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Company information / Capital composition

Number of shares (in thousands)	Financial year ended December 31, 2022
Paid-up capital	
Common shares	110,186,077
Preferred shares	0
Total	110,186,077
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
1	Total assets	4,084,636	2,664,878	2,355,157
1.01	Current assets	1,605,933	725,701	850,035
1.01.01	Cash and cash equivalents	8,006	2,448	3,291
1.01.02	Cash investments	178,204	69,775	347,640
1.01.02.01	Cash investments at fair value through profit or loss	178,204	69,775	347,640
1.01.02.01.03	Cash investments at fair value	178,204	69,775	347,640
1.01.03	Trade and other receivables	722,725	481,059	385,479
1.01.03.01	Trade receivables	722,725	481,059	385,479
1.01.04	Inventories	478,256	133,698	85,694
1.01.06	Taxes recoverable	165,562	16,942	11,461
1.01.06.01	Current tax assets	165,562	16,942	11,461
1.01.08	Other current assets	53,180	21,779	16,470
1.01.08.03	Other	53,180	21,779	16,470
1.02	Non-current assets	2,478,703	1,939,177	1,505,122
1.02.01	Long-term receivables	326,325	329,182	144,863
1.02.01.04	Trade and other receivables	327	2,016	2,564
1.02.01.04.01	Trade receivables	327	2,016	2,564
1.02.01.07	Deferred tax assets	171,761	178,775	48,850
1.02.01.07.01	Deferred income tax and social contribution	83,669	51,140	48,850
1.02.01.07.02	Taxes recoverable	88,092	127,635	0
1.02.01.09	Receivables from related parties	117,841	109,917	75,548
1.02.01.09.02	Receivables from subsidiaries	20,242	25,730	30,523
1.02.01.09.05	Loans to related parties	97,599	84,187	45,025
1.02.01.10	Other non-current assets	36,396	38,474	17,901
1.02.01.10.03	Judicial deposits	25,282	19,772	17,585
1.02.01.10.04	Other receivables	11,114	12,275	316
1.02.01.10.05	Derivative financial assets	0	6,427	0
1.02.02	Investments	927,670	1,458,891	1,253,681
1.02.02.01	Equity-accounted investees	924,810	1,456,431	1,251,565

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
1.02.02.01.02	Investments in subsidiaries	924,810	1,456,431	1,251,565
1.02.02.02	Investment properties	2,860	2,460	2,116
1.02.02.02.01	Investment properties	2,860	2,460	2,116
1.02.03	Property, plant and equipment	331,482	70,033	49,068
1.02.03.01	Property, plant and equipment in operation	331,482	70,033	49,068
1.02.04	Intangible assets	893,226	81,071	57,510
1.02.04.01	Intangible assets	893,226	81,071	57,510
1.02.04.01.02	Trademarks and patents	263,207	8,795	5,582
1.02.04.01.03	Key money	0	3,372	0
1.02.04.01.04	Software licenses	150,621	68,904	51,928
1.02.04.01.06	Goodwill	467,659	0	0
1.02.04.01.07	Customer relationships	11,739	0	0

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
2	Total liabilities	4,084,636	2,664,878	2,355,157
2.01	Current liabilities	1,145,524	977,542	600,230
2.01.01	Salaries, vacation pay and social charges payable	132,497	57,461	31,699
2.01.01.01	Social charges	11,867	4,741	2,852
2.01.01.02	Salaries and vacation pay	120,630	52,720	28,847
2.01.02	Trade payables	649,454	459,056	335,821
2.01.02.01	Domestic suppliers	627,007	454,050	332,760
2.01.02.02	Foreign suppliers	22,447	5,006	3,061
2.01.03	Tax liabilities	17,527	18,433	8,761
2.01.03.01	Federal taxes	11,727	15,978	8,409
2.01.03.01.02	Other federal taxes	11,727	15,978	8,409
2.01.03.02	State taxes	5,654	2,421	334
2.01.03.03	Local taxes	146	34	18
2.01.04	Loans and borrowings	156,756	337,348	142,160
2.01.04.01	Loans and borrowings	156,756	337,348	142,160
2.01.04.01.01	In local currency	236	165,070	41,369
2.01.04.01.02	In foreign currency	156,520	172,278	100,791
2.01.05	Other liabilities	189,290	105,244	81,789
2.01.05.02	Other	189,290	105,244	81,789
2.01.05.02.01	Dividends and interest on capital payable	72,169	55,962	0
2.01.05.02.04	Other	81,054	44,557	75,976
2.01.05.02.05	Lease liabilities	34,294	4,725	5,813
2.01.05.02.06	Derivative financial liabilities	1,773	0	0
2.02	Non-current liabilities	285,320	96,756	406,330
2.02.01	Loans and borrowings	9,500	9,500	318,611
2.02.01.01	Loans and borrowings	9,500	9,500	318,611
2.02.01.01.01	In local currency	9,500	9,500	318,611
2.02.02	Other liabilities	166,346	13,886	16,735
2.02.02.02	Other	166,346	13,886	16,735

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
2.02.02.02.04	Lease liabilities	114,838	13,886	16,735
2.02.02.02.05	Loans from related parties	51,508	0	0
2.02.04	Provisions	109,474	73,317	70,771
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	11,726	7,785	5,721
2.02.04.01.02	Provision for social security and labor proceedings	8,353	6,060	3,990
2.02.04.01.04	Provision for civil proceedings	1,698	50	56
2.02.04.01.05	Provision for tax proceedings	1,675	1,675	1,675
2.02.04.02	Other provisions	97,748	65,532	65,050
2.02.04.02.04	Provision for net capital deficiency	95,284	65,532	65,050
2.02.04.02.05	Other payables	2,464	0	0
2.02.06	Deferred income and revenue	0	53	213
2.02.06.02	Deferred revenue	0	53	213
2.03	Equity	2,653,792	1,590,580	1,348,597
2.03.01	Paid-up capital	1,671,716	811,284	967,924
2.03.02	Capital reserves	176,094	196,925	49,229
2.03.02.02	Special reserve for goodwill arising from merger	0	21,470	21,470
2.03.02.05	Treasury shares	-46	-3,105	-191
2.03.02.07	Capital reserve	176,140	158,239	0
2.03.02.09	Reserve for restricted stock plan	0	20,321	27,950
2.03.04	Revenue reserves	814,396	591,478	338,414
2.03.04.01	Legal reserve	78,746	57,511	57,511
2.03.04.05	Retained earnings reserve	174,861	174,861	50,384
2.03.04.07	Tax incentive reserve	560,789	309,106	227,937
2.03.04.08	Proposed additional dividend	0	50,000	2,582
2.03.06	Carrying value adjustments	-8,414	-9,107	-6,970

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
3.01	Revenue from sale of goods and/or services	3,241,504	1,720,458	1,113,236
3.02	Cost of sales and/or services	-1,765,656	-1,131,046	-744,694
3.03	Gross profit	1,475,848	589,412	368,542
3.04	Operating expenses/income	-1,051,076	-211,973	-322,817
3.04.01	Selling expenses	-897,831	-308,307	-241,321
3.04.02	General and administrative expenses	-295,459	-166,915	-116,812
3.04.04	Other operating income	58,773	131,169	2,562
3.04.05	Other operating expenses	-18,961	-7,171	-5,428
3.04.06	Share of profit of equity-accounted investees	102,402	139,251	38,182
3.05	Profit before finance costs and taxes	424,772	377,439	45,725
3.06	Net finance costs	-29,073	-25,591	-20,993
3.06.01	Finance income	17,315	26,725	35,802
3.06.01.01	Interest income	49,111	14,626	14,178
3.06.01.02	Foreign exchange gains	-31,796	12,099	21,624
3.06.02	Finance costs	-46,388	-52,316	-56,795
3.06.02.01	Interest expense	-54,023	-35,128	-26,855
3.06.02.02	Foreign exchange losses	7,635	-17,188	-29,940
3.07	Profit before income taxes	395,699	351,848	24,732
3.08	Income tax and social contribution expense	29,010	-6,614	23,852
3.08.01	Current	0	-8,904	-9,802
3.08.02	Deferred	29,010	2,290	33,654
3.09	Profit from continuing operations	424,709	345,234	48,584
3.11	Profit for the period	424,709	345,234	48,584
3.99	Earnings per share			
3.99.01	Basic earnings per share (R$)			
3.99.01.01	Common shares	3.8921	3.4514	0.5302
3.99.02	Diluted earnings per share (R$)			
3.99.02.01	Common shares	3.7642	3.3813	0.5283

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
4.01	Profit for the period	424,709	345,234	48,584
4.02	Other comprehensive income/loss	693	-2,137	-13,790
4.02.01	Foreign currency translation differences for foreign operations	3,035	-2,198	-13,790
4.02.03	Investment losses	-2,342	61	0
4.03	Total comprehensive income for the period	425,402	343,097	34,794

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
6.01	Net cash used in/from operating activities	-7,560	131,316	141,329
6.01.01	Cash flows from operating activities	408,480	274,598	39,039
6.01.01.01	Profit before tax	424,709	345,234	48,584
6.01.01.02	Depreciation and amortization	89,137	26,048	21,663
6.01.01.03	Gain on sale of property, plant and equipment	-675	-764	333
6.01.01.04	Tax credits	-42,930	0	0
6.01.01.05	Share of profit of equity-accounted investees	-102,402	-139,251	-38,182
6.01.01.06	Provision for labor, tax and civil proceedings	2,527	2,064	213
6.01.01.07	Interest and foreign exchange loss on loans	-2,958	33,161	28,994
6.01.01.08	Interest income on cash investments	-26,619	-6,754	-10,170
6.01.01.09	Loss allowance for trade receivables	-1,000	-348	7,553
6.01.01.10	Complementary provision for inventory impairment	1,347	4,666	94
6.01.01.11	Share option and restricted stock plan	16,543	2,661	2,363
6.01.01.12	Interest expense on lease liabilities	8,696	1,267	1,447
6.01.01.13	Income tax and social contribution expense	-29,010	6,614	-23,853
6.01.01.14	Other	71,115	0	0
6.01.02	Changes in assets and liabilities	-399,549	-128,430	107,233
6.01.02.01	Trade receivables	-192,740	-98,915	-99,515
6.01.02.02	Inventories	-220,905	-47,039	-22,501
6.01.02.03	Changes in other current and non-current assets	-11,118	-23,696	-2,438
6.01.02.04	Taxes recoverable	-30,943	-135,948	30,914
6.01.02.05	Judicial deposits	-1,155	-2,187	-2,915
6.01.02.06	Changes in other current liabilities	11,775	0	0
6.01.02.07	Trade payables	78,134	123,249	214,748
6.01.02.08	Salaries and vacation pay	-13,706	23,875	-10,211
6.01.02.09	Taxes and social charges payable	-18,891	12,360	-6,888
6.01.02.11	Other liabilities	0	19,871	6,039
6.01.03	Other	-16,491	-14,852	-4,943
6.01.03.01	Income tax and social contribution paid	0	-4,920	0

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
6.01.03.02	Interest paid on loans	-16,491	-9,932	-4,943
6.02	Net cash used in/from investing activities	-277,788	92,710	-384,648
6.02.01	Acquisition of property, plant and equipment and intangible assets	-179,308	-65,475	-29,147
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	0	915	922
6.02.03	Cash investments	-88,678	282,444	-116,264
6.02.04	Other receivables	-9,406	0	0
6.02.05	Capital contribution to subsidiaries	-10,151	-90,158	-84,949
6.02.06	Dividends received	8,036	14,984	19,790
6.02.07	Acquisition of subsidiary	1,719	-50,000	-175,000
6.03	Net cash from/used in financing activities	290,906	-224,869	244,924
6.03.01	Proceeds from loans and borrowings	0	9,500	527,343
6.03.02	Repayment of borrowings	-207,585	-146,652	-139,881
6.03.03	Proceeds from exercise of share options	1,680	0	0
6.03.04	Repayment of loans to related parties	-50,209	-34,306	-58,552
6.03.05	Interest on capital paid	-103,468	-29,590	-42,415
6.03.06	Dividends paid	-76,215	-2,582	-28,530
6.03.07	Proceeds from issue of share capital	833,794	0	0
6.03.08	Increase of share capital – Issue of shares	0	2,569	0
6.03.09	Repurchase of shares	-26,057	-14,175	-3,672
6.03.10	Payment of lease liabilities	-40,274	-9,633	-9,369
6.03.11	Share issue costs	-40,760	0	0
6.05	Increase/decrease in cash and cash equivalents	5,558	-843	1,605
6.05.01	Cash and cash equivalents at the beginning of the period	2,448	3,291	1,686
6.05.02	Cash and cash equivalents at the end of the period	8,006	2,448	3,291

Parent company financial statements / Statement of changes in equity – January 1, 2022 to December 31, 2022 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity
5.01	Opening balances	811,284	196,925	591,478	0	-9,107	1,590,580
5.03	Adjusted opening balances	811,284	196,925	591,478	0	-9,107	1,590,580
5.04	Equity transactions with shareholders	860,432	-31,761	-50,000	-151,791	0	626,880
5.04.01	Increases of share capital	833,794	0	0	0	0	833,794
5.04.02	Share issue costs	0	-40,760	0	0	0	-40,760
5.04.03	Share options granted	4,250	16,541	0	0	0	20,791
5.04.06	Dividends	0	0	-50,000	0	0	-50,000
5.04.07	Interest on capital	0	0	0	-151,791	0	-151,791
5.04.08	Acquisition of subsidiary	24,957	0	0	0	0	24,957
5.04.09	Advance for future capital increase	-2,569	0	0	0	0	-2,569
5.04.10	Share transaction related to business combination	0	18,515	0	0	0	18,515
5.04.11	Repurchase of shares	0	-26,057	0	0	0	-26,057
5.05	Total comprehensive income for the period	0	0	0	424,709	693	425,402
5.05.01	Profit for the period	0	0	0	424,709	0	424,709
5.05.02	Other comprehensive income	0	0	0	0	3,035	3,035
5.05.02.04	Cumulative translation adjustments	0	0	0	0	3,035	3,035
5.05.03	Reclassifications to profit or loss	0	0	0	0	-2,342	-2,342
5.05.03.02	Carrying value adjustments	0	0	0	0	-2,342	-2,342
5.06	Internal changes in equity	0	10,930	272,918	-272,918	0	10,930
5.06.01	Creation of reserves	0	10,930	272,918	-272,918	0	10,930
5.07	Closing balances	1,671,716	176,094	814,396	0	-8,414	2,653,792

Parent company financial statements / Statement of changes in equity – January 1, 2021 to December 31, 2021 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity
5.01	Opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.03	Adjusted opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597
5.04	Equity transactions with shareholders	2,569	-11,513	50,000	-142,170	0	-101,114
5.04.03	Share options granted	0	52,663	0	0	0	52,663
5.04.04	Treasury shares acquired	0	-64,176	0	0	0	-64,176
5.04.06	Dividends	0	0	0	-28,796	0	-28,796
5.04.07	Interest on capital	0	0	0	-63,374	0	-63,374
5.04.08	Advance for future capital increase	2,569	0	0	0	0	2,569
5.04.09	Proposed additional dividends	0	0	50,000	-50,000	0	0
5.05	Total comprehensive income for the period	0	0	0	345,234	-2,137	343,097
5.05.01	Profit for the period	0	0	0	345,234	0	345,234
5.05.02	Other comprehensive loss	0	0	0	0	-2,137	-2,137
5.05.02.01	Financial instrument adjustments	0	0	0	0	61	61
5.05.02.04	Cumulative translation adjustments	0	0	0	0	-2,198	-2,198
5.06	Internal changes in equity	-159,209	159,209	205,646	-205,646	0	0
5.06.01	Creation of reserves	-159,209	159,209	205,646	-205,646	0	0
5.07	Closing balances	811,284	196,925	591,478	0	-9,107	1,590,580

Parent company financial statements / Statement of changes in equity – January 1, 2020 to December 31, 2020 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity
5.01	Opening balances	352,715	50,538	335,998	0	6,820	746,071
5.03	Adjusted opening balances	352,715	50,538	335,998	0	6,820	746,071
5.04	Equity transactions with shareholders	615,209	-1,309	-48,269	0	0	565,631
5.04.01	Increases of share capital	615,209	0	0	0	0	615,209
5.04.05	Treasury shares sold	0	-3,672	0	0	0	-3,672
5.04.07	Interest on capital	0	0	-26,978	0	0	-26,978
5.04.08	Share options and restricted stock granted	0	2,363	0	0	0	2,363
5.04.09	Interim dividends	0	0	-21,291	0	0	-21,291
5.05	Total comprehensive income for the period	0	0	0	48,584	-13,790	34,794
5.05.01	Profit for the period	0	0	0	48,584	0	48,584
5.05.02	Other comprehensive loss	0	0	0	0	-13,790	-13,790
5.05.02.06	Foreign currency translation differences for foreign operations	0	0	0	0	-13,790	-13,790
5.06	Internal changes in equity	0	0	48,103	-46,002	0	2,101
5.06.05	Legal reserve	0	0	2,429	-2,429	0	0
5.06.06	Tax incentive reserve	0	0	43,573	-43,573	0	0
5.06.07	Reversal of expired dividends of related party	0	0	2,101	0	0	2,101
5.07	Closing balances	967,924	49,229	335,832	2,582	-6,970	1,348,597

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
7.01	Revenue	3,692,140	2,002,320	1,290,327
7.01.01	Sales of goods, products and services	3,690,249	2,001,972	1,297,880
7.01.04	Loss allowance for trade receivables/reversal	1,891	348	-7,553
7.02	Cost of bought-in goods and services	-2,883,861	-1,690,978	-1,125,550
7.02.01	Cost of sales and services	-2,242,103	-1,436,249	-945,643
7.02.02	Materials, electric power, outsourced services and other	-625,772	-250,971	-175,729
7.02.04	Other	-15,986	-3,758	-4,178
7.03	Gross value added	808,279	311,342	164,777
7.04	Deductions	-89,137	-26,048	-21,663
7.04.01	Depreciation, amortization and depletion	-89,137	-26,048	-21,663
7.05	Net value added produced by the entity	719,142	285,294	143,114
7.06	Value added received by transfer	211,401	288,807	63,872
7.06.01	Share of profit of investees accounted for using the equity method	102,402	139,251	38,182
7.06.02	Finance income	49,831	19,158	24,583
7.06.03	Other	59,168	130,398	1,107
7.07	Total value added to distribute	930,543	574,101	206,986
7.08	Distribution of value added	930,543	574,101	206,986
7.08.01	To employees	412,231	172,562	130,948
7.08.01.01	Direct compensation	249,328	89,010	82,719
7.08.01.02	Benefits	23,764	10,320	11,087
7.08.01.03	Government severance indemnity fund for employees (FGTS)	21,215	7,604	8,779
7.08.01.04	Other	117,924	65,628	28,363
7.08.01.04.01	Employee profit sharing	62,914	30,511	9,143
7.08.01.04.02	Other	35,653	28,717	15,248
7.08.01.04.03	Share option and restricted stock plans	19,357	6,400	3,972
7.08.02	To government (taxes and duties)	-22,977	5,151	-21,374
7.08.02.01	Federal	97,894	65,087	16,219
7.08.02.02	State	-124,235	-60,598	-38,260
7.08.02.03	Local	3,364	662	667

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
7.08.03	To capital providers (creditors and lenders)	116,580	51,155	48,828
7.08.03.01	Interest	17,776	19,248	12,876
7.08.03.02	Rentals	37,677	6,406	3,252
7.08.03.03	Other	61,127	25,501	32,700
7.08.03.03.01	Finance costs	61,127	25,501	32,700
7.08.04	To shareholders/value retained in the business	424,709	345,233	48,584
7.08.04.01	Interest on capital	151,791	63,374	0
7.08.04.02	Dividends	0	76,213	2,582
7.08.04.03	Profit retained	272,918	205,646	46,002

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
1	Total assets	4,659,264	3,366,326	2,832,545
1.01	Current assets	2,383,445	1,646,786	1,564,868
1.01.01	Cash and cash equivalents	28,826	33,750	38,297
1.01.02	Cash investments	447,608	228,809	522,868
1.01.02.01	Cash investments at fair value through profit or loss	447,608	228,809	522,868
1.01.02.01.03	Cash investments at fair value	447,608	228,809	522,868
1.01.03	Trade and other receivables	867,582	790,302	598,824
1.01.03.01	Trade receivables	867,582	790,302	598,824
1.01.04	Inventories	772,060	450,487	290,896
1.01.06	Taxes recoverable	201,212	73,852	86,034
1.01.06.01	Current tax assets	201,212	73,852	86,034
1.01.08	Other current assets	66,157	69,586	27,949
1.01.08.03	Other	66,157	69,586	27,949
1.01.08.03.01	Other receivables	66,157	68,230	27,949
1.01.08.03.02	Derivative financial assets	0	1,356	0
1.02	Non-current assets	2,275,819	1,719,540	1,267,677
1.02.01	Long-term receivables	317,663	297,892	118,494
1.02.01.04	Trade and other receivables	330	4,276	2,564
1.02.01.04.01	Trade receivables	330	4,276	2,564
1.02.01.07	Deferred tax assets	119,270	90,225	80,632
1.02.01.07.01	Deferred income tax and social contribution	119,270	90,225	80,632
1.02.01.09	Receivables from related parties	0	0	1,000
1.02.01.09.05	Receivables from subsidiaries	0	0	1,000
1.02.01.10	Other non-current assets	198,063	203,391	34,298
1.02.01.10.03	Judicial deposits	81,108	54,390	30,970
1.02.01.10.04	Other receivables	14,405	14,939	3,328
1.02.01.10.05	Taxes recoverable	102,550	127,635	0
1.02.01.10.06	Derivative financial assets	0	6,427	0
1.02.02	Investments	3,162	2,862	3,016

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
1.02.02.01	Equity-accounted investees	0	402	900
1.02.02.01.04	Interests in joint ventures	0	402	900
1.02.02.02	Investment properties	3,162	2,460	2,116
1.02.02.02.01	Investment properties	3,162	2,460	2,116
1.02.03	Property, plant and equipment	691,582	403,868	316,300
1.02.03.01	Property, plant and equipment in operation	691,582	403,868	316,300
1.02.04	Intangible assets	1,263,412	1,014,918	829,867
1.02.04.01	Intangible assets	1,263,412	1,014,918	829,867
1.02.04.01.02	Trademarks and patents	354,465	11,123	7,810
1.02.04.01.03	Key money	0	46,728	33,829
1.02.04.01.04	Software licenses	156,570	94,708	55,673
1.02.04.01.05	Intangible assets – fair value adjustments to the carrying amounts	0	301,463	266,427
1.02.04.01.06	Goodwill	737,656	560,896	466,128
1.02.04.01.07	Customer relationships	13,659	0	0
1.02.04.01.08	Other	1,062	0	0

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
2	Total liabilities	4,659,264	3,366,326	2,832,545
2.01	Current liabilities	1,635,360	1,519,000	911,418
2.01.01	Salaries, vacation pay and social charges payable	162,115	112,773	59,269
2.01.01.01	Social charges	16,679	13,761	7,498
2.01.01.02	Salaries and vacation pay	145,436	99,012	51,771
2.01.02	Trade payables	671,662	574,713	399,189
2.01.02.01	Domestic suppliers	648,322	567,737	395,803
2.01.02.02	Foreign suppliers	23,340	6,976	3,386
2.01.03	Tax liabilities	57,070	77,212	40,481
2.01.03.01	Federal taxes	28,953	51,989	21,944
2.01.03.01.01	Income tax and social contribution	14,300	22,408	6,361
2.01.03.01.02	Other federal taxes	14,653	29,581	15,583
2.01.03.02	State taxes	27,672	24,988	18,386
2.01.03.03	Local taxes	445	235	151
2.01.04	Loans and borrowings	392,254	496,861	239,483
2.01.04.01	Loans and borrowings	392,254	496,861	239,483
2.01.04.01.01	In local currency	642	181,377	53,912
2.01.04.01.02	In foreign currency	391,612	315,484	185,571
2.01.05	Other liabilities	352,259	257,441	172,996
2.01.05.02	Other	352,259	257,441	172,996
2.01.05.02.01	Dividends and interest on capital payable	72,169	55,962	0
2.01.05.02.04	Other	113,051	133,944	120,106
2.01.05.02.05	Lease liabilities	89,648	57,017	52,890
2.01.05.02.06	Payables for acquisition of subsidiaries	75,618	10,518	0
2.01.05.02.07	Derivative financial liabilities	1,773	0	0
2.02	Non-current liabilities	369,311	255,320	572,530
2.02.01	Loans and borrowings	9,619	37,733	394,786
2.02.01.01	Loans and borrowings	9,619	37,733	394,786
2.02.01.01.01	In local currency	9,619	37,108	239,553

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
2.02.01.01.02	In foreign currency	0	625	155,233
2.02.02	Other liabilities	338,495	198,033	164,603
2.02.02.02	Other	338,495	198,033	164,603
2.02.02.02.01	Share-based payments	51,141	21,144	0
2.02.02.02.03	Lease liabilities	284,889	174,879	160,470
2.02.02.02.04	Other payables	2,465	1,813	0
2.02.02.02.05	Taxes payable in installments	0	197	4,133
2.02.03	Deferred tax liabilities	3,421	5,441	0
2.02.03.01	Deferred income tax and social contribution	3,421	5,441	0
2.02.04	Provisions	17,776	14,060	12,928
2.02.04.01	Provisions, for tax, social security, labor and civil proceedings	17,776	14,060	12,928
2.02.04.01.02	Provision for social security and labor proceedings	13,655	11,580	10,290
2.02.04.01.04	Provision for civil proceedings	2,077	436	594
2.02.04.01.05	Provision for tax proceedings	2,044	2,044	2,044
2.02.06	Deferred income and revenue	0	53	213
2.02.06.02	Deferred revenue	0	53	213
2.03	Consolidated equity	2,654,593	1,592,006	1,348,597
2.03.01	Paid-up capital	1,671,716	811,284	967,924
2.03.02	Capital reserves	176,094	196,925	49,229
2.03.02.02	Special reserve for goodwill arising from merger	0	21,470	21,470
2.03.02.05	Treasury shares	-46	-3,105	-191
2.03.02.07	Capital reserves	176,140	158,239	0
2.03.02.09	Reserve for restricted stock plan	0	20,321	27,950
2.03.04	Revenue reserves	814,396	591,478	338,414
2.03.04.01	Legal reserve	78,746	57,511	57,511
2.03.04.05	Retained earnings reserve	174,861	174,861	50,384
2.03.04.07	Tax incentive reserve	560,789	309,106	227,937
2.03.04.08	Proposed additional dividend	0	50,000	2,582
2.03.06	Carrying value adjustments	-8,414	-9,107	-6,970

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

Account code	Account title	Last financial year December 31, 2022	Penultimate financial year December 31, 2021	Antepenultimate financial year December 31, 2020
2.03.09	Non-controlling interests	801	1.426	0

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
3.01	Revenue from sale of goods and/or services	4,233,726	2,923,827	1,590,992
3.02	Cost of sales and/or services	-1,950,092	-1,385,147	-835,779
3.03	Gross profit	2,283,634	1,538,680	755,213
3.04	Operating expenses/income	-1,733,505	-1,070,155	-663,104
3.04.01	Selling expenses	-1,489,371	-884,411	-529,953
3.04.02	General and administrative expenses	-330,240	-316,217	-162,234
3.04.04	Other operating income	104,981	146,163	56,201
3.04.05	Other operating expenses	-18,875	-15,690	-27,118
3.05	Profit before finance costs and taxes	550,129	468,525	92,109
3.06	Net finance costs	-77,258	-64,671	-37,551
3.06.01	Finance income	46,367	42,377	65,531
3.06.01.01	Interest income	75,392	26,313	16,463
3.06.01.02	Foreign exchange gains	-29,025	16,064	49,068
3.06.02	Finance costs	-123,625	-107,048	-103,082
3.06.02.01	Interest expense	-124,869	-88,507	-51,604
3.06.02.02	Foreign exchange losses	1,244	-18,541	-51,478
3.07	Profit before income taxes	472,871	403,854	54,558
3.08	Income tax and social contribution expense	-50,333	-60,134	-5,974
3.08.01	Current	-81,398	-64,286	-46,596
3.08.02	Deferred	31,065	4,152	40,622
3.09	Profit from continuing operations	422,538	343,720	48,584
3.11	Consolidated profit for the period	422,538	343,720	48,584
3.11.01	Attributable to owners of the Parent company	424,709	345,234	48,584
3.11.02	Attributable to non-controlling interests	-2,171	-1,514	0
3.99	Earnings per share			
3.99.01	Basic earnings per share (R$)			
3.99.01.01	Common shares	3.8921	3.4514	0.5302
3.99.02	Diluted earnings per share (R$)			
3.99.02.01	Common shares	3.7642	3.3813	0.5283

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
4.01	Consolidated profit for the period	422,538	343,720	48,584
4.02	Other comprehensive income/loss	693	-2,137	-13,790
4.02.01	Foreign currency translation differences for foreign operations	3,035	-2,198	-13,790
4.02.03	Investment losses	-2,342	61	0
4.03	Total consolidated comprehensive income for the period	423,231	341,583	34,794
4.03.01	Attributable to owners of the Parent company	425,402	343,097	34,794
4.03.02	Attributable to non-controlling interests	-2,171	-1,514	0

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
6.01	Net cash from operating activities	138,250	241,938	220,316
6.01.01	Cash flows from operating activities	649,935	547,327	198,434
6.01.01.01	Profit before tax	422,538	343,720	48,584
6.01.01.02	Depreciation and amortization	166,030	105,748	81,103
6.01.01.03	Gain on sale of property, plant and equipment	-824	-2,250	20,712
6.01.01.04	Tax credits	-67,925	0	0
6.01.01.05	Other	79,316	0	0
6.01.01.06	Provision for labor, tax, and civil proceedings	3,702	1,132	801
6.01.01.07	Interest and foreign exchange loss on loans	4,605	34,056	34,612
6.01.01.08	Interest income on cash investments	-54,439	-13,127	-11,650
6.01.01.09	Loss allowance for trade receivables	-2,107	-265	8,938
6.01.01.10	Complementary provision for inventory impairment	8,589	7,091	1,026
6.01.01.11	Share option and restricted stock plans	16,543	2,661	2,363
6.01.01.12	Interest expense on lease liabilities	23,574	8,427	5,972
6.01.01.13	Income tax and social contribution expense	50,333	60,134	5,973
6.01.02	Changes in assets and liabilities	-412,649	-275,316	50,373
6.01.02.01	Trade receivables	-58,699	-197,157	-108,797
6.01.02.02	Inventories	-310,601	-166,683	-38,655
6.01.02.03	Changes in other current assets	-4,600	-59,360	-25,357
6.01.02.04	Taxes recoverable	-19,662	-152,525	-15,140
6.01.02.05	Judicial deposits	-26,262	-23,420	-9,108
6.01.02.07	Trade payables	90,296	183,093	234,575
6.01.02.08	Salaries and vacation pay	-33,000	47,242	-8,610
6.01.02.09	Taxes and social charges payable	-29,198	31,101	5,313
6.01.02.11	Changes in other current liabilities	-20,923	62,393	16,152
6.01.03	Other	-99,036	-30,073	-28,491
6.01.03.01	Income tax and social contribution paid	-80,169	-11,549	-19,437
6.01.03.02	Interest paid on loans	-18,867	-18,524	-9,054
6.02	Net cash used in investing activities	-507,248	-10,772	-297,282

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
6.02.01	Acquisition of property, plant and equipment and intangible assets	-233,143	-168,881	-46,185
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	0	1,472	1,277
6.02.03	Cash investments	-184,370	302,958	-189,024
6.02.05	Capital contribution to subsidiaries	0	0	100,000
6.02.06	Dividends received	0	0	54
6.02.07	Acquisition of subsidiary	-89,735	-146,321	-163,404
6.03	Net cash from/used in financing activities	362,426	-233,513	101,451
6.03.01	Proceeds from loans and borrowings	214,941	128,180	552,851
6.03.02	Repayment of borrowings	-336,067	-243,386	-213,882
6.03.03	Share issue costs	-40,760	0	0
6.03.04	Proceeds from issue of share capital	833,794	0	0
6.03.05	Interest on capital paid	-103,468	-29,590	-42,415
6.03.06	Dividends paid	-76,215	-2,582	-128,577
6.03.07	Receivables from/payables to shareholders	0	1,000	-2,502
6.03.08	Increase of share capital – Issue of shares	1,680	2,569	0
6.03.09	Repurchase of shares	-26,057	-14,175	-3,672
6.03.10	Payment of lease liabilities	-105,422	-75,529	-60,352
6.04	Effect of movements in exchange rates on cash held	1,648	-2,200	4
6.05	Increase/decrease in cash and cash equivalents	-4,924	-4,547	24,489
6.05.01	Cash and cash equivalents at the beginning of the period	33,750	38,297	13,808
6.05.02	Cash and cash equivalents at the end of the period	28,826	33,750	38,297

