tax assets relating to tax losses of subsidiaries	**-**	-	**(14,655)**	(8,054)
Interest on capital	**23,692**	10,060	**23,692**	10,060
Tax incentives (Workers' Meal Program (PAT), Rouanet Law)	**-**	69	**-**	156
Government subsidies (i)	**33,585**	10,070	**40,100**	25,318
Share option plan expenses	**(2,221)**	(435)	**(2,221)**	(435)
Other permanent differences	**(190)**	(2,778)	**562**	(4,379)
Income tax and social contribution expense	**5,600**	(26,062)	**(39,906)**	(40,397)
Current	**-**	(3,432)	**(50,740)**	(21,056)
Deferred	**5,600**	(22,630)	**10,834**	(19,341)
Effective tax rate	**(2.6%)**	13.7%	**15.5%**	19.9%

(i) ICMS tax incentives considered to be investment subsidies under Complementary Law No. 160/2017. See Note 28 for details.

At June 30, 2022, deferred tax assets have not been recognized in respect of tax losses of subsidiaries because it is not probable that future taxable profit will be available against which such losses can be used. The unrecognized deferred tax assets, which do not expire, are R$14,655 for the six months ended June 30, 2022 (June 30, 2021: R$8,054) and R$115,088 for the current financial year to date (December 31, 2021: R$100,433).

(All amounts in thousands of Brazilian real unless otherwise stated)

11. Income tax and social contribution--Continued

c) Assessment of impacts of ICPC 22/IFRIC 23 *Uncertainty over Income Tax Treatments*

Management assessed the impacts of applying ICPC 22/IFRIC23 that addresses the accounting for income taxes when there is uncertainty over income tax treatments. Based on its assessment, management concluded that it is probable that the tax authority will accept its tax treatment as described below:

I. Tax Debt Annulment Action No. 1015792-98.2017.4.01.3400 with the 4th Federal Court of the Federal District, to suspend and subsequently annul the debts claimed through notices of assessment subject of administrative proceeding No. 15504.725551/2013-17 (for alleged omissions of interest income from loan agreements with associates in calendar years 2008 and 2009; excess deduction of interest on capital payment expenses in calendar years 2008 and 2009, supposedly disproportionate to the equity interest, and allegedly undue tax amortization of goodwill paid on acquisition of the Company by BRICS on November 8, 2007), as well as for the Company to have the right to deduct goodwill amortization expense from, at least, the social contribution tax basis and to cancel fines for non-payment of amounts allegedly owed, pursuant to article 44, II, of Law No. 9,430/1996 (about 50%). The Company is awaiting an examination by an accounting expert with the objective of demonstrating that the transaction carried out at the time of the acquisition of the shares by BRICS had a substantial purpose and an economic effect. The likelihood of loss is considered possible, in the amount of approximately R$32,700.

12. Related parties

a) Balances and transactions with subsidiaries

	June 30, 2022						
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Accounts receivable	Accounts receivable	Loans to subsidiaries	Trade payables	Loans from subsidiaries	Sales	Purchases
Parent company							
ARZZ	-	19,134	-	-	-	-	-
ZZAB	139,697	-	-	111	-	248,302	2,143
ZZSAP	340	-	-	402	-	4	107,586
ZZEXP	5,216	-	-	-	-	235	-
Tiferet	(48)	-	-	-	50,779	-	-
Baw Clothing	-	-	5,685	-	-	-	-
Total - Parent company	**145,205**	**19,134**	**5,685**	**513**	**50,779**	**248,541**	**109,729**

(All amounts in thousands of Brazilian real unless otherwise stated)

12. Related parties--Continued

b) Balances and transactions with subsidiaries—Continued

	December 31, 2021				June 30, 2021	
	Current assets	Non-current assets		Current liabilities	Transactions	
	Accounts receivable	Accounts receivable	Loans to subsidiaries	Trade payables	Sales	Purchases
Parent company						
ARZZ	-	25,730	-	-	-	-
ZZAB	60,960	-	-	853	171,704	673
ZZSAP	186	-	6,012	5,373	1	66,189
ZZEXP	4,982	-	-	-	962	-
Tiferet	15,522	-	72,604	-	-	-
Baw Clothing	-	-	5,570	-	-	-
Total - Parent company	**81,650**	**25,730**	**84,186**	**6,226**	**172,667**	**66,863**

c) Nature, terms and conditions of transactions with subsidiaries

The transactions with related parties are conducted on commercial and financial terms agreed upon between the parties concerned, which are not comparable to terms that could be obtained from an arm's length dealing with unrelated third parties.

As at June 30, 2022, loans granted to subsidiaries are R$5,685 (December 2021: R$84,186) and loans from subsidiaries are R$50,779. The loans are subject to the CDI rate in effect at the date of signing the agreement.

The most common related-party transactions are:

- sales from the Parent company to subsidiaries ZZAB and ARZZ;
- sales from subsidiary ZZEXP to subsidiary ARZZ and
- sales from subsidiary ZZSAP to the Parent company and to subsidiary ZZEXP.

d) Key management personnel compensation

Compensation of key management personnel includes salaries, fees, profit sharing and share-based payment. At June 30, 2022, key management personnel compensation totaling R$8,696 (June 30, 2021: R$10,562) comprised the following:

	June 30, 2022	June 30, 2021
Annual fixed remuneration (salaries and fees)	**4,363**	4,055
Variable remuneration (bonus)	**2,055**	4,410
Share-based payments	**2,278**	2,097
Total compensation paid to key management person	**8,696**	10,562

12. Related parties--Continued

d) Key management personnel compensation--Continued

The Company has a profit-sharing plan with the main goal of rewarding employee performance during the year. On a monthly basis, the Company recognizes a liability and an expense for profit sharing based on the estimates of achievement of the operating targets and specific goals established and approved by management. The profit-sharing payments are recorded in liabilities within ‘salaries and social charges’ and in the statement of income within ‘selling expenses’ and ‘general and administrative expenses’ (Note 24).

The Company and its subsidiaries do not provide post-employment benefits, termination benefits or other benefits to their management and employees.

e) Transactions or relationships with shareholders

At June 30, 2022, certain Company officers and directors directly own a total interest of 45.0% in the Company (December 31, 2021: 49.7%).

f) Other related-party transactions

The Company has a service agreement with the firm Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha, a member of the Company’s Board of Directors. In the six months ended June 30, 2022, this firm received R$251 (December 31, 2021: R$671).

