

Summary

Corporate information

Share Structure	1
-----------------	---

Unconsolidated Financial Statements

Balance-Sheet Assets	2
----------------------	---

Balance-Sheet Liabilities	3
---------------------------	---

Income Statement	5
------------------	---

Statement of Comprehensive Income	6
-----------------------------------	---

Cash Flow Statement (Indirect Method)	7
---------------------------------------	---

Statement of Change in Equity

SCE – 01/01/2021-09/30/2021	9
-----------------------------	---

SCE - 01/01/2020-09/30/2020	10
-----------------------------	----

Value Added Statement	11
-----------------------	----

Consolidated Financial Statements

Balance-Sheet Assets	12
----------------------	----

Balance-Sheet Liabilities	13
---------------------------	----

Income Statement	15
------------------	----

Statement of Comprehensive Income	17
-----------------------------------	----

Cash Flow Statement (Indirect Method)	18
---------------------------------------	----

Statement of Change in Equity

SCE - 01/01/2021-09/30/2021	19
-----------------------------	----

SCE - 01/01/2020-09/30/2020	20
-----------------------------	----

Value Added Statement	21
-----------------------	----

Performance	22
-------------	----

Notes	50
-------	----

Reports and Representations

Special Review Report - Unqualified	102
-------------------------------------	-----

Report of the Fiscal Council or Similar	104
---	-----

Executive Officers' Representations on the Financial Statements	105
---	-----

Executive Officers' Representations on the Independent Audit Report	106
---	-----

Corporate Information / Share Structure

Number of Shares (Thousands)	Current Quarter 09/30/2021
Of Paid-In Equity Capital	
Common	99,631
Preferred	0
Total	99,631
Treasury Shares	
Common	554
Preferred	0
Total	554

Unconsolidated Financial Statements / Balance-Sheet Assets**(BRL Thousands)**

Account Code	Account description	Current quarter 09/30/2021	Previous FY 12/31/2020
1	Total Assets	2,481,111	2,355,157
1.01	Current Assets	711,632	850,035
1.01.01	Cash and Cash Equivalents	1,122	3,291
1.01.02	Financial Investments	109,873	347,640
1.01.02.01	Financial Investments Held at Fair Value through Profit (Loss)	109,873	347,640
1.01.02.01.03	Financial Investments Held at Fair Value	109,873	347,640
1.01.03	Accounts Receivable	388,918	385,479
1.01.03.01	Customers	388,918	385,479
1.01.04	Inventory	163,504	85,694
1.01.06	Taxes recoverable	20,294	11,461
1.01.06.01	Current Taxes Recoverable	20,294	11,461
1.01.08	Other Current Assets	27,921	16,470
1.01.08.03	Other	27,921	16,470
1.02	Noncurrent Assets	1,769,479	1,505,122
1.02.01	Long-Term Receivables	239,196	144,863
1.02.01.04	Accounts Receivable	2,581	2,564
1.02.01.04.01	Customers	2,581	2,564
1.02.01.07	Deferred Taxes	171,497	48,850
1.02.01.07.01	Deferred Income Tax and Social Contribution	45,063	48,850
1.02.01.07.02	Taxes Recoverable	126,434	0
1.02.01.09	Due from Related Parties	30,579	75,548
1.02.01.09.02	Due from Subsidiaries	25,072	30,523
1.02.01.09.05	Related-Party Loans	5,507	45,025
1.02.01.10	Other Noncurrent assets	34,539	17,901
1.02.01.10.03	Escrow Accounts	19,826	17,585
1.02.01.10.04	Other Credits	14,713	316
1.02.02	Investments	1,389,971	1,253,681
1.02.02.01	Equity Holdings	1,385,191	1,251,565
1.02.02.01.02	Equity Held in Subsidiaries	1,385,191	1,251,565
1.02.02.02	Investment Property	4,780	2,116
1.02.02.02.01	Investment Property	4,780	2,116
1.02.03	Property, Plant & Equipment	66,756	49,068
1.02.03.01	Operational Property, Plant & Equipment	66,756	49,068
1.02.04	Intangible	73,556	57,510
1.02.04.01	Intangible assets	73,556	57,510
1.02.04.01.02	Trademarks and Patents	8,770	5,582
1.02.04.01.03	Right of Use – Stores	3,372	0
1.02.04.01.04	Right of Use - Systems	61,414	51,928

Unconsolidated Financial Statements / Balance Sheet Liabilities**(BRL Thousands)**

Account Code	Account Description	Current Quarter 09/30/2021	Previous FY Dec/31/2020
2	Total Liabilities	2,481,111	2,355,157
2.01	Current liabilities	607,429	600,230
2.01.01	Social and Labor Liabilities	47,540	31,699
2.01.01.01	Social Liabilities	3,399	2,852
2.01.01.02	Labor Liabilities	44,141	28,847
2.01.02	Suppliers	349,426	335,821
2.01.02.01	Domestic Suppliers	346,786	332,760
2.01.02.02	International Suppliers	2,640	3,061
2.01.03	Tax Liabilities	13,688	8,761
2.01.03.01	Federal Tax Liabilities	11,311	8,409
2.01.03.01.01	Income Tax and Social Contribution Payable	5,442	0
2.01.03.01.02	Other Federal Taxes Payable	5,869	8,409
2.01.03.02	State Taxes Payable	2,364	334
2.01.03.03	Municipal Taxes Payable	13	18
2.01.04	Loans and Financings	100,293	142,160
2.01.04.01	Loans	100,293	142,160
2.01.04.01.01	Domestic Currency Loans	100,293	41,369
2.01.04.01.02	Foreign Currency Loans	0	100,791
2.01.05	Other Liabilities	96,482	81,789
2.01.05.02	Other	96,482	81,789
2.01.05.02.04	Other Accounts Payable	39,594	75,976
2.01.05.02.05	Leases	5,614	5,813
2.01.05.02.06	Acquisition Liabilities Payable	51,274	0
2.02	Noncurrent Liabilities	327,147	406,330
2.02.01	Loans	252,969	318,611
2.02.01.01	Loans	252,969	318,611
2.02.01.01.01	Domestic Currency Loans	86,168	318,611
2.02.01.01.02	Foreign Currency Loans	166,801	0
2.02.02	Other Liabilities	13,358	16,735
2.02.02.02	Other	13,358	16,735
2.02.02.02.04	Leases	13,358	16,735
2.02.04	Provision	60,820	70,771
2.02.04.01	Tax, Social Security, Labor and Civil Provisions	8,014	5,721
2.02.04.01.02	Social Security and Labor Provisions	6,294	3,990
2.02.04.01.04	Civil Provisions	45	56
2.02.04.01.05	Tax Provisions	1,675	1,675
2.02.04.02	Other Provisions	52,806	65,050
2.02.04.02.04	Provisions for Uncovered Liabilities	0	65,050
2.02.04.02.05	Other Amounts Payable	500	0
2.02.04.02.06	Deferred Revenues	93	0
2.02.04.02.07	Provisions for Investment Losses	52,213	0
2.02.06	Accrued Income and Revenues	0	213
2.02.06.02	Accrued Revenues	0	213
2.03	Shareholders' Equity	1,546,535	1,348,597
2.03.01	Paid-in Capital	808,715	967,924
2.03.02	Capital Reserve	198,491	49,229

Unconsolidated Financial Statements / Balance Sheet Liabilities**(BRL Thousands)**

Account Code	Account Description	Current Quarter 09/30/2021	Previous FY Dec/31/2020
2.03.02.02	Acquisition Premium Reserve	0	21,470
2.03.02.05	Treasury Shares	-96	-191
2.03.02.07	Capital Reserve	198,587	0
2.03.02.09	Restricted Stock Options Reserve	0	27,950
2.03.04	Earnings Reserve	335,832	338,414
2.03.04.05	Retained Earnings Reserve	107,895	107,895
2.03.04.07	Tax Benefits Reserve	227,937	227,937
2.03.04.08	Proposed Additional Dividends	0	2,582
2.03.05	Accumulated Profit and Loss	211,512	0
2.03.06	Equity Adjustment	-8,183	0
2.03.08	Other Comprehensive Income	168	-6,970

Unconsolidated Financial Statements / Income Statement**(BRL Thousands)**

Account Code	Code Description	Current Quarter Jul/01/2021-09/30/2021	Accumulated YTD 01/01/2021-09/30/2021	Same Quarter YOY Jul/01/2020-09/30/2020	Accumulated 9M YOY 01/01/2020-09/30/2020
3.01	Sales Revenues	469,593	1,099,549	310,205	680,991
3.02	Cost of Goods or Services Sold	-299,803	-719,643	-210,459	-459,444
3.03	Gross Income	169,790	379,906	99,746	221,547
3.04	Operating Expenses/Revenues	-100,186	-107,588	-65,535	-259,495
3.04.01	Selling Expenses	-82,526	-199,875	-49,725	-161,626
3.04.02	General and Administrative Expenses	-44,347	-110,826	-25,507	-81,561
3.04.04	Other Operating Revenues	-3,086	129,536	0	0
3.04.05	Other Operating Expenses	-3,427	-4,941	-1,194	-2,761
3.04.06	Equity Income	33,200	78,518	10,891	-13,547
3.05	Earnings Before Interest Income and Taxes	69,604	272,318	34,211	-37,948
3.06	Interest Income	-4,931	-18,526	-2,201	-10,445
3.06.01	Interest Revenues	18,592	18,580	5,464	24,475
3.06.01.01	Interest Expenses	3,592	9,246	3,339	10,793
3.06.01.02	Foreign Exchange Gain	15,000	9,334	2,125	13,682
3.06.02	Interest Income	-23,523	-37,106	-7,665	-34,920
3.06.02.01	Interest Expense	-9,181	-24,544	-6,543	-19,464
3.06.02.02	Foreign Exchange Losses	-14,342	-12,562	-1,122	-15,456
3.07	Earnings before Taxes	64,673	253,792	32,010	-48,393
3.08	Income Tax and Social Contribution	13,371	-12,691	-4,063	19,929
3.08.01	Current	-5,472	-8,904	-5,737	-9,730
3.08.02	Deferred	18,843	-3,787	1,674	29,659
3.09	Net Income from Continued Operations	78,044	241,101	27,947	-28,464
3.11	Net Income/Loss	78,044	241,101	27,947	-28,464
3.99	Earnings per Share - (BRL/ Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common Nominative	0,7833	2,4069	0,3073	-0,313
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common Nominative	0,782	2,4028	0,3073	-0,313

Unconsolidated Financial Statements / Comprehensive Income Statement**(BRL**

Account Code	Account Description	Current Quarter Jul/01/2021-09/30/2021	Accumulated YTD 01/01/2021-09/30/2021	Same Quarter YOY Jul/01/2020-09/30/2020	Accumulated 9M YOY 01/01/2020-09/30/2020
4.01	Net Income	78,044	241,101	27,947	-28,464
4.02	Other Comprehensive Income	-1,212	-1,212	-1,727	-20,712
4.02.01	Operational Currency Translation Differences	-1,212	-1,212	-1,727	-20,712
4.03	Comprehensive Income/Loss	76,832	239,889	26,220	-49,176

Unconsolidated Financial Statements / Cash Flow Statement (Indirect Method)

(BRL		Accumulated YTD	Accumulated 9M 20
Account	Account Description	01/01/2021-09/30/2021	01/01/2020-09/30/2020
Code			
6.01	Net Cash from Operations	10,548	12,250
6.01.01	Operating Cash Generation	220,491	11,220
6.01.01.01	Net Income/Loss	241,101	-28,464
6.01.01.02	Depreciation and Amortization	18,203	16,063
6.01.01.03	Income from Disposal of Fixed and Intangible Assets	-253	333
6.01.01.04	Interest Charges	0	-3,069
6.01.01.05	Equity Income	-78,518	13,547
6.01.01.06	Provisions for Labor, Tax and Civil Liabilities	2,293	909
6.01.01.07	Interest and currency translation effects on financing	23,480	23,457
6.01.01.08	Interest income from financial investment	-5,237	-7,877
6.01.01.09	Provision for Losses on Accounts Receivable	430	10,358
6.01.01.10	Additional Provision for Obsolete Inventory	4,105	2,863
6.01.01.11	Stock options and restricted share plans	1,218	1,935
6.01.01.12	Interest on Lease Liability	978	1,094
6.01.01.13	Income Tax and Social Contribution	12,691	-19,929
6.01.02	Changes in Assets and Liabilities	-207,512	1,030
6.01.02.01	Customer Accounts Receivable	-6,550	-46,314
6.01.02.02	Inventories	-76,284	-33,395
6.01.02.03	Change in Other Current and Noncurrent Assets	-25,848	-10,152
6.01.02.04	Taxes Recoverable	-135,701	25,485
6.01.02.05	Escrow	-2,242	-4,599
6.01.02.06	Interest Charges on Loans	-6,337	0
6.01.02.07	Suppliers	13,761	74,532
6.01.02.08	Labor Liabilities	15,295	-15,307
6.01.02.09	Tax and Social Liabilities	4,872	1,158
6.01.02.10	Other Liabilities	11,522	9,622
6.01.03	Other	-2,431	0
6.01.03.01	Income Tax and Social Contribution	-2,431	0
6.02	Net Cash from Investing Activities	162,492	-303,285
6.02.01	Fixed and Intangible Asset Acquisitions	-48,960	-20,425
6.02.02	Disposal of Fixed and Intangible Assets	335	21
6.02.03	Financial Investments	-1,017,832	-958,801
6.02.04	Financial Investments Redeemed	1,259,154	729,670
6.02.05	Investment in Associates	-90,158	-53,750
6.02.06	Dividends Received	14,984	0
6.02.07	Investment in Target Company	44,969	0
6.03	Net Cash from Financing Activities	-175,209	290,441
6.03.01	Loans	9,500	444,171
6.03.02	Loan Payments	-134,152	-59,384
6.03.04	Related Parties	0	-61,119
6.03.05	Interest on Shareholders' Equity	-29,590	-15,436
6.03.06	Cash Flow to Shareholders	-2,582	-7,239
6.03.09	Purchase of Treasury Stock	-11,166	-3,672
6.03.10	Lease Payments	-7,219	-6,880
6.05	Increase (Decrease) In Cash and Cash Equivalents	-2,169	-594

Unconsolidated Financial Statements / Cash Flow Statement (Indirect Method)

(BRL		Accumulated YTD	Accumulated 9M 20
Account	Account Description	01/01/2021-09/30/2021	01/01/2020-09/30/2020
Code			
6.05.01	Opening Balance Cash and Cash Equivalents	3,291	1,686
6.05.02	Closing Balance Cash and Cash Equivalents	1,122	1,092

Unconsolidated Financial Statements / Statement of Changes in Equity - 01/01/2021-09/30/2021**(BRL Thousands)**

Account Code	Account Description	Paid-In Share Capital	Capital Reserves, Options Awarded and Treasury Shares	Retained Earnings	Accumulated Income/Loss	Other Comprehensive Income/Loss	Total
5.01	Opening Balance	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.03	Adjusted Opening Balance	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.04	Equity transactions with shareholders	0	-9,947	0	-32,171	0	-42,118
5.04.03	Stock Options Awarded	0	1,218	0	0	0	1,218
5.04.04	Treasury Shares Purchased	0	-61,167	0	0	0	-61,167
5.04.07	Interest on Shareholders' Equity	0	0	0	-29,589	0	-29,589
5.04.08	Equity Transactions in Business Combinations	0	50,002	0	0	0	50,002
5.04.09	Additional Dividends Proposed	0	0	0	-2,582	0	-2,582
5.05	Total Comprehensive Income	0	0	0	241,101	-1,045	240,056
5.05.01	Net Income	0	0	0	241,101	0	241,101
5.05.02	Other Comprehensive Income	0	0	0	0	-1,045	-1,045
5.05.02.06	Foreign Exchange Translation Differences	0	0	0	0	-1,212	-1,212
5.05.02.07	Other Comprehensive Income	0	0	0	0	167	167
5.06	Internal Equity Changes	-159,209	159,209	0	0	0	0
5.06.04	Capital Reserve	-159,209	159,209	0	0	0	0
5.07	Closing Balance	808,715	198,491	335,832	211,512	-8,015	1,546,535

Unconsolidated Financial Statements / Statement of Changes in Equity - 01/01/2020-09/30/2020**(BRL Thousands)**

Account Code	Account Description	Paid-In Share Capital	Capital Reserves, Options Awarded and Treasury Shares	Retained Earnings	Accumulated Income/Loss	Other Comprehensive Income/Loss	Total
5.01	Opening Balance	352,715	50,538	308,156	27,842	6,820	746,071
5.03	Adjusted Opening Balance	352,715	50,538	308,156	27,842	6,820	746,071
5.04	Equity Transactions with Shareholders	0	-1,737	0	0	0	-1,737
5.04.04	Treasury Shares Purchased	0	-3,672	0	0	0	-3,672
5.04.08	Stock Options and Restricted Shares Awarded	0	1,935	0	0	0	1,935
5.05	Total Comprehensive Income	0	0	0	-28,464	-20,712	-49,176
5.05.01	Net Income	0	0	0	-28,464	0	-28,464
5.05.02	Other Comprehensive Income	0	0	0	0	-20,712	-20,712
5.05.02.06	Foreign Currency Translation Differences	0	0	0	0	-20,712	-20,712
5.06	Internal Equity Changes	0	0	27,842	-25,741	0	2,101
5.06.05	Retained Earnings	0	0	27,842	-27,842	0	0
5.06.06	Reversal of unclaimed dividends of an associate	0	0	0	2,101	0	2,101
5.07	Closing Balance	352,715	48,801	335,998	-26,363	-13,892	697,259

Unconsolidated Financial Statements / Value Added Statement**(BRL Thousands)**

Account Code	Account Description	Accumulated YTD 01/01/2021-09/30/2021	Accumulated 9M YOY 01/01/2020-09/30/2020
7.01	Revenues	1,277,039	784,439
7.01.01	Merchandise, Goods and Services Sold	1,277,469	794,797
7.01.04	Provision for /Reversal of Doubtful Credits	-430	-10,358
7.02	Cost of Materials	-1,066,182	-693,519
7.02.01	Cost of Merchandise, Goods and Services Sold	-913,833	-583,421
7.02.02	Materials, Energy, Third-Party Services and. Other	-149,756	-107,495
7.02.04	Other	-2,593	-2,603
7.03	Gross Value Added	210,857	90,920
7.04	Retentions	-18,203	-16,063
7.04.01	Depreciation, Amortization and Depletion	-18,203	-16,063
7.05	Net Value Added Generation	192,654	74,857
7.06	Added Value from Third Parties	220,516	11,499
7.06.01	Equity Income	78,518	-13,547
7.06.02	Interest Revenues	12,544	24,475
7.06.03	Other	129,454	571
7.07	Total Added Value for Distribution	413,170	86,356
7.08	Added Value Distribution	413,170	86,356
7.08.01	Personnel	116,288	86,993
7.08.01.01	Direct Compensation	64,662	59,780
7.08.01.02	Benefits	7,623	8,668
7.08.01.03	F.G.T.S.	5,698	7,222
7.08.01.04	Other	38,305	11,323
7.08.01.04.01	Personnel Profit Sharing	18,381	2,000
7.08.01.04.02	Other	15,065	5,990
7.08.01.04.03	Stock Options and Restricted Shares Awarded	4,859	3,333
7.08.02	Taxes, Fees and Contributions	28,572	-16,263
7.08.02.01	Federal	68,080	6,691
7.08.02.02	State	-39,509	-23,444
7.08.02.03	Municipal	1	490
7.08.03	Interest on Borrowed Capital	43,329	44,090
7.08.03.01	Interest	13,109	9,459
7.08.03.02	Rent	12,259	9,170
7.08.03.03	Other	17,961	25,461
7.08.03.03.01	Interest Expense	17,961	25,461
7.08.04	Return on Own Capital	224,981	-28,464
7.08.04.01	Interest on Shareholders' Equity	29,590	0
7.08.04.03	Retained Income/Losses	195,391	-28,464

Consolidated Financial Statements / Balance Sheet Assets**(BRL Thousands)**

Account Code	Account Description	Current Quarter 09/30/2021	Previous FY 31/12/2020
1	Total Assets	3,125,244	2,832,545
1.01	Current Assets	1,495,473	1,564,868
1.01.01	Cash and Cash Equivalents	49,047	38,297
1.01.02	Financial Investments	248,158	522,868
1.01.02.01	Financial Investments Held at Fair Value through Profit (Loss)	248,158	522,868
1.01.02.01.03	Financial Investments Held at Fair Value	248,158	522,868
1.01.03	Accounts Receivable	605,881	598,824
1.01.03.01	Customers	605,881	598,824
1.01.04	Inventory	448,212	290,896
1.01.06	Taxes recoverable	87,897	86,034
1.01.06.01	Current Taxes Recoverable	87,897	86,034
1.01.08	Other Current Assets	56,278	27,949
1.01.08.03	Other	56,278	27,949
1.02	Noncurrent Assets	1,629,771	1,267,677
1.02.01	Long-Term Receivables	283,932	118,494
1.02.01.04	Accounts Receivable	5,200	2,564
1.02.01.04.01	Customers	5,200	2,564
1.02.01.07	Deferred Taxes	210,231	80,632
1.02.01.07.01	Deferred Income Tax and Social Contribution	83,797	80,632
1.02.01.07.02	Taxes Recoverable	126,434	0
1.02.01.09	Due from Related Parties	0	1,000
1.02.01.09.05	Due from Subsidiaries	0	1,000
1.02.01.10	Other Noncurrent assets	68,501	34,298
1.02.01.10.03	Escrow Accounts	51,209	30,970
1.02.01.10.04	Other Credits	17,292	3,328
1.02.02	Investments	7,078	3,016
1.02.02.01	Equity Holdings	0	900
1.02.02.01.04	Equity Held in Jointly Controlled Subsidiaries	0	900
1.02.02.02	Investment Property	7,078	2,116
1.02.02.02.01	Investment Property	4,780	2,116
1.02.02.02.02	Investments	2,298	0
1.02.03	Property, Plant & Equipment	348,244	316,300
1.02.03.01	Operational Property, Plant & Equipment	348,244	316,300
1.02.04	Intangible assets	990,517	829,867
1.02.04.01	Intangible assets	990,517	829,867
1.02.04.01.02	Trademarks and Patents	11,063	7,810
1.02.04.01.03	Right of Use – Stores	46,939	33,829
1.02.04.01.04	Right of Use - Systems	75,993	55,673
1.02.04.01.05	Intangible Assets – Goodwill	270,179	266,427
1.02.04.01.06	Premium	586,343	466,128

Consolidated Financial Statements / Balance Sheet Liabilities**(BRL Thousands)**

Account Code	Account	Current Quarter 09/30/2021	Previous FY 31/12/2020
2	Total Liabilities	3,125,244	2,832,545
2.01	Current liabilities	1,070,932	911,418
2.01.01	Social and Labor Liabilities	86,155	59,269
2.01.01.01	Social Liabilities	10,388	7,498
2.01.01.02	Labor Liabilities	75,767	51,771
2.01.02	Suppliers	457,912	399,189
2.01.02.01	Domestic Suppliers	451,885	395,803
2.01.02.02	International Suppliers	6,027	3,386
2.01.03	Tax Liabilities	42,040	40,481
2.01.03.01	Federal Tax Liabilities	28,317	21,944
2.01.03.01.01	Income Tax and Social Contribution Payable	19,678	6,361
2.01.03.01.02	Other Federal Taxes Payable	8,639	15,583
2.01.03.02	State Taxes Payable	13,618	18,386
2.01.03.03	Municipal Taxes Payable	105	151
2.01.04	Loans and Financings	271,040	239,483
2.01.04.01	Loans and Financings	271,040	239,483
2.01.04.01.01	Domestic Currency Loans	128,060	53,912
2.01.04.01.02	Foreign Currency Loans	142,980	185,571
2.01.05	Other Liabilities	213,785	172,996
2.01.05.02	Other	213,785	172,996
2.01.05.02.04	Other Accounts Payable	110,160	120,106
2.01.05.02.05	Leases	52,351	52,890
2.01.05.02.06	Acquisition Liabilities Payable	51,274	0
2.02	Noncurrent Liabilities	506,137	572,530
2.02.01	Loans and Financings	297,218	394,786
2.02.01.01	Loans and Financings	297,218	394,786
2.02.01.01.01	Domestic Currency Loans	122,735	239,553
2.02.01.01.02	Foreign Currency Loans	174,483	155,233
2.02.02	Other Liabilities	185,911	160,470
2.02.02.02	Other	185,911	160,470
2.02.02.02.03	Leases	155,314	160,470
2.02.02.02.04	Other	30,597	0
2.02.03	Deferred Taxes	5,250	0
2.02.03.01	Deferred Income Tax and Social Contribution	5,250	0
2.02.04	Provision	14,077	13,141
2.02.04.01	Tax, Social Security, Labor and Civil Provisions	14,077	12,928
2.02.04.01.02	Social Security and Labor Provisions	11,665	10,290
2.02.04.01.04	Civil Provisions	368	594
2.02.04.01.05	Tax Provisions	2,044	2,044
2.02.04.02	Other Provisions	0	213
2.02.04.02.04	Provision for Investment Losses	0	213
2.02.05	Liabilities on Non-Current Assets Held for Sale and from Discontinued Operations	3,588	0
2.02.05.02	Liabilities on Assets from Discontinued Operations	3,588	0
2.02.05.02.01	Tax Payment Plans	3,588	0
2.02.06	Unearned Income and Revenues	93	4,133

Consolidated Financial Statements / Balance Sheet Liabilities**(BRL Thousands)**

Account Code	Account	Current Quarter 09/30/2021	Previous FY 31/12/2020
2.02.06.02	Unearned Revenues	93	4,133
2.03	Consolidated Shareholder's Equity	1,548,175	1,348,597
2.03.01	Paid-In Capital	808,715	967,924
2.03.02	Capital Reserve	198,491	49,229
2.03.02.02	Acquisition Premium Reserve	0	21,470
2.03.02.05	Treasury Shares	-96	-191
2.03.02.07	Capital Reserve	198,587	0
2.03.02.09	Restricted Stock Options Reserve	0	27,950
2.03.04	Earnings Reserve	335,832	338,414
2.03.04.05	Retained Earnings Reserve	107,895	107,895
2.03.04.07	Tax Benefits Reserve	227,937	227,937
2.03.04.08	Proposed Additional Dividends	0	2,582
2.03.05	Accumulated Profit and Loss	211,512	0
2.03.06	Equity Adjustment	-8,183	0
2.03.08	Other Comprehensive Income	168	-6,970
2.03.09	Minority Interest	1,640	0