Consolidated financial statements / Statement of changes in equity – January 1, 2022 to December 31, 2022 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	811,284	196,925	591,478	0	-9,107	1,590,580	1,426	1,592,006
5.03	Adjusted opening balances	811,284	196,925	591,478	0	-9,107	1,590,580	1,426	1,592,006
5.04	Equity transactions with shareholders	860,432	-31,761	-50,000	-151,791	0	626,880	1,546	628,426
5.04.01	Increases of share capital	833,794	0	0	0	0	833,794	1,546	835,340
5.04.02	Share issue costs	0	-40,760	0	0	0	-40,760	0	-40,760
5.04.03	Share options granted	4,250	16,541	0	0	0	20,791	0	20,791
5.04.06	Dividends	0	0	-50,000	0	0	-50,000	0	-50,000
5.04.07	Interest on capital	0	0	0	-151,791	0	-151,791	0	-151,791
5.04.08	Acquisition of subsidiary	24,957	0	0	0	0	24,957	0	24,957
5.04.09	Advance for future capital increase	-2,569	0	0	0	0	-2,569	0	-2,569
5.04.10	Share transaction related to business combination	0	18,515	0	0	0	18,515	0	18,515
5.04.11	Repurchase of shares	0	-26,057	0	0	0	-26,057	0	-26,057
5.05	Total comprehensive income for the period	0	0	0	424,709	693	425,402	-2,171	423,231
5.05.01	Profit for the period	0	0	0	424,709	0	424,709	-2,171	422,538
5.05.02	Other comprehensive income	0	0	0	0	3,035	3,035	0	3,035
5.05.02.04	Cumulative translation adjustments	0	0	0	0	3,035	3,035	0	3,035
5.05.03	Reclassifications to profit or loss	0	0	0	0	-2,342	-2,342	0	-2,342
5.05.03.02	Carrying value adjustments	0	0	0	0	-2,342	-2,342	0	-2,342
5.06	Internal changes in equity	0	10,930	272,918	-272,918	0	10,930	0	10,930
5.06.01	Creation of reserves	0	10,930	272,918	-272,918	0	10,930	0	10,930
5.07	Closing balances	1,671,716	176,094	814,396	0	-8,414	2,653,792	801	2,654,593

Consolidated financial statements / Statement of changes in equity – January 1, 2021 to December 31, 2021 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	0	1,348,597
5.02	Prior-year adjustments	0	0	0	0	0	0	2,940	2,940
5.03	Adjusted opening balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	2,940	1,351,537
5.04	Equity transactions with shareholders	2,569	-11,513	50,000	-142,170	0	-101,114	0	-101,114
5.04.03	Share options granted	0	52,663	0	0	0	52,663	0	52,663
5.04.04	Treasury shares acquired	0	-64,176	0	0	0	-64,176	0	-64,176
5.04.06	Dividends	0	0	0	-28,796	0	-28,796	0	-28,796
5.04.07	Interest on capital	0	0	0	-63,374	0	-63,374	0	-63,374
5.04.08	Advance for future capital increase	2,569	0	0	0	0	2,569	0	2,569
5.04.09	Proposed additional dividends	0	0	50,000	-50,000	0	0	0	0
5.05	Total comprehensive income	0	0	0	345,234	-2,137	343,097	-1,514	341,583
5.05.01	Profit for the period	0	0	0	345,234	0	345,234	-1,514	343,720
5.05.02	Other comprehensive loss	0	0	0	0	-2,137	-2,137	0	-2,137
5.05.02.01	Financial instrument adjustments	0	0	0	0	61	61	0	61
5.05.02.02	Taxes on financial instrument adjustments	0	0	0	0	-2,198	-2,198	0	-2,198
5.06	Internal changes in equity	-159,209	159,209	205,646	-205,646	0	0	0	0
5.06.01	Creation of reserves	-159,209	159,209	205,646	-205,646	0	0	0	0
5.07	Closing balances	811,284	196,925	591,478	0	-9,107	1,590,580	1,426	1,592,006

Consolidated financial statements / Statement of changes in equity – January 1, 2020 to December 31, 2020 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings	Other comprehensive loss	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	352,715	50,538	335,998	0	6,820	746,071	0	746,071
5.03	Adjusted opening balances	352,715	50,538	335,998	0	6,820	746,071	0	746,071
5.04	Equity transactions with shareholders	615,209	-1,309	-48,269	0	0	565,631	0	565,631
5.04.01	Increases of share capital	615,209	0	0	0	0	615,209	0	615,209
5.04.05	Treasury shares sold	0	-3,672	0	0	0	-3,672	0	-3,672
5.04.07	Interest on capital	0	0	-26,978	0	0	-26,978	0	-26,978
5.04.08	Share options and restricted stock granted	0	2,363	0	0	0	2,363	0	2,363
5.04.09	Interim dividends	0	0	-21,291	0	0	-21,291	0	-21,291
5.05	Total comprehensive income for the period	0	0	0	48,584	-13,790	34,794	0	34,794
5.05.01	Profit for the period	0	0	0	48,584	0	48,584	0	48,584
5.05.02	Other comprehensive loss	0	0	0	0	-13,790	-13,790	0	-13,790
5.05.02.06	Foreign currency translation differences for foreign operations	0	0	0	0	-13,790	-13,790	0	-13,790
5.06	Internal changes in equity	0	0	48,103	-46,002	0	2,101	0	2,101
5.06.04	Legal reserve	0	0	2,429	-2,429	0	0	0	0
5.06.06	Tax incentive reserve	0	0	43,573	-43,573	0	0	0	0
5.06.07	Reversal of expired dividends of related party	0	0	2,101	0	0	2,101	0	2,101
5.07	Closing balances	967,924	49,229	335,832	2,582	-6,970	1,348,597	0	1,348,597

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020to December 31, 2020
7.01	Revenue	4,809,970	3,376,754	1,860,887
7.01.01	Sales of goods, products, and services	4,808,784	3,376,489	1,869,825
7.01.04	Loss allowance for trade receivables/reversal	1,186	265	-8,938
7.02	Cost of bought-in goods and services	-3,412,981	-2,323,045	-1,340,587
7.02.01	Cost of sales and services	-2,269,595	-1,614,200	-996,271
7.02.02	Materials, electric power, outsourced services and other	-1,099,791	-688,922	-331,039
7.02.04	Other	-43,595	-19,923	-13,277
7.03	Gross value added	1,396,989	1,053,709	520,300
7.04	Deductions	-166,030	-105,748	-81,103
7.04.01	Depreciation, amortization and depletion	-166,030	-105,748	-81,103
7.05	Net value added produced by the entity	1,230,959	947,961	439,197
7.06	Value added received by transfer	183,757	171,684	87,639
7.06.02	Finance income	78,231	34,811	54,313
7.06.03	Other	105,526	136,873	33,326
7.07	Total value added to distribute	1,414,716	1,119,645	526,836
7.08	Distribution of value added	1,414,716	1,119,645	526,836
7.08.01	To employees	587,603	399,971	232,816
7.08.01.01	Direct compensation	389,486	255,499	171,481
7.08.01.02	Benefits	37,739	25,656	19,755
7.08.01.03	Government severance indemnity fund for employees (FGTS)	30,867	20,091	13,543
7.08.01.04	Other	129,511	98,725	28,037
7.08.01.04.01	Employee profit sharing	67,058	45,789	1,347
7.08.01.04.02	Other	43,096	46,536	22,718
7.08.01.04.03	Share option and restricted stock plans	19,357	6,400	3,972
7.08.02	To government (taxes and duties)	188,627	223,291	88,942
7.08.02.01	Federal	232,887	216,229	76,677
7.08.02.02	State	-49,853	4,413	10,272
7.08.02.03	Local	5,593	2,649	1,993
7.08.03	To capital providers (creditors and lenders)	215,949	152,664	156,494

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

Account code	Account title	Last financial year January 1, 2022 to December 31, 2022	Penultimate financial year January 1, 2021 to December 31, 2021	Antepenultimate financial year January 1, 2020 to December 31, 2020
7.08.03.01	Interest	38,635	32,169	18,346
7.08.03.02	Rentals	60,459	53,180	64,630
7.08.03.03	Other	116,855	67,315	73,518
7.08.03.03.01	Finance costs	116,855	67,315	73,518
7.08.04	To shareholders/value retained in the business	422,537	343,719	48,584
7.08.04.01	Interest on capital	151,791	63,374	0
7.08.04.02	Dividends	0	76,213	2,582
7.08.04.03	Profit retained	272,918	205,646	46,002
7.08.04.04	Non-controlling interests in retained profit	-2,172	-1,514	0

AREZZO &CO

4Q22 AND 2022 EARNINGS RELEASE

São Paulo, March 9, 2023. Arezzo&Co (B3 - Brasil, Bolsa e Balcão: ARZZ3), Brazil's largest fashion house of brands, announces its 4Q22 and 2022 results.

The year of 2022 was marked by the strongest result in the company's history of gross revenue: R$ 5.2 billion (+43.4%), on the same comparison basis, gross margin of 53.9% and adjusted EBITDA of R$ 657 million (+43.1%).

2022 FINANCIAL/OPERATIONAL HIGHLIGHTS

- **R$5.2B** in Gross Revenue (**+43%** vs 2021);
- **R$4.1B** in *DTC Sell Out* (Franchises, Web and Owned Stores) (**+38%** vs 2021);
- Arezzo&Co surpassed the milestone of **1,000 stores** (1,013 stores) in 2022, with **72** net stores opened (41 franchises and 31 owned stores);
- **32.4M** of products sold in 2022 (**+29%** vs 2021): **21.3M** of pairs of shoes, **8.1M** pieces of clothes and **3.0M** of handbags;
- **5.3** million of customers in the active base* (**+22%** vs 2021);
- **33%** core brand growth in Brazil vs 2021;
- **R$1.2B** in AR&CO Gross Revenue (**+56%** vs 2021);
- **R$490M** in US Operation Gross Revenue (**+41%** vs 2021);
- **53.9%** in Gross Margin (**+110bps** vs 2021);
- **R$657M** adjusted EBITDA (excluding non-recurring effects) (**+43%** vs 2021), with adjusted EBITDA margin of **15.5%**. The reported EBITDA was **R$712M**;
- **R$386M** adjusted Net Income, growth of **43%** vs 2021. The reported Net Income was **R$423M**;
- **28.4%** in adjusted ROIC in the period.

*active purchases in the last 12 months

4Q22 EARNINGS RELEASE

4Q22 FINANCIAL/OPERATIONAL HIGHLIGHTS

- **R$ 1.6B** in Gross Revenue, R$ 265M higher than 4Q21 (growth of **20%**);

- **R$ 1.4B** in *DTC Sell Out* (Franchises, Web and Owned Stores), R$ 202M higher than 4Q21 (growth of **17%**);

- Net opening of **50** stores in the quarter - **34** owned stores and **16** franchises. The openings were mainly concentrated in the AR&CO, Anacapri, Arezzo, Vans and Carol Bassi brands;

- **10.1M** of products sold, 7,2M higher than 4Q21 (growth of **+7%**): **6.6M** of pairs of shoes, **2.8M** of pieces of clothes and **798K** of handbags;

- **R$ 455M** in AR&CO Gross Revenue, R$ 113M higher than 4Q21 (growth of **+33%**);

- **R$ 138M** in US Operation Revenues, R$ 13M higher than 4Q21 (growth of **+10%**);

- **53.8%** of Gross Margin (flat vs 4Q21);

- **R$ 191M** in adjusted EBITDA (excluding non-recurring effects) (**+3%** vs 4Q21), **14.6%** adjusted EBITDA Margin. Reported EBITDA was **R$ 197M**.

MESSAGE FROM MANAGEMENT

The year of 2022 was marked by many challenges and achievements. With record revenues in our history – R$ 5.2 billion (+43.4% vs. 2021) – Arezzo&Co once again demonstrated the strength and robustness of the results, reinforcing the assertive positioning of all of our brands, our consumers loyalty and the engaged leadership of our team:

- Exponential growth movement – building a new proportion of the company in constant evolution: 17.8% CAGR from 2011 to 2022;

- Since the IPO, we have reported 49 quarters, with 46 of revenues growth and 41 of EBITDA growth – a consistent track record that few Brazilian companies can replicate;

- We reached R$ 657 million in adjusted EBITDA in 2022, maintaining the healthy level of 53.9% in gross margin (110 bps expansion vs 2021);

- 28.4% adjusted ROIC in 2022 – one of the most important KPIs analyzed by our team;

- We started the year with the first follow-on of our history – raising over R$ 830 million in a primary offering with a hot issue fully exercised, which demonstrated extreme confidence in our company. We have diligently execute all growth initiatives proposed at this time;

- Our people are our main asset. We have a strong ownership culture, with a hard-fighting team committed to delivering their best. For yet another year, we exceeded our goals leading to a high value referring to the meritocratic distribution of our results to our team;

- Our penetration in volumes sold surpassed the mark of 21 million pairs of shoes, 8 million pieces of clothes and 3 million handbags, totaling more than 32 million items sold. An important highlight: the apparel category already represents 25.0% of our business;

- Our core brands posted the strong growth of 33.2% in 2022 – breaking paradigms and further expanding their share in the Brazilian market;

- We have the ability to identify talents and brands, and then escalate them quickly. As of 2019, with the licensing of Vans, we started our inorganic path with extremely assertive movements and value generation;

MESSAGE FROM MANAGEMENT

- We multiplied Vans's revenues by 2.7 times and AR&Co's by 3.8 times, which reached R$ 1.2 billion in sales in 2022 – in just two years of operations at Arezzo&Co;

- In 2022, we structured an integration playbook in partnership with the consultancy firm Integration, ensuring credibility and executive capacity for integrating previous movements and those yet to come. Furthermore, we currently have a robust and fortified platform ready to support new acquisitions and businesses in a scalable way;

- Beyond a brand platform, we are a tech platform: we reached R$ 1.1 billion in e-commerce revenues (+33.4% vs 2021), representing 23.3% of our sales, with 47% of physical store sales influenced by digital tools. Our customers are 100% at the center – our active base has 5.3 million registered customers (growth of 21.5% vs 2021);

- We strengthened our OMNI capabilities with excellence and diligence, representing the union of digital and physical sales. We expanded our OMNI customers basis that buys in the on and off channels by 22% this year. The revenue generated was up 37% – as they show higher shopping frequency, engagement and tickets;

- Our verticalized product management and integrated value chain allow us to be extremely agile compared to the competition. We have invested significantly in our production, logistics and supply model. In 2022, we opened AR&Co's new DC in Rio de Janeiro;

- Our US operation reached R$ 489.7 million in revenues – a record-setting level – a growth of 40.9%, and answering for 9.4% of Arezzo&Co's sales, despite the department store retraction seen in the second half of 2022;

- In 2022, we reinforced our commitment to the ESG agenda. For a highlight, we were recognized as a B Corp (Arezzo&Co and AR&CO – for the second consecutive year) and were listed in B3's ISE portfolio. We also updated our materiality matrix with a unified and integrated group vision that considers each of the brand's unique traits. The Diversity and Inclusion agenda was addressed robustly: we intensified training programs, executed the Racial Equality Promotion Pact, promoted our first affirmative internship program for African Brazilians, among other initiatives. We also reached the mark of 28% footwear items developed with sustainable components, and a 5% absolute reduction in greenhouse gas emissions;

MESSAGE FROM MANAGEMENT

- As the strategic focus for the year of 2023, Arezzo&Co will prioritize: (i) sustainable growth and continuous innovation of core brands, (ii) diligent expansion of the brands portfolio, expanding our addressable market, (iii) continued expansion of AR&CO and its sub-labels, some at an advanced stage such as Reserva and Reserva Go, and others at an embryonic stage, (iv) expansion of women's apparel within the group's portfolio through investments in the existing brands – Carol Bassi, Schutz and Reversa, and (v) start of a new path of growth, joining Arezzo&Co's know-how in footwear business management, product development, OMNI sales, to emerging international brands in full growth;

- We started 2023 exceeding our high expectations, despite an extremely strong baseline. Until the end of February, we registered growth of 22.8% in DTC sell out.

We will remain committed to executing our solid strategic plans and creating value to our stakeholders.

We would like to express our deep gratitude to all investors and analysts for their trust and partnership over the years. It's just the beginning!

Towards 2154!

The Management.

AREZZO &CO

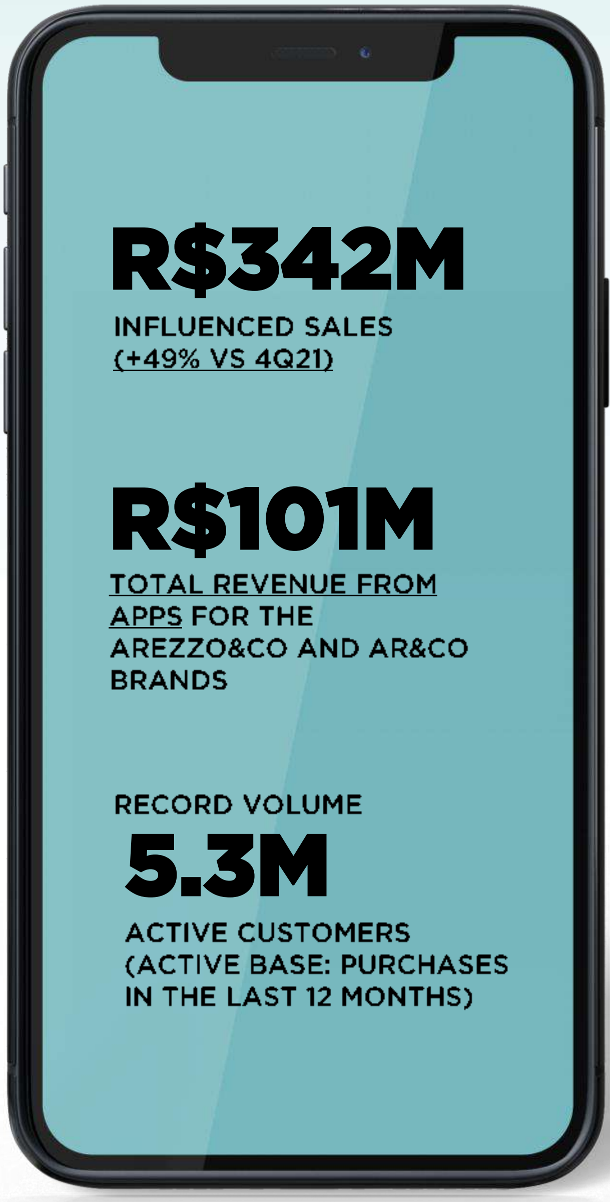
4Q22 OMNICHANNEL HIGHLIGHTS

1 - WEB COMMERCE SALES

- TOTAL REVENUES: **R$ 350 MILLION** (+27% VS 4Q21)
- CAGR (2019-2022): **72%**
- TOTAL TRAFFIC: **89 MILLION** (+30% VS 4Q21)
- TOTAL REVENUES FROM APPS: **R$ 101 MILLION** (+90% VS 4Q21)
- TOTAL APP SHARE OF REVENUES: **30%**
- WEB COMMERCE TICKETS: +**45%** VS 4Q21

2 – OMNICHANNEL SALES

- DIGITAL AS SHARE OF PHYSICAL STORES SELL OUT: **47%**
- CLICK AND COLLECT AND STORE SHIPPING REVENUES: **+142%** VS 4Q21
- **13 MILLION** CONTACTS MADE THROUGH THE APP IN 4Q22 (INFLUENCED REVENUE)



3 - CRM

- ACTIVE CUSTOMER BASE GROWTH: **+22%** VS 4Q21
- ACTIVE ONLINE CUSTOMER BASE (E-COMMERCE) **+42%** VS 4Q21
- OMNI CUSTOMERS SHOPPING FREQUENCY: **2.1x** VS OVERALL
- NUMBER OF OMNI CUSTOMERS: **+22%** VS 4Q21
- OMNI REVENUE: **+37%** VS 4Q21

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva MYSHOES Baw® TROC CAROL BASSI Vicenza PARIS TEXAS

2022 BRANDS HIGHLIGHTS

AREZZO &CO

AREZZO

- Brazil Revenues: **R$ 1,381.0M**
- Growth: **+29.6%** vs 2021
- Web Revenues: **R$ 323.9M**
- Web % of Sell Out (DTC): **18.0%**
- OMNI Sales: **R$ 64.9M**
- % OMNI-to-Web: **20.0%**

SCHUTZ

- Global Revenues: **R$ 1,198.3M**
- Growth: **+34.2%** vs 2021
- Brazil Revenues: **R$ 804.7M**
- Web Revenues: **R$ 233.2M**
- Web % of Sell Out (DTC): **38.4%**
- OMNI Sales: **R$ 29.0M**
- % OMNI-to-Web: **12.5%**

AR&CO

- Brazil Revenues: **R$ 1,200.3M**
- Growth: **+55.7%** vs 2021
- Web Revenues: **R$ 275.8M**
- Web % of Sell Out (DTC): **30.9%**
- OMNI Sales: **R$ 172.2M**
- % OMNI-to-Web: **62.4%**

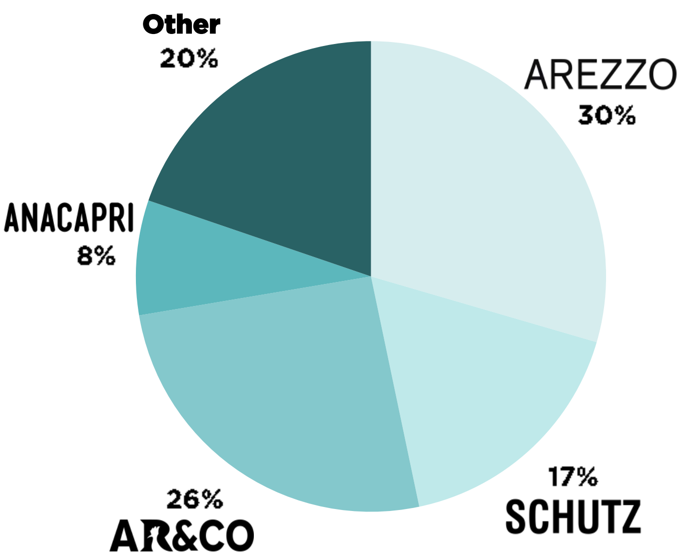
ANACAPRI

- Brazil Revenues: **R$ 368.9M**
- Growth: **+26.3%** vs 2021
- Web Revenues: **R$ 59.9M**
- Web % of Sell Out (DTC): **15.5%**
- OMNI Sales: **R$ 10.2M**
- % OMNI-to-Web:: **17.0%**

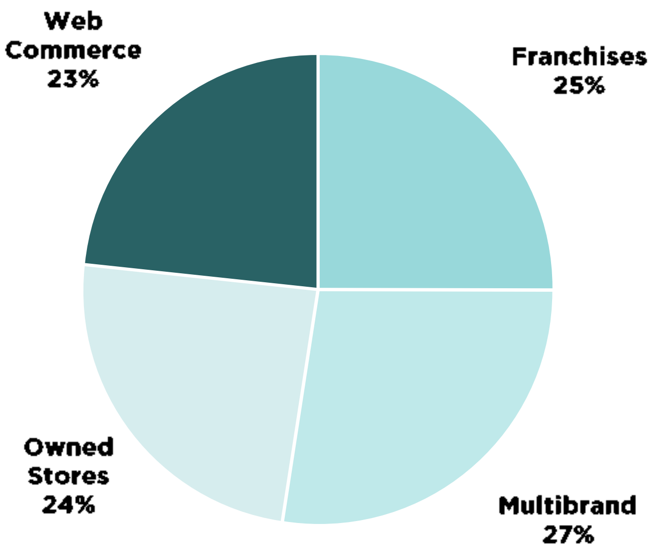
ALEXANDRE BIRMAN

- Global Revenues: **R$ 224.4M**
- Growth: **+58.1%** vs 2021
- Brazil Revenues: **R$ 114.8M**
- Web Revenues: **R$ 19.5M**
- Web % of Sell Out (DTC): **20.2%**
- % OMNI-to-Web: **38.6%**

GROSS REVENUE - DOMESTIC MARKET



GROSS REVENUE BY CHANNEL



2022 BRANDS HIGHLIGHTS

AREZZO &CO

AREZZO

- Brazil Revenues: **R$ 381.7M**
- Growth: **+1.7%** vs 4Q21
- Web Revenues: **R$ 88.5M**
- Web % of Sell Out (DTC): **15.9%**
- OMNI Sales: **R$ 15.3M**
- % OMNI-to-Web: **17.3%**

SCHUTZ

- Global Revenues: **R$ 326.4M**
- Growth: **+8.5%** vs 4Q21
- Brazil Revenues: **R$ 214.4M**
- Web Revenues: **R$ 61.6M**
- Web % of Sell Out (DTC): **34.9%**
- OMNI Sales: **R$ 8.0M**
- % OMNI-to-Web: **13.0%**

AR&CO

- Brazil Revenues: **R$ 455.4M**
- Growth: **+32.9%** vs 4Q21
- Web Revenues: **R$ 120.1M**
- Web % of Sell Out (DTC): **33.9%**
- OMNI Sales: **R$ 81.0M**
- % OMNI-to-Web: **67.4%**

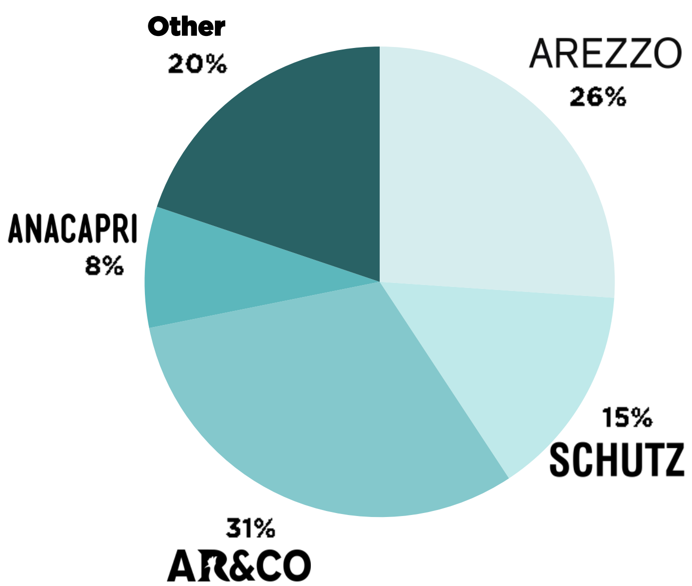
ANACAPRI

- Brazil Revenues: **R$ 121.7M**
- Growth: **+23.4%** vs.4Q21
- Web Revenues: **R$ 17.3M**
- Web % of Sell Out (DTC): **12.1%**
- OMNI Sales: **R$ 3.4M**
- % OMNI-to-Web: **19.8%**

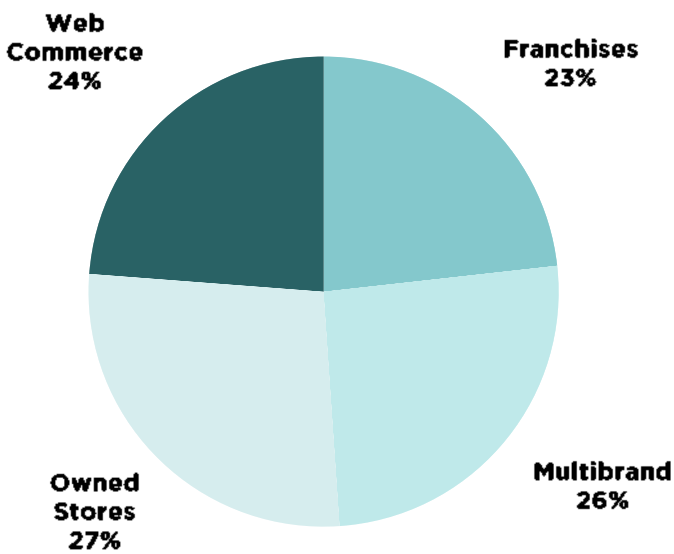
ALEXANDRE BIRMAN

- Global Revenues: **R$ 67.6M**
- Growth: **+35.1%** vs. 4Q21
- Brazil Revenues: **R$ 38.0M**
- Web Revenues: **R$ 5.6M**
- Web % of Sell Out (DTC): **16.8%**
- % OMNI-to-Web: **35.6%**

GROSS REVENUE - DOMESTIC MARKET



GROSS REVENUE BY CHANNEL



GROSS REVENUE

Gross Revenue	2022	Part%	2021	Part%	Δ	Δ (%) 22 x 21	4Q22	Part%	4Q21	Part%	Δ	Δ (%) 22 x 21
Total Gross Revenue	5.229.907		3.647.443		1.582.464	43,4%	1.617.670		1.352.404		265.266	19,6%
Foreign Market	549.840	10,5%	391.319	10,7%	158.521	40,5%	154.324	9,5%	142.417	10,5%	11.907	8,4%
Exports	60.147	10,9%	43.799	11,2%	16.348	37,3%	16.099	10,4%	16.808	11,8%	(710)	(4,2%)
US Operation	489.693	89,1%	347.521	88,8%	142.172	40,9%	138.225	89,6%	125.609	88,2%	12.617	10,0%
Domestic Market	4.680.067	89,5%	3.256.123	89,3%	1.423.944	43,7%	1.463.346	90,5%	1.209.987	89,5%	253.359	20,9%
By Brand												
Arezzo	1.381.048	29,5%	1.065.330	32,7%	315.718	29,6%	381.684	26,1%	375.406	31,0%	6.278	1,7%
Schutz[1]	804.735	17,2%	607.365	18,7%	197.370	32,5%	214.375	14,6%	194.187	16,0%	20.188	10,4%
AR&CO[2]	1.200.287	25,6%	770.692	23,7%	429.595	55,7%	455.397	31,1%	342.677	28,3%	112.720	32,9%
Anacapri	368.964	7,9%	292.071	9,0%	76.893	26,3%	121.748	8,3%	98.642	8,2%	23.106	23,4%
Others[3]	925.033	19,8%	520.665	16,0%	404.368	77,7%	290.142	19,8%	199.075	16,5%	91.067	45,7%
By Channel												
Franchises	1.169.821	25,0%	886.834	27,2%	282.987	31,9%	341.590	23,3%	337.108	27,9%	4.482	1,3%
Multibrand	1.278.812	27,3%	886.700	27,2%	392.112	44,2%	375.855	25,7%	299.577	24,8%	76.278	25,5%
Owned Stores	1.133.505	24,2%	659.195	20,2%	474.310	72,0%	401.278	27,4%	296.435	24,5%	104.843	35,4%
Web Commerce	1.089.189	23,3%	816.285	25,1%	272.904	33,4%	349.728	23,9%	275.728	22,8%	74.000	26,8%
Others[4]	8.740	0,2%	7.109	0,2%	1.631	22,9%	(5.105)	(0,3%)	1.139	0,1%	(6.244)	N/A

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

OPERATING INDICATORS

Operating Indicators	2022	2021	Δ (%) 22 x 21	4Q22	4Q21	Δ (%) 22 x 21
# of pairs sold ('000)	21.287	18.434	15,5%	6.549	6.780	-3,4%
Part. (%)	*65,6%*	*73,0%*	*-7,4 p.p*	*64,8%*	*71,9%*	*-7,1 p.p*
# of handbags sold ('000)	3.040	2.197	38,4%	798	950	-16,0%
Part. (%)	*9,4%*	*8,7%*	*0,7 p.p*	*7,9%*	*10,1%*	*-2,2 p.p*
# of clothes sold ('000)[1]	8.109	4.604	76.1%	2.755	1.705	61,6%
Part. (%)	*25.0%*	*18,2%*	*6,8 p.p*	*27,3%*	*18,1%*	*9,2 p.p*
# of employees	7.450	5.276	41,2%	7.450	5.276	41,2%
# of stores*	1.013	941	72	1.013	941	72
Owned Stores	190	159	31	190	159	31
Franchises	823	782	41	823	782	41
Shoes & Handbags Outsourcing (as % of total productio	82,8%	90,4%	-7,6 p.p	71,1%	92,2%	-21,1 p.p
Shoes & Handbags Insourcing (as % of total production)	17,2%	9,6%	7,6 p.p	28,9%	7,8%	21,1 p.p
Clothes Outsourcing (as % of total production)	100,0%	100,0%	0,0 p.p	100,0%	100,0%	0,0 p.p
SSS[2] sell-in (franchises)	26,5%	42,6%	-16,1 p.p	-2,2%	21,7%	-23,9 p.p
SSS[2] sell-out (owned stores + franchises + web)	31,9%	34,2%	-2,3 p.p	12,0%	34,8%	-22,8 p.p

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

MAIN FINANCIAL INDICATORS

Main Financial indicators	2022	2022 Adjusted	2021 Adjusted	Δ (%) 22 x 21	4Q22	4Q22 Adjusted	4Q21 Adjusted	Δ (%) 22 x 21
Gross Revenues	5.229.907	5.229.907	3.647.442	43,4%	1.617.670	1.617.670	1.352.404	19,6%
Net Revenues	4.233.726	4.233.726	2.923.827	44,8%	1.311.413	1.311.413	1.092.950	20,0%
COGS	(1.950.092)	(1.950.092)	(1.379.516)	41,4%	(606.428)	(606.428)	(502.252)	20,7%
Depreciation and amortization (cost)	(4.388)	(4.388)	(3.138)	39,8%	(1.225)	(1.225)	(876)	39,8%
Gross Profit	2.283.634	2.283.634	1.544.311	47,9%	704.985	704.985	590.698	19,3%
Gross margin	*53,9%*	*53,9%*	*52,8%*	*1,1 p.p*	*53,8%*	*53,8%*	*54,0%*	*(0.2 p.p)*
SG&A	(1.733.507)	(1.788.195)	(1.188.559)	50.5%	(566.106)	(571.986)	(435.640)	31,3%
% of net revenues	*(40,9%)*	*(42,2%)*	*(40,7%)*	*(1,5 p.p)*	*(43,2%)*	*(43,6%)*	*(39,9%)*	*(3.7 p.p)*
Selling expenses	**(1.361.048)**	**(1.332.493)**	**(796.814)**	**67,2%**	**(425.378)**	**(423.504)**	**(302.930)**	**39,8%**
Owned stores and web commerce	(500.917)	(478.702)	(358.474)	33,5%	(185.033)	(183.696)	(160.501)	14,5%
Selling, logistics and supply	(860.131)	(853.790)	(438.341)	94,8%	(240.345)	(239.808)	(142.429)	68,4%
General and administrative expenses	**(301.276)**	**(302.795)**	**(284.375)**	**6,5%**	**(94.640)**	**(93.244)**	**(100.241)**	**(7,0%)**
Other operating revenues (expenses)	**86.107**	**4.382**	**(7.027)**	**(162,4%)**	**10.565**	**1.414**	**(3.128)**	**145,2%**
Depreciation and amortization (expens	**(157.290)**	**(157.290)**	**(100.343)**	**56,8%**	**(56.653)**	**(56.653)**	**(29.341)**	**93,1%**
EBITDA	711.805	657.117	459.233	43,1%	196.757	190.877	185.275	3,0%
EBITDA Margin	*16,8%*	*15,5%*	*15,7%*	*(0.2 p.p)*	*15,0%*	*14,6%*	*17,0%*	*(2.4 p.p)*
Net Income	422.538	386.444	269.290	43,5%	106.583	102.702	110.523	(7,1%)
Net Margin	*10.0%*	*9.1%*	*9,2%*	*(0,1 p.p)*	*8.1%*	*7,8%*	*10.1%*	*(2.3 p.p)*

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

NON-RECURRING ADJUSTMENTS

	2022	2021	4Q22	4Q21
Consolidated EBITDA	711.805	572.005	196.757	175.268
Non-Recurring Items				
Surplus Value (Impact on Gross Profit)[1]	-	(5.631)	-	-
Extemporaneos Credits[2]	72.040	137.499	2.543	-
Legal Expenses	(2.911)	(15.312)	(1.402)	(8.164)
M&A Expenses	(21.050)	(3.784)	(1.868)	(1.843)
HG Incorporation Goodwill	6.608	-	6.608	-
Net Effect of Non-Recurring Items	54.687	112.772	5.880	(10.007)
Adjusted Consolidated EBITDA	**657.117**	**459.233**	**190.877**	**185.275**

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

BRANDS PERFORMANCE

The fourth quarter is traditionally marked by important commercial dates for the sales calendar of Arezzo&Co's brands, such as Christmas and the Holidays. Exceptionally, in 2022, the fourth quarter had some atypical events, such as the Presidential elections and the World Cup (unprecedent in December), with direct impacts on Brazilian retail.