(All amounts in thousands of Brazilian real unless otherwise stated)

13. Equity-accounted investees

a) Summary of balance sheet and statement of income of subsidiaries

	June 30, 2022					
Subsidiaries	Assets	Liabilities	Equity	Capital	Net revenue	Profit (loss) for the period
ARZZ	218,647	291,182	(72,535)	257,019	181,502	(15,945)
ZZAB	951,274	420,991	530,283	148,383	432,490	73,907
ZZSAP	133,124	75,792	57,332	22,822	151,850	(1,176)
ZZEXP	254,529	208,486	46,043	2,000	110,675	11,555
Tiferet	176,691	1,233	175,458	64,441	-	(121)
Troc	195	190	5	654	92	(216)

	December 31, 2021				June 30, 2021	
Subsidiaries	Assets	Liabilities	Equity	Capital	Net revenue	Profit (loss) for the period
ARZZ	224,598	288,685	(64,087)	252,250	104,153	(21,087)
ZZAB	645,866	189,490	456,376	148,383	283,042	41,266
ZZSAP	110,502	51,994	58,508	22,822	79,427	556
ZZEXP	210,168	175,680	34,488	2,000	58,014	10,978
VQV	552,765	376,898	175,867	107,276	169,607	13,605

b) Balances of investments and share of profit of equity-accounted investees

	Investments		Share of profit of equity-	
	June 30, 2022	December 31, 2021	June 30, 2022	June 30, 2021
ZZAB	**530,283**	456,376	**73,907**	41,266
ZZSAP	**57,332**	58,508	**(1,176)**	556
ZZEXP	**46,043**	34,488	**11,555**	10,978
VQV	-	175,867	-	13,605
Tiferet	**175,458**	-	**(121)**	-
Troc	**5**	-	**(216)**	-
Goodwill arising on the acquisition of VQV (i)	-	467,659	-	-
Fair value adjustments arising on acquisition of subsidiary VQV (i)	-	263,533	-	-
Total investments	**809,121**	1,456,431	**83,949**	66,405
ARZZ	**(72,535)**	(64,087)	**(15,945)**	(21,087)
Total	**736,586**	1,392,344	**68,004**	45,318

(i) VQV Empreendimentos e Participações S.A. was merged into the Company on January 1, 2022.

(All amounts in thousands of Brazilian real unless otherwise stated)

13. Equity-accounted investees--Continued

c) Movements in investments

	June 30, 2022	December 31, 2021
Balance at the beginning of the period, net of loss allowance	**1,392,344**	1,186,515
Capital contribution	**4,769**	90,158
Distribution of dividends	**-**	(14,984)
Amortization of fair value adjustments arising on the acquisition of subsidiary	**-**	(6,459)
Transfer of fair value adjustments arising from acquisition	**(263,533)**	**-**
Share of profit of equity-accounted investees	**68,004**	139,251
Investment written off due to merger of subsidiary VQV	**(175,867)**	-
Investment arising from merger of subsidiary Tiferet	**175,800**	-
Other comprehensive income (loss)	**2,728**	(2,137)
Balance at the end of the period	**736,586**	1,392,344

(All amounts in thousands of Brazilian real unless otherwise stated)

14. Property, plant and equipment

Details of the movement in property, plant and equipment are as follows:

Parent company	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Key money	Total
Balance at December 31, 2020	5,828	4,755	4,066	13,732	9	84	20,598	-	49,072
Purchases	1,703	251	1,019	2,371	-	-	2,510	-	7,854
Depreciation	(1,118)	(489)	(516)	(1,237)	(1)		(3,950)	-	(7,311)
Write-offs	-	-	-	-	-	(84)	-	-	(84)
Balance at June 30, 2021	6,413	4,517	4,569	14,866	8	-	19,158	-	49,531
Balance at December 31, 2021	**11,737**	**9,552**	**6,066**	**26,048**	**6**	**-**	**16,624**	**-**	**70,033**
Purchases	**3,442**	**3,78**	**2,389**	**29,493**	**-**	**-**	**9,844**	**-**	**48,951**
Merger of subsidiary	**3,633**	**22,718**	**4,671**	**27,250**	**6**	**-**	**64,203**	**6,871**	**129,352**
Depreciation	**(2,389)**	**(2,450)**	**(1,750)**	**(5,509)**	**(2)**		**(13,186)**	**(856)**	**(26,141)**
Write-offs	**-**	**-**	**-**	**-**	**-**		**(1,953)**	**-**	**(1,953)**
Transfer	**-**	**-**	**-**	**-**	**-**		**-**	**3,372**	**3,372**
Balance at June 30, 2022	**16,423**	**33,603**	**11,376**	**77,282**	**10**	**-**	**75,532**	**9,387**	**223,614**
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	Indefinite	

(All amounts in thousands of Brazilian real unless otherwise stated)

Consolidated	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Key money	Key money	Total
Balance at December 31, 2020	8,632	27,455	13,267	61,777	15	84	205,070	-	-	316,300
Adjustment for acquisition of subsidiary	94	72	-	65	-	-	-	-	-	231
Purchases	3,975	1,686	3,100	4,230	-	-	6,228	-	-	19,219
Depreciation	(1,757)	(1,140)	(1,349)	(10,345)	(2)	-	(29,800)	-	-	(44,393)
Write-offs	-	-	(7)	(65)	-	(84)	(185)	-	-	(341)
exchange rates	(24)	(276)	-	(28)	-	-	(3,364)	-	-	(3,692)
Balance at June 30, 2021	10,920	27,797	15,011	55,634	13	-	177,949	-	-	287,324
Balance at December 31, 2021	**18,028**	**48,884**	**20,273**	**94,895**	**96**	**-**	**221,692**	**-**	**-**	**403,868**
Acquisition of subsidiary	**347**	**777**	**(24)**	**225**	**-**	**-**	**-**	**-**	**-**	**1,325**
Purchases	**5,177**	**7,968**	**4,933**	**33,469**	**347**	**-**	**52,508**	**2,822**	**-**	**107,224**
Acquisition of assets (plant)	**-**	**-**	**3,599**	**-**	**-**	**-**	**-**	**-**	**-**	**3,599**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,652**	**14,297**	**42,949**
Depreciation	**(2,989)**	**(4,542)**	**(2,699)**	**(9,723)**	**(24)**	**-**	**(32,763)**	**-**	**(1,877)**	**(54,617)**
Write-offs	**(33)**	**(5)**	**-**	**(6)**	**-**	**-**	**(4,517)**	**-**	**-**	**(4,561)**
exchange rates	**(49)**	**(362)**	**-**	**(572)**	**-**	**-**	**(6,329)**	**-**	**-**	**(7,312)**
Balance at June 30, 2022	**20,481**	**52,720**	**26,082**	**118,288**	**419**	**-**	**230,591**	**31,474**	**12,420**	**492,475**
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	Indefinite	10% to 20%	

