Contents

Company information / Capital composition

Number of shares (thousands)	Three months ended 6/30/2021
Paid-up capital	
Common shares	99,631
Preferred shares	0
Total	99,631
Treasury shares	
Common shares	554
Preferred shares	0
Total	554

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

Account code	Account title	Second quarter 6/30/2021	Prior year 12/31/2020
1	Total assets	2,255,844	2,355,157
1.01	Current assets	589,318	850,035
1.01.01	Cash and cash equivalents	673	3,291
1.01.02	Cash investments	147,418	347,640
1.01.02.01	Cash investments at fair value through profit or loss	147,418	347,640
1.01.02.01.03	Cash investments at fair value	147,418	347,640
1.01.03	Trade and other receivables	268,181	385,479
1.01.03.01	Trade receivables	253,197	385,479
1.01.03.02	Other receivables	14,984	0
1.01.03.02.01	Dividends receivable	14,984	0
1.01.04	Inventories	137,133	85,694
1.01.06	Taxes recoverable	16,394	11,461
1.01.06.01	Current taxes recoverable	16,394	11,461
1.01.08	Other current assets	19,519	16,470
1.01.08.03	Other	19,519	16,470
1.02	Non-current assets	1,666,526	1,505,122
1.02.01	Long-term receivables	241,467	144,863
1.02.01.04	Trade and other receivables	32,553	2,564
1.02.01.04.01	Trade receivables	32,553	2,564
1.02.01.07	Deferred tax assets	26,220	48,850
1.02.01.07.01	Deferred income tax and social contribution	26,220	48,850
1.02.01.09	Receivables from related parties	162,149	75,548
1.02.01.09.02	Receivables from subsidiaries	130,371	30,523
1.02.01.09.05	Loans to related parties	31,778	45,025
1.02.01.10	Other non-current assets	20,545	17,901
1.02.01.10.03	Judicial deposits	20,228	17,585
1.02.01.10.04	Other	317	316
1.02.02	Investments	1,302,417	1,253,681
1.02.02.01	Investments accounted for using the equity method	1,297,851	1,251,565
1.02.02.01.02	Investments in subsidiaries	1,297,851	1,251,565
1.02.02.02	Investment properties	4,566	2,116
1.02.02.02.01	Investment properties	4,566	2,116
1.02.03	Property, plant and equipment	49,531	49,068
1.02.03.01	Property, plant and equipment in operation	49,531	49,068
1.02.04	Intangible assets	73,111	57,510
1.02.04.01	Intangible assets	73,111	57,510
1.02.04.01.02	Trademarks and patents	8,714	5,582
1.02.04.01.03	Software licenses	64,397	51,928

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

Account code	Account title	Second quarter 6/30/2021	Prior year 12/31/2020
2	Total liabilities	2,255,844	2,355,157
2.01	Current liabilities	531,106	600,230
2.01.01	Salaries, vacation pay and social charges payable	30,925	31,699
2.01.01.01	Social charges	2,763	2,852
2.01.01.02	Salaries and vacation pay	28,162	28,847
2.01.02	Trade payables	249,300	335,821
2.01.02.01	Domestic suppliers	248,809	332,760
2.01.02.02	Foreign suppliers	491	3,061
2.01.03	Taxes payable	8,144	8,761
2.01.03.01	Federal taxes payable	9,231	8,409
2.01.03.01.01	Income tax and social contribution payable	133	0
2.01.03.01.02	Other federal taxes	9,098	0
2.01.03.02	State taxes payable	-1,105	334
2.01.03.03	Municipal taxes payable	18	18
2.01.04	Borrowings	114,732	142,160
2.01.04.01	Borrowings	114,732	142,160
2.01.04.01.01	In local currency	114,732	41,369
2.01.04.01.02	In foreign currency	0	100,791
2.01.05	Other liabilities	128,005	81,789
2.01.05.02	Other	128,005	81,789
2.01.05.02.01	Dividends and interest on capital payable	28,422	0
2.01.05.02.04	Other	42,261	75,976
2.01.05.02.05	Lease liabilities	6,677	5,813
2.01.05.02.06	Payables for acquisition of subsidiary	50,645	0
2.02	Non-current liabilities	293,758	406,330
2.02.01	Borrowings	227,679	318,611
2.02.01.01	Borrowings	227,679	318,611
2.02.01.01.01	In local currency	227,679	318,611
2.02.02	Other liabilities	14,500	16,735
2.02.02.02	Other	14,500	16,735
2.02.02.02.04	Lease liabilities	14,500	16,735
2.02.04	Provisions	51,579	70,771
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	7,009	5,721
2.02.04.01.02	Provision for social security and labor proceedings	5,286	3,990
2.02.04.01.03	Provision for employee benefit obligations	0	56
2.02.04.01.04	Provision for civil proceedings	48	0
2.02.04.01.05	Provision for tax proceedings	1,675	1,675
2.02.04.02	Other provisions	44,570	65,050
2.02.04.02.04	Other payables	500	65,050
2.02.04.02.05	Deferred income	133	0
2.02.04.02.06	Provision for losses on investments	43,937	0
2.02.06	Deferred profit and revenue	0	213
2.02.06.02	Deferred revenue	0	213
2.03	Equity	1,430,980	1,348,597
2.03.01	Paid-up capital	808,715	967,924
2.03.02	Capital reserves	-51,547	49,229

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

Account code	Account title	Second quarter 6/30/2021	Prior year 12/31/2020
2.03.02.02	Special reserve for goodwill arising from merger	0	21,470
2.03.02.05	Treasury shares	-51,547	-191
2.03.02.09	Reserve for share option and restricted stock plans	0	27,950
2.03.04	Revenue reserves	545,273	338,414
2.03.04.05	Retained earnings reserve	107,895	107,895
2.03.04.07	Tax incentive reserve	227,937	227,937
2.03.04.08	Proposed additional dividend	0	2,582
2.03.04.10	Capital reserve	209,486	0
2.03.04.11	Investment losses	-45	0
2.03.05	Retained earnings	133,466	0
2.03.06	Carrying value adjustments	-4,927	0
2.03.08	Other comprehensive loss	0	-6,970

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

Account code	Account title	Three months 4/1/2021 to 6/30/2021	Six months 1/1/2021 to 6/30/2021	Three months 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020
3.01	Revenue from sales of goods and/or services	302,664	629,956	84,930	370,786
3.02	Cost of sales and/or services	-210,392	-419,840	-69,167	-248,985
3.03	Gross profit	92,272	210,116	15,763	121,801
3.04	Operating expenses/income	73,868	-7,402	-120,557	-193,960
3.04.01	Selling expenses	-61,533	-117,349	-61,698	-111,901
3.04.02	General and administrative expenses	-38,037	-66,479	-27,939	-56,054
3.04.05	Other operating expenses	130,758	131,108	-576	-1,567
3.04.06	Share of net profits of subsidiaries accounted for using the equity method	42,680	45,318	-30,344	-24,438
3.05	Profit before finance costs and taxes	166,140	202,714	-104,794	-72,159
3.06	Finance costs – net	-12,429	-13,595	-4,591	-8,244
3.06.01	Finance income	2,990	5,654	7,923	19,011
3.06.01.01	Interest income	2,990	5,654	4,279	7,454
3.06.01.02	Foreign exchange gains	0	0	3,644	11,557
3.06.02	Finance costs	-15,419	-19,249	-12,514	-27,255
3.06.02.01	Interest expense	-8,673	-15,363	-10,190	-12,921
3.06.02.02	Foreign exchange losses	-6,746	-3,886	-2,324	-14,334
3.07	Profit before income tax and social contribution	153,711	189,119	-109,385	-80,403
3.08	Income tax and social contribution	-20,430	-26,062	27,086	23,992
3.08.01	Current	1,142	-3,432	1,731	-3,993
3.08.02	Deferred	-21,572	-22,630	25,355	27,985
3.09	Profit/loss for the period from continuing operations	133,281	163,057	-82,299	-56,411
3.11	Profit/loss for the period	133,281	163,057	-82,299	-56,411
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	1.34520	1.63780	-0.90550	-0.28480
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	1.44940	1.63780	-0.90550	-0.28480

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

Account code	Account title	Three months 4/1/2021 to 6/30/2021	Six months 1/1/2021 to 6/30/2021	Three months 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020
4.01	Profit/loss for the period	133,281	163,057	-82,299	-56,411
4.02	Other comprehensive income/loss	2,043	2,043	-4,425	-18,985
4.02.01	Exchange differences on translation of foreign operations	2,043	2,043	-4,425	-18,985
4.03	Total comprehensive income/loss for the period	135,324	165,100	-86,724	-75,396

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

Account code	Account title	Six months 1/1/2021 to 6/30/2021	Six months 1/1/2020 to 6/30/2020
6.01	Net cash provided by/used in operating activities	21,858	-1,032
6.01.01	Cash from operations	164,132	-22,056
6.01.01.01	Profit/loss before income tax and social contribution	163,057	-56,411
6.01.01.02	Depreciation and amortization	11,471	10,704
6.01.01.03	Profit/loss on disposal of property, plant and equipment and intangible assets	-132	323
6.01.01.04	Interest paid on loans	0	-2,932
6.01.01.05	Share of net profits of subsidiaries accounted for using the equity method	-45,318	24,438
6.01.01.06	Provision for labor, tax and civil proceedings	1,288	232
6.01.01.07	Finance charges and foreign exchange losses on borrowings	6,072	18,846
6.01.01.08	Interest income on cash investments	-3,332	-5,815
6.01.01.09	Provision for impairment of trade receivables	1,810	8,308
6.01.01.10	Complementary provision for inventory losses	1,622	2,105
6.01.01.11	Share option and restricted stock plans	857	1,423
6.01.01.12	Interest expense on lease liabilities	675	714
6.01.01.13	Income tax and social contribution	26,062	-23,991
6.01.02	Changes in assets and liabilities	-139,835	21,024
6.01.02.01	Trade receivables	127,427	124,527
6.01.02.02	Inventories	-48,228	-68,487
6.01.02.03	Changes in other current and non-current assets	-3,051	-13,299
6.01.02.04	Taxes recoverable	-135,840	199
6.01.02.05	Judicial deposits	-2,643	-4,415
6.01.02.06	Lease liabilities	-4,059	0
6.01.02.07	Trade payables	-86,365	-19,859
6.01.02.08	Salaries and vacation pay	-684	-20,997
6.01.02.09	Taxes and social charges payable	-3,740	2,934
6.01.02.10	Other liabilities	17,348	20,421
6.01.03	Other	-2,439	0
6.01.03.01	Income tax and social contribution paid	-2,439	0
6.02	Net cash provided by/used in investing activities	137,588	-297,712
6.02.01	Purchases of property, plant and equipment and intangible assets	-24,849	-13,716
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	217	20
6.02.03	Cash investments	-744,820	-853,161
6.02.04	Withdrawal of cash investments	947,198	569,145
6.02.05	Capital contribution to subsidiaries	-40,158	0
6.03	Net cash used in/provided by financing activities	-162,064	299,337
6.03.01	Proceeds from borrowings	0	444,171
6.03.02	Repayment of borrowings	-120,373	-54,939
6.03.04	Transactions with related parties	14,376	-60,168
6.03.05	Interest on capital paid	0	-15,436
6.03.06	Dividends paid	0	-7,239
6.03.09	Acquisition of treasury shares	-51,356	-2,632
6.03.10	Principal elements of lease payments	-4,711	-4,420
6.05	Increase/decrease in cash and cash equivalents	-2,618	593
6.05.01	Cash and cash equivalents at the beginning of the period	3,291	1,686

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

Account code	Account title	Six months 1/1/2021 to 6/30/2021	Six months 1/1/2020 to 6/30/2020
6.05.02	Cash and cash equivalents at the end of the period	673	2,279

Parent company financial statements/ Statement of changes in equity - 1/1/2021 to 6/30/2021

(Reais Mil)

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

Parent company financial statements/ Statement of changes in equity - 1/1/2020 to 6/30/2020 (In thousands of reais)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive loss	Equity
5.01	Opening balances	352,715	50,538	308,156	27,842	6,820	746,071
5.03	Adjusted opening balances	352,715	50,538	308,156	27,842	6,820	746,071
5.04	Equity transactions with shareholders	0	-1,208	0	-27,842	0	-29,050
5.04.04	Acquisition of treasury shares	0	-2,631	0	0	0	-2,631
5.04.08	Share options and restricted stock granted	0	1,423	0	0	0	1,423
5.04.10	Dividends proposed	0	0	0	-27,842	0	-27,842
5.05	Total comprehensive loss	0	0	0	-56,411	-18,985	-75,396
5.05.01	Loss for the period	0	0	0	-56,411	0	-56,411
5.05.02	Other comprehensive loss	0	0	0	0	-18,985	-18,985
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-18,985	-18,985
5.06	Internal changes in equity	0	0	27,842	0	0	27,842
5.06.05	Retained earnings reserve	0	0	27,842	0	0	27,842
5.07	Closing balances	352,715	49,330	335,998	-56,411	-12,165	669,467

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

Account code	Account title	Six months 1/1/2021 to 6/30/2021	Six months 1/1/2020 to 6/30/2020
7.01	Revenue	731,976	423,790
7.01.01	Sales of goods, products and services	733,786	432,098
7.01.04	Provision for/reversal of impairment of trade receivables	-1,810	-8,308
7.02	Inputs acquired from third parties	-629,108	-390,630
7.02.01	Cost of sales and services	-533,131	-316,171
7.02.02	Materials, electricity, outsourced services and other	-94,444	-72,917
7.02.04	Other	-1,533	-1,542
7.03	Gross value added	102,868	33,160
7.04	Deductions	-11,471	-10,704
7.04.01	Depreciation, amortization and depletion	-11,471	-10,704
7.05	Net value added generated by the entity	91,397	22,456
7.06	Value added received through transfer	183,210	-4,976
7.06.01	Share of net profits of subsidiaries accounted for using the equity method	45,318	-24,438
7.06.02	Finance income	5,504	19,011
7.06.03	Other	132,388	451
7.07	Total value added to distribute	274,607	17,480
7.08	Distribution of value added	274,607	17,480
7.08.01	Personnel	64,047	60,720
7.08.01.01	Direct compensation	39,973	42,099
7.08.01.02	Benefits	4,817	6,033
7.08.01.03	Government severance indemnity fund for employees (FGTS)	3,245	5,548
7.08.01.04	Other	16,012	7,040
7.08.01.04.01	Employee profit sharing	3,400	0
7.08.01.04.02	Other	11,332	5,022
7.08.01.04.03	Share option and restricted stock plans	1,280	2,018
7.08.02	Taxes and contributions	20,065	-20,809
7.08.02.01	Federal	42,633	-7,709
7.08.02.02	State	-22,569	-13,438
7.08.02.03	Municipal	1	338
7.08.03	Lenders and creditors	27,438	33,980
7.08.03.01	Interest	7,937	5,609
7.08.03.02	Rentals	8,339	6,725
7.08.03.03	Other	11,162	21,646
7.08.03.03.01	Finance costs	11,162	21,646
7.08.04	Shareholders	163,057	-56,411
7.08.04.01	Interest on capital	29,590	0
7.08.04.03	Profits reinvested / loss for the period	133,467	-56,411

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

Account code	Account title	Second quarter 6/30/2021	Prior year 12/31/2020
1	Total assets	2,755,405	2,832,545
1.01	Current assets	1,340,793	1,564,868
1.01.01	Cash and cash equivalents	69,625	38,297
1.01.02	Cash investments	316,296	522,868
1.01.02.01	Cash investments at fair value through profit or loss	316,296	522,868
1.01.02.01.03	Cash investments at fair value	316,296	522,868
1.01.03	Trade and other receivables	455,695	598,824
1.01.03.01	Trade receivables	455,695	598,824
1.01.04	Inventories	362,063	290,896
1.01.06	Taxes recoverable	98,945	86,034
1.01.06.01	Current taxes recoverable	98,945	86,034
1.01.08	Other current assets	38,169	27,949
1.01.08.03	Other	38,169	27,949
1.02	Non-current assets	1,414,612	1,267,677
1.02.01	Long-term receivables	253,659	118,494
1.02.01.04	Trade and other receivables	6,209	2,564
1.02.01.04.01	Trade receivables	6,209	2,564
1.02.01.07	Deferred tax assets	65,922	80,632
1.02.01.07.01	Deferred income tax and social contribution	65,922	80,632
1.02.01.09	Receivables from related parties	130,371	1,000
1.02.01.09.05	Receivables from subsidiaries	130,371	1,000
1.02.01.10	Other non-current assets	51,157	34,298
1.02.01.10.03	Judicial deposits	48,434	30,970
1.02.01.10.04	Other	2,723	3,328
1.02.02	Investments	4,760	3,016
1.02.02.01	Investments accounted for using the equity method	194	900
1.02.02.01.01	Investments in associates	0	900
1.02.02.01.04	Investments in joint ventures	194	0
1.02.02.02	Investment properties	4,566	2,116
1.02.02.02.01	Investment properties	4,566	2,116
1.02.03	Property, plant and equipment	287,324	316,300
1.02.03.01	Property, plant and equipment in operation	287,324	316,300
1.02.04	Intangible assets	868,869	829,867
1.02.04.01	Intangible assets	868,869	829,867
1.02.04.01.02	Trademarks and patents	272,392	7,810
1.02.04.01.03	Key money	34,625	33,829
1.02.04.01.04	Software licenses	75,467	55,673
1.02.04.01.05	Intangible assets - fair value adjustments to the carrying amounts	11,708	266,427
1.02.04.01.06	Goodwill	474,677	466,128

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

Account code	Account title	Second quarter 6/30/2021	Prior year 12/31/2020
2	Total liabilities	2,755,405	2,832,545
2.01	Current liabilities	864,790	911,418
2.01.01	Salaries, vacation pay and social charges payable	58,689	59,269
2.01.01.01	Social charges	7,272	7,498
2.01.01.02	Salaries and vacation pay	51,417	51,771
2.01.02	Trade payables	345,773	399,189
2.01.02.01	Domestic suppliers	343,352	395,803
2.01.02.02	Foreign suppliers	2,421	3,386
2.01.03	Taxes payable	30,317	40,481
2.01.03.01	Federal taxes payable	25,643	21,944
2.01.03.01.01	Income tax and social contribution	15,695	6,361
2.01.03.01.02	Other federal taxes	9,948	15,583
2.01.03.02	State taxes payable	4,563	18,386
2.01.03.03	Municipal taxes payable	111	151
2.01.04	Borrowings	216,587	239,483
2.01.04.01	Borrowings	216,587	239,483
2.01.04.01.01	In local currency	131,771	53,912
2.01.04.01.02	In foreign currency	84,816	185,571
2.01.05	Other liabilities	213,424	172,996
2.01.05.02	Other	213,424	172,996
2.01.05.02.01	Dividends and interest on capital payable	28,422	0
2.01.05.02.04	Other	89,982	120,106
2.01.05.02.05	Lease liabilities	44,375	52,890
2.01.05.02.06	Payables for acquisition of subsidiary	50,645	0
2.02	Non-current liabilities	459,363	572,530
2.02.01	Borrowings	292,909	394,786
2.02.01.01	Borrowings	292,909	394,786
2.02.01.01.01	In local currency	140,546	239,553
2.02.01.01.02	In foreign currency	152,363	155,233
2.02.02	Other liabilities	148,782	160,470
2.02.02.02	Other	148,782	160,470
2.02.02.02.03	Lease liabilities	142,844	160,470
2.02.02.02.04	Other payables	5,938	0
2.02.03	Deferred tax liabilities	4,631	0
2.02.03.01	Deferred income tax and social contribution	4,631	0
2.02.04	Provisions	13,041	13,141
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	12,908	12,928
2.02.04.01.02	Provision for social security and labor proceedings	10,489	10,290
2.02.04.01.04	Provision for civil proceedings	375	594
2.02.04.01.05	Provision for tax proceedings	2,044	2,044
2.02.04.02	Other provisions	133	213
2.02.04.02.01	Provision for warranties	133	0
2.02.04.02.04	Provision for investment losses	0	213
2.02.06	Deferred profit and revenue	0	4,133
2.02.06.01	Deferred revenue	0	4,133
2.03	Consolidated equity	1,431,252	1,348,597

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

Account code	Account title	Second quarter 6/30/2021	Prior year 12/31/2020
2.03.01	Paid-up capital	808,715	967,924
2.03.02	Capital reserves	-51,547	49,229
2.03.02.02	Special reserve for goodwill arising from merger	0	21,470
2.03.02.05	Treasury shares	-51,547	-191
2.03.02.09	Reserve for share option and restricted stock plans	0	27,950
2.03.04	Revenue reserves	545,273	338,414
2.03.04.05	Retained earnings reserve	107,895	107,895
2.03.04.07	Tax incentive reserve	227,937	227,937
2.03.04.08	Proposed additional dividend	0	2,582
2.03.04.10	Capital reserves	209,486	0
2.03.04.11	Investment losses	-45	0
2.03.05	Retained earnings	133,466	0
2.03.08	Other comprehensive loss	-4,927	-6,970
2.03.09	Non-controlling interests	272	0

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

Account code	Account title	Three months 4/1/2021 to 6/30/2021	Six months 1/1/2021 to 6/30/2021	Three months 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020
3.01	Revenue from sales of goods and/or services	552,976	1,052,928	154,443	529,914
3.02	Cost of sales and/or services	-260,004	-510,031	-74,283	-277,382
3.03	Gross profit	292,972	542,897	80,160	252,532
3.04	Operating expenses/income	-104,000	-312,824	-171,328	-299,682
3.04.01	Selling expenses	-172,937	-328,566	-132,379	-249,502
3.04.02	General and administrative expenses	-71,598	-125,031	-38,435	-77,793
3.04.04	Other operating income	0	0	-514	27,613
3.04.05	Other operating expenses	140,535	140,773	0	0
3.05	Profit before finance costs and taxes	188,972	230,073	-91,168	-47,150
3.06	Finance costs – net	-18,788	-27,404	-9,075	-9,847
3.06.01	Finance income	6,925	12,032	12,536	64,368
3.06.01.01	Interest income	6,925	12,032	4,807	8,387
3.06.01.02	Foreign exchange gains	0	0	7,729	55,981
3.06.02	Finance costs	-25,713	-39,436	-21,611	-74,215
3.06.02.01	Interest expense	-20,176	-36,969	-15,897	-23,833
3.06.02.02	Foreign exchange losses	-5,537	-2,467	-5,714	-50,382
3.07	Profit/loss before income tax and social contribution	170,184	202,669	-100,243	-56,997
3.08	Income tax and social contribution	-37,688	-40,397	17,944	586
3.08.01	Current	-14,615	-21,056	-7,711	-25,743
3.08.02	Deferred	-23,073	-19,341	25,655	26,329
3.09	Profit/loss for the period from continuing operations	132,496	162,272	-82,299	-56,411
3.11	Consolidated profit/loss for the period	132,496	162,272	-82,299	-56,411
3.11.01	Attributable to owners of the Parent company	132,496	163,057	-82,299	-56,411
3.11.02	Attributable to non-controlling interests	0	-785	0	0
3.99	Earnings per share (expressed in R$ per share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	1.34520	1.63780	-0.90550	-0.28480
3.99.02	Diluted earnings per share				

