Contents

Company information / Capital composition

Number of shares (units)	Current quarter ended June 30, 2023
Paid-up capital	
Common shares	110,989,206
Preferred shares	0
Total	110,989,206
Held in treasury	
Common shares	140,436
Preferred shares	0
Total	140,436

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

Account code	Account title	Current quarter ended June 30, 2023	Prior year ended December 31, 2022
1	Total assets	4,826,619	4,084,636
1.01	Current assets	1,987,959	1,605,933
1.01.01	Cash and cash equivalents	7,805	8,006
1.01.02	Cash investments	453,094	178,204
1.01.02.01	Cash investments at fair value through profit or loss	453,094	178,204
1.01.02.01.03	Cash investments at fair value	453,094	178,204
1.01.03	Trade and other receivables	678,291	722,725
1.01.03.01	Trade receivables	678,291	722,725
1.01.04	Inventories	536,460	478,256
1.01.06	Taxes recoverable	220,456	165,562
1.01.06.01	Current tax assets	220,456	165,562
1.01.08	Other current assets	91,853	53,180
1.01.08.03	Other	91,853	53,180
1.02	Non-current assets	2,838,660	2,478,703
1.02.01	Long-term receivables	228,751	326,325
1.02.01.04	Trade and other receivables	2,586	327
1.02.01.04.01	Trade receivables	2,586	327
1.02.01.07	Deferred tax assets	117,903	171,761
1.02.01.07.01	Deferred income tax and social contribution	113,424	83,669
1.02.01.07.02	Taxes recoverable	4,479	88,092
1.02.01.09	Receivables from related parties	72,486	117,841
1.02.01.09.02	Receivables from subsidiaries	18,633	20,242
1.02.01.09.05	Loans to related parties	53,853	97,599
1.02.01.10	Other non-current assets	35,776	36,396
1.02.01.10.03	Judicial deposits	29,030	25,282
1.02.01.10.04	Other receivables	6,746	11,114
1.02.02	Investments	1,224,566	927,670
1.02.02.01	Equity-accounted investees	1,221,706	924,810
1.02.02.01.02	Investments in subsidiaries	1,221,706	924,810
1.02.02.02	Investment properties	2,860	2,860
1.02.02.02.01	Investment properties	2,860	2,860
1.02.03	Property, plant and equipment	417,631	331,482
1.02.03.01	Property, plant and equipment in operation	417,631	331,482
1.02.04	Intangible assets	967,712	893,226
1.02.04.01	Intangible assets	967,712	893,226
1.02.04.01.02	Trademarks and patents	263,295	263,207
1.02.04.01.04	Software licenses	185,236	150,621
1.02.04.01.06	Goodwill	507,827	467,659
1.02.04.01.07	Customer relationships	11,354	11,739

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

Account code	Account title	Current quarter ended June 30, 2023	Prior year ended December 31, 2022
2	Total liabilities	4,826,619	4,084,636
2.01	Current liabilities	1,122,364	1,145,524
2.01.01	Salaries, vacation pay and social charges payable	70,983	132,497
2.01.01.01	Social charges	8,308	11,867
2.01.01.02	Salaries and vacation pay	62,675	120,630
2.01.02	Trade payables	439,250	649,454
2.01.02.01	Domestic suppliers	430,838	627,007
2.01.02.02	Foreign suppliers	8,412	22,447
2.01.03	Tax liabilities	16,990	17,527
2.01.03.01	Federal taxes	17,492	11,727
2.01.03.01.02	Other federal taxes	17,492	11,727
2.01.03.02	State taxes	-573	5,654
2.01.03.03	Local taxes	71	146
2.01.04	Loans and borrowings	295,291	156,756
2.01.04.01	Loans and borrowings	295,291	156,756
2.01.04.01.01	In local currency	2,768	236
2.01.04.01.02	In foreign currency	292,523	156,520
2.01.05	Other liabilities	299,850	189,290
2.01.05.02	Other	299,850	189,290
2.01.05.02.01	Dividends and interest on capital payable	82,790	72,169
2.01.05.02.04	Other	37,463	81,054
2.01.05.02.05	Lease liabilities	38,645	34,294
2.01.05.02.06	Derivative financial liabilities	72,152	1,773
2.01.05.02.07	Payables for acquisition of subsidiary	68,800	0
2.02	Non-current liabilities	921,155	285,320
2.02.01	Loans and borrowings	385,503	9,500
2.02.01.01	Loans and borrowings	385,503	9,500
2.02.01.01.01	In local currency	5,774	9,500
2.02.01.01.02	In foreign currency	379,729	0
2.02.02	Other liabilities	392,348	166,346
2.02.02.02	Other	392,348	166,346
2.02.02.02.04	Lease liabilities	181,118	114,838
2.02.02.02.05	Loans from related parties	211,230	51,508
2.02.04	Provisions	143,304	109,474
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	13,139	11,726
2.02.04.01.02	Provision for social security and labor proceedings	8,395	8,353
2.02.04.01.04	Provision for civil proceedings	2,469	1,698
2.02.04.01.05	Provision for tax proceedings	2,275	1,675
2.02.04.02	Other provisions	130,165	97,748
2.02.04.02.04	Provision for net capital deficiency	127,365	95,284
2.02.04.02.05	Other payables	2,800	2,464
2.03	Equity	2,783,100	2,653,792
2.03.01	Paid-up capital	1,738,229	1,671,716
2.03.02	Capital reserves	168,410	176,094
2.03.02.05	Treasury shares	-9,250	-46
2.03.02.07	Capital reserve	177,660	176,140

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

Account code	Account title	Current quarter ended June 30, 2023	Prior year ended December 31, 2022
2.03.04	Revenue reserves	720,201	814,396
2.03.04.01	Legal reserve	78,746	78,746
2.03.04.05	Profit reserve	80,666	174,861
2.03.04.07	Tax incentive reserve	560,789	560,789
2.03.05	Retained earnings	163,767	0
2.03.06	Carrying value adjustments	-7,507	-8,414

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

Account code	Account title	Current quarter April 1, 2023 to June 30, 2023	Current year to date January 1, 2023 to June 30, 2023	Same quarter of prior year April 1, 2022 to June 30, 2022	Prior year to date January 1, 2022 to June 30, 2022
3.01	Revenue from sale of goods and/or services	848,443	1,658,873	696,633	1,304,679
3.02	Cost of sales and/or services	-444,851	-879,375	-375,243	-714,504
3.03	Gross profit	403,592	779,498	321,390	590,175
3.04	Operating expenses/income	-304,360	-596,282	-226,430	-368,713
3.04.01	Selling expenses	-243,675	-452,283	-198,544	-346,506
3.04.02	General and administrative expenses	-74,224	-142,630	-66,504	-131,641
3.04.04	Other operating income	4,485	9,238	4,023	48,605
3.04.05	Other operating expenses	-4,465	-9,169	-3,690	-7,175
3.04.06	Share of profit of equity-accounted investees	13,519	-1,438	38,285	68,004
3.05	Profit before finance income and costs and taxes	99,232	183,216	94,960	221,462
3.06	Net finance costs/income	-28,167	-49,204	284	-8,559
3.06.01	Finance income	2,028	7,240	27,286	5,535
3.06.01.01	Interest income	16,691	27,481	13,671	25,885
3.06.01.02	Foreign exchange gains	-14,663	-20,241	13,615	-20,350
3.06.02	Finance costs	-30,195	-56,444	-27,002	-14,094
3.06.02.01	Interest expense	-30,195	-56,444	-10,540	-21,765
3.06.02.02	Foreign exchange losses	0	0	-16,462	7,671
3.07	Profit before income taxes	71,065	134,012	95,244	212,903
3.08	Income tax and social contribution expense	29,561	29,755	25,206	5,600
3.08.01	Current	5,941	0	12,054	0
3.08.02	Deferred	23,620	29,755	13,152	5,600
3.09	Profit from continuing operations	100,626	163,767	120,450	218,503
3.11	Profit for the period	100,626	163,767	120,450	218,503
3.99	Earnings per share				
3.99.01	Basic earnings per share (R$)				
3.99.01.01	Common shares	0.9132	1.4862	1.1122	2.0047
3.99.02	Diluted earnings per share (R$)				
3.99.02.01	Common shares	0.8895	1.4477	1.0922	1.9687

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

Account code	Account title	Current quarter April 1, 2023 to June 30, 2023	Current year to date January 1, 2023 to June 30, 2023	Same quarter of prior year April 1, 2022 to June 30, 2022	Prior year to date January 1, 2022 to June 30, 2022
4.01	Profit for the period	100,626	163,767	120,450	218,503
4.02	Other comprehensive income/loss	907	907	-5,388	2,728
4.02.01	Foreign currency translation differences for foreign operations	907	907	-5,388	2,728
4.03	Total comprehensive income for the period	101,533	164,674	115,062	221,231

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

Account code	Account title	Current year to date January 1, 2023 to June 30, 2023	Prior year to date January 1, 2022 to June 30, 2022
6.01	Net cash used in operating activities	-100,832	-161,299
6.01.01	Cash flows from operating activities	235,399	173,260
6.01.01.01	Profit for the period	163,767	218,503
6.01.01.02	Depreciation and amortization	60,544	38,841
6.01.01.03	Loss on sale of property, plant and equipment and intangible assets	153	107
6.01.01.05	Share of profit of equity-accounted investees	1,439	-68,004
6.01.01.06	Provision for labor, tax and civil proceedings	1,413	88
6.01.01.07	Interest and foreign exchange gain on loans	-33,928	-4,891
6.01.01.08	Interest income on cash investments	-16,935	-17,549
6.01.01.09	Loss allowance for trade receivables	-1,009	681
6.01.01.10	Complementary provision for inventory impairment	-1,614	4,721
6.01.01.11	Share option and restricted stock plans	8,772	6,872
6.01.01.12	Interest expense on lease liabilities	12,174	2,812
6.01.01.13	Income tax and social contribution	-29,755	-5,600
6.01.01.14	Other	70,378	38,440
6.01.01.15	Tax credits	0	-41,761
6.01.02	Changes in assets and liabilities	-336,077	-334,559
6.01.02.01	Trade receivables	44,812	66
6.01.02.02	Inventories	-56,590	-145,431
6.01.02.03	Changes in other current and non-current assets	-33,826	-1,054
6.01.02.04	Taxes recoverable	31,961	-37,333
6.01.02.05	Judicial deposits	-3,748	503
6.01.02.06	Interest paid on loans	0	-7,207
6.01.02.07	Trade payables	-210,547	-71,106
6.01.02.08	Salaries and vacation pay	-58,714	-18,676
6.01.02.09	Taxes and social charges payable	-6,039	-24,481
6.01.02.10	Other liabilities	-43,386	-29,840
6.01.03	Other	-154	0
6.01.03.01	Income tax and social contribution paid	-154	0
6.02	Net cash used in investing activities	-527,874	-341,288
6.02.01	Acquisition of property, plant and equipment and intangible assets	-88,453	-78,089
6.02.03	Cash investments	-1,860,553	-1,443,635
6.02.04	Withdrawal of cash investments	1,599,357	1,183,485
6.02.05	Capital contribution to subsidiaries	-138,225	-4,768
6.02.06	Cash from acquired subsidiary	0	1,719
6.02.07	Acquisition of subsidiary, net of cash acquired	-40,000	0
6.03	Net cash from financing activities	628,505	554,604
6.03.01	Proceedings from borrowings	550,000	0
6.03.02	Repayment of borrowings	-1,380	-205,585
6.03.03	Proceeds from issue of common shares	0	793,430
6.03.05	Interest on capital paid	-82,107	-33,785
6.03.06	Dividends paid	0	-26,215
6.03.07	Loan repayment from related parties	203,347	41,912
6.03.09	Acquisition of treasury shares	-9,215	0
6.03.10	Payment of lease liabilities	-32,140	-15,153

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

Account code	Account title	Current year to date January 1, 2023 to June 30, 2023	Prior year to date January 1, 2022 to June 30, 2022
6.05	Net decrease/increase in cash and cash equivalents	-201	52,017
6.05.01	Cash and cash equivalents at January 1	8,006	2,448
6.05.02	Cash and cash equivalents at June 30	7,805	54,465

Parent company financial statements / Statement of changes in equity – January 1, 2023 to June 30, 2023 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	1,671,716	176,094	814,396	0	-8,414	2,653,792
5.03	Adjusted opening balances	1,671,716	176,094	814,396	0	-8,414	2,653,792
5.04	Transactions with owners of the Company	0	-442	-94,195	0	0	-94,637
5.04.03	Share options granted	0	8,762	0	0	0	8,762
5.04.04	Treasury shares acquired	0	-9,215	0	0	0	-9,215
5.04.07	Interest on capital	0	0	-94,195	0	0	-94,195
5.04.08	Restricted stock distributed	0	11	0	0	0	11
5.05	Total comprehensive income	66,513	-7,242	0	163,767	907	223,945
5.05.01	Profit for the period	0	0	0	163,767	0	163,767
5.05.02	Other comprehensive income	66,513	-7,242	0	0	907	60,178
5.05.02.01	Adjustments to financial instruments	0	0	0	0	907	907
5.05.02.06	Issue of shares related to business combination	66,513	-7,242	0	0	0	59,271
5.07	Closing balances	1,738,229	168,410	720,201	163,767	-7,507	2,783,100

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

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

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

Account code	Account title	Current year to date January 1, 2023 to June 30, 2023	Prior year to date January 1, 2022 to June 30, 2022
7.01	Revenue	1,899,510	1,490,087
7.01.01	Sales of goods, products and services	1,898,501	1,489,377
7.01.04	Loss allowance for trade receivables/reversal	1,009	710
7.02	Cost of bought-in goods and services	-1,441,183	-1,158,015
7.02.01	Cost of sales	-1,116,670	-907,306
7.02.02	Materials, electric power, outsourced services and other	-316,057	-244,915
7.02.04	Other	-8,456	-5,794
7.03	Gross value added	458,327	332,072
7.04	Deductions	-60,544	-38,841
7.04.01	Depreciation, amortization and depletion	-60,544	-38,841
7.05	Net value added produced by the entity	397,783	293,231
7.06	Value added received by transfer	34,821	142,032
7.06.01	Share of profit of equity-accounted investees	-1,438	68,004
7.06.02	Finance income	27,172	25,533
7.06.03	Other	9,087	48,495
7.07	Total value added to distribute	432,604	435,263
7.08	Distribution of value added	432,604	435,263
7.08.01	To employees	188,070	162,449
7.08.01.01	Salaries and wages	178,074	109,978
7.08.01.02	Benefits	0	8,957
7.08.01.03	Government severance indemnity fund for employees (FGTS)	0	9,617
7.08.01.04	Other	9,996	33,897
7.08.01.04.01	Employee profit sharing	977	22,668
7.08.01.04.02	Other	0	4,165
7.08.01.04.03	Share option and restricted stock plans	9,019	7,064
7.08.02	To government (taxes and duties)	-13,351	1,739
7.08.02.01	Federal	38,002	46,871
7.08.02.02	State	-54,190	-47,460
7.08.02.03	Local	2,837	2,328
7.08.03	To capital providers (creditors and lenders)	94,119	52,572
7.08.03.01	Interest	28,955	8,150
7.08.03.02	Rentals	17,743	18,480
7.08.03.03	Other	47,421	25,942
7.08.03.03.01	Finance costs	47,421	25,942
7.08.04	To shareholders/value retained in the business	163,766	218,503
7.08.04.01	Interest on capital	94,196	69,683
7.08.04.03	Profit retained	69,570	148,820

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

Account code	Account title	Current quarter ended June 30, 2023	Prior year ended December 31, 2022
1	Total assets	5,435,063	4,659,264
1.01	Current assets	2,771,139	2,383,445
1.01.01	Cash and cash equivalents	73,466	28,826
1.01.02	Cash investments	608,572	447,608
1.01.02.01	Cash investments at fair value through profit or loss	608,572	447,608
1.01.02.01.03	Cash investments at fair value	608,572	447,608
1.01.03	Trade and other receivables	781,486	867,582
1.01.03.01	Trade receivables	781,486	867,582
1.01.04	Inventories	864,459	772,060
1.01.06	Taxes recoverable	256,991	201,212
1.01.06.01	Current tax assets	256,991	201,212
1.01.08	Other current assets	186,165	66,157
1.01.08.03	Other	186,165	66,157
1.01.08.03.01	Other receivables	105,429	66,157
1.01.08.03.02	Derivative financial assets	80,736	0
1.02	Non-current assets	2,663,924	2,275,819
1.02.01	Long-term receivables	285,974	317,663
1.02.01.04	Trade and other receivables	2,590	330
1.02.01.04.01	Trade receivables	2,590	330
1.02.01.07	Deferred tax assets	153,279	119,270
1.02.01.07.01	Deferred income tax and social contribution	153,279	119,270
1.02.01.10	Other non-current assets	130,105	198,063
1.02.01.10.03	Judicial deposits	104,945	81,108
1.02.01.10.04	Other receivables	9,728	14,405
1.02.01.10.05	Taxes recoverable	15,432	102,550
1.02.02	Investments	4,193	3,162
1.02.02.02	Investment properties	4,193	3,162
1.02.02.02.01	Investment properties	4,193	3,162
1.02.03	Property, plant and equipment	850,095	691,582
1.02.03.01	Property, plant and equipment in operation	850,095	691,582
1.02.04	Intangible assets	1,523,662	1,263,412
1.02.04.01	Intangible assets	1,523,662	1,263,412
1.02.04.01.02	Trademarks and patents	412,373	354,465
1.02.04.01.04	Software licenses	191,099	156,570
1.02.04.01.06	Goodwill	898,909	737,656
1.02.04.01.07	Customer relationships	20,219	13,659
1.02.04.01.08	Other	1,062	1,062

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

Account code	Account title	Current quarter ended June 30, 2023	Prior year ended December 31, 2022
2	Total liabilities	5,435,063	4,659,264
2.01	Current liabilities	1,703,159	1,635,360
2.01.01	Salaries, vacation pay and social charges payable	102,053	162,115
2.01.01.01	Social charges	12,523	16,679
2.01.01.02	Salaries and vacation pay	89,530	145,436
2.01.02	Trade payables	483,389	671,662
2.01.02.01	Domestic suppliers	475,131	648,322
2.01.02.02	Foreign suppliers	8,258	23,340
2.01.03	Tax liabilities	52,611	57,070
2.01.03.01	Federal taxes	32,254	28,953
2.01.03.01.01	Income tax and social contribution payable	12,699	14,300
2.01.03.01.02	Other federal taxes	19,555	14,653
2.01.03.02	State taxes	20,131	27,672
2.01.03.03	Local taxes	226	445
2.01.04	Loans and borrowings	642,492	392,254
2.01.04.01	Loans and borrowings	642,492	392,254
2.01.04.01.01	In local currency	115,690	642
2.01.04.01.02	In foreign currency	526,802	391,612
2.01.05	Other liabilities	422,614	352,259
2.01.05.02	Other	422,614	352,259
2.01.05.02.01	Dividends and interest on capital payable	82,790	72,169
2.01.05.02.04	Other	91,758	113,051
2.01.05.02.05	Lease liabilities	97,480	89,648
2.01.05.02.06	Payables for acquisition of subsidiaries	78,434	75,618
2.01.05.02.07	Derivative financial liabilities	72,152	1,773
2.02	Non-current liabilities	926,218	369,311
2.02.01	Loans and borrowings	385,533	9,619
2.02.01.01	Loans and borrowings	385,533	9,619
2.02.01.01.01	In local currency	5,804	9,619
2.02.01.01.02	In foreign currency	379,729	0
2.02.02	Other liabilities	520,708	338,495
2.02.02.02	Other	520,708	338,495
2.02.02.02.03	Lease liabilities	394,957	284,889
2.02.02.02.04	Other payables	2,801	2,465
2.02.02.02.06	Payables for acquisition of subsidiary	42,214	51,141
2.02.02.02.07	Derivative financial liabilities	80,736	0
2.02.03	Deferred tax liabilities	826	3,421
2.02.03.01	Deferred income tax and social contribution	826	3,421
2.02.04	Provisions	19,151	17,776
2.02.04.01	Provisions for tax, social security, labor and civil proceedings	19,151	17,776
2.02.04.01.02	Provision for social security and labor proceedings	13,671	13,655
2.02.04.01.04	Provision for civil proceedings	2,836	2,077
2.02.04.01.05	Provision for tax proceedings	2,644	2,044
2.03	Consolidated equity	2,805,686	2,654,593
2.03.01	Paid-up capital	1,738,229	1,671,716
2.03.02	Capital reserves	168,410	176,094

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

Account code	Account title	Current quarter ended June 30, 2023	Prior year ended December 31, 2022
2.03.02.05	Treasury shares	-9,250	-46
2.03.02.07	Capital reserves	177,660	176,140
2.03.04	Revenue reserves	720,201	814,396
2.03.04.01	Legal reserve	78,746	78,746
2.03.04.05	Profit reserve	80,666	174,861
2.03.04.07	Tax incentive reserve	560,789	560,789
2.03.05	Retained earnings	163,767	0
2.03.06	Carrying value adjustments	-7,507	-8,414
2.03.09	Non-controlling interests	22,586	801

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

Account code	Account title	Current quarter April 1, 2023 to June 30, 2023	Current year to date January 1, 2023 to June 30, 2023	Same quarter of prior year April 1, 2022 to June 30, 2022	Prior year to date January 1, 2022 to June 30, 2022
3.01	Revenue from sale of goods and/or services	1,131,023	2,156,314	944,752	1,784,328
3.02	Cost of sales and/or services	-516,509	-1,004,976	-416,145	-806,981
3.03	Gross profit	614,514	1,151,338	528,607	977,347
3.04	Operating income/expenses	-489,046	-921,046	-405,685	-693,273
3.04.01	Selling expenses	-401,330	-748,830	-333,615	-622,696
3.04.02	General and administrative expenses	-88,527	-171,301	-73,402	-147,218
3.04.04	Other operating income	6,236	14,981	4,972	83,842
3.04.05	Other operating expenses	-5,425	-15,896	-3,640	-7,201
3.05	Profit before finance income and costs and taxes	125,468	230,292	122,922	284,074
3.06	Net finance costs	-43,674	-83,265	-6,655	-27,062
3.06.01	Finance income	-18,955	-26,255	31,687	17,936
3.06.01.01	Interest income	20,145	34,937	20,746	34,762
3.06.01.02	Foreign exchange gains	-39,100	-61,192	10,941	-16,826
3.06.02	Finance costs	-24,719	-57,010	-38,342	-44,998
3.06.02.01	Interest expense	-49,798	-100,384	-25,000	-46,060
3.06.02.02	Foreign exchange losses	25,079	43,374	-13,342	1,062
3.07	Profit before income taxes	81,794	147,027	116,267	257,012
3.08	Income tax and social contribution expense	18,668	16,820	3,554	-39,906
3.08.01	Current	-8,835	-19,782	-11,137	-50,740
3.08.02	Deferred	27,503	36,602	14,691	10,834
3.09	Profit from continuing operations	100,462	163,847	119,821	217,106
3.11	Consolidated profit for the period	100,462	163,847	119,821	217,106
3.11.01	Attributable to owners of the Parent company	100,626	163,767	120,450	218,503
3.11.02	Attributable to non-controlling interests	-164	80	-629	-1,397
3.99	Earnings per share				
3.99.01	Basic earnings per share (R$)				
3.99.01.01	Common shares	0.9132	1.4862	1.1122	2.0047
3.99.02	Diluted earnings per share (R$)				