Foreseeing possible effects on consumer demand, Arezzo&Co structured an extremely assertive strategic to mitigate such impacts, and presented revenue growth in line with its expectations, and above that observed in the market.

Despite the strong baseline for comparison (+68.6% 4Q21 vs 4Q20), the Company reached record-setting gross revenue levels - R$ 1.6 billion (+19.6% vs 4Q21). For the full year 2022, the Company also posted record-setting sales of R$ 5.2 billion, growth of 43.4% vs 2021.

Considering the core brands alone (ex-AR&Co and Vans), Arezzo&Co posted an 33.2% increase in 2022 (+8.3% in 4Q22), a demonstrating the resilience of the performance of the group's organic brands.

SCHUTZ | WINTER '23 @CANDICESWANEPOEL

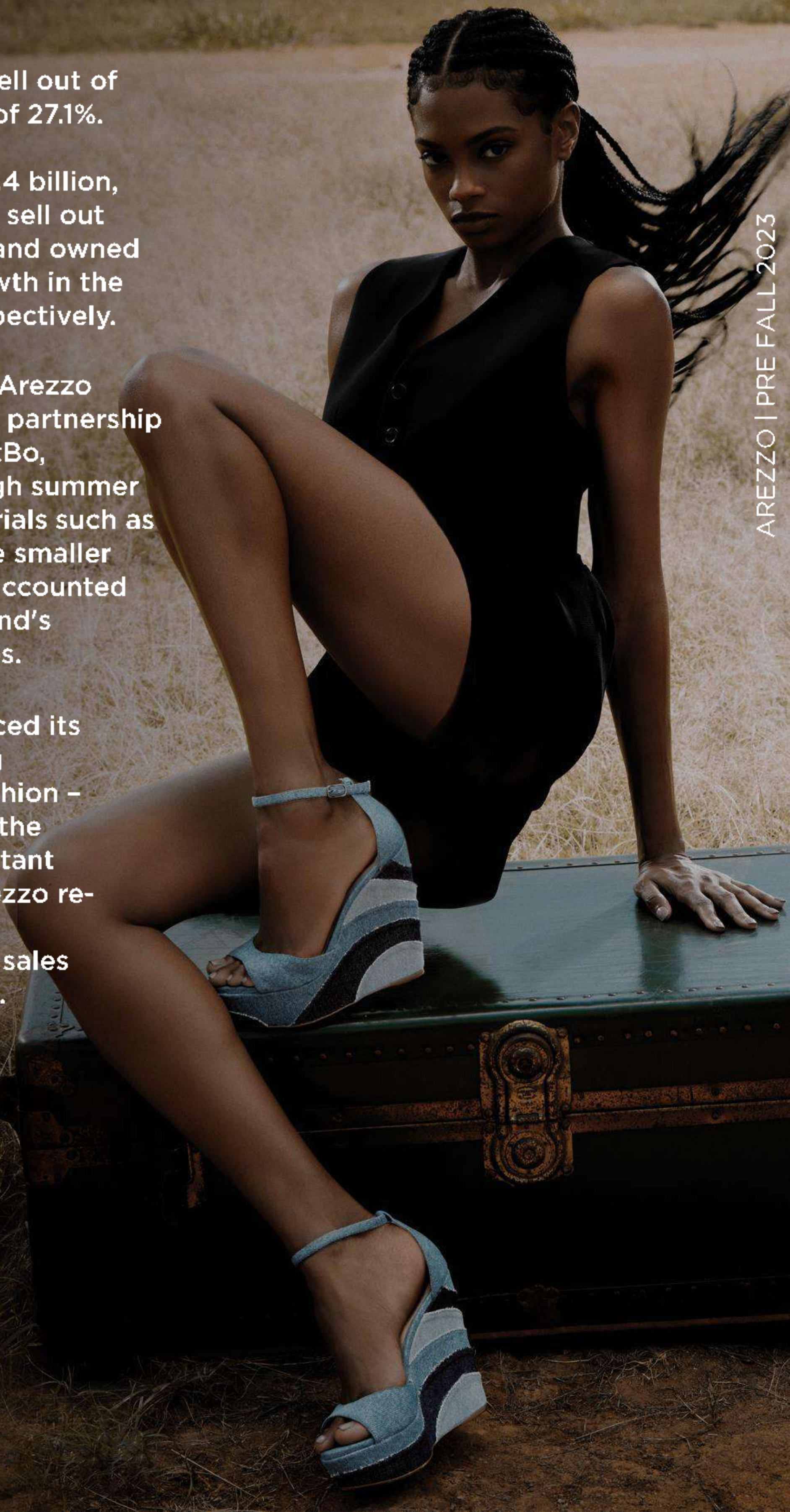
AREZZO

The Arezzo brand posted DTC sell out of R$ 1.8 billion in 2022, a growth of 27.1%.

The gross revenue reached R$ 1.4 billion, growth of 29.6% from 2021. The sell out sales channels, web commerce and owned store, stood out in terms of growth in the quarter: +22.7% and +17.7%, respectively.

In the beginning of the quarter, Arezzo launched a capsule collection in partnership with women's apparel brand PatBo, to mark the beginning of the high summer season with sophisticated materials such as pearls and cut glass. Despite the smaller collection, the collab revenues accounted for approximately 5% of the brand's revenues in the first days of sales.

In November, the brand introduced its high summer campaign, starring influential names in Brazilian fashion – Luiza Brasil and Silvia Braz. For the Holidays, one of the most important periods in its sales calendar, Arezzo re-released its traditional #SemprePresente collection – a sales hit for giftable and festive items.



AREZZO
&CO

BRIZZA
AREZZO

BriZZa Arezzo posted growth of 8.9% in 2022 when compared to the previous year, with 1.4 million of products sold.

For its high summer collection, an important sales period for the brand, BriZZa Arezzo launched an unprecedented campaign featuring two of the top Brazilian celebrities: Anitta and Bruna Marquezine.

The collection performed as expected, and on the day of its launch, sales of BriZZa products accounted for 20% of Arezzo's e-commerce sales, compared to an average of 10% in normalized periods.

In the period, BriZZa reached the mark of 1,695 multibrand customers, demonstrating its relevance on its channel.

SCHUTZ | PRE FALL 2023 @CANDICESWANEPOEL

SCHUTZ

In 2022, Schutz reached R$ 1.2 billion in sales for the first time, in global terms (+34.2% vs. 2021).

In the fourth quarter, Schutz posted global gross revenue of R$ 326 million, growth of 8.5% vs 4Q21. In the domestic market, the brand's revenues were R$ 214 million, +10.4% vs 4Q21.

For a highlight, the multibrand channel grew 20.7% vs the previous year. The web commerce channel, by its turn, expanded by 10.9%, despite the strong basis of comparison. The APP, a strong source of organic traffic for the channel, registered growth of 21% in downloads.

For the high summer season, Schutz launched an unprecedented campaign starring global model Candice Swanepoel, and brought to bear shoes and handbags in materials reminiscent of the warmest period in the year, such as straw and cut colored glass. The collection received high engagement on Schutz's social media networks.

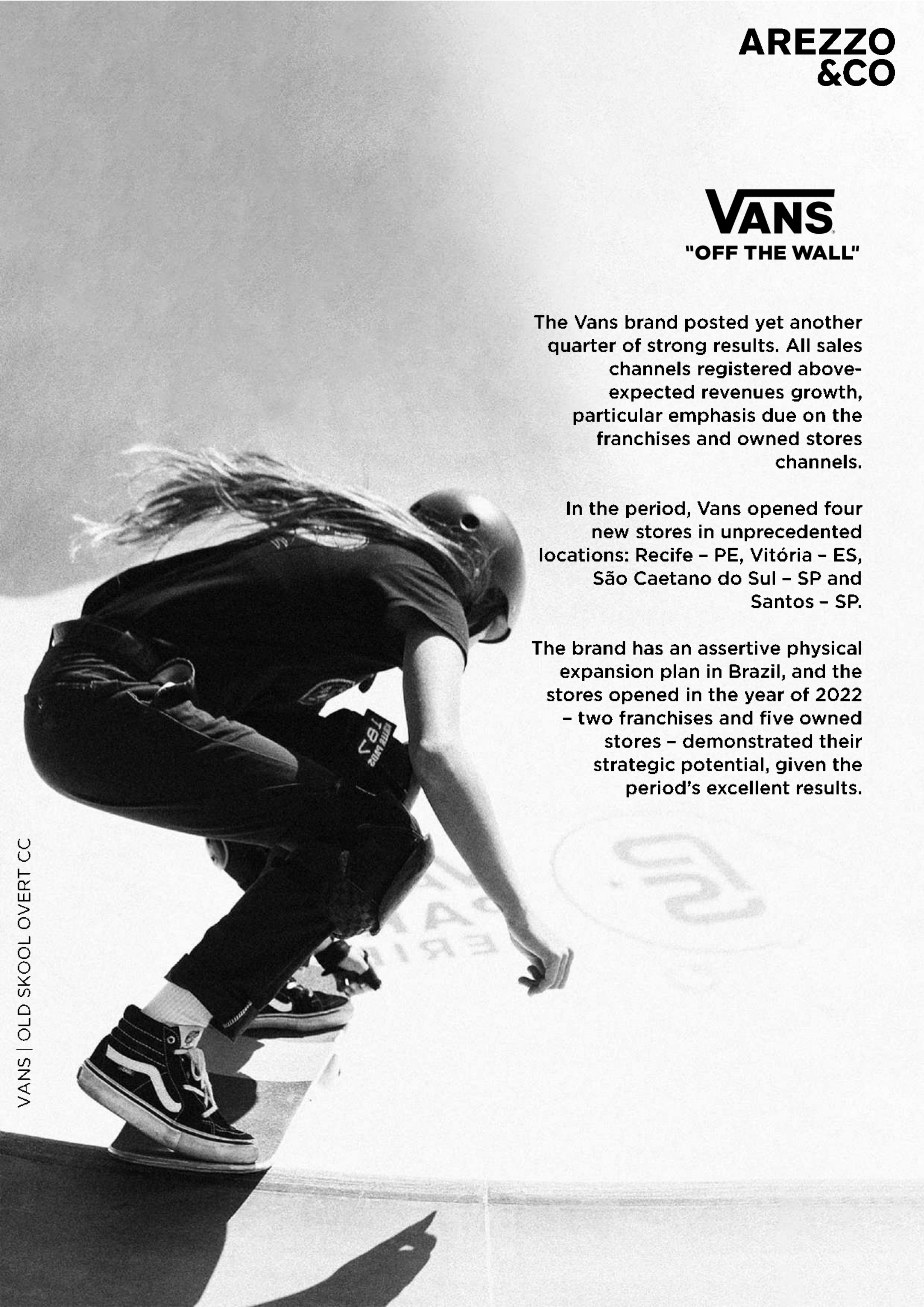
AR&CO

In the fourth quarter of 2022, AR&Co achieved higher revenue than the consolidated year of 2019 – R$ 455 million, up 32.9% from 4Q21. In 2022, AR&Co reached a record-setting sales of R$ 1.2 billion, exceeding the Company's expectations.

It is worth highlighting the excellent performance of Reserva's sub-labels, which are already expanding rapidly, such as Reserva Go, which had revenues of R$ 172 million (+75.3%), and Oficina, with R$ 100 million in the full year.

All sales channels performed positively in the quarter, particular emphasis due on digital, which was up 75.2% vs 4Q21, and franchises (+45.6% vs the previous year).

For a period highlight, for Christmas, Reserva and Estrela – a toys maker – joined forces for an unprecedented collab that brought forth the 1980s' nostalgia with Reserva version of classic Estrela toys. The collection featured apparel, accessories and toys. The number of items sold grew 49% vs the Christmas 2021 collection, and sales were up 39%.



VANS | OLD SKOOL OVERT CC

VANS

"OFF THE WALL"

The Vans brand posted yet another quarter of strong results. All sales channels registered above-expected revenues growth, particular emphasis due on the franchises and owned stores channels.

In the period, Vans opened four new stores in unprecedented locations: Recife – PE, Vitória – ES, São Caetano do Sul – SP and Santos – SP.

The brand has an assertive physical expansion plan in Brazil, and the stores opened in the year of 2022 – two franchises and five owned stores – demonstrated their strategic potential, given the period's excellent results.

ANACAPRI

In the fourth quarter, Anacapri posted R$ 122 million in gross revenue, showing strong growth of +23.4% vs 4Q21. For a highlight, the franchises channel grew by 25.9% vs 4Q21, in line with the multibrand channel's, 25.8%.

As previously anticipated, the brand allocated strategic investments throughout the second half of the year, which generated an excellent sales performance in the period.

At the end of 2022, a period in which Anacapri posted R$ 369 million in sales (growth of 26.3% vs 2021), the brand had 19 net store openings and reached the level of 228 stores.

AREZZO &CO

ALEXANDRE

BIRMAN

Alexandre Birman posted global revenues of R$ 68 million in the fourth quarter – growth of 35.1% vs 4Q21. In Brazil, the brand's growth was 57.8% vs 4Q21. The domestic market sales already answer for 44% of the brand's sales in the period, demonstrating the strong awareness gain in Brazil.

The quarter was marked by the continuity of the brand's expansion and global positioning strategy by means of its attendance at Art Basel, an important art show held annually in Miami, USA.

In Brazil, Alexandre Birman opened another store – the brand's first in the northeast region of the country – in the city of Recife, Pernambuco. The new store represents the brand's strategy to strengthen its position in regions with potential and yet to be explored.

ALEXANDRE BIRMAN | TALES OF ITAPUÃ COLLECTION

AREZZO &CO

CAROL BASSI

Carol Bassi presented another excellent quarter with revenue growth.

Continuing with its expansion plan through its owned stores, Carol Bassi opened four stores in the quarter, two of them temporary, focusing on the summer season - CJ Shops in São Paulo and Trancoso in Bahia, and the other two, permanent, in the cities of Belo Horizonte and Rio de Janeiro.

It is worth highlighting the strong performance of the Shopping Cidade Jardim store – the brand's flagship – which recorded 74.6% growth vs. 4Q21.

CAROL BASSI | PRE FALL

MY SHOES | @SANTOS ISABELA

myShoes

My Shoes brand had yet another period of exciting results. For a highlight, the online channel posted record-setting sales, boosted chiefly by the Black Friday promotional date, in which sales exceeded R$ 1 million.

In the year of 2022, the brand completed the 12-month cycle that began with its re-launch.

In this full year, My Shoes successfully built the brand's desired positioning, and the results presented since then demonstrate the brand's potential in its addressable market.

AREZZO
&CO

ALME

In the final quarter of 2022, Alme celebrated the first year of its carbon-neutral journey. Committed to promoting conscious consumption, Alme has products with a complete analysis of their life cycle, produced from raw materials with reduced environmental impact, through a traced production chain.

The brand's trajectory, which is still in its initial phase, demonstrates Arezzo&Co's strong commitment to the sustainability agenda of the Brazilian fashion market.

ALME | LUME SNEAKERS

AREZZO
&CO

Vicenza)

In early 2023, Arezzo&Co announced the acquisition of Vicenza – a Brazilian women's footwear brand.

Vicenza has been operating in the footwear market for 30 years. The brand was founded by Ariovaldo and Rafaela Furlanetto, responsible for the engineering and styling of the products. Vicenza is present in more than 400 multi-brand stores in Brazil, in addition to having vast expertise in the export market – present in more than 50 countries.

Arezzo&Co, through its execution capacity and platform, sees several growth opportunities for Vicenza on every sales channel.

Vicenza has been growing 30% annually in recent years, and had R$ 80 million in sales in 2022.

The deal earned the approval of Brazilian antitrust authority CADE in March 2023.

It is worth emphasizing that on March 13th, Vicenza will open its first physical store (pop-up) at the JK mall in São Paulo, providing consumers with the brand's physical experience for the first time.

VICENZA | TESSA SANDAL

INTERNATIONAL BUSINESS

In the year 2022, the North American operation of Arezzo&Co recorded record revenues in its history – R$ 490 million (US$ 95 million) – which represents an expansion of 40.9% vs. 2021. In the fourth quarter, it reached gross revenues of R$138 million, up 10.0% vs. 4Q21. In dollars, growth was 16.8% vs. 4Q21.

The brands grew by 31.6% in the web commerce channel, reinforcing the growing demand for the Schutz and Alexandre Birman brands in the country. The channel's performance indicators reflected the positive result of the online channel: the number of pairs sold grew by 39.0%, traffic on websites expanded by 52.0% and the number of orders grew by 35.0%, with an expansion of 88.0% of the conversion rate, which totaled 1.6% in the quarter.

SCHUTZ US

CHANNELS

Sell Out – Franchises, Owned Stores and Web Commerce

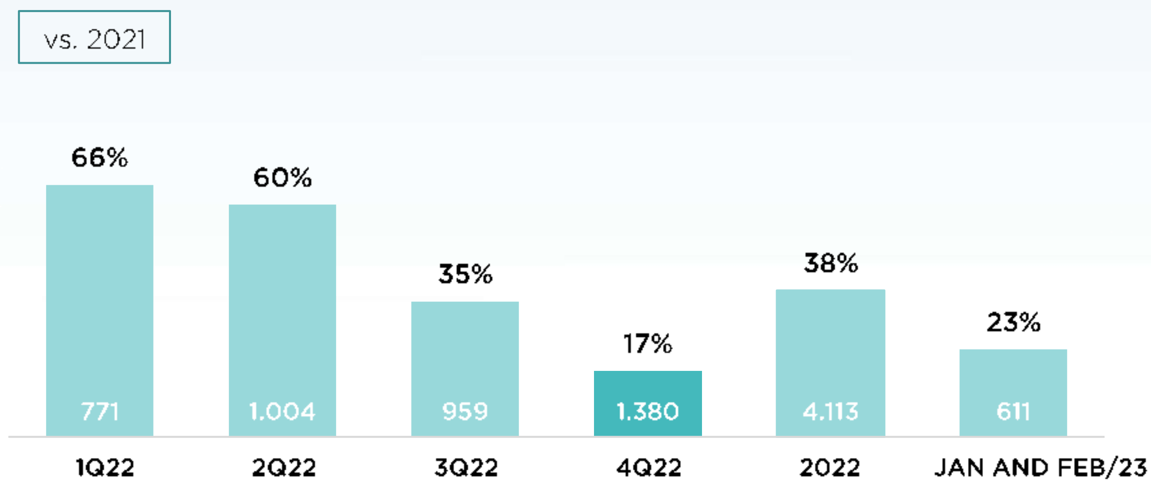
The *DTC* sell out (Owned Stores + Franchises + Web Commerce) reached record-setting levels in 4Q22, at R$ 1.4 billion, and despite the strong comparative base, registered growth of 17.1% vs 4Q21. The consolidated sell out for 2022 was R$ 4.1 billion, +38.1% vs 2021.

The web commerce was a highlight among sell out sales channels, with an expressive growth of 41.3%. The physical stores (franchises + owned stores) posted record-setting quarter sell out of R$ 1.0 billion, growth of 10.9% vs 4Q21.

All of the Company's brands posted increased fourth-quarter sell out. AR&CO again posted strong growth levels at 38.6% vs 4Q21, followed by Anacapri, which was up 23.4% vs the previous year.

In the early months of 2023 – January and February – sales performance remained on the fourth quarter's good trend, reaching 22.8% sell out increase.

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



R$ 1.4B
RECORD-SETTING
DTC SELL OUT IN 4Q22

+17%
SELL OUT GROWTH vs 4Q21

+23%
SELL OUT GROWTH IN JANUARY AND FEBRUARY 2023

CHANNELS

Monobrand – Franchises and Owned Stores

The Company's single brand physical channels posted 17.3% combined growth in the quarter. The owned stores channel, which answered for 27.4% of the Company's gross revenue in the period, stood out with expressive 35.4% growth vs 4Q21. The franchises channel performed in line with the previous year, up 1.3% vs 4Q21. It is worth mentioning that monobrand channels faced strong basis of comparison in the period.

The performance of the owned stores channel was boosted mainly by the Vans, Reserva and Arezzo brands, whose performance exceeded 4Q21 by 50.4%, 24.5% and 17.7% respectively.

In 2022, the monobrand channels – franchises and owned stores – posted similar gross revenue levels: R$ 1.2 billion (franchises) and R$ 1.1 billion (owned stores), answering collectively for approximately 50% of the Company's domestic market sales.

Multibrand

In the quarter, the multibrand channel posted revenues of R$ 376 million, up 25.5% from 4Q21. The 2022 year was marked by expressive results for the channel, which answered for 27.4% of the Company's total domestic-market revenues, totalizing R$ 1.3 billion (+44.4% vs 2021).

The positive performance extended to all brands, which registered double-digit growth in the fourth quarter. The Reserva brand was up 39.9% vs 4Q21. The brands Anacapri and Schutz also posted strong results: +25.8% and +20.7%, respectively.

In the fourth quarter of 2022, the Company's brands were distributed across 7,953 points of sale, growth of 17.2% vs 4Q21.

Web Commerce

The Company's web commerce channel posted R$ 350 million in gross revenue in the quarter, growth of 26.8% vs 4Q22. In 2022, the online channel posted R$ 1.1 billion in gross revenue, growth of 33.4% vs 2021. It is worth emphasizing the expressive growth of web commerce, despite the strong comparative baseline.

The stand-out brands in terms of online channel performance in the period vs 4Q21 were Reserva (+75.2%), Alexandre Birman (+44.2%), Vans (+43.7%) and Arezzo (+22.7%).

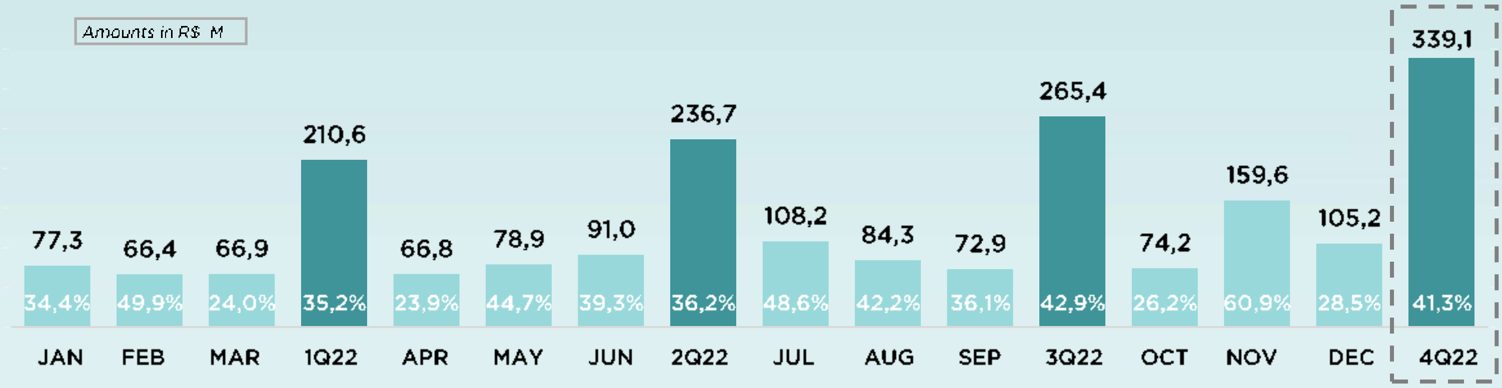
The sales through the brands' APPs are experiencing increasing expansion and totaled R$ 208 million in the quarter (+292.3% vs 4Q21). The number of APP downloads was up 101.8% from 4Q21, demonstrating the relevance of the increase in the user base.

AREZZO &CO

CHANNELS

Web Commerce Sell Out Evolution

Arezzo&Co and AR&Co



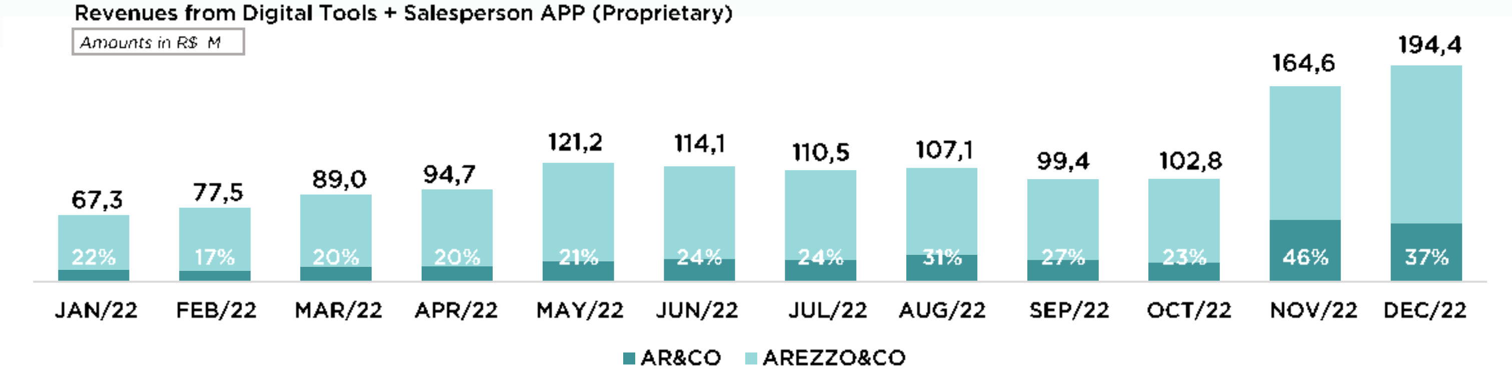
Digital Transformation

The sell out through digital tools and the web commerce channel reached a record-setting R$ 2.4 billion in 2022. The sales through digital tools answered for 47.0% of physical stores' sell out in the period. The performance of the "store shipping" and "pick up in stores" tolls stood out in the quarter and, together, grew by 141.8% vs. 4Q21.

The revenues influenced by the salesperson APP, a proprietary tool of the Group, amounted to R$ 343 million in the period, growth of 48.6% vs 4Q21. In 2022, revenue reached R$ 1 billion. The high level of revenue from sales converted through the use of the tool by the sales team reinforces the solidity of Arezzo&Co's channel integration. The contacts made through WhatsApp exceeded <u>25 million</u> in 2022.

Arezzo&Co Group Digital Revenues

Revenues from Digital Tools + Salesperson APP (Proprietary)



R$ 1.1B
WEB COMMERCE SELL OUT (LTM)

R$ 1.3B
DIGITAL REVENUES (LTM)

R$ 2.4B
WEB SELL OUT + DIGITAL TOOLS (LTM)

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS Reserva MYSHOES Baw TROC CAROL BASSI Vicenza PARIS TEXAS

ARREZZO &CO

CHANNELS

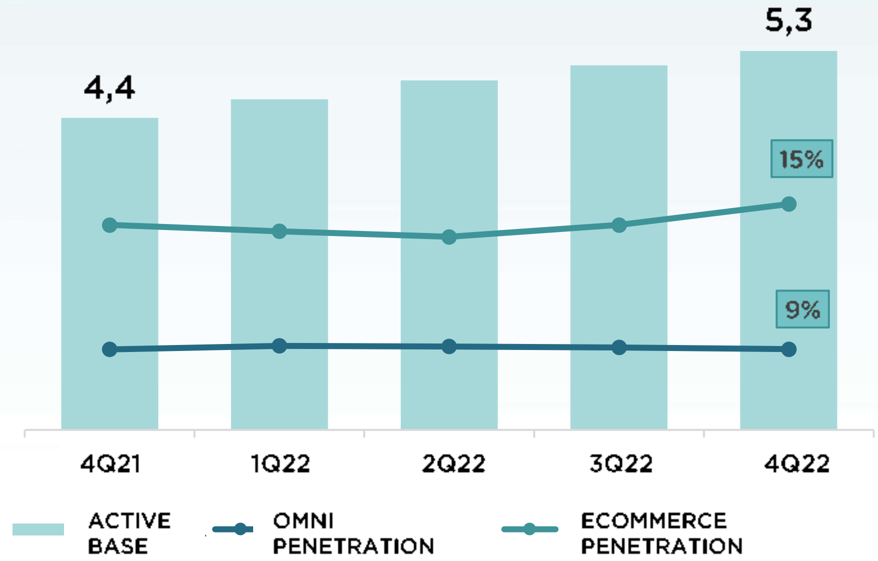
Digital Transformation

Customers

- Record-setting volume of active customers in Arezzo&Co's base in the quarter: 5.3 million, expansion of 22% in the quarter;
- The active online customers base (web commerce only) grew 42% vs 4Q21;
- 15% of customers buy from online channel only;
- 9% of customers are omnichannel (they buy both physically and online).

- The number of OMNI customers was up 22% vs 4Q21, resulting in a 37% revenues increase from sales;
- The OMNI customers had a high purchase frequency in the period, 2.1x higher than the overall frequency.

*In million



+22%
OMNI CUSTOMERS

+37%
OMNI REVENUES

+2,1x
HIGHER FREQUENCY

*4Q22 vs 4Q21 data

AREZZO &CO

MONOBRANDS CHAIN

At the end of the fourth quarter 2022, the Company had 1,013 stores, 1,002 in Brazil and 11 abroad, considering all of the group's brands.

In the fourth quarter, Arezzo&Co opened up 50 net stores in line with the Company's expansion plan. The store openings were concentrated in the AR&CO (22), Anacapri (11), Arezzo (8), Vans (4), Carol Bassi (3), Alexandre Birman (1) and My Shoes (1) brands.

In the year of 2022, the Company surpassed the milestone of 1,000 physical stores, and opened up 72 net physical stores, including 41 franchises and 31 owned stores.