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

Account code	Account title	Three months 4/1/2021 to 6/30/2021	Six months 1/1/2021 to 6/30/2021	Three months 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020
3.99.02.01	Common shares	1.44940	1.63370	-0.90550	-0.28480

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

Account code	Account title	Three months 4/1/2021 to 6/30/2021	Six months 1/1/2021 to 6/30/2021	Three months 4/1/2020 to 6/30/2020	Six months 1/1/2020 to 6/30/2020
4.01	Consolidated profit/loss for the period	132,496	162,272	-82,299	-56,411
4.02	Other comprehensive income/loss	1,998	1,998	-4,425	-18,985
4.02.01	Exchange differences on translation of foreign operations	2,043	2,043	-4,425	-18,985
4.02.03	Investment losses	-45	-45	0	0
4.03	Total consolidated comprehensive income/loss for the period	134,494	164,270	-86,724	-75,396
4.03.01	Attributable to owners of the Parent company	134,494	165,055	-86,724	-75,396
4.03.02	Attributable to non-controlling interests	0	-785	0	0

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

Account code	Account title	Six months 1/1/2021 to 6/30/2021	Six months 1/1/2020 to 6/30/2020
6.01	Net cash provided by/used in operating activities	71,911	-11,286
6.01.01	Cash from operations	251,662	71,643
6.01.01.01	Profit/loss before income tax and social contribution	162,272	-56,411
6.01.01.02	Depreciation and amortization	50,007	40,595
6.01.01.03	Profit/loss on disposal of property, plant and equipment and intangible assets	-233	20,417
6.01.01.04	Interest paid on loans	0	-5,367
6.01.01.06	Provision for labor, tax and civil proceedings	-20	538
6.01.01.07	Finance charges and foreign exchange losses on borrowings	-4,836	57,233
6.01.01.08	Interest income on cash investments	-5,700	-6,582
6.01.01.09	Provision for impairment of trade receivables	1,874	12,775
6.01.01.10	Complementary provision for inventory losses	3,074	5,049
6.01.01.11	Share option and restricted stock plans	857	1,423
6.01.01.12	Interest expense on lease liabilities	3,970	2,558
6.01.01.13	Income tax and social contribution	40,397	-585
6.01.02	Changes in assets and liabilities	-177,946	-68,929
6.01.02.01	Trade receivables	135,160	119,551
6.01.02.02	Inventories	-74,241	-96,873
6.01.02.03	Changes in other current assets	-8,553	-41,510
6.01.02.04	Taxes recoverable	-149,891	-47,117
6.01.02.05	Judicial deposits	-17,462	-4,364
6.01.02.07	Trade payables	-49,599	-2,905
6.01.02.08	Salaries and vacation pay	-353	-25,134
6.01.02.09	Taxes and social charges payable	-24,758	1,454
6.01.02.10	Changes in other current liabilities	20,178	27,969
6.01.02.11	Interest paid on loans	-8,427	0
6.01.03	Other	-1,805	-14,000
6.01.03.01	Income tax and social contribution paid	-1,805	-14,000
6.02	Net cash provided by/used in investing activities	157,691	-304,237
6.02.01	Purchases of property, plant and equipment and intangible assets	-42,099	-21,436
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	388	338
6.02.03	Cash investments	-1,094,197	-1,029,143
6.02.04	Withdrawal of cash investments	1,304,910	746,004
6.02.09	Payment for acquisition of subsidiary	-11,311	0
6.03	Net cash used in/provided by financing activities	-198,274	314,680
6.03.01	Proceeds from borrowings	65,622	455,241
6.03.02	Repayment of borrowings	-177,130	-86,979
6.03.05	Interest on capital paid	0	-15,436
6.03.06	Dividends paid	0	-7,239
6.03.07	Receivables from/payables to shareholders	0	538
6.03.08	Increase of share capital – Issue of shares	1,000	0
6.03.09	Acquisition of treasury shares	-51,356	-2,632
6.03.10	Principal elements of lease payments	-36,410	-28,813
6.05	Increase/decrease in cash and cash equivalents	31,328	-843
6.05.01	Cash and cash equivalents at the beginning of the period	38,297	13,808

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

Account code	Account title	Six months 1/1/2021 to 6/30/2021	Six months 1/1/2020 to 6/30/2020
6.05.02	Cash and cash equivalents at the end of the period	69,625	12,965

Consolidated financial statements/ Statement of changes in equity - 1/1/2021 to 6/30/2021(In thousands of reais)

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

Consolidated financial statements/ Statement of changes in equity - 1/1/2020 to 6/30/2020 (In thousands of reais)

Account code	Account title	Paid-up capital	Capital reserves, share options granted and treasury shares	Revenue reserves	Retained earnings or accumulated deficit	Other comprehensive loss	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	352,715	50,538	308,156	27,842	6,820	746,071	0	746,071
5.03	Adjusted opening balances	352,715	50,538	308,156	27,842	6,820	746,071	0	746,071
5.04	Equity transactions with shareholders	0	-1,208	0	-27,842	0	-29,050	0	-29,050
5.04.04	Acquisition of treasury shares	0	-2,631	0	0	0	-2,631	0	-2,631
5.04.08	Share options and restricted stock granted	0	1,423	0	0	0	1,423	0	1,423
5.04.10	Dividends proposed	0	0	0	-27,842	0	-27,842	0	-27,842
5.05	Total comprehensive loss	0	0	0	-56,411	-18,985	-75,396	0	-75,396
5.05.01	Loss for the period	0	0	0	-56,411	0	-56,411	0	-56,411
5.05.02	Other comprehensive loss	0	0	0	0	-18,985	-18,985	0	-18,985
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-18,985	-18,985	0	-18,985
5.06	Internal changes in equity	0	0	27,842	0	0	27,842	0	27,842
5.06.05	Retained earnings reserve	0	0	27,842	0	0	27,842	0	27,842
5.07	Closing balances	352,715	49,330	335,998	-56,411	-12,165	669,467	0	669,467

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

Account code	Account title	Six months 1/1/2021 to 6/30/2021	Six months 1/1/2020 to 6/30/2020
7.01	Revenue	1,215,882	610,265
7.01.01	Sales of goods, products and services	1,217,756	623,040
7.01.04	Provision for/reversal of impairment of trade receivables	-1,874	-12,775
7.02	Inputs acquired from third parties	-850,527	-473,880
7.02.01	Cost of sales and services	-596,201	-328,573
7.02.02	Materials, electricity, outsourced services and other	-245,838	-140,625
7.02.04	Other	-8,488	-4,682
7.03	Gross value added	365,355	136,385
7.04	Deductions	-50,007	-40,595
7.04.01	Depreciation, amortization and depletion	-50,007	-40,595
7.05	Net value added generated by the entity	315,348	95,790
7.06	Value added received through transfer	154,022	93,999
7.06.01	Share of net profits of subsidiaries accounted for using the equity method	2	0
7.06.02	Finance income	11,967	64,368
7.06.03	Other	142,053	29,631
7.07	Total value added to distribute	469,370	189,789
7.08	Distribution of value added	469,370	189,789
7.08.01	Personnel	149,603	109,582
7.08.01.01	Direct compensation	101,711	83,073
7.08.01.02	Benefits	11,780	10,460
7.08.01.03	Government severance indemnity fund for employees (FGTS)	11,807	7,689
7.08.01.04	Other	24,305	8,360
7.08.01.04.01	Employee profit sharing	4,386	0
7.08.01.04.02	Other	18,639	6,342
7.08.01.04.03	Share option and restricted stock plans	1,280	2,018
7.08.02	Taxes and contributions	84,066	29,989
7.08.02.01	Federal	88,253	25,388
7.08.02.02	State	-5,223	3,546
7.08.02.03	Municipal	1,036	1,055
7.08.03	Lenders and creditors	73,429	106,629
7.08.03.01	Interest	13,708	8,957
7.08.03.02	Rentals	34,048	32,413
7.08.03.03	Other	25,673	65,259
7.08.03.03.01	Finance costs	25,673	65,259
7.08.04	Shareholders	162,272	-56,411
7.08.04.01	Interest on capital	29,590	0
7.08.04.03	Profits reinvested / loss for the period	133,467	-56,411
7.08.04.04	Non-controlling interests in retained earnings	-785	0

ARREZZO &CO

2Q21 EARNINGS RELEASE

São Paulo, August 12, 2021. Arezzo&Co (B3 - Brasil, Bolsa e Balcão: ARZZ3), a leader of the Brazilian footwear, bags and women's accessories industry, announces its results for the second quarter of 2021.

Arezzo&Co presents robust growth versus 2Q20 and 2Q19, consolidating its strategy of being a "house of brands", driven by Digital Transformation. EBITDA and Net Income reached records of R$213MM and R$133MM, respectively.

FINANCIAL/OPERATIONAL HIGHLIGHTS

1- **R$706M** in Gross Revenues, up **208%** from 2Q20 and 44% from 2Q19;

2- Adjusted Gross Margin up **200 bps** vs 2Q20 and up 710 bps vs 2Q19;

3-EBITDA of **R$213M**, impacted by the recognition of Tax Credits in the net amount of **R$135M**;

4- **R$84M** in Adjusted EBITDA, up **1,414%** from 2Q20 and up 37% from 2Q19;

5- AR&CO Gross Revenues of **R$143M** up **239%** from 2Q20 and up 57% from 2Q19;

6- Online Channel Gross Revenues of **R$175M**, with a **28%** share, up **18%** from 2Q20 and +254% from 2Q19;

7- **33%** of 2Q21 revenues originated Online through the Seller App (Proprietary);

8- Net Income of **R$133MM** and Adjusted Net Income of **R$47MM** with growth of **253%** vs 2Q20 and 33% vs 2Q19;

9- Sell out growth of **18%** in July and **28%** in August (vs 2019)

EARNINGS VIDEOCONFERENCE

August 13, 2021
11:00 a.m. (Brasília) / 10:00 a.m. (New York)

Videoconference in Portuguese simultaneously translated into English

zoom

SHARE PRICE AND MARKET CAP

Aug/12/2021
Share Price: R$ 92,78
Market Cap: R$ 9.2 billion

INVESTOR RELATIONS

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AREZZO &CO

2Q21 OMNICHANNEL HIGHLIGHTS

1 - E-COMMERCE SALES

- Total revenues: **R$175M** (**up 18%** from 2Q20 and 254% from 2Q19)
- Total traffic: **46 million** (**up 13%** from 2Q20)
- Total Arezzo and Schutz app downloads: **609K** (**up 92%** from 2Q20)
- Apps' total share of Revenues: **34%** (up **143%** from 2Q20)
- Conversion rate: **1,1%**
- OTD (on-time delivery): **98%** (up **5%** from 2Q20)
- Delivery lead time : **-3.2 days**

2 - OMNICHANNEL SALES

- Digital share of brick-and-mortar store sell out: **11%**
- Pickup and Store delivery revenues: **up 100%** from 1Q21
- Digital shoppers: **up 171 K**
- Try-at-Home ("Malinha") share of Sell out: **9%**
- High growth of next-day-delivery in the state of São Paulo: 22 cities

3 - CRM* (Arezzo&Co)

- Arezzo&Co active customer base (record-setting): **3.2M**
- New Customers: **up 63%** from 2Q20
- Reactivated Customers: **up 123%** from 2Q20
- Heavy-User purchase revenues : **up 25%**

*Ex- AR&Co data

BRAND HIGHLIGHTS 2Q21

AREZZO &CO

AREZZO

- Brazil Revenues: **R$ 190.6M**
- Web Revenues: **R$ 56.6M**
- OMNI Sales: **R$ 15.4M**
- OMNI-to-WEB ratio: **27.2%**

SCHUTZ

- Global Revenues: **R$ 181.2M**
- Brazil Revenues: **R$ 119.1M**
- Web Revenues: **R$ 41.9M**
- OMNI Sales: **R$ 8.9M**
- OMNI-to-WEB ratio: **21.3%**

AR&CO

- Brazil Revenues: **R$ 143.0M**
- Web Revenues: **R$ 35.5M**
- OMNI Sales: **R$ 20.2M**
- OMNI-to-WEB ratio: **56.9%**

VANS OFF THE WALL

- Brazil Revenues: **R$ 84.9M**
- Web Revenues: **R$ 22.8M**
- OMNI Sales: **2.8M**
- OMNI-to-WEB ratio: **12.1%**

ANACAPRI

- Brazil Revenues: **R$ 60.4M**
- Web Revenues: **R$ 12.9M**
- OMNI Sales: **R$ 2.4M**
- OMNI-to-WEB ratio: **18.9%**

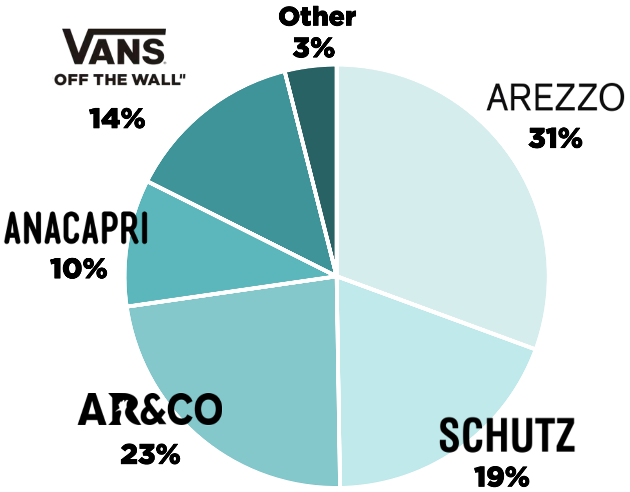
ALEXANDRE BIRMAN

- Global Revenues: **R$ 30.0M**
- Brazil Revenues: **R$ 12.7M**
- Web Revenues: **R$ 2.1M**
- OMNI-to-WEB ratio: **36.9%**

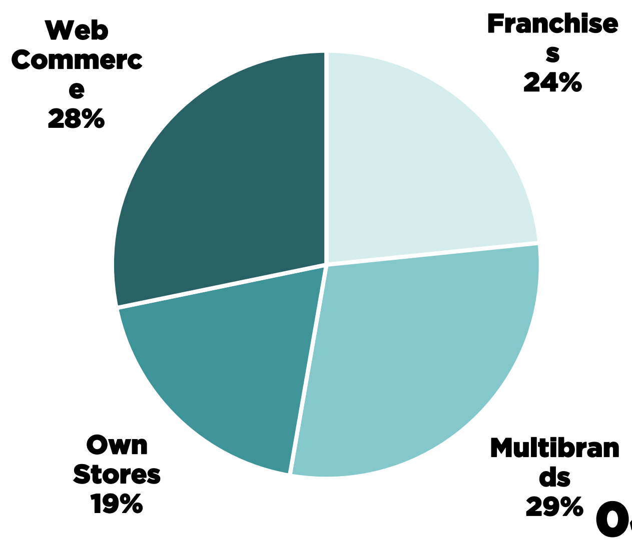
START&CO ALME FIEVER

- Brazil Revenues: **R$ 9.7M**
- Web Revenues: **R$ 3.2M**
- OMNI-to-WEB ratio: **3.8%**

GROSS DOMESTIC MARKET REVENUES



GROSS REVENUES BY CHANNEL



AREZZO &CO

Gross Revenues

Gross Revenue	2Q21	Part%	2Q20	Part%	Δ (%) 21 x 20	2Q19	Part%	Δ (%) 21 x 19
Total Gross Revenue	705.627		228.849		208,3%	489.482		44,2%
Foreign Market	82.935	11,8%	21.745	9,5%	281,4%	65.946	13,5%	25,8%
Exports	9.370	11,3%	10	0,0%	89.964,9%	17.315	26,3%	(45,9%)
US Operation	73.565	88,7%	21.733	99,9%	238,5%	48.631	73,7%	51,3%
Domestic Market	622.692	88,2%	207.104	90,5%	200,7%	423.536	86,5%	47,0%
By Brand								
Arezzo	190.651	30,6%	81.042	39,1%	135,2%	228.114	53,9%	(16,4%)
Schutz[1]	119.102	19,1%	58.689	28,3%	102,9%	117.334	27,7%	1,5%
AR&CO[2]	143.021	23,0%	-	-	239,1%	-	-	57,2%
Anacapri	60.405	9,7%	22.741	11,0%	165,6%	56.775	13,4%	6,4%
Vans	84.955	13,6%	33.855	16,3%	150,9%	-	-	na
Others[3]	24.558	3,9%	10.777	5,2%	127,9%	21.313	5,0%	15,2%
By Channel								
Franchises	145.054	23,3%	6.691	3,2%	2.067,9%	196.514	46,4%	(26,2%)
Multibrand	182.252	29,3%	37.683	18,2%	383,6%	107.402	25,4%	69,7%
Owned Stores	118.076	19,0%	13.754	6,6%	758,5%	69.461	16,4%	70,0%
Web Commerce	175.245	28,1%	148.730	71,8%	17,8%	49.519	11,7%	253,9%
Others[4]	2.065	0,3%	246	0,1%	739,4%	640	0,2%	222,7%
By Channel (ex-AR&CO)	479.671		207.104		131,6%	423.536		13,3%
Franchises	133.149	27,8%	6.691	3,2%	1.890,0%	196.514	46,4%	(32,2%)
Multibrand	145.201	30,3%	37.683	18,2%	285,3%	107.402	25,4%	35,2%
Owned Stores	59.547	12,4%	13.754	6,6%	332,9%	69.461	16,4%	(14,3%)
Web Commerce	139.708	29,1%	148.730	71,8%	(6,1%)	49.519	11,7%	182,1%
Others[4]	2.065	0,4%	246	0,1%	739,4%	640	0,2%	222,7%

(1) Ex- revenues from international operations.
(2) AR&CO includes the brands: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA and INK.
(3) Includes brands: A. Birman, Fiever and Alme for the domestic market only and other non-specific brand revenues.
(4) Includes domestic market revenues not specific to distribution channels.

Operating Indicators

Operating Indicators	2Q21 Adjusted	2Q20 Adjusted	Δ (%) 21 x 20	2Q19	Δ (%) 21 x 19
# of pairs sold ('000)	3.262	1.079	202,3%	3.185	2,4%
# of handbags sold ('000)	363	185	96,0%	436	-16,7%
# of clothes sold ('000)	962	70	1272,5%	-	-
# of employees	3.923	2.029	93,3%	2.515	56,0%
# of stores*	900	741	159	696	204
Owned Stores	145	53	92	54	91
Franchises	755	688	67	642	113
Outsourcing (as % of total production)	86,4%	90,9%	-4,5 p.p	90,3%	-3,9 p.p
SSS[2] Sell in (franchises)	1688,6%	-90,7%	1779,3 p.p	1,3%	1687,3 p.p
SSS[2] Sell out (owned stores + franchises + web	76,8%	-50,5%	127,3 p.p	4,1%	72,7 p.p

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

* Including overseas stores

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

ARREZZO &CO

2Q21 Main Financial Indicators

Key financial indicators	2Q21	2Q21 Adjusted	2Q20 Adjusted	∆ (%) 21 x 20	2Q19 Adjusted	∆ (%) 21 x 19
Gross Revenues	705.627	705.627	233.520	202,2%	489.482	44,2%
Net Revenues	552.976	552.976	175.990	214,2%	393.546	40,5%
COGS	(260.004)	(255.171)	(84.679)	201,3%	(209.215)	22,0%
Depreciation and amortization (cost)	(746)	(746)	(817)	(8,7%)	(743)	0,4%
Gross Profit	292.972	297.805	91.311	226,1%	184.331	61,6%
Gross margin	*53,0%*	*53,9%*	*51,9%*	*2,0 p.p*	*46,8%*	*7,1 p.p*
SG&A	(104.000)	(237.790)	(104.826)	126,8%	(142.801)	66,5%
% of net revenues	*(18,8%)*	*(43,0%)*	*(59,6%)*	*16,6 p.p*	*(36,3%)*	*(6,7 p.p)*
Selling expenses	**(157.110)**	**(155.744)**	**(61.968)**	**151,3%**	**(84.011)**	**85,4%**
Owned stores and web commerce	(52.092)	(52.089)	(26.522)	96,4%	(29.009)	79,6%
Selling, logistics and supply	(105.018)	(103.655)	(35.447)	192,4%	(55.002)	88,5%
General and administrative expenses	**(64.023)**	**(57.374)**	**(24.782)**	**131,5%**	**(37.842)**	**51,6%**
Other operating revenues (expenses)	**140.533**	**(1.272)**	**180**	**805,9%**	**(1.822)**	**(30,2%)**
Depreciation and amortization (expens	**(23.400)**	**(23.400)**	**(18.256)**	**28,2%**	**(19.125)**	**22,4%**
EBITDA	213.118	84.161	5.558	1.414,2%	61.398	37,1%
EBITDA Margin	*38,5%*	*15,2%*	*3,2%*	*12,0 p.p*	*15,6%*	*(0,4 p.p)*
Net Income	132.496	47.384	(31.048)	252,6%	35.558	33,3%
Net Margin	*24,0%*	*8,6%*	*(17,6%)*	*26,2 p.p*	*9,0%*	*(0,4 p.p)*

2Q21 Non-Recurring Adjustments

	2Q21	2Q20	2Q19
Consolidated EBITDA	213.118	(72.095)	68.989
Non-Recurring Items			
Surplus Value (Impact on Gross Profit) [1]	(4.833)	-	-
Extemporaneos Credits [1]	141.805	18.934	13.236
Legal Expenses	(6.653)	(3.695)	(5.646)
Non-Recurring Items (COVID-19)	-	(92.892)	
M&A Expenses	(1.363)	-	-
Net Effect of Non-Recurring Items	128.957	(77.653)	7.591
Adjusted Consolidated EBITDA	84.161	5.558	61.398
Adjusted Gross Profit	297.805	91.311	184.331

(1) Goodwill R$ 4.8 million impact on gross profit from goodwill amortization in connection with the Reserva Group's inventories.
(2) Revenues from the recognition of tax credits from previous fiscal years (unconstitutional inclusion of the ICMS into the PIS/COFINS taxable base). The positive effect of these credits on the Company's EBITDA was R$ 135.1 million in 2Q21.

Brands Performance

The second quarter of the year is marked by the arrival of the Arezzo&Co group brands' winter collection at stores. The period includes important release dates, such as Mother's Day (May) and Valentines' Day (June). Soon after Valentines' Day, the brands began their repricing period, in tandem with the release of transition collections (Cruise and Resort) – an important time to test consumer receptiveness towards the summer collection's new trends and products.