15. Intangible assets

Details of the movement in intangible assets are as follows:

Parent company	Trademarks and patents	Key money	Software licenses	Customer relationships	Goodwill	Total
Balance at December 31, 2020	5,582	-	51,928	-	-	57,510
Acquisitions	3,131	-	16,373	-	-	19,504
Amortization	-	-	(3,903)	-	-	(3,903)
Balance at June 30, 2021	8,713	-	64,40	-	-	73,111
Balance at December 31, 2021	**263,303**	**3,371**	**68,906**	**9,025**	**467,659**	**812,264**
Acquisitions	**143**	**-**	**38,837**	-	-	**38,980**
Merger of subsidiary	**760**	**-**	**24,105**	-		**24,865**
Transfer	**-**	**(3,371)**	**-**	-	-	**(3,371)**
Amortization	**-**	**-**	**(12,316)**	**(384)**	-	**(12,700)**
Balance at June 30, 2022	**264,206**	**-**	**119,532**	**8,641**	**467,659**	**860,038**
Average amortization rate	Indefinite	Indefinite	20%	7%		

(All amounts in thousands of Brazilian real unless otherwise stated)

Consolidated	Trademarks and patents	Key money	Key money	Customer relationships	Goodwill	Software licenses	Other (i)	Total
Balance at December 31, 2020	261,966	33,827	-	12,271	466,128	55,676	-	829,868
Acquisitions	10,127	-	1,085	-	7,018	24,891	-	43,121
Amortization	-	-	(287)	-	-	(5,262)	-	(5,549)
Effect of movements in exchange rates	(52)	-	-	(64)	-	(98)	-	(214)
Acquisition of subsidiary	351	-	-	(499)	1,531	260	-	1,643
Write-offs	-	(5,177)	-	-	-	-	-	(5,177)
Transfer	-	-	5,177	-	-	-	-	5,177
Balance at June 30, 2021	272,392	28,650	5,975	11,708	474,677	75,467	-	868,869
Balance at December 31, 2021	**300,764**	**28,652**	**14,297**	**11,823**	**560,896**	**98,486**	**-**	**1,014,918**
Acquisitions	**-**	**-**	**-**	**143**	**-**	**41,980**	**-**	**42,123**
Acquisition of assets (plant)	**-**	**-**	**-**	**-**	**16,024**	**-**	**-**	**16,024**
Amortization	**-**	**-**	**-**	**(384)**	**-**	**(13,245)**	**-**	**(13,629)**
Effect of movements in excha	**-**	**-**	**-**	**(92)**	**-**	**(150)**	**-**	**(242)**
Transfer	**-**	**(28,652)**	**(14,297)**	**-**	**-**	**-**	**-**	**(42,949)**
Acquisition of subsidiary	**53,885**	**-**	**-**	**1,874**	**113,534**	**-**	**1,062**	**170,355**
Balance at June 30, 2022	**354,649**	**-**	**-**	**13,364**	**690,454**	**127,071**	**1,062**	**1,186,600**
Average amortization rate	Indefinite	Indefinite	10% to 20%	7%	Indefinite	20%		

(i) Refers to the non-compete agreement obtained in the acquisition of Carol Bassi.

(All amounts in thousands of Brazilian real unless otherwise stated)

16. Loans and borrowings

Loans and borrowings can be summarized as follows:

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Total in local currency	**11,778**	174,570	**11,951**	218,485
FINAME (a)	**-**	**-**	**168**	206
Working capital (b)	**9,705**	9,643	**9,710**	9,649
Working capital	**-**	-	**-**	43,703
Working capital - Law 4,131 (c)	**2,073**	164,927	**2,073**	164,927
Total in foreign currency	**163,828**	172,278	**343,335**	316,109
Working capital - Law 4,131 (d)	**163,828**	172,278	**163,827**	172,278
Working capital	**-**	-	**-**	2,738
ACC (e)	**-**	-	**179,508**	141,093
Total loans and borrowings	**175,606**	346,848	**355,286**	534,594
Current	**165,439**	337,348	**345,023**	496,861
Non-current	**10,167**	9,500	**10,263**	37,733

At June 30, 2022, the maturities and interest rate and charges on outstanding loans are as follows:

a) Machine and equipment financing (FINAME): This facility is repayable in monthly installments until October 2024 and has an interest rate of 6.0% p.a.
b) Working capital: This loan is repayable until December 2026 and has an average interest rate based on the interbank deposit rate (CDI) plus 1.80% p.a.
c) Working capital: This loan is denominated in Brazilian real and matures in September 2023. Interest is paid at the rate of CDI plus 2.30% p.a. – Average on June 30, 2020.
d) Working capital – Law No. 4,131: This loan is denominated in U.S. dollar and matures in December 2022. Interest is paid at the rate of CDI plus 2.35% p.a. - Average on June 30, 2020.
e) Advance on foreign exchange contract (ACC): This facility is denominated in U.S. dollar and has an average interest rate, on June 30, 2020, of 3.11% p.a. plus the effect of changes in exchange rates. There are various agreements with maturities until June 2023.