Store Information	4Q21	1Q22	2Q22	3Q22	4Q22
Sales Area[1,3] - Total (m^2)	64.182	64.172	65.904	66.406	69.607
Sales area - franchises (m^2)	47.844	47.378	47.901	47.996	49.660
Sales area - owned stores[2] (m^2)	16.337	16.795	18.002	18.410	19.946
Total number of domestic stores	930	914	939	952	1.002
# of franchises	776	766	776	783	817
Arezzo	433	431	430	431	439
Schutz	64	62	62	62	62
Anacapri	207	204	210	215	226
Fiever	1	-	-	-	-
Alme	2	-	-	-	-
Vans	12	12	12	12	14
AR&CO	57	57	62	63	75
My Shoes	-	-	-	-	1
# of owned stores	154	148	163	169	185
Arezzo	18	17	18	18	18
Schutz	20	20	22	22	22
Alexandre Birman	8	8	10	11	12
Anacapri	2	2	2	2	2
Fiever	2	2	2	2	2
Alme	2	2	2	2	2
Vans	13	13	16	16	18
AR&CO	89	82	89	94	104
Carol Bassi	-	2	2	2	5
Total number of international stores	11	11	11	11	11
# of franchises	6	6	6	6	6
# of owned stores[4]	5	5	5	5	5

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

GROSS INCOME AND GROSS MARGIN

The Company posted gross income of R$ 705 million in the fourth quarter (+19.3% vs 4Q21), and gross margin of 53.8%, steady vs 4Q21.

In the period, the gross margin had a positive impact from the increased representativeness of owned stores in the revenues mix, in addition to an increase in full price sales. And it had a negative impact from increased revenues from marked-down items on web commerce, affected by increased sell out during the Black Friday period.

ADJUSTED OPERATING EXPENSES

The fourth quarter of 2022 was marked by strong results, as was the consolidated year of 2022. Arezzo&Co continued allocating its investments diligently to the strategic pillars that have been supporting such accelerated growth. It is worth mentioning that, as in 2021, the Company surepassed its goals, leading to increased variable compensation payments.

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.

Adjusted Commercial Expenses

In the fourth quarter of 2022, Arezzo&Co adjusted commercial expenses were R$ 424 million, growth of 39.8% vs 2021. The factors that influenced this increase include investments in core brands and strategic projects – particularly marketing-related ones –, the accelerated growth of AR&Co and the increased number of owned stores.

i. Arezzo&Co's Owned Stores and Web Commerce expenses (sell out channels) totaled R$ 184 million – up 14.5%. The gross revenue from the two combined channels were up 31.3% vs 4Q21, a greater increase than expenses. The main impacts include costs associated with owned stores operations, in line with Arezzo&Co's growth strategy. In 4Q22, the Company opened 31 owned stores (vs 4Q21), which directly impacted the increase in commercial expenses for the quarter. By its turn, the web commerce channel also impacted the line, particularly due to variable expenses - digital marketing and delivery cost.

ADJUSTED OPERATING EXPENSES

ii. Arezzo&Co Selling, Logistics and Supplies expenses were R$ 240 million in the quarter – growth of 68.4% vs 4Q21. Some of the factors that influenced expenses growth, investments in marketing stand out, especially in high summer campaigns, which resulted in an excellent sales performance. The investments in the AR&Co operation also contributed to the increase in expenses, given its continuous and accelerated expansion. It is worth emphasizing that increased variable compensation as a result of exceeding the Company's targets also impacted the line.

Selling, Logistics and Supplies expenses in the United States were R$ 48 million in the period, growth of 29.6% vs 4Q21. It is worth emphasizing that the US operation posted good levels of revenues growth in the period, despite the chalenging macroeconomic scenario in the country. Arezzo&Co remains diligent towards the allocation of investments at the US operation, aiming for expansion while maintaining the breakeven level.

<u>Adjusted General and Administrative Expenses</u>

In the fourth quarter, the Company's Adjusted General and Administrative expenses were R$ 93 million, down 7.0% vs 4Q21. For a highlight, adjustments to the US operation's fixed costs contributed to the period's decrease.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The Company's adjusted EBITDA in the fourth quarter was R$ 191 million, growth of 3.0% vs 4Q21, and adjusted EBITDA margin was 14.6%.

The main factors that contributed positively to the quarter's EBITDA margin include strong sales performance, with record-setting sales for a quarter – R$ 1.6 billion – and the recovery of the US operation's breakeven level. On the other hand, investments in brand marketing – carried out in a diligent manner in line with strategic planning – and higher variable compensation because of the attainment of the Company's goals, had a negative impact on margin.

	4Q22 EBITDA			4Q21 EBITDA		
	&Co	Brazil	USA	&Co	Brazil	USA
Net Revenues	1.311,4	1.200,3	111,1	1.093,0	992,1	100,8
Adjusted EBITDA	190,9	189,4	1,4	185,3	176,5	8,8
Adjusted Mg. EBITDA	*14,6%*	*15,8%*	*1,3%*	*17,0%*	*17,8%*	*8,7%*

Amounts in R$ M // Amounts in line with the adoption of IFRS 16 / CPC 06 (R2)

AREZZO &CO

ADJUSTED NET INCOME AND ADJUSTED NET MARGIN

The Company posted net income of R$ 103 million in the fourth quarter, growth of 7.1% vs 4Q21, and 7.8% net margin.

The period's net income was positively impacted by Arezzo&Co's operating results, and negatively by financial income, due to the increase in financial expenses mainly due to the impact of the leasing related to the rental contracts.

ROIC – RETURN ON INVESTED CAPITAL

The adjusted return on invested capital (ROIC) – that is, ROIC ex- the added value from Arezzo&Co's latest acquisitions (AR&CO, Carol Bassi and BAW), credits from other periods and non-recurring elements – was 28.4%. It is worth underscoring that ROIC is one of the most important KPIs that Arezzo&Co's management track.

The reported ROIC reached 20.2% in 4Q22. A highlight was the 22.4% increase in NOPAT from 4Q21, a factor that contributed positively to the strong results. On the other hand, inventories had a negative impact on the period's working capital because of the apparel category's increased share of the Company's mix – with a different dynamics.

Income from operations	4Q22 Reported	4Q22 Adjusted	4Q21	Δ 22 x 21 (%)
EBIT (LTM)	550.127	495.360	468.524	5,7%
+ IR and CS (LTM)	(50.333)	(41.311)	(60.134)	(31,3%)
NOPAT (LTM)	499.794	454.049	408.390	11,2%
Working Capital[1]	737.847	737.847	416.694	77,1%
Accounts Receivable	867.582	867.582	790.302	9,8%
Inventory	772.060	772.060	450.487	71,4%
Suppliers	(671.662)	(671.662)	(574.713)	16,9%
Others	(230.133)	(230.133)	(249.382)	(7,7%)
Permanent assets	1.958.156	976.712	1.421.648	(31,3%)
Other long-term assets[2]	198.393	198.393	207.667	(4,5%)
Invested capital	2.894.396	1.912.952	2.046.009	(6,5%)
Average invested capital[3]	2.470.203	1.597.537	1.782.411	(10,4%)
ROIC[4]	20,2%	28,4%	22,9%	

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

INVESTMENTS – CAPEX

The Company's CAPEX investments were R$ 73 million in 4Q22 – growth of 13.4% – special emphasis on the following fronts:

- Stores
  - Investment in new stores for the AR&CO, Carol Bassi, Vans and Alexandre Birman brands;
  - Renovations and expansions of owned stores.
- Corporate
  - *Squads* – proprietary technology upgrading and development projects;
  - Expansion of the Espírito Santo Distribution Center.
- Other
  - Acquisition of machinery for new plants.

Summary of Investments	2022	2021	Δ 22 x 21 (%)	4Q22	4Q21	Δ 22 x 21 (%)
Total CAPEX	233.143	168.881	38,1%	72.607	64.044	13,4%
Stores - expansion and refurt	93.373	88.007	6,1%	28.097	42.063	(33,2%)
Corporate	117.434	65.474	79,4%	38.290	16.513	131,9%
Others	22.336	15.400	45,0%	6.220	5.468	13,8%

CASH AND DEBT POSITION

At yearend 2022, the Company had R$ 75 million in net cash. The period's highlights include:

- R$ 476 million cash position;
- R$ 402 million in total debt, from R$ 535 million in 4Q21;
- Net Debt-to-EBITDA: 0.1x.

Cash position and Indebtedness	4Q22	3Q22	4Q21
Cash and Cash Equivalents	476.434	546.122	262.559
Total debt	401.873	411.486	534.594
Short-term	392.254	401.433	496.861
% total debt	97,6%	97,6%	92,9%
Long-term	9.619	10.053	37.733
% total debt	2,4%	2,4%	7,1%
Net cash	74.561	134.636	(272.035)
Net Cash/EBITDA	0,1x	0,2x	-0,5x

BALANCE SHEET

Assets	4Q22	3Q22	4Q21
Current assets	2.383.445	2.291.856	1.646.786
Cash and cash equivalents	28.826	74.933	33.750
Financial Investments	447.608	471.189	228.809
Trade accounts receivables	867.582	722.016	790.302
Inventory	772.060	755.060	450.487
Taxes recoverable	13.678	183.431	2.579
Other taxes recoverable	187.534	0	71.273
Other credits	66.157	85.227	68.230
Financial Instruments - Derivatives	0	0	1.356
Non-current assets	2.275.819	2.144.565	1.719.540
Long-term receivables	317.663	307.184	297.892
Trade accounts receivables	330	1.927	4.276
Deferred income and social contribution	119.270	97.542	90.225
Financial Instruments - Derivatives	0	0	6.427
Judicial deposits	81.108	64.942	54.390
Taxes recoverable	102.550	127.954	127.635
Other amounts receivable	14.405	14.819	14.939
Investments property	3.162	3.162	2.862
Property, plant and equipment	691.582	586.250	403.868
Intangible assets	1.263.412	1.247.969	1.014.918
Total assets	4.659.264	4.436.421	3.366.326

Liabilities	4Q22	3Q22	4Q21
Current liabilities	1.635.360	1.501.072	1.519.000
Loans and financing	392.254	401.433	496.861
Lease	89.648	72.314	57.017
Suppliers	671.662	637.508	574.713
Other liabilities	481.796	389.817	390.409
Non-current liabilities	369.311	320.468	255.320
Loans and financing	9.619	10.053	37.733
Other liabilities	68.917	67.580	35.204
Lease	284.889	236.822	174.879
Other amounts payable	2.465	2.510	2.010
Deferred Taxes	3.421	3.503	5.441
Deferred Income	0	0	53
Shareholder's Equity	2.653.792	2.614.130	1.590.580
Capital	1.671.716	1.671.716	811.284
Capital reserve	176.094	161.596	196.925
Profit reserve	814.396	541.478	541.478
Adjustment of Equity Valuation	-8.414	-8.674	-9.107
Period Profit	0	248.014	0
Proposed additional dividends	0	0	50.000
Total Shareholder's Equity	2.654.593	2.614.881	1.592.006
Non-controlling interest stake	801	751	1.426
Total liabilities and shareholders' equity	4.659.264	4.436.421	3.366.326

INCOME STATEMENT

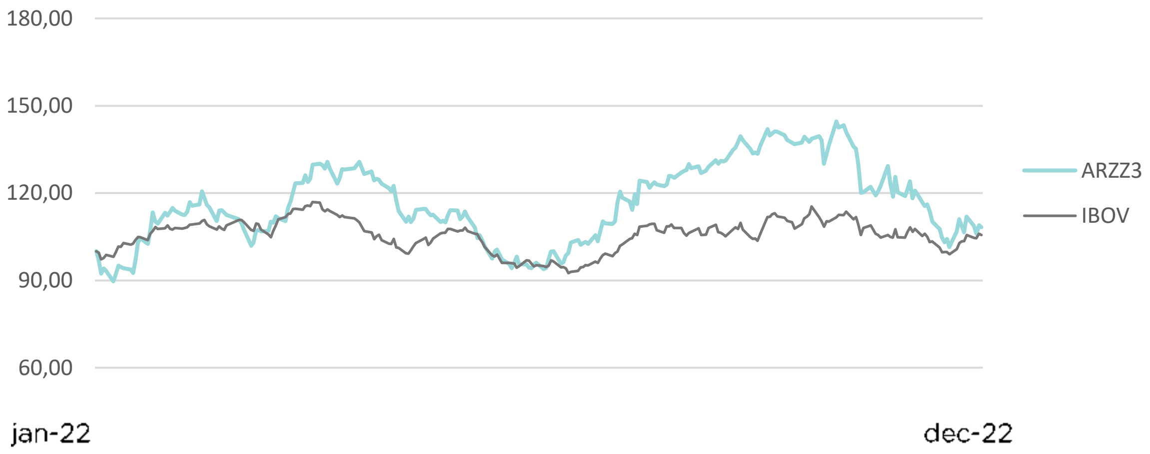
Income Statement - IFRS	2022	2021	Var.%	4Q22	4Q21	Var.%
Net operating revenue	4.233.726	2.923.827	44,8%	1.311.413	1.092.950	20,0%
Cost of goods sold	(1.950.092)	(1.385.147)	40,8%	(606.428)	(502.252)	20,7%
Gross profit	2.283.634	1.538.680	48,4%	704.985	590.698	19,3%
Operating income (expenses):	(1.733.505)	(1.070.155)	62,0%	(566.105)	(445.647)	27,0%
Selling	(1.489.371)	(884.411)	68,4%	(472.497)	(329.971)	43,2%
Administrative and general expenses	(330.240)	(316.217)	4,4%	(104.172)	(112.548)	-7,4%
Other operating income, net	86.106	130.473	-34,0%	10.564	(3.128)	-437,7%
Income Before Financial Result	550.129	468.525	17,4%	138.880	145.051	-4,3%
Financial Income	(77.258)	(64.671)	19,5%	(37.716)	(24.513)	53,9%
Income before income taxes	472.871	403.854	17,1%	101.164	120.538	-16,1%
Income tax and social contribution	(50.333)	(60.134)	-16,3%	5.419	(16.620)	-132,6%
Current	(81.398)	(64.286)	26,6%	(16.391)	(22.857)	-28,3%
Deferred	31.065	4.152	648,2%	21.810	6.237	249,7%
Net income for period	422.538	343.720	22,9%	106.583	103.918	2,6%
Results Attributed to:						
Controlling shareholders	424.709	345.234	23,0%	107.012	104.133	2,8%
Non-controlling shareholders	(2.171)	(1.514)	43,4%	(429)	(215)	99,5%
Net income for period	422.538	343.720	22,9%	106.583	103.918	2,6%

CASH FLOW

Cash Flow	2022	2021	4Q22	4Q21
Operating activities				
Net Income	422.538	343.720	106.583	103.918
Adjustments to reconcile the results according to the cash generated by operating activities:	227.398	97.357	68.943	68.686
Depreciation and amortization	166.030	105.748	59.765	30.869
Income from financial investments	(54 439)	(13.127)	(13.070)	(3.470)
Interest and exchange rate	4.605	34.056	(9.166)	11.309
Income tax and social contribution	50.333	60.134	(5.419)	16.622
Others	60.869	(89 454)	36.833	13.356
Decrease (increase) in assets				
Trade accounts receivables	(58 699)	(197.157)	(142.213)	(182.762)
Inventory	(310.601)	(166.683)	(13.275)	(3.528)
Recoverable taxes	(19.662)	(9.295)	13.948	1.353
Change in other current assets	(4.600)	(50 568)	11.533	(14.022)
Judicial deposits	(26 262)	(23.420)	(16.166)	(3.180)
(Decrease) increase in liabilities				
Suppliers	90.296	183.093	34.152	118.587
Labor liabilities	(33.000)	1.470	(12.502)	(3.816)
Fiscal and social liabilities	(29.198)	31.101	12.869	37.615
Variation in other liabilities	(20 923)	62.393	37.585	27.908
Payment of income tax and social contribution	(80.169)	(11.549)	(9.364)	(7.313)
Interest payment on loans	(18.867)	(18.524)	(9.290)	(6.573)
Net cash flow from operating activities	138.251	241.938	82.803	136.873
Investing activities				
Sale of fixed and intangible assets	-	1.472	-	1.037
Acquisition of fixed and intangible assets	(233.143)	(168.881)	(72.607)	(64.044)
Financial Investments	(4.080.007)	(2.214.275)	(1.087.026)	(606.549)
Redemption of financial investments	3.895.637	2.517.233	1.119.759	627.705
Acquisition of subsidiary, net cash obtained on acquisition	(89 735)	(146.321)	(600)	(50.000)
Net cash used for investment activities	(507.248)	(10.772)	(40.474)	(91.851)
Financing activities				
Loans and financing	214.941	128.180	26.621	-
Payments of loans	(336.067)	(243.386)	(17.773)	(38.400)
Consideration of Lease	(105.422)	(75 529)	(48.078)	(20.491)
Interest on Equity and Profit Distribution	(179.683)	(32.172)	(50.000)	-
Credits (debits) with Shareholders	-	1.000	-	-
Resources from Stocks Issue	833.794	-	-	-
Expenses from Stocks Issue	(40.760)	-	39	-
Repurchase of Stocks	(26.057)	(14.175)	-	(3.009)
Resources from the Exercise of Stock Options	1.680	2.569	-	2.569
Net Cash used on Financing Activities	362.426	(233.513)	(89.191)	(59.331)
Increase (decrease) in cash and cash equivalents	(6.572)	(2.347)	(46.863)	(14.309)
Cash and cash equivalents				
Effect of Exchange Rate Variation on Cash and Cash Equivalent	1.648	(2.200)	756	(988)
Cash and cash equivalents - Initial balance	33.750	38.297	74.933	49.047
Cash and cash equivalents - Closing balance	28.826	33.750	28.826	33.750
Increase (decrease) in cash and cash equivalents	(6.572)	(2.347)	(46.863)	(14.309)

3. Capital Markets and Corporate Governance

On December 29, 2022, the Company's market capitalization was R$8.6 billions (R$ 78.25), an increase of 1.9% when compared to the same period of 2021.



Arezzo&Co	
Number of Shares	110.186.077
Ticker	ARZZ3
Listing	02/02/2011
Share Price (30/09/2022)	78,25
Market Cap	8.622.060.525
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	(24%)
2014[4]	(9%)
2015[5]	(22%)
2016[6]	27%
2017[7]	118%
2018[8]	(2%)
2019[9]	16%
2020[(10)]	7%
2021[11]	13%
2022[12]	8%

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

4. Independent Auditors

Arezzo&Co's financial statements relative to the business year ending on December 31, 2022, were audited by KPMG Auditores Independentes ("KPMG").

5. Investor Relations

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

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

6. Officer's Statement

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

7. Disclaimer

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

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

Parent company and Consolidated Financial Statements

Arezzo Indústria e Comércio S.A.

December 31, 2022 and 2021
and Independent Auditors' Report

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Audited financial statements

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

BALANCE SHEET

Assets	Note	Parent company 2022	Parent company 2021	Consolidated 2022	Consolidated 2021
Current assets					
Cash and cash equivalents	6	**8,006**	2,448	**28,826**	33,750
Cash investments	7	**178,204**	69,775	**447,608**	228,809
Derivative financial assets		**-**	-	**-**	1,356
Trade receivables	8	**722,725**	481,059	**867,582**	790,302
Inventories	9	**478,256**	133,698	**772,060**	450,487
Income tax and social contribution recoverable	10	**12,122**	2,460	**13,678**	2,579
Taxes recoverable	10	**153,440**	14,482	**187,534**	71,273
Other receivables	11	**53,180**	21,779	**66,157**	68,230
Total current assets		**1,605,933**	725,701	**2,383,445**	1,646,786
Non-current assets					
Long-term receivables					
Derivative financial assets		**-**	6,427	**-**	6,427
Trade receivables	8	**20,569**	27,746	**330**	4,276
Judicial deposits	22	**25,282**	19,772	**81,108**	54,390
Loans to related parties	13	**97,599**	84,187	**-**	-
Deferred income tax and social contribution	12.a	**83,669**	51,140	**119,270**	90,225
Taxes recoverable	10	**88,092**	127,635	**102,550**	127,635
Other receivables	11	**11,114**	12,275	**14,405**	14,939
		326,325	329,182	**317,663**	297,892
Equity-accounted investees	14	**924,810**	1,456,431	**-**	402
Investment properties		**2,860**	2,460	**3,162**	2,460
Property, plant and equipment	15	**331,482**	70,033	**691,582**	403,868
Intangible assets	16	**893,226**	81,071	**1,263,412**	1,014,918
		2,152,378	1,609,995	**1,958,156**	1,421,648
Total non-current assets		**2,478,703**	1,939,177	**2,275,819**	1,719,540
Total assets		**4,084,636**	2,664,878	**4,659,264**	3,366,326

The accompanying notes are an integral part of these financial statements.

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

BALANCE SHEET

		Parent company		Consolidated	
Liabilities	**Note**	**2022**	**2021**	**2022**	**2021**
Current liabilities					
Loans and borrowings	17	**156,756**	337,348	**392,254**	496,861
Trade payables	18	**649,454**	459,056	**671,662**	574,713
Derivative financial liabilities		**1,773**	-	**1,773**	-
Lease liabilities	19	**34,294**	4,725	**89,648**	57,017
Income tax and social contribution payable	21	**-**	-	**14,300**	22,408
Taxes and social charges payable		**29,394**	23,174	**59,449**	68,565
Salaries and vacation pay	20	**120,630**	52,720	**145,436**	99,012
Dividends and interest on capital	25	**72,169**	55,962	**72,169**	55,962
Payables for acquisition of subsidiary		**-**	-	**75,618**	10,518
Other payables	23	**81,054**	44,557	**113,051**	133,944
Total current liabilities		**1,145,524**	977,542	**1,635,360**	1,519,000
Non-current liabilities					
Loans and borrowings	17	**9,500**	9,500	**9,619**	37,733
Lease liabilities	19	**114,838**	13,886	**284,889**	174,879
Payables to related parties		**51,508**	-	**-**	-
Provision for labor, tax and civil proceedings	22	**11,726**	7,785	**17,776**	14,060
Other payables		**2,464**	1,445	**2,465**	1,813
Deferred income tax and social contribution		**-**	-	**3,421**	5,441
Payables for acquisition of subsidiary		**-**	-	**51,141**	21,144
Taxes payable in installments		**-**	-	**-**	197
Deferred revenue		**-**	53	**-**	53
Provision for losses on investments		**95,284**	64,087	**-**	-
Total non-current liabilities		**285,320**	96,756	**369,311**	255,320
Total liabilities		**1,430,844**	1,074,298	**2,004,671**	1,774,320
Equity					
Share capital	24.1	**1,671,716**	811,284	**1.671.716**	811.284
Treasury shares	24.5	**(46)**	(3,105)	**(46)**	(3,105)
Revenue reserves		**814,396**	541,478	**814,396**	541,478
Capital reserves	24.2	**176,140**	200,030	**176,140**	200,030
Carrying value adjustments	24.4	**(8,414)**	(9,107)	**(8,414)**	(9,107)
Proposed additional dividends	25	**-**	50,000	**-**	50,000
Equity attributable to owners of the Company		**2.653.792**	1.590.580	**2.653.792**	1.590.580
Non-controlling interests		-	-	**801**	1,426
Total equity		**2,653,792**	1,590,580	**2,654,593**	1,592,006
Total liabilities and equity		**4,084,636**	2,664,878	**4,659,264**	3,366,326

The accompanying notes are an integral part of these financial statements.

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

STATEMENT OF INCOME

		Parent company		Consolidated	
	Note	2022	2021	2022	2021
Net operating revenue	27	**3,241,504**	1,720,458	**4,233,726**	2,923,827
Cost of sales	29	**(1,765,656)**	(1,131,046)	**(1,950,092)**	(1,385,147)
Gross profit		**1.475.848**	589,412	**2,283,634**	1,538,680
Operating income (expenses)					
Selling expenses	29	**(897,831)**	(308,307)	**(1,489,371)**	(884,411)
General and administrative expenses	29	**(295,459)**	(166,915)	**(330,240)**	(316,217)
Share of profit of equity-accounted investees	14	**102,402**	139,251	**-**	-
Other operating income		**58,773**	131,169	**104,981**	146,163
Other operating expenses	32	**(18,961)**	(7,171)	**(18,875)**	(15,690)
Total operating income (expenses)		**(1,051,076)**	(211,973)	**(1,733,505)**	(1,070,155)
Profit before finance income and costs		**424,772**	377,439	**550,129**	468,525
Finance income and costs					
Finance costs	31	**(54,023)**	(35,128)	**(124,869)**	(88,507)
Finance income	31	**49,111**	14,626	**75,392**	26,313
Net foreign exchange losses	31	**(24,161)**	(5,089)	**(27,781)**	(2,477)
Net finance costs		**(29,073)**	(25,591)	**(77,258)**	(64,671)
Profit before income tax and social contribution		**395,699**	351,848	**472,871**	403,854
Income tax and social contribution					
Current	12	**-**	(8,904)	**(81,398)**	(64,286)
Deferred	12	**29,010**	2,290	**31,065**	4,152
Total income tax and social contribution		**29,010**	(6,614)	**(50,333)**	(60,134)
Profit for the year		**424,709**	345,234	**422,538**	343,720
Profit attributable to:					
Owners of the Company		**424,709**	345,234	**424,709**	345,234
Non-controlling interests		**-**	-	**(2,171)**	(1,514)
		424,709	345,234	**422,538**	343,720
Basic earnings per share (R$)	26	**3.8693**	3.4514	**3.8693**	3.4514
Diluted earnings per share (R$)	26	**3.7422**	3.3813	**3.7422**	3.3813

The accompanying notes are an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME

		Parent company		Consolidated	
	Note	2022	2021	2022	2021
Profit for the year		**424,709**	345,234	**422,538**	343,720
Items that will be reclassified subsequently to profit or loss:					
Foreign operations - foreign currency translation differences	24.4	**3,035**	(2,198)	**3,035**	(2,198)
Loss (gain) on investments		**(2,342)**	61	**(2,342)**	61
Total comprehensive income for the year		**425,402**	343,097	**423,231**	341,583
Total comprehensive income attributable to:					
Owners of the Company		**425,402**	343,097	**425,402**	343,097
Non-controlling interests		**-**	-	**(2,171)**	(1,514)
Total comprehensive income for the year		**425,402**	343,097	**423,231**	341,583

The accompanying notes are an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Treasury shares	Capital reserve	Revenue reserves			Proposed additional dividends	Profit for the year	Carrying value adjustments	Non-controlling interests	Total equity
					Legal reserve	Tax incentive reserve	Retained earnings					
Balance at December 31, 2020		**967,924**	**(191)**	**49,420**	**57,511**	**227,937**	**50,384**	**2,582**	**-**	**(6,970)**	**-**	**1,348,597**
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	-	-	2,940	**2,940**
Profit for the year	25	-	-	-	-	-	-	-	345,234	-	(1,514)	**343,720**
Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	-	(2,198)	-	**(2,198)**
Carrying value adjustments		-	-	-	-	-	-	-	-	61	-	**61**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,137)**	**-**	**(2,137)**
Share capital:												
Advance for future capital increase	24.1	2,569	-	-	-	-	-	-	-	-	-	**2,569**
Restricted stock and share options granted		-	-	2,661	-	-	-	-	-	-	-	**2,661**
Restricted stock distributed		-	10,290	(10,290)	-	-	-	-	-	-	-	**-**
Sale of shares related to business combination		-	50,002	-	-	-	-	-	-	-	-	**50,002**
Tax incentive reserve	24.3.2	-	-	-	-	81,169	-	-	(81,169)	-	-	**-**
Capital reserves		(159,209)	970	158,239	-	-	-	-	-	-	-	**-**
Repurchase of shares			(64,176)	-	-	-	-	-	-	-	-	**(64,176)**
Allocation of profit for the year:												
Interest on capital		-	-	-	-	-	-	-	(63,374)	-	-	**(63,374)**
Supplementary dividends		-	-	-	-	-	-	(2,582)	-	-	-	**(2,582)**
Interim dividends		-	-	-	-	-	-	-	(26,214)	-	-	**(26,214)**
Proposed additional dividends		-	-	-	-	-	-	50,000	(50,000)	-	-	**-**
Retained profit		-	-	-	-	-	124,477	-	(124,477)	-	-	**-**
Balance at December 31, 2021		**811,284**	**(3,105)**	**200,030**	**57,511**	**309,106**	**174,861**	**50,000**	**-**	**(9,107)**	**1,426**	**1,592,006**

The accompanying notes are an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

					Revenue reserves							
	Note	Share capital	Treasury shares	Capital reserve	Legal reserve	Tax incentive reserve	Retained earnings	Proposed additional dividends	Profit for the year	Carrying value adjustments	Non-controlling interests	Total equity
Balance at December 31, 2021		**811,284**	**(3,105)**	**200,030**	**57,511**	**309,106**	**174,861**	**50,000**	**-**	**(9,107)**	**1,426**	**1,592,006**
Profit for the year	25	-	-	-	-		-	-	424,709	-	(2,171)	**422,538**
Foreign currency translation differences for foreign operations		-	-	-	-		-	-	-	3,035	-	**3,035**
Carrying value adjustments		-	-	-	-		-	-	-	(2,342)	-	**(2,342)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**		**-**	**-**	**-**	**693**	**-**	**693**
Increase of share capital	24.1	833,794	-	-	-	-	-	-	-	-	1,546	**835,340**
Acquisition of subsidiary	24.1	24,957	-	-	-	-	-	-	-	-	-	**24,957**
Share issue costs		-	-	(40,760)	-	-	-	-	-	-	-	**(40,760)**
Advance for future capital increase		(2,569)	-	-	-	-	-	-	-	-	-	**(2,569)**
Share options exercised		4,250	-	-	-	-	-	-	-	-	-	**4,250**
Restricted stock and share options granted		-	-	16,541	-	-	-	-	-	-	-	**16,541**
Restricted stock distributed		-	10,601	(10,601)	-	-	-	-	-	-	-	**-**
Sale of shares related to business combination		-	18,515	-	-	-	-	-	-	-	-	**18,515**
Legal reserve	24.3.1	-	-	-	21,235	-	-	-	(21,235)	-	-	**-**
Tax incentive reserve	24.3.2	-	-	-	-	251,683	-	-	(251,683)	-	-	**-**
Capital reserves		-	-	10,930	-	-	-	-	-	-	-	**10,930**
Repurchase of shares		-	(26,057)	-	-	-	-	-	-	-	-	**(26,057)**
Allocation of profit for the year:						-						
Interest on capital	25	-	-	-	-	-	-	-	(151,791)		-	**(151,791)**
Proposed additional dividends	25	-	-	-	-	-	-	(50,000)	-	-	-	**(50,000)**
Balance at December 31, 2022		**1,671,716**	**(46)**	**176,140**	**78,746**	**560,789**	**174,861**	**-**	**-**	**(8,414)**	**801**	**2,654,593**

The accompanying notes are an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

	Parent company		Consolidated	
	2022	2021	2022	2021
Cash flows from operating activities				
Profit for the year	**424,709**	345,234	**422,538**	343,720
Adjustments for:				
Depreciation and amortization	**89,137**	26,048	**166,030**	105,748
Gain on sale of property, plant and equipment	**(675)**	(764)	**(824)**	(2,250)
PIS and COFINS tax credits	**(42,930)**	(127,635)	**(67,925)**	(143,230)
Share of profit of equity-accounted investees	**(102,402)**	(139,251)	**-**	-
Provision for labor, tax and civil proceedings	**2,527**	2,064	**3,702**	1,132
Net finance (income) costs	**(2,958)**	33,161	**4,605**	34,056
Interest income on cash investments	**(26,619)**	(6,754)	**(54,439)**	(13,127)
Impairment losses on trade receivables	**(1,000)**	(348)	**(2,107)**	(265)
Provision for inventory impairment	**1,347**	4,666	**8,589**	7,091
Share option and restricted stock plans	**16,543**	2,661	**16,543**	2,661
Interest expense on lease liabilities	**8,696**	1,267	**23,574**	8,427
Income tax and social contribution	**(29,010)**	6,614	**50,333**	60,134
Other	**71,115**	22,945	**79,317**	36,980
Decrease (increase) in assets:				
Trade receivables	**(192,740)**	(98,915)	**(58,699)**	(197,157)
Inventories	**(220,905)**	(47,039)	**(310,601)**	(166,683)
Taxes recoverable	**(30,943)**	(8,313)	**(19,662)**	(9,295)
Other assets	**(11,118)**	(16,130)	**(4,600)**	(50,568)
Judicial deposits	**(1,155)**	(2,187)	**(26,262)**	(23,420)
(Decrease) increase in liabilities:				
Trade payables	**78,134**	123,249	**90,296**	183,093
Salaries and vacation pay	**(13,706)**	(6,636)	**(33,000)**	1,470
Taxes and social charges payable	**(18,891)**	12,360	**(29,198)**	31,101
Other liabilities	**11,775**	19,871	**(20,923)**	62,393
Income tax and social contribution paid	**-**	(4,920)	**(80,169)**	(11,549)
Interest paid on loans	**(16,491)**	(9,932)	**(18,867)**	(18,524)
Net cash from (used in) operating activities	**(7,560)**	131,316	**138,251**	241,938
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment and intangible assets	**-**	915	**-**	1,472
Acquisition of property, plant and equipment and intangible assets	**(179,308)**	(65,475)	**(233,143)**	(168,881)
Cash from acquired subsidiary	**1,719**	-	**-**	-
Acquisition of subsidiary, net of cash acquired	**(9,406)**	(50,000)	**(89,735)**	(146,321)
Dividends received	**8,036**	14,984	**-**	-
Deposit of cash investments	**(2,584,574)**	(1,336,269)	**(4,080,007)**	(2,214,275)
Withdrawal of cash investments	**2,495,896**	1,618,713	**3,895,637**	2,517,233
Capital contribution to subsidiaries	**(10,151)**	(90,158)	**-**	-
Net cash (used in) from investing activities	**(277,788)**	92,710	**(507,248)**	(10,772)
Cash flows from financing activities				
Proceeds from loans and borrowings	**-**	9,500	**214,941**	128,180
Repayment of borrowings	**(207,585)**	(146,652)	**(336,067)**	(243,386)
Payment of lease liabilities	**(40,274)**	(9,633)	**(105,422)**	(75,529)
Payment of loans to related parties	**(50,209)**	(34,306)	**-**	-
Interest on capital paid	**(103,468)**	(29,590)	**(103,468)**	(29,590)
Dividends paid	**(76,215)**	(2,582)	**(76,215)**	(2,582)
Receivables from (payables to) shareholders	**-**	-	**-**	1,000
Proceeds from exercise of share options	**1,680**	2,569	**1,680**	2,569
Proceeds from issue of share capital	**833,794**	-	**833,794**	-
Share issue costs	**(40,760)**	-	**(40,760)**	-
Repurchase of shares	**(26,057)**	(14,175)	**(26,057)**	(14,175)
Net cash from (used in) financing activities	**290,906**	(224,869)	**362,426**	(233,513)
Net increase (decrease) in cash and cash equivalents	**5,558**	(843)	**(6,572)**	(2,347)
Effect of movements in exchange rates on foreign investments	**-**	-	**1,648**	(2,200)
Cash and cash equivalents at the beginning of the year	**2,448**	3,291	**33,750**	38,297
Cash and cash equivalents at the end of the year	**8,006**	2,448	**28,826**	33,750
Net increase (decrease) in cash and cash equivalents	**5,558**	(843)	**(6,572)**	(2,347)

The accompanying notes are an integral part of these financial statements.