Consolidated Financial Statements / Income**(BRL**

Account Code	Account Description	Current Quarter Jul/01/2021-09/30/2021	Accumulated YTD 01/01/2021-09/30/2021	Same Quarter YOY Jul/01/2020-09/30/2020	Accumulated 9M YOY 01/01/2020-09/30/2020
3.01	Sales Revenues	777,949	1,830,877	416,463	946,377
3.02	Cost of Goods or Services Sold	-372,864	-882,895	-229,976	-507,358
3.03	Gross Income	405,085	947,982	186,487	439,019
3.04	Operating Expenses/Revenues	-311,684	-624,508	-142,031	-441,713
3.04.01	Selling Expenses	-225,874	-554,440	-108,360	-357,862
3.04.02	General and Administrative Expenses	-78,638	-203,669	-32,366	-110,159
3.04.04	Other Operating Revenues	-2,651	143,158	0	0
3.04.05	Other Operating Expenses	-4,521	-9,557	-1,305	26,308
3.05	Earnings Before Interest Income and Taxes	93,401	323,474	44,456	-2,694
3.06	Interest Income	-12,754	-40,158	-6,834	-16,681
3.06.01	Interest Revenues	7,000	19,032	5,234	60,612
3.06.01.01	Interest Expenses	7,000	19,032	3,346	11,733
3.06.01.02	Foreign Exchange Gain	0	0	1,888	48,879
3.06.02	Interest Income	-19,754	-59,190	-12,068	-77,293
3.06.02.01	Interest Expense	-21,736	-58,705	-12,068	-35,901
3.06.02.02	Foreign Exchange Losses	1,982	-485	0	-41,392
3.07	Earnings before Taxes	80,647	283,316	37,622	-19,375
3.08	Income Tax and Social Contribution	-3,117	-43,514	-9,675	-9,089
3.08.01	Current	-20,373	-41,429	-11,777	-37,520
3.08.02	Deferred	17,256	-2,085	2,102	28,431
3.09	Net Income from Continued Operations	77,530	239,802	27,947	-28,464
3.11	Net Income/Loss	77,530	239,802	27,947	-28,464
3.11.01	Allocated to the Parent Company's Shareholders	0	0	27,947	-28,464
3.11.02	Allocated to Minority Interests	-514	-1,299	0	0
3.99	Earnings per Share - (BRL/ Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common Nominative	0,7833	2,4069	0,3073	-0,313
3.99.02	Diluted Earnings per Share				

Consolidated Financial Statements / Income**(BRL**

Account Code	Account Description	Current Quarter Jul/01/2021-09/30/2021	Accumulated YTD 01/01/2021-09/30/2021	Same Quarter YOY Jul/01/2020-09/30/2020	Accumulated 9M YOY 01/01/2020-09/30/2020
3.99.02.01	Common Nominative	0,782	2,4028	0,3073	-0,313

Consolidated Financial Statements / Comprehensive Income**(BRL**

Account Code	Account Description	Current Quarter Jul/01/2021-09/30/2021	Accumulated YTD 01/01/2021-09/30/2021	Same Quarter YOY Jul/01/2020-09/30/2020	Accumulated 9M YOY 01/01/2020-09/30/2020
4.01	Net Income	77,530	239,802	27,947	-28,464
4.02	Other Comprehensive Income	-1,045	-1,045	-1,727	-20,712
4.02.01	Operational Currency Translation Differences	-1,212	-1,212	-1,727	-20,712
4.02.03	Investment Gains	167	167	0	0
4.03	Consolidated Comprehensive Income	76,485	238,757	26,220	-49,176
4.03.01	Allocated to the Parent Company's Shareholders	76,485	240,056	13,165	-24,691
4.03.02	Allocated to Minority Interests	0	-1,299	13,055	-24,485

Consolidated Financial Statements / Cash Flow Statement (Indirect Method)**(BRL Thousands)**

Account Code	Account Description	YTD Accumulated 01/01/2021-09/30/2021	Accumulated 9M YOY 01/01/2020-09/30/2020
6.01	Net Cash from Operations	105,065	44,681
6.01.01	Operating Cash Generation	387,005	113,339
6.01.01.01	Net Income/Loss	239,802	-28,464
6.01.01.02	Depreciation and Amortization	74,879	59,796
6.01.01.03	Income from Disposal of Fixed and Intangible Assets	-1,042	20,784
6.01.01.04	Interest Charges	0	-6,475
6.01.01.06	Provisions for Labor, Tax and Civil Liabilities	1,149	1,845
6.01.01.07	Interest and currency translation effects on financing	22,747	39,123
6.01.01.08	Interest income from financial investment	-9,657	-8,806
6.01.01.09	Provision for Losses on Accounts Receivable	2,037	12,912
6.01.01.10	Additional Provision for Obsolete Inventory	5,839	7,374
6.01.01.11	Stock options and restricted share plans	1,218	1,935
6.01.01.12	Interest on Lease Liability	6,521	4,227
6.01.01.13	Income Tax and Social Contribution	43,512	9,088
6.01.02	Changes in Assets and Liabilities	-277,704	-52,162
6.01.02.01	Customer Accounts Receivable	-14,395	-1,512
6.01.02.02	Inventories	-163,155	-69,769
6.01.02.03	Change in Other Current and Noncurrent Assets	-36,546	-38,533
6.01.02.04	Taxes Recoverable	-147,890	-32,105
6.01.02.05	Escrow	-20,240	-4,518
6.01.02.07	Suppliers	64,506	91,977
6.01.02.08	Labor Liabilities	23,996	-14,567
6.01.02.09	Tax and Social Liabilities	-6,514	1,056
6.01.02.10	Change in Other Current Liabilities	34,485	15,809
6.01.02.11	Interest Expense	-11,951	0
6.01.03	Other	-4,236	-16,496
6.01.03.01	Income Tax and Social Contribution	-4,236	-16,496
6.02	Net Cash from Investing Activities	81,079	-311,653
6.02.01	Fixed and Intangible Asset Acquisitions	-104,837	-30,795
6.02.02	Disposal of Fixed and Intangible Assets	435	345
6.02.03	Financial Investments	-1,607,726	-1,284,354
6.02.04	Financial Investments Redeemed	1,889,528	1,003,151
6.02.05	Investment in Associates	-96,321	0
6.03	Net Cash from Financing Activities	-174,182	266,666
6.03.01	Loans	128,180	455,241
6.03.02	Loan Payments	-204,986	-121,428
6.03.05	Interest on Shareholders' Equity	-29,590	-15,436
6.03.06	Cash Flow to Shareholders	-2,582	-7,239
6.03.07	Credits (Liabilities) with Shareholders	1,000	-1,502
6.03.09	Purchase of Treasury Stock	-11,166	-3,672
6.03.10	Lease Payments	-55,038	-39,298
6.04	Currency Effects on Cash and Cash Equivalents	-1,212	0
6.05	Increase (Decrease) in Cash and Cash Equivalents	10,750	-306
6.05.01	Opening Balance Cash and Cash Equivalents	38,297	13,808
6.05.02	Closing Balance Cash and Cash Equivalents	49,047	13,502

Consolidated Financial Statements / Statement of Changes in Equity - 01/01/2021-09/30/2021**(BRL**

Account Code	Account Description	Paid-In Share Capital	Capital Reserves, Options Awarded and Treasury Shares	Retained Earnings	Accumulated Income/Loss	Other Comprehensive Income/Loss	Total	Minority Interest	Consolidated Total
5.01	Opening Balance	967,924	49,229	335,832	2,582	-6,970	1,348,597	0	1,348,597
5.02.01	Opening Balance, Minority Interests	0	0	0	0	0	0	341	341
5.03	Adjusted Opening Balance	967,924	49,229	335,832	2,582	-6,970	1,348,597	0	1,348,597
5.04	Equity Transactions with Shareholders	0	-9,947	0	-32,171	0	-42,118	0	-42,118
5.04.03	Stock Options Awarded	0	1,218	0	0	0	1,218	0	1,218
5.04.04	Treasury Shares Purchased	0	-61,167	0	0	0	-61,167	0	-61,167
5.04.07	Interest on Shareholders' Equity	0	0	0	-29,589	0	-29,589	0	-29,589
5.04.08	Equity Transactions in Business Combinations	0	50,002	0	0	0	50,002	0	50,002
5.04.09	Additional Dividends Proposed	0	0	0	-2,582	0	-2,582	0	-2,582
5.05	Total Comprehensive Income	0	0	0	241,101	-1,045	240,056	763	240,819
5.05.01	Net Income	0	0	0	241,101	0	241,101	1,299	242,400
5.05.02	Other Comprehensive Income	0	0	0	0	-1,212	-1,212	0	-1,212
5.05.02.06	Foreign Exchange Translation Differences	0	0	0	0	-1,212	-1,212	0	-1,212
5.05.03	Reclassification to Income	0	0	0	0	167	167	0	167
5.06	Internal Equity Changes	-159,209	159,209	0	0	0	0	0	0
5.06.04	Capital Reserve	-159,209	159,209	0	0	0	0	0	0
5.07	Closing Balance	808,715	198,491	335,832	211,512	-8,015	1,546,535	1,640	1,548,175

Consolidated Financial Statements / Statement of Changes in Equity - 01/01/2020-09/30/2020**(BRL Thousands)**

Account Code	Account Description	Paid-In Share Capital	Capital Reserves, Options Awarded and Treasury Shares	Retained Earnings	Accumulated Income/Loss	Other Comprehensive Income/Loss	Total	Minority Interest	Consolidated Total
5.01	Opening Balance	352,715	50,538	308,156	27,842	6,820	746,071	0	746,071
5.03	Adjusted Opening Balance	352,715	50,538	308,156	27,842	6,820	746,071	0	746,071
5.04	Equity Transactions with Shareholders	0	-1,737	0	0	0	-1,737	0	-1,737
5.04.04	Treasury Shares Purchased	0	-3,672	0	0	0	-3,672	0	-3,672
5.04.08	Stock Options and Restricted Shares Awarded	0	1,935	0	0	0	1,935	0	1,935
5.05	Total Comprehensive Income	0	0	0	-28,464	-20,712	-49,176	0	-49,176
5.05.01	Net Income	0	0	0	-28,464	0	-28,464	0	-28,464
5.05.02	Other Comprehensive Income	0	0	0	0	-20,712	-20,712	0	-20,712
5.05.02.06	Foreign Currency Translation Differences	0	0	0	0	-20,712	-20,712	0	-20,712
5.06	Internal Equity Changes	0	0	27,842	-25,741	0	2,101	0	2,101
5.06.05	Retained Earnings	0	0	27,842	-27,842	0	0	0	0
5.06.06	Reversal of unclaimed dividends of an associate	0	0	0	2,101	0	2,101	0	2,101
5.07	Closing Balance	352,715	48,801	335,998	-26,363	-13,892	697,259	0	697,259

Consolidated Financial Statements / Value Added Statement**(BRL Thousands)**

Account Code	Account Description	Accumulated YTD 01/01/2021-09/30/2021	Accumulated 9M YOY 01/01/2020-09/30/2020
7.01	Revenues	2,106,475	1,101,000
7.01.01	Merchandise, Goods and Services Sold	2,106,957	1,114,534
7.01.04	Provision for /Reversal of Doubtful Credits	-482	-13,534
7.02	Cost of Materials	-1,443,890	-824,521
7.02.01	Cost of Merchandise, Goods and Services Sold	-1,020,211	-601,573
7.02.02	Materials, Energy, Third-Party Services and. Other	-409,479	-214,975
7.02.04	Other	-14,200	-7,973
7.03	Gross Value Added	662,585	276,479
7.04	Retentions	-74,879	-59,796
7.04.01	Depreciation, Amortization and Depletion	-74,879	-59,796
7.05	Net Value Added Generation	587,706	216,683
7.06	Added Value from Third Parties	162,863	90,252
7.06.02	Interest Revenues	24,403	60,612
7.06.03	Other	138,460	29,640
7.07	Total Added Value for Distribution	750,569	306,935
7.08	Added Value Distribution	750,569	306,935
7.08.01	Personnel	258,544	154,777
7.08.01.01	Direct Compensation	172,445	115,878
7.08.01.02	Benefits	18,354	14,876
7.08.01.03	F.G.T.S.	14,143	10,492
7.08.01.04	Other	53,602	13,531
7.08.01.04.01	Other	22,394	2,000
7.08.01.04.02	Personnel Profit Sharing	26,349	8,198
7.08.01.04.03	Other	4,859	3,333
7.08.02	Stock Options and Restricted Shares Awarded	149,704	59,629
7.08.02.01	Taxes, Fees and Contributions	154,119	51,572
7.08.02.02	Federal	-5,947	6,511
7.08.02.03	State	1,532	1,546
7.08.03	Municipal	118,639	120,993
7.08.03.01	Interest on Borrowed Capital	21,984	13,458
7.08.03.02	Interest	54,077	43,700
7.08.03.03	Rent	42,578	63,835
7.08.03.03.01	Other	42,578	63,835
7.08.04	Return on Own Capital	223,682	-28,464
7.08.04.01	Interest on Shareholders' Equity	29,590	0
7.08.04.03	Retained Income/Losses	195,391	-28,464
7.08.04.04	Minority Interests' Retained Income	-1,299	0

3Q21 EARNINGS RELEASE

São Paulo, November 03, 2021. Arezzo&Co (B3 - Brasil, Bolsa e Balcão: ARZZ3), leader in the Brazilian footwear, handbags and women's accessories industry, announces its results for the 3rd quarter of 2021.

Arezzo&Co reported robust growth with a record EBITDA in a single quarter, consolidating its strategy of being a “house of brands”, driven by the excellent management of the customer journey, its high degree of digitalization, the strength of its brands and the execution capacity of their teams. Gross revenue of R\$ 954 million in the quarter, accumulating R\$2.3 billion in 9M21.

FINANCIAL/OPERATIONAL HIGHLIGHTS

- 1- Gross Revenue of **R\$954MM** with a growth of **+82%** vs 3Q20 and +77% vs 3Q19;
- 2- DTC Sell Out (Franchises, Web commerce and Owned Stores) of **R\$707MM** in the quarter (**+50%** vs 3Q20 and +21% vs 3Q19);
- 3- Growth of organic brands of **20%** vs 3Q19 (same comparative base);
- 4- Increase of **740bps** vs 3Q20 and +670bps vs 3Q19 in adjusted Gross Margin;
- 5- Adjusted EBITDA of **R\$125MM** with growth of **+98%** vs 3Q20 and +62% vs 3Q19);
- 6- AR&CO Gross Revenue of **R\$195MM** (**+116%** vs 3Q20 and 85% vs 3Q19);
- 7- Record Revenue from US Operation of **R\$94MM** (**+67%** vs 3Q20 and 73% vs 3Q19);
- 8- Web Commerce Gross Revenue of **R\$206MM** with a **24%** share and growth of **+36%** vs 3Q20 **+271%** vs 3Q19;
- 9- Adjusted net income of **R\$82MM** with growth of **+193%** vs 3Q20 and +130% vs 3Q19;
- 10- Sell Out consistent growth of **18%** in July, **21%** in August and **25%** in September totaling **21%** in the quarter (vs 2019);
- 11- Adjusted ROIC reached the level of **29%** vs 6% on 3Q20.

3Q21 OMNICHANNEL HIGHLIGHTS

1 - E-COMMERCE SALES

- TOTAL REVENUES: **R\$206MM** (+36% VS 3Q20 +271% VS 3Q19)
- TOTAL TRAFFIC: **57 MILLION** (+1.7% VS 3Q20)
- TOTAL AREZZO AND SCHUTZ APP DOWNLOADS: **827K** (+99% VS 3Q20)
- TOTAL SHARE OF THE APPS AS A % OF REVENUES: **22.5%** +376BPS VS 3Q20)
- CONVERSION: **1.3%**
- ON-TIME-DELIVERY (OTD) : **97%**

2 - OMNICHANNEL SALES

- SHARE OF DIGITAL OF PHYSICAL STORES' SELL OUT: **39.5%**
- REVENUES FROM STORE PICK UP AND DELIVERY: **+77%** VS 1Q21
- DIGITAL SHOPPERS: **+207K** VS 3Q20

3 - CRM* (Arezzo&Co)

- AREZZO&CO ACTIVE CUSTOMER BASE (RECORD VOLUME): **3.4 MILLION**
- REACTIVATED CUSTOMERS: **+37.6%** VS 3Q20
- HEAVY USER SHOPPER REVENUES: **+45%** VS 3Q20
- CAPTURED CUSTOMERS (NEW CUSTOMERS): **+14%** VS 3Q20

*EXCLUDING AR&CO DATA



BRAND HIGHLIGHTS 3Q21

AREZZO

- Brazil Revenue: **R\$ 276.0MM**
- Growth: **+10.2%** vs 3Q19
- Web Revenue: **R\$ 68.3MM**
- WEB-to-Sell Out (DTC) ratio: **19.8%**
- OMNI Sales: **R\$ 13.5MM**
- OMNI-to-WEB ratio: **19.8%**

SCHUTZ

- Global Revenue: **R\$ 240.4MM**
- Growth: **+43.0%** vs 3Q19
- Brazil Revenue: **R\$ 167.4MM**
- Web Revenue: **R\$ 50.9MM**
- WEB-to-Sell Out (DTC) ratio: **40.8%**
- OMNI Sales: **R\$ 7.6MM**
- OMNI-to-WEB ratio: **14.9%**

AR&CO

- Brazil Revenue: **R\$ 194.7MM**
- Growth: **+85.3%** vs 3Q19
- Web Revenues: **R\$ 47.1MM**
- WEB-to-Sell Out (DTC) ratio: **25.9%**
- OMNI Sales: **R\$ 17.3MM**
- OMNI-to-WEB ratio: **50.2%**

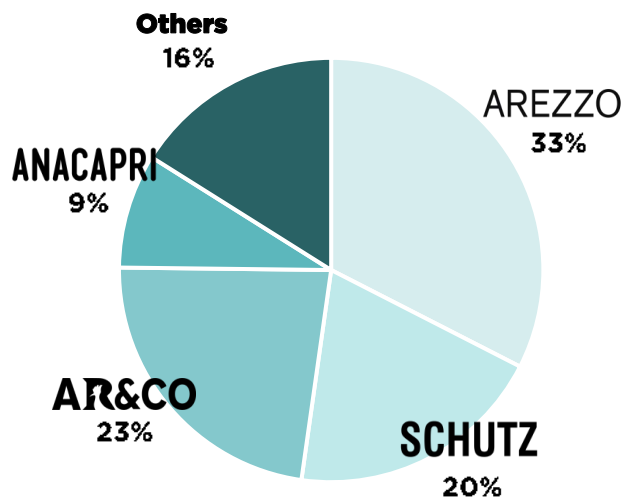
ANACAPRI

- Brazil Revenue: **R\$ 74.2MM**
- Growth: **+3.4%** vs 3Q19
- Web Revenues: **R\$ 12.2MM**
- WEB-to-Sell Out (DTC) ratio: **18.4%**
- OMNI Sales: **R\$ 2.3MM**
- OMNI-to-WEB ratio: **18.7%**

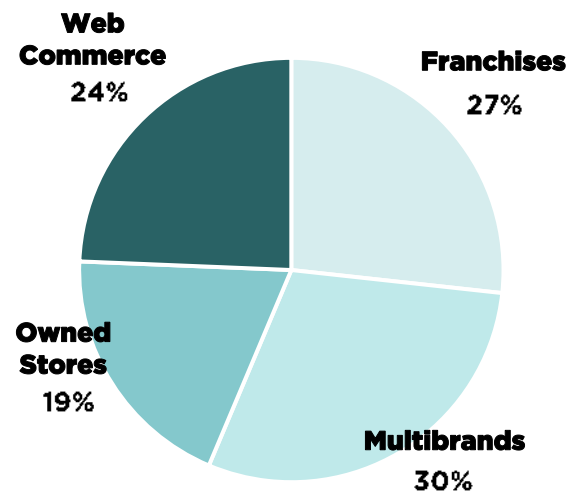
ALEXANDRE BIRMAN

- Global Revenue: **R\$ 39,0MM**
- Growth: **+37.7%** vs 3Q19
- Brazil Revenue: **R\$ 13.5MM**
- Web Revenue: **R\$ 2.3MM**
- WEB-to-Sell Out (DTC) ratio: **18.4%**
- OMNI-to-WEB ratio: **35.4%**

GROSS DOMESTIC MARKET REVENUES



GROSS REVENUES BY CHANNEL



3Q21 GROSS REVENUES

Gross Revenue	3Q21	Part%	3Q20	Part%	Δ (%) 21 x 20	3Q19	Part%	Δ (%) 21 x 19
Total Gross Revenue	953.609		525.240		81,6%	538.189		77,2%
Foreign Market	104.835	11,0%	62.732	11,9%	67,1%	71.552	13,3%	46,5%
Exports	10.670	10,2%	6.159	9,8%	73,2%	17.139	24,0%	(37,7%)
US Operation	94.165	89,8%	56.572	90,2%	66,5%	54.413	76,0%	73,1%
Domestic Market	848.774	89,0%	462.508	88,1%	83,5%	466.637	86,7%	81,9%
By Brand								
Arezzo	276.042	32,5%	202.190	43,7%	36,5%	250.569	53,7%	10,2%
Schutz¹	167.392	19,7%	113.087	24,5%	48,0%	122.732	26,3%	36,4%
AR&CO²	194.732	22,9%	-	-	115,5%	-	-	85,3%
Anacapri	74.204	8,7%	60.707	13,1%	22,2%	71.793	15,4%	3,4%
Others³	136.404	16,1%	86.524	18,7%	57,6%	21.543	4,6%	533,2%
By Channel								
Franchises	226.580	26,7%	131.374	28,4%	72,5%	224.282	48,1%	1,0%
Multibrand	251.030	29,6%	140.394	30,4%	78,8%	126.948	27,2%	97,7%
Owned Stores	163.534	19,3%	39.154	8,5%	317,7%	59.301	12,7%	175,8%
Web Commerce	206.382	24,3%	151.409	32,7%	36,3%	55.628	11,9%	271,0%
Others⁴	1.248	0,1%	177	0,0%	605,0%	476	0,1%	162,1%

(1) Excluding revenues from international operations.

(2) AR&CO includes the brands: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA, INK and BAW Clothing.

(3) Includes the brands Vans, A. Birman, Fievel, Alme, TROC and My Shoes for the domestic market only and other non-specific brand revenues.

(4) Includes domestic market revenues and not specific to the distribution channels.

3Q21 OPERATING INDICATORS

Operating Indicators	3Q21	3Q20	Δ (%) 21 x 20	3Q19	Δ (%) 21 x 19
# of pairs sold ('000)	5.030	3.564	41,1%	3.842	30,9%
Part. (%)	74,7%	87,7%	-13,0 p.p	89,5%	-14,8 p.p
# of handbags sold ('000)	484	357	35,3%	449	7,7%
Part. (%)	7,2%	8,8%	-1,6 p.p	10,5%	-3,3 p.p
# of clothes sold ('000)	1.224	144	747,4%	-	-
Part. (%)	18,2%	3,6%	14,6 p.p	-	-
# of employees	4.388	2.287	91,9%	2.463	78,2%
# of stores*	894	735	159	715	179
Owned Stores	145	53	92	51	94
Franchises	749	682	67	664	85
Outsourcing (as % of total production)	90,5%	88,2%	2,3 p.p	90,3%	0,2 p.p
SSS² Sell in (franchises)	40,9%	-39,8%	80,7 p.p	1,2%	39,7 p.p
SSS² Sell out (owned stores + franchises + web)	43,4%	-24,7%	68,1 p.p	1,1%	42,3 p.p

(1) Includes apparel sold under the Vans brand and AR&CO

(2) SSS (same store sales): stores are included in the sales of comparable stores from the 13th month of operations.

Results including AR&CO.

* Includes stores abroad

9M21 GROSS REVENUES

Gross Revenue	9M21	Part%	9M20	Part%	Δ (%) 21 x 20	9M19	Part%	Δ (%) 21 x 19
Total Gross Revenue	2.295.038		1.219.326		88,2%	1.490.201		54,0%
Foreign Market	248.902	10,8%	147.983	12,1%	68,2%	192.724	12,9%	29,1%
Exports	26.991	10,8%	15.812	10,7%	70,7%	46.089	23,9%	(41,4%)
US Operation	221.912	89,2%	132.171	89,3%	67,9%	146.636	76,1%	51,3%
Domestic Market	2.046.136	89,2%	1.071.343	87,9%	91,0%	1.297.477	87,1%	57,7%
By Brand								
Arezzo	689.924	33,7%	464.679	43,4%	48,5%	701.489	54,1%	(1,6%)
Schutz¹	413.178	20,2%	275.253	25,7%	50,1%	352.345	27,2%	17,3%
AR&CO²	428.015	20,9%	-	-	100,9%	-	-	54,8%
Anacapri	193.429	9,5%	133.944	12,5%	44,4%	182.930	14,1%	5,7%
Others³	321.590	15,7%	197.467	18,4%	62,9%	60.713	4,7%	429,7%
By Channel								
Franchises	549.726	26,9%	311.228	29,1%	76,6%	629.132	48,5%	(12,6%)
Multibrand	587.123	28,7%	292.308	27,3%	100,9%	330.850	25,5%	77,5%
Owned Stores	362.760	17,7%	103.233	9,6%	251,4%	189.328	14,6%	91,6%
Web Commerce	540.557	26,4%	363.982	34,0%	48,5%	146.632	11,3%	268,6%
Others⁴	5.970	0,3%	592	0,1%	908,4%	1.533	0,1%	289,4%

(1) Excluding revenues from international operations.

(2) AR&CO includes the brands: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA, INK and BAW Clothing.

(3) Includes the brands Vans, A. Birman, Fiever, Alme, TROC and My Shoes for the domestic market only and other non-specific brand revenues.

(4) Includes domestic market revenues and not specific to the distribution channels.

9M21 OPERATING INDICATORS

Operating Indicators	9M21	9M20	Δ (%) 21 x 20	9M19	Δ (%) 21 x 19
# of pairs sold ('000)	11.654	7.535	54,7%	10.180	14,5%
Part. (%)	73,8%	87,7%	-13,9 p.p	89,0%	-15,2 p.p
# of handbags sold ('000)	1.247	839	48,7%	1.262	-1,2%
Part. (%)	7,9%	9,8%	-1,9 p.p	11,0%	-3,1 p.p
# of clothes sold ('000)	2.899	214	1251,6%	-	-
Part. (%)	18,3%	2,5%	15,8 p.p	-	-
# of employees	4.388	2.287	91,9%	2.463	78,2%
# of stores*	894	735	159	715	179
Owned Stores	145	53	92	51	94
Franchises	749	682	67	664	85
Outsourcing (as % of total production)	89,6%	89,5%	0,1 p.p	90,3%	-0,7 p.p
SSS² Sell in (franchises)	59,4%	-36,8%	96,2 p.p	1,2%	58,2 p.p
SSS² Sell out (owned stores + franchises + web)	33,7%	-30,0%	63,7 p.p	3,0%	30,7 p.p

(1) Includes apparel sold under the Vans brand and AR&CO

(2) SSS (same store sales): stores are included in the sales of comparable stores from the 13th month of operations.