(All amounts in thousands of Brazilian real unless otherwise stated)

16. Loans and borrowings--Continued

Details of the movement in loans and borrowings are as follows:

Parent company	FINEP	Facility 4131	Working capital	Total
Balance at December 31, 2020	3,839	456,932	-	460,771
Proceeds from loans and borrowings	-	-	9,500	9,500
Payment of principal	(3,839)	(142,813)	-	(146,652)
Payment of interest	-	(9,766)	(166)	(9,932)
Accrued interest and effect of changes in foreign exchange rates	-	32,852	309	33,161
Balance at December 31, 2021	**-**	**337,205**	**9,643**	**346,848**
Merger of subsidiary	**-**	**46,441**	**-**	**46,441**
Payment of principal	**-**	**(205,586)**		**(205,586)**
Payment of interest	**-**	**(6,690)**	**(516)**	**(7,206)**
Accrued interest and effect of changes in foreign exchar	**-**	**(5,469)**	**578**	**(4,891)**
Balance at June 30, 2022	**-**	**165,901**	**9,705**	**175,606**

Consolidated	FINAME	PPE	ACC	FINEP	Facility 4131	Working capital	Total
Balance at December 31, 2020	279	23,788	61,164	3,839	545,199	-	634,269
Proceeds from loans and borrowings	-	4,646	113,982	-	20	9,531	128,179
Payment of principal	-	(30,014)	(21,067)	(3,839)	(188,441)	(25)	(243,386)
Payment of interest	(97)	10	(3,820)	-	(14,451)	(166)	(18,524)
Accrued interest and effect of changes in foreign exchange rates	24	1,570	(9,165)	-	41,318	308	34,056
Balance at December 31, 2021	**206**	**-**	**141,094**	**-**	**383,645**	**9,649**	**534,594**
Proceeds from loans and borrowings	**-**	**-**	**109,340**	**-**	**-**	**602**	**109,942**
Payment of principal	**(36)**	**-**	**(70,937)**	**-**	**(205,585)**	**(603)**	**(277,161)**
Payment of interest	**(6)**	**-**	**(1,255)**	**-**	**(6,690)**	**(516)**	**(8,467)**
Accrued interest and effect of changes in foreign exchange rates	**4**	**-**	**1,266**	**-**	**(5,470)**	**578**	**(3,622)**
Balance at June 30, 2022	**168**	**-**	**179,508**	**-**	**165,900**	**9,710**	**355,286**

(All amounts in thousands of Brazilian real unless otherwise stated)

16. Loans and borrowings--Continued

The repayment schedule of amounts classified as non-current liabilities is as follows:

	Parent company		Consolidated	
	June 30, 2022	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
2023	**4,203**	2,489	**4,239**	17,356
2024	**1,548**	2,714	**1,608**	14,486
2025	**2,714**	2,714	**2,714**	4,308
2026	**1,702**	1,583	**1,702**	1,583
Total loans and borrowings	**10,167**	9,500	**10,263**	37,733

Loans are secured by guarantees issued by the Group entities and banks, and do not contain financial covenants. The equipment financing (FINAME) is secured by the financed equipment.

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A ('Bank'), to have borrowing facilities available for Arezzo franchisees that are located in the area where the Bank operates, using the funds from the Northeast Region Constitutional Finance Fund (FNE) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees through working capital loans, if needed. Under the terms of the agreement, the Company shall be the guarantor for these transactions through a surety bond when contracted by store owners. At June 30, 2022, these loans amounted to R$446 (December 31, 2021: R$631).

The Company has a technical and financial cooperation agreement with Banco Alfa, to have borrowing facilities available for Arezzo franchisees, using the funds from the National Bank for Economic and Social Development ('BNDES') to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees. The Company is the guarantor for these transactions. At June 30, 2022, the balance of transactions guaranteed by the Company was R$896 (December 31, 2021: R$1,318).

To date, the Company has experienced no loss on such transactions.

(All amounts in thousands of Brazilian real unless otherwise stated)

17. Trade payables

	Parent company		Consolidated	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Domestic suppliers	**181,491**	111,408	**245,343**	193,378
Supply chain financing arrangement (i)	**312,916**	336,415	**312,916**	374,359
Trade payables due to related parties (Note 12.a)	**513**	6,227	**-**	-
Foreign suppliers	**5,296**	5,006	**7,743**	6,976
Total trade payables	**500,216**	459,056	**566,002**	574,713

(i) The Company has a supply chain financing arrangement with Banco Itaú Unibanco S.A. ("Bank") under which its suppliers may elect to receive early payment of their invoice from the Bank by factoring their receivable from the Company. Under the arrangement, the Bank agrees to pay amounts to a supplier in respect of invoices owed by the Company and receives settlement from the Company at a later date. There were no significant changes in the terms and other payment conditions originally agreed with suppliers and, therefore, the Company believes that the disclosure of amounts factored by suppliers within trade payables is adequate.

18. Leases

At June 30, 2022, the Company assessed its portfolio of lease contracts for stores, offices, plants and distribution centers and identified 235 contracts. Of these 235 contracts, 64 qualify for the exemptions prescribed by the lease standard and 171 fall within the scope of the lease standard.

For contracts that fall in the scope of the lease standard, the Company recognized a right-of-use asset at an amount equal to the lease liability. The lease liability was recognized at the present value of the remaining lease payments, discounted using a market rate of interest varying between 1.8% and 6.1%.

a) Right-of-use assets

(All amounts in thousands of Brazilian real unless otherwise stated)

	Parent company	Consolidated
Total right-of-use assets at December 31, 2020	**20,598**	**205,070**
Additions to right-of-use assets	2,510	6,228
Derecognition of right-of-use assets	-	(185)
Depreciation charge for the period	(3,950)	(29,800)
Effect of changes in foreign exchange rates	-	(3,364)
Total right-of-use assets at June 30, 2021	**19,158**	**177,949**
Total right-of-use assets at December 31, 2021	**16,624**	**221,692**
Additions to right-of-use assets	9,844	52,508
Merger of subsidiary	64,203	-
Derecognition of right-of-use assets	(1,953)	(4,517)
Depreciation charge for the period	(13,186)	(32,763)
Effect of changes in foreign exchange rates	-	(6,329)
Total right-of-use assets at June 30, 2022	**75,532**	**230,591**