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

Account code	Account title	Current quarter April 1, 2023 to June 30, 2023	Current year to date January 1, 2023 to June 30, 2023	Same quarter of prior year April 1, 2022 to June 30, 2022	Prior year to date January 1, 2022 to June 30, 2022
3.99.02.01	Common shares	0.8895	1.4477	1.0922	1.9687

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

Account code	Account title	Current quarter April 1, 2023 to June 30, 2023	Current year to date January 1, 2023 to June 30, 2023	Same quarter of prior year April 1, 2022 to June 30, 2022	Prior year to date January 1, 2022 to June 30, 2022
4.01	Consolidated profit for the period	100,462	163,847	119,821	217,106
4.02	Other comprehensive income/loss	907	907	-5,388	2,728
4.02.01	Foreign currency translation differences for foreign operations	907	907	-5,388	2,728
4.03	Total consolidated comprehensive income for the period	101,369	164,754	114,433	219,834
4.03.01	Attributable to owners of the Parent company	101,369	164,674	114,433	221,232
4.03.02	Attributable to non-controlling interests	0	80	0	-1,398

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

Account code	Account title	Current year to date January 1, 2023 to June 30, 2023	Prior year to date January 1, 2022 to June 30, 2022
6.01	Net cash from operating activities	790	51,157
6.01.01	Cash flows from operating activities	271,952	276,478
6.01.01.01	Profit for the period	163,847	217,106
6.01.01.02	Depreciation and amortization	103,876	68,246
6.01.01.03	Loss on disposal of property, plant and equipment and intangible assets	2,045	44
6.01.01.05	Other	75,162	31,054
6.01.01.06	Provision for labor, tax and civil proceedings	1,375	364
6.01.01.07	Interest and foreign exchange gain on loans	-36,060	-3,622
6.01.01.08	Interest income on cash investments	-29,104	-26,520
6.01.01.09	Loss allowance for trade receivables	-1,168	208
6.01.01.10	Complementary provision for inventory impairment	3,095	2,737
6.01.01.11	Share option and restricted stock plans	8,772	6,872
6.01.01.12	Interest expense on lease liabilities	19,882	5,465
6.01.01.13	Income tax and social contribution expense	-36,604	39,906
6.01.01.14	Tax credits	-3,166	-65,382
6.01.02	Change in assets and liabilities	-255,245	-175,942
6.01.02.01	Trade receivables	107,128	186,864
6.01.02.02	Inventories	-53,144	-198,867
6.01.02.03	Change in other current assets	-33,307	16,898
6.01.02.04	Taxes recoverable	46,693	-38,386
6.01.02.05	Judicial deposits	-23,837	-398
6.01.02.07	Trade payables	-215,161	-9,772
6.01.02.08	Salaries and vacation pay	-58,142	-28,321
6.01.02.09	Taxes and social charges payable	7,296	-33,801
6.01.02.10	Change in other current liabilities	-30,786	-61,692
6.01.02.11	Interest paid on loans	-1,985	-8,467
6.01.03	Other	-15,917	-49,379
6.01.03.01	Income tax and social contribution paid	-15,917	-49,379
6.02	Net cash used in investing activities	-458,668	-536,942
6.02.01	Acquisition of property, plant and equipment and intangible assets	-125,522	-96,839
6.02.03	Cash investments	-2,401,079	-2,217,774
6.02.04	Withdrawal of cash investments	2,262,312	1,834,454
6.02.05	Acquisition through business combination	0	-6,800
6.02.09	Acquisition of subsidiary	-194,379	-49,983
6.03	Net cash from financing activities	498,858	529,763
6.03.01	Proceedings from borrowings	703,194	109,942
6.03.02	Repayment of borrowings	-46,046	-277,162
6.03.03	Proceeds from issue of common shares	0	793,430
6.03.04	Repurchase of shares	-9,215	0
6.03.05	Interest on capital paid	-82,107	-33,785
6.03.06	Dividends paid	0	-26,215
6.03.10	Payment of lease liabilities	-66,968	-36,447
6.04	Effect of exchange rate fluctuations on cash held	3,660	3,954
6.05	Net increase in cash and cash equivalents	44,640	47,932
6.05.01	Cash and cash equivalents at January 1	28,826	33,750

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

Account code	Account title	Current year to date January 1, 2023 to June 30, 2023	Prior year to date January 1, 2022 to June 30, 2022
6.05.02	Cash and cash equivalents at June 30	73,466	81,682

Consolidated financial statements / Statement of changes in equity – January 1, 2023 to June 30, 2023 (In thousands of Brazilian real)

Account code	Account title	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	1,671,716	176,094	814,396	0	-8,414	2,653,792	801	2,654,593
5.03	Adjusted opening balances	1,671,716	176,094	814,396	0	-8,414	2,653,792	801	2,654,593
5.04	Transactions with owners of the Company	0	-442	-94,195	0	0	-94,637	21,705	-72,931
5.04.01	Increases of share capital	0	0	0	0	0	0	723	723
5.04.03	Share options granted	0	8,762	0	0	0	8,762	0	8,763
5.04.04	Treasury shares acquired	0	-9,215	0	0	0	-9,215	0	-9,215
5.04.07	Interest on capital	0	0	-94,195	0	0	-94,195	0	-94,195
5.04.08	Restricted stock distributed	0	11	0	0	0	11	0	11
5.04.09	Acquisition of subsidiary with non-controlling interests	0	0	0	0	0	0	20,982	20,982
5.05	Total comprehensive income	66,513	-7,242	0	163,767	907	223,945	80	224,024
5.05.01	Profit for the period	0	0	0	163,767	0	163,767	80	163,847
5.05.02	Other comprehensive income	66,513	-7,242	0	0	907	60,178	0	60,177
5.05.02.01	Adjustments to financial instruments	0	0	0	0	907	907	0	907
5.05.02.06	Issue of shares related to business combination	66,513	-7,242	0	0	0	59,271	0	59,270
5.07	Closing balances	1,738,229	168,410	720,201	163,767	-7,507	2,783,100	22,586	2,805,686

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

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

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

Account code	Account title	Current year to date January 1, 2023 to June 30, 2023	Prior year to date January 1, 2022 to June 30, 2022
7.01	Revenue	2,456,762	2,036,538
7.01.01	Sales of goods, products and services	2,455,183	2,033,674
7.01.04	Loss allowance for trade receivables/reversal	1,579	2,864
7.02	Cost of bought-in goods and services	-1,715,878	-1,423,998
7.02.01	Cost of sales	-1,147,803	-938,324
7.02.02	Materials, electric power, outsourced services and other	-547,195	-466,891
7.02.04	Other	-20,880	-18,783
7.03	Gross value added	740,884	612,540
7.04	Deductions	-103,876	-68,246
7.04.01	Depreciation, amortization and depletion	-103,876	-68,246
7.05	Net value added produced by the entity	637,008	544,294
7.06	Value added received by transfer	58,465	121,641
7.06.02	Finance income	44,127	37,935
7.06.03	Other	14,338	83,706
7.07	Total value added to distribute	695,473	665,935
7.08	Distribution of value added	695,473	665,935
7.08.01	To employees	299,783	239,032
7.08.01.01	Salaries and wages	288,347	170,771
7.08.01.02	Benefits	0	15,895
7.08.01.03	Government severance indemnity fund for employees (FGTS)	0	13,954
7.08.01.04	Other	11,436	38,412
7.08.01.04.01	Employee profit sharing	2,417	24,015
7.08.01.04.02	Other	0	7,333
7.08.01.04.03	Share option and restricted stock plans	9,019	7,064
7.08.02	To government (taxes and duties)	71,159	108,578
7.08.02.01	Federal	78,392	122,364
7.08.02.02	State	-11,475	-17,368
7.08.02.03	Local	4,242	3,582
7.08.03	To capital providers (creditors and lenders)	160,686	101,219
7.08.03.01	Interest	44,870	14,745
7.08.03.02	Rentals	33,294	36,223
7.08.03.03	Other	82,522	50,251
7.08.03.03.01	Finance costs	82,522	50,251
7.08.04	To shareholders/value retained in the business	163,845	217,106
7.08.04.01	Interest on capital	94,196	69,683
7.08.04.03	Profit retained	69,570	148,820
7.08.04.04	Non-controlling interests in retained profit	79	-1,397

ARREZZO
&CO

2Q23 RESULTS
EARNINGS RELEASE

São Paulo, August 10, 2023. Arezzo&Co (B3 - Brasil, Bolsa e Balcão: ARZZ3), Brazil's largest fashion house of brands, announces its 2Q23 results.

FINANCIAL/OPERATIONAL HIGHLIGHTS

VOLUME
7.2M
PRODUCTS SOLD
+10.6% VS 2Q22, INCLUDING 4.4M PAIRS OF SHOES, 2.1M PIECES OF CLOTHES AND 760K HANDBAGS.

GROSS REVENUES
R$1.4B
GROWTH OF **21.6%** VS 2Q22
IN THE FIRST HALF FO 2023, THE COMPANY REPORTED **22.5%** GROWTH VS 1H22.

EBITDA
R$198M IN RECURRING EBITDA, GROWTH OF **22.1%** VS 2Q22, AND RECURRING EBITDA MARGIN OF **17.5%**.
REPORTED EBITDA WAS **R$ 178M**.
IN THE FIRST HALF OF 2023, THE RECURRING EBITDA WAS R$ 363MM (+22,4%).

DTC SELL OUT
R$1.2B
(FRANCHISES, WEB AND OWNED STORES) GROWTH OF **14.7%** VS 2Q22.

GROSS MARGIN
54.9% RECURRING GROSS MARGIN IN 2Q23. THE GROSS INCOME WAS R$621M, GROWTH OF 17.5%.

NET INCOME
R$114M RECURRING NET INCOME
REPORTED NET INCOME WAS **R$100M**.
IN THE FIRST HALF OF 2023, THE NET INCOME WAS R$ 187MM (+3,4%).

ROIC
26.3% RECURRING ROIC IN THE PERIOD.

AREZZO &CO

MESSAGE FROM MANAGEMENT

The second quarter of 2023 was marked by our continued ability to manage the brand portfolio and the commercial calendar, which, coupled with our ability to execute, resulted in solid revenue growth for Arezzo&Co, even in an adverse external scenario and having a historical results base on the same period of the previous year.

The period highlights our core footwear brands' most important date of the year – Mother's Day in May. In addition, the period also relies mainly on winter collections. In another year, we achieved our Mother's Day sales record. All brands hit their targets, and the Saturday before the date was marked as the biggest sales day in our history.

Our strong ability to interpret trends and awaken desires was once again executed with extreme efficiency, making the brands, despite a strong comparison base, reach their goals. The apparel brands also registered excellent results every month of the quarter, emphasizing the Valentine's Day collection of AR&CO brands.

All brands showed sell-out and revenue growth in 2Q23, following the trend of previous quarters, registering a record-setting revenue in a second quarter: R$ 1.4 billion (+21.6% vs. 2Q22 and +100.8% vs. 2Q21). It is worth highlighting the strong comparison base of +65.1% in 2Q22 vs 2Q21. In the month of July, Arezzo&Co had the launch of the Cruise and Resort collections, which presented excellent results.

Regarding international operations, even in the face of a challenging external scenario, the Schutz and Alexandre Birman brands showed an evolution in full-price sales in the e-commerce channel with a gross margin above last year - excluding the impact of the exchange rate. We are also strengthening the retail channel, which grew by 20.5%, driven mainly by the new Schutz store in New York on Broadway Avenue. In the quarter, the performance of the wholesale channel remained in line with the retraction of department stores observed in the North American market, and the sell-in carried out during the second quarter, which will have an impact in the second half, already shows signs of improvement.

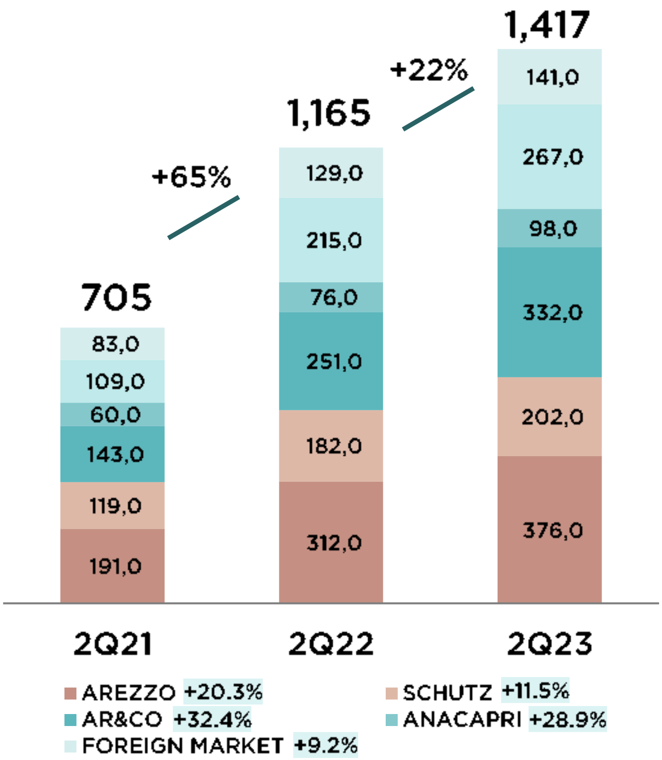
In the second quarter, we once again demonstrated our ability to quickly adapt to the external scenario and agility in adjusting our plans when we see a better path. Based on this principle, we implemented structural changes, including reducing our brand portfolio, focusing only on the AB+ public, and restructuring corporate support areas. This movement allowed us to dilute fixed costs as a percentage of the revenues, thus improving operational efficiency and greater profitability in the period.

Towards 2154!

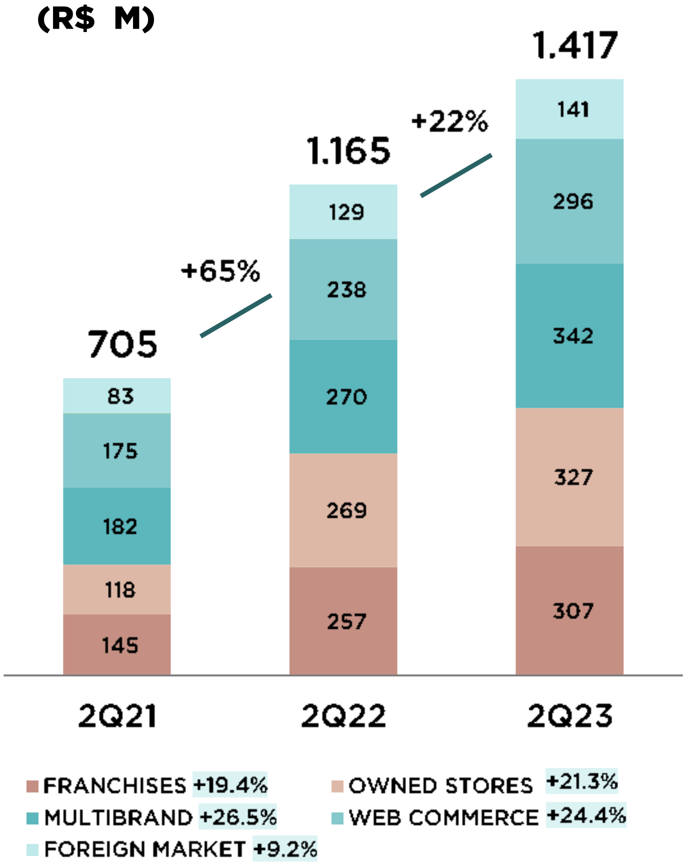
ALEXANDRE BIRMAN, CEO AND CCO
AREZZO&CO

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

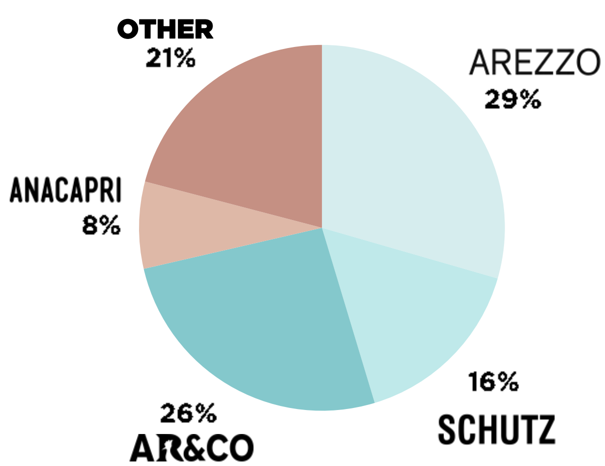
GROSS REVENUE BY BRAND
(R$ M)

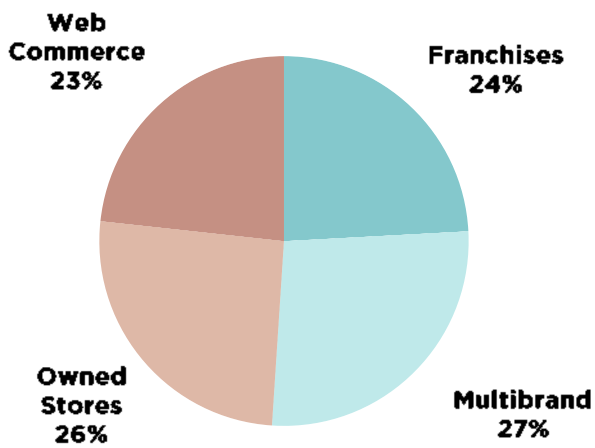


GROSS REVENUE BY CHANNEL
(R$ M)



GROSS REVENUES BREAKDOWN





AREZZO &CO

2Q23 OMNICHANNEL HIGHLIGHTS

1. WEB COMMERCE SALES

TOTAL REVENUES: **R$ 296 MILLION** (**+24.4%** VS 2Q22)

TOTAL TRAFFIC: **78 MILLION** (**+11.8%** VS 2Q22)

TOTAL REVENUE FROM APPS: **R$ 78 MILLION** (**+36.0%** VS 2Q22)

TOTAL APP SHARE OF REVENUES: **28.2%**

WEB COMMERCE TICKETS: **+36.2%** VS 2Q22

2. OMNICHANNEL SALES

DIGITAL AS SHARE OF PHYSICAL STORES SELL OUT: **55.8%**

STORE PICKUP AND DELIVERY REVENUES: **+60.8%** VS 2Q22

13.4 MILLION CONTACTS MADE VIA APP IN 2Q23 (INFLUENCED REVENUES)

3. CRM

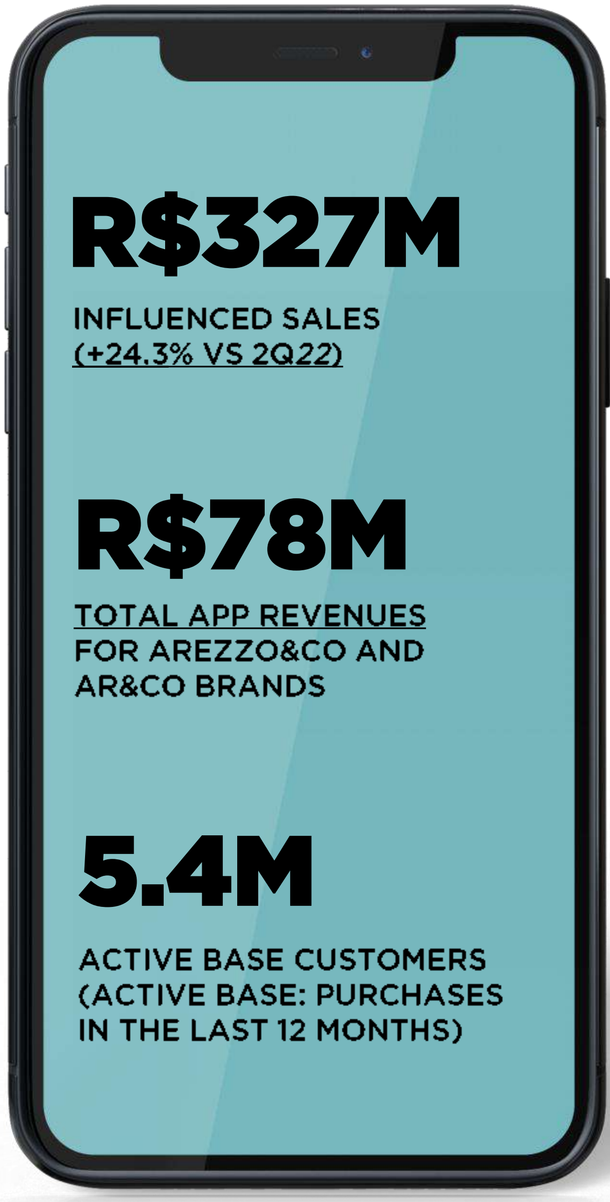
ACTIVE CUSTOMER BASE GROWTH: **+12.7%** VS 2Q22

NUMBER OF OMNI CUSTOMERS: **+14.9%** VS 2Q22

34.9% OF CUSTOMERS SHOP ONLINE;

11.5% OF CUSTOMERS ARE OMNI;

OMNI REVENUES: **+21.7%** VS 2Q22



AREZZO SCHUTZ ANACAPRI BIRMAN ALME VANS Reserva BAW TROC CAROL BASSI Vicenza PARIS TEXAS

2Q23 GROSS REVENUE

Gross Revenue	2Q23	Part%	2Q22	Part%	Δ	Δ (%) 23 x 22
Total Gross Revenue	1.417.020		1.165.187		251.833	21,6%
Foreign Market	141.307	10,0%	129.399	11,1%		9,2%
Domestic Market	1.275.713	90,0%	1.035.788	88,9%	239.925	23,2%
By Brand						
Arezzo	375.938	29,5%	312.470	30,2%	63.468	20,3%
Schutz[1]	202.448	15.9%	181.604	17,5%	20.844	11,5%
AR&CO[2]	332.409	26,1%	251.068	24,2%	81.341	32,4%
Anacapri	97.952	7,7%	76.003	7,3%	21.949	28,9%
Others[3]	266.966	20,9%	214.643	20,7%	52.323	24,4%
By Channel						
Franchises	307.077	24,1%	257.124	24,8%	49.953	19,4%
Multibrand	341.998	26,8%	270.259	26,1%	71.739	26,5%
Owned Stores	326.677	25,6%	269.267	26,0%	57.410	21,3%
Web Commerce	296.003	23,2%	237.882	23,0%	58.121	24,4%
Others[4]	3.958	0,3%	1.256	0,1%	2.702	N/A

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

2Q23 OPERATING INDICATORS

Operating Indicators	2Q23	2Q22	Δ (%) 23 x 22
# of pairs sold ('000)	4.408	4.263	3,4%
Part. (%)	*60,9%*	*65,1%*	*-4,2 p.p*
# of handbags sold ('000)	763	686	11,2%
Part. (%)	*10,5%*	*10,5%*	*0,0 p.p*
# of clothes sold ('000)[1]	2.066	1.595	29,5%
Part. (%)	*28,6%*	*24,4%*	*4,2 p.p*
# of employees	7.449	6.559	13,6%
# of stores*	1.005	950	55
Owned Stores	194	168	26
Franchises	811	782	29
Shoes & Handbags Outsourcing (as % of total production)	83,4%	88,9%	-5,5 p.p
Shoes & Handbags Insourcing (as % of total production)	16,6%	11,1%	5,5 p.p
Clothes Outsourcing (as % of total production)	100,0%	100,0%	0,0 p.p
SSS[2] **sell-in (franchises)**	16,9%	58,8%	-41,9 p.p
SSS[2] **sell-out (owned stores + franchises + web)**	10,0%	54,4%	-44,4 p.p