In the quarter, Arezzo&Co, together with AR&CO, presented strong digital growth of 17.8% vs. 2Q20 and 253.9% vs. 2Q19. It is important to underscore that, because of the COVID-19 pandemic, Arezzo&Co brand stores were temporarily closed in April, impacting approximately one-third of the quarter. Despite this, Arezzo&Co, together with AR&CO, was able to post sales up 208.3% from 2Q20 and 44.2% from 2Q19. This outstanding performance reflects the strong and assertive collections offered to customers, as well as the digital channel's resilience.

The **Arezzo** brand posted R$ 190.6M in revenues, up 135.2% from 2Q20 and down 16.4% from 2Q19. It is worth mentioning that the Arezzo brand's franchises and own stores are highly representative as sources of sales and, therefore, the temporary store shutdown impacted the brand directly. However, thanks to its capacity, OMNI managed to maintain good sales results in this period and after the opening of the stores it has been showing constant growth. As discussed in the latest results release, in April and May, for Mothers' Day, Arezzo launched the "Always There" campaign, with strong results for the period.

In addition to this release, the brand entered the children's market with "Arezzo Bambini". For its début, the campaign offered 10 SKUs to mothers and daughters, including sandals, slippers and sneakers at competitive prices. The results were excellent: in just 15 days' sales, the collection posted 35% sell through (twice as much the average for other collections). Out of the children's line customers, 15% are reactivated Arezzo customers who hadn't shopped in over one year and 5% are new customers.

For its next steps, the Bambini line had its second sell in with the "Back to School" campaign, which reached the stores in early August. Upcoming this year, Arezzo Bambini will have children's day and Holiday/summer vacation collections, adding incremental revenues to the brand.

In June, Arezzo launched its Lovers' Day campaign – "Love Always There", starring five influencer couples and exploring the history of each one of them. The campaign had excellent results, with 26% sell through in just 15 days.

AREZZO GAIA CAMPAIGN

Brands Performance

AR&CO, whose brands include Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA and Ink, posted R$ 143.0 million in revenues in 2Q21, up 239.1% from 2Q20 and up 57.2% from 2Q19. It is worth emphasizing its excellent performance on every channel, particular note being due to the online channel, which achieved 40.6% growth from 2Q20 (despite the strong baseline) and 390.6% from 2Q19.

For the quarter's highlight, Reserva launched its "Simples" t-shirt – without prints and available in 12 colors, the brand's basic t-shirt is available in a vast range of sizes - from 4P to 4G - for a more inclusive array in terms of age and gender. In addition to single purchases, shoppers can also choose an annual subscription for 12 payments of R$24.99 and receive 3 new models per year – one upon signature and two more every 5 months since. In addition, the payments convert into credits for monthly purchases, increasing customer recurrence.

Since the release, 14 thousand t-shirts have been sold, with a 10% increase in shopping frequency. Furthermore, Simples already has 3.3 thousand subscriptions and 30% of customers have made incremental purchases after subscribing –45% more frequently than regular customers.

In July, the Reserva brand launched its Jeanswear line with more than 80 SKUs, 61 of which men's and women's, and 19 children's. The line is available in several washes and models, and includes the release of the "jeans sweatpants", whose main attribute is comfort, and which is a brand exclusive. The production process is more sustainable, and models were devised for extended durability.

RESERVA SIMPLES CAMPAIGN

AREZZO SCHUTZ ANACAPRI ALEXANDRE BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

Brands Performance

By its turn, Reserva GO, the Reserva group's sneakers brand, had excellent results for the quarter and had by June exceeded 21% representativeness of AR&CO (from approximately 10% before the Arezzo&Co acquisition). In addition to its share gain, Reserva GO's revenues posted 3-digit growth in May and June. The brand also launched the Reserva GoGirl campaign – a line of women's sneakers and slippers. In addition to the vast range of SKUs, all products have sustinable attributes. The line was recently sold via digital showroom to franchisees and multibrand customers, and will soon reach the stores.

For fathers' day, a very important sell out date for AR&CO, the Reserva brand launched the "You're the Best Thing About Me" campaign, celebrating all fathers and all possible forms of fatherhood. Sales for this period were excellent. Sell out was up 60.8% from 2019, with the online channel posting 422.4% growth.

This special moment featured innovative marketing actions intended to surprise consumers and foster brand experience. Some of the most memorable were "The amazing chocolate stand", a Reserva chocolate store in partnership with the Kopenhagen candy brand in Ipanema, Rio de Janeiro, and a live performance webcast to celebrate fathers' day – a live performance by Zeca Pagodinho that was among the top 10 trending YouTube videos.

On the brick-and-mortar store front, Reserva opened 7 locations since the quarter began, including six franchises and one own store, in line with the store opening guidelines announced to the market in late 2020. It is worth emphasizing that all store openings comply with Reserva's new architectural model defined early this year.

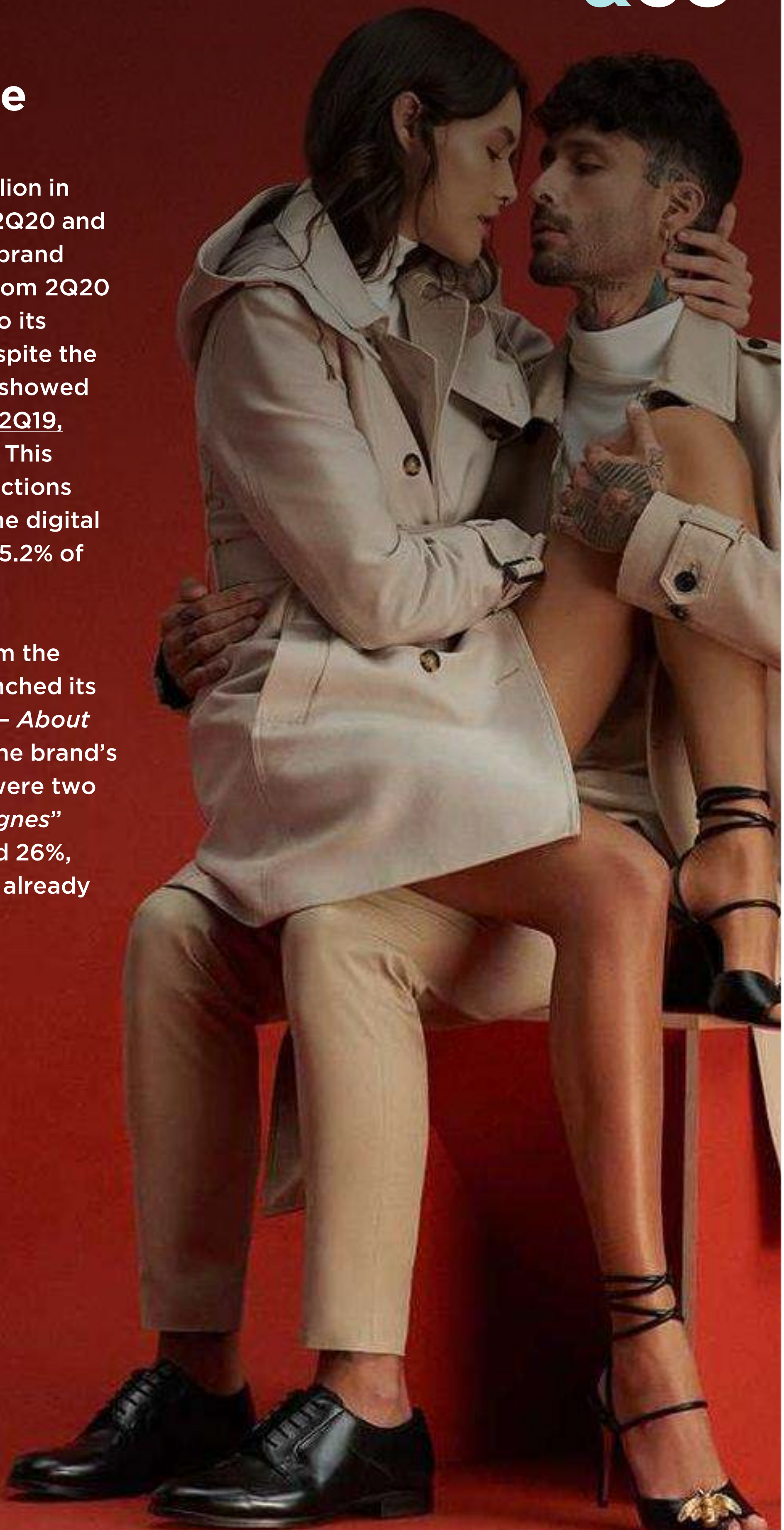
As for financial indicators, AR&CO posted strong performance in the second quarter of 2021. In addition to the sharp revenues growth discussed before (up 239.1%% from 2Q20 and 57.2% from 2Q19), AR&CO had 66.8% gross margin and Adjusted EBITDA of R$ 20.3 million, up 168.0% vs. 2019. Adjusted EBITDA margin reached 18.1%, up 720 bps. These indicators reflect the material improvement in AR&CO's operational efficiency, as well as the initial impact of synergies arising from integration with Arezzo&Co.

FATHER'S DAY CAMPAIGN | RESERVA

Brands Performance

The **Schutz** brand posted R$ 119.1 million in domestic revenues, up 102.9% from 2Q20 and 1.5% from 2Q19. In Global terms, the brand reached R$ 181.2 million, 137.5% up from 2Q20 and up 12.1% from 2Q19. In addition to its strong performance, the Schutz – despite the temporary store shutdown in April – showed 10.2% higher sell out compared with 2Q19, gaining momentum in May and June. This performance is due to assertive collections and the brand's high adherence on the digital channel, which already answers for 35.2% of sales.

For the period's highlight – aside from the Mothers' Day campaign – Schutz launched its Lovers' Day campaign "*Love Stories – About Me, You, Us*" – an important day on the brand's calendar. The best-selling products were two bags – the "*Believe Bag*" and the "*Agnes*" purse, with turnover rates of 20% and 26%, respectively. Schutz's bags category already answers for 23.8% of the mix.



LOVERS' DAY CAMPAIGN | SCHUTZ

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

AREZZO &CO

Brands Performance

The Vans brand, which was licensed in late 2019, posted R$ 84.9 million in revenues, up 150.9% from 2Q20. Vans posted excellent performance on every channel, particular note being due to digital, which was up 23.6% despite a strong 2020 baseline, and answered for 26.9% of the brand's sales. On the multibrand channel, by its turn, the Vans brand was up 36.5% YoY, with a 2.0% increase in its customer base. It is worth mentioning that the clothing category already represents 18.7% of the brand.

Since the quarter began, three Vans franchise stores opened in Porto Alegre/RS, Florianópolis/SC and Balneário Camboriú/SC. The newly opened stores are exceeding expectations, achieving very significant sales results.

In the coming months, two additional own stores will open in Brasília/DF and on Av. Paulista/SP. For the period's highlight, the brand launched yet another iconic collab in honor of the classic "Where is Wally?" series through a complete collection of sneakers, clothes and accessories for fans of all ages.

Brands Performance

The Anacapri brand posted R$ 60.4 million in sales, up 165.6% from 2Q20 and 6.4% from 2Q19. The highlight was the multibrand channel – up 231.5% from 2Q20 and 10.4% from 2Q20. In the quarter, the brand launched its Mother's Day campaign, which featured singer Manu Gavassi – a partner of the brand – and singers Ana Falcão and Vitória Caetano from the "AnaVitória" duo. The collection registered excellent results with a 35% sell through in just 20 days.

Furthermore, the brand launched the "Always A" campaign, emphasizing classic Anacapri products that are frequent best sellers with automatic store restocking.

VALENTINE' DAY CAMPAING | SCHUTZ

AREZZO &CO

Brands Performance

The Alexandre Birman brand posted Global revenues of R$ 30.0 million, 172.6% up from 2Q20 and 14.7% up from 2Q19. In Brazil reached R$ 12.7 million, 168.6% up from 2Q20 and 31.3% from 2Q19. As its highlight, the brand launched a Valentines' Day campaign covering various activations, including exclusive actions for the brand's VIP customers.

SUMMER CAMPAIGN | ALEXANDRE BIRMAN

AREZZO SCHUTZ ANACAPRI ALEXANDRE BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

AREZZO &CO

Brands Performance

The Fiever and Alme brands posted strong online channel sales compared with the same period in 2019. The Alme brand is undergoing a positioning evolution process, that will retain comfort at its essence, but increment sustainability-related actions. In addition to a more sustainable view of its products' lifecycle, Alme will feature accessibility assumptions for its pricing and range, expanding its potential public. The stance will be announced to the market in the coming months. By its turn, the Fiever brand will maintain its focus on casual young sneakers with a sharp focus on in-store customizations and web commerce.

CAMPAIGN FIEVER


ALME CAMPAIGN

AREZZO SCHUTZ ANACAPRI ALEXANDRE BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

Channels

Sell Out – Franchises, Own Stores and Web Commerce

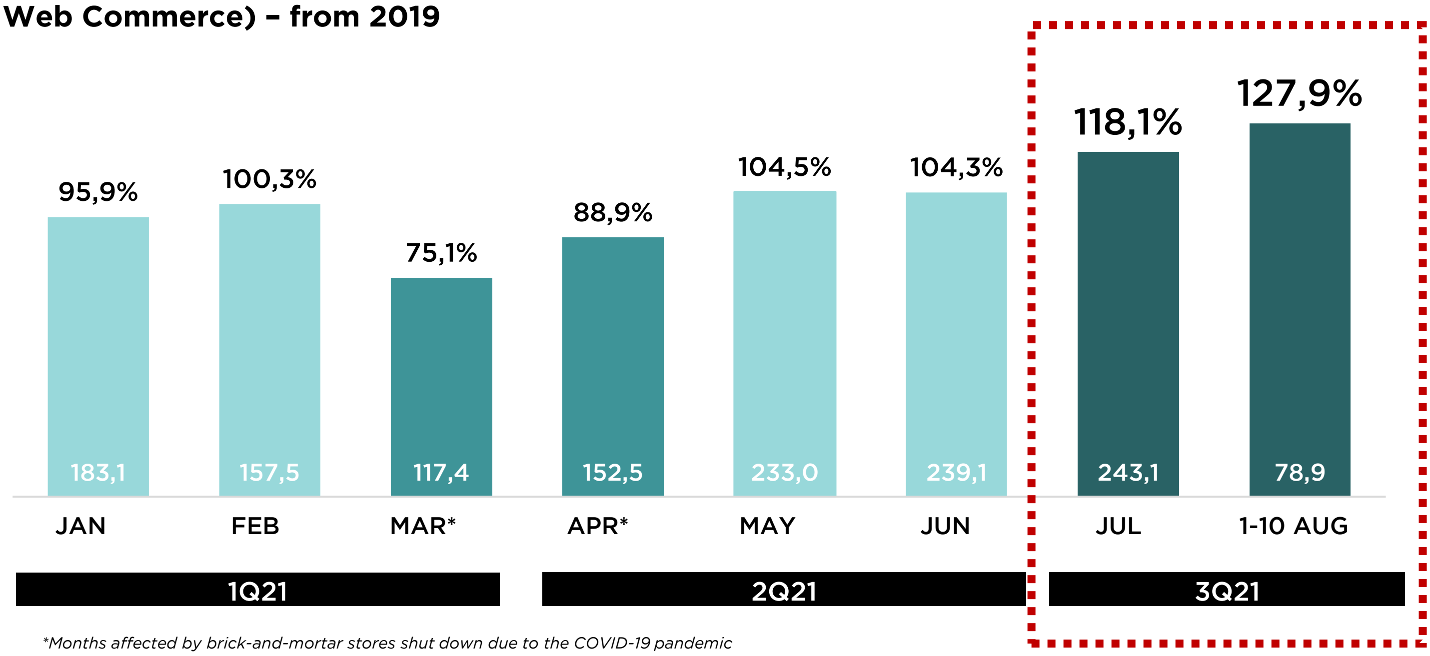
The Arezzo&Co and AR&CO POS chain (Own Stores + Franchises + Web Commerce) reached 196.5% 2Q20's sell out and 100.3% of 2Q19's. Despite the recovery and performance boost in May, June and July, the quarter's sell out suffered negative impact from the temporary store shutdown in April, which posted 88.9% of 2019 revenues. Notwithstanding, and as previously announced, after the reopening in the Mothers' Day period (Apr/22-May/12), the group (Arezzo&Co + AR&Co) posted excellent results – 102.0% of 2019 revenues and 197.0% of 2020 revenues.

In May and June, Arezzo&Co and AR&CO combined performed at 104.5% and 104.3% of 2019, respectively. It is worth emphasizing the performance of AR&CO in both months, which was individually up 54.6% and 54.1% in May and June, with growth on all channels, including brick-and-mortar ones. The Schutz brand also posted excellent performance, up 14.1% in May and 8.6% in June from 2019, reflecting its consumers' excellent adherence on the digital channel.

Sell Out performance in July/21

In July, sell out picked up sharply from the previous months, representing 118.1% from revenues in the same period in 2019. This reflects the brick-and-mortar channel's recovery in the light of normalized store operation and the progress of vaccination in Brazil and above all in São Paulo, a highly representative venue for the group's sell out.

Sell Out performance Arezzo&Co + AR&Co (Franchises, Own Stores and Web Commerce) – from 2019



*Months affected by brick-and-mortar stores shut down due to the COVID-19 pandemic

Channels

Franchises

The franchise channel's sales up 2.067% from 2Q20 (R$ 145.1 million vs. R$ 6.7 million) and down 26.2% from 2Q19, including AR&CO. The performance reflects the temporary store shutdown that led to the postponement of the Summer collection launch to (i) increase the Winter collection's store permanence and (ii) delay the repricing process – preserving gross margins and guaranteeing healthier Winter inventories outflow.

As a result, a portion of the Summer sell in was redirected and partly billed in the third quarter – which already shows significant recovery on the franchise channel because of accelerated demand (sell out) at brick-and-mortar stores and of well dimensioned inventories. In July, sell in were up 118% from 2020 and 6% from 2019, with an accelerating trend in august.

Multibrand

In 2Q21, sales on the multibrand channel were up 383.6% from 2Q20 and 69.7% from 2Q19.

It is worth underscoring that Arezzo&Co is in the process of restructuring the "ZZ Store", in a project that aims to professionalize and digitalize the multibrand channel, acting from storekeeper training through to end-customer experience.

The seven Arezzo&Co brands, including AR&CO, are distributed through 4.616 points of sale, up 16.3% from 2Q20.

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

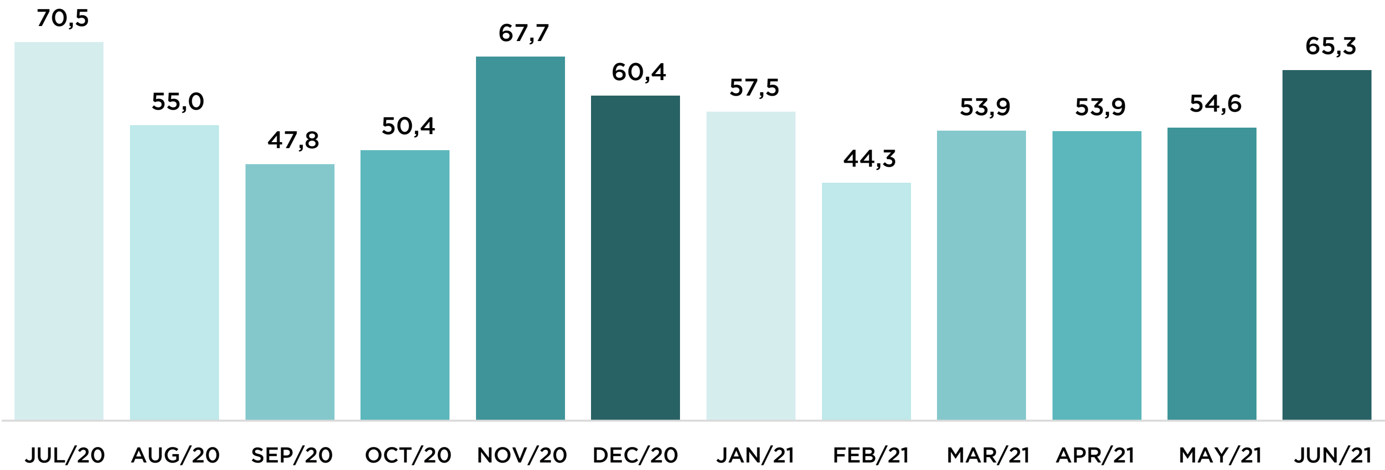
Channels

Digital Transformation

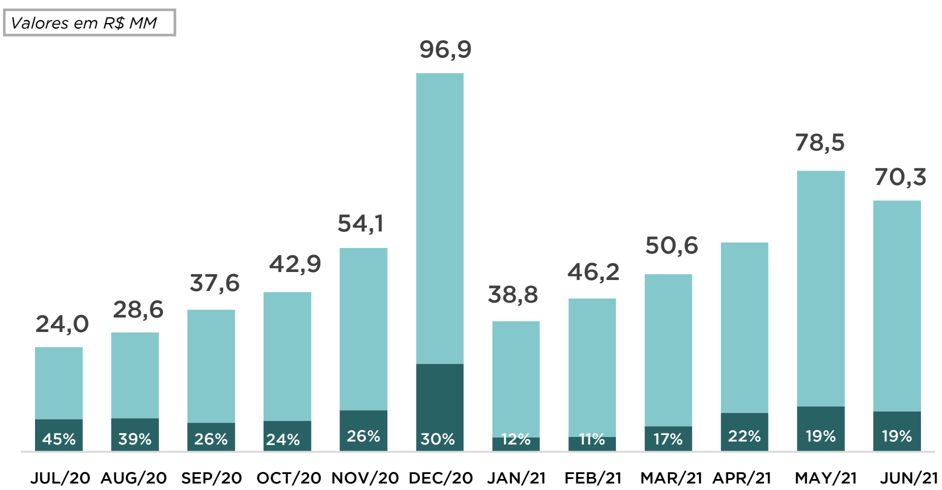
In the second quarter of 2021, Arezzo&Co posted strong results for its Web commerce channel, despite the partial shutdown of brick-and-mortar stores. Ex- the additional sales from AR&CO, the channel's results were similar to 2Q20's – an atypical period when 100% of brick-and-mortar stores were closed because of the pandemic.

For the quarter's consolidated results, the Web commerce channel posted gross revenues of R$ 175.2 million, up 17.8%, and already answers for 28.1% of consolidated Arezzo&Co revenues, vs 11.7% in the same period in 2019.