18. Leases--Continued

b) Lease liabilities

	Parent company	Consolidated
Total lease liabilities at December 31, 2020	**22,548**	**213,360**
Additions to lease liabilities	2,510	6,226
Effect of changes in foreign exchange rates	-	(3,556)
Derecognition of lease liabilities	-	(188)
Payment of lease liabilities	(4,555)	(32,593)
Interest on lease liabilities	674	3,970
Total lease liabilities at June 30, 2021	**21,177**	**187,219**
Total lease liabilities at December 31, 2021	**18,611**	**231,896**
Additions to lease liabilities	9,844	52,508
Merger of subsidiary	65,018	-
Effect of changes in foreign exchange rates	-	(6,661)
Derecognition of lease liabilities	(1,994)	(4,575)
Payment of lease liabilities	(15,153)	(36,447)
Interest on lease liabilities	2,812	5,465
Total lease liabilities at June 30, 2022	**79,138**	**242,186**
Current	**22,117**	**62,079**
Non-current	**57,021**	**180,107**

c) Future commitments

In compliance with CVM Circular 02/2019 and CPC 06 (R2)/IFRS 16, given the fact that the Group did not apply the nominal cash flow method because IFRS 16 prohibits future inflation projections and with the aim of providing users of the financial statements with additional information, set out below is the contractual maturity analysis of lease payments, showing the undiscounted lease payments as of June 30, 2022:

(All amounts in thousands of Brazilian real unless otherwise stated)

	Cash flow (present value)		Gross contractual cash flow	
	Parent company	Consolidated	Parent company	Consolidated
2022	11,536	31,715	14,745	37,617
2023	20,717	60,382	25,946	69,793
2024	18,210	53,335	21,877	59,724
2025	14,768	44,863	17,026	48,714
2026	9,643	28,515	10,702	30,263
After 2027	4,264	23,376	5,000	24,467
Total	**79,138**	**242,186**	**95,296**	**270,578**
Potential PIS and COFINS tax credit	7,320	14,124	8,815	16,332

19. Capital and reserves

19.1. Share capital

At June 30, 2022, the Company's capital consisted of 109,796 thousand common shares (December 31, 2021: 99,631 thousand common shares).

	Number of shares (thousands)	Share capital R$
Balance at December 31, 2020	99,631	808,715
Advance for future capital increase	-	2,569
Balance at December 31, 2021	**99,631**	**811,284**
Subscription of new shares (i)	10,165	834,183
Balance at June 30, 2022	**109,796**	**1,645,467**

(i) New shares issued in order to increase the share capital of the Company were subscribed:

a) On January 4, 2022, through the share option plan under the first program for lot I as disclosed in Note 34 to the financial statements for the year ended December 31, 2021. The advance was made by the participants in the share option plan on December 31, 2021, but the capital was effectively raised on January 4, 2022 with the issuance of 40,000 new shares.

b) On February 3, 2022, through the follow-on offering, by resolution of the Board of Directors' meeting, with the issuance of 10,125,000 new shares.

20. Dividends and interest on capital paid and proposed

20.1. Dividends

In accordance with the Company's bylaws, the shareholders are entitled to a mandatory minimum dividend of 25% of the profit for the year after transfer to legal reserve as required by the Brazilian corporate legislation. Interest on capital, if paid, is considered to be part of the minimum dividend payout.

On November 29, 2021, the Board of Directors approved the distribution of R$26,215 of the profit for the year ending December 31, 2021 as dividends. The dividends were paid in a lump sum on January 14, 2022, without interest accrued thereon.

On April 29, 2022, the general meeting approved the payment of R$50,000 of supplementary dividends declared in the fiscal year 2021. The payment will be made until December 2022.

20. Dividends and interest on capital paid and proposed--Continued

20.2. Interest on capital – Law No. 9,249/95

In order to comply with tax rules, the Company recorded interest on capital paid in the year within 'finance costs'. For the purposes of these financial statements, this interest on capital was reversed from profit or loss to retained earnings, as determined by accounting practices. Income tax was withheld at the rate of 15% from the payment of interest on capital, except for shareholders that are legally tax-exempt or domiciled in countries or jurisdictions in which the tax legislation establishes a different tax rate.

On November 29, 2021, the Board of Directors approved the distribution of R$33,784 of the profit for the year ending December 31, 2021 as interest on capital. The interest on capital was paid in a lump sum on January 14, 2022.

On June 27, 2022, the amount of R$69,683 of interest on capital was approved for payment out of the profit for the year ending December 31, 2022. The payment was made in a lump sum on July 14, 2022, without interest accrued thereon.

21. Earnings per share

In compliance with CPC 41/ IAS 33, the Company presents below earnings per share information for the six months ended June 30, 2022 and 2021.

a) Basic earnings per share

(All amounts in thousands of Brazilian real unless otherwise stated)

	June 30, 2022	June 30, 2021
Profit for the period	**217,106**	162,272
Weighted average number of common shares outstanding	**108,300**	99,077
Basic earnings per share - R$	**2,0047**	1,6378

b) Diluted earnings per share

	June 30, 2022	June 30, 2021
Profit for the period	**217,106**	162,272
Weighted average number of common shares (basic)	**108,300**	99,077
Adjustment for share options	**1,980**	248
Weighted average number of common shares (diluted)	**110,280**	99,325
Diluted earnings per share - R$	**1,9687**	1,6337

22. Net operating revenue

The breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Gross sales revenue	**1,565,633**	782,664	**2,207,270**	1,341,429
Domestic market	**1,565,294**	781,858	**1,952,881**	1,197,362
Foreign market	**339**	806	**254,389**	144,067
Returns	**(74,738)**	(32,902)	**(173,777)**	(107,696)
Discounts and rebates	**(1,517)**	(15,977)	**(1,517)**	(15,976)
Taxes on sales	**(184,699)**	(103,829)	**(247,648)**	(164,829)
Net sales revenue	**1,304,679**	629,956	**1,784,328**	1,052,928

23. Segment information

The Company's products are distributed under various brands (Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, INK, EVA, Troc, Baw, MyShoes and Carol Bassi) and through different channels (franchises, multi-brand stores, company-owned stores and e-commerce), but they are managed and operated by the Company's management as one business, and the performance thereof is managed and assessed by a single management team.

(All amounts in thousands of Brazilian real unless otherwise stated)

For operating, commercial, management and administrative purposes, the Company is organized, and has its performance assessed, as a single operating segment, based on the following:

1. The Company does not have different divisions for managing different product lines, brands or sales channels.
2. The Company's plant operates more than one brand and sales channel.
3. The Company's strategic decisions are based on market opportunity assessments, and not only on performance by product, brand or sales channel.