Results including AR&CO.

* Includes stores abroad

3Q21 MAIN FINANCIAL INDICATORS

Main financial indicators	3Q21	3Q21 Adjusted	3Q20	Δ (%) 21 x 20	3Q19 Adjusted	Δ (%) 21 x 19
Gross Revenues	953.609	953.609	525.240	81,6%	538.187	77,2%
Net Revenues	777.949	777.949	416.463	86,8%	440.874	76,5%
COGS	(372.864)	(372.066)	(229.976)	61,8%	(240.204)	54,9%
Depreciation and amortization (cost)	(770)	(770)	(805)	(4,3%)	(748)	2,9%
Gross Profit	405.085	405.883	186.487	117,6%	200.670	102,3%
Gross margin	52,1%	52,2%	44,8%	7,4 p.p	45,5%	6,7 p.p
SG&A	(311.684)	(306.051)	(142.031)	115,5%	(145.856)	109,8%
% of net revenues	(40,1%)	(39,3%)	(34,1%)	(5,2 p.p)	(33,1%)	(6,2 p.p)
Selling expenses	(205.203)	(204.624)	(95.150)	115,1%	(92.052)	122,3%
Owned stores and web commerce	(98.073)	(98.073)	(37.153)	164,0%	(28.013)	250,1%
Selling, logistics and supply	(107.130)	(106.552)	(57.997)	83,7%	(64.039)	66,4%
General and administrative expenses	(74.859)	(74.364)	(27.713)	168,3%	(35.132)	111,7%
Other operating revenues (expenses)	(7.172)	(2.612)	(1.306)	100,0%	2.869	(191,0%)
Depreciation and amortization (expens)	(24.450)	(24.450)	(17.862)	36,9%	(21.540)	13,5%
EBITDA	118.621	125.052	63.123	98,1%	77.102	62,2%
EBITDA Margin	15,2%	16,1%	15,2%	0,9 p.p	17,5%	(1,4 p.p)
Net Income	77.530	81.775	27.947	192,6%	35.523	130,2%
Net Margin	10,0%	10,5%	6,7%	3,8 p.p	8,1%	2,4 p.p

3Q21 NON-RECURRING ADJUSTMENTS

	3Q21	3Q19
Consolidated EBITDA	118.621	83.545
Non-Recurring Items		
Surplus Value (Impact on Gross Profit) ¹	(798)	-
Extemporaneous Credits ¹	(4.560)	5.869
Legal Expenses	(495)	574
Non-Recurring Items (COVID-19)	-	-
M&A Expenses	(578)	-
Net Effect of Non-Recurring Items	(6.431)	6.443
Adjusted Consolidated EBITDA	125.052	77.102
Adjusted Gross Profit	405.883	200.670

- (1) Goodwill – impact of R\$ 0.8 million on gross profit from goodwill amortization in relation to the Reserva Group's inventories.
(2) Adjustment with respect to the recognition of tax credits from other fiscal years (inclusion of ICMS in the calculation base for PIS/COFINS declared unconstitutional) booked in 2Q21.

9M21 MAIN FINANCIAL INDICATORS

Main financial indicators	9M21	9M21 Adjusted	9M20 Adjusted	Δ (%) 21 x 20	9M19 Adjusted	Δ (%) 21 x 19
Gross Revenues	2.295.038	2.295.038	1.223.997	87,5%	1.490.199	54,0%
Net Revenues	1.830.877	1.830.877	967.924	89,2%	1.211.583	51,1%
COGS	(882.895)	(877.264)	(517.754)	69,4%	(654.106)	34,1%
Depreciation and amortization (cost)	(2.262)	(2.262)	(2.428)	(6,8%)	(2.104)	7,5%
Gross Profit	947.982	953.613	450.170	111,8%	557.477	71,1%
<i>Gross margin</i>	51,8%	52,1%	46,5%	5,6 p.p	46,0%	6,1 p.p
SG&A	(624.509)	(752.920)	(403.511)	86,6%	(430.240)	75,0%
<i>% of net revenues</i>	(34,1%)	(41,1%)	(41,7%)	0,6 p.p	(35,5%)	(5,6 p.p)
Selling expenses	(495.829)	(493.885)	(258.934)	90,7%	(259.435)	90,4%
Owned stores and web commerce	(197.976)	(197.973)	(92.177)	114,8%	(86.060)	130,0%
Selling, logistics and supply	(297.853)	(295.912)	(166.757)	77,5%	(173.375)	70,7%
General and administrative expenses	(191.278)	(184.134)	(85.842)	114,5%	(115.182)	59,9%
Other operating revenues (expenses)	133.600	(3.899)	(3.144)	24,0%	2.324	(267,8%)
Depreciation and amortization (expens)	(71.002)	(71.002)	(55.591)	27,7%	(57.947)	22,5%
EBITDA	396.737	273.957	104.678	161,7%	187.288	46,3%
<i>EBITDA Margin</i>	21,7%	15,0%	10,8%	4,2 p.p	15,5%	(0,5 p.p)
Net Income	239.802	158.767	(3.250)	(4.984,5%)	94.147	68,6%
<i>Net Margin</i>	13,1%	8,7%	(0,3%)	9,0 p.p	7,8%	0,9 p.p

9M21 NON-RECURRING ADJUSTMENTS

	9M21	9M20	9M19
Consolidated EBITDA	396.737	55.325	207.116
Non-Recurring Items			
Surplus Value (Impact on Gross Profit) ¹	(5.631)	-	-
Extemporaneous Credits ¹	137.499	49.079	19.255
Legal Expenses	(7.147)	(4.293)	573
Non-Recurring Items (COVID-19)	-	(94.139)	-
M&A Expenses	(1.941)	-	-
Net Effect of Non-Recurring Items	122.780	(49.353)	19.828
Adjusted Consolidated EBITDA	273.957	104.678	187.288
Adjusted Gross Profit	953.613	450.170	557.477

- (1) Goodwill – impact on gross profit from goodwill amortization in relation to the Reserva Group's inventories.
(2) Adjustment with respect to the recognition of tax credits from other fiscal years (inclusion of ICMS in the calculation base for PIS/COFINS declared unconstitutional) booked in 2Q21.

BRANDS PERFORMANCE

Arezzo&Co reported strong sales growth of 81.6% vs 3Q20 and 77.2% vs 3Q19. Considering organic brands only (excluding AR&CO and Vans), Arezzo&Co recorded growth of 20.0%, an indication of the fast recovery of the brands comparing to the same period of 2019. Arezzo&Co's excellent sales performance reflects the strong and assertive collections as well as the fast recovery in the physical stores channel and the resilience of digital following the reopening of the stores.

The third quarter is characterized by the transition from the winter to the summer collections at Arezzo&Co's stores. The month of July is typically one of exchange of collections – Cruise and Resort – essential for gauging consumer receptivity to new products, allowing time for the brands to undertake the necessary adjustments before the official launch dates. The months of August and September saw the launch of the summer campaigns, that showed excellent sales performance resulting on month after month growth.

The AREZZO brand posted R\$ 276.0 million of revenue, with growth of 36.5% in relation to 3Q20 and 10.2% vs 3Q19. As a highlight of the quarter, the brand showed a significant improvement in the franchise channel, which is highly representative of Arezzo's revenues. In addition, the digital channel recorded a stable performance vs 2020 and 154.0% growth vs 2019 – a clear demonstration of the channel's resilience following the reopening of the physical stores.

Another important highlight of the quarter was the launch of important summer collections by the brand, which generated strong consumer engagement. The launch of the “Gaia” collection marked the beginning of the season, inspired by a trip to Mexico, with vibrant colors, handmade details and different textures. The results were excellent - after just 15 days of sales, the collection reported a 47% “sell through” (above the average for other collections).

In August, Arezzo launched its official summer 2022 campaign spearheaded by Bruna Marquezine. The campaign images in a swimming pool recall freshness, good vibrations and energy in relation to the most important season of the year. In the first few day's post-launch, the campaign turned in results above expectations.

Beyond from initiatives for its core line, the Arezzo brand made some important launches for its “BriZZa Arezzo” and “Arezzo Bambini” lines.

The injectable footwear line, BriZZa began summer – the most important season of the year – in a remarkable way with assertive marketing initiatives. With the idea of using the most popular sport of the moment - beach tennis - BriZZa sponsored tournaments with 150 beach tennis athletes in Rio de Janeiro and São Paulo as well as sandal customization areas and other initiatives. Thanks to its initial success, the event was extended to the year-end in other capitals throughout the country.

BRANDS PERFORMANCE

In addition to initiatives already implemented, BriZZa will open temporary kiosks employing the same strategy as 2020 for the New Year and Carnival periods. The sales volume for the summer sell-in surpassed 900 thousand pairs, representing sales of more than R\$ 50 million.

In the third quarter, Arezzo Bambini, the childrens' line, launched its "Back to School" collection in partnership with the renowned school material brand, Faber Castell. With just three models, the collab generated excellent results with more than 20 thousand pairs sold. Arezzo Bambini is also to launch its high summer and Christmas collections with footwear for both mothers and daughters in addition to the Arezzo brand's mini-classics.

The **SCHUTZ** brand posted global revenues of R\$ 240.4 million, a growth of 52.0% vs 3Q20 and 43.0% vs 3Q19. In the domestic market, the brand reported R\$ 167.4 million with growth of 48.0% vs 3Q20 and 36.4% vs 3Q19. Schutz brand was the highlight in sales during the quarter due to its extremely assertive collections corresponding to consumer demands as well as strong digital penetration, which already represents 29.6% of total sales. In the quarter, Schutz registered 33.3% sell-out increase vs 3Q19, maintaining consistent month after month growth.

Marking the start of the summer season, Schutz launched the 'Summer 2022 - Turn the Lights On' campaign- starring the celebrity Marina Ruy Barbosa. The campaign portrayed a modern and futuristic scenario focusing on the brand's chosen products for the season - glamorous shoes, with modern and different shapes in the Schutz style.

Emphasizing its positioning as an innovative brand, on October 25th, Schutz launched "Schutzciety", a signature's club where the focus is content, experience and conversion. The pilot operation will last six months, and signatories will receive personalized products on a monthly basis with different themes and benefits - such as pre-launch releases, content of tendencies and digital experiences.

The **AR&CO** reported revenues of R\$ 194.7 million in 3Q21, 115.5% up on 3Q20 and 85.3% higher than 3Q19. Particularly notable was the excellent performance of all brand channels, especially the online channels which recorded growth of 45.8% vs 3Q20 (and this despite a strong comparative base) and 460.2% vs 3Q19, representing 24.1% of the brand's sales.

As the highlight of the quarter, Reserva launched "Adapt&" - its adapted apparel line with products developed for special needs consumers. The line was developed over nearly four years and was launched in partnership with "Equal Moda Inclusiva". The SKUS are identical to the classic products albeit with ergonomic and functional adjustments. The launch was aimed at facilitating the lives of people with special needs, as well as promoting representation within national fashion for more than 12 million Brazilians. With the aim to be #HumanWear, "Adapt&" is one more way the brand has chosen in the objective of developing clothes for all bodies.

BRANDS PERFORMANCE

To mark the start of summer, Reserva launched “Human Warmth” collection with colored and printed pieces recalling a Brazilian tropical scene. The collection was a sales success with excellent results.

In addition to the listed initiatives, Reserva also celebrated Polo Day - 1P15P - on its 15th anniversary. This initiative was an extension of the 1P5P campaign, whereby the brand donated 15 plates of food through the Banco de Alimentos NGO for every polo neck shirt sold on the day. The Polo Day distributed a total of more than 7,800 plates of food and raised more than R\$ 100 thousand from the sale of the shirts in a single day.

The Reserva Group sneakers brand, Reserva GO recorded strong results in the quarter, accounting for more than a 20% share of Reserva’s sales. As a highlight of the period, in August, the brand launched the “Spriz80” sneaker - a flashback to the joggings, a sneaker famous in the eighties. The model recorded more than 720 pairs sold and was out of stock in just 5 days.

Regarding the integration with **Baw**, the brand is already operating in a new DC in São Paulo, which enabled the expansion of 88% of the operation’s capacity. Furthermore, in 2021, BAW will launch its first footwear collection and will open two pop-up stores, marking its debut on the physical channel and expanding its product portfolio.

The **VANS** brand recorded strong revenue growth, with the highlight being for the multibrand and online channel. In the quarter, the brand opened 3 stores, one in Balneário Camboriú, one in Brasília and the last in São Paulo. The São Paulo store is Vans first Brand Showcase Store in Latin America and is located on Avenida Paulista - one of the leading financial and cultural hubs in Brazil. The store has two floors, totaling 250m², and offers many aspects for improving the consumer shopping experience - such as a complete skate shop together with the brand’s most important collections. In its first month of operations, the store recorded sales of R\$ 1.3 million - projecting an annual revenue above R\$ 15 million.

In September, Vans launched one more collaborative collection, this time with Nickelodeon (children’s entertainment). The collab involved footwear, apparel and accessories inspired by the SpongeBob SquarePants cartoon series, with an entertaining slant, representing the brands “Off The Wall” spirit.

BRANDS PERFORMANCE

The **ANACAPRI** brand recorded R\$ 74.2 million in sales, a 22.2% growth over 3Q20 and 3.4% vs 3Q19, the highlight being the multibrand channel which reported an increase of 17.6% vs 3Q20 and 8.9% vs 3Q19. To mark the beginning of the summer season, Anacapri launched the “Descomplica!” campaign starring Manu Gavassi – a very successful partnership in recent collections. The key strategy was aimed at increasing the engagement and number of social network followers. The products announced in the campaign sold six times more than the rest of the collection.

In September, Anacapri launched another successful *collab*, this time with the Nestle’s Moça brand. In order to celebrate its 100th anniversary, the collab included footwear and handbags inspired in the iconic persona of the brand. The most viewed photograph in Anacapri’s Instagram page in the last 12 months (the handbag in the shape of the products iconic can) was just one indicator of the collection’s success.

The **BIRMAN**^{ALEXANDRE} brand recorded global revenues of R\$ 39.0 million, growth of 81.9% vs 3Q20 and 37.7% in relation to 3Q19. In Brazil, the brand chalked up revenues of R\$ 13.5 million, a growth of 106.0% vs 2020 and 34.1% vs 2019.

As the highlight of the quarter, in September, the brand was a participant for the third consecutive year of the MET Gala in New York – a ball promoted by the well-known Metropolitan Museum of Art – and considered one of the major fashion events in the world. At the event, the brand enjoyed the presence of the singer Anitta and registered an increase of more than 24 thousand followers to its Instagram page. In addition, during the period, Alexandre Birman held his traditional Press Presentation during Paris fashion week, to present his Spring Summer 2022 collection. The event was attended by such well-known names in the world of fashion as Anna Wintour, among others.

The **FIEVER** and **ALME** brands recorded strong sales growth through the online channel compared with 3Q19.

As touched on in the last results release, the Alme brand is undergoing a positioning evolution which will continue to have comfort as its essence while incrementing initiatives on the sustainability front. This process will be officially announced in November and will present a new architectural project for the stores, which will feature bio-construction materials and digital tools. On the products front, the brand will feature 5 no-gender models developed with less environmental impact – each model had its carbon footprint calculated and the brand will offset 100% of its emissions. The model grid will also be expanded, transforming Alme into a brand for everyone.

BRANDS PERFORMANCE

The Fiever brand will maintain its focus on casual young sneakers with a strong focus on instore customizations and the digital channel. A special sidewalk pet personalization event, Fiever's Pet Day, proved to be the brand's major success in the quarter.

In July, Arezzo&Co acquired **mySHOES** - a footwear and handbag brand with fashion content and an accessible profile focused on the B- and C+ classes. Since acquisition, the brand has already executed two sell ins for the multibrand channel (in July and September) which surpassed the expected target, totaling R\$ 17 million in revenues.

As a highlight of the quarter, My Shoes had its official launch for the final consumer, debuting its channels operated by Mercado Livre - through its own website and through a proprietary e-commerce channel. With these two channels, Mercado Livre will be responsible for the logistics and distribution of the products.

The official launch took place on October 26 and included a series of marketing initiatives focused on the digital. For example, the brand invested on TikTok social media contents, as a choreography and music exclusive of the singer Simaria - star of the campaign. In addition, My Shoes unveiled an Urban Window at Paulista Avenue, physical contact point between the brand and the consumers. With the purpose of pursuing the concept of retailment, the space contains interaction attractions, such as a shoes toy machine.

INTERNATIONAL BUSINESS

The US Operation consolidated its brands and distribution channels positioning strategy, translating into strong results. The revenue amounted to R\$ 94.2 million in 3Q21, a growth of 73.1% vs 2019 (in USD, growth was 31.9%). The quarter witnessed revenues which were a record for the operation with strong growth along all channels. Excluding the physical stores channel – which is showing a gradual improvement with the resumption of physical sell out – the operation would have turned in growth of 91.3% (in USD, it would have been 46.5%).

The digital strategy presented robust and expressive numbers. In September, the Schutz brand web commerce channel registered 648 thousand website accesses (growth of 46% vs 2020 and 170% vs 2019) and had 13.5 thousand customers in the month (92% increase vs 2020), of which 9,3 thousand were new (70% of the base). Compared to 2020, the percentage of new customers expanded by 104% - with strong growth potential in the upcoming months. Regarding the conversion rate, the online channel also showed constant evolution - from 1.4% in 2019 to 1.7% in 2020 and reaching 1.9% by the end of September 2021. In addition, the number of orders and pairs sold increased by 62% and 52% vs 2020, respectively.

In terms of revenue, the online channel reported excellent results and in line with the tendencies of the past few quarters, growing 344.5% in Reais (238.5% in USD). This performance is linked to the increase in recurring purchases and loyalty of new customers due to new price strategy and investments in digital marketing. Since May, the Schutz brand has beaten sales records through the channel. In September, the website reported more than USD 1.9 million with the outlook for a constant increase over the next few months.

The wholesale channel reported growth of 37.6% in the quarter, highlighting the increase in short-term stock replenishments in the department stores and reflecting the assertiveness of operation inventory. The channel's performance was leveraged by the growth in the number of Schutz brand doors compared to the previous quarter (116 doors in 3Q21 vs 74 doors in 3T19) and by the "dropship" modality (availability of own-stock products on the websites of stores such as Nordstrom, Bloomingdale's, Saks Fifth Avenue).

As reiterated, from the second half of 2020, the US operation has remained at breakeven in EBITDA terms, presenting a positive result of R\$ 12.3 million in 3Q21.

The exports of footwear to the rest of the world reported growth of 73.2% vs 3Q20 and a fall of 37.7% vs 3Q19. The recovery in relation to 2020 reflects the resumption of sales to Latin American customers. Worthy of note company's positive perspective for the fourth quarter of the year as the European market recovers.

CHANNELS

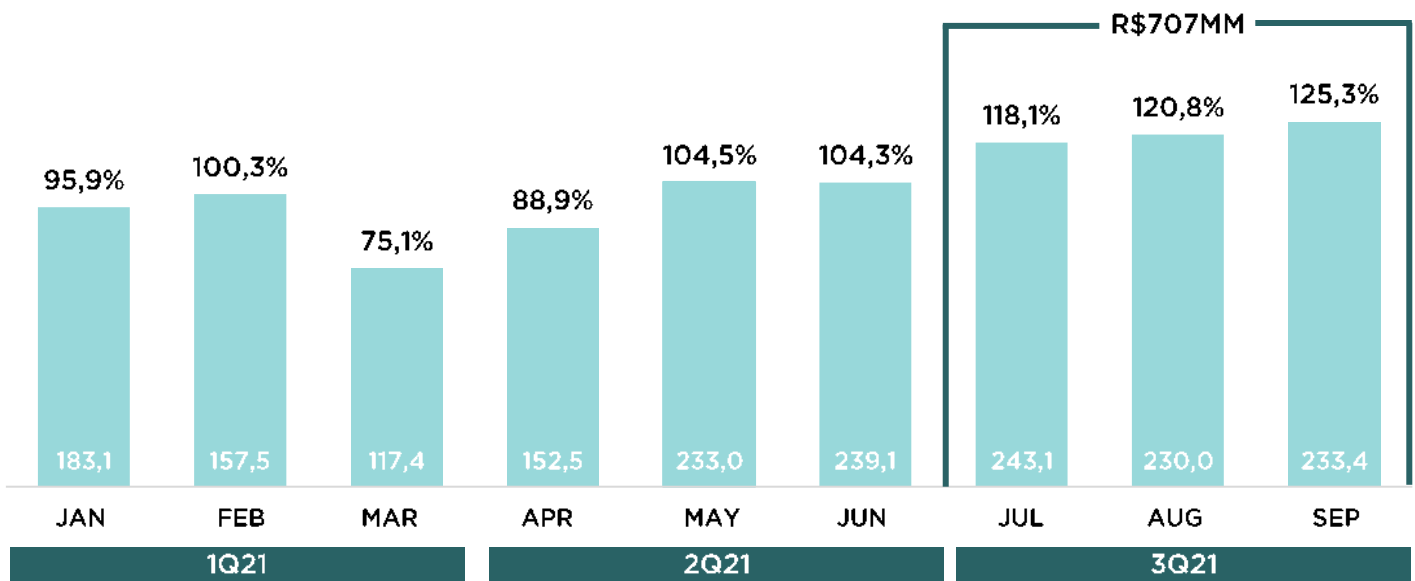
Sell Out – Franchises, Owned Stores and Web Commerce

The DTC sell out (Owned Stores + Franchises + Web Commerce) totaled R\$707.2 million in 3Q21, up 49.7% over 3Q20 and 21.4% over 3Q19 – considering comparable bases. The period was marked by the end of restrictions on the operation of stores in the country's main locations – a key factor in accelerating the chain's sell out to levels above 2019.

August and September reported acceleration compared with July (20.8% and 25.3%, respectively) indicating the continuous improvement of sales performance.

In particular, the Reserva brands registered robust results month after month, with growth of 71.5% vs 3Q20 and 67.3% vs 3Q19. The Schutz brand also revealed top performance in the quarter, 37.1% in August and 40.9% in September vs the same period of 2019.

Sell Out Performance: Arezzo&Co + AR&CO (Franchises, Owned Stores and Web Commerce) - vs o 2019



**Months affected by the shutdown of bricks-and-mortar stores due to the COVID-19 pandemic*

+21.4%
GROWTH OF SELL OUT IN
3Q21

R\$707MM
OF SELL OUT DTC IN 3Q21

CHANNELS

Monobrand – Franchises and Owned Stores

Franchise channel sell in sales were R\$ 226.6 million, a growth of 72.5% vs 3Q20 and 1.0% vs 3Q19. The stable performance in relation to 2019 indicates the fast recovery of the channel compared with the last quarter.

It is worth noting that the fourth quarter is already showing a significant increase in sales by the franchise stores with the acceleration of the sell out in the physical stores and well dimensioned inventory in the chain.

Multibrands

In 3Q21, sales through the multibrand channel recorded growth of 78.8% compared to 3Q20 and 97.7% compared with 3Q19. Excluding AR&CO and the Vans brand, the channel rose 38.0% vs 3Q20 and 9.2% vs 3Q19.

The strong growth reflects the consistent increase in the share of wallet – share of sales of the clients – reflecting the assertiveness of the collections, agility in replenishing stock and force of Arezzo&Co's classical products and best-sellers. It is worth highlighting the significant increase of the Reserva Group and Vans brands through the channel.

Also worthy of note is that the channel benefited by the change in the onsite showroom format (fairs) to 100% online. With the introduction of sell in lives via Youtube – which have more details on products, collections and trends – the volume of sales increased significantly among clients in the portfolio, especially in smaller stores that did not buy in person before the pandemic.

The Arezzo&Co and AR&CO brands are distributed across 5,217 points of sale, a growth of 23.2% being reported in the quarter against 3Q20.

E-commerce

In the third quarter 2021, Arezzo&Co posted R\$ 206.4 million in gross revenues transacted through the online channel, a growth of 36.3% vs 3Q20 and 271.0% vs 3Q19.

The channel accounted for 24.3% of consolidated revenues of Arezzo&Co vs 11.9% on 2019. Important to note the resilience of the online channel which reported a strong degree of growth vs 2020 with the recovery in the physical stores sell out. Excluding AR&CO sales, the channel was still able to report a 4.8% growth.

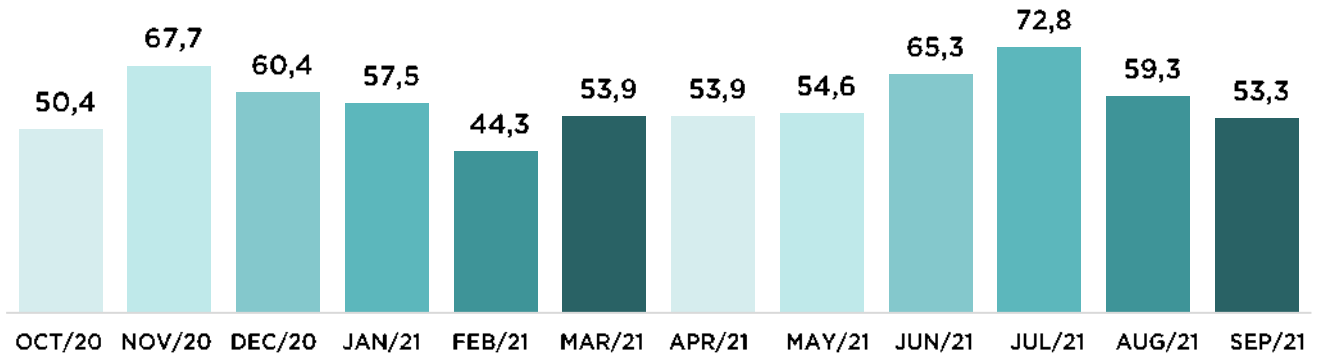
As a highlight of the period, sales via APP reported a growth of 28.5% vs 3Q20, and the representativeness of online channel sales was 22.5%, 376bps above the same period in 2020. The number of downloads of the APPs also recorded a sharp increase in the period – 98.8%.