Web Commerce Sell Out Evolution (R$ M)
Arezzo&CO e AR&CO



Arezzo&Co Group Digital Revenues
Digital Tools + Seller App (proprietary) Revenues



R$625,2MM
IN DIGITAL REVENUES (LTM)

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

AREZZO SCHUTZ ANACAPRI ALEXANDRE BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

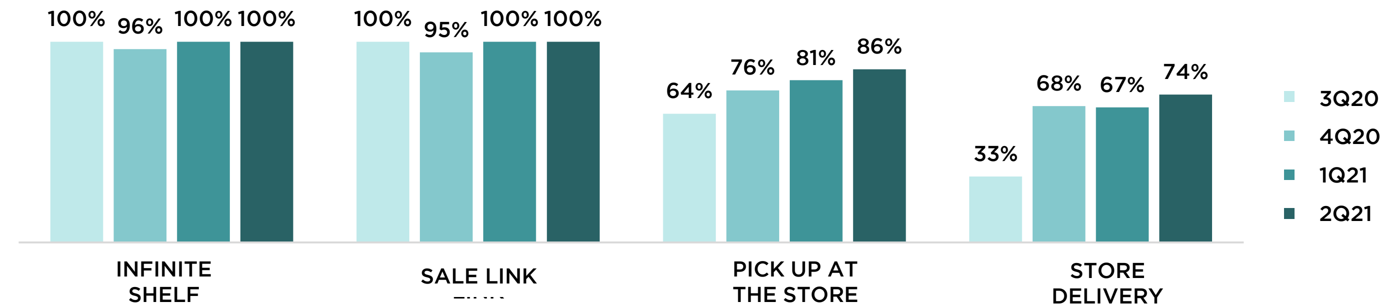
Channels

Digital Transformation

Given the gradual reopening of stores in the second quarter, remote sales once again proved their importance for chain sustainability. Revenues from OMNI sales tools were up **75.7%** from 1Q21.

The excellent OMNI sales performance was due mainly to the Store Delivery and Pickup tools. Aside from the increase in the number of accredited stores for these initiatives, Arezzo&Co strongly encouraged and supported stores to boost results – mainly in the Mothers' Day sales period – such as free-shipping and salesperson-motivation actions. The two tools' consolidated revenues were up 101.3% from 1Q21 – a record-setting result.

Accredited Stores Evolution | OMNI Initiatives



Store delivery: ascending number because stores are executing partnerships with delivery companies featuring high service standards.

Aside from OMNI sales tools, Arezzo&Co has been obtaining increasingly relevant results from the influence of the Salesperson App by Digital Consultants ("Salespersons"). The App is their greatest ally at selling time, and enables making digital sales, checking inventories, orders, delivery status, and more. 91% of the digital consultants for all Arezzo&Co brands use the App daily, and average usage is at around 4.5 hours/day.

Sales influenced by Seller App usage were R$ 147.7 million, representing 32.7% of brick-and-mortar store sales. It is worth emphasizing that App-influenced Revenues in May were R$ 60.1 million – the highest in the past six months.

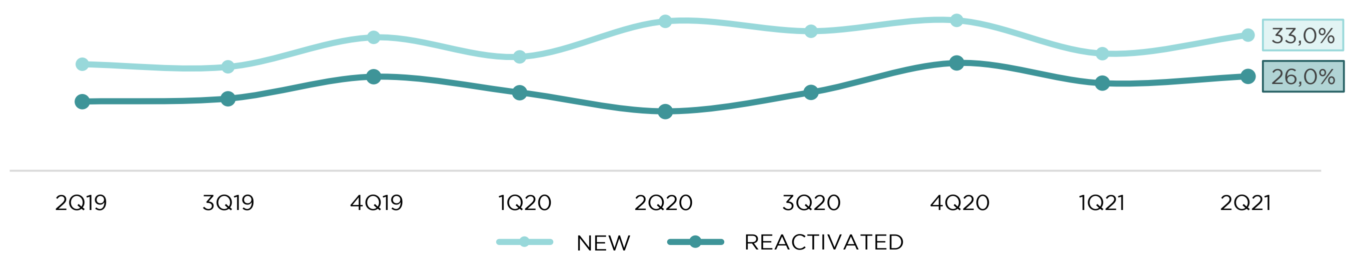
Another factor of relevance to increased sales in the period was were the strategies devised with a focus on conversion – the indicator was up 30% from 1Q21. Some of the actions prioritized in the quarter were (i) sales force training focusing on contact quality, (ii) custom showcase sending and (iii) interactions customized by customer segment/cluster.

Channels

Digital Transformation

Customer Capture and Retention*

- 33.0% of the shopping customers base were captured in 2Q21;
- Reactivated customers (no purchases made in the past 12 months or more) were 26.0% of the quarter's base;
- Continued improvement of the customer reactivation rate reflects personalized CRM actions focusing on catering to this specific public's interests.
- Sharp increase in customer frequency YTD from 2020 (up 10%)



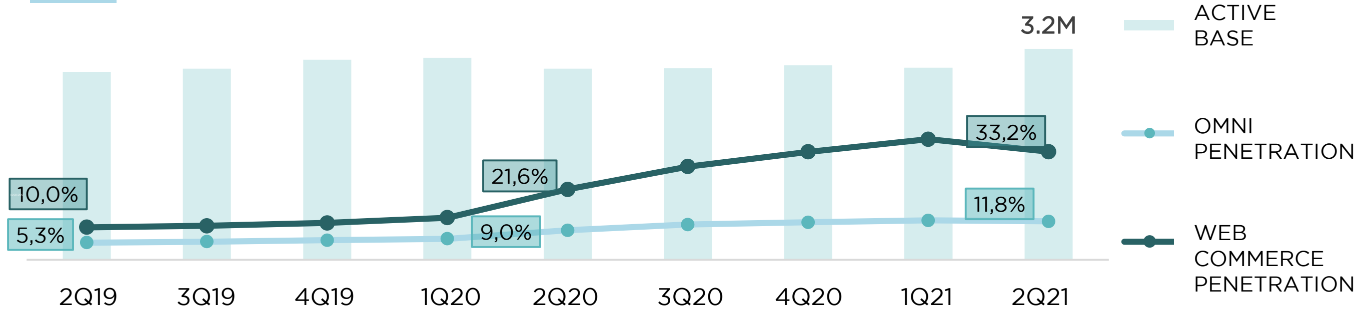
* Ex- AR&CO

+63% CAPTURED CUSTOMERS	+59% RETAINED CUSTOMERS	+123% REACTIVATED CUSTOMERS

*2Q21 vs 2Q20 data

Online Channel Penetration*

- Accelerating increase of the online channel's penetration in Arezzo&Co's active customer base;
- 33.2% of Arezzo&Co customers shop on the online channel;
- 11.8% of customers are omnichannel (brick-and-mortar and online shopping)



*Ex- AR&CO

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

Channels

ZZ MALL

ZZ MALL, Arezzo&Co's marketplace, posted a 35.0% revenue increase from 1Q21. In addition, representativeness of App shopping exceeded 40%.

In addition to a complete shopping experience, App users will soon be able to enjoy exclusive benefits from the loyalty program – which is set to become a key element of the ZZ MALL.

Arezzo&Co's loyalty program will go live in August by cross-brand loyalty building that will launch from the ZZ MALL App,. Generating benefits and cash back for end consumers. The launch will be announced on every channel on the platform, in addition to a strong media campaign and influencer actions.

In addition to building loyalty and reinforcing recurring purchases, the program will strongly incentivize incoming customers. At present, 35% of ZZ MALL customers are new Arezzo&Co customers, and they are expected to grow in numbers alongside with increase recurring shopping.

Another relevant initiative for the quarter is phase two of the ZZ Mall-TROCK integration, which will enable using a single cart for first-party (Arezzo&Co), third-party (sellers "3P") and resale (TROC) items. Phase one went live a few months ago, with an exclusive TROC page on the platform.

AREZZO SCHUTZ ANACAPRI BIRMAN FIEVER ALME VANS "OFF THE WALL" Reserva TROC ZZ'MALL

Foreign Market

In the United States, 2Q21 revenues were R$ 73.6 million, up 51,.3% from the same period ion 2019 (up 13.2% in US Dollars). It is worth emphasizing that because of the vaccination progress in the United States and consequently flexibilization of social distancing measures, US revenues were up 93.3% in Brazilian Reais. July maintained the upwards trend, with revenues up 90.0%.

The web commerce channel for the Schutz and Alexandre Birman brands posted sharp growth at 201.7% in Brazilian Reais and 121.5% in US Dollars from the same period in 2019. This performance ties in with increased recurring purchases and building the loyalty of new customers because of the prices realignment done in 2020. It is worth noting that the Schutz brand broke its online channel sales record in May, at USD 1.2 million, and broke it again in June at USD 1.4 million. Monthly sales are expected to double by the end of the year.

Regarding the wholesale channel, the highlight goes to the 113% growth in the number of doors vs. 2019, totaling 147 (77 Nordstrom stores). In July, the sell through for Nordstrom was 245% higher than the same period in 2019 - and in the year to July, the growth was 87% in dollars.

On the marketing front, Arezzo&Co carried out important actions, resuming its regular calendar with an exclusive Schutz campaign for the US market. In September, the Alexandre Birman brand will participate for the third year at the MET Gala in New York – a gala ball held by the renowned Metropolitan Museum of Art and regarded as one of the world's top fashion events.

As underscored since the latter half of 2020, the US operation maintained breakeven at the EBITDA level, with a R$ 2.5 million in earnings in 2Q21.

Exports of our footwear elsewhere around the globe were down 45.9% from 2Q19 sales. This is explained by the effects of the pandemic, which continues to exert material impact on demand from international customers.

SUMMER CAMPAIGN | SCHUTZ US

Monobrand Chain

The Company closed the second quarter 2021 with 900 stores, of which 889 in Brazil and 11 abroad, considering the takeover of AR&CO.

Arezzo&Co is proceeding with its accelerated expansion plan. In the second quarter, the net balance was 7 stores opened. Net openings took place for the Reserva (6), Anacapri (5), Arezzo (4) and Vans (2) brands. On the other hand, 8 BriZZa pop-up stores of the Arezzo brand under temporary agreement (kiosks) shut down, and so did 2 Schutz stores.

Histórico de lojas	2T20	3T20	4T20	1T21	2T21
Área de venda[1,3] - Total (m^2)	45.544	45.012	56.461	56.906	58.199
Área de venda - franquias (m^2)	39.302	38.816	42.176	42.621	43.818
Área de venda - lojas próprias[2] (m^2)	6.242	6.196	14.285	14.285	14.381
Total de lojas no Brasil	730	724	890	882	889
Número de franquias	682	676	756	746	749
Arezzo	428	423	451	441	437
Schutz	68	67	68	67	62
Anacapri	179	179	186	187	192
Fiever	1	–	1	1	1
Alme	3	3	3	3	3
Vans	3	4	7	7	9
AR&CO	-	-	40	40	45
Número de lojas próprias	48	48	134	136	140
Arezzo	9	9	12	15	15
Schutz	16	16	16	17	20
Alexandre Birman	6	7	8	8	8
Anacapri	3	3	5	3	3
Fiever	5	4	2	2	2
Alme	3	3	2	2	2
Vans	6	6	7	7	7
AR&CO	-	-	82	82	83
Total de lojas no Exterior	11	11	11	11	11
Número de franquias	6	6	6	6	6
Número de lojas próprias[4]	5	5	5	5	5

(1) Includes overseas stores acreage
(2) Includes eleven Outlet-type stores with a total 2,450 sq.m area
(3) Includes acreage of expanded stores
(4) Includes 3 Schutz brand stores, as follows: (i) New York on Madison Avenue, (ii) Miami in the Aventura Mall and (iii) Los Angeles on Beverly Drive. Also includes 2 Alexandre Birman stores as follows: (i) Nova York on Madison Avenue e (ii) Miami in the Bal Harbour Mall.

Strategic Planning

BAW Clothing

In June, Arezzo&Co announced the acquisition of BAW Clothing – a young lifestyle brand with accelerated revenues growth and brand awareness in Brazil.

The brand was founded in 2014 and became a phenomenon by meeting the expectations of the Z generation, offering a comprehensive portfolio of knit categories with basic and comfortable shapes that can be worn by all genders and body types.

Before the acquisition, Arezzo&Co carried out several market studies and surveys, determining that BAW is the third best known streetwear brand in Brazil – with a 100%-online operation. Its reach is due to a strong marketing strategy based on digital influencers that are highly connected with its target public.

It is worth emphasizing that BAW will use the Reserva Group's supply chain to optimize its textile products, focusing on knitwear, as well as Arezzo&Co sharp footwear expertise for a quick entry into the casual sneakers market, replicating the strategy used by countless global brands in the streetwear segment. The first line of shoes developed together with Arezzo&Co will be launched in October.

BAW will further benefit from investments in technology and IT to intensify the brand's online growth, and will make its brick-and-mortar debut with stores strategically located in Brazil, the first of which to open in 2021. In addition, as a member of Arezzo&Co, BAW will rely on the group's operational structure and support areas, including tax incentives, so as to significantly increase its return, which is already at appealing levels. Until September, it is expected a move to a new distribution center in São Paulo, in order to keep up with the accelerated growth of the operation.

The brand grew 100% in recent years, and is expected to reach the same mark in 2021 (revenues in the R$ 80-R$ 100 million range). Since the acquisition, BAW has continued to perform strongly – having grown more than 60% in June and showing acceleration in the months of July and August.

In line with the Reserva Group's acquisition standards, the founders of RAW have already become shareholders and shareholding executives of Arezzo&Co after the closing of the transaction in August 09th.

ARREZZO &CO

Strategic Planning

My Shoes

SIMARIA

In September, Arezzo&Co acquired My Shoes, a footwear and bags brand with fashion content and affordable profile focusing on the B- and C+ classes. Until 2018, the brand had 40 franchises and has been inactive since then – however, it still has hundreds of thousands of social media followers.

The acquisition was the product of studies and surveys with consumers and storekeepers in the past 24 months, indicating a market need for a democratic brand with fashion content. My Shoes represents an additional step in Arezzo&Co's expansion strategy, widening the group's addressable market within the women's footwear segment to reach a more diverse profile that regards pricing as a key decision-making factor. The average ticket for My Shoes footwear and bags is in the R$ 169-R$ 229 range. In addition, by opening this front, a Arezzo&Co will develop an outsourcing network in São João Batista/SC and Jaú/SP, taking advantage of Arezzo&Co's R&D expertise and know-how.

My Shoes products will be made available on three channels, with a sharp focus on digital. The brand will operate (i) on the Mercado Livre Website and (ii) through its own e-commerce, also operated by the same platform. In either mode, Mercado Livre will be fully responsible for logistics and product distribution.

In addition, My Shoes will sell on the multibrand channel and enable operating lower per-capita income regional tiers where Arezzo&Co holds a smaller market share.

The My Shoes campaign will feature Samaria – a country singer with high adherence before the brand's target public – in a leading role. The creative director will be Giovanni Bianco, who works on the Arezzo&Co group's major campaigns. The singer's interests will be fully aligned with the company's, with a part of her compensation deriving from royalties on sales.

The brand held its first sell in to the multibrand channel on July 15, with excellent results and strong storekeeper interest. Sales to end consumers will take place mid-October. Arezzo&Co expects the brand to show satisfactory sales and returns in the first 12 months of operations.

Strategic Planning

TROC

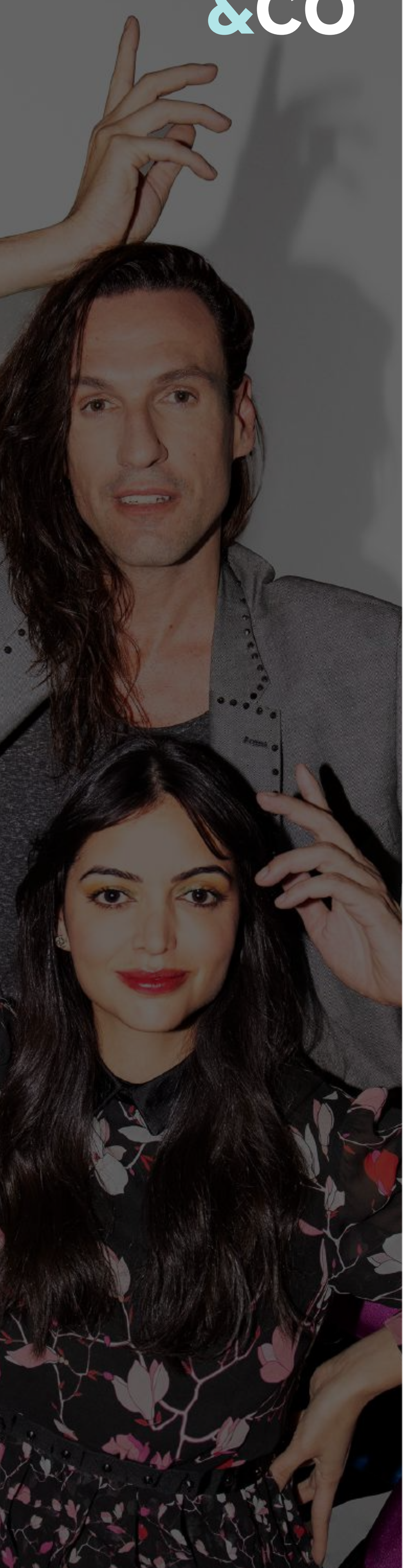
TROC, Arezzo&Co's second-hand online platform, presented a significant GMV growth compared to the second quarter of 2020. Thanks to the initial synergies captured, five of the ten best-selling brands at TROC are part of the Arezzo&Co group.
Additionally, the number of items processed increased by 720% compared to 2Q20, and the number of platform users grew by 162%, reinforcing the strong trend of circular economy adoption by the Brazilian population, together with increased awareness of TROC in this segment.

As part of the new communication and positioning strategy, TROC recently announced the hiring of Dudu Bertholini - an iconic figure in Brazilian fashion - as its creative diretor. Furthermore, TROC is launching new campaigns with different personalities linked to circular fashion, including Lilian Pacce and Marina Dias.

Valuing excellence in service and communication with its customers, TROC has a score of 9.6 on the "Reclame Aqui" website, reflecting the constant effort to improve the services offered, both for sellers and buyers of the platform, ensuring recurrence.

In addition, since 57% of the pieces collected are sold in less than 30 days, new initiatives are underway to focus on further increasing the product offer. Among them, we include the expansion of brands that operate in the "resale as a service (RAAS)" model, the capture of new items through the distribution of TROC Bags at specific points of sale (including selected Arezzo and Schutz stores), and TROC's entry into physical retail through a pilot project, scheduled to take place in the third quarter of 2021.

With the new motto "the most sustainable clothing is the one that already exists," TROC has already saved more than 550 million liters of water since its foundation.



Adjusted Gross Profit and Gross Margin

Adjusted gross profit in 2Q21 was R$ 297.8 million, with a 53.9% margin, up 710 bps from the same period in 2019. Some of the main positive factors behind the gross margin include (i) the inclusion of AR&CO in the Company's sales, with a positive impact on the Own Stores channel in particular, (ii) the increased share of Web commerce in the channels mix and (iii) the recovery of full-price sales levels in the period.

Operating Expenses

Arezzo&Co remains true to its strategic plan and a large portion of the investments discussed next reflect the Company's allocation of funds to boosting digital sales, reinforcing the organic brands' positioning, and developing new inorganic brands.

Selling Expenses

In 2Q21, Arezzo&Co's selling expenses were up 51.3% from 2Q19, reaching R$ 127.1 million. AR&CO's expenses included, selling expenses were up 85.4% from 2Q19.

(i) Own Store and Web Commerce expenses (sell out channels) at Arezzo&Co were R$ 48.2 million – up 66.1% from 2Q19. On the other hand, the online channel grew 182.1% from 2Q19 (ex- AR&Co). The increased expenses are due to the digital channel's expansion, particularly on the digital marketing and performance fronts (the latter of which is directly related with revenues) and the channel's freight/logistics expenses. AR&CO included, expenses were up 79.6%.

(ii) Arezzo&Co's Selling, Logistics and Supplies expenses were R$ 78.9 million in the period – up 43.5% from 2Q19. The main expense growth factors compared with 2019 include (i) additional expenses from the Vans brand and (ii) strategic marketing campaigns. AR&CO included, expenses were up 88.5%.

Adjusted Operating Expenses

Expenses in the US market remain below 2019 levels (down 6%) due to structural adjustments and lower occupancy costs of own stores and offices in 2020. On the other hand, the operation's accelerating revenues growth (up 51,3%), under significant influence from the Web commerce channel, requires additional investments in digital marketing, performance and freight. Selling, logistics and supplies expenses in the United States were R$ 20.7 million in 2Q21.

General and Administrative Expenses

In 2Q21, Arezzo&Co's general and administrative expenses were R$ 43.6 million, up 15.3% from 2Q19. The increase is due to the recovery of non-recurring tax credits from previous periods in 2019. Ex- this effect, expenses remained steady from 2Q19. AR&CO included, expenses were up 51.6%, for a total R$ 57.4 million.