23. Segment information--Continued

The consolidated gross revenue by brand and sales channel is as follows:

Brand	June 30, 2022	June 30, 2021
Gross revenue	**2,207,270**	1,341,429
Domestic market	**1,952,881**	1,197,362
Arezzo	**619,194**	413,882
AR&CO (i)	**448,123**	233,283
Schutz	**360,020**	245,786
Anacapri	**150,295**	119,225
Others (ii)	**375,249**	185,186
Foreign market	**254,389**	144,067

Sales channel	June 30, 2022	June 30, 2021
Gross revenue	**2,207,270**	1,341,429
Domestic market	**1,952,881**	1,197,362
Multi-brand stores	**518,835**	336,093
Franchise stores	**510,102**	323,146
Company-owned st	**460,627**	199,226
E-commerce	**461,303**	334,175
Others	**2,014**	4,722
Foreign market	**254,389**	144,067

(i) AR&CO includes the following brands: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA, INK, Reversa and Baw Clothing.
(ii) Others includes the following brands: Alexandre Birman, Alme, Fiever, MyShoes, Troc, Vans and Carol Bassi.

In the six months ended June 30, 2022, 11.5% of the consolidated gross revenue (June 30, 2021: 10.7%) was derived from the foreign market, being 81.7% from direct operations in the United States and 18.3% from exports to the rest of the world. No single customer accounts for more than 10.0% of the net revenue.

24. Expenses by nature

The Company’s statement of income classifies expenses by function. Set out below is the analysis of expenses by nature:

(All amounts in thousands of Brazilian real unless otherwise stated)

	Parent company		Consolidated	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Expenses by function				
Cost of sales	**(714,504)**	(419,840)	**(806,981)**	(510,031)
Selling expenses	**(346,506)**	(117,349)	**(622,696)**	(328,566)
General and administrative expenses	**(131,641)**	(66,479)	**(147,218)**	(125,031)
Other operating income	**48,605**	132,538	**83,842**	145,722
Other operating expenses	**(7,175)**	(1,430)	**(7,201)**	(4,949)
	(1,151,221)	(472,560)	**(1,500,254)**	(822,855)
Expenses by nature				
Depreciation and amortization	**(38,841)**	(11,471)	**(68,246)**	(50,007)
Employee benefits expenses	**(178,285)**	(74,946)	**(241,330)**	(160,502)
Raw materials and consumables	**(780,418)**	(422,020)	**(891,082)**	(516,015)
Freight	**(28,361)**	(11,995)	**(59,543)**	(37,579)
Store occupancy expenses (i)	**(14,766)**	-	**(36,153)**	(14,894)
Advertising costs	**(81,995)**	(19,084)	**(160,198)**	(63,208)
Utilities and services	**(63,983)**	(39,872)	**(114,069)**	(51,681)
Tax credits	**41,761**	130,694	**65,382**	130,694
Other operating income	**6,842**	1,778	**18,461**	13,011
Other operating expenses	**(13,175)**	(25,644)	**(13,476)**	(72,674)
	(1,151,221)	(472,560)	**(1,500,254)**	(822,855)

(i) Includes rental, condominium fee, property tax (IPTU) and advertising fund.

25. Financial risk management objectives and policies

a) Fair value

(All amounts in thousands of Brazilian real unless otherwise stated)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Consolidated			
	June 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	**81,682**		33,750	
Cash investments	**633,565**	**633,565**	228,809	228,809
Trade receivables	**616,642**		794,578	
Derivative financial assets	-	-	7,783	7,783
Liabilities				
Loans and borrowings	**355,286**		534,594	
Trade payables	**566,002**		574,713	
Derivative financial liabilities	**13,000**	**13,000**	-	
Lease liabilities	**242,186**		231,896	
Payables for acquisition of subsidiary	**161,159**		31,662	

When measuring the fair value of its financial instruments, the Company uses observable market data (Level 2).

Fair value hierarchy

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25. Financial risk management objectives and policies--Continued

a) Fair value--Continued

(All amounts in thousands of Brazilian real unless otherwise stated)

Fair value hierarchy--Continued

At June 30, 2022, the consolidated financial assets and financial liabilities of the Company are classified in the following measurement categories:

	As at fair value through profit or loss	As at amortized cost
Assets		
Cash and cash equivalents	-	81,682
Cash investments	633,565	-
Trade receivables	-	616,642
Liabilities		
Loans and borrowings	-	355,286
Trade payables	-	566,002
Lease liabilities	-	242,186
Payables for acquisition of subsidiary	-	161,159
Derivative financial liabilities	13,000	-

The methods and assumptions used in measuring fair values are as follows:

Cash and cash equivalents, trade and other receivables, and trade and other payables - These financial instruments arise directly from the operations of the Company and its subsidiaries and are measured at amortized cost. They are stated at original amount less loss allowance, and are discounted to present value when applicable. The carrying amount approximates fair value due to the short-term maturity of these instruments.

Loans and borrowings - They are classified as other financial liabilities not measured at fair value and are carried at amortized cost in accordance with the contractual terms. This classification was adopted because the amounts are not held for trading, which management understands is the most relevant financial information. The fair values of loans and borrowings equal their carrying amounts since these financial instruments have market interest rates and specific characteristics.

Lease liabilities – These liabilities arise from contracts that convey the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The fair values of lease liabilities equal their carrying amounts.

Payables for acquisition of subsidiary – These liabilities arise directly from the acquisitions made by the Company. The fair values equal the carrying amounts.

25. Financial risk management objectives and policies--Continued

b) Currency risk

(All amounts in thousands of Brazilian real unless otherwise stated)

The results of operations of the Company and its subsidiaries are affected by changes in USD exchange rates because a part of their sales revenue is linked to the U.S. dollar. To hedge the currency risk, almost all of the Company's and its subsidiaries' exports have financing in USD.

At June 30, 2022 and December 31, 2021, the net exposure to changes in USD rate is as follows:

	Consolidated	
	June 30, 2022	**December 31, 2021**
Accounts receivable in foreign currency (i)	**13,475**	20,062
Loans and borrowings in foreign currency	**(343,335)**	(316,109)
Trade payables in foreign currency	**(7,743)**	(6,976)
Net exposure	**(337,603)**	(303,023)

(i) Excludes accounts receivable from related parties in foreign currency.