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

AREZZO &CO

1H23 GROSS REVENUE

Gross Revenue	1H23	Part%	1H22	Part%	Δ	Δ (%) 23 x 22
Total Gross Revenue	2.702.967		2.207.270		495.697	22,5%
Foreign Market	258.615	18,3%	254.389	11,5%		1,7%
Domestic Market	2.444.352	172,5%	1.952.881	88,5%	491.471	25,2%
By Brand						
Arezzo	723.893	29,6%	619.194	31,7%	104.699	16,9%
Schutz[1]	396.179	16,2%	360.020	18,4%	36.159	10,0%
AR&CO[2]	619.762	25,4%	448.123	22,9%	171.639	38,3%
Anacapri	189.147	7,7%	150.295	7,7%	38.852	25,9%
Others[3]	515.371	21,1%	375.249	19,2%	140.122	37,3%
By Channel						
Franchises	605.095	24,8%	510.102	26,1%	94.993	18,6%
Multibrand	677.789	27,7%	518.835	26,6%	158.954	30,6%
Owned Stores	578.915	23,7%	460.627	23,6%	118.288	25,7%
Web Commerce	574.767	23,5%	461.303	23,6%	113.464	24,6%
Others[4]	7.786	0,3%	2.014	0,1%	5.772	N/A

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

1H23 OPERATING INDICATORS

Operating Indicators	1H23	1H22	Δ (%) 23 x 22
# of pairs sold ('000)	9.002	8.980	0,2%
Part. (%)	*61,6%*	*66,4%*	-4,8 p.p
# of handbags sold ('000)	1.436	1.416	1,4%
Part. (%)	*9,8%*	*10,5%*	-0,7 p.p
# of clothes sold ('000)[1]	4.165	3.135	32,8%
Part. (%)	*28,5%*	*23,2%*	5,3 p.p
# of employees	7.449	6.559	13,6%
# of stores*	1.005	950	55
Owned Stores	194	168	26
Franchises	811	782	29
Shoes & Handbags Outsourcing (as % of total production)	83,4%	88,9%	-5,5 p.p
Shoes & Handbags Insourcing (as % of total production)	16,6%	11,1%	5,5 p.p
Clothes Outsourcing (as % of total production)	100,0%	100,0%	0,0 p.p
SSS[2] sell-in (franchises)	21,1%	50,2%	-29,1 p.p
SSS[2] sell-out (owned stores + franchises + web)	13,6%	56,2%	-42,6 p.p

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

2Q23 KEY FINANCIAL INDICATORS

Main Financial indicators	2Q23	2Q23 Recurring	2Q22 Recurring	△ (%) 23 x 22
Gross Revenues	1.417.020	1.417.020	1.165.187	21,6%
Net Revenues	1.131.023	1.131.023	944.752	19,7%
COGS	(516.509)	(509.825)	(416.145)	22,5%
Depreciation and amortization (cost)	(1.510)	(1.510)	(1.022)	47,7%
Gross Profit	614.514	621.198	528.607	17,5%
Gross margin	*54,3%*	*54,9%*	*56,0%*	*(1,1 p.p)*
SG&A*	(489.047)	(475.383)	(400.313)	18,8%
% of net revenues	*(43,2%)*	*(42,0%)*	*(42,4%)*	*0,4 p.p*
Selling expenses	**(359.935)**	**(351.659)**	**(304.267)**	**15,6%**
Owned stores and web commerce	(164.615)	(161.395)	(77.837)	107,3%
Selling, logistics and supply	(195.320)	(190.265)	(226.430)	(16,0%)
General and administrative expenses	**(79.019)**	**(73.154)**	**(67.357)**	**8,6%**
Other operating revenues (expenses)	**811**	**335**	**4.367**	**92,3%**
Depreciation and amortization (expenses)	**(50.904)**	**(50.904)**	**(33.055)**	**54,0%**
EBITDA	177.882	198.230	162.371	22,1%
EBITDA Margin	*15,7%*	*17,5%*	*17,2%*	*0,3 p.p*
Financial Income	(43.674)	(43.674)	(6.655)	556,3%
Net Income	100.462	113.891	123.367	(7,7%)
Net Margin	*8,9%*	*10,1%*	*13,1%*	*(3,0 p.p)*

1H23 KEY FINANCIAL INDICATORS

Main Financial indicators	1H23	1H23 Recurring	1H22 Recurring	△ (%) 23 x 22
Gross Revenues	2.702.967	2.702.967	2.207.270	22,5%
Net Revenues	2.156.314	2.156.314	1.784.328	20,8%
COGS	(1.004.976)	(998.292)	(806.981)	23,7%
Depreciation and amortization (cost)	(2.856)	(2.856)	(2.000)	42,8%
Gross Profit	1.151.338	1.158.022	977.347	18,5%
Gross margin	*53,4%*	*53,7%*	*54,8%*	*(1,1 p.p)*
SG&A	(921.047)	(895.297)	(748.110)	19,7%
% of net revenues	*(42,7%)*	*(41,5%)*	*(41,9%)*	*0,4 p.p*
Selling expenses	**(669.659)**	**(656.144)**	**(553.359)**	**18,6%**
Owned stores and web commerce	(306.707)	(301.787)	(151.805)	98,8%
Selling, logistics and supply	(362.952)	(354.357)	(401.554)	(11,8%)
General and administrative expenses	**(153.537)**	**(143.693)**	**(133.903)**	**7,3%**
Other operating revenues (expenses)	**(915)**	**1.476**	**4.068**	**63,7%**
Depreciation and amortization (expenses)	**(96.936)**	**(96.936)**	**(64.915)**	**49,3%**
EBITDA	330.084	362.518	296.152	22,4%
EBITDA Margin	*15,3%*	*16,8%*	*16,6%*	*0,2 p.p*
Financial Income	(83.265)	(83.265)	(27.062)	207,7%
Net Income	163.847	186.978	180.914	3,4%
Net Margin	*7,6%*	*8,7%*	*10,1%*	*(1,4 p.p)*

EBITDA RECONCILIATION

The EBITDA reconciliation comprehends non-recurring effects recognized in the second quarter, as well as the reported effects of IFRS 16.

	2Q23	2Q22	1H23	1H22
Consolidated EBITDA	177.882	156.999	330.084	350.989
EBITDA Mg. (After IFRS)	15,7%	*16,6%*	15,3%	*19,7%*
1. Closure of Operations and Layoffs	(13.984)	-	(13.984)	-
2. M&A Expenses	(3.976)	(5.359)	(8.850)	(9.250)
3. Logistics Expenses (DC Espírito Santo)*	(3.648)	-	(8.668)	-
4. Legal Expenses	(1.116)	213	(3.131)	(1.296)
4. Extemporaneos Credits	610	(226)	3.776	65.382
HG Incorporation Goodwill	-	-	(5.413)	-
Other adjustments	-	-	(290)	-
Lease (one off)	1.767	-	4.127	-
Net Effect Non-recurring Items	(20.348)	(5.372)	(32.434)	54.836
Adjusted Consolidated EBITDA (IFRS 16)	198.230	162.371	362.518	296.152
Adjusted EBITDA Mg. (IFRS 16)	*17,5%*	*17,2%*	*16,8%*	*16,6%*
SG&A Lease (IFRS 16)	29.156	17.630	57.626	34.245
COGS Lease (IFRS 16)	334	453	841	868
Adjusted Consolidated EBITDA (Before IFRS)	168.739	144.288	304.051	261.043
Adjusted EBITDA Mg. (Before IFRS)	*14,9%*	*15,3%*	*14,1%*	*14,6%*

ADJUSTMENTS

1. Closure of Operations and Layoffs: expenses related to the restructuring of the corporate team (layoffs) and discontinuation of operations and brands - Veranópolis factory, MyShoes, Fiever, Bambini, and Unbrand brands. These expenses include layoffs, inventory/asset write-offs, and store closures.

2. M&A expenses: expenses related to consultancies, external audits, and lawyers.

3. Logistics expenses: extra expenses related to the Cariacica - ES DC relocation on the lease and people fronts.

4. Extemporaneous Credits and Legal Expenses: income from the recognition of tax credits (unconstitutionality of including ICMS in the PIS/COFINS calculation basis). The legal expenses refer to obtaining such credits (lawyers) that are eventually paid in the following months.

NET INCOME RECONCILIATION

The Net Income reconciliation comprehends non-recurring effects recognized in the second quarter, as well as the reported effects of IFRS 16.

	2Q23	2Q22	1H23	1H22
Consolidated Net Income	100.461	119.821	163.846	217.106
Net Mg. (After IFRS)	*8,9%*	*12,7%*	*7,6%*	*12,2%*
Net Effect Non-recurring Items	(13.430)	(3.546)	(23.131)	36.192
Adjusted Consolidated Net Income (IFRS 16)	113.891	123.367	186.978	180.914
Adjusted Net Mg. (IFRS 16)	*10,1%*	*13,1%*	*8,7%*	*10,1%*
SG&A *(IFRS 16)*	(30.873)	(17.621)	(61.703)	(34.236)
Cost Of Goods Sold *(IFRS 16)*	(384)	(453)	(788)	(899)
Depreciation and amortization *(IFRS 16)*	26.526	15.934	51.905	31.568
Financial Income *(IFRS 16)*	9.612	2.775	18.802	5.289
Current Corporate Tax *(IFRS 16)*	1.083	192	2.118	520
Deferred Corporate Tax *(IFRS 16)*	(1.083)	-	(5.800)	-
Adjusted Consolidated Net Income (Before IFRS 16)	118.771	124.195	191.512	183.157
Adjusted Net Mg. (Before IFRS 16)	*10,5%*	*13,1%*	*8,9%*	*10,3%*

CHANNELS

SELL OUT – FRANCHISES, OWNED STORES AND WEB COMMERCE

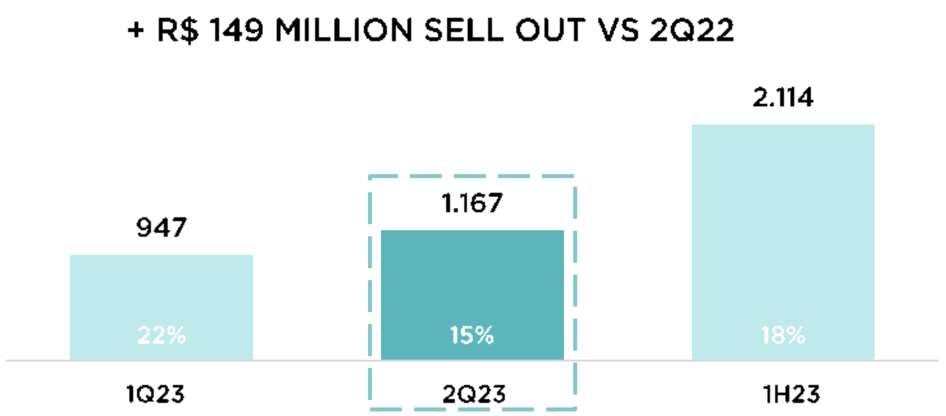
The DTC sell-out (Owned Stores + Franchises + Web Commerce) reached R$ 1.2 billion in 2Q23 and, despite the solid comparison base, posted 14.7% growth vs 2Q22. In the first half of 2023, sell-out was R$ 2.1 billion, an increase of 17.6% year over year.

The digital channel maintained the strong performance shown in recent periods, a growth of 19.5%. The physical stores (franchises + owned stores) grew 13.2% in 2Q22.

Regarding the performance of the brands, AR&CO stands out with a growth of 35.7% vs. 2Q22. The Anacapri and Alexandre Birman brands also showed strong results: 23.1% and 30.9%, respectively, compared to last year.

AREZZO&CO + AR&CO SELL OUT GROWTH (FRANCHISES, OWNED STORES AND WEB COMMERCE)

VS PREVIOUS YEAR



+15% OVER A 63% COMPARISON BASE

R$1.2B
DTC SELL OUT IN 2Q23

15%
SELL OUT GROWTH vs 2Q22

CHANNELS

MONOBRAND – FRANCHISES AND OWNED STORES

The Arezzo&Co's monobrand channels posted strong results in 2Q23: 20.4% growth vs. 2Q22. The franchise channel recorded revenues of R$ 307 million, up 19.4% vs. 2022. The owned stores channel totaled R$ 327 million in gross revenue, 21.3% above the previous year.

The performance of the franchise channel was driven by the AR&CO, Anacapri, and Arezzo brands, which grew 50.9%, 40.1%, and 17.8%, respectively. In the semester, the monobrand channels had similar revenue levels: R$605 million (franchises) and R$579 million (owned stores), representing approximately 50% of the Company's gross revenue in the domestic market.

MULTIBRAND

In recent quarters, the multibrand channel has registered increasing expansion. In 2Q23, the channel reached R$ 342 million in sales, a growth of 26.5% vs. 2022, representing 26.8% of Arezzo&Co's revenues. All the group's brands grew, emphasizing the Vans (43.9%) and Arezzo (24.0%) brands.

In May, the Company held the second edition of PulsAR - a sell-in event with all the group's brands. PulsAR has become one of the most significant events in the Brazilian fashion scene and reinforces Arezzo&Co's positioning as a house of brands.

In the second quarter of 2023, the Company's brands were distributed through 7,754 points of sale (without overlap), a growth of 13.7% compared to 2Q22.

WEB COMMERCE

The Company's web commerce channel recorded R$ 296 million in gross revenue in the quarter, an increase of 24.4% over the same period last year. In 2Q22, web commerce grew 35.7% - with a solid comparison base.

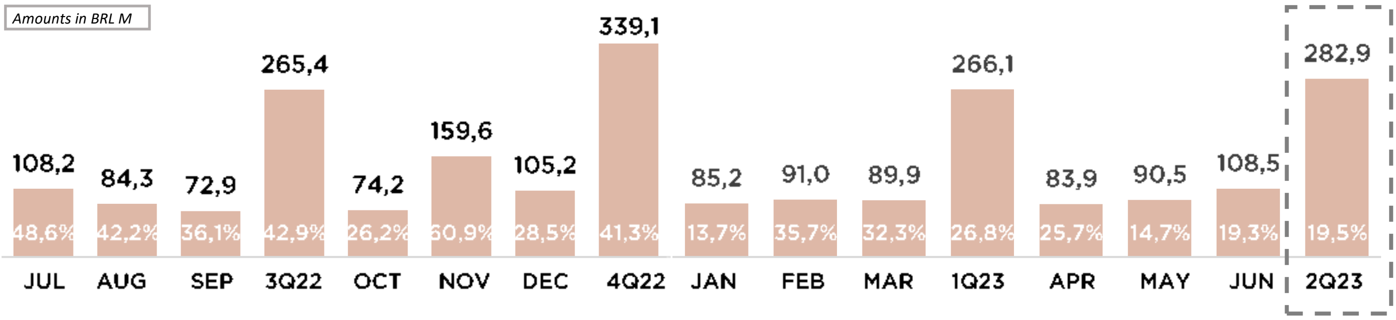
The brands that stood out in terms of e-commerce performance were AR&CO (+88.8%), Alexandre Birman (+73.4%), and Anacapri (+21.1%).

The sales through Arezzo&Co's brands' APPs continued to expand and grew 36.0% in the quarter, representing 28.2% of e-commerce sales. The APPs totaled 1.3 million downloads in the period.

CHANNELS

WEB COMMERCE SELL OUT EVOLUTION

Arezzo&CO AND AR&Co



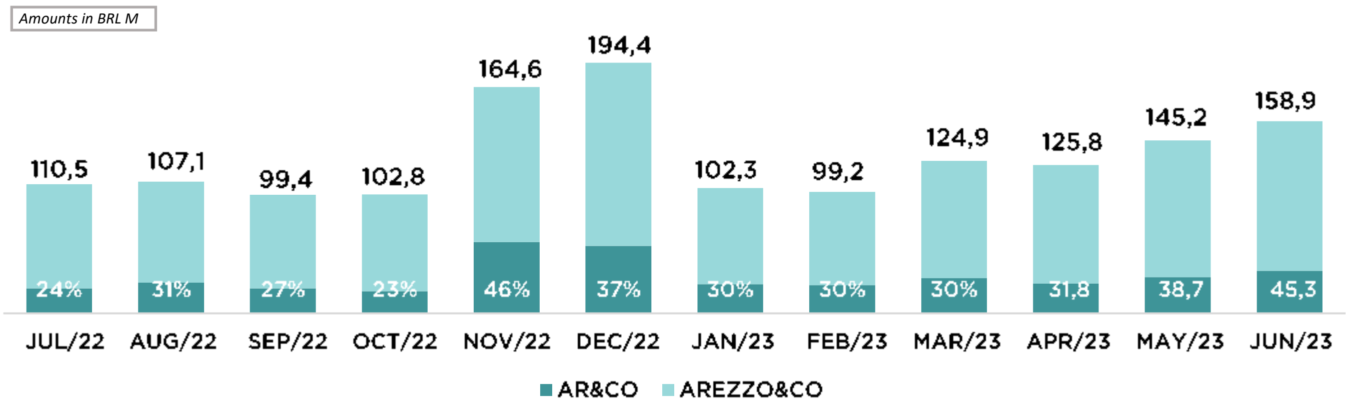
DIGITAL TRANSFORMATION

The sales through digital tools - web commerce, omnichannel, and the salesperson's APP - totaled R$ 2.7 billion in sell-out revenue in the last twelve months. The digital sales accounted for 55.8% of the sell-out of physical stores in the period. The digital tools "store shipping" and "pick up in the store" followed the expansion trend and combined recorded growth of 60.8% in the period, representing 6.2% of the sell-out of physical stores.

In the second quarter, revenue influenced by the salesperson's APP grew by 24.3% vs. 2Q22. The constant evolution of digital indicators confirms the strength of Arezzo&Co's omnichannel sales.

DIGITAL REVENUES, AREZZO&CO GROUP

Revenues from Digital Tools + Salesperson App (Proprietary)



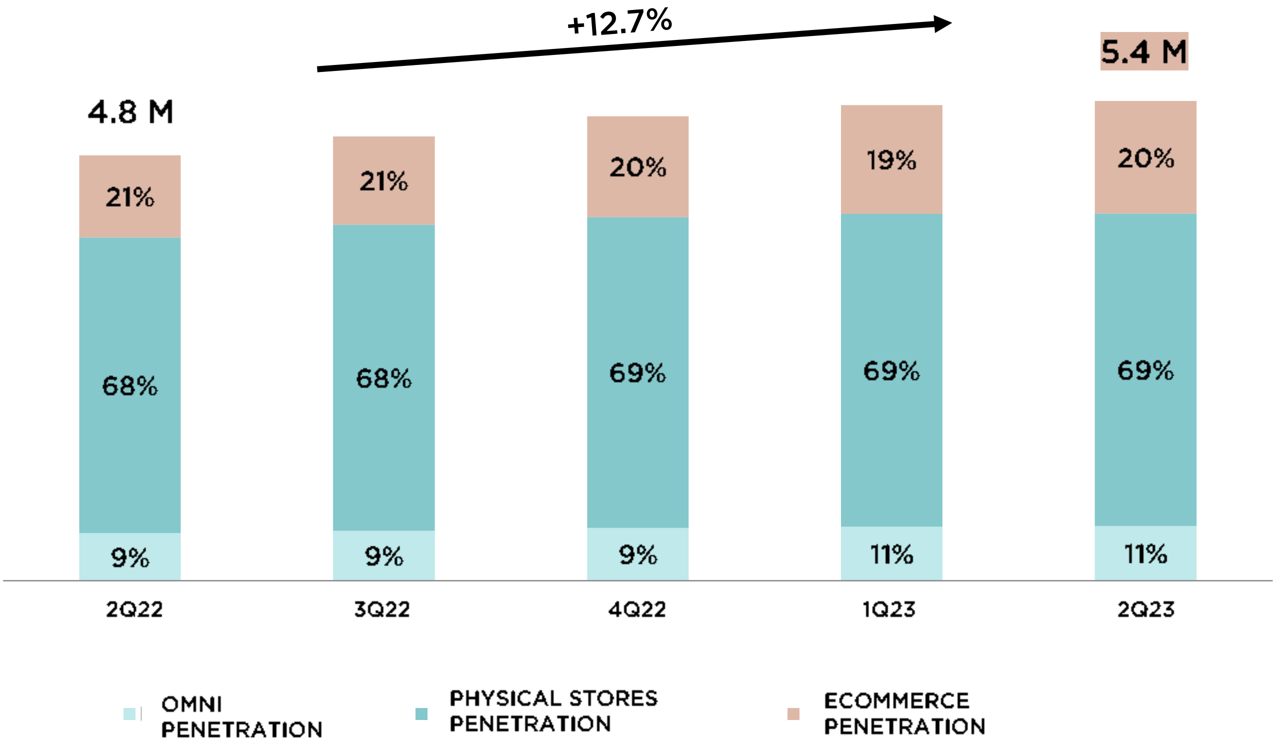
R$1.1B WEB COMMERCE SELL-OUT(LTM)	**R$1.5B** DIGITAL REVENUES (LTM)	**R$2.7B** WEB + DIGITAL TOOLS SELL-OUT (LTM)

CHANNELS

DIGITAL TRANSFORMATION

ACTIVE CUSTOMER BASE

- Arezzo&Co's active customer base totaled 5.4 million in the quarter, an expansion of 12.7% vs. the same period in 2022;
- **19%** of the active base was represented by new customer acquisition, 22% by retained customers, and 9% by reactivated customers;*
- **34.9%** of Arezzo&Co's customers purchases online;
- **11.5%** of customers are omnichannel (purchases from physical stores and online);
- The OMNI customers grew 14.9% vs. 2Q22 and resulted in a revenue increase of **21.7%**;
- The OMNI customers had a purchase frequency **3.9x**, 7.0% above Arezzo&Co average.



+15%
OMNI CUSTOMERS

+22%
OMNI REVENUES

Active base: customers shopping in the last 12 months.

MONOBRANDS CHAIN

The Company closed the second quarter of 2023 with 1,005 stores, 993 of which are in Brazil and 12 abroad, considering all the group's brands.

In the last 12 months, Arezzo&Co opened 55 net stores, of which 29 franchises and 26 owned stores. The openings were mainly concentrated in the brands: AR&CO, Anacapri, and Vans, following the Company's store expansion strategy. In addition, Arezzo&Co had a 5.4% growth in total sales area (m^2).

Arezzo&Co underscores that its guidance as announced on Investors Day 2022, of 50 to 70 net store openings in 2023, remains unchanged.

