Contents

Company information / Capital composition

Number of shares (units)	Current quarter 3/31/2021
Paid-up capital	
Common shares	99.631
Preferred shares	0
Total	99.631
Treasury shares	
Common shares	4
Preferred shares	0
Total	4

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

Account code	Account title	Current quarter 3/31/2021	Prior year 12/31/2020
1	Total assets	2.310.272	2.355.157
1.01	Current assets	813.126	850.035
1.01.01	Cash and cash equivalents	147.880	3.291
1.01.02	Cash investments	203.010	347.640
1.01.02.01	Cash investments at fair value through profit or loss	203.010	347.640
1.01.02.01.03	Cash investments at fair value	203.010	347.640
1.01.03	Trade and other receivables	293.696	385.479
1.01.03.01	Trade receivables	278.712	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	132.881	85.694
1.01.06	Taxes recoverable	15.470	11.461
1.01.06.01	Current taxes recoverable	15.470	11.461
1.01.08	Other current assets	20.189	16.470
1.01.08.03	Other	20.189	16.470
1.02	Non-current assets	1.497.146	1.505.122
1.02.01	Long-term receivables	134.300	144.863
1.02.01.04	Trade and other receivables	3.855	2.564
1.02.01.04.01	Trade receivables	3.855	2.564
1.02.01.07	Deferred taxes	47.792	48.850
1.02.01.07.01	Deferred income tax and social contribution	47.792	48.850
1.02.01.09	Receivables from related parties	62.987	75.548
1.02.01.09.02	Receivables from subsidiaries	33.415	30.523
1.02.01.09.05	Loans to related parties	29.572	45.025
1.02.01.10	Other non-current assets	19.666	17.901
1.02.01.10.03	Judicial deposits	19.349	17.585
1.02.01.10.04	Other	317	316
1.02.02	Investments	1.251.169	1.253.681
1.02.02.01	Investments accounted for using the equity method	1.249.053	1.251.565
1.02.02.01.02	Investments in subsidiaries	1.249.053	1.251.565
1.02.02.02	Investment properties	2.116	2.116
1.02.02.02.01	Investment properties	2.116	0
1.02.03	Property, plant and equipment	49.653	49.068
1.02.03.01	Property, plant and equipment in operation	49.653	49.068
1.02.04	Intangible assets	62.024	57.510
1.02.04.01	Intangible assets	62.024	57.510
1.02.04.01.02	Trademarks and patents	5.658	5.582
1.02.04.01.03	Software licenses	56.366	51.928

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

Account code	Account title	Current quarter 3/31/2021	Prior year 12/31/2020
2	Total liabilities	2.310.272	2.355.157
2.01	Current liabilities	620.268	600.230
2.01.01	Salaries, vacation pay and social charges payable	23.277	31.699
2.01.01.01	Social charges	2.962	2.852
2.01.01.02	Salaries and vacation pay	20.315	28.847
2.01.02	Trade payables	309.180	335.821
2.01.02.01	Domestic suppliers	305.815	332.760
2.01.02.02	Foreign suppliers	3.365	3.061
2.01.03	Taxes payable	9.683	8.761
2.01.03.01	Federal taxes payable	9.574	8.409
2.01.03.01.01	Income tax and social contribution	2.308	0
2.01.03.01.02	Other federal taxes	7.266	0
2.01.03.02	State taxes payable	92	334
2.01.03.03	Municipal taxes payable	17	18
2.01.04	Borrowings	194.915	142.160
2.01.04.01	Borrowings	194.915	142.160
2.01.04.01.01	In local currency	127.696	41.369
2.01.04.01.02	In foreign currency	67.219	100.791
2.01.05	Other liabilities	83.213	81.789
2.01.05.02	Other	83.213	81.789
2.01.05.02.01	Dividends and interest on capital payable	2.582	0
2.01.05.02.04	Other	72.885	75.976
2.01.05.02.05	Lease liabilities	7.746	5.813
2.02	Non-current liabilities	318.591	406.330
2.02.01	Borrowings	232.858	318.611
2.02.01.01	Borrowings	232.858	318.611
2.02.01.01.01	In local currency	232.858	318.611
2.02.02	Other liabilities	15.626	16.735
2.02.02.02	Other	15.626	16.735
2.02.02.02.04	Lease liabilities	15.626	16.735
2.02.04	Provisions	69.934	70.771
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	6.254	5.721
2.02.04.01.02	Provision for social security and labor proceedings	4.523	3.990
2.02.04.01.04	Provision for civil proceedings	56	56
2.02.04.01.05	Provision for tax proceedings	1.675	1.675
2.02.04.02	Other provisions	63.680	65.050
2.02.04.02.04	Provision for net capital deficiency	0	65.050
2.02.04.02.05	Provision for investment losses	63.680	0
2.02.06	Deferred profit and revenue	173	213
2.02.06.02	Deferred revenue	173	213
2.03	Equity	1.371.413	1.348.597
2.03.01	Paid-up capital	808.715	967.924
2.03.02	Capital reserves	208.866	49.229
2.03.02.02	Special reserve for goodwill arising from merger	0	21.470
2.03.02.05	Treasury shares	-191	-191
2.03.02.06	Advance for future capital increase	209.057	0

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

Account code	Account title	Current quarter 3/31/2021	Prior year 12/31/2020
2.03.02.09	Reserve for share option and restricted stock plans	0	27.950
2.03.04	Revenue reserves	335.832	338.414
2.03.04.01	Legal reserve	57.511	0
2.03.04.05	Retained earnings reserve	50.384	107.895
2.03.04.07	Tax incentive reserve	227.937	227.937
2.03.04.08	Proposed additional dividend	0	2.582
2.03.05	Retained earnings	29.776	0
2.03.08	Other comprehensive loss	-11.776	-6.970

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

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31/2020
3.01	Revenue from sales of goods and/or services	327.292	285.856
3.02	Cost of sales and/or services	-209.448	-179.818
3.03	Gross profit	117.844	106.038
3.04	Operating expenses/income	-81.270	-73.403
3.04.01	Selling expenses	-55.816	-50.203
3.04.02	General and administrative expenses	-28.442	-28.115
3.04.05	Other operating income/expenses	350	-991
3.04.06	Share of profits of subsidiaries accounted for using the equity method	2.638	5.906
3.05	Profit before finance costs and taxes	36.574	32.635
3.06	Finance costs – net	-1.166	-3.653
3.06.01	Finance income	30.953	11.088
3.06.01.01	Interest income	2.664	3.175
3.06.01.02	Foreign exchange gains	28.289	7.913
3.06.02	Finance costs	-32.119	-14.741
3.06.02.01	Interest expense	-6.690	-2.731
3.06.02.02	Foreign exchange losses	-25.429	-12.010
3.07	Profit before income tax and social contribution	35.408	28.982
3.08	Income tax and social contribution	-5.632	-3.094
3.08.01	Current	-4.574	-5.724
3.08.02	Deferred	-1.058	2.630
3.09	Profit for the period from continuing operations	29.776	25.888
3.11	Profit for the period	29.776	25.888
3.99	Earnings per share (expressed in R$ per share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.29890	0.28480
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.29890	0.28480

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

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31/2020
4.01	Profit for the period	29.776	25.888
4.02	Other comprehensive loss	-4.806	-17.038
4.02.01	Exchange differences on translation of foreign operations	-4.806	-13.771
4.02.02	Net investment hedge	0	-3.267
4.03	Total comprehensive income for the period	24.970	8.850

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

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31/2020
6.01	Net cash provided by/used in operating activities	50.731	-650
6.01.01	Cash from operations	48.987	42.737
6.01.01.01	Profit before income tax and social contribution	29.776	25.888
6.01.01.02	Depreciation and amortization	5.298	5.409
6.01.01.03	Loss on disposal of property, plant and equipment and intangible assets	9	342
6.01.01.04	Interest paid on loans	0	-470
6.01.01.05	Share of profits of equity-accounted subsidiaries	-2.637	-5.906
6.01.01.06	Provision for labor, tax and civil proceedings	537	151
6.01.01.07	Finance charges and foreign exchange losses on borrowings	6.937	12.688
6.01.01.08	Interest income on cash investments	-998	-2.188
6.01.01.09	Provision for impairment of trade receivables	2.474	1.312
6.01.01.10	Complementary provision for inventory losses	1.193	1.365
6.01.01.11	Share option plan	428	727
6.01.01.12	Interest expense on lease liabilities	339	327
6.01.01.13	Income tax and social contribution	5.631	3.092
6.01.02	Changes in assets and liabilities	1.744	-43.387
6.01.02.01	Trade receivables	103.002	-3.025
6.01.02.02	Inventories	-48.380	-54.806
6.01.02.03	Changes in other current and non-current assets	-3.718	-2.074
6.01.02.04	Taxes recoverable	-6.166	2.155
6.01.02.05	Judicial deposits	-1.765	-4.165
6.01.02.06	Lease liabilities	-2.021	0
6.01.02.07	Trade payables	-26.268	34.867
6.01.02.08	Salaries and vacation pay	-8.530	-20.113
6.01.02.09	Taxes and social charges payable	-1.277	1.700
6.01.02.10	Other liabilities	-3.133	2.074
6.02	Net cash provided by/used in investing activities	121.608	-344.105
6.02.01	Purchases of property, plant and equipment and intangible assets	-7.971	-7.886
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	75	0
6.02.03	Cash investments	-270.374	-685.459
6.02.04	Withdrawal of cash investments	415.892	349.240
6.02.05	Capital contribution to subsidiaries	-16.014	0
6.03	Net cash used in/provided by financing activities	-27.750	344.619
6.03.01	Proceeds from borrowings	0	394.171
6.03.02	Repayment of borrowings	-37.913	-1.280
6.03.04	Transactions with related parties	12.561	-20.653
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	0	-2.632
6.03.10	Principal elements of lease payments	-2.398	-2.312
6.05	Increase/decrease in cash and cash equivalents	144.589	-136
6.05.01	Cash and cash equivalents at the beginning of the period	3.291	1.686
6.05.02	Cash and cash equivalents at the end of the period	147.880	1.550

Parent company financial statements / Statement of changes in equity - 1/1/2021 to 3/31/2021 (In 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 income	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	-159.209	428	0	-2.582	0	-161.363
5.04.01	Share capital increases	-159.209	0	0	0	0	-159.209
5.04.08	Share options and restricted stock granted	0	428	0	0	0	428
5.04.10	Dividends proposed	0	0	0	-2.582	0	-2.582
5.05	Total comprehensive income	0	0	0	29.776	-4.806	24.970
5.05.01	Profit for the period	0	0	0	29.776	0	29.776
5.05.03	Reclassifications to profit or loss	0	0	0	0	-4.806	-4.806
5.05.03.01	Adjustments to financial instruments	0	0	0	0	-4.806	-4.806
5.06	Internal changes in equity	0	159.209	0	0	0	159.209
5.06.05	Retained earnings reserve	0	159.209	0	0	0	159.209
5.07	Closing balances	808.715	208.866	335.832	29.776	-11.776	1.371.413

Parent company financial statements / Statement of changes in equity - 1/1/2020 to 3/31/2020 (In 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 income	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	-1.904	0	-27.842	0	-29.746
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	727	0	0	0	727
5.04.10	Dividends proposed	0	0	0	-27.842	0	-27.842
5.05	Total comprehensive income	0	0	0	25.888	-14.560	11.328
5.05.01	Profit for the period	0	0	0	25.888	0	25.888
5.05.02	Other comprehensive loss	0	0	0	0	-14.560	-14.560
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-14.560	-14.560
5.06	Internal changes in equity	0	0	27.842	0	0	27.842
5.06.06	Tax incentive reserve	0	0	27.842	0	0	27.842
5.07	Closing balances	352.715	48.634	335.998	25.888	-7.740	755.495

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

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31//2020
7.01	Revenue	375.824	330.610
7.01.01	Sales of goods, products and services	378.298	331.922
7.01.04	Provision for/reversal of impairment of trade receivables	-2.474	-1.312
7.02	Inputs acquired from third parties	-305.651	-263.449
7.02.01	Cost of sales and services	-265.966	-228.341
7.02.02	Materials, electricity, outsourced services and other	-38.990	-33.992
7.02.04	Other	-695	-1.116
7.03	Gross value added	70.173	67.161
7.04	Deductions	-5.298	-5.409
7.04.01	Depreciation, amortization and depletion	-5.298	-5.409
7.05	Net value added generated by the entity	64.875	61.752
7.06	Value added received through transfer	10.178	17.026
7.06.01	Share of profits of equity-accounted subsidiaries	2.638	5.906
7.06.02	Finance income	6.549	11.088
7.06.03	Other	991	32
7.07	Total value added to distribute	75.053	78.778
7.08	Distribution of value added	75.053	78.778
7.08.01	Personnel	30.056	28.375
7.08.01.01	Direct compensation	19.245	21.388
7.08.01.02	Benefits	2.241	2.647
7.08.01.03	Government severance indemnity fund for employees (FGTS)	1.571	1.891
7.08.01.04	Other	6.999	2.449
7.08.01.04.01	Employee profit sharing	-65	-1.296
7.08.01.04.02	Other	6.424	2.720
7.08.01.04.03	Share option and restricted stock plans	640	1.025
7.08.02	Taxes and contributions	3.973	5.530
7.08.02.01	Federal	16.463	14.923
7.08.02.02	State	-12.664	-9.555
7.08.02.03	Municipal	174	162
7.08.03	Lenders and creditors	11.248	18.985
7.08.03.01	Interest	4.027	977
7.08.03.02	Rentals	3.533	4.244
7.08.03.03	Other	3.688	13.764
7.08.03.03.01	Finance costs	3.688	13.764
7.08.04	Shareholders	29.776	25.888
7.08.04.03	Profits reinvested / loss for the period	29.776	25.888

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

Account code	Account title	Current quarter 3/31/2021	Prior year 12/31/2020
1	Total assets	2.835.631	2.832.545
1.01	Current assets	1.523.157	1.564.868
1.01.01	Cash and cash equivalents	222.598	38.297
1.01.02	Cash investments	348.148	522.868
1.01.02.01	Cash investments at fair value through profit or loss	348.148	522.868
1.01.02.01.03	Cash investments at fair value	348.148	522.868
1.01.03	Trade and other receivables	477.929	598.824
1.01.03.01	Trade receivables	477.929	598.824
1.01.04	Inventories	348.041	290.896
1.01.06	Taxes recoverable	90.134	86.034
1.01.06.01	Current taxes recoverable	90.134	86.034
1.01.08	Other current assets	36.307	27.949
1.01.08.03	Other	36.307	27.949
1.02	Non-current assets	1.312.474	1.267.677
1.02.01	Long-term receivables	132.552	118.494
1.02.01.04	Trade and other receivables	3.855	2.564
1.02.01.04.01	Trade receivables	3.855	2.564
1.02.01.07	Deferred taxes	84.364	80.632
1.02.01.07.01	Deferred income tax and social contribution	84.364	80.632
1.02.01.09	Receivables from related parties	0	1.000
1.02.01.09.05	Receivables from subsidiaries	0	1.000
1.02.01.10	Other non-current assets	44.333	34.298
1.02.01.10.03	Judicial deposits	41.340	30.970
1.02.01.10.04	Other	2.993	3.328
1.02.02	Investments	2.275	3.016
1.02.02.01	Investments accounted for using the equity method	159	900
1.02.02.01.04	Investments in jointly-controlled investees	159	900
1.02.02.02	Investment properties	2.116	2.116
1.02.02.02.01	Investment properties	2.116	2.116
1.02.03	Property, plant and equipment	313.409	316.300
1.02.03.01	Property, plant and equipment in operation	313.409	316.300
1.02.04	Intangible assets	864.238	829.867
1.02.04.01	Intangible assets	864.238	829.867
1.02.04.01.02	Trademarks and patents	262.525	7.810
1.02.04.01.03	Key money	33.685	33.829
1.02.04.01.04	Software licenses	61.350	55.673
1.02.04.01.05	Intangible assets - fair value adjustments to the carrying amounts	11.772	266.427
1.02.04.01.06	Goodwill	494.906	466.128