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of foreign currency-denominated accounts receivable and payable and loans to changes in the exchange rates at June 30, 2022.

The table below provides three scenarios, with the base-case scenario being adopted by the Company. The base-case scenario for 2022 was based on the US dollar's value at June 30, 2022. A set of increments was considered as +25% and +50% with respect to the assumed values in the base-case scenario.

	Currency	**Base-case scenario**	**Scenario A**	**Scenario B**
Increase in foreign exchange rate				
Accounts receivable in foreign currency	BRL	13,475	16,844	20,212
Loans and borrowings in foreign currency	BRL	(343,335)	(429,168)	(515,002)
Trade payables in foreign currency	BRL	(7,743)	(9,683)	(11,620)
Effect on profit before tax		**-**	**(84,404)**	**(168,807)**
US dollar rate		**5.24**	**6.55**	**7.86**

25. Financial risk management objectives and policies--Continued

c) Interest rate risk

(All amounts in thousands of Brazilian real unless otherwise stated)

The Company's interest rate risk arises from borrowings with rates linked to the Interbank Deposit rate (CDI). The interest rates are disclosed in Note 16.

At June 30, 2022, the interest rate profile of the Company's interest-bearing loans and borrowings is as follows:

	June 30, 2022	%
Fixed interest rate	179,676	51.0
Interest rate based on CDI	175,610	49.0
	355,286	**100.0**

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of borrowings to changes in interest rates at June 30, 2022.

The table below provides three scenarios, with the base-case scenario being adopted by the Company. The base-case scenario for 2022 was based on the CDI rate at June 30, 2022. A set of increments was considered as +25% and +50% with respect to the assumed values in the base-case scenario.

For each scenario, gross interest expense was calculated, ignoring taxes and the maturities of each agreement. The sensitivity analysis relates to the balance of borrowings at June 30, 2022, projecting the interest rates for one year.

	Base-case scenario	Scenario A	Scenario B
Increase in interest expense			
Borrowings with interest rate based on CDI	23,093	28,866	34,638
	23,093	**28,866**	**34,638**
Increase in interest rate for financial liabilities		25%	50%
CDI	13.15%	16.44%	19.73%

c) Credit risk

Credit risk arises from the difficulty in collecting the amounts due from customers for goods sold and services rendered.

The Company and its subsidiaries are also exposed to credit risk from their cash investments.

Most of trade receivables are denominated in Brazilian real and spread across various customers. To reduce credit risk, the Company performs an individual analysis for new customers but, as a usual market practice, only high-risk customers are required to make advance payments.

25. Financial risk management objectives and policies--Continued

c) Credit risk--Continued

(All amounts in thousands of Brazilian real unless otherwise stated)

No single customer accounts for more than 5% of the Company's total accounts receivable at June 30, 2022 and December 31, 2021.

Management monitors outstanding customer receivables on a timely basis and, in the case of impairment losses, they are recognized in the statement of income. The analysis covers outstanding receivables, customer payment history, guarantees provided and renegotiations completed with collaterals. The amounts recorded as actual losses or loss allowance represent uncollectible accounts or receivables with low chance of recovery.

The Company and its subsidiaries attempt to limit credit risk from balances with banks and financial institutions by only dealing with reputable banks and financial institutions.

d) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will not have sufficient cash on hand to meet their obligations due to currency and maturity mismatch between their assets and liabilities.

Management monitors the Company's and its subsidiaries' liquidity and cash flows on a daily basis to ensure that the amount of cash generated from their normal business operations and borrowing facilities, when needed, are sufficient to meet obligations when due, without exposing the Company and its subsidiaries to liquidity risk.

The following table sets out a contractual maturity analysis for the Company's financial liabilities:

	Projection including future interest		
	Less than one year	**One to five years**	**Total**
Loans and borrowings	348,588	11,917	**360,505**
Trade payables	566,002	-	**566,002**
Lease liabilities	72,675	197,904	**270,579**

25. Financial risk management objectives and policies--Continued

e) Capital management

(All amounts in thousands of Brazilian real unless otherwise stated)

The Company's objective when managing capital is to maintain a strong credit rating with the institutions and a strong capital base to sustain future development of the business and maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, take new borrowings, issue debentures, issue promissory notes and enter into derivative transactions. No changes were made in the objectives, policies or processes for managing capital during the period ended June 30, 2022 and the year ended December 31, 2021.

The Company's net debt to equity ratio at June 30, 2022 and December 31, 2021 was as follows:

	Consolidated	
	June 30, 2022	**December 31, 2021**
Loans and borrowings	**(355,286)**	(534,594)
Cash and cash equivalents	**81,682**	33,750
Cash investments	**633,565**	228,809
Net debt	**359,961**	(272,035)
Total equity attributable to owners of the Parent	**2,492,432**	1,590,580
Net debt to equity ratio	-	(17.1%)

26. Net finance costs

(All amounts in thousands of Brazilian real unless otherwise stated)

	Parent company		Consolidated	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Finance income				
Interest income on cash investments	**18,560**	3,364	**27,891**	5,720
Interest income	**2,456**	930	**2,459**	1,314
Inflation adjustment	**4,094**	74	**4,155**	321
Other finance income	**775**	1,286	**257**	4,677
	25,885	5,654	**34,762**	12,032
Finance costs				
Interest on borrowings	**(6,097)**	(7,937)	**(14,783)**	(13,708)
Bank charges	**(5,366)**	(2,604)	**(5,992)**	(3,515)
Interest on lease liabilities	**(2,812)**	(613)	**(5,465)**	(3,683)
Credit card administration fee	**(2,660)**	-	**(14,905)**	(8,151)
Interest on loans from related parties	**(2,054)**	-	**-**	-
Notary public fees	**(1,362)**	(910)	**(1,366)**	(915)
Discounts granted	**(188)**	(2,704)	**(335)**	(4,006)
Other finance costs	**(1,226)**	(595)	**(3,214)**	(2,991)
	(21,765)	(15,363)	**(46,060)**	(36,969)
Foreign exchange gains	**(20,351)**	(5,666)	**(16,826)**	(5,581)
Foreign exchange losses	**7,672**	1,780	**1,062**	3,114
	(12,679)	(3,886)	**(15,764)**	(2,467)
Net finance costs recognized in profit or loss	**(8,559)**	(13,595)	**(27,062)**	(27,404)