Store Information	2Q22	3Q22	4Q22	1Q23	2Q23
Sales Area[1],[3] - Total (m^2)	65.904	66.406	69.607	69.204	69.458
Sales area - franchises (m^2)	47 901	47 996	49 660	49 470	48 848
Sales area - owned stores[2] (m^2)	18 002	18 410	19 946	19 734	20 610
Total number of domestic stores	939	952	1.002	994	993
# of franchises	776	783	817	811	805
Arezzo	430	431	439	430	421
Schutz	62	62	62	61	60
Anacapri	210	215	226	229	230
Vans	12	12	14	15	16
AR&CO	62	63	75	75	77
My Shoes	-	-	1	1	1
# of owned stores	163	169	185	183	188
Arezzo	18	18	18	17	23
Schutz	22	22	22	22	21
Alexandre Birman	10	11	12	12	11
Anacapri	2	2	2	2	2
Fiever	2	2	2	-	-
Alme	2	2	2	2	2
Vans	16	16	18	18	20
AR&CO	89	94	104	105	105
Carol Bassi	2	2	5	4	3
Vicenza	-	-	-	1	1
Total number of international stores	11	11	11	11	12
# of franchises	6	6	6	6	6
# of owned stores[4]	5	5	5	5	6

(1) Includes overseas stores' floor area
(2) Includes twenty Outlet-type stores with total floor area of 3 635 sq mt
(3) Includes floor area of expanded stores
(4) Includes 4 Schutz brand stores, as follows: (i) New York, Madison Avenue, (ii) Miami, Aventura Mall, (iii) Los Angeles, Beverly Drive and (iv) New York, SoHo. Also includes 2 Alexandre Birman brand stores, as follows: (i) New York, Madison Avenue and (ii) Miami, Bal Harbour Mall.

AREZZO
&CO

RECURRING GROSS INCOME AND GROSS MARGIN

The Company reported a recurring gross profit of R$ 621 million in 2Q23 (+17.5% vs 2Q22) and a gross margin of 54.9%, down 110 bps vs 2022. It is worth noting that the gross margin of the second quarter of 2022 (56.0%) was leveraged by a higher volume of full-price sales last year.

In 2Q23, the margin was positively impacted by the growth of the apparel category in the multi brand channel and negatively affected by the margin decrease of the North American operation.

RECURRING OPERATIONAL EXPENSES

The investments made by Arezzo&Co in the quarter, which are detailed below, reflect the allocation of its resources in pursuit of driving solid growth of core brands and the development of strategic projects.

The Company remains diligent on fixed and operating costs - which have declined as a percentage of net revenue - with the continued objective of improving operational efficiency and leveraging EBITDA margin.

Recurring Commercial Expenses

In the second quarter of 2023, Arezzo&Co's recurring commercial expenses totaled R$ 352 million, a growth of 15.6% vs 2022, below the gross revenue growth of 21.6%.

In the second quarter of 2022, AR&Co's commercial expenses lines were classified in a different cost center than Arezzo&Co. Therefore, the table below presents the mentioned lines with the correct classifications in 2Q22 to reflect their comparable growth.

Reconciliation	2Q23 Recurring	2Q22 Recurring	Δ (%) 23 x 22
Selling expenses	(351.659)	(304.267)	15,6%
Owned Stores and Web Commerce	(161.395)	(133.107)	21,3%
Selling, logistics and supply	(190.265)	(171.160)	11,2%

RECURRING OPERATIONAL EXPENSES

i. The owned stores and web commerce expenses (sell-out channels) totaled R$ 161 million - an increase of 21.3% (after the 2Q22 reconciliation). The gross revenue from both channels combined grew 22.8% vs. 2Q22, higher than the increase in expenses. Among the main impacts, it is worth highlighting the costs of operating the owned stores. In the last twelve months, the Company opened 35 new owned stores (18 Arezzo&Co and 17 AR&CO). In addition, the web commerce channel also impacted the line due to increased expenses related to performance marketing.

i. The Arezzo&Co's Selling, Logistics and Supply expenses totaled R$190 million in the quarter - a growth of 11.2% vs. 2Q22. Among the factors that impacted the line in the period, the highlights were the (i) investments in sell-in events, such as PulsAR (event focused on multibrand) and the launch of the summer collection, the (ii) expenses in the people line, due to the increase in commissions in the multibrand channel explained by revenue growth, and the (iii) addition of the Paris Texas brand operation in Italy.

Recurring General and Administrative Expenses

In the second quarter, the Company's recurring general and administrative expenses totaled R$73 million, an increase of 8.6% vs. 2Q22, generating operating leverage. Among the factors that contributed to the expansion in the period, the incorporation of corporate teams from the recently acquired operations, such as HG and Sunset, stands out, mainly in engineering, samples, sourcing, and export departments.

Fixed, Variable and Eventual Expenses

In the second quarter, the Company's expenses - excluding depreciation and amortization - totaled R$ 425 million, an increase of 15.6% vs. the same period in 2022. It is worth noting that Arezzo&Co's fixed expenses decreased by 90bps vs. 2Q22 as a percentage of net revenue - from 17.7% to 16.8%.

In the table on the next page, expenses are presented by the breakdown between fixed, variable and contingent. Aiming for greater transparency in the Company's SG&A structure, as of 1Q23, Arezzo&Co started to disclose the analysis described above.

Fixed, Variable and Eventual Expenses

i. Fixed: expenses with fixed characteristics, such as: people, benefits, technology, fixed rent, municipal property tax, condominiums, electricity and others.
ii. Variable: expenses directly impacted by sales, such as: shipping and returns, commissions, packaging, additional rent, royalties and digital marketing.
iii. Eventual: expenses with short-term characteristics, which can be managed quickly, such as consulting, travel, launches and events.

SG&A Analysis	2Q23 Recurring	2Q22 Recurring	△ (%) 23 x 22
Total SG&A	424.477	367.294	15,6%
Fixed	190.571	167.610	13,7%
Eventual	69.574	59.654	16,6%
Variable	193.489	157.659	22,7%
Leasing	(29.156)	(17.630)	65,4%

RECURRING EBITDA AND EBITDA MARGIN

The Company's recurring EBITDA totaled R$ 198 million, up 22.1% vs. 2Q22, and recurring EBITDA margin of 17.5%, +30bps vs. the same period of 2022.

Among the main factors that contributed positively, the main factors are the consistent growth of all brands and channels of the group and the dilution of SG&A as a percentage of revenue. This reduction results from structural changes made by Arezzo&Co throughout the first half of the year to improve operational efficiency in all areas of the Company.

On the other hand, ARZZ International (foreign market) contributed negatively to consolidated EBITDA due to a retraction of department stores in the United States, even though it showed an evolution compared to 1Q23.

The domestic market margin went from 18.5% to 19.4%: a 90bps expansion.

	2Q23 EBITDA			2Q22 EBITDA		
	&Co	Brazil	ARZZ Intern.	&Co	Brazil	ARZZ Intern.
Net Revenues	1.131,0	1.007,9	123,1	944,8	841,7	103,0
Gross Profit	621,2	558,3	62,9	528,6	469,7	58,9
Gross Mg.	*54,9%*	*55,4%*	*51,1%*	*56,0%*	*55,8%*	*57,1%*
Recurring EBITDA	198,2	195,1	3,2	162,4	155,9	6,5
Recurring Mg. EBITDA	*17,5%*	*19,4%*	*2,6%*	*17,2%*	*18,5%*	*6,3%*

ARZZ International includes foreign-market revenues (exports and own operations in the United States and Europe)
**Amounts in BRL M // Amounts in line with IFRS 16 / CPC 06 (R2)*

RECURRING NET INCOME AND NET MARGIN

The Company reported a recurring net income of R$ 114 million in the second quarter, down 7.7% vs. 2Q22, and a net margin of 10.1% (-300 bps). The net income was negatively impacted by the financial results and the exchange rate variation in the period.

The financial result for the quarter was impacted by (i) the increase in interest on financing due to higher leverage in the period, (ii) the increase in interest on leases due to the increase in the number of rental contracts; and (iii) expenses with credit card fees, which grew in the same proportion as the increase in sales.

ROIC – RETURN ON INVESTED CAPITAL

The recurring return on invested capital (ROIC) - disregarding the goodwill from the latest acquisitions of Arezzo&Co, as well as extemporaneous credits and non-recurring elements - reached 26.3%. The recurring ROIC was positively impacted by the growth of NOPAT and negatively affected by the working capital lines.

It is important to highlight the new operating dynamics of the Company due to the higher owned production (16.6% in footwear and handbags) and the higher representativeness of the sell-out channels and the apparel category. Nevertheless, the Company made efforts on the suppliers and inventory fronts, which will already be reflected in the next quarter's results.

Income from operations	2Q23 Reported	2Q23 Recurring	2Q22 Reported	2Q22 Recurring	△ 23 x 22 Rec. (%)
EBIT (LTM)	496.344	528.928	522.526	484.051	9,3%
+ IR and CS (LTM)	6.393	5.822	(59.643)	(52.409)	(111,1%)
NOPAT (LTM)	**502.737**	**534.750**	**462.883**	**431.642**	**23,9%**
Working Capital[1]	1.102.640	1.094.282	514.225	614.218	78,2%
Accounts Receivable	781.486	781.486	613.690	613.690	27,3%
Inventory	864.459	856.100	651.730	651.730	31,4%
Suppliers	(483.389)	(483.389)	(566.002)	(566.002)	(14,6%)
Others	(59.916)	(59.916)	(185.193)	(85.201)	(29,7%)
Permanent assets	2.377.950	1.180.575	1.681.935	747.690	57,9%
Other long-term assets[2]	213.430	213.430	221.254	221.255	(3,5%)
Invested capital	3.694.020	2.488.287	2.417.414	1.583.163	57,2%
Average invested capital[3]	3.055.717	2.035.725	2.050.598	1.251.527	62,7%
ROIC[4]	16,5%	26,3%	22,6%	34,5%	

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

CASH AND DEBT POSITION

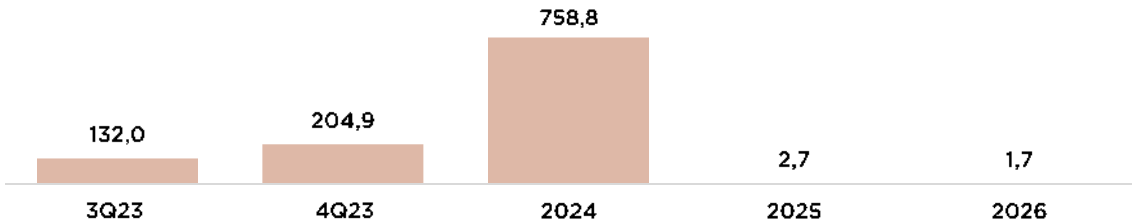
The Company ended 2Q23 with net debt of R$ 346 million.

The gross cash position: R$682 million. In the quarter, cash was impacted on a non-recurring basis by the payment for the acquisition of Vicenza and earn out of Carol Bassi in the amount of R$63 million.

Cash position and Indebtedness	2Q23	1Q23	2Q22
Cash and Cash Equivalents	682.038	783.068	715.247
Total debt	1.028.025	1.060.093	355.286
Short-term	642.492	663.004	345.023
% total debt	62,5%	62,5%	97,1%
Long-term	385.533	397.089	10.263
% total debt	37,5%	37,5%	2,9%
Net debt	345.987	277.025	(359.961)
Net debt/EBITDA	0,5x	0,4x	-0,6x

Recent Fundraising				
Date	**Intermediary**	**Amount (R$ MM)**	**Cost**	**Term**
January/23	Bradesco	100	CDI+1,00%	Janeiro/24
March/23	Itaú	150	CDI+1,80%	Março/24
March/23	Santander	400	CDI+2,02%	Setembro/24

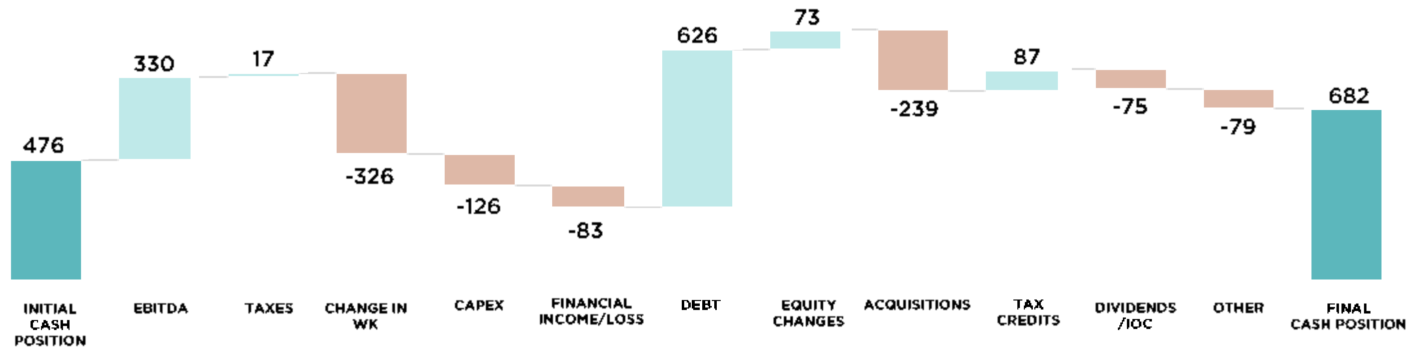
DEBT MATURITY SCHEDULE WITH INTEREST UNTIL 06/31/2023
(R$ M)



ARЕZZO &CO

CASH AND DEBT POSITION

1H23 CASH FLOW
(R$ M)



*OTHER: TAXES RECOVERABLE, OTHER AMOUNTS RECEIVABLE, TAXES AND CONTRIBUTIONS, LABOR LIABILITIES AND OTHER ACCOUNTS PAYABLE

INVESTMENTS - CAPEX

The CAPEX investments totaled R$ 75 million in 2Q23 - growth of 33.1%:

Stores

- Refurbishment and opening of AR&CO owned stores (21 renovations and 2 new stores);
- Conversion of 7 Arezzo brand franchises into owned stores.

Corporate

- *Squads* – channel integration-related projects, business digitalization (merchandising/planning, logistics and sourcing), data platform (electronic showroom and ZZNET), and digital business (Tableau and Salesperson App).
- Investments and expansion of the distribution center in Cariacica – Espírito Santo.

Other

- Opening the second Schutz store in New York;
- Stores refurbishing and the new Schutz and Alexandre Birman showroom in the United States.

Summary of Investments	2Q23	2Q22	△ 23 x 22 (%)
Total CAPEX	74.524	56.004	33,1%
Stores - expansion and refurbishing	31.955	23.297	37,2%
Corporate	36.023	27.255	32,2%
Others	6.546	5.452	20,1%

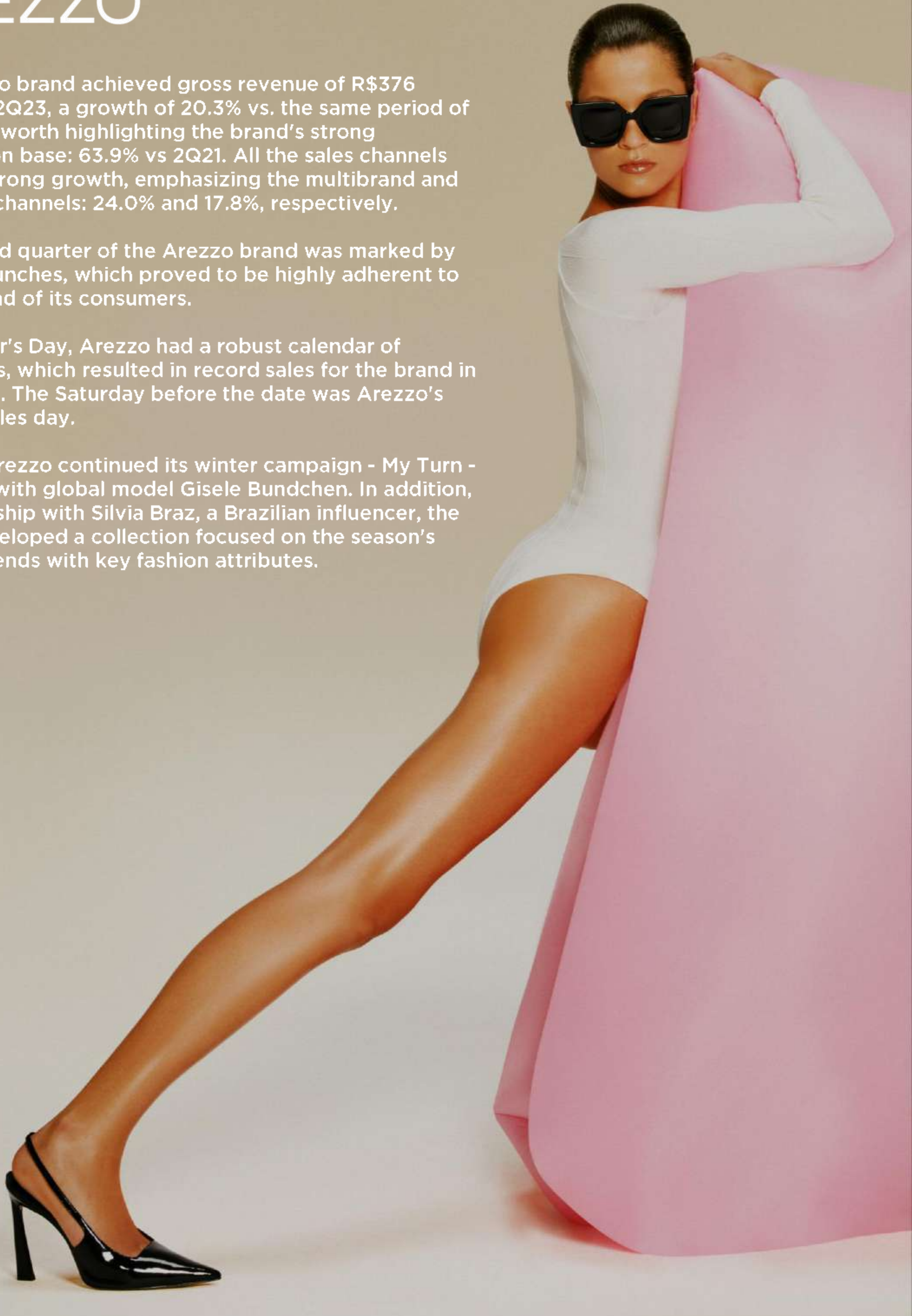
AREZZO

The Arezzo brand achieved gross revenue of R$376 million in 2Q23, a growth of 20.3% vs. the same period of 2022. It is worth highlighting the brand's strong comparison base: 63.9% vs 2Q21. All the sales channels showed strong growth, emphasizing the multibrand and franchise channels: 24.0% and 17.8%, respectively.

The second quarter of the Arezzo brand was marked by various launches, which proved to be highly adherent to the demand of its consumers.

For Mother's Day, Arezzo had a robust calendar of activations, which resulted in record sales for the brand in the period. The Saturday before the date was Arezzo's biggest sales day.

In April, Arezzo continued its winter campaign - My Turn - launched with global model Gisele Bundchen. In addition, in partnership with Silvia Braz, a Brazilian influencer, the brand developed a collection focused on the season's leading trends with key fashion attributes.



SCHUTZ

The Schutz brand recorded gross revenue of R$ 202 million in 2Q23, an expansion of 11.5%. In the period, the brand had a strong comparison base in Brazil: 52.5% growth vs 2Q21. Globally, the brand reached R$ 273 million, stable revenue vs. the same period of 2022.

As a highlight of the period, Schutz launched its Mother's Day campaign entitled "The Mother through her son's eyes." The collection featured timeless shoes designed for the brand's consumers. As a highlight, Schutz launched the "Madison" leather jacket, created in the colors of the leading shoes in the collection. Like other brands, Schutz recorded record sales on the Saturday before Mother's Day of R$ 202 million.

AR&CO

RESERVA | RESERVA+BASQUIAT

The AR&CO reached revenues of R$ 332 million in 2Q23, an expansion of 32.4%, even on a strong comparison basis (+75.5% vs 2Q21).

In line with its accelerated growth, AR&CO recorded strong expansion in all sales channels, sell-in, and sell-out, emphasizing the e-commerce and franchise channels that grew 88.8% and 50.9%, respectively. The digital channel already represents 28.6% of AR&CO's revenue.

As a highlight of the quarter, Oficina Reserva grew 60.7%. The brand held its first opening of the year at the JK Iguatemi shopping center in São Paulo, totaling 14 stores in Brazil. The store recorded over R$ 900 thousand in sales in the first month.

In April, the footwear sublabel Reserva Go launched the Yankee® sneaker, a new sneaker from the Type-R line. The sneaker is a reinterpretation of the jogging sneakers of the 80s, with a tractor sole. Reserva Go continued its expansion and already represented 20% of sales.

BAW Clothing registered growth in all its sales channels, reaching 52.1% expansion vs. 2Q22. As a highlight, the brand launched its APP, reinforcing its digital presence. In addition, BAW strengthened its partnership strategy with influencers, working with names such as Bruno Gagliasso, Rafa Kalimann, and Jade Picon.

VANS
"OFF THE WALL"

The Vans brand recorded growth of 22.9% in the quarter, emphasizing the multi-brand channel, which recorded growth of 43.9%. In line with its expansion strategy in Brazil, the brand opened three new stores, two in São Paulo and the third in Campinas.

As a second quarter highlight, Vans launched the "Classics Since Forever" campaign that paid homage to the brand's five most iconic models - Authentic, Era, Old Skool, Slip-On, and Sk8-Hi.

VANS | ZAHBA ZION WRIGHT

ANACAPRI

The Anacapri brand recorded revenues of R$ 98 million, a growth of 28.9% vs. the same period in 2022. As a highlight, the franchise channel grew 40.1% vs. 2Q22.

For Mother's Day, the brand launched a campaign with Juliette and her mother, being a great success in all sales channels.

ALEXANDRE BIRMAN | PEPITTA FAMILY

ALEXANDRE
BIRMAN

The Alexandre Birman brand recorded global revenue of R$ 63 million in the second quarter of 2023. In the domestic market, the brand grew 34.0%, emphasizing the online channel, which achieved a 73.4% expansion in the period.

During the quarter, reinforcing its positioning as a global brand, the brand was present at the 76th Cannes International Film Festival and launched the "Glam Capsule" capsule collection with sandal models that reflect the glamor of the event.

CAROL BASSI

The Carol Bassi brand continued the expansion of its sales and presented a growth of 80.1% vs. 2Q22.The month of May represented a historic milestone for the brand: R$ 15 million in sales in a single month.

The brand's Mother's Day campaign once again featured a collab with Maria Rudge, composed of pieces with light prints mixed with classic fabrics.

AREZZO &CO

ALME

In the second quarter, Alme, Arezzo&Co's sustainable brand, launched its new sneaker - the Carbon Neutral. The model tells the story of the brand's commitment on its sole, illustrating the topography of the Jari River Valley, the Amazon region in which Alme carries out its carbon offset.

In addition, the brand launched the Ecobambu material, a technological laminate with 45% bamboo fiber of natural and renewable origin. With an appearance, texture, and resistance reminiscent of leather, the material became part of the new categories created for the brand's winter collection. The new models launched with this technology, such as the Camp Boot, the Selva sandal, and the Carbon Neutral sneaker itself, were a highlight in sales in the period.

ALME | CARBON NEUTRAL SNEAKERS

AREZZO &CO

Vicenza

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

In June, the Company closed the operation, thus integrating Vicenza's results with those of Arezzo&Co. In the quarter, the brand contributed R$ 9 million in revenue.