CHANNELS

Web Commerce Sell Out Evolution

Arezzo&CO and AR&CO

Amounts in R\$ MM



Digital Transformation

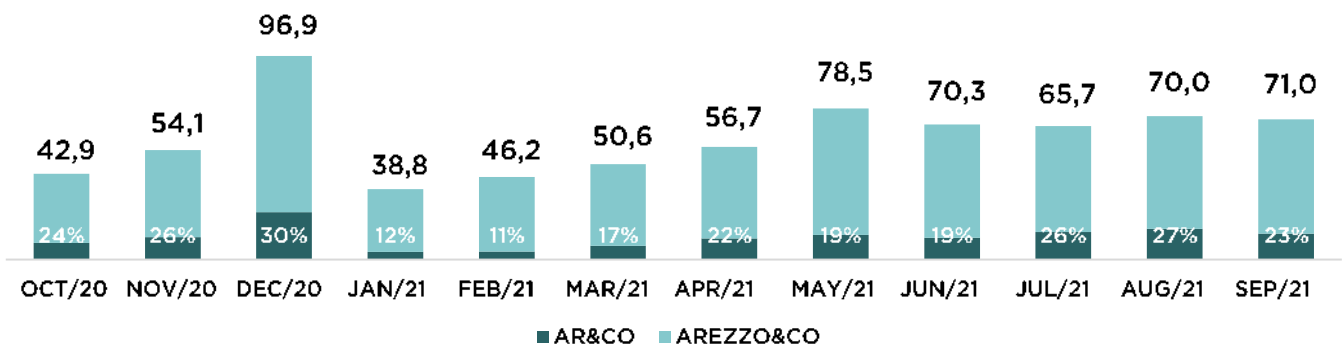
In spite of the resumption of sales through the physical channels, OMNI sales performance stayed at the high level reached in the periods in which the physical stores remained closed. In the third quarter, OMNI Sales were similar to those recorded in 2Q21.

The representativity of sales via channel integration tools - Store Shipping and Pick up, Link Sale, Infinite Shelf and Try-at-Home ("Reservado") - was 12.4% of sell out revenues from the physical stores in the period.

Arezzo&Co Group Digital Revenues

Digital Tools + Seller APP (Proprietary)

Amounts in R\$ MM



R\$693,4MM
WEB COMMERCE
SELL OUT (LTM)

R\$741.6MM
DIGITAL REVENUES
(LTM)

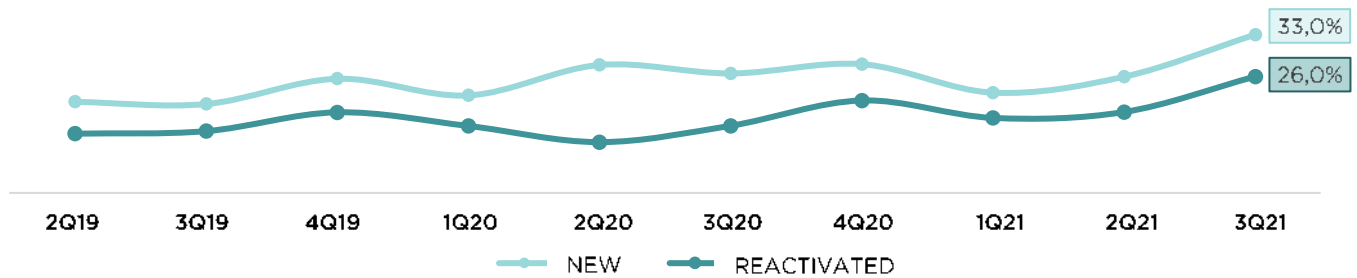
R\$1,4 BI
WEB REVENUES +
DIGITAL TOOLS (LTM)

CHANNELS

Digital Transformation

Customer Capture and Retention*

- The OMNI customers had a purchase frequency **128%** higher than the customers who only buy from physical stores;
- **41%** of the buying customer base were reactivated in 9M21 vs 9M20;
- Constant improvement in the customer reactivation rate reflects the use of CRM initiatives with the objective of offering the best shopping experience for the customer base;
- Increase of **33%** in the heavy user customer base, revenues of which represented a growth of **49%** in revenues vs 3Q20;
- Strong increase in customer frequency YTD vs. 2020 (**+5.9%**).



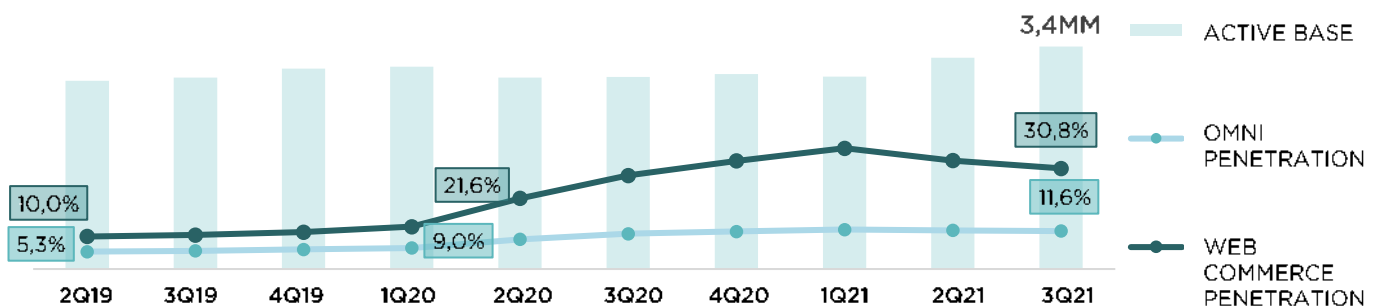
*Excluding AR&CO data



*Data 9M21 vs 9M20

Penetration of Online Channel*

- Growing increase in the active base of Arezzo&Co's online customers - record number;
- **30.8%** of Arezzo&Co's customers buy through the online channel;
- **11.6%** of are omnichannel customers (buy through the bricks-and-mortar stores and online).



*Excluding AR&CO data

MONOBRAND CHAIN

The Company closed the third quarter of 2021 with 894 stores, 883 in Brazil and 11 abroad, considering the incorporation of AR&CO.

In the period, the net balance of net openings was 4 stores. There were openings at the brands Reserva (5), Arezzo (4), Vans (3), Schutz (2) and Anacapri (1). Conversely, 9 stores were closed in the pop-up format of the BriZZa line of the Arezzo brand - which has temporary contracts (kiosks), one store of the Alme brand and one Eva brand store.

Store Information	3Q20	4Q20	1Q21	2Q21	3Q21
Sales area^{1,3} - Total (m²)	45.012	56.461	56.906	58.199	59.917
Sales area - franchises (m²)	38.816	42.176	42.621	43.818	44.711
Sales area - owned stores² (m²)	6.196	14.285	14.285	14.381	15.206
Total number of domestic stores	724	880	872	879	883
# of franchises	676	753	743	746	743
Arezzo	423	451	441	437	429
Schutz	67	68	67	62	64
Anacapri	179	186	187	192	193
Fiever	-	1	1	1	1
Alme	3	3	3	3	2
Vans	4	7	7	9	10
AR&CO	-	37	37	42	44
# of owned stores	48	127	129	133	140
Arezzo	9	12	15	15	18
Schutz	16	16	17	20	20
Alexandre Birman	7	8	8	8	8
Anacapri	3	5	3	3	3
Fiever	4	2	2	2	2
Alme	3	2	2	2	2
Vans	6	7	7	7	9
AR&CO	-	75	75	76	78
Total number of international stores	11	11	11	11	11
# of franchises	6	6	6	6	6
# of owned stores⁴	5	5	5	5	5

(1) Includes overseas stores sales areas in sq m

(2) Includes eleven stores of the Outlet type with a total area of 2.450 m²

(3) Includes sq m of store expansions

(4) Includes 3 stores of the Schutz brand, namely (i) New York on Madison Avenue (ii) Miami in the Aventura Mall and (iii) Los Angeles on Beverly Drive. Also includes 2 stores of the Alexandre Birman brand, namely (i) New York on Madison Avenue and (ii) Miami in the Bal Harbour Mall

ADJUSTED GROSS PROFITS AND GROSS MARGIN

Adjusted gross profit in 3Q21 totaled R\$ 405.9 million, equivalent to a margin of 52.2%, an improvement of 670 bps vs the same period in 2019. Among the positive factors responsible for the gross margin were, (i) the inclusion of AR&CO in the Company's sales with a positive impact mainly in terms of the owned stores channel, (ii) greater share of web commerce in the channel mix and (iii) improvement in the margin of the US operation.

OPERATIONAL EXPENSES

Arezzo&Co remains true to its strategic plan and a large part of the investments discussed below reflect the Company's allocation of funds for (i) driving growth in digital sales (ii) potentializing the strength of the organic brands and their strategic projects and (iii) developing the new inorganic brands.

In addition to investments for sales growth and new brands, the Company remains diligent in fixed and operating costs with the continuous objective of leveraging its EBITDA margin.

Selling Expenses

It is important to mention that the Company reached a new level of expenses in 2021, directly correlated to a higher share of DTC sales in relation to B2B, as a result of (i) web commerce channel revenue expansion and (ii) addition of AR&CO in the business, which has a greater exposure to own stores channel

In 3Q21, there was an increase of 73.2% in Arezzo&Co's selling expenses compared to 3Q19, reaching R\$ 159.5 million. Including AR&CO expenses, selling overheads increased 122.3% vs 3Q19.

- i. Owned Stores and Web Commerce expenses (sell out channels) at Arezzo&Co amounted to R\$ 55.9 million - an increase of 99.6% in relation to 3Q19. These higher expenses reflect the growth in the web-commerce channel, which in the third quarter posted an increase in sales of 186.4% vs 3Q19 (excluding AR&CO). Investments are focused largely on freight, logistics, people and as a strategy of leverage, digital marketing and performance (directly related to revenues). Expenses increased 250.1% if AR&CO is included.

ADJUSTED OPERATING EXPENSES

- ii. Selling, Logistics and Supplies expenses at Arezzo&Co amounted to R\$ 103.6 million in the period – growth of 61.7% versus 3Q19. Among the main sources of expenses were (i) the addition of Vans brand expenses, (ii) strategic marketing campaigns and (iii) provision for payment of participation in Company results (“PPR”). If these expenses at AR&CO are factored in, there would have been an increase of 66.4%.

North American market expenses reported a decline of 3.7% vs 3Q19. The restructuring of the operation in 2020 has been instrumental in reducing expenses on a sustainable and permanent basis. However, the business continued its investments in digital marketing and performance and thus supporting the strong expansion in revenues for the period (+73.1% vs 2019). Selling, logistics and supply expenses in the United States amounted to R\$ 26.0 million in 3Q21.

General and Administrative Expenses

In 3Q21, general and administrative expenses at Arezzo&Co were R\$ 50.8 million, an increase of 44.7% in relation to 3Q19, due to the setting aside of a provision for payment of participation in the Company’s results (which also impacted selling expenses), and to investments in IT, relating to software and applications maintenance. Including AR&CO, expenses would have increased 111.7% to a total of R\$ 74.4 million.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The Company reported adjusted EBITDA of R\$ 125.1 million in 3Q21, a growth of 98.1% vs 3Q20 and 62.2% vs 3Q19, key factors driving this result being:

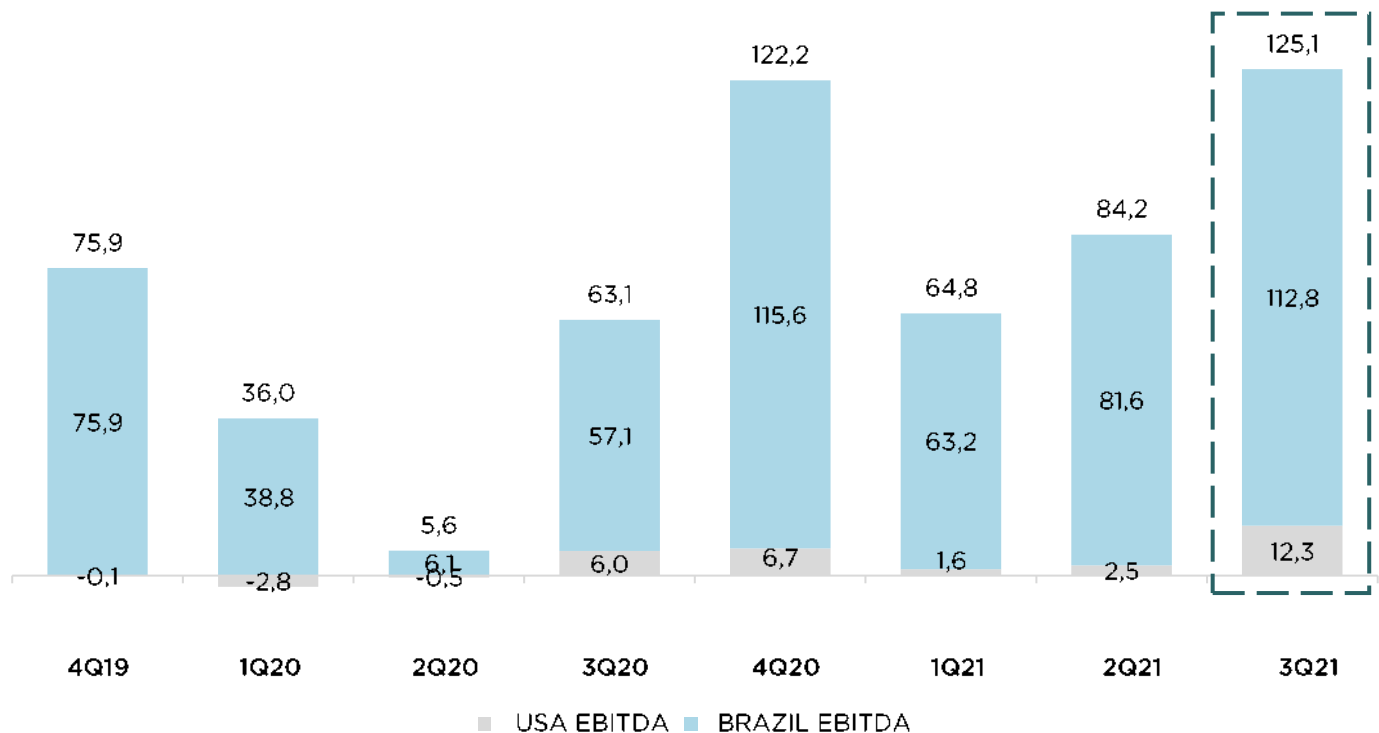
- Strong organic and inorganic grand performance reflecting (i) assertiveness of the collections, (ii) powerful marketing campaigns and (iii) the loyalty capacity of our customer base;
- Resilience and maturity of the digital sales;
- Additional EBITDA of AR&CO and the Vans brands;
- Continual growth of the US operation, which reported an EBITDA of R\$ 12.3 million equivalent to a 16.1% margin in the quarter.

	3Q21 EBITDA			3Q20 EBITDA			3Q19 EBITDA		
	&Co	Brazil	USA	&Co	Brazil	USA	&Co	Brazil	USA
Net Revenues	777,9	701,8	76,1	416,5	371,6	44,9	440,9	394,5	46,4
EBITDA	125,1	112,8	12,3	63,1	57,1	6,0	77,1	84,6	(7,5)
EBITDA Mg.	16,1%	16,1%	16,1%	15,2%	15,4%	13,4%	17,5%	21,5%	-

Amounts in R\$ MM // Amounts in accordance with IFRS 16 / CPC 06 (R2)

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

AREZZO&CO BREAKDOWN OF ADJUSTED EBITDA



Adjusted Results: One-off impacts and credits from previous fiscal years recognized in each quarter not included.

NET INCOME AND NET ADJUSTED MARGIN

The Company's net adjusted income for the period was R\$ 81.8 million, growth of 192.6% vs 2020 and 130.2% vs 2019, equivalent to a net margin of 10.5% and up by 240 bps vs 2019.

The net income was positively impacted by the strong operational performance of Arezzo&Co in the period and the incorporation of AR&CO and negatively, by the increase in financial expenses, the result of higher leverage.

ROIC – RETURN ON INVESTED CAPITAL

Adjusted return on invested capital (ROIC) – that is excluding inorganic movements in 2020 and 2021 as well as elements of a non-recurring nature associated with the pandemic and extemporary credits - reached 29.3%, vs. 6.4% in 2020.

The reported ROIC reached the level of 27.6% in 3Q21. In addition to the lower NOPAT (LTM), working capital lines (inventory, suppliers and accounts receivable) were affected by the incorporation of AR&CO in December 2020. In relation to the incorporation, it is worthy of note the significant increase in PP&A associated with the investment, which includes elements such as intangible assets and goodwill to be amortized over the coming fiscal years.

Income from operations	3Q21 Reported	3Q21 Adjusted	3Q20	3Q19	Δ 21 x 20 (%)	Δ 21 x 19 (%)
EBIT (LTM)	418.276	303.708	73.343	198.182	314,1%	53,2%
+ IR e CS (LTM)	(40.399)	(47.587)	(21.827)	(35.598)	118,0%	33,7%
NOPAT (LTM)	377.877	256.121	51.516	162.584	397,2%	57,5%
Working Capital¹	396.752	470.638	400.004	399.559	17,7%	17,8%
Accounts Receivable	605.881	605.881	406.902	415.431	48,9%	45,8%
Inventory	448.212	442.101	241.895	180.736	82,8%	144,6%
Suppliers	(457.912)	(457.912)	(226.053)	(148.756)	102,6%	207,8%
Others	(199.429)	(119.432)	(22.740)	(47.852)	425,2%	149,6%
Permanent assets	1.345.839	401.097	365.246	383.202	9,8%	4,7%
Other long-term assets²	200.135	73.701	34.807	37.149	111,7%	98,4%
Invested capital	1.942.726	945.436	800.057	819.910	18,2%	15,3%
Average Invested capital³	1.371.392	872.747	809.984		7,7%	
ROIC⁴	27,6%	29,3%	6,4%			

(1) Working capital: Current Assets less Cash, Cash Equivalents and Financial Investments subtracted from Current Liabilities less Loans and Financing and Dividends payable.

(2) Deducted from deferred Income Tax and Social Contribution.

(3) Average capital employed in the period and in the same period of the preceding year.

(4) ROIC: NOPAT for the last 12 months divided by the average employed capital.

(5) Includes tax credits from previous fiscal years (inclusion of ICMS in the calculation base for PIS/COFINS declared unconstitutional). The positive effect of these credits on the Company's EBITDA was R\$ 135.1 million in 3Q21.

INVESTMENTS - CAPEX

In 3Q21, Arezzo&Co invested R\$ 62.7 million in CAPEX, notably to:

- Integration of AR&CO – investments in the headquarters of Reserva in Rio de Janeiro, stores openings, new architectural model and investments in IT infrastructure;
- In the “Corporate” line, of particular importance are the investments in the Digital Transformation, among them, ZZ HUB – digital headquarters of Arezzo&Co in Campo Bom – RS;
- Rollout of 5 new owned stores and the modernization of a further eight.

Summary of Investments	3Q21	3Q20	Δ 21 x 20 (%)	9M21	9M20	Δ 21 x 20 (%)
Total CAPEX	62.738	9.360	570,3%	104.837	30.796	240,4%
Stores - expansion and refurb	31.014	955	3.147,5%	45.944	5.862	683,8%
Corporate	24.112	6.709	259,4%	48.961	20.426	139,7%
Other	7.612	1.696	348,8%	9.932	4.508	120,3%

CASH POSITION AND DEBT

The Company reported a net debt of R\$ 271.0 million at the end of 3Q21. Highlights for the period were:

- **A cash position of R\$ 297.2 million;**
- Total debt of R\$ 568.3 million compared with R\$ 509.5 million in 2Q21;
- The “Cash and Cash Equivalents” line was impacted by the settlement of the BAW Clothing acquisition and other investments in CAPEX;
- Worthy of mention is that Company debt levels were modified in 1Q20 due to preemptive raising of credit lines;
- Net Debt/EBITDA ratio of 0.5x.

Cash position and Indebtedness	3Q21	2Q21	3Q20
Cash	297.205	385.921	566.245
Total debt	568.258	509.496	547.245
Short-term	271.040	216.587	440.509
% total debt	47,7%	42,5%	80,5%
Long-term	297.218	292.909	106.736
% total debt	52,3%	57,5%	19,5%
Net debt	271.053	123.575	(19.000)
Net Debt/EBITDA	0.5x	0.3x	-0,1x

BALANCE SHEET

Assets	3Q21	2Q21	3Q20
Current assets	1.495.473	1.340.793	1.344.102
Cash and Banks	49.047	69.625	13.502
Financial Investments	248.158	316.296	552.743
Trade accounts receivables	605.881	455.695	406.902
Inventory	448.212	362.063	241.895
Taxes recoverable	87.897	98.945	100.708
Other credits	54.654	38.169	28.352
Financial Instruments - Derivatives	1.624	0	0
Non-current assets	1.629.771	1.414.612	444.166
Long-term receivables	283.932	253.659	78.920
Trade accounts receivables	5.200	6.209	5.512
Deferred income and social contribution	83.797	65.922	44.113
Other credits	194.935	181.528	29.295
Investments property	7.078	4.760	4.030
Property, plant and equipment	348.244	287.324	277.017
Intangible assets	990.517	868.869	84.199
Total assets	3.125.244	2.755.405	1.788.268

Liabilities	3Q21	2Q21	3Q20
Current liabilities	1.070.932	864.790	818.362
Loans and financing	271.040	216.587	440.509
Lease	52.351	44.375	42.569
Suppliers	457.912	345.773	226.053
Other liabilities	289.629	258.055	109.231
Non-current liabilities	506.137	459.363	272.647
Loans and financing	297.218	292.909	106.736
Other liabilities	17.758	13.041	11.264
Lease	155.314	142.844	154.647
Other amounts payable	30.597	5.938	0
Deferred tax	5.250	4.631	0
Controlling shareholders equity	1.546.535	1.430.980	697.259
Capital	808.715	808.715	352.715
Capital reserve	198.491	157.939	48.801
Profit reserves	107.895	107.895	122.118
Tax incentive reserve	227.937	227.937	213.880
Adjustment of Equity Valuation	-8.183	-4.927	-13.892
Accumulated Profit	211.512	133.466	-26.363
investment losses	0	-45	0
Comprehensive Income	168	0	0
Total Shareholder's Equity	1.548.175	1.431.252	697.259
Non-controlling interest stake	1.640	272	0
Total liabilities and shareholders' equity	3.125.244	2.755.405	1.788.268

INCOME STATEMENT

Income Statement - IFRS	3Q21	3Q20	Var.%	9M21	9M20	Var.%
Net operating revenue	777.949	416.463	86,8%	1.830.877	946.377	93,5%
Cost of goods sold	(372.864)	(229.976)	62,1%	(882.895)	(507.358)	74,0%
Gross profit	405.085	186.487	117,2%	947.982	439.019	115,9%
Operating income (expenses):	(311.684)	(142.031)	119,4%	(624.508)	(441.713)	41,4%
Selling	(225.874)	(108.360)	108,4%	(554.440)	(357.862)	54,9%
Administrative and general expenses	(78.638)	(32.366)	143,0%	(203.669)	(110.159)	84,9%
Other operating income, net	(7.172)	(1.305)	449,6%	133.601	26.308	407,8%
Income before financial result	93.401	44.456	110,1%	323.474	(2.694)	12107,2%
Financial income	(12.754)	(6.834)	86,6%	(40.158)	(16.681)	140,7%
Income before income taxes	80.647	37.622	114,4%	283.316	(19.375)	1562,3%
Income tax and social contribution	(3.117)	(9.675)	-67,8%	(43.514)	(9.089)	378,8%
Current	(20.373)	(11.777)	73,0%	(41.429)	(37.520)	10,4%
Deferred	17.256	2.102	720,9%	(2.085)	28.431	-107,3%
Net Income for period	77.530	27.947	177,4%	239.802	(28.464)	942,5%

CASH FLOW

Cash Flow	3Q21	3Q20	9M21	9M20
Operating activities				
Net Income	77.530	27.947	239.802	(28.464)
Adjustments to reconcile the results according to the cash generated by operating activities:	57.813	14.857	147.203	148.278
Depreciation and amortization	24.872	19.201	74.879	59.796
Income from financial investments	(3.957)	(2.224)	(9.657)	(8.806)
Interest and exchange rate	27.583	(18.110)	22.747	39.123
Income tax and social contribution	3.115	9.673	43.512	9.088
Other	6.200	6.317	15.722	49.077
Decrease (increase) in assets				
Trade accounts receivables	(149.555)	(121.063)	(14.395)	(1.512)
Inventory	(88.914)	27.104	(163.155)	(69.769)
Recoverable taxes	2.001	15.012	(147.890)	(32.105)
Change in other current assets	(25.949)	2.977	(36.546)	(38.533)
Judicial deposits	(2.778)	(154)	(20.240)	(4.518)
(Decrease) increase in liabilities				
Suppliers	114.105	94.882	64.506	91.977
Labor liabilities	24.349	10.567	23.996	(14.567)
Fiscal and social liabilities	18.244	(398)	(6.514)	1.056
Variation in other liabilities	14.307	(12.160)	34.485	15.809
Payment of income tax and social contribution	(2.431)	(2.496)	(4.236)	(16.496)
Interest payment on loans	(3.524)	(1.108)	(11.951)	(6.475)
Net cash flow from operating activities	35.198	55.967	105.065	44.681
Investing activities				
Sale of fixed and intangible assets	47	7	435	345
Acquisition of fixed and intangible assets	(62.738)	(9.360)	(104.837)	(30.796)
Financial Investments	(513.529)	(255.211)	(1.607.726)	(1.284.354)
Redemption of financial investments	584.618	257.147	1.889.528	1.003.151
Acquisition of subsidiary, net cash obtained on acquisition	(85.010)	-	(96.321)	-
Net cash used in investing activities	(76.612)	(7.417)	81.079	(311.654)
Financing activities with third parties				
Increase in loans	62.558	-	128.180	455.241
Payments of loans	(27.856)	(34.449)	(204.986)	(121.428)
Instalment Lease	(18.628)	(10.485)	(55.038)	(39.298)
Net cash used in financing activities with third parties	16.074	(44.934)	(131.844)	294.515
Financing activities with shareholders				
Interest on equity	(32.172)	-	(32.172)	(22.675)
Receivables (payables) with shareholders	-	(2.040)	1.000	(1.502)
Repurchase of shares	40.190	(1.040)	(11.166)	(3.672)
Net cash used in financing activities	8.018	(3.080)	(42.338)	(27.849)
Increase (decrease) in cash and cash equivalents	(17.322)	536	11.962	(306)
Cash and cash equivalents				
Effect of Exchange Rate Variation on Cash and Cash Equivalent	(3.256)	-	(1.212)	-
Cash and cash equivalents - Initial balance	69.625	12.965	38.297	13.808
Cash and cash equivalents - Closing balance	49.047	13.502	49.047	13.502
Increase (decrease) in cash and cash equivalents	(17.322)	537	11.962	(306)

3. Capital Markets and Corporate Governance

On September 30, 2021, the Company's market capitalization was R\$8,3 billions (R\$ 82,87), an increase of 49,5% when compared to the same period of 2020.