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

Account code	Account title	Current quarter 3/31/2021	Prior year 12/31/2020
2	Total liabilities	2.835.631	2.832.545
2.01	Current liabilities	983.446	911.418
2.01.01	Salaries, vacation pay and social charges payable	45.449	59.269
2.01.01.01	Social charges	6.149	7.498
2.01.01.02	Salaries and vacation pay	39.300	51.771
2.01.02	Trade payables	376.757	399.189
2.01.02.01	Domestic suppliers	373.135	395.803
2.01.02.02	Foreign suppliers	3.622	3.386
2.01.03	Taxes payable	30.742	40.481
2.01.03.01	Federal taxes payable	10.712	21.944
2.01.03.01.01	Income tax and social contribution	4.092	6.361
2.01.03.01.02	Other federal taxes	6.620	15.583
2.01.03.02	State taxes payable	19.967	18.386
2.01.03.03	Municipal taxes payable	63	151
2.01.04	Borrowings	364.786	239.483
2.01.04.01	Borrowings	364.786	239.483
2.01.04.01.01	In local currency	150.383	53.912
2.01.04.01.02	In foreign currency	214.403	185.571
2.01.05	Other liabilities	165.712	172.996
2.01.05.02	Other	165.712	172.996
2.01.05.02.01	Dividends and interest on capital payable	2.582	0
2.01.05.02.04	Other	112.381	120.106
2.01.05.02.05	Lease liabilities	50.749	52.890
2.02	Non-current liabilities	480.772	572.530
2.02.01	Borrowings	299.106	394.786
2.02.01.01	Borrowings	299.106	394.786
2.02.01.01.01	In local currency	134.253	239.553
2.02.01.01.02	In foreign currency	164.853	155.233
2.02.02	Other liabilities	165.727	160.470
2.02.02.02	Other	165.727	160.470
2.02.02.02.03	Lease liabilities	161.669	160.470
2.02.02.02.04	Other payables	4.058	0
2.02.04	Provisions	12.566	13.141
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	12.393	12.928
2.02.04.01.02	Provision for social security and labor proceedings	9.899	10.290
2.02.04.01.04	Provision for civil proceedings	450	594
2.02.04.01.05	Provision for tax proceedings	2.044	2.044
2.02.04.02	Other provisions	173	213
2.02.04.02.04	Provision for investment losses	173	213
2.02.06	Deferred profit and revenue	3.373	4.133
2.02.06.02	Deferred revenue	3.373	4.133
2.03	Consolidated equity	1.371.413	1.348.597
2.03.01	Paid-up capital	808.715	967.924
2.03.02	Capital reserves	208.866	49.229
2.03.02.02	Special reserve for goodwill arising from merger	0	21.470
2.03.02.05	Treasury shares	-191	-191

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

Account code	Account title	Current quarter 3/31/2021	Prior year 12/31/2020
2.03.02.06	Advance for future capital increase	209.057	0
2.03.02.09	Reserve for share option and restricted stock plans	0	27.950
2.03.04	Revenue reserves	335.832	338.414
2.03.04.01	Legal reserve	57.511	0
2.03.04.05	Retained earnings reserve	50.384	107.895
2.03.04.07	Tax incentive reserve	227.937	227.937
2.03.04.08	Proposed additional dividend	0	2.582
2.03.05	Retained earnings	29.776	0
2.03.08	Other comprehensive loss	-11.776	-6.970

Consolidated financial statements / Statement of income (In reais)

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31/2020
3.01	Revenue from sales of goods and/or services	499.952	375.471
3.02	Cost of sales and/or services	-250.027	-203.099
3.03	Gross profit	249.925	172.372
3.04	Operating expenses/income	-208.824	-128.354
3.04.01	Selling expenses	-155.629	-117.123
3.04.02	General and administrative expenses	-53.433	-39.358
3.04.04	Other operating income	238	28.127
3.05	Profit before finance costs and taxes	41.101	44.018
3.06	Finance costs – net	-8.616	-772
3.06.01	Finance income	40.942	51.841
3.06.01.01	Interest income	5.107	3.589
3.06.01.02	Foreign exchange gains	35.835	48.252
3.06.02	Finance costs	-49.558	-52.613
3.06.02.01	Interest expense	-16.793	-7.945
3.06.02.02	Foreign exchange losses	-32.765	-44.668
3.07	Profit before income tax and social contribution	32.485	43.246
3.08	Income tax and social contribution	-2.709	-17.358
3.08.01	Current	-6.441	-18.032
3.08.02	Deferred	3.732	674
3.09	Profit for the period from continuing operations	29.776	25.888
3.11	Consolidated profit for the period	29.776	25.888
3.11.01	Attributable to owners of the Parent company	29.776	25.888
3.99	Earnings per share (expressed in R$ per share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.29890	0.28480
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.29890	0.28480

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

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31/2020
4.01	Consolidated profit for the period	29.776	25.888
4.02	Other comprehensive loss	-4.806	-17.038
4.02.01	Exchange differences on translation of foreign operations	-4.806	-13.771
4.02.02	Net investment hedge	0	-3.267
4.03	Consolidated comprehensive income for the period	24.970	8.850
4.03.01	Attributable to owners of the Parent company	24.970	8.850

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

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31/2020
6.01	Net cash provided by operating activities	38.151	5.815
6.01.01	Cash from operations	82.574	116.178
6.01.01.01	Profit before income tax and social contribution	29.776	25.888
6.01.01.02	Depreciation and amortization	24.865	20.279
6.01.01.03	Profit/loss on disposal of property, plant and equipment and intangible assets	-96	1.759
6.01.01.04	Interest paid on loans	-2.813	-1.418
6.01.01.06	Provision for labor, tax and civil proceedings	-533	110
6.01.01.07	Finance charges and foreign exchange losses on borrowings	18.324	48.381
6.01.01.08	Interest income on cash investments	-1.559	-2.561
6.01.01.09	Provision for impairment of trade receivables	2.184	1.499
6.01.01.10	Complementary provision for inventory losses	7.238	3.381
6.01.01.11	Share option plan	428	727
6.01.01.12	Interest expense on lease liabilities	2.051	775
6.01.01.13	Income tax and social contribution	2.709	17.358
6.01.02	Changes in assets and liabilities	-43.820	-97.480
6.01.02.01	Trade receivables	117.398	12.802
6.01.02.02	Inventories	-64.383	-77.295
6.01.02.03	Changes in other current assets	-14.644	-25.944
6.01.02.04	Taxes recoverable	-10.302	-30.811
6.01.02.05	Judicial deposits	-10.370	-4.235
6.01.02.07	Trade payables	-17.206	46.591
6.01.02.08	Salaries and vacation pay	-12.469	-22.073
6.01.02.09	Taxes and social charges payable	-11.592	-1.299
6.01.02.10	Changes in other current liabilities	-20.252	4.784
6.01.03	Other	-603	-12.883
6.01.03.01	Income tax and social contribution paid	-603	-12.883
6.02	Net cash provided by/used in investing activities	152.932	-359.898
6.02.01	Purchases of property, plant and equipment and intangible assets	-12.545	-14.075
6.02.02	Proceeds from sale of property, plant and equipment and intangible assets	175	-318
6.02.03	Cash investments	-457.467	-778.819
6.02.04	Withdrawal of cash investments	634.097	433.314
6.02.08	Payment for acquisition of subsidiary	-11.328	0
6.03	Net cash used in/provided by financing activities	-6.782	347.871
6.03.01	Proceeds from borrowings	65.612	405.241
6.03.02	Repayment of borrowings	-51.508	-17.028
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	1.000	435
6.03.09	Acquisition of treasury shares	0	-2.632
6.03.10	Principal elements of lease payments	-21.886	-15.470
6.05	Increase/decrease in cash and cash equivalents	184.301	-6.212
6.05.01	Cash and cash equivalents at the beginning of the period	38.297	13.808
6.05.02	Cash and cash equivalents at the end of the period	222.598	7.596

Consolidated financial statements / Statement of changes in equity - 1/1/2021 to 3/31/2021 (In 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 income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	967.924	49.229	335.832	2.582	-6.970	1.348.597	0	1.348.597
5.03	Adjusted opening balances	967.924	49.229	335.832	2.582	-6.970	1.348.597	0	1.348.597
5.04	Equity transactions with shareholders	-159.209	428	0	-2.582	0	-161.363	0	-161.363
5.04.01	Share capital increases	-159.209	0	0	0	0	-159.209	0	-159.209
5.04.08	Share options and restricted stock granted	0	428	0	0	0	428	0	428
5.04.10	Dividends proposed	0	0	0	-2.582	0	-2.582	0	-2.582
5.05	Total comprehensive income	0	0	0	29.776	-4.806	24.970	0	24.970
5.05.01	Profit for the period	0	0	0	29.776	0	29.776	0	29.776
5.05.03	Reclassifications to profit or loss	0	0	0	0	-4.806	-4.806	0	-4.806
5.05.03.01	Adjustments to financial instruments	0	0	0	0	-4.806	-4.806	0	-4.806
5.06	Internal changes in equity	0	159.209	0	0	0	159.209	0	159.209
5.06.05	Retained earnings reserve	0	159.209	0	0	0	159.209	0	159.209
5.07	Closing balances	808.715	208.866	335.832	29.776	-11.776	1.371.413	0	1.371.413

Consolidated financial statements / Statement of changes in equity - 1/1/2020 to 3/31/2020 (In 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 income	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	-1.904	0	-27.842	0	-29.746	0	-29.746
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	727	0	0	0	727	0	727
5.04.10	Dividends proposed	0	0	0	-27.842	0	-27.842	0	-27.842
5.05	Total comprehensive income	0	0	0	25.888	-14.560	11.328	0	11.328
5.05.01	Profit for the period	0	0	0	25.888	0	25.888	0	25.888
5.05.02	Other comprehensive income	0	0	0	0	-14.560	-14.560	0	-14.560
5.05.02.06	Exchange differences on translation of foreign operations	0	0	0	0	-14.560	-14.560	0	-14.560
5.06	Internal changes in equity	0	0	27.842	0	0	27.842	0	27.842
5.06.05	Tax incentive reserve	0	0	27.842	0	0	27.842	0	27.842
5.07	Closing balances	352.715	48.634	335.998	25.888	-7.740	755.495	0	755.495

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

Account code	Account title	Current year-to-date 1/1/2021 to 3/31/2021	Prior year-to-date 1/1/2020 to 3/31/2020
7.01	Revenue	583.787	433.399
7.01.01	Sales of goods, products and services	585.775	434.898
7.01.04	Provision for/reversal of impairment of trade receivables	-1.988	-1.499
7.02	Inputs acquired from third parties	-405.750	-303.507
7.02.01	Cost of sales and services	-293.605	-237.668
7.02.02	Materials, electricity, outsourced services and other	-108.391	-63.407
7.02.04	Other	-3.754	-2.432
7.03	Gross value added	178.037	129.892
7.04	Deductions	-24.865	-20.279
7.04.01	Depreciation, amortization and depletion	-24.865	-20.279
7.05	Net value added generated by the entity	153.172	109.613
7.06	Value added received through transfer	17.542	80.993
7.06.02	Finance income	16.538	51.841
7.06.03	Other	1.004	29.152
7.07	Total value added to distribute	170.714	190.606
7.08	Distribution of value added	170.714	190.606
7.08.01	Personnel	69.753	57.722
7.08.01.01	Direct compensation	48.002	46.567
7.08.01.02	Benefits	5.604	5.016
7.08.01.03	Government severance indemnity fund for employees (FGTS)	4.270	2.972
7.08.01.04	Other	11.877	3.167
7.08.01.04.01	Employee profit sharing	-81	-1.231
7.08.01.04.02	Other	11.318	3.373
7.08.01.04.03	Share option and restricted stock plans	640	1.025
7.08.02	Taxes and contributions	29.156	33.201
7.08.02.01	Federal	25.512	34.139
7.08.02.02	State	2.879	-1.583
7.08.02.03	Municipal	765	645
7.08.03	Lenders and creditors	42.029	73.795
7.08.03.01	Interest	7.526	3.376
7.08.03.02	Rentals	16.875	21.181
7.08.03.03	Other	17.628	49.238
7.08.03.03.01	Finance costs	17.628	49.238
7.08.04	Shareholders	29.776	25.888
7.08.04.03	Profits reinvested / loss for the period	29.776	25.888

1Q21 EARNINGS RELEASE

São Paulo, May, 13, 2021. Arezzo&Co (B3 – Brasil, Bolsa e Balcão: ARZZ3), a leading company in the Brazilian industry of women's footwear, handbags and accessories, announces its results for the 1st quarter of 2021.

FINANCIAL / OPERATIONAL HIGHLIGHTS

1 - Gross Revenue of **R$636 million**, a **+36.7%** growth vs. 1Q20;

2 - **R$65 million** EBITDA, **+79.9%** expansion vs. 1Q20 Adjusted EBITDA with **340 bps** margin expansion;

3 - Net Income of **R$30 million**, a **310.7%** growth vs. 1Q20;

4 - AR&CO Gross Revenue of **R$90 million**;

5 - Online Channel Gross Revenue of **R$159 million**, with **27.7%** share and **+148.9%** growth;

6 - **32.5%** of 1Q20 revenue came from online through the proprietary salesperson APP;

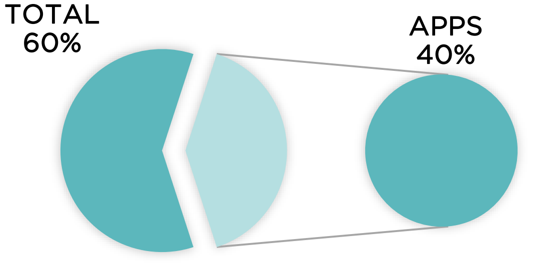
7 - **+410 bps** Gross Margin expansion;

8 - **+21.3%** of organic growth;

OMNI HIGHLIGHTS

1 - E-COMMERCE SALES

- Total Revenue: **R$ 158.9 MM**
- Total Traffic: **52 MM**
- Total Arezzo and Schutz App Downloads (L12M): **1.96 MM**
- Total Arezzo and Schutz App Downloads Growth: **+490K**
- Apps Total Share of Revenues: **40%**
- Conversion: **+3.7%**
- Tickets: **281.8K**
- NPS: **82**
- MAU (Monthly Active Users): **499.0K**
- OTD (On Time Delivery): **97.4%**
- Lead Time: **- 1.1 day**



2 - OMNI SALES

- Digital share of sell out physical stores: **32.5%**
- Contacts: **6.4 MM**
- Contacts conversion (influenced): **86.2 MM**
- Full enabled stores: **537**
- Click 'n Collect Revenue: **+5X**
- Infinite Shelf: **+8.4%**
- Clients with digital purchases: **+171K**
- "Try at Home" Share of Sell out: **6.2%**

86.2MM
Digital Influenced Sales

+ 500%
Shipping and Click and Collect Revenue

3 - CRM

- Arezzo&Co Active Clients: **3MM**
- New Clients: **+300K**
- Reactivated Clients: **+241.7K**
- Volume of purchases by Heavy Users: **+7.6%**

+300K
New Clients

1Q21 BRANDS HIGHLIGHTS

AREZZO

- Brazil Revenue: **R$ 223.2 MM**
- Growth: **23.0%**
- Web Revenue: **R$ 58.8 MM**
- OMNI Sales: **R$ 8.68 MM**
- OMNI as % of WEB sales: **14.8%**

SCHUTZ

- Brazil Revenue: **R$ 126.7 MM**
- International Revenue: **R$ 39.3 MM**
- Growth: **22.4%**
- Web Revenue: **R$ 43.8 MM**
- OMNI Sales: **R$ 5.6 MM**
- OMNI as % of WEB sales: **12.8%**

ANACAPRI

- Brazil Revenue: **R$ 58.8 MM**
- Growth: **16.5%**
- Web Revenue: **R$ 12.0 MM**
- OMNI Sales: **R$ 1.28 MM**
- OMNI as % of WEB sales: **10.6%**

ALEXANDRE BIRMAN

- Brazil Revenue: **R$ 8.0 MM**
- International Revenue: **R$ 14.9 MM**
- Growth: **10.2%**
- Web Revenue: **R$ 1.4 MM**
- OMNI Sales: **R$ 360.4K**
- OMNI as % of WEB sales: **24.9%**

START&CO ALME FIEVER

- Brazil Revenue: **R$ 7.6 MM**
- Growth: **-14.9%**
- Web Revenue: **R$ 2.9 MM**
- OMNI Sales: **R$ 60.0K**
- OMNI as % of WEB sales: **2.1%**