Adjusted EBITDA and Adjusted EBITDA Margin

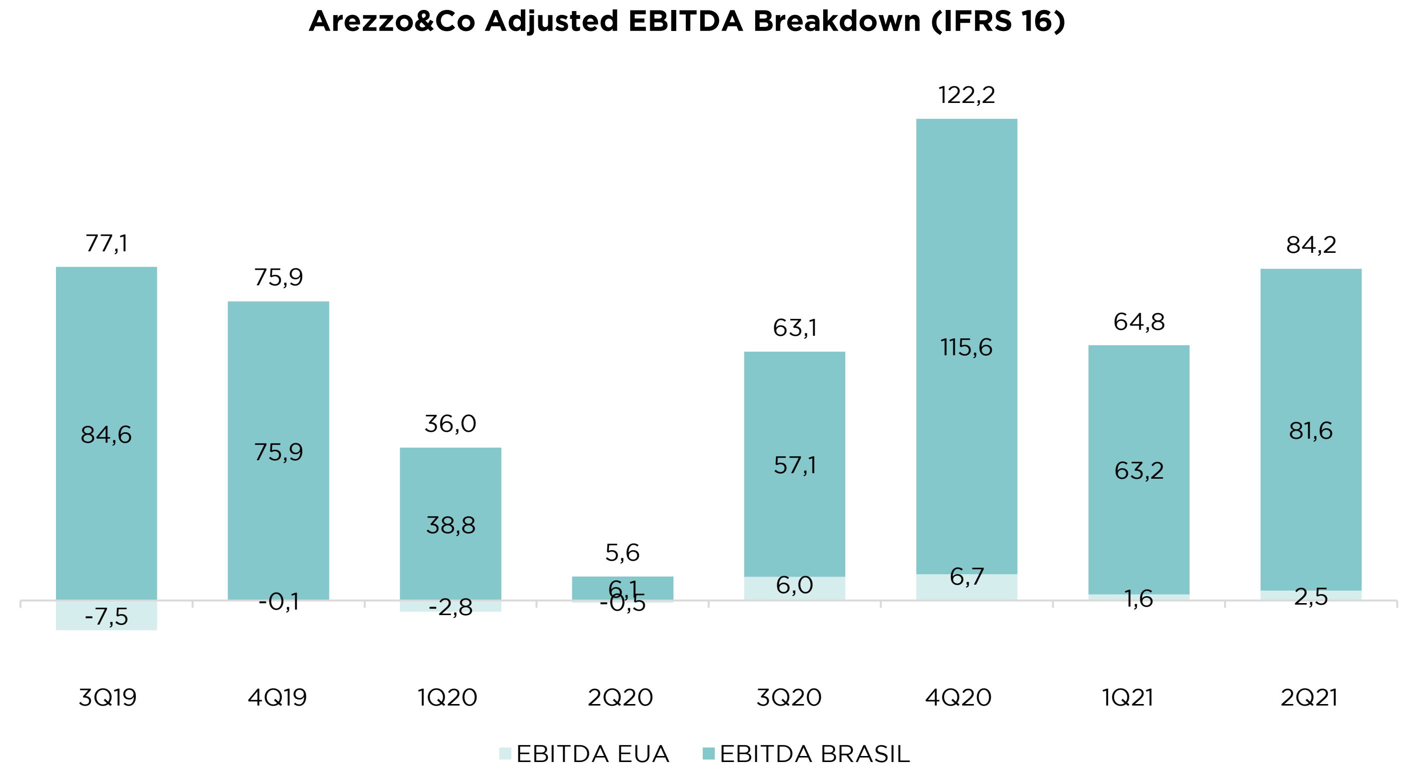
The Company's adjusted EBITDA in 2Q21 was R$ 84.2 million, up 37.1% from 2019, particular emphasis due on :

- Positive brand performance, due to (i) assertive collections and (ii) strong marketing campaigns;
- Digital sales maturity;
- Additional EBITDA from AR&CO and the Vans brand;
- Positive results from the US operations, which had R$ 2.5 million in EBITDA;

	2Q21 EBITDA			2Q20 EBITDA			2Q19 EBITDA		
	&Co	Brazil	EUA	&Co	Brazil	EUA	&Co	Brazil	EUA
Net Revenues	553,0	493,4	59,6	176,0	158,9	17,1	393,5	354,6	38,9
EBITDA	84,2	81,6	2,5	5,6	5,9	(0,3)	61,4	68,2	(6,8)
EBITDA Mg.	*15,2%*	*16,5%*	*4,2%*	*3,2%*	*3,7%*	-	*15,6%*	*19,2%*	-

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

Adjusted EBITDA and Adjusted EBITDA Margin



Adjusted results: Do not include one-off impacts and results from previous fiscal years recognized in each quarter.

Net Income and Net Margin

The Company's adjusted net income for the period was R$ 47.4 million, up 33.3% YoY, with a net margin of 8.6%, down 40 bps from 2Q19.

The following factors influenced net income: positively, (i) the excellent operating performance of Arezzo&Co in the period and the incorporation of AR&CO; and negatively the increase in (i) financial expenses, due to the higher leverage and (ii) the effective Income Tax rate.

ARREZZO &CO

ROIC – Return on Invested Capital

Adjusted return on invested capital (ROIC) – that is ex- the Company's inorganic moves in 2020 and non-recurring elements associated with the pandemic – was 38.8%, from 7.4% in 2020.

Book ROIC, by its turn, was 25.6% in 2Q21. In addition to the lower NOPAT (LTM), working capital entries (inventories, suppliers and accounts receivable) were affected by the December 2020 incorporation of AR&CO. In connection with the incorporation, it is worth emphasizing the material increase in PP&A associated with the investment, which includes elements such as intangible assets and goodwill to be amortized over the coming fiscal years.

Income from operations	2Q21 Reported	2Q21 Adjusted	2Q20	2Q19	∆ 21 x 20 (%)	∆ 21 x 19 (%)
EBIT (LTM)	369.331	387.823	90.144	196.988	330,2%	96,9%
+ IR e CS (LTM)	(46.957)	(51.482)	(29.752)	(31.596)	73,0%	62,9%
NOPAT (LTM)	322.374	336.341	60.392	165.392	456,9%	103,4%
Working Capital[1]	335.091	378.977	426.779	388.969	(11,2%)	(2,6%)
Accounts Receivable	455.695	455.695	283.071	370.837	61,0%	22,9%
Inventory	362.063	355.953	271.321	163.368	31,2%	117,9%
Suppliers	(345.773)	(345.773)	(128.762)	(111.810)	168,5%	209,3%
Others	(136.894)	(86.895)	1.149	(33.426)	(7.662,7%)	160,0%
Permanent assets	1.160.953	326.854	374.235	366.664	(12,7%)	(10,9%)
Other long-term assets[2]	187.737	187.737	37.645	39.192	398,7%	379,0%
Invested capital	1.683.781	893.568	838.659	794.825	6,5%	12,4%
Average invested capital[3]	1.261.220	866.114	816.742		6,0%	
ROIC[4]	25,6%	38,8%	7,4%			

(1) Working Capital : Current Assets minus Cash, Cash equivalents and Financial Investments subtracted from Current Liabilities and minus Loans and Financintgs and Dividends Payable.
(2) Deducted from 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 last twelve months divided by average employed capital.

Investments - CAPEX

In 2Q21, Arezzo&Co invested R$ 29.5 million in CAPEX, particular emphasis due on :

- AR&CO integration – investments in the new store architecture model and investment in IT infrastructure;
- In the "Corporate" entry, we underscore investments on the Digital Transformation front associated with squads, which were steady YoY.
- Also in the "Corporate" entry, investments were made in upgrades to the Campo Bom corporate headquarters' technology infrastructure.
- Opening of 21 new stores and renovation of 9 existing stores.

Summary of Investments	2Q21	2Q20	∆ 21 x 20 (%)	1S21	1S20	∆ 21 x 20 (%)
Total CAPEX	**29.554**	**7.361**	**301,5%**	**42.099**	**21.436**	**96,4%**
Stores - expansion and refurb	11.125	955	1.064,9%	14.930	4.907	204,3%
Corporate	16.877	5.831	189,4%	24.849	13.717	81,2%
Other	1.552	575	169,9%	2.320	2.812	(17,5%)

Cash Position and Indebtedness

The Company reached the end of 2Q21 with R$ 123.6 million in net debt. Highlights of the period are:

- R$ 385.9 million cash position;
- R$ 509.5 million in total debt from R$ 663.9 million in 1Q21.
- It is worth mentioning that the Company's indebtedness level changed in 1Q20 because of preemptive credit facilities taken.
- Net DEBT-TO-EBITDA: 0.3x.

Cash position and Indebtedness	2Q21	1Q21	2Q20
Cash	385.921	570.746	565.619
Total debt	509.496	663.892	601.347
Short-term	216.587	364.786	292.424
% total debt	42,5%	54,9%	48,6%
Long-term	292.909	299.106	308.923
% total debt	57,5%	45,1%	51,4%
Net debt	123.575	93.146	35.728
Net Debt/EBITDA	0,3x	0,6x	0,2x

Balance Sheet

Assets	2Q21	1Q21	2Q20
Current assets	1.340.793	1.523.157	1.276.801
Cash and Banks	69.625	222.598	12.965
Financial Investments	316.296	348.148	552.654
Trade accounts receivables	455.695	477.929	283.071
Inventory	362.063	348.041	271.321
Taxes recoverable	98.945	90.134	124.430
Other credits	38.169	36.307	32.360
Non-current assets	1.414.612	1.312.474	453.891
Long-term receivables	253.659	132.552	79.656
Trade accounts receivables	6.209	3.855	8.416
Deferred income and social contribution	65.922	84.364	42.011
Other credits	181.528	44.333	29.229
Investments property	4.760	2.275	3.484
Property, plant and equipment	287.324	313.409	293.326
Intangible assets	868.869	864.238	77.425
Total assets	2.755.405	2.835.631	1.730.692

Liabilities	2Q21	1Q21	2Q20
Current liabilities	864.790	983.446	576.827
Loans and financing	216.587	364.786	292.424
Lease	44.375	50.749	44.836
Suppliers	345.773	376.757	128.762
Other liabilities	258.055	191.154	110.805
Non-current liabilities	459.363	480.772	484.398
Loans and financing	292.909	299.106	308.923
Related parties	0	0	2.040
Other liabilities	13.041	15.939	10.000
Lease	142.844	161.669	163.435
Other amounts payable	5.938	4.058	0
Deferred tax	4.631	0	0
Controlling shareholders equity	1.430.980	1.371.413	669.467
Capital	808.715	808.715	352.715
Capital reserve	157.939	208.866	49.330
Profit reserves	107.895	107.895	122.118
Tax incentive reserve	227.937	227.937	213.880
Other comprehensive income	-4.927	-11.776	-12.165
Accumulated Profit	133.466	29.776	-56.411
investment losses	-45	0	0
Total Shareholder's Equity	1.431.252	1.371.413	669.467
Non-controlling interest stake	272	0	0
Total liabilities and shareholders' equity	2.755.405	2.835.631	1.730.692

Income Statement

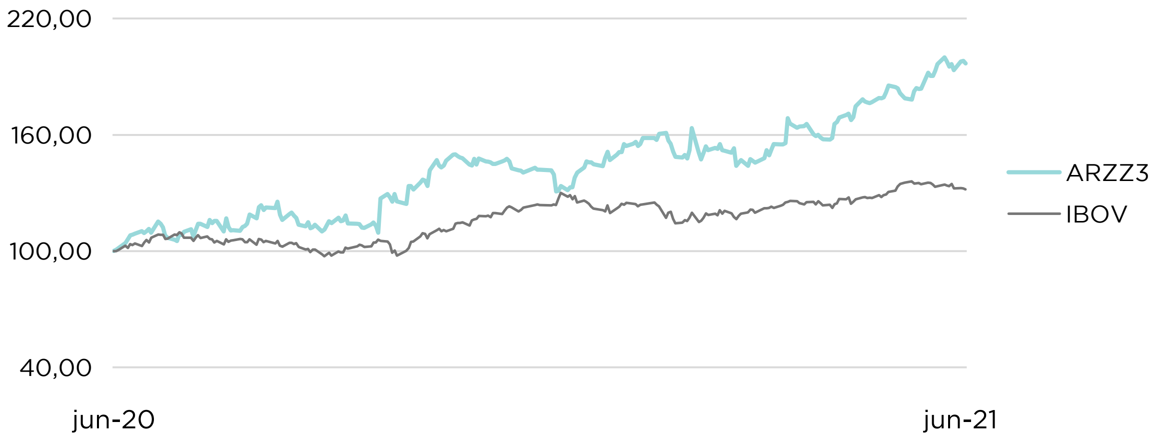
Income Statement - IFRS	2Q21	2Q20	Var.%	1S21	1S20	Var.%
Net operating revenue	552.976	154.443	258,0%	1.052.928	529.914	98,7%
Cost of goods sold	(260.004)	(74.283)	250,0%	(510.031)	(277.382)	83,9%
Gross profit	292.972	80.160	265,5%	542.897	252.532	115,0%
Operating income (expenses):	(104.000)	(171.328)	-39,3%	(312.824)	(299.682)	4,4%
Selling	(172.937)	(132.379)	30,6%	(328.566)	(249.502)	31,7%
Administrative and general expenses	(71.598)	(38.435)	86,3%	(125.031)	(77.793)	60,7%
Other operating income, net	140.535	(514)	-27441,4%	140.773	27.613	409,8%
Income before financial result	188.972	(91.168)	-307,3%	230.073	(47.150)	-588,0%
Financial income	(18.788)	(9.075)	107,0%	(27.404)	(9.847)	178,3%
Income before income taxes	170.184	(100.243)	-269,8%	202.669	(56.997)	-455,6%
Income tax and social contribution	(37.688)	17.944	-310,0%	(40.397)	586	-6993,7%
Current	(14.615)	(7.711)	89,5%	(21.056)	(25.743)	-18,2%
Deferred	(23.073)	25.655	-189,9%	(19.341)	26.329	-173,5%
Net income for period	132.496	(82.299)	-261,0%	162.272	(56.411)	-387,7%

Cash Flow

Cash Flow	2Q21	2Q20	1S21	1S20
Operating activities				
Net Income	132.496	(82.299)	162.272	(56.411)
Adjustments to reconcile the results according to the cash generated by operating activities:	33.779	41.713	89.390	133.421
Depreciation and amortization	25.142	20.316	50.007	40.595
Income from financial investments	(4.141)	(4.021)	(5.700)	(6.582)
Interest and exchange rate	(23.160)	8.852	(4.836)	57.233
Income tax and social contribution	37.688	(17.943)	40.397	(585)
Other	(1.750)	34.509	9.522	42.760
Decrease (increase) in assets				
Trade accounts receivables	17.762	106.749	135.160	119.551
Inventory	(9.858)	(19.578)	(74.241)	(96.873)
Recoverable taxes	(139.589)	(16.306)	(149.891)	(47.117)
Change in other current assets	6.091	(15.566)	(8.553)	(41.510)
Judicial deposits	(7.092)	(129)	(17.462)	(4.364)
(Decrease) increase in liabilities				
Suppliers	(32.393)	(49.496)	(49.599)	(2.905)
Labor liabilities	12.116	(3.061)	(353)	(25.134)
Fiscal and social liabilities	(13.166)	2.753	(24.758)	1.454
Variation in other liabilities	40.430	23.185	20.178	27.969
Payment of income tax and social contribution	(1.202)	(1.118)	(1.805)	(14.000)
Interest payment on loans	(5.614)	(3.949)	(8.427)	(5.367)
Net cash flow from operating activities	33.760	(17.102)	71.911	(11.286)
Investing activities				
Sale of fixed and intangible assets	213	656	388	338
Acquisition of fixed and intangible assets	(29.554)	(7.361)	(42.099)	(21.436)
Financial Investments	(636.730)	(250.324)	(1.094.197)	(1.029.143)
Redemption of financial investments	670.813	312.690	1.304.910	746.004
Acquisition of subsidiary, net cash obtained on acquisition	17	-	(11.311)	-
Net cash used in investing activities	4.759	55.661	157.691	(304.237)
Financing activities with third parties				
Increase in loans	10	50.000	65.622	455.241
Payments of loans	(125.622)	(69.951)	(177.130)	(86.979)
Instalment Lease	(14.524)	(13.343)	(36.410)	(28.813)
Net cash used in financing activities with third parties	(140.136)	(33.294)	(147.918)	339.449
Financing activities with shareholders				
Interest on equity	-	-	-	(22.675)
Receivables (payables) with shareholders	-	103	1.000	538
Repurchase of shares	(51.356)	-	(51.356)	(2.632)
Net cash used in financing activities	(51.356)	103	(50.356)	(24.769)
Increase (decrease) in cash and cash equivalents	(152.973)	5.368	31.328	(843)
Cash and cash equivalents				
Cash and cash equivalents - Initial balance	222.598	7.597	38.297	13.808
Cash and cash equivalents - Closing balance	69.625	12.965	69.625	12.965
Increase (decrease) in cash and cash equivalents	(152.973)	5.368	31.328	(843)

3. Capital Markets and Corporate Governance

On June 30, 2021, the Company's market capitalization was R$9,4 bilhões (R$ 94,50), an increase of when compared to the same period of 2020.



Arezzo&Co	
Number of shares	99.631.414
Ticker	ARZZ3
Listing	02/02/2011
Share Price (03/31/2021)	94,50
Market Cap	9.415.168.623
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]	29%

(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 30/06/2021

4. Independent Auditors

Arezzo&Co's financial statements relative to the business year ending on June 30, 2021, were audited by KPMG Auditores Independentes ("KPMG").

5. Investor Relations

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

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

6. Officer's Statement

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

7. Disclaimer

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

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

1. Corporate information

1.1. General information

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

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

At June 30, 2021, the Company had 749 franchise stores in Brazil and 6 abroad; 140 Company-operated stores in Brazil and 5 abroad; and an e-commerce channel to sell its products under the Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, INK and EVA brands.

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

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

1.2. Impacts of COVID-19

In response to the COVID-19 global pandemic declared by the World Health Organization that is affecting Brazil and many countries around the world and posing a major public health threat with impacts on the global economy, the Company has taken prevention and mitigation actions in line with guidance from local and international health authorities to minimize the impact of COVID-19 on the health and safety of its employees and their families, business partners and communities, and on its operations.

In this scenario, the Company performed COVID-19 impact analyses which included:

a) Review of assumptions for impairment testing

Management evaluated whether events or changes in economic, operating or technological circumstances have occurred that indicate that the carrying amount of intangible and tangible assets may not be recoverable.

Management concluded that at this time there are no elements to justify the recognition of additional impairment losses or changes in estimates of losses due to COVID-19.

1. Corporate information--Continued

1.2. Impacts of COVID-19--Continued

b) Expected credit loss estimation

Management has analyzed the probability of default by customers in this unprecedented challenging time. We are in daily contact with all our customers and, based on credit analyses and more stringent collateral requirements, management has negotiated extended payment terms with some customers and intensified collection efforts.

Management believes that the amount of the loss allowance is sufficient to cover losses resulting from customer default (Note 8).

c) COVID-19 related inventory impairments

Since the Company took steps to advance the delivery of new products from its suppliers before they suspended production at their plants, management estimates that current inventory levels are sufficient. In addition, possible promotional actions in the points of sale are not expected to have significant impacts on the business' margin. Thus, management believes that the recognized provision is adequate to cover any loss that may arise (Note 9).

d) Revision of assumptions for measuring financial instruments

The Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets did not change; hence the Company did not need to revise the assumptions used to measure financial instruments at June 30, 2021 (Note 26).

e) Assessment of recoverability of deferred tax assets

The Company has recognized deferred tax assets on temporary differences and tax losses and has not identified any indicators for impairment at June 30, 2021 (Note 11).

f) Analysis of fulfillment of obligations to customers and suppliers

Management has assessed its main agreements with customers and suppliers and concluded that, despite the impacts of COVID-19, the contractual obligations are being fulfilled and at June 30, 2021 there is no evidence of insolvency or any discontinuance.

1. Corporate information--Continued

1.2. Impacts of COVID-19--Continued

g) Analysis of fulfillment of financial covenants

The Company does not have any contract containing restrictive covenants (Note 16).

h) Assessment of Company's liquidity

The outbreak and spread of COVID-19 since the beginning of 2020 has affected businesses and economic activities worldwide. At the beginning of the pandemic, the Company has established a Contingency Committee to closely monitor developments with respect to COVID-19.

The Company has identified no indicator of liquidity risk for the quarter ended June 30, 2021.

2. Accounting policies

2.1. Basis of preparation and presentation of financial statements

The condensed parent company interim financial statements included in the Quarterly Information Form (ITR) have been prepared and are being presented for the six months ended June 30, 2021, in accordance with Brazilian Accounting Standard CPC 21 (R1), Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and the condensed consolidated interim financial statements included in the ITR form have been prepared and are being presented for the six months ended June 30, 2021, in accordance with CPC 21 (R1) and IAS 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). The condensed parent company and consolidated interim financial statements are in compliance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the ITR.

The accounting policies, estimates, standards and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2020 unless otherwise stated.

These condensed interim financial statements have been prepared under the historical cost convention, except for certain financial assets that are measured at fair value or amortized cost. The condensed interim financial statements are intended to provide users with an update on the relevant information presented in the most recent annual financial statements, and should be read in conjunction with the annual financial statements for the year ended December 31, 2020.

(All amounts in thousands of reais unless otherwise stated)

2. Accounting policies--Continued

2.1 Basis of preparation and presentation of financial statements--Continued

In compliance with article 29 of CVM Instruction 480/09, the Company does not repeat in full or in part in the current interim financial statements the following notes that were also included in the annual financial statements for the year ended December 31, 2020: 2- Accounting policies (part), 11 – Other receivables, 20 – Salaries and vacation pay, 21 – Taxes and social charges payable, 23 – Other payables, and 33 – Insurance.

The condensed interim financial statements for the six months ended June 30, 2021 were approved by the Board of Directors on August 9, 2021.

2.2. Basis of consolidation

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

Subsidiaries	ntry of incorpora	2021		2020	
		Direct	**Indirect**	**Direct**	**Indirect**
ZZAB Comércio de Calçados Ltda.	Brazil	**99,99%**	**-**	99,99%	-
ZZSAP Indústria e Comércio de Calçados Ltda.	Brazil	**99,99%**	**-**	99,99%	-
ZZEXP Comercial Exportadora S/A	Brazil	**99,99%**	**-**	99,99%	-
ARZZ International INC.	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.	Brazil	**100,00%**	**-**	100,00%	-
Tiferet Comércio de Roupas Ltda.	Brazil	**-**	**100,00%**	-	100,00%
Troc.com.br Atividades de Internet S.A.	Brazil	**-**	**75,00%**	-	-

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

2. Accounting policies--Continued

2.2. Basis of consolidation--Continued

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

Changes in ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions within equity.

3. Significant accounting judgments, estimates and assumptions

Due to the COVID-19 pandemic, significant accounting judgments, estimates and assumptions were updated from the last annual financial statements for the year ended December 31, 2020, as disclosed in the notes.

4. New and amended standards

On August 27, 2020, the International Accounting Standards Board (IASB) published Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) which addresses the effects of the interbank offered rate (IBOR) reform, which includes the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual reporting periods beginning on or after January 1, 2021 for IFRS financial statements.

The Company has no LIBOR-based contracts with third parties or hedge accounting as at June 30, 2021.

The amendments to accounting standards issued by the IASB and effective from January 1, 2021 have had no significant impact on the Company’s financial statements.

5. Business combinations

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

On December 4, 2020, the Company acquired 100% of the equity of Vamoquevamo Empreendimentos e Participações S.A. (“Reserva”) and obtained control of the acquiree. Reserva manufactures and sells at retail and wholesale apparel, footwear and accessories, and grants franchises, among other activities. The acquisition is part of the Company’s strategy of complementing its businesses in the fashion retail sector, enlarging the range of products and expanding its brand portfolio by adding the fashion brands Reserva, Reserva Mini, Oficina Reserva, Reserva Go, INK and EVA to Arezzo&Co Group upon consummation of the Transaction.

The provisional fair values of identifiable assets acquired and liabilities assumed are set out in the table below. The amounts have been measured on a provisional basis and will be finalized within 12 months of the acquisition date in accordance with CPC 15 – Business Combination. Management does not expect any material adjustments to provisional amounts to reflect the final measurement.