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

STATEMENT OF VALUE ADDED

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
REVENUE	**3,692,140**	2,002,320	**4,809,970**	3,376,754
Sales of goods, products and services	3,894,980	2,080,017	5,229,907	3,647,443
Rebates, discounts and returns	(204,731)	(78,045)	(421,123)	(270,954)
Impairment losses on trade receivables	1,891	348	1,186	265
Cost of bought-in goods and services	**(2,883,861)**	(1,690,978)	**(3,412,981)**	(2,323,045)
Cost of sales and services	**(2,242,103)**	(1,436,249)	**(2,269,595)**	(1,614,200)
Electric power, outsourced services and other	**(625,772)**	(250,971)	**(1,099,791)**	(688,922)
Other costs of sales and services	**(15,986)**	(3,758)	**(43,595)**	(19,923)
Gross value added	**808,279**	311,342	**1,396,989**	1,053,709
Depreciation, amortization and depletion	**(89,137)**	(26,048)	**(166,030)**	(105,748)
Net value added produced by the entity	**719,142**	285,294	**1,230,959**	947,961
Value added received by transfer	**211,401**	288,807	**183,757**	171,684
Share of profit of equity-accounted investees and dividends from investments stated at cost	**102,402**	139,251	**-**	-
Finance income, including foreign exchange gains	**49,831**	19,158	**78,231**	34,811
Other income (expenses)	**59,168**	130,398	**105,526**	136,873
Total value added to distribute	**930,543**	574,101	**1,414,716**	1,119,645
Distribution of value added:				
To employees	**412,231**	172,563	**587,603**	399,972
Salaries and social charges	**329,960**	135,652	**501,188**	347,800
Employee profit share	**62,914**	30,511	**67,058**	45,772
Share option and restricted stock plans	**19,357**	6,400	**19,357**	6,400
To government (taxes and duties)	**(22,977)**	5,148	**188,627**	223,288
Federal	**97,894**	65,085	**232,887**	216,226
State	**(124,235)**	(60,598)	**(49,853)**	4,413
Local	**3,364**	661	**5,593**	2,649
To capital providers (creditors and lenders)	**116,580**	51,155	**215,949**	152,664
Interest	**17,776**	19,248	**38,635**	32,169
Rentals	**37,677**	6,406	**60,459**	53,180
Finance costs	**61,127**	25,501	**116,855**	67,315
To shareholders and value retained in the business	**424,709**	345,235	**422,537**	343,721
Interest on capital	**151,791**	63,374	**151,791**	63,374
Dividends	**-**	76,215	**-**	76,215
Profit retained	**272,918**	205,646	**272,918**	205,646
Non-controlling interests in retained profit	**-**		**(2,172)**	(1,514)
Total added value distributed	**930,543**	574,101	**1,414,716**	1,119,645

The accompanying notes are an integral part of these financial statements.

1. Corporate information

1.1. General information

Arezzo Indústria e Comércio S.A. (the 'Company' or 'Parent company') is a listed company headquartered at Rua Fernandes Tourinho, 147 – sala 402, in the city of Belo Horizonte, State of Minas Gerais. The Company has shares traded on the *Novo Mercado* listing segment of the Brazilian Stock Exchange known as B3 - Brasil, Bolsa e Balcão under the ticker symbol ARZZ3 since February 2, 2011.

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

At December 31, 2022, the Company had 817 franchise stores in Brazil and 6 abroad; 185 Company-operated stores in Brazil and 5 abroad; and an e-commerce channel to sell its products under the brands Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, Brizza, Troc, Baw, MyShoes, Carol Bassi, Reversa, Simples Reserva and Unbrand Reserva.

The franchise system is controlled by the Company and Company-owned stores form part of Company subsidiaries.

All subsidiaries of the Company are included in the consolidated financial statements:

<u>ZZAB Comércio de Calçados Ltda. ('ZZAB')</u>

ZZAB is engaged in the retail sale of shoes, handbags and belts.

<u>ZZSAP Indústria e Comércio de Calçados Ltda. ('ZZSAP)</u>

ZZSAP manufactures, sells, imports and exports leather shoes, handbags and belts, footwear components, clothing and accessories.

<u>ZZEXP Comercial Exportadora S/A ('ZZEXP')</u>

ZZEXP exports leather shoes, handbags and belts, clothing and accessories.

<u>ARZZ International Inc. ('ARZZ Inc.')</u>

ARZZ Inc. is engaged in selling shoes and business intermediation. ARZZ Inc. owns a direct equity interest in ARZZ LLC, Schutz 655 LLC, Schutz Cali and Showroom Italy.

<u>ARZZ LLC</u>

ARZZ LLC is engaged in selling shoes and business intermediation.

<u>Schutz 655 LLC</u>

Schutz 655 LLC is engaged in selling exclusively Schutz-brand shoes, handbags and belts at retail.

1. Corporate information--Continued

1.1. General information--Continued

Schutz Cali LLC

Schutz Cali LLC sells exclusively Schutz-brand shoes, handbags and belts at retail.

Showroom Italy

Showroom Italy was opened in 2018 to display Alexandre Birman shoes, handbags and belts and represent the Alexandre Birman brand.

Sunset

On August 31, 2022 (deal closing date), the Company acquired 100% of the shares in Sunset Agenciamento e Intermediação S.A. (‘Sunset’), obtaining control of the acquiree. Sunset is primarily engaged in intermediation of business in the wholesale distribution of clothing, shoes, handbags, travel suitcases and accessories.

HG

On August 31, 2022 (deal closing date), the Company acquired, through its subsidiary ZZSAP Indústria e Comércio de Calçados Ltda. (‘ZZSAP’), 100% of the shares in HG Indústria e Comércio de Calçados Ltda. (‘HG’), obtaining control of HG. HG is a limited liability company primarily involved in manufacturing, selling, exporting and importing shoes, components, handbags, belts, wallets and clothing, as well as materials made from synthetic fabric in general.

Guaraná Brasil Difusão de Moda Ltda. (‘Carol Bassi’)

On January 25, 2022, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. (‘ZZAB’), 100% of the shares in Guaraná Brasil Difusão de Moda Ltda. (‘Carol Bassi’), obtaining control of Carol Bassi. Carol Bassi is a limited liability company primarily involved in the manufacture and retail of high-end womenswear.

Baw

On August 9, 2021, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. (‘ZZAB’), 100% of Baw Clothing Indústria e Comércio de Vestuários Ltda. (‘Baw’), obtaining control of Baw. Baw is a limited liability company that focuses on retail and wholesale distribution of clothing online and outsources its production to an outside manufacturing party.

On July 1, 2022, Baw Clothing Indústria e Comércio de Vestuários Ltda. (‘BAW’) was merged into the Company’s subsidiary ZZAB Comércio de Calçados Ltda, generating tax benefits from the amortization of fair value adjustments to acquired assets and amortization of goodwill.

Troc

On February 1, 2021, the Company acquired, through its subsidiaries ZZAB Comércio de Calçados Ltda. (‘ZZAB’) and Tiferet (‘Reserva’), 71.13% and 3.87%, respectively, of Troc.Com.Br - Atividade de Internet S.A. (‘Troc’), gaining a controlling interest of 75% in Troc.

1. Corporate information--Continued

1.1. General information--Continued

Troc--Continued

Troc is a limited liability company that operates an online fashion website www.troc.com.br where consumers can buy and sell women's and children's luxury used clothing, shoes and accessories.

Vamoquevamo Empreendimentos e Participações S.A. and Tiferet Comércio de Roupas Ltda

On January 1, 2022, VQV Empreendimentos e Participações S.A. ('VQV') was merged into the Company. VQV's principal asset is the equity interest in Tiferet Comércio de Roupas Ltda. ('Tiferet'). On the same date, Tiferet was partially spun off and also merged by the Parent company. Tiferet is engaged in the retail sale of men's, women's and children's clothing and shoes of the brands Reserva Go, Reserva Mini, Eva, Oficina, Reversa, Simples Reversa, and Unbrand Reserva.

2. Accounting policies

2.1. Basis of accounting

In preparing these parent company and consolidated financial statements, the Company followed the same accounting policies and methods of calculation as used for the parent company and consolidated financial statements at December 31, 2021 and its accounting policies are already consistent with the new requirements that were effective December 31, 2022.

These financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities, which are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates and also requires management to make judgements in applying the Company's accounting policies. Actual results may differ materially from the estimates used in preparing the financial statements due to the inherent uncertainty involved with estimates. The Company reviews estimates and underlying assumptions at intervals of not more than one year.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The parent company and consolidated financial statements for the year ended December 31, 2022 were authorized for issue at the Board of Directors' meeting held on March 6, 2023.

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

2. Accounting policies--Continued

2.1. Basis of accounting--Continued

The parent company and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which are implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC) through its technical interpretations (ICPC) and guidance (OCPC) as approved by the Brazilian Securities Commission (CVM). These financial statements include all information that is relevant to the understanding of the Company's financial statements and which is consistent with those used by management in managing the business.

2.2. Basis of consolidation

The consolidated financial statements comprise the Company and the following subsidiaries in which the Company directly or indirectly holds a majority interest at the reporting date:

Subsidiaries	Country of incorporation	Total ownership interest			
		2022		2021	
		Direct	Indirect	Direct	Indirect
ZZAB Comércio de Calçados Ltda. ('ZZAB')	Brazil	**99.99%**	**-**	99.99%	-
ZZSAP Indústria e Comércio de Calçados Ltda. ('ZZSAP')	Brazil	**99.99%**	**-**	99.99%	-
ZZEXP Comercial Exportadora S/A ('ZZEXP')	Brazil	**100.00%**	**-**	99.99%	-
ARZZ International INC. ('ARZZ')	USA	**100.00%**	**-**	100.00%	-
ARZZ Co. LLC	USA	**-**	**100.00%**	-	100.00%
Schutz 655 LLC	USA	**-**	**100.00%**	-	100.00%
Schutz Cali LLC	USA	**-**	**100.00%**	-	100.00%
ARZZ Itália SRL	Italy	**-**	**100.00%**	-	100.00%
VQV Empreendimentos e Participações S.A. ('VQV') (i)	Brazil	**-**	**-**	100.00%	-
Tiferet Comércio de Roupas Ltda. ('Tiferet')	Brazil	**100.00%**	**-**	-	100.00%
Troc.com.br Atividades de Internet S.A. ('Troc')	Brazil	**-**	**81.06%**	-	75.00%
Baw Clothing Indústria e Comércio de Vestuários Ltda ('Baw Clothing')(ii)	Brazil	**-**	**-**	-	100.00%
Guaraná Brasil Difusão de Moda Ltda. ('Guaraná Brasil)	Brazil	**-**	**100.00%**	-	-
Sunset Agenciamento e Intermediação S.A.	Brazil	**100.00%**	**-**	-	-
HG Indústria e Comércio de Calçados Ltda	Brazil	**-**	**100.00%**	-	-

(i) VQV Empreendimentos e Participações S.A. was merged into the Company on January 1, 2022.
(ii) Baw Clothing Indústria e Comércio was merged into ZZAB on July 1, 2022.

2. Accounting policies--Continued

2.2. Basis of consolidation--Continued

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that control ceases.

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, ownership of a majority of the voting rights presumptively results in control.

Any unrealized income and expenses arising from intragroup transactions are eliminated on consolidation.

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

2.3. Functional currency

The consolidated financial statements are presented in Brazilian real (R$), which is the Company's functional currency and also the Company’s and its subsidiaries' presentation currency. Each subsidiary of the Company determines its own functional currency. The subsidiary ARZZ International Inc. has a US dollar functional currency and its financial statements are translated into Brazilian real at the balance sheet date.

2.4. Foreign currency transactions and balances

2.4.1. Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are recognized in the statement of income.

2.4.2. Subsidiaries

The assets and liabilities of foreign subsidiaries are translated into Brazilian real at the exchange rates at the reporting date. The income and expenses of foreign subsidiaries are translated monthly at the average exchange rates for the periods. Foreign currency translation differences are recognized in a separate component within equity as ‘carrying value adjustments’. When a foreign operation is disposed of, the cumulative amount in equity related to that foreign operation is reclassified to profit or loss.

2.5. Revenue recognition

CPC 47/IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized, based on the identification of performance obligations, the transfer of control of goods and services to customers, and the determination of the selling price. The standard applies to all contracts with customers, except for lease contracts (rental income), financial instruments (interest income) and insurance contracts that are within the scope of other standards.

2. Accounting policies--Continued

2.5. Revenue recognition--Continued

CPC 47/IFRS 15 introduces a model for revenue recognition by applying the following five steps:

I. Identify the contract with a customer;
II. Identify the performance obligations in the contract;
III. Determine the transaction price;
IV. Allocate the transaction price; and
V. Recognize revenue when or as the entity satisfies the performance obligations, either at a point in time or over time.

The following specific revenue recognition criteria must be met before revenue is recognized:

I. Sales of goods

Revenue from the sale of goods is recognized when performance obligations are satisfied.

The Group's revenues come principally from the sale of footwear for women, men and children, handbags, accessories and clothing to end customers. The Group operates in the retail apparel industry where customers generally shop at our stores where prices and discounts are informed by the Group's employees or are displayed in the areas where goods are displayed and control is transferred when the product is delivered directly to the end customer at the sales outlet, then we can conclude that there is only one performance obligation, eliminating therefore the complexity involved in the identification of performance obligations and transfer of control of goods to customers.

The Company assesses its revenue arrangements against specific criteria in order to determine whether it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is shown net of discounts and returns.

II. Revenue from sale of goods to franchisees and royalty income

Revenue from the sale of goods to franchisees is recognized when the performance obligation is satisfied by transferring the goods to the franchisee. Additionally, royalty income is recognized at the contractually agreed rates when the performance obligation is satisfied.

III. Returns and cancellations

Under CPC 47/IFRS 15, for contracts that allow a customer to return a good, revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. Revenue is recognized net of expected returns and cancellations.

2. Accounting policies--Continued

2.5. Revenue recognition--Continued

IV. Interest income

Interest income or expense is recognized for all financial instruments measured at amortized cost and for interest-bearing financial assets applying the effective interest rate, being the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Interest income is presented as part of 'finance income' in the statement of income.

2.6. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Group's business. Trade receivables from foreign customers are adjusted at the exchange rates at the reporting date. If receipt is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The loss allowance for trade receivables is measured at an amount considered sufficient by management to absorb expected credit losses based on an individual assessment of accounts receivable with a risk of default.

2.7. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing the inventories to their present location and condition are recorded as specified below:

I. Raw materials: average acquisition cost.
II. Finished goods and work in process: cost of direct materials and labor and an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less completion costs and selling expenses.

Provisions for slow-moving or obsolete inventories are recorded when considered necessary by management.

2.8. Equity-accounted investees

In the parent company financial statements, the Parent's investments in subsidiaries are accounted for using the equity method.

Under the equity method, the investment in a subsidiary is initially recognized at cost and adjusted thereafter for post-acquisition changes.

The aggregate of the Company's share of profit or loss of subsidiaries is shown on the face of the statement of income and represents profit or loss attributable to owners of the Parent company.

2. Accounting policies--Continued

2.8. Equity-accounted investees--Continued

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investments in subsidiaries. At each reporting date, the Company determines whether there is objective evidence that the investments in the subsidiaries are impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognizes the loss in the statement of income.

2.9. Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method at the rates stated in Note 15 over the estimated useful lives of the assets, as follows:

	Estimated average useful life
Facilities and product showroom	10 years
Machinery and equipment	10 years
Furniture and fittings	10 years
Computers and peripherals	5 years
Vehicles	5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized in profit or loss for the year in which the asset is disposed of.

Residual values, useful lives and depreciation methods are reviewed at each reporting date and adjusted prospectively if appropriate.

2.10. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets comprise mainly computer software licenses, trademarks and patents, and key money.

2. Accounting policies--Continued

2.10. Intangible assets--Continued

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Any gain or loss on disposal of an intangible asset is calculated as the difference between the net proceeds from disposal and the carrying amount of the asset and is included in the statement of income.

Research costs are expensed as incurred.

2.11. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the lease commencement date, the Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

The right-of-use asset is measured at cost less any accumulated depreciation and any impairment losses, and adjusted for any remeasurements of the lease liability. The cost of the right-of-use asset comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company initially recognizes lease liabilities at the present value of the lease payments that are not paid at the commencement date. Lease payments comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, and amounts expected to be payable under a residual value guarantee, less any lease incentives receivable.

2. Accounting policies--Continued

2.11. Leases--Continued

In calculating the present value of the lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease cannot be readily determined. For lease contracts recognized in the year ended December 31, 2022, the Company used a rate of 1.8% to 2.5% (1.8% at December 31, 2021) for lease contracts in the United States and of 3.6% to 16.5% (6.1% at December 31, 2021) for leases in Brazil.

After the commencement date, the lease liability is increased by the interest incurred in the period, and the carrying amount is reduced by the lease payment.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term or the end of the useful life of the underlying asset. The Company presents right-of-use assets in 'property, plant and equipment' in non-current assets and lease liabilities in current and non-current liabilities.

2.12. Impairment of non-financial assets

2.12.1. Goodwill paid for expected future economic benefits

Goodwill is tested for impairment annually or when the circumstances indicate that the carrying value may be impaired.

2.12.2. Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment, either individually or at the cash-generating unit level, as appropriate, annually or when circumstances indicate that the carrying value may be impaired.

The impairment test of non-financial assets did not result in the recognition of impairment losses at December 31, 2022 and 2021.

Intangible assets, property, plant and equipment, and right-of-use assets with finite useful lives are amortized and depreciated, respectively, and their carrying amounts are reviewed to determine whether there is any indication of impairment. These assets are tested for impairment, either individually or at the cash-generating unit level, as appropriate, at least annually or when circumstances indicate that the carrying value may be impaired.

2.13. Provisions

2.13.1 General

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

2. Accounting policies--Continued

2.13.2 Provisiong for tax, civil and labor claims

The Company is a party to several judicial and administrative proceedings. Provisions are recognized for all legal proceedings where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. Assessing the likelihood of an unfavorable outcome includes the evaluation of available evidence, the hierarchy of laws, available case law, most recent court decisions and their relevance to the legal system, as well as external legal advice. Provisions are reviewed and adjusted to reflect changes in circumstances, such as applicable statute of limitations, outcomes of tax audits or further exposure to litigation from new matters or court decisions.

2.14. Taxes

2.14.1. Sales tax

Revenue and expenses are recognized net of the amount of sales tax, except:

I. when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
II. when receivables and payables are stated with the amount of sales tax included; and
III. when the net amount of sales tax recoverable from, or payable to, the taxation authority, is included as part of receivables or payables in the balance sheet.

The Company’s sales are subject to the following taxes and contributions:

	Tax rates
State Value-added Tax on Sales and Services (ICMS)	7.00% to 19.00%
Social Contribution on Revenues (COFINS)	7.6%
Social Integration Program (PIS)	1.65%
Social Security Contribution (INSS)	1.50% to 2.50%
State Sales Tax (USA)	0% to 8.875%

In the statement of income, sales are stated net of these taxes. The tax benefits and special taxation regimes are disclosed in Note 35.

2.14.2 Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in the countries where the Company operates and generates taxable income. Tax assets and liabilities are classified as current or non-current depending on when they are expected to be utilized or extinguished.

2. Accounting policies--Continued

2.14. Taxes--Continued

2.14.2 Current income tax--Continued

In Brazil, the main country where the Company operates, the taxes on profit comprise income tax and social contribution. The income tax is charged on taxable income at a rate of 15% plus a surcharge of 10% on annual taxable income in excess of R$240, and the social contribution is charged at a rate of 9% on taxable income recognized on the accrual basis. Thus, additions of temporary non-deductible expenses to, or exclusions of temporary non-taxable income from, the accounting profit in determining the current taxable profit give rise to deferred tax assets or liabilities. Taxes prepaid or recoverable are presented in current or non-current assets depending on the expected period of realization.

Current income tax relating to items recognized directly in equity is recognized in equity. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

The Company applies IFRIC 23/ICPC 22 which clarifies income tax accounting where there is uncertainty over a tax treatment. If the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit.

2.14.2. Deferred tax

Deferred tax assets are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and for unused tax losses. Deferred tax liabilities are recognized for all taxable temporary differences, except:

I. when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
II. in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Deferred tax is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity where there is an intention either to settle the amounts on a net basis or to realize the asset and settle the liability simultaneously.

2.15. Other employee benefits

In addition to fixed compensation (wages and salaries, social security contribution (INSS), paid vacation, 13th month salary), other employee benefits include variable pay such as profit sharing, share options and restricted stock. These employee benefits are recorded on the accrual basis in the income statement when an obligation to pay exists.

2.16. Earnings per share (EPS)

The calculation of basic EPS is based on the weighted average number of common shares outstanding during the year, excluding common shares purchased and held as treasury shares, in conformity with Technical Pronouncement CPC 41/IAS 33.

The calculation of diluted EPS is based on the weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares.

2.17. Statement of cash flows and statement of value added

The statement of cash flows was prepared using the indirect method and is presented in accordance with Technical Pronouncement CPC 03 R2/IAS 7 *Statement of Cash Flows*, issued by the CPC/IASB.

The statement of value added is not mandatory under IFRS and is a supplementary financial statement. This statement was prepared in accordance with the Brazilian corporate legislation and the criteria defined in Technical Pronouncement CPC 09 *Statement of Value Added*, with the objective of providing information regarding the amount of wealth created by the Company during the year and the way the wealth has been distributed by the Company among all the stakeholders.

2.18. Financial instruments

2.18.1. Recognition and initial measurement

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets at fair value through profit or loss.

The Company's main financial assets include cash and cash equivalents, trade receivables and cash investments. They are classified as measured at amortized cost and fair value through profit or loss (Note 30).

The Company's main financial liabilities include trade payables, loans and borrowings, lease liabilities, and payables for acquisition of subsidiary. They are classified as measured at amortized cost (Note 30).

2. Accounting policies--Continued

2.18. Financial instruments--Continued

2.18.2. Subsequent measurement

Subsequent measurement of financial instruments occurs at each reporting date and depends on the category into which the financial instrument is classified. The Company's financial assets and liabilities are classified in the following categories:

I. Financial assets and liabilities at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

II. Financial assets and liabilities at fair value through profit or loss

A financial asset or liability that is not measured at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss.

2.19. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are also measured at fair value. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gain or loss arising from changes in the fair value of derivatives is recognized directly in the statement of income.

2.20. Segment information

The Company's activities includes design, manufacture and marketing of women's, men's and children's footwear, handbags, accessories and clothing, and are concentrated in a single business unit. The Company's brand portfolio includes Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, Brizza, Troc, Baw, MyShoes, Carol Bassi, Reversa, Simples Reserva and Unbrand Reserva. Although the Company's products are distributed through different channels (mono-brand stores, including company-owned stores, franchise stores and e-commerce, and multi-brand stores), they are not managed separately, and the performance thereof is managed and evaluated centrally.

2. Accounting policies--Continued

2.20. Segment information--Continued

For management purposes, consolidated gross revenue is segmented by brand and sales channel.

2.21. Share-based payment arrangements

2.21.1 Restricted stock plan

The Company approved a restricted stock plan for its directors, executives and selected employees, giving them restricted shares under the terms and conditions laid out in the plan. The expense is recorded on a pro rata basis over the period from the date of grant to the vesting date. The expense represents the number of shares granted multiplied by the fair value of the share at the grant date as well as provision for charges. See Note 34 for details of the plan.

2.22. Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest (if any) in the entity over the net fair value of the identifiable assets acquired and liabilities assumed. If, after measurement, the net fair value of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred in a business combination includes a contingent consideration arrangement, contingent consideration is measured at its acquisition-date fair value and is included in the consideration transferred in the business combination. Changes in the fair value of the consideration that occur after the measurement period are accounted for prospectively in profit or loss. Measurement period adjustments are meant to reflect new information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date and are made to assets acquired and liabilities assumed and goodwill.

2. Accounting policies--Continued

2.22. Business combinations--Continued

Goodwill is initially recognized and measured as described previously. Goodwill is not amortized, but is tested for impairment at least annually. For impairment testing, goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expecteded to benefit from the synergies of the combination. The CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

If the carrying amount of the CGU exceeds its recoverable amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses on goodwill are recognized in the statement of income for the period in which they arise.

2.23 Capital reserve and revenue reserve

The legal reserve is credited annually with 5% of the profit for the year in accordance with Law 6,404/76 and cannot exceed 20% of capital. In a financial year in which the sum of legal reserve and capital reserve is greater than 30% of the share capital, the Company is not required to allocate part of its net profit for the year to the legal reserve.

The Company's bylaws permit the creation of reserves pursuant to Law 6,404/76, provided that the sum of these reserves and other revenue reserves, excluding contingency reserve and unrealized profits reserve, does not exceed 100% of the share capital. If this limit is reached, the General Meeting of Shareholders shall decide, pursuant to the provisions of article 199 of the Brazilian corporate legislation, whether the excess amount will be used for contributing or increasing share capital, or paying dividends.

2.24 Dividends

In accordance with the Company's bylaws, all shareholders are entitled each year to a mandatory minimum dividend of 25% of the adjusted net profit pursuant to the Brazilian corporate legislation.

Any dividends in excess of that limit are recognized within equity as 'proposed additional dividends' until they are approved by the General Meeting of Shareholders.

2. Accounting policies--Continued

2.25 Tax incentive reserve

The Company and its subsidiaries receive ICMS tax incentives, which are classified as investment subsidies pursuant to Complementary Law 160/17. In accordance with this Law, the Company's management is allocating the amounts disclosed in Note 35 to a tax incentive reserve under revenue reserve subject to approval of the Annual General Meeting. The tax incentives are not considered in the calculation of mandatory minimum dividends and can only be incorporated into the share capital pursuant to Law 6,404/76.

3. Significant judgements, estimates and assumptions

3.1. Judgements

The preparation of the parent company and consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent liabilities at the reporting date. However, assumptions and estimation uncertainties at the reporting date have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

I. Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from sales transactions for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow method as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Significant judgments, estimates and assumptions--Continued

3.2. Estimates and assumptions--Continued

II. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable profits. The Company establishes provisions based on applicable estimates for anticipated outcomes of tax audits in the jurisdictions in which it operates. The provision amounts are based on many factors, including prior experience with tax audits and divergent interpretations of tax law by the taxable entity and the relevant taxation authority. Such divergent interpretations may arise from a wide range of issues, depending on the conditions prevailing in the domicile of the Company.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

III. Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value of share-based payment transactions requires determination of the most appropriate valuation technique, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation technique used, including the expected life of the share option, volatility and risk-free interest rate. The assumptions and valuation techniques used in measuring the fair value of the share-based payment transactions are disclosed in Note 34.

IV. Provisions for civil and labor claims

The Company recognizes a provision for all lawsuits for which the likelihood of unfavorable outcome is probable. Assessing the likelihood of an unfavorable outcome includes the evaluation of available evidence, the hierarchy of laws, available case law, most recent court decisions and their relevance to the legal system, as well as external legal advice. Provisions are reviewed and adjusted to reflect changes in circumstances, such as applicable statute of limitations, outcomes of tax audits or further exposure to litigation from new matters or court decisions.

V. Leases

The Company initially measures lease liabilities at the present value of the lease payments that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, and amounts expected to be payable under a residual value guarantee, less any lease incentives received.

To calculate the present value of the lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease cannot be readily determined. For lease contracts recognized in the year ended December 31, 2022, the Company used a nominal rate of 1.8% to 2.5% in the United States (1.8% at December 31, 2021) and of 3.6% to 16.5% in Brazil (6.1% at December 31, 2021).

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

3. Significant judgements, estimates and assumptions--Continued

3.2. Estimates and assumptions--Continued

V. Leases--Continued

Actual results may differ materially from the estimates used in preparing these financial statements due to the inherent uncertainty involved with estimates. The Company reviews estimates and assumptions at least on a quarterly basis.

4. New or amended standards

The amendments to standards issued by the IASB, which became effective from January 1, 2022, did not have any significant impact on the parent company and consolidated financial statements of the Company.

a) Classification of Liabilities as Current or Non-Current (Amendments to CPC 26/IAS 1)

The amendments, as issued in 2020, aim to clarify requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after January 1, 2023.

However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than January 1, 2024.

Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the parent company and consolidated financial statements in the period of initial application.

The Group is closely monitoring the developments.

b) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CPC 32/IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences-e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendmens apply to transactions that aoccur after the beginning of the earliest period presented.

Under the amendments, at January 1, 2023 the Company will recognize a separate deferred tax asset and a deferred tax liability. As at December 31, 2022, the taxable temporary difference in relation to the right-of-use asset is as follows:

	Parent company	Consolidated
	2022	2022
Asset	144,430	357,442
Liability	149,132	374,537
Net deferred income tax (IRPJ) and social contribution	**(1,599)**	**(5,812)**

There will be no impact on retained earnings on adoption of the amendments.

4. New or amended standards--Continued

c) Other standards

The following new and amended standards are not expected to have a significant impact on the parent company and consolidated financial statements of the Group:

- IFRS 17 *Insurance Contracts*;
- *Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2)*; and
- *Definition of Accounting Estimates (Amendments to CPC 23/IAS 8)*.

5. Business combinations

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

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

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

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

5. Business combinations--Continued

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

The following table shows the fair values of identifiable assets acquired and liabilities assumed:

	Carrying amount	Fair value adjustment	Fair value
Assets acquired			
Cash and cash equivalents	5,648	-	5,648
Trade receivables	8,786	304	9,090
Inventory	4,730	1,374	6,104
Property, plant and equipment	1,321	-	1,321
Intangible (fair value adjustments) (ii)	-	56,816	56,816
Other assets	103	(103)	-
Total assets acquired			**78,979**
Liabilities assumed			
Trade payables	1,061	-	1,061
Taxes payable	1,555	385	1,940
Payroll and related charges	220	175	395
Other current liabilities	78	57	135
Total liabilities assumed			**3,531**
Total net assets			**75,448**
Consideration			
Cash	-	-	50,000
Equity instruments (Arezzo common shares)	-	-	77,073
Deferred payment	-	-	50,000
Contingent consideration			20,000
Price adjustment (i)			(1,055)
Total consideration transferred	-	-	**196,018**
Total goodwill			**120,570**

(i) Price adjustment of R$1,055 to take account of changes in the value of identifiable assets acquired and liabilities assumed.
(ii) Refers to trademark R$53,885, customer relationship R$1,869 and non-compete agreement R$1,062.

5. Business combinations--Continued

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

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

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

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

Seguem as premissas subjacentes materiais utilizadas na determinação de estimativa de valor justo sobre ativos intangíveis: The key assumptions underlying the adjustments to the fair value estimates for intangible assets were as follows:

For customer relationships– Multi-brand:

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

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

5. Business combinations--Continued

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

For customer relationships – E-commerce:

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

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

Revenue	The valuation of the Carol Bassi brand was based on assumptions and projections adopted by ZZAB's management in *Business Enterprise Valuation* (BEV) *for Carol Bassi*, which was used to determine the purchase price of the business combination.
Royalty rate	4.5% of projected net revenue for Carol Bassi, based on the royalties for similar transactions and existing contracts in the market.
Useful life	The remaining useful life of the brand acquired is indefinite.
Tax amortization benefit	The tax amortization benefit was calculated based on the statutory tax rate of 34% and amortization period equal to the remaining useful life of the asset for a possible amortization upon merger.
Discount rate	To calculate the present value of the projected future cash flow from the intangible assets, the Company applied a discount rate of 13.8% plus a premium, based on WACC calculated for Carol Bassi.