Arezzo&Co	
Number of Shares	99.631.414
Ticker	ARZZ3
Listing	02/02/2011
Share Price (30/09/2021)	82,87
Market Cap	8.256.455.278
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	22%

(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

4. Independent Auditors

Arezzo&Co's financial statements relative to the business year ending on June 30, 2021, 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.

Condensed Parent Company and Consolidated Balance Sheet

As of September 30, 2021 and December 31, 2020

(Amounts in thousands of Brazilian Reais – BRL – except as noted otherwise)



	Note	Parent Company		Consolidated	
		9/30/21	12/31/20	9/30/21	12/31/20
Assets					
Current assets					
Cash and Cash equivalents	6	1,122	3,291	49,047	38,297
Financial investments	7	109,873	347,640	248,158	522,868
Financial instruments - derivatives		-	-	1,624	-
Accounts receivable	8	388,918	385,479	605,881	598,824
Inventories	9	163,504	85,694	448,212	290,896
Taxes recoverable	10	20,294	11,461	87,897	86,034
Other credits		27,921	16,470	54,654	27,949
Total current assets		711,632	850,035	1,495,473	1,564,868
Noncurrent assets					
Accounts receivable	8	2,581	2,564	5,200	2,564
Related parties-Customers	12	25,072	30,523	-	-
Escrow deposits	19	19,826	17,585	51,209	30,970
Related parties - Loans		5,507	45,025	-	1,000
Deferred income tax and social contribution	11	45,063	48,850	83,797	80,632
Taxes recoverable		126,434	-	126,434	-
Other credits	11	14,713	316	17,292	3,328
		239,196	144,863	283,932	118,494
Investments	13	1,385,191	1,251,565	2,298	900
Investment property		4,780	2,116	4,780	2,116
Net Property, Plant and Equipment	14	66,756	49,068	348,244	316,300
Intangible	15	73,556	57,510	990,517	829,867
		1,530,283	1,360,259	1,345,839	1,149,183
Total noncurrent assets		1,769,479	1,505,122	1,629,771	1,267,677
Total assets		2,481,111	2,355,157	3,125,244	2,832,545

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Parent Company and Consolidated Balance Sheet

As of September 30, 2021 and December 31, 2020

(Amounts in thousands of Brazilian Reais – BRL – except as noted otherwise)



	Note	Parent Company		Consolidated	
		9/30/21	12/31/20	9/30/21	12/31/20
Liabilities					
Current liabilities					
Loans and financings	16	100,293	142,160	271,040	239,483
Suppliers	17	349,426	335,821	457,912	399,189
Lease liabilities	18	5,614	5,813	52,351	52,890
Fiscal and social liabilities		17,087	11,613	52,428	47,979
Labor liabilities		44,141	28,847	75,767	51,771
Tax Payment Plans		-	-	198	-
Acquisition liabilities payable		51,274	50,000	51,274	50,000
Other accounts payable		39,594	25,976	109,962	70,106
Total current liabilities		607,429	600,230	1,070,932	911,418
Noncurrent liabilities					
Loans and financings	16	252,969	318,611	297,218	394,786
Lease liabilities	18	13,358	16,735	155,314	160,470
Provision for labor, tax and civil liabilities	19	8,014	5,721	14,077	12,928
Other accounts payable		500	-	30,597	-
Deferred taxes		-	-	5,250	-
Tax Payment Plans		-	-	3,588	4,133
Deferred revenues		93	213	93	213
Provision for investment losses		52,213	65,050	-	-
Total noncurrent liabilities		327,147	406,330	506,137	572,530
Total liabilities		934,576	1,006,560	1,577,069	1,483,948
Equity					
Capital stock	20.1	808,715	967,924	808,715	967,924
Treasury shares	20.3	(96)	(191)	(96)	(191)
Capital reserves	20.2	198,587	49,420	198,587	49,420
Earnings reserves		335,832	335,832	335,832	335,832
Comprehensive income (loss)		(8,015)	(6,970)	(8,015)	(6,970)
Additional dividends proposed		-	2,582	-	2,582
Accumulated earnings		211,512	-	211,512	-
		1,546,535	1,348,597	1,546,535	1,348,597
Non-controlling interests		-	-	1,640	-
Total equity		1,546,535	1,348,597	1,548,175	1,348,597
Total liabilities and equity		2,481,111	2,355,157	3,125,244	2,832,545

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Parent Company and Consolidated Statement of Income

For the three and nine-month period ended September 30, 2021 and 2020

(Amounts in thousands of Brazilian Reais – BRL – except as noted otherwise)



	Note	Parent Company			
		Three months ended 9/30/21	Nine months ended 9/30/21	Three months ended 9/30/20	Nine months ended 9/30/20
Net operating revenue	23	469,593	1,099,549	310,205	680,991
Cost of goods sold	25	(299,803)	(719,643)	(210,459)	(459,444)
Gross Income		169,790	379,906	99,746	221,547
Operating income (expense)					
Selling	25	(82,526)	(199,875)	(49,725)	(161,626)
Administrative and general	25	(44,347)	(110,826)	(25,507)	(81,561)
Other operating income	25	(3,086)	129,536	357	1,210
Other operating expenses		(3,427)	(4,941)	(1,551)	(3,971)
Operating income (expense)		(133,386)	(186,106)	(76,426)	(245,948)
Share of profit of equity-accounted investees, net of tax	13	33,200	78,518	10,891	(13,547)
Income before financial expenses, net		69,604	272,318	34,211	(37,948)
Financial expenses, net					
Finance costs	27	(9,181)	(24,544)	(6,543)	(19,464)
Finance income	27	3,592	9,246	3,339	10,793
Net foreign exchange gains (losses)	27	658	(3,228)	1,003	(1,774)
Financial expenses, net		(4,931)	(18,526)	(2,201)	(10,445)
Income before income tax and social contribution		64,673	253,792	32,010	(48,393)
Income tax and social contribution					
Current	11	(5,472)	(8,904)	(5,737)	(9,730)
Deferred	11	18,843	(3,787)	1,674	29,659
Total income tax and social contribution		13,371	(12,691)	(4,063)	19,929
Net income (loss)		78,044	241,101	27,947	(28,464)
Basic income per share - R\$	22	0.7833	2.4069	0.3073	(0.3130)
Dilluted income per share - R\$	22	0.7820	2.4028	0.3073	(0.3117)

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Parent Company and Consolidated Statement of Income

For the three and nine-month period ended September 30, 2021 and 2020

(Amounts in thousands of Brazilian Reais – BRL – except as noted otherwise)



	Note	Consolidated			
		Three months ended 9/30/21	Nine months ended 9/30/21	Three months ended 9/30/20	Nine months ended 9/30/20
Net operating revenue	23	777,949	1,830,877	416,463	946,377
Cost of goods sold	25	(372,864)	(882,895)	(229,976)	(507,358)
Gross Income		405,085	947,982	186,487	439,019
Operatintg income (expense)					
Selling	25	(225,874)	(554,440)	(108,360)	(357,862)
Administrative and general	25	(78,638)	(203,669)	(32,366)	(110,159)
Other operating income	25	(2,651)	143,158	377	50,425
Other operating expenses		(4,521)	(9,557)	(1,682)	(24,117)
Operatintg income (expense)		(311,684)	(624,508)	(142,031)	(441,713)
Income before financial expenses, net		93,401	323,474	44,456	(2,694)
Financial expenses, net					
Finance costs	27	(21,736)	(58,705)	(12,068)	(35,901)
Finance income	27	7,000	19,032	3,346	11,733
Net foreign exchange gains (losses)	27	1,982	(485)	1,888	7,487
Financial expenses, net		(12,754)	(40,158)	(6,834)	(16,681)
Income before income tax and social contribution		80,647	283,316	37,622	(19,375)
Income tax and social contribution					
Current	11	(20,373)	(41,429)	(11,777)	(37,520)
Deferred	11	17,256	(2,085)	2,102	28,431
Total income tax and social contribution		(3,117)	(43,514)	(9,675)	(9,089)
Net income (loss)		77,530	239,802	27,947	(28,464)
Net income attributable to					
Controlling shareholders		78,044	241,101	27,947	(28,464)
Non-controlling interest		(514)	(1,299)	-	-
Net income (loss)		77,530	239,802	27,947	(28,464)
Basic income per share - R\$	22	0.7833	2.4069	0.3073	(0.3130)
Dilluted income per share - R\$	22	0.7820	2.4028	0.3073	(0.3117)

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Parent Company and Consolidated Statement of Comprehensive Income

For the three and nine-month period ended September 30, 2021 and 2020



	Note	Parent Company			
		Three months ended 9/30/21	Nine months ended 9/30/21	Three months ended 9/30/20	Nine months ended 9/30/20
Net income (loss)		78.044	241.101	27.947	(28.464)
Items that are or may be reclassified subsequently statement of income:					
Operational currency translation differences	26	(3.255)	(1.212)	(1.727)	(20.712)
Total comprehensive income (loss)		74.789	239.889	26.220	(49.176)

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Parent Company and Consolidated Statement of Comprehensive Income

For the three and nine-month period ended September 30, 2021 and 2020



	Note	Consolidated			
		Three months ended 9/30/21	Nine months ended 9/30/21	Three months ended 9/30/20	Nine months ended 9/30/20
Net income (loss)		77.530	239.802	27.946	(28.465)
Items that are or may be reclassified subsequently to statement of income:					
Operational currency translation differences	26	(3.255)	(1.212)	(1.727)	(20.712)
Investment gains		212	167	-	-
Total comprehensive income (loss)		74.487	238.757	26.219	(49.177)
Comprehensive income attributable to					
Controlling shareholders		75.001	240.056	26.219	(49.177)
Non-controlling interest		(514)	(1.299)	-	-
Total comprehensive income (loss)		74.487	238.757	26.219	(49.177)

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Consolidated Statement of Changes in Equity

For the nine-month period ended September 30, 2021 and 2020

(Amounts in thousands of Brazilian Reais – BRL, except as noted otherwise)



	Note	Earnings reserves							Additional dividends distributed or proposed	Accumulated earnings	Other comprehensive income (loss)	Total	Non-controlling interest	Total equity capital
		Share Capital	Treasury shares	Capital reserve	Legal reserve	Investment reserve	Tax benefits reserve	Profit reserve						
Balance as at December 31, 2019		352,715	(195)	50,733	55,082	2,683	213,880	64,353	-	-	6,820	746,071	-	746,071
Net income (loss)		-	-	-	-	-	-	-	(28,464)	-	-	(28,464)	-	(28,464)
Equity valuation adjustment		-	-	-	-	-	-	-	-	(20,712)	-	(20,712)	-	(20,712)
Restricted shares awarded	20.3	-	-	1,935	-	-	-	-	-	-	-	1,935	-	1,935
Restricted shares distributed	20.3	-	3,676	(3,676)	-	-	-	-	-	-	-	-	-	-
Allocation:														
Reversal of unclaimed dividends of an associate		-	-	-	-	-	-	-	2,101	-	-	2,101	-	2,101
Treasury shares		-	(3,672)	-	-	-	-	-	-	-	-	(3,672)	-	(3,672)
Balance as at September 30, 2020		352,715	(191)	48,992	55,082	2,683	213,880	64,353	-	(26,363)	(13,892)	697,259	-	697,259
Balance as at December 31, 2020		967,924	(191)	49,420	57,511	2,683	227,937	47,701	2,582	-	(6,970)	1,348,597	-	1,348,597
Acquisition of subsidiary with no-controlling interest		-	-	-	-	-	-	-	-	-	-	-	341	341
Net income (loss)		-	-	-	-	-	-	-	241,101	-	-	241,101	1,299	242,400
Operational currency translation differences		-	-	-	-	-	-	-	-	(1,212)	-	(1,212)	-	(1,212)
Restricted shares awarded		-	-	1,218	-	-	-	-	-	-	-	1,218	-	1,218
Share options exercised		-	10,290	(10,290)	-	-	-	-	-	-	-	-	-	-
Shares disposal in connection with business combination	5.3	-	50,002	-	-	-	-	-	-	-	-	50,002	-	50,002
Capital reserves		(159,209)	970	158,239	-	-	-	-	-	-	-	-	-	-
Treasury shares	20.3	-	(61,167)	-	-	-	-	-	-	-	-	(61,167)	-	(61,167)
Comprehensive income/loss		-	-	-	-	-	-	-	-	167	-	167	-	167
Allocation:														
Interest on shareholders' equity	21.1	-	-	-	-	-	-	-	-	(29,589)	-	(29,589)	-	(29,589)
Additional dividends proposed	21.1	-	-	-	-	-	-	-	(2,582)	-	-	(2,582)	-	(2,582)
Balance as at September 30, 2021		808,715	(96)	198,587	57,511	2,683	227,937	47,701	-	211,512	(8,015)	1,546,535	1,640	1,548,175

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Parent Company and Consolidated Cash Flow
Statement
For the nine-month period ended September 30, 2021 and 2020

**AREZZO
& CO**

CONDENSED CASH FLOW STATEMENT

	Parent Company		Consolidated	
	9/30/21	9/30/20	9/30/21	9/30/20
From operations				
Net income (loss)	241,101	(28,464)	239,802	(28,464)
Adjustments to cash from operations				
Depreciation and amortization	18,203	16,063	74,879	59,796
Gain / (losses) from permanent asset disposals	(253)	333	(1,042)	20,784
Share of profit of equity-accounted investees, net of tax	(78,518)	13,547	-	-
Provision for labor, tax and civil liabilities	2,293	909	1,149	1,845
Financial charges and foreign exchange differences on financings	23,480	23,457	22,747	39,123
Return on financial investments	(5,237)	(7,877)	(9,657)	(8,806)
Estimated losses from doubtful credits	430	10,358	2,037	12,912
Additional provision for obsolete inventories	4,105	2,863	5,839	7,374
Stock options and restricted share plans	1,218	1,935	1,218	1,935
Interest on lease liabilities	978	1,094	6,521	4,227
Income tax and social contribution	12,691	(19,929)	43,512	9,088
Decrease (increase) in assets				
Accounts receivable	(6,550)	(46,314)	(14,395)	(15,12)
Inventories	(76,284)	(33,395)	(163,155)	(69,769)
Taxes recoverable	(135,701)	25,485	(147,890)	(32,105)
Change in other current assets	(25,848)	(10,152)	(36,546)	(38,533)
Escrow deposits	(2,242)	(4,599)	(20,240)	(4,518)
(Decrease) increase in liabilities				
Suppliers	13,761	74,532	64,506	91,977
Labor liabilities	15,295	(15,307)	23,996	(14,567)
Fiscal and social liabilities	4,872	1,158	(6,514)	1056
Change in other current liabilities	11,522	9,622	34,485	15,809
Income taxes and social contribution paid	(2,431)	-	(4,236)	(16,496)
Interest payments on loans and financings	(6,337)	(3,068)	(11,951)	(6,475)
Net cash from operations	10,548	12,251	105,065	44,681
From investing activities				
Proceeds from sale of PP&E and intangible assets	335	21	435	345
Addition to PP&E and intangible assets	(48,960)	(20,425)	(104,837)	(30,795)
Acquisition of subsidiaries net of cash (note 5)	-	-	(96,321)	-
Purchase of financial investments	(1,017,832)	(958,801)	(1,607,726)	(1,284,354)
Financial investments redeemed	1,259,154	729,670	1,889,528	1,003,151
Capital contribution to subsidiaries	(90,158)	(53,750)	-	-
Loans granted to subsidiaries	44,969	(61,119)	-	-
Dividends received	14,984	-	-	-
Net cash from (used in) investing activities	162,492	(364,404)	81,079	(311,653)
From financing activities				
Loans and financing raised	9,500	444,171	128,180	455,241
Loan payments	(134,152)	(59,384)	(204,986)	(121,428)
Lease payments	(7,219)	(6,880)	(55,038)	(39,298)
Interest on shareholders' equity	(29,590)	(15,436)	(29,590)	(15,436)
Dividends paid	(2,582)	(7,239)	(2,582)	(7,239)
Credits (debt) with shareholders	-	-	1,000	(1,502)
Treasury shares acquisition	(11,166)	(3,672)	(11,166)	(3,672)
Net cash (used in) from financing activities	(175,209)	351,560	(174,182)	266,666
Increase (decrease) in cash and cash equivalents	(164,661)	363,811	(69,117)	311,347
Cash and cash equivalents				
Effect of Forex change on cash and cash equivalents	-	-	(1,212)	-
Opening cash and cash equivalents	3,291	1,686	38,297	13,808
Closing cash and cash equivalents	1,122	1,092	49,047	13,502
Increase (decrease) in cash and cash equivalents	(2,169)	(594)	11,962	(306)
Non-cash or non-cash equivalent transactions:				
Opening addition to leases	2,510	3,141	2,992	23,724
Payment for acquisition of an associate	-	-	41,000	-

* Transactions that do not involve cash or cash equivalents concern business acquisitions and are discussed in note 5.

Explanatory notes are an integral part of the condensed parent company and consolidated interim financial information

Condensed Parent Company and Consolidated Value Added Statement

For the nine-month period ended September 30, 2021 and 2020

(Amounts in thousands of Brazilian Reais – BRL, except as noted otherwise)

**AREZZO
& CO**

	Parent Company		Consolidated	
	9/30/21	9/30/20	9/30/21	9/30/20
Revenues	1,277,039	784,438	2,106,475	1,101,000
Merchandise, goods and services sold	1,341,514	841,476	2,295,039	1,219,326
Rebates, discounts and returns	(64,045)	(46,679)	(188,082)	(104,792)
Estimated loss from doubtful credits	(430)	(10,359)	(482)	(13,534)
Third-party inputs	(1,066,182)	(693,519)	(1,443,890)	(824,521)
Cost of goods and services sold	(913,833)	(583,421)	(1,020,211)	(601,573)
Energy, third-party services and other expenses	(149,756)	(107,495)	(409,479)	(214,975)
Other cost of goods and services sold	(2,593)	(2,603)	(14,200)	(7,973)
Gross Value Added	210,857	90,919	662,585	276,479
Depreciation and amortization	(18,203)	(16,063)	(74,879)	(59,796)
Net value-added generation	192,654	74,856	587,706	216,683
Value added from transfers	220,516	11,500	162,863	90,252
Equity income and investment dividends at cost	78,518	(13,547)	-	-
Interest revenues, including Forex gains	12,544	24,475	24,403	60,612
Other revenues (expenses)	129,454	572	138,460	29,640
Total value added for allocation	413,170	86,356	750,569	306,935
Value-added allocation:				
Personnel	116,288	86,993	258,544	154,777
Wages, benefits and FGTS	93,048	81,660	231,291	149,444
Employee profit sharing	18,381	2,000	22,394	2,000
Options and restricted shares plan	4,859	3,333	4,859	3,333
taxes	28,572	(16,263)	149,704	59,629
Federal	68,080	6,691	154,119	51,572
State	(39,509)	(23,444)	(5,947)	6,511
Municipal	1	490	1,532	1,546
Interest on borrowed capital	43,329	44,090	118,639	120,993
Interest expense	13,109	9,459	21,984	13,458
Rent	12,259	9,170	54,077	43,700
Financial expenses, including Forex loss	17,961	25,461	42,578	63,835
Return on own capital	224,981	(28,464)	223,682	(28,464)
Interest on shareholders' equity	29,590	-	29,590	-
Retained earnings	195,391	(28,464)	195,391	(28,464)
Minority interest on retained earnings	-	-	(1,299)	-
Value-added allocated	413,170	86,356	750,569	306,935

Explanatory notes are an integral part of the parent company and consolidated condensed interim financial information

1. Corporate Information

1.1. General

Arezzo Indústria e Comércio S.A. (“Company”, “Parent Company”) is a publicly listed corporation with registered offices at Rua Fernandes Tourinho, 147 – suite 402, City of Belo Horizonte, State of Minas Gerais, with shares traded under the ticker ARZZ3 since February 02, 2011, in the Novo Mercado segment of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros.

The purpose of the company and its subsidiaries is to manufacture, develop, model and sell footwear, purses, accessories and garments for the women’s market, mainly, and the men’s market.

On September 30, 2021, the Company had 743 franchise stores in Brazil and 6 abroad; 140 own stores in Brazil and 5 own stores abroad; and a “web-commerce” channel intended to sell products of the Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, INK , EVA and BAW Clothing brands.

The franchise system is controlled by the Company itself and the own stores belong to subsidiaries.

Because of its characteristics, the retail industry may oscillate in terms of sales volumes over the course of a fiscal year, with increased volumes expected in the latter half of each year. Due to this seasonal trait, the balances of Accounts Receivable, Inventories and Accounts Payable may vary significantly between periods because of the portfolio of orders placed and the delivery schedule associated with the calendar of collections and discount sales. This information is provided to enable a better understanding of the results achieved. The Company’s Management believes that the impact of these effects is not sufficiently high to make its operations “highly seasonal” as defined by CPC 21 (R1)/IAS 34 – Interim Financial Reporting, which would require disclosure or information in addition to these notes.

1.2. Impacts of COVID-19

Because of the worldwide pandemic declared by the World Health Organization (“WHO”) in connection with the novel coronavirus, which has affected Brazil and countries around the world, creating health hazards and impacting the world economy, the Company reports that it has been taking preventive and risk mitigation measures in line with the guidelines provided by domestic and international health authorities in an effort to minimize impacts as far as possible as concerns the health and safety of employees, their family members, partners and communities, as well as to enable continued business operations. Management performed several analyses for the nine-month period ended September 30, 2021, regarding impairment, the measurement of financial instruments the recoverability of deferred taxes, risk of customer defaulting, and the Company’s liquidity, to conclude that the COVID-19 pandemic caused no material impacts on the Company’s interim financial information .

2. Accounting policies

2.1. Financial statements preparation and presentation framework

The Condensed Parent Company interim financial information has been prepared in accordance with the CPC 21 (R1) – Interim Financial Reporting standards issued by the Accounting Resolutions Committee (“Comitê de Pronunciamentos Contábeis” – CPC). The Condensed consolidated interim financial information have been prepared in accordance with the CPC 21 (R1) – Interim Financial Reporting standards issued by the CPC, and with the IAS 34 – Interim Financial Reporting standard issued by the International Accounting Standards Board (“IASB”). The Condensed Parent Company and consolidated interim financial information comply with the standards issued by the Brazilian Securities Exchange Commission (“Comissão de Valores Mobiliários” – CVM) applicable to the preparation of the interim financial information.

The preparation of the Condensed Parent Company and consolidated interim financial information, the principles, estimates accounting practices, measurement methods and standards adopted are the same as described in the last annual financial statements, except where noted otherwise.

The Condensed Parent Company and consolidated interim financial information has been prepared based on historical cost, except for the valuation of certain assets such as financial instruments, which are measured at fair value. The Company prepared the Condensed interim financial information to keep users informed of relevant information for the period, and should be read in conjunction with the last annual financial statements for the year ended December 31, 2020.

The Condensed Parent Company and consolidated interim financial information for the three and nine-month period ended September 30, 2021, have been approved at a meeting of the Board of Directors held October 29, 2021.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



2. Accounting policies--Continued

2.2. Consolidation basis

The Condensed consolidated interim financial information includes the operations of the Company and its subsidiaries, summarized as follows:

Subsidiaries	Home Country	Equity Interest			
		2021		2020	
		Direct	Indirect	Direct	Indirect
ZZAB Comércio de Calçados Ltda.	Brazil	99.99%	-	99.99%	-
ZZSAP Indústria e Comércio de Calçados Ltda.	Brazil	99.99%	-	99.99%	-
ZZEXP Comercial Exportadora S/A	Brazil	99.99%	-	99.99%	-
ARZZ International INC.	United States	100.00%	-	100.00%	-
ARZZ Co. LLC	United States	-	100.00%	-	100.00%
Schutz 655 LLC	United States	-	100.00%	-	100.00%
Schutz Cali LLC	United States	-	100.00%	-	100.00%
ARZZ Itália SRL	Italy	-	100.00%	-	100.00%
VQV Empreendimentos e Participações S.A.	Brazil	100.00%	-	100.00%	-
Tiferet Comércio de Roupas Ltda.	Brazil	-	100.00%	-	100.00%
Troc.com.br Atividades de Internet S.A.	Brazil	-	75.00%	-	-
Baw Clothing Indústria e Comércio de Vestuários Ltda	Brazil	-	100.00%	-	-

The subsidiaries are fully consolidated from the date of incorporation or acquisition, the latter being the date on which the Company obtained a controlling interest, and remain consolidated until the date on which such a controlling interest may cease to exist. A controlling interest is obtained when the Company is exposed or has a right to variable returns based on its involvement with the entity, and has the ability to affect these returns by means of the exercise of its powers over the entity. It is usually assumed that control is obtained by means of a majority of voting rights.

The subsidiaries' financial statements are prepared for the same fiscal year as the Parent Company's, using uniform accounting policies in all of the consolidated entities. All intragroup balances, unrealized revenues and expenses and gains and losses arising from transactions between the companies are completely eliminated.

A change in the equity holdings of a subsidiary that does not lead to loss of control is recognized as an equity transaction between shareholders.

3. Material accounting judgments, estimates and assumptions

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4. New or revised standards

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021 and earlier application is permitted. The Company has not early adopted any of the forthcoming new or amended standards in preparing these condensed interim financial information

On August 27, 2020, the International Accounting Standards Board (IASB) disclosed the “Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS16”, which addresses the effects of changes to the LIBOR and other similar rates (Ibor reform), which have been replaced by an alternative reference rate. This has come into effect starting January 01, 2021, for IFRS-compliant Financial Statements.

As at September 30, 2021, the Company has no loan agreements with third parties or hedge accounting arrangements pegged to the LIBOR.

Changes and revisions to IASB standards in effect starting January 01, 2021, have had no material impact on the financial statements.

5. Business Combination

5.1. Acquisition of VamoQueVamo Empreendimentos e Participações S.A. “Reserva”.

On December 04, 2020, the Company acquired 100% of the equity capital and obtained control of VamoQueVamo Empreendimentos e Participações S.A. “Reserva”. Reserva is a company that carries out retail, wholesale, manufacture and production of garments, articles of clothing, footwear, accessories and franchise operations, among others. Reserva was acquired in line with the Company’s strategy of complementing its business in the fashion and retail sector, widening its products offering, and expanding its portfolio of brands, with the inclusion (upon operation close) of the Reserva, Reserva Mini, Oficina Reserva, Reserva Go, INK, and EVA brands into the Arezzo&Co group’s portfolio.