The provisional amounts recognized in respect of the business combination made on December 4, 2020 are as follows:

(All amounts in thousands of reais unless otherwise stated)

5. Business combinations--Continued

5.1. Acquisition of VamoQueVamo Empreendimentos e Participações S.A. (“Reserva”)--Continued

	Carrying amount	Fair value adjustment	Fair value
Assets acquired			
Cash and cash equivalents	71.666		71.666
Trade receivables	78.540		78.540
Inventories	66.451	5.631	72.082
Other current assets	15.531		15.531
Deferred income tax and social contribution	24.329		24.329
Property, plant and equipment	58.588	(1.911)	56.677
Investments	900		900
Intangible assets	5.942	266.280	272.222
Other non-current assets	453		453
Liabilities assumed			
Borrowings	91.806		91.806
Lease liabilities	34.712		34.712
Trade payables	36.959		36.959
Other current liabilities	49.258		49.258
Provisions for labor, tax and civil proceedings	2.959		2.959
Other non-current liabilities	4.156		4.156
Total consideration	840.209		840.209
Covered by:			
Cash	175.000		175.000
Estimated cash consideration payable	50.000		50.000
Equity instruments (8,677,134 Company shares)	**615.209**		**615.209**
Total consideration transferred	**840.209**		**840.209**
Total goodwill			**467.659**

(All amounts in thousands of reais unless otherwise stated)

5. Business combinations--Continued

5.1. Acquisition of VamoQueVamo Empreendimentos e Participações S.A. (“Reserva”)--Continued

The acquisition of subsidiary Vamoquevamo Empreendimentos e Participações S.A. involved no movement of cash and is therefore not reported in the statement of cash flows, as shown below:

	Parent company		Consolidated	
	6/30/2021	**12/31/2020**	**6/30/2021**	**12/31/2020**
Investments	**840.209**	840.209	**102.549**	103.454
Property, plant and equipment (decrease in value) (a)	**-**	-	**(1.911)**	(1.911)
Intangible assets (increase in value) (b)	**-**	-	**266.281**	266.427
Inventory (increase in value) (c)	**-**	-	**5.631**	6.111
Goodwill	**-**	-	**467.659**	466.128
Increase in share capital through issue of shares	**-**	-	**(456.000)**	(456.000)
Capital reserve	**-**	-	**(159.209)**	(159.209)
Cash outflow	**225.000**	225.000	**225.000**	225.000
Realized	**175.000**	175.000	**175.000**	175.000
Unrealized	**50.000**	50.000	**50.000**	50.000

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

a) **Property, plant and equipment:** Market comparison technique and cost technique: The valuation model considers market prices for similar assets when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

b) **Intangible assets:** Relief-from-royalty method and multi-period excess earnings 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. Intangible assets include trademarks, licensing and internally generated intangibles, and customer relationships.

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

(All amounts in thousands of reais unless otherwise stated)

5. Business combinations--Continued

5.1. Acquisition of VamoQueVamo Empreendimentos e Participações S.A. (“Reserva”)--Continued

	Customer relationships	Franchisee relationships
Revenue	The revenue projection was based on operating revenue from multi-brand customers and estimated turnover.	The revenue projection was based on operating revenue from franchise customers and estimated turnover.
Attrition rate	20.5% based on the average turnover rate of Arezzo’s multi-brand customers.	4.8% based on the average number of Arezzo franchisees lost from 1997 to 2019.
Useful life	The remaining useful life was estimated at 11.1 years, considering a concentration of approximately 90% of the total cash flows at present value of 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	13.6% based on the weighted average cost of capital (WACC) plus a risk premium.	

The relief-from royalty method was applied to brands:

Revenue	The fair value measurement for Reserva brands considered a revenue base linked to the brands.
Royalty rate	5.5% of projected net sales for brands individually, based on royalties for similar transactions and Arezzo contracts in force.
Useful life	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.
Discount rate	13.6% based on the weighted average cost of capital (WACC) plus a risk premium.

c) **Inventories:** Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. The effect of the fair value adjustment will not generate temporary differences for recognition of deferred tax assets because the inventories turn in a short time.

The gross contractual amount for trade receivables due is R$89,941, of which R$11,212 was expected to be uncollected at the date of acquisition date and so no additional adjustments were necessary.

5. Business combinations--Continued

5.1. Acquisition of VamoQueVamo Empreendimentos e Participações S.A. ("Reserva")--Continued

The goodwill of R$467,659 is attributable to the synergies expected to be achieved from integrating the entity into the Company's existing business and the expansion of the Company's addressable market. The goodwill is expected to be deducted for income tax purposes upon merger of the subsidiary in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE and the report will be filed with the Division of Corporations to meet the requirements for tax deduction of goodwill amortization expenses from this transaction.

The fair value of the 8,677,134 common shares issued as part of the consideration paid by the Company was based on the market share price at the date of acquisition of R$70.90. Acquisition-related costs were R$12,100 and have been included in administrative expenses. Reserva contributed revenues of R$90,333 and R$31,742 to the Company's profit for the period between the date of acquisition and the year-end date.

If the acquisition of Reserva had been completed on the first day of the fiscal year, the Company's revenue would have been R$2,327,787 and profit for the year ended December 31, 2020 would have been R$13,155.

5.2. Acquisition of TROC

On February 1, 2021, the Company acquired, through its subsidiary ZZAB Comércio de Calçados Ltda. ("ZZAB"), 71.13% and, through its subsidiary Tiferet ("Reserva"), 3.87% of TROC.COM.BR Atividade de Internet S.A. ("TROC"), totaling a 75% controlling interest. 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. TROC has all the elements of a business: inputs, clearly defined processes and outputs.

The acquisition of TROC is part of the Company's strategy of complementing its businesses in the fashion retail sector, enlarging the range of products and expanding its brand portfolio.

The provisional fair values of identifiable assets acquired and liabilities assumed are set out in the table below. The amounts have been measured on a provisional basis and will be finalized within 12 months of the acquisition date in accordance with CPC 15 – Business Combination. Management does not expect any material adjustments to provisional amounts to reflect the final measurement.

(All amounts in thousands of reais unless otherwise stated)

5. Business combinations--Continued

5.2. Acquisition of TROC--Continued

The amounts recognized in respect of the business combination made on February 2, 2021 are as follows:

	6/30/2021			3/31/2021
	Carrying amount	Fair value adjustment	Fair value	Balances
Assets acquired				
Cash and cash equivalents	792	-	792	792
Trade receivables	257	-	257	257
Other non-current assets	10	-	10	10
Receivables from related parties	11.000	-	11.000	-
Property, plant and equipment	207	-	207	156
Intangible assets	267	9.836	10.103	200
Liabilities assumed and non-controlling interests				
Trade payables	33	-	33	33
Other current liabilities	732	-	732	732
Other non-current liabilities	9	-	9	5.083
Non-controlling interests	6.235	-	6.235	-
Total purchase consideration				
Covered by:				
Cash	11.378	-	11.378	11.378
Estimated cash consideration payable	11.000	-	11.000	11.000
Total consideration transferred	**22.378**	-	**22.378**	**22.378**
Total goodwill			**7.018**	**26.811**

The main changes in the provisional measurement for the business combination as compared to the disclosures made at March 31, 2021 are as follows:

- Recognition of the asset (receivables from related parties) related to the subscription of TROC's capital by ZZAB in the amount of R$11,000;

- Measurement of the fair value of intangible assets (trademarks) in the amount of R$9,836;

- Recognition of non-controlling interests in the amount of R$6,235.

5. Business combinations--Continued

5.2. Acquisition of TROC--Continued

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

a) **Intangible assets:** Relief-from-royalty method, with-without method, and multi-period excess earnings 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 with-without method estimates 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. 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. Intangible assets include trademarks, non-compete agreements, and customer relationships.

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

Revenue	The revenue projection was based on historical information on revenue by customer for the 2016-2020 period.
Attrition rate	53.8% based on the average turnover rate of Arezzo’s multi-brand customers.
Useful life	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.
Discount rate	17.7% based on the Capital Asset Pricing Model (CAPM) plus a risk premium.

(All amounts in thousands of reais unless otherwise stated)

5. Business combinations--Continued

5.2. Acquisition of TROC--Continued

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

Scenarios	The value of the asset is estimated based on the difference between cash flow with non-compete agreement and cash flow without non-compete agreement. In the 'without' scenario, a 10% loss of the incremental revenue projected for the period from February 2025 to January 2027 was considered, assuming that there is no compete agreement.
Probability of competition	50%.
Useful life	The remaining useful life was estimated considering a three-year term of the non-compete 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	17.7% based on the Capital Asset Pricing Model (CAPM) plus a risk premium.

The relief-from royalty method was applied to brands:

Revenue	The fair value measurement for Reserva brands considered a revenue base linked to the brands.
Royalty rate	4.5% of projected revenue based on the average royalties for licensing agreements for brands similar to those of TROC.
Useful life	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.
Discount rate	17.7% based on the Capital Asset Pricing Model (CAPM) plus a risk premium.

The gross contractual amount for trade receivables due is R$257.

The goodwill of R$7,018 is attributable to synergy effects expected from the entity's integration into the Company's business and the expansion of the Company's addressable market. The goodwill is expected to be deducted for income tax purposes upon merger of the subsidiary in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE and the report will be filed with the Division of Corporations to meet the requirements for tax deduction of goodwill amortization expenses from this transaction.

(All amounts in thousands of reais unless otherwise stated)

5. Business combinations--Continued

5.2. Acquisition of TROC--Continued

The fair value of the consideration transferred considers the following:

(i) Acquisition by ZZAB, at the acquisition date, of 21,492 common shares, of which 8,992 are registered common shares, without par value, of Luanna de Carvalho Rodrigues and 12,500 registered common shares, without par value, of AYA Holding de Participações Ltda., for the price of R$6,028;

(ii) Subscription of 59,619 new common shares in the total amount of R$16,350: a) R$4,350 was disbursed by ZZAB at the acquisition date to pay outstanding liabilities of TROC; b) R$1,000 refers to a loan owed by TROC to ZZAB, which was converted into share capital; c) R$11,0000 will be paid in four semiannual installments.

Additionally, in the third anniversary year following the acquisition date, the shareholder Luanna de Carvalho Rodrigues may exercise a put option to sell her remaining 25% interest to ZZAB. Management is evaluating the terms of the put option measurement and believes that its effects on the financial statements are not material.

Acquisition-related costs included in administrative expenses were R$393. In the period between the acquisition date and the six months ended June 30, 2021, TROC contributed revenue of R$999 and loss of R$1,817 to the Company’s profit.

Had the acquisition of TROC been completed on the first day of the six-month period ended June 30, 2021, the Company’s revenue and profit for the period would have amounted to R$1,053,081 and R$162,137, respectively.

6. Cash and cash equivalents

	Parent company		Consolidated	
	6/30/2021	**12/31/2020**	**6/30/2021**	**12/31/2020**
Cash and banks				
Cash on hand	**21**	634	**1.113**	2.295
Cash at banks	**378**	2.657	**21.748**	36.002
Cash equivalents				
Certificates of bank deposit (CDB)	**-**	-	**15.806**	-
Automatic investments	**274**	-	**1.471**	-
Fixed-income investments	**-**	-	**29.487**	-
Total cash and cash equivalents	**673**	3.291	**69.625**	38.297

At June 30, 2021, the average rate of interest on financial investments classified as cash equivalents is 97% of the Interbank Deposit Certificate rate (CDI) for CDBs, 15% of the CDI for automatic investments, and 95% of the CDI for fixed-income securities.

(All amounts in thousands of reais unless otherwise stated)

7. Cash investments

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Current				
Fixed-income securities	**10.055**	172.265	**11.071**	233.380
Exclusive investment fund				
Financial Treasury Bills (LFT)	**76.692**	165.493	**170.474**	273.177
Securities purchased under resale agreements	**47.810**	-	**106.187**	-
Financial bills (CEF)	**12.861**	7.618	**28.564**	12.574
Certificates of bank deposit (CDB)	**-**	2.264	**-**	3.737
Total cash investments	**147.418**	347.640	**316.296**	522.868

Exclusive investment fund

ZZ Referenciado DI Crédito Privado is a private fixed-income investment fund under management, administration and custody of Banco Santander S.A. The fund has no lock-in period and therefore the investment can be withdrawn at any time without a material risk of losing money. This investment fund has no significantly high costs of operation. The fund's costs consist of asset management fees, custody fees, auditor fees, and other operational expenses.

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

As of June 30, 2021, the fund holdings accrue interest of 111% of the interest rate of interbank deposit certificates (CDI) (December 31, 2020 - 97%), LFTs represent 56% of the investment fund assets (December 31, 2020 – 56%) and 91% of the fund's assets provide daily liquidity (December 31, 2020 – 97%).

The Company's financial investment policy is to concentrate its investments in low-risk securities with top-tier financial institutions (top 10 financial institutions in the country). These investments accrue interest based mostly on the CDI rate.

At June 30, 2021, the Company has not pledged any investment as collateral to financial institutions.

(All amounts in thousands of reais unless otherwise stated)

8. Trade receivables

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Domestic customers				
Trade notes receivable	**249.644**	341.208	**298.203**	383.835
Trade notes receivable from related parties (Note 12a)	**42.395**	51.127	**-**	-
Foreign customers				
Trade notes receivable	**4.653**	4.839	**44.712**	44.488
Trade notes receivable from related parties (Note 12a)	**-**	30.523	**-**	-
Other				
Credit cards	**-**	-	**132.364**	184.541
Checks and other	**61**	61	**70**	95
	296.753	427.758	**475.349**	612.959
(-) Provision for expected credit loss	**(11.002)**	(9.192)	**(13.445)**	(11.571)
Total trade receivables	**285.751**	418.566	**461.904**	601.388
Current	**253.197**	385.479	**455.695**	598.824
Non-current	**32.554**	33.087	**6.209**	2.564

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

Trade receivables from foreign customers by currency are as follows:

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
USD	**4.653**	35.362	**43.305**	43.864
EUR	**-**	-	**1.407**	624
	4.653	35.362	**44.712**	44.488

(All amounts in thousands of reais unless otherwise stated)

8. Trade receivables--Continued

The changes in the provision for expected credit losses on trade receivables are as follows:

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
At the beginning of the period	**(9.192)**	(1.639)	**(11.571)**	(2.633)
Additions/reversals	**(4.250)**	(13.210)	**(4.314)**	(15.210)
Write-offs	**2.440**	5.657	**2.440**	6.272
At the end of the period	**(11.002)**	(9.192)	**(13.445)**	(11.571)

In calculating the expected credit losses, the Company considers the total amount of trade receivables using receivables turnover ratio, which is the main ratio used in the credit analysis. This ratio weights the amount of trade receivables and the sell out (sales from stores to end consumers), thus, customer's inventory volume usually is similar to the Company's accounts receivable from customers.

The aging analysis of these trade receivables is as follows:

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Not yet due	**272.219**	412.798	**428.049**	597.999
Up to 30 days past due	**2.424**	2.244	**11.525**	2.244
31-60 days past due	**2.538**	1.979	**5.774**	1.979
61-90 days past due	**4.860**	703	**6.743**	703
91-180 days past due	**9.602**	2.350	**11.967**	2.350
181-360 days past due	**1.530**	6.004	**4.383**	6.004
More than 360 days past due	**3.580**	1.680	**6.908**	1.680
	296.753	427.758	**475.349**	612.959

In the context of the ongoing COVID-19 pandemic, although the default rate remains high, it has dropped when compared to the levels in the first months of the pandemic, mainly due to the reopening of the stores and a gradual increase in sales. We increased our loss provision for the year ended December 31, 2020 based on our parameter used in the credit risk analysis.

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 and the sell-out of stores, we can consider extending payment terms for our customers and re-evaluate the necessity of a loss provision.

(All amounts in thousands of reais unless otherwise stated)

8. Trade receivables--Continued

With the resumption of activities and reopening of stores, the need for new sales is subject to rigorous credit criteria with credit limit check, volume of clearance sales in the last months, always observing the amount of purchase compatible with the sell-out, which has already been revised according to the new scenario.

The Company recognized a reversal of provision of R$552 in the period ended June 30, 2021 (December 31, 2020 – additional provision of R$15,210 classified in selling expenses). Management believes that its loss provision is sufficient to absorb probable losses on trade receivables.

9. Inventories

	Parent company		Consolidated	
	6/30/2021	**12/31/2020**	**6/30/2021**	**12/31/2020**
Finished products	**130.717**	81.506	**301.146**	265.378
Raw materials	**3.624**	3.408	**48.553**	17.098
Work in process	**-**	-	**10.293**	7.750
Advances to suppliers	**8.540**	5.326	**11.938**	7.884
(-) Provision for losses	**(5.748)**	(4.546)	**(9.867)**	(7.214)
Total inventories	**137.133**	85.694	**362.063**	290.896

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	6/30/2021	**12/31/2020**	**6/30/2021**	**12/31/2020**
At the beginning of the period	**(4.546)**	(5.717)	**(7.214)**	(7.453)
Additions/reversals	**(1.622)**	(94)	**(3.074)**	(1.026)
Realized	**421**	1.265	**421**	1.265
At the end of the period	**(5.747)**	(4.546)	**(9.867)**	(7.214)

Inventory losses are estimated based on obsolete or slow-moving inventory and unsold items.

(All amounts in thousands of reais unless otherwise stated)

10. Taxes recoverable

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Value-added tax on sales and services (ICMS)	**9.706**	6.878	**44.582**	19.718
Corporate income tax (IRPJ)	**4.497**	390	**4.591**	791
Social contribution on net income (CSLL)	**596**	98	**634**	206
Social integration program (PIS) and Social contri	**130.482**	-	**174.026**	55.954
Excise tax (IPI)	**-**	-	**1.331**	1.212
Other	**1.484**	4.095	**4.152**	8.153
Total	**146.765**	11.461	**229.316**	86.034
Current	**16.394**	11.461	**98.945**	86.034
Non-current	**130.371**	-	**130.371**	-

(i) Based on management's evaluation and legal advice, the Company recognized the updated amount of R$130,371 as of June 30, 2021 in the statement of income with respect to the lawsuit in the federal court concerning the exclusion of ICMS from the tax base of PIS and COFINS since October 11, 2006 and March 15, 2017, respectively.

On March 15, 2017, the Brazilian Supreme Court (STF) ruled in favor of taxpayers on extraordinary appeal No. 574.706: "ICMS must not be included in the tax base of PIS and COFINS". The Supreme Court's ruling was formalized in the minutes published on March 17, 2017 and March 20, 2017.

On May 13, 2021, the full bench of the Supreme Court ruled that the exclusion of ICMS from the tax base of PIS and COFINS is valid from March 15, 2017, at which date the Supreme Court certified that the case involved in extraordinary appeal 574706 is a question of general interest. The Supreme Court justices also clarified that the amount of ICMS that must not be included in the tax base of PIS and COFINS is the amount indicated on the invoice.

The Parent company's lawsuit is with the reporting judge for re-examination of his decision based on the Supreme Court's ruling on the matter of general interest. With regard to the subsidiary's lawsuit, the appeal shall be heard by the Federal Regional Court (TRF2).

The amount of R$174,026 presented in the consolidated financial statements comprises R$35,962 for prior periods' lawsuits with a final decision and R$7,693 for tax credits arising from monthly transactions.

(All amounts in thousands of reais unless otherwise stated)

11. Income tax and social contribution

a) Deferred taxes

	Parent company				
	6/30/2021			12/31/2020	
Basis of calculation of deferred income tax (IRPJ) and social contribution (CSLL)	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**	**IRPJ base**	**CSLL base**
Tax losses	137.618	142.458	**47.226**	87.534	87.534
Unrealized profit on inventories	23.131	23.131	**7.866**	21.169	21.169
Provision for expected credit losses on trade receivables	11.003	11.003	**3.741**	9.297	9.297
Provision for commissions	7.913	7.913	**2.690**	7.891	7.891
Provision for labor, tax and civil proceedings	7.009	7.009	**2.383**	5.721	5.721
Provision for inventory losses	5.748	5.748	**1.954**	4.546	4.546
Other provisions	13.783	13.783	**4.686**	7.519	7.519
Deferred tax assets	**206.205**	**211.045**	**70.546**	**143.677**	**143.677**
Provision for tax credits (i)	(130.371)	(130.371)	**(44.326)**	-	-
Provision for foreign exchange losses	-	-	**-**	-	-
Deferred tax liabilities	**(130.371)**	**(130.371)**	**(44.326)**	**-**	**-**
Total	**75.834**	**80.674**	**26.220**	**143.677**	**143.677**

	Consolidated				
	6/30/2021			12/31/2020	
Basis of calculation of deferred income tax (IRPJ) and social contribution (CSLL)	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**	**IRPJ base**	**CSLL base**
Tax losses	235.468	240.308	**80.494**	166.438	166.438
Unrealized profit on inventories	23.131	23.131	**7.864**	21.169	21.169
Provision for expected credit losses on trade receivables	12.307	12.307	**4.184**	10.382	10.382
Provision for commissions	7.913	7.913	**2.690**	7.891	7.891
Provision for labor, tax and civil proceedings	12.715	12.715	**4.323**	12.735	12.735
Provision for inventory losses	14.241	14.241	**4.841**	10.743	10.743
Other provisions	17.214	17.214	**5.852**	10.283	10.283
Deferred tax assets	**322.989**	**327.829**	**110.248**	**239.641**	**239.641**
Provision for tax credits (i)	(130.371)	(130.371)	**(44.324)**	-	-
Provision for foreign exchange losses	(13.630)	(13.630)	**(4.633)**	(2.488)	(2.488)
Deferred tax liabilities	**(144.001)**	**(144.001)**	**(48.957)**	**(2.488)**	**(2.488)**
Total	**178.988**	**183.828**	**61.291**	**237.153**	**237.153**

(i) Recognized tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS.

(All amounts in thousands of reais unless otherwise stated)

11. Income tax and social contribution--Continued

The reconciliation of deferred tax assets is as follows:

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Opening balance	**48.850**	15.196	**80.632**	15.682
Tax benefit (expense) recognized in the statement of incom	**(22.630)**	33.654	**(19.341)**	40.622
Acquisition of subsidiary	**-**	-	**-**	24.328
Balance at the end of the period	**26.220**	48.850	**61.291**	80.632

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	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
2021	**27.382**	24.828	**42.320**	31.528
2022	**28.831**	19.555	**46.322**	26.072
2023	**14.333**	4.467	**21.606**	13.209
2024	**-**	-	**-**	9.823
Total deferred income tax and social contribution	**70.546**	48.850	**110.248**	80.632

(All amounts in thousands of reais unless otherwise stated)

11. Income tax and social contribution--Continued

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

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

	Parent company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Profit before income tax and social contribution	**189.119**	(80.402)	**202.669**	(56.997)
Statutory tax rate	**34,0%**	34,0%	**34,0%**	34,0%
Expected income tax and social contribution expense at statutory tax rate	**(64.300)**	27.337	**(68.907)**	19.379
Share of net profits of subsidiaries accounted for using the equity method	**15.408**	(8.309)	**-**	-
Government subsidies (i)	**10.070**	4.641	**25.318**	8.801
Interest on capital	**10.060**	-	**10.060**	-
Tax benefits from technological innovation and research expenses - Law 11,196/05	**5.844**	1.215	**5.844**	1.215
Tax incentives (Workers' Meal Program (PAT), Rouanet Law)	**69**	138	**156**	303
Unrecognized deferred tax assets on tax losses of subsidiaries	**-**	-	**(8.054)**	(27.582)
Share option plan expenses	**(435)**	(771)	**(435)**	(771)
Other permanent differences	**(2.778)**	(259)	**(4.379)**	(759)
Income tax and social contribution expense	**(26.062)**	23.992	**(40.397)**	586
Current	**(3.432)**	(3.993)	**(21.056)**	(25.743)
Deferred	**(22.630)**	27.985	**(19.341)**	26.329
Income tax and social contribution expense	**(26.062)**	23.992	**(40.397)**	586
Effective tax rate (ii)	**13,78%**	29,84%	**20,88%**	1,03%

(i) ICMS tax incentives according to Complementary Law 160/2017 (Note 29).