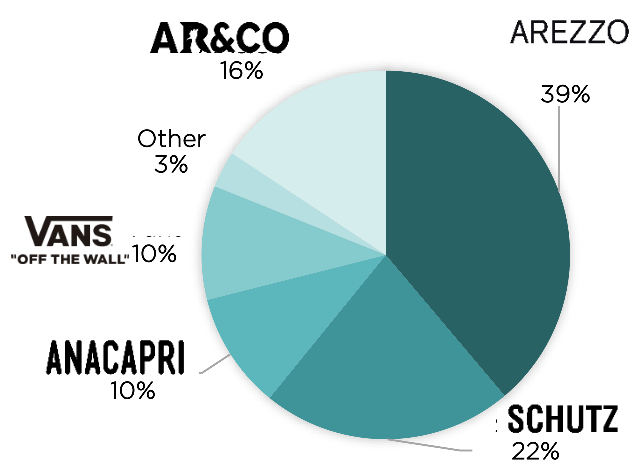
VANS "OFF THE WALL"

- Brazil Revenue: **R$ 57.3 MM**
- Growth: **15.2%**
- Web Revenue: **R$ 14.0 MM**
- OMNI Sales: **1.4 MM**
- OMNI as % of WEB sales: **10.0%**

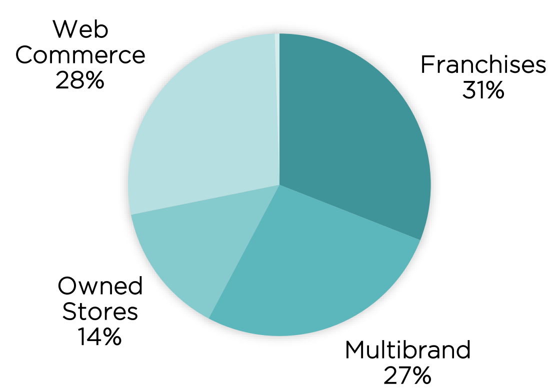
AR&CO

- Brazil Revenue: **R$ 90.3 MM**
- Growth: **12.2%**
- Web Revenue: **R$ 25.8 MM**
- OMNI Sales: **R$ 8.4 MM**
- OMNI as % of WEB sales: **32.4%**

DOMESTIC MARKET GROSS REVENUE



BY CHANNEL



Gross Revenue and Operating Indicators

Gross Revenue	1Q21	Part%	1Q20	Part%	Δ (%) 21 x 20	1Q19	Part%	Δ (%) 21 x 19
Total Gross Revenue	635.802		465.237		36.7%	462.530		37.5%
Foreign Market	61.132	9.6%	63.506	13.7%	(3.7%)	55.226	11.9%	10.7%
Exports	6.950	11.4%	9.641	15.2%	(27.9%)	11.634	21.1%	(40.3%)
US Operation	54.181	88.6%	53.865	84.8%	0.6%	43.592	78.9%	24.3%
Domestic Market	574.670	90.4%	401.731	86.3%	43.0%	407.304	88.1%	41.1%
By Brand								
Arezzo	223.231	38.8%	181.447	45.2%	23.0%	222.806	54.7%	0.2%
Schutz[1]	126.684	22.0%	103.477	25.8%	22.4%	112.279	27.6%	12.8%
AR&CO[2]	90.262	15.7%	-	-	12.2%	-	-	12.2%
Anacapri	58.820	10.2%	50.496	12.6%	16.5%	54.362	13.3%	8.2%
Vans	57.306	10.0%	49.729	12.4%	15.2%	-	-	na
Others[3]	18.367	3.2%	16.582	4.1%	10.8%	17.857	4.4%	2.9%
By Channel								
Franchises	178.092	31.0%	173.163	43.1%	2.8%	208.336	51.2%	(14.5%)
Multibrand	153.841	26.8%	114.231	28.4%	34.7%	96.500	23.7%	59.4%
Owned Stores	81.150	14.1%	50.323	12.5%	61.3%	60.566	14.9%	34.0%
Web Commerce	158.930	27.7%	63.843	15.9%	148.9%	41.485	10.2%	283.1%
Others[4]	2.657	0.5%	171	0.0%	1.453,8%	417	0.1%	537.2%
By Channel (ex-AR&CO)	484.408		401.731		20.6%	407.304		18.9%
Franchises	171.942	35.5%	173.163	43,1%	(0.7%)	208.336	51,2%	(17.5%)
Multibrand	138.627	28.6%	114.231	28,4%	21.4%	96.500	23,7%	43.7%
Owned Stores	38.053	7.9%	50.323	12,5%	(24.4%)	60.566	14,9%	(37.2%)
Web Commerce	133.129	27.5%	63.843	15,9%	108.5%	41.485	10,2%	220.9%
Others[4]	2.657	0.5%	171	0,0%	1.453,8%	417	0,1%	537.2%

(1) Does not include revenues from international operation.
(2) AR&CO comprises the brands: Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA and INK.
(3) Includes A. Birman, Fiever and Alme brands only in the domestic market and other revenues not specific to the brands.
(4) Includes domestic market revenues that are not specific to distribution channels.

Operating Indicators	1Q21	1Q20	Δ (%) 21 x 20	1Q19	Δ (%) 21 x 19
# of pairs sold ('000)	3.363	2.891	16.3%	3.153	6.6%
# of handbags sold ('000)	400	296	35.2%	376	6.3%
# of clothes sold ('000)	713	-	-	-	-
# of employees	3.730	2.596	43.7%	2.477	50.6%
# of stores*	893	754	139	690	29.4%
Owned Stores	141	55	86	52	171.2%
Franchises	752	699	53	638	17.9%
Outsourcing (as % of total production)	90.7%	91.2%	-0.5 p.p	90.0%	0.7%
SSS[2] **Sell in (franchises)**	4.7%	-17.6%	22.3 p.p	1.1%	3.3 p.p
SSS[2] **Sell out (owned stores + franchises + web**	-2.5%	-10.6%	8.1 p.p	3.8%	-1.7 p.p

(1) Considers garments sold by the Vans and Grupo Reserva brands
(3) SSS (same-store sales): stores are included in comparable store sales as of the 13th month of operation.

* Includes overseas stores

Key Financial Indicators

Key financial indicators	1Q21 Adjusted	1Q20 Adjusted	Δ (%) 21 x 20	1Q19	Δ (%) 21 x 19
Gross Revenues	635.802	465.237	36.7%	462.530	37.5%
Net Revenues	499.952	375.471	33.2%	377.163	32.6%
COGS	(250.027)	(203.099)	23.1%	(204.687)	22.2%
Depreciation and amortization (cost)	(746)	(806)	(7.4%)	(613)	21.7%
Gross Profit	249.925	172.372	45.0%	172.476	44.9%
Gross margin	*50.0%*	*45.9%*	*4.1 p.p*	*45.7%*	*4.3 p.p*
SG&A	(209.079)	(156.654)	33.5%	(135.789)	54.0%
% of net revenues	*(41.8%)*	*(41.7%)*	*(0.1 p.p)*	*(36.0%)*	*(5.8 p.p)*
Selling expenses	(133.516)	(101.815)	31.1%	(83.372)	60.1%
Owned stores and web commerce	(47.811)	(28.502)	67.7%	(29.038)	64.6%
Selling, logistics and supply	(85.705)	(73.313)	16.9%	(54.334)	57.7%
General and administrative expenses	(52.396)	(33.347)	57.1%	(36.562)	43.3%
Other operating revenues (expenses)	(15)	(2.018)	(99.3%)	1.427	(101.1%)
Depreciation and amortization (expens	(23.152)	(19.473)	18.9%	(17.282)	34.0%
EBITDA	64.744	35.997	79.9%	54.582	18.6%
EBITDA Margin	*13.0%*	*9.6%*	*3.4 p.p*	*14.5%*	*(1.5 p.p)*
Net Income	29.608	7.210	310.7%	23.141	27.9%
Net Margin	*5.9%*	*1.9%*	*4.0 p.p*	*6.1%*	*(0.2 p.p)*

Non-Recurring Adjustments

	1Q21	1Q20	
Consolidated Reported EBITDA	64.998	64.297	
Non-Recurring Items			
Net Extemporaneos Tax Credits[1]	(254)	(30.145)	
Legal Expenses	-	598	
Non-Recurring Items (COVID-19)	-	1.247	
Net Effect of Non-Recurring Items	(254)	(28.300)	
Adjusted Consolidated EBITDA	64.744	35.997	79.9%

(1) Revenue from extemporaneous tax credits (unconstitutionality of the inclusion of ICMS in the PIS / COFINS calculation base). The positive effect of such credits on the company's EBITDA was R $ 28.3 million in 1Q20.

Brand performance

The first quarter of the year traditionally sets the transition from summer to winter collections at Arezzo&Co's chain stores. In February, all the group's brands launched their Pre-Fall collections, which enable to measure customer responsiveness to the new trends and products.

In March, the brands launched their winter collections, and likewise 1Q20, due to the COVID-19 pandemic, stores were temporarily closed. Despite the impact of closed stores, Arezzo & Co, along with AR&CO, recorded growth of 36.7% vs. 1Q20 and 37.5% vs 1Q19. This excellent performance reflects the group's online channel resilience coupled frequent collections and assertive mix.

The Arezzo brand recorded revenue of R$223.2 million, 23.0% higher than in 1Q20. The quarter's highlight also mentioned in our last earnings release was Arezzo brand delivering excellent results from the launch of its new line of "full plastic" handbags and shoes, the BriZZa line. Considering the launches in January and February (Carnival), BriZZa recorded more than 45 thousand pairs sold, or 8% of the volume of January and 10% of February.

In March, Arezzo launched its winter campaign called "Arezzo On the Road" starring the actress Bruna Marquezine, and recorded excellent performance. Also in line with current trends, the brand again launched the Arezzo Home with comfy shoes for stay-at-home customers.

For Mother's Day, the brand prepared two strong launches for one of the most important dates of the year. Firstly, the "Sempre Presente" campaign was rolled out, created from the song "Tão Bem" by singer Lulu Santos that portrays the relationship of motherhood. Secondly, Arezzo debuted in the children's market by launching Arezzo Bambini in a charming campaign that offered 10 SKUs for mothers and daughters among flip-flops, flats and sneakers at competitive prices.

The Schutz brand recorded revenues of R$126.7 million, a 22.4% growth in the domestic market and 16.7% in the foreign market. Besides a strong performance vs. 2020, the Schutz brand sustained the excellent results recorded in previous quarters, with a 12.8% growth from 2019 (normalized quarter excluding the effects of the COVID-19 pandemic) - such performance is mainly explained by the assertiveness of its collections against competition.

As quarter's highlight, the brand launched its winter collection "I See You" with creative direction by Giovani Bianco, again starring the actress Marina Ruy Barbosa, the brand campaign's partner. The brand also conducted several launches in the handbag category, which now accounts for 19.6% of the brand mix, with growth across all collections launched, with excellent acceptance.

For Mother's Day, Schutz launched the "Thank You, Mom" campaign, focused on the brand gratitude to all mothers. Jointly with this launch, Schutz supported the "Mães de Favela" initiative through financial donations and making its stores available as points of food collection.

Brand Performance

AR&CO, which includes the brands Reserva, Reserva Mini, Oficina Reserva, Reserva Go, EVA and Ink, recorded revenue of R$90.3 million in 1Q21, 12.2% higher than in 1Q19 and 12.2% higher than in 1Q20. It is worth mentioning the excellent performance of all its channels, with emphasis on the online channel, which grew 187.4% vs. 1Q20 (considering a strong basis of comparison) and 224.6% vs. 1Q19.

The quarter's highlight, Reserva brand defined its store new architectural model and will inaugurate its first store at Eldorado shopping mall in São Paulo next June, with an exclusive activation for the Valentine's Day. In the same month, the brand will inaugurate another unit in the new model in São Paulo at the Shopping Center Norte. In addition to the openings, it will renovate / expand the Shopping Pátio Higienopolis and Oscar Freire stores in São Paulo, and Leblon in Rio de Janeiro.

As already announced to the market, AR&CO consolidation has been advancing and above the Company's expectations. As quarter's highlight, AR&CO's new headquarters in the city of Rio de Janeiro was designed and defined to meet the new needs of the operation. AR&CO will also rely on a new distribution center, with an area 50% larger than current distribution center, resulting in gains between 15% to 20% in the logistics operation, which will have a proprietary WMS (warehouse management system) based on the push and pull model.
The new DC will also have social and environmental aspects with elements that allow reducing energy consumption, observe the social and environmental standards and strategic location with access to the main highways.

Speaking of innovation, AR&CO has taken relevant steps over the last months. For Mother's Day, Reserva brand launched an iconic campaign with actress Regina Casé, she talked about her career and love for her children.

For the launch of products for mothers, Reserva reformulated the Simples sneaker, with Simples 2.0, in women's and children's versions, knit-made (created from recycled PET) in 15 colors and with variety of sizes from 28 to 44. Simples is a shoe lace-free, easy to wear sneaker, with E.V.A. in sole for absorption of impacts and vulcanized outsole.

"Simples" reached the stores for R$ 299.00 and it was an absolute sales success.

Brand performance

Still referring to sneakers, the brand carried out its first and second sell-in with more than 160 thousand pairs sold. The new season calendar will rely on smaller, more frequent collections and quick reactions. Changes in sell-in were implemented both in the franchise channel and in the multibrand channel, thus, enabling significant gains of efficiency, and accordingly, revenue growth.

For 2021, Reserva Go has an ambitious expansion plan, which will include the launch of new products (men and women) with different materials and lines, stores opening, investments in the brand and a specific strategy for the multibrand channel.

It is also worth highlighting that the solid growth of "Print On Demand" (Reserva Faça Vc) - which allows the customization of messages and prints on Reserva's T-Shirt Collection.

To monitor the strong sales performance - which doubled in the last 12 months - an important investment in machinery was performed to provide more robustness to the initiative. During the first quarter alone, the brand produced 115 thousand personalized T-shirts.

In the second quarter, AR&CO will have its first collection for sell in of women's clothing of the brand Reserva.

In June, AR&CO started its "full potential mapping process", with the objective of maximizing value of its diverse operational fronts through levers such as (i) positioning and consumers, (ii) categories, assortment and prices, and (iii) omnichannel and store format.

Brand performance

Anacapri brand recorded R$58.8 million sales, 16.5% higher than in 1Q20. The quarter's highlight was the online channel, which already accounts for 20.4% of the brand's sales and grew by 137.8% in the period. In the quarter, the brand maintained its partnership with the Brazilian actress and singer Manu Gavassi who participated in the entire creative process of the winter collection. The campaign was inspired by a playful nature, featuring four models created by her, who compose the collection, including sneakers, slip-ons, boots and handbags.

For Mother's Day, the brand reunited again singers Manu Gavassi, Ana Falcão and Vitória Caetano - from the duo "AnaVitória". The three singers wrote to their mothers bringing an intimate and cosy touch to the campaign. The collection included nine models of shoes and 3 handbags between R$129.00 and R$269.90.

The Vans brand, licensed at the end of 2019, recorded revenue of R$57.3 million, 15.2% higher than in 1Q20. The web commerce channel grew by 71.8%, accounting for 24.2% of the brand's sales.

In 1Q21, the brand closed an innovative collaboration with the band Foo Fighters to celebrate the 25th anniversary of its self-titled album. The band chose the Vans Classic Sk8-Hi, maintaining its iconic appearance, and improved with Foo Fighters logo.

The Alexandre Birman brand recorded revenue of R$8.0 million in Brazil, highlighting the web commerce channel. During the quarter, in its Pre-Fall collection, the brand launched another successful sneaker - the *Mia Sneaker* – an extremely comfortable sneaker featuring the traditional laces of Clarita sandal - Alexandre Birman's trademark. The product was launched globally and relied on a strong advertising in the media and by influencers. For Mother's Day, the brand invited Nathalie Edenburg, model and artist, for "The Art of Motherhood" campaign, featuring "Anny" flip-flop.

The brands Fiever and Alme recorded solid sales in the online channel, and together, they grew 49.5%. It is worth mentioning that Alme will keep its focus on sustainability and comfort, while Fiever on youth casual shoes.