On the integration front, Vicenza was adapted to Arezzo&Co's sell-in and sell-out calendar and already has its own multibrand sales team.In addition, the brand's e-commerce is also in the process of integration, with completion scheduled for the second half of the year.

It is worth noting that on March 13, Vicenza opened its first physical store (pop-up) at the JK shopping center in São Paulo, providing consumers with the brand's physical experience for the first time.

VICENZA | VALENTINES' DAY

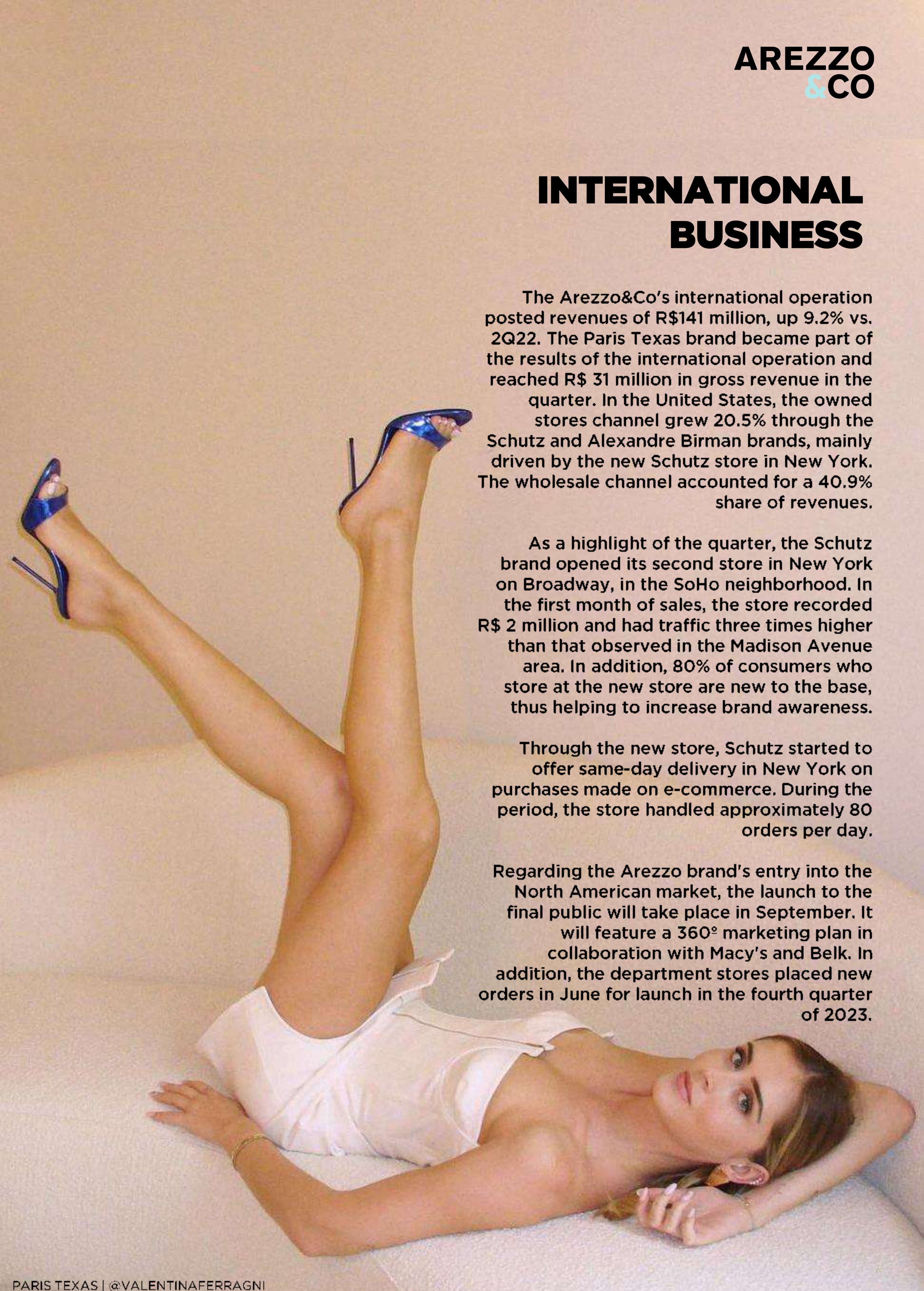
INTERNATIONAL BUSINESS

The Arezzo&Co's international operation posted revenues of R$141 million, up 9.2% vs. 2Q22. The Paris Texas brand became part of the results of the international operation and reached R$ 31 million in gross revenue in the quarter. In the United States, the owned stores channel grew 20.5% through the Schutz and Alexandre Birman brands, mainly driven by the new Schutz store in New York. The wholesale channel accounted for a 40.9% share of revenues.

As a highlight of the quarter, the Schutz brand opened its second store in New York on Broadway, in the SoHo neighborhood. In the first month of sales, the store recorded R$ 2 million and had traffic three times higher than that observed in the Madison Avenue area. In addition, 80% of consumers who store at the new store are new to the base, thus helping to increase brand awareness.

Through the new store, Schutz started to offer same-day delivery in New York on purchases made on e-commerce. During the period, the store handled approximately 80 orders per day.

Regarding the Arezzo brand's entry into the North American market, the launch to the final public will take place in September. It will feature a 360º marketing plan in collaboration with Macy's and Belk. In addition, the department stores placed new orders in June for launch in the fourth quarter of 2023.



PARIS TEXAS | @VALENTINAFERRAGNI

AREZZO &CO

BALANCE SHEET

Assets	2Q23	1Q23	2Q22
Current assets	2.690.403	2.691.016	2.192.913
Cash and cash equivalents	73.466	83.603	81.682
Financial Investments	608.572	699 465	633 565
Trade accounts receivables	781.486	743.011	613.690
Inventory	864.459	842.526	651.730
Taxes recoverable	25.282	19.291	161.845
Other taxes recoverable	231.709	203.213	0
Other credits	105.429	99.907	50.401
Non-current assets	2.744.660	2.440.906	2.001.494
Long-term receivables	285 974	297 353	319.559
Trade accounts receivables	2.590	478	2.952
Deferred income and social contribution	153.279	126.599	98.305
Judicial deposits	104.945	93.210	54 788
Taxes recoverable	15.432	66.001	148.494
Other amounts receivable	9.728	11.065	15.020
Investments property	4.193	3.761	2.860
Property, plant and equipment	850.095	769 765	492.475
Intangible assets	1 523.662	1 370.027	1 186.600
Financial Instruments - Derivatives	80 736	0	0
Total assets	5.435.063	5.131.922	4.194.407

Liabilities	2Q23	1Q23	2Q22
Current liabilities	1.703.159	1.589.572	1.433.019
Loans and financing	642.492	663.004	345.023
Lease	97.480	93.790	62.079
Suppliers	483.389	571.535	566.002
Other liabilities	479.798	261.243	459.915
Non-current liabilities	926.218	800.389	268.927
Loans and financing	385.533	397.089	10.263
Other liabilities	61.365	59.007	72.465
Lease	394.957	339 922	180.107
Other amounts payable	2.801	2.720	3.405
Deferred Taxes	826	1.651	2.687
Financial Instruments - Derivatives	80 736	0	0
Shareholder's Equity	2.783.100	2.716.661	2.492.432
Social Capital	1 738.229	1 671.716	1 645.467
Capital reserve	168.410	174.295	163.046
Profit reserve	720.201	814.396	541.478
Adjustment of Equity Valuation	-7.507	-6.887	-6.379
Period Profit	163.767	63.141	148.820
Total Shareholder's Equity	2.805.686	2.741.961	2.492.461
Non-controlling interest stake	22.586	25.300	29
Total liabilities and shareholders' equity	5.435.063	5.131.922	4.194.407

INCOME STATEMENT

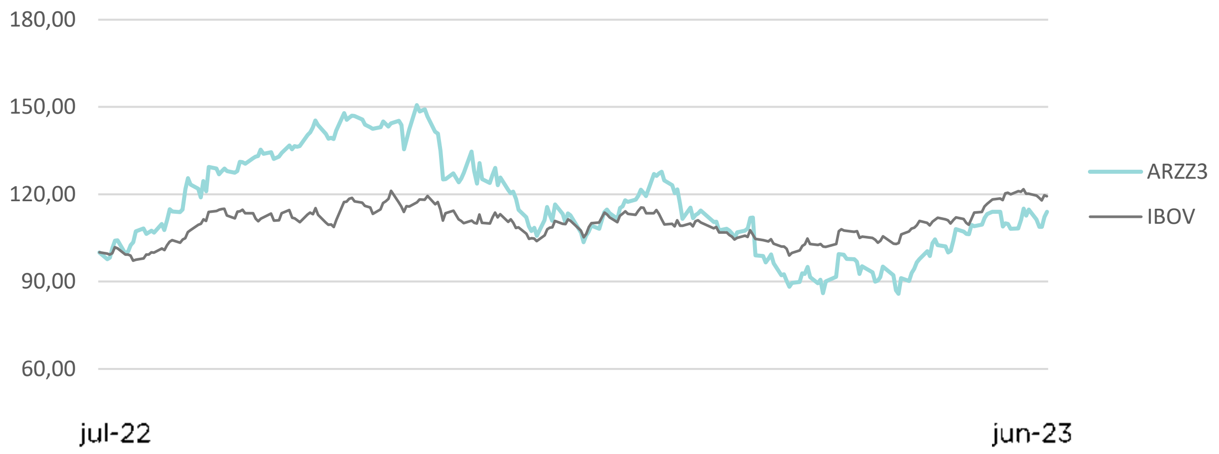
Income Statement - IFRS	2Q23	2Q22	Var.%
Net operating revenue	1.131.023	944.752	19,7%
Cost of goods sold	(516.509)	(416.145)	24,1%
Gross profit	614.514	528.607	16,3%
Operating income (expenses):	(489.046)	(405.685)	20,5%
Selling	(401.330)	(333.615)	20,3%
Administrative and general expenses	(88.527)	(73.402)	20,6%
Other operating income, net	811	1.332	-39,1%
Income Before Financial Result	125.468	122.922	2,1%
Financial Income	(43.674)	(6.655)	556,3%
Income before income taxes	81.794	116.267	-29,6%
Income tax and social contribution	18.668	3.554	425,3%
Current	(8.835)	(11.137)	-20,7%
Deferred	27.503	14.691	87,2%
Net income for period	100.462	119.821	-16,2%
Results Attributed to:			
Controlling shareholders	100.626	120.450	-16,5%
Non-controlling shareholders	(164)	(629)	-73,9%
Net income for period	100.462	119.821	-16,2%

CASH FLOW

Cash Flow	2Q23	2Q22
Operating activities		
Net Income	100.462	119.821
Adjustments to reconcile the results according to the cash generated by operating activities:	45.465	54.911
Depreciation and amortization	54.480	34.813
Income from financial investments	(17.379)	(15.848)
Interest and exchange rate	(19.720)	35.882
Income tax and social contribution	(38.452)	(3.554)
Others	66.536	3.618
Decrease (increase) in assets		
Trade accounts receivables	(35 528)	29.331
Inventory	13.389	(92 358)
Recoverable taxes	25.210	(18.935)
Change in other current assets	(2.345)	26.914
Judicial deposits	(11.735)	699
(Decrease) increase in liabilities		
Suppliers	(95.700)	(23 765)
Labor liabilities	15.671	14.299
Fiscal and social liabilities	22.129	(12.884)
Variation in other liabilities	4.094	(18.779)
Payment of income tax and social contribution	(2.775)	(26 693)
Interest payment on loans	(907)	(1.289)
Net cash flow from operating activities	77.430	51.272
Investing activities		
Sale of fixed and intangible assets	-	-
Acquisition of fixed and intangible assets	(74.524)	(56.004)
Financial Investments	(653.262)	(889 780)
Redemption of financial investments	757.666	861.866
Acquisition of subsidiary, net cash obtained on acquisition	(64.068)	-
Acquisition of business combination	-	(2.400)
Net cash used for investment activities	(34.168)	(86.318)
Financing activities		
Loans and financing	-	83.615
Payments of loans	(18.490)	(46 962)
Consideration of Lease	(33.744)	(18.533)
Interest on Equity and Profit Distribution	-	-
Credits (debits) with Shareholders	-	-
Resources from Stocks Issue	-	-
Expenses from Stocks Issue	-	(3.977)
Repurchase of Stocks	(3.024)	-
Resources from the Exercise of Stock Options	-	-
Net Cash used on Financing Activities	(55.258)	14.143
Increase (decrease) in cash and cash equivalents	(11.996)	(20.903)
Cash and cash equivalents		
Effect of Exchange Rate Variation on Cash and Cash Equivalent	1.859	(4 162)
Cash and cash equivalents - Initial balance	83.603	106.747
Cash and cash equivalents - Closing balance	73.466	81.682
Increase (decrease) in cash and cash equivalents	(11.996)	(20.903)

3. Capital Markets and Corporate Governance

On June 30, 2023, the Company's market capitalization was R$ 8.7 billions (R$ 79.07), an increase of 14.0% when compared to the same period of 2022.



Arezzo&Co	
Number of Shares	110.186.077
Ticker	ARZZ3
Listing	02/02/2011
Share Price (30/09/2022)	79,07
Market Cap	8.712.413.108
Performance	
2011[1]	20%
2012[2]	71%
2013[3]	(24%)
2014[4]	(9%)
2015[5]	(22%)
2016[6]	27%
2017[7]	118%
2018[8]	(2%)
2019[9]	16%
2020[(10)]	7%
2021[11]	13%
2022[12]	8%
2023[13]	7%

(1) From 02/02/2011 to 29/12/2011
(2) From 29/12/2011 to 28/12/2012
(3) From 28/12/2012 to 30/12/2013
(4) From 30/12/2013 to 30/12/2014
(5) From 30/12/2014 to 30/12/2015
(6) From 04/01/2016 to 29/12/2016
(7) From 01/01/2017 to 28/12/2017
(8) From 01/01/2018 to 28/12/2018
(9) From 01/01/2019 to 30/12/2019
(10) From 02/01/2020 to 31/12/2020
(11) From 04/01/2021 to 30/09/2021
(12) From 03/01/2022 to 29/12/2022
(13) From 02/01/2023 to 30/06/2023

4. Independent Auditors

Arezzo&Co's financial statements relative to the business year ending on June 30, 2023, were audited by KPMG Auditores Independentes ("KPMG").

5. Investor Relations

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

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

6. Officer's Statement

The Officers of Arezzo Indústria e Comércio S.A. state to have reviewed, discussed and agreed upon the Independent auditors' report and financial statements for the period ended on June 30th, 2023, 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 publicly traded company with its registered office at Rua Fernandes Tourinho, 147 – sala 402, in the city of Belo Horizonte, State of Minas Gerais. Since February 2, 2011, the Company is listed on the *Novo Mercado* listing segment of the Brazilian stock exchange (B3) and has its shares traded on B3 under the ticker symbol ARZZ3.

The Company and its subsidiaries are primarily involved in designing, developing, manufacturing and selling shoes, handbags, accessories and clothing for women principally, men and children.

At June 30, 2023, the Company had 805 franchise stores in Brazil and 6 abroad; 188 Company-operated stores in Brazil and 6 abroad; and an e-commerce channel to sell its products under the brands Arezzo, Schutz, Anacapri, Alexandre Birman, Alme, Vans, Reserva, Reserva Mini, Reserva INK, Reserva Go, Oficina Reserva, Brizza, Troc, Baw, Carol Bassi, Reversa, Simples Reserva, Paris Texas and Vicenza.

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

1.2. Significant events during the reporting period

On January 1, 2023, Sunset Agenciamento e Intermediação S.A. was merged into the Company.

On March 2, 2023, ARZZ Itália S.r.l., which is incorporated under the laws of Italy and a former direct subsidiary of ARZZ USA, began to be consolidated as a direct subsidiary of the Company.

2. Accounting policies

2.1. Basis of accounting

These condensed parent company and consolidated interim financial statements included in the Quarterly Financial Information Form (ITR) for the six months ended June 30, 2023 have been prepared in accordance with CPC 21 (R1) *Interim Financial Reporting* issued by the Brazilian Accounting Pronouncements Committee (CPC) and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB). These condensed parent company and consolidated interim financial statements comply with the standards issued by the Brazilian Securities Commission (CVM) that apply to the ITR.

Unless otherwise stated, the accounting policies, estimates and methods of computation applied in these condensed interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended December 31, 2022.

These condensed interim financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that are measured at fair value. These condensed interim financial statements have been prepared by the Company to provide an update on the latest complete set of annual financial statements, and should be read in conjunction with the Company's last annual financial statements as at and for the year ended December 31, 2022.

In order to comply with article 31 of CVM Instruction 80/22 and also to avoid repetition of information previously reported, these interim financial statements do not duplicate in full or in part the following notes to the last annual financial statements for the year ended December 31, 2022: 2- Accounting policies (part), 5 – Business combinations (part), 11 – Other receivables, 15 - Property, plant and equipment (part), 16 - Intangible assets (part), 20 – Salaries and vacation pay, 21 – Taxes and social charges payable, 22 – Provisions for labor, tax and civil proceedings, 23 – Other payables, 24 - Share capital (part), 25 - Dividends and interest on capital paid and proposed (part), 33 – Insurance, and 34 – Share-based payment arrangements (part) .

These condensed interim financial statements for the six months ended June 30, 2023 were approved by the Company's Board of Directors on August 7, 2023.

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

2. Accounting policies--Continued

2.2. Basis of consolidation

The condensed consolidated interim financial statements comprise the Company and the following subsidiaries directly or indirectly owned by the Company as of the balance sheet date:

		Total ownership interest			
Subsidiaries	ntry of incorporat	June 30, 2023		December 31, 2022	
		Direct	Indirect	Direct	Indirect
ZZAB Comércio de Calçados Ltda. ('ZZAB')	Brazil	99,99%	-	99,99%	-
ZZSAP Indústria e Comércio de Calçados Ltda. ('ZZSAP')	Brazil	99,99%	-	99,99%	-
ZZEXP Comercial Exportadora S/A ('ZZEXP')	Brazil	100,00%	-	99,99%	-
ARZZ International INC. ('ARZZ')	USA	100,00%	-	100,00%	-
ARZZ Co. LLC	USA	-	100,00%	-	100,00%
Schutz 655 LLC	USA	-	100,00%	-	100,00%
Schutz Cali LLC	USA	-	100,00%	-	100,00%
ARZZ Itália SRL (ii)	Italy	100,00%	-	-	100,00%
Paris Texas	Italy	-	65,00%	-	-
Tiferet Comércio de Roupas Ltda. ('Tiferet')	Brazil	100,00%	-	100,00%	-
Troc.com.br Atividades de Internet S.A. ('Troc')	Brazil	-	81,06%	-	81,06%
Guaraná Brasil Difusão de Moda Ltda. ('Guaraná Brasil')	Brazil	-	100,00%	-	100,00%
Sunset Agenciamento e Intermediação S.A. (i)	Brazil	-	-	100,00%	-
HG Indústria e Comércio de Calçados Ltda	Brazil	-	100,00%	-	100,00%
Calçados Vicenza Ltda	Brazil	100,00%	-	-	-

(i) Sunset Agenciamento e Intermediação S.A. was merged into the Company on January 1, 2023.
(ii) On March 2, 2023, ARZZ Itália S.r.l., which is incorporated under the laws of Italy and is a former direct subsidiary of ARZZ USA, began to be consolidated as a direct wholly-owned subsidiary of the Company.

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

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

2. Accounting policies--Continued

2.2. Basis of consolidation--Continued

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

3. Significant judgments, estimates and assumptions

The Company reviewed key judgments, estimates and assumptions for the current interim period compared with those applied in the financial statements as at and for the year ended December 31, 2022 and updated the disclosures in the notes to these interim financial statements accordingly.

4. New or amended standards

Forthcoming requirements are as follows:

a) Classification of Liabilities as Current or Non-current (Amendments to CPC 26/IAS 1) – effective from January 1, 2024

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after January 1, 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than January 1, 2024.

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

4.1 New currently effective requirements from January 1, 2023:

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

Following the amendments to CPC 32/IAS 12 from January 1, 2023, the Company has recognized deferred tax assets in relation to its lease liabilities in the period ended March 31, 2023, in the amount of R$2,606 - Parent company and R$4,716 - Consolidated (Note 11.a).

4. New or amended standards--Continued

4.1 New currently effective requirements from January 1, 2023--Continued

b) Other standards

- IFRS 17 *Insurance Contracts*; and
- *Definition of Accounting Estimates (Amendments to CPC 23/IAS 8)*

These amended standards did not have a significant impact on the parent company and consolidated financial statements.

There are no other standards and interpretations issued but not yet adopted that would be expected to have a significant impact on the Company's results or equity.

5. Business combination

5.1 Paris Texas

On March 2, 2023, the Company, through its subsidiary ARZZ Itália, acquired 65% of the shares in Paris Texas, obtaining control of Paris Texas, an Italian brand founded in 2015 and specializing in the creation, production and sale of luxury women's shoes.

This acquisition is part of the Company's strategy to expand its business in the fashion and retail sector, diversify its product assortment and increase its brand portfolio. With its first acquisition outside Brazil, the Company is driving its internationalization forward and taking an important step in the strategy to create a global luxury shoe platform alongside the Alexandre Birman brand.

The fair values of the identifiable assets acquired and liabilities assumed have been measured on a provisional basis. The initial accounting for the business combination was determined only provisionally and must be finalized within twelve months of the acquisition date, in accordance with CPC 15 *Business Combinations.*

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

5. Business combination--Continued

5.1 Paris Texas--Continued

The following table presents the recognized amounts for the business combination made on March 2, 2023:

	Carrying amount
Identifiable assets acquired	
Cash and cash equivalents	62,092
Trade receivables	10,367
Advances	696
Taxes recoverable	5,140
Inventory	9,944
Other receivables	1,460
Property, plant and equipment	212
Intangible assets	97,285
Total assets acquired	**187,196**
Liabilities assumed	
Trade payables	21,083
Other liabilities	9,629
Total liabilities assumed	**30,712**
Consideration transferred	
Increase of share capital of Paris Texas - Subscription and payment (26%)	55,217
Consideration paid in cash at the closing date (39%)	82,825
Total consideration transferred	**138,042**
Non-controlling interests (NCI)	22,042
Total goodwill	**3,600**

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

5. Business combination--Continued

5.1 Paris Texas--Continued

On March 2, 2023, the acquisition of Paris Texas was effected as follows:

(i) ARZZ Italia acquired 39% of the shares in Paris Texas for cash consideration of €15,000, equivalent to R$82,826, at the date of transaction;

(ii) The share capital of Paris Texas was increased through subscription and payment by ARZZ Italia of new shares representing 26% of the share capital of Paris Texas, in the total amount of €10,000, equivalent to R$55,217;

As a result of the transactions described in items (i) and (ii) above, the Company acquired 65% of the shares in Paris Texas, for total consideration of €25,000, equivalent to R$138,042, for obtaining control.