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

5. Business combinations--Continued

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

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

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

The trade receivables comprise contractual amounts measured at fair value of R$9,090.

The goodwill of R$120,570 is attributable to the synergies expected to be achieved from integrating the entity into the Company's existing business and the expansion of the Company's business.

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

The fair value of the consideration transferred considers the following:

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

5. Business combinations--Continued

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

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

(iii) Payment of R$77,073 by ZZAB or a third party designated by it, on behalf of and by order of ZZAB, through the delivery to Sellers Arnaldo Martins Bassi, Anna Pellegrini Bassi and Anna Carolina Martinelli Martins Pellegrini Bassi of 991,940 shares of Arezzo common stock that equal the amount of the payment ('Arezzo Shares'), calculated based on the average stock price.

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

The Company incurred acquisition-related costs of R$725. These costs have been included in 'administrative expenses'. Carol Bassi contributed net revenue of R$63,738 and net profit of R$15,265 to the Company's results for the period between the acquisition date and December 31, 2022.

5.2. Calçados Malu Ltda.

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

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

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

5. Business combinations--Continued

5.2. Calçados Malu Ltda.--Continued

Set out below are the fair values of the identifiable assets acquired and liabilities assumed.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition of May 31, 2022.

	Carrying amount	Fair value
Fair value of assets acquired		
Property, plant and equipment	3,599	3,599
Total assets acquired		**3,599**
Fair value of liabilities assumed		
Employee-related liabilities and social charges	2,056	2,056
Provision for contingencies	14	14
Other liabilities	16	16
Total liabilities assumed		**2,086**
Total net assets		**1,513**
Consideration		
Cash:		
Down payment in December 2021	-	7,537
Payments in 2022	-	9,800
Cash to be transferred in installments	-	200
Total consideration transferred	-	**17,537**
Total goodwill	-	**16,024**

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

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

The values were adjusted at the date of the valuation by applying an index for machinery and equipment as published by Fundação Getúlio Vargas (FGV) and for the effect of exchange rate movements.

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

5. Business combinations--Continued

5.2. Calçados Malu Ltda.--Continued

The following criteria were also applied:

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

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

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

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

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

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

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

The Company incurred acquisition-related costs of R$410. These costs have been included in 'administrative expenses'. Malu contributed net revenue of R$43,256 and loss of R$10,506 to the Company's results for the period between the acquisition date and December 31, 2022.

5.3. HG Indústria e Comércio de Calçados Ltda.

On August 31, 2022 (closing date), the Company acquired, through its subsidiary ZZSAP Indústria e Comércio de Calçados Ltda. ('ZZSAP'), 100% of the shares in HG Indústria e Comércio de Calçados Ltda. ('HG'), obtaining control of HG. HG is a limited liability company primarily involved in manufacturing, selling, exporting and importing shoes, components, handbags, belts, wallets and clothing, as well as materials made from synthetic fabric in general.

5. Business combinations--Continued

5.3. HG Indústria e Comércio de Calçados Ltda.--Continued

The acquisition of HG fits well into the Company's strategy to deepen the management of its supply chain.

The measurements have been determined provisionally, and must be finalized no later than 12 months from the acquisition date pursuant to CPC 15 *Business Combination*. Management does not expect any material adjustments to the provisional amounts as a result of completing the initial accounting for the business combination. The fair values of the identifiable assets acquired and liabilities assumed and the consequent measurement of the goodwill and bargain purchase have been measured on a provisional basis.

The total consideration transferred was R$3,706 in cash equivalents to Sellers João Fernando Hartz and Márcia Meneghetti at the closing date.

HG contributed net revenue of R$18,560 and profit of R$182 to the Company's results for the period between the acquisition date and December 31, 2022.

If the acquisition of HG had been completed on the first day of the twelve-month period ended December 31, 2022, the Company's net revenue would have been R$4,281,530 and the Company's profit for the period would have been R$431,120.

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

5. Business combinations--Continued

5.3. HG Indústria e Comércio de Calçados Ltda.--Continued

The following table sets out the amounts of identifiable assets acquired and liabilities assumed, measured on a provisional basis:

	Carrying amount	Fair value
Assets acquired		
Cash and cash equivalents	1,895	1,895
Trade receivables	2,076	2,076
Taxes recoverable	2,235	2,235
Inventory	11,285	11,285
Property, plant and equipment	3,819	3,819
Intangible assets	29	29
Other assets	1,237	1,237
Total assets acquired	**22,576**	**22,576**
Liabilities assumed		
Loans and borrowings	2,670	2,670
Trade payables	5,525	5,525
Taxes payable	2,619	2,619
Employee-related liabilities and social charges	1,224	1,224
Other liabilities	225	225
Total liabilities assumed	**12,263**	**12,263**
Total net assets	**10,313**	**10,313**
Consideration		
Cash	-	3,706
Total consideration transferred	-	3,706
Bargain purchase	-	**(6,607)**

5.4. Sunset Agenciamento e Intermediação S.A.

On August 31, 2022 (closing date), the Company acquired 100% of the shares in Sunset Agenciamento e Intermediação S.A. (‘Sunset’), obtaining control of the acquiree. Sunset is primarily engaged in the intermediation between its clients (like Arezzo) and the manufacturers in the wholesale distribution of clothing, footwear, handbags, travel suitcases and accessories. Sunset has all elements of a business: inputs, processes and outputs

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

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

5. Business combinations--Continued

5.4. Sunset Agenciamento e Intermediação S.A.--Continued

The following table sets out the recognized amounts of identifiable assets acquired and liabilities assumed:

	Carrying amount	Fair value adjustment	Fair value
Assets acquired			
Cash and cash equivalents	14	-	14
Trade receivables	706	-	706
Taxes recoverable	1,362	-	1,362
Property, plant and equipment	608	-	608
Property, plant and equipment	-	1,487	1,487
Intangible assets	56	-	56
Other assets	430	-	430
Total assets acquired			**4,663**
Liabilities assumed			
Trade payables	65	-	65
Taxes payable	104	-	104
Employee-related liabilities and social charges	1,377	-	1,377
Other liabilities	52	-	52
Total liabilities assumed			**1,598**
Total net assets			**3,065**
Consideration			
Cash	-	-	9,406
Equity instruments	-	-	34,401
Price adjustment	-	-	(574)
Total consideration transferred	-	-	43,233
Goodwill			**40,168**

5. Business combinations--Continued

5.4. Sunset Agenciamento e Intermediação S.A.--Continued

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

a) Property, plant and equipment: Refers to fair value adjustments to property, plant and equipment of Sunset, according to methodology and results presentedin the asset and liability fair value report.

The total amount of the fair value adjustments to property, plant and equipment is R$1,487.

The trade receivables comprise contractual amounts measured at fair value of R$1,362.

The goodwill of R$40,168 arising from the acquisition is attributable to the synergies expected to be achieved from integrating the entity into the Company's existing business and the expansion of the Company's business. The goodwill recognized is expected to be deductible for tax purposes when the subsidiary is merged into the parent in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE. The acquisition report was filed with the Division of Corporations to claim a tax deduction on the amortization of goodwill arising from this transaction.

The fair value of the consideration transferred considers the following:

(i) Acquisition by the Company, at the date of the transaction, of 150,000 quotas, of which 148,500 quotas were acquired from João Fernando Hartz and 1,050 quotas from Márcia Meneghetti, for consideration of R$9,406, which was paid in cash equivalents at the date of the transaction as follows: R$9,312 to quotaholder João Fernando and R$94 to quotaholder Márcia;

(ii) Issue of 372,307 new registered, book-entry, common shares without par value totaling R$34,401, in the name of Sellers (João Fernando Hartz and Márcia Meneghetti), as a result of the acquisition of shares in Sunset at the closing date. This amount also resulted in an increase of R$24,957 in the share capital of the Company, with the difference of R$9,444 being recognized in 'capital reserve'.

The parties agree that the aquisition price was adjusted by R$574.

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

5. Business combinations--Continued

5.4. Sunset Agenciamento e Intermediação S.A.--Continued

Sunset contributed net revenue of R$3,488 and loss of R$2,283 to the Company’s results for the period between the acquisition date and December 31, 2022.

If the acquisition of Sunset had been completed on the first day of the twelve-month period ended December 31, 2022, the Company’s net revenue for the period would have been R$4,250,331 and the Company’s profit for the period would have been R$430,299.

6. Cash and cash equivalents

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Cash and banks				
Cash on hand	**2,049**	198	**3,225**	3,058
Cash at banks	**4,075**	975	**21,864**	27,237
Cash equivalents				
Automatic investments	**1,882**	1,275	**3,737**	3,455
Total cash and cash equivalents	**8,006**	2,448	**28,826**	33,750

At December 31, 2022, the average rate of interest is 5% of the Interbank Deposit Certificate rate (CDI) (December 31, 2021 – 13%).

7. Cash investments

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Exclusive investment fund				
Financial Treasury Bills (LFT)	**76,079**	23,478	**213,464**	84,337
Securities purchased under resale agreements	**39,864**	29,079	**114,879**	108,437
Private securities (CEF)	**19,228**	6,843	**55,412**	25,660
Certificates of bank deposit (CDB)	**43,033**	10,375	**63,853**	10,375
Total cash investments	**178,204**	69,775	**447,608**	228,809

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

7. Cash investments--Continued

Exclusive investment fund

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

This investment fund is exclusive to the Company and its subsidiaries and therefore was included in the consolidated financial statements.

As of December 31, 2022, the investment fund provides average interest of 102.55% of the interbank deposit rate (CDI) (December 31, 2021: 101.11%). It has 51% of assets in treasury bills (LFTs) (December 31, 2021: 38%). Seventy percent of the fund's assets provide daily liquidity (December 31, 2021: 86%).

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

At December 31, 2022, the Company has not pledged any investment as collateral to financial institutions.

8. Trade receivables

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Domestic customers	**611,849**	486,360	**564,373**	470,132
Trade notes receivable	**529,482**	404,710	**564,373**	470,132
Trade notes receivable from related parties (Note 13a)	**82,367**	81,650	**-**	-
Foreign customers	**220**	31,176	**66,633**	64,056
Trade notes receivable	**220**	5,446	**66,633**	64,056
Trade notes receivable from related parties (Note 13a)	**-**	25,730	**-**	-
Others	**139,069**	113	**246,105**	271,696
Credit cards	**138,913**	-	**245,348**	271,562
Checks and other amounts	**156**	113	**757**	134
	751,138	517,649	**877,111**	805,884
(-) Loss allowance	**(7,844)**	(8,844)	**(9,199)**	(11,306)
Total trade receivables	**743,294**	508,805	**867,912**	794,578
Current	**722,725**	481,059	**867,582**	790,302
Non-current	**20,569**	27,746	**330**	4,276

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

8. Trade receivables--Continued

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

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

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

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
USD	**220**	31,176	**66,359**	63,413
EUR	**-**	-	**274**	643
Balance at the end of the year	**220**	31,176	**66,633**	64,056

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

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Balance at the beginning of the year	**(8,844)**	(9,192)	**(11,306)**	(11,571)
(Additions) reversals	**(8,189)**	(7,856)	**(14,408)**	(10,244)
Merger of subsidiary	**(1,393)**	-	**-**	-
Write-offs	**10,582**	8,204	**16,515**	10,509
Balance at the end of the year	**(7,844)**	(8,844)	**(9,199)**	(11,306)

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

8. Trade receivables--Continued

The aging analysis of these trade receivables is as follows:

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Current (not past due)	**727,794**	505,065	**844,022**	774,606
1-30 days past due	**5,889**	3,081	**10,109**	7,940
31-60 days past due	**5,851**	4,300	**7,914**	9,890
61-90 days past due	**3,609**	1,231	**4,222**	2,934
91-180 days past due	**3,705**	1,821	**5,265**	3,928
181-360 days past due	**3,825**	482	**3,963**	1,104
More than 360 days past due	**465**	1,669	**1,616**	5,482
	751,138	517,649	**877,111**	805,884

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

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional loss allowance of R$14,408 for trade receivables for the year ended December 31, 2022 (December 31, 2021: R$10,244). This allowance was included in 'selling expenses'.

9. Inventories

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Finished goods	**432,676**	125,967	**671,933**	352,219
Raw materials	**37,955**	3,600	**64,642**	72,448
Work in progress	**1,312**	-	**27,380**	23,356
Advances to suppliers	**18,489**	10,539	**28,195**	13,965
(-) Allowance for impairment	**(12,176)**	(6,408)	**(20,090)**	(11,501)
Total inventories	**478,256**	133,698	**772,060**	450,487

The Parent's total balance of inventories includes R$139,987 from the merged subsidiary Tiferet Comércio de Roupas Ltda: R$107,443 in finished goods, R$35,937 in raw materials and R$1,027 in work in progress.

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

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

9. Inventories--Continued

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

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Balance at the beginning of the year	**(6,408)**	(4,546)	**(11,501)**	(7,214)
(Additions) reversals	**(8,330)**	(4,666)	**(15,572)**	(7,091)
Realized	**6,983**	2,804	**6,983**	2,804
Merger of subsidiary	**(4,421)**	-	**-**	-
Balance at the end of the year	**(12,176)**	(6,408)	**(20,090)**	(11,501)

10. Taxes recoverable

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Direct taxes	**12,122**	2,460	**13,678**	2,579
Corporate income tax (IRPJ)	**8,894**	1,494	**10,376**	1,583
Social contribution on net income (CSLL)	**3,228**	966	**3,302**	996
Indirect taxes	**241,532**	142,117	**290,084**	198,908
State value-added tax on sales and services (ICMS)	**146,051**	12,436	**168,334**	51,045
Social integration program (PIS) and Social contribu	**88,092**	127,635	**110,599**	143,230
Excise tax (IPI)	**-**	-	**2,482**	1,054
Others	**7,389**	2,046	**8,669**	3,579
Total	**253,654**	144,577	**303,762**	201,487
Current	**165,562**	16,942	**201,212**	73,852
Non-current	**88,092**	127,635	**102,550**	127,635

(i) In the year ended December 31, 2022, federal tax credits (PIS and COFINS) were recognized in respect of expenses that are essential to the Company’s activities (Note 32).

The Parent’s total balance of taxes recoverable includes R$28,336 from the merged subsidiary Tiferet Comércio de Roupas Ltda: R$28,318 in ICMS and R$18 in IRPJ.

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

11. Other receivables

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Advances to advertising fund	**8,936**	7,000	**8,936**	7,000
Advances to franchisees	**9,908**	9,668	**9,908**	9,668
Advances to suppliers	**30,562**	4,124	**36,054**	21,311
Advances to employees	**1,985**	1,166	**4,398**	1,971
Prepaid expenses	**6,139**	7,148	**12,034**	15,937
Other receivables	**6,764**	4,948	**9,233**	27,282
Total	**64,294**	34,054	**80,563**	83,169
Current	**53,180**	21,779	**66,157**	68,230
Non-current	**11,114**	12,275	**14,406**	14,939

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

12. Income tax and social contribution

a) Deferred taxes

	Parent company					
	2022			2021		
Tax trigger events	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**
Tax losses	**254,615**	**321,115**	**92,554**	151,212	179,218	53,933
Unrealized profit on inventories	**52,419**	**52,419**	**17,822**	32,809	32,809	11,155
Loss allowance for trade receivables	**8,407**	**8,407**	**2,858**	8,844	8,844	3,007
Provision for commissions	**16,786**	**16,786**	**5,707**	9,947	9,947	3,382
Provision for labor, tax and civil proceedings	**11,727**	**11,727**	**3,987**	7,785	7,785	2,649
Provision for inventory impairment	**12,176**	**12,176**	**4,140**	6,293	6,293	2,140
Other provisions	**10,755**	**10,755**	**3,657**	5,119	5,119	1,739
Deferred tax assets	**366,885**	**433,385**	**130,725**	222,009	250,015	78,005
Provision for tax credits	**(56,532)**	**(56,532)**	**(19,221)**	(79,016)	(79,016)	(26,865)
Tax amortization of goodwill arising from acquisition of subsidiary	**(81,868)**	**(81,868)**	**(27,835)**	-	-	-
Deferred tax liabilities	**(138,400)**	**(138,400)**	**(47,056)**	(79,016)	(79,016)	(26,865)
Total	**228,485**	**294,985**	**83,669**	142,993	170,999	51,140

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

12. Income tax and social contribution--Continued

a) Deferred taxes--Continued

	Consolidated					
	2022			2021		
Tax trigger events	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**
Tax losses	**361,681**	**428,181**	**128,957**	249,999	278,005	87,520
Unrealized profit on inventories	**52,419**	**52,419**	**17,822**	32,809	32,809	11,155
Loss allowance for trade receivables	**8,407**	**8,407**	**2,858**	10,510	10,510	3,573
Provision for commissions	**16,786**	**16,786**	**5,707**	9,947	9,947	3,382
Provision for labor, tax and civil proceedings	**17,776**	**17,776**	**6,044**	13,866	13,866	4,714
Provision for inventory impairment	**12,878**	**12,878**	**4,379**	12,512	12,512	4,254
Other provisions	**13,840**	**13,840**	**4,706**	7,893	7,893	2,687
Deferred tax assets	**483,787**	**550,287**	**170,473**	337,536	365,542	117,285
Provision for tax credits (i)	**(56,532)**	**(56,532)**	**(19,221)**	(79,016)	(79,016)	(26,865)
Provision for exchange rate changes	**(7,310)**	**(7,310)**	**(2,485)**	(16,575)	(16,575)	(5,636)
Bargain purchase gain	**(6,608)**	**(6,608)**	**(2,248)**	-	-	-
Offsetting of goodwill arising from acquisition of subsidiary	**(90,206)**	**(90,206)**	**(30,670)**	-	-	-
Subtotal	**(160,656)**	**(160,656)**	**(54,624)**	(95,591)	(95,591)	(32,501)
Total	**323,131**	**389,631**	**115,849**	241,945	269,951	84,784
Deferred tax assets			**119,270**			90,225
Deferred tax liabilities			**(3,421)**			(5,441)

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

The following table shows a reconciliation of deferred tax assets and liabilities:

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Opening balance	**51,140**	48,850	**84,784**	80,632
Deferred income tax recognized in the statement of income	**29,010**	2,290	**31,065**	4,152
Merger of subsidiary	**3,519**	-	**-**	-
Balance at the end of the year	**83,669**	51,140	**115,849**	84,784
Deferred tax assets	**83,669**	51,140	**119,270**	90,225
Deferred tax liabilities	**-**	**-**	**(3,421)**	(5,441)

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

12. Income tax and social contribution --Continued

a) Deferred taxes--Continued

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

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

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
2022	-	20,136	-	35,544
2023	**36,354**	18,228	**36,450**	28,752
2024	**39,357**	19,477	**49,997**	31,184
2025	**26,450**	14,427	**51,312**	16,067
2026	**23,880**	5,737	**28,030**	5,738
2027	**4,684**	-	**4,684**	-
Total deferred income tax and social contribution	**130,725**	78,005	**170,473**	117,285
Deferred tax assets	**130,725**	78,005	**170,473**	117,285

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

12. Income tax and social contribution--Continued

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

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

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Profit before income tax and social contribution	**395,699**	351,848	**472,871**	403,854
Statutory tax rate	**34.0%**	34.0%	**34.0%**	34.0%
Expected income tax and social contribution expense at the statutory tax rate	**(134,538)**	(119,628)	**(160,776)**	(137,310)
Share of profit of equity-accounted investees	**34,817**	47,345	**-**	-
Government subsidies (i)	**88,575**	27,597	**101,993**	59,301
Interest on capital	**51,609**	21,547	**51,609**	21,547
Tax benefits from technological innovation and research expenses - Law No. 11,196/05	**-**	6,437	**-**	6,437
Tax incentives (Workers' Meal Program (PAT), Rouanet Law)	**-**	183	**421**	483
Unrecognized deferred tax assets relating to tax losses of subsidiaries	**-**	-	**(26,423)**	(14,637)
Share-based payment expenses	**(5,396)**	(1,196)	**(5,396)**	(1,196)
Tax-exempt income	**2,807**	18,081	**2,807**	18,081
Other permanent differences	**(8,864)**	(6,980)	**(14,568)**	(12,840)
Income tax and social contribution expense	**29,010**	(6,614)	**(50,333)**	(60,134)
Current	**-**	(8,904)	**(81,398)**	(64,286)
Deferred	**29,010**	2,290	**31,065**	4,152
Income tax and social contribution expense	**29,010**	(6,614)	**(50,333)**	(60,134)
Effective tax rate	**N/A**	1.8%	**10.6%**	14.8%

(i) ICMS tax incentives considered to be investment subsidies under Complementary Law No. 160/2017. See Note 35 for details.

At December 31, 2022, the Company had unrecognized deferred tax assets in respect of tax losses of one foreign subsidiary and one Brazilian subsidiary. The unrecognized deferred tax assets, which do not expire, are R$26,423 for the year ended December 31, 2022 (December 31, 2021: R$14,637). The accumulated amount of deferred tax assets is R$126,856.

12. Income tax and social contribution--Continued

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

Management assessed the impacts of applying ICPC 22/IFRIC23 that addresses the accounting for income taxes when there is uncertainty over income tax treatments. Based on its assessment, management determined that the tax treatment used by the Company is more likely than not to be accepted by the taxation authority as described below:

Tax Debt Annulment Action No. 1015792-98.2017.4.01.3400 with the 4th Federal Court of the Federal District, to suspend and subsequently annul the debts claimed through notices of assessment subject of administrative proceeding No. 15504.725551/2013-17 (for alleged omissions of interest income from loan agreements with associates in calendar years 2008 and 2009; excess deduction of interest on capital payment expenses in calendar years 2008 and 2009, supposedly disproportionate to the equity interest, and allegedly undue tax amortization of goodwill paid on acquisition of the Company by BRICS on November 8, 2007), as well as for the Company to have the right to deduct goodwill amortization expense from, at least, the social contribution tax basis and to cancel fines for non-payment of amounts allegedly owed, pursuant to article 44, II, of Law No. 9,430/1996 (about 50%). The Company is awaiting an examination by an accounting expert with the aim of demonstrating that the transaction carried out at the time of the acquisition of the shares by BRICS showed significant economic vitality and business purpose. The likelihood of loss is considered possible, in the amount of approximately R$34,630 (December 31, 2021: R$30,932).

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

13. Related parties

a) Balances and transactions with subsidiaries:

2022

	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Accounts receivable	Accounts receivable	Loans to subsidiaries	Trade payables	Loans from subsidiaries	Sales	Purchases
Parent company							
ARZZ International INC	-	20,242	-	-	-	1,202	-
ZZAB Comércio de Calçados Ltda.	52,246	-	-	18,013	-	622,626	18,677
ZZSAP Indústria e Comércio de Calçados Ltda.	852	-	94,439	14,004	-	333	245,000
ZZEXP Comercial Exportadora S/A	7,636	-	-	-	-	2,654	-
TIFERET Comércio de Roupas Ltda	-	-	-	-	51,508	-	-
HG Ind.e Com.de Calçados Ltda	10	-	-	17,094	-	-	-
Sunset Agenciamento e Int.S/A	-	-	120	-	-	-	-
Carol Bassi	1,381	-	3,040	-	-	-	-
Total - Parent company	62,125	20,242	97,599	49,111	51,508	626,815	263,677

2021

	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Accounts receivable	Accounts receivable	Loans to subsidiaries	Trade payables	Loans from subsidiaries	Sales	Purchases
Parent company							
ARZZ International INC	-	25,730	-	-	-	-	-
ZZAB Comércio de Calçados Ltda.	60,960	-	-	853	-	415,497	1,586
ZZSAP Indústria e Comércio de Calçados Ltda.	186	-	6,012	5,374	-	4	130,842
ZZEXP Comercial Exportadora S/A	4,982	-	-	-	-	2,007	-
TIFERET Comércio de Roupas Ltda	15,522	-	72,604	-	-	-	-
Baw Clothing Indústria e Comércio de Vestuários Ltda	-	-	13,776	-	-	-	-
Total - Parent company	81,650	25,730	92,392	6,227	-	417,508	132,428

b) Nature, terms and conditions of transactions with subsidiaries

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

As at December 31, 2022, loans granted to subsidiaries are R$97,599 (December 2021: R$92,392). The loans are subject to the CDI rate in effect at the date of signing the agreement.

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

13. Related parties--Continued

b) Nature, terms and conditions of transactions with subsidiaries--Continued

The most common related-party 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 to subsidiary ZZEXP.

c) Key management personnel compensation

Compensation of key management personnel includes salaries, fees, profit sharing and share-based payment. For the year ended December 31, 2022, key management personnel compensation totaling R$20,383 (December 31, 2021: R$15,601) comprised the following:

	2022	2021
Annual fixed remuneration (salaries and fees)	**9,380**	7,862
Variable remuneration (bonus)	**6,038**	6,549
Share-based payments (Note 34)	**4,966**	1,190
Total compensation paid to key management personn	**20,384**	15,601

The expenses related to the restricted stock plan (Note 34) are presented as operating expenses before finance income and costs.

The Company has a profit-sharing plan with the main goal of rewarding employee performance during the year. On a monthly basis, the Company recognizes a liability and an expense for profit sharing based on the estimates of achievement of the operating targets and specific goals established and approved by management. The profit-sharing payments are recognized in liabilities within ‘salaries and social charges’ and in the statement of income within ‘selling expenses’ and ‘general and administrative expenses’ (Note 29).

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

d) Transactions or relationships with shareholders

At December 31, 2021, certain Company officers and directors directly own a total interest of 43.7% in the Company (December 31, 2020: 45.8%).

e) Other related-party transactions

The Company has a service agreement with the firm Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha, a member of the Company’s Board of Directors. In the year ended December 31, 2022, this firm received R$601 (December 31, 2021: R$671).

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

14. Equity-accounted investees

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

	2022					
Subsidiaries	**Assets**	**Liabilities**	**Equity**	**Share capital**	**Net revenue**	**Profit (loss) for the year**
ARZZ	249,873	345,157	(95,284)	262,401	384,799	(44,382)
ZZAB	980,951	388,621	592,330	168,516	982,069	118,230
ZZSAP	209,085	152,127	56,958	22,822	310,894	(1,550)
ZZEXP	225,623	170,373	55,250	2,000	225,514	28,799
TIFERET	288,527	109,205	179,322	64,441	-	3,804
TROC	-	-	-	-	92	(216)
SUNSET	1,128	1,833	(705)	150	3,488	(2,283)

	2021					
Subsidiaries	**Assets**	**Liabilities**	**Equity**	**Share capital**	**Net revenue**	**Profit (loss) for the year**
ARZZ	224,598	288,685	(64,087)	252,250	281,123	(36,992)
ZZAB	645,866	189,490	456,376	148,383	694,222	99,428
ZZSAP	110,502	51,994	58,508	22,822	191,880	3,191
ZZEXP	210,168	175,680	34,488	2,000	166,562	32,125
VQV	552,765	376,898	175,867	107,276	514,035	41,499

Unrealized profit on inventories is presented in the statement of income of the above subsidiaries.

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

14. Equity-accounted investees--Continued

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

	Investments		Share of profit of equity-accounted investees	
	2022	2021	2022	2021
ZZAB	**592,330**	456,376	**118,230**	99,428
ZZSAP	**56,958**	58,508	**(1,550)**	3,191
ZZEXP	**55,250**	34,488	**28,799**	32,125
VQV	**-**	175,867	**-**	41,499
Tiferet	**179,322**	-	**3,804**	-
Sunset	**(705)**	-	**-**	-
TROC	**-**	-	**(216)**	-
Goodwill arising on the acquisition of subsidiary VQV	**40,168**	467,659	**(2,283)**	-
Fair value adjustments arising on acquisition of subsidiar	**1,487**	263,533	**-**	-
Total investments in subsidiaries	**924,810**	1,456,431	**146,784**	176,243
Loss allowance	**(95,284)**	(64,087)	**(44,382)**	(36,992)
ARZZ	**(95,284)**	(64,087)	**(44,382)**	(36,992)
Total	**829,526**	1,392,344	**102,402**	139,251

c) Movements in investments:

	2022	2021
Balance at the beginning of the year, net of loss allowance	**1,392,344**	1,186,515
Capital contribution	**30,151**	90,158
Acquisition of subsidiary	**1,578**	-
Goodwill arising from acquisition of subsidiary	**41,655**	-
Distribution of dividends	**(8,037)**	(14,984)
Amortization of fair value adjustments arising on acquisition of subsidiary	**-**	(6,459)
Transfer of goodwill arising from acquisition of subsidiary	**(467,660)**	**-**
Transfer of fair value adjustments arising on acquisition of subsidiary	**(263,533)**	**-**
Share of profit of equity-accounted investees	**102,402**	139,251
Write-off of investment due to merger of subsidiary VQV	**(175,867)**	-
Investment arising from merger of subsidiary Tiferet	**175,800**	-
Other comprehensive income (loss)	**693**	(2,137)
Balance at the end of the year, net of loss allowance	**829,526**	1,392,344

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

15. Property, plant and equipment

	2022			2021		
Parent company	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Computers and peripherals	**42,375**	**(21,484)**	**20,891**	28,090	(16,353)	11,737
Furniture and fittings	**49,340**	**(13,503)**	**35,837**	16,719	(7,167)	9,552
Machinery and equipment	**24,092**	**(10,762)**	**13,330**	13,312	(7,246)	6,066
Facilities and showroom	**134,755**	**(27,097)**	**107,658**	42,103	(16,055)	26,048
Vehicles	**479**	**(233)**	**246**	204	(198)	6
Key money	**18,509**	**(9,419)**	**9,090**	4,325	(954)	3,371
Right-of-use assets	**200,939**	**(56,509)**	**144,430**	38,981	(22,357)	16,624
Total	**470,489**	**(139,007)**	**331,482**	143,734	(70,330)	73,404

	2022			2021		
Consolidated	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Computers and peripherals	**55,512**	**(30,922)**	**24,590**	42,658	(24,630)	18,028
Furniture and fittings	**103,699**	**(39,221)**	**64,477**	77,216	(28,332)	48,884
Machinery and equipment	**61,643**	**(27,285)**	**34,358**	41,665	(21,392)	20,273
Facilities and showroom	**274,749**	**(109,326)**	**165,424**	184,528	(89,633)	94,895
Vehicles	**1,967**	**(532)**	**1,436**	366	(271)	95
Key money	**50,538**	**(6,683)**	**43,855**	47,726	(4,777)	42,949
Right-of-use assets	**595,609**	**(238,167)**	**357,442**	369,884	(148,192)	221,692
Total	**1,143,717**	**(452,137)**	**691,582**	764,043	(317,227)	446,817

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

15. Property, plant and equipment--Continued

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

Parent company	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Key money	Total
Balance at December 31, 2020	5,827	4,755	4,066	13,730	9	84	20,597	-	49,068
Purchases	8,329	5,100	3,267	16,275	-	-	4,416	-	37,387
Depreciation	(2,659)	(1,195)	(1,267)	(2,758)	(3)	-	(8,389)	-	(16,271)
Disposals	(67)	-	-	-	-	(84)	-		(151)
Transfer	307	892	-	(1,199)	-	-	-	-	-
Balance at December 31, 2021	**11,737**	**9,552**	**6,066**	**26,048**	**6**	**-**	**16,624**	**-**	**70,033**
Purchases	**10,546**	**13,633**	**6,386**	**63,800**	**270**	**-**	**111,986**	**510**	**207,131**
Merger of subsidiary	**3,739**	**18,988**	**4,394**	**28,852**	**5**	**-**	**64,202**	**6,871**	**127,051**
Depreciation	**(5,131)**	**(6,336)**	**(3,516)**	**(11,042)**	**(35)**		**(34,152)**	**(1,662)**	**(61,874)**
Disposals	**-**	**-**	**-**	**-**	**-**		**(14,230)**	**-**	**(14,230)**
Transfer	**-**	**-**	**-**	**-**	**-**		**-**	**3,371**	**3,371**
Balance at December 31, 2022	**20,891**	**35,837**	**13,330**	**107,658**	**246**	**-**	**144,430**	**9,090**	**331,482**
Average depreciation rate	20%	10%	10%	10%	20%	-	20%	Indefinite to 20%	

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

15. Property, plant and equipment--Continued

Consolidated	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Key money	Total
Balance at December 31, 2020	8,632	27,456	13,267	61,776	15	84	205,070	-	316,300
Acquisition of subsidiary	165	112	23	58	94	-	-	-	452
Purchases	13,376	25,163	10,189	51,222	-	-	93,692	-	193,642
Depreciation	(4,221)	(4,592)	(3,210)	(19,077)	(13)	-	(61,480)	-	(92,593)
Disposals	15	379	4	19	-	(84)	(23,128)	-	(22,795)
Effect of movements in exchang	61	366	-	897	-	-	7,538	-	8,862
Balance at December 31, 2021	**18,028**	**48,884**	**20,273**	**94,895**	**96**	**-**	**221,692**	**-**	**403,868**
Acquisition of subsidiary	**265**	**1,050**	**1,695**	**2,614**	**322**	**-**	**-**	**-**	**5,946**
Purchases	**12,644**	**25,802**	**14.645**	**87,740**	**347**	**-**	**254,995**	**3,619**	**399,792**
Acquisition through business combination	**-**	**-**	**3,599**	**556**	**931**	**-**	**-**	**-**	**5,086**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**42**	**42,949**	**42,991**
Depreciation	**(6,292)**	**(10,889)**	**(5,893)**	**(19,693)**	**(261)**	**-**	**(89,975)**	**(2,713)**	**(135,717)**
Disposals	**(33)**	**(5)**	**-**	**(6)**	**-**	**-**	**(22,927)**	**-**	**(22,971)**
Effect of movements in exchang	**(22)**	**(364)**	**39**	**(682)**	**-**	**-**	**(6,385)**	**-**	**(7,414)**
Balance at December 31, 2022	**24,590**	**64,477**	**34,358**	**165,424**	**1,436**	**-**	**357,442**	**43,855**	**691,581**
Average depreciation rate	20%	10%	10%	10%	20%	-	20%	Indefinite to 20%	

During the year, the Company tested property, plant and equipment for impairment and determined that it is not necessary to recognize a provision for impairment loss on property, plant and equipment.