Channels

Monobrand - Franchises and Owned Stores

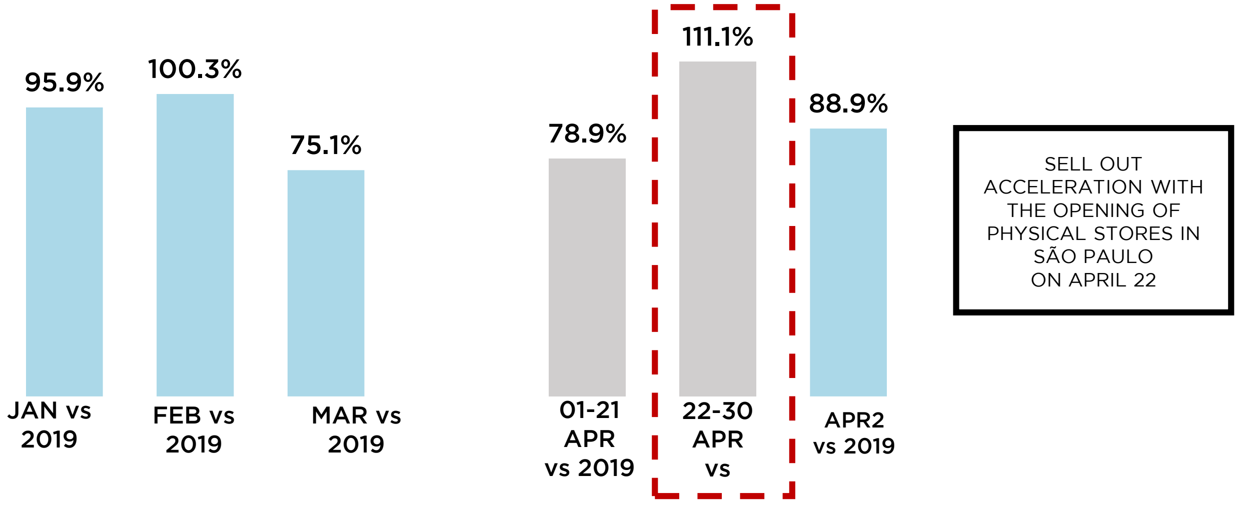
The Arezzo & Co and AR&CO POS network (Owned Stores + Franchises + Web Commerce) reached 97.4% of the sellout recorded in 1Q20 and 90.4% in 1Q19. Despite the excellent brand performance in January and February (reaching 95.9% and 100.3% in the same period of 2019, respectively), the sellout performance was impacted by the temporary closure of physical stores in March (total or partial), due to the measures to fight the COVID-19 pandemic.

During March, Arezzo&Co and AR&CO maintained an average of 57.5% of their physical stores closed, which recorded an average performance of 47.9% from 1Q19 and 89.5% from 1Q20. Considering total sellout (including web commerce), the group reached 122.2% in 1Q20 and 75.1% in 1Q19.

In April, consolidated for the month, the group reached 88.9% of 1Q19. However, the sellout as of April 22 - with the stores reopening in the state of São Paulo - increased to 111.1% in 2019, evidencing a robust upturn. Currently, the chain has 100% of stores opened.

In May, month that counts as "Christmas" of the first quarter - Mother's Day, Arezzo&Co once again exceeded itself, with its strong and enchanting campaigns, and presented excellent results within the period. **Between April 22 (store reopening) and May 12, the group (Arezzo&Co + AR&Co) presented 102% of 2019 revenues and 197% of 2020 revenues.**

Sellout Performance (Franchises, Owned Stores and Web Commerce)



Channels

Monobrand - Franchises and Owned Stores

The franchise channel recovered, growing 2.8% vs. the first quarter of 2020, including AR&CO. Considering only Arezzo&Co, the channel recorded sales similar to 2020, with a positive Sell-in SSS indicator of 3.3%. This performance reflects the assertiveness in the brands' collections and the channel's resilience in online sales.

Multibrands

In 1Q21, multibrand channel sales grew by 34.7% from 1Q20. Excluding AR&CO's sales, the channel still would record a solid growth of 21.4%. In January and February, the channel grew by 96.4% and 42.4%, respectively.

The channel's continuous growth mainly reflects the new methodology adopted in sell-in since 2020, which allows multibrand customers to have better sales foreseeability, quick replacement and receipt of best-seller items - a characteristic that differentiates Arezzo & Co apart from competition, resulting in higher share of wallet in customers already composing the portfolio. In addition, the new model of showrooms 100% online now offers greater convenience during shopping experience.

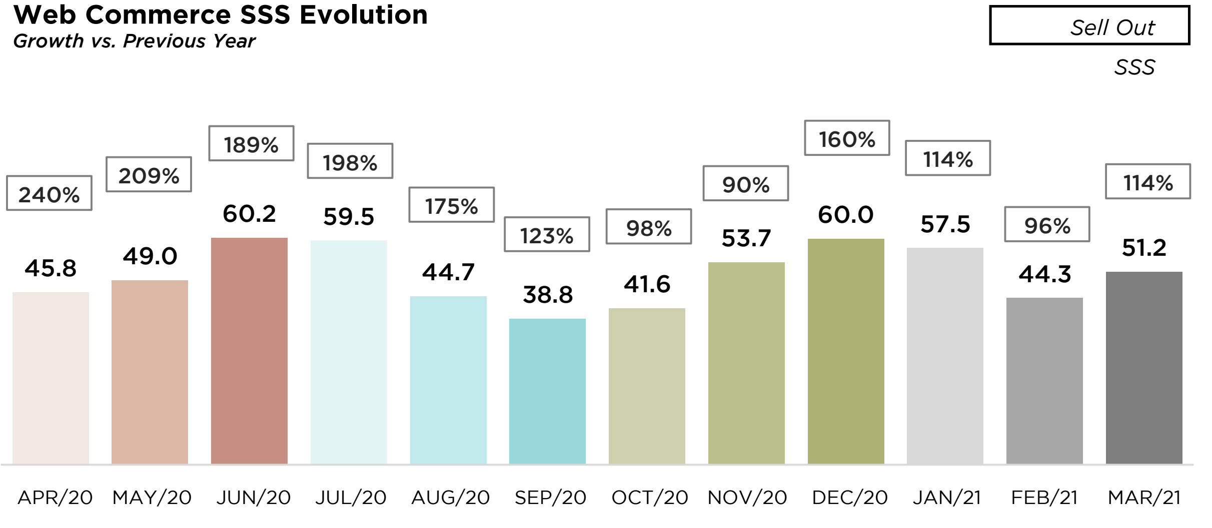
Arezzo & Co's seven brands, including AR&CO, are distributed through 5.087 points-of-sale, 34.1% higher than 1Q20.

Channels

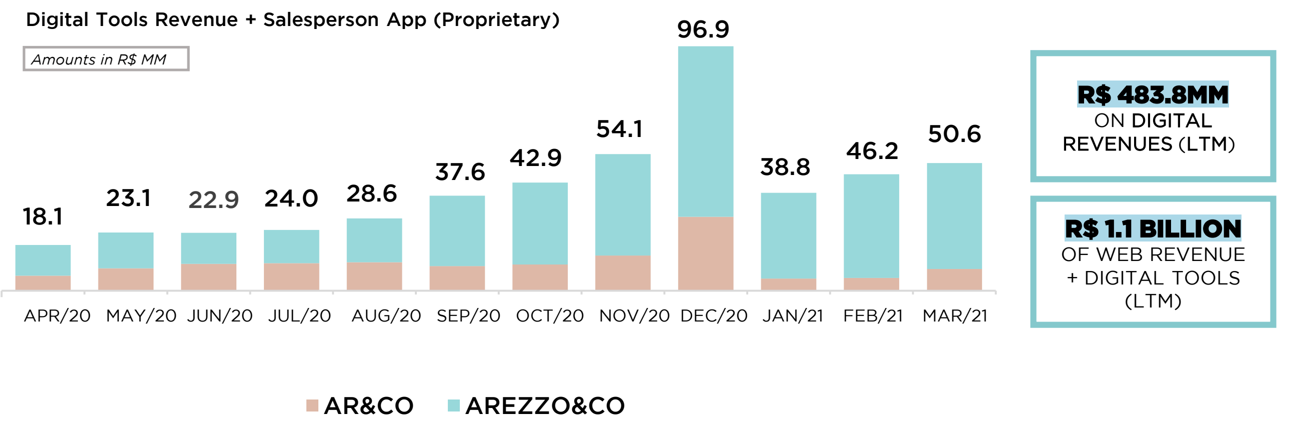
Digital Transformation

In the first quarter of 2021, Arezzo & Co delivered significant results in its web commerce channel, as well as in omnichannel initiatives - following the trend of 2020. This reinforces that Arezzo & Co's online sales (and not presential) reached excellent level of maturity, which allowed the chain to again show solid results in view of the temporary closure of most physical stores during March and April.

In 1Q21, the web commerce channel followed the acceleration trend of the last quarters and recorded R$158.9 million gross revenue, soaring 148.9%. The online channel already accounts for 27.7% of Arezzo&Co's consolidated revenue vs. 15.9% in the same period of 2020.



SSS of the web commerce channel including Grupo Reserva.



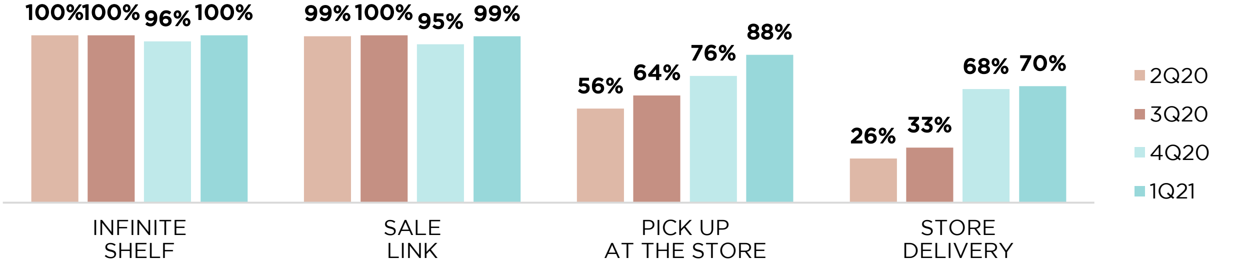
Channels

Digital Transformation

With most of physical stores closed in March and April due to the pandemic of COVID-19, online sales again, revealed their relevance for the chain sustainability. Thus, following the trend of the web commerce channel, OMNI sales revenue and share recorded significant growth in 1Q21.

The WhatsApp Sales initiative, a tool enables to conclude sales via WhatsApp, accounted for 6% of physical stores sales in the period. The Store Shipping & Click N' Collect together accounted for more than 3% of sales, a significant growth y-o-y. In the state of São Paulo, city more adherent to online sales, the OMNI sales share reached 31.2% of physical stores sales in March.

Accredited Stores Evolution| OMNI Initiatives



- *Store shipping: number is growing as stores are closing partnerships with freighters with high levels of service.*

As addressed in the last quarter, Arezzo&Co has intensified in a relevant way the use of the Proprietary Salesperson APP by the Digital Consulting Companies. The APP works as the seller's major allied from the moment of sale, in which it is possible to carry out digital sales, consult stocks, orders, delivery status, among others.

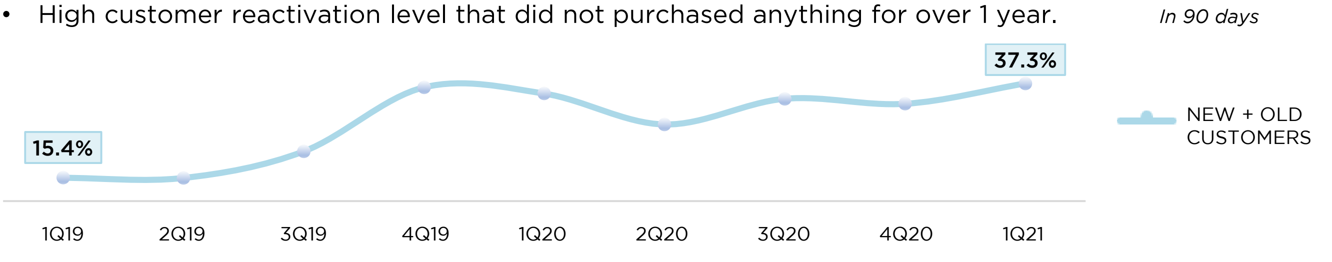
The Salesperson app (Proprietor) generated R$ 85 million of revenue in the quarter, having represented 32.5% of sales of physical stores. It is worth highlighting that in the month of March, 46.8% of physical store sales were influenced by the Proprietary Salesperson APP - record-breaker in the last six months.

Channels

Digital Transformation

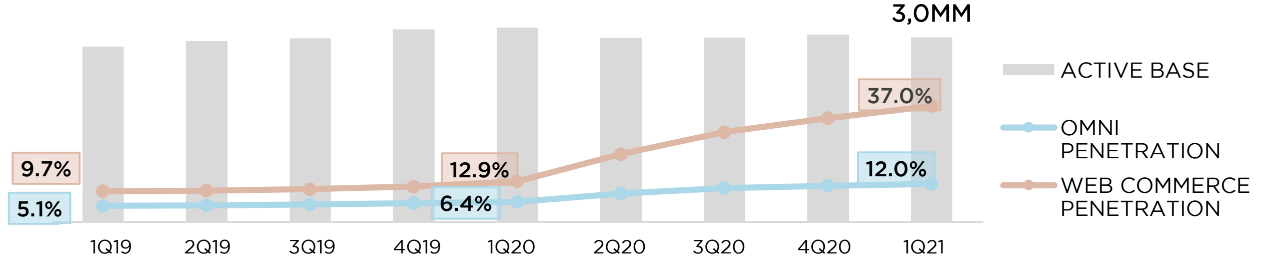
Repurchase Rate*

- The total repurchase rate in 90 days in the online channel of Arrezzo&Co was 37.3% in the 1Q21;
- Continuous improvement at the repurchase rate in the last few months, due to continuous CRM actions.
- Customer retention capacity of the physical channels and because OMNI customers;
- High customer reactivation level that did not purchased anything for over 1 year.



Online Channel Penetration*

- Upward increase in online channel penetration in Arezzo&Co's active customer base;
- 37.0% of Arezzo & Co's customers buy online;
- 12.0% of customers are omnichannel.



**Data excluding Grupo Reserva*

In relation with ZZ MALL - Arezzo&Co's own marketplace - the platform recorded 453 thousand downloads of its APP since the launch, relevant growth vs. the number diffused in the last quarter, and within the total number of transactions performed in the ZZ MALL, 32.4% are now done through it. In May, ZZMALL performed the launch of the first edition of the digital magazine "Magazzine" signed by Marina Ruy Barbosa who relied on her first mothers' day campaign. The platform now has about 50 "3P" (third-party).

Foreign Market

In the United States, revenue performance came in line in Reais in 1Q21 (in US$, drop was 19.3%), however, due to advanced vaccination in key states, revenue accelerated in March with 33% growth in Reais.

As quarter's highlight, the web commerce channel of the Schutz and Alexandre Birman brands recorded 86.7% growth in reais (51.9% in US$).

In April, on the logistics front, Arezzo&Co engaged a global strategic partner that will enable to split the distribution center into two units. In this new format, the first DC will be located in New Jersey with a focus on online operation (owned and outsourced website), and another in Miami, with a focus on distribution of the wholesale channel, allowing greater agility in the department stores supply and owned stores, which also work as a hub for the omnichannel operation.

In addition to this, as the quarter's highlight, the brand, Alexandre Birman, had the debut of its presence in the global online platform Farfetch, where this launch is part of the brand's digital presence expansion strategy) through integrated platform for sales in marketplace and in the dropship format.

As reinforced starting the second semester of 2020, the North American operation maintained the breakeven at the EBITDA level, presenting positive result of R$ 1.6 million in the 1Q21. Further details of the SG&A structure were explored on page 27.

For the 2nd semester of 2021, we expect to continue the volume and revenue expansion, being backed up by: (i) the advancement of the vaccination in the USA, (ii) the expansion of the presence of the brand Schutz in multibrand POS (for ex.: 70 Nordstrom POS vs. 25 in the pre-COVID), (iii) brand activations at flagships, (iv) continuous improvement of the online platform (personalize browser, CRM, etc.).

The exports of our footwear to the rest of the world registered a -27.9% drop in the invoicing of 1Q21, performance explained by the pandemic effects, which continued having an impact in a relevant way to the demand of international customers.