The purchase and sale agreement entered into between the parties establishes call and put options for 35% of the shares in Paris Texas as follows:

(i) 20% of the shares through call and put options in the 5th year for €9,050, equivalent to R$49,970, at fair value. These options are classified into non-current assets and non-current liabilities as derivative financial instruments and are not part of the consideration transferred for obtaining control of Paris Texas;

(ii) 15% of the shares through call option in the 7th year for €5,572, equivalent to R$30,766, at fair value. These options are classified into non-current assets and non-current liabilities as derivative financial instruments and are not part of the consideration transferred for obtaining control of Paris Texas.

As a result, ARZZ Italia acquired 65% of the shares in Paris Texas and became the controlling shareholder of Paris Texas. Subsequently, with the call options, ARZZ Italia's equity interest in Paris Texas will increase from 65% to 100%.

The acquisition of Paris Texas involved cash movement, so it is reflected in the statement of cash flows as "Acquisition of subsidiary, net of cash acquired" under Cash Flows from Investing Activities, as shown below:

	Parent company	Consolidated
	March 2, 2023	**March 2, 2023**
Investments	138,042	-
Other assets acquired and liabilities assumed		40,934
Inventory (fair value adjustments arising on acquisition)		2,834
Intangible assets (fair value adjustments arising on acquisition)		90,674
Goodwill		3,600
Cash outflow	**138,042**	**138,042**
Realized	138,042	138,042

5. Business combination--Continued

5.1 Paris Texas--Continued

The options are accounted for separately, with call options within non-current assets and put options within non-current liabilities. The options were not included in the goodwill calculation as they will be exercised in the long term (first option in the fifth year and second option in the seventh year), pursuant to the purchase and sale agreement signed between Paris Texas and Arzz Italia (SPA). Any subsequent changes in their fair values will be recognized in profit or loss. If the call option is exercised, the fair value of the option at that date will be included as part of the consideration paid for acquisition of non-controlling interest (NCI). If the option is not exercised, any carrying amount will be recorded as expense in profit or loss.

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

Intangible assets: Relief-from-royalty method, Multi-period excess earnings method, and With-without method: The relief-from-royalty method calculates the value of an intangible asset based on the royalties that would be paid if licensed by a third party. The value of the asset is the present value of license fees avoided by owning it (royalty savings). The royalty savings are calculated by applying an appropriate royalty rate to the asset. The royalty stream after tax is discounted to present value. The multi-period excess earnings method involves quantifying the excess cash flows generated by the intangible asset. The excess cash flows attributable to the intangible asset are adjusted for the return on contributory assets. The resulting cash flows are then discounted to present value to determine the fair value of the intangible asset. The with/without method calculates the incremental cash flow from an intangible asset based on a comparison of the present value of the prospective cash flows for the business “with” and “without” the subject intangible assets in place.

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

5. Business combination--Continued

5.1 Paris Texas--Continued

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

For customer relationships - Multi-brand

Revenue	Based on wholesale revenues, applying a churn rate based on historical information for the period from January 2020 to December 2022.
Churn rate	15.7% based on the average churn rate for Paris Texas's customers.
Useful life	Estimated at 9 years and 10 months, considering a concentration of approximately 90% of the total cash flow at present value for the asset being valued.
Tax amortization benefit	The tax benefit was calculated based on the possible amortization of the fair value of the asset over its estimated useful life.
Discount rate	Estimated discount rate of 12.9% for Paris Texas, plus a premium.

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

Revenue	The valuation of the Paris Texas brand was based on assumptions and projections adopted by the Company's management in *Business Enterprise Valuation* (BEV) for Paris Texas, which was used to determine the purchase price of the Transaction.
Royalty rate	The royalty rate applied was 3.89% on projected net revenue of Paris Texas, based on royalties for similar transactions of companies operating in the same business segment as Paris Texas.
Useful life	The remaining useful life of the brand acquired is indefinite.
Discount rate	To calculate the present value of the projected future cash flow from the intangible assets, the Company applied a discount rate of 13.8% plus a premium, based on the discount rate calculated for Paris Texas.

a) Inventory: Refers to values of finished goods inventory. The balance of the inventory was adjusted to fair value considering an average inventory period of 44 days, gross margin, selling expenses and expected cost of debt after taxes for Paris Texas.

The total fair value adjustments to intangible assets and inventory arising on acquisition is R$93,508.

The Company incurred acquisition-related costs of R$2,077. These costs have been included in 'administrative expenses'. Paris Texas contributed net revenue of R$41,580 and profit of R$1,785 to the Company's results for the period between the acquisition date and June 30, 2023.

5. Business combination --Continued

5.1 Paris Texas--Continued

If the acquisition of Paris Texas had been completed on the first day of the six-month period ended June 30, 2023, the Company's net revenue for the period would have been R$2,173,780 and the Company's profit for the period would have been R$166,657.

5.2 Vicenza

On May 30, 2023, Arezzo Indústria e Comércio S.A. (the 'Company') acquired 100% of the shares in Calçados Vicenza Ltda. ('Vicenza'), obtaining control of Vicenza, a limited liability company that operates in the footwear market.

The acquisition of Vicenza is part of the Company's strategy to expand its business. Vicenza has been operating in the domestic footwear and handbags market for over 30 years, with its own production of approximately 1,800 units per day and presence in e-commerce and multi-brand stores.

The fair values of the identifiable assets acquired and liabilities assumed have been measured on a provisional basis. The initial accounting for the business combination was determined only provisionally and must be finalized within twelve months of the acquisition date, in accordance with CPC 15 *Business Combinations.*

Management does not expect any subsequent material adjustments to the provisional amounts.

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

5. Business combination --Continued

5.2 Vicenza--Continued

The following table presents the recognized amounts for the business combination made on May 30, 2023.

	Carrying amount
Identifiable assets acquired	
Cash and cash equivalents	352
Trade receivables	11,756
Advances	48
Taxes recoverable	286
Inventory	32,406
Prepaid expenses	54
Advance distribution of dividends	60
Other investments	132
Property, plant and equipment	7,126
Intangible assets	59,458
Total assets acquired	**111,678**
Liabilities assumed	
Trade payables	5,808
Loans and borrowings	7,049
Employee benefits obligations	1,322
Tax liabilities	690
Other liabilities	206
Total liabilities assumed	**15,075**
Consideration transferred	
Consideration paid in cash at the closing date	40,000
Arezzo common shares to Sellers	59,271
First installment deferred	31,900
Second installment deferred	31,900
Contingent consideration	5,000
Total consideration transferred	**168,071**
Total goodwill	**71,468**

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

5. Business combination --Continued

5.2 Vicenza--Continued

The acquisition of Vicenza involved cash movement, so it is reflected in the statement of cash flows as "Acquisition of subsidiary, net of cash acquired" under Cash Flows from Investing Activities, as shown below:

	Parent compan May 30, 2023	Consolidated May 30, 2023
Investments	168,071	-
Other identifiable assets and liabilities assumed		27,934
Property, plant and equipment (fair value adjustments arising on acquisition)		3,559
Inventory (fair value adjustments arising on acquisition)		5,657
Intangible assets (fair value adjustments arising on acquisition)		59,453
Goodwill	-	71,468
Cash outflow	**168,071**	**168,071**
Realized	99,271	99,271
Not yet realized	68,800	68,800

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

a) **Property, plant and equipment:** Cost technique, Market comparison technique, and Historical cost technique: The cost technique considers prices quoted by suppliers for new and similar assets, taking into account technical depreciation. The market comparison technique determines the fair value of an asset based on the market price of similar items. The historical cost technique determines the value of the asset by adjusting the original acquisition cost recorded in accounting records or invoices at the specific inflation indexes usually applied by official agencies.

b) **Intangible assets:** Relief-from-royalty method and Multi-period excess earnings method: The relief-from-royalty method calculates the value of an intangible asset based on the royalties that would be paid if licensed by a third party. The value of the asset is the present value of license fees avoided by owning it (royalty savings). The royalty savings are calculated by applying an appropriate royalty rate to the asset. The royalty stream after tax is discounted to present value. The multi-period excess earnings method involves quantifying the excess cash flows generated by the intangible asset. The excess cash flows attributable to the intangible asset are adjusted for the return on contributory assets. The resulting cash flows are then discounted to present value to determine the fair value of the intangible asset.

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

5. Business combination--Continued

5.2 Vicenza--Continued

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

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

For customer relationships – Multi-brand

Revenue	Based on wholesale revenues, applying a churn rate based on historical information for the period from January 2020 to December 2022.
Churn rate	31.6% based on the average churn rate for Vicenza's multi-brand customers.
Useful life	Estimated at 5 years and 7 months, considering a concentration of approximately 90% of the total cash flow at present value for the asset being valued.
Tax amortization benefit	The tax benefit was calculated based on the possible amortization of the fair value of the asset over its estimated useful life.
Discount rate	16.51% plus a premium, based on the weighted average cost of capital (WACC) calculated for Vicenza.

For customer relationships – Export market:

Revenue	Based on Vicenza's sales revenue, applying a churn rate based on historical information for the period from January 2020 to December 2022.
Churn rate	33.3% based on the average churn rate observed in other transactions made by Vicenza.
Useful life	Estimated at 5 years and 7 months, considering a concentration of approximately 90% of the total cash flow at present value for the asset being valued.
Tax amortization benefit	The tax benefit was calculated based on the possible amortization of the fair value of the asset over its estimated useful life.
Discount rate	16.51% plus a premium, based on the weighted average cost of capital (WACC) calculated for Vicenza.

5. Business combination --Continued

5.2 Vicenza--Continued

For customer relationships – E-commerce:

Revenue	Based on Vicenza's sales revenue, applying a churn rate based on historical information for the period from January 2020 to December 2022.
Churn rate	81.4% based on the average churn rate observed in other transactions made by Vicenza.
Useful life	Estimated at 1 year and 7 months, considering a concentration of approximately 90% of the total cash flow at present value for the asset being valued.
Tax amortization benefit	The tax benefit was calculated based on the possible amortization of the fair value of the asset over its estimated useful life.
Discount rate	16.51% plus a premium, based on the weighted average cost of capital (WACC) calculated for Vicenza.

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

Revenue	The valuation of the Vicenza brand was based on assumptions and projections adopted by Arezzo's management in *Business Enterprise Valuation* (BEV) *for Vicenza*, which was used to determine the purchase price of the Transaction.
Royalty rate	The royalty rate applied was 3.89% on projected net revenue of Vicenza, based on royalties for similar transactions of companies operating in the same business segment as Vicenza.
Useful life	The remaining useful life of the brand acquired is indefinite.
Discount rate	To calculate the present value of the projected future cash flow from the intangible assets, the Company applied a discount rate of 17.51% plus a premium, based on WACC calculated for Vicenza.

5. Business combination--Continued

5.2 Vicenza--Continued

c) **Inventory:** Refers to values of finished goods inventory. The balance of the inventory was adjusted to fair value considering an average inventory period of 147 days, gross margin, selling expenses and expected benchmark interest rate (Selic).

The total fair value adjustments to property, plant and equipment, inventory and intangible assets arising on acquisition is R$68,669.

The trade receivables comprise contractual gross amounts of R$11,756.

The goodwill of R$71,468 arising from the acquisition is attributable to the synergies expected to be achieved from integrating the entity into the Company's existing business and the expansion of the Company's business. The goodwill recognized is expected to be deductible for tax purposes when the subsidiary is merged into the parent in the future since the transaction was carried out in Brazil and approved by the Brazilian antitrust authority CADE. The acquisition report was filed with the Division of Corporations to claim a tax deduction on the amortization of goodwill arising from this transaction.

The fair value of the consideration transferred considers the following:

(i) Cash payment: R$40,000 paid to Sellers at the closing date ('Cash payment').

(ii) First installment deferred: R$31,900 will be paid to Sellers within 240 days of the closing date ('First installment deferred').

(iii) Second installment deferred: R$31,900 will be paid to Sellers within 360 days of the closing date ('Second installment deferred', and the Second installment deferred and the First installment deferred together are referred to as 'Deferred Installments').

(iv) If the actual gross revenue of the entity in May 2024 in relation to the last twelve months (that is, since June 2023) ('Calculation Period') reaches the forecasted amounts, Sellers will receive up to R$5,000, depending on the proportion and percentage actually reached.

(v) The Company's share capital was increased by R$66,513, with issue of 803,000 new registered, common shares without par value, which were subscribed by Vicenza's management on behalf of Vicenza's shareholders proportionate to their ownership interest in Vicenza, representing R$59,271; the positive difference of R$7,242 between the quoted price of the Company shares at the closing date and the issue price of the shares was set aside to create the capital reserve of the Company.

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

5. Business combination--Continued

5.2 Vicenza--Continued

The Company incurred acquisition-related costs of R$992. These costs have been included in 'administrative expenses'. Vicenza contributed net revenue of R$7,504 and profit of R$2,767 to the Company's results for the period between the acquisition date and June 30, 2023.

If the acquisition of Vicenza had been completed on the first day of the six-month period ended June 30, 2023, the Company's net revenue for the period would have been R$2,183,949 and the Company's profit for the period would have been R$169,158.

6. Cash and cash equivalents

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Cash and banks				
Cash on hand	**798**	2,049	**2,274**	3,225
Cash at banks	**4,164**	4,075	**64,517**	21,864
Cash equivalents				
Automatic investments	**2,843**	1,882	**6,675**	3,737
Total cash and cash equivalents	**7,805**	8,006	**73,466**	28,826

At June 30, 2023, the average interest rate for investments classified as cash equivalents is 12% of the interbank deposit rate (CDI) (December 31, 2022 – 5%). One hundred percent (100%) of these investments are automatic investments.

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

7. Cash investments

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Fixed-income securities (a)				
Certificates of bank deposit (CDB)	**34,119**	-	**34,130**	-
Exclusive investment fund				
Financial Treasury Bills (LFT)	**184,438**	76,079	**252,979**	213,464
Securities purchased under resale agreements	**96,935**	39,864	**132,862**	114,879
Private securities	**90,145**	19,228	**123,555**	55,412
CDB	**47,457**	43,033	**65,046**	63,853
Total cash investments	**453,094**	178,204	**608,572**	447,608

7. Cash investments--Continued

Exclusive investment fund

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

This investment fund is exclusive to the Company and its subsidiaries and was thus included in the consolidated financial statements in accordance with CVM Instruction 408/04.

As of June 30, 2023, the investment fund provides average interest of 104.52% of the interbank deposit rate (CDI) (December 31, 2022: 102.55%). The fund invests 44% of total assets in financial treasury bills (LFTs) (December 31, 2022: 51%), 23% in resale agreements (December 31, 2022: 28%), 11% in CDB (December 31, 2022: 8%), and 22% in private securities (December 31, 2022: 13%). Sixty-nine percent (69%) of these assets provide daily liquidity (December 31, 2022: 70%).

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

At June 30, 2023, the Company has not pledged any investment as collateral to financial institutions.

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

8. Trade receivables

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Domestic customers	**625,527**	611,849	**526,177**	564,373
Trade notes receivable	**480,286**	529,482	**526,177**	564,373
Trade notes receivable from related parties (Note 12a)	**145,241**	82,367	**-**	-
Foreign customers	**481**	220	**47,907**	66,633
Trade notes receivable	**481**	220	**47,907**	66,633
Others	**80,327**	139,069	**217,375**	246,105
Credit cards	**80,171**	138,913	**215,622**	245,348
Checks and other amounts	**156**	156	**1,753**	757
Total	**706,335**	751,138	**791,459**	877,111
(-) Loss allowance	**(6,825)**	(7,844)	**(7,383)**	(9,199)
Total trade receivables	**699,510**	743,294	**784,076**	867,912
Current	**678,291**	722,725	**781,486**	867,582
Non-current	**21,219**	20,569	**2,590**	330

Third-party credit cards – sales through credit card can be paid in a lump sum or in installments. The credit risk from these transactions is borne by the credit card companies.

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

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

Trade receivables from foreign customers by currency are as follows:

		Parent company		Consolidated	
		June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	USD	**481**	220	**47,656**	66,359
	EUR	**-**	-	**251**	274
Balance at the end of the period		**481**	220	**47,907**	66,633

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

8. Trade receivables--Continued

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

	Parent company		Consolidated	
	June 30, 2023	**December 31, 2022**	**June 30, 2023**	**December 31, 2022**
Balance at the beginning of the period	**(7,844)**	(8,844)	**(9,199)**	(11,306)
(Additions) reversals	**(3,612)**	(8,189)	**(3,836)**	(14,408)
Merger of subsidiary	**-**	(1,393)	**-**	-
Write-offs	**4,631**	10,582	**5,652**	16,515
Balance at the end of the period	**(6,825)**	(7,844)	**(7,383)**	(9,199)

The aging analysis of these trade receivables is as follows:

	Parent company		Consolidated	
	June 30, 2023	**December 31, 2022**	**June 30, 2023**	**December 31, 2022**
Current (not past due)	**671,707**	727,794	**743,989**	844,022
1-30 days past due	**8,996**	5,889	**11,729**	10,109
31-60 days past due	**6,573**	5,851	**10,655**	7,914
61-90 days past due	**3,919**	3,609	**6,334**	4,222
91-180 days past due	**7,069**	3,705	**8,986**	5,265
181-360 days past due	**6,019**	3,825	**7,150**	3,963
More than 360 days past due	**2,052**	465	**2,616**	1,616
	706,335	751,138	**791,459**	877,111

Delinquent accounts receivable can be a sign that the customer is in financial difficulty. The Company has been closely monitoring the performance of accounts receivable and the inventory of customers and has identified to date no risk of non-payment. Depending on the market reaction, we can consider an extension of payment terms for our customers and reassess the need to record an allowance for credit losses.

The Company assesses the risk of loss on outstanding accounts receivable on a periodic basis and recognized an additional loss allowance of R$3,836 for trade receivables for the six months ended June 30, 2023 (December 31, 2022: R$14,408). This allowance was included in 'selling expenses'.

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

9. Inventories

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Finished goods (i)	**408,035**	364,152	**658,196**	603,409
Raw materials (i)	**103,249**	106,479	**161,708**	133,166
Work in progress	**4,586**	1,312	**33,752**	27,380
Advances to suppliers	**31,152**	18,489	**33,988**	28,195
(-) Allowance for impairment	**(10,562)**	(12,176)	**(23,185)**	(20,090)
Total inventories	**536,460**	478,256	**864,459**	772,060

(i) Reclassification between the line items 'finished goods' and 'raw materials' 66,934 (December 31, 2022: 68,524) to improve presentation and disclosure in the explanatory note under CPC 26 *Presentation of Financial Statements*.

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

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Balance at the beginning of the period	**(12,176)**	(6,408)	**(20,090)**	(11,501)
(Additions) reversals	**(4,772)**	(8,330)	**(9,481)**	(15,572)
Realized	**6,386**	6,983	**6,386**	6,983
Merger of subsidiary	**-**	(4,421)	**-**	-
Balance at the end of the period	**(10,562)**	(12,176)	**(23,185)**	(20,090)

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

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

10. Taxes recoverable

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	**June 30, 2023**	December 31, 2022
Corporate income tax (IRPJ)	**19,442**	8,894	**20,866**	10,376
Social contribution on net income (CSLL)	**4,415**	3,228	**4,416**	3,302
State value-added tax on sales and services (ICMS)	**191,927**	146,051	**213,483**	168,334
Social integration program (PIS) and Social contribut	**4,479**	88,092	**19,338**	110,599
Excise tax (IPI)	**1,028**	-	**3,181**	2,482
Others	**3,644**	7,389	**11,139**	8,669
Total	**224,935**	253,654	**272,423**	303,762
Current	**220,456**	165,562	**256,991**	201,212
Non-current	**4,479**	88,092	**15,432**	102,550

11. Income tax and social contribution

a) Deferred taxes

	Parent company					
	June 30, 2023			December 31, 2022		
Tax triggering events	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**	**IRPJ base**	**CSLL base**	**IRPJ/CSLL**
Tax losses	**294,465**	**379,939**	**107,811**	254,615	321,115	92,554
Unrealized profit on inventories	**73,533**	**73,533**	**25,001**	52,419	52,419	17,822
Loss allowance for trade receivables	**8,450**	**8,450**	**2,873**	8,407	8,407	2,858
Provision for commissions	**19,339**	**19,339**	**6,575**	16,786	16,786	5,707
Provision for labor, tax and civil proceedings	**13,139**	**13,139**	**4,467**	11,727	11,727	3,987
Provision for inventory impairment	**10,562**	**10,562**	**3,591**	12,176	12,176	4,140
Lease liabilities (ii)	**9,697**	**9,697**	**3,297**	-	-	-
Other provisions	**11,944**	**11,944**	**4,060**	10,755	10,755	3,657
Deferred tax assets	**441,129**	**526,603**	**157,675**	366,885	433,385	130,725
Provision for tax credits (i)	**(3,334)**	**(3,334)**	**(1,132)**	(56,532)	(56,532)	(19,221)
Tax amortization of goodwill arising from acquisition of subsidiary	**(126,820)**	**(126,820)**	**(43,119)**	(81,868)	(81,868)	(27,835)
Deferred tax liabilities	**(130,154)**	**(130,154)**	**(44,251)**	(138,400)	(138,400)	(47,056)
Total	**310,975**	**396,449**	**113,424**	228,485	294,985	83,669

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

(ii) In the period ended March 31, 2023, the Company began to recognize deferred tax assets in relation to its lease liabilities, in accordance with amendments to CPC 32/IAS 12 effective from January 1, 2023. The recognized deferred tax assets as at March 31, 2023 were R$2,606 (Parent company) and R$4,716 (Consolidated).

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

11. Income tax and social contribution--Continued

a) Deferred taxes--Continued

Tax triggering events	IRPJ base	CSLL base	IRPJ/CSLL	IRPJ base	CSLL base	IRPJ/CSLL
Tax losses	**416,886**	**502,360**	**149,434**	361,681	428,181	128,957
Unrealized profit on inventories	**73,533**	**73,533**	**25,001**	52,419	52,419	17,822
Loss allowance for trade receivables	**8,652**	**8,652**	**2,942**	8,407	8,407	2,858
Provision for commissions	**19,339**	**19,339**	**6,575**	16,786	16,786	5,707
Provision for labor, tax and civil proceedings	**19,150**	**19,150**	**6,511**	17,776	17,776	6,044
Provision for inventory impairment	**12,219**	**12,219**	**4,154**	12,878	12,878	4,379
Lease liabilities (ii)	**17,059**	**17,059**	**5,800**	-	-	-
Provision for profit sharing	**913**	**913**	**310**	-	-	-
Other provisions	**16,010**	**16,010**	**5,443**	13,840	13,840	4,706
Deferred tax assets	**583,761**	**669,235**	**206,170**	483,787	550,287	170,473
Provision of tax credits (i)	**(3,334)**	**(3,334)**	**(1,131)**	(56,532)	(56,532)	(19,221)
Provision for exchange rate fluctuations	**(9,970)**	**(9,970)**	**(3,390)**	(7,310)	(7,310)	(2,485)
Gain on bargain purchase	**(1,194)**	**(1,194)**	**(407)**	(6,608)	(6,608)	(2,248)
Tax amortization of goodwill arising from acquisition of subsidiary	**(143,496)**	**(143,496)**	**(48,789)**	(90,206)	(90,206)	(30,670)
Sub total	**(157,994)**	**(157,994)**	**(53,717)**	(160,656)	(160,656)	(54,624)
Total	**425,767**	**511,241**	**152,453**	323,131	389,631	115,849
Deferred tax assets			**153,279**			119,270
Deferred tax liabilities			**(826)**			(3,421)

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

(ii) In the period ended March 31, 2023, the Company began to recognize deferred tax assets in relation to its lease liabilities, in accordance with amendments to CPC 32/IAS 12 effective from January 1, 2023. The recognized deferred tax assets as at March 31, 2023 were R$2,606 (Parent company) and R$4,716 (Consolidated).