Measurement of the preliminary fair value of identifiable assets acquired and liabilities assumed was done in provisional basis, and is expected to be finalized within a period of 12 months from the date of the acquisition. Management expects no material adjustments to emerge upon finalization of the allocation’s final measurement.

5.2. Acquisition of TROC

On February 01, 2021, the Company, through its subsidiaries ZZAB Comércio de Calçados Ltda. (“ZZAB”) and Tiferet, acquired equity stakes of 71.13 percent and 3.87 percent, respectively, for a total 75 percent of the capital stock of Troc.Com.Br – Atividade de Internet Ltda. (“TROC”), thereby obtaining the control. TROC is a limited liability company whose purpose lies in the intermediation of transactions involving the purchase and sale of second-hand women’s and children’s clothes, purses, footwear and accessories of premium and luxury brands, through an online portal at www.troc.com.br. TROC consists of all the aforementioned business elements, as its operations include funds inflows, well-defined processes, and funds outflows.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



5. Business Combination--Continued

5.2. Acquisition of TROC--Continued

TROC was acquired in line with the Company's strategy of complementing its business in the fashion and retail sector, widening its products offering, and expanding its portfolio of brands, with the inclusion of the brand into the Arezzo&Co group's portfolio.

The table below shows the preliminary fair value of the identifiable assets acquired and liabilities assumed. Measurements were done in provisional basis, and are expected to be finalized within a period of 12 months from the date of the acquisition, as per the applicable accounting standards.

Management expects no material adjustments to emerge upon finalization of the allocation's final measurement. The table below shows the identifiable assets acquired, liabilities assumed and total consideration paid in provisional basis as at February 01, 2021.

	9/30/21		
	Book value	Fair-value adjustment	Fair-value
Identifiable assets acquired			
Cash and cash equivalents	792	-	792
Accounts receivable	257	-	257
Other non-current credits	10	-	10
Related parties - loans	11,000	-	11,000
Property, plant and equipment	207	-	207
Intangible assets	267	9,836	10,103
Liabilities assumed and non-controlling interest			
Suppliers	33	-	33
Other current liabilities	732	-	732
Other non-current liabilities	9	-	9
Non-controlling interest	6,235	-	6,235
Consideration paid			
Cash	11,378	-	11,378
To be paid	11,000	-	11,000
Consideration paid	22,378	-	22,378
Goodwill			7,018

5. Business combination--Continued

5.2. Acquisition of TROC--Continued

The valuation techniques used to measure the fair value of the identifiable assets acquired were as follows:

- a) **Intangibles:** Relief-from-royalty, with-without, and multi-period excess earnings methods: The relief-from-royalty method considers estimated discounted royalty payments avoided as a result of the patents acquired. According to the with-without method, an asset's value is estimated based on the difference between cash flows with and without a Non-Compete Agreement in place. The multi-period excess earnings method considers the present value of expected net cash flows from customer relationships, minus any cash flows from contributory assets. Intangible assets include brands, non-compete agreements and customer relationships.

The table below shows the material underlying assumptions used to determine fair-value adjustments to Customer Relationship intangibles:

Revenues	The revenues forecast is based on historical information on revenues by customer in the 2016-2020 period.
Churn	53.8 percent based on the average churn rate of Arezzo Multibrand customers.
Useful life	Indefinite.
Tax benefit from amortization	The tax benefit from amortization was calculated at a nominal rate of 34 percent and based on an amortization period equal to the asset's remaining useful life.
Discount rate	17.7 percent based on the CAPM (<i>Capital Asset Pricing Model</i>) as calculated plus risk premium.

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

Scenarios	Asset valued based on the difference of cash flow with and without the Non-compete agreement. Without. The without scenario considers a 10% incremental revenue loss for the February 2025-January 2027 period assuming absence of the Non-Compete Agreement.
Probability of competition	50%.
Useful life	The remaining useful life was estimated considering the Non-compete agreement's 3-year term.
Tax benefit from amortization	The tax benefit from amortization was calculated in line with a 34 percent nominal rate and an amortization period equal to the asset's remaining useful life.
Discount rate	17.7 percent based on the CAPM (<i>Capital Asset Pricing Model</i>) as calculated plus risk premium.

5. Business combination--Continued

5.2. Acquisition of TROC--Continued

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

Revenues	Fair-value analysis of the Reserva brands considered a revenue base associated with those brands.
Royalties rate	4.5 percent on revenues forecast based on the average royalties charged on licensing transactions for brands similar to TROC's.
Useful life	Indefinite
Tax benefit from amortization	The tax benefit from amortization was calculated according to a 34 percent nominal rate and an amortization period equal to the asset's remaining useful life.
Discount rate	17.7 percent based on the CAPM (Capital Asset Pricing Model) as calculated plus risk premium

"Accounts receivable" comprises BRL 257 in fair value of the expected amounts to be received.

The BRL 7,018 goodwill concerns expected synergies from the entity's integration into the Company's existing business, as well as expansion of the business in the Company's addressable market. The goodwill is expected to be income-tax deductible through future merger of the subsidiary, as the transaction took place in Brazil, had the approval of antitrust authority Conselho Administrativo de Defesa Econômica – CADE, and the relevant report will be filed with the Board of Trade for the purposes of meeting the requirements for deductibility of the goodwill amortization expense that the transaction generated.

The consideration transferred considers:

- (i) The acquisition by ZZAB, on the date of acquisition, of 21,492 common shares of TROC, of which 8,992 common nominative no-par shares owned by Luanna de Carvalho Rodrigues and 12,500 common nominative no-par shares owned by AYA Holding de Participações Ltda., for the price of BRL 6,028 paid in cash.
- (ii) Subscription of 59,619 new common shares of TROC in the total amount of BRL 16,350 where: a) BRL 4,350 in cash were disbursed by ZZAB on the date of acquisition for payment of TROC's certain outstanding liabilities; b) BRL 1,000 in cash regarding TROC's loan liability with ZZAB, which was converted into equity; c) BRL 11,000 to be paid in four semiannual installments.

5. Business combination--Continued

5.2. Acquisition of TROC--Continued

Furthermore, on the third anniversary of the acquisition, shareholder Luanna de Carvalho Rodrigues may exercise her option to sell her remaining 25% equity stake to ZZAB if she remains in the Company. As at September 30, 2021, Management is appraising the fair value and recognition of this.

Acquisition costs (included in administrative expenses) were BRL 393. TROC contributed BRL 2,196 in revenues and BRL 5,198 in loss to the Company's statements of income in the period between the date of acquisition and the nine-month period ending September 30, 2021.

Had the acquisition of TROC been completed in the first day of the nine-month period ending September 30, 2021, the Company's consolidated revenues nine-month period ended September 31, 2021 would have been BRL 1,831,032, and its consolidated income would have been BRL 239,624.

5.3. Acquisition of BAW

On August 09, 2021, the Company, through its subsidiary ZZAB Comércio de Calçados Ltda. ("ZZAB"), acquired 100% of the equity of BAW Clothing Indústria e Comércio de Vestuários Ltda. ("BAW"), obtaining a controlling interest therein. BAW is a limited liability company whose purpose is to engage in the manufacture and wholesale and retail sales of garments and clothing articles, as well as Internet-based sales (e-commerce), with all manufacturing entrusted to third parties. BAW consists of all the aforementioned business elements, as its operations include funds inflows, well-defined processes, and funds outflows.

The subsidiary was acquired in line with the Company's strategy of complementing its business in the fashion and retail sector, widening its products offering, and expanding its portfolio of brands, by means of inclusion into the Arezzo&Co group's portfolio (upon operation close).

The table below shows the preliminary fair value of the identifiable assets acquired and liabilities assumed. Measurements were done in preliminary manner, and are expected to be finalized within a period of 12 months from the date of the acquisition, as per the applicable reporting standards. Management expects no material adjustments to emerge upon finalization of the allocation's final measurement. The table below shows the identifiable assets acquired, liabilities assumed and total consideration paid as at August 09, 2021.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



5. Business combination--Continued

5.3. Acquisition of BAW--Continued

	9/30/21		
	Book value	Fair value adjustment	Fair-value
Identifiable assets acquired			
Cash and cash equivalents	86	(10)	76
Accounts receivable	4,871	621	5,492
Advances to suppliers	227	-	227
Inventories	8,375	(12)	8,363
Other current assets	136	-	136
Property, plant and equipment	246	-	246
Intangibles assets	-	31,333	31,333
Liabilities assumed			
Suppliers	3,636	2,026	5,662
Current tax liabilities	6,798	-	6,798
Loans and financings	41	-	41
Social charges and Labor obligations	186	-	186
Provision for civil, labor and tax risks	-	13	13
Other current obligations	23	-	23
Consideration paid:			
Cash	35,000	-	35,000
Equity instruments (538,213 shares of the Company)	50,002	-	50,002
Price adjustment	(4,359)	-	(4,359)
Cash payment for transfer on the 5th anniversary of the closing date	20,000	-	20,000
Contingent consideration	10,000	-	10,000
Consideration paid:	110,643	-	110,643
Goodwill			77,493

5. Business combination--Continued

5.3. Acquisition of BAW--Continued

The table below shows the impacts on the condensed parent company and consolidated interim financial information.

Description	Parent Company	Consolidated
	9/30/21	9/30/21
Investments	110,643	1,817
Intangibles (a)	-	31,333
Goodwill	-	77,493
Cash outlays	110,643	110,643
Paid	85,002	85,002
To be paid	25,641	25,641

The valuation techniques used to measure the fair value of material assets acquired were as follows:

- a) **Intangibles:** Relief-from-royalty, with-without, and multi-period excess earnings methods: The relief-from-royalty method considers estimated discounted royalty payments avoided as a result of the patents acquired. The multi-period excess earnings method considers the present value of expected net cash flows from customer relationships, minus any cash flows from contributory assets. Intangible assets include brands, non-compete agreements and customer relationships.

The table next shows the material underlying assumptions used to determine fair-value adjustments to Customer Relationship intangibles:

Revenues	The revenues forecast is based on historical information on revenues by customer in the period from 2017 to July 2021.
Churn	69.8 percent based on the average churn rate of Arezzo Multibrand customers.
Useful life	Estimated at 2.4 years in the light of the concentration of approximately 90% of the asset's total cash flow at present value.
Tax benefit from amortization	The tax benefit from amortization was calculated according to a 34 percent nominal rate and an amortization period equal to the asset's remaining useful life.
Discount rate	15.2 percent estimated based on the WACC calculated for BAW, considering an additional premium.

5. Business combination--Continued

5.3. Acquisition of BAW--Continued

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

Revenues	The BAW brand's valuation was based on assumptions and forecasts adopted by ZZAB's Management for the purposes of BAW's Business Enterprise Valuation.
Churn	2%, based on the average interval as calculated based on the Profit Split method, considering the Company's 2021 EBIT Margin
Useful life	Indefinite
Tax benefit from amortization	The tax benefit from amortization was calculated at a nominal rate of 34 percent and based on an amortization period equal to the asset's remaining useful life.
Discount rate	15.2 percent, considering an additional premium based on BAW's calculated WACC.

"Accounts receivable" comprises BRL 5,492 in fair value of the expected amounts to be received.

The BRL 77,493 acquisition of goodwill concerns expected synergies from the entity's integration into the Company's existing business, as well as expansion of the business in the Company's addressable market. The goodwill is expected to be income-tax deductible through future merger of the subsidiary, as the transaction took place in Brazil, had the approval of antitrust authority Conselho Administrativo de Defesa Econômica – CADE, and the relevant report will be filed with the Board of Trade for the purposes of meeting the requirements for deductibility of the goodwill amortization expense that the transaction generated.

The consideration transferred considers:

- (i) The acquisition by ZZAB, on the date of acquisition, of 2,172,000 common shares of BAW, of which 966,540 common shares owned by Bruno Costa Cassemunha Karra, 966,540 common shares owned by Lucas Costa Cassemunha Karra, 217,200 common shares owned by Celso José Maria Ribeiro Neto, and 21,720 common shares owned by Fernando Frizzatti Gonçalves, for the price of BRL 35,000 paid in cash on the transaction date, being BRL 15,575 to shareholder Bruno, BRL 15,575 to shareholder Lucas, BRL 3,500 to shareholder Celso and BRL 350 to shareholder Fernando. Bruno, Lucas, Celso and Fernando are the Sellers.
- (ii) Additional payment – An amount of BRL 20,000 will be paid to the former shareholders on the 5th anniversary of the Date of Acquisition updated at the IPCA from the Date of Acquisition to the date of settlement of the Term Installment.
- (iii) An amount of BRL 10,000 of contingent consideration to be paid should BAW reach the agreed metrics, limited, in any case, to BRL 10,000. If the two Performance Metrics effectively ascertained are equal to or exceed, respectively, Minimum Gross Revenues and Minimum Gross Margin, the former shareholders shall be entitled to the full Additional Payment amount of BRL 10,000, which represents its fair value at the date of acquisition.

5. Business combination--Continued

5.3. Acquisition of BAW--Continued

- (iv) 538,213 common shares of the Company transferred to the former owners of BAW that represent BRL 50,002 in the closing date. This amount was calculated based on the weighted average trading price of the 10 (ten) trading days immediately preceding the closing date in which the Company's shares were traded, considering a minimum price of BRL 73,31 (seventy-three Brazilian Reais and thirty-one cents) and a maximum price of BRL 115,00 (one hundred and fifteen Brazilian Reais) per share.
- (v) Price Adjustment – In the light of the agreement, the Parties recognize that the Acquisition Price was stipulated assuming that, on the Closing Date: (a) BAW's Net Debt ("Closing Net Debt") would be equal to the Baseline Net Debt; (b) BAW's Working Capital ("Closing Working Capital") would be equal to the Baseline Capital; and (c) BAW would have Cash ("Closing Cash") equal to the Minimum Cash.

In the light of the foregoing assumptions, the parties agree that the acquisition price may be adjusted down if, on the Closing date, the sum of:

- (i.a) Baseline Net Debt minus Closing Net Debt; (i.b) Closing Working Capital minus Baseline Capital; and (i.c) Closing Cash minus Minimum Cash, is a negative number, and adjusted up if, on the Closing Date, the sum of:
 - (ii.a) Baseline Net Debt minus Closing Net Debt; (ii.b) Closing Working Capital minus Baseline Capital; and (ii.c) Closing Cash minus Minimum Cash, is a positive number (in either of the cases described in items (i) and (ii) of the present Clause, the "Price Adjustment").

Acquisition costs (included in administrative expenses) were BRL 871. BAW contributed BRL 9,025 in revenues and BRL 1,676 in income to the Company's statements of income in the period between the date of acquisition and the nine-month period ended September 30, 2021.

Had the acquisition of BAW been completed in the first day of the nine-month period ended September 30, 2021, the Company's consolidated revenues in the nine-month period ending September 30, 2021, would have been BRL 1,853,168 and its consolidated income would have been BRL 238,895.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



6. Cash and cash equivalents

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Cash and banks				
Cash	27	634	1,531	2,295
Banks	803	2,657	25,159	36,002
Cash equivalents				
CDB	-	-	2,643	-
Automatic investments	292	-	2,557	-
Fixed income	-	-	17,157	-
Total cash and cash equivalents	1,122	3,291	49,047	38,297

As at September 30, 2021, the average return on the financial investments included as cash equivalents was 97% of CDI for CDB, 15% of CDI for automatic investments, and 95% of CDI for fixed income.

7. Financial investments

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Current				
Fixed Income	10,180	172,265	11,270	233,380
Exclusive Investment Fund				
Financial Treasury Bills (LFT)	46,894	165,493	111,465	273,177
Repo operations	40,830	-	96,990	-
Financial bills (CEF)	11,969	7,618	28,433	12,574
CDB	-	2,264	-	3,737
Total financial investments	109,873	347,640	248,158	522,868

Exclusive investment fund

The ZZ Referenciado DI Crédito Privado investment fund is a fixed-income private-credit fund under management, administration and custody of Banco Santander S.A. No waiting period applies for the redemption of shares which may be redeemed without risk of significant loss. The investment fund includes no material financial obligations. Financial obligations are limited to asset-management fees, custody fees, auditing fees, and expenses.

As at September 30, 2021, the investment fund's average return was 109.75% of CDI (97% as at December 31, 2020). Its assets are 47% Financial Treasury Bills ("Letras Financeiras do Tesouro" – LFT) (56% as at December 31, 2020), and 87% of assets feature daily liquidity (97% as at December 31, 2020).

7. Financial investments--Continued

The Company has financial investment policies in place under which investments concentrate in low-risk securities and investments in top-tier financial institutions (the 10 largest financial institutions in Brazil), which largely feature returns pegged to percentages of the change in Interbank Certificates of Deposit (“Certificado de Depósito Interbancário” – CD).

As at September 30, 2021, none of the Company’s financial investments had been offered as collateral before financial institutions.

8. Accounts receivable

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
<u>Domestic customers</u>				
Invoices receivable	330,310	341,208	380,572	383,835
Invoices receivable - related parties (note 12a)	66,524	51,127	-	-
<u>Foreign customers</u>				
Invoices receivable	4,226	4,839	58,304	44,488
Invoices receivable - related parties (note 12a)	25,072	30,523	-	-
<u>Other</u>				
Credit cards	-	-	185,740	184,541
Checks and other	61	61	73	95
	426,193	427,758	624,689	612,959
(-) Provision for doubtful credits	(9,622)	(9,192)	(13,608)	(11,571)
Total accounts receivable	416,571	418,566	611,081	601,388
Current	388,918	385,479	605,881	598,824
Non-current	27,653	33,087	5,200	2,564

Sales policies are subordinated to the credit policies established by Management with the purpose of minimizing potential issues arising from customer defaulting. Note that retail customers’ operations are largely represented in the “Credit cards” entry and that operations arising from commercial representatives and distributors (franchisees), which maintain structured relationships with the Company, are recognized in “Invoices receivable – domestic customers” and “Invoices receivable – foreign customers”.

The “Invoices receivable (foreign customers)” account breaks down by currency as follows:

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



8. Accounts receivable--Continued

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
USD	29,298	35,362	57,661	43,864
EUR	-	-	643	624
	29,298	35,362	58,304	44,488

The changes in Provisions for doubtful credits are as follows:

	Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Opening balance	(9,192)	(1,639)	(11,571)	(2,633)
Additions/reversals	(6,005)	(13,210)	(9,701)	(15,210)
Realized	5,575	5,657	7,664	6,272
Closing balance	(9,622)	(9,192)	(13,608)	(11,571)

The Company's credit risk-related losses valuation method considers the total amount of Accounts receivable (AR) and an indicator called "Accounts Receivable Turnover", which is the main driver of credit analyses. This indicator weighs the amount of AR by sell out (store sales to end consumers). Therefore, a customer's inventory volume is usually similar to the Company's AR.

The breakdown of accounts receivable by date due is as follows:

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Not due	410,168	412,798	583,932	597,999
Up to 30 days past due	2,921	2,244	11,194	2,244
31-60 days past due	1,643	1,979	5,960	1,979
61-90 days past due	1,557	703	4,541	703
91-180 days past due	2,978	2,350	5,930	2,350
181-360 days past due	3,506	6,004	4,559	6,004
More than 360 days past due	3,420	1,680	8,573	1,680
	426,193	427,758	624,689	612,959

In the period ended September 30, 2021, the Company recognized a BRL 9,701 increase in provisions. In the fiscal year ending December 31, 2020, delinquency losses led to additional provisions of BRL 15,210 that were recognized as commercial expenses. Management understands that the balance of provisions is sufficient to cover the Accounts receivable risk.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



9. Inventories

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Finished goods	151,471	81,506	356,128	265,378
Raw materials	3,319	3,408	62,493	17,098
Work-in-progress	-	-	18,606	7,750
Advance to suppliers	15,141	5,326	21,814	7,884
(-) Provision for losses	(6,427)	(4,546)	(10,829)	(7,214)
Total Inventories	163,504	85,694	448,212	290,896

Changes in provisions for losses were as follows:

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Opening balance	(4,546)	(5,717)	(7,214)	(7,453)
Additions/reversals	(4,105)	(94)	(5,839)	(1,026)
Realized	2,224	1,265	2,224	1,265
Closing balance	(6,427)	(4,546)	(10,829)	(7,214)

Inventory losses are estimated based on obsolete or low-turnover items, as well as on collection leftovers.

10. Recoverable taxes

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
ICMS recoverable	13,298	6,878	53,699	19,718
IRPJ recoverable	4,545	390	4,639	791
CSLL recoverable	945	98	982	206
Pis and Cofins recoverable (i)	126,434	-	150,879	55,954
IPI recoverable	-	-	559	1,212
Other	1,506	4,095	3,573	8,153
Total	146,728	11,461	214,331	86,034
Current	20,294	11,461	87,897	86,034
Non-current	126,434	-	126,434	-

(i) Based on Management's review, which is supported by a legal opinion from the Company's external counsel, the Company recognized the amount of BRL 126,434, during the period ended September 30, 2021, as other operating income of the Parent Company. The credits relates to the exclusion of the Tax on the Circulation of Merchandise and Services ("Imposto sobre Circulação de Mercadorias e Serviços" – ICMS) from the taxable base on PIS and COFINS from 10/11/2006 to 03/15/2017.

Supreme Court (STF) ruling given on March 15, 2017, in connection with Extraordinary Appeal No. 574.706, lent *Stare Decisis* status to the taxpayers' claim: "ICMS shall not be included in the PIS and COFINS taxable base", pacifying the matter and finding for taxpayers. The trial was formalized with the publication of its respective minutes on March 17, 2017, and March 20, 2017.

On May 13, 2021, the Full Panel of the Supreme Court (STF) found that the exclusion of the ICMS from the PIS/Cofins taxable base applies from 03/15/2017, when the *stare decisis* ruling was given (topic 69), in connection with the trial of Special Appeal ("Recurso Especial" – RE)No. 574.706. The Justices also found that the ICMS not to be included in the PIS/Cofins taxable base is as indicated in Bills of Sale.

The Parent Company's case is currently remanded to the Rapporteur Judge for reformation of his former ruling in line with the STF's *stare decisis* understanding of the matter, and the subsidiary's case has been remanded for appeal review by the TRF2 Court of Appeals.

Furthermore, the BRL 150,879 recognized in the consolidated accounts include BRL 24,445 from recurring tax credits arising from monthly operations and lawsuits that have already been processed and tried, and are currently at liquidation stage.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



11. Income tax and social contribution

a) Deferred taxes

Taxable event	Parent Company					
	9/30/21			12/31/20		
	IRPJ Base	CSLL Base	IRPJ/CSLL	IRPJ Base	CSLL Base	IRPJ/CSLL
Tax loss and negative base	119,319	133,562	41,850	87,534	87,534	29,762
Unrealized gains on inventories	27,399	27,399	9,316	21,169	21,169	7,197
Provision for credit losses	9,806	9,806	3,334	9,297	9,297	3,161
Provision for commissions	8,647	8,647	2,940	7,891	7,891	2,683
Provision for labor, tax and civil liabilities	8,014	8,014	2,727	5,721	5,721	1,945
Provision for obsolete inventories	5,956	5,956	2,025	4,546	4,546	1,546
Other provisions	28,637	28,637	9,736	7,519	7,519	2,556
Deferred tax asset	207,778	222,021	71,928	143,677	143,677	48,850
Provision for unused credits (i)	(79,016)	(79,016)	(26,865)	-	-	-
Deferred tax liability	(79,016)	(79,016)	(26,865)	-	-	-
Total	128,762	143,005	45,063	143,677	143,677	48,850

Taxable event	Consolidated					
	9/30/21			12/31/20		
	IRPJ Base	CSLL Base	IRPJ/CSLL	IRPJ Base	CSLL Base	IRPJ/CSLL
Tax loss and negative base	219,524	233,767	75,920	166,438	166,438	56,586
Unrealized gains on inventories	27,399	27,399	9,316	21,169	21,169	7,197
Provision for credit losses	10,507	10,507	3,572	10,382	10,382	3,530
Provision for commissions	8,647	8,647	2,939	7,891	7,891	2,683
Provision for labor, tax and civil liabilities	13,861	13,861	4,713	12,735	12,735	4,330
Provision for obsolete inventories	10,860	10,860	3,693	10,743	10,743	3,653
Other provisions	31,310	31,310	10,645	10,283	10,283	3,496
Deferred tax asset	322,108	336,351	110,798	239,641	239,641	81,475
Provision for unused credits (i)	(79,016)	(79,016)	(26,865)	-	-	-
Provision for Foreign Currency Differences	(15,841)	(15,841)	(5,386)	(2,488)	(2,488)	(843)
Deferred tax liability	(94,857)	(94,857)	(32,251)	(2,488)	(2,488)	(843)
Total	227,251	241,494	78,547	237,153	237,153	80,632

(i) Recognition of tax credits arising from the exclusion of the ICMS from the PIS and Cofins taxable base, not including the portion exempted from IT and CSLL on the restatement of credits at the SELIC rate (tax overpayment refund), in the light of the STF's recent ruling.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



11. Income tax and social contribution--Continued

The table below shows the reconciliation of the deferred tax asset/liability:

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Opening balance	48,850	15,196	80,632	15,682
Deferred income tax recognized	(3,787)	33,654	(2,085)	40,622
Business combination	-	-	-	24,328
Closing balance	45,063	48,850	78,547	80,632

Management's studies and forecasts indicate the generation of profits in the future at an amount that will enable offsetting the tax credits in the coming years.

Based on the expected future taxable gains, the estimated recovery of the balance of the net deferred tax and social contribution asset is as follows:

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
2021	23,178	24,828	36,572	31,528
2022	12,766	19,555	24,485	26,072
2023	9,119	4,467	17,490	13,209
2024	-	-	-	9,823
Net deferred tax and social contribution	45,063	48,850	78,547	80,632

11. Income tax and social contribution--Continued

b) Reconciliation of the Income Tax and Social Contribution (IRPJ and CSSL) tax bill at the nominal and effective tax rates

The table below shows the reconciliation of the expense calculated using the income tax and social contribution rates:

	Parent Company		Consolidated	
	09/30/21	09/30/20	09/30/21	09/30/20
Net income before income tax and social contribution	253,792	(48,393)	283,316	(19,375)
Applicable tax rate	34.0%	34.0%	34.0%	34.0%
Expected IRPJ and CSLL using the applicable tax rate	(86,289)	16,454	(96,327)	6,588
Equity on earnings of subsidiaries	26,696	(4,606)	-	-
Government subsidies (i)	18,376	8,460	40,296	15,022
Interest on own capital	10,060	-	10,060	-
Benefit from technology research and development expenditures - Law No. 11.196/05	6,437	2,212	6,437	2,212
Tax benefits (PAT, Rouanet Law)	183	293	354	508
Deferred IR/CS on unrealized losses from subsidiaries	-	-	(10,642)	(30,120)
Stock option plan expense	(1,652)	(983)	(1,652)	(983)
Other permanent differences	(2,621)	(1,901)	(8,159)	(2,316)
Portion exempted from tax credits (ii)	16,119	-	16,119	-
Income tax and social contribution for the period	(12,691)	19,929	(43,514)	(9,089)
Current	(8,904)	(9,730)	(41,429)	(37,520)
Deferred	(3,787)	29,659	(2,085)	28,431
Income tax and social contribution for the period	(12,691)	19,929	(43,514)	(9,089)
Effective tax rate	5.00%	41.18%	15.36%	(46.91%)

(i) ICMS tax benefits regarded as investment subsidies pursuant to Complementary Law No. 160/2017, as discussed in note 29.