Monobrand Chain

The Company ended the first quarter of 2021 with 893 stores, 882 in Brazil and 11 abroad, including AR&CO incorporation.

In 1Q21, Arezzo & Co recorded a net closure of 8 stores due to stores in the pop-up format of the Arezzo brand BriZZa line that had a temporary contract (kiosks).
In addition, in 4Q20, the Anacapri brand inaugurated two pilot stores in the vending machine format for concept testing, which were closed in 1Q21. Excluding both effects, Arezzo & Co would have ended the quarter with two net openings.

It is worth noting that there was no change in the number of AR&CO stores in the quarter.

Store Information	1Q20	2Q20	3Q20	4Q20	1Q21
Sales area[1,3] - Total (m^2)	46.265	45.544	45.012	56.461	56.906
Sales area - franchises (m^2)	39.794	39.302	38.816	42.176	42.621
Sales area - owned stores[2] (m^2)	6.472	6.242	6.196	14.285	14.285
Total number of domestic stores	739	730	724	890	882
# of franchises	693	682	676	756	746
Arezzo	432	428	423	451	441
Schutz	70	68	67	68	67
Anacapri	184	179	179	186	187
Fiever	1	1	–	1	1
Alme	3	3	3	3	3
Vans	3	3	4	7	7
AR&CO	-	-	-	40	40
# of owned stores	46	48	48	134	136
Arezzo	9	9	9	12	15
Schutz	16	16	16	16	17
Alexandre Birman	6	6	7	8	8
Anacapri	3	3	3	5	3
Fiever	5	5	4	2	2
Alme	3	3	3	2	2
Vans	4	6	6	7	7
AR&CO	-	-	-	82	82
Total number of international stores	15	11	11	11	11
# of franchises	6	6	6	6	6
# of owned stores4	9	5	5	5	5

(1) Includes footage from stores abroad
(2) Includes eleven Outlet stores with a total area of 2,450 m^2
(3) Includes footage from expanded stores
(4) Includes 3 Schutz stores, being (i) New York at Madison Avenue, (ii) Miami at Shopping Aventura and (iii) Los Angeles at Beverly Drive. It also includes 2 Alexandre Birman stores, being (i) New York on Madison Avenue and (ii) Miami at Bal Harbor Shopping.

Strategic Planning

One of the essential fronts of Arezzo & Co's strategic planning is organic growth, besides inorganic opportunities. Since early 2021, these fronts of growth have been expanded and developed at full speed.

SCHUTZ CLOTHING

1. Schutz as Lifestyle -full look;
2. Expansion of the addressable market (R$ 15.4 billion) - for each pair of shoes, customer buys 3 pieces of clothing on average;
3. Highly fragmented market, with a high level of Schutz brand awareness vs. competition;
4. Opportunity for strong online growth - collaboration with successful Ginger brand in 2020;
5. Launch of the high summer collection in the 2H2021 in 5 pop-up stores;
6. Hiring a dedicated style team with expertise in the apparel sector.

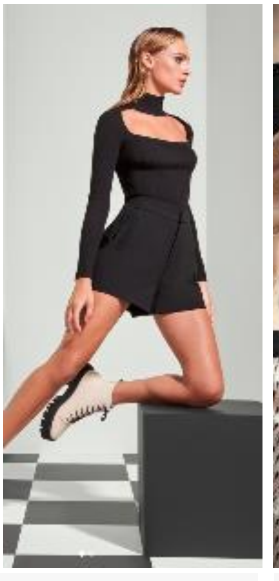
AREZZO BAMBINI

1. Opportunity to operate in the children's market - expansion of the addressable market by R$ 3.5 billion;
2. Capsule collection launched on Mother's Day - high acceptance by women's consumers;
3. Launch of a complete line in September, with campaign activation, multichannel sales exploring digital and multibrands specialized in the segment;
4. Focus on Arezzo consumers (mothers) - taking advantage of synergies and strength of the brand;
5. Footwear for children between 2 to 12 years old.

ZZ STORES

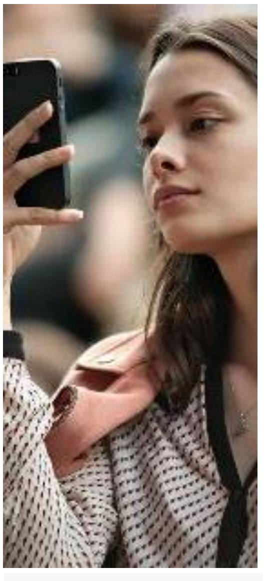
1. New qualified multibrand business model;
2. Focus on sustainability, digitalization and channel professionalization ;
3. Construction of the support and development ecosystem of stores, from customer experience to merchant training;
4. Opportunity to increase market share in selected markets - investment in a channel that was very resilient during pandemic;
5. Pilot in the 2H2021 in 10 stores.

NEW BRAND USA



1. Arezzo brand enter into the United States;
2. Price: Arezzo: USD 79.00 and Schutz: USD 100.00.
3. "MVP" model only in web commerce during first months;
4. Great opportunity due to favorable exchange rate scenario;
5. Start of pilot: June/21

CONTENT PLATFORM



1. Future outlook: new business model ensuring diversification of revenue sources at Arezzo & Co;
2. Soft -sell tools experience laboratory;
3. Expansion of operating segments with collaborations of exclusive products;
4. Customer relationship is reinforced beyond consumption, with immersion in daily life and discussion on topics rather than fashion.

Strategic Planning

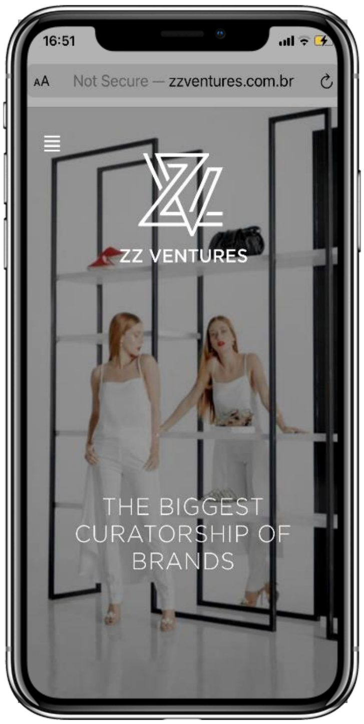
ZZ VENTURES

<u>“WE HAVE AN ENTREPRENEURIAL DNA THAT WILL LEVERAGE OTHER ENTREPRENEURS”</u>

ZZ Ventures is Arezzo & Co's Corporate Venture Capital arm focused on complementary retail and technology initiatives with significant growth and scalability potential - with the priority of approaching the ecosystem of start-ups and scale-ups through acceleration programs and equity acquisition of insurgent companies and brands. ZZ Ventures acts as a powerful innovation gear, strengthening and expanding Arezzo & Co's ability to thrive in an environment of accelerated disruption.

In 2021, Arezzo & Co became a “Gold” sponsor of Endeavor. During the first quarter, the Company participated in the “retail tech” program, focusing on innovation, technology, and increased productivity for companies throughout the retail chain to solve “pains” and work on opportunities identified in different company segments. In May, we started integrating and connecting the selected scale-ups with the internal teams at Arezzo & Co.

In the second quarter, the focus with the Endeavor partnership will be on retail operations and concepts with high growth potential that can complement our ecosystem.



ZZ VENTURES
AREZZO &CO

Strategic Planning

TROC

TROC - Arezzo & Co's second-hand online platform and ZZ Ventures' first investment - has taken significant steps since its acquisition by the group in November 2020. The Company was restructured in terms of people, technology, and processes - with expressive results already verified in the first quarter of 2021.

In April, the capacity for processing and activating new products at TROC increased by 430%, with about 60% of parts sold in less than 30 days. In addition, about 15% of the volume traded corresponds to never-used items with a tag. Due to the new processing capacity, in May, the operation showed a substantial acceleration of GMV, considerably surpassing the level reached in the previous month, of 125% growth.

Throughout the quarter, TROC expanded the number of cities with at-home pick-up collection from two to six: São Paulo, Curitiba, Belo Horizonte, Brasília, Florianópolis, and Rio de Janeiro - to offer even greater convenience to Troc sellers.

In the second half, TROC will start its entry into physical retail, supported by Arezzo & Co's expertise in the channel, and emphasize the premium and luxury market in its product mix.

Since its foundation, TROC has already saved 500 million liters of water through its business model, and this is just the beginning of its operations in this promising and conscious market.

Gross Profit and Gross Margin

Gross profit in 1Q21 totaled R$249.9 million, with a 50.0% margin, 410 bps higher than in 1Q20, positively driven by (i) the inclusion of AR&CO in the Company's sales, with a positive impact mainly in owned stores channel and (ii) greater share of web commerce in the mix of channels.

Operating Expenses

Arezzo&Co intends to keep its fixed expenses at levels lower than those reported in previous quarters, while sticking to its strategic planning, which has as one of its main pillars, a continuous growth of market share, omnichannel and the consolidation of the Brazilian fashion market.

It is worth noting that the analyses below exclude non-recurring effects that impacted the 1Q21 and 1Q20 results (reported on page 7).

Selling Expenses

In 1Q21, Arezzo & Co's commercial expenses grew by 10.0% when compared to 1Q20, reaching R$ 112.0 million, below the organic growth and the Vans brand. Considered with AR&CO expenses in this line, with commercial expenses increased 31.1% compared to 1Q20.

(i) Owned stores and Web commerce expenses (sellout channels), of Arezzo&CO totaled R$ 44.2 million, 55.0% higher than 1Q21 - below the relevant growth of the web commerce channel - 108.5% (excluding AR&CO). Increased expenses is due to the expansion of the digital channel, especially in the areas of digital marketing and performance (directly related to revenue) and logistics / freight. Considering AR&CO, expenses increased 67.7%.

(ii) Arezzo & Co's Sales, Logistics and Supplies expenses totaled R$ 67.8 million in the period - a 7.5% drop versus that of 1Q20. Considering the addition of AR&CO, expenses increased by 16.9%.

In relation to the Brazilian operation, the major savings were concentrated on the fronts of (i) launches of collections - sell in events previously carried out in person and (ii) reduction in commercial travels, which occurred in lesser frequency in 1Q21 due to pandemic restrictions.

Adjusted Operating Expenses

The R$10.5 million reduced expenses in the North American market (-41.0%) derived from structural adjustments and lower occupancy costs of owned stores and offices. Selling, logistics and supplies expenses in the United States totaled R$15.0 million in 1Q21.

General and Administrative Expenses

In 1Q21, general and administrative expenses of Arezzo&Co totaled R$ 30.8 million, decreasing 7.5% lower than in 1Q20. The reduction is mainly explained by the organizational restructuring carried out in the Brazilian and North American operations, reducing layers and positions aiming greater efficiency and operational agility. In the other hand, the Company allocated more resources to improve its technology and software structure, but still sustaining the level of savings achieved. Considering AR&CO, expenses would have increased by 57.1%, making a total of R$ 52.4 million.

Adjusted EBITDA and Adjusted EBITDA Margin

The Company reached adjusted EBITDA of R$ 64.8 million in 1Q21, an increase of 79.9% compared to 2020.

Despite a challenging scenario in the country, Arezzo&Co delivered a significant EBITDA growth, mainly due to collections assertiveness and the maturity of online sales - capable of generating revenue while physical stores were closed during most of quarter.

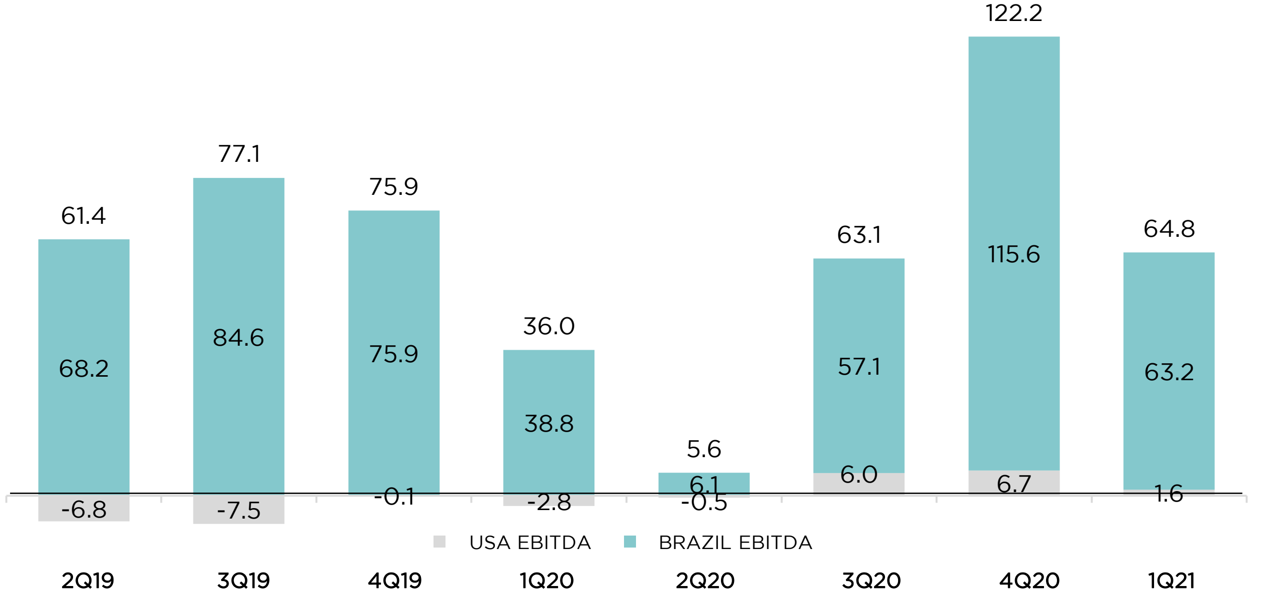
It is also worth noting the positive impact of (i) the addition of AR&CO EBITDA and the Vans brand and (ii) the positive level of the North American operation that reached an EBITDA of R$1.6 million.

	1Q21 EBITDA			1Q20 EBITDA			1Q19 EBITDA		
	&Co	**Brazil**	**USA**	**&Co**	**Brazil**	**USA**	**&Co**	**Brazil**	**USA**
Net Revenues	500.0	455.4	44.6	375.5	332.5	43.0	377.2	341.1	36.1
EBITDA	64.8	63.2	1.6	36.0	38.8	(2.8)	54.6	62.6	(8.0)
EBITDA Mg.	*13.0%*	*13.9%*	*3.6%*	*9.6%*	*11.7%*	*(6.5%)*	*14.5%*	*18.3%*	*(22.2%)*

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

Adjusted EBITDA and Adjusted EBITDA Margin

Arezzo&Co Adjusted EBITDA Breakdown (IFRS 16)



Adjusted Results: They do not consider the impacts of "one offs" (elements of a non-recurring nature) and extemporaneous credits from the quarters.

Net Income and Net Margin

The Company posted adjusted net income of R$29.6 million, growth of 310.7% vs. previous year, with net margin of 5.9%. increment of 400 bps vs. 1Q20.

Net income was positively impacted by (i) the excellent operating performance of Arezzo&Co in the period and AR&CO merger, (ii) the improved effective income tax rate with AR&CO incorporation and adversely impacted by (i) higher financial expenses due to greater leverage and (ii) increased depreciation.

ROIC - Return on Invested Capital

The adjusted return on invested capital (ROIC), i.e., excluding the Company's inorganic movements in 2020, as well as non-recurring elements associated with the pandemic - reached 23.6%, vs. 20.9% in 2020.

The accounting ROIC reached 7.7% in 1Q21. Besides lower NOPAT (LTM), the lines of working capital (inventories, suppliers and accounts receivable) were impacted by AR&CO merger which took place in December 2020. Regarding the merger, it is also worth noting the significant increase in permanent assets (R$834.1 million) coupled with investments, which include intangible assets and goodwill deriving from the transaction, to be amortized over the coming years.