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

16. Intangible assets

Details of the movement in intangible assets are as follows:

	2022			2021		
Parent company	**Cost**	**Amortization**	**Net**	**Cost**	**Amortization**	**Net**
Trademarks and patents	**263,941**	**(734)**	**263,207**	8,794	-	8.794
Customer relationships	**11,772**	**(34)**	**11,738**	-	-	-
Software licenses	**276,388**	**(125,767)**	**150,621**	168,176	(99.271)	68.905
Goodwill	**467,659**	**-**	**467,659**	-	-	-
Total	**1,019,760**	**(126,535)**	**893,225**	176,970	(99.271)	77.699

	2022			2021		
Consolidated	**Cost**	**Amortization**	**Net**	**Cost**	**Amortization**	**Net**
Trademarks and patents	354,931	(466)	354,465	300,764	-	300.764
Customer relationships	14,140	(482)	13,658	12,271	(448)	11.823
Goodwill	737,656	-	737,656	560,896	-	560.896
Software licenses	300,469	(143,899)	156,570	212,572	(114.086)	98.486
Others	1,062	-	1,062	-	-	-
Total	**1,408,258**	**(144,847)**	**1,263,411**	1,086,503	(114.534)	971.969

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

Parent company	Trademarks and patents	Key money	Customer relationships	Goodwill	Software licenses	Total
Balance at December 31, 2020	5,582	-	-	-	51,928	57,510
Acquisitions	3,212	3,371	-	-	25,921	32,504
Amortization	-	-	-	-	(8,943)	(8,943)
Balance at December 31, 2021	**8,794**	**3,371**	**-**	**-**	**68,906**	**81,071**
Acquisitions	**328**	**-**	**-**	**-**	**84,105**	**84,433**
Amortization	**(734)**	**-**	**(34)**	**-**	**(26,496)**	**(27,264)**
Merger of subsidiary	**254,820**	**-**	**11,772**	**467,659**	**24,106**	**758,357**
Transfer	**-**	**(3,371)**	**-**	**-**	**-**	**(3,371)**
Balance at December 31, 2022	**263,208**	**-**	**11,738**	**467,659**	**150,621**	**893,226**
Average amortization rate	Indefinite	Indefinite	7%		20%	

16. Intangible assets--Continued

Consolidated	Trademarks and patents	Key money	Key money	Customer relationships	Goodwill	Software licenses	Others	Total
Balance at December 31, 2020	261,966	33,829	-	12,271	466,128	55,673	-	829,867
Acquisitions	3,212	-	13,451	-	-	52,416	-	69,079
Amortization	-	-	(4,777)	(448)	-	(9,776)	-	(15,001)
Acquisition of subsidiary	38,324	-	-	-	91,928	260	-	130,512
Disposals	-	-	446	-	-	-	-	446
Effect of movements in exchange rates	102	-	-	-	-	(87)	-	15
Transfers	(2,840)	(5,177)	5,177	-	2,838	-	-	(2)
Balance at December 31, 2021	**300,764**	**28,652**	**14,297**	**11,823**	**560,894**	**98,486**	**-**	**1,014,916**
Acquisitions	**330**	**-**	**-**	**-**	**-**	**88,016**	**-**	**88,346**
Amortization	**(466)**	**-**	**-**	**(34)**	**-**	**(29,813)**	**-**	**(30,313)**
Effect of movements in excha	**(47)**	**-**	**-**	**-**	**-**	**(206)**	**-**	**(254)**
Acquisition of subsidiary	**53,885**	**-**	**-**	**1,869**	**176,762**	**87**	**1,062**	**233,665**
Transfers	**-**	**(28,652)**	**(14,297)**	**-**	**-**	**-**	**-**	**(42,949)**
Balance at December 31, 2022	**354,466**	**-**	**-**	**13,658**	**737,656**	**156,570**	**1,062**	**1,263,412**
Average depreciation rate	Indefinite	Indefinite	Finite	7%	Indefinite	20%		

Intangible assets with finite useful lives referred to as "software licenses" consist of software licenses acquired from third parties and internally developed software and are amortized on a straight-line basis over their estimated useful life with a corresponding charge to general and administrative expenses.

Intangible assets with indefinite useful lives consist of trademarks, patents and key money. Key money is a fee paid by the Company to acquire the rights of tenancy under a commercial property lease. The Company will recover these assets when it sells the rights of tenancy to a new tenant or through impairment. The rights to the occupancy of the leased store spaces are acquired through the full payment of key money, and there are no other obligations arising from the acquisition of these rights in the Company's liabilities. Payment of key money is common in commercial lease transactions.

At December 31, 2022, the Company tested for impairment the cash-generating unit to which goodwill is allocated and concluded that it is not necessary to recognize an impairment loss allowance.

16. Intangible assets--Continued

Impairment testing of intangible assets with indefinite useful lives

The Company tested intangible assets for impairment based on the value-in-use approach using a discounted cash flow model for cash-generating units, represented by its stores.

Determining the value in use involves the use of assumptions, judgements and estimates of cash flows, such as rates of growth of revenues, costs and expenses, estimates of future investments, working capital and discount rates. The assumptions related to growth, cash flows and future cash flows forecasts are based on the Company's business plan approved by management as well as on comparable market data and represent management's best estimate of economic conditions that will exist over the economic lives of the various cash-generating units, the group of assets that generate cash flows. Future cash flows were discounted based on the rate that represents the cost of capital.

Consistent with the economic valuation techniques, the value-in-use calculation is made for a period of five years and, thereafter, considering the perpetuity of the assumptions in view of the ability to continue to operate indefinitely.

The estimated future cash flows were discounted to their present value using a pre-tax discount rate of 16.7% p.a. (equivalent to WACC of 11.2% p.a.) for each cash-generating unit analyzed.

Key assumptions used in value-in-use calculations are as follows:

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

• Operating costs and expenses - Costs and expenses were forecasted in line with the Company's historical performance as well as with the historical growth of revenues.

• Capital expenditure – Capital expenditure was estimated considering the infrastructure needed for the Company to offer its products based on the Company's history.

• Revenue – Revenue was forecasted for the period between 2023 and 2027 considering growth of the customer base of the various cash-generating units, the impacts of new architectural projects of certain stores and the level of each store and brand in the market.

The key assumptions are based on the Company's historical performance and reasonable macroeconomic assumptions based on financial market projections documented and approved by the Company's management.

16. Intangible assets--Continued

Impairment testing of intangible assets with indefinite useful lives--Continued

For impairment testing, goodwill was allocated to cash-generating units (CGUs):

	Consolidated	
CGUs	**2022**	**2021**
VamoQueVamo Empreemdimentos e Participações	**467,659**	467,659
Baw Clothing Indústria e Comércio de Vestuários Ltda	**83,379**	83,379
Troc.Com.BR-Atividade de Internet Ltda.	**9,856**	9,856
Calçados Malu Ltda	**16,024**	-
Sunset Agenciamento e Intermediação S.A	**40,168**	-
Guaraná Brasil Difusão de Moda Ltda	**120,570**	-
	737,656	560,894

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources:

Consolidated

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

In percent	**2022**	**2021**
Discount rate	11.2%	10.4%
Terminal value growth rate	3.2%	5.0%
Budgeted EBITDA growth rate (average of next five years)	13.2%	15.8%

The Company performed an impairment test and did not identify any indicators of impairment for intangible assets for the year ended December 31, 2022 as the estimated value in use is higher than the carrying amount at the date of valuation.

17. Loans and borrowings

Loans and borrowings can be summarized as follows:

	Parent company		**Consolidated**	
	2022	**2021**	**2022**	**2021**
Total in local currency	**9,736**	174,570	**10,260**	218,485
FINAME (a)	**-**	-	**133**	206
Working capital (b)	**9,736**	9,643	**9,736**	9,649
Working capital	**-**	164,927	**-**	208,630
Working capital (c)	**-**	-	**391**	-
Total in foreign currency	**156,520**	172,278	**391,613**	316,109
Working capital - Law No. 4,131 (d)	**156,520**	172,278	**156,520**	172,278
Working capital	**-**	-	**-**	2,738
ACC (e)	**-**	-	**235,093**	141,093
Total loans and borrowings	**166,256**	346,848	**401,873**	534,594
Current	**156,756**	337,348	**392,254**	496,861
Non-current	**9,500**	9,500	**9,619**	37,733

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

At December 31, 2022, the maturities and interest rate and charges on outstanding loans are as follows:

a) Machine and equipment financing (FINAME): This facility is repayable in monthly installments until October 2024 and has an interest rate of 6.0% p.a.
b) Working capital: This loan is repayable until December 2026 and has an average interest rate based on the interbank deposit rate (CDI) plus 1.80% p.a.
c) Working capital: This loan is denominated in Brazilian real and matures in September 2024. Interest is paid at the rate of 7.25% p.a.
d) Working capital – Law No. 4,131: This loan is denominated in U.S. dollar with a fixed interest rate of 6.34% p.a. and a swap to BRL with CDI rate + 1.10% p.a. at December 31, 2022. The loan matures in December 2023.
e) Advance on foreign exchange contract (ACC): This facility is denominated in U.S. dollar and has an average interest rate of 4.48% p.a. plus the effect of changes in exchange rates. There are various agreements with maturities until September 2023.

17. Loans and borrowings--Continued

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

Parent company	**FINEP**	**Facility 4131**	**Working capital**	**Total**
Balance at December 31, 2020	3,839	456,932	-	460,771
Proceedings from loans and borrowings	-	-	9,500	9,500
Payment of principal	(3,839)	(142,813)	-	(146,652)
Payment of interest	-	(9,766)	(166)	(9,932)
Accrued interest and effect of movements in (	-	32,852	309	33,161
Balance at December 31, 2021	**-**	**337,205**	**9,643**	**346,848**
Merger of subsidiary	**-**	**46,441**	**-**	**46,441**
Payment of principal	**-**	**(207,585)**	**-**	**(207,585)**
Payment of interest	**-**	**(15,387)**	**(1,104)**	**(16,491)**
Accrued interest and effect of movements in (	**-**	**(4,154)**	**1,197**	**(2,957)**
Balance at December 31, 2022	**-**	**156,520**	**9,736**	**166,256**

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

Consolidated	FINAME	PPE	ACC	FINEP	Facility 4131	Working capital	Total
Balance at December 31, 2020	279	23,788	61,164	3,839	545,199	-	634,269
Proceeds from loans and borrowings	-	4,646	113,982	-	20	9,531	128,179
Payment of principal	-	(30,014)	(21,067)	(3,839)	(188,441)	(25)	(243,386)
Payment of interest	(97)	10	(3,820)	-	(14,451)	(166)	(18,524)
Accrued interest and effect of movements in exchange rates	24	1,570	(9,165)	-	41,318	309	34,056
Balance at December 31, 2021	**206**	**-**	**141,094**	**-**	**383,645**	**9,649**	**534,594**
Proceeds from loans and borrowings	**-**	**-**	**214,339**	**-**	**-**	**602**	**214,941**
Acquisition of subsidiary		**-**	**2,161**	**-**	**-**	**509**	**2,670**
Payment of principal	**(73)**	**-**	**(127,664)**	**-**	**(207,585)**	**(745)**	**(336,067)**
Payment of interest	**(10)**	**-**	**(2,365)**	**-**	**(15,387)**	**(1,105)**	**(18,867)**
Accrued interest and effect of movements in exchange rates	**10**	**-**	**7,528**	**-**	**(4,153)**	**1,217**	**4,602**
Balance at December 31, 2022	**133**	**-**	**235,093**	**-**	**156,520**	**10,127**	**401,873**

17. Loans and borrowings--Continued

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

	Parent company		Consolidated	
	2022	2021	2022	2021
2023	**159,126**	2,489	**394,624**	17,356
2024	**2,714**	2,714	**2,833**	14,486
2025	**2,714**	2,714	**2,714**	4,308
2026	**1,702**	1,583	**1,702**	1,583
Total loans and borrowings	**166,256**	9,500	**401,873**	37,733

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

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

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A ('Bank'), to have borrowing facilities available for Arezzo franchisees that are located in the area where the Bank operates, using the funds from the Northeast Region Constitutional Finance Fund (FNE) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees through working capital loans, if needed. Under the terms of the agreement, the Company shall be the guarantor for these transactions through a surety bond when contracted by store owners. At December 31, 2022, these loans amounted to R$264 (December 31, 2021: R$631).

The Company has a technical and financial cooperation agreement with Banco Alfa, to have borrowing facilities available for Arezzo franchisees, using the funds from the National Bank for Economic and Social Development ('BNDES') to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees. The Company is the guarantor for these transactions. At December 31, 2022, the balance of transactions guaranteed by the Company was R$595 (December 31, 2021: R$1,318).

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

18. Trade payables

	Parent company		**Consolidated**	
	2022	**2021**	**2022**	**2021**
Domestic suppliers	**210,307**	111,408	**280,733**	193,378
Supply chain financing arrangement (i)	**367,589**	336,415	**367,589**	374,359
Trade payables due to related parties (Note 13.a)	**49,111**	6,227	**-**	-
Foreign suppliers	**22,447**	5,006	**23,340**	6,976
Total trade payables	**649,454**	459,056	**671,662**	574,713

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

19. Leases

At December 31, 2022, the Company assessed its portfolio of lease contracts for stores, offices, plants and distribution centers and identified 284 contracts. Of these 284 contracts, 70 qualify for the exemptions prescribed by the lease standard and 214 fall within the scope of the lease standard.

For contracts that fall in the scope of the lease standard, the Company recognized a right-of-use asset at an amount equal to the lease liability. The lease liability was recognized at the present value of the remaining lease payments, discounted using a market rate of interest varying from 1.8% to 2.5% in the United States of America (December 31, 2021: 1.8%) and 3.6% to 16.5% in Brazil (December 31, 2021: 6.1%).

19. Leases--Continued

a) Right-of-use assets:

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

	Parent company	Consolidated
Total right-of-use assets at December 31, 2020	**20,597**	**205,070**
Additions to right-of-use assets	4,416	93,692
Derecognition of right-of-use assets	-	(23,128)
Depreciation charge for the period	(8,389)	(61,480)
Effect of changes in foreign exchange rates	-	7,538
Total right-of-use assets at December 31, 2021	**16,624**	**221,692**
Additions to right-of-use assets	111,986	254,995
Merger of subsidiary	64,202	-
Derecognition of right-of-use assets	(14,230)	(22,927)
Depreciation charge for the period	(34,152)	(89,975)
Effect of changes in foreign exchange rates	-	(6,385)
Transfer	-	42
Total right-of-use assets at December 31, 2022	**144,430**	**357,442**

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

19. Leases--Continued

b) Lease liabilities:

	Parent company	Consolidated
Lease liabilities at December 31, 2020	**22,548**	**213,360**
Additions to lease liabilities	4,416	93,692
Effect of changes in foreign exchange rates	-	7,883
Derecognition of lease liabilities	-	(23,504)
Payment of lease liabilities	(9,620)	(67,961)
Interest on lease liabilities	1,267	8,426
Lease liabilities at December 31, 2021	**18,611**	**231,896**
Additions to lease liabilities	111,986	254,995
Merger of subsidiary	65,018	-
Effect of changes in foreign exchange rates	-	(6,711)
Derecognition of lease liabilities	(14,905)	(23,795)
Payment of lease liabilities	(40,274)	(105,422)
Interest on lease liabilities	8,696	23,574
Lease liabilities at December 31, 2022	**149,132**	**374,537**
Current	**34,294**	**89,648**
Non-current	**114,838**	**284,889**

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

19. Leases--Continued

c) Future commitments

In compliance with CVM Circular 02/2019 and CPC 06 (R2)/IFRS 16, given the fact that the Company did not apply the nominal cash flow method because IFRS 16 prohibits future inflation projections and with the aim of providing users of the financial statements with additional information, the following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments as of December 31, 2022:

	Cash flow (present value)		Gross contractual cash flow	
	Parent company	**Consolidated**	**Parent company**	**Consolidated**
2023	(34,294)	(89,662)	(44,795)	(113,279)
2024	(29,732)	(83,249)	(37,558)	(100,596)
2025	(29,186)	(78,167)	(34,556)	(89,745)
2026	(24,864)	(65,221)	(27,785)	(71,063)
After 2026	(31,056)	(58,238)	(33,268)	(61,628)
Total	**(149,132)**	**(374,537)**	**(177,962)**	**(436,311)**
Potential PIS and COFINS tax credits	(13,795)	(34,645)	(16,461)	(40,359)

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

20. Employee-related liabilities

	Parent company		Consolidated	
	2022	2021	2022	2021
Salaries	**85,111**	37,468	**95,014**	64,151
Accrued vacation pay and related taxes	**35,519**	15,252	**50,422**	34,861
Total employee-related liabilities	**120,630**	52,720	**145,436**	99,012

21. Taxes payable

	Parent company		Consolidated	
	2022	2021	2022	2021
Value-added Tax on Sales and Services (ICMS) (i)	**2,962**	1,861	**23,086**	22,530
Withholding income tax (IRRF)	**7,199**	6,594	**8,978**	11,475
Levy on importation of technical services and royaltie:	**1,393**	187	**1,406**	187
Social charges	**11,972**	4,846	**16,702**	13,689
Social Integration Program (PIS) and Social Contributic	**2,265**	3,593	**2,745**	11,192
Corporate Income Tax (IRPJ) and Social Contribution o	**-**	-	**14,300**	22,408
Other taxes and duties (i)	**3,603**	6,093	**6,532**	9,492
Total taxes payable	**29,394**	23,174	**73,749**	90,973

(i) Relates to merger of Reserva - R$2,018, PIS merger of Reserva - R$813, and ICMS merger of - R$ 10,733

22. Provisions for labor, tax and civil proceedings

The Company and its subsidiaries are parties to judicial and administrative proceedings involving tax, labor and civil matters, arising in the normal course of business. Based on the information provided by its legal advisors and the analysis of pending lawsuits, management recorded a provision at an amount considered sufficient to cover estimated probable losses that may arise from the final outcome of ongoing lawsuits, as follows:

	Parent company		Consolidated	
	2022	2021	2022	2021
Labor	**8,353**	6,060	**13,655**	11,580
Tax	**1,675**	1,675	**2,044**	2,044
Civil	**1,698**	50	**2,077**	436
Total provisions for labor, tax and civil proceedings	**11,726**	7,785	**17,776**	14,060

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

22. Provisions for labor, tax and civil proceedings--Continued

Labor: The Company and its subsidiaries are parties to labor lawsuits related principally to overtime pay and related social charges, health exposure premium, hazard pay, salary equalization and additions to the salary. Based on legal advice and the Company's past experience with similar claims, management believes that the provision amounts are sufficient to cover probable losses.

Tax: The Company and its subsidiaries are parties to tax proceedings discussing the increase in the Accident Prevention Factor (FAP) rate, for which judicial deposits at the same amount were made. Based on legal advice and the Company's past experience with similar claims, management believes that the provision amounts are sufficient to cover probable losses.

Civil: The Company and its subsidiaries are parties to civil lawsuits related principally to claims for pain and suffering and pecuniary damages, and collection of bills. Based on legal advice and the Company's past experience with similar claims, management believes that the provision amounts are sufficient to cover probable losses.

Based on the information from its legal advisors and the analysis of pending lawsuits, management recognized a provision at an amount considered sufficient to cover estimated probable losses that may arise from the final outcome of lawsuits in progress, as shown below:

Parent company	Labor	Tax	Civil	Total
Balance at December 31, 2020	3,990	1,675	56	5,721
Additions/adjustments	8,036	-	10	8,046
Reversals/payments	(5,966)	-	(16)	(5,982)
Balance at December 31, 2021	**6,060**	**1,675**	**50**	**7,785**
Additions/adjustments	**10,908**	**-**	**2,327**	**13,235**
Reversals/payments	**(9,667)**	**-**	**(1,041)**	**(10,708)**
Acquisition of subsidiary	**1,052**	**-**	**362**	**1,414**
Balance at December 31, 2022	**8,353**	**1,675**	**1,698**	**11,726**

Consolidated	Labor	Tax	Civil	Total
Balance at December 31, 2020	10,289	2,044	595	12,928
Additions/adjustments	9,691	-	173	9,864
Reversals/payments	(8,400)	-	(332)	(8,732)
Balance at December 31, 2021	**11,580**	**2,044**	**436**	**14,060**
Additions/adjustments	**13,053**	**-**	**2,412**	**15,465**
Reversals/payments	**(12,030)**	**-**	**(1,133)**	**(13,163)**
Acquisition of subsidiary	**1,052**		**362**	**1,414**
Balance at December 31, 2022	**13,655**	**2,044**	**2,077**	**17,776**

22. Provisions for labor, tax and civil proceedings--Continued

At December 31, 2022, the Company and its subsidiaries have other labor, tax and civil proceedings at the administrative and judicial levels amounting to approximately R$178,382 (December 31, 2021 – R$135,889), for which the likelihood of loss is considered reasonably possible by the legal advisors and, therefore, an accrual is not required. The total balance at December 31, 2022 comprises R$46,604 (December 31, 2021 – R$48,615) related to labor proceedings, R$102,656 (December 31, 2021 – R$69,598) of tax proceedings, and R$29,122 (December 31, 2021 –R$17,676) of civil proceedings.

The proceedings include the following.

i. Administrative Proceeding No. 15504-725.206/2018-80 arising from the notice of assessment issued on October 11, 2018, in which the tax authorities assess the debt related to social security contribution of the Company (employer's share) and contribution of other entities and funds (third parties' contribution) for the period between September 2014 and September 2017, plus proportional interest and fine. According to the tax authorities, the Company would have paid its employees and individual taxpayers by means of share options under the Share Option Plan, which is considered by the Brazilian tax authorities to be compensation subject to social security contribution. This proceeding was challenged alleging that the Share Option Plan of the Company is of a commercial nature. At present, the appeals filed in the name of the principal debtor (Arezzo Indústria e Comércio S.A.) and co-debtors (ZZAB, ZZEXP and ZZSAP) against the unfavorable decision No. 14-91.305 are pending before the Board of Tax Appeals. The likelihood of loss is considered reasonably possible in the amount of approximately R$7,073.

ii. Debt Cancellation Lawsuit No. 00000033-68.2017.8.21.0087 filed with the 2nd Civil Court of Campo Bom, Rio Grande do Sul, seeking to cancel the debt determined in tax assessment notice No. 25771370 issued for allegedly improper recognition of ICMS tax credits on shipments of goods to buyers established in the Manaus Free Trade Zone (ZFM) and Free Trade Areas (ALC) relating to the period from February 2008 to December 2011. Executable Tax Debt CDA nº 019/0543060. In parallel with the filing of the debt cancellation lawsuit, the tax authority distributed a tax debt collection suit (No. 0006055-45.2017.8.21.0087) to the same court that received the cancellation lawsuit. The lawsuit was decided in favor of the Company and the tax assessment was annulled. The appeal filed is yet to be heard and determined. The likelihood of loss is considered reasonably possible in the amount of approximately R$9,223.

22. Provisions for labor, tax and civil proceedings--Continued

iii. Lawsuit No. 5001519-32.2019.8.21.0087- Interim relief against tax assessment notice No. 8225966 issued by the Rio Grande do Sul State tax authority on July 21, 2018 related to shipment of goods to buyers established in the Manaus Free Trade Zone and Free Trade Areas in the period from 6/1/2013 to 3/31/2018. According to the tax authority, the following irregularities were detected: (i) non-payment of tax on the shipment of goods to municipalities that do not offer tax incentives (ICMS exemption); (ii) non-payment of tax on the shipment of imported goods to the Manaus Free Trade Zone and Free Trade Areas; (iii) non-payment of tax on the shipment of goods to the Manaus Free Trade Zone and Free Trade Areas without goods entry form issued by the Manaus Free Trade Zone Superintendence (SUFRAMA); and (iv) improper tax credit due to non-reversal of ICMS levied on shipments of goods to the Manaus Free Trade Zone and Free Trade Areas. We obtained an injunction suspending the collection of the amounts claimed. The likelihood of loss is considered reasonably possible in the amount of R$1,783.

iv. Tax Debt Annulment Action No. 1015792-98.2017.4.01.3400 with the 4th Federal Court of the Federal District, to suspend and subsequently annul the debts claimed through notices of assessment subject of administrative proceeding No. 15504.725551/2013-17 (for alleged omissions of interest income from loan agreements with associates in calendar years 2008 and 2009; overdeduction of interest on capital payment expenses in calendar years 2008 and 2009, supposedly disproportionate to the equity interest, and allegedly improper tax amortization of goodwill paid on acquisition of the Company by BRICS on November 8, 2007). The lawsuit also seeks the Company's right to deduct goodwill amortization expense from, at least, the social contribution tax (CSLL) base and to cancel penalties for non-payment of amounts allegedly owed, pursuant to article 44, II, of Law No. 9.430/1996 (about 50%). The Company is awaiting an examination by an accounting expert with the objective of demonstrating that the transaction carried out at the time of the acquisition of the shares by BRICS showed a significant economic vitality and business purpose The likelihood of loss is considered reasonably possible in the amount of R$31,495.

Contingent assets

The Company and its subsidiary filed lawsuits to recover taxes that they had previously paid. The legal counsel has advised that it is probable that the Company and its subsidiary will prevail in the cases. The main lawsuits relate to: i) exclusion of the ICMS rate difference (DIFAL-ICMS) in interstate sales of goods to individuals and legal entities that are not ICMS taxpayers.

i. Exclusion of the ICMS rate difference (DIFAL-ICMS) in interstate sales of goods to individuals and legal entities that are not ICMS taxpayers: The subsidiaries ZZAB and Tiferet filed lawsuits in several Brazilian states to challenge the collection of the ICMS rate difference in interstate sales of goods to individuals and legal entities that are not ICMS taxpayers.

22. Provisions for labor, tax and civil proceedings—Continued

Contingent assets—Continued

i. Exclusion of the ICMS rate difference (DIFAL-ICMS) in interestate sales of goods to individuals and legal entities that are not ICMS taxpayers--Continued

On February 24, 2021, the Brazilian Supreme Court (STF) declared the collection of DIFAL-ICMS to be unconstitutional, as there is no complementary law that regulates this collection. The decision of the Supreme Federal Court on this case will take effect from 2022, except for companies that filed lawsuits by the end of the judgment. Due to the court decision in favor of taxpayers, the subsidiaries requested the suspension of the monthly judicial deposits and the refund of the previously deposited amounts.

This decision represented savings of approximately R$21,854 for ZZAB and R$4,449 for Tiferet, totaling R$26,303. The Company is currently awaiting the conclusion of each lawsuit to withdraw the judicial deposits, which amount to approximately R$17,626 for ZZAB and R$1,033 for Tiferet.

The lawsuits filed by the Company are awaiting final court decisions. To date the preliminary court decisions resulted in savings of R$3,831 and R$1,759 for the Parent company and its subsidiary, respectively.

After a final court decision is rendered, monthly judicial deposits, which currently amount to R$4,050 for the Parent company and R$35,188 for ZZAB, will be withdrawn.

Legislation in force

Pursuant to the legislation in force in Brazil, federal, state and local taxes and social charges are subject to examination by tax authorities for periods varying from five to thirty years. The legislation of the United States of America, where certain subsidiaries of the Company operate, prescribes different periods of limitations.

Judicial deposits and judicial guarantees

At December 31, 2022, judicial deposits are R$25,282 (December 31, 2021 - R$19,772) – Parent company, and R$81,108 (December 31, 2021 - R$54,390) – Consolidated.

The Company has judicial guarantee insurance that is regulated by the Brazilian legislation and used especially as security for lawsuit and/or replaces the guarantees given, and currently is the most economical instrument that protects the equity and capital of the Company. At December 31, 2022, the balance of judicial guarantee insurance is R$118,896 (December 31, 2021 - R$124,317).

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

23. Other payables

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Deferred revenue	**53**	160	**53**	160
Advances from customers	**3,424**	2,886	**11,725**	7,512
Services payable (i)	**42,385**	25,727	**58,661**	66,804
Provisions (ii)	**16,786**	11,766	**21,490**	54,066
Other accounts	**20,870**	5,463	**23,587**	7,215
Total	**83,518**	46,002	**115,516**	135,757
Current	**81,054**	44,557	**113,051**	133,944
Non-current	**2,464**	1,445	**2,465**	1,813

(i) Services payable include several service expenses such as freight, professional fees and export expenses.
(ii) Provisions include provision for commissions and other expenses.

24. Capital and reserves

24.1. Share capital

At December 31, 2022, the Company's capital consisted of 110,186 thousand common shares.

	Number of shares (thousands)	Share capital R$
Balance at December 31, 2020	99,631	808,715
Advance for future capital increase	-	2,569
Balance at December 31, 2021	**99,631**	**811,284**
Subscription of new shares (b)	10,125	833,794
Acquisition of shares (c)	372	24,957
Issue of new shares (a, d)	58	1,681
Balance at December 31, 2022	**110,186**	**1,671,716**

24. Capital and reserves

24.1. Share capital--Continued

The increase of the share capital of the Company occurred as follows:

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

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

c) On August 29, the share capital of the Company was increased upon the acquisition of the shares in Sunset Agenciamento e Intermediação S.A, with the issuance of 372,000 new shares.

d) On September 1, 2022, the Company's Board of Directors approved a share capital increase of R$1,291 due to the exercise by executives of the Company of options to subscribe 18,000 common shares under the share option program.

24.2. Capital reserve

The capital reserve was initially established as a result of the corporate restructuring which occurred in 2007, against the merged net assets, and represents the tax benefit arising from the amortization of the merged goodwill. A portion of the special goodwill reserve corresponding to the benefit may be capitalized at the end of each reporting period in favor of the shareholders with a new issue, according to CVM Instruction 319/99.

The corporate events which gave rise to the capital reserve in connection with the corporate restructuring are as follows:

a) On June 1, 2008, BRICS Participações S/A ('BRICS') was merged into the Company, and merged net assets included goodwill paid on acquisition of the investment based on the future profitability of the acquired business, net of the provision set forth in CVM Instruction 319/99, in the amount of R$13,935. With the extinction of BRICS after merger, BRICS' equity interest in the Company was transferred to FIGEAC Holdings S/A ('FIGEAC').

b) On December 1, 2009, FIGEAC was merged into the Company, and merged net assets included goodwill paid on acquisition of the investment based on the future profitability of the acquired business, net of the provision set forth in CVM Instruction 319/99, in the amount of R$7,535.

On September 30, 2011, the Company recorded an additional provision for costs of the stock public offering amounting to R$550 (R$363, net of tax effects), and this net amount was subtracted from the capital reserve.

24. Capital and reserves--Continued

24.2. Capital reserve--Continued

With the implementation of the share option and restricted stock plans (Note 34), the Company recorded the reserve for options and restricted stock granted in the amount of R$26,264 at December 31, 2022 (December 31, 2021 - R$20,332).

24.3. Reserves and retained profits

24.3.1. Legal reserve

The legal reserve is credited annually with 5% of the profit for the year according to article 193 of Law 6,404/76 as amended (Brazilian corporate law), and cannot exceed 20% of capital. The balance of the legal reserve at December 31, 2022 is R$78,746 (December 31, 2021 - R$57,511).

24.3.2. Tax incentive reserve

This reserve represents the tax incentives that the Company received for investments (Note 35). The balance of this reserve at December 31, 2022 is R$ 560,789 (December 31, 2021 - R$309,106).

24.3.3. Retained profits

The retained profit reserve was recorded pursuant to the terms of article 196 of Law 6,404/76, for use in future investments. The profits retained up to December 31, 2022 amount to R$174,861.

According to article 199 of Law 6,404/76, the balance of this reserve plus other revenue reserves cannot exceed the amount of the share capital.

24.4. Carrying value adjustments

Reserve for foreign currency translation differences for foreign operations.

The Company recognized as ‘other comprehensive income’ within equity foreign currency translation differences for foreign operations, represented by its subsidiaries located in the United States of America, whose functional currency is the U.S. dollar.