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

11. Income tax and social contribution--Continued

a) Deferred taxes--Continued

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

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Opening balance	**83,669**	51,140	**115,849**	84,784
Deferred income tax presented in the statement of income	**29,755**	29,010	**36,604**	31,065
Merger of subsidiary	**-**	3,519	**-**	-
Balance at the end of the period	**113,424**	83,669	**152,453**	115,849
Deferred tax assets	**113,424**	83,669	**153,279**	119,270
Deferred tax liabilities	**-**	-	**(826)**	(3,421)

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

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

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
2023	**28,619**	36,354	**33,390**	36,450
2024	**44,047**	39,357	**54,629**	49,997
2025	**27,134**	26,450	**37,519**	51,312
2026	**25,306**	23,880	**35,329**	28,030
2027	**32,569**	4,684	**45,303**	4,684
Total deferred tax assets	**157,675**	130,725	**206,170**	170,473

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

11. Income tax and social contribution--Continued

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

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

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Profit before income tax and social contribution	**134,012**	212,903	**147,027**	257,012
Statutory tax rate	**34.0%**	34.0%	**34.0%**	34.0%
Income tax (IRPJ) and social contribution (CSLL) using the statutory tax rate	**(45,564)**	(72,387)	**(49,989)**	(87,384)
Share of profit of equity-accounted investees	**(489)**	23,121	**-**	
Tax-exempt income	**584**	-	**584**	-
Interest on capital	**32,027**	23,692	**32,027**	23,692
Unrecognized deferred tax assets relating to tax losses of subsidiaries	**-**	-	**(15,046)**	(14,655)
Government tax incentives (i)	**44,152**	33,585	**51,733**	40,100
Share-based payment expenses	**(3,067)**	(2,221)	**(3,067)**	(2,221)
Other permanent differences	**2,112**	(190)	**578**	562
Income tax and social contribution expense	**29,755**	5,600	**16,820**	(39,906)
Current	**-**	-	**(19,782)**	(50,740)
Deferred	**29,755**	5,600	**36,602**	10,834
Effective tax rate	**(22.20)%**	(2.63)%	**(11.44)%**	15.5%

(i) ICMS tax incentives considered to be investment subsidies under Complementary Law No. 160/2017. See Note 29 for details.

At June 30, 2023, the Company has R$ 15,046 (June 30, 2022: R$14,655) of unrecognized deferred tax assets in respect of tax losses of subsidiaries. The cumulative tax losses, which do not expire, are R$141,902.

11. Income tax and social contribution--Continued

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

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

I. Tax Debt Annulment Action No. 1015792-98.2017.4.01.3400 with the 4th Federal Court of the Federal District, to suspend and subsequently annul the debts claimed through notices of assessment subject of administrative proceeding No. 15504.725551/2013-17 (for alleged omissions of interest income from loan agreements with associates in calendar years 2008 and 2009; excess deduction of interest on capital payment expenses in calendar years 2008 and 2009, supposedly disproportionate to the equity interest, and allegedly undue tax amortization of goodwill paid on acquisition of the Company by BRICS on November 8, 2007), as well as for the Company to have the right to deduct goodwill amortization expense from, at least, the social contribution tax basis and to cancel fines for non-payment of amounts allegedly owed, pursuant to article 44, II, of Law No. 9,430/1996 (about 50%). The Company is awaiting an examination by an accounting expert with the aim of demonstrating that the transaction carried out at the time of the acquisition of the shares by BRICS showed significant economic vitality and business purpose. The likelihood of loss is considered possible, in the amount of approximately R$37,744 (December 31, 2022: R$34,630), and it is probable that the tax authorities will accept the tax treatment adopted by the Company.

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

12. Related parties

a) Balances and transactions with subsidiaries

	June 30, 2023						
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Accounts receivable	Accounts receivable	Loans to subsidiaries	Trade payables	Loans from subsidiaries	Sales	Purchases
Parent company							
ARZZ International INC	-	18,633	-	-	-	-	-
ZZAB Comércio de Calçados Ltda.	106,542	-	-	14,533	-	326,673	3,662
ZZSAP Indústria e Comércio de Calçados Ltda.	8,356	-	50,664	-	-	508	131,993
ZZEXP Comercial Exportadora S/A	9,442	-	-	-	-	1,806	-
TIFERET Comércio de Roupas Ltda	-	-	-	36	211,230	12	-
HG Ind.e Com.de Calçados Ltda	12	-	-	17,731	-	-	36,230
Guaraná Brasil Difusão de Moda Ltda.	2,256	-	3,189	-	-	-	-
Total - Parent company	126,608	18,633	53,853	32,300	211,230	328,999	171,885

	December 31, 2022					June 30, 2022	
	Current assets	Non-current assets		Current liabilities	Non-current liabilities	Transactions	
	Accounts receivable	Accounts receivable	Loans to subsidiaries	Trade payables	Loans from subsidiaries	Sales	Purchases
Parent company							
ARZZ International INC	-	20,242	-	-	-	-	-
ZZAB Comércio de Calçados Ltda.	52,246	-	-	18,013	-	248,302	2,143
ZZSAP Indústria e Comércio de Calçados Ltda.	852	-	94,439	14,004	-	4	107,586
ZZEXP Comercial Exportadora S/A	7,636	-	-	-	-	235	-
TIFERET Comércio de Roupas Ltda	-	-	-	-	51,508	-	-
HG Ind.e Com.de Calçados Ltda	10	-	-	17,094	-	-	-
Sunset Agenciamento e Int.S/A	-	-	120	-	-	-	-
Guaraná Brasil Difusão de Modas Ltda.	1,381	-	3,040	-	-	-	-
Total - Parent company	62,125	20,242	97,599	49,111	51,508	248,541	109,729

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

12. Related parties--Continued

b) Nature, terms and conditions of transactions with subsidiaries

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

As at June 30, 2023, loans granted to subsidiaries are R$53,853 (December 31, 2022: R$97,599) and loans from subsidiaries are R$211,230 (December 31, 2022: R$51,508) . The loans are subject to the CDI rate in effect at the date of signing the loan agreement.

The most common related-party transactions are:

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

c) Key management personnel compensation

Compensation of key management personnel includes salaries, fees, profit sharing and share-based payment. For the six months ended June 30, 2023, key management personnel compensation totaling R$7,183 (June 30, 2022: R$8,696) comprised the following:

	June 30, 2023	June 30, 2022
Annual fixed remuneration (salaries and fees)	**5,137**	4,363
Variable remuneration (bonus)	**-**	2,055
Share-based payments	**2,046**	2,278
Total compensation paid to key management personnel	**7,183**	8,696

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

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

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

12. Related parties--Continued

d) Transactions or relationships with shareholders

At June 30, 2023, certain Company officers and directors directly own a total interest of 41.9% in the Company (December 31, 2022: 43.7%).

e) Other related-party transactions

The Company has a service agreement with the firm Ethos Desenvolvimento S/C Ltda. owned by Mr. José Ernesto Beni Bolonha, a member of the Company's Board of Directors. In the period ended June 30, 2023, this firm received R$496 (December 31, 2022: R$601).

13. Equity-accounted investees

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

	June 30, 2023					
Subsidiaries	**Assets**	**Liabilities**	**Equity**	**Share capital**	**Net revenue**	**Profit (loss) for the period**
ARZZ International INC	280,147	407,512	(127,365)	262,401	146,722	(41,350)
ZZAB Comércio de Calçados Ltda.	963,199	339,633	623,566	168,516	499,943	32,875
ZZSAP Indústria e Comércio de Calçados Ltda.	146,077	101,314	44,763	22,822	154,509	(12,195)
ZZEXP Comercial Exportadora S/A	228,591	181,354	47,237	2,000	18,760	(8,015)
Tiferet Comércio de Roupas Ltda	397,385	194,214	203,171	64,441	86,659	23,849
ARZZ Itália	213,354	81,223	132,131	138,313	-	630
Calçados Vicenza Ltda	48,481	17,780	30,701	25,500	7,504	2,767

	December 31, 2022				June 30, 2022	
Subsidiaries	**Assets**	**Liabilities**	**Equity**	**Share capital**	**Net revenue**	**Profit (loss) for the period**
ARZZ International INC	249,873	345,157	(95,284)	262,401	181,502	(15,945)
ZZAB Comércio de Calçados Ltda	980,951	388,621	592,330	168,516	432,490	73,907
ZZSAP Indústria e Comércio de Calçados Ltda.	209,085	152,127	56,958	22,822	151,850	(1,176)
ZZEXP Comercial Exportadora S/A	225,623	170,373	55,250	2,000	110,675	11,555
Tiferet Comércio de Roupas Ltda	288,527	109,205	179,322	64,441	-	(121)
Troc.com.br Atividades de Internet S/A	-	-	-	-	92	(216)
Sunset Agenciamento e Int.S/A	1,128	1,833	(705)	150	-	-

Unrealized profit on inventories is presented in profit (loss) for the period of subsidiaries shown in the above table.

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

13. Equity-accounted investees--Continued

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

	Investments		Share of profit of equity-	
	June 30, 2023	December 31, 2022	June 30, 2023	June 30, 2022
ZZAB Comércio de Calçados Ltda.	**623,566**	592,330	**32,875**	73,907
ZZSAP Ind. E Com. De Calçados Ltda.	**44,763**	56,958	**(12,195)**	(1,176)
ZZEXP Comercial Exportadora S.A.	**47,237**	55,250	**(8,015)**	11,555
Tiferet Comércio de Roupas Ltda	**203,171**	179,322	**23,849**	(121)
TROC - Atividades de Internet S.A.	**-**	-	**-**	(216)
Sunset Agenciamento e Intermediação S.A.	**-**	(705)	**-**	-
ARZZ Itália	**132,131**	-	**630**	-
Calçados Vicenza Ltda	**30,701**	-	**2,767**	-
Goodwill arising from acquisition of subsidiary	**71,468**	40,168	**-**	-
Fair value adjustments arising on acquisition of subsidiai	**68,669**	1,487	**-**	-
Total investments in subsidiaries	**1,221,706**	924,810	**39,911**	83,949
ARZZ	**(127,365)**	(95,284)	**(41,350)**	(15,945)
Total	**1,094,341**	829,526	**(1,439)**	68,004

c) Movements in investments

	June 30, 2023	December 31, 2022
Balance at the beginning of the period, net of loss allowance	**829,526**	1,392,344
Capital contribution	**138,225**	30,151
Acquisition of subsidiary	**27,934**	1,578
Goodwill arising from acquisition of subsidiary	**71,468**	41,655
Fair value adjustments arising on acquisition of subsidiary	**68,669**	
Distribution of dividends	**-**	(8,037)
Transfer of goodwill arising from acquisition of subsidiary	**(40,168)**	(467,660)
Transfer of fair value adjustments arising on acquisition of subsidiary	**(1,487)**	(263,533)
Share of profit of equity-accounted investees	**(1,439)**	102,402
Write-off of investment due to merger of subsidiary VQV	**-**	(175,867)
Other comprehensive income	**908**	693
Investment arising from merger of subsidiary	**705**	175,800
Balance at the end of the period, net of loss allowance	**1,094,341**	829,526

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

14. Property, plant and equipment

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

Parent company	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Right-of-use assets	Key money	Total
Balance at December 31, 2021	11,737	9,552	6,066	26,048	6	16,624	-	70,033
Purchases	3,442	3,783	2,389	29,493	-	9,844	-	48,951
Merger of subsidiary	3,633	22,718	4,671	27,250	6	64,203	6,871	129,352
Depreciation	(2,389)	(2,450)	(1,750)	(5,509)	(1)	(13,186)	(856)	(26,141)
Disposals	-	-	-			(1,953)	-	(1,953)
Transfers	-	-	-			-	3,372	3,372
Balance at June 30, 2022	16,423	33,603	11,376	77,282	11	75,532	9,387	223,614
Balance at December 31, 2022	**20,891**	**35,837**	**13,330**	**107,658**	**246**	**144,430**	**9,090**	**331,482**
Purchases	**2,033**	**1,502**	**3,665**	**79,823**	**-**	**95,248**	**-**	**182,271**
Merger of subsidiary	**128**	**91**	**8**	**809**	**1,036**	**-**	**-**	**2,072**
Depreciation	**(3,375)**	**(3,299)**	**(1,940)**	**(7,761)**	**(217)**	**(25,160)**	**-**	**(41,752)**
Disposals	**(23)**	**(298)**	**-**	**(30)**	**-**	**(4,453)**	**-**	**(4,804)**
Transfers	**2,510**	**11,216**	**177**	**(65,940)**	**-**	**-**	**399**	**(51,638)**
Balance at June 30, 2023	**22,164**	**45,049**	**15,240**	**114,559**	**1,065**	**210,065**	**9,489**	**417,631**
Average depreciation rate	20%	10%	10%	10%	20%	20%	Indefinite to 20%	

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

14. Property, plant and equipment--Continued

Consolidated	Computers and peripherals	Furniture and fittings	Machinery and equipment	Facilities and showroom	Vehicles	Right-of-use assets	Key money	Total
Balance at December 31, 2021	18,028	48,884	20,273	94,895	96	221,692	-	403,868
Acquisition of subsidiary	347	777	(24)	225	-	-	-	1,325
Purchases	5,177	7,968	4,933	33,469	347	52,508	2,822	107,224
Depreciation	(2,989)	(4,542)	(2,699)	(9,723)	(24)	(32,763)	(1,877)	(54,617)
Disposals	(33)	(5)	-	(6)	-	(4,517)	-	(4,561)
Effect of movements in exchange rates	(49)	(362)	-	(572)	-	(6,329)	-	(7,312)
Transfers	-	-	-	-	-	-	42,949	42,949
Acquisition through business combination	-	-	3,599	-	-	-	-	3,599
Balance at June 30, 2022	20,481	52,720	26,082	118,288	419	230,591	43,894	492,475
Balance at December 31, 2022	**24,591**	**64,477**	**34,358**	**165,424**	**1,436**	**357,442**	**43,854**	**691,582**
Acquisition of subsidiary	**256**	**694**	**6,006**	**333**	**60**	**-**	**-**	**7,349**
Purchases	**3,864**	**11**	**10,739**	**48,903**	**82**	**185,999**	**-**	**260,546**
Depreciation	**(4,077)**	**(6,925)**	**(3,787)**	**(12,625)**	**(242)**	**(55,803)**	**-**	**(83,459)**
Disposals	**(128)**	**(379)**	**(851)**	**(139)**	**(82)**	**(8,908)**	**-**	**(10,487)**
Effect of movements in exchange rates	**(54)**	**(462)**	**(6)**	**(501)**	**-**	**(11,125)**	**-**	**(12,148)**
Transfers	**2,515**	**11,216**	**213**	**(65,946)**	**-**	**-**	**48,713**	**(3,288)**
Balance at June 30, 2023	**26,966**	**79,581**	**46,673**	**135,449**	**1,253**	**467,605**	**92,567**	**850,095**
Average depreciation rate	20%	10%	10%	10%	20%	20%	Indefinite to 20%	

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

15. Intangible assets

Details of the movement in intangible assets are as follows:

Parent company	Trademarks and patents	Key money	Customer relationships	Goodwill	Software licenses	Total
Balance at December 31, 2021	263,303	3,372	9,025	467,659	68,906	812,265
Acquisitions	143	-	-	-	38,837	38,980
Amortization	-	-	(384)	-	(12,316)	(12,700)
Merger of subsidiary	760	-	-	-	24,105	24,865
Transfer	-	(3,372)	-	-	-	(3,372)
Balance at June 30, 2022	264,206	-	8,641	467,659	119,532	860,038
Balance at December 31, 2022	263,208	-	11,738	467,659	150,621	893,226
Acquisitions	**87**	**530**	**-**	**-**	**813**	**1,430**
Amortization	**-**	**(783)**	**(384)**	**-**	**(17,625)**	**(18,792)**
Acquisition of subsidiary	**-**	**-**	**-**	**-**	**-**	**-**
Merger	**-**	**-**	**-**	**40,168**	**42,000**	**40,210**
Transfer	**-**	**253**	**-**	**-**	**51,385**	**51,638**
Balance at June 30, 2023	**263,295**	**-**	**11,354**	**507,827**	**185,236**	**967,712**
Average amortization rate	Indefinite	Indefinite	7%	Indefinite	20%	

Consolidated	Trademarks and patents	Key money	Key money - depreciation	Customer relationships	Goodwill	Others	Software licenses	Total
Balance at December 31, 2021	300,764	28,652	14,297	11,823	560,896	-	98,486	1,014,918
Acquisitions	-	-	-	143	-	-	41,980	42,123
Amortization	-	-	-	(384)	-	-	(13,245)	(13,629)
Acquisition of subsidiary	53,885	-	-	1,874	113,534	1,062	-	170,355
Acquisition of assets (plant)	-	-	-	-	16,024	-	-	16,024
Transfer	-	(28,652)	(14,297)	-	-	-	-	(42,949)
Effect of movements in exchange ra	-	-	-	(92)	-	-	(150)	(242)
Balance at June 30, 2022	354,649	-	-	13,364	690,454	1,062	127,071	1,186,600
Balance at December 31, 2022	354,466	-	-	13,658	737,656	1,062	156,570	1,263,412
Acquisitions	**87**	**49,061**	**-**	**-**	**-**	**-**	**1,827**	**50,975**
Amortization	**(1)**	**(783)**	**-**	**(782)**	**-**	**-**	**(18,851)**	**(20,417)**
Acquisition of subsidiary	**58,261**	**-**	**-**	**-**	**165,714**	**-**	**500**	**231,818**
Disposals	**(581)**	**-**	**-**	**-**	**-**	**-**	**(441)**	**(1,022)**
Transfer	**-**	**(48,278)**	**-**	**-**	**(37)**	**-**	**51,603**	**3,288**
Effect of movements in exchange ra	**141**	**-**	**-**	**-**	**-**	**-**	**(109)**	**(4,392)**
Balance at June 30, 2023	**412,373**	**-**	**-**	**20,219**	**898,909**	**1,062**	**191,099**	**1,523,662**
Average amortization rate	Indefinite	Indefinite	Finite	7%	Indefinite	Indefinite	20%	

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

16. Loans and borrowings

Loans and borrowings can be summarized as follows:

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Total in local currency	**8,542**	9,736	**114,727**	10,260
FINAME (a)	**-**	**-**	**103**	133
Working capital (b)	**8,542**	9,736	**8,542**	9,736
Working capital (c)	**-**	-	**210**	391
NCE (d)	**-**	-	**105,872**	-
Total in foreign currency	**672,252**	156,520	**913,298**	391,613
Working capital - Law No. 4,131 (e)	**672,252**	156,520	**672,252**	156,520
ACC (f)	**-**	-	**241,046**	235,093
Total loans and borrowings	**680,794**	166,256	**1,028,025**	401,873
Current	**295,291**	156,756	**642,492**	392,254
Non-current	**385,503**	9,500	**385,533**	9,619

At June 30, 2023, the maturities and interest rate and charges on outstanding loans are as follows:

a) Machine and equipment financing (FINAME): This facility is repayable in monthly installments until October 2024 and has an interest rate of 6.0% per annum.
b) Working capital: This loan is repayable until December 2026 and has an average interest rate based on the interbank deposit rate (CDI) + 1.80% per annum.
c) Working capital: This loan matures in September 2024 and has an average interest rate based on CDI + 7.25% per annum.
d) Export financing (NCE): This financing facility has an average interest rate based on CDI + 1.0% per annum and matures in January 2024.
e) Working capital – Law No. 4,131: This loan is denominated in U.S. dollar with a fixed interest rate of 6.32% per annum and a swap to BRL with CDI rate + 1.77% per annum at June 30, 2023. The loan matures in September 2024.
f) Advance on foreign exchange contract (ACC): This facility is denominated in U.S. dollar and has an average interest rate of 5.24% per annum plus the effect of movements in exchange rates. There are various agreements with maturities until May 2024.

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

16. Loans and borrowings--Continued

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

Parent company	**Facility 4131**	**Working capital**	**Total**
Balance at December 31, 2021	337,205	9,643	346,848
Merger of subsidiary	46,441	-	46,441
Payment of principal	(207,585)	-	(207,585)
Payment of interest	(15,387)	(1,104)	(16,491)
Accrued interest and effect of movements in exchange rates	(4,154)	1,197	(2,957)
Balance at December 31, 2022	**156,520**	**9,736**	**166,256**
Proceeds from loans and borrowings	**550,000**	**-**	**550,000**
Payment of principal	**-**	**(1,381)**	**(1,381)**
Payment of interest	**-**	**(154)**	**(154)**
Accrued interest and effect of movements in exchange rates	**(34,268)**	**341**	**(33,927)**
Balance at June 30, 2023	**672,252**	**8,542**	**680,794**

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

Consolidated	FINAME	NCE	ACC	Facility 4131	Working capital	Total
Balance at December 31, 2021	206	-	141,094	383,645	9,649	534,594
Proceeds from loans and borrowings	-	-	214,339	-	602	214,941
Acquisition of subsidiary	-	-	2,161	-	509	2,670
Payment of principal	(73)	-	(127,664)	(207,585)	(745)	(336,067)
Payment of interest	(10)	-	(2,365)	(15,387)	(1,105)	(18,867)
Accrued interest and effect of movements in exchange rates	10	-	7,528	(4,153)	1,217	4,602
Balance at December 31, 2022	**133**	-	**235,093**	**156,520**	**10,127**	**401,873**
Proceeds from loans and borrowings	**-**	**100,000**	**53,194**	**550,000**	**-**	**703,194**
Acquisition of subsidiary	**-**	**-**	**6,828**	**-**	**221**	**7,049**
Payment of principal	**(30)**	**-**	**(44,209)**	**-**	**(1,805)**	**(46,044)**
Payment of interest	**(3)**	**-**	**(1,830)**	**-**	**(154)**	**(1,987)**
Accrued interest and effect of movements in exchange rates	**3**	**5,872**	**(8,030)**	**(34,268)**	**363**	**(36,060)**
Balance at June 30, 2023	**103**	**105,872**	**241,046**	**672,252**	**8,752**	**1,028,025**

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

16. Loans and borrowings--Continued

The repayment schedule of outstanding loans is as follows:

	Parent company		Consolidated	
	June 30, 2023	**December 31, 2022**	**June 30, 2023**	**December 31, 2022**
2023	**153,455**	159,126	**153,738**	394,624
2024	**522,923**	2,714	**869,871**	2,833
2025	**2,714**	2,714	**2,714**	2,714
2026	**1,702**	1,702	**1,702**	1,702
Total outstanding loans and borrowings	**680,794**	166,256	**1,028,025**	401,873

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

Other guarantees and commitments

The Company has a technical and financial cooperation agreement with Banco do Nordeste do Brasil S/A (the 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 loans through a surety bond when contracted by store owners. At June 30, 2023, these loans amounted to R$124 (December 31, 2022: R$264).