Income from operations	1Q21 Adjusted	1Q21 Reported	1Q20	1Q19	Δ 21 x 20 (%)	Δ 21 x 19 (%)
EBIT (LTM)	194.382	89.191	230.433	195.631	(15.6%)	(0.6%)
+ IR e CS (LTM)	8.675	7.319	(51.846)	(29.206)	(116.7%)	(129.7%)
NOPAT	**203.057**	**96.510**	**178.587**	**166.425**	**13.7%**	**22.0%**
Working Capital[1]	380.665	336.333	476.612	374.410	(20.1%)	1.7%
Accounts Receivable	477.929	477.929	400.136	394.770	19.4%	21.1%
Inventory	341.931	348.041	253.412	162.613	34.9%	110.3%
Suppliers	(376.757)	(376.757)	(178.376)	(148.825)	111.2%	153.2%
Others	(62.438)	(112.880)	1.440	(34.148)	(4.436,0%)	82.8%
Permanent assets	345.380	1.179.922	433.430	344.181	(20.3%)	0.3%
Other long-term assets[2]	48.188	48.188	38.647	39.990	24.7%	20.5%
Invested capital	**774.233**	**1.564.443**	**948.689**	**758.581**	**(18.4%)**	**2.1%**
Average invested capital[3]	**861.461**	**1.256.566**	**853.635**		**0.9%**	
ROIC[4]	**23.6%**	**7.7%**	**20.9%**			

(1) Working Capital: Current assets less cash, cash equivalents and financial investments, minus current liabilities less loans and financing and dividends payable.
(2) Deducted from deferred income tax and social contribution.
(3) Average capital employed in the period and in the same period of previous year.
(4) ROIC: NOPAT in the last 12 months divided by average capital employed.

Investments - CAPEX

In 1Q21, Arezzo & Co invested R$12.5 million in CAPEX, highlighting:

- AR&CO integration - investments in the new architectural model of stores and investments in IT infrastructure;
- In the "Corporate" line, we point out investments in digital transformation related to squads, software and apps, likewise in previous year.

Summary of Investments	1Q21	1Q20	Δ 20 x 19 (%)
Total CAPEX	12.545	14.075	(10.9%)
Stores - expansion and refurb	3.805	3.952	(3.7%)
Corporate	7.972	7.886	1.1%
Other	768	2.237	(65.7%)

Cash Position and Indebtedness

The Company ended 1Q21 with a net debt of R$93.1 million. During the period, we highlight:

- Cash position of R$570.7;
- Total indebtedness of R$663.9 million, vs. R$634.3 million in 4Q20.
- It is worth noting that the Company's debt level changed in 1Q20 due to the preventive funding of lines of credit - these debts were lengthened in 3Q20.
- Net Debt / EBITDA ratio of 0.6x.

Cash position and Indebtedness	1Q21	4Q20	1Q20
Cash	570.746	561.165	619.181
Total debt	663.892	634.269	615.959
Short-term	364.786	239.483	307.081
% total debt	54.9%	37.8%	49.9%
Long-term	299.106	394.786	308.878
% total debt	45.1%	62.2%	50.1%
Net debt	(93.146)	(73.104)	3.222
Net Debt/EBITDA	0.6x	0.4x	0.0x

Balance Sheet

Assets	1Q21	4Q20	1Q20
Current assets	1.523.157	1.564.868	1.416.747
Cash and Banks	222.598	38.297	7.597
Financial Investments	348.148	522.868	611.584
Trade accounts receivables	477.929	598.824	400.136
Inventory	348.041	290.896	253.412
Taxes recoverable	90.134	86.034	121.500
Other credits	36.307	27.949	22.518
Non-current assets	1.312.474	1.267.677	488.433
Long-term receivables	132.552	118.494	55.003
Trade accounts receivables	3.855	2.564	9.377
Deferred income and social contribution	84.364	80.632	16.356
Other credits	44.333	35.298	29.270
Investments property	2.275	3.016	3.074
Property, plant and equipment	313.409	316.300	354.778
Intangible assets	864.238	829.867	75.578
Total assets	2.835.631	2.832.545	1.905.180

Liabilities	1Q21	4Q20	1Q20
Current liabilities	983.446	911.418	628.035
Loans and financing	364.786	239.483	307.081
Lease	50.749	52.890	47.995
Suppliers	376.757	399.189	178.376
Other liabilities	191.154	219.856	94.583
Non-current liabilities	480.772	572.530	521.650
Loans and financing	299.106	394.786	308.878
Related parties	0	0	1.937
Other liabilities	15.939	17.274	9.607
Lease	161.669	160.470	201.228
Other amounts payable	4.058	0	0
Shareholder's Equity	1.371.413	1.348.597	755.495
Capital	808.715	967.924	352.715
Capital reserve	208.866	49.229	48.634
Profit reserves	107.895	107.895	122.118
Tax incentive reserve	227.937	227.937	213.880
Other comprehensive income	-11.776	-4.388	-7.740
Accumulated Profit	29.776	0	25.888
Total liabilities and shareholders' equity	2.835.631	2.832.545	1.905.180

Income Statement

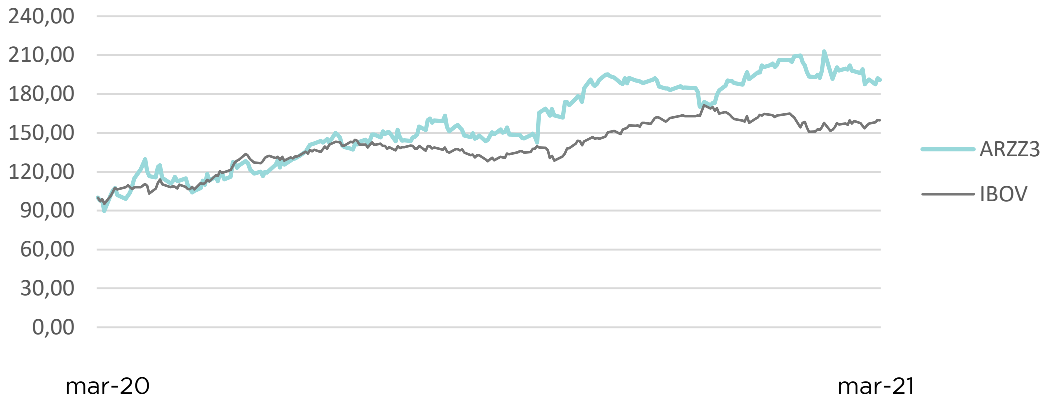
Income Statement - IFRS	1Q21	1Q20	Var.%
Net operating revenue	499.952	375.471	33.2%
Cost of goods sold	(250.027)	(203.099)	23.1%
Gross profit	249.925	172.372	45.0%
Operating income (expenses):	(208.824)	(128.354)	62.7%
Selling	(155.629)	(117.123)	32.9%
Administrative and general expenses	(53.433)	(39.358)	35.8%
Other operating income, net	238	28.127	-99.2%
Income before financial result	41.101	44.018	-6.6%
Financial income	(8.616)	(772)	1016.1%
Income before income taxes	32.485	43.246	-24.9%
Income tax and social contribution	(2.709)	(17.358)	-84.4%
Current	(6.441)	(18.032)	-64.3%
Deferred	3.732	674	453.7%
Net income for period	29.776	25.888	15.0%

Cash Flow

Cash Flow	1Q21	1Q20
Operating activities		
Net Income	29.776	25.888
Ajustes para conciliar o resultado às dispon. geradas pelas atividades operacionais:	55.611	91.708
Depreciation and amortization	24.865	20.279
Income from financial investments	(1.559)	(2.561)
Interest and exchange rate	18.324	48.381
Income tax and social contribution	2.709	17.358
Other	11.272	8.251
Decrease (increase) in assets		
Trade accounts receivables	117.398	12.802
Inventory	(64.383)	(77.295)
Recoverable taxes	(10.302)	(30.811)
Change in other current assets	(14.644)	(25.944)
Judicial deposits	(10.370)	(4.235)
(Decrease) increase in liabilities		
Suppliers	(17.206)	46.591
Labor liabilities	(12.469)	(22.073)
Fiscal and social liabilities	(11.592)	(1.299)
Variation in other liabilities	(20.252)	4.784
Payment of income tax and social contribution	(603)	(12.882)
Lease	(2.813)	(1.418)
Net cash flow from operating activities	38.151	5.816
Investing activities		
Sale of fixed and intangible assets	175	(318)
Acquisition of fixed and intangible assets	(12.545)	(14.075)
Financial Investments	(457.467)	(778.819)
Redemption of financial investments	634.097	433.314
Payment of capital by subsidiaries	-	-
Acquisition of subsidiary, net cash obtained on acquisition	(11.328)	-
Dividend receipt	-	-
Net cash used in investing activities	152.932	(359.898)
Financing activities with third parties		
Increase in loans	65.612	405.241
Payments of loans	(51.508)	(17.028)
Instalment Lease	(21.886)	(15.470)
Net cash used in financing activities with third parties	(7.782)	372.743
Financing activities with shareholders		
Interest on equity	-	(22.675)
Receivables (payables) with shareholders	1.000	435
Issuing of shares	-	-
Repurchase of shares	-	(2.632)
Net cash used in financing activities	1.000	(24.872)
Increase (decrease) in cash and cash equivalents	184.301	(6.211)
Cash and cash equivalents		
Foreign exchange effect on cash and cash equivalents	-	-
Cash and cash equivalents - Initial balance	38.297	13.808
Cash and cash equivalents - Closing balance	222.598	7.597
Increase (decrease) in cash and cash equivalents	184.301	(6.211)

3. Capital Markets and Corporate Governance

On March 31, 2021, the Company's market capitalization was R$7.0 billion (R$ 70.35), an increase of 90,8% 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)	70,35
Market Cap	7.009.069.975
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]	3%

(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 31/03/2021

4. Independent Auditors

Arezzo&Co's financial statements relative to the business year ending on March 31, 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 March 31th, 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 women's shoes, handbags, clothing and accessories.

At March 31, 2021, the Company had 746 franchise stores in Brazil and 6 abroad; 136 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 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 is subject to fluctuations in sales volume over the year, with sales usually expected to be higher in the second half of the year 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 impacted by these factors to the point that it is considered 'highly seasonal' in accordance with CPC 21 (R1)/IAS 34 Interim Financial Reporting, which would then require the presentation of additional financial information.

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.

Furthermore, due to the COVID-19 pandemic, in the second quarter of 2020 the Company revised the variables used to estimate credit losses and the effects on recoveries, which resulted in an increase in the credit loss allowance expense. The Company continues to monitor on a daily basis the amounts owed by customers and their financial position and recognized in the period ended March 31, 2021 an additional loss allowance of R$2.184, which was included within selling expenses. 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 to support a gradual resumption of sales across its network. In addition, possible promotional actions in the points of sale are not expected to have significant impacts on the business' margin. The Company assessed the potential impacts of COVID-19 on estimates of inventory losses and recognized a complementary provision of R$7.238 at March 31, 2021, mainly because of a higher inventory level and a low inventory turnover rate during the period (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 March 31, 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 March 31, 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 March 31, 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 restrictive covenants

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

h) Assessment of Company's liquidity

The Company closed the fiscal year 2020 with a comfortable cash position and took new loans in March and April 2020 (Note 16), which contributed further to an improved cash position. Preserving cash is of utmost importance at this moment, so the Company has taken a number of contingency actions, such as re-evaluation of its strategic investment plans for 2020, reduction of operating expenses, pay and hours cut for some employees, and measures for the U.S. operations which include organizational restructuring, reducing consulting costs, closing down stores and re-evaluating its strategic planning, principally in the second quarter.

Also in 2020, the Company extended the maturity of the debts that were due to be repaid in 2021 to improve short-term liquidity.

2. Accounting policies

2.1. Basis of preparation and presentation of financial statements

The condensed parent company and consolidated interim financial statements included in the Quarterly Information Form (ITR) have been prepared and are being presented for the three months ended March 31, 2021, in accordance with Brazilian Accounting Standard CPC 21 (R1), Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard IAS 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as according to 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 quarterly 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 quarterly 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 quarterly 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

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 three months ended March 31, 2021 were approved by the Board of Directors on May 4, 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:

		Total ownership interest			
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.

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 March 31, 2021.

The amendments to accounting standards issued by the IASB and effective from January 1, 2021 did not have a 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	78.149		78.149
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	49.302		49.302
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			**468.094**

(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	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
Investments	**840.209**	840.209	**102.115**	103.454
Property, plant and equipment (decrease in value) (a)	**-**	-	**(1.911)**	(1.911)
Intangible assets (increase in value) (b)	**-**	-	**266.280**	266.427
Inventory (increase in value) (c)	**-**	-	**5.631**	6.111
Goodwill	**-**	-	**468.094**	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.

(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 goodwill of R$468.094 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. and Tiferet Comércio de Roupas Ltda, a 75% stake in Troc.com.br Atividades de Internet S.A. ("Troc"), an online thrift store.

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 amounts recognized as at March 31, 2021 in respect of the business combination are as follows:

	1/31/2021
Property, plant and equipment	156
Intangible assets	200
Other assets and liabilities, net	(4.289)
Liabilities, net of assets	(3.933)
Equity interest acquired	75%
Assets acquired, net of liabilities	(3.933)
Purchase consideration	22.878
Goodwill	**26.811**

(All amounts in thousands of reais unless otherwise stated)

5. Business combinations--Continued

5.2. Acquisition of Troc--Continued

The determination of the purchase price allocation has not yet been completed and management has provisionally allocated as goodwill the amounts of the consideration transferred that exceeded net assets acquired.

6. Cash and cash equivalents

	Parent company		Consolidated	
	3/31/2021	12/31/2020	**3/31/2021**	12/31/2020
Cash and banks				
Cash on hand	**600**	634	**1.466**	2.295
Cash at banks	**3.161**	2.657	**23.359**	36.002
Cash equivalents				
Certificates of bank deposit (CDB)	**-**	-	**19.700**	-
Automatic investments	**144.119**	-	**144.371**	-
Fixed-income investments	**-**	-	**33.702**	-
Total cash and cash equivalents	**147.880**	3.291	**222.598**	38.297

At March 31, 2021, the average rate of interest on financial investments classified as cash equivalents is 97% of the Interbank Deposit Certificate rate (CDI) for CDBs, 2% of the CDI for automatic investments, and 95% of the CDI for fixed-income securities.

7. Cash investments

	Parent company		Consolidated	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
Current				
Fixed-income securities	**25.757**	172.265	**26.766**	233.380
Exclusive investment fund				
Financial Treasury Bills (LFT)	**94.455**	165.493	**171.294**	273.177
Securities purchased under resale agreements	**74.000**	-	**134.139**	-
Financial bills (CEF)	**6.781**	7.618	**12.292**	12.574
Certificates of bank deposit (CDB)	**2.017**	2.264	**3.657**	3.737
Total cash investments	**203.010**	347.640	**348.148**	522.868

(All amounts in thousands of reais unless otherwise stated)

7. Cash investments--Continued

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 according to CVM Instruction 408/04.

As of March 31, 2021, the fund holdings accrue interest of 87% of the interest rate of interbank deposit certificates (CDI) (December 31, 2020 - 97%), and 96% 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 March 31, 2021, the Company has not pledged any investment as collateral to financial institutions.

8. Trade receivables

	Parent company		Consolidated	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
Domestic customers				
Trade notes receivable	**279.691**	341.208	**317.176**	383.835
Trade notes receivable from related parties (Note 12a)	**8.816**	51.127	**-**	-
Foreign customers				
Trade notes receivable	**5.665**	4.839	**49.781**	44.488
Trade notes receivable from related parties (Note 12a)	**33.415**	30.523	**-**	-
Other				
Credit cards	**-**	-	**128.503**	184.541
Checks and other	**61**	61	**79**	95
	327.648	427.758	**495.539**	612.959
(-) Provision for expected credit loss	**(11.666)**	(9.192)	**(13.755)**	(11.571)
Total trade receivables	**315.982**	418.566	**481.784**	601.388
Current	**278.712**	385.479	**477.929**	598.824
Non-current	**37.270**	33.087	**3.855**	2.564

(All amounts in thousands of reais unless otherwise stated)

8. Trade receivables--Continued

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	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
USD	**39.080**	35.362	**49.126**	43.864
EUR	**-**	-	**655**	624
	39.080	35.362	**49.781**	44.488

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

	Parent company		Consolidated	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
At the beginning of the period	**(9.192)**	(1.639)	**(11.571)**	(2.633)
Additions/reversals	**(2.474)**	(13.210)	**(2.184)**	(15.210)
Write-offs	**-**	5.657	**-**	6.272
At the end of the period	**(11.666)**	(9.192)	**(13.755)**	(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.