(All amounts in thousands of Brazilian real unless otherwise stated)

27. Other operating income and expenses

	Parent company		Consolidated	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Other operating income	**48,612**	132,388	**83,850**	145,632
Tax credits (i)	**41,761**	130,694	**65,382**	142,987
Recovery of income	**3,512**	227	**3,702**	237
Other income	**2,106**	671	**13,533**	1,420
Reimbursement of return expenses	**899**	393	**899**	393
Franchise fee	**334**	270	**334**	270
Gain on sale of property, plant and equipment and intangible assets	**-**	133	**-**	325
Other operating expenses	**(7,182)**	(1,280)	**(7,209)**	(2,412)
Share option and restricted stock plans	**(7,064)**	(1,280)	**(7,064)**	(1,280)
Loss on sale of property, plant and equipment and intangible assets	**(107)**	-	**(134)**	(92)
Other expenses	**(11)**	-	**(11)**	(1,040)
Total	**41,430**	131,108	**76,641**	143,220

(i) During the six-month period, tax credits (PIS and COFINS) were recognized in respect of expenses on goods and services that are essential to the Company's activities.

28. Government tax incentives

In the period ended June 30, 2022, the Company was granted ICMS tax incentives, amounting to R$117,940 (June 30, 2021: R$74,463), which were classified in net revenue, as follows:

	Parent company		Consolidated	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
ICMS tax incentives - State of Espiri	**46,606**	29,617	**65,264**	43,911
ICMS tax incentives - State of Rio de	**52,173**	-	**52,173**	30,552
ICMS tax incentives - State of Bahia	**-**	-	**503**	-
Total	**98,779**	29,617	**117,940**	74,463

a) Under Regulations 088-R of October 29, 2015 and 077-R of September 1, 2016, the State of Espirito Santo has registered the Company, through its parent and one subsidiary, respectively, to receive ICMS tax incentives under the tax benefit arrangement called Competitiveness Agreement.

b) The State of Rio de Janeiro, through Law No. 6,331 of October 10, 2012, granted a reduction in the ICMS tax rate on sales for manufacturers of textile products, fabrics, garments, apparel accessories and notions.

28. Government tax incentives--Continued

c) The State of Bahia, through Law No. 7,025 of January 24, 1997 regulated by Decree No. 6734 of September 9, 1997, grants presumed ICMS credit to manufacturers of shoes established in the State of Bahia.

29. Subsequent events

According to the corporate announcement released on April 14, 2022, the Board of Directors of the Company approved at a meeting held on the same date, among other issues, the execution of the share purchase and sale agreement by and between the Company and João Fernando Hartz e Marcia Meneghetti, which establishes the main terms and conditions for the acquisition of Sunset Agenciamento e Intermediação Ltda. ('Sunset') by the Company. Under the Agreement, initially Sunset will be transformed into a corporation and, subsequently, Sellers will sell to the Company shares representing thirty percent (30%) of Sunset's total and voting capital stock for the total price of R$9,406, which may also be adjusted upward or downward based on certain assumptions set forth in the Agreement and which are common in private company acquisitions. Under the Agreement, the remaining shares representing seventy percent (70%) of Sunset's total and voting capital stock shall be merged by the Company with a consequent issue of 369,453 new registered, book-entry, common shares without par value, which shall be subscribed by Sunset's management on behalf of Sellers and paid up though the merger of the remaining Sunset shares.

On the same date, the Board of Directors also approved the execution of the share purchase and sale agreement by and between ZZSAP Indústria e Comércio de Calçados Ltda., a subsidiary of the Company, and Sellers, for the acquisition of HG Indústria e Comércio de Calçados Ltda. ZZSAP will acquire 100% of the shares in HG for the total price of R$3,706, which may be adjusted upward or downward based on certain assumptions set forth in the Agreement and which are common in private company acquisitions.

On July 19, 2022, under Decision SG No. 869/2022 the Brazilian antitrust authority CADE approved the acquisitions without imposing any restrictions.

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Report on the review of Quarterly Information Form - ITR

To the Board Members and Shareholders of
Arezzo Indústria e Comércio S.A.
Belo Horizonte – MG

Introduction
We have reviewed the accompanying individual and consolidated interim financial information of Arezzo Indústria e Comércio S.A. ("Company"), included in the Quarterly Information Form – ITR, for the quarter ended June 30, 2022, which comprises the balance sheet as of June 30, 2022, and related statements of income and comprehensive income for the three and six month periods then ended and changes in equity and cash flows for the six month periods then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Technical Pronouncement *CPC 21 (R1) – Demonstração Intermediária* and with international standard IAS 34 – Interim Financial Reporting with international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the *Comissão de Valores Mobiliários - 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 the review
Our review was carried out in accordance with the Brazilian and international standards on review engagements of interim financial information (*NBC TR 2410 – Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* 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 the financial and accounting matters and applying analytical procedures 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 became aware of all the 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 cause us to believe that the accompanying individual and consolidated interim financial information included in the Quarterly Information Form – ITR referred to above has not been prepared, in all material

respects, in accordance with CPC 21 (R1) and IAS 34, issued by IASB, applicable to the preparation of Quarterly Information Form - ITR, and presented in accordance with the standards issued by the *Comissão de Valores Mobiliários - CVM*.

Other matters - Statements of value added

The interim financial information above includes the statements of value added, individual and consolidated, for the six-month period ended June 30, 2022, prepared under the responsibility of Company's management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures together with the review of the Quarterly Information Form - ITR, with the objective of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement *CPC 09 – Demonstração do Valor Adicionado (DVA)*. Based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in accordance with the criteria defined in this Pronouncement and consistent with the individual and consolidated interim financial information taken as a whole.

Porto Alegre, August 10, 2022

KPMG Auditores Independentes Ltda.
CRC 2SP014428/O-6

(Original review report in Portuguese signed by)
Cristiano Jardim Seguecio
Accountant CRC SP-244525/O-9 T-RS