(ii) The effective tax rate for consolidated amounts is based on estimated year, six months realized and the remainder of the estimated year.

In the period ended June 30, 2021, the Company has unrecognized deferred tax assets of R$8,054 on tax losses of one foreign subsidiary and one Brazilian subsidiary.

(All amounts in thousands of reais unless otherwise stated)

12. Balances and transactions with related parties

a) Balances and transactions with subsidiaries and controlling shareholders

	6/30/2021						
	Current assets		Non-current assets		Non-current liabilities	Transactions	
	Accounts receivable	Dividends	Accounts receivable	Loans to related parties	Trade payables	Revenues	Purchases
Parent company							
ARZZ International INC	-	-	29.395	-	-	-	-
ZZAB Comércio de Calçados Ltda.	4.547	-	-	20.996	882	174.905	674
ZZSAP Indústria e Comércio de Calçados Ltda.	115	-	-	10.782	2.359	1	67.360
ZZEXP Comercial Exportadora S/A	3.937	14.984	-	-	-	962	-
TIFERET Comércio de Roupas Ltda	4.402	-	-	-	-	4.266	-
Total - Parent company	**13.001**	**14.984**	**29.395**	**31.778**	**3.241**	**180.134**	**68.034**

	12/31/2020				6/30/2020	
	Current assets	Non-current assets		Non-current liabilities	Transactions	
	Accounts receivable	Accounts receivable	Loans to related parties	Trade payables	Revenues	Purchases
Parent company						
ARZZ Co International INC	-	30.523	24.271	-	96	-
ZZAB Comércio de Calçados Ltda.	47.850	-	-	5.693	136.713	1.071
ZZSAP Indústria e Comércio de Calçados Ltda.	302	-	20.754	275	14	37.415
ZZEXP Comercial Exportadora S/A	2.975	-	-	-	122	-
Total - Parent company	**51.127**	**30.523**	**45.025**	**5.968**	**136.945**	**38.486**

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.

Loan transactions in the period ended June 30, 2021 were entered into with subsidiaries and amount to R$31,778 (December 2020 - R$45,025). The loans carry interest at 3% p.a. and the loan agreements mature on December 31, 2021.

The most common related-party transactions are:

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

(All amounts in thousands of reais unless otherwise stated)

12. Balances and transactions with related parties--Continued

c) Management compensation

Compensation of management personnel consists of salaries, profit sharing and share-based payment. At June 30, 2021, total compensation paid to management personnel was R$10,562 (June 30, 2020 – R$8,106) as shown below::

	6/30/2021	6/30/2020
Annual fixed remuneration - salary	**4.055**	3.467
Variable remuneration - bonus	**4.410**	3.473
Share-based payments	**2.097**	1.186
Total compensation paid to management personn	**10.562**	8.126

The expenses related to the share option and restricted stock plans (Note 28) are presented as operating expenses before finance income and costs.

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 June 30, 2021, certain Company officers and directors directly own a total interest of 50.3% in the Company (December 31, 2020 – 45.8%).

e) Transactions with other related parties

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 period ended June 30, 2021, this firm received R$335 (June 30, 2020 - R$280).

(All amounts in thousands of reais unless otherwise stated)

13. Investments in subsidiaries

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

	6/30/2021					
	Assets	Liabilities	Equity	Capital	Net revenue	Profit (loss) for the period
ARZZ International INC	179.897	223.834	(43.937)	252.250	104.153	(21.087)
ZZAB Comércio de Calçados Ltda.	446.253	98.049	348.204	98.383	283.042	41.266
ZZSAP Ind.e Com.de Calçados Ltda.	97.119	41.246	55.873	22.822	79.427	556
ZZEXP Comercial Exportadora S/A	165.692	152.351	13.341	2.000	58.014	10.978
VQV Empreendimentos e Participações S.A.	387.756	239.931	147.865	101.044	169.607	13.605

	12/31/2020					6/30/2020
	Assets	Liabilities	Equity	Capital	Net revenue	Profit (loss) for the period
ARZZ International INC	214.423	279.473	(65.050)	212.093	163.968	(81.124)
ZZAB Comércio de Calçados Ltda.	434.821	132.640	302.181	93.614	497.312	45.930
ZZSAP Ind.e Com.de Calçados Ltda.	99.260	39.174	60.086	27.592	110.215	982
ZZEXP Comercial Exportadora S/A	125.219	107.871	17.348	2.000	75.478	9.774
VQV Empreendimentos e Participações S.A.	365.958	230.762	135.196	101.044	71.246	-

b) Balances of investments and share of net profits of subsidiaries accounted for using the equity method

	Investments		equity-accounted subsidiaries	
	6/30/2021	**12/31/2020**	**6/30/2021**	**6/30/2020**
ZZAB Comércio de Calçados Ltda.	**348.204**	302.181	**41.266**	45.930
ZZSAP Indústria e Comércio de Calçados Ltda.	**55.873**	60.086	**556**	982
ZZEXP Comercial Exportadora S/A	**13.341**	17.348	**10.978**	9.774
VQV Empreendimentos e Participações S.A.	**147.865**	135.196	**13.605**	-
Goodwill arising on acquisition of subsidiary	**467.659**	466.127	**-**	-
Fair value adjustments arising on acquisition of sub	**264.909**	270.627	**-**	-
Total investments	**1.297.851**	1.251.565	**66.405**	56.686
ARZZ International INC	**(43.937)**	(65.050)	**(21.087)**	(81.124)
Total	**1.253.914**	1.186.515	**45.318**	(24.438)

(All amounts in thousands of reais unless otherwise stated)

13. Investments in subsidiaries--Continued

c) Changes in investments

	6/30/2021	12/31/2020
Beginning of the period	**1.186.515**	254.653
Capital contribution	**40.158**	84.949
Distribution of dividends	**(14.984)**	(19.790)
Amortization of fair value adjustments arising on acquisition	**(5.091)**	840.208
Share of net profits of equity-accounted subsidiaries	**45.318**	38.182
Reversal of expired dividends of subsidiary	**-**	2.101
Other comprehensive income (loss)	**1.998**	(13.788)
End of the period	**1.253.914**	1.186.515

d) Distribution of dividends

The subsidiary ZZEXP Comercial Exportadora S.A. proposed to pay dividends of R$14,984 to the Company out of its net profit for the year ended December 31, 2020.

(All amounts in thousands of reais unless otherwise stated)

14. Property, plant and equipment

Changes 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	Total
At December 31, 2019	6.382	5.161	3.912	14.263	12	84	27.385	57.199
Purchases	1.904	287	425	2.487	-	-	3.141	8.244
Depreciation	(1.145)	(473)	(404)	(1.194)	(2)	-	(3.828)	(7.046)
Write-offs	(340)	-	(3)	-	-	-	(2.270)	(2.613)
At June 30, 2020	6.801	4.975	3.930	15.556	10	84	24.428	55.784
At December 31, 2020	**5.828**	**4.755**	**4.066**	**13.732**	**9**	**84**	**20.598**	**49.072**
Purchases	**1.703**	**251**	**1.019**	**2.371**	**-**	**-**	**2.510**	**7.854**
Depreciation	**(1.118)**	**(489)**	**(516)**	**(1.237)**	**(1)**	**-**	**(3.950)**	**(7.311)**
Write-offs	**-**	**-**	**-**	**-**	**-**	**(84)**	**-**	**(84)**
At June 30, 2021	**6.413**	**4.517**	**4.569**	**14.866**	**8**	**-**	**19.158**	**49.531**
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	

Consolidated	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Land	Right-of-use assets	Total
At December 31, 2019	7.816	21.587	11.362	58.727	11	84	204.495	304.082
Purchases	2.337	4.464	566	4.284	-	-	16.327	27.978
Depreciation	(1.365)	(1.680)	(1.112)	(3.945)	(2)	-	(24.884)	(32.988)
Write-offs	(808)	(5.091)	(18)	(13.568)	-	-	(41.222)	(60.707)
Foreign exchange	249	2.554	-	6.466	-	-	45.691	54.960
At June 30, 2020	8.229	21.833	10.798	51.964	9	84	200.407	293.325
At December 31, 2020	**8.632**	**27.455**	**13.267**	**61.777**	**15**	**84**	**205.070**	**316.300**
Purchases	**3.975**	**1.686**	**3.100**	**4.230**	**-**	**-**	**6.228**	**19.219**
Depreciation	**(1.757)**	**(1.140)**	**(1.349)**	**(10.345)**	**(2)**	**-**	**(29.800)**	**(44.393)**
Write-offs	**-**	**-**	**(7)**	**(65)**	**-**	**(84)**	**(185)**	**(341)**
Foreign exchange variation	**(24)**	**(276)**	**-**	**(28)**	**-**	**-**	**(3.364)**	**(3.692)**
Acquisition of subsidiary	**94**	**72**	**-**	**65**	**-**	**-**	**-**	**231**
At June 30, 2021	**10.920**	**27.798**	**15.012**	**55.633**	**13**	**-**	**177.949**	**287.324**
Average depreciation rate	20%	10%	10%	10%	20%	-	25%	

(All amounts in thousands of reais unless otherwise stated)

15. Intangible assets

Changes in intangible assets are as follows:

Parent company	Trademarks and patents	Software licenses	Total
At December 31, 2019	5.336	36.044	41.380
Purchases	109	8.503	8.612
Amortization	-	(3.658)	(3.658)
At June 30, 2020	5.445	40.889	46.334
At December 31, 2020	**5.582**	**51.928**	**57.510**
Purchases	**3.131**	**16.373**	**19.504**
Amortization	**-**	**(3.903)**	**(3.903)**
At June 30, 2021	**8.713**	**64.398**	**73.111**
Average depreciation rate	Indefinite	20%	

Consolidated	Trademarks and patents	Key money	Key money	Customer relationships	Goodwill	Software licenses	Total
At December 31, 2019	6.494	28.047	120	-	-	40.386	75.047
Purchases	109	-	-	-	-	9.678	9.787
Amortization	-	-	-	-	-	(7.607)	(7.607)
Write-offs	-	(1.317)	-	-	-	(5)	(1.322)
Foreign exchange variation	384	-	-	-	-	1.136	1.520
Transfers	-	120	(120)	-	-	-	-
At June 30, 2020	6.987	26.850	-	-	-	43.588	77.425
At December 31, 2020	**261.966**	**33.827**	**-**	**12.271**	**466.128**	**55.676**	**829.868**
Purchases	**10.127**	**-**	**1.085**	-	**7.018**	**24.891**	**43.120**
Amortization	**-**	**-**	**(287)**	(64)	**-**	**(5.262)**	**(5.613)**
Foreign exchange variation	**(52)**	**-**	**-**	**-**	**-**	**(98)**	**(150)**
Transfers	**-**	**(5.177)**	**5.177**	**-**	**-**	**-**	**-**
Adjustment for acquisition of subs	**351**	**-**	**-**	**(499)**	**1.531**	**260**	**1.644**
At June 30, 2021	**272.392**	**28.650**	**5.975**	**11.708**	**474.677**	**75.467**	**868.869**
Average depreciation rate	Indefinite	Indefinite	Definite	7%	Indefinite	20%	

In the period ended June 30, 2021, costs of research and development of new products of R$8,301, Parent company and Consolidated (June 30, 2020 - R$13,277) were recognized in "General and administrative expenses".

The Company performed an impairment test and did not identify any indicators for impairment of intangible assets for the period ended June 30, 2021.

(All amounts in thousands of reais unless otherwise stated)

16. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
In local currency	**190.048**	204.747	**267.114**	287.770
FINAME (a)	**-**	-	**242**	279
FINEP (b)	**1.280**	3.839	**1.280**	3.839
Working capital - Law 4,131 (c)	**-**	-	**76.815**	82.744
Working capital - Law 4,131 (d)	**151.233**	150.878	**151.242**	150.878
Working capital - Law 4,131 (e)	**37.535**	50.030	**37.535**	50.030
In foreign currency	**152.363**	256.024	**242.382**	346.499
Working capital - Law 4,131 (f)	**-**	103.989	**-**	103.989
Working capital - Law 4,131 (g)	**152.363**	156.180	**152.363**	156.180
Working capital - Law 4,131 (h)	**-**	-	**5.203**	8.106
ACC (i)	**-**	-	**73.366**	61.164
PPE (j)	**-**	-	**11.450**	23.788
(+/-) Swap -working capital (k)	**-**	(4.145)	**-**	(6.728)
Total borrowings	**342.411**	460.771	**509.496**	634.269
Current	**114.732**	142.160	**216.587**	239.483
Non-current	**227.679**	318.611	**292.909**	394.786

At June 30, 2021, the maturities and interest rate and charges on borrowings are as follows:

a) Machine and equipment financing (Finame): 6% p.a. with monthly installments and final maturity in October 2024;
b) Study and project financing (FINEP): 4% p.a. limited to Long-Term Interest Rate (TJLP), with maturities until September 2021;
c) Working capital – Law 4,131: denominated in Brazilian reais plus average interest rate of CDI as of June 30, 2021 + 3.02% p.a., with a maturity in March 2025;
d) Working capital – Law 4,131: denominated in Brazilian reais plus average interest rate of CDI as of June 30, 2021 + 1.85% p.a., with a maturity in December 2022;
e) Working capital – Law 4,131: denominated in Brazilian reais plus average interest rate of CDI as of June 30, 2021 + 1.90% p.a., with a maturity in March 2022;
f) Working capital – Law 4,131: denominated in U.S. dollars plus average interest rate of CDI as of June 30, 2021 + 3.90% p.a., with a maturity in September 2021;
g) Working capital – Law 4,131: denominated in U.S. dollars plus average interest rate of CDI as of June 30, 2021 + 2.35% p.a., with a maturity in December 2022;
h) Working capital – Law 4,131: denominated in U.S. dollars with USD/BRL swap plus average interest rate of CDI as of June 30, 2021 + 3.24% p.a., with a maturity in April 2023;

(All amounts in thousands of reais unless otherwise stated)

16. Borrowings--Continued

i) Advance on foreign exchange contract (ACC): denominated in U.S. dollars plus average interest rate of 2.40% p.a. at June 30, 2021 plus foreign exchange variation. There are several agreements with a final maturity in February 2022;
j) Export prepayment (PPE): denominated in U.S. dollars plus average interest rate of 3.17% p.a. as of June 30, 2021 plus foreign exchange variation, with a final maturity in December 2021;
k) In the period ended June 30, 2021, swaps were reclassified from "borrowings" to "other payables" and "other receivables" according to their nature.

Details of the movements in borrowings are as follows:

Parent company	FINEP	Transaction 4131	Total
At December 31, 2019	8.957	40.301	49.258
Proceeds from borrowings	-	527.344	527.344
Payment of principal	(5.118)	(134.762)	(139.880)
Payment of interest	(234)	(4.710)	(4.944)
Accrued interest and foreign exchange variation	234	28.759	28.993
At December 31, 2020	**3.839**	**456.932**	**460.771**
Payment of principal	**(2.559)**	**(117.814)**	**(120.373)**
Payment of interest	**-**	**(4.059)**	**(4.059)**
Accrued interest and foreign exchange variation	**-**	**6.072**	**6.072**
At June 30, 2021	**1.280**	**341.131**	**342.411**

Consolidated	FINAME	PPE	ACC	FINEP	Transaction 4131	Total
At December 31, 2019	350	64.722	66.454	8.957	40.301	180.784
Proceeds from borrowings	-	18.583	6.925	-	527.343	552.851
Payment of principal	-	-	-	-	88.959	88.959
Payment of interest	(53)	(64.722)	(8.104)	(5.118)	(135.888)	(213.885)
Accrued interest and foreign exchange variation	(37)	33	(3.847)	(234)	(4.969)	(9.054)
Foreign exchange variation (comprehensive income)	19	5.172	(264)	234	29.453	34.614
At December 31, 2020	**279**	**23.788**	**61.164**	**3.839**	**545.199**	**634.269**
Proceeds from borrowings	**-**	**9.291**	**56.321**	**-**	**10**	**65.622**
Payment of principal	**-**	**(23.787)**	**(22.420)**	**(2.559)**	**(128.364)**	**(177.130)**
Payment of interest	**(50)**	**17**	**(2.800)**	**-**	**(5.594)**	**(8.427)**
Accrued interest and foreign exchange variation	**13**	**2.141**	**(18.899)**	**-**	**11.907**	**(4.838)**
At June 30, 2021	**242**	**11.450**	**73.366**	**1.280**	**423.158**	**509.496**

(All amounts in thousands of reais unless otherwise stated)

16. Borrowings--Continued

The amounts classified as non-current liabilities mature as follows:

	Parent company		Consolidated	
	6/30/2021	**12/31/2020**	**6/30/2021**	**12/31/2020**
2022	**227.679**	318.611	**254.030**	358.751
2023	**-**	-	**24.792**	22.668
2024	**-**	-	**12.470**	11.772
2025	**-**	-	**1.617**	1.595
Total borrowings	**227.679**	318.611	**292.909**	394.786

Borrowings are secured by Group entities' guarantee and bank letters of guarantee, and do not contain financial covenants. The restrictive qualitative covenants have been complied with. Finame agreements are secured by the financed assets.

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A ("Bank"), to have borrowing facilities available for Arezzo franchisees that are located in the area where the Bank operates, using the funds from the Northeast Region Constitutional Finance Fund (FNE) to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees through working capital loans, if needed.

Under the terms of the agreement, the Company shall be the guarantor for these transactions through a surety bond when contracted by store owners. At June 30, 2021, these transactions amounted to R$866 (December 31, 2020 - R$1,333).

The Company has a technical and financial cooperation agreement with Banco Alfa, to have borrowing facilities available for Arezzo franchisees, using the funds from the National Bank for Economic and Social Development ("BNDES") to finance modernization of franchisees' stores, according to the standards established by the Company, as well as to finance operations of franchisees. The Company is the guarantor for these transactions. At June 30, 2021, the balance of transactions guaranteed by the Company was R$4,696 (December 31, 2020 - R$6,605).

The Company has no loss experience on such transactions.

(All amounts in thousands of reais unless otherwise stated)

17. Trade payables

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Domestic suppliers	**26.867**	79.466	**113.476**	133.212
Supplier finance (a)	**218.701**	247.326	**229.876**	262.591
Related parties (Note 12.a)	**3.241**	5.968	**-**	-
Foreign suppliers	**491**	3.061	**2.421**	3.386
Total trade payables	**249.300**	335.821	**345.773**	399.189

a) The Company has agreements with Banco Itaú Unibanco S.A. ("Bank") to structure with its main suppliers a supplier finance arrangement. In this arrangement, the suppliers transfer the right to receive their invoices to the Bank which, in turn, will become the creditor in the transaction. Management continues to operate with a supplier payment term of 120 days. The supplier payment term extension is a strategic initiative of the Company and there were neither changes in the supplier finance arrangement nor additional costs or changes in prices. Thus, the Company believes that the presentation of this transaction within "Trade payables" is adequate.

18. Leases

a) Movements in right-of-use assets

	Parent company	Consolidated
Total right-of-use assets at December 31, 2019	**27.385**	**204.495**
Additions	3.141	16.327
Write-offs	(2.270)	(41.222)
Depreciation	(3.828)	(24.884)
Foreign exchange variation	-	45.691
Total right-of-use assets at June 30, 2020	**24.428**	**200.407**
Total right-of-use assets at December 31, 2020	**20.597**	**205.070**
Additions	2.511	6.228
Write-offs	-	(185)
Depreciation	(3.950)	(29.800)
Foreign exchange variation	-	(3.364)
Total right-of-use assets at June 30, 2021	**19.158**	**177.949**

(All amounts in thousands of reais unless otherwise stated)

18. Leases--Continued

b) Movements in lease liabilities:

	Parent company	Consolidated
Lease liabilities at December 31, 2019	**28.646**	**209.058**
Discount to present value	(286)	(1.360)
Lease payments	(4.289)	(25.512)
Interest expense on lease liabilities	714	2.558
Additions	3.427	17.686
Write-offs	(1.931)	(42.124)
Foreign exchange variation	-	47.966
Lease liabilities at June 30, 2020	**26.281**	**208.272**
Lease liabilities at December 31, 2020	**22.548**	**213.360**
Discount to present value	69	683
Lease payments	(4.555)	(32.593)
Interest expense on lease liabilities	674	3.970
Additions	2.441	5.543
Write-offs	-	(188)
Foreign exchange variation	-	(3.556)
Lease liabilities at June 30, 2021	**21.177**	**187.219**
Current	**6.677**	**44.375**
Non-current	**14.500**	**142.844**

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, set out below is the maturity profile of the Company's contracts and undiscounted cash flows as of June 30, 2021:

(All amounts in thousands of reais unless otherwise stated)

18. Leases--Continued

c) Future commitments--Continued

	Cash flows (present value) Non-current liabilities		Gross contractual cash flows	
	Parent company	Consolidated	Parent company	Consolidated
2021	4.442	27.119	5.015	34.243
2022	4.536	41.608	5.406	46.104
2023	3.580	37.169	4.206	39.934
2024	2.623	29.293	3.050	30.658
2025	1.826	20.971	2.132	21.548
After 2026	4.170	31.059	4.443	31.921
Total	**21.177**	**187.219**	**24.252**	**204.408**
Potential PIS and COFINS tax credits	1.959	7.950	2.243	8.981

d) Reconciliation of lease payments:

	Parent company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Cash outflow (statement of cash	**(4.711)**	(4.420)	**(36.410)**	(28.813)
Lease payments in the period	**(4.555)**	(4.289)	**(32.593)**	(25.513)
Short-term leases	**(156)**	(29)	**(854)**	(2.988)
Leases of low-value assets	**-**	(102)	**(226)**	(102)
Variable lease payments	**-**	-	**(2.737)**	(210)

(All amounts in thousands of reais unless otherwise stated)

19. Provisions for labor, tax and civil proceedings

The Company and its subsidiaries are parties to judicial and administrative proceedings involving tax, social security, 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 supported by judicial deposits, as follows:

	Parent company		Consolidated	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Labor	**5.286**	3.990	**10.489**	10.291
Tax	**1.675**	1.675	**2.044**	2.044
Civil	**48**	56	**375**	593
Total provisions for labor, tax and civil contingencies	**7.009**	5.721	**12.908**	12.928

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 claims, management believes that the provision amounts are sufficient to cover probable losses.