(All amounts in thousands of reais unless otherwise stated)

8. Trade receivables--Continued

The aging analysis of these trade receivables is as follows:

	Parent company		Consolidated	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
Not yet due	**292.768**	412.798	**455.731**	597.999
Up to 30 days past due	**9.818**	2.244	**12.941**	2.244
31- 60 days past due	**10.161**	1.979	**11.354**	1.979
61- 90 days past due	**4.878**	703	**5.201**	703
91-180 days past due	**2.955**	2.350	**3.244**	2.350
181-360 days past due	**4.495**	6.004	**4.495**	6.004
More than 360 days past due	**2.574**	1.680	**2.574**	1.680
	327.648	427.758	**495.539**	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.

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 an additional provision of R$2.184 for the period ended March 31, 2021 (December 31, 2020 - R$15.510) for losses on trade receivables, which was classified in selling expenses. Management believes that its loss provision is sufficient to absorb probable losses on trade receivables.

(All amounts in thousands of reais unless otherwise stated)

9. Inventories

	Parent company		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Finished products	**122.841**	76.960	**294.729**	258.164
Raw materials	**3.508**	3.408	**26.376**	17.098
Work in process	**-**	-	**10.366**	7.750
Advances to suppliers	**6.532**	5.326	**16.570**	7.884
Total inventories	**132.881**	85.694	**348.041**	290.896

In the period ended March 31, 2021, the Company deducted from inventories a loss provision of R$4.974 – Parent company (December 31, 2020 - R$4.546) and R$13.687 – Consolidated (December 31, 2020 - R$7.214). The loss provision is recorded as an expense in the income statement.

Changes in the provision for losses are as follows:

	Parent company		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
At the beginning of the period	**(4.546)**	(5.717)	**(7.214)**	(7.453)
Additions/reversals	**(1.193)**	(94)	**(7.238)**	(1.026)
Realized	**765**	1.265	**765**	1.265
At the end of the period	**(4.974)**	(4.546)	**(13.687)**	(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	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Value-added tax on sales and services (ICMS)	**10.988**	6.878	**35.381**	19.718
Corporate income tax (IRPJ)	**390**	390	**484**	791
Social contribution (CSLL)	**98**	98	**136**	206
Social integration program (PIS) and social contri	**1.009**	-	**46.822**	55.954
Excise tax (IPI)	**-**	-	**1.290**	1.212
Other	**2.985**	4.095	**6.018**	8.153
Total	**15.470**	11.461	**90.131**	86.034

11. Income tax and social contribution

a) Deferred taxes

	Parent company		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Basis of calculation of deferred income tax (IRPJ) and social contribution (CSLL)				
Tax losses	**81.989**	87.534	**177.004**	166.438
Unrealized profit on inventories	**19.861**	21.169	**19.861**	21.169
Provision for expected credit losses on trade receivables	**11.954**	9.297	**13.438**	10.382
Provision for commissions	**6.363**	7.891	**6.363**	7.891
Provision for labor, tax and civil proceedings	**6.258**	5.721	**12.201**	12.735
Provision for inventory losses	**4.974**	4.546	**12.716**	10.743
Provision for share option plan	**4.393**	4.030	**4.393**	4.030
Bill and hold transactions, net	**2.875**	2.893	**5.007**	5.657
Provision for employee profit sharing	**1.606**	-	**1.606**	-
Other provisions	**292**	596	**292**	596
Provision for foreign exchange losses	**-**	-	**(4.753)**	(2.488)
Deferred tax assets	**140.565**	143.677	**248.128**	237.153
Deferred income tax and social contribution	**47.792**	48.850	**84.364**	80.632

(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	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Opening balance	**48.850**	15.196	**80.632**	15.682
Tax benefit (expense) recognized in the statement of incom	**(1.058)**	33.654	**3.732**	40.622
Acquisition of subsidiary	**-**	-	**-**	24.328
Balance at the end of the period	**47.792**	48.850	**84.364**	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	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
2021	**25.235**	24.828	**34.184**	31.528
2022	**18.345**	19.555	**27.472**	26.072
2023	**4.212**	4.467	**12.504**	13.209
2024	**-**		**10.204**	9.823
Total deferred income tax and social contribution	**47.792**	48.850	**84.364**	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	
	3/31/2021	**3/31/2020**	**3/31/2021**	**3/31/2020**
Profit before income tax and social contribution	**35.408**	28.982	**32.485**	43.246
Statutory tax rate	**34.0%**	34.0%	**34.0%**	34.0%
Expected income tax and social contribution expense at the statutory tax rate	**(12.039)**	(9.854)	**(11.045)**	(14.704)
Tax benefit from technological innovation and research expenses - Law 11,196/05	**1.356**	1.215	**1.356**	1.215
Share of profit of equity-accounted subsidiaries	**897**	2.008	-	-
Deferred tax on unrecognized losses of subsidiaries	-	-	**(3.344)**	(8.369)
Government subsidies (i)	**5.612**	4.314	**13.300**	5.598
Share option plan expenses	**(302)**	(435)	**(302)**	(435)
Tax incentives (Workers' Meal Program (PAT), Rouanet Law)	**82**	169	**94**	259
Other permanent differences	**(1.238)**	(511)	**(2.768)**	(922)
Effect of income tax and social contribution on acquisition of subsidiary				
Income tax and social contribution expense	**(5.632)**	(3.094)	**(2.709)**	(17.358)
Current	**(4.574)**	(5.724)	**(6.441)**	(18.032)
Deferred	**(1.058)**	2.630	**3.732**	674
Income tax and social contribution expense	**(5.632)**	(3.094)	**(2.709)**	(17.358)
Effective tax rate	**15.9%**	10.7%	**8.3%**	40.1%

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

(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

	3/31/2021						
	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	-	-	33.415	-	-	-	-
ZZAB Comércio de Calçados Ltda.	4.868	-	-	20.876	1.624	83.033	208
ZZSAP Indústria e Comércio de Calçados Ltda.	104	-	-	8.696	6.357	1	37.259
ZZEXP Comercial Exportadora S/A	3.598	14.984	-	-	-	623	-
TIFERET Comércio de Roupas Ltda	164	-	-	-	-	164	-
Total - Parent company	**8.734**	**14.984**	**33.415**	**29.572**	**7.981**	**83.821**	**37.467**

	12/31/2020				3/31/2020	
	Current assets	Non-current assets		Non-current	Transactions	
	Accounts receivable	Accounts receivable	Loans to related parties	Trade payables	Revenues	Purchases
Parent company						
ARZZ Co International INC	-	30.523	24.271	-	26	-
ZZAB Comércio de Calçados Ltda.	47.850	-	-	5.693	53.575	980
ZZSAP Indústria e Comércio de Calçados Ltda.	302	-	20.754	275	5	27.412
ZZEXP Comercial Exportadora S/A	2.975	-	-	-	14	-
Total - Parent company	**51.127**	**30.523**	**45.025**	**5.968**	**53.620**	**28.392**

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 March 31, 2021 were entered into with subsidiaries and amount to R$29.572 (December 2020 - R$45.025).

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 March 31, 2021, total compensation paid to management personnel was R$8.703 (March 31, 2020 – R$6.243) as shown below:

	3/31/2021	3/31/2020
Annual fixed remuneration - salary	**2.196**	2.177
Variable remuneration - bonus	**4.410**	3.473
Share-based payments	**2.097**	593
Total compensation paid to management personn	**8.703**	6.243

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 March 31, 2021, certain Company officers and directors directly own a total interest of 45.8% 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 March 31, 2021, this firm received R$168 (March 31, 2020 - R$168).

(All amounts in thousands of reais unless otherwise stated)

13. Investments in subsidiaries

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

	Assets	Liabilities	Equity	Capital	Net revenue	Profit (loss) for the period
ARZZ International INC	209.643	273.323	(63.680)	228.107	44.567	(9.838)
ZZAB Comércio de Calçados Ltda.	422.913	108.692	314.221	98.383	123.725	7.276
ZZSAP Ind.e Com.de Calçados Ltda.	91.680	36.068	55.612	22.822	39.526	295
ZZEXP Comercial Exportadora S/A	204.992	198.782	6.210	2.000	21.093	3.846
VQV Empreendimentos e Participações S.A.	336.837	201.921	134.916	101.044	67.458	1.059

b) Balances of investments and share of profit (loss) of equity-accounted subsidiaries

	Investments		Share of profit (loss) of equity-accounted subsidiaries	
	3/31/2021	**12/31/2020**	**3/31/2021**	**3/31/2020**
ZZAB Comércio de Calçados Ltda.	**314.221**	302.181	**7.276**	23.266
ZZSAP Indústria e Comércio de Calçados Ltda.	**55.612**	60.086	**295**	(800)
ZZEXP Comercial Exportadora S/A	**6.211**	17.348	**3.846**	8.055
VQV Empreendimentos e Participações S.A.	**134.915**	135.196	**1.059**	-
Goodwill arising on acquisition of subsidiary	**738.094**	736.754	**-**	-
Total investments	**1.249.053**	1.251.565	**12.476**	30.521
ARZZ International INC	**(63.680)**	(65.050)	**(9.838)**	(24.615)
Total	**1.185.373**	1.186.515	**2.638**	5.906

Changes in investments

	3/31/2021	**12/31/2020**
Balance at the beginning of the period	**1.186.515**	254.653
Captial contribution	**16.014**	84.949
Distribution of dividends	**(14.985)**	(19.790)
Acquisition of subsidiary	**-**	840.208
Share of profit of equity-accounted subsidiaries	**2.638**	38.182
Reversal of expired dividends of subsidiary	**-**	2.101
Carrying value adjustments	**(4.809)**	(13.788)
Balance at the end of the period	**1.185.373**	1.186.515

c) 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	and equipment mentos	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	1.400	221	127	2.287	-	-	3.141	7.176
Depreciation	(555)	(235)	(196)	(597)	(1)	-	(1.904)	(3.488)
Write-offs	-	-	(3)	-	-	-	(2.270)	(2.273)
At March 31, 2020	7.227	5.147	3.840	15.953	11	84	26.352	58.614
At December 31, 2020	**5.827**	**4.755**	**4.066**	**13.730**	**9**	**84**	**20.597**	**49.068**
Purchases	**48**	**31**	**269**	**1.166**	**-**	**-**	**2.510**	**4.024**
Depreciation	**(519)**	**(243)**	**(242)**	**(620)**	**(1)**	**-**	**(1.730)**	**(3.355)**
Write-offs	**-**	**-**	**-**	**-**	**-**	**(84)**	**-**	**(84)**
At March 31, 2021	**5.356**	**4.543**	**4.093**	**14.276**	**8**	**-**	**21.377**	**49.653**
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	1.670	3.978	275	3.500	-	-	16.327	25.750
Depreciation	(589)	(465)	(546)	(732)	-	-	(12.482)	(14.814)
Write-offs	(16)	(159)	(7)	(660)	-	-	(3.735)	(4.577)
Foreign exchange	197	2.029	-	5.163	-	-	36.949	44.338
At March 31, 2020	9.078	26.970	11.084	65.998	11	84	241.554	354.779
At December 31, 2020	**8.632**	**27.457**	**13.267**	**61.776**	**15**	**84**	**205.070**	**316.300**
Purchases	**389**	**901**	**508**	**2.520**	**-**	**-**	**2.992**	**7.310**
Depreciation	**(819)**	**(1.438)**	**(602)**	**(3.808)**	**-**	**-**	**(15.246)**	**(21.913)**
Write-offs	**-**	**(1)**	**(7)**	**(65)**	**-**	**(84)**	**(185)**	**(342)**
Foreign exchange variation	**49**	**426**	**(2)**	**993**	**-**	**-**	**10.425**	**11.891**
Acquisition of subsidiary	**58**	**55**	**1**	**49**	**-**	**-**	**-**	**163**
At March 31, 2021	**8.309**	**27.400**	**13.165**	**61.465**	**15**	**-**	**203.056**	**313.409**
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	33	3.816	3.849
Amortization	-	(1.920)	(1.920)
At March 31, 2020	5.369	37.940	43.309
At December 31, 2020	**5.582**	**51.928**	**57.510**
Purchases	**76**	**6.383**	**6.459**
Amortization	**-**	**(1.945)**	**(1.945)**
At March 31, 2021	**5.658**	**56.366**	**62.024**
Average depreciation rate	Indefinite	20%	

Consolidated	Trademarks and patents	Key money	Contractual customer relationships	Goodwill	Software licenses	Total
At December 31, 2019	6.494	28.047	-	-	40.386	75.047
Purchases	33	-	-	-	4.619	4.652
Amortization	-	-	-	-	(5.464)	(5.464)
Foreign exchange variation	310	-	-	-	1.033	1.343
At March 31, 2020	6.837	28.047	-	-	40.574	75.578
At December 31, 2020	**261.966**	**33.829**	**12.271**	**466.128**	**55.673**	**829.867**
Purchases	**76**	**-**	-	**26.812**	**8.151**	**35.039**
Amortization	**-**	**(144)**	-	**-**	**(2.800)**	**(2.944)**
Foreign exchange variation	**132**	**-**	**-**	**-**	**126**	**257**
Adjustment for acquisition of subs	**351**	**-**	**(499)**	**1.966**	**200**	**2.018**
At March 31, 2021	**262.525**	**33.685**	**11.772**	**494.906**	**61.350**	**864.238**
Average depreciation rate	Indefinite	Indefinite	Indefinite	Indefinite	20%	

In the period ended March 31, 2021, costs of research and development of new products of R$6.646, Parent company and Consolidated (March 31, 2020 - R$5.954) were recognized in "General and administrative expenses".

The impairment test performed for intangible assets did not reveal any impairment loss as of March 31, 2021 as the estimated value in use is higher than the carrying amount at the date of valuation.

(All amounts in thousands of reais unless otherwise stated)

16. Borrowings

Borrowings can be summarized as follows:

	Parent company		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
In local currency	**203.679**	204.747	**284.636**	287.770
FINAME (a)	**-**	-	**261**	279
FINEP (b)	**2.559**	3.839	**2.559**	3.839
Working capital - Law 4,131 (c)	**-**	-	**80.690**	82.744
Working capital - Law 4,131 (d)	**151.075**	150.878	**151.081**	150.878
Working capital - Law 4,131 (e)	**50.045**	50.030	**50.045**	50.030
In foreign currency	**224.094**	256.024	**379.256**	346.499
Working capital - Law 4,131 (f)	**76.896**	103.989	**76.896**	103.989
Working capital - Law 4,131 (g)	**172.374**	156.180	**172.374**	156.180
Working capital - Law 4,131 (h)	**-**	-	**7.978**	8.106
ACC (i)	**-**	-	**130.561**	61.164
PPE (j)	**-**	-	**19.561**	23.788
(+/-) Swap - working capital (k)	**(25.176)**	(4.145)	**(28.114)**	(6.728)
Total borrowings	**427.773**	460.771	**663.892**	634.269
Current	**194.915**	142.160	**364.786**	239.483
Non-current	**232.858**	318.611	**299.106**	394.786

At March 31, 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 + 3.02% p.a. at March 31, 2021, with a maturity in March 2025;
d) Working capital – Law 4,131: denominated in Brazilian reais plus average interest rate of CDI + 1.85% p.a. at March 31, 2021, with a maturity in December 2022;
e) Working capital – Law 4,131: denominated in Brazilian reais plus average interest rate of CDI + 1.90% p.a. at March 31, 2021, with a maturity in March 2022;
f) Working capital – Law 4,131: denominated in U.S. dollars plus average interest rate of CDI + 3.90% p.a. at March 31, 2021, with a maturity in September 2021;
g) Working capital – Law 4,131: denominated in U.S. dollars plus average interest rate of CDI + 2.35% p.a. at March 31, 2021, 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 + 3.24% p.a. at March 31, 2021, 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 3.30% p.a. at March 31, 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. at March 31, 2021 plus foreign exchange variation, with a final maturity in December 2021;
k) Swap contracts in foreign currency (Law 4,131) are to hedge foreign currency risk**.**

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

	Parent company		Consolidated	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
2022	**232.858**	318.611	**260.229**	358.751
2023	**-**	-	**24.790**	22.668
2024	**-**	-	**12.470**	11.772
2025	**-**	-	**1.617**	1.595
Total borrowings	**232.858**	318.611	**299.106**	394.786

Borrowings are secured by Group entities' guarantee and bank letters of guarantee, and do not contain financial covenants. 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 March 31, 2021, these transactions amounted to R$998 (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 March 31, 2021, the balance of transactions guaranteed by the Company was R$5.642 (December 31, 2020 - R$6.605).