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 loans. At June 30, 2023, the balance of loans guaranteed by the Company was R$380 (December 31, 2022: R$595).

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

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

17. Trade payables

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Domestic suppliers	**171,865**	210,307	**230,492**	280,733
Supply chain financing arrangement (i)	**226,673**	367,589	**244,639**	367,589
Trade payables due to related parties (Note 12.a)	**32,300**	49,111	**-**	-
Foreign suppliers	**8,412**	22,447	**8,258**	23,340
Total trade payables	**439,250**	649,454	**483,389**	671,662

(i) The Company partners with Banco Itaú Unibanco S.A. to offer its major suppliers the option to receive early payment for their outstanding invoices (supply chain financing arrangement). Under the arrangement, the bank pays suppliers early and then collects payment from the Company at a later date. There were no changes in the terms and other payment conditions originally agreed with suppliers and, therefore, the Company believes that the disclosure of amounts factored by suppliers within 'trade payables' is adequate.

18. Leases

At June 30, 2023, the Company assessed its portfolio of rental contracts for stores, offices, plants and distribution centers and identified 315 contracts that contain a lease. Of these 315 contracts, 93 qualify for the exemptions prescribed by the lease standard and 222 fall within the scope of the lease standard.

For contracts that fall in the scope of the lease standard, the Company recognized a right-of-use asset at an amount equal to the lease liability. The lease liability was recognized at the present value of the remaining lease payments, discounted using a market rate of interest varying from 1.8% to 2.5% in the United States of America and 3.6% to 16.5% in Brazil at June 30, 2023.

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

18. Leases--Continued

a) Right-of-use assets

	Parent company	Consolidated
Total right-of-use assets at December 31, 2021	**16,624**	**221,692**
Merger of subsidiary	64,203	-
Additions to right-of-use assets	9,844	52,508
Derecognition of right-of-use assets	(1,953)	(4,517)
Depreciation charge for the period	(13,186)	(32,763)
Effect of movements in exchange rates	-	(6,329)
Total right-of-use assets at June 30, 2022	**75,532**	**230,591**
Total right-of-use assets at December 31, 2022	**144,430**	**357,442**
Additions to right-of-use assets	**95,248**	**185,999**
Derecognition of right-of-use assets	**(4,453)**	**(8,908)**
Depreciation charge for the period	**(25,160)**	**(55,803)**
Effect of movements in exchange rates	**-**	**(11,125)**
Total right-of-use assets at June 30, 2023	**210,065**	**467,605**

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

18. Leases--Continued

b) Lease liabilities

	Parent company	Consolidated
Lease liabilities at December 31, 2021	**18,611**	**231,897**
Additions to lease liabilities	9,844	52,508
Merger of subsidiary	65,018	-
Effect of movements in exchange rates	-	(6,661)
Derecognition of lease liabilities	(1,994)	(4,575)
Payment of lease liabilities	(15,153)	(36,448)
Interest on lease liabilities	2,812	5,465
Lease liabilities at June 30, 2022	**79,138**	**242,186**
Lease liabilities at December 31, 2022	**149,132**	**374,537**
Additions to lease liabilities	**95,248**	**185,999**
Effect of movements in exchange rates	**-**	**(11,549)**
Derecognition of lease liabilities	**(4,651)**	**(9,464)**
Payment of lease liabilities	**(32,140)**	**(66,968)**
Interest on lease liabilities	**12,174**	**19,882**
Lease liabilities at June 30, 2023	**219,763**	**492,437**
Current	**38,645**	**97,480**
Non-current	**181,118**	**394,957**

c) Future commitments

The Company did not account for future lease payments at nominal value as future inflation forecasts are not permitted under IFRS 16. In compliance with CVM Circular 02/2019 and CPC 06 (R2)/IFRS 16, and to provide users of the financial statements with additional information, the following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments as of June 30, 2023:

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

	Cash flow (present value)		Gross contractual cash flow	
	Parent company	Consolidated	Parent company	Consolidated
2023	(20,469)	(50,323)	(32,044)	(69,503)
2024	(37,436)	(94,331)	(57,693)	(126,843)
2025	(36,295)	(90,986)	(52,875)	(116,205)
2026	(33,218)	(80,337)	(46,119)	(98,247)
After 2027	(92,345)	(176,460)	(126,163)	(216,804)
Total	**(219,763)**	**(492,437)**	**(314,894)**	**(627,602)**
Potential tax (PIS and COFINS) credits	(20,328)	(45,550)	(29,128)	(58,053)

19. Capital and reserves

19.1. Share capital

At June 30, 2023, the Company's capital consisted of 110,989 thousand common shares (December 31, 2022: 110,186 thousand common shares).

	Number of shares (thousands)	Share capital R$
Balance at December 31, 2021	**99,631**	**811,284**
Subscription of new shares	10,125	833,794
Acquisition of shares	372	24,957
New share issue	58	1,681
Balance at December 31, 2022	**110,186**	**1,671,716**
New share issue (a)	803	**66,513**
Balance at June 30, 2023	**110,989**	**1,738,229**

a) On May 29, 2023, the Company's share capital was increased by R$66,513 through the issue of 803,000 new common shares upon the business combination with Calçados Vicenza Ltda (Vicenza).

19.2. Treasury shares

As at June 30, 2023, the balance of treasury shares is R$9,250 (December 31, 2022 – R$46), consisting of 140,000 common shares at an average acquisition cost of R$65.86.

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

20. Dividends and interest on capital paid and proposed

20.1. Dividends

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

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

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

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

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

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

On June 26, 2023, the Board of Directors of the Company approved the payment of R$94,195 of interest on capital. The interest on capital will be paid out in a lump sum on September 1, 2023, with no interest charged on it.

21. Earnings per share

In compliance with CPC 41/ IAS 33, the Company presents below earnings per share information for the six months ended June 30, 2023 and 2022.

a) Basic earnings per share

	June 30, 2023	**June 30, 2022**
Profit for the period	**163,766**	217,106
Weighted average number of common shares outstanding	**110,188**	108,300
Basic earnings per share - R$	**1.4862**	2.0047

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

b) Diluted earnings per share

	June 30, 2023	June 30, 2022
Profit for the period	**163,766**	217,106
Weighted average number of common shares (basic)	**110,188**	108,300
Adjustment for share options	**2,935**	1,980
Weighted average number of common shares (diluted)	**113,123**	110,280
Diluted earnings per share - R$	**1.4477**	1.9687

22. Net operating revenue

The breakdown of net sales revenue is as follows:

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Gross sales revenue	**2,029,669**	1,565,633	**2,702,967**	2,207,270
Domestic market	**2,029,179**	1,565,294	**2,444,352**	1,952,881
Foreign market	**490**	339	**258,615**	254,389
Sales returns	**(127,653)**	(74,738)	**(231,759)**	(173,777)
Discounts and rebates	**(3,516)**	(1,517)	**(3,524)**	(1,517)
Taxes on sales	**(239,627)**	(184,699)	**(311,371)**	(247,648)
Net sales revenue	**1,658,873**	1,304,679	**2,156,313**	1,784,328

23. Segment information

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

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

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

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

23. Segment information--Continued

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

Brand	June 30, 2023	June 30, 2022
Gross revenue	**2,702,967**	2,207,270
Domestic market	**2,444,352**	1,952,881
Arezzo	**723,893**	619,194
AR&CO (i)	**619,762**	448,123
Schutz	**396,179**	360,020
Anacapri	**189,147**	150,295
Others (ii)	**515,371**	375,249
Foreign market	**258,615**	254,389

Sales channel	June 30, 2023	June 30, 2022
Gross revenue	**2,702,967**	2,207,270
Domestic market	**2,444,352**	1,952,881
Multi-brand stores	**677,789**	518,835
Franchise stores	**605,095**	510,102
Company-owned store	**578,915**	460,627
E-commerce	**574,767**	461,303
Others	**7,786**	2,014
Foreign market	**258,615**	254,389

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

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

24. Expenses by nature

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

	Parent company		Consolidated	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Expenses by function				
Cost of sales	**(879,375)**	(714,504)	**(1,004,976)**	(806,981)
Selling expenses	**(452,283)**	(346,506)	**(748,832)**	(622,696)
General and administrative expenses	**(142,630)**	(131,641)	**(171,301)**	(147,218)
Other operating income	**9,238**	48,605	**14,981**	83,842
Other operating expenses	**(9,170)**	(7,175)	**(15,896)**	(7,201)
	(1,474,220)	(1,151,221)	**(1,926,024)**	(1,500,254)
Expenses by nature				
Depreciation and amortization	**(60,544)**	(38,841)	**(103,876)**	(68,246)
Employee benefits expenses	**(223,642)**	(178,285)	**(304,159)**	(241,330)
Raw materials and consumables (iii)	**(889,547)**	(721,101)	**(1,017,301)**	(815,833)
Freight	**(45,703)**	(28,361)	**(77,336)**	(59,543)
Store occupancy expenses (i)	**(19,063)**	(14,766)	**(38,976)**	(36,153)
Advertising costs	**(104,929)**	(81,995)	**(188,937)**	(160,198)
Utilities and services (iii)	**(136,919)**	(123,300)	**(196,871)**	(189,319)
Tax credits - net (ii)	**(2,234)**	41,761	**645**	65,382
Other operating income	**9,236**	6,842	**11,323**	18,462
Other operating expenses	**(875)**	(13,175)	**(10,536)**	(13,476)
	(1,474,220)	(1,151,221)	**(1,926,024)**	(1,500,254)

(i) Includes rental, condominium fee, property tax (IPTU) and advertising fund.
(ii) Refers to income, net of tax credit-related expenses.
(iii) To improve presentation and disclosure of expenses by nature, we made a review and identified the need to reclassify expenses between the income statement line items 'utilities and services' and 'raw materials and consumables' under CPC 26 *Presentation of Financial Statements.*

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

25. Financial risk management objectives and policies

a) Fair value

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

	Consolidated			
	June 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	**73,466**		28,826	
Cash investments	**608,572**	**608,572**	447,608	447,608
Derivative financial assets	**80,736**	**80,736**		
Trade receivables	**784,076**		867,912	
Liabilities				
Loans and borrowings	**1,028,025**		401,873	
Trade payables	**483,389**		671,662	
Derivative financial liabilities	**152,888**	**152,888**	1,773	1,773
Lease liabilities	**492,437**		374,537	
Payables for acquisition of subsidiary	**120,648**		126,759	

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

Fair value hierarchy

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

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

Level 2: other inputs that are observable for the asset or liability, either directly or indirectly;

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

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

25. Financial risk management objectives and policies--Continued

a) Fair value--Continued

At June 30, 2023, the consolidated financial assets and financial liabilities of the Company are classified in the following measurement categories:

	As at fair value through profit or loss	As at amortized cost
Assets		
Cash and cash equivalents	-	73,466
Cash investments	608,572	-
Derivative financial assets	80,736	-
Trade receivables	-	784,076
Liabilities		
Loans and borrowings	-	1,028,025
Trade payables	-	483,389
Lease liabilities	-	492,437
Payables for acquisition of subsidiary	-	120,648
Derivative financial liabilities	152,888	-

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

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

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

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

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

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

25. Financial risk management objectives and policies--Continued

b) Currency risk

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

At June 30, 2023 and December 31, 2022, the net exposure to changes in USD rate is as follows:

	Consolidated	
	June 30, 2023	**December 31, 2022**
Accounts receivable in foreign currency (i)	**4,969**	21,124
Loans and borrowings in foreign currency	**(913,298)**	(391,613)
Trade payables in foreign currency	**(8,258)**	(23,340)
Net exposure	**(916,587)**	(23,340)

(i) Excludes accounts receivable from unrelated parties.

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of foreign currency-denominated accounts receivable and accounts payable and loans to changes in the exchange rates at June 30, 2023.

The table below provides three scenarios, with the base-case scenario being adopted by the Company. The base-case scenario for 2023 was based on the US dollar's value at June 30, 2023. A set of increments was considered as +25% and +50% with respect to the assumed values in the base-case scenario.

	Currency	**Base-case scenario**	**Scenario A**	**Scenario B**
Accounts receivable in foreign currency		4,969	6,211	7,453
Loans and borrowings in foreign currency	BRL	(913,298)	(1,141,623)	(1,369,947)
Trade payables in foreign currency	BRL	(8,258)	(10,326)	(12,382)
Effect on profit before tax	BRL		**(229,151)**	**(458,289)**
USD rate				
USD rate		**5.26**	**6.58**	**7.89**

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

25. Financial risk management objectives and policies--Continued

c) Interest rate risk

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

At June 30, 2023, the interest rate profile of the Company's interest-bearing loans and borrowings is as follows:

	June 30, 2023	%
Fixed interest rate	241,149	23.0
Interest rate based on CDI	786,876	77.0
	1,028,025	**100.0**

A sensitivity analysis was performed with three different scenarios to demonstrate the sensitivity of borrowings to changes in interest rates at June 30, 2023.

The table below provides three scenarios, with the base-case scenario being adopted by the Company. The base-case scenario for 2023 was based on the CDI rate at June 30, 2023. A set of increments was considered as +25% and +50% with respect to the assumed values in the base-case scenario.

For each scenario, gross interest expense was calculated, disregarding taxes and the maturities of each agreement. The sensitivity analysis relates to the balance of borrowings at June 30, 2023, projecting the interest rates for one year.

	Base-case scenario	Scenario A	Scenario B
Increase in interest expense			
Borrowings with interest rate based on CDI	107,409	134,261	161,112
	107,409	**134,261**	**161,112**
Increase in interest rate for financial liabilities		25%	50%
CDI	13.65%	17.06%	20.48%

d) Credit risk

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

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

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

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

25. Financial risk management objectives and policies--Continued

d) Credit risk--Continued

No single customer accounts for more than 5.0% of the Company's total accounts receivable at June 30, 2023 and December 31, 2022.

Management monitors its exposure to credit risk from trade receivables on a regular basis and recognizes impairment losses in the statement of income when there is evidence of impairment. The Company's review includes outstanding receivables, customer payment history, collateral and renegotiations. The amounts recorded as actual losses or loss allowance represent uncollectible accounts or receivables with low chance of recovery.

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

e) Liquidity risk

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

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

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

	Projection including future interest		
	Less than one year	**One to five years**	**Total**
Loans and borrowings	669,076	395,641	**1,064,717**
Trade payables	483,389	-	**483,389**
Lease liabilities	133,819	493,783	**627,602**

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

25. Financial risk management objectives and policies--Continued

f) Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, take new borrowings, issue debentures, issue promissory notes and enter into derivative transactions. No changes were made in the objectives, policies or processes for managing capital during the interim period ended June 30, 2023 and the year ended December 31, 2022.

The Company's net debt to equity ratio at June 30, 2023 and December 31, 2022 was as follows:

	Consolidated	
	June 30, 2023	**December 31, 2022**
Loans and borrowings	**(1,028,025)**	(401,873)
Cash and cash equivalents	**73,466**	28,826
Cash investments	**608,572**	447,608
Net (debt) cash	**(345,987)**	74,561
Total equity attributable to owners of the Parent	**2,783,100**	2,653,792
Net debt to equity ratio	**(12.40)%**	-

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

26. Net finance costs

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Finance income				
Interest income on cash investments	**16,170**	18,560	**27,827**	27,891
Interest income	**3,961**	2,456	**3,997**	2,459
Inflation adjustment	**1,828**	4,094	**1,978**	4,155
Other finance income	**5,522**	775	**1,135**	257
	27,481	25,885	**34,937**	34,762
Finance costs				
Interest on borrowings	**(21,722)**	(6,097)	**(45,490)**	(14,783)
Bank charges	**(4,784)**	(5,366)	**(6,072)**	(5,992)
Notary public fees	**(1,454)**	(1,362)	**(1,470)**	(1,366)
Interest on lease liabilities	**(12,174)**	(2,812)	**(19,882)**	(5,465)
Interest on loans from related parties	**(7,233)**	(2,054)	**-**	-
Discounts granted	**(243)**	(188)	**(358)**	(335)
Credit card administration fee	**(6,784)**	(2,660)	**(22,408)**	(14,905)
Other finance costs	**(2,050)**	(1,226)	**(4,704)**	(3,214)
	(56,444)	(21,765)	**(100,384)**	(46,060)
Net foreign exchange loss				
Foreign exchange losses	**(70,687)**	(20,351)	**(61,189)**	(16,826)
Foreign exchange gains	**50,446**	7,672	**43,371**	1,062
	(20,241)	(12,679)	**(17,818)**	(15,764)
Net finance costs recognized in profit or loss	**(49,204)**	(8,559)	**(83,265)**	(27,062)

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

27. Other operating income and expenses

	Parent company		Consolidated	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Other operating income	**9,238**	48,612	**14,981**	83,850
Franchise fee	**618**	334	**618**	334
Reimbursement of return expenses	**1,162**	899	**1,162**	899
Tax credits (i)	**-**	41,761	**3,776**	65,382
Recovery of expenses	**4,778**	3,512	**5,426**	3,702
Gain on sale of property, plant and equipment and intangible assets	**-**	-	**406**	-
Miscellaneous income	**2,680**	2,106	**3,593**	13,533
Other operating expenses	**(9,170)**	(7,182)	**(15,896)**	(7,209)
Share options and restricted stock plans	**(9,019)**	(7,064)	**(9,019)**	(7,064)
Loss on sale of property, plant and equipment and intangible assets	**(151)**	(107)	**(620)**	(134)
Miscellaneous expenses (ii)	**-**	(11)	**(6,257)**	(11)
Total	**68**	41,430	**(915)**	76,641

(i) Tax credits recognized in the period ended June 30, 2023 refer to ICMS on sales and services, and tax credits recognized in the period ended June 30, 2022 refer to PIS and COFINS in respect of expenses that are essential to the Company's activities.

(ii) Partial reversal of the gain on bargain purchase recognized in the period ended June 30, 2023, after finalization of the acquisition of subsidiary HG Industria e Comércio de Calçados Ltda.

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

28. Share-based payment arrangements

28.1 Restricted stock plan

	First grant 2017	Second grant 2018	Third grant 2019	Fourth grant 2021	Fifth grant 2022
Balance at December 31, 2019	398,641	80,960	26,606	-	-
Exercised	(99,660)	(8,995)	(2,661)	-	-
Written off	(52,799)	-	-	-	-
Balance at December 31, 2020	**246,182**	**71,965**	**23,945**	-	-
Granted	-	-	-	45,492	-
Exercised	(123,091)	(17,992)	(2,661)	-	-
Written off	-	(8,205)	-	-	-
Balance at December 31, 2021	**123,091**	**45,768**	**21,284**	**45,492**	-
Granted	-	-	-	-	66,937
Exercised	(123,091)	(45,768)	(5,321)	(4,402)	-
Written off	-	-	-	(1,471)	-
Balance at December 31, 2022	-	-	**15,963**	**39,619**	**66,937**
Exercised	-	-	-	-	(227)
Written off	-	-	-	(4,700)	(4,320)
Balance at June 30, 2023	-	-	**15,963**	**34,919**	**62,390**

In compliance with IFRS 2/CPC 10, the Company determined the fair value of the shares. In the interim period ended June 30, 2023, the Company incurred R$886 (June 30, 2022 – R$669) of restricted stock plan expense, which was charged to profit or loss against the capital reserve account in equity.

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

28. Share-based payment arrangements--Continued

28.2 Share options

Maximum number of shares	First grant	Second grant
Vesting schedule from the date of grant	2021	2022
Balance at December 31, 2022	1,818,892	965,272
Within 30 days from grant date	39,805	17,551
From the first anniversary	184,790	96,527
From the second anniversary	184,790	96,527
From the third anniversary	369,580	193,054
From the fourth anniversary	1,108,742	579,164
Total share options granted	1,887,707	982,823
Written off	(29,010)	-
Exercised	(39,805)	(17,551)
Balance at June 30, 2023	**1,818,892**	**965,272**

In compliance with IFRS 2/CPC 10, the Company determined the fair value of the share options, based on the vesting schedule. In the interim period ended June 30, 2023, the Company incurred R$8,133 (June 30, 2022 – R$6,365) of share option plan expense, which was charged to profit or loss against the capital reserve account in equity. The fair value of the share options in 2021 and 2022 has been measured using the Black-Scholes formula for Lot I and the binomial model for Lot II.

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

29. Government tax incentives

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

In the period ended June 30, 2023, the Company received R$152,154 (June 30, 2022 – R$117,940) of ICMS tax incentives, which were classified in net revenue, as follows:

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
ICMS tax incentives - State of Espirito Santo (a)	**52,369**	46,606	**72,023**	65,264
ICMS tax incentives - State of Rio de Janeiro (b)	**77,489**	52,173	**77,489**	52,173
ICMS tax incentives - State of Bahia (c)	**-**	-	**2,642**	503
Total	**129,858**	98,779	**152,154**	117,940

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

b) The State of Rio de Janeiro, through Law No. 6,331 of October 10, 2012, granted ICMS tax benefits to manufacturers of textile products, fabrics, garments, apparel accessories and notions.

c) The State of Bahia, through Law No. 7,025 of January 24, 1997 regulated by Decree No. 6,734 of September 9, 1997, granted ICMS tax incentives to footwear manufacturing plants established in the State of Bahia.

KPMG Auditores Independentes Ltda.
Avenida Carlos Gomes, 258 - 6º andar, salas 601 a 606 - Boa Vista
90480-000 - Porto Alegre/RS - Brasil
Caixa Postal 18511 - CEP 90480-000 - Porto Alegre/RS - Brasil
Telefone +55 (51) 3327-0200
kpmg.com.br

Report on the review of Quarterly Information Form - ITR

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

Introduction
We have reviewed the accompanying parent company and consolidated interim financial information of Arezzo Indústria e Comércio S.A. ("Company"), included in the Quarterly Information Form – ITR, for the quarter ended June 30, 2023, which comprises the balance sheet as of June 30, 2023, and related statements of income and comprehensive income for the three and six months periods then ended and changes in equity and cash flows for the six month period then ended, including the explanatory notes.

Management is responsible for the preparation of the parent company and consolidated interim financial information in accordance with Technical Pronouncement *CPC 21 (R1) – Demonstração Intermediária* and 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 accordance with the standards issued by the *Comissão de Valores Mobiliários - CVM*, applicable to the preparation of the Quarterly Information Form – ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review
Our review was carried out in accordance with the Brazilian and international standards on review engagements of interim financial information (*NBC TR 2410 – Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and, consequently, does not enable us to obtain assurance that we became aware of all the significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion on the parent company and consolidated interim financial information
Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim financial information included in the Quarterly Information Form – ITR referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by IASB, applicable to the preparation of Quarterly Information Form - ITR, and presented in accordance with the standards issued by the *Comissão de Valores Mobiliários - CVM*.

Other matters - Statements of value added
The interim financial information above includes the statements of value added, parent company and consolidated, for the three-month period ended June 30, 2023, prepared under the responsibility of Company's management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures together with the review of the Quarterly Information Form - ITR, with the objective of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement *CPC 09 – Demonstração do Valor Adicionado (DVA)*. Based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in accordance with the criteria defined in this Pronouncement and consistent with the parent company and consolidated interim financial information taken as a whole.

Porto Alegre, August 07, 2023

KPMG Auditores Independentes Ltda.
CRC SP014428/F-7

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

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