Tax: The Company and its subsidiary ZZSAP 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 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 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:

(All amounts in thousands of reais unless otherwise stated)

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

Parent company	Labor	Tax	Civil	Total
At December 31, 2020	3.990	1.675	56	5.721
Additions/adjustments	3.538	-	1	3.539
Reversals/payments	(2.242)	-	(9)	(2.251)
At June 30, 2021	**5.286**	**1.675**	**48**	**7.009**

Consolidated	Labor	Tax	Civil	Total
At December 31, 2020	10.289	2.044	595	12.928
Additions/adjustments	4.428	-	40	4.468
Reversals/payments	(4.228)	-	(260)	(4.488)
At June 30, 2021	**10.489**	**2.044**	**375**	**12.908**

At June 30, 2021, the Company and its subsidiaries have other labor, tax and civil proceedings at the administrative and judicial levels amounting to approximately R$144,462 (December 31, 2020 – R$86,152), 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 June 30, 2021 comprises R$64,368 (December 31, 2020 – R$69,595) related to labor proceedings, R$65,001 (December 31, 2020 – R$6,778) of tax proceedings, and R$15,093 (December 31, 2020 –R$9,779) 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 assesses 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 June 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$6,634.

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$8,674.

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$10,023.

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; excess deduction 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 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 had a substantial business purpose and an economic effect. The likelihood of loss is considered reasonably possible in the amount of R$29,531.

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

Contingent assets

The Company and its subsidiary Tiferet 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.

   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 proceeding.

   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. The subsidiaries have already obtained favorable decisions exempting them from paying DIFAL until a Complementary Law that regulates the levy of DIFAL is enacted. This represents savings of approximately R$6,036 for ZZAB and R$940 for Tiferet, totaling R$6,976.

   At the same time, the subsidiaries continue to make judicial deposits as their obligation to make the judicial deposits was not suspended. The Company is awaiting the conclusion of each lawsuit to determine the amount of the judicial deposits, which amount to approximately R$20,090 for ZZAB and R$2,137 for Tiferet.

These are contingent assets and as such they will be measured and recognized when the lawsuits are settled in favor of the Company and its subsidiaries.

Legislation in force

Pursuant to the legislation in force in Brazil, federal, state and municipal 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.

(All amounts in thousands of reais unless otherwise stated)

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

Judicial deposits and judicial guarantees

At June 30, 2021, judicial deposits are R$20,228 (December 31, 2020 - R$17,585) – Parent company, and R$48,434 (December 31, 2020 - R$30,970) – 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 June 30, 2021, the balance of judicial guarantee insurance is R$75,896.

20. Share capital and reserves

20.1 Share capital

At June 30, 2021, the Company's capital consisted of 99,631 thousand common shares.

	Number of shares (thousands)	Share capital R$
At December 31, 2019	90.954	352.715
Issue of shares	8.677	615.209
At December 31, 2020	**99.631**	**967.924**
Recognition of capital reserve	-	(159.209)
At June 30, 2021	**99.631**	**808.715**

In the annual financial statements for the year ended December 31, 2020, the Company incorrectly disclosed an increase of share capital of R$615,209 by way of issuing new shares while the actual amount was R$456,000.

20.2 Capital reserves

The Company recorded a capital reserve of R$159,209 from the positive difference between the closing price of the Company shares at the effective date of the share capital increase and the issue price of the shares as per the minutes of the extraordinary general meeting held on November 27, 2020.

20.3 Treasury shares

As at June 30, 2021, the balance of treasury shares is R$51,547 (December 31, 2020 - R$191), consisting of 553,679 common shares at an average acquisition cost of R$93.10.

(All amounts in thousands of reais unless otherwise stated)

20. Share capital and reserves--Continued

20.3 Treasury shares--Continued

The balance of treasury shares is as follows:

	2021	2020
R$	51.547	191
Quantity	553.679	3.679
Average cost	93,10	52,03

In June 2021, the Company bought back 550,000 common shares for the purpose of transferring them as part of the payment for acquisition of quotas in BAW (Note 30).

21. Dividends and interest on capital paid and proposed

21.1 Dividends

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

On April 29, 2021, the payment of R$2,582 was approved for supplementary dividends out of the profit for the year ending December 31, 2021. These dividends will be paid out in a lump sum on July 30, 2021 without accrued interest.

21.2 Interest on capital – Law 9,249/95

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

On June 28, 2021, the payment of R$29,591 was approved for interest on capital out of the profit for the year ending December 31, 2021. The interest on capital will be paid out in a lump sum on July 30, 2021 without accrued interest.

22. Earnings per share

In compliance with CPC 41/ IAS 33, the Company presents below earnings per share information for the six months ended June 30, 2021 and 2020.

(All amounts in thousands of reais unless otherwise stated)

a) Basic earnings per share

	6/30/2021	6/30/2020
Profit/(loss) for the period	**162.272**	(56.411)
Weighted average number of outstanding common shares	**99.077**	90.889
Basic earnings/(loss) per share - R$	**1,6378**	(0,6207)

b) Diluted earnings per share

	6/30/2021	6/30/2020
Profit/(loss) for the period	**162.272**	(56.411)
Weighted average number of outstanding common shares	**99.627**	90.889
Adjustment for share options	**248**	371
Weighted average number of common shares for diluted earnings/(loss) per share	**99.325**	91.260
Diluted earnings/(loss) per share - R$	**1,6337**	(0,6181)

22. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Gross sales revenue	**782.664**	469.423	**1.341.429**	694.086
Domestic market	**781.858**	468.937	**1.197.362**	608.835
Foreign market	**806**	486	**144.067**	85.251
Returns	**(32.902)**	(37.140)	**(107.696)**	(70.823)
Discounts and rebates	**(15.977)**	(185)	**(15.976)**	(223)
Taxes on sales	**(103.829)**	(61.312)	**(164.829)**	(93.126)
Net sales revenue	**629.956**	370.786	**1.052.928**	529.914

23. Segment information

The Company' products are distributed under Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina, INK and EVA brand names and through various distribution channels (franchises, multi-brand stores, company-owned stores and e-commerce), but they are controlled and managed by the Company's management as one single operating segment, and the results thereof are monitored and assessed in a centralized way.

For operating, commercial, management and administrative purposes, the Company is organized, and has its performance assessed, as one single segment.

This view is supported by the following factors:

- The Company does not have different divisions responsible for different product lines, brands or sales channels;
- The Company's plant manufactures products for more than one brand and sales channel;
- The Company's strategic decisions are based on market opportunity assessments, and not only on performance by product, brand or sales channel.

24. Segment information--Continued

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

(All amounts in thousands of reais unless otherwise stated)

Brand	6/30/2021	6/30/2020
Gross revenue	**1.341.429**	694.086
Domestic market	**1.197.362**	608.835
Arezzo	**413.882**	262.489
Schutz	**245.786**	162.166
Reserva (i)	**233.283**	-
Vans	**142.261**	83.584
Anacapri	**119.225**	73.237
Others	**42.925**	27.359
Foreign market	**144.067**	85.251

Sales channel	6/30/2021	6/30/2020
Gross revenue	**1.341.429**	694.086
Domestic market	**1.197.362**	608.835
Multi-brand stores	**336.093**	151.914
E-commerce	**334.175**	212.573
Franchise stores	**323.146**	179.854
Company-owned stores	**199.226**	64.079
Others	**4.722**	415
Foreign market	**144.067**	85.251

(i) Reserva includes the following brands: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA and INK.

The revenue from foreign market is not shown separately by geographic area as at June 30, 2021 it represents 10.7% of the gross revenue (June 30, 2020 – 12.3%). No single customer accounts for more than 5.0% of the sales on the domestic and foreign markets.

25. Expenses by nature

The Company's statement of income classifies expenses by function. The expenses are also reported by nature below:

(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Expenses by function				
Cost of sales	**(419.840)**	(248.985)	**(510.031)**	(277.382)
Selling expenses	**(117.349)**	(111.901)	**(328.566)**	(249.502)
General and administrative expenses	**(66.479)**	(56.054)	**(125.031)**	(77.793)
Other operating income (expenses), net	**131.108**	(1.567)	**140.773**	27.613
	(472.560)	(418.507)	**(822.855)**	(577.064)
Expenses by nature				
Raw and consumable materials	**(422.020)**	(251.129)	**(516.015)**	(281.704)
Personnel expenses	**(74.946)**	(71.198)	**(160.502)**	(123.305)
Utilities and services	**(39.872)**	(24.542)	**(51.681)**	(33.541)
Advertising costs	**(19.084)**	(25.858)	**(63.208)**	(47.054)
Freight	**(11.995)**	(7.197)	**(37.579)**	(21.135)
Depreciation and amortization charges	**(11.471)**	(10.704)	**(50.007)**	(40.595)
Store occupancy expenses	**-**	-	**(14.894)**	(5.215)
Tax credits (i)	**130.694**	-	**130.694**	-
Other operating expenses, net	**(23.866)**	(27.879)	**(59.663)**	(24.515)
	(472.560)	(418.507)	**(822.855)**	(577.064)

(i) The total amount of tax credits was recognized in “other operating income (expenses), net”.

26. Financial risk management objectives and policies

a) Fair value

(All amounts in thousands of reais unless otherwise stated)

The following table shows the carrying amounts of the Company's financial assets and financial liabilities and their fair values determined by management:

	Consolidated			
	6/30/2021		12/31/2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**69.625**	69.625	**38.297**	38.297
Cash investments	**316.296**	316.296	**522.868**	522.868
Trade receivables	**461.904**	461.904	**601.388**	601.388
Borrowings	**509.496**	509.311	**634.269**	703.595
Trade payables	**345.773**	345.773	**399.189**	399.189
Lease liabilities	**187.219**	204.408	**213.360**	213.360
Payables for acquisition of subsidiary	**50.645**	50.645	**50.000**	50.000

At June 30, 2021, the consolidated financial instruments of the Company are classified in the following categories:

	As at fair value through profit or loss	As at amortized cost
Assets		
Cash and cash equivalents	-	69.625
Trade receivables	-	461.904
Cash investments	316.296	-
Liabilities		
Trade payables and payables for acquisition of subsidiary	-	396.418
Borrowings	-	509.496
Lease liabilities	-	187.219

The following methods and assumptions were used to estimate the fair values:

• 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 provision for impairment, and are discounted to present value when applicable. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair value due to the short-term maturities of these instruments.

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

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management objectives and policies--Continued

a) Fair value--Continued

a) a.1) Fair value hierarchy

Assets and liabilities for which fair value is measured and disclosed are categorized within the fair value hierarchy, by valuation technique:

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

Level 2: Valuation techniques for which all inputs that are significant to the fair value measurement are directly or indirectly observable;

Level 3: Valuation techniques for which inputs that are significant to the fair value measurement are unobservable.

The Company measures the fair values of its financial instruments based on quoted prices in active markets (Level 1) and observable inputs (Level 2).

b) Foreign exchange 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. The Company and its subsidiaries hedge the exposure to the foreign exchange risk on almost all of their exports by holding borrowings in foreign currencies.

At June 30, 2021 and December 31, 2020, the net exposure to changes in USD rate is as follows:

	Consolidated	
	6/30/2021	**12/31/2020**
Trade receivables in foreign currency (i)	**14.614**	13.650
Borrowings in foreign currency	**(242.382)**	(346.500)
Trade payables in foreign currency	**(2.421)**	(3.061)
Net exposure	**(230.189)**	335.911

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

26. Financial risk management objectives and policies--Continued

b) Foreign exchange risk--Continued

(All amounts in thousands of reais unless otherwise stated)

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of foreign currency-denominated borrowings to changes in the exchange rates at June 30, 2021.

The table below provides three scenarios, with the most likely scenario being adopted by the Company. The most likely scenario for 2021 was defined based on the Long-term Interest Rate (TJLP) and the Interbank Deposit Certificate Rate (CDI) in effect at June 30, 2021, assuming changes of 25 percent and 50 percent.

	Currency	Most likely scenario	Scenario A	Scenario B
Increase in exchange rate				
Trade receivables in foreign currency	R$	14.614	18.268	21.921
Borrowings in foreign currency	R$	(242.382)	(302.978)	(363.573)
Trade payables in foreign currency	R$	(2.421)	(3.025)	(3.630)
Increase in USD rate			25%	50%
USD rate		5,00	6,25	7,50
Effect on profit before tax	**R$**		**(57.546)**	**(115.093)**

c) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to the Company's borrowings with interest rates based on TJLP and CDI. The interest rates are disclosed in Note 16.

At June 30, 2021, the Company's borrowings have the following interest rates:

	Consolidated	
	6/30/2021	**%**
Fixed rate of interest	85.058	16,7
Interest rate based on TJLP	1.280	0,3
Interest rate based on CDI	423.157	83,0
	509.495	**100,0**

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management objectives and policies--Continued

c) Interest rate risk--Continued

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity to changes in interest rates on that portion of borrowings affected at June 30, 2021.

The table below provides three scenarios, with the most likely scenario being adopted by the Company. The most likely scenario for 2020 was defined based on the Long-term Interest Rate (TJLP) and the Interbank Deposit Certificate Rate (CDI) in effect at June 30, 2021, assuming changes of 25 percent and 50 percent as required by CVM Instruction 475.

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 June 30, 2021, projecting the interest rates for one year.

	Currency	Most likely scenario	Scenario A	Scenario B
Increase in interest expense				
Borrowings with interest rate based on TJLP	R$	62	78	94
Borrowings with interest rate based on CDI	R$	17.561	21.951	26.341
		17.623	**22.029**	**26.435**
Increase in interest rate			25%	50%
TJLP		4,88%	6,10%	7,32%
CDI		4,15%	5,19%	6,23%

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 reais and spread across various customers. To reduce credit risk, the Company performs an individual analysis for new customers but, as a usual market practice, only high-risk customers are required to make advance payments. No single customer accounts for more than 5% of the Company’s total accounts receivable at June 30, 2021 and December 31, 2020.

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management objectives and policies--Continued

d) Credit risk--Continued

Management monitors outstanding customer receivables on a timely basis and, in the case of impairment losses, they are recognized in the statement of income. The analysis covers outstanding receivables, customer payment history, guarantees provided and renegotiations completed with collaterals. The amounts recorded as actual losses or provision for losses 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 shows contractual maturities of financial liabilities:

	Less than 1 year	**Between 1 and 5 years**	**Total**
Borrowings	276.501	232.810	**509.311**
Trade payables	345.773	-	**345.773**
Lease liabilities	34.243	170.164	**204.407**

f) Capital management

The Company's objective when managing capital is to maintain a strong credit rating with the institutions and an optimal capital structure to support the Company's business and maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, take new borrowings, issue debentures, issue promissory notes and enter into derivative transactions. No changes were made in the objectives, policies or processes for managing capital during the period ended June 30, 2021 and the year ended December 31, 2020.

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management objectives and policies--Continued

f) Capital management--Continued

The gearing ratios at June 30, 2021 and December 31, 2020 were as follows:

	6/30/2021	12/31/2020
Borrowings	**(509.496)**	(634.269)
Cash and cash equivalents	**69.625**	38.297
Cash investments	**316.296**	522.868
Net debt	**(123.575)**	(73.104)
Total capital	**1.430.980**	1.348.597
Gearing ratio - %	**(8,64)**	(5,42)

27. Finance income and costs

	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Finance income				
Interest income on cash investments	**3.364**	5.923	**5.720**	6.690
Other finance income	**1.360**	348	**4.998**	758
Interest received	**930**	1.183	**1.314**	939
	5.654	7.454	**12.032**	8.387
Finance costs				
Interest on borrowings	**(7.937)**	(5.599)	**(13.708)**	(8.957)
Discounts granted	**(2.704)**	(1.431)	**(4.006)**	(1.454)
Bank charges	**(2.604)**	(2.473)	**(3.515)**	(2.854)
Notary public fees	**(910)**	(2.634)	**(915)**	(2.641)
Interest expense on lease liabilities	**(613)**	(651)	**(3.683)**	(2.398)
Credit card administration fee	**-**	-	**(8.151)**	(5.321)
Other finance costs	**(595)**	(133)	**(2.991)**	(208)
	(15.363)	(12.921)	**(36.969)**	(23.833)
Foreign exchange variation, net				
Foreign exchange gains	**(5.666)**	11.557	**(5.581)**	55.982
Foreign exchange losses	**1.780**	(14.334)	**3.114**	(50.383)
	(3.886)	(2.777)	**(2.467)**	5.599
Total	**(13.595)**	(8.244)	**(14.095)**	(9.847)

(All amounts in thousands of reais unless otherwise stated)

28. Share-based payments

27.2 Restricted stock plan

Movements in the restricted stock plan are set out below:

	1st grant	2nd grant	3rd grant	Total
Balance at December 31, 2020	**246.182**	**71.965**	**23.945**	**342.092**
Balance at June 30, 2021	**246.182**	**71.965**	**23.945**	**342.092**

In compliance with IFRS 2/CPC 10, the Company determined the fair value of the shares. In the period ended June 30, 2021, the Company determined R$640 (June 30, 2020 – R$1,025) in restricted stock plan expense, which was charged to profit or loss against the capital reserve account in equity.

29. Government tax incentives

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

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

b) The State of Rio de Janeiro, through Law 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, which benefited the subsidiary VQV through the company Tiferet Comércio de Roupas Ltda.

In the six months ended June 30, 2021, the Company had R$74,463 (June 30, 2020 - R$25,885) in ICMS tax benefits, which were classified into net revenue, as shown below:

	Parent company		Consolidated	
	6/30/2021	**6/30/2020**	**6/30/2021**	**6/30/2020**
ICMS tax benefits - State of Espiri	**29.617**	13.650	**43.911**	25.885
ICMS tax benefits - State of Rio de	**-**	-	**30.552**	-
Total	**29.617**	13.650	**74.463**	25.885

30. Events after the reporting period

a) Acquisition of BAW

On June 11, 2021, the Company announced to its shareholders and the market in general that it acquired, through its subsidiary ZZAB, 100% of the issued and outstanding quotas in Baw Clothing Indústria e Comércio de Vestuários Ltda ("BAW").

The purchase price for 100% of the quotas of capital of BAW is, subject to any customary adjustments, R$105,000, which shall be paid by ZZAB to the current quotaholders of BAW as follows: (a) R$35,000 in cash at the date of closing of the transaction; (b) R$20,000 on the five-year anniversary of the closing date of the transaction; and (c) R$50,000 in treasury shares of the Company, based on the volume weighted average price the Company shares traded over the ten trading sessions immediately before closing, limited to 682,035 shares of the Company. In addition, if BAW reaches certain performance metrics in 2021, as set out in the purchase and sale agreement, ZZAB will pay the current quotaholders of BAW an additional contingent consideration of up to R$10,000.

The current quotaholders of BAW are bound by contract at least until June 11, 2025 to remain on BAW's Executive Board. In addition, in order to align interests, such as happened after the acquisition of Reserva in 2020, BAW's founders will become shareholders of the Company.

After regulatory approval by Brazil's antitrust authority Cade of the acquisition of 100% of the issued quotas of capital of BAW by the Company through its subsidiary ZZAB, the closing date was August 9, 2021.

On August 9, 2021 when the Closing Document was signed, the amount of R$35,000 was paid. After ten business days from the closing date, the treasury shares of the Company will be transferred as part of the purchase price for 100% of the issued quotas in BAW.

The purchase price allocation to the assets acquired and the liabilities assumed and the financial impacts on the balance sheet of the Company have not yet been determined and it was not possible to disclose this information before the date that these financial statements were issued.

30. Events after the reporting period--Continued

b) Acquisition of MyShoes brand and commercial partnership with Mercado Livre

On July 14, 2021, the Company announced that it acquired MyShoes, a domestic women's shoes brand, as a strategy to enter a more accessible segment of the women's footwear market, with a consumer base that represents about 44% of the Brazilian market. The brand that has been inactive for the past three years was acquired by the Company for R$3,000.

In addition, the Company has partnered with the e-commerce group Mercado Livre ("Mercado Livre") to sell and distribute MyShoes products on its platform, offering consumers the fastest delivery service in Brazil, and to use the Mercado Shops services to create an exclusive online store for MyShoes brand.

The acquisition of MyShoes and the partnership with Mercado Livre are in line with the Company's strategy to strengthen its businesses in the retail fashion sector, expand its addressable market and its offering of products, and structure its brand portfolio as a house of brands.

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Report on the review of quarterly information - ITR

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

Introduction
We have reviewed the interim, individual and consolidated accounting information of Arezzo Indústria e Comércio S.A. ("Company"), included in the quarterly financial information – ITR, for the quarter ended June 30, 2021, which comprises the balance sheet as of June 30, 2021, and related statements of income and comprehensive income for the three and six months periods then ended and of changes in shareholders' equity and cash flows for the six month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim accounting information in accordance with Technical Pronouncement CPC 21 (R1) – Interim Statement and of the consolidated interim accounting information in accordance with Technical Pronouncement CPC 21 (R1) – Interim Statement and with international standard IAS 34 – Interim Financial Reporting with international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information – ITR. Our responsibility is to express a conclusion on this interim information based on our review.

Scope of the review
Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. The scope of a review is significantly lower than that of an audit held in accordance with auditing rules, and as a result we were unable to ascertain whether we became aware of all the significant matters likely to be detected in an audit. Therefore, we do not express an opinion on the information disclosed.

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

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

Other issues

Statements of added value
Individual and consolidated statements of added value (DVA) for the six months period ended June 30, 2021, prepared under responsibility of Company's management, and presented as supplementary information for IAS 34 purposes, were submitted to review procedures carried out together with the review of Company's interim accounting information. In order to form our conclusion, we evaluated whether these statements are reconciled with the interim accounting information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. Based on our review, we are not aware of any facts that would make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Review of prior quarterly information amounts
The financial statements and interim accounting information, individual and consolidated, corresponding to the year ended December 31, 2020 and quarter ended June 30, 2020, submitted for comparative purposes were previously audited and reviewed, respectively, by other independent auditors that issued reports dated in March 1, 2021 and August 10, 2020, respectively, which did not contain any modification.

São Paulo, August 12, 2021

KPMG Auditores Independentes
CRC 2SP014428/O-6

(Original review report in Portuguese signed by)
Marcelle Mayume Komukai
Contadora CRC 1SP249703/O-5