(ii) Concerns the portion of inflation restatement exempted from income tax and social contribution, tax credit concerning the exclusion of the ICMS from the PIS and Cofins taxable base.

As at the period ended September 30, 2021, the Company has a tax credit on tax losses not recognized in the consolidated statements that have been generated by its subsidiary abroad and one subsidiary in Brazil. The amount of the unrecognized tax credit is BRL 10,642.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



12. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	9/30/21					
	Current assets	Non-current assets	Current liabilities		Transactions	
	Accounts receivable	Accounts receivable	Loans	Suppliers	Revenues	Purchases
Parent Company						
ARZZ International INC	-	25,072	-	-	-	-
ZZAB Comércio de Calçados Ltda.	52,476	-	-	860	283,218	909
ZZSAP Indústria e Comércio de Calçados Ltda.	155	-	-	14,313	3	99,714
ZZEXP Comercial Exportadora S/A	4,475	-	-	-	1,543	-
TIFERET Comércio de Roupas Ltda	9,418	-	-	-	12,863	-
Baw Clothing Indústria e Comércio de Vestuários Ltda	-	-	5,507	-	-	-
Total parent company	66,524	25,072	5,507	15,173	297,627	100,623

	12/31/20			9/30/20		
	Current assets	Non-current assets	Current liabilities	Transactions		
	Accounts receivable	Accounts receivable	Loans	Suppliers	Revenues	Purchases
Parent Company						
ARZZ Co International INC	-	30,523	24,271	-	96	-
ZZAB Comércio de Calçados Ltda.	47,850	-	-	5,693	235,224	2,264
ZZSAP Indústria e Comércio de Calçados Ltda.	302	-	20,754	275	20	67,431
ZZEXP Comercial Exportadora S/A	2,975	-	-	-	1,746	-
Total parent company	51,127	30,523	45,025	5,968	237,086	69,695

b) Transaction type, terms and conditions – subsidiaries

The Company conducts operations with related parties carried out according to mutually agreed commercial and financial terms and conditions.

Loans concern contracts with Subsidiaries. The balance of these as at September 30, 2021 was BRL 5,507 (BRL 45,025 as at December 31, 2020). The interest rates are 3% p.a. and the contracts mature on December 31, 2022.

The most frequent transactions are:

- Sales from the Parent Company to subsidiaries ZZAB, ARZZ and Tiferet.
- Sales from subsidiary ZZEXP to subsidiary ARZZ; and
- Sales from subsidiary ZZSAP to the Parent Company and subsidiary ZZEXP.

12. Balances and transactions with related parties--Continued

c) Management compensation

Management receives compensation through payment of salaries, profit sharing and the recognition of share-based plans. As at September 30, 2021, total compensation paid to the Company's Management was BRL 11,479 (BRL 10,361 as at September 30, 2020), as follows:

	<u>9/30/21</u>	<u>9/30/20</u>
Fixed annual compensation - salaries	6,000	5,219
Variable compensation - bonus	4,410	3,473
Share-based plan	1,069	1,669
Total compensation	<u>11,479</u>	<u>10,361</u>

Expenses arising from the stock options plan and the restricted shares plan (Note 28) are presented as an selling expense.

The Parent Company and its subsidiaries do not provide post-employment benefits, severance benefits, or others to its managers and employees.

d) Transactions or relationships with shareholders

Certain Officers, Directors and individuals associated with the Company directly hold a total of 49.7% of the Company's shares as at September 30, 2021 (45.8% as at December 31, 2020).

e) Transactions with other related parties

The Company has service agreements in place with Ethos Desenvolvimento S/C Ltda., which belongs to Mr. José Ernesto Beni Bolonha, a member of the Company's Board of Directors. In the period ended September 30, 2021, the Company paid BRL 503 (BRL 503 as at September 30, 2020).

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



13. Investment in subsidiaries – parent company

a) Summary of subsidiaries' balance sheets and income/loss

Description	9/30/21					
	Assets	Liabilities	Equity	Capital Stock	Net Revenues	Profit/Loss
ARZZ International INC	219,679	271,892	(52,213)	252,250	180,302	(26,104)
ZZAB Comércio de Calçados Ltda.	572,525	150,343	422,182	148,383	459,700	65,232
ZZSAP Ind.e Com.de Calçados Ltda.	94,346	36,571	57,775	22,822	136,210	2,459
ZZEXP Comercial Exportadora S/A	194,581	172,390	22,191	2,000	104,329	19,828
VQV Empreendimentos e Participações S.A.	448,765	297,203	151,562	101,044	292,695	17,103

Description	12/31/20				9/30/20	
	Assets	Liabilities	Equity	Capital Stock	Net Revenues	Profit/Loss
ARZZ International INC	214,423	279,473	(65,050)	212,093	163,968	(88,589)
ZZAB Comércio de Calçados Ltda.	434,821	132,640	302,181	93,614	497,312	61,046
ZZSAP Ind.e Com.de Calçados Ltda.	99,260	39,174	60,086	27,592	110,215	174
ZZEXP Comercial Exportadora S/A	125,219	107,871	17,348	2,000	75,478	13,822
VQV Empreendimentos e Participações S.A.	365,958	230,762	135,196	101,044	71,246	-

b) Investment and equity income

Description	Investment		Equity Income	
	9/30/21	12/31/20	9/30/21	9/30/20
ZZAB Comércio de Calçados Ltda.	422,182	302,181	65,232	61,046
ZZSAP Indústria e Comércio de Calçados Ltda.	57,775	60,086	2,459	174
ZZEXP Comercial Exportadora S/A	22,191	17,348	19,828	13,822
VQV Empreendimentos e Participações S.A.	151,562	135,196	17,103	-
Ágio na aquisição de controlada	467,659	466,127	-	-
Mais (menos) valia na aquisição de controlada	263,822	270,627	-	-
Total investment	1,385,191	1,251,565	104,622	75,042
ARZZ International INC	(52,213)	(65,050)	(26,104)	(88,589)
Total	1,332,978	1,186,515	78,518	(13,547)

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



13. Investment in subsidiaries – parent company--Continued

c) Changes in investments

	<u>9/30/21</u>	<u>12/31/20</u>
Opening balance	1,186,515	254,653
Capital contribution	90,158	84,949
Dividends paid	(14,984)	(19,790)
Acquisition of Goodwill	(6,184)	840,208
Share of profit of equity-accounted investees, net of tax	78,518	38,182
Reversal of an associate's unclaimed dividends	-	2,101
Other comprehensive income/loss	(1,045)	(13,788)
Closing balance	<u>1,332,978</u>	<u>1,186,515</u>

d) Dividends distribution

Subsidiary ZZEXP Comercial Exportadora S/A proposed dividends in the amount of BRL 14,984 from its net income in the Fiscal Year ended December 31, 2020. A cash payment was made on July 30, 2021.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)

14. Property, Plant and Equipment

The table below shows details on changes to the Company's Property, Plant and Equipment:

Parent Company	Computers and peripherals	Furniture and utensils	Machinery and equipment	Facilities and showroom	Vehicles	Land	Property Right of Use	Total
Balance at 12/31/2019	6,382	5,161	3,912	14,263	12	84	27,385	57,199
Additions	2,018	461	707	1,585	-	-	3,141	7,912
Depreciation	(1,713)	(714)	(636)	(1,807)	(2)	-	(5,748)	(10,620)
Disposals	(340)	-	(3)	(11)	-	-	(2,270)	(2,624)
Balance at 09/30/2020	6,347	4,908	3,980	14,030	10	84	22,508	51,867
Balance at 12/31/2020	5,828	4,755	4,066	13,732	9	84	20,598	49,072
Additions	7,503	5,017	2,557	11,753	-	-	2,510	29,340
Depreciation	(1,807)	(810)	(861)	(1,943)	(2)	-	(6,151)	(11,574)
Disposals	(68)	-	-	-	-	(14)	-	(82)
Balance at 09/30/2021	11,456	8,962	5,762	23,542	7	70	16,957	66,756
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	

Consolidated	Computers and peripherals	Furniture and utensils	Machinery and equipment	Facilities and showroom	Vehicles	Land	Property Right of Use	Total
Balance at 12/31/2019	7,815	21,586	11,363	58,728	11	84	204,495	304,082
Additions	3,229	5,544	1,692	1,452	-	-	16,327	28,244
Depreciation	(2,136)	(2,758)	(1,691)	(6,358)	(2)	-	(36,842)	(49,787)
Disposals	(807)	(5,219)	(18)	(13,933)	-	-	(44,675)	(64,652)
Translation adjustment	266	2,695	-	6,818	-	-	49,351	59,130
Balance as at 09/30/2020	8,367	21,848	11,346	46,707	9	84	188,656	277,017
Balance at 12/31/2020	8,632	27,455	13,267	61,777	15	84	205,070	316,300
Additions	10,934	14,762	7,564	26,531	-	-	32,023	91,814
Depreciation	(2,862)	(2,634)	(2,210)	(14,291)	(3)	-	(44,509)	(66,509)
Disposals	19	398	4	342	-	(14)	(296)	453
Translation adjustment	20	160	-	481	-	-	4,924	5,585
Additions through business combinations	182	212	58	58	91	-	-	601
Balance at 09/30/2021	16,925	40,354	18,683	74,898	103	70	197,212	348,244
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



15. Intangible assets

The table next shows details on changes to the Company's balances:

Parent Company	Trademarks and patents	Right of use - Stores	Right of use - systems	Total
Balance at 12/31/2019	5,336	-	36,044	41,380
Additions	173	-	15,480	15,653
Amortization	-	-	(5,443)	(5,443)
Balance at 09/30/2020	5,509	-	46,081	51,590
Balance at 12/31/2020	5,582	-	51,928	57,510
Additions	3,188	3,372	15,571	22,131
Amortization	-	-	(6,085)	(6,085)
Balance at 09/30/2021	8,770	3,372	61,414	73,556
Average depreciation rate	Undetermined	Undetermined	20%	

Consolidated	Trademarks and patents	Right of use - stores	Right of use - stores	Relationships with customers	Goodwill	Right of use - systems	Total
Balance at 12/31/2019	6,494	28,047	120	-	-	40,386	75,047
Additions	173	1,800	-	-	-	16,907	18,880
Amortization	-	-	-	-	-	(10,009)	(10,009)
Disposals	-	(1,317)	-	-	-	(5)	(1,322)
Translation Adjustment	428	-	-	-	-	1,175	1,603
Transfer	-	120	(120)	-	-	-	-
Balance at 09/30/2020	7,095	28,650	-	-	-	48,454	84,199
Balance at 12/31/2020	261,966	33,827	-	12,271	466,128	55,676	829,868
Additions	3,188	-	13,151	-	-	28,707	45,046
Amortization	-	-	(485)	(256)	-	(8,753)	(9,494)
Acquisition through business combination	40,244	-	-	902	84,511	290	125,947
Disposals	(965)	-	446	(499)	-	-	(1,018)
Transfer	-	(5,177)	5,177	-	-	-	-
Translation adjustment	65	-	-	-	-	103	168
Balance at 09/30/2021	304,498	28,650	18,289	12,418	550,639	76,023	990,517
Average depreciation rate	Undetermined	Undetermined	Determined	7%	Undetermined	20%	

The Company did not identified any indicators of recoverability of intangible assets impairment in the period ended September 30, 2021.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



16. Loans and financing

Loan and financing operations are summarized as follows:

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
In domestic currency	186,461	204,747	258,732	287,770
FINAME (a)	-	-	225	279
FINEP	-	3,839	-	3,839
Working capital (b)	9,598	-	9,626	-
Working capital (c)	-	-	72,018	82,744
Working capital - Law 4.131 (d)	176,863	200,908	176,863	200,908
In foreign currency	166,801	256,024	309,526	346,499
Working capital - Law 4.131	-	103,989	-	103,989
Working capital - Law 4.131 (e)	166,801	156,180	166,801	156,180
Working capital - Law 4.131 (f)	-	-	4,555	8,106
Advance on Foreign Exchange Contract ACC (g)	-	-	131,944	61,164
Pre-paid exports- PPE (h)	-	-	6,226	23,788
(+/-) Swap - Working capital	-	(4,145)	-	(6,728)
Total	353,262	460,771	568,258	634,269
Current	100,293	142,160	271,040	239,483
Non-current	252,969	318,611	297,218	394,786

As at September 30, 2021 contract maturities and the interest rates and charges on loans were as follows:

- Finame: 6.0% p.a., with monthly payments and maturity in October 2024;
- Working capital: denominated in Brazilian Reais at an average interest rate of 1.80% p.a. CDI and maturity in December 2026;
- Working capital: denominated in Brazilian Reais, plus interest rate, average as at September 30, 2021 of CDI + 3.27% p.a. Contract maturity in March 2025;
- Working capital – Law 4.131: denominated in Brazilian Reais at 1.85% p.a., limited to the CDI. Maturities until December 2022;
- Working capital – Law 4.131: denominated in US Dollars, plus interest rate at an average as at September 30, 2021 of CDI + 2.35% p.a. Contract maturity in December 2022;
- Working capital – Law 4.131: denominated in US Dollars with swap into Brazilian Reais, plus interest rate at an average as at September 30, 2021 of CDI + 3.24% p.a. Contract maturity in April 2023;
- Advance on Foreign Exchange Contract (ACC): denominated in US Dollars, plus interest rate at an average as at September 30, 2021, of 2.12% p.a. plus exchange rate. Several contracts maturing until August 2022;
- Pre-paid exports (PPE): denominated in US Dollars, plus interest rate at an average as at September 30, 2021 of 3.17% p.a. plus exchange rate, maturity in December 2021;

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



16. Loans and Financing--Continued

Detailed changes on the Company's loans are shown next:

Parent Company	FINEP	Operation 4131	Working capital	Total
Balance at 12/31/2019	8,957	40,301	-	49,258
Raised	-	527,344	-	527,344
Installment payments	(5,118)	(134,762)	-	(139,880)
Interest payments	(234)	(4,710)	-	(4,944)
Provision for interest and exchange rate	234	28,759	-	28,993
Balance at 12/31/2020	3,839	456,932	-	460,771
Raised	-	-	9,500	9,500
Installment payments	(3,839)	(130,313)	-	(134,152)
Interest payments	-	(6,332)	(5)	(6,337)
Provision for interest and exchange rate	-	23,377	103	23,480
Balance at 09/30/2021	-	343,664	9,598	353,262

Consolidated	FINAME	PPE	ACC	FINEP	Operation 4131	Working capital	Total
Balance as at 12/31/2019	350	64,722	66,454	8,957	40,301	-	180,784
Raised	-	18,583	6,925	-	616,302	-	641,810
Installment payments	(53)	(64,722)	(8,104)	(5,118)	(135,888)	-	(213,885)
Interest payments	(37)	33	(3,847)	(234)	(4,969)	-	(9,054)
Provision for interest and exchange rate	19	5,172	(264)	234	29,453	-	34,614
Balance as at 12/31/2020	279	23,788	61,164	3,839	545,199	-	634,269
Raised	-	4,646	113,982	-	20	9,531	128,179
Installment payments	-	(23,788)	(30,058)	(3,839)	(147,301)	(3)	(204,988)
Interest payments	(73)	10	(2,793)	-	(9,087)	(5)	(11,948)
Provision for interest and exchange rate	18	1,570	(10,351)	-	31,406	104	22,747
Balance as at 09/30/2021	224	6,226	131,944	-	420,237	9,627	568,258

16. Loans and Financing--Continued

The maturity profile of non-current liability balance at September 30, 2021 is as follows:

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
2022	243,470	318,611	248,844	358,751
2023	2,488	-	27,168	22,668
2024	2,714	-	15,147	11,772
2025	2,714	-	4,476	1,595
2026	1,583	-	1,583	-
Total	252,969	318,611	297,218	394,786

Loans are guaranteed by surety from the group companies and bank bonds, and include no covenants in connection with financial indicators; all contracts are compliant with the applicable qualitative covenants. Finame contracts are collateralized by the respective underlying assets.

Other guarantees and obligations

The Company has in place a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A to maintain a credit line intended for “Arezzo” franchisees with establishments in the bank’s area of operations. The arrangement relies on funds from the Constitutional Fund for Financing in the Northeast Region (“Fundo Constitucional de Financiamento da Região Nordeste” – FNE) to finance (third-party) for the purposes of store modernizations in line with the Company’s own standards, as well as for the costs associated with the respective operations as working capital, if needed.

According to the agreement, the Company will provide guarantee for the operations by means of a corporate bond, where so retained by the franchisees. As at September 30, 2021, the amount of these operations was BRL 721 (BRL 1,333 as at December 31, 2020).

The Company has a technical and financial cooperation agreement with Banco Alfa to maintain a credit line intended for “Arezzo” franchisees. The arrangement relies on BNDES funds to finance (third-party) store modernizations in line with the Company’s own standards, as well as for the costs associated with the respective operations. The Company provides surety for the operations and as at September 30, 2021, the balance of operations guaranteed by the Company was BRL 1,531 (BRL 6,605 as at December 31, 2020).

There is no history of losses for the Company from operations of this type.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



17. Suppliers

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Domestic suppliers	96,399	79,466	173,721	133,212
Drawee risk operation (a)	235,214	247,326	278,164	262,591
Related parties (Note 12.a)	15,173	5,968	-	-
Foreign suppliers	2,640	3,061	6,027	3,386
Total suppliers	349,426	335,821	457,912	399,189

- a) The Company has executed agreements with Banco Itaú Unibanco S/A to structure confirming operations with its main suppliers. In this operation, suppliers transfer their rights to collect on invoices to the Bank, which the creditor thereof. Management continues to pay suppliers within 120 days. We are pursuing these payment periods as a strategy, without changing the essence of the confirming operation and without generating additional costs or leading to price changes.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)

18. Lease operations

a) Change in right of use assets

	Parent Company	Consolidated
Total right of use assets as at 12/31/2019	27,385	204,495
Additions	3,141	16,327
Disposals	(2,270)	(44,675)
Depreciation	(5,748)	(36,842)
Foreign Currency change	-	49,351
Total right of use assets as at 09/30/2020	22,508	188,656
Total right of use assets as at 12/31/2020	20,597	205,069
Additions	2,510	32,023
Disposals	-	(296)
Depreciation	(6,150)	(44,509)
Foreign Currency change	-	4,924
Total right of use assets as at 09/30/2021	16,957	197,212

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



18. Lease operations--Continued

b) Change in lease liabilities:

	Parent Company	Consolidated
Lease liabilities as at 12/31/2019	28,646	209,058
Present-value adjustment	(286)	(1,360)
Payments	(6,527)	(38,407)
Interest on lease	1,094	4,227
Additions	3,427	17,686
Write-downs	(1,931)	(45,568)
Foreign currency change	-	51,580
Lease liabilities as at 09/30/2020	24,423	197,216
Lease liabilities as at 12/31/2020	22,548	213,360
Present-value adjustment	(69)	(5,527)
Payments	(7,063)	(49,255)
Interest on lease	978	6,521
Additions	2,579	37,746
Write-downs	-	(313)
Foreign currency change	-	5,134
Lease liabilities as at 09/30/2021	18,972	207,665
Current	5,614	52,351
Non-current	13,358	155,314

c) Future obligations

Pursuant to CVM Circular Notice No. 02/2019 and CPC 06 (R2) / IFRS 16, justified by the fact that the Company does not apply the nominal flows methods because of the IFR ban on future inflation forecasts, and to provide additional information to users, the table next shows the maturity analysis of contracts and undiscounted obligations as at September 30, 2021:

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



18. Lease operations--Continued

c) Future obligations-- Continued

	Cash flow (present value)		Gross contract cash flow	
	Non-current liabilities			
	Parent Company	Consolidated	Parent Company	Consolidated
2021	2,237	14,725	2,507	16,771
2022	4,536	48,441	5,406	55,051
2023	3,580	43,550	4,206	48,058
2024	2,623	36,371	3,050	39,097
2025	1,826	28,332	2,132	29,854
2026 and later	4,170	36,248	4,443	37,392
Total	18,972	207,665	21,745	226,225
Potential PIS and COFINS credit	1,755	9,413	2,011	10,567

d) Lease payments reconciliation:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cash outlays (CFS)	(7,219)	(6,880)	(55,038)	(39,298)
Payments in the period	(7,063)	(6,527)	(49,255)	(38,407)
Short-term contracts	(156)	(353)	(854)	(412)
Low-denomination contracts	-	-	(226)	(7)
Variable contract installments	-	-	(4,703)	(472)

19. Provisions for labor, tax and civil liabilities

The Company and its subsidiaries, in the regular course of operations, become involved in court and administrative proceedings regarding tax, social security, labor and civil matters. Management, based on information from its legal counsel and the analysis of pending judiciary matters, has created provisions at an amount deemed sufficient to cover probable and expected losses from ongoing proceedings in association with escrow deposits, as follows:

	Parent Company		Consolidated	
	9/30/21	12/31/20	9/30/21	12/31/20
Labor	6,294	3,990	11,665	10,289
Tax	1,675	1,675	2,044	2,044
Civil	45	56	368	595
Total provisions for labor, tax and civil liabilities	8,014	5,721	14,077	12,928

Labor: The Company and its subsidiaries are party to labor claim proceedings mostly associated with overtime pay and the respective social charges, hazardous work pay, wage leveling, and integration of allowances into wages. Management, based on the opinion of the Company's legal advisors and historical outcomes of similar cases, believes that the provisioned amounts are sufficient to cover probable losses.

Tax: The Company and its subsidiary ZZSAP are party to tax lawsuits concerning the increase in the Accident Prevention Factor's rate, for which escrow deposits have been made at the appropriate amounts. Management, based on the opinion of the Company's legal advisors and historical outcomes of similar cases, believes that the provisioned amounts are sufficient to cover probable losses.

Civil: The Company and its subsidiaries are party to civil proceedings whose claims are mostly related with moral and material damages claimed and the collection of bank slips. Management, based on the opinion of the Company's legal advisors and historical outcomes of similar cases, believes that the provisioned amounts are sufficient to cover probable losses.

Management, based on the opinion of the Company's legal advisors and the analysis of pending court cases, has formed provisions at an amount deemed sufficient to cover probable losses expected from the outcome of ongoing lawsuits, as follows:

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



19. Provisions for labor, tax and civil liabilities--Continued

Parent Company	Labor	Tax	Civil	Total
Balance as at 12/31/2020	3,990	1,675	56	5,721
Additions/balance update	7,084	-	5	7,089
Reversals/payments	(4,780)	-	(16)	(4,796)
Balance as at 09/30/2021	6,294	1,675	45	8,014

Consolidated	Labor	Tax	Civil	Total
Balance as at 12/31/2020	10,289	2,044	595	12,928
Additions/balance update	8,308	-	69	8,377
Reversals/payments	(6,932)	-	(296)	(7,228)
Balance as at 09/30/2021	11,665	2,044	368	14,077

The Company and its subsidiaries are party to other labor, tax and civil cases at the administrative and judiciary levels, as at September 30, 2021, in an approximate amount of BRL 127,542 (BRL 86,152 as at December 31, 2020) whose estimated loss has been deemed possible by the Company's legal advisors, and are therefore not subject to provisioning. The breakdown of the amount as at September 30, 2021 was BRL 49,046, BRL 67,956, and BRL 10,538, respectively, in labor, tax and civil cases (BRL 69,595, BRL 6,778, and BRL 9,779 as at December 31, 2020).

Some of the lawsuits before administrative panels and the courts include:

- i. Administrative Proceeding No. 15504-725.206/2018-80, arising from a notice given on 10/11/2018 that constituted a tax credit in connection with the Employer Contribution to Social Security ("Cota Patronal") and with the Contribution from Other Entities and Funds ("Third Party Contribution") for the period from September 2014 to September 2017, accrued of late-payment interest and pro-rated fine because, according to the tax authorities, the Company compensated its employees and individual contributors through awards of stock options under the "Stock Options Plan", which, as construed by the Federal Revenue Service, is of a wage-like nature and subject to social security contributions. The case in question was challenged under the argument that the Company's "Stock Options Plan" is of a mercantile nature. The case currently awaits an Administrative tax Appeals Panel ruling on the Voluntary Appeals filed on behalf of the principal obligor (Arezzo Indústria e Comércio S.A.) and joint-and-the several obligors (ZZAB, ZZEXP e ZZSAP), in the light of ruling No. 14-91.305, which denied the taxpayer's challenge. Loss is deemed "possible", in an amount of approximately BRL 6,608.

19. Provisions for labor, tax and civil liabilities--Continued

- ii. Motion to Vacate 00000033-68.2017.8.21.0087 before the 2nd Civil Court Office of Campo Bom/RS towards annulling the tax debit arising from Notice (AL) No. 25771370, drawn under charges of inappropriate ICMS crediting in connection with the shipment of merchandise to buyers established in the Manaus Free Trade Zone (“Zona Franca de Manaus” - ZFM) and Free Trade Areas (“Áreas de Livre Comércio” ALCs) in the period from February 2008 to December 2011. CDA No. 019/0543060. In parallel with the Motion to Vacate, the Revenue Service filed Tax Assessment Case No. 0006055-45.2017.8.21.0087 under enjoinder with the Motion to Vacate. The court decided against the Company and vacated the notice.
The Company awaits judgment of the appeal by the Rio Grande do Sul Court of Appeals. Loss is deemed “possible” in the amount of approximately BRL 8,617.
- iii. Case No. 5001519-32.2019.8.21.0087 – Plea for Urgent Injunction – against the drawing of Notice (“Auto de Infração”) No. AI: 8225966 by the Rio Grande do Sul State Revenue Service on July 21, 2018, in connection with the shipment of merchandise to buyers established in the Manaus Free Trade Zone and Free Trade Areas from 06/01/2013 to 03/31/208. According to the tax authorities. The following irregularities were found: (i) nonpayment of the tax arising from shipment of goods to municipalities with no tax benefits (ICMS exemption); (ii) nonpayment of tax arising from shipment of imported goods to the Manaus Free Trade Zone and Free Trade Areas; (iii) nonpayment of tax arising from shipment of goods to the Manaus Free Trade Zone and Free Trade Areas without proof of effective entry of such goods as formalized by SUFRAMA; and (iv) inappropriate tax crediting due to absent ICMS reversal in goods shipments to the Manaus Free Trade Zone and Free Trade Areas. We secured an injunction suspending enforceability of the tax bill. Loss is deemed “possible”, in the amount of BRL 10,002.
- iv. Motion to Vacate No. 1015792-98.2017.4.01.3400 before the 4th Federal Court of the Federal District Circuit, towards suspending and nullifying the tax assessments reflected in Notices (“Autos de Infração”) that are the subject of Administrative Proceeding No. 15504.725551/2013-17 (for alleged omission of interest revenues arising from loan agreements with subsidiaries in Calendar Years 2008 and 2009; excessive deduction of expenses arising from payment of Interest on Shareholders’ Equity, and allegedly inappropriate amortization of the goodwill paid in the Company’s acquisition by BRICS on 11/08/2007), as well as declaration of the company’s right to deduct goodwill amortization expenses at least from the taxable base for Social Contribution on Net Earnings and the cancelation of isolated fines imposed for failure to pay estimations at the amount deemed due, pursuant to Article 44, item II, of Law No. 9.430/1996 (at the 50% bracket). The case awaits expert audit as requested by the Company to show that the transaction conducted at the time of the acquisition of the shares by BRICS displayed material economic soundness and business purposes. A loss is deemed “possible” in an amount of approximately BRL 29,423.