The Company has no history of losses on such transactions.

(All amounts in thousands of reais unless otherwise stated)

17. Trade payables

	Parent company		Consolidated	
	3/31/2021	**12/31/2020**	**3/31/2021**	**12/31/2020**
Domestic suppliers	**59.529**	79.466	**117.217**	133.212
Supplier finance (a)	**238.305**	247.326	**255.918**	262.591
Related parties (Note 12.a)	**7.981**	5.968	**-**	-
Foreign suppliers	**3.365**	3.061	**3.622**	3.386
Total trade payables	**309.180**	335.821	**376.757**	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)	(3.735)
Depreciation	(1.904)	(12.482)
Foreign exchange variation	-	37.907
Total right-of-use assets at March 31, 2020	**26.352**	**242.512**
Total right-of-use assets at December 31, 2020	**20.597**	**205.070**
Additions	2.510	2.992
Write-offs	-	(185)
Depreciation	(1.730)	(15.246)
Foreign exchange variation	-	10.425
Total right-of-use assets at March 31, 2021	**21.377**	**203.056**

(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	(2.181)	(12.288)
Interest expense on lease liabilities	327	775
Additions	3.427	17.686
Write-offs	(1.931)	(2.453)
Foreign exchange variation	-	37.805
Lease liabilities at March 31, 2020	**28.002**	**249.223**
Lease liabilities at December 31, 2020	**22.548**	**213.360**
Discount to present value	69	128
Lease payments	(2.025)	(16.635)
Interest expense on lease liabilities	339	2.051
Additions	2.441	2.864
Write-offs	-	(188)
Foreign exchange variation	-	10.839
Lease liabilities at March 31, 2021	**23.372**	**212.418**
Current	**7.746**	**50.749**
Non-current	**15.626**	**161.669**

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 March 31, 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	6.637	42.207	9.571	60.239
2022	4.536	43.252	5.406	48.275
2023	3.580	38.864	4.206	42.155
2024	2.623	31.041	3.050	32.930
2025	1.826	22.562	2.132	23.663
After 2026	4.170	34.492	4.443	35.603
Total	**23.372**	**212.418**	**28.808**	**242.866**
Potential PIS and COFINS tax credit	2.162	8.530	2.665	10.084

d) Reconciliation of lease payments:

	Parent company		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Cash outflow (statement of cash	**(2.399)**	(2.312)	**(21.886)**	(15.470)
Lease payments in the period	**(2.026)**	(2.181)	**(16.635)**	(12.288)
Short-term leases	**(353)**	(29)	**(1.731)**	(2.987)
Leases of low-value assets	**(20)**	(102)	**(1.452)**	(102)
Variable lease payments	**-**	-	**(2.068)**	(93)

(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	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Labor	**4.522**	3.990	**9.897**	10.291
Tax	**1.675**	1.675	**2.044**	2.044
Civil	**56**	56	**452**	593
Total provisions for labor, tax and civil proceedings	**6.253**	5.721	**12.393**	12.928

(All amounts in thousands of reais unless otherwise stated)

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

Labor: The Company and its subsidiaries are parties to labor lawsuits related principally to overtime pay and related social charges, health exposure premium, hazard pay, salary equalization and additions to the salary. Based on legal advice and the Company's past experience with 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:

Parent company	**Labor**	**Tax**	**Civil**	**Total**
At December 31, 2020	3.990	1.675	56	5.721
Additions/reassessments	1.090	-	-	1.090
Reversals/payments	(558)	-	-	(558)
At March 31, 2021	**4.522**	**1.675**	**56**	**6.253**

Consolidated	**Labor**	**Tax**	**Civil**	**Total**
At December 31, 2020	10.289	2.044	595	12.928
Additions/reassessments	1.417	-	-	1.417
Reversals/payments	(1.809)	-	(143)	(1.952)
At March 31, 2021	**9.897**	**2.044**	**452**	**12.393**

At March 31, 2021, the Company and its subsidiaries have other labor, tax and civil proceedings at the administrative and judicial levels amounting to approximately R$118.179 (December 31, 2020 – R$86.152), for which the likelihood of loss is considered possible by the legal advisors and, therefore, an accrual is not required. The total balance at March 31, 2021 comprises R$59.713 (December 31, 2020 – R$69.595) related to labor proceedings, R$49.233 (December 31, 2020 –6.778) of tax proceedings, and R$9.233 (December 31, 2020 –R$9.779) of civil proceedings.

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

The proceedings include the following:

i. Administrative Proceeding No. 15504-725.206/2018-80 arising from the notice of assessment issued on 10/11/2018, in which the tax authorities assesses the debt related to social 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 possible in the amount of approximately R$6.576.

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 period has not yet expired. The likelihood of loss is possible in the amount of approximately R$8.590.

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 possible in the amount of R$9.927.

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

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 11/8/2007). 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 purpose and an economic effect. The likelihood of loss is possible in the amount of R$29.247.

Contingent assets

The Company and its subsidiary Tiferet filed lawsuits to recover taxes that they have 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 ICMS from the PIS and COFINS tax base; ii) 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 ICMS from PIS and COFINS tax base: The Company and its subsidiary Tiferet are challenging in court the inclusion of ICMS in 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.

Both lawsuits are halted until the STF rules on the leading case with respect to the modulation of the effects of the decision. The contingent asset is being estimated based on tax documents and reviewed by legal and accounting advisors.

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

ii. 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 Company will record the asset after the lawsuits are settled. The estimated amount for these lawsuits is under review by the accounting advisors.

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.

Judicial deposits and judicial guarantees

At March 31, 2021, judicial deposits are R$19.349 (December 31, 2020 - R$17.585) – Parent company, and R$41.340 (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 March 31, 2021, the balance of judicial guarantee insurance is R$80.768.

(All amounts in thousands of reais unless otherwise stated)

20. Share capital and reserves

20.1 Share capital

At March 31, 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 March 31, 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.

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.

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 shareholders that are domiciled in countries or jurisdictions in which the tax legislation establishes a different tax rate.

There was no payment of interest on capital out of the profit for the year ended December 31, 2020.

(All amounts in thousands of reais unless otherwise stated)

22. Earnings per share

In compliance with CPC 41/ IAS 33, the Company presents below earnings per share information for the three months ended March 31, 2021 and 2020.

a) Basic earnings per share

	3/31/2021	3/31/2020
Profit for the year	**29.776**	25.888
Weighted average number of outstanding common shares	**99.627**	90.889
Basic earnings per share - R$	**0,2989**	0,2848

b) Diluted earnings per share

	3/31/2021	3/31/2020
Profit for the year	**29.776**	25.888
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 per share	**99.875**	91.260
Diluted earnings per share - R$	**0,2981**	0,2837

23. Net sales revenue

Breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Gross sales revenue	**394.569**	342.279	**635.802**	465.237
Domestic market	**394.493**	341.087	**574.670**	401.731
Foreign market	**76**	1.192	**61.132**	63.506
Returns	**(12.115)**	(10.188)	**(45.873)**	(30.170)
Discounts and rebates	**(4.156)**	(169)	**(4.157)**	(169)
Taxes on sales	**(51.006)**	(46.066)	**(85.820)**	(59.427)
Net sales revenue	**327.292**	285.856	**499.952**	375.471

24. Segment information

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

The Company sells its products under Arezzo, Schutz, Anacapri, Alexandre Birman, Fiever, Alme, Vans, Reserva, Reserva Mini, Reserva Go, Oficina and Eva brand names and through various distribution channels (franchises, multi-brand stores, company-owned stores and e-commerce), but it controls and manages them as a 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 a single business unit.

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.

For management purposes, consolidated gross revenue is segmented by brand and sales channel as follows:

(All amounts in thousands of reais unless otherwise stated)

24. Segment information--Continued

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

Brand	3/31/2021	3/31/2020
Gross revenue	**635.802**	465.237
Domestic market	**574.670**	401.731
Arezzo	**223.231**	181.447
Schutz	**126.684**	103.477
AR&CO	**90.262**	-
Anacapri	**58.820**	50.496
Vans	**57.306**	49.729
Others	**18.367**	16.582
Foreign market	**61.132**	63.506

Sales channel	3/31/2021	3/31/2020
Gross revenue	**635.802**	465.237
Domestic market	**574.670**	401.731
Franchise stores	**178.092**	173.163
E-commerce	**158.930**	63.843
Multi-brand stores	**153.841**	114.231
Company-owned stores	**81.150**	50.323
Others	**2.657**	171
Foreign market	**61.132**	63.506

(i) AR&CO has 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 March 31, 2021 it represents 9.6% of the gross revenue (March 31, 2020 – 13.7%). No single customer accounts for more than 5.0% of the sales on the domestic and foreign markets.

(All amounts in thousands of reais unless otherwise stated)

25. Expenses by nature

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

	Parent company		Consolidated	
	3/31/2021	**3/31/2020**	**3/31/2021**	**3/31/2020**
Expenses by function				
Cost of sales	**(209.448)**	(179.818)	**(250.027)**	(203.099)
Selling expenses	**(55.816)**	(50.203)	**(155.635)**	(117.123)
General and administrative expenses	**(28.442)**	(28.115)	**(53.427)**	(39.358)
Other operating income (expenses), net	**350**	(991)	**238**	28.127
	(293.356)	(259.127)	**(458.851)**	(331.453)
Expenses by nature				
Raw and consumable materials	**(210.260)**	(181.136)	**(252.959)**	(205.101)
Personnel expenses	**(35.269)**	(34.142)	**(78.023)**	(65.536)
Utilities and services	**(15.171)**	(14.212)	**(22.553)**	(17.517)
Freight	**(6.460)**	(5.470)	**(18.414)**	(10.741)
Advertising costs	**(6.314)**	(2.778)	**(28.511)**	(15.010)
Depreciation and amortization charges	**(5.298)**	(5.409)	**(24.438)**	(20.279)
Royalty expenses	**(3.601)**	(2.623)	**(3.601)**	(2.623)
Store occupancy expenses	-	-	**(9.735)**	(3.714)
Other operating income (expenses), net	**(10.983)**	(13.357)	**(20.617)**	9.068
	(293.356)	(259.127)	**(458.851)**	(331.453)

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management objectives and policies

a) Fair value

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

	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**222.598**	222.598	**38.297**	38.297
Cash investments	**348.148**	348.148	**522.868**	522.868
Trade receivables	**481.784**	481.784	**601.388**	601.388
Borrowings	**663.892**	662.621	**634.269**	703.595
Trade payables	**376.757**	376.757	**399.189**	399.189
Lease liabilities	**212.418**	242.866	**213.360**	213.360

At March 31, 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	-	222.598
Trade receivables	-	481.784
Cash investments	348.148	-
Liabilities		
Trade payables	-	376.757
Borrowings	-	663.892
Lease liabilities	-	212.418

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)

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

	Consolidated	
	3/31/2021	**12/31/2020**
Trade receivables in foreign currency (i)	**19.323**	13.650
Borrowings in foreign currency	**(379.256)**	(346.500)
Trade payables in foreign currency	**(3.622)**	(3.061)
Net exposure	**(363.555)**	335.911

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

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management objectives and policies--Continued

b) Foreign exchange risk--Continued

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 March 31, 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 March 31, 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$	19.323	24.154	28.985
Borrowings in foreign currency	R$	(379.256)	(474.070)	(568.884)
Trade payables in foreign currency	R$	(3.622)	(4.527)	(5.436)
Increase in USD rate			25%	50%
USD rate		5,70	7,12	8,55
Effect on profit before tax	**R$**		**(90.888)**	**(181.780)**

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 March 31, 2021, the Company's borrowings have the following interest rates:

	Consolidated	
	3/31/2021	**%**
Fixed rate of interest	150.383	22,7
Interest rate based on TJLP	2.559	0,4
Interest rate based on CDI	510.950	76,0
	663.892	**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 March 31, 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 March 31, 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 flow of maturities of each agreement. The sensitivity analysis relates to the balance of borrowings at March 31, 2021, projecting the interest rates for one year.

	Curren cy	Most likely scenario	Scenario A	Scenario B
Increase in interest expense				
Borrowings with interest rate based on TJLP	R$	118	147	177
Borrowings with interest rate based on CDI	R$	13.540	16.925	20.310
		13.658	**17.072**	**20.487**
Increase in interest rate			25%	50%
TJLP		4.61%	5.76%	6.92%
CDI		2.65%	3.31%	3.98%

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 March 31, 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 Company and its subsidiaries will not have sufficient cash on hand to meet their obligations due to different currencies and maturities of their receipts and payments.

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:

	Projection including future interest		
	Less than 1 year	**Between 1 and 5 years**	**Total**
Borrowings	345.807	316.814	**662.621**
Trade payables	376.757	-	**376.757**
Lease liabilities	60.239	182.627	**242.866**

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 three months ended March 31, 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 March 31, 2021 and December 31, 2020 were as follows:

	Consolidated	
	3/31/2021	12/31/2020
Borrowings	**(663.892)**	(634.269)
Cash and cash equivalents	**222.598**	38.297
Cash investments	**348.148**	522.868
Net debt	**(93.146)**	(73.104)
Total capital	**1.371.413**	1.348.597
Gearing ratio - %	**(6,79)**	(5,42)

27. Finance income and costs

	Parent company		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Finance income				
Interest income on cash investments	**1.625**	2.087	**2.451**	2.444
Interest received	**473**	657	**1.393**	687
Other finance income	**566**	431	**1.263**	458
	2.664	3.175	**5.107**	3.589
Finance costs				
Interest on borrowings	**(4.027)**	(968)	**(7.526)**	(3.367)
Bank charges	**(1.348)**	(951)	**(2.287)**	(1.246)
Notary public fees	**(418)**	(296)	**(421)**	(301)
Interest expense on lease liabilities	**(312)**	(327)	**(834)**	(775)
Discounts granted	**(148)**	(156)	**(839)**	(171)
Credit card administration fee	-	-	**(3.667)**	(1.995)
Other finance costs	**(437)**	(33)	**(1.219)**	(90)
	(6.690)	(2.731)	**(16.793)**	(7.945)
Foreign exchange variation, net				
Foreign exchange gains	**28.289**	7.913	**35.835**	48.252
Foreign exchange losses	**(25.429)**	(12.010)	**(32.765)**	(44.668)
	2.860	(4.097)	**3.070**	3.584
Total	**(1.166)**	(3.653)	**(8.616)**	(772)

(All amounts in thousands of reais unless otherwise stated)

28. Share-based payments

28.1 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 March 31, 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 March 31, 2021, the Company determined R$640 (March 31, 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 three months ended March 31, 2021, the Company had R$39.116 (March 31, 2020 - R$16.464) in ICMS tax benefits, which were classified into net revenue, as shown below:

	Parent company		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
ICMS tax benefits - State of Espiri	**16.507**	12.687	**23.146**	16.464
ICMS tax benefits - State of Rio de	**-**	-	**15.970**	-
Total	**16.507**	12.687	**39.116**	16.464

30. Events after the reporting period

In the period ended March 31, 2021, the Company-owned stores, franchise stores and e-commerce together represented 97.4% and 90.4% of the Company's sell-out in the same period in 2020 and 2019, respectively. Despite an excellent brand performance in January and February with 95.9% and 100.3% compared to the same periods in 2020 and 2019, respectively, the sell-out performance was impacted by the temporary full or partial closure of the stores in March due to the COVID-19 pandemic.

During the month of March, 57.5% of the Company's stores remained closed and reported average performance of 89.5% compared to the first quarter of 2020 and 47.9% compared to the first quarter of 2019. The Company's sell-out, including e-commerce, was 122.2% and 75.1% of the sell-out in 2020 and 2019.

In April 2021, the consolidated sell-out was 88.9% of the sell-out in 2019. However, from April 22 when the stores reopened in the state of São Paulo, the sell-out increased to 111.1% of the sell-out in 2019, showing a strong recovery. All of the Company's stores are now open.

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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 March 31, 2021, which comprises the balance sheet as of March 31, 2021, and related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three month periods 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 three months period ended March 31, 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 March 31, 2020, submitted for comparative purposes were previously audited and reviewed, respectively, by other independent auditors that issued reports dated in March 1, 2021 and May 25, 2020, respectively, which did not contain any modification

São Paulo, May 13, 2021

KPMG Auditores Independentes
CRC 2SP014428/O-6

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