24.5. Treasury shares

As at December 31, 2022, the balance of treasury shares is R$46 (December 31, 2021 – R$3,105), consisting of 618 common shares at an average acquisition cost of R$74.30.

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

24. Capital and reserves--Continued

24.5. Treasury shares--Continued

The balance of treasury shares is as follows:

	2022	2021
R$	46	3,105
Quantity	618	41,025
Average cost	74.30	75.69

25. Dividends and interest on capital paid and proposed

a) Dividends

In accordance with the Company's bylaws, the shareholders are entitled to a mandatory minimum dividend of 25% of the profit for the year after transfer to legal reserve as required by the Brazilian corporate legislation. Interest on capital, when calculated, is considered as distribution of profits for purposes of determination of the minimum dividend to be distributed.

Dividends were calculated as shown below:

	2022	2021
Profit for the year	**424,709**	345,235
Legal reserve	**(21,235)**	-
Tax incentive reserve	**(251,683)**	(81,169)
Distributable net profit	**151,791**	264,066
Minimum dividends mandated by corporate bylaws	**25%**	25%
Mandatory minimum dividend payout	**37,948**	66,017
Dividends and interest on capital		
Interest on capital paid	**151,791**	63,374
Withholding income tax (IRRF) on interest on capital	**(18,071)**	(7,608)
Interim dividends paid	**-**	26,215
Additional dividends proposed	**-**	50,000
Total	**133,720**	131,981
Dividends in excess of mandatory minimum dividends	**95,772**	65,964
Dividends in excess of mandatory minimum dividends per share - R$	**0.8692**	0.7309

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

a) Dividends--Continued

On April 29, 2021, the Board of Directors of the Company approved the payment of R$2,582 of supplementary dividends out of the profit for the year ended December 31, 2020. The dividends were paid on July 30, 2021.

On November 29, 2021, the Board of Directors of the Company approved the payment of R$26,215 of interim dividends. The dividends were paid on January 13, 2022.

On December 12, 2022, the Board of Directors of the Company approved the payment of R$50,000 of supplemenetary dividends out of the profit for the year ended December 31, 2021. The dividends were paid on December 28, 2022.

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

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

On June 28, 2021, the Board of Directors of the Company approved the payment of R$29,590 of interest on capital. The interest on capital was paid on July 30, 2021.

On November 29, 2021, the Board of Directors of the Company approved the payment of R$33,784 of interest on capital. The amount was paid on January 13, 2022.

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

b) Interest on capital – Law No. 9,249/95--Continued

On June 27, 2022, the Board of Directors of the Company approved the payment of R$69,683 of interest on capital. The payment was made on July 13, 2022.

On December 12, 2022, the Board of Directors of the Company approved the payment of R$82,107 of interest on capital. The payment was made on January 27, 2023.

26. Earnings per share

In compliance with CPC 41/ IAS 33, the Company presents below earnings per share information for the years ended December 31, 2022 and 2021.

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased and held as treasury shares (Note 24.5).

	2022	2021
Profit for the year	**422,538**	343,720
Weighted average number of common shares outstanding (i)	**109,204**	99,590
Basic earnings per share - R$	**3.8693**	3.4514

(i) in thousands

b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased and held as treasury shares, plus the weighted average number of common shares that would be issued on the conversion of all dilutive potential common shares into common shares.

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

26. Earnings per share--Continued

b) Diluted earnings per share--Continued

The Company has one category of dilutive potential common shares, as shown below:

	2022	2021
Profit for the year	**422,538**	343,720
Weighted average number of common shares (basic)	**109,204**	99,590
Adjustment for share options	**3,709**	2,064
Weighted average number of common shares (diluted)	**112,913**	101,654
Diluted earnings per share - R$	**3.7422**	3.3813

There were no other transactions involving common shares or potential common shares between the balance sheet date and the date of completion of these financial statements.

27. Net operating revenue

The breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	2022	2021	2022	2021
Gross sales revenue	**3,894,980**	2,080,016	**5,229,907**	3,647,442
Domestic market	**3,892,748**	2,076,308	**4,680,067**	3,256,123
Foreign market	**2,232**	3,708	**549,840**	391,319
Returns	**(193,321)**	(57,609)	**(404,032)**	(250,510)
Discounts and rebates	**(11,410)**	(20,435)	**(11,607)**	(20,443)
Taxes on sales	**(448,745)**	(281,514)	**(580,542)**	(452,662)
Net sales revenue	**3,241,504**	1,720,458	**4,233,726**	2,923,827

28. Segment information

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

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

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

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

28. Segment information--Continued

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

Brand	2022	2021
Gross revenue	**5,229,907**	3,647,442
Domestic market	**4,680,067**	3,256,123
Arezzo	**1,381,048**	1,065,330
AR&CO (i)	**1,200,287**	770,692
Schutz	**804,735**	607,365
Anacapri	**368,964**	292,071
Others (ii)	**925,033**	520,665
Foreign market	**549,840**	391,319

Sales channel	2022	2021
Gross revenue	**5,229,907**	3,647,442
Domestic market	**4,680,067**	3,256,123
Multi-brand stores	**1,278,812**	886,700
Franchise stores	**1,169,821**	886,834
Company-owned st	**1,133,505**	659,195
E-commerce	**1,089,189**	816,283
Others	**8,740**	7,111
Foreign market	**549,840**	391,319

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

In the year ended December 31, 2022, 10.5% of the consolidated gross revenue (December 31, 2021: 10.7%) was derived from the foreign market, being 81.7% from direct operations in the United States and 18.3% from exports to the rest of the world. No single customer accounts for more than 10.0% of the net revenue.

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

29. Expenses by nature

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

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Expenses by function				
Cost of sales	**(1,765,656)**	(1,131,046)	**(1,950,092)**	(1,385,147)
Selling expenses	**(897,831)**	(308,307)	**(1,489,371)**	(884,411)
General and administrative expenses	**(295,459)**	(166,915)	**(330,240)**	(316,217)
Other operating income	**58,773**	131,169	**104,981**	146,163
Other operating expenses	**(18,961)**	(7,171)	**(18,875)**	(15,690)
	(2,919,134)	(1,482,270)	**(3,683,597)**	(2,455,302)
Expenses by nature				
Raw materials and consumables	**(1,785,252)**	(1,136,846)	**(1,976,447)**	(1,365,841)
Employee benefits expenses	**(482,692)**	(200,049)	**(606,734)**	(440,567)
Utilities and services	**(255,747)**	(113,141)	**(399,510)**	(297,990)
Advertising costs	**(230,357)**	(75,609)	**(391,474)**	(202,990)
Depreciation and amortization	**(89,137)**	(26,048)	**(166,030)**	(105,748)
Freight	**(73,332)**	(32,496)	**(146,424)**	(99,712)
Store occupancy expenses (i)	**(33,045)**	-	**(61,659)**	(42,432)
Tax credits	**44,129**	109,929	**69,109**	122,222
Other operating expenses	**(29,543)**	(13,045)	**(41,254)**	(29,980)
Other operating income	**15,842**	5,035	**36,826**	7,736
	(2,919,134)	(1,482,270)	**(3,683,597)**	(2,455,302)

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

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

30. Financial risk management objectives and policies

a) Fair value

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

	Consolidated			
	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	**28,826**		33,750	
Cash investments	**447,608**	**447,608**	228,809	228,809
Trade receivables	**867,912**		794,578	
Derivative financial assets	-		7,783	7,783
Liabilities				
Loans and borrowings	**401,873**		534,594	
Trade payables	**671,662**		574,713	
Derivative financial liabilities	**1,773**	**1,773**	-	-
Lease liabilities	**374,537**		231,896	
Payables for acquisition of subsidiary	**126,759**		31,662	

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

Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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

30. Financial risk management objectives and policies--Continued

a) Fair value--Continued

	As at fair value through profit or loss	As at amortized cost
Assets		
Cash and cash equivalents		28,826
Trade receivables		867,912
Cash investments	447,608	
Liabilities		
Trade payables		671,662
Payables for acquisition of subsidiary		126,759
Loans and borrowings		401,873
Lease liabilities		374,537
Derivative financial liabilities	1,773	-

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

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

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

30. Financial risk management objectives and policies--Continued

b) Currency risk

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

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

	Consolidated	
	2022	**2021**
Accounts receivable in foreign currency (i)	**21,124**	20,062
Loans and borrowings in foreign currency	**(391,613)**	(316,109)
Trade payables in foreign currency	**(23,340)**	(6,976)
Net exposure	**(393,829)**	(303,023)

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

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of assets and liabilities denominated in a foreign currency to changes in the exchange rates at December 31, 2022.

The table below provides three scenarios, with the base-case scenario being adopted by the Company. These scenarios were defined based on management's expectations of changes in exchange rates at the maturity dates of the contracts that are exposed to foreign currency risk.

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	Currency	**Base-case scenario**	**Scenario A 25% increase**	**Scenario B 50% increase**
Increase in foreign exchange rate				
Accounts receivable in foreign currency	BRL	21,124	26,405	31,686
Loans and borrowings in foreign currency	BRL	(391,613)	(489,516)	(587,420)
Trade payables in foreign currency	BRL	(23,340)	(29,167)	(35,027)
Increase in USD rate			25%	50%
USD rate		5.22	6.52	7.83
Effect on profit before tax	**BRL**		**(98,449)**	**(196,932)**

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

30. Financial risk management objectives and policies--Continued

c) Interest rate risk

The Company's interest rate risk arises from borrowings with rates linked to the Interbank Deposit rate (CDI). The interest rates are disclosed in Note 17.

At December 31, 2022, the interest rate profile of the Company's interest-bearing loans and borrowings is as follows:

	Consolidated	
	2022	**%**
Fixed interest rate	235,226	59.0
Interest rate based on CDI	166,647	41.0
	401,873	**100.0**

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of borrowings to changes in interest rates at December 31, 2022.

The table below provides three scenarios, with the base-case scenario being adopted by the Company. The base-case scenario for 2021 was based on the CDI rate at December 31, 2022. A set of increments was considered as +25% and +50% with respect to the assumed values in the base-case scenario.

For each scenario, gross interest expense was calculated, disregarding taxes and the maturities of each agreement. The sensitivity analysis relates to the balance of borrowings at December 31, 2022, projecting the interest rates for one year.

	Currency	**Base-case scenario**	**Scenario A**	**Scenario B**
Increase in interest expense				
Borrowings with interest rate based on CDI	BRL	22,747	28,434	34,120
		22,747	**28,434**	**34,120**
Increase in interest rate for financial liabilities			25%	50%
CDI		13.65%	17.06%	20.48%

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

30. Financial risk management objectives and policies--Continued

d) Credit risk

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

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

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

No single customer accounts for more than 10% of the Company's total accounts receivable at December 31, 2022 and 2021.

Management monitors its exposure to credit risk from trade receivables on a weekly basis and recognizes impairment losses in the statement of income when there is evidence of impairment. The analysis covers outstanding receivables, customer payment history, guarantees provided and renegotiations completed with collaterals. The amounts recorded as actual losses or loss allowance represent uncollectible accounts or receivables with low chance of recovery.

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

e) Liquidity risk

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

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

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

	Projection including future interest		
	Less than one year	**One to five years**	**Total**
Loans and borrowings	407,721	8,239	**415,960**
Trade payables	671,662	-	**671,662**
Lease liabilities	113,279	323,032	**436,311**

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

30. Financial risk management objectives and policies--Continued

f) Capital management

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

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

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

	Consolidated	
	2022	**2021**
Loans and borrowings	**(401,873)**	(534,594)
Cash and cash equivalents	**28,826**	33,750
Cash investments	**447,608**	228,809
Net cash (debt)	**74,561**	(272,035)
Total equity attributable to owners of the Parent	**2,654,593**	1,592,006
Net debt to equity ratio	-	(17.1%)

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

31. Net finance costs

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Finance income				
Interest income on cash investments	**31,116**	6,538	**59,380**	13,123
Interest income	**5,662**	2,544	**5,701**	4,182
Inflation adjustment	**8,732**	2,024	**8,898**	2,378
Other finance income	**3,601**	3,520	**1,413**	6,630
	49,111	14,626	**75,392**	26,313
Finance costs				
Interest on borrowings	**(13,529)**	(19,248)	**(38,798)**	(32,173)
Bank charges	**(11,006)**	(7,246)	**(14,112)**	(9,203)
Discounts granted	**(1,758)**	(4,248)	**(1,971)**	(7,675)
Notary public fees	**(2,248)**	(1,767)	**(2,371)**	(1,778)
Interest on loans from related parties	**(4,247)**	-	**-**	(374)
Interest on lease liabilities	**(8,696)**	(1,267)	**(23,574)**	(8,427)
Credit card administration fee	**(8,251)**	**-**	**(36,611)**	(23,161)
Other finance costs	**(4,288)**	(1,352)	**(7,432)**	(5,716)
	(54,023)	(35,128)	**(124,869)**	(88,507)
Foreign exchange gains	**720**	12,100	**2,839**	16,064
Foreign exchange losses	**(24,881)**	(17,189)	**(30,620)**	(18,541)
	(24,161)	(5,089)	**(27,781)**	(2,477)
Net finance costs recognized in profit or loss	**(29,073)**	(25,591)	**(77,258)**	(64,671)

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

32. Other operating income and expenses

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
Other operating income	**58,773**	131,169	**104,981**	146,163
Franchise fee	**1,074**	892	**1,074**	892
Reimbursement of return expenses	**2,062**	1,051	**2,062**	1,051
Tax credits (i)	**42,930**	126,134	**67,925**	138,426
Recovery of expenses	**8,082**	318	**8,366**	469
Gain on sale of property, plant and equipment and intangible assets	**-**	915	**-**	1,318
Other income	**4,625**	1,859	**18,946**	4,007
Bargain purchase gain	**-**	-	**6,608**	-
Other operating expenses	**(18,961)**	(7,171)	**(18,875)**	(15,690)
Share option and restricted stock options	**(19,357)**	(6,400)	**(19,357)**	(6,400)
Loss on sale of property, plant and equipment and intangible assets	**526**	(151)	**612**	932
Other expenses	**(130)**	(620)	**(130)**	(10,222)
Total	**39,812**	123,998	**86,106**	130,473

(i) During the year ended December 31, 2022, federal tax credits (PIS and COFINS) were recognized in respect of expenses that are essential to the Company's activities.
In the year ended December 31, 2021, the Company recorded, in the statement of income, the amount of R$127,516 related to the exclusion of ICMS from the PIS and COFINS tax base. At December 31, 2021, the subsidiary ZZAB recognized the amount of R$10,910 related to the ICMS rate difference (DIFAL).

33. Insurance

The Company and its subsidiaries have insurance policies contracted with some of the main insurance companies in the country, taking into account the nature and degree of the risk involved. At December 31, 2022, the Company had insurance coverage against fire and multiple risks for items of property, plant and equipment and inventories. The insurance amounts are considered sufficient by management to cover possible losses, as shown below:

Insured assets	Risks covered	Amount covered - R$
Inventories and property, plant and equipment	Fire	238.017
	Civil liability	130.000

34. Share-based payment arrangements

34.1. Restricted stock plan

On August 28, 2017, the Board of Directors approved the restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the First Stock Award Program. And on July 30, 2018, the Board of Directors approved the restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the Second Stock Award Program. On July 25, 2019, the Board of Directors approved the restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the Third Stock Award Program. On June 28, 2021, the Board of Directors approved the restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the Fourth Stock Award Program. On November 20, 2022, the Board of Directors approved the restricted stock award agreements between the Company and Award Recipients under the Restricted Stock Plan and the Fifth Stock Award Program.

The purpose of the Plan is permit grants of shares, subject to certain restrictions, to the Company's or a subsidiary's officers and employees ('Recipients') selected by the Board of Directors, as a means of:

a) stimulating the expansion and success of the Company and its subsidiaries and the achievement of their business objectives;

b) promoting improvement in management of the Company and its subsidiaries, giving Recipients the opportunity to become shareholders in the Company, motivating them to optimize all aspects that can increase the Company's value over the long term;

c) aligning the interests of Recipients with those of shareholders; and

d) incentivizing officers and employees to remain with the Company or its subsidiaries.

For purposes of this Plan, the Board of Directors may, upon prior recommendation of an Advisory Committee, grant a certain number of registered, book-entry common shares that must not exceed five percent (5%) of the Company's total share capital at the date of approval of the Plan.

Without affecting other terms and conditions laid out in the respective Award Agreements, Recipients shall become fully vested in the restricted stock grant only if they remain continuously employed by the Company or any subsidiary, as applicable, and achieve required performance goals stipulated in each Program and in the respective Award Agreements, in the period between the date of grant and the vesting dates of the respective vesting tranches:

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

34. Share-based payment arrangements--Continued

34.1. Restricted stock plan--Continued

(i) up to 10% after the first anniversary of the grant date;

(ii) up to 10% after the second anniversary of the grant date;

(iii) up to 20% after the third anniversary of the grant date; and

(iv) up to 60% after the fourth anniversary of the grant date.

Notwithstanding the items (i) to (iv) above, a Recipient may receive an additional up to 10% of the total number of restricted shares granted by the Board of Directors if he/she exceeds the applicable performance goals specified in the Program and in the respective Award Agreement, as it may be determined by the Board of Directors, which may at its discretion establish various vesting dates with respect to the restricted shares granted.

In order to satisfy the grant of restricted shares under the Plan, the Company, subject to applicable law and regulation, will dispose of treasury shares through a private transaction at no cost to Recipients, in accordance with CVM Instruction 567.

The grants and respective vesting periods are as follows:

	First grant at August 29, 2017	Second grant at July 30, 2018	Third grant at July 30, 2019	Fourth grant at July 1, 2021	Fifth grant at November 20, 2022
Vesting period from the grant date					
From the first anniversary	60,728	11,066	2,661	4,560	6,694
From the second anniversary	60,728	11,066	2,661	4,560	6,694
From the third anniversary	121,457	22,134	5,321	9,117	13,387
From the fourth anniversary	364,370	66,398	15,963	27,355	40,162
Total	**607,283**	**110,664**	**26,606**	**45,592**	**66,937**

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

34. Share-based payment arrangements--Continued

34.1. Restricted stock plan--Continued

Movements in the restricted stock plan are set out below:

	First grant 2017	Second grant 2018	Third grant 2019	Fourth grant 2021	Fifth grant 2022
Balance at December 31, 2019	398,641	80,960	26,606	-	-
Exercised	(99,660)	(8,995)	(2,661)	-	-
Written off (**)	(52,799)	-	-	-	-
Balance at December 31, 2020	**246,182**	**71,965**	**23,945**	-	-
Granted (*)	-	-	-	45,592	-
Exercised	(123,091)	(17,992)	(2,661)	-	-
Written off (**)	-	(8,205)	-	-	
Balance at December 31, 2021	**123,091**	**45,768**	**21,284**	**45,592**	-
Granted (*)	-	-	-	-	66,937
Exercised	(123,091)	(45,768)	(5,321)	(4,402)	-
Written off (**)	-	-	-	(1,471)	-
Balance at December 31, 2022	-	-	**15,963**	**39,719**	**66,937**

(*) Grant before tax effects and performance conditions of the restricted stock plan.
(**) Write-offs due to the termination of participant employees or non-exercise of share options.

In compliance with IFRS 2/CPC 10, the Company determined the fair value of the shares. In the year ended December 31, 2022, the Company determined R$3,699 (December 31, 2021 – R$6,400) of restricted stock plan expense, which was charged to profit or loss against the capital reserve account in equity.

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

34. Share-based payment arrangements--Continued

34.1. Restricted stock plan--Continued

The assumptions used in measuring the fair values of restricted shares were as follows:

	First grant 2017	Second grant 2018	Third grant 2019	Fourth grant 2021
Number of shares	**607,283**	**110,664**	**26,606**	**45,592**
First tranche	60,728	11,066	2,661	4,560
Second tranche	60,728	11,066	2,661	4,560
Third tranche	121,457	22,134	5,321	9,117
Fourth tranche	364,370	66,398	15,963	27,355
Share price (R$)	**35.50**	**43.38**	**50.74**	**93.21**
Fair value per share (R$)				
First tranche	34.73	43.37	50.50	53.56
Second tranche	33.97	43.37	50.50	53.56
Third tranche	33.24	43.37	50.50	53.56
Fourth tranche	32.51	43.37	50.50	53.56
Dividend yield	**2.20%**	**3.14%**	**3.25%**	**2.50%**
Share price volatility				
First tranche	32.2%	45.0%	29.5%	36.9%
Second tranche	36.5%	39.1%	38.0%	47.7%
Third tranche	36.6%	39.5%	36.2%	42.7%
Fourth tranche	36.8%	38.8%	37.3%	43.2%
Risk-free interest rate				
First tranche	7.9%	7.3%	5.4%	6.6%
Second tranche	8.4%	8.5%	5.7%	7.5%
Third tranche	9.0%	9.3%	6.2%	8.0%
Fourth tranche	9.4%	10.0%	6.6%	8.3%
Expected time to maturity (years)				
First tranche	1	1	1	1
Second tranche	2	2	2	2
Third tranche	3	3	3	3
Fourth tranche	4	4	4	4

34. Share-based payment arrangements--Continued

34.2. Share option plan

At an Extraordinary General Meeting held on August 12, 2021, the Company's shareholders approved a share option plan for officers, employees and service providers of the Company or its subsidiaries. The Plan became effective upon approval by shareholders and shall be administered by the Board of Directors or, at the discretion of the Board, by a committee of the Board.

The Plan is limited to a maximum number of share options that results in a dilution of 5% of the Company's share capital. The dilution represents the maximum number of shares underlying the options divided by the total number of shares issued by the Company.

On December 2, 2021, the Board of Directors approved the first grant of share options under the Plan, comprising 1,887,707 share options - 39,805 from Lot I and 1,847,902 from Lot II.

On September 1, 2022, the Board of Directors approved the second grant of share options under the Plan. The number of share options under the first grant was 1,887,707, of which 39,805 share options were from Lot I and 1,847,902 from Lot II.

The Plan determines that the options from Lot I granted to plan participants: (i) become exercisable on the business day following the date of grant; (ii) may be exercised within 30 days of the vesting date; and (iii) the shares acquired upon exercise of the options may not be sold for a period of 4 years from the date of exercise.

The plan participants may exercise their options from Lot II within 7 years from the date of grant. The graded vesting schedule spans four years, and 10% vests from the first anniversary of the grant date, 10% vests from the second anniversary of the grant date, 20% vests from the third anniversary of the grant date, and 60% vests from the fourth anniversary of the grant date.

1st grant – December 2021:

On September 1, 2022, the Company delivered to the plan participants the Award Agreement that contains the terms and conditions of the Share Option Plan. The plan participants signed the Agreement and returned it to the Company, together with the notice of exercise of Lot I options and proof of transfer of funds related to the exercise of options from Lot I.

The exercise price for options from Lot I is R$74.33 per share based on the average share price for the last twenty days prior to the grant, and the exercise price for options from Lot II is R$ 59.47 per share based on the share price for Lot I with a 20% discount.

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

34. Share-based payment arrangements--Continued

34.2. Share option plan--Continued

2nd grant – September 1, 2022:

On September 1, 2022, the Company delivered to the plan participants the Award Agreement that contains the terms and conditions of the Share Option Plan. The plan participants signed the Agreement and returned it to the Company, together with the notice of exercise of Lot I options and proof of transfer of funds related to the exercise of options from Lot I.

The exercise price for options from Lot I is R$73.58 per share based on the average share price for the last twenty days prior to the grant, and the exercise price for options from Lot II is R$ 58.87 per share based on the share price for Lot I with a 20% discount.

Vesting schedule and fair value of share options

The vesting schedule of the share options is as follows:

Maximum number of shares	**First grant**	**Second grant**
Vesting schedule from the date of grant		
Within 30 days from the date of grant	39,805	-
From the first anniversary	184,790	-
From the second anniversary	184,790	-
From the third anniversary	369,580	-
From the fourth anniversary	1,108,742	-
Total	**1,887,707**	-
Within 30 days from the date of grant	39,805	17,551
From the first anniversary	184,790	96,527
From the second anniversary	184,790	96,527
From the third anniversary	369,580	193,054
From the fourth anniversary	1,108,742	579,164
Total options granted	1,887,707	982,823
Written off	(29,010)	-
Exercised	(39,805)	(17,551)
Balance at December 31, 2022	**1,818,892**	**965,272**

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

34. Share-based payment arrangements--Continued

34.2. Share option plan--Continued

In compliance with IFRS 2/CPC 10, the Company determined the fair value of the share options, based on the vesting schedule. In the year ended December 31, 2022, the Company determined R$15,657 (December 31, 2021 – R$1,185) of share option plan expense, which was charged to profit or loss against the capital reserve account in equity. The fair value of the share options in 2021 has been measured using the Black-Scholes formula for Lot I and the binomial model for Lot II.

The assumptions used in determining the fair values of the share options were as follows:

	First grant December 2021		Second grant September 2022	
Lot	I	II	I	II
Total number of shares	39,805	1,847,902	17,551	965,272
Number of shares				
First tranche	39,805	184,790	17,551	96,527
Second tranche	-	184,790	N/A	96,527
Third tranche	-	369,580	N/A	193,054
Fourth tranche	-	1,108,742	N/A	579,164
Exercise price (R$)	74.33	59.47	73.58	58.87
Fair value per option (R$)				
First tranche	3.13	24.42	6.35	30.26
Second tranche	-	21.01	N/A	25.80
Third tranche	-	17.76	N/A	21.76
Fourth tranche	-	14.75	N/A	18.03
Dividend yield	2.50%	2.50%	2.50%	2.50%
Share price volatility	50.10%	40.34%	33.45%	40.49%
Risk-free interest rate				
First tranche	8.85%	11.30%	-	12.61%
Second tranche	-	11.30%	N/A	12.61%
Third tranche	-	11.30%	N/A	12.61%
Fourth tranche	-	11.30%	N/A	12.61%
Expected time to maturity (consecutive days)				
First tranche	30	365	30	365
Second tranche	-	730	N/A	730
Third tranche	-	1,095	N/A	1095
Fourth tranche	-	1,460	N/A	1460

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

35. Government tax incentives

Presumed tax credit of State Value-added Tax on Sales and Services (ICMS)

At December 31, 2022, the Company determined the amount of R$302,386 (December 31, 2021 – R$174,418) of ICMS tax incentives, which were classified in net revenue, as follows:

	Parent company		Consolidated	
	2022	**2021**	**2022**	**2021**
ICMS tax benefits - State of Espirito Santo (a)	**107,837**	81,169	**147,301**	112,826
ICMS tax benefits - State of Rio de Janeiro (b)	**152,677**	-	**152,677**	61,592
ICMS tax benefits - State of Bahia (c)	**-**	-	**2,408**	-
Total	**260,514**	81,169	**302,386**	174,418

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

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

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

36. Subsequent events

a) Acquisition of Vicenza

According to a release on January 16, 2023, the Company's Board of Directors approved at the meeting held on that same date a purchase and sale agreement ("Agreement") between the Company ("Buyer") and Ariovaldo Cecconello Furlanetto and Rosi Izabel Furlanetto ("Sellers") which specifies the terms and conditions on the acquisition of Calçados Vicenza Ltda. ("Vicenza"). Under the terms and conditions of the Agreement, after the conversion of Vicenza from a limited liability company to a corporation, the Sellers will sell and the Buyer will buy sixty percent (60%) of the total and voting capital stock of Vicenza ("Acquisition") at a total price of R$103,800. The Purchase Price shall be adjusted up or down according to certain assumptions set forth in the Agreement as is usual in this type of transaction. The remaining shares owned by the Sellers after the Acquisition, representing forty percent (40%) of Vicenza's total and voting capital, will be incorporated by the Company ("Merger of Shares"). As a result of the Merger of Shares, the capital stock of the Company will increase through the issue of 803,129 new registered, book-entry, common shares without par value, which will be subscribed by Vicenza's officers on behalf of the Sellers and paid up through the merger of Vicenza shares.

This acquisition is part of the Company's strategy to expand its business in the fashion and retail sector, diversify its product assortment and increase the brands in its portfolio with the aim of becoming one of the largest house of brands in Brazil.

The acquisition was completed on February 22, 2023 with the approval of the Brazilian competition regulator CADE. The effects of the acquisition will be recognized in 2023 when the control was transferred to the Company. With the completion of the acquisition, the Company became the only owner of Vicenza.

b) Acquisition of Baltimora (Paris Texas)

According to a release on March 3, 2023, the Company's Board of Directors approved a share purchase and subscription agreement ("Agreement") between ARZZ Italia S.r.l., a wholly-owned subsidiary of the Company incorporated under the laws of Italy ("ARZZ Italy") and Baltimora Studio S.r.l., a company incorporated under the laws of Italy ("Baltimora") and Baltimora's founders Massimo Baltimora and Annamaria Brivio ("Baltimora Founders") and also the Company as a guarantor of the payment obligations of ARZZ Italy, for the acquisition by ARZZ Italy of an equity stake in Paris Texas S.r.l., a company incorporated under the laws of Italy ("Paris Texas" and "Transaction").

In connection with the Transaction, ARZZ Italy, Baltimora, Baltimora Founders and the Company in the capacity of guarantor also entered into an Options Agreement ("Options Agreement") and an Agreement of Shareholders of Paris Texas ("Paris Texas Shareholders' Agreement").

36. Subsequent events--Continued

b) Acquisition of Baltimora (Paris Texas)--Continued

With the completion of the Transaction, ARZZ Italy will own a controlling stake of 65% in Paris Texas.

Under the terms of the Options Agreement, subject to the fulfillment of the conditions within the periods set therein, both ARZZ Italy and Baltimora may exercise certain call or put options mutually granted, so that, when the options are exercised, ARZZ Italy will acquire up to 100% of the capital stock of Paris Texas.

c) Supreme Court decision – effectiveness of res judicata

On February 8, 2023, Brazil's Federal Supreme Court (STF) held in recent appeals of general repercussion (issues No. 881 and No. 885) that a final judgment on taxes collected on a continuous basis loses its effect where the STF holds an opposite position on the same matter. Up to the date of issue of these financial statements there were no indications or matters for judgment that could affect the Company.

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Independent Auditors' Report

To the Board Members and Shareholders of

Arezzo Indústria e Comércio S.A.

Belo Horizonte – MG

Report of Independent Auditors on the Audit of the Parent Company and Consolidated Financial Statements

Opinion

We have audited the Parent Company and Consolidated financial statements of Arezzo Indústria e Comércio S.A. ("the Company"), which comprise the Parent Company and Consolidated statement of financial position as at December 31, 2022, the Parent Company and Consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and the corresponding explanatory notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Parent Company and Consolidated financial statements present fairly, in all material respects, the Parent Company and Consolidated financial position of the Company as at December 31, 2022, and its Parent Company and Consolidated financial performance and its Parent company and Consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Parent Company and Consolidated financial statements in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent company and Consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Parent Company and Consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of a cash-generating unit that contains goodwill	
See Notes 2.12.1 and 16 to the individual and consolidated financial statements	
The key audit matter	**How the key audit matter was addressed in our audit**
As of December 31, 2022, the Company presents in its consolidated financial statements a significant amount of goodwill due to expected future profitability arising from the business combination of VamoQueVamo Empreendimentos e Participações S.A. (“Reserva”), whose impairment assessment involves critical judgments in determining the assumptions used in the expected future cash flows of the cash-generating unit. Future cash flow projections include significant assumptions and judgments by the Company, among others, related to discount rate, sales growth, operating costs and expenses in the projection period and in perpetuity and capital investments. We considered this matter to be significant for our audit, due to the judgment inherent in the process of determining estimates of future cash flows which, if altered, could result in amounts substantially different from those used in the preparation of the financial statements.	Our audit procedures included, but were not limited to: - With the help of our corporate finance specialists, we analyzed the significant assumptions used by the Company and its subsidiaries, including the discount rate, sales growth, operating costs and expenses in the projection period and in perpetuity, as well as investments in capital, comparing them with available market information, with actual performance and with previous forecasts. – We also evaluated whether the disclosures in the individual and consolidated financial statements consider all relevant information. Based on the evidence obtained through the procedures summarized above, we consider the recoverable amount of the referred cash-generating unit that contains goodwill due to expected future profitability, as well as the related disclosures, in the context of the financial statements taken as a whole.

Other Matters

Statements of value added

The Parent Company and Consolidated statements of value added for the year ended December 31, 2022, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been properly prepared in all material respects, in accordance with the criteria established in such Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other Information accompanying the parent company and consolidated financial statements and the auditor's report

Management is responsible for the other information that comprises the Management Report.

Our opinion on the Parent Company and Consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Parent Company and Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Parent Company and Consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Parent Company and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company and Consolidated financial statements in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of Parent Company and Consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company and Consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company and Consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Parent Company and Consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Parent Company and Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company and Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Parent Company and Consolidated financial statements, including the disclosures, and whether the Parent Company and Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Parent Company and Consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company and Consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Porto alegre, March 08, 2023

KPMG Auditores Independentes Ltda.

CRC SP014428/F-7

(Original report in Portuguese signed by)

Cristiano Jardim Seguecio
Contador CRC SP-244525/O-9 T-RS