19. Provisions for labor, tax and civil liabilities--Continued

Contingent assets

The Parent Company and its subsidiary Tiferet have filed to recover taxes paid, for which legal counsel deems the prognosis of success probable. Some of the main cases: i) exclusion of the ICMS Tax Rate Difference (“Diferencial de Alíquota de ICMS” – DIFAL) in interstate sale operations with natural and legal entities that are not ICMS taxpayers.

- i. Exclusion of the ICMS Tax Rate Difference (DIFAL), in interstate sales of goods to natural and legal entities that are not ICMS taxpayers: Subsidiaries ZZAB and Tiferet filed suit in several states to challenge the applicability of DIFAL to interstate merchandise sales to natural and legal entities that are not ICMS taxpayers.

On February 24, 2021, the Supreme Court (STF) ruled the imposition of DIFAL unconstitutional in the absence of a regulating Complementary Law, at which point the taxpayers’ claim was accepted and shall become effective at all levels of the Judiciary. The STF modulated its ruling so that it would be effective starting in 2022, except for companies that had filed suit before the ruling.

Because of the ruling in favor of taxpayers, the subsidiaries requested in each of their suits the suspension of monthly escrow deposits and, once the ruling became final, the reversal of all amounts previously deposited. The subsidiaries have already been given favorable rulings releasing them from the DIFAL for as long as no Complementary Law is in force as required by Stare Decisis Topic 1093. This corresponds to savings of approximately BRL 12,545 for ZZAB and BRL 2,168 for Tiferet, for a total BRL 14,714.

In parallel, while no injunction is granted, the subsidiaries continue to make the required escrow deposits. The Company awaits a final ruling on each of the suits to reverse the deposits, which currently amount to BRL 22,565 for ZZAB and BRL 2,386 for Tiferet.

As these are contingent assets, their measurement and recognition will take place in line with the favorable rulings, when these become final.

Applicable Law

According to the laws in force in Brazil, federal, state and municipal taxes and social charges remain subject to examination by the respective authorities for periods from 5 to 30 years. The laws of the United States (where some of the Company’s subsidiaries operate) provide different expiration periods.

19. Provisions for labor, tax and civil liabilities--Continued

Escrow deposits and court guarantees

As at September 30, 2021, the balance of escrow deposits was BRL 19,826 for the Parent Company (BRL 17,585 as at December 31, 2020) and BRL 51,209 Consolidated (BRL 30,970 as at December 31, 2020).

The Company uses the court guarantee mode, as governed by the laws in force, as a form of procedural guarantee and/or in lieu of collateral. It is the most economical instrument currently available, and preserves the Company's equity and capital. As at September 30, 2021, the balance of such court guarantees was BRL 84,474.

20. Equity capital and reserves

20.1 Share capital

As at September 30, 2021 the Company's share structure included 99,631 thousand common shares.

	Shares (thousands)	Equity Capital BRL
Balance as at 12/31/2019	90,954	352,715
Shares issued	8,677	615,209
Balance as at 12/31/2020	99,631	967,924
Capital reserve formed	-	(159,209)
Balance as at 09/30/2021	99,631	808,715

20.2 Capital Reserves

Capital reserve in the amount of BRL 158,238, made up of the positive difference between the closing trading price of the Company's shares on the date of the capital increase and the shares' issue price, as per the Minutes of the Extraordinary General Meeting held November 27, 2020.

20.3 Treasury Shares

As at September 30, 2021, the balance of treasury shares was BRL 96 (BRL 191 as at December 31, 2020), equivalent to 1,025 (one thousand and twenty-five) common shares at an average buying price of BRL 93,21.

20. Equity capital and reserves--Continued

20.3 Treasury Shares – Continued

The table below shows the balance of Treasury Shares:

	2021	2020
Balance of shares R\$	96	191
Number of shares	1,025	3,679
Average cost R\$	93.21	52.03

21. Paid and proposed dividends and interest on shareholders' capital

21.1. Dividends

According to the Company's Bylaws, shareholders are entitled to mandatory minimum dividends equal to 25.0% of a fiscal year's net income, adjusted by the formation of legal reserves as per the corporations law. Interest on shareholders' equity, when calculated, are regarded as distribution of profits for the purposes of determining the minimum dividend for distribution.

On April 29, 2021, the Company approved payment of BRL 2,582 as supplementary dividends in connection with the distribution of profits based on the net income of the fiscal year ending December 31, 2021. Payment was made in a cash payment on July 30, 2021, with no restatement to inflation or interest.

21.2. Interest on shareholders' equity – Law No. 9.249/95

For the purposes of compliance with tax laws, the Company booked interest on shareholders' equity against the "financial expenses" entry. For the purposes of the preparation of these financial statements, this interest is paid from income as a debit against the accumulated earnings account, as accounting practice prescribes. Income tax on this interest was retained at a 15.0% tax rate, except for shareholders providing evidence of exemption or immunity, or shareholders with domicile in countries or jurisdictions where the law provides a different rate.

On June 28, 2021, the Company approved payment of BRL 29,591 in anticipated proceeds as interest on shareholders' equity, based on the net income of the fiscal year ending December 31, 2021. The payment was made in cash payment on July 30, 2021.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



22. Earnings per share

The Company provides, next, information on basic and diluted earnings per share for the nine-month periods ended September 30, 2021 and September 30, 2020.

a) Basic earnings per share

	<u>9/30/21</u>	<u>9/30/20</u>
Income/Loss	239,802	(28,465)
Weighted average common shares	99,630	90,950
Basic Income (Loss) per share - BRL	2.4069	(0.3130)

b) Diluted earnings per share

	<u>9/30/21</u>	<u>9/30/20</u>
Income/Loss	239.802	(28.464)
Weighted average common shares	99.630	90.950
Adjustment for share-based plan	170	371
Weighted average number of common shares for diluted earnings per share	99.800	91.321
Diluted Income (Loss) per share - BRL	2,4028	(0,3117)

23. Net operating revenues

Net revenues from sales break down as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>9/30/21</u>	<u>9/30/20</u>	<u>9/30/21</u>	<u>9/30/20</u>
Gross sales revenues	1,341,514	841,476	2,295,038	1,219,326
Domestic market	1,340,708	840,934	2,046,136	1,071,343
Foreign market	806	542	248,902	147,983
Returned sales	(47,003)	(45,273)	(171,033)	(103,335)
Discounts and rebates	(17,042)	(1,406)	(17,049)	(1,457)
Sales taxes	(177,920)	(113,806)	(276,079)	(168,157)
Revenues	1,099,549	680,991	1,830,877	946,377

24. Information by segment

The Company's products are distributed by the brands Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, INK, EVA and BAW Clothing, and on various channels (franchises, multibrand stores, own stores and webcommerce). Management, however, controls and manages them as a single business segment, with centralized oversight, monitoring and evaluation of results.

The Company is organized and has its performance reviewed as a single segment for operational, commercial, managerial and administrative purposes.

This is based on the following factors:

- the Company's structure lacks divisions for management of different produce lines, brands, or sales channels;
- its manufacturing unit operates for more than one brand and more than one sales channel;
- its strategic decisions are based on studies showing comprehensive market opportunities, rather than just opportunities in terms of product, brand or channel performance.

The table next shows the period's gross revenues in consolidated terms and broken down by brand and channel:

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



24. Information by segment--Continued

Gross consolidated revenues by brand and sales channel is as follows:

Brand	9/30/21	9/30/20
Gross Revenues	2,295,038	1,219,326
Domestic market	2,046,136	1,071,343
Arezzo	689,924	464,679
AR&CO (i)	428,015	-
Schutz	413,178	275,253
Vans	255,072	153,498
Anacapri	193,429	133,944
Other (ii)	66,518	43,969
Foreign market	248,902	147,983

Channel	9/30/21	9/30/20
Gross Revenues	2,295,038	1,219,326
Domestic market	2,046,136	1,071,343
Multibrand	587,123	292,308
Franchises	549,726	311,228
Webcommerce	540,557	363,982
Own stores	362,760	103,235
Other	5,970	590
Foreign market	248,902	147,983

(i) A AR&CO compreende as marcas Reserva, Reserva Mini, Oficina Reserva, Reserva Go,EVA, INK e BAW Clothing.

(ii) Inclui as marcas Vans, Alexandre Birman, Fiever, Alme, TROC e My Shoes apenas no mercado interno e outras receitas não específicas das marcas.

Foreign market revenues are not shown broken down by geography because as at September 30, 2021, they represented 10.8% of gross income (12.1% as at September 30, 2020). No clients exist that are individually responsible for more than 5.0% of sales in the domestic and foreign markets.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



25. Expenses by nature

Expenses are recognized by function in the Company's statement of income. The table below provides details on expenses by expense type:

	Parent Company		Consolidated	
	9/30/21	9/30/20	9/30/21	9/30/20
Expenses by function				
Cost of goods sold	(719,643)	(459,444)	(882,895)	(507,358)
Selling expenses	(199,874)	(161,627)	(554,440)	(357,863)
Administrative and general expenses	(110,826)	(81,561)	(203,669)	(110,159)
Other operating revenues	129,536	1,210	143,158	50,425
Other operating expenses	(4,941)	(3,971)	(9,557)	(24,117)
	(905,748)	(705,393)	(1,507,403)	(949,072)
Expenses by nature				
Inputs and raw materials	(723,134)	(462,911)	(895,992)	(514,562)
Payroll expenses	(136,557)	(102,905)	(289,602)	(175,658)
Marketing expenses	(71,476)	(33,762)	(130,199)	(69,155)
Utilities and services	(60,441)	(37,671)	(156,034)	(50,038)
Freight	(20,532)	(12,512)	(61,966)	(37,136)
Depreciation and amortization	(18,203)	(16,063)	(74,879)	(59,796)
Store occupancy expenses	-	-	(32,332)	(4,245)
Unused tax credit (i)	126,134	-	126,134	-
Other operating revenues	3,402	1,210	17,024	-
Other operating expenses	(4,941)	(40,779)	(9,557)	(38,482)
	(905,748)	(705,393)	(1,507,403)	(949,072)

(i) The unused tax credit amount was fully recognized in the Other net operating revenues (expenses) line (Note 10i).

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



26. Financial risk management goals and policies

a) Fair value

The table below shows the book value of the Company's financial assets and liabilities as at September 30, 2021, as well as the respective fair values as calculated by the Company's Management:

	Consolidated			
	9/30/21		12/31/20	
	Book value	Fair value	Book value	Fair value
Cash and cash equivalents	49,047	49,047	38,297	38,297
Financial investments	248,158	248,158	522,868	522,868
Accounts receivable	605,881	605,881	601,388	601,388
Loans and financings	568,258	567,873	634,269	703,595
Suppliers	457,912	457,912	399,189	399,189
Lease	207,665	207,665	213,360	213,360
Liabilities from associate acquisition	86,774	51,274	50,000	50,000

As at September 30, 2021, the Company's consolidated financial assets and liabilities break down into the following financial instrument categories:

	Fair value through profit or loss	Amortized cost
Assets		
Cash and cash equivalents	-	49,047
Financial investments	248,158	-
Accounts receivable	-	605,881
		-
Liabilities		
Loans and financings	-	568,258
Suppliers and acquisition liabilities payable	51,274	457,912
Leases	-	207,665

Fair-value determination relied on the following methods and assumptions:

- Cash and cash equivalents, customers and other accounts receivable, suppliers and accounts payable – Result directly from the operations of the Company and its subsidiaries, being measured at amortized cost and booked at the original value minus a provision for losses and adjustment to present value where applicable. Book value is close to fair value because of these operations' short-term settlement.

26. Financial risk management goals and policies--Continued

a) Fair value--Continued

- Loans and financings – Categorized as other financial liabilities not measured at fair value, and recognized under the amortized cost approach in line with contracted terms and conditions. This definition was adopted because the amounts are not kept for trading, which Management understands to reflect the most relevant accounting information.

a) a.1) Fair value hierarchy

The Company adopts the following hierarchy to determine and disclose the fair value of financial instruments according to the valuation approach:

Level 1: prices as quoted (without adjustment) on active markets for identical assets or liabilities;

Level 2: other approaches for which all the data with significant effects on recognized fair value can be directly or indirectly observed;

Level 3: approaches relying on data with significant effects on recognized fair value that are not based on observed market data.

To measure the fair value of its financial instruments, the Company adopts the active market price valuation approach (Level 1_ and the observed prices valuation approach (Level 2).

b) Foreign exchange risk exposure

The outcome of the operations of the Parent Company and its subsidiaries is affected by the US Dollar foreign exchange risk factor because revenues from sales are partly associated with this currency. To minimize foreign exchange risk, almost all of the Company's exports feature US Dollar-denominated financing.

As at September 30, 2021 and December 31, 2020 the net exposure to the US Dollar was as follows:

	Consolidated	
	9/30/21	12/31/20
Foreign currency accounts receivable (i)	17,931	13,650
Foreign currency-denominated loans and financing	(309,526)	(346,499)
Foreign currency suppliers payable	(6,027)	(3,061)
Net exposure	(297,622)	(335,910)

(i) Excludes foreign currency-denominated related-party balances.

26. Financial risk management goals and policies--Continued

b) Foreign exchange risk exposure--Continued

To determine the sensitivity of the exchange rate on the loans to which the Company was exposed on the as-of date September 30, 2021, three different scenarios were drawn and a sensitivity analyses was done on variation of the instruments' indices.

The table below shows three scenarios, the probable one being the scenario that the Company adopts. Based on the TJLP and CDI rates as at September 30, 2021, a probable scenario was drawn for 2021, and 25.0% and 50.0% changes were calculated based on it.

Operation	Curren cy	Probable scenario	Scenario A	Scenario B
Exchange rate appreciation				
Foreign currency accounts receivable	BRL	17,931	22,414	26,897
Foreign currency loans and financings	BRL	(309,526)	(386,908)	(464,290)
Foreign currency supplier accounts payable	BRL	(6,027)	(7,535)	(9,042)
Appreciation of the reference exchange rate			25%	50%
US Dollar		5.44	6.80	8.16
Effect on earnings before taxes	BRL		<u>(74,407)</u>	<u>(148,813)</u>

c) Interest rate risk exposure

The company is exposed to interest rate risks because of loans taken that are pegged to the TJLP and CDI. The rates are shown in Note 16.

As at September 30, 2021, the balance of loans and financings breaks down as follows in terms of the applicable interest rates:

	Consolidated	
	9/30/21	%
Fixed interest rate	138,394	24.0
TJLP-based interest rate	9,627	2.0
CDI-based interest rate	420,238	74.0
	<u>568,258</u>	<u>100.0</u>

26. Financial risk management goals and policies--Continued

c) Interest rate risk exposure--Continued

To determine the sensitivity of the indices on the loans to which the company was exposed on the as-of date September 30, 2021, three different scenarios were drawn and a sensitivity analysis was carried out in connection with variations on the instruments' indices.

The table below shows three scenarios, the probable one being the scenario that the Company adopts. Based on the TJLP and CDI rates as at September 30, 2021, a probable scenario was drawn for 2020, and 25.0% and 50.0% changes were calculated based on it, as CVM Instruction No. 475 requires.

Each scenario shows gross interest expense excluding taxes, and each contract's maturities schedule. The as-of date was September 30, 2021, with the indices forecast over a one-year horizon to determine sensitivity to them in each scenario.

Operation	Curren cy	Probable Scenario	Scenario A	Scenario B
Increase in interest expense				
Financing - TJLP	BRL	512	640	768
Financing - CDI	BRL	25,845	32,306	38,766
		26,357	32,946	39,534
Increase in financial liabilities' referece rate			25%	50%
TJLP		5.32%	6.65%	7.98%
CDI		6.15%	7.69%	9.23%

d) Credit risk

Credit risk emerges from potential issues collecting on mercantile sales.

The Parent Company and its subsidiaries are also exposed to credit risk arising from their financial investments.

The balance of customer accounts receivable is largely denominated in Brazilian Reais and distributed across several customers. To mitigate credit risk, the Company has been individually evaluating new customers, but, following market practices, only demands early payment from customers regarded as high risk. No individual clients represented more than 5.0% of the Company's total accounts receivable as at September 30, 2021 and December 31, 2020.

26. Financial risk management goals and policies--Continued

d) Credit risk--Continued

Management monitors its receivables portfolios' risk in a timely manner and adjusts the Company's income statement based on the analysis of unrecoverable credit risks. Analysis covers receivables, customer payment histories, security offered and renegotiations with surety providers. The amounts recognized as effective losses or provisions for losses reflect unrecoverable accounts receivable and risks of low recovery.

Concerning the credit risk associated with financial institutions, the Company and its subsidiaries only use top-tier financial institutions.

e) Liquidity risk

Liquidity risk concerns the potential for the Parent Company and its subsidiaries to lack sufficient funds to honor their obligations in the light of the various currencies and maturities of their rights and obligations.

Management monitors the Parent Company's and its subsidiaries' liquidity and cash flow on a daily basis to ensure that operational cash management and anticipated fundraising, as needed, are sufficient to honor obligations as they come due, preventing liquidity risks.

The table next shows the contracted payments that the Company's financial liabilities require:

	Up to 1 year	1-5 years	Total
Loans and financings	271,040	297,218	568,258
Suppliers	457,912	-	457,912
Lease	58,676	167,549	226,225

f) Capital management

The purpose of the Company's capital management is to ensure maintaining a strong credit rating before institutions and an optimum capital ratio to support the Company's business and maximize shareholder value.

The Company controls its capital structure by means of adjustments for adequacy to ongoing economic circumstances. To this end, the Company may pay dividends, return capital to shareholders, contract new loans, issue debentures, issue promissory notes, and execute derivatives operations. There have been no changes in capital structure goals, policies or processes during the period ending September 30, 2021 and the fiscal year ending December 31, 2020.

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



26. Financial risk management goals and policies--Continued

f) Capital management--Continued

Financial leverage ratios as at September 30, 2021, and December 31, 2020, can be summarized as follows:

	Consolidated	
	9/30/21	12/31/20
Loans and financings	(568,258)	(634,269)
Cash and cash equivalents	49,047	38,297
Financial investments	248,158	522,868
Net cash deficit	(271,053)	(73,104)
Total capital	1,546,535	1,348,597
Financial leverage ratio - %	(17.53)	(5.42)

27. Interest income/loss

	Parent Company		Consolidated	
	9/30/21	9/30/20	9/30/21	9/30/20
Interest revenues				
Return on financial investments	5,022	7,985	9,449	8,916
Interest received	1,534	1,643	2,156	1,060
Other revenues	2,690	1,165	7,427	1,757
	9,246	10,793	19,032	11,733
Interest expenses				
Interest payments on financings	(13,109)	(9,449)	(21,985)	(13,472)
Bank expenses	(4,439)	(3,401)	(5,929)	(4,309)
Notarial fees	(1,326)	(2,891)	(1,331)	(2,901)
Interest payments on leases	(881)	(1,003)	(5,216)	(3,963)
Discounts granted	(4,078)	(1,958)	(6,420)	(1,988)
Credit card management fee	-	-	(14,047)	(8,389)
Other expenses	(711)	(762)	(3,777)	(879)
	(24,544)	(19,464)	(58,705)	(35,901)
Exchange Rate Variation, Net				
Exchange rate variation on assets	9,334	13,682	11,407	48,879
Exchange rate variation on liabilities	(12,562)	(15,456)	(11,892)	(41,392)
	(3,228)	(1,774)	(485)	7,487
Total	(18,526)	(10,445)	(40,158)	(16,682)

(Amounts shown in thousands of Brazilian Reais – BRL, except where otherwise indicated)



28. Share-based compensation

28.1 Restricted shares plan

Changes in the restricted shares plan is shown as follows:

	1st Award	2nd Award	3rd Award	4th Award	Total
Balance as at 12/31/2020	246,182	23,945	23,945	-	342,092
Awarded (*)	-	-	-	44,319	44,319
Exercised (**)	(123,091)	(17,992)	(2,661)	-	(143,744)
Written down (***)	-	(8,205)	-	-	(8,205)
Balance as at 09/30/2021	123,091	45,768	21,284	44,319	234,462

(*) Awards before the effects of taxes and performance conditions of the Restricted Shares Plan .

(**) As a reflection of the performance conditions of the Restricted Shares Plan and the impact of taxes, in the 4th strike date (1st award 2017) 135,400 shares were exercised; in the 3rd strike date (2nd award 2018), 19,792 shares were exercised; on the 2nd strike date (3rd award 2019) 2,928 shares were exercised

(***) Written down due to the termination of employees participating in the stock options plan or failure to exercise shares.

On June 01, 2021, the Company awarded 44,319 (forty-four thousand, three hundred and nineteen) restricted shares of the Company.

The number of restricted shares has been adjusted for the probability of employee termination (“turnover”) and the expected distribution of dividends and interest on shareholders’ equity. This expected distribution is based on distributions made in the past 5 years.

The Company has measured the fair value of the shares. In the period ending September 30, 2021, the Company incurred in BRL 4,859 (BRL 3,333 as at September 30, 2020) associated with restricted shares plan expenses recognized against shareholders’ equity in a separate capital reserve account.

29. Government subsidies

Presumed ICMS credit

In the 9-month period ending September 30, 2021, the Company had BRL 118,519 (BRL 44,182 as at September 30, 2020) in ICMS tax benefits recognized in net revenues as follows:

	Parent Company		Consolidated	
	9/30/21	9/30/20	9/30/21	9/30/20
ICMS ES tax benefits (a)	54,048	24,882	76,163	44,182
ICMS RJ tax benefits (b)	-	-	42,356	-
Total	54,048	24,882	118,519	44,182

a) The State of Espírito Santo, through Ordinances 088-R, of October 29, 2015, and 077-R, of September 01, 2016, included the company, through its parent company and one subsidiary, respectively, in the State Development Bureau's Competitiveness Contract List for the purposes of ICMS tax benefits.

b) The State of Rio de Janeiro, through Law No. 6.331, of October 10, 2012, granted an ICMS tax rate reduction to shipments made, in favor of manufacturers of textile goods, fabric articles, makers of garments, clothing articles and tailors' supplies, which provided benefits to subsidiary VQV through Tiferet Comércio de Roupas Ltda.

Condensed Parent Company and
Consolidated Interim Financial
Information

Arezzo Indústria e Comércio S.A.

September 30, 2021

Independent Auditors' Report on Review
of Condensed Parent Company and
Consolidated Interim Financial
Information



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Report on Review of Condensed Parent Company and Consolidated Interim Financial Information

To the Officers and Shareholders of
Indústria e Comércio S.A.

Arezzo

Belo Horizonte – MG

Introduction

We have reviewed the accompanying condensed parent company and consolidated balance sheet of Arezzo Indústria e Comércio S.A. (“Company”) as at September 30, 2021, the condensed parent company and consolidated statements of income and comprehensive income for the three and nine-months period then ended, condensed parent company and consolidated changes in equity and cash flows for the nine-months period then ended, and notes, comprising significant accounting policies and other explanatory information to the condensed interim financial information (“the condensed parent company and consolidated interim financial information”). Management is responsible for the preparation and presentation of the condensed parent company financial information in accordance with CPC 21 (R1) – Interim Financial Reporting and the condensed consolidated interim financial information in accordance with CPC 21 (R1) – Interim Financial Reporting and IAS 34, ‘Interim Financial Reporting’, as issued by the International Accounting Standards Board - IASB. Our responsibility is to express a conclusion on these condensed parent company and consolidated interim financial information based on our review.

Scope of review

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

Conclusion on the condensed parent company interim financial information



Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed parent company interim financial information as at September 30, 2021, is not been prepared, in all material respects, in accordance with CPC 21 (R1) – Interim Financial Reporting.

Conclusion on the condensed consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at September 30, 2021, is not been prepared, in all material respects, in accordance with CPC 21 (R1) – Interim Financial Reporting and IAS 34- Interim Financial Reporting.

Other matters

Statements of added value

The interim financial information mentioned above includes the condensed parent company and consolidated statements of added value (DVA) for the nine-month period ended September 30, 2021, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34. The condensed statements of added value were subject to the review procedures performed in conjunction with the review of the interim financial information of the Company. In order to form our conclusion, we evaluated whether the statements of added value are reconciled to the condensed interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, nothing has come to our attention that causes us to believe that the statements of added value, referred to above have not been prepared, in all material respects, according to the criteria set on the Technical Pronouncement CPC 09 and consistently with the condensed parent company and consolidated interim financial information taken as a whole.



Corresponding values

The parent company and consolidated corresponding values comprising the balance sheet as of December 31, 2020 were previously audited by other independent auditors who issued an unmodified audit report on March 1, 2021 and the statements of income and comprehensive income for the three and nine-month period ended September 30, 2020 and changes in equity and cash flows for the nine-month period ended September 30, 2020 were reviewed by other independent auditors who issued an unqualified review report on November 9, 2020. The parent company and consolidated corresponding values comprising the statements of added value for the nine-month period ended September 30, 2020, were submitted to the same review procedures by those independent auditors and, based on their review, those independent auditors issued a report stating that nothing has come to their attention that causes them to believe that the statement of the added value has not been prepared, in all material respects, consistent with the condensed parent company and consolidated interim financial information taken as a whole.

Porto Alegre, October 29, 2021

KPMG Auditores Independentes Ltda.

CRC 2SP014428/O-6

Cristiano Jardim Seguecio

Accountant CRC SP-244525/O-9